

TAURON Group's Q1 2022 Financial Results

May 26, 2022





Key Q1 2022 data

Financial results		
[PLN m]	Q1 2022 vs Q1 2021	
Sales revenue	9 813	52%
EBITDA	1 955	13%
Net profit*	900	7%
CAPEX	610	(4)%
Net debt/EBITDA	2.6x	up by 0.2x (vs 31.12.2021)

Operating data		
	Q1 2022 vs Q1 2021	
Electricity distribution [TWh]	14.26	3%
Electricity production from RES [TWh]	0.54	13%
Electricity production by hard coal-fired units [TWh]	3.34	(11)%
Heat generation [PJ]	4.52	(12)%
Retail electricity supply [TWh]	8.43	(4)%
Commercial coal production [ton m]	1.45	1%

* attributable to the shareholders of the parent company



Highlights

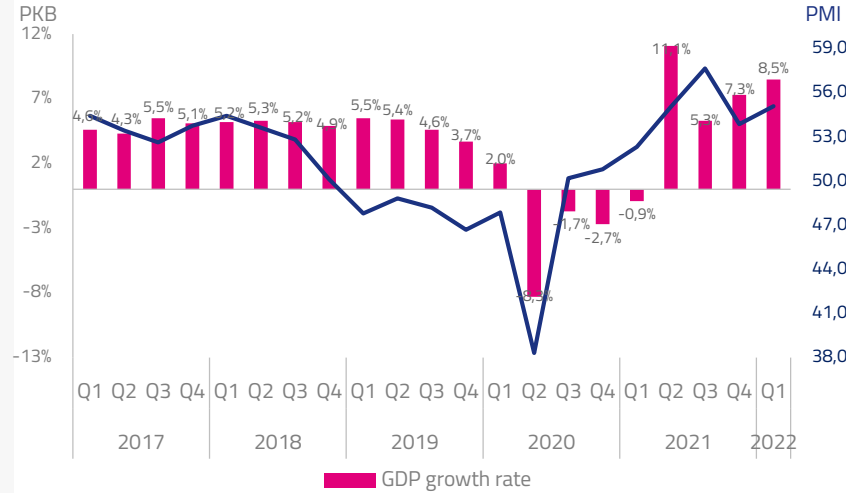
January 18	Completion of the 8 MW wind farm construction in Choszczno
January 25	Commencement of the 37 MW (ultimately 100 MW) wind farm construction in Mysłowice
March 8	Fulfillment of the conditions of the settlement agreement concluded between Elektrociepłownia Stalowa Wola and Abener Energia
March 22	Decision taken to conduct a procedure to obtain bids for the construction of a 400-500 MWe/250 MWt CCGT unit at Łagisza Power Plant
March 22	Completion of the refurbishment of the 200 MW unit at Jaworzno III Power Plant
March 22	Settlement of the transaction involving the acquisition of the shares in Nowe Jaworzno Grupa TAURON with the Polish Development Fund (13.7% of the share capital)
April 8	Approval by the Ministry of State Assets of the application for granting public support (aid) for TAURON Wydobycie
April 14	Re-synchronization of the 910 MW unit in Jaworzno with the power grid
April 20	Letter of intent signed with KGHM with respect to the cooperation in the field of the Small Modular Reactor (SMR) power generation technology



Macroeconomic and market situation

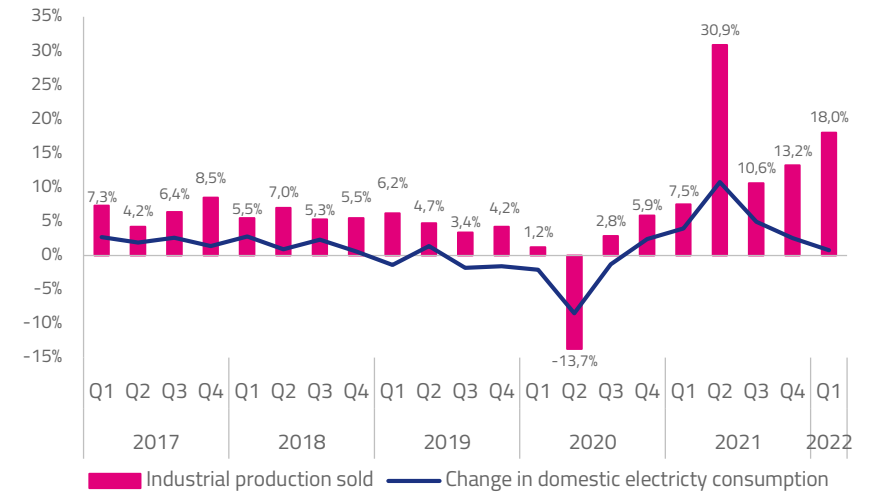
- Continuation of the strong economic rebound trend of 2021 manifested by large increases in the GDP and PMI indicators
- A significant increase in the manufacturing industry's sold production of due to an increase in prices along with a simultaneous slight rise in domestic electricity consumption year on year
- Increasing 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
- Decreasing the share of gas-fired sources in the NPS balance, due to the decline in the profitability of electricity production caused by the surge in natural gas prices

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



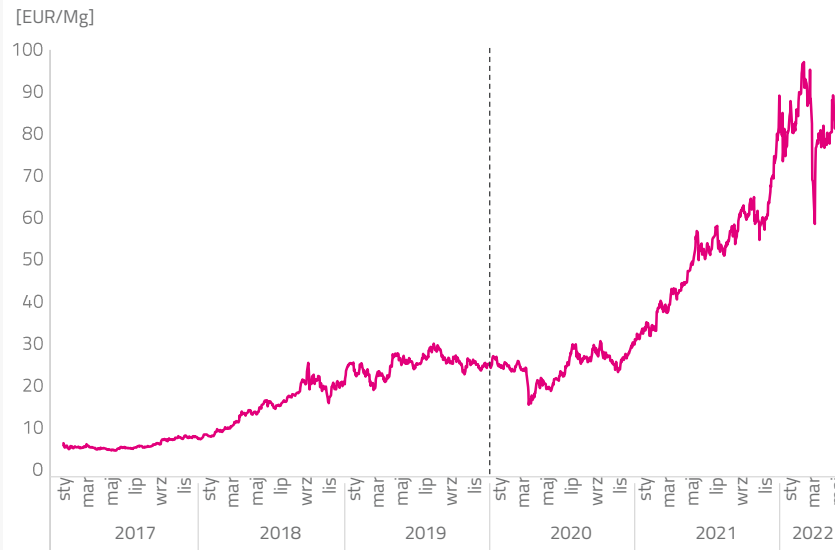
Source: * GUS data for 2017-2021, NBP forecast: Q1 2022 ** Investing.com

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



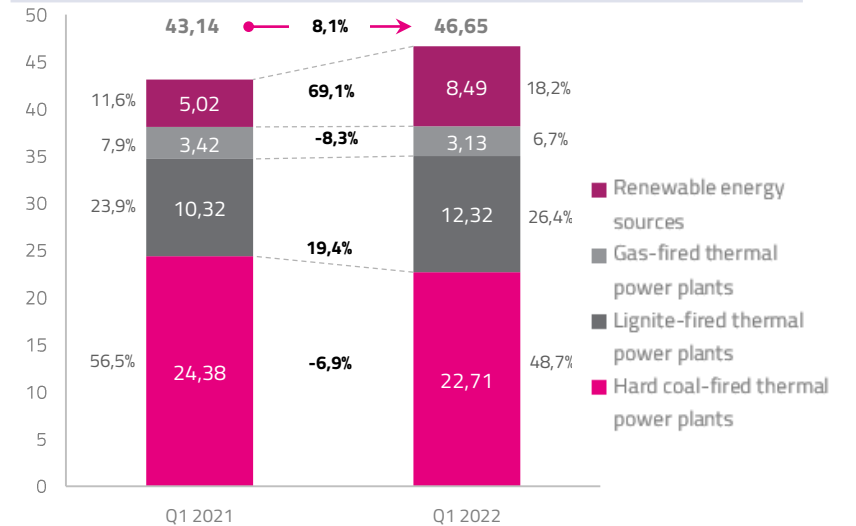
Source: * GUS data ** PSE (TSO) data

CO2 emission allowances price performance



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

Structure of electricity production in Poland [TWh]

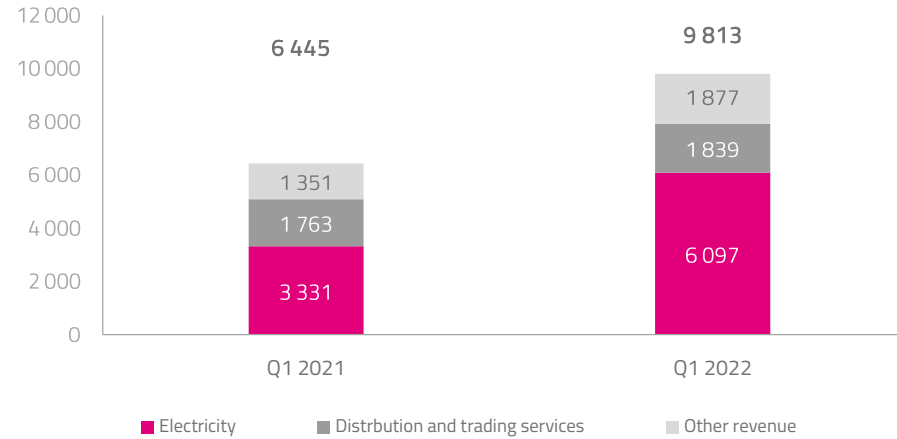


Source: PSE (TSO) data

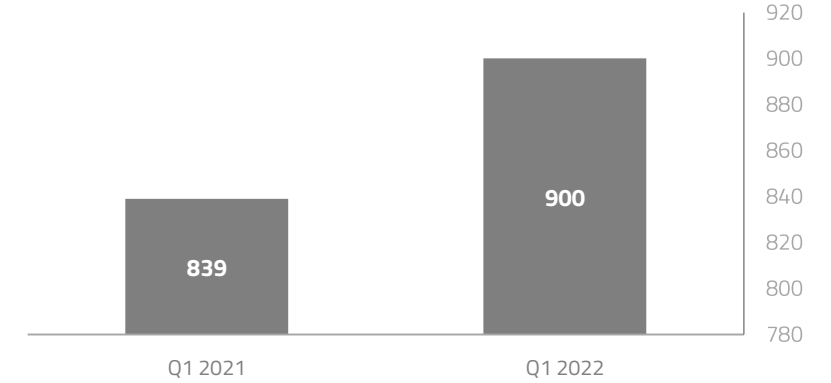


Q1 2022 financial data

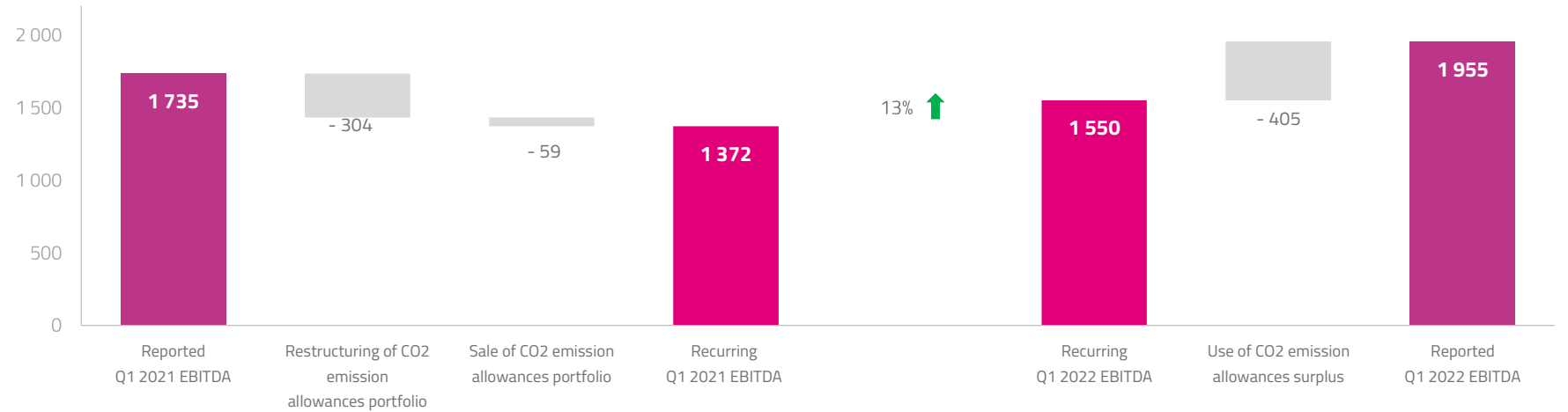
Sales revenue [PLN m]



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



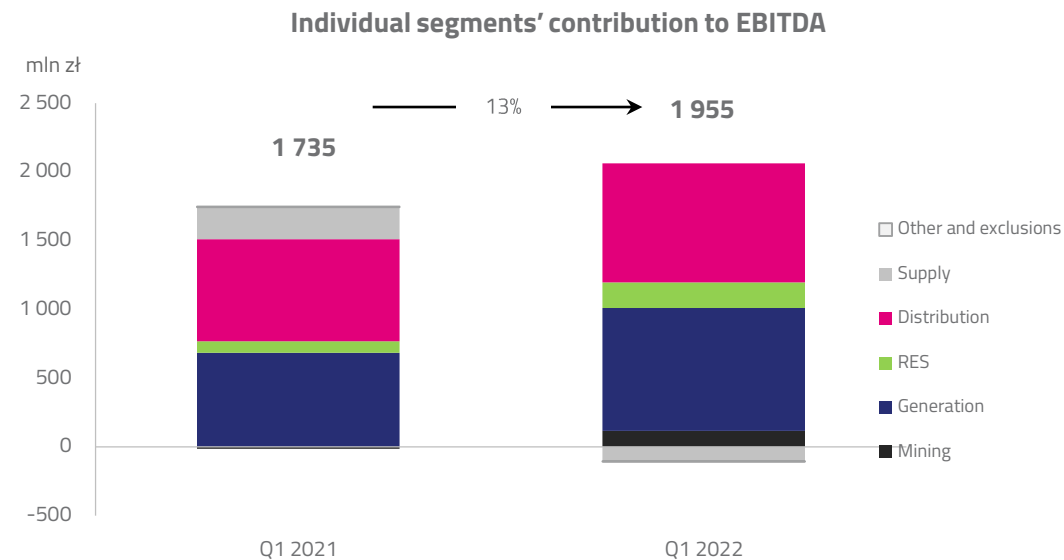
Q1 2022 EBITDA vs Q1 2021 EBITDA [PLN m]





Individual segments' 2022 results

[PLN m]	Distribution	RES	Generation	Supply	Mining	Other and exclusions*
Revenue	2 023	314	3 056	10 587	558	(6 725)
EBITDA	864	186	895	(103)	117	(4)
EBIT	561	154	786	(113)	65	(35)
CAPEX**	406	21	64	14	69	36

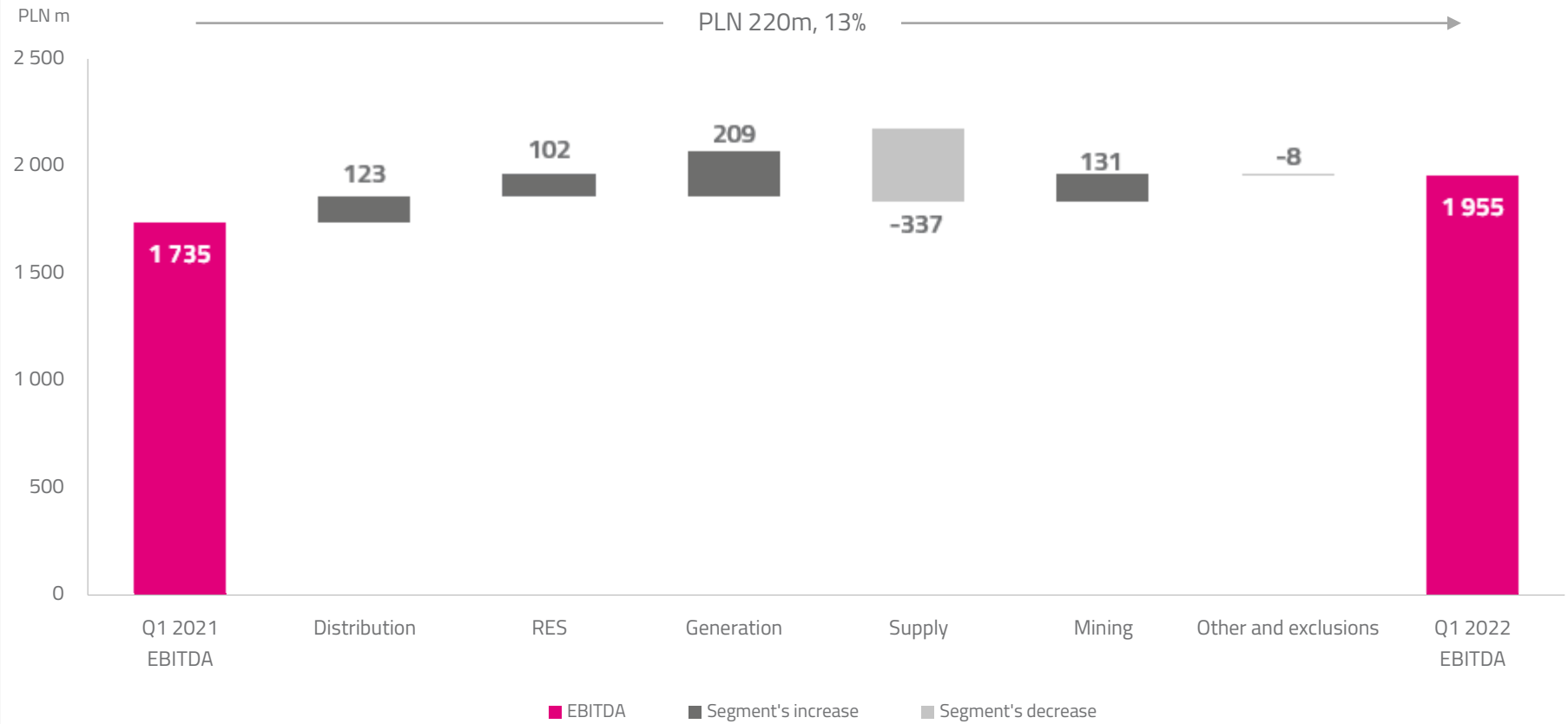


* Items not included in the segments presented

** Capital expenditures are in line with the financial statements and do not include equity investments, which amounted to PLN 6.8 million.



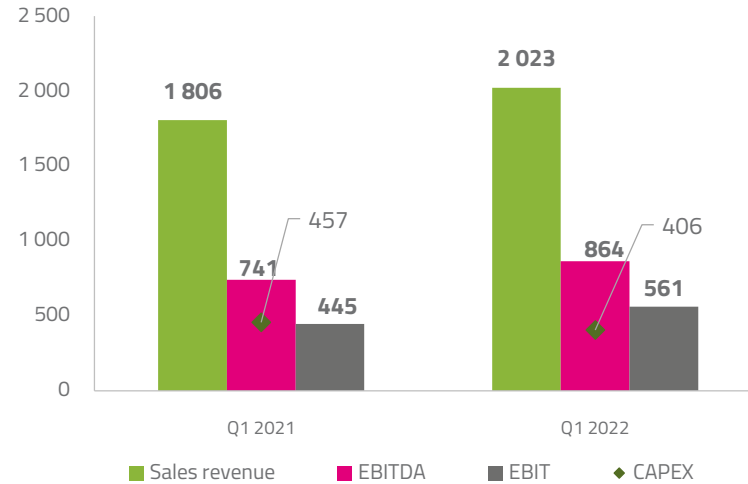
Q1 2022 EBITDA



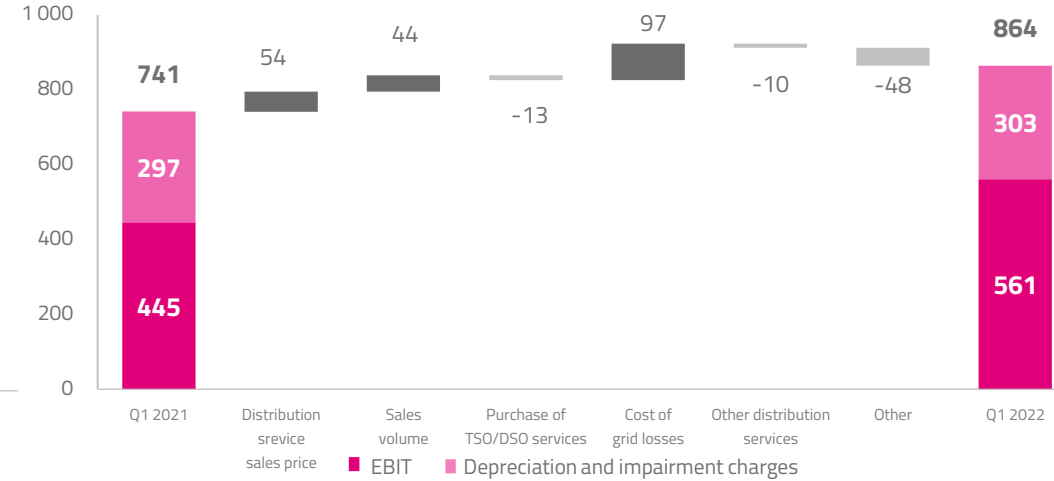


Distribution Segment Q1 2022

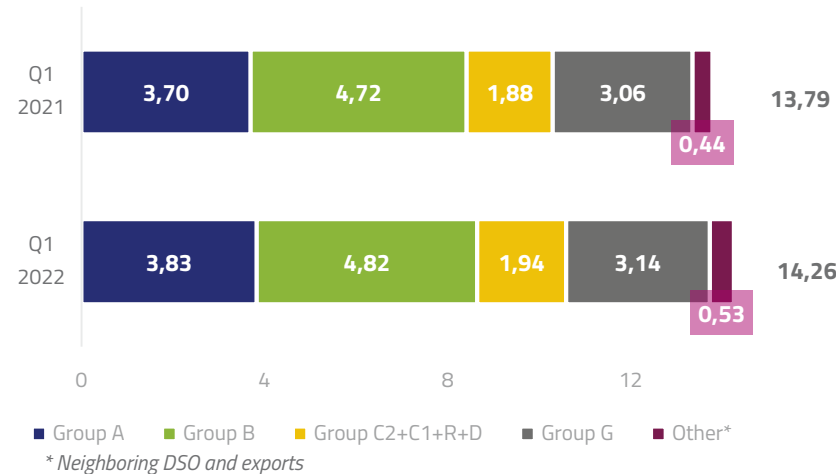
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

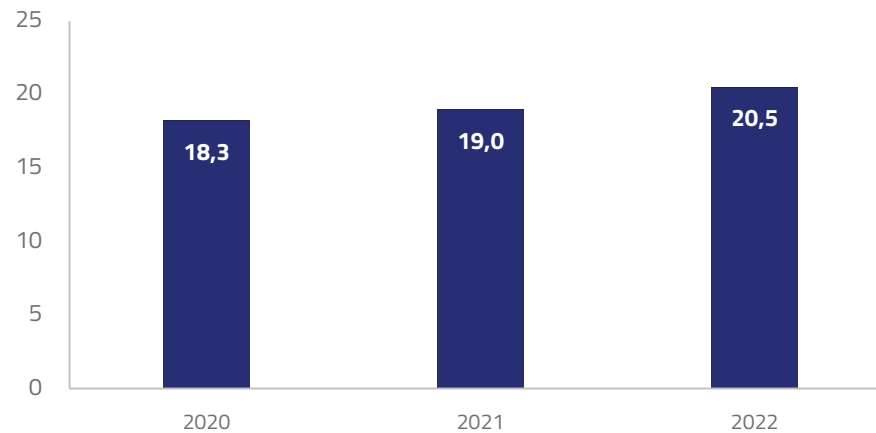


- Increase of the average rate for the final consumers ✓
- Increase of electricity distribution services sales volume by 464 GWh ✓
- Lower costs of grid losses ✓

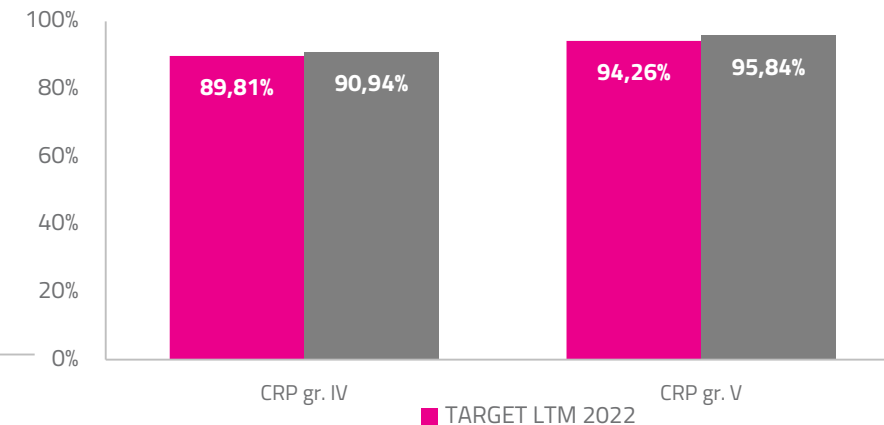


Distribution Segment key parameters

Regulatory Asset Base [PLN bn]

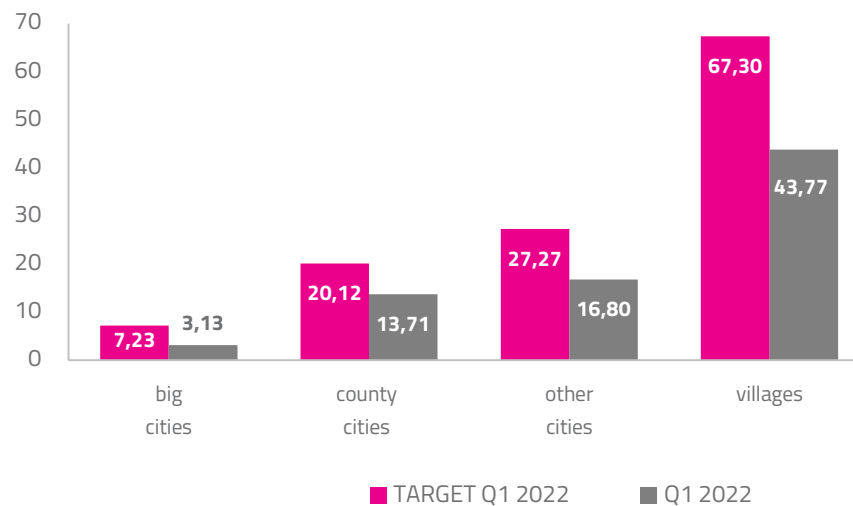


New Grid Connection Installation Time [%]

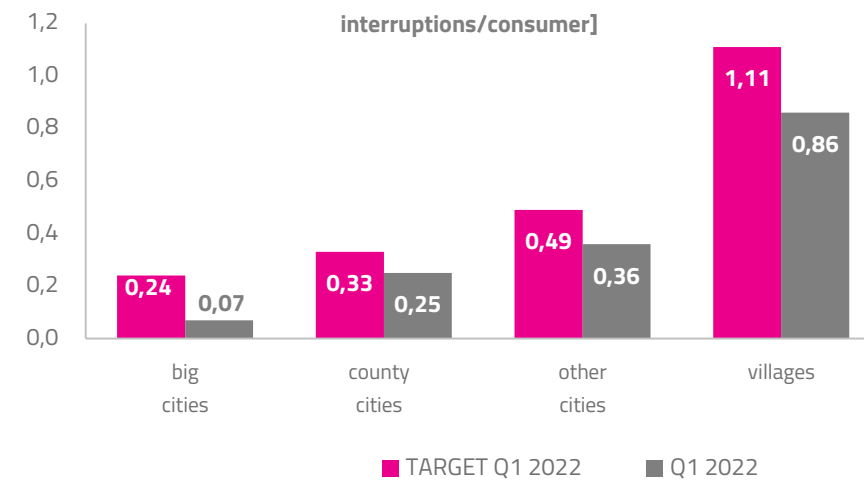


LTM – trailing 12 months ended on March 31, 2022

Interruption Duration [min/consumer]



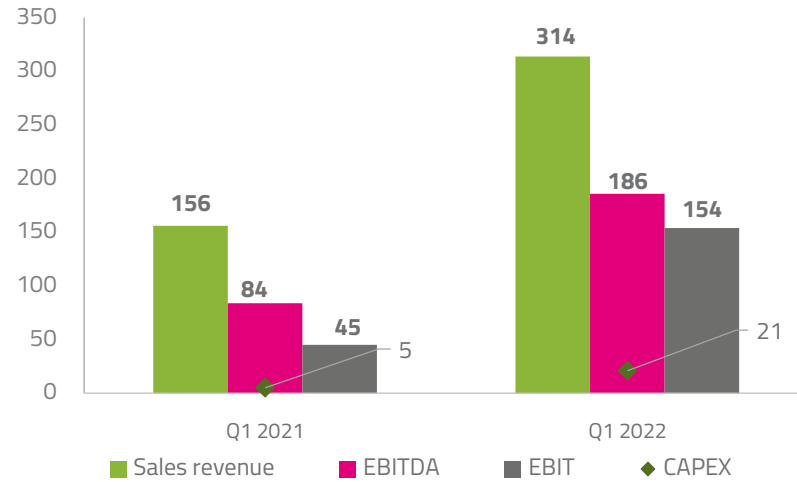
Frequency of Interruptions [number of interruptions/consumer]



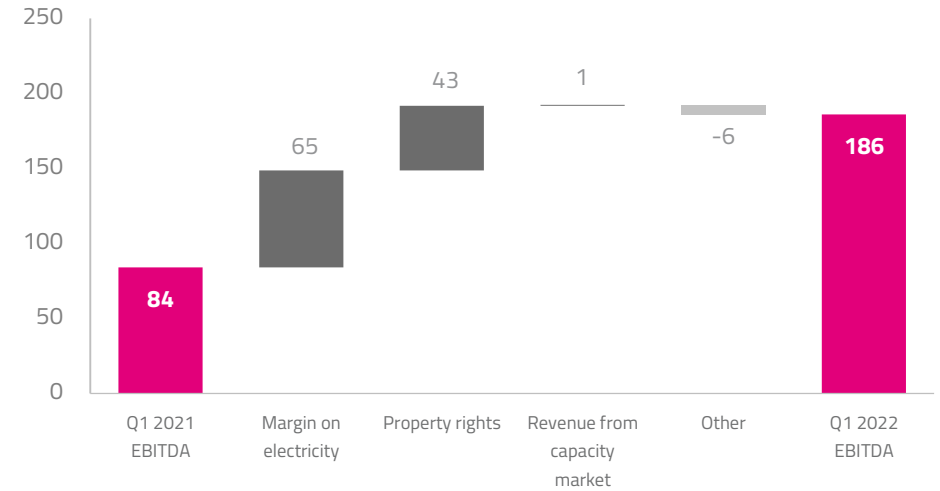


RES Segment Q1 2022

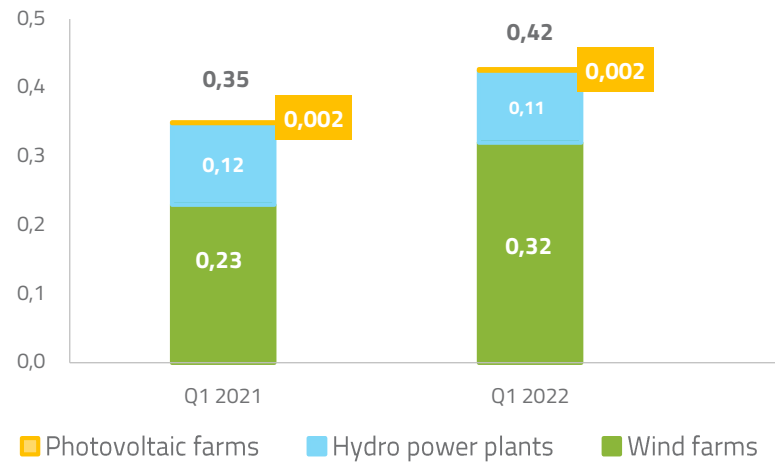
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

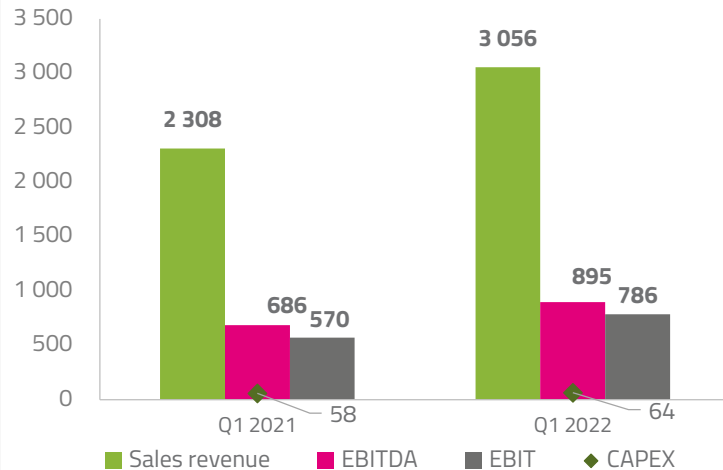


- Increase of electricity sales prices ✓
- Increase of property rights prices ✓
- Increase of wind farms' electricity production volume ✓

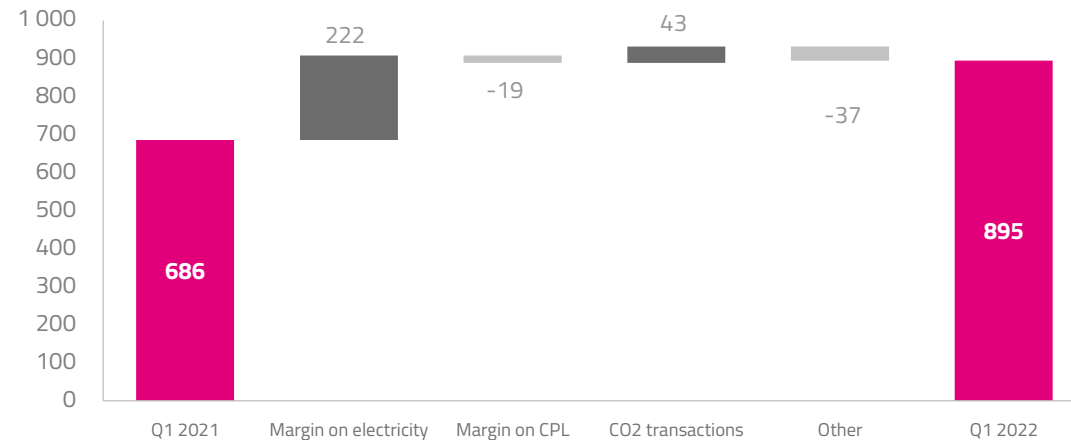


Generation Segment Q1 2022

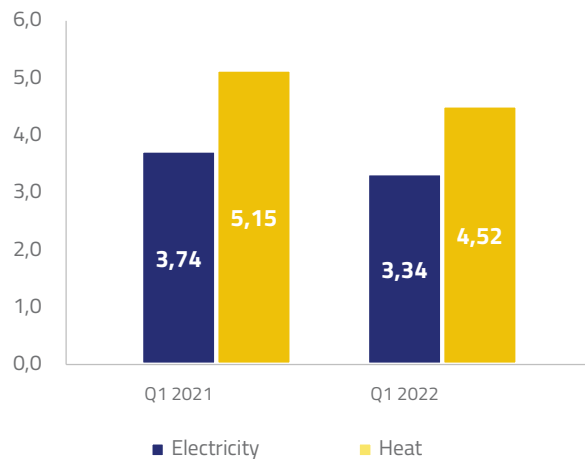
Financial data [PLN m]



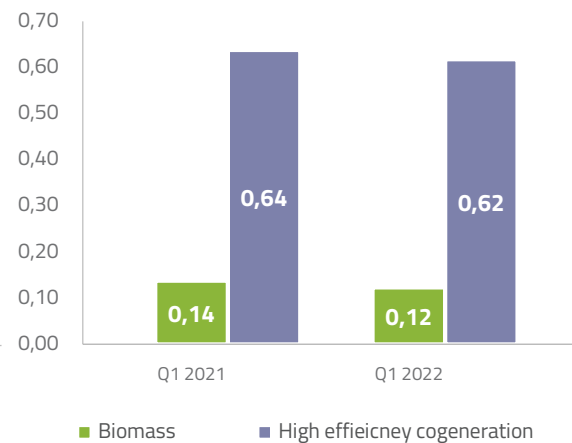
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]

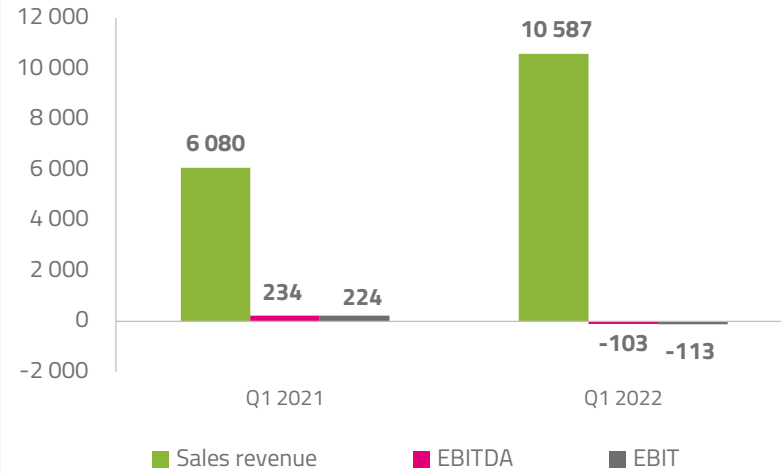


- Increase of electricity sales prices ✓
- Failure of the 910 MWe power generating unit in Jaworzno -
- Lower coal-fired units' electricity production volume -

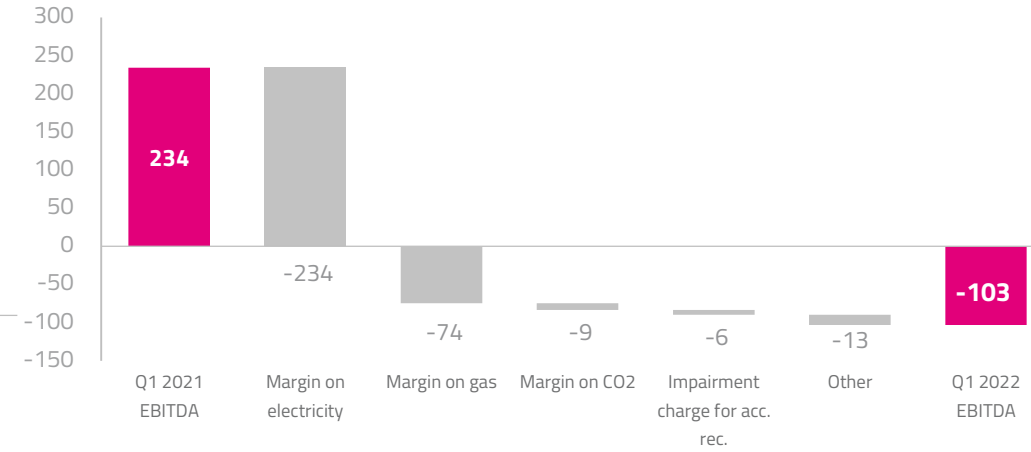


Supply Segment Q1 2022

Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

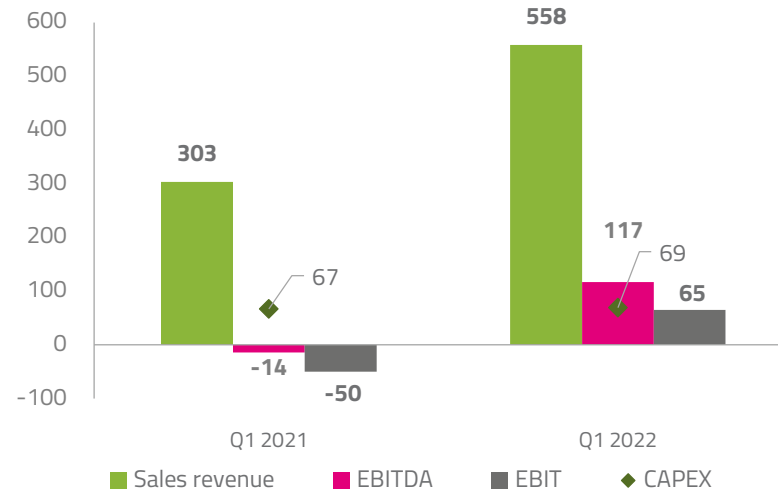


- Increase of electricity purchase prices
- Increase of PM OZE purchase prices
- Increase of gas purchase prices

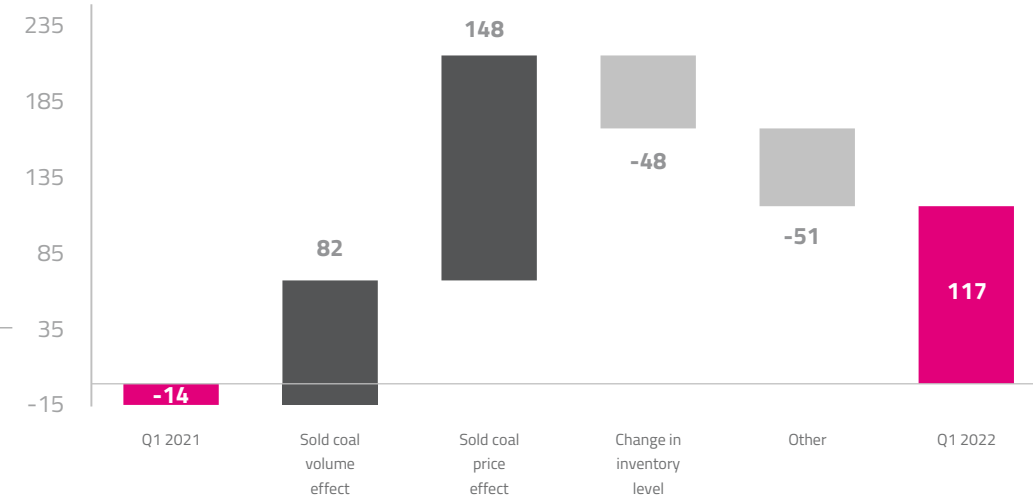


Mining Segment Q1 2022

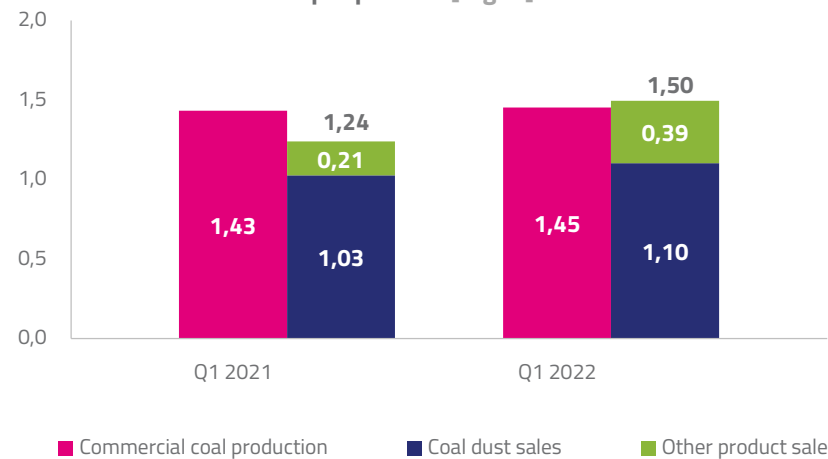
Financial data [PLN m]



EBITDA change [PLN m]



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



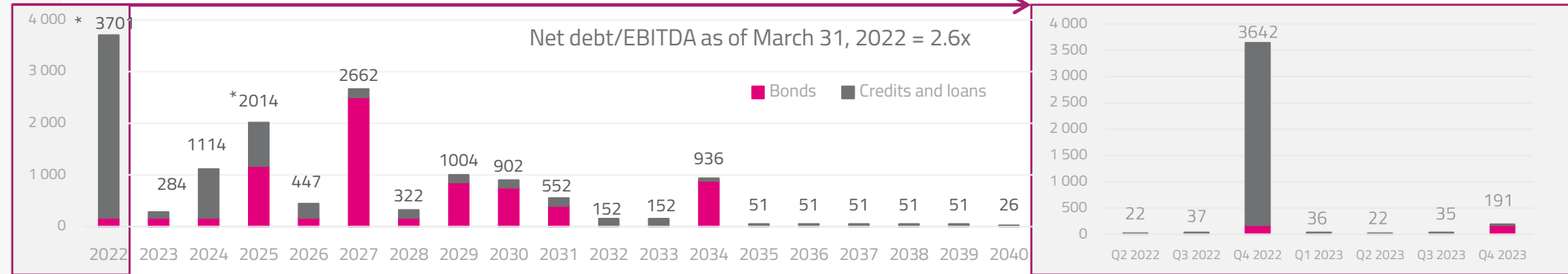
- Higher coal sales ✓
- Higher coal production ✓
- Increase by 34 PLN/Mg of the unit mining cash cost* (up from 194 PLN/Mg to 228 PLN/Mg) -

* 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

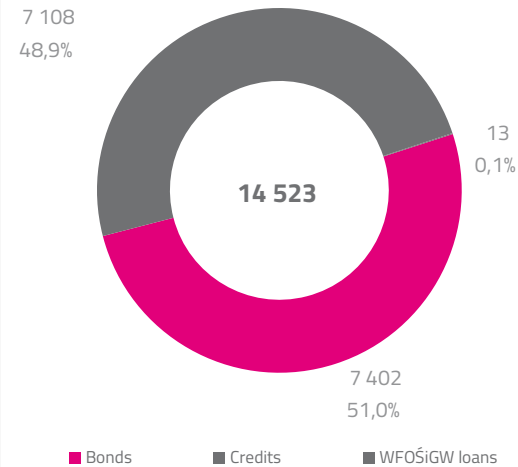


Debt and financing

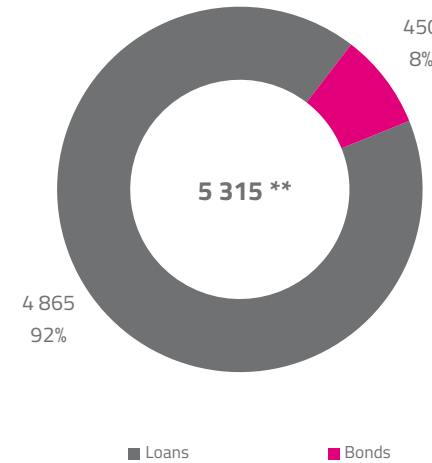
TAURON Group's nominal debt maturity as of March 31, 2022 [PLN m]



TAURON Group's nominal debt structure as of March 31, 2022 [PLN m]



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



Nominal debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
14 523	Floating: 8 929	IRS: 3 840
	Fixed: 5 594	None: 5 089

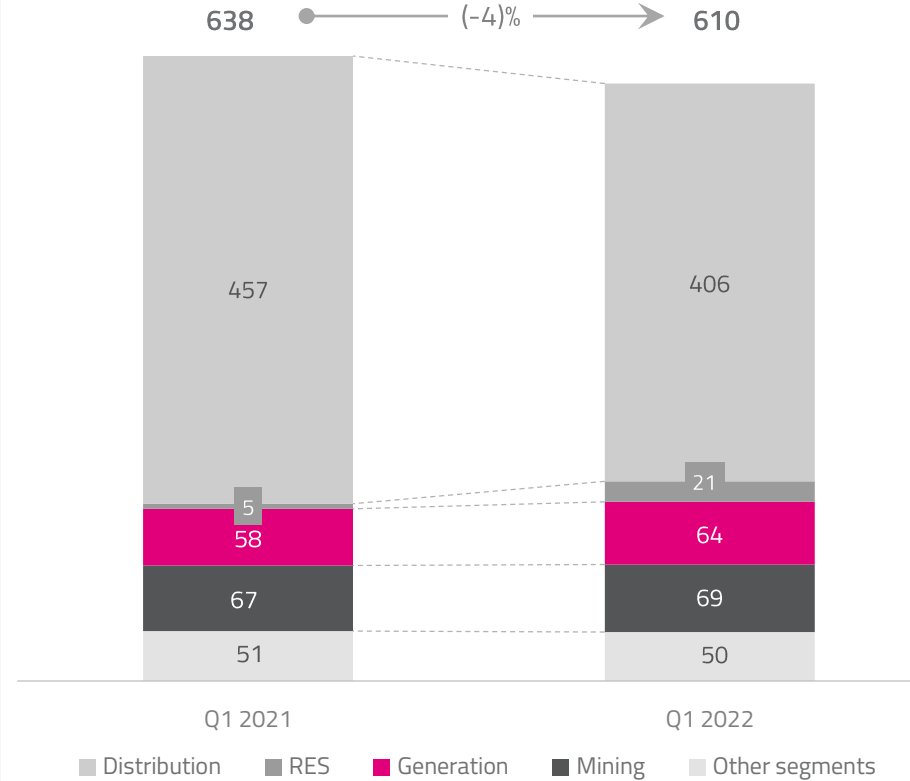
*EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 27% of the total debt

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

** 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 that came in at PLN 6.8 million.

Key investment projects implemented in Q1 2022



Distribution:

- Grid assets upgrades (refurbishments) and replacements (PLN 183m)
- Installing new grid connections (PLN 210m)



Generation:

- 910 MW Jaworzno unit (PLN 33 million)
- Replacement and refurbishment related outlays as well as overhaul components at TW (PLN 7m)
- ZWK - Construction of the 140MWt gas-fired boiler (PLN 6m)
- New facility connections to the district heating network (PLN 7m)
- District heating networks' maintenance and expansion (PLN 3m)



RES:

- Construction of the 30 MW Piotrków wind farm (PLN 10m)
- Construction of the 6 MW Majewo wind farm (PLN 4m)
- Construction of the Mysłowice PV farm (PLN 1m)



Mining:

- Construction of the Grzegorz shaft at Sobieski Coal Mine (PLN 2m)
- Production preparation (PLN 52m)
- Modernization (refurbishment) and replacement tasks (PLN 13m)



Supply and other:

- Deployment of the broadband internet as part of the POPC III and CUB Program (PLN 28m)
- IT investments at TOK (PLN 8m)
- Lighting maintenance and expansion (PLN 13m)



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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	452.60	172 318	80.6%	-5.2%
Forward PEAK (Y+Q+M)	287.12	19 389	484.07	17 768	68.6%	-8.4%
Forward (weighted average)	254.07	201 067	455.54	190 086	79.3%	-5.5%
SPOT (TGE)	394.34	36 141	719.45	38 141	82.4%	5.5%
Weighted average total	275.44	237 208	499.64	228 227	81.4%	-3.8%

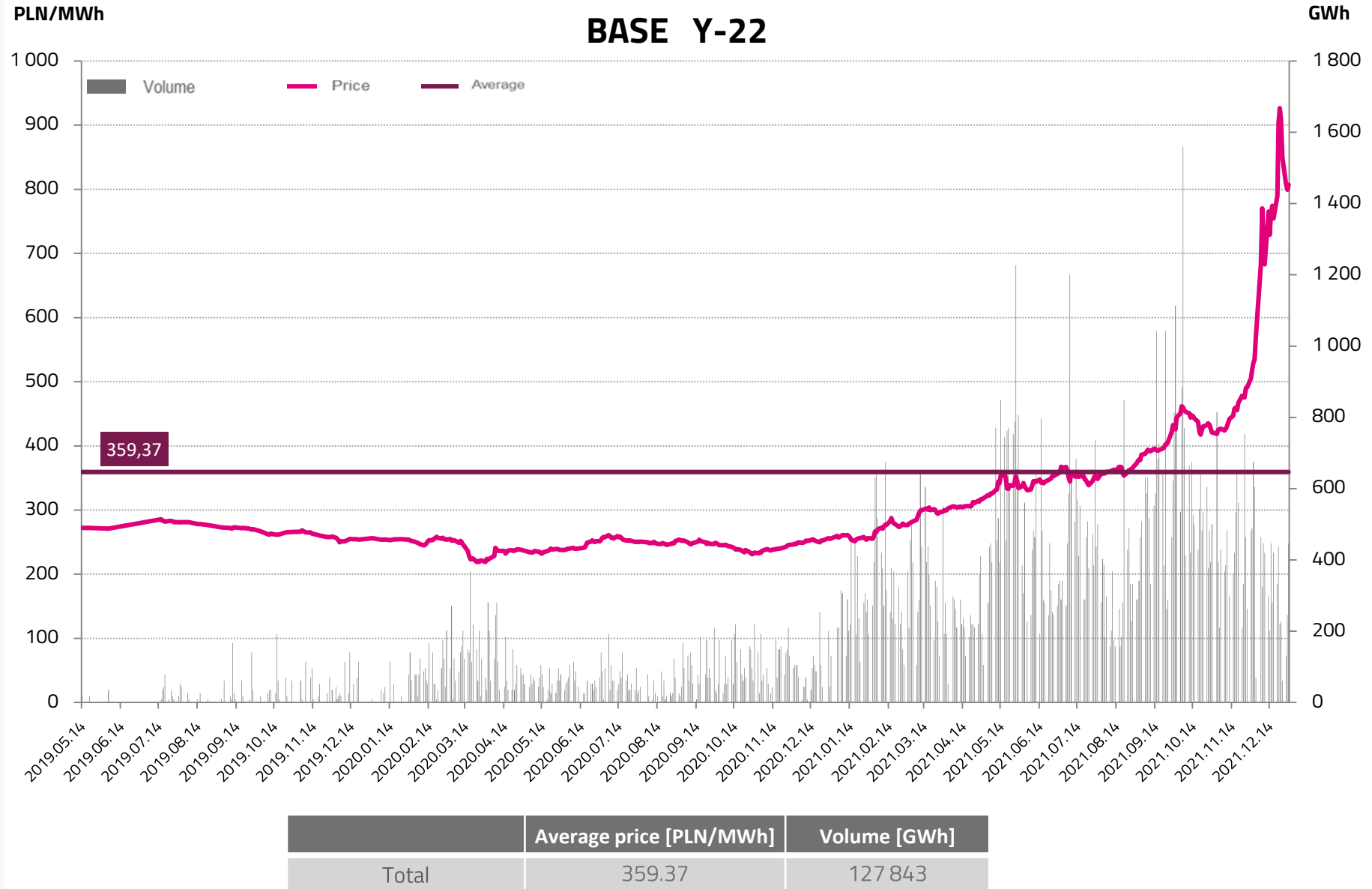
Property rights (PLN/MWh)			
Certificate type	Market prices (Q1 2022 weighted average)	Substitution fee and obligation for:	
		2021	2021
OZE (PMOZE_A)	244.11	172.76 (19.5%)	239.86 (18.5%)
RES from biogas plants (PMOZE_BIO)	302.54	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey* (updated in April 2022)	Price [EUR/t]
2022 average	78.05
2023 average	86.65
2024 average	93.95
2022 average price forecast by TAURON	85.87

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



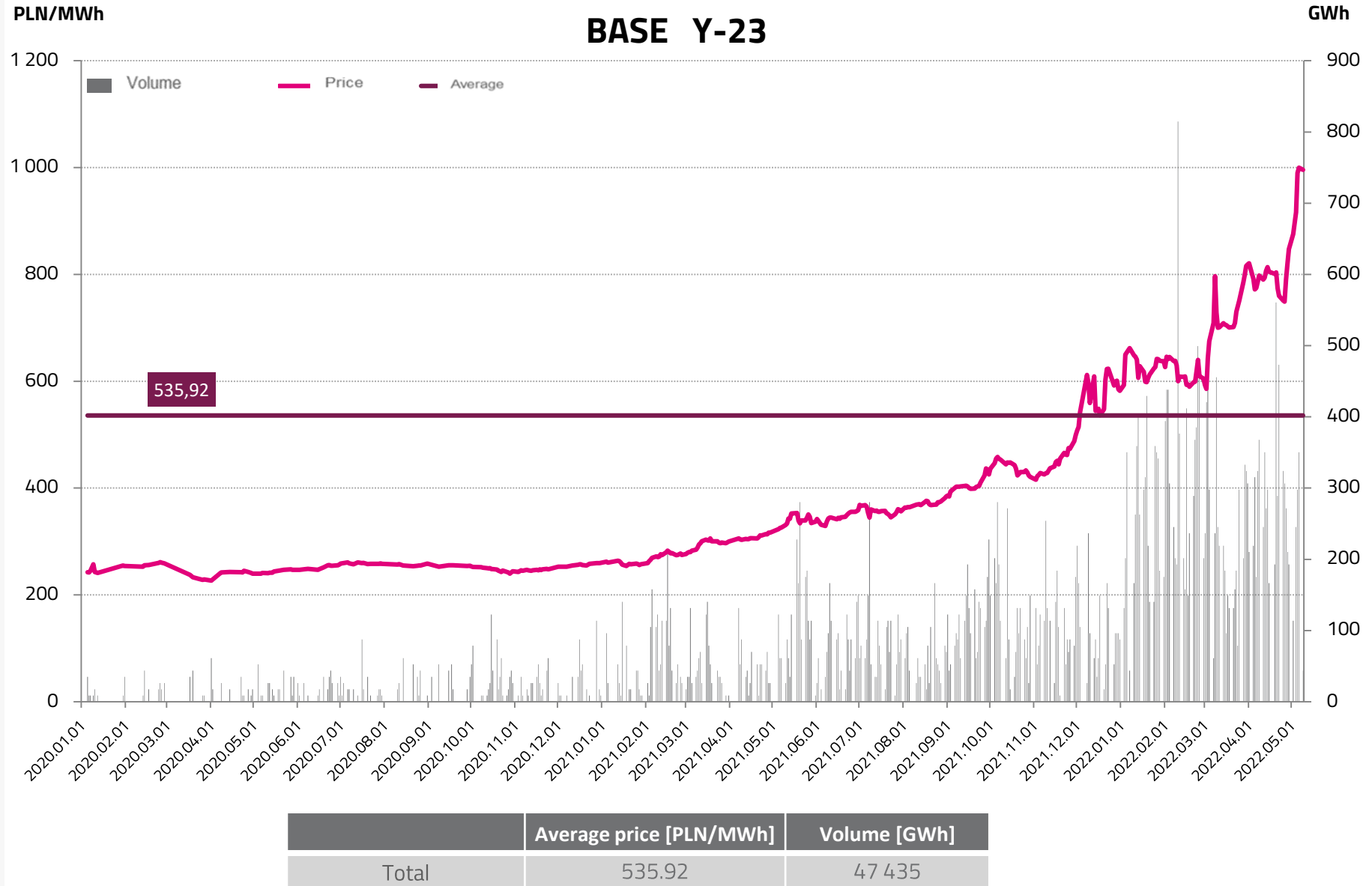
2022 BASE contract prices



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.



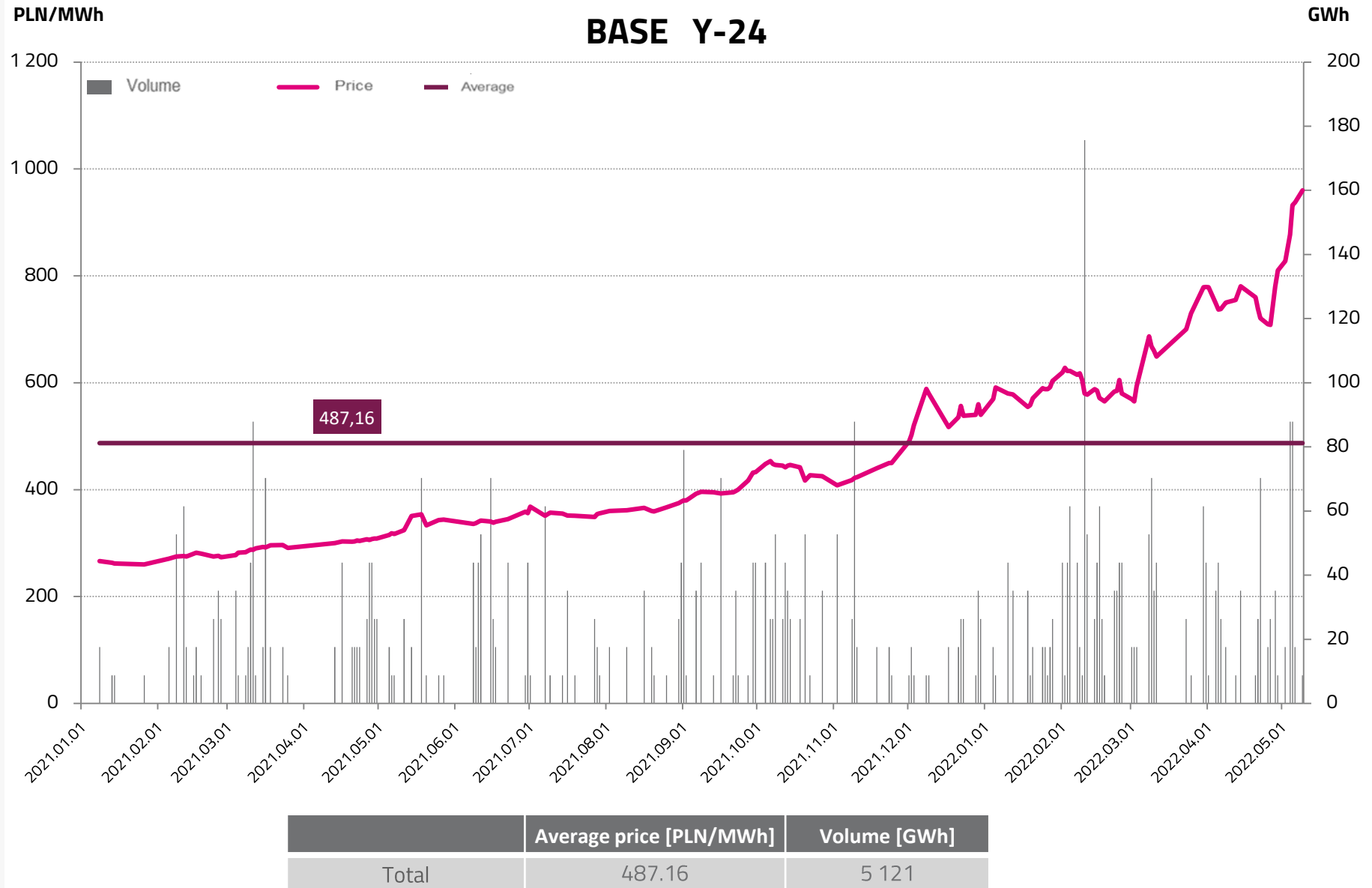
2023 BASE contract prices



Average electricity price that takes into account 2023 one-year BASE and PEAK contracts: 550.35 PLN/MWh,
 total 2023 BASE and PEAK contracts volume: 50 749 GWh,
 - based on the data until 2022-05-09.



2024 BASE contract prices



Average electricity price that takes into account 2024 one-year BASE and PEAK contracts: 489.13 PLN/MWh, total 2024 BASE and PEAK contracts volume: 5 186 GWh, - based on the data until 2022-05-09.