

TAURON Group's FY 2022 Financial Results

March 30, 2023



Key FY 2022 data

Financial results		
[PLN m]		2022 vs 2021
Sales revenue*	37 341	46%
EBITDA	4 016	(3)%
Net profit**	(134)	-
CAPEX	3 962	35%
Net debt/EBITDA	2.9x	up by 0.5x (vs 31.12.2021)

Operating data		
		2022 vs 2021
Electricity distribution [TWh]	53.68	(1)%
Electricity production from RES [TWh]	1.57	(9)%
Electricity production by hard coal-fired units [TWh]	13.90	0,1%
Heat generation [PJ]	10.58	(12)%
Retail electricity supply [TWh]	31.14	(7)%
Commercial coal production [ton m]	5.01	(3)%

* from continued and discontinued operations

** attributable to the shareholders of the parent company

Key Q4 2022 data

Financial results		
[PLN m]	Q4 2022 vs Q4 2021	
Sales revenue*	10 532	36%
EBITDA	1 170	163%
Net profit*	(529)	(344)%
CAPEX	1 363	41%
Net debt/EBITDA	2.9x	up by 0.5x (vs 31.12.2021)

Operating data		
	Q4 2022 vs Q4 2021	
Electricity distribution [TWh]	13.38	(4)%
Electricity production from RES [TWh]	0.36	(25)%
Electricity production by hard coal-fired units [TWh]	4.00	7%
Heat generation [PJ]	3.63	(9)%
Retail electricity supply [TWh]	8.06	(9)%
Commercial coal production [ton m]	1.60	10%

* from continued and discontinued operations

** attributable to shareholders of the parent company



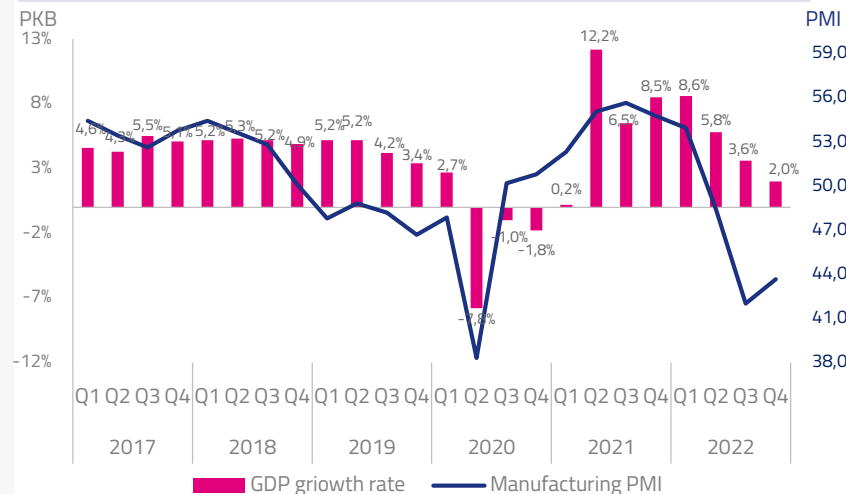
2022 Highlights

18 January	Completion of the second stage of wind farm construction in Choszczno with 8 MW capacity. The farm's total capacity is 14 MW
20 April	Letter of intent signed with KGHM with respect to cooperation in the field of Small Modular Reactor (SMR) power generation technology
9 June	Acquisition of a special purpose vehicle (SPV) with the rights to approx. 60 MW Mierzyn wind farm construction project
22 June	Adoption of TAURON Group's 2020-2030 Strategy with an outlook until 2050
14 July	Commencement of works on the construction of the photovoltaic farm in Mysłówice, with target capacity of approx. 100 MW
15 July	Signing of a PLN 4 billion syndicated loan agreement to finance RES investment projects, refinance the Group's debt and finance general corporate expenses
29 September	Commissioning of the 6 MW Majewo wind farm
30 September	Commissioning of the 30 MW Piotrków wind farm
3 October	Acquisition of a special purpose vehicle (SPV) with the rights to 20 MW Nowa Brzeźnica wind farm construction project
12 October	Fitch Ratings agency affirms TAURON's long-term domestic and foreign currency ratings at "BBB-" with stable outlook
13 October	Acquisition of a special purpose vehicle (SPV) with the rights to approx. 46 MW Proszówek photovoltaic farm construction project
21 October	Conclusion of a conditional agreement with the Ministry of State Assets for the sale of 100 percent of shares in TAURON Wydobycie, which includes Sobieski, Janina and Brzeszcze coal mines
5 December	Acquisition of a special purpose vehicle (SPV) with the rights to 30 MW Warblewo wind farm construction project
7 December	Acquisition of a special purpose vehicle (SPV) with the rights to 33 MW Gamów wind farm construction project
31 December	Transfer of ownership of 100 percent of shares of TAURON Wydobycie S.A. to the State Treasury

Macroeconomic and market situation

- Strong slowdown in the economy in 2022, reflecting earlier declines in the PMI index
- A decline in the production by hard coal-fired power plants due to high coal prices and low inventory levels, a large number of overhauls and shutdowns due to the operational conditions. This decline was partially offset by increased production by lignite-fired power plants
- Increase of the share of RES sources in the NPS balance due to a substantial rise in the installed capacity of the photovoltaic installations
- Decrease of the share of gas-fired sources due to a decline in the profitability of electricity production caused by a surge in natural gas prices

Change of Poland's GDP growth rate* and manufacturing PMI (quarterly average)**



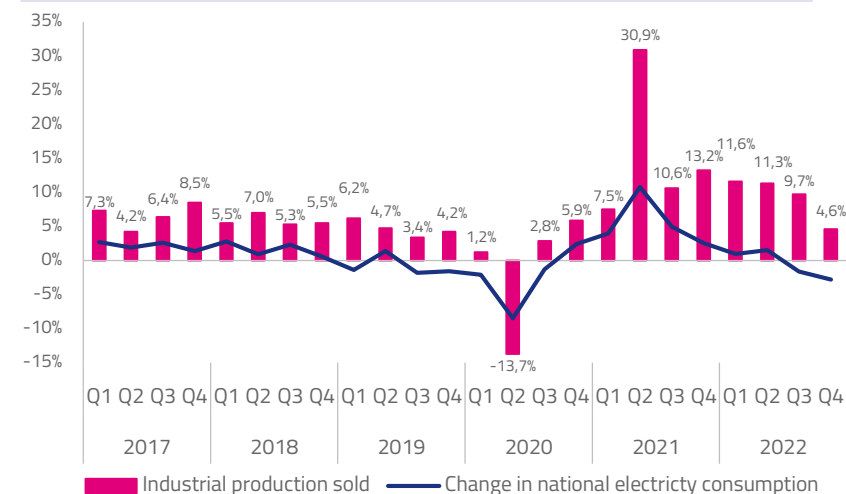
Source: * Statistics Poland data for 2017-2022, ** Investing.com

CO2 emission allowances price performance



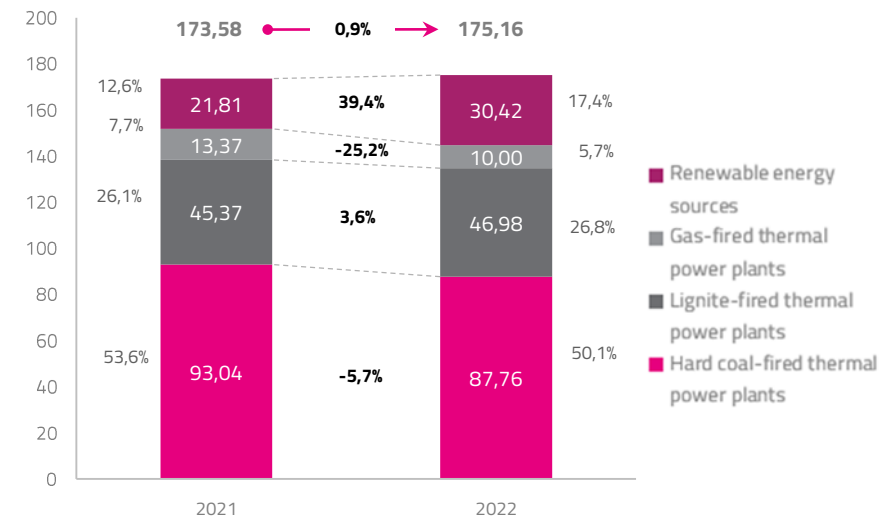
Source: Thomson Reuters Eikon (Refinitiv), ICE Index data.

Change of industrial production sold* and electricity consumption (change yoy)**



Source: * Statistics Poland data ** Dane PSE

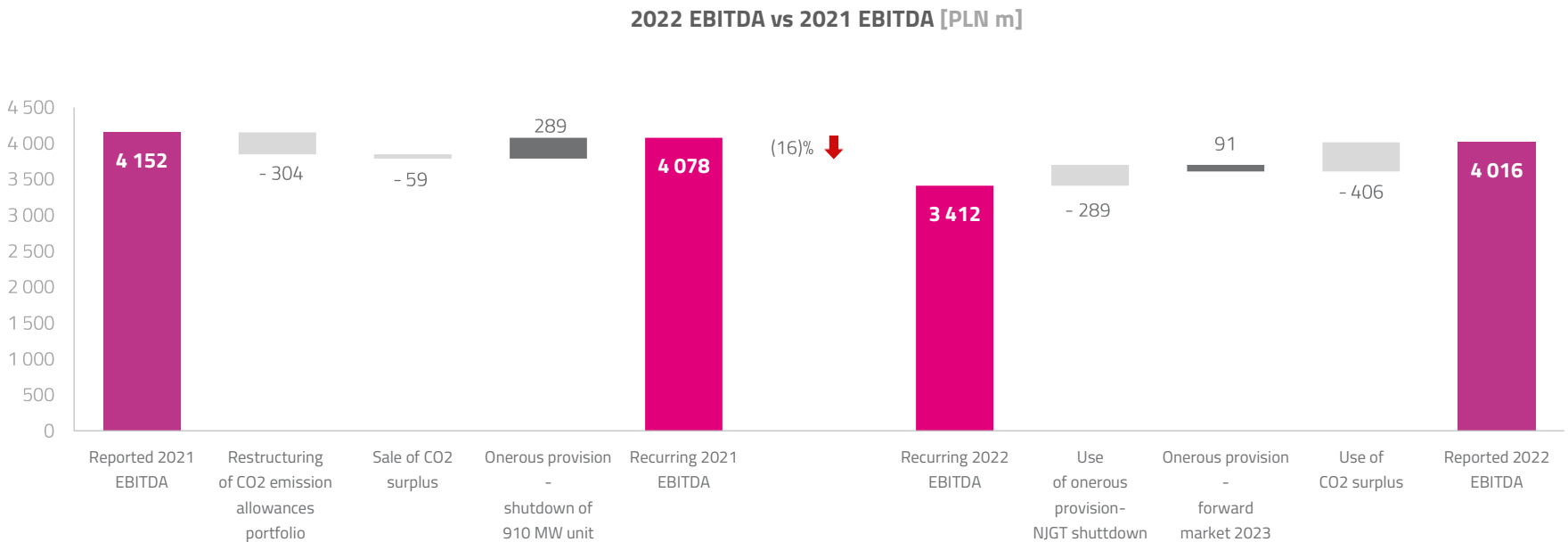
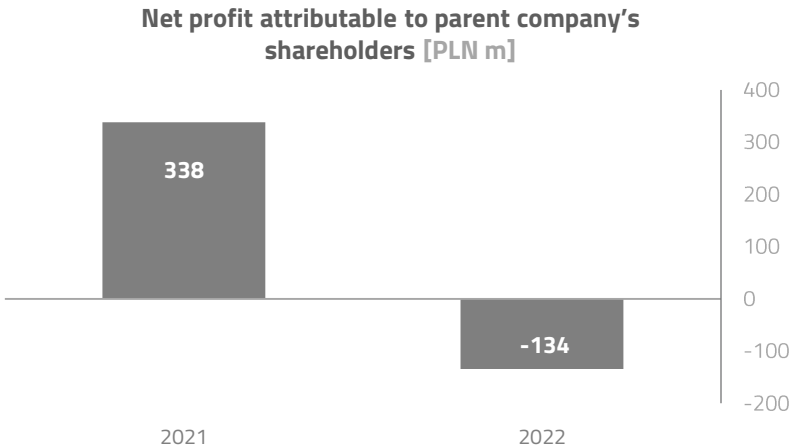
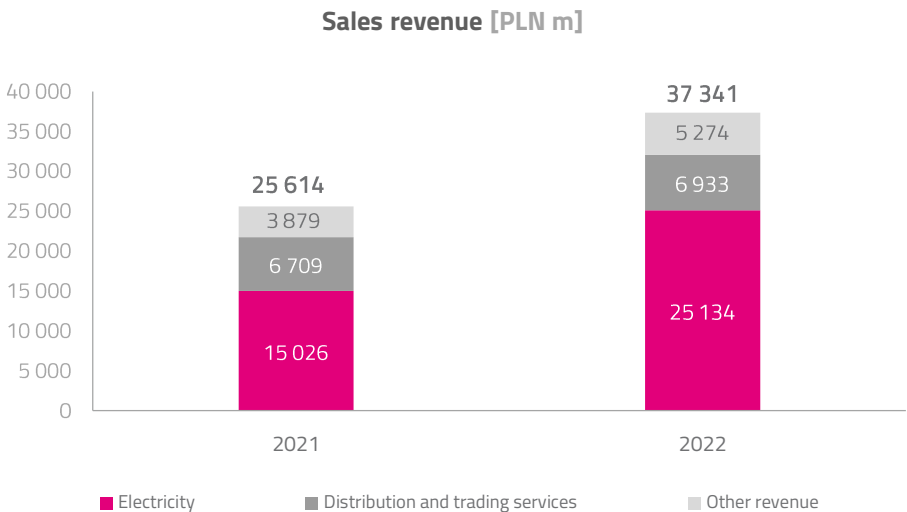
Structure of electricity production in Poland [TWh]



Source: PSE (TSO) data

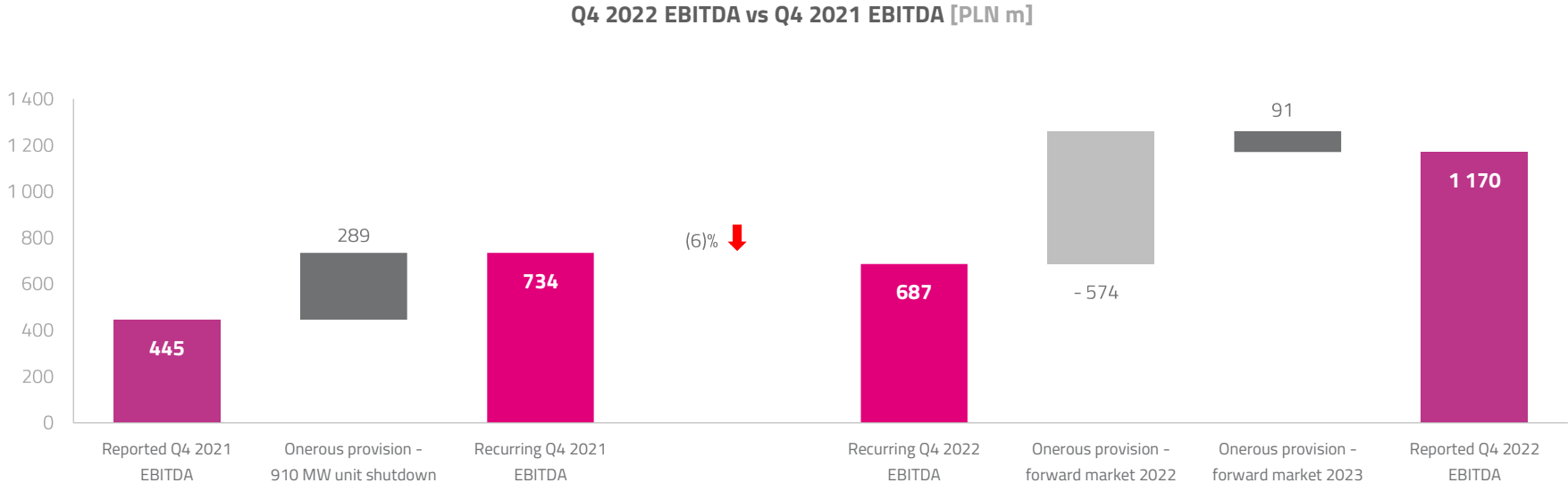
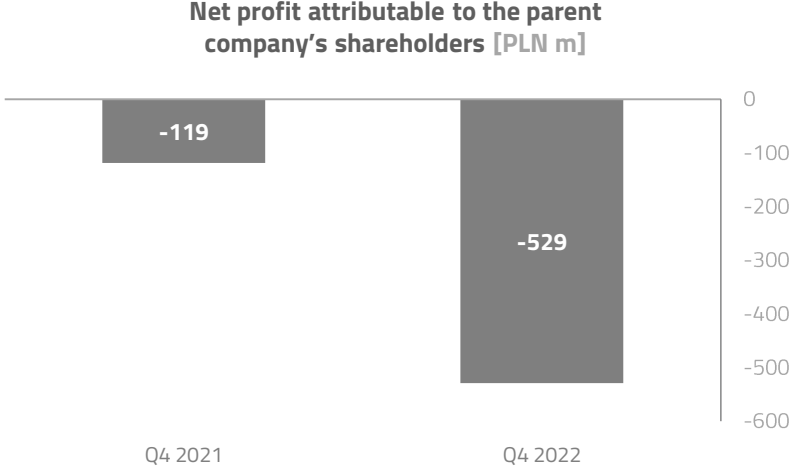
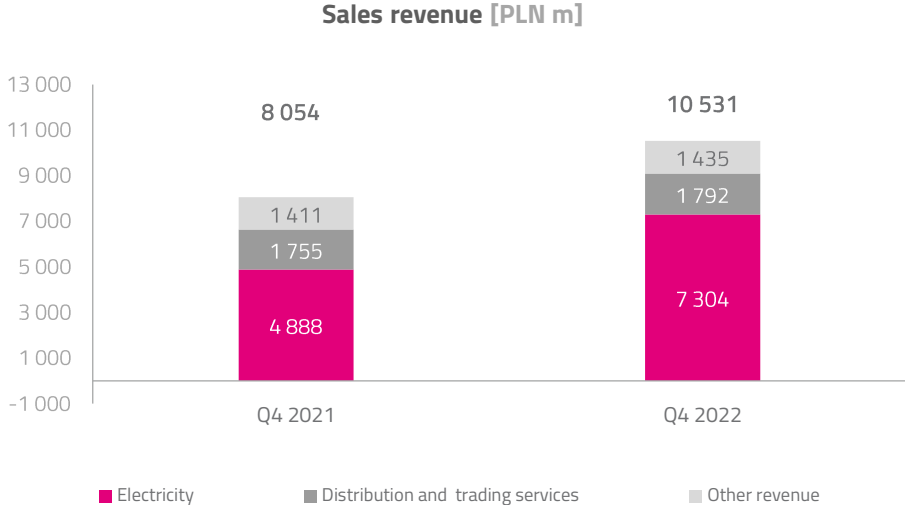


FY 2022 financial data



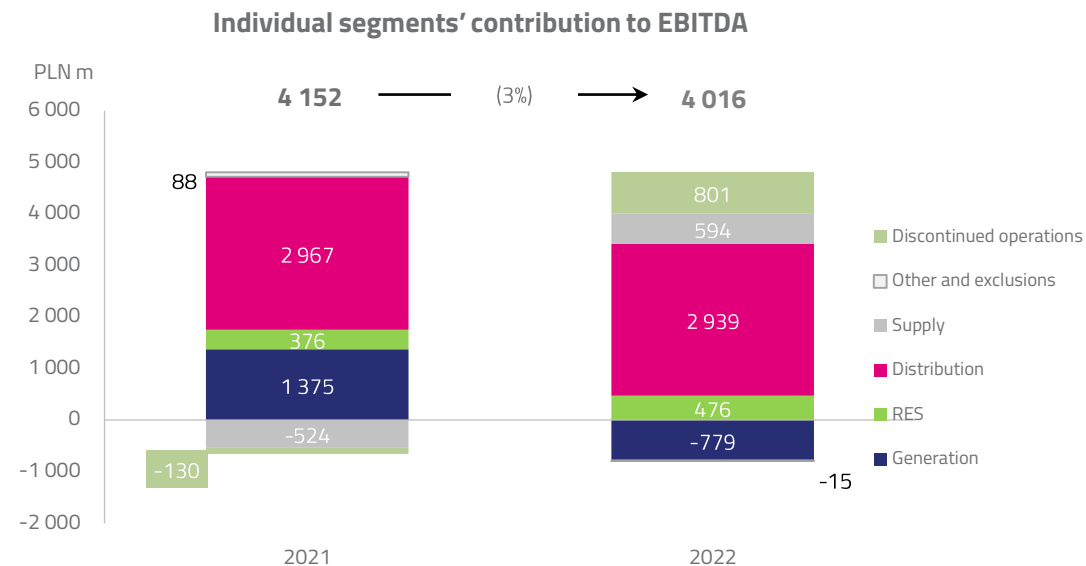


Q4 2022 financial data



Individual segments' FY 2022 results

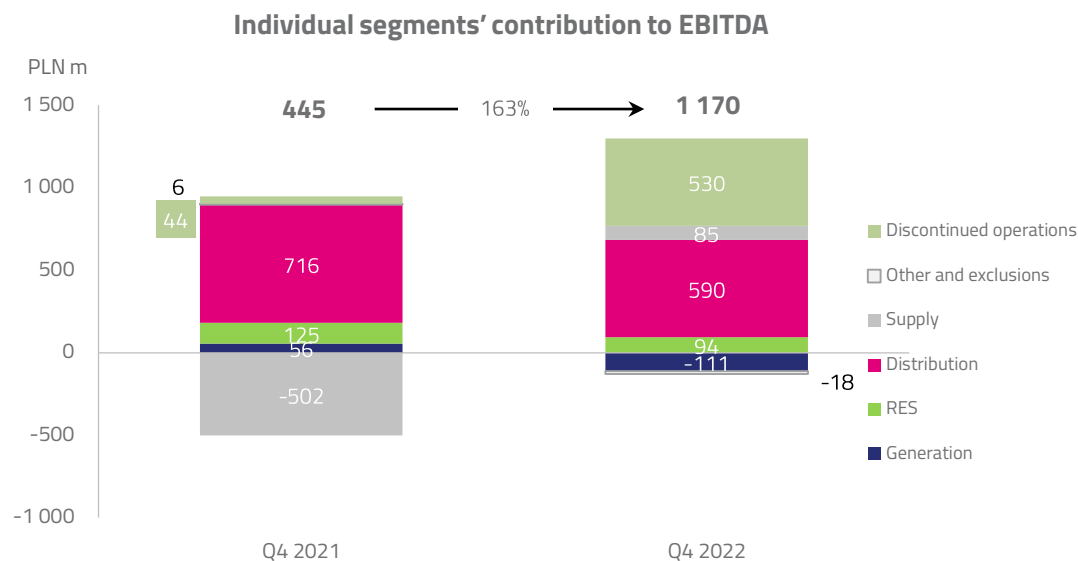
[PLN m]	Continuing operations					Discontinued operations	
	Distribution	RES	Generation	Supply	Other and exclusions*	Mining	Exclusions
Revenue	7 611	909	11 126	35 491	(18 826)	2 680	(1 650)
EBITDA	2 939	476	(779)	594	(15)	781	20
EBIT	1 679	292	(1 307)	550	(145)	490	(440)
CAPEX	2 137	459	383	75	391	517	-



* Items not included in the segments presented

Individual segments' Q4 2022 results

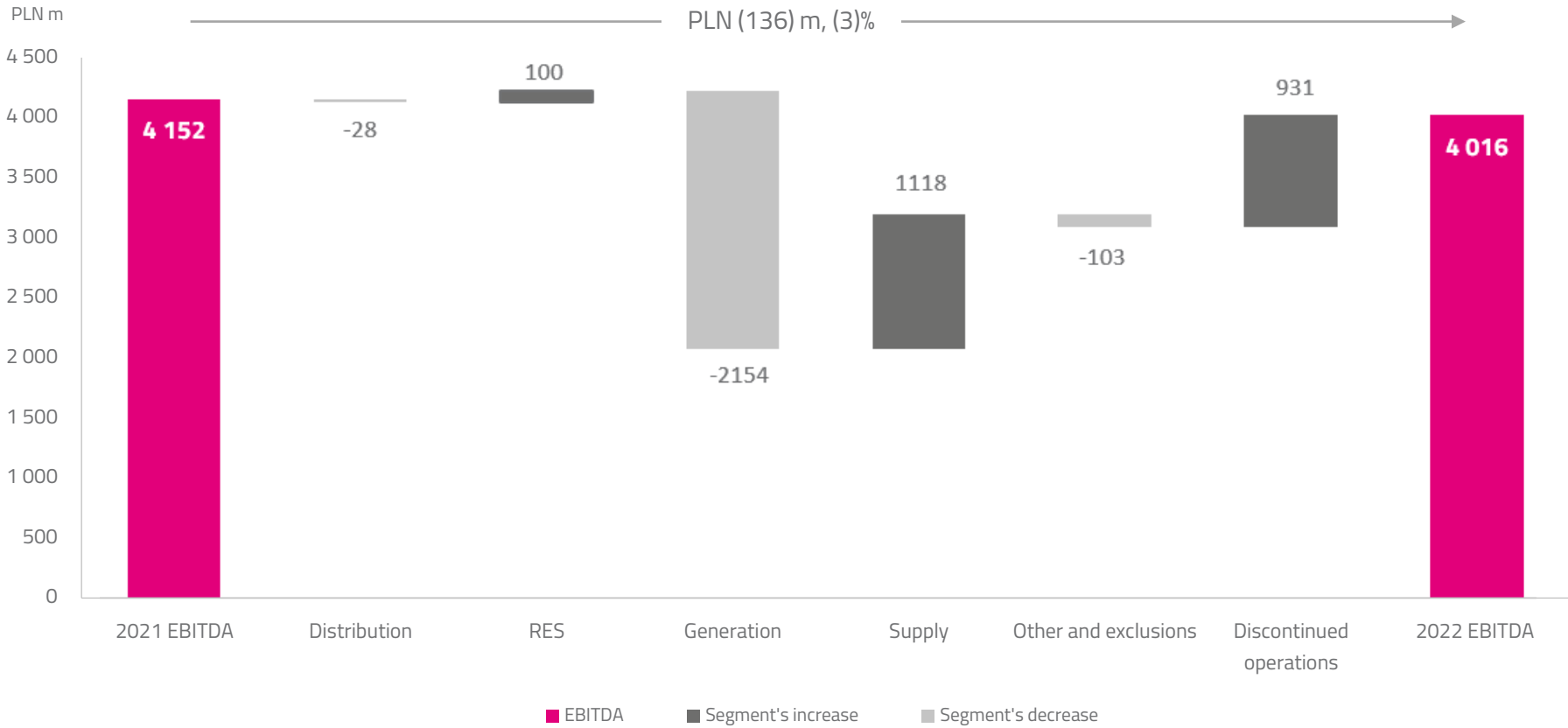
[PLN m]	Continuing operations					Discontinued operations	
	Distribution	RES	Generation	Supply	Other and exclusions*	Mining	Exclusions
Revenue	1 879	163	3 456	9 180	-3 537	1 041	-1 650
EBITDA	590	94	-111	85	-18	510	20
EBIT	264	20	-304	74	-53	433	-440
CAPEX	699	165	115	19	159	206	0



* Items not included in the segments presented

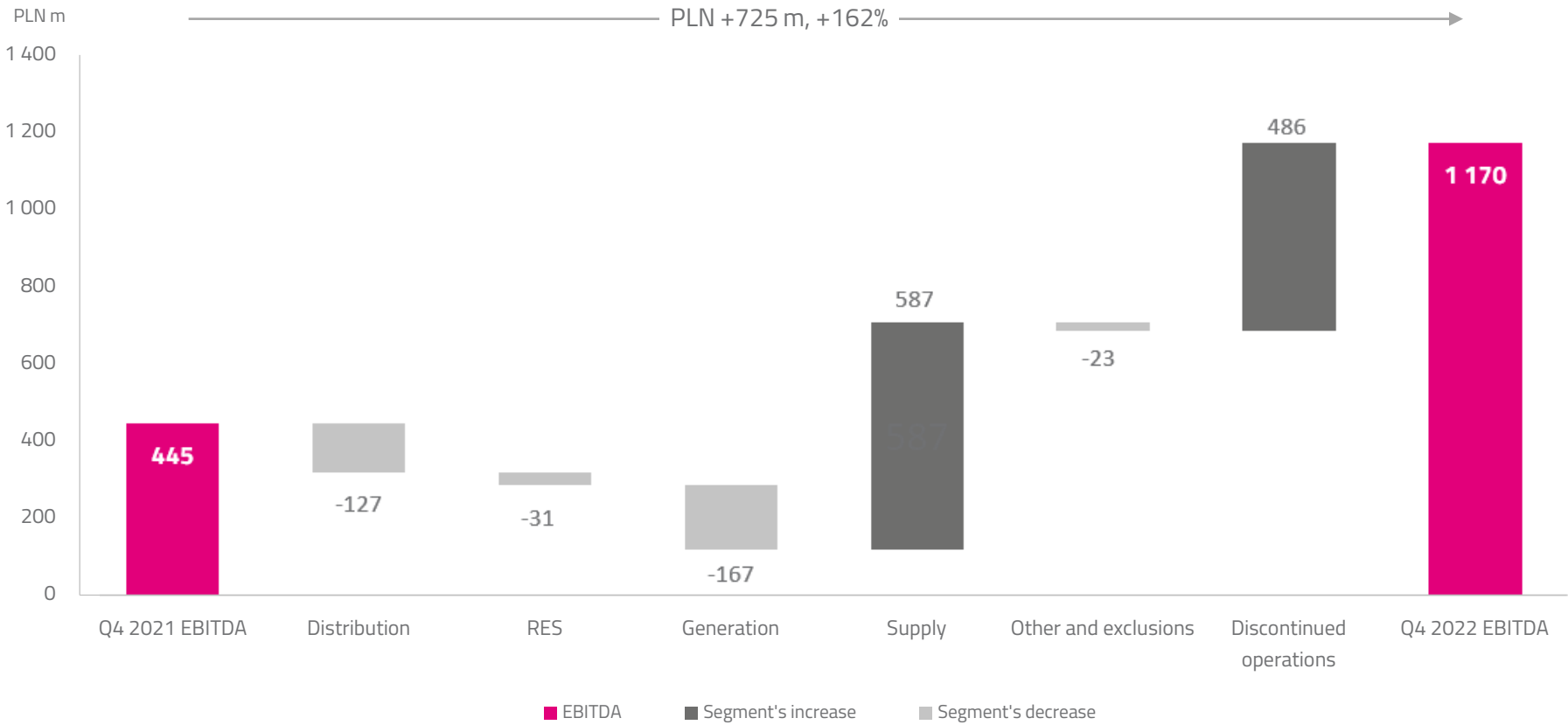


FY 2022 EBITDA



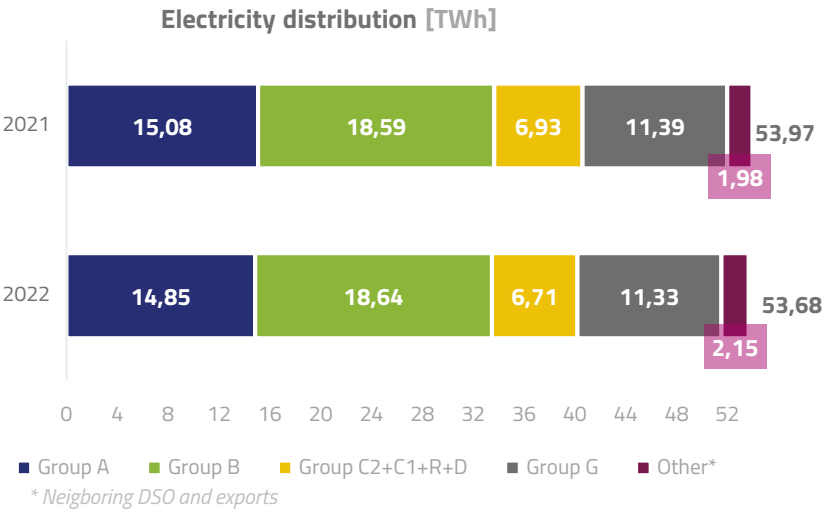
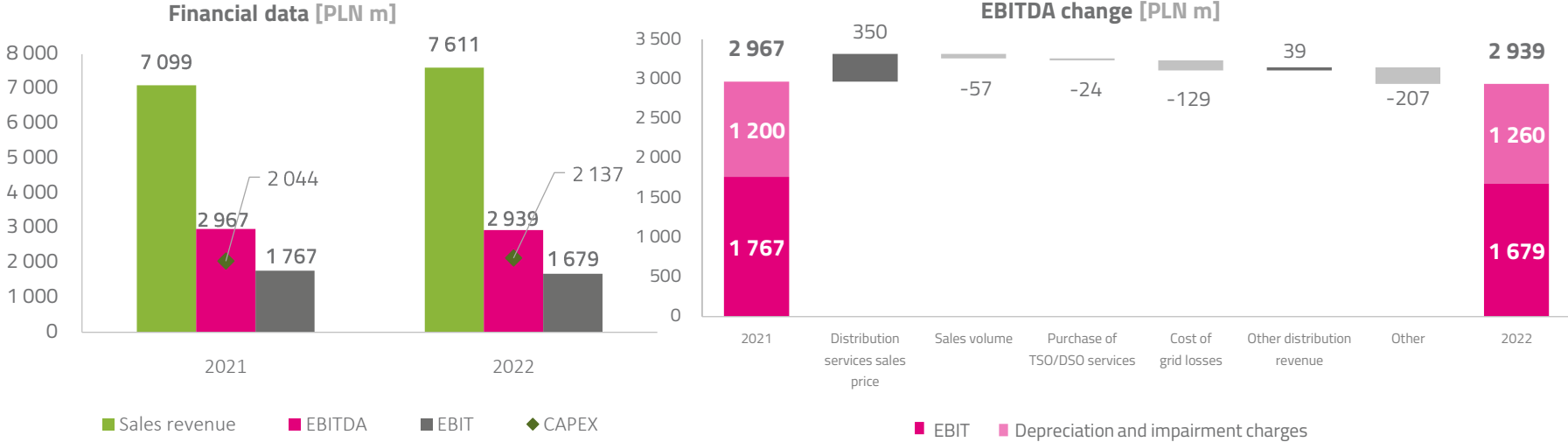


Q4 2022 EBITDA





Distribution Segment FY 2022



▪ Increase of the average rate for distribution services for final consumers



▪ Increase of the costs of electricity to cover the energy balance difference



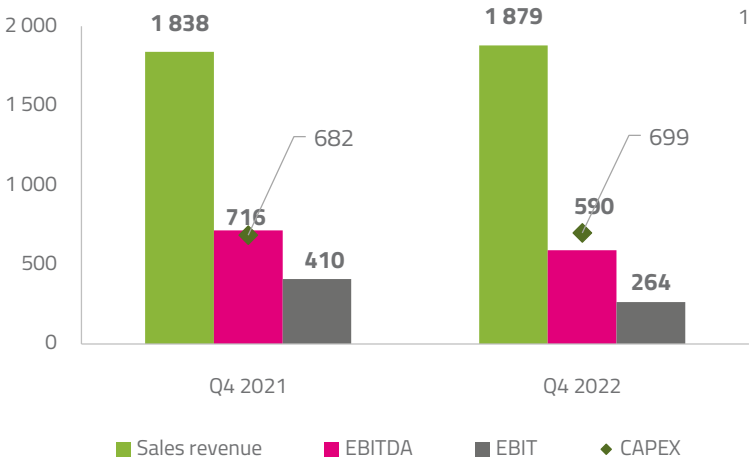
▪ Decrease of electricity distribution services sales volume by 0.3 TWh



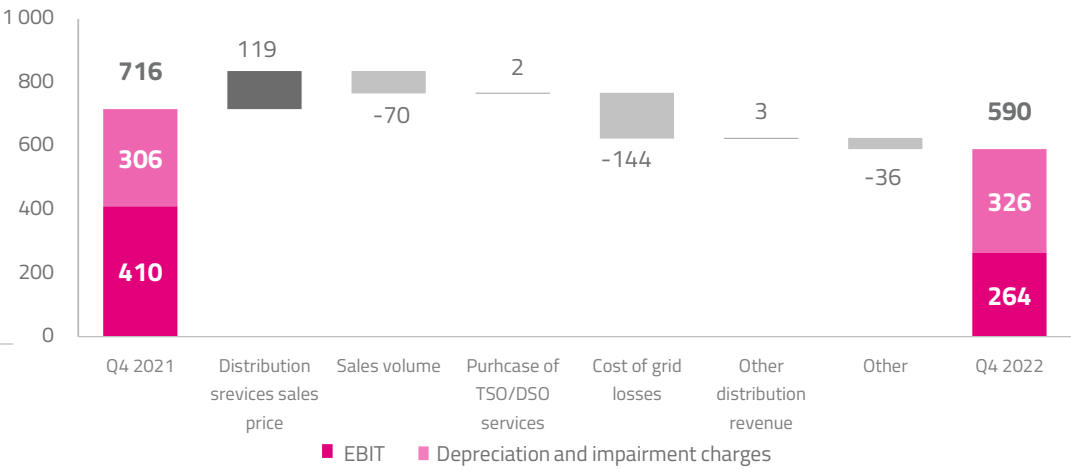


Distribution Segment Q4 2022

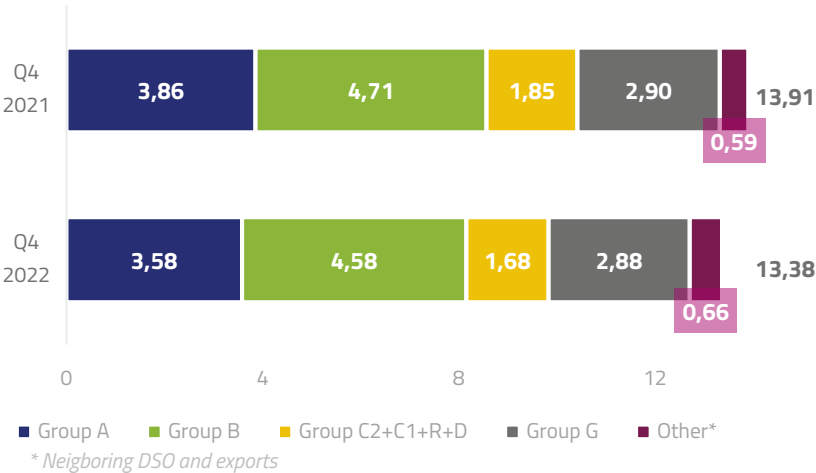
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

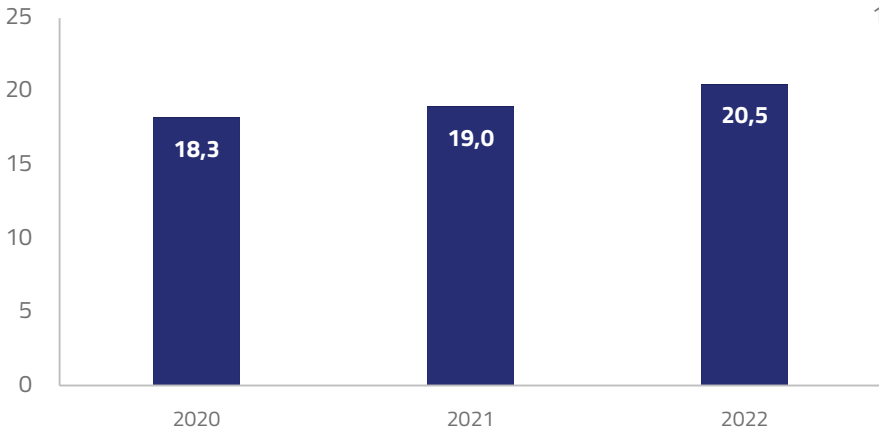


- Increase of the average rate for distribution services for final consumers ✓
- Decrease of electricity distribution services sales volume by 0.5 TWh -
- Increase of the costs of electricity to cover the energy balance difference -

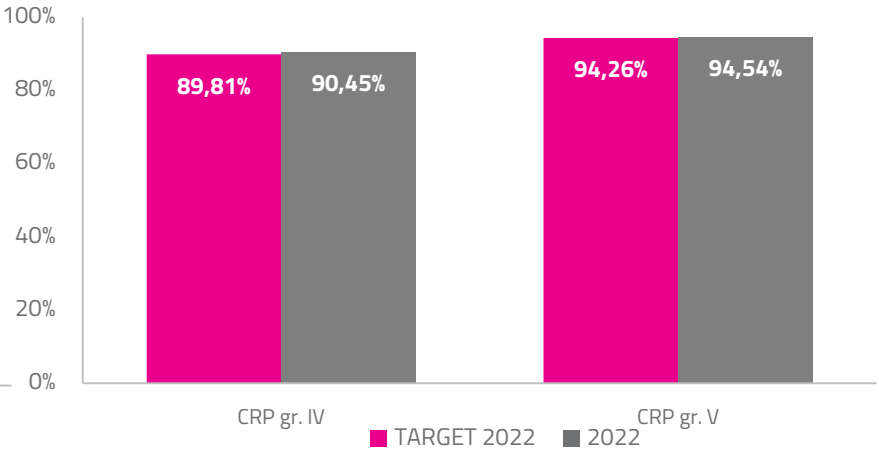


Distribution Segment key parameters

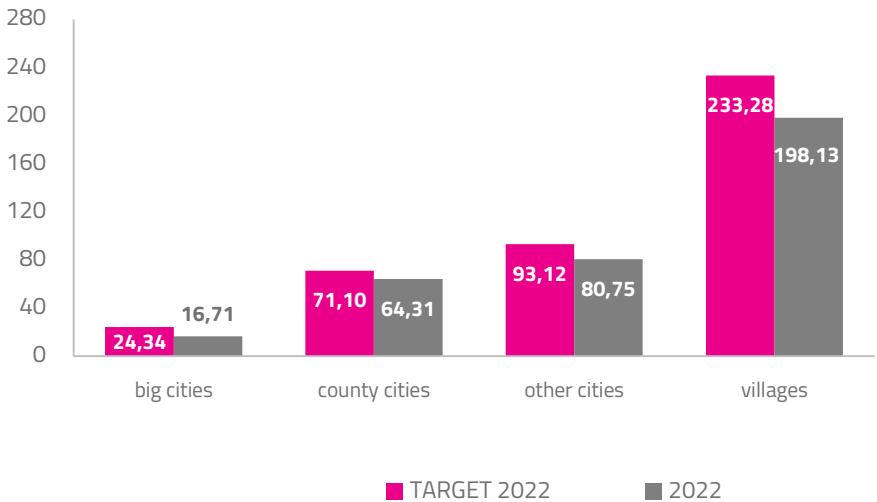
Regulatory Asset Base [PLN bn]



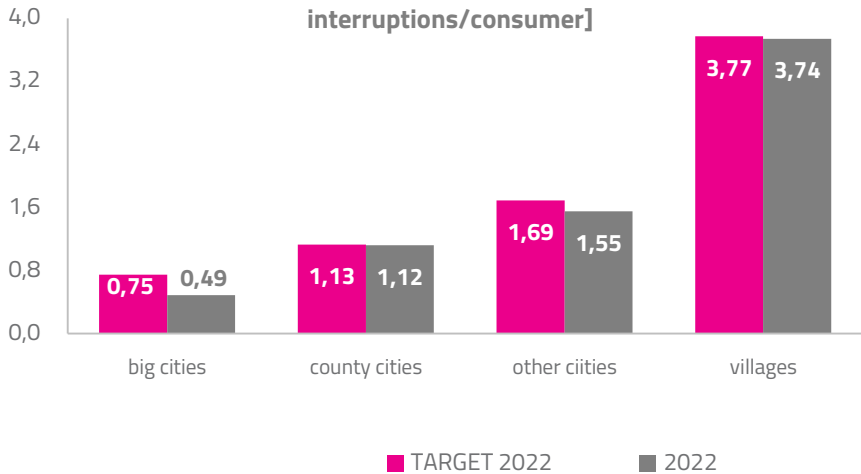
Grid Connection Installation Time [%]



Interruption Duration [min/consumer]

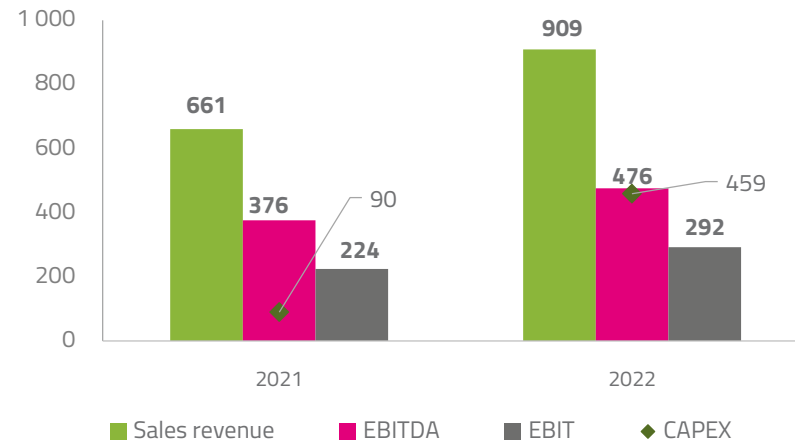


Frequency of Interruptions [number of interruptions/consumer]

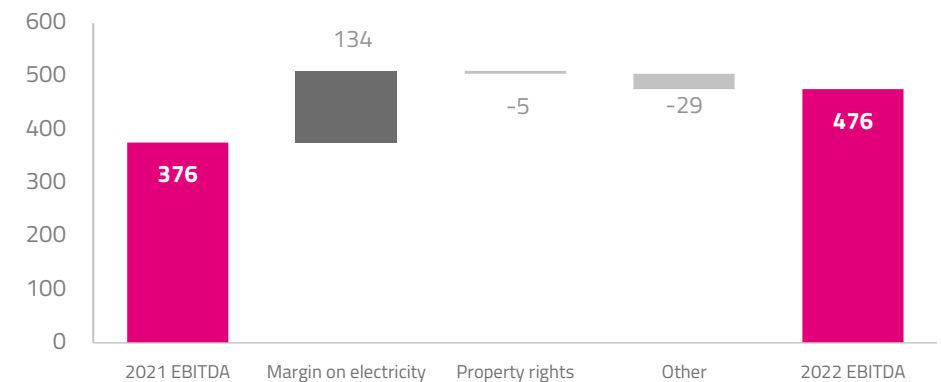


RES Segment 2022

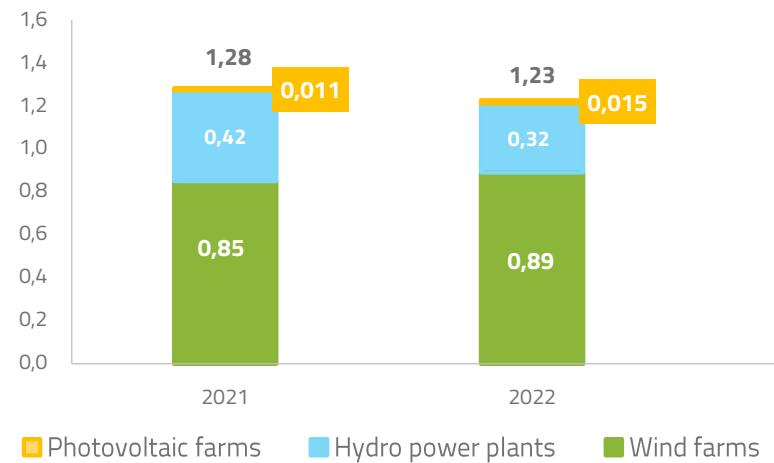
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



▪ Increase of average electricity sales prices



▪ Higher wind farms' electricity production volume

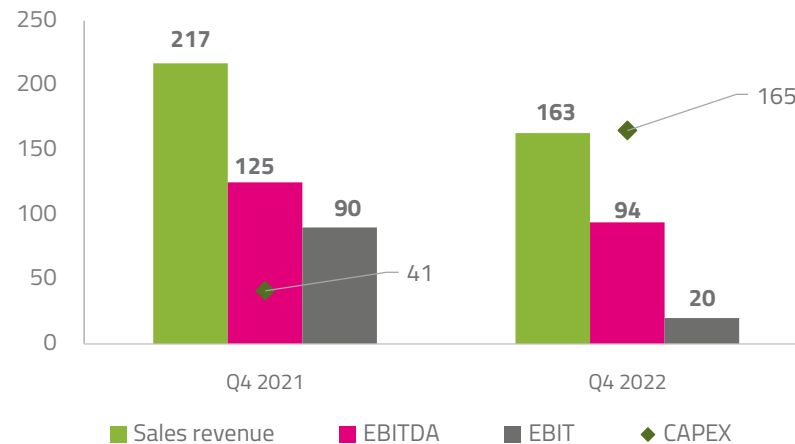


▪ Lower hydro power plants' electricity production volume

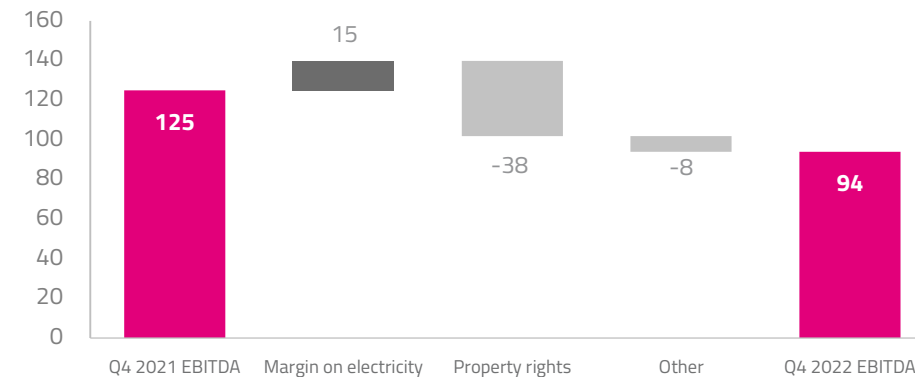


RES Segment Q4 2022

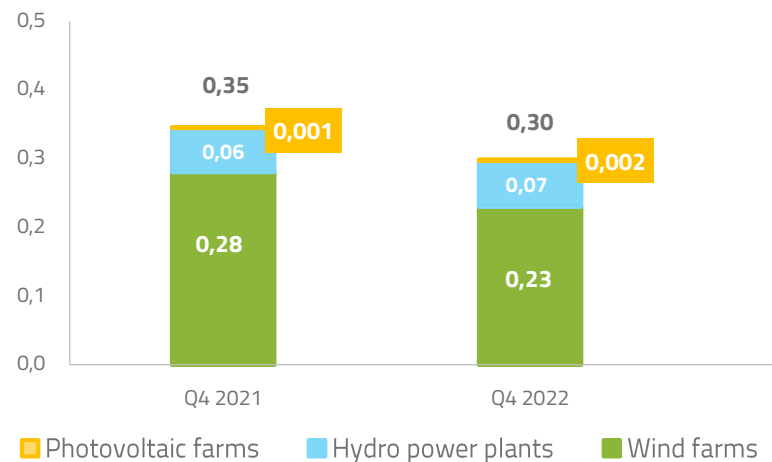
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



▪ Increase of average electricity sales prices



▪ Decrease of property rights' prices

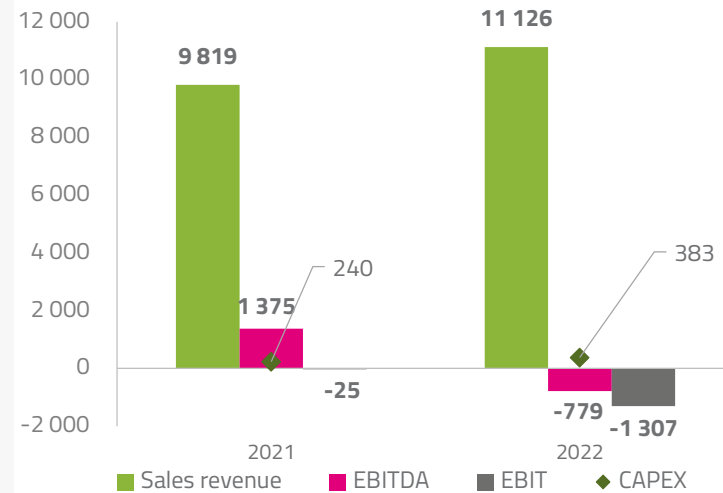


▪ Lower wind farms' electricity production volume

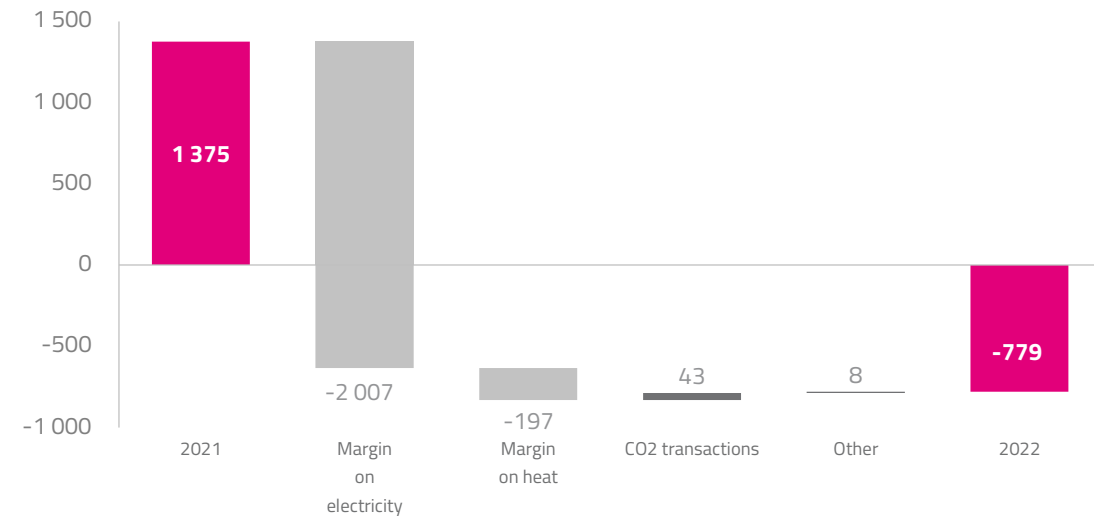


Generation Segment 2022

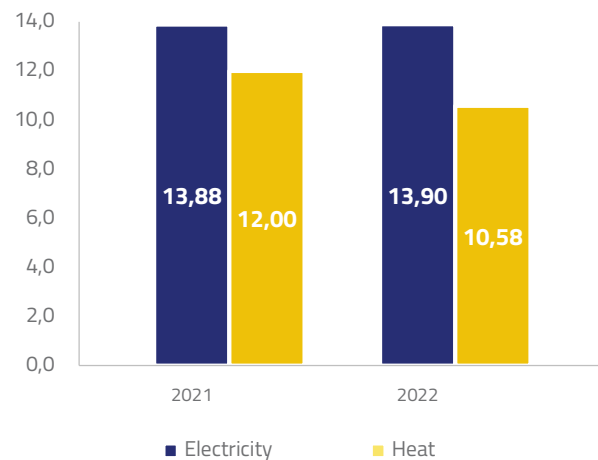
Financial data [PLN m]



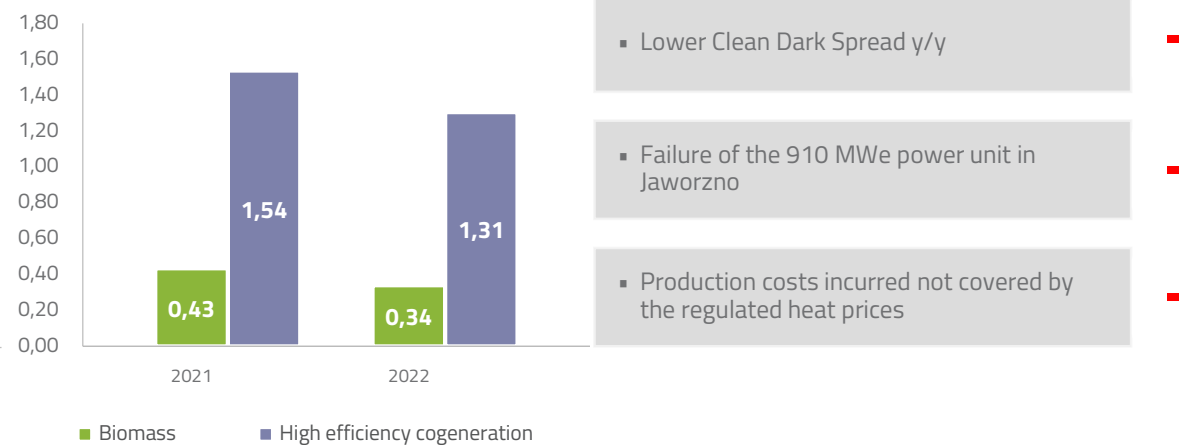
EBITDA change [PLN m]



Electricity (coal-fired units)
[TWh] and heat [PJ] production

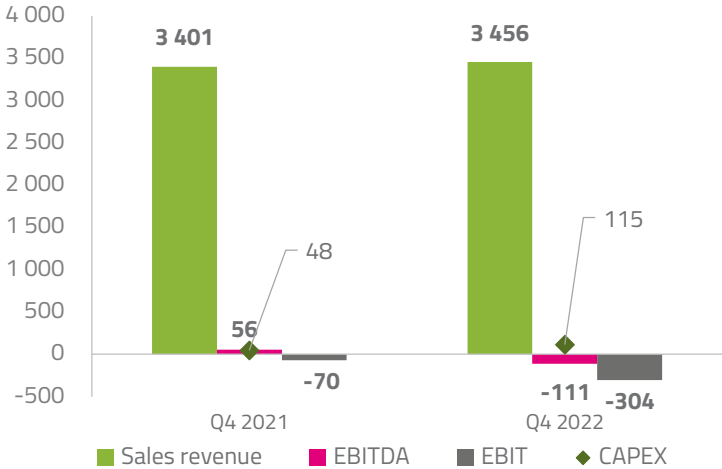


Biomass-fired and high efficiency
cogeneration production [TWh]

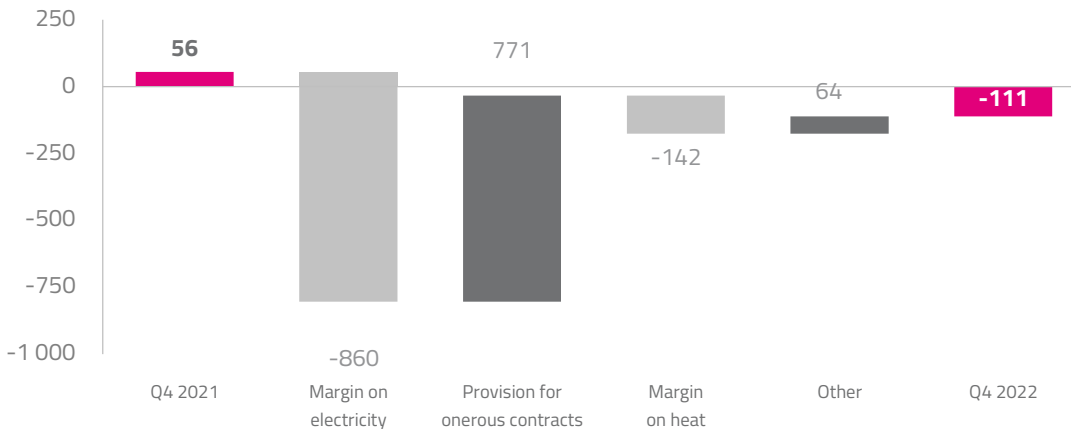


Generation Segment Q4 2022

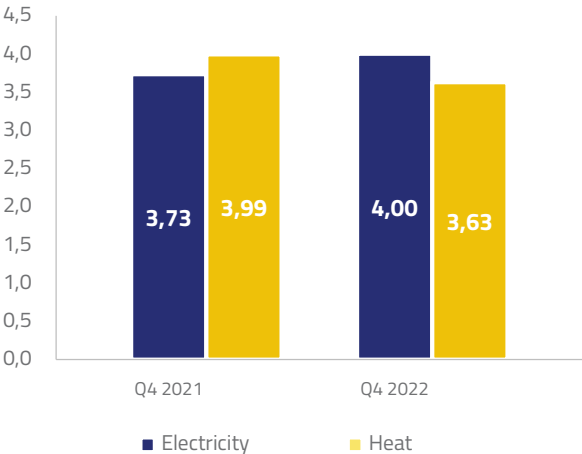
Financial data [PLN m]



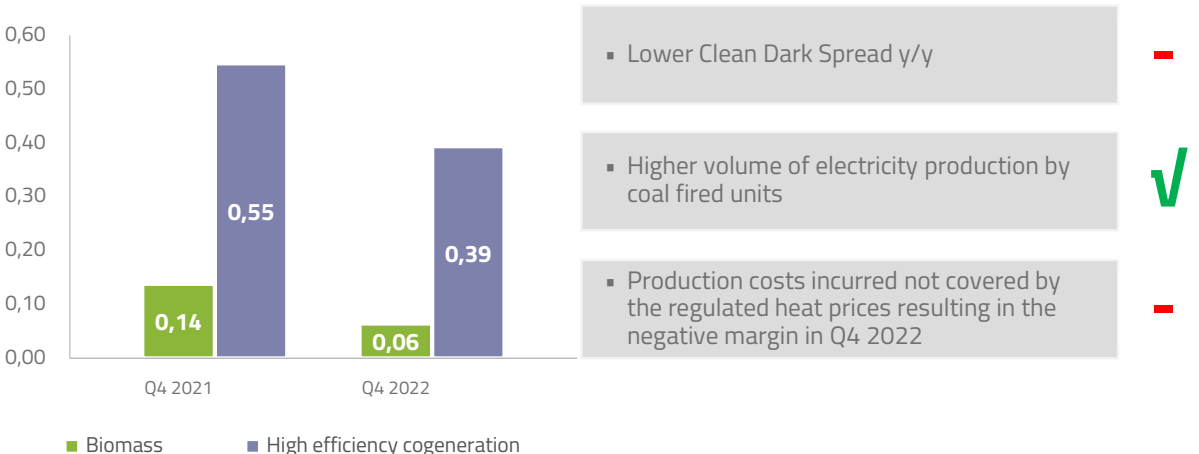
EBITDA change [PLN m]



Electricity (coal-fired units)
[TWh] and heat [PJ] production

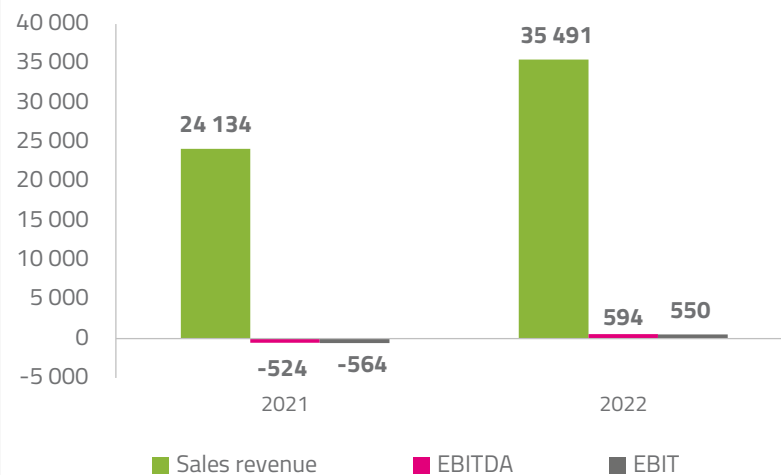


Biomass-fired and high efficiency
cogeneration production [TWh]

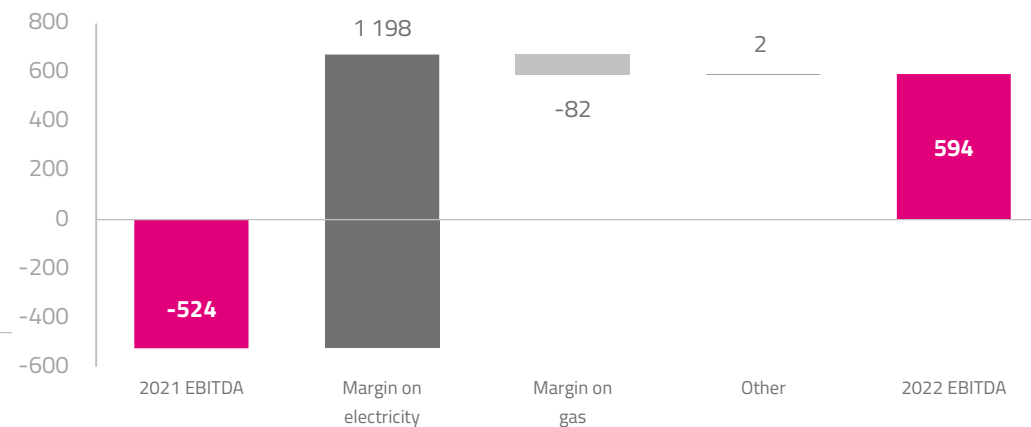


Supply Segment 2022

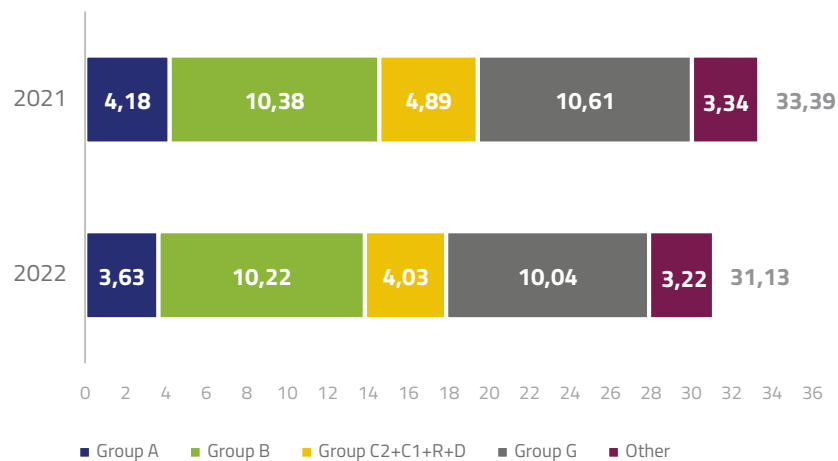
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ No effects of the settlement of the electricity contract



▪ Positive result on the electricity supply on the Czech market



▪ Decrease in the volume of electricity sales due to a significant increase in its prices



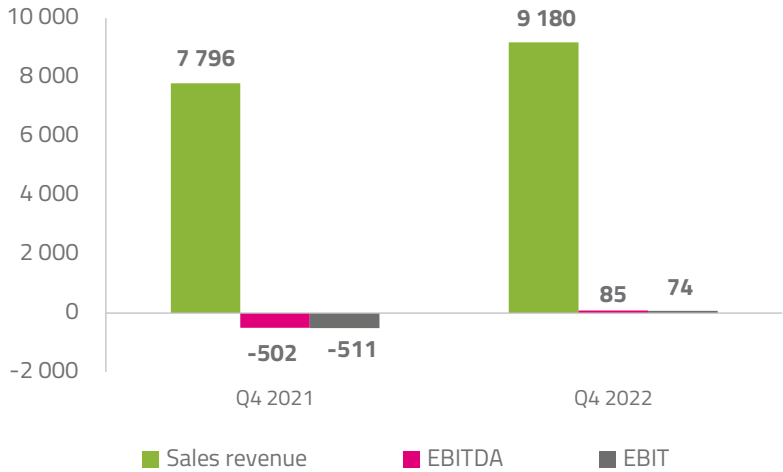
▪ Costs not fully covered by the G tariff and the gas tariff



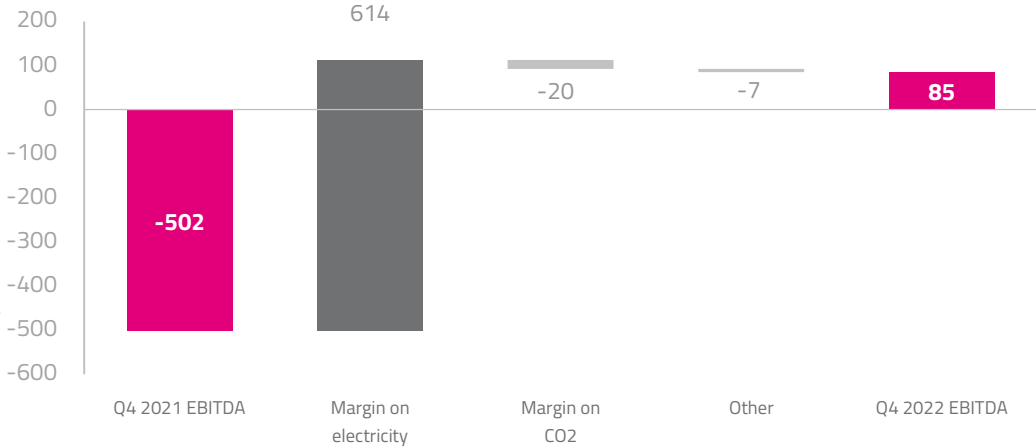


Supply Segment Q4 2022

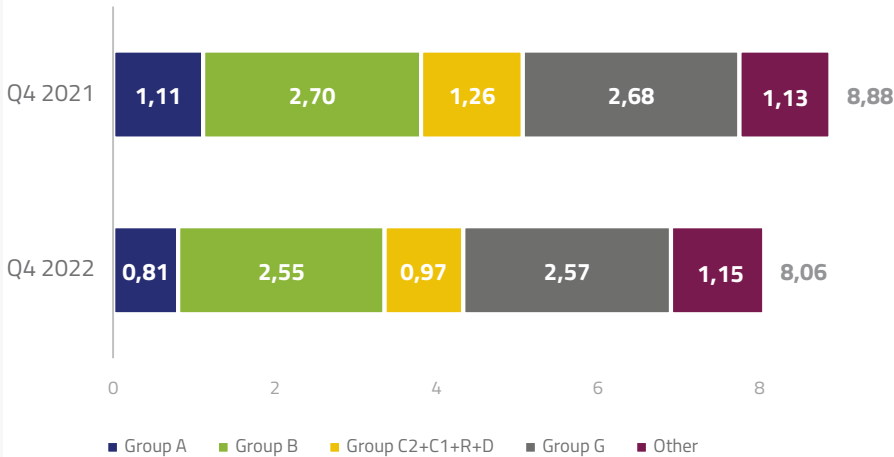
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ No effects of the settlement of the electricity contract



▪ Lower cost of profiling in the SPOT market



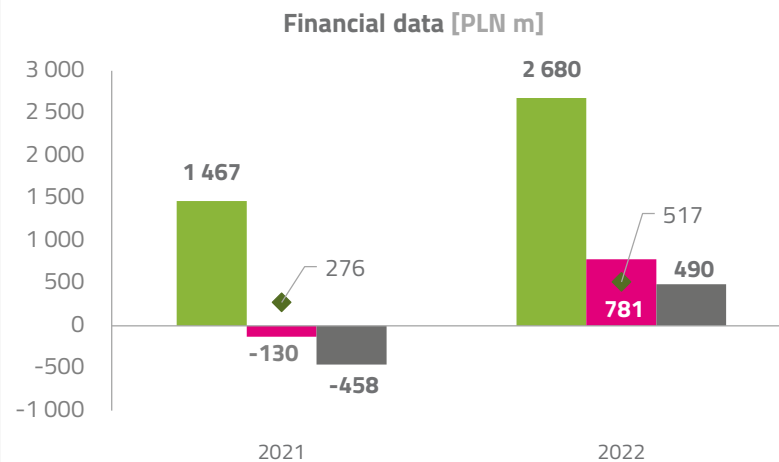
▪ Decrease in the volume of electricity sales due to a significant increase in its prices



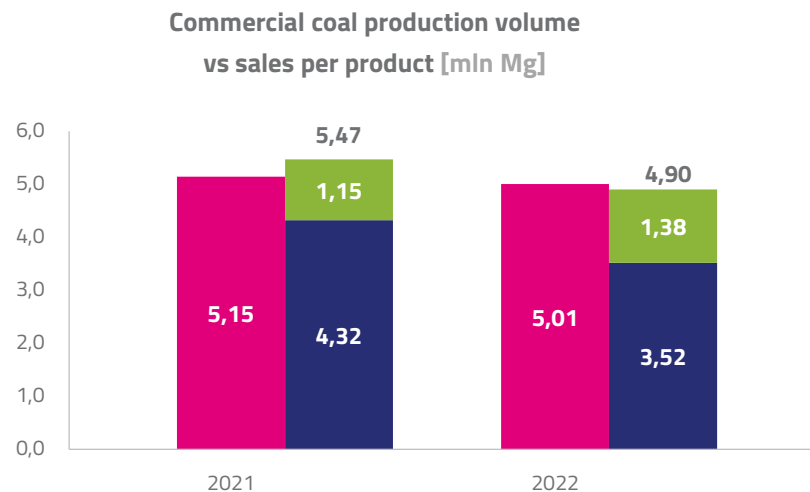
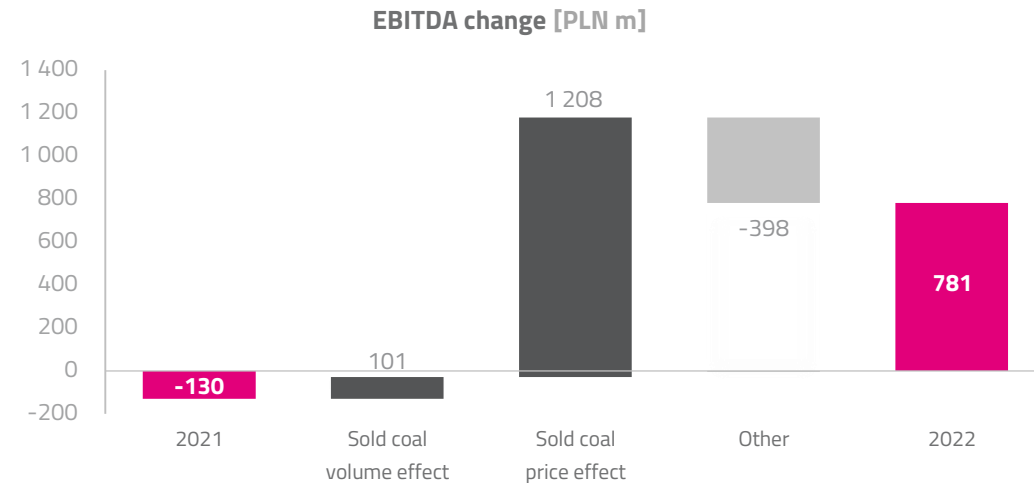
▪ Costs not fully covered by the G tariff and the gas tariff



Mining Segment 2022



■ Sales revenue ■ EBITDA ■ EBIT ◆ CAPEX



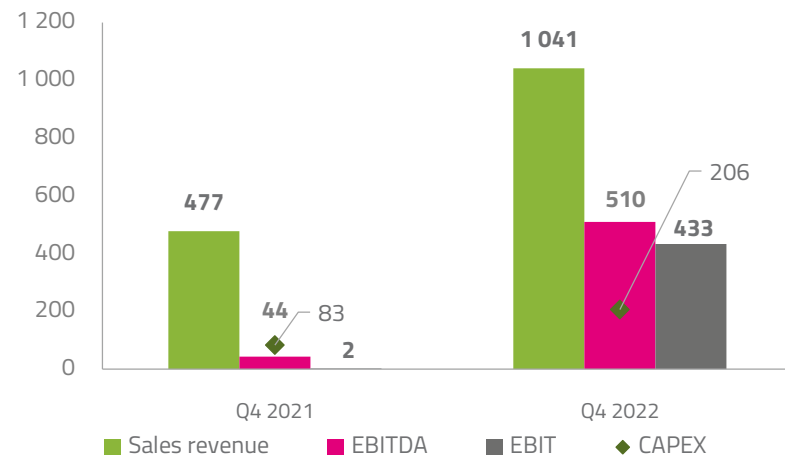
■ Commercial coal production ■ Coal dust sales ■ Other products sales

- Higher coal sales price ✓
- Higher volume effect (including lower coal sales from the heap) ✓
- Increase of the unit mining cash cost by 83 PLN/Mg * (up from 251 PLN/Mg to 334 PLN/Mg) -

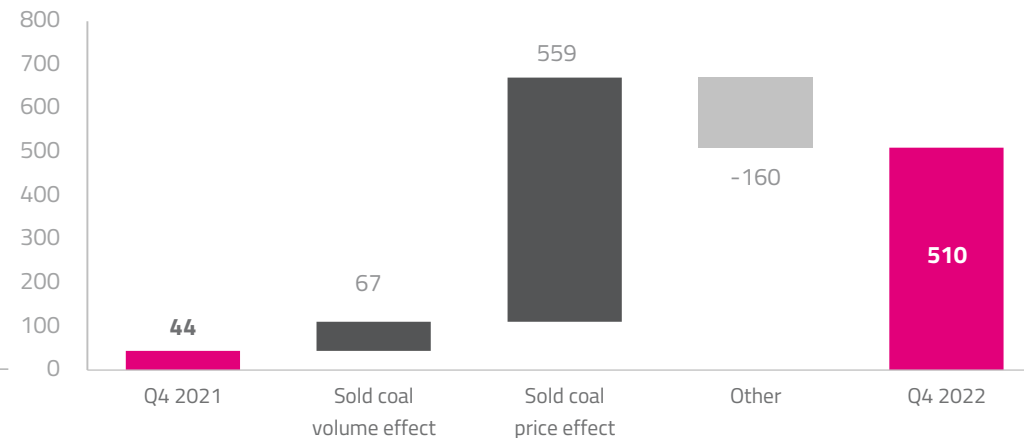
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Mining Segment Q4 2022

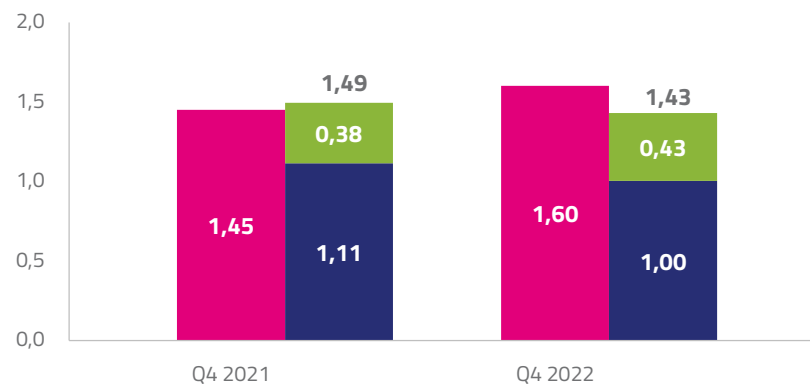
Financial data [PLN m]



EBITDA change [PLN m]



Commercial coal production volume
vs sales per product [Mg m]



Higher coal sales price



Higher volume effect (including lower coal sales from the heap)



Increase of the unit mining cash cost by 80 PLN/Mg * (up from 316 PLN/Mg to 396 PLN/Mg)

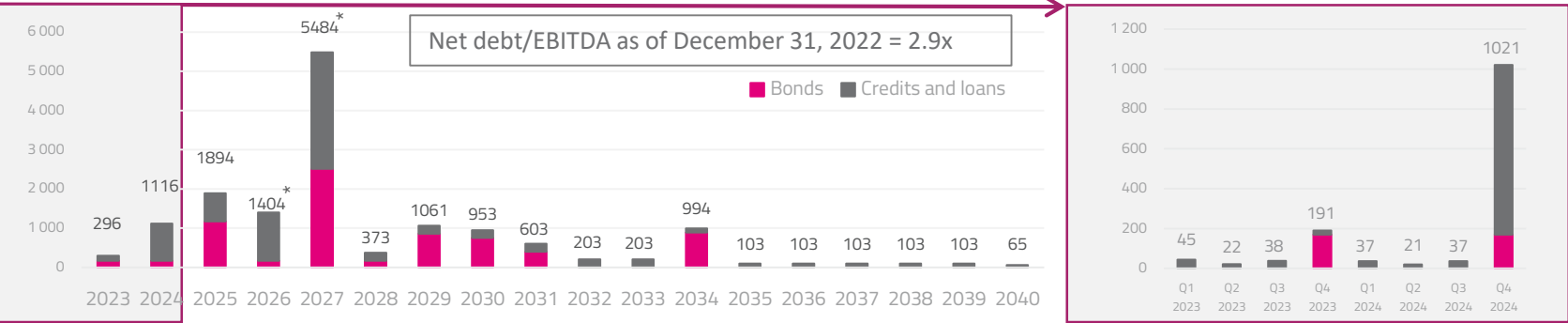


Commercial coal production Coal dust sales Other products sales

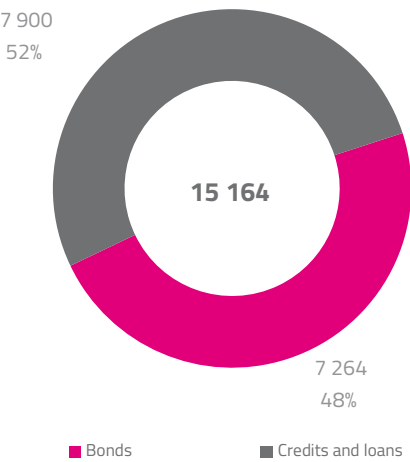
* Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow

Debt and financing

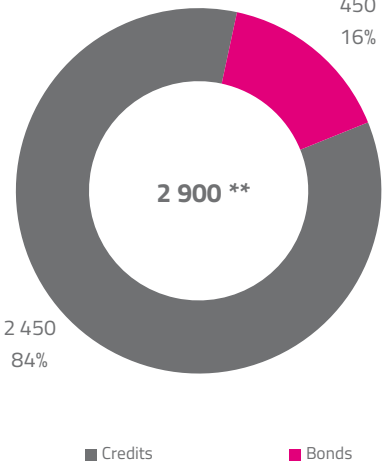
TAURON Group's nominal debt maturity as of December 31, 2022 [PLN m]



TAURON Group's nominal debt maturity as of December 31, 2022 [PLN m]



Amounts of financing available to TAURON Group as of December 31, 2022 [PLN m]



Nominal debt structure by interest rate [PLN m]

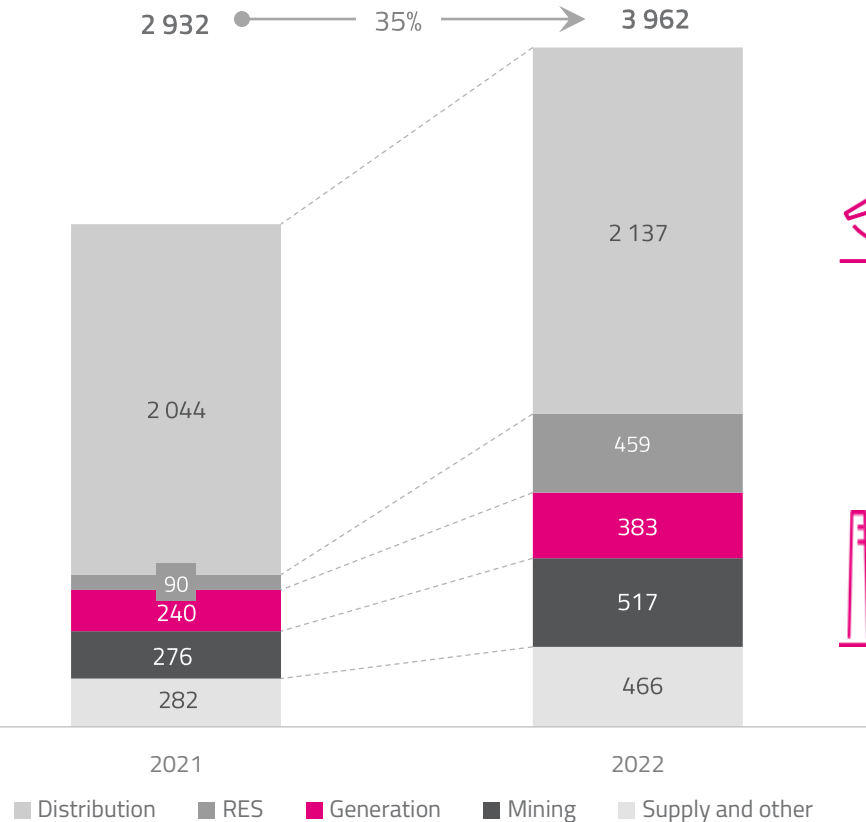
Debt amount	Interest rate	Collateral floating rate
15 164	Floating rate: 9 214	IRS: 3 840
	Fixed rate: 5 950	None: 5 374

▪ EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 27% of the total debt

* Taking into account the maximum maturity of funds available as part of the revolving bank loans
 ** Apart from the above indicated available financings, TAURON Group is also using overdraft facility with the maximum available limits of PLN 250m

CAPEX – per segment

Capital expenditures per segment* [PLN m]



* Outlays do not include equity investments (in accordance with the presentation provided in the financial statements).
 ** Investments do not include financial costs added to the expenditures.

Key investment projects implemented in 2022 **

Distribution:

- Installing new grid connections (PLN 1 138m)
- Grid assets modernization and replacements (PLN 852m)



RES:

- Construction of 30 MW Piotrków wind farm (PLN 162m)
- Construction of 58.5 MW Mierzyn wind Farm (PLN 78m)
- Construction of 6 MW Majewo wind farm (PLN 35m)
- Construction of 37 MW Mysłowice PV farm (PLN 78m)
- Construction of 33 MW Gamów wind farm (PLN 29m)
- Construction of 30 MW Warblewo wind farm (PLN 8m)
- Refurbishment of hydroelectric power plants (PLN 20 million)
- Construction of 19.6 MW Nowa Brzeźnica wind farm (PLN 18m)
- Construction of 45.6 MW Proszówek PV farm (PLN 11m)
- Construction of 8 MW Choszczno II PV farm (PLN 3m)



Generation:

- Replacement and refurbishment related outlays as well as overhaul components at TAURON Wytwarzanie (PLN 129m)
- New capacity construction – 910 MW Jaworzno unit (PLN 56 million)
- Construction of peaking and backup boiler houses at ZW Bielsko Biała (PLN 29m)
- New facility connections to district heating network (PLN 30m)
- District heating networks' maintenance and expansion (PLN 17m)
- TAURON Ciepło's Low Emission Elimination Program (PLN 17m)
- Construction of gas-fired boiler at ZW Katowice (PLN 23 million)



Mining:

- Production preparation (PLN 337m)
- Refurbishment and replacement tasks (PLN 130m)
- Construction of Grzegorz shaft at Sobieski Coal Mine (PLN 44m)



Supply and other:

- IT investments at TAURON Obsługa Klienta (PLN 291m)
- Deployment of broadband internet as part of the POPC III and CUB Program (PLN 78m)
- Lighting maintenance – TAURON Nowe Technologie (PLN 68m)



2023 Outlook



Distribution



- Distribution tariff increase in 2023 by approx. 45% y/y stemming from, among other things, WACC increase from 5.78% in 2022 to 8.48% in 2023, and RAB increase from PLN 20.5 billion in 2022 to PLN 21.4 billion in 2023
- Risk of economic slowdown and potential negative impact on distributed electricity volumes in the medium-term, offset by the regulatory account
- Negative impact of settlements within the regulatory account
- Higher fixed costs
- **Higher reported EBITDA y/y**



Generation



- Spin-off of the coal-based generation assets to NABE, planned for Q2 2023
- Stable operation of the 910 MW unit in Jaworzno as compared to material losses stemming from the failure in 2022 (the need to buy back electricity on the market at high prices)
- Lower margin due to recognition of charges for the Price Difference Payout Fund
- Higher fixed costs
- The regulated heat prices not covering the incurred heat production costs
- Start of the transition of the heating sector towards low- and zero-emission sources
- **Higher reported EBITDA y/y**

□ Group's reported EBITDA



RES



- Lower margin on electricity supply as a consequence of the introduction of extraordinary regulations on the electricity market (introduction of price caps)
- Increase of fixed costs
- Expected increase in volume of electricity production
- **Lower reported EBITDA y/y**



Supply



- Functioning of the compensation payments system, which should offset the loss of revenue caused by the introduction of emergency regulations on the electricity market
- Delays stemming from the compensation payments mechanism resulting in a negative impact on the liquidity of trading companies
- Increase in the G tariff at a level that allows costs to be fully covered
- Lower volume of retail electricity supply in the business segment – projected decline of the economic activity and higher number of prosumer installations
- Increase of fixed costs
- **Reported EBITDA flat y/y**

□ CAPEX

CAPEX adapted to EBITDA and the Group's financial standing



□ Debt

Net debt/EBITDA ratio < 3.5x





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Electricity market price trends

Electricity						
Platforms: TGE	2021		2022		2022/2021	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	250.54	181 678	457.95	165 560	82.8%	-8.9%
Forward PEAK (Y+Q+M)	287.12	19 389	496.55	17 229	72.9%	-11.1%
Forward (weighted average)	254.07	201 067	461.59	182 789	81.7%	-9.1%
SPOT (TGE)	394.34	36 141	786.77	32 994	99.5%	-8.7%
Weighted average total	275.44	237 208	511.31	215 783	85.6%	-9.0%

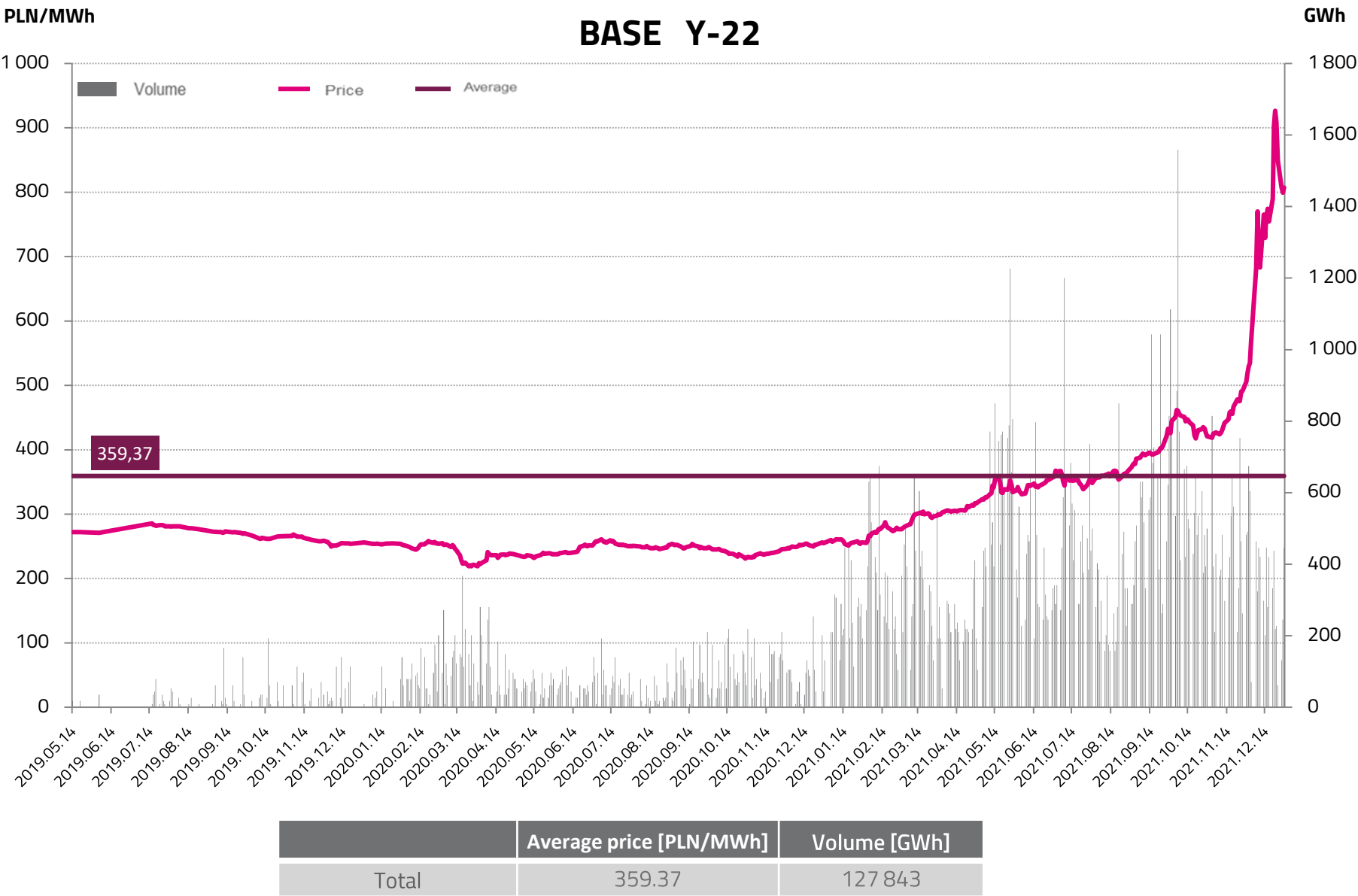
Property rights (PLN/MWh)			
Certificate type	Market prices (2022 weighted average)	Substitution fee and obligation for:	
		2021	2022
OZE (PMOZE_A)	191.80	172.76 (19.5%)	239.86 (18.5%)
RES from biogas plants (PMOZE_BIO)	301.55	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey*	Price [EUR/t]
2023 average	85.0
2024 average	96.0
2025 average	107.4
2023 average price forecast by TAURON	85-87

* Sources: Point Carbon, BNEF, Consus, GDF SUEZ Trading, HSE, Mkonline, Societe Generale, TAURON



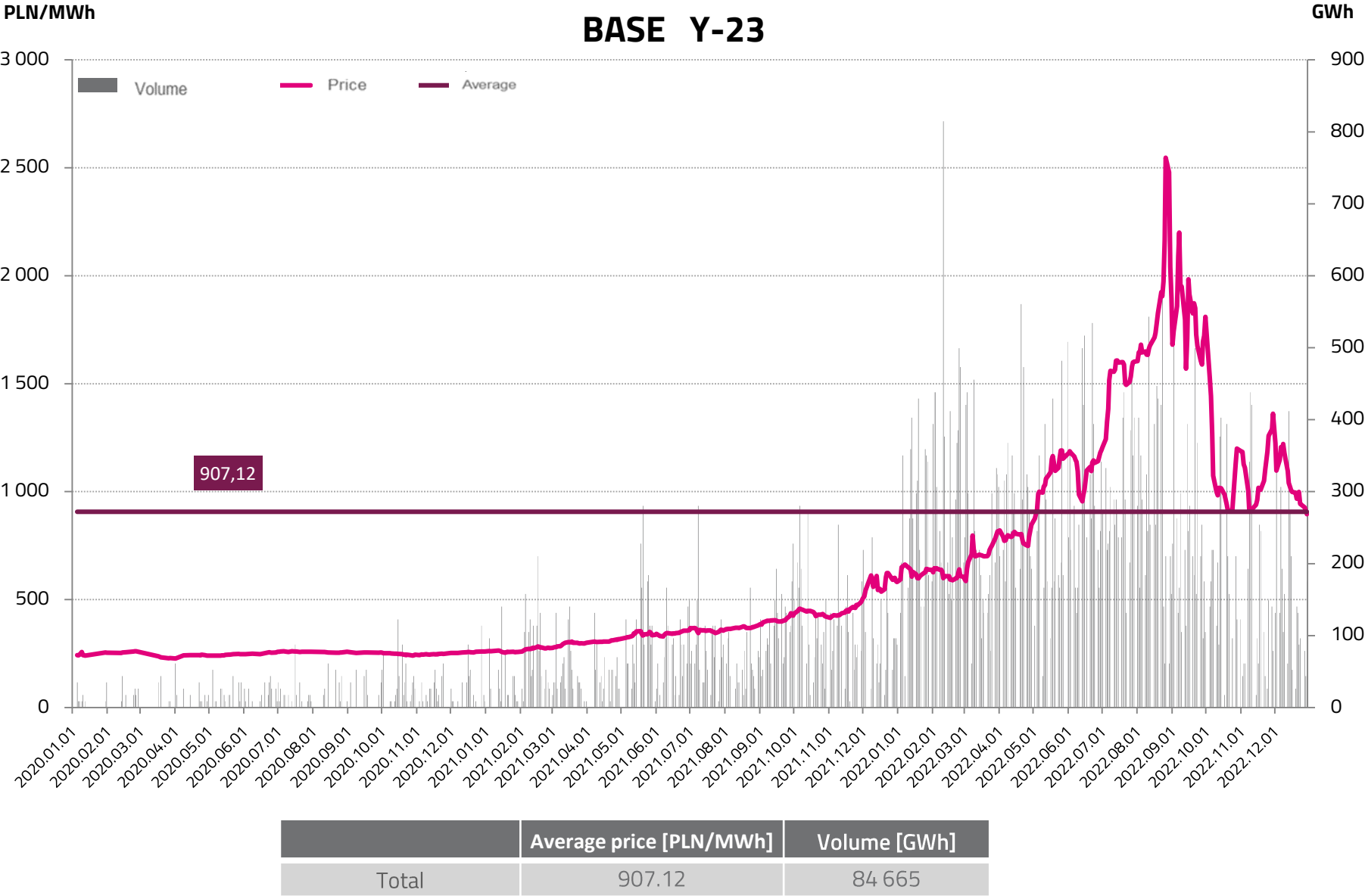
2022 BASE contract prices



Average electricity price that takes into account 2022 one-year BASE and PEAK contracts: 364.35 PLN/MWh,
total 2022 BASE and PEAK contracts volume: 142 400 GWh



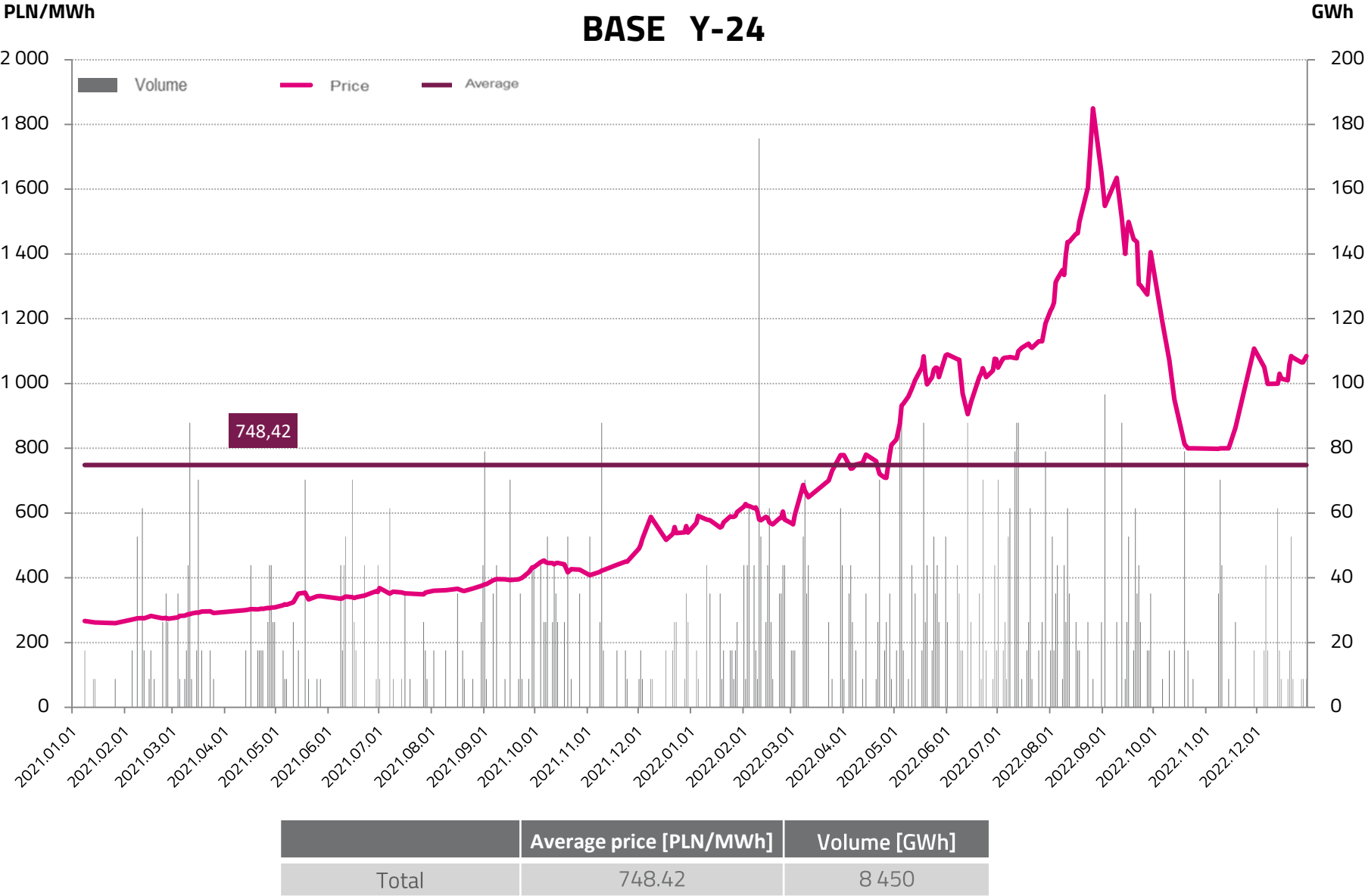
2023 BASE contract prices



Average electricity price that takes into account 2023 one-year BASE and PEAK contracts: 937.04 PLN/MWh,
total 2023 BASE and PEAK contracts volume: 91 439 GWh



2024 BASE contract prices



Average electricity price that takes into account 2024 one-year BASE and PEAK contracts: 752.00 PLN/MWh,
total 2024 BASE and PEAK contracts volume: 8 568 GWh
(based on the data up to 30.12.2022)