

TAURON Group's FY 2021 Financial Results

March 31, 2022





Key FY 2021 data

| Financial results | | |
|-------------------|---------------|---|
| [PLN m] | | 2021 vs 2020 |
| Sales revenue | 25 614 | 23% |
| EBITDA | 4 152 | (2)% |
| Net profit* | 338 | - |
| CAPEX | 2 932 | (27)% |
| Net debt/EBITDA | 2.4x | down by 0.1x (vs 31.12.2020) |

| Operating data | | |
|---|--------------|-----------------|
| | | 2021 vs 2020 |
| Electricity distribution [TWh] | 53.97 | 7% |
| Electricity production from RES [TWh] | 1.71 | (12)% |
| Electricity production by hard coal-fired units [TWh] | 13.88 | 31% |
| Heat generation [PJ] | 12.00 | 3% |
| Retail electricity supply [TWh] | 33.41 | 3% |
| Commercial coal production [ton m] | 5.15 | 13% |

* attributable to the shareholders of the parent company



Key Q4 2021 data

| Financial results | | |
|-------------------|--------------------|------------------------------------|
| [PLN m] | Q4 2021 Q4 2020 | |
| Sales revenue | 7 750 | 38% |
| EBITDA | 447 | (45)% |
| Net profit* | (119) | (95)% |
| CAPEX | 969 | (26)% |
| Net debt/EBITDA | 2.4x | down by 0.1x (vs 31.12.2020) |

| Operating data | | |
|---|-----------------------|--------------|
| | Q4 2021 vs Q4 2020 | |
| Electricity distribution [TWh] | 13.91 | 4% |
| Electricity production from RES [TWh] | 0.48 | (12)% |
| Electricity production by hard coal-fired units [TWh] | 3.73 | 15% |
| Heat generation [PJ] | 3.99 | (3)% |
| Retail electricity supply [TWh] | 8.89 | 2% |
| Commercial coal production [ton m] | 1.45 | 52% |

* attributable to the shareholders of the parent company

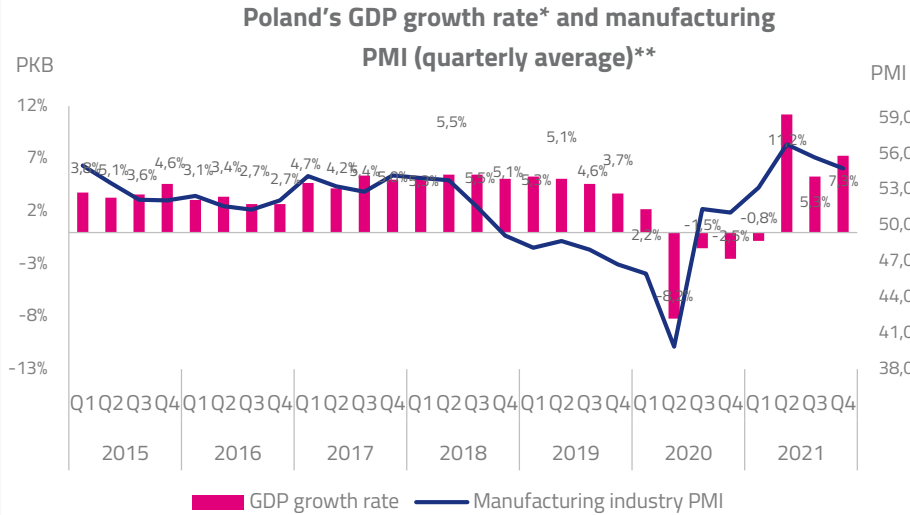


2021 highlights summary

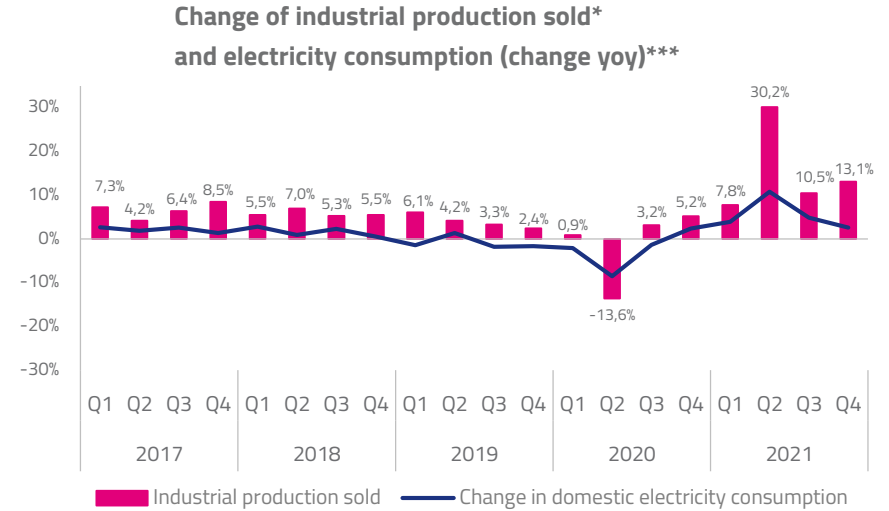
| | |
|------------------|--|
| February | Commencement of the 30 MW "Piotrków" wind farm construction |
| March | Conclusion of the agreement for the sale of the shares in PGE EJ 1 sp. z o.o. to the State Treasury |
| March | Commissioning of the 6 MW Choszczno photovoltaic farm (1st stage) The construction of the second 8MW stage was completed in Q1 2022 |
| July | Conclusion of the agreement with the State Treasury and the energy groups related to the cooperation with respect to the spinning off of the coal assets to NABE |
| July | Decision taken to resign from the participation in the process to acquire selected assets of the CEZ Group in Poland |
| August | Conclusion of the letter of intent with PGNiG regarding a potential transaction related to the sale of TAURON's equity interest in Elektrociepłownia Stalowa Wola S.A. |
| September | Conclusion of the letter of intent regarding a potential sale of the shares in the TAURON Wydobycie subsidiary to the State Treasury |
| October | Fitch rating agency affirms the "BBB-" rating with a stable outlook |
| October | Conclusion of a PLN 2.8 billion loan agreement with the European Investment Bank |
| December | Conclusion of a PLN 0.5 billion loan agreement with Erste Group Bank AG |
| December | Conclusion of the agreement to buy back from the Polish Development Fund the shares in the Nowe Jaworzno Grupa TAURON subsidiary (13.7% of the share capital) |
| December | Decision taken to keep TAURON Ciepło as part of TAURON Group |
| December | Conclusion of the settlement agreement by Elektrociepłownia Stalowa Wola with Abener Energia |



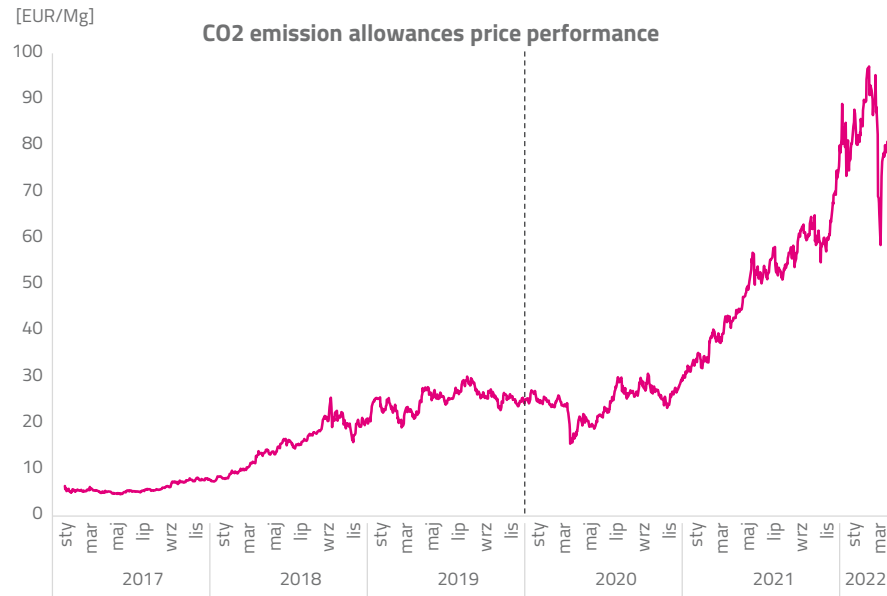
Macroeconomic and market situation



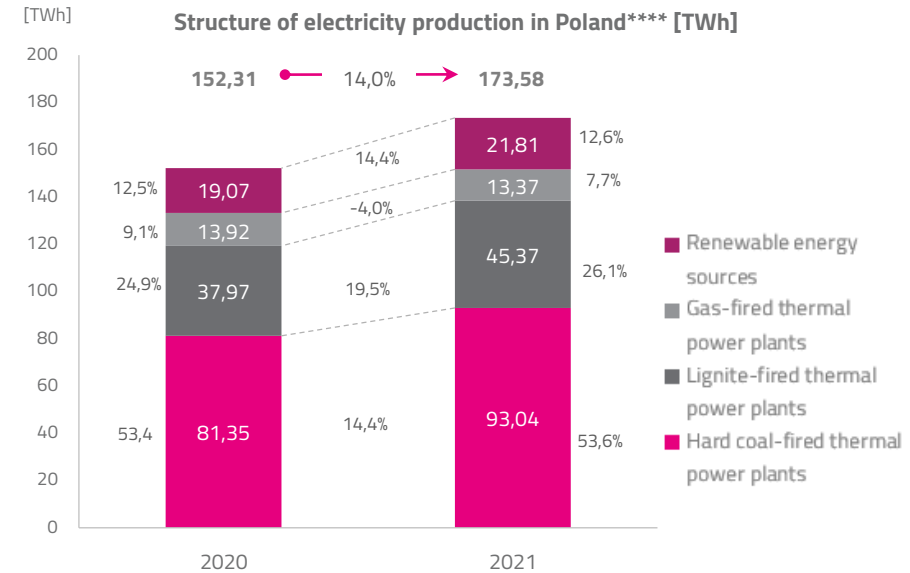
Source: * GUS ** Bankier.com



Source: * GUS ** PSE



Source: Thomson Reuters Eikon (Refinitiv), ICE Exend data



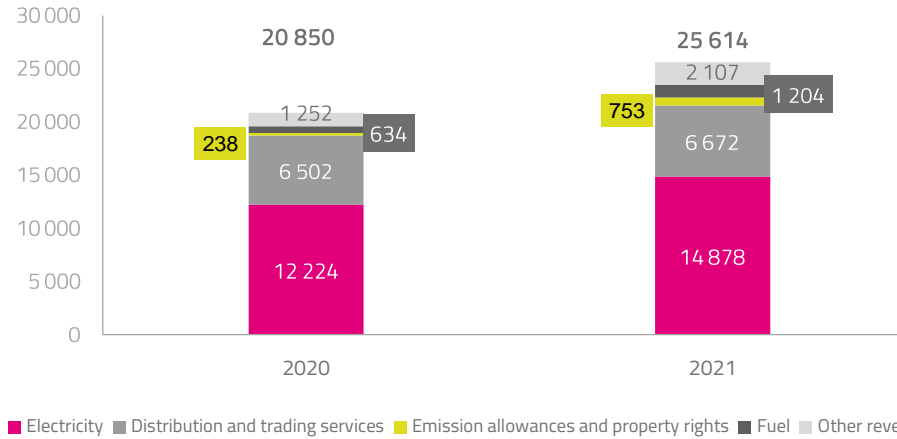
Source: PSE (TSO)

Due to the change in the form of publication of data by PSE, in 2020 the group of industrial power plants was added to the group of utility scale hard coal-fired thermal power plants

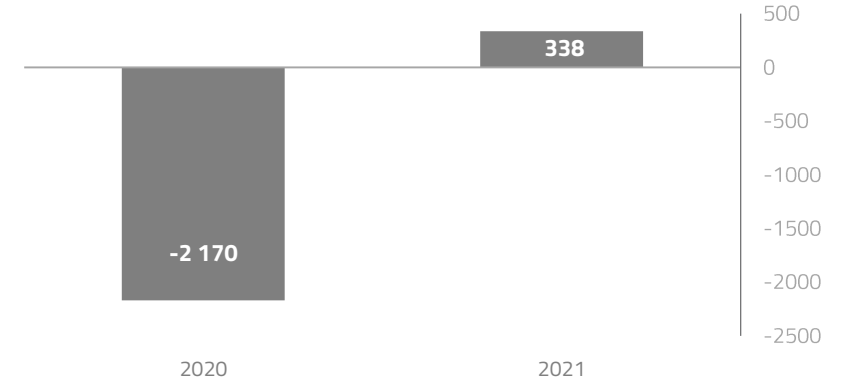


2021 financial data

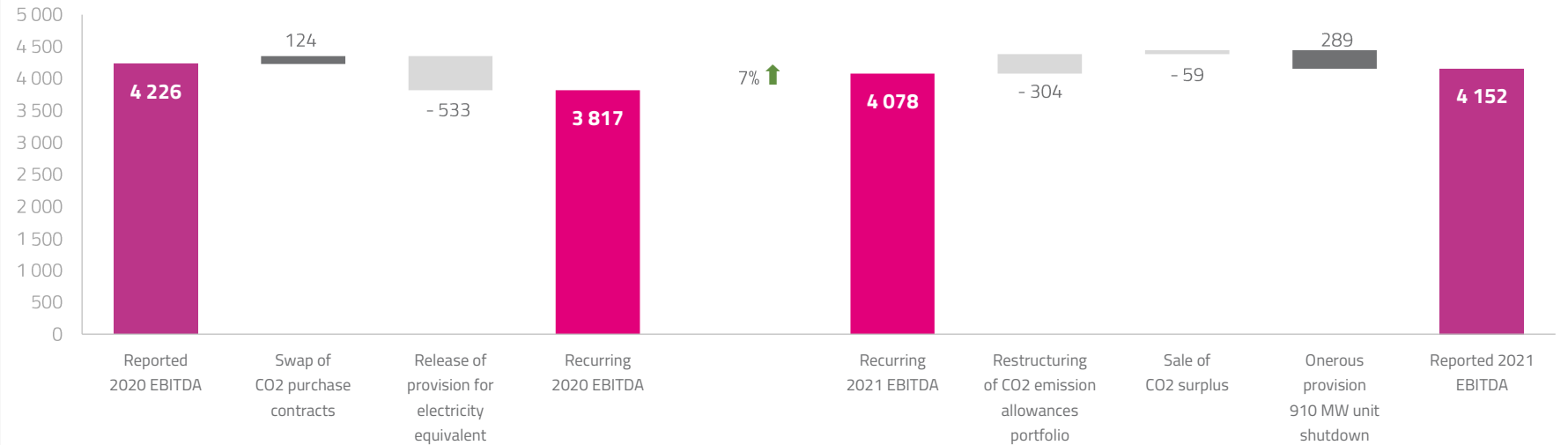
Sales revenue [PLN m]



Net profit attributable to the parent company's shareholders [PLN m]



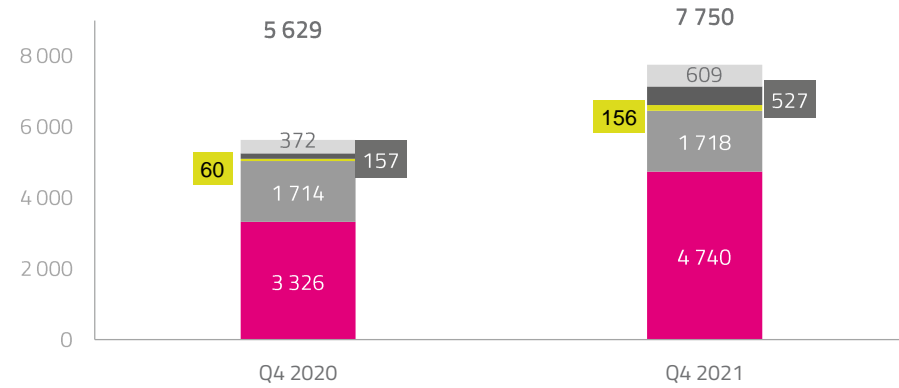
2021 EBITDA vs 2020 EBITDA [PLN m]





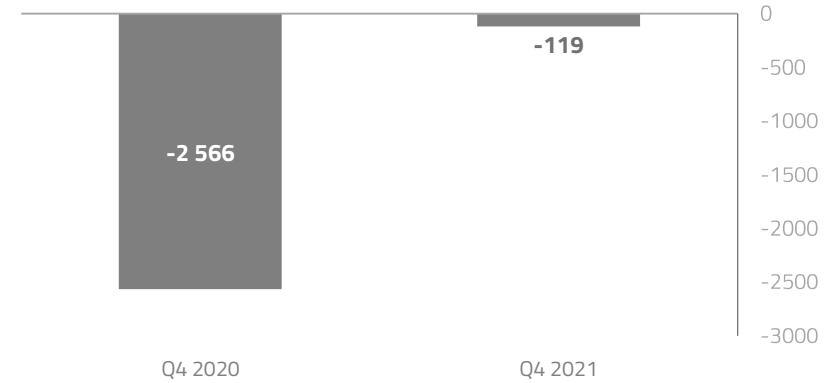
Q4 2021 financial data

Sales revenue [PLN m]

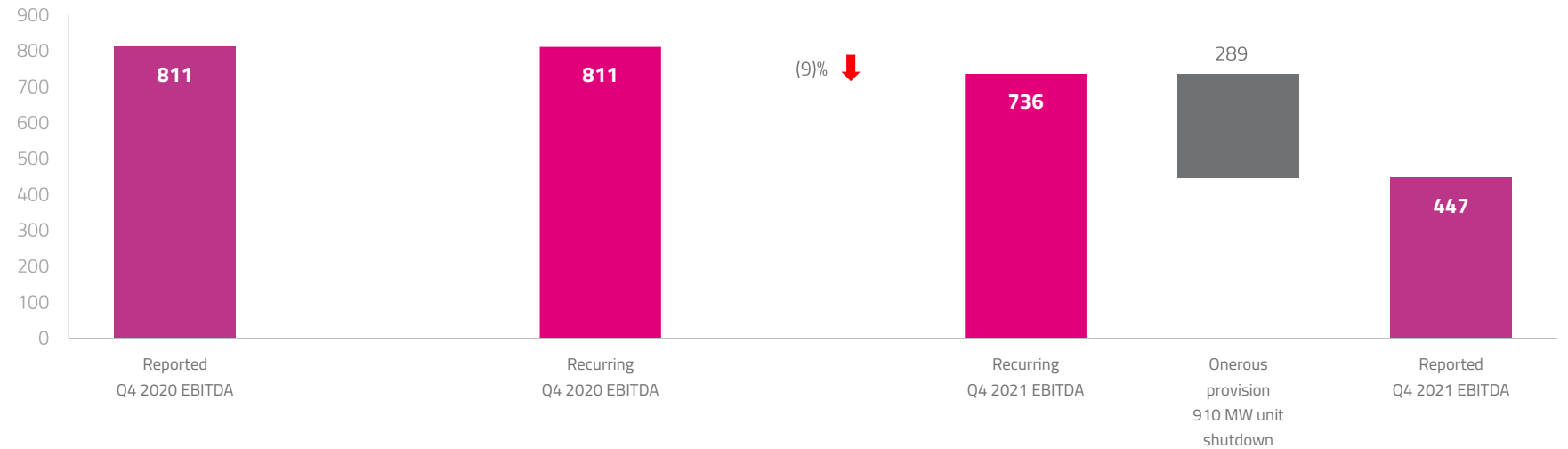


■ Electricity ■ Distribution and trading services ■ Emission allowances and property rights ■ Fuel ■ Other revenue

Net profit attributable to the parent company's shareholders [PLN m]



Q4 2021 EBITDA vs Q4 2020 EBITDA [PLN m]

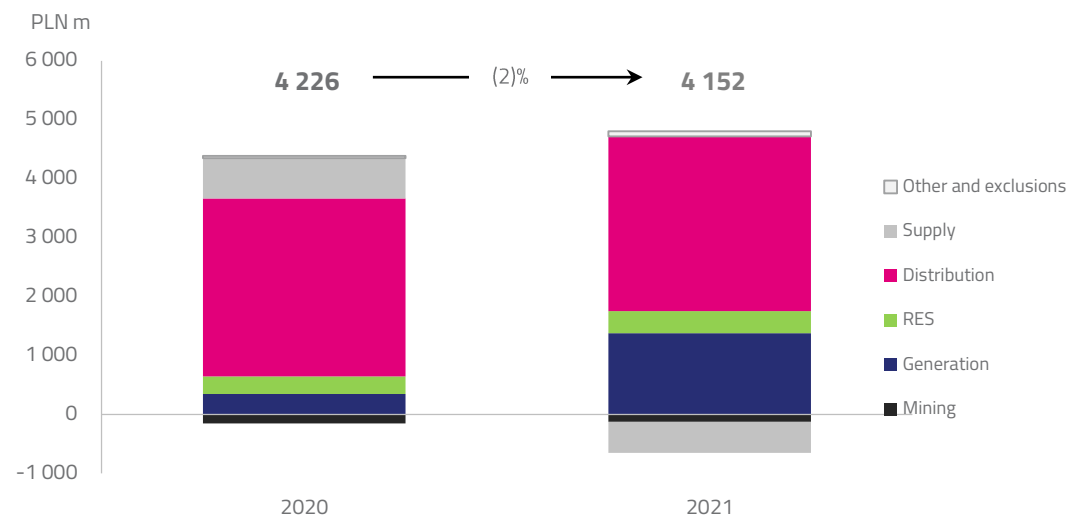




Individual segments' 2021 results

| [PLN m] | Distribution | RES | Generation | Supply | Mining | Other and exclusions* |
|---------|--------------|-----|------------|--------|--------|-----------------------|
| Revenue | 7 099 | 661 | 9 819 | 24 134 | 1 467 | (17 566) |
| EBITDA | 2 967 | 376 | 1 375 | (524) | (130) | 88 |
| EBIT | 1 767 | 224 | (25) | (564) | (458) | (28) |
| CAPEX | 2 044 | 90 | 240 | 82 | 276 | 200 |

Individual segments' contribution to EBITDA

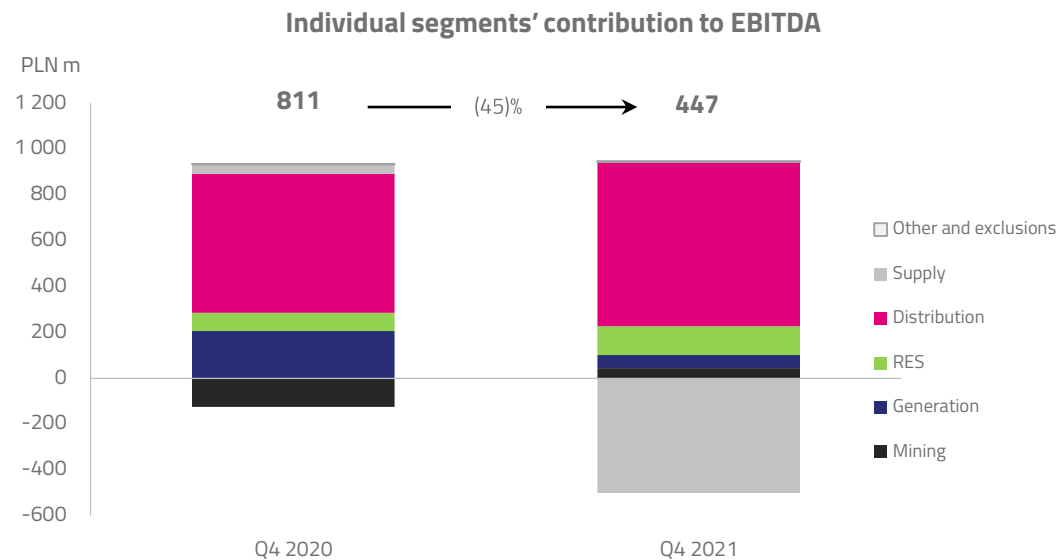


* Items not included in the segments presented



Individual segments' Q4 2021 results

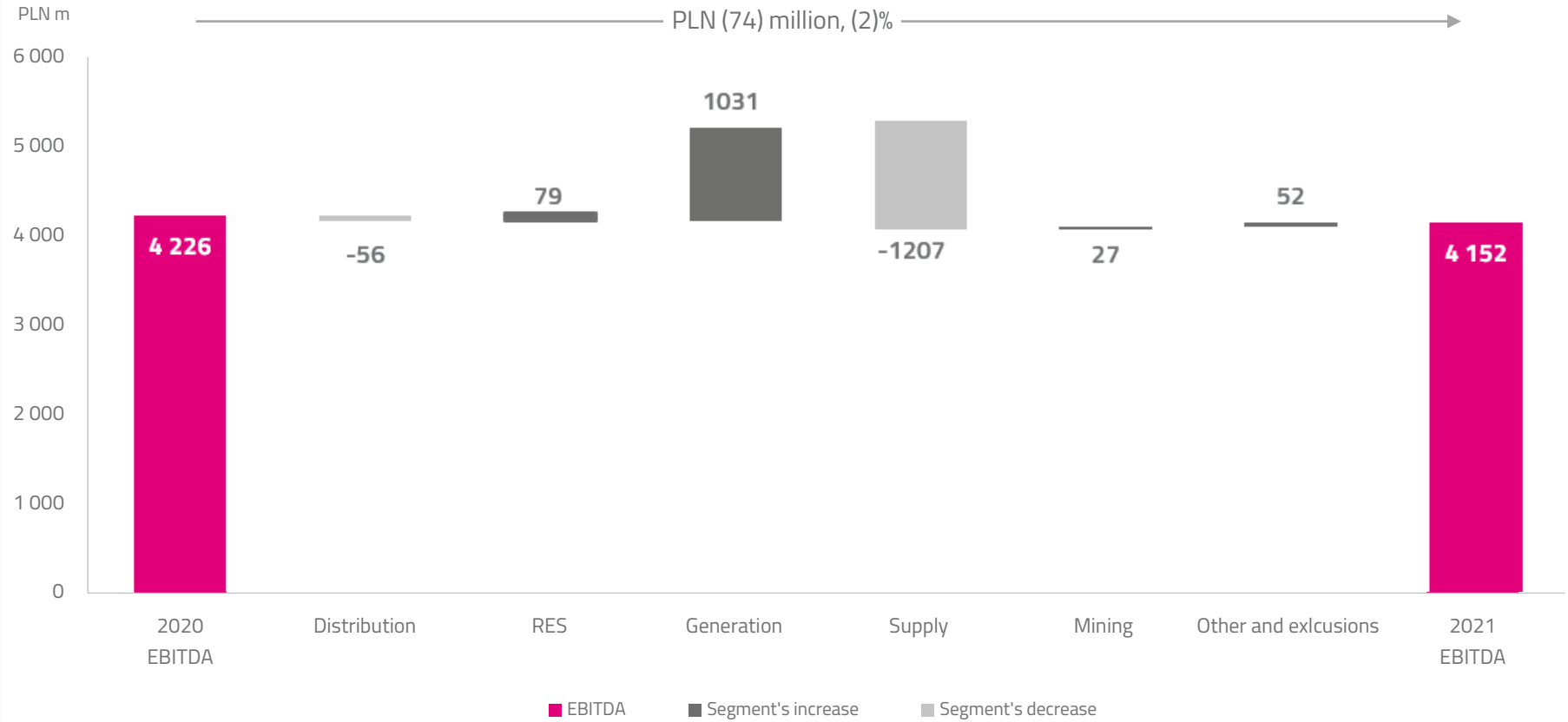
| [PLN m] | Distribution | RES | Generation | Supply | Mining | Other and exclusions* |
|---------|--------------|-----|------------|--------|--------|-----------------------|
| Revenue | 1 837 | 217 | 3 401 | 7 796 | 477 | (5 977) |
| EBITDA | 716 | 126 | 57 | (501) | 44 | 5 |
| EBIT | 410 | 90 | (70) | (510) | 2 | (30) |
| CAPEX | 682 | 41 | 48 | 33 | 83 | 81 |



* Items not included in the segments presented

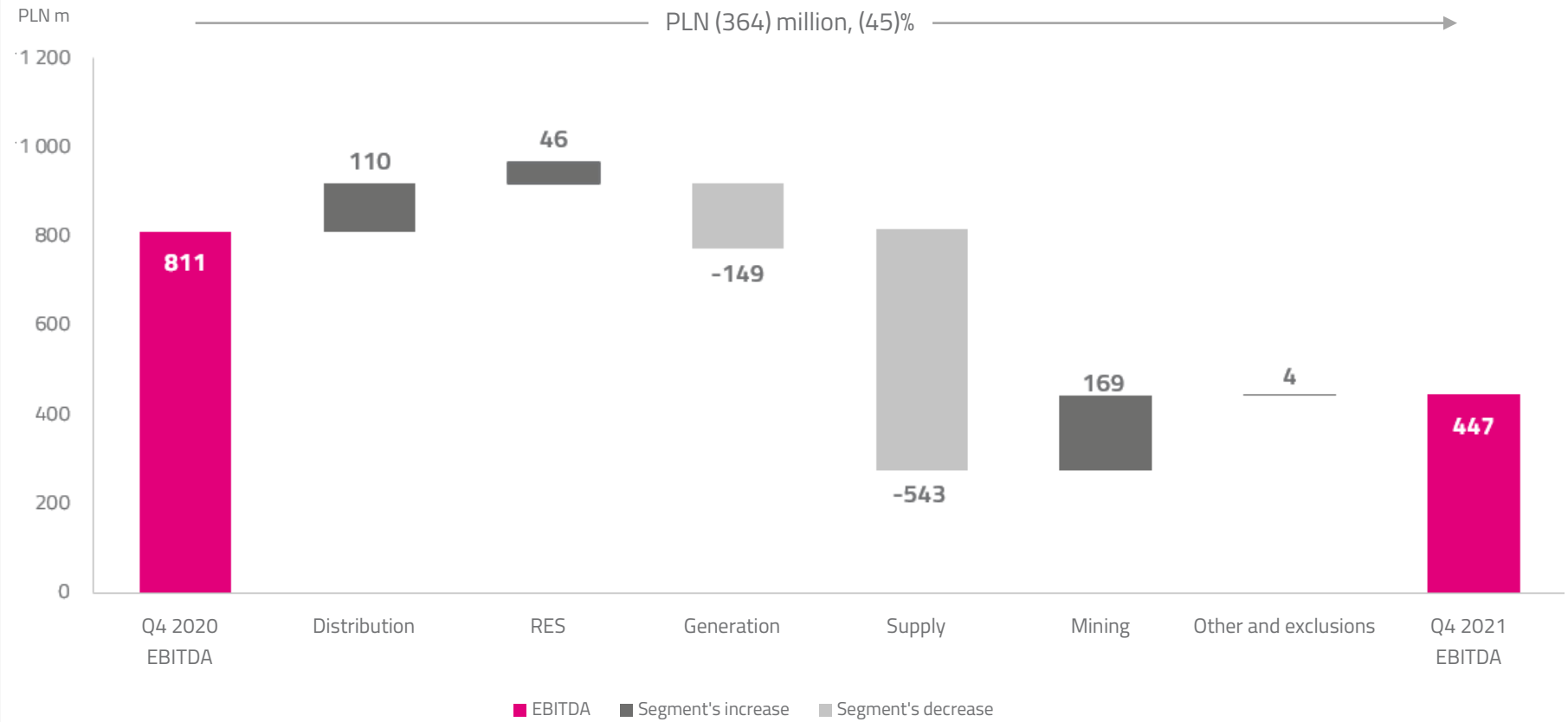


2021 EBITDA





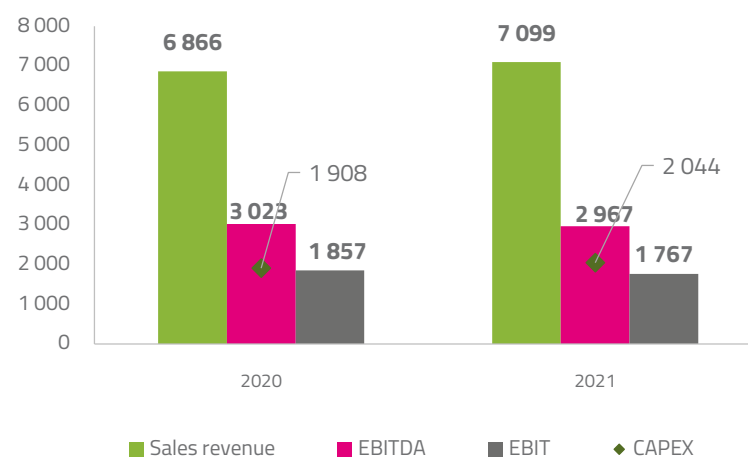
Q4 2021 EBITDA



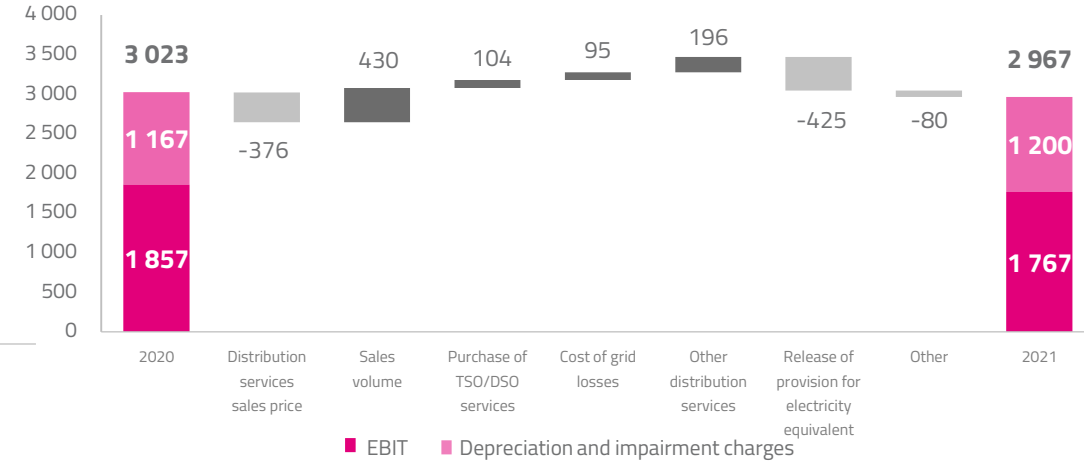


Distribution Segment 2021

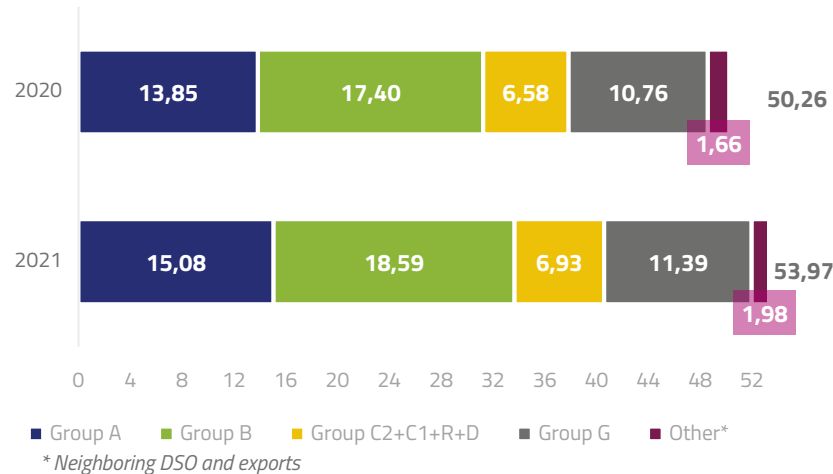
Financial data [PLN m]



EBITDA change [PLN m]



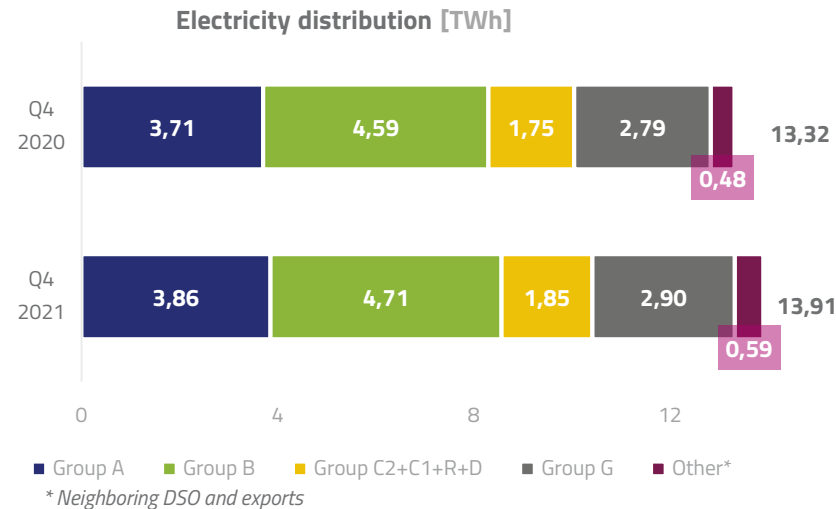
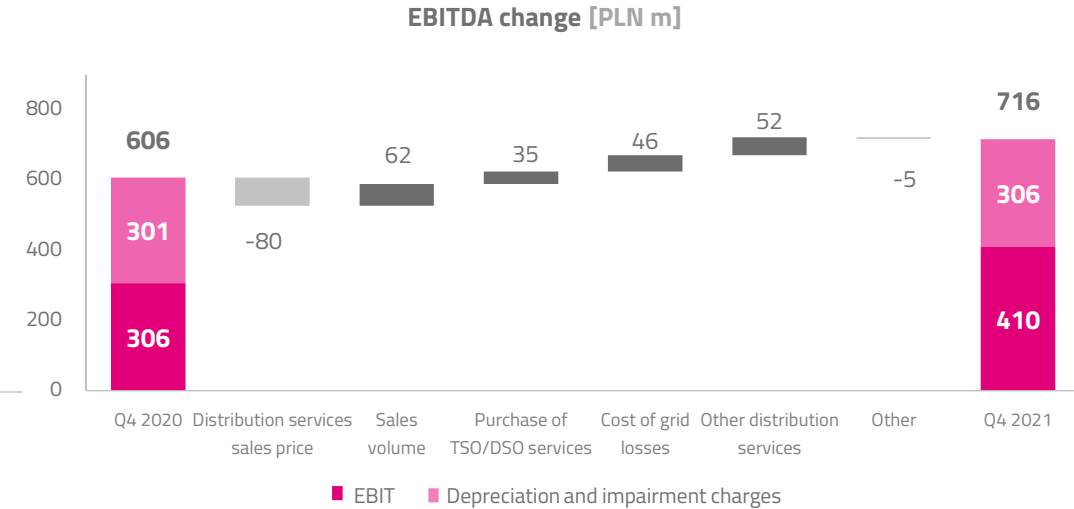
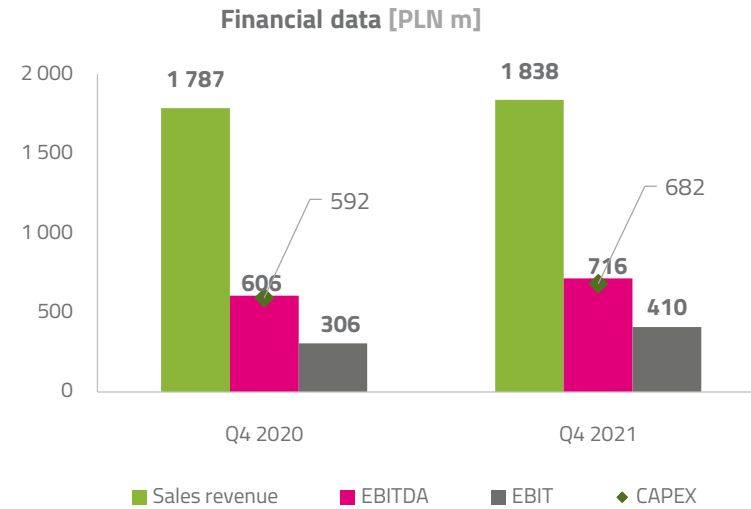
Electricity distribution [TWh]



- Increase of electricity distribution services sales volume by 3.7 TWh ✓
- Increase of the other distribution revenues ✓
- Decline of the average rate for the final consumers -



Distribution Segment Q4 2021

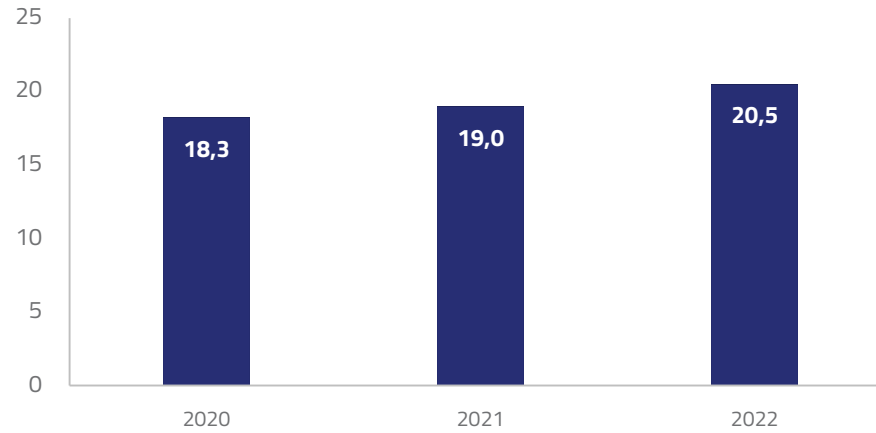


- Increase of electricity distribution services sales volume by 0.6 TWh ✓
- Increase of the other distribution revenues ✓
- Decline of the average rate for the final consumers -

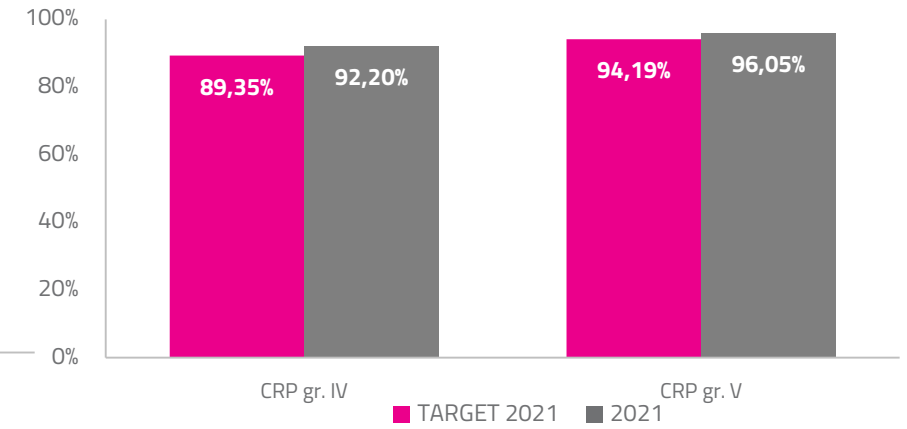


Distribution Segment key parameters

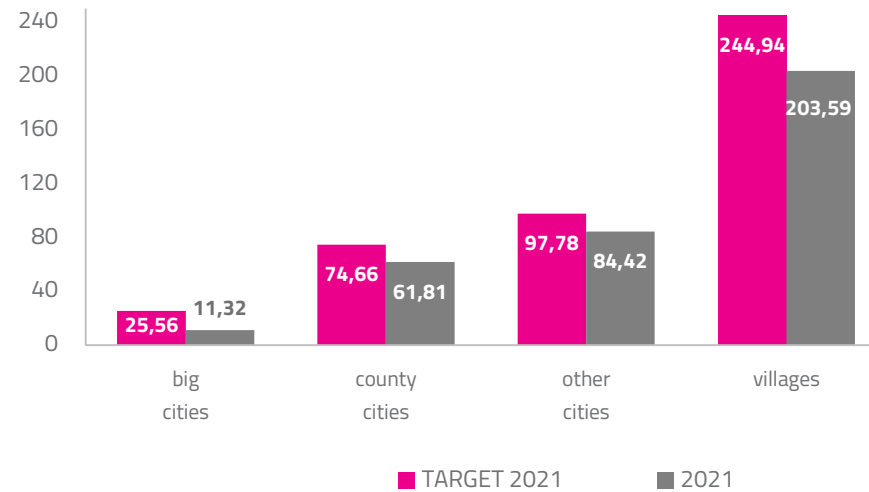
Regulatory Asset Base [PLN bn]



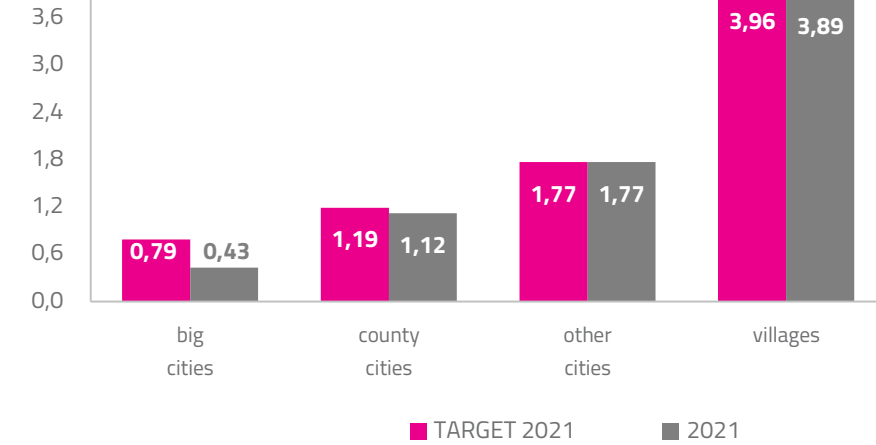
New Grid Connection Installation Time [%]



Interruption Duration [min/consumer]



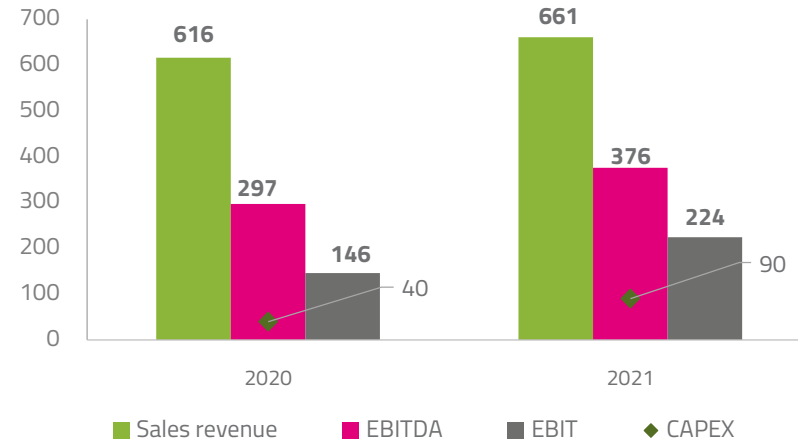
Frequency of Interruptions [number of interruptions/consumer]





RES Segment 2021

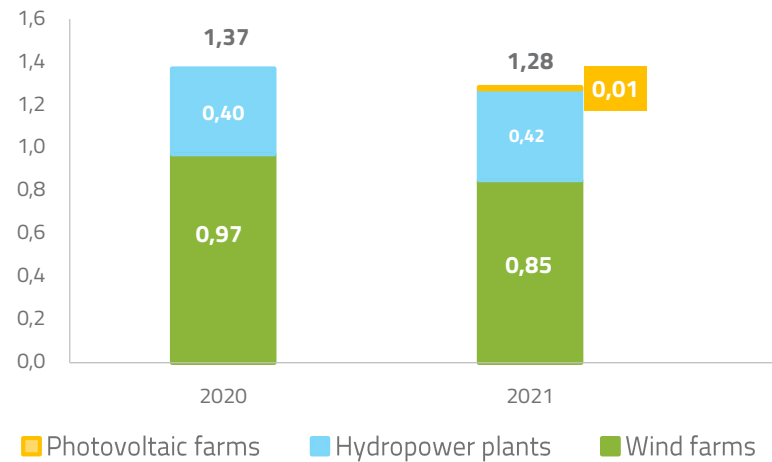
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



▪ Revenue from the Capacity Market



▪ Lower volume of electricity production by the wind farms



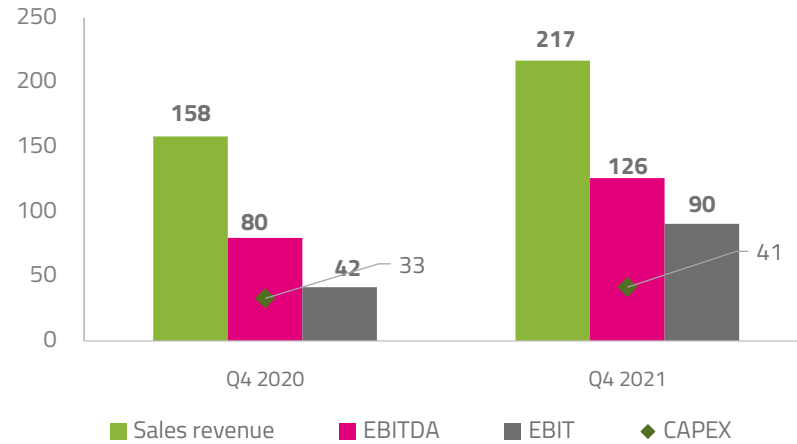
▪ Commissioning of the photovoltaic farms – additional electricity production volume



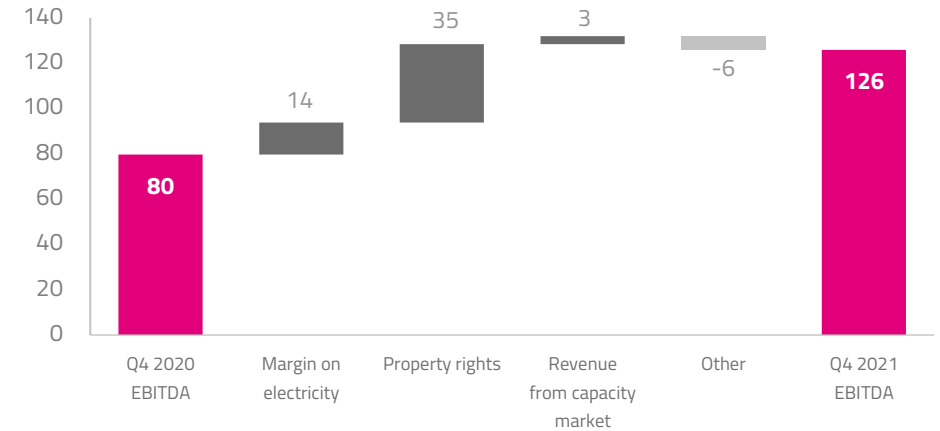


RES Segment Q4 2021

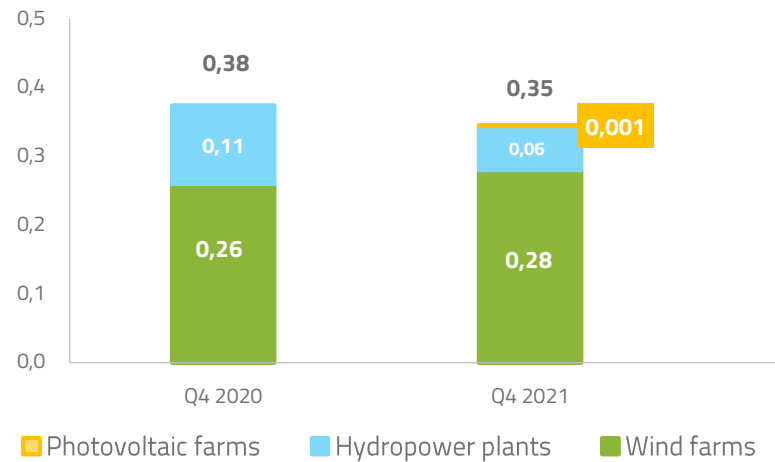
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

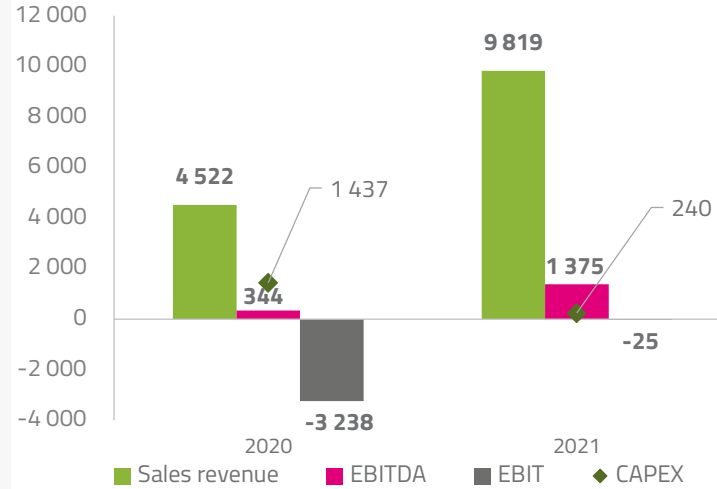


- Revenue from the Capacity Market ✓
- Increase of the electricity sales prices and the property rights prices ✓
- Lack of support for hydro power plants and the Zagórze Wind Farm (Poland's oldest wind farm) -

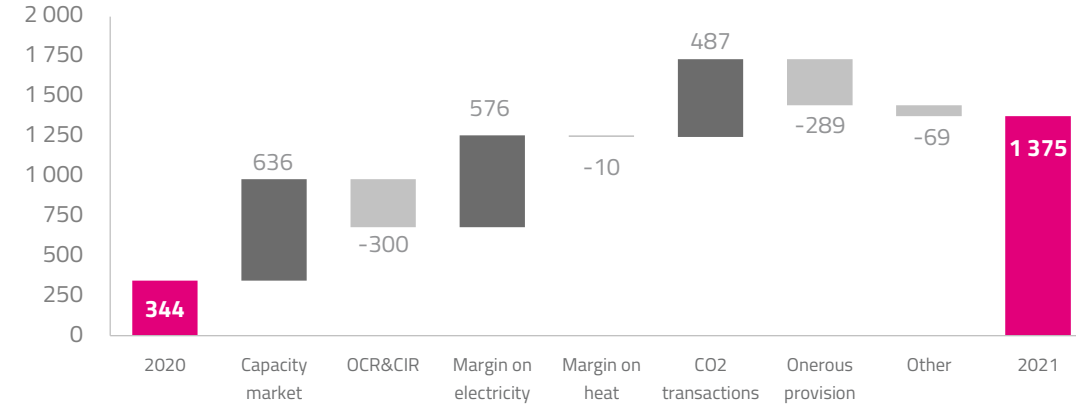


Generation Segment 2021

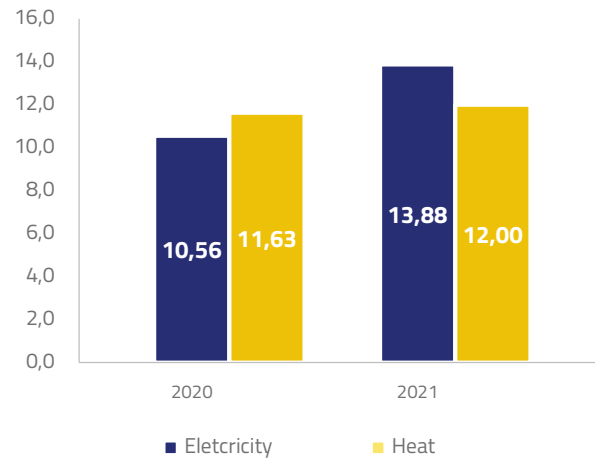
Financial data [PLN m]



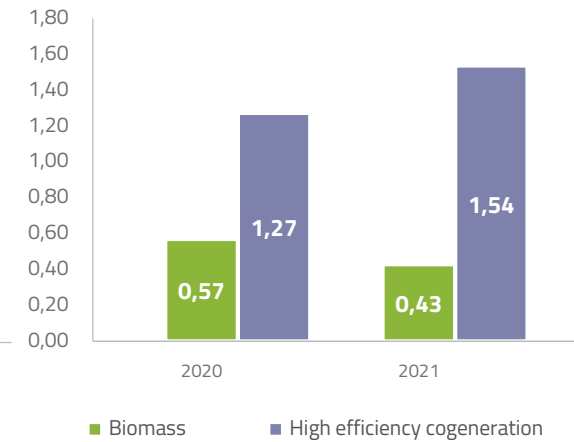
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



Revenue from the Capacity Market with the simultaneous lack of revenue from OCR and CIR



Failure of the 910 MWe power generating unit in Jaworzno

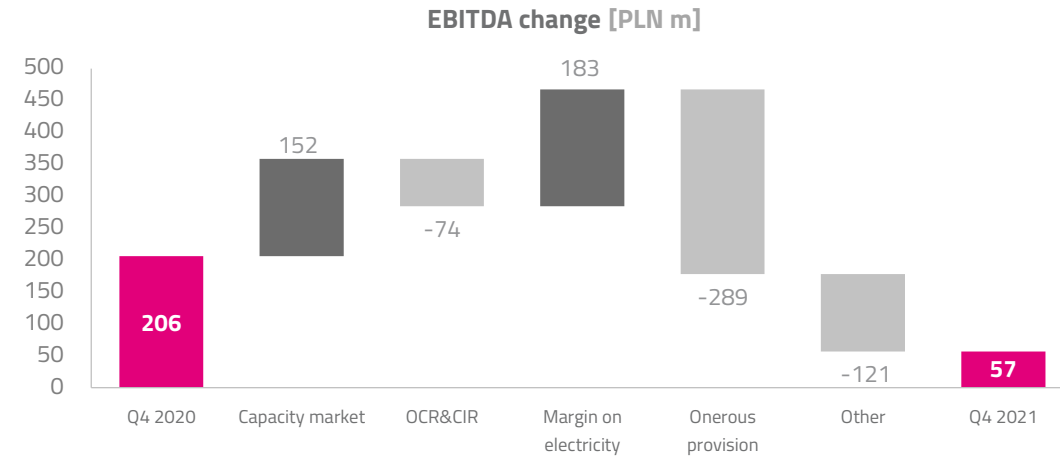
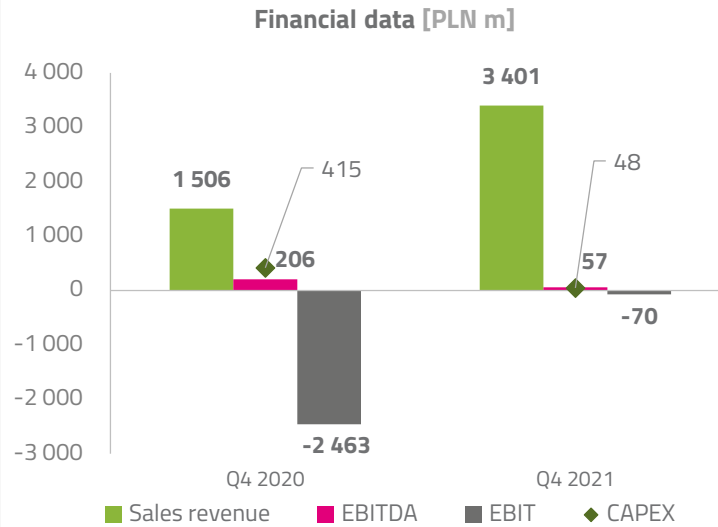


Positive impact of the CO2 transaction

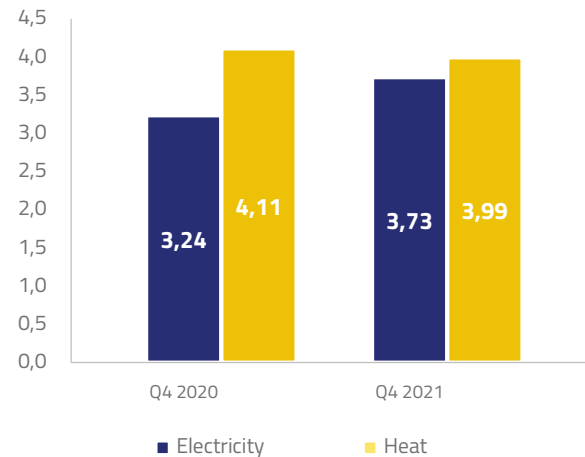




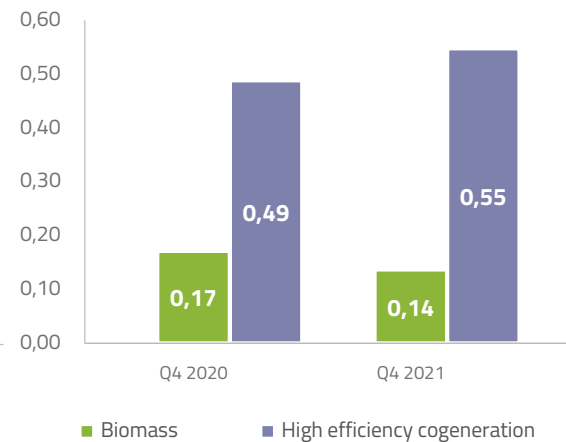
Generation Segment Q4 2021



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



Biomass-fired and high efficiency cogeneration production [TWh]

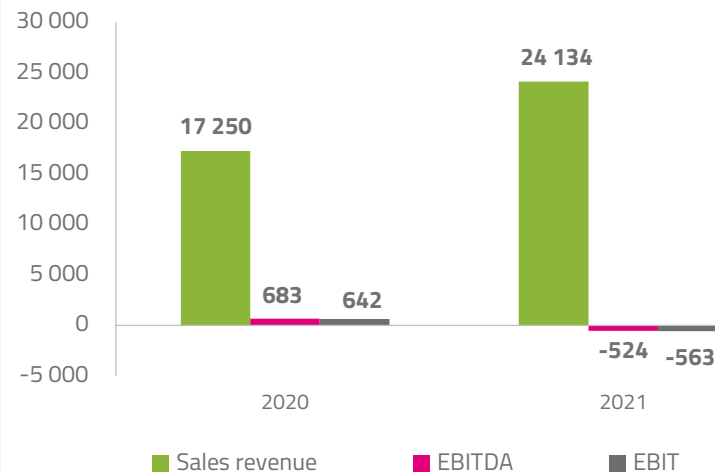


- Revenue from the Capacity Market with the simultaneous lack of revenue from OCR and CIR ✓
- Failure of the 910 MWe power generating unit in Jaworzno -
- Higher volume of electricity production by coal fired units ✓

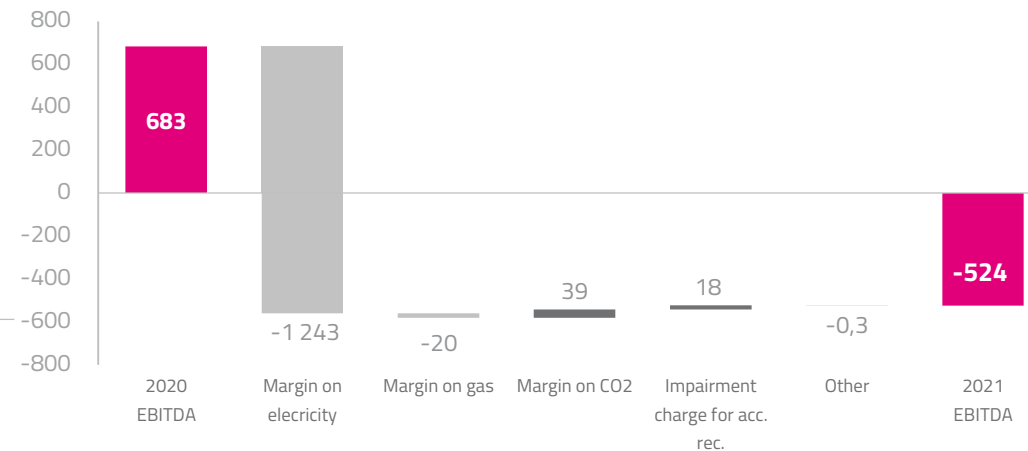


Supply Segment 2021

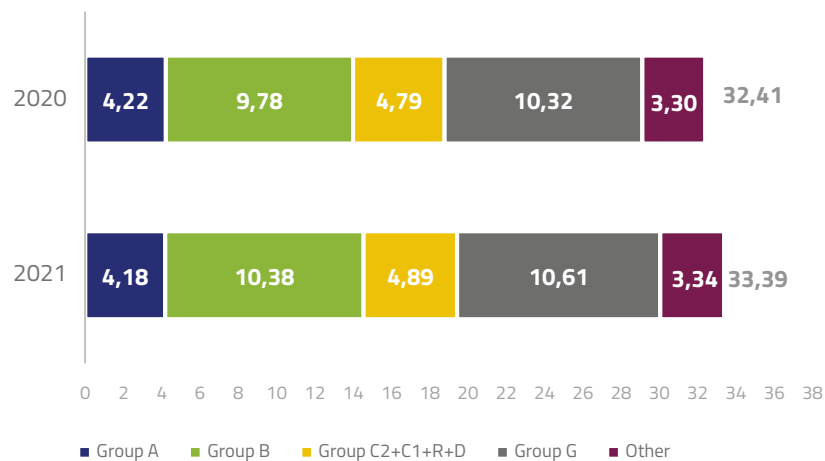
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ Full coverage of costs under the G tariff



▪ Increase in the customer loyalty level



▪ Increase of the price of purchasing the PM OZE property rights



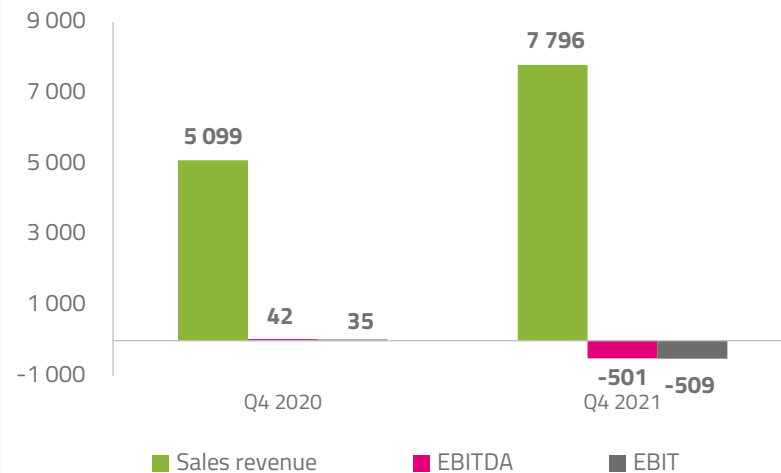
▪ Settlement of the electricity agreement



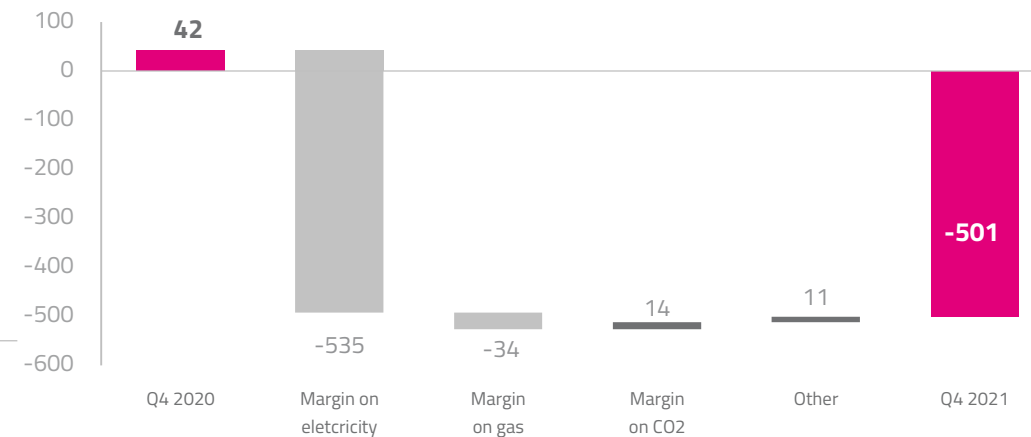


Supply Segment Q4 2021

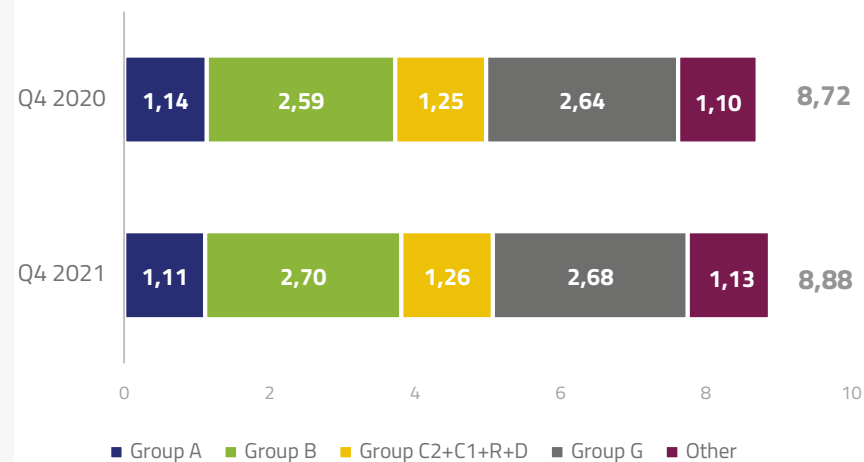
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ Full coverage of costs under the G tariff



▪ Higher electricity sales volume



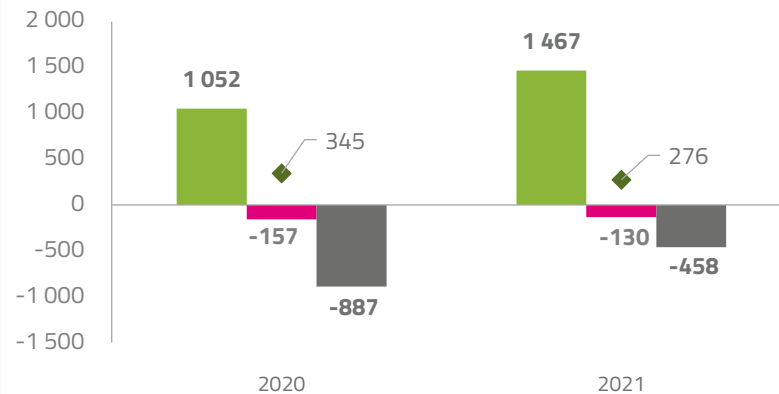
▪ Settlement of the electricity agreement





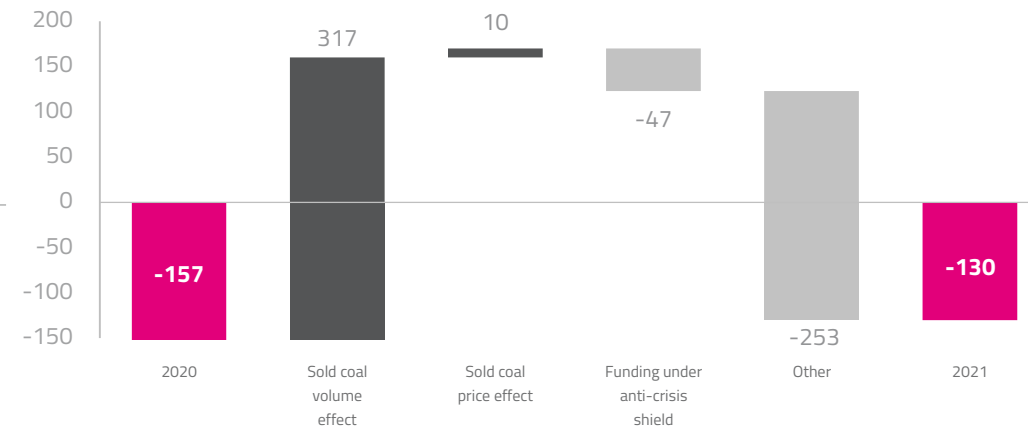
Mining Segment 2021

Financial data [PLN m]

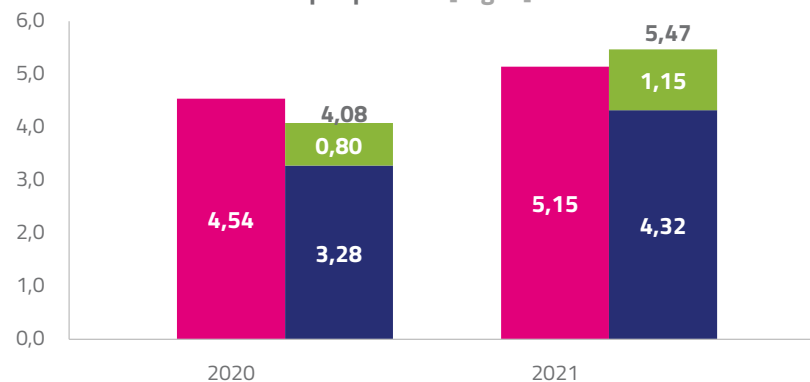


■ Sales revenue ■ EBITDA ■ EBIT ◆ CAPEX

EBITDA change [PLN m]



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



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

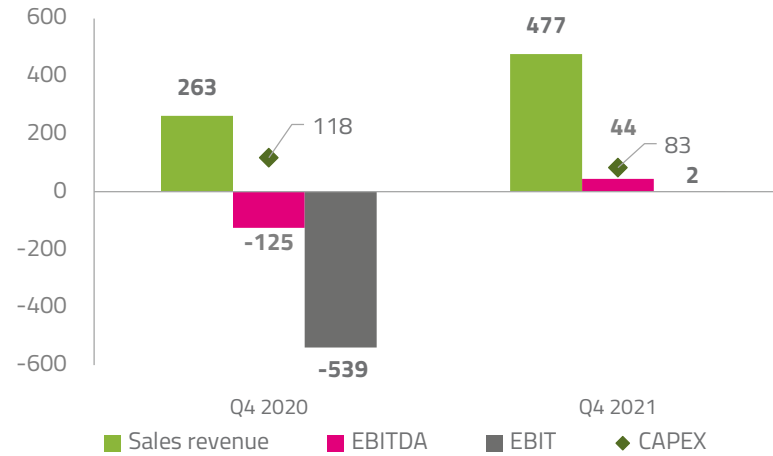
- Higher coal production ✓
- Higher coal sales ✓
- Increase by 8 PLN/Mg of the unit mining cash cost* (up from 243 PLN/Mg to 251 PLN/Mg) -

* 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

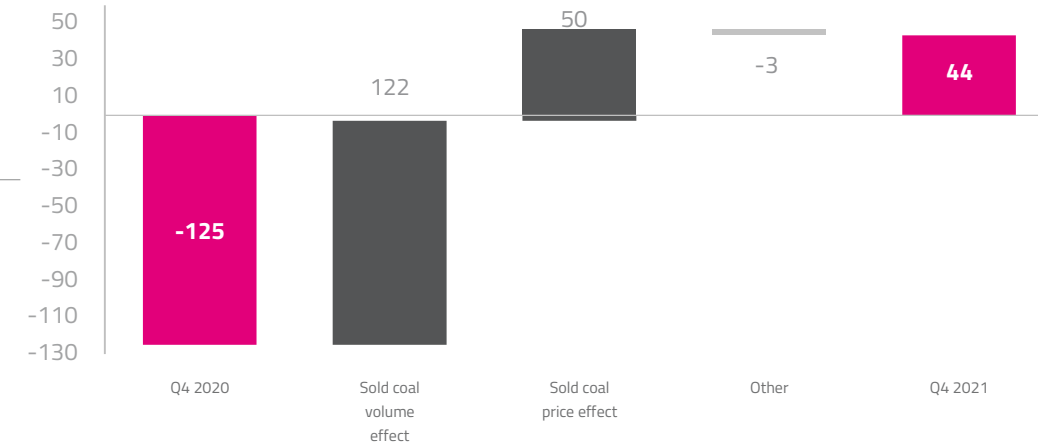


Mining Segment Q4 2021

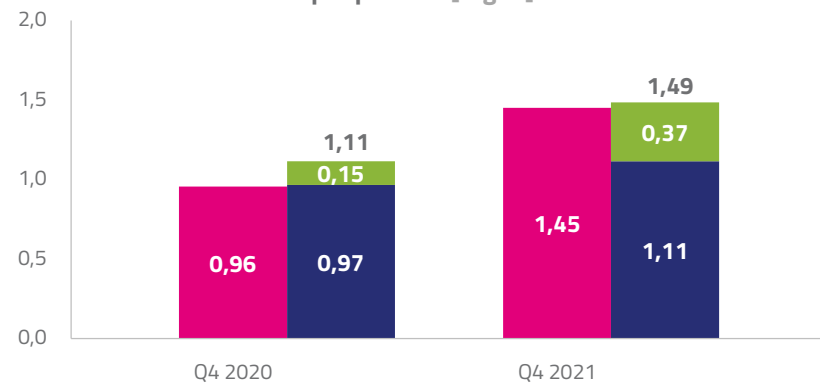
Financial data [PLN m]



EBITDA change [PLN m]



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



- Higher coal sales ✓
- Higher coal production ✓
- Decrease by 70 PLN/Mg of the unit mining cash cost* (down from 386 PLN/Mg to 316 PLN/Mg) ✓

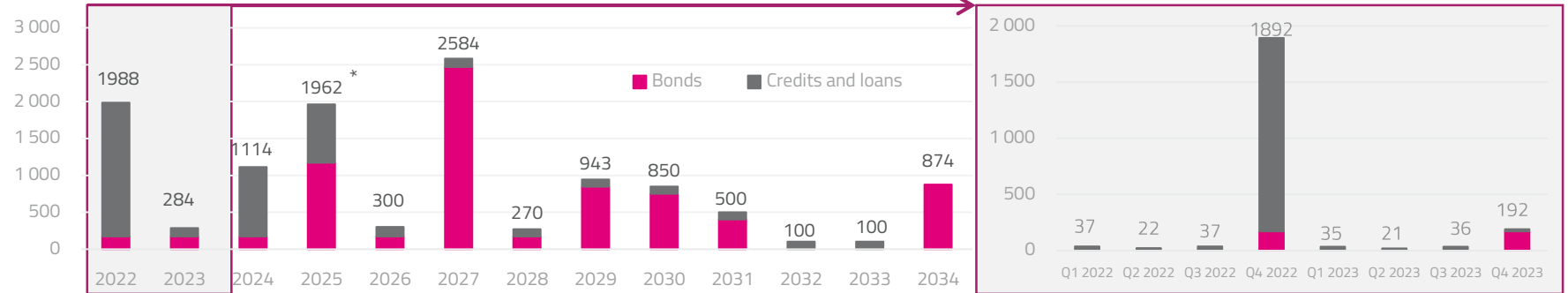
Commercial coal production Coal dust sales Other product sales

* 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

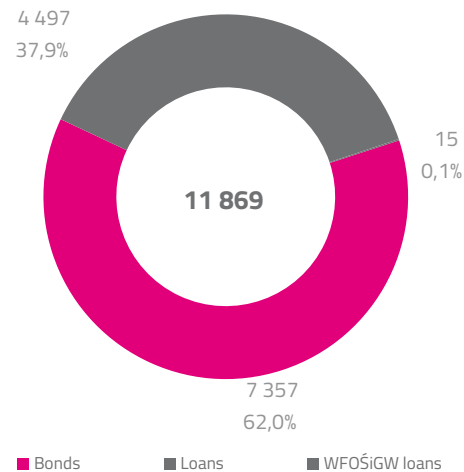


Debt and financing

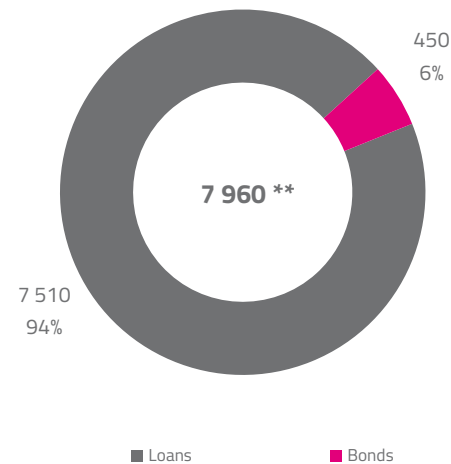
TAURON Group's nominal debt maturity as of December 30, 2021 [PLN m]



TAURON Group's nominal debt structure as of December 30, 2021 [PLN m]



Amounts of financing available to TAURON Group as of December 30, 2021 [PLN m]



Debt structure by interest rate [PLN m]

| Debt amount | Interest rate | Collateral floating rate |
|-------------|-----------------|--------------------------|
| 11 869 | Floating: 6 285 | IRS: 3 840 |
| | Fixed: 5 584 | None: 2 445 |

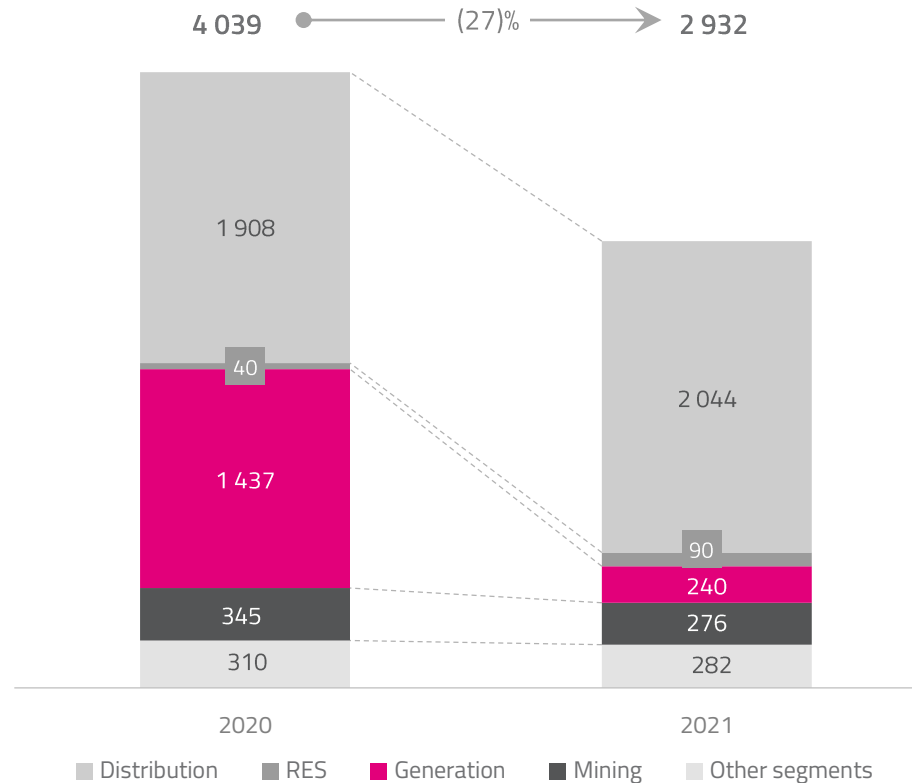
• EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 33% of the total debt

* Taking into account the maximum maturity of funds available as part of the revolving bank loans

** Beside 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 (as presented in the financial statements).

Outlays, including equity investments, excluding financial costs, amounted to: PLN 3,849 million in 2020 and PLN 2,942 million in 2021

Key investment projects implemented in 2021

Distribution:

- Installing new grid connections (PLN 1,011m)
- Grid assets upgrades (refurbishments) and replacements (PLN 877m)
- Dispatcher Communications System (PLN 38m)



Generation:

- Replacement and refurbishment related outlays as well as overhaul components at TW (PLN 106m)
- Construction of the new 910 MW capacity in Jaworzno (PLN 26m)
- Adaptation of the generating units to BAT (PLN 22m)
- District heating networks' maintenance and expansion (PLN 22m)
- New facility connections to the district heating net (PLN 20m)



RES:

- Construction of the 30 MW Piotrków wind farm (PLN 52m)
- Construction of the Choszczno I and II PV farm (PLN 15m)
- Construction of the 6 MW Majewo wind farm (PLN 8m)



Mining:

- Production preparation (PLN 169m)
- Modernization (refurbishment) and replacement tasks (PLN 89m)
- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 10m)
- Construction of the 800 m level at Janina Coal Mine (PLN 4m)



Supply and other:

- Deployment of the broadband internet as part of the POPC III and CUB Program (PLN 98m)
- IT investments at TOK (PLN 76m)
- Lighting maintenance and expansion (PLN 56m)
- Gas engines (PLN 20m)

* Capex does not include financial costs added to outlays

2022 outlook



Distribution



- Stable reported EBITDA year on year
- Increase of WACC from 5.50 percent in 2021 to 5.78 percent 2022
- Increase of WRA from PLN 19.0 billion in 2021 PLN 20.5 billion in 2022
- Increase of average distribution rate by 8.5 percent y/y
- Expected higher volume of distributed electricity y/y
- Increase of the costs of external services and employment



Generation



- Lower reported EBITDA year on year – mainly as a consequence of terminating the electricity sale agreement based on the “cost+” formula between NJGT (910 MW unit) and TPE
- EBITDA, adjusted by the effect of the “cost+” agreement, on a stable level year on year
- Increase of wholesale electricity prices
- Buybacks of electricity on the wholesale market for the needs of the 910 MW unit due to its shutdown until the end of April this year and the unit’s operation during the PSE (TSO) optimization/tests following the unit’s resynchronization with the grid
- Stable electricity production volume y/y
- Higher coal purchase prices y/y
- Costs not fully covered by the district heating tariff
- Increase of the costs of external services and employment



Mining

- Stable commercial coal production volume y/y
- Increase of average coal sales price
- Increase of the costs of external services, electricity, materials, employment
- Level of reported EBITDA dependent on the government’s program for the mining sector (subsidies to reduce the production capacity)



RES



- Higher reported EBITDA year on year – as a consequence of a significant increase of the wholesale electricity prices and the green certificates prices
- Expected increase of the volume of electricity production from RES
- Increase of the costs of external services and employment



Supply



- Higher reported EBITDA year on year – mainly as a consequence of terminating the electricity sale agreement based on the “cost+” formula between NJGT (910 MW unit) and TPE
- EBITDA, adjusted by the effect of the “cost+” agreement, on a stable level year on year
- Risk of achieving profitability in the gas supply area
- Uncertainty related to the electricity supply volume and covering of the costs under the G tariff in the case of a substantial volume growth
- Rising costs of purchasing the property rights and the costs related to the prosumers

Group’s reported EBITDA



CAPEX

CAPEX adapted to EBITDA and the Group’s financial standing



Debt

Net debt to EBITDA ratio < 3.5x





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