



EFSI Operation Scoreboard¹

<u>PROJECT PRESENTATION</u>	
<u>Project name</u>	TAURON HYBRID BOND NETWORK CAPEX 2018-2022
<u>Promoter or financial intermediary</u>	TAURON POLSKA ENERGIA SA
<u>Country of implementation</u>	Poland
<u>Summary project description</u>	<p>The project is an investment Programme comprising schemes for the reinforcement and modernization of the promoter's distribution networks in Southern and South-Western Poland. The Programme encompasses a large number of high voltage, medium voltage and low voltage electricity distribution schemes, including approx. 4,500 km of new overhead lines and underground cables as well as automation components.</p> <p>The overall purpose of the Programme is to modernise the electricity distribution network in order to improve or maintain the reliability and quality of electricity supply, cater for new system users (including renewable generators and charging stations for electric vehicles) and improve the overall operational efficiency of the distribution system.</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision. Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under the articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	100.00%
Climate Action	3.75%
EFSI	
Contribution to EFSI	100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	100.00%
Development and modernization of energy infrastructure (in particular interconnections, smart grids at distribution level, energy storage and synchronisation of networks)	100.00%

Pillar 2

Quality and soundness of the project	Excellent
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of four indicators which include:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect.

Pillar 3

EIB Technical and financial contribution to the project	Significant
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor),
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments,
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer – provided in-house by the EIB or in the form of assignments to external consultants – to facilitate the preparation or implementation of a project.

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 – Complementary indicators

Additionality

In line with the EFSI objective of developing the energy sector in accordance with the Energy Union priorities, the operation supports the development and modernisation of energy infrastructure in Poland. At the same time, as the investment shall be located in regions eligible under the EU Cohesion Policy, the operation also contributes to the Union priorities on convergence and social cohesion. The project will also contribute to climate action objectives by leading to reductions in the use of polluting fuels at end-user premises or at the central system level, and in the transport sector, by means of connecting charging stations, critical for the uptake of electric vehicles. The investment will also contribute to address the investment gap in electricity grids identified by the European Commission in the gap analysis of the CAPEX needed to deliver the 2030 target on greenhouse gases.

Thanks to EFSI, through this operation the EIB can continue its support to Tauron, the leading electricity distributor and supplier in Poland, via a hybrid bond, which is an innovative alternative financing instrument. This structure alleviates the pressure of debt-financed investments on the balance sheet and credit metrics, thereby accelerating the implementation of the planned CAPEX program for 2018-2022. The instrument does not require capital repayment until the end of the non-callable period, fitting better the business model of utilities, whose regulated revenues accrue only once the assets are operational and are included in the regulated asset base (RAB). At the same time, this operation supports the development of the hybrid bond market, building upon the success of the first pilot operation with Tauron in 2016, also possible only thanks to EFSI. This was the first-ever corporate hybrid in Poland, and as such, it had an instrumental role in the development of the Polish financial market.

The operation addresses clear market failures in the sector and a sub-optimal supply of public goods caused by the limited availability of flexible financing alternatives that would allow preserving credit metrics and cash positions during the CAPEX implementation period, when debt levels normally peak. Thanks to EFSI, this operation thus allows Tauron to accelerate the roll-out of its CAPEX program, which is part of the larger program of all energy utilities in Poland to extend and refurbish the national grid until 2023. Tauron's distribution grid constitutes 25% of distribution network in Poland, covering more than 18% of Poland's territory.

The operation is expected to fall under the Special Activity category, taking into account the deeply subordinated structure of EIB's position, possible only thanks to EFSI support. It also catalyses the involvement of Poland's National Promotional Bank, Bank Gospodarstwa Krajowego (BGK), which has opened a hybrid line to Tauron. Thanks to EFSI, the EIB support crowds in also private financiers, who take comfort in the EIB's deeply subordinated position and continue supporting Tauron in its efforts to raise debt for the CAPEX program.

Set of indicators related to the macroeconomic environment

Poland - Economic environment

Economic Performance

	PL 2016	EU 2016	US 2016	PL 2001-2007
GDP per capita (EUR, PPS)	20,365	29,440	42,615	14,639
GDP growth (%)	2.7	1.9	1.6	4.1
Potential GDP growth (%)	2.7	1.3	2.1	3.8
Output gap (% of potential GDP)	-0.29	-0.75	-0.03	-1.9
Unemployment Rate (%)	5.5	8.2	4.7	16.4
Unemployment Rate (%) - Y/Y change (% points)	-1.4	-0.8	-0.3	-1.2
Bank-interest rates to non-financial corporations (%)	3.7	1.4	1.8	6.3
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.05	-0.21	-1.4	0.47
Investment rate (GFCF as % of GDP) - Total	18.1	19.7	19.6	19.6
Investment rate (GFCF as % of GDP) - Public	3.3	2.7	3.4	3.3
Investment rate (GFCF as % of GDP) - Private	14.7	17.0	16.2	16.3

Energy

	2013	2014	2015	2016	EU (latest available)
Energy consumption from renewables (%)	11.4	11.5	11.8	--	16.7
Energy consumption from renewables - distance to EU 2020 target (%)	3.6	3.5	3.2	--	3.3
Energy dependence (%)	25.6	28.6	--	--	53.5
Primary energy consumption (consumption in 2005 =100)	106.1	101.7	102.7	--	89.3
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	294.2	--	--	--	141.7
Primary energy consumption (Million Tonnes of Oil Equivalent)	93.0	89.2	90.0	--	1,530
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-3.4	-7.2	-8.4	--	46.6

General Sector Indicators

	2013	2014	2015	2016	EU (latest available)
Value added in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	2.0
Employment in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	0.6

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms
- EU value for "Bank-interest rates to non-financial corporations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007
- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics

	Expected at PCR
Start of works	01.01.2018
End of works	31.12.2022
Project investment cost	397.19 MEUR
EIB/EFSI eligible investment mobilised	397.19 MEUR
External EFSI multiplier	2.28
External EIB (non-EFSI) multiplier	
Amount of private financing	223.22 MEUR
Quick start (% of expenditure during 2015-2018)	4.00 %
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	2.50% Mitigation - Renewable Energy (transversal) / 1.25% Mitigation - Transport (transversal)
Employment during construction - temporary jobs	4,700 person years
Employment during operation - new permanent jobs	0 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report.