TAURON Group's Q1-Q3 2022 Financial Results

November 24, 2022

TAURON

Key Q1-Q3 2022 data

Financial results

[PLN m]		Q1-Q3 2022 vs Q1-Q3 2021
Sales revenue	**26 810**	50%
EBITDA	**2 846**	(23)%
Net profit*	**395**	(14)%
CAPEX	**2 599**	33%
Net debt/EBITDA	**3.3x**	up by 0.9x (vs 31.12.2021)

Operating data

		Q1-Q3 2022 vs Q1-Q3 2021
Electricity distribution [TWh]	**40.31**	1%
Electricity production from RES [TWh]	**1.20**	(2)%
Electricity production by hard coal-fired units [TWh]	**9.90**	(2)%
Heat generation [PJ]	**6.91**	(14)%
Retail electricity supply [TWh]	**23.08**	(6)%
Commercial coal production [ton m]	**3.40**	(8)%

* *attributable to the shareholders of the parent company*

Key Q3 2022 data

Financial results

[PLN m]		Q3 2022 vs Q3 2021
Sales revenue	**8 690**	45%
EBITDA	**495**	(37)%
Net profit*	**(232)**	-
CAPEX	**1 118**	65%
Net debt/EBITDA	**3.3x**	up by 0.9x (vs 31.12.2021)

Operating data

		Q3 2022 vs Q3 2021
Electricity distribution [TWh]	**12.85**	(3)%
Electricity production from RES [TWh]	**0.28**	(18)%
Electricity production by hard coal-fired units [TWh]	**3.02**	(9)%
Heat generation [PJ]	**0.71**	(9)%
Retail electricity supply [TWh]	**7.12**	(10)%
Commercial coal production [ton m]	**0.70**	(30)%

** attributable to the shareholders of the parent company*

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Highlights

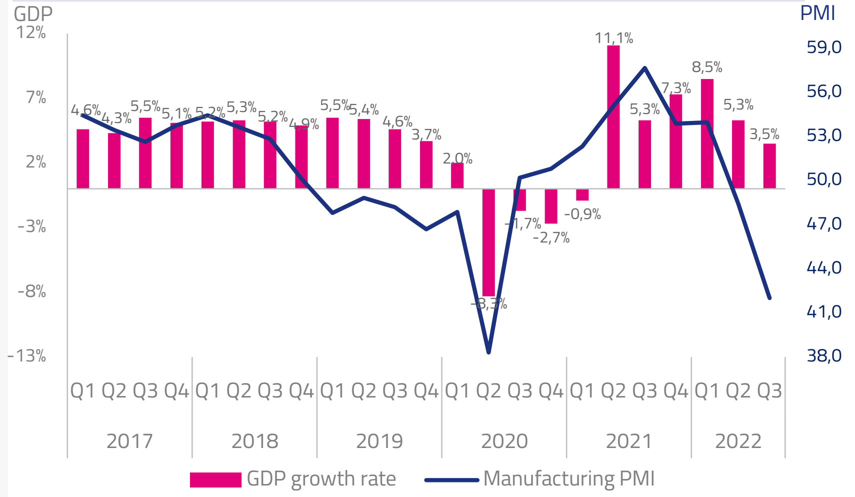
January 18	Completion of the second stage of the 8 MW wind farm construction in Choszczno. The farm's total capacity is 14 MW
April 20	Letter of intent signed with KGHM with respect to the cooperation in the field of Small Modular Reactor (SMR) power generation technology
June 9	Acquisition of a special purpose vehicle (SPV) with the rights to an approx. 60 MW wind farm construction project in Mierzyn
June 22	Adoption of TAURON Group's 2020-2030 Strategy with an outlook until 2050
July 14	Commencement of the works on the construction of the photovoltaic farm in Mysłowice, with ultimate capacity of approx. 100 MW
July 15	Signing of a PLN 4 billion syndicated loan agreement to finance RES investment projects, refinance the Group's debt and finance general corporate expenses
September 29	Commissioning of the 6 MW Majewo wind farm
September 30	Commissioning of the 30 MW Piotrków wind farm
October 3	Acquisition of a special purpose vehicle (SPV) with the rights to a 20 MW wind farm construction project in Nowa Brzeźnica
October 12	Fitch Ratings agency affirms TAURON's long-term domestic and foreign currency ratings at "BBB-" with a stable outlook
October 13	Acquisition of a special purpose vehicle (SPV) with the rights to an approx. 46 MW photovoltaic farm construction project in Proszówek
October 21	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

TAURON

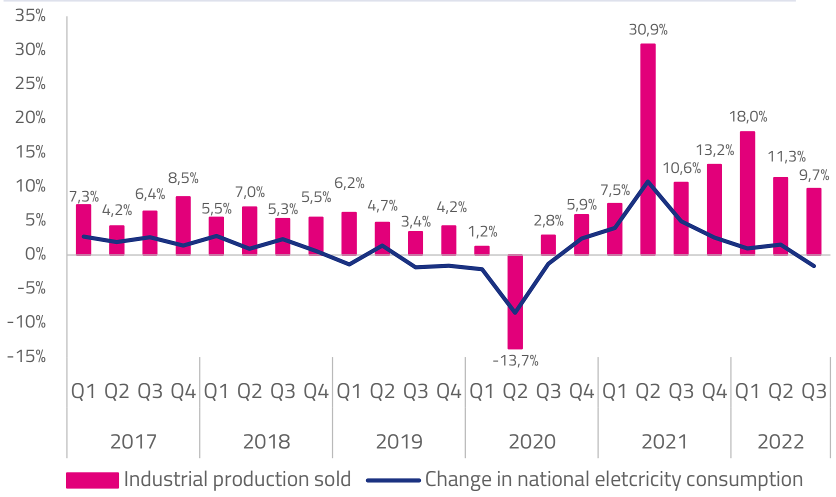
Macroeconomic and market situation

- Rise of the share of RES sources in the NPS balance due to a large increase of installed capacity in photovoltaic installations and favorable weather conditions for wind installations
- Decrease of the share of gas-fired sources in the NPS balance, due to the decline in the profitability of electricity production caused by the rapid surge in natural gas prices

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



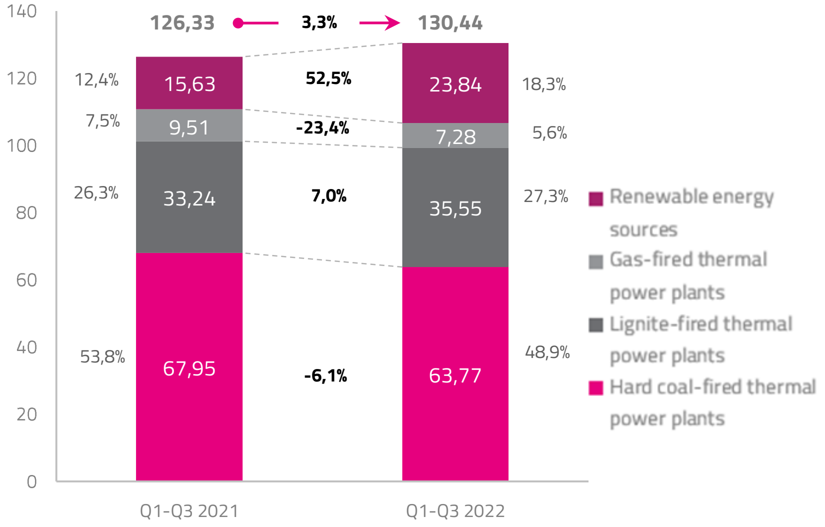
Change of industrial production sold* and electricity consumption (change yoy)**



CO2 emission allowances price performance

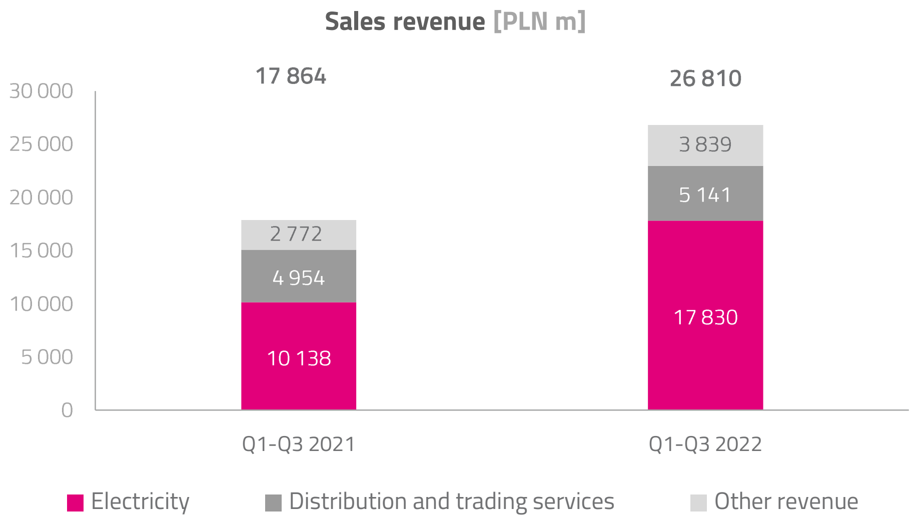
Source: Thomson Reuters Eikon (Refinitiv), ICE Endex exchange data

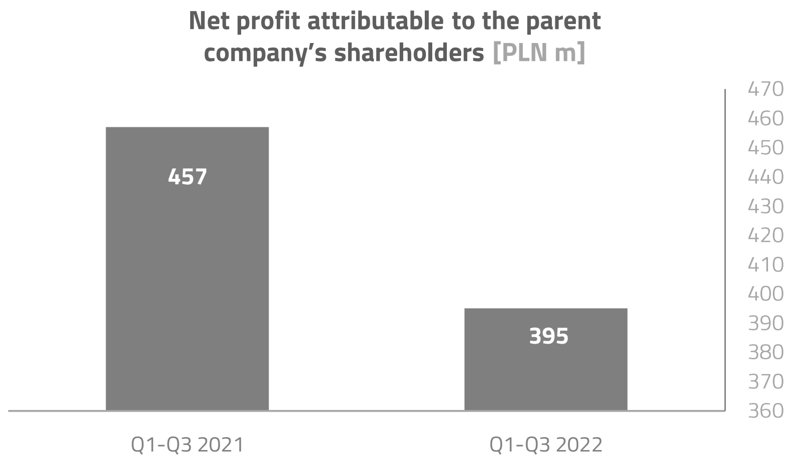
Structure of electricity production in Poland [TWh]

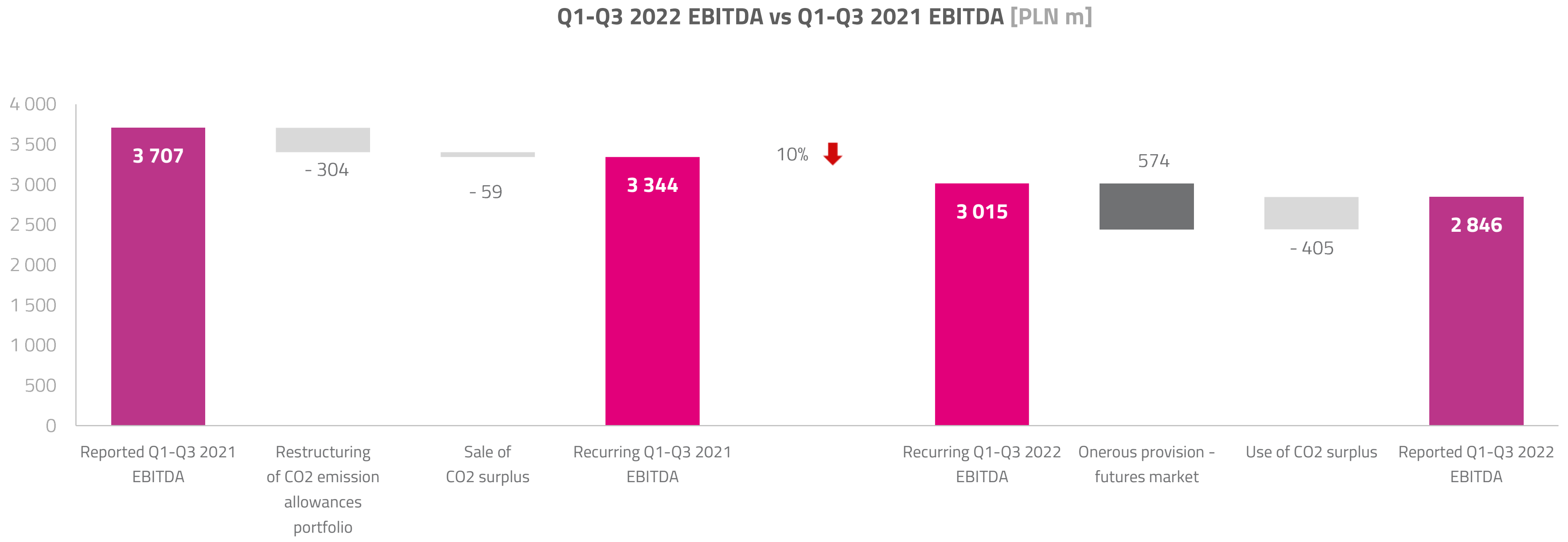


Source: PSE (TSO) data

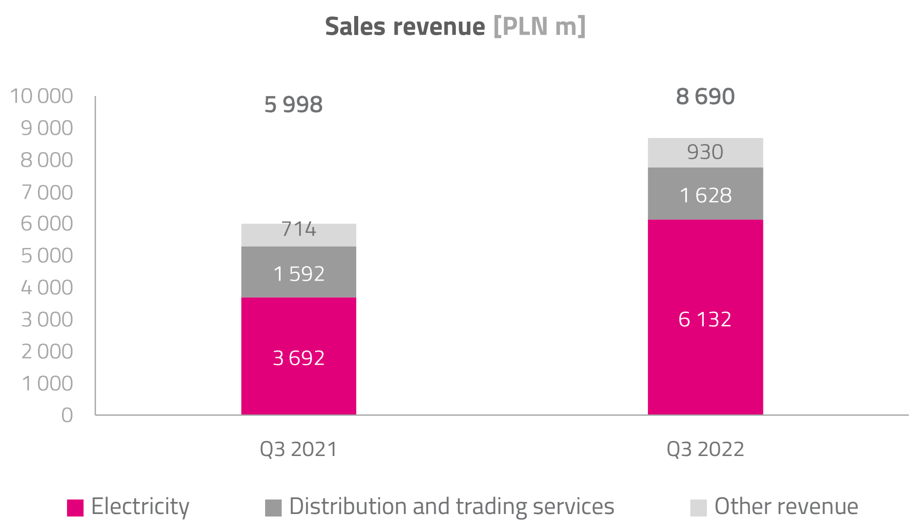
Q1-Q3 2022 financial data

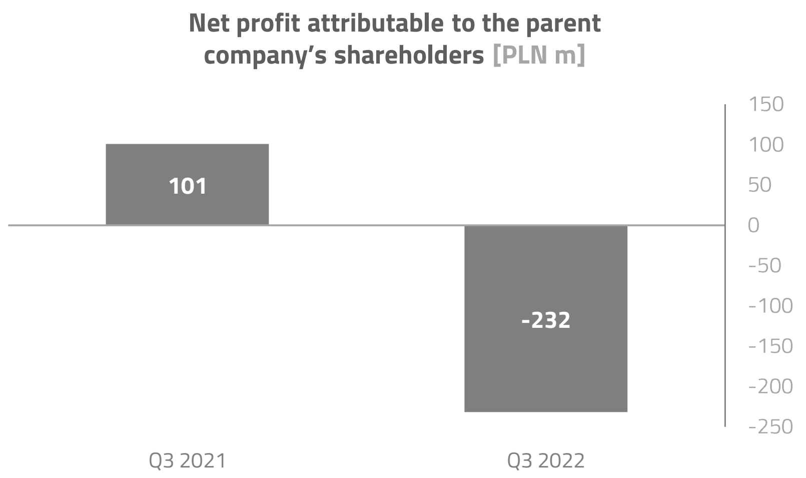


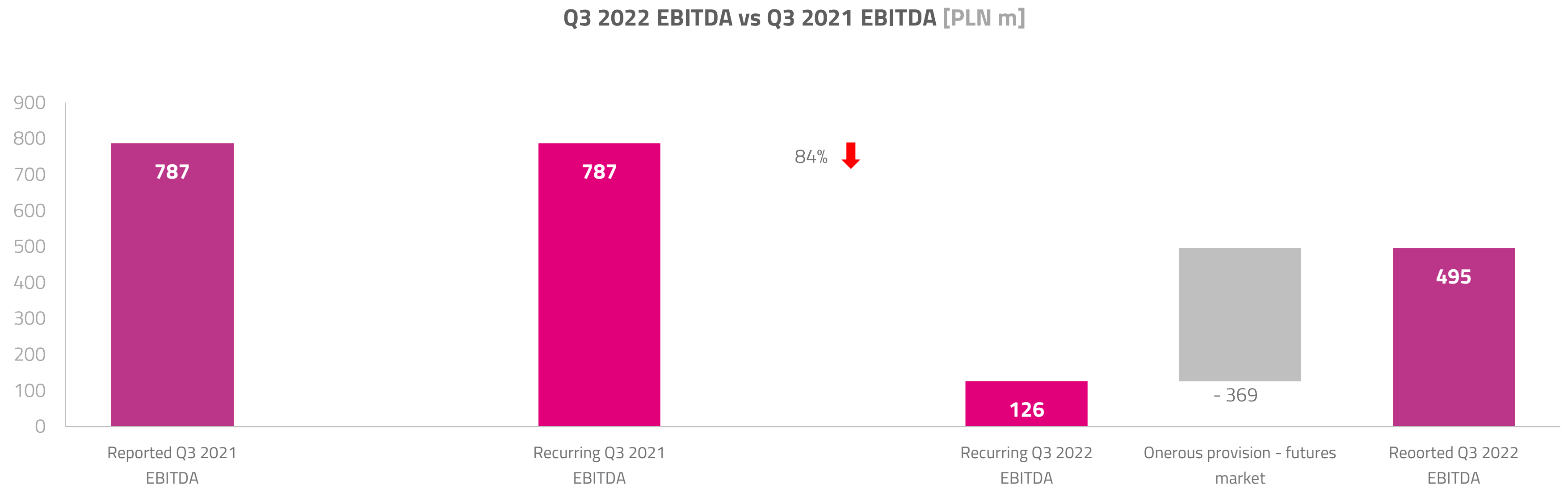




Q3 2022 financial data



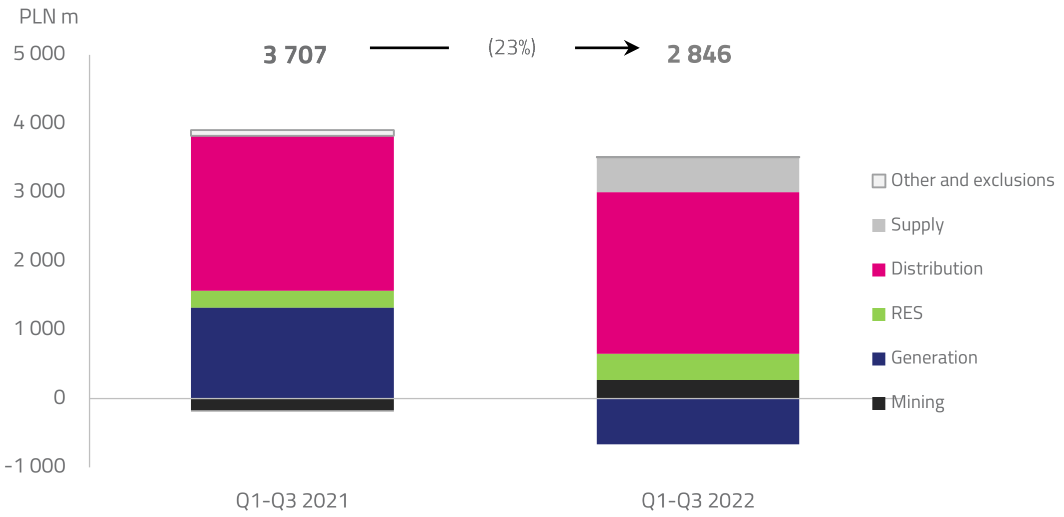




Individual segments' Q1-Q3 2022 results

[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*
Revenue	5 731	746	7 672	26 311	1 639	(15 289)
EBITDA	2 349	382	(668)	509	271	3
EBIT	1 415	272	(1 003)	476	57	(92)
CAPEX	1 438	294	268	56	311	232

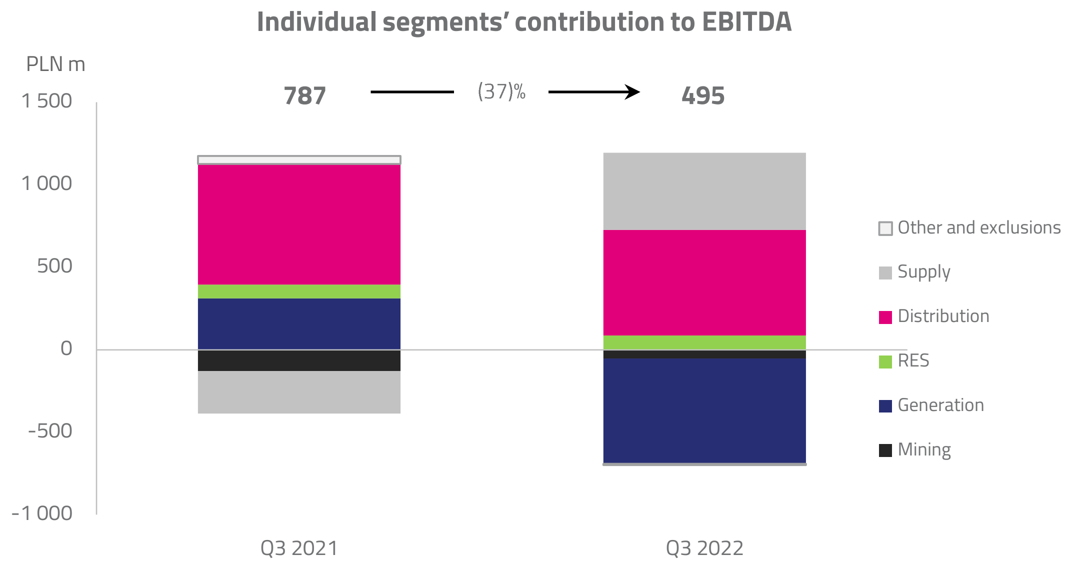
Individual segments' contribution to EBITDA



** Items not included in the segments presented*

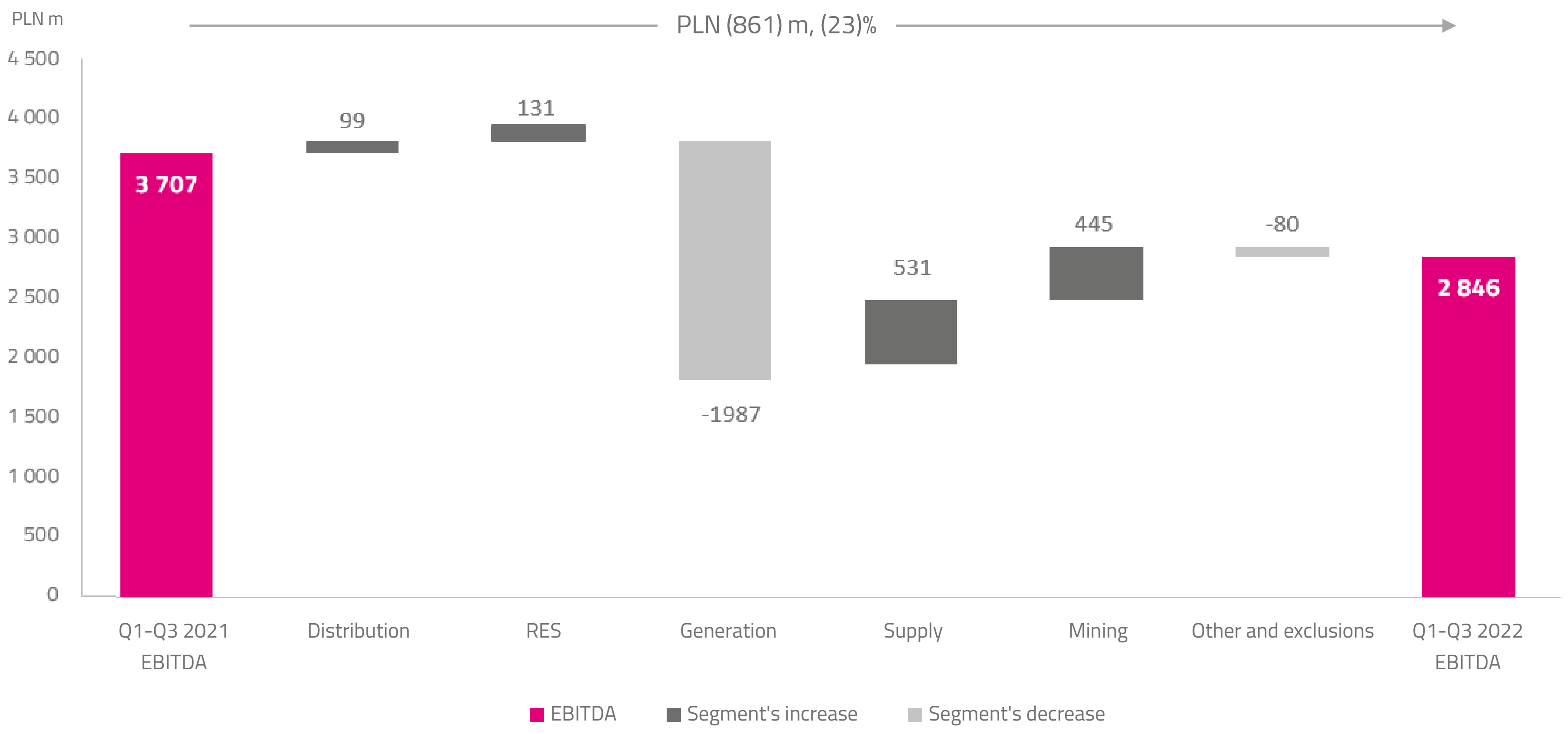
Individual segments' Q3 2022 results

[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*
Revenue	1 812	178	2 253	8 058	444	(4 055)
EBITDA	640	86	(638)	468	(53)	(8)
EBIT	323	50	(751)	457	(81)	(39)
CAPEX	560	201	151	20	144	42

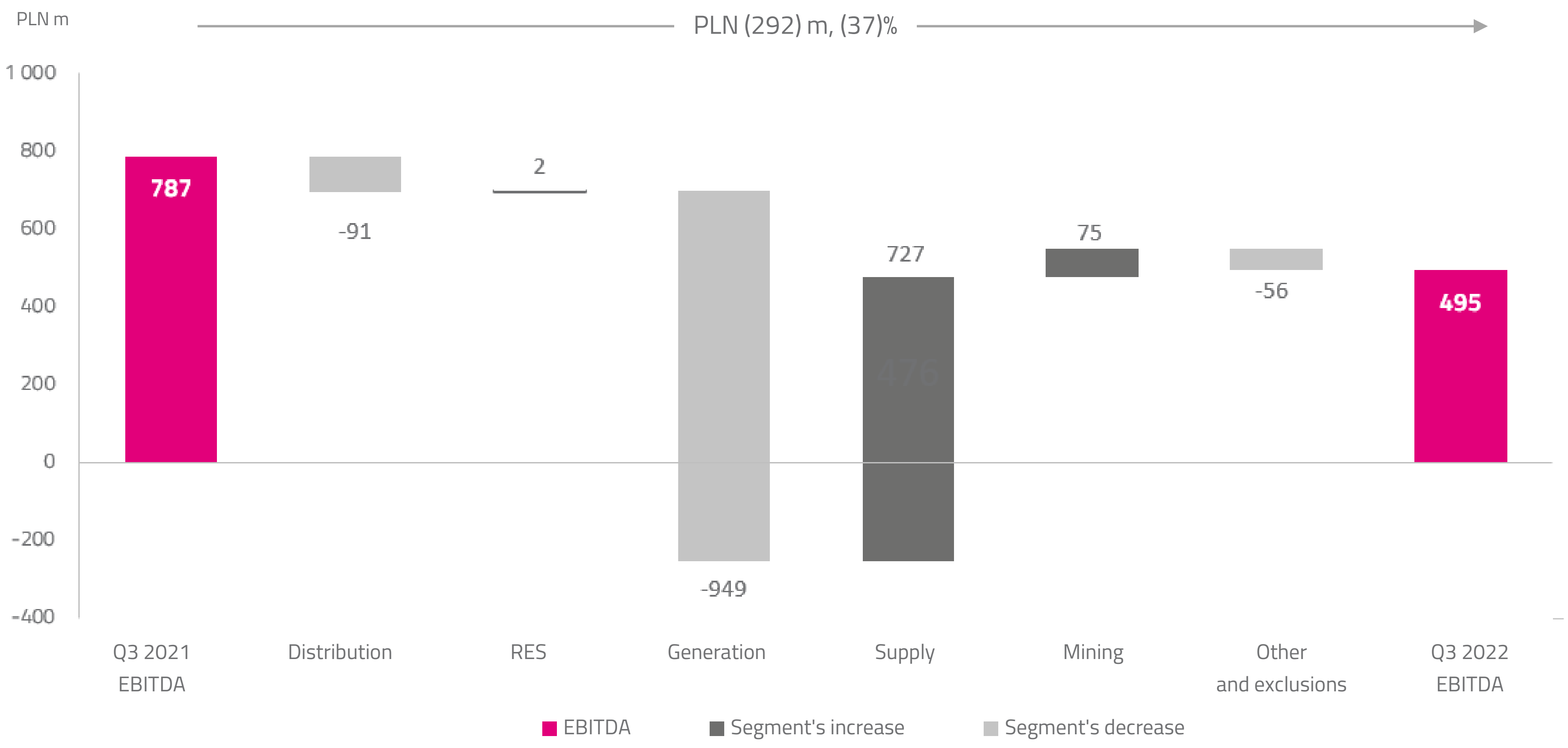


* *Items not included in the segments presented*

Q1-Q3 2022 EBITDA

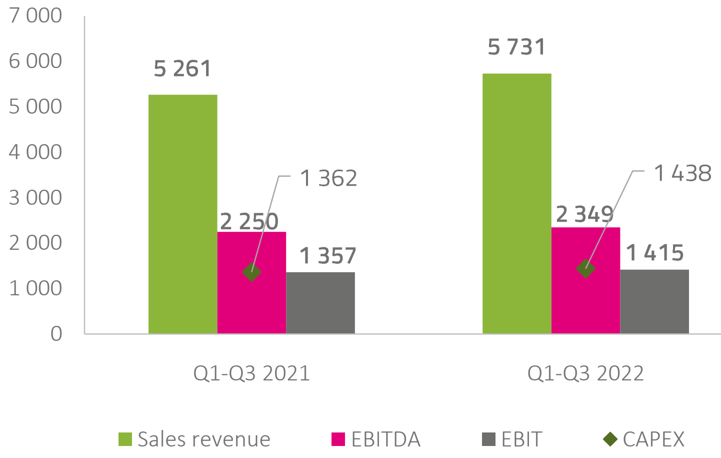


Q3 2022 EBITDA

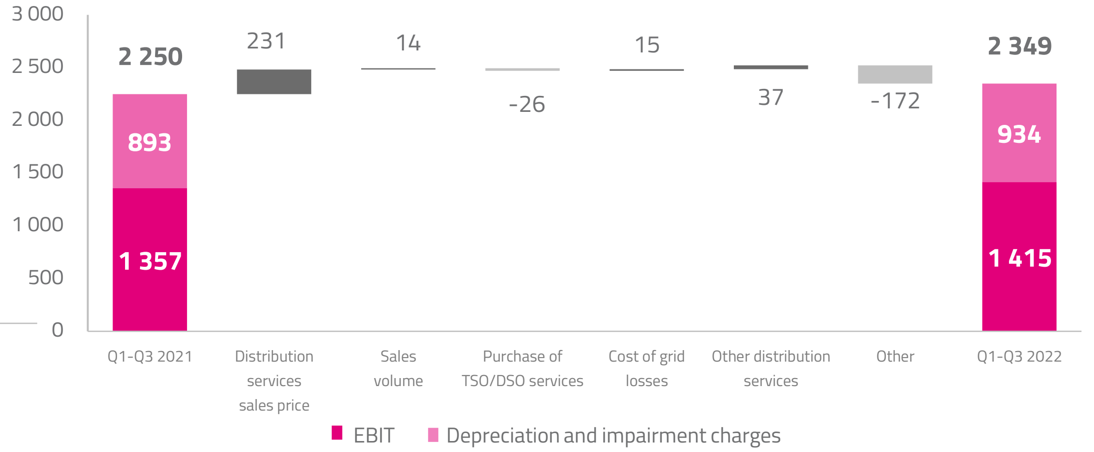


Distribution Segment Q1-Q3 2022

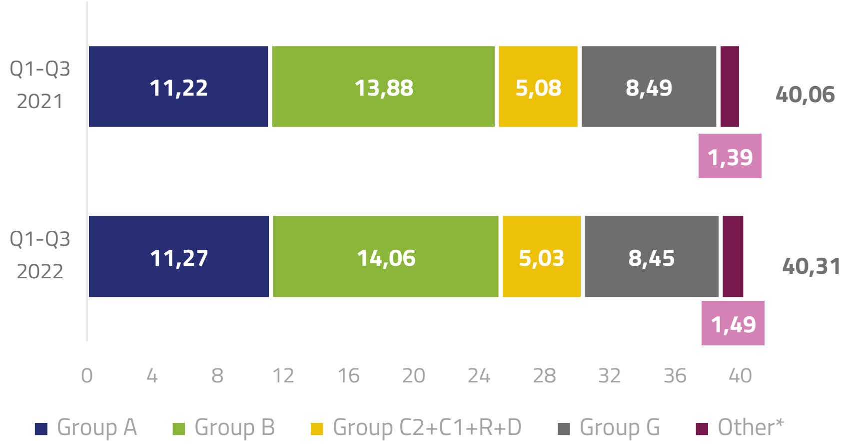
Financial data [PLN m]



EBITDA change [PLN m]



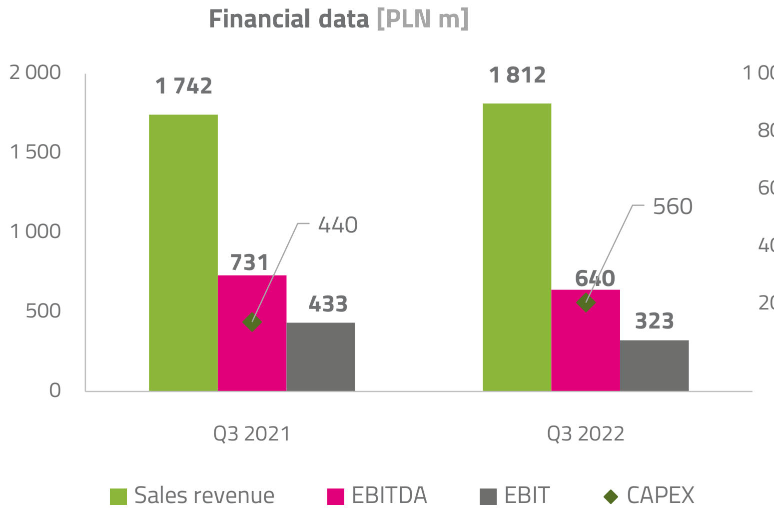
Electricity distribution [TWh]

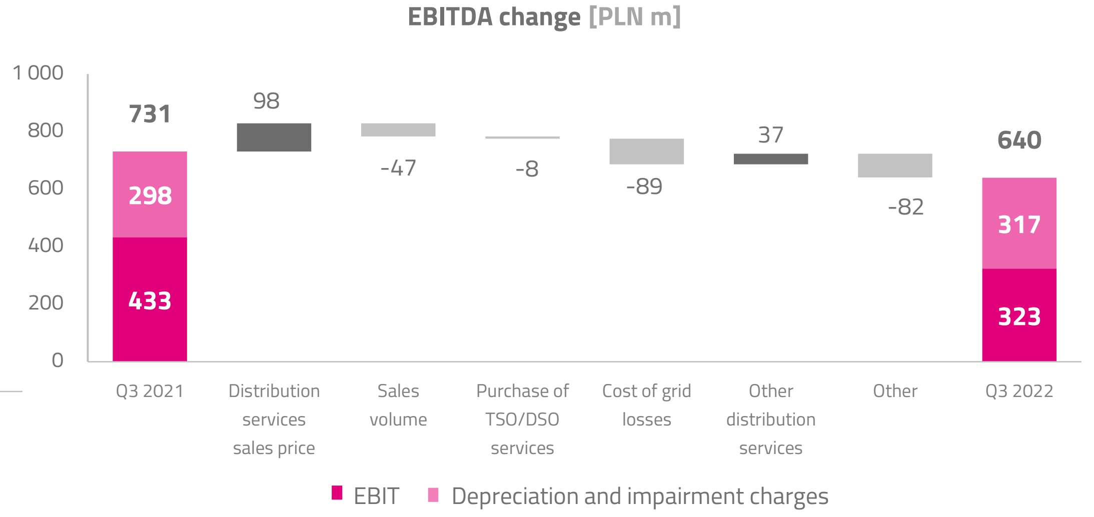


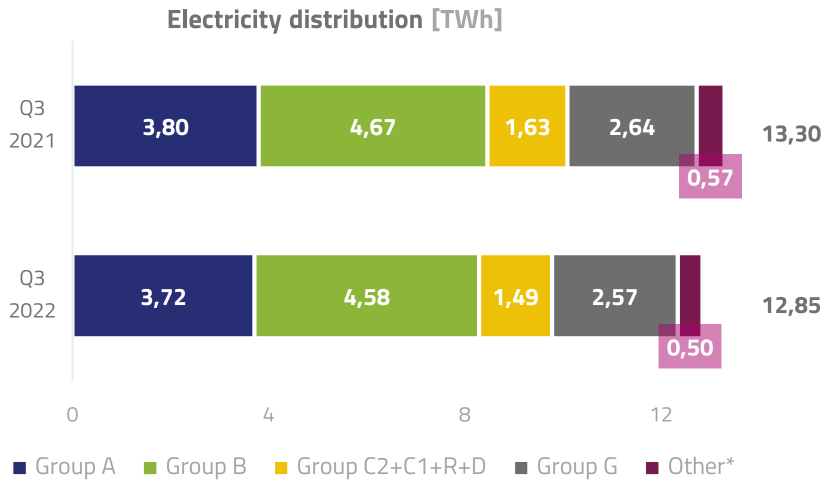
* Neigboring DSO and exports

- Increase of the average rate for the final consumers √
- Increase of the costs of labor and services –

Distribution Segment Q3 2022







* Neigboring DSO and exports

- Increase of the average rate for the final consumers √
- Decrease of electricity distribution services sales volume by 0.45 TWh –
- Increase of the costs to cover the balancing difference –
- Increase of the costs of labor and services –

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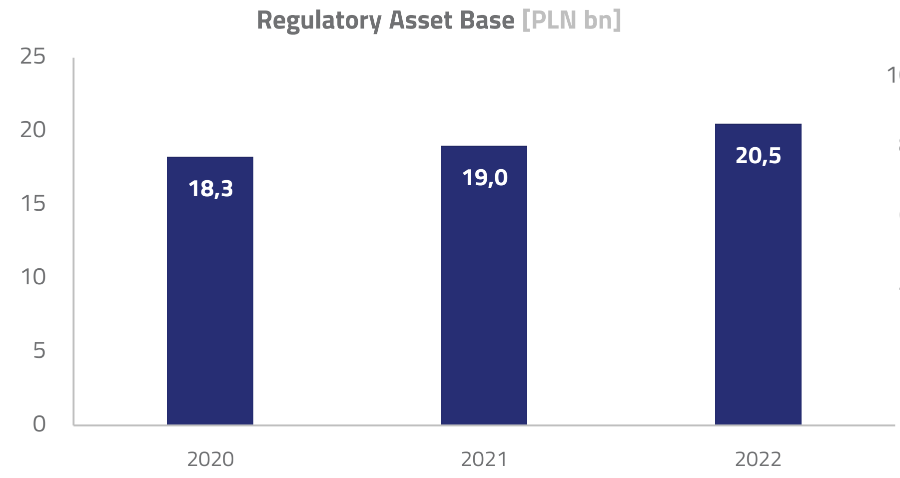
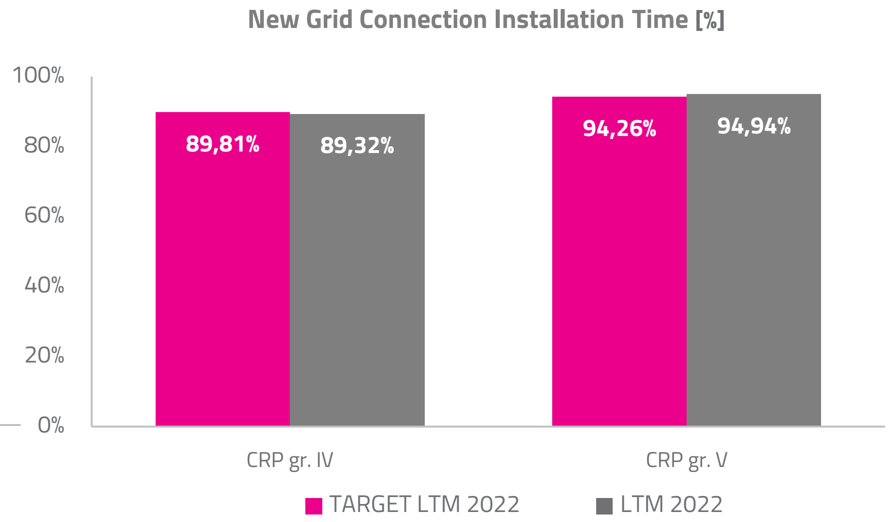
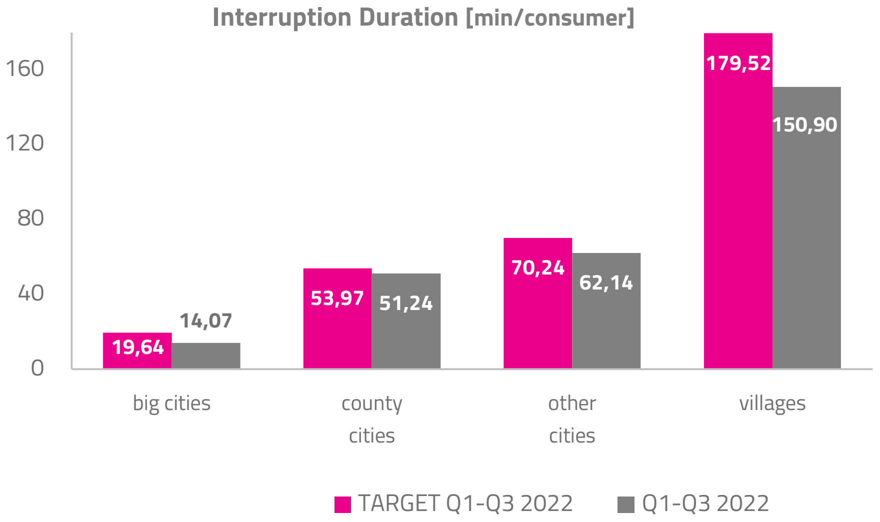
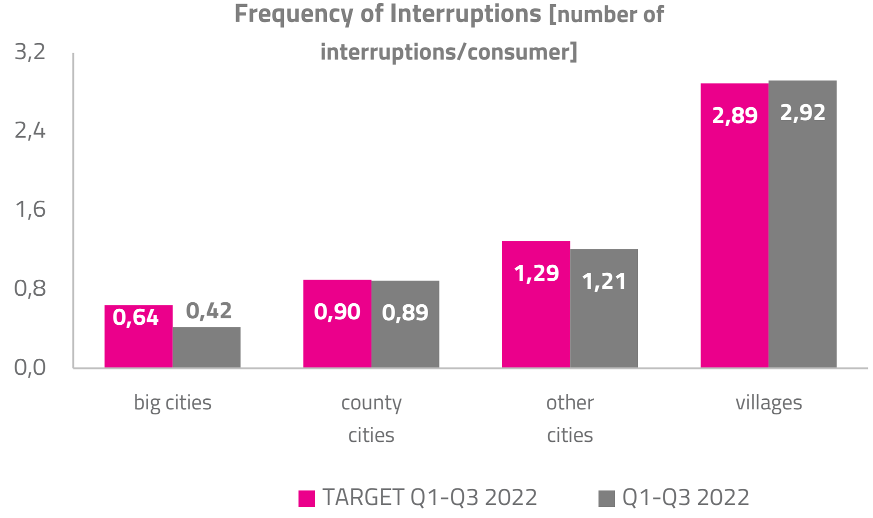
Distribution Segment key parameters

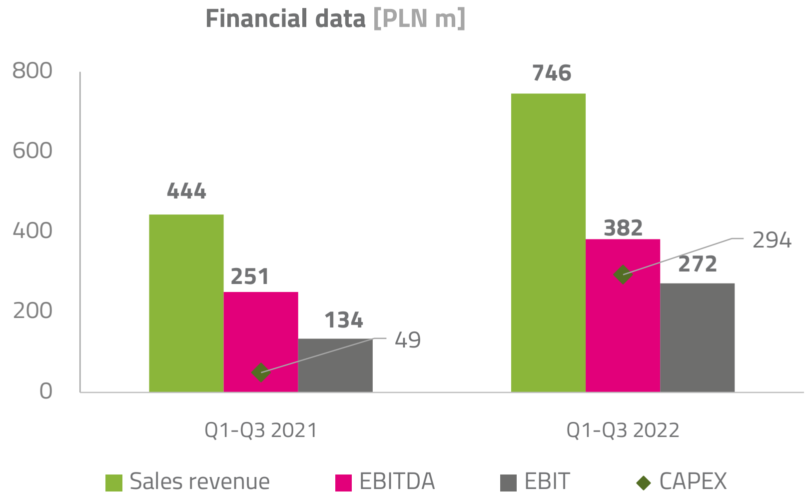


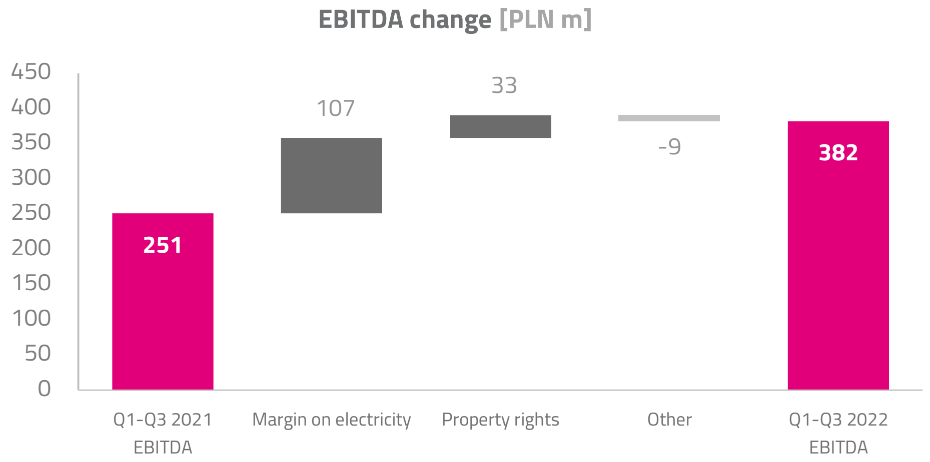


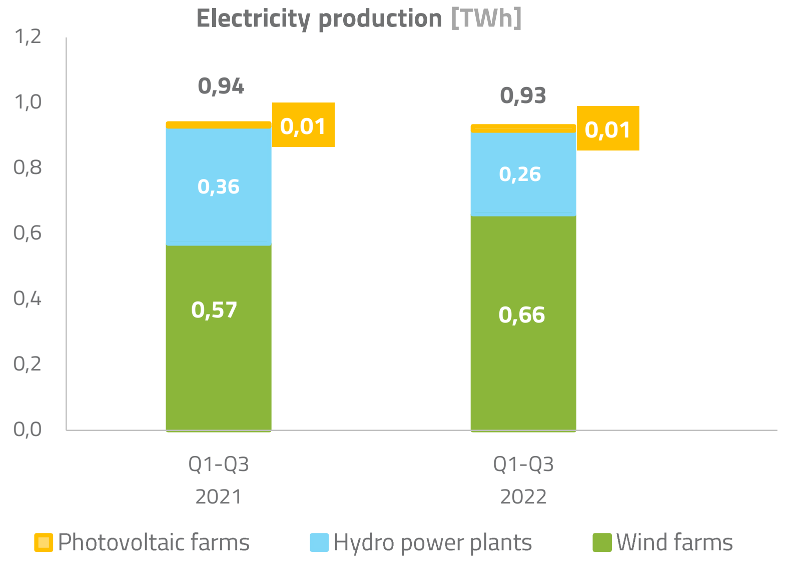




RES Segment Q1-Q3 2022

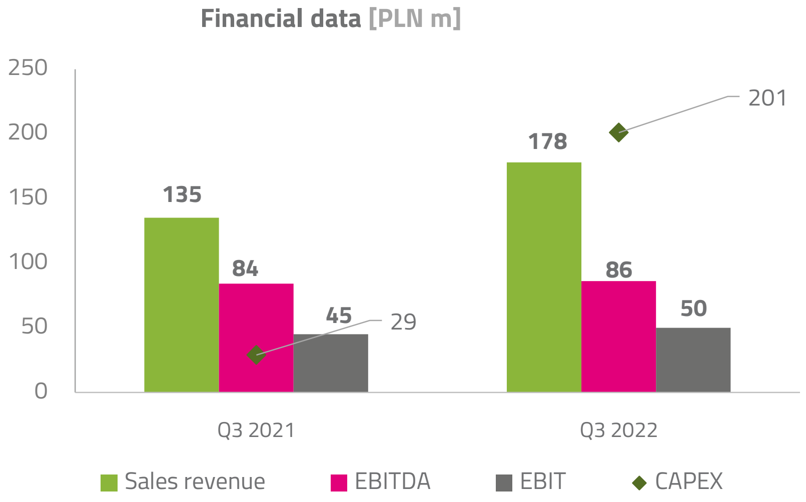


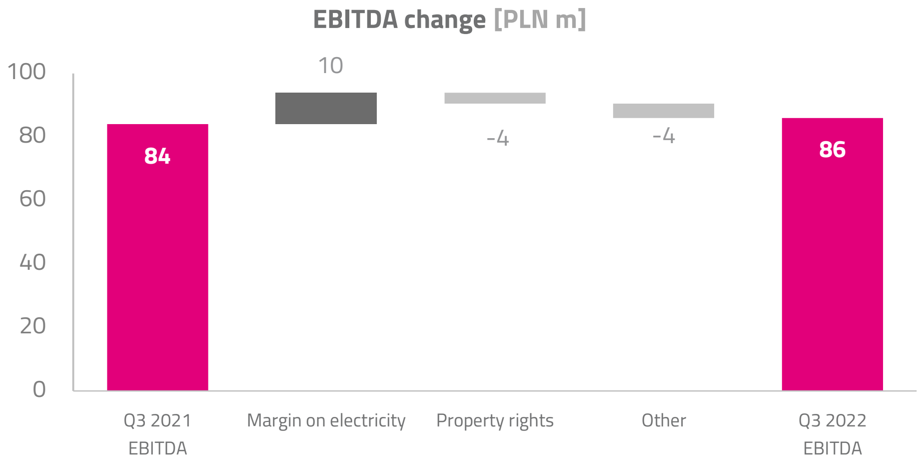


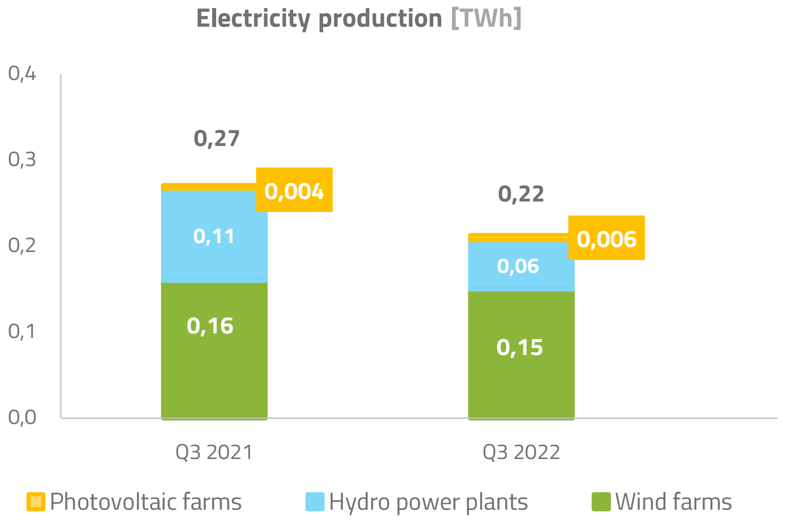


- Increase of average electricity and property rights prices √
- Higher hydro wind farms' electricity production volume √
- Lower hydro power plants' electricity production volume -

RES Segment Q3 2022

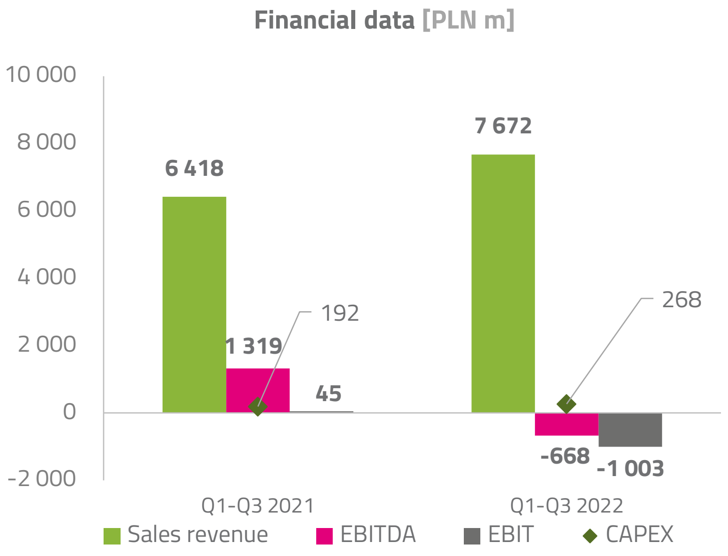


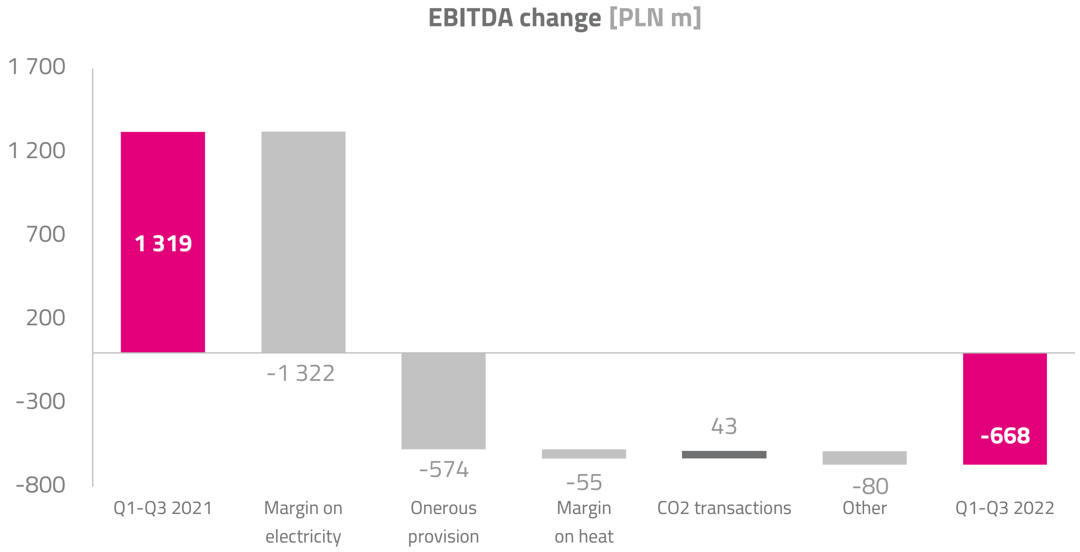


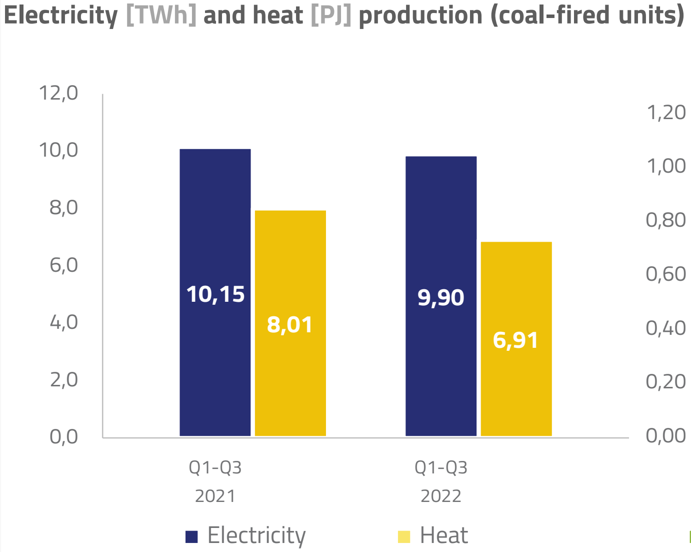


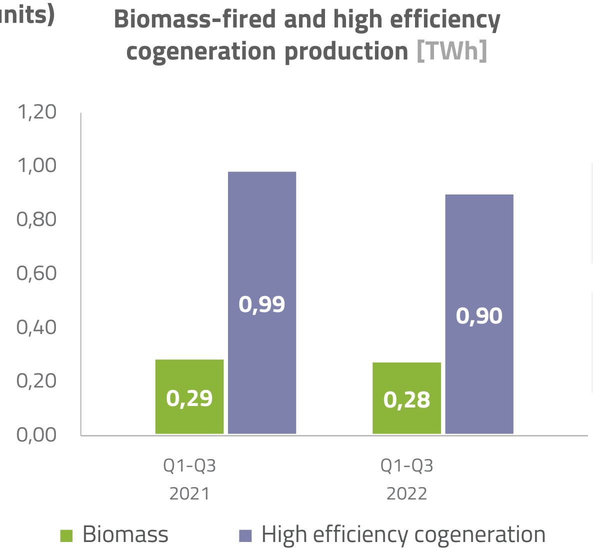
- Increase of average electricity prices √
- Decrease of property rights prices –
- Lower hydro power plants' electricity production volume –

Generation Segment Q1-Q3 2022



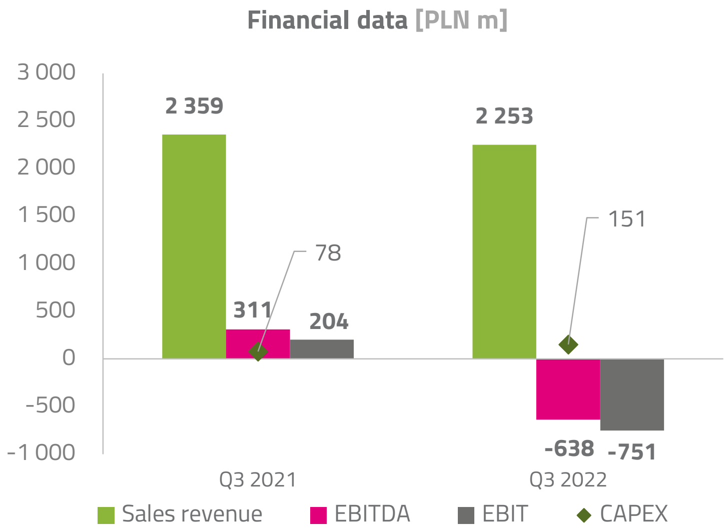


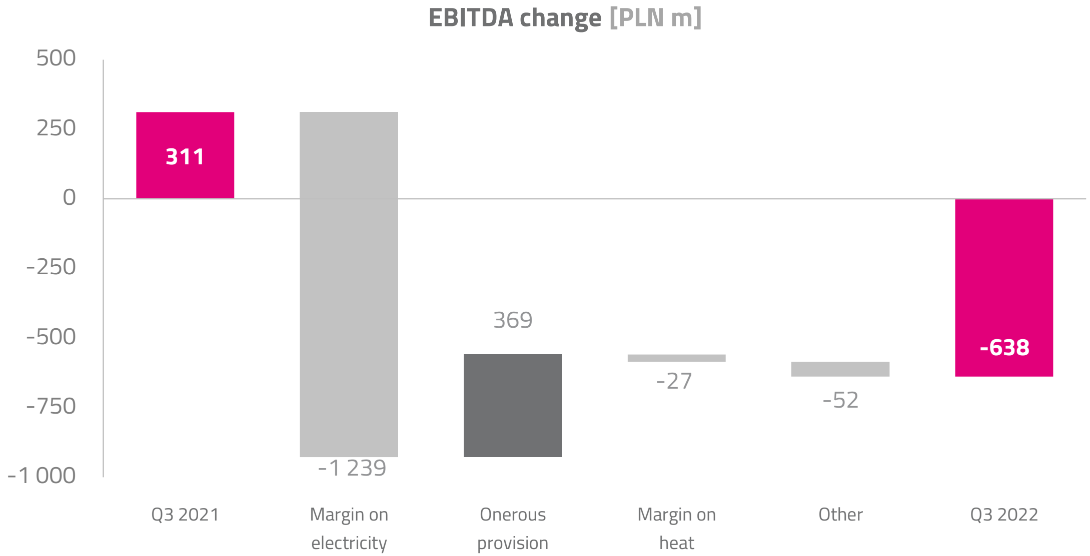


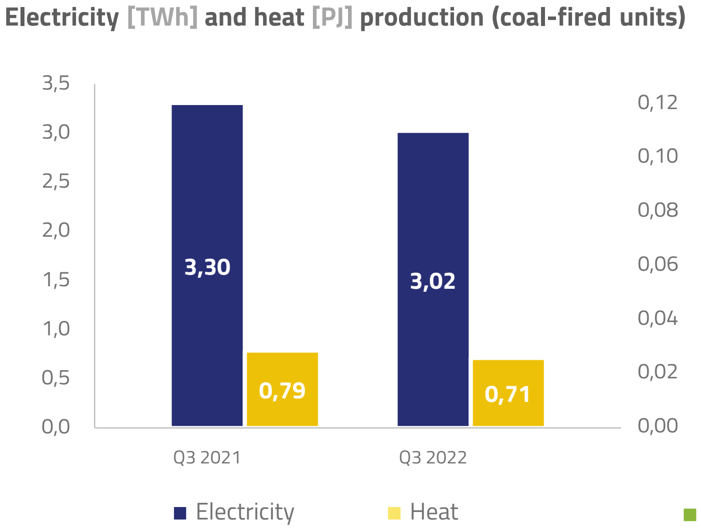


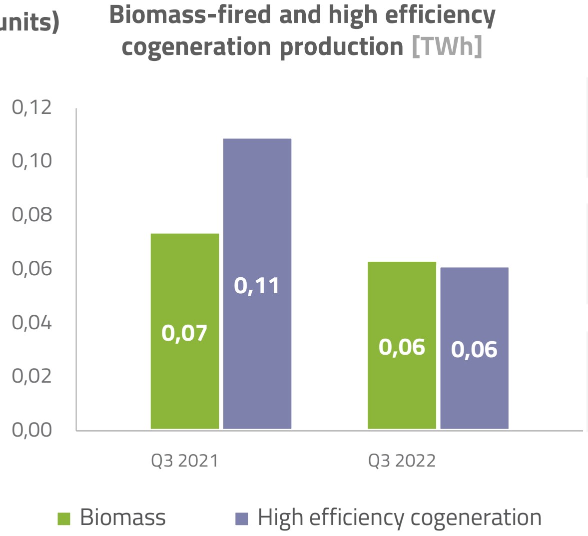
- Increase of the market electricity prices – the necessity to repurchase electricity due to the 910 MW unit shutdown –
- Increase of thermal coal sales prices –

Generation Segment Q3 2022





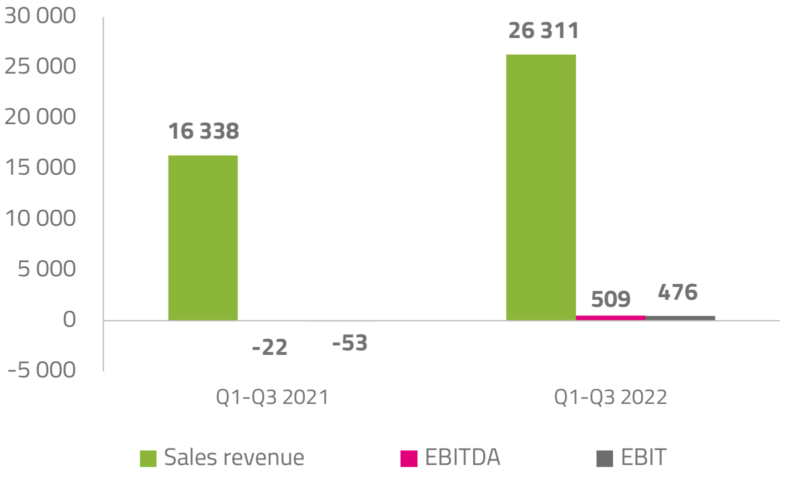




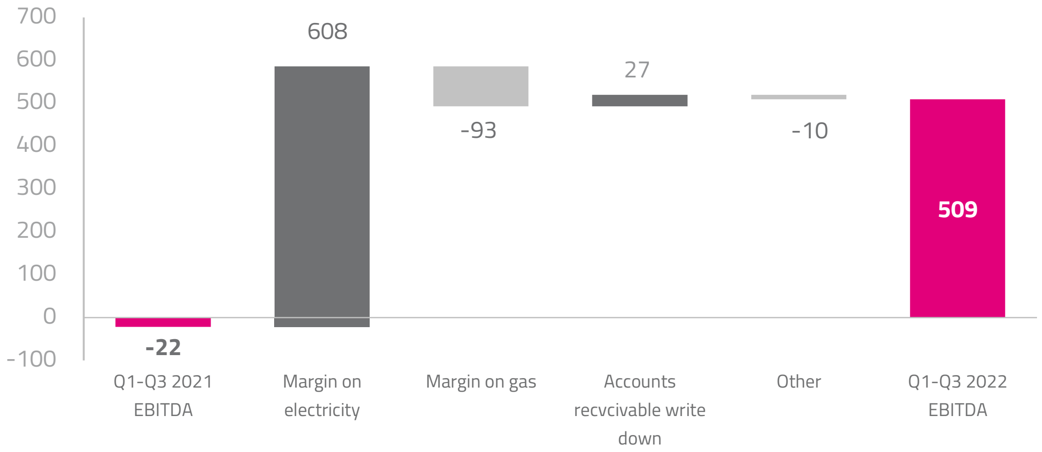
- Increase in electricity prices – an obligation to repurchase electricity due to the 910 MW unit shutdown –
- Lower coal-fired units' electricity production volume –
- Increase of thermal coal sales prices –

Supply Segment Q1-Q3 2022

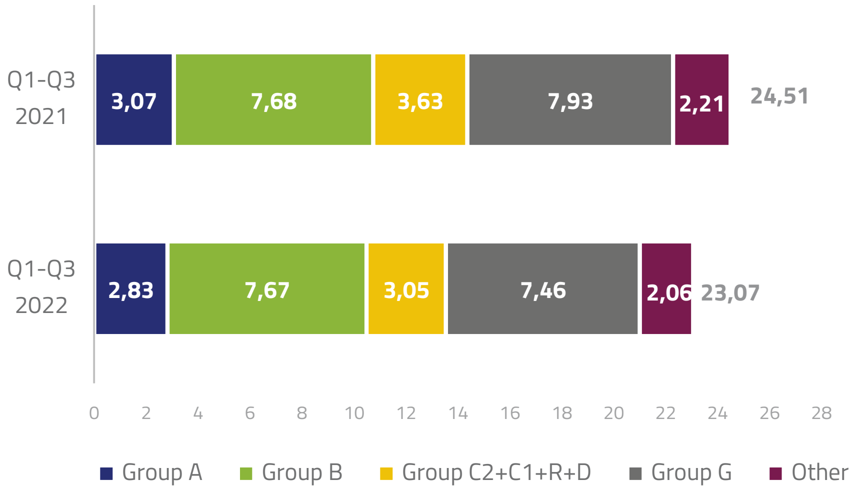
Financial data [PLN m]



EBITDA change [PLN m]



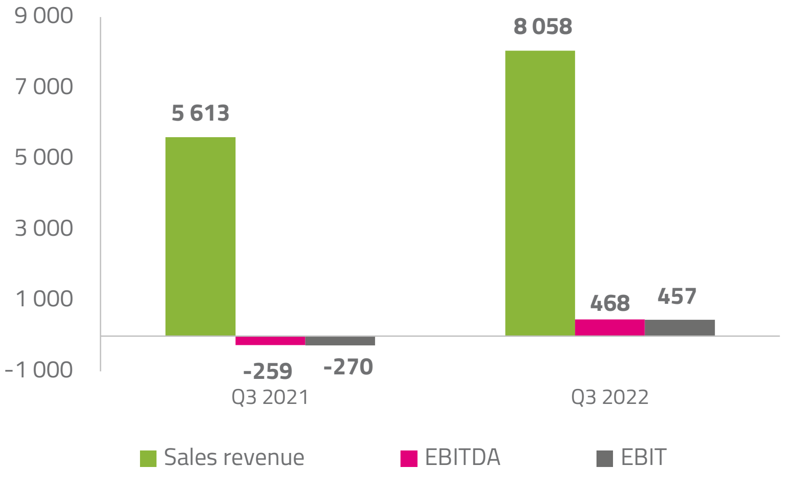
Retail electricity supply [TWh]



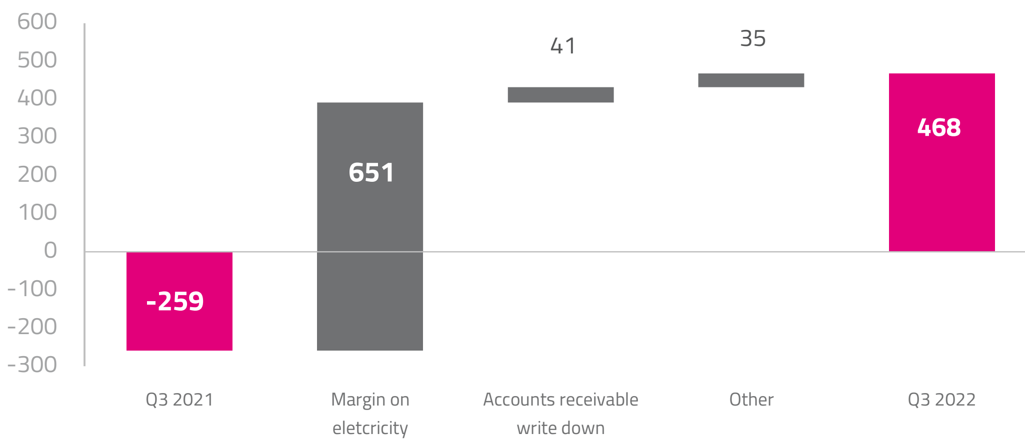
▪ Settlement of the electricity contract	√
▪ Costs not fully covered by the G tariff	-
▪ Impact of the prosumer market development on the electricity supply volume in the G Group	-
▪ Loss of the gas margin due to unfavorable market conditions	-
▪ Significant decrease in the volume of electricity supply to C-segment customers	-

Supply Segment Q3 2022

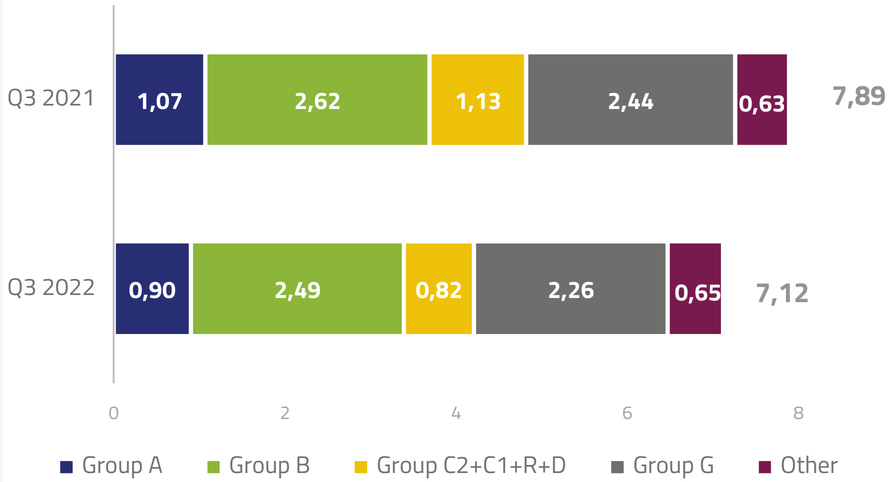
Financial data [PLN m]



EBITDA change [PLN m]

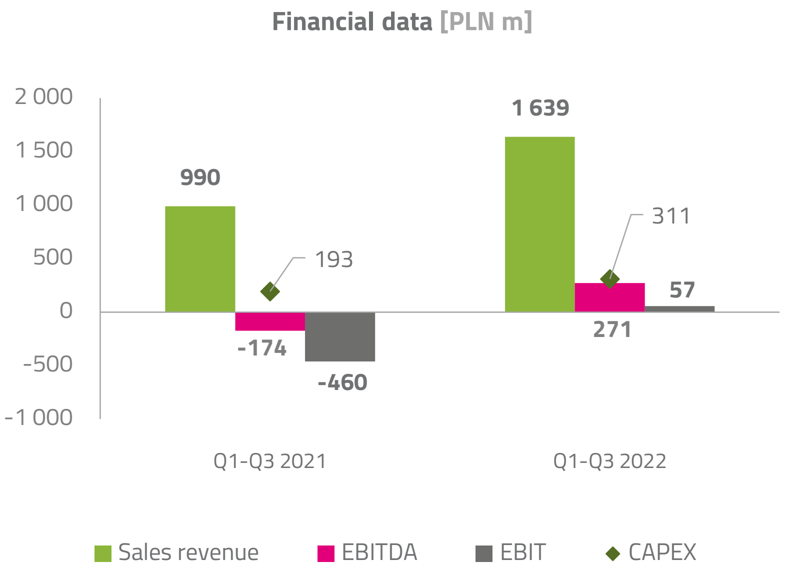


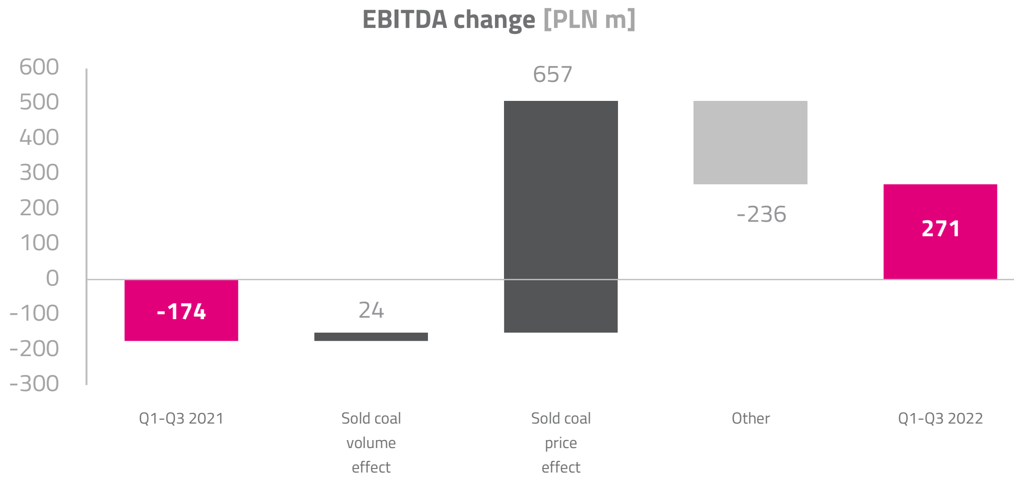
Retail electricity supply [TWh]

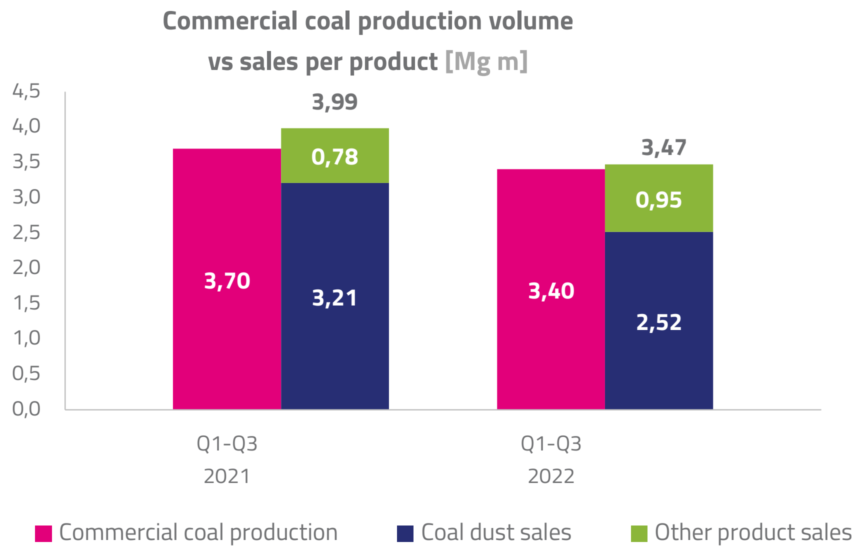


- Settlement of the electricity contract √
- Costs not fully covered by the G tariff –
- Impact of the prosumer market development on the electricity supply volume in the G Group –
- Significant decrease in the volume of electricity supply to C-segment customers –

Mining Segment Q1-Q3 2022





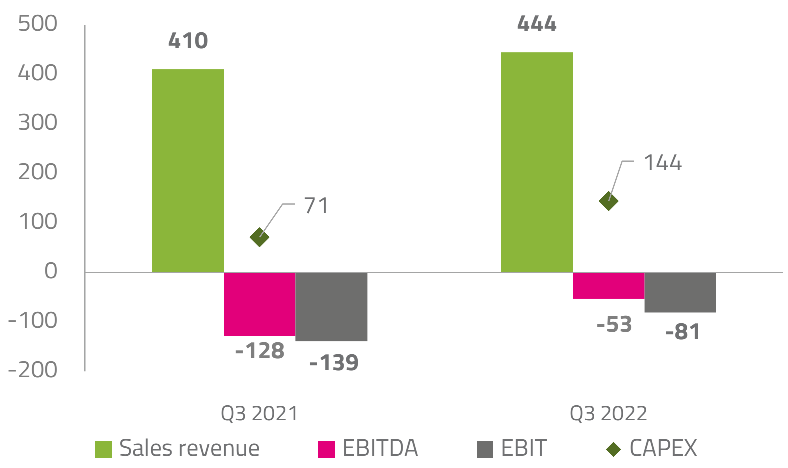


- Higher coal sales price √
- Increase by 80 PLN/Mg of the unit mining cash cost* (up from 225 PLN/Mg to 305 PLN/Mg) –
- Lower coal production and sales volume –
- Increase of the costs of labor, energy and services –

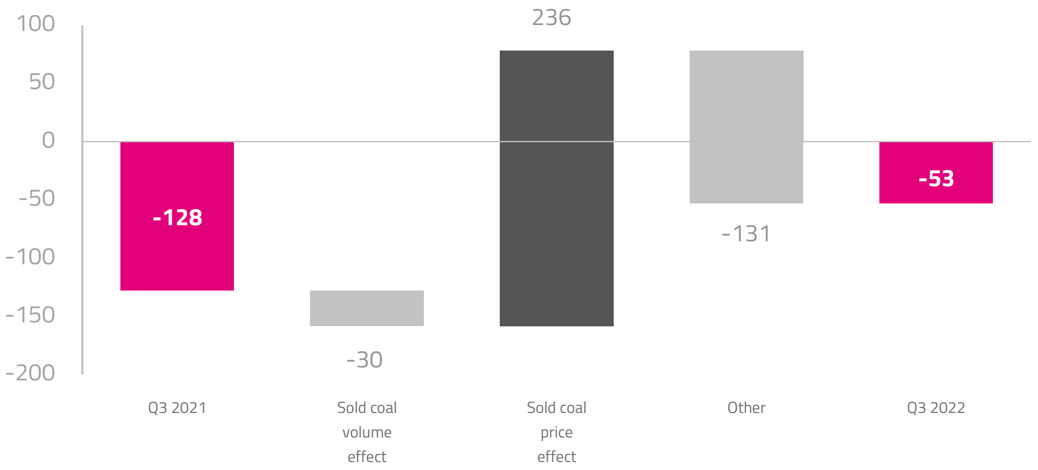
** Total costs excluding depreciation, impairment charges, costs not directly related to coal production and costs that do not have a permanent impact on the company's cash flow*

Mining Segment
Q3 2022

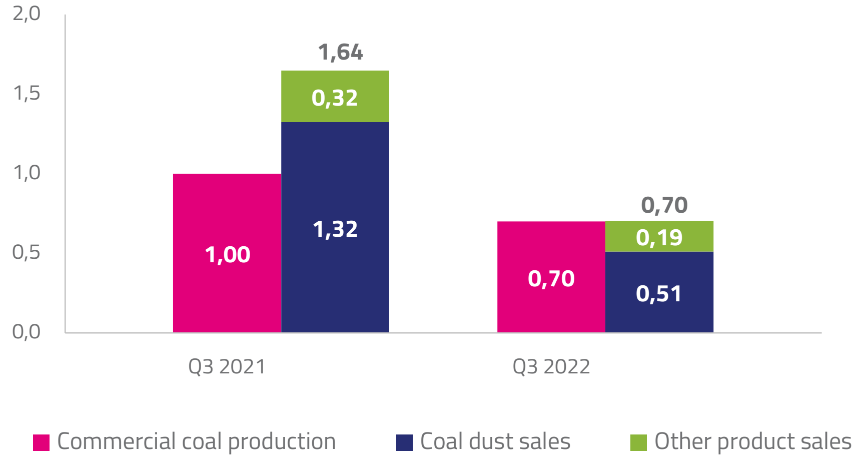
Financial data [PLN m]



EBITDA change [PLN m]



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

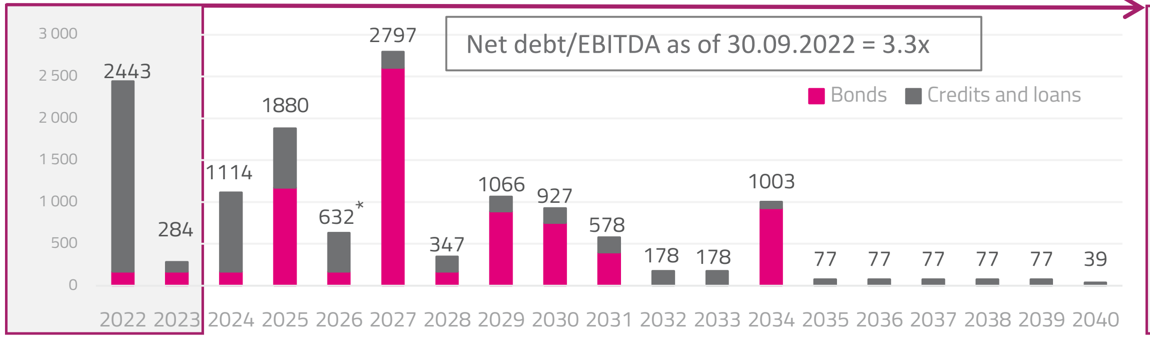


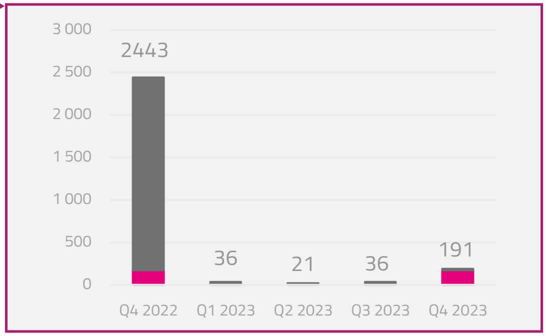
- Higher coal sales price √
- Increase by 233 PLN/Mg of the unit mining cash cost* (up from 297 PLN/Mg to 530 PLN/Mg) -
- Lower coal sales volume -
- Increase of the costs of labor, energy and services -

** 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*

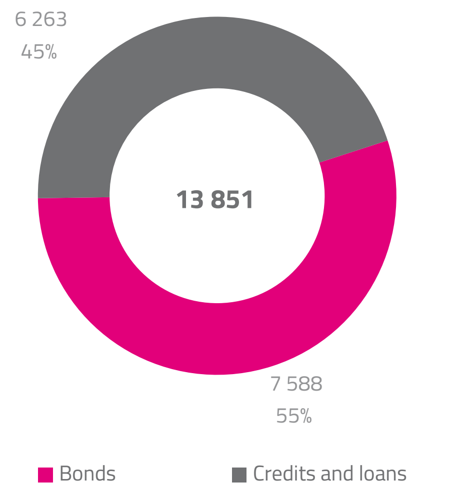
Debt and financing

TAURON Group's nominal debt maturity as of September 30, 2022 [PLN m]

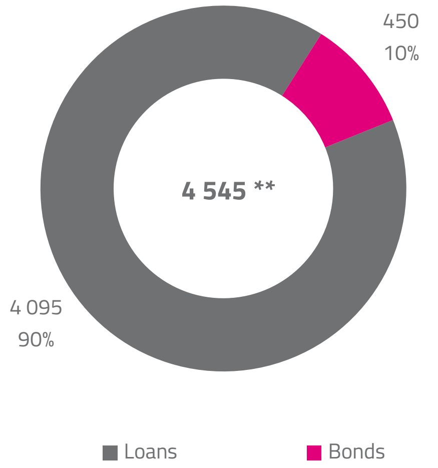




TAURON Group's nominal debt structure as of September 30, 2022 [PLN m]



Amounts of financing available to TAURON Group as of September 30, 2022 [PLN m]



Nominal debt structure by interest rate [PLN m]

Amount debt	Interest rate	Collateral floating rate
13 851	Floating rate: 7 726	IRS: 3 840
	Fixed rate: 6 125	None: 3 886

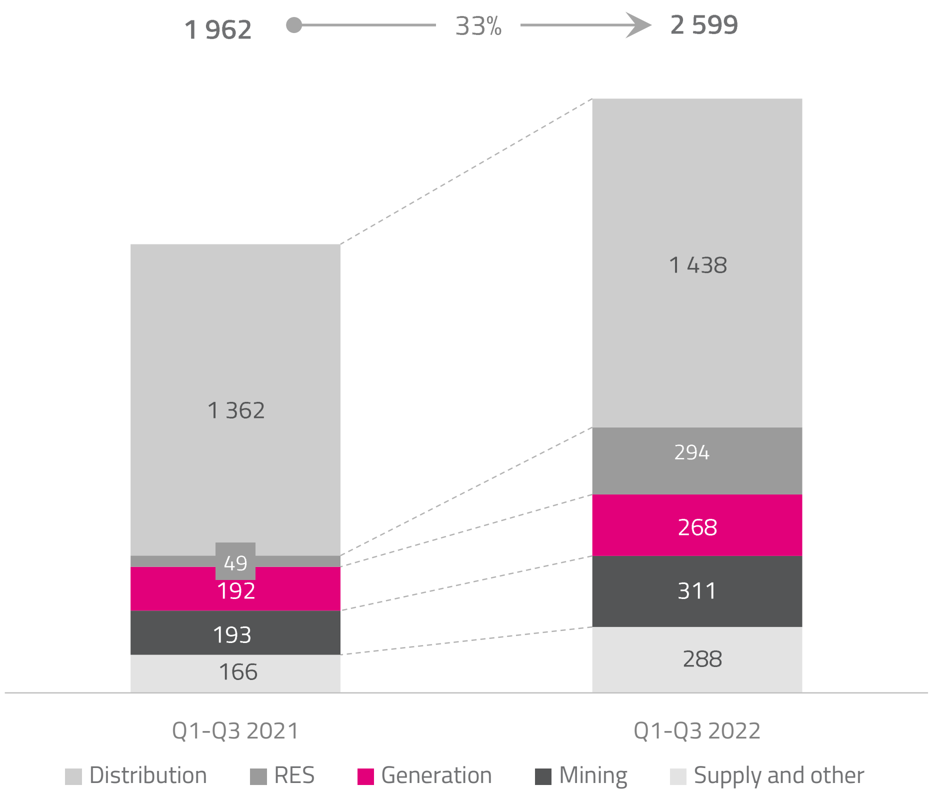
- EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 30% of the total debt

* 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). Outlays, including equity investments, excluding financial costs, came in at PLN 1 960m in Q1-Q3 2021 and PLN 2 590m w Q1-Q3 2022*

Key investment projects implemented in Q1-Q3 2022*

Distribution:

- Installing new grid connections (PLN 766m)
- Grid assets refurbishments and replacements (PLN 587m)

Generation:

- Replacement and refurbishment related outlays as well as overhaul components at TAURON Wytwarzanie (PLN 89m)
- New capacity construction - 910 MW Jaworzno unit (PLN 45m)
- Construction of the peaking and backup boiler houses at ZWB (PLN 27m)
- New facility connections to the district heating network (PLN 18m)
- District heating networks' maintenance and expansion (PLN 13m)
- TC's Low Emission Elimination Program (PLN 10m)

RES:

- Construction of30 MW Piotrków wind farm (PLN 161m)
- Construction of 58.5 MW Mierzyn Wind Farm (PLN 57m) Construction of 6 MW Majewo wind farm (PLN 35m)
- Construction of 37 MW Mysłowice PV farm (PLN 14m)
- Refurbishment of hydroelectric power plants (PLN 10 m)
- Construction of the 8 MW Choszczno II PV farm (PLN 3m)

Mining:

- Production preparation (PLN 241m)
- Refurbishment and replacement tasks (PLN 58m)
- Construction of Grzegorz shaft at Sobieski ZG (PLN 8m)

Supply and other:

- IT investments at TOK (PLN 160m)
- Deployment of the broadband internet as part of the POPC III and CUB Program (PLN 61m)
- Lighting maintenance and expansion – TNT (PLN 51m)

** Investment outlays do not include financial costs added to the capex*

Contact details

Investor Relations Team

Paweł Gaworzyński
pawel.gaworzynski@tauron.pl
tel. + 48 32 774 25 34

Maciej Szmigel
maciej.szmigel@tauron.pl
tel. + 48 798 897 385

Katarzyna Heinz
katarzyna.heinz@tauron.pl
tel. + 48 32 774 25 38

Magdalena Wilczek
magdalena.wilczek@tauron.pl
tel. + 48 723 600 894

Mateusz Stępień
mateusz.stepien@tauron.pl
tel. + 48 516 111 997

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Thank you for your attention

Analysts covering TAURON

Institution	Analyst
Dom Maklerski mBanku*	**Kamil Kliszcz**
Dom Maklerski Santander	**Paweł Puchalski**
Dom Maklerski PKO BP	**Andrzej Rembelski**
Dom Maklerski Banku Handlowego	**Piotr Dzięciołowski**
Ipopema Securities	**Robert Maj**
Erste Group	**Petr Bartek**

Institution	Analyst
Noble Securities	**Michał Sztabler**
Raiffeisen Centrobank	**Teresa Schinwald**
WOOD & Company	**Ondrej Slama**
Dom Maklerski BOŚ	**Jakub Viscardi**
Biuro Maklerskie Pekao	**Marcin Górnik**
Trigon Dom Maklerski	**Michał Kozak**

* issuing of recommendations has been suspended

Electricity market price trends

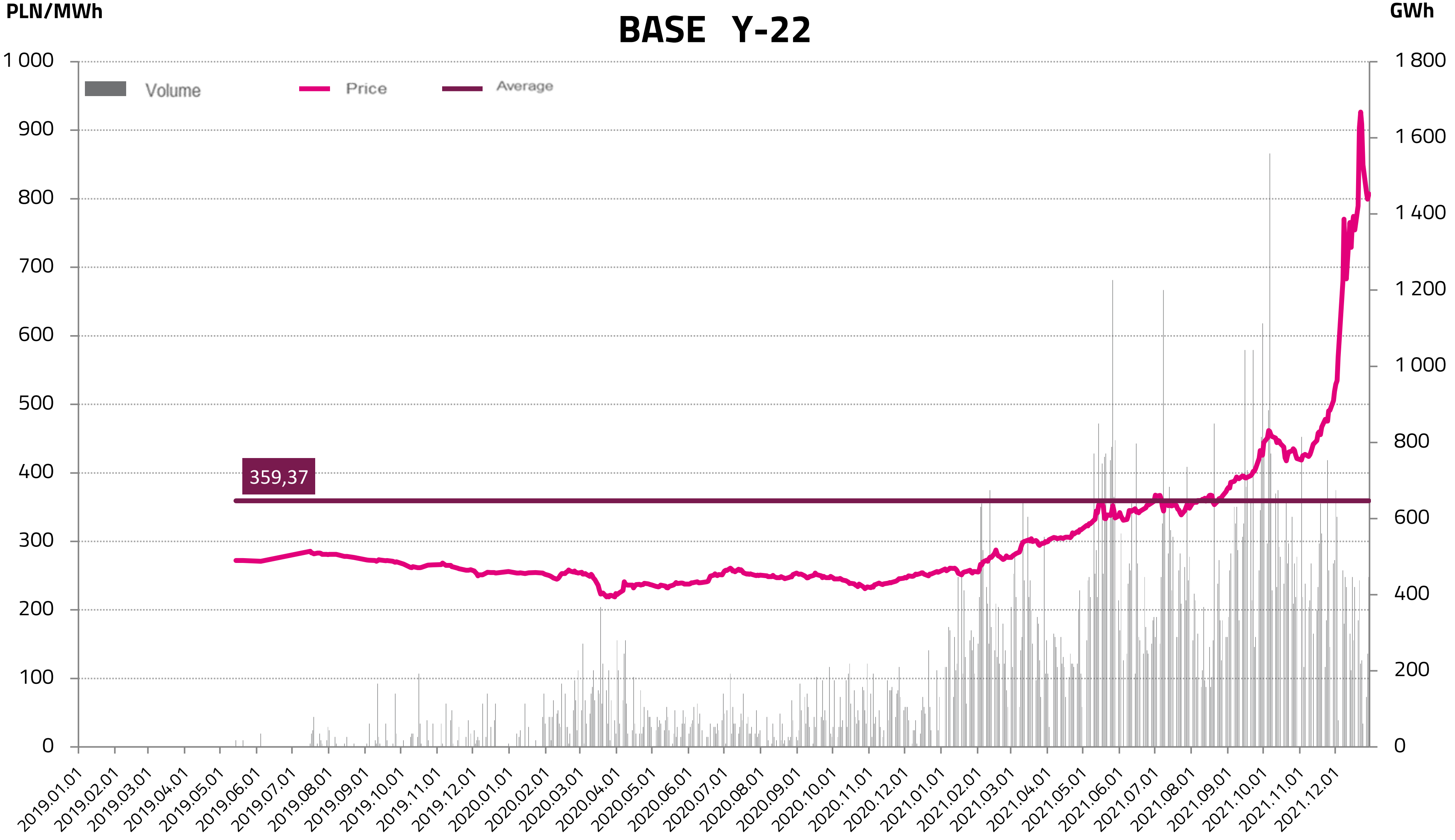
Electricity						
Platforms: TGE	2021		2022 (actual + estimates)		2022/2021	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	250.54	181 678	456.05	164 865	82.0%	-9.3%
Forward PEAK (Y+Q+M)	287.12	19 389	494.50	17 194	72.2%	-11.3%
Forward (weighted average)	254.07	201 067	459.68	182 059	80.9%	-9.5%
SPOT (TGE)	394.34	36 141	779.74	33 341	97.7%	-7.7%
Weighted average total	**275.44**	**237 208**	**509.22**	**215 400**	**84.9%**	**-9.2%**

Property rights (PLN/MWh)			
Certificate type	Market prices (Q1-Q3 2022 weighted average)	Substitution fee and obligation for:	
		2021	2022
RES (PMOZE_A)	197.24	172.76 (19.5%)	239.86 (18.5%)
RES from biogas plants (PMOZE_BIO)	301.88	300.03 (0.5%)	300.03 (0.5%)

CO_2 emission allowances (EUR/t)	
CO_2 market analysts survey* (updated in July 2022)	Price [EUR/t]
2022 average	85.35
2023 average	92.98
2024 average	96.02
2022 average price forecast by TAURON	81-83

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

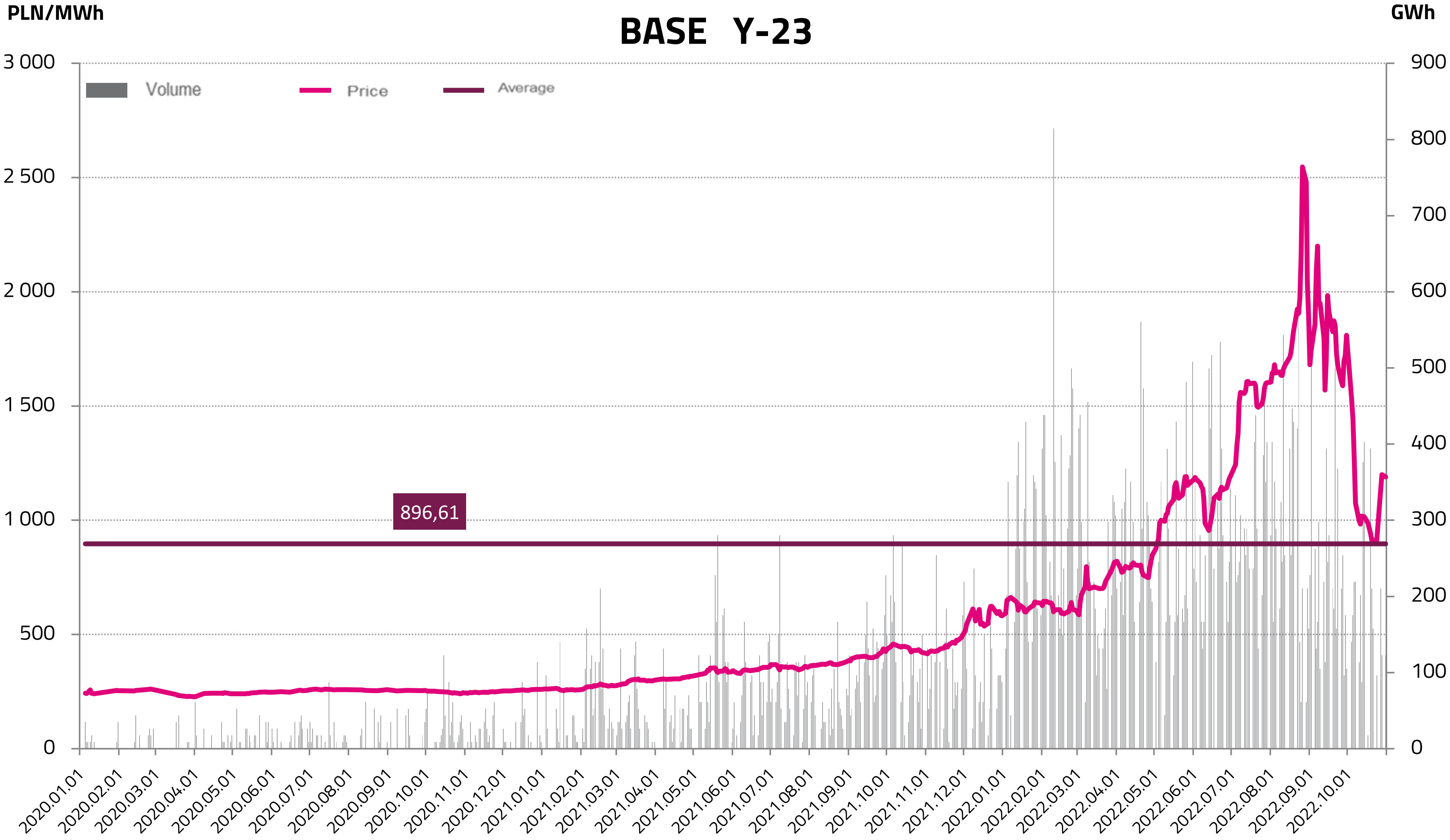
2022 BASE contract prices



	Average price [PLN/MWh]	Volume [GWh]
Total	359.37	127 843

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

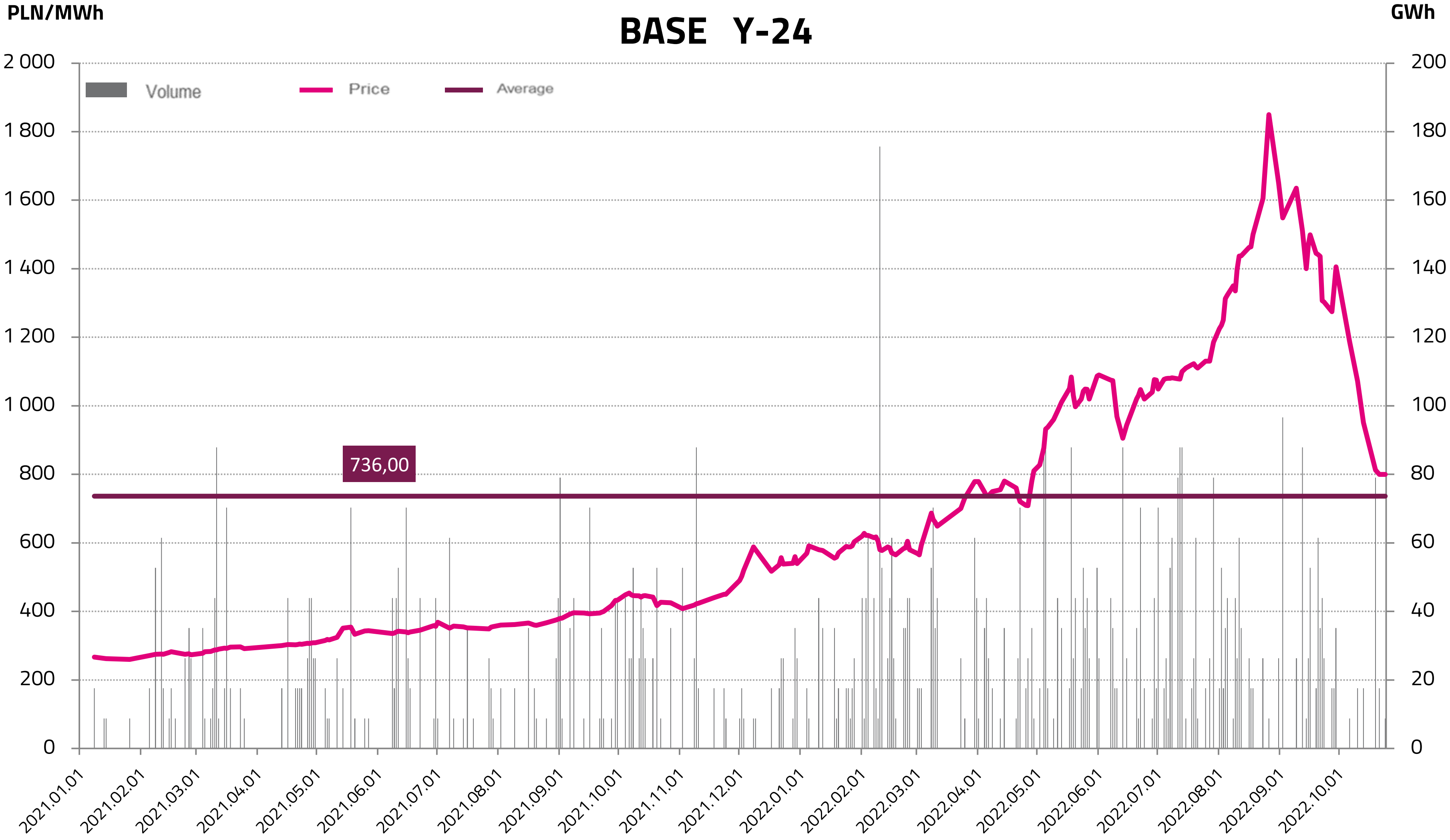
2023 BASE contract prices



	Average price [PLN/MWh]	Volume [GWh]
Total	896.61	78 709

Average electricity price that takes into account 2023 one-year BASE and PEAK contracts: 926.98 PLN/MWh,
total 2023 BASE and PEAK contracts volume: 84 910 GWh
(based on the data up to 31.10.2022)

2024 BASE contract prices



	Average price [PLN/MWh]	Volume [GWh]
Total	736.00	7 967

Average electricity price that takes into account 2024 one-year BASE and PEAK contracts: 736.40 PLN/MWh, total 2024 BASE and PEAK contracts volume: 8 047 GWh
(based on the data up to 31.10.2022)