

TAURON Group's Q1 2023 Financial Results

May 31, 2023





Key Q1 2023 data

Financial results		
[PLN m]	Q1 2023 vs Q1 2022	
Sales revenue	13 559	38%
EBITDA	2 230	14%
Net profit*	1 034	15%
CAPEX	780	28%
Net debt/EBITDA	3.2x	up by 0.3x (vs 31.12.2022)

Operating data		
	Q1 2023 vs Q1 2022	
Electricity distribution [TWh]	13.66	(4)%
Electricity production from RES [TWh]	0.53	(2)%
Electricity production by hard coal-fired units [TWh]	3.31	(1)%
Heat generation [PJ]	4.42	(2)%
Retail electricity supply [TWh]	8.36	(1)%

* Attributable to shareholders of the parent company



Highlights

**January 5,
February 9**

Conclusion of agreements for purchase of coal from Polska Grupa Górnicza for the production needs of the generating units of TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o.

February 16

Signing of PLN 750 million revolving credit agreement with Bank Gospodarstwa Krajowego

March

Commencement of the construction of 33 MW Gamów wind farm

March

Commencement of the construction of 58.5 MW Mierzyn wind farm

March 31

Completion of the mediation before the Court of Arbitration at the Legal Counsel of the Republic of Poland, Conclusion of settlement agreement defining the method of completing the contract for the construction of the 910 MW unit in Jaworzno and making mutual settlements related thereto between TAURON Wytwarzanie S.A. and the General Contractor of the unit

April 25

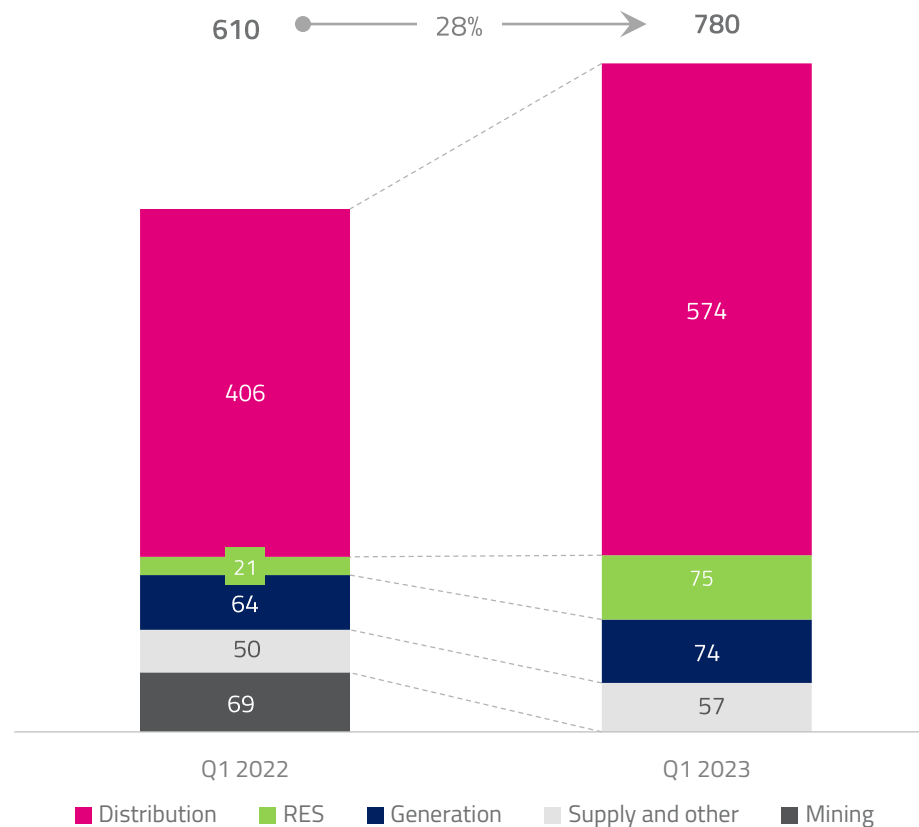
Receipt by TAURON Wytwarzanie S.A. of PLN 240 million paid out of the performance bond related to the contract for the construction of 910 MW unit in Jaworzno.
Entry into force of the settlement agreement signed on March 31, 2023

May

Commencement of the construction of 30 MW Warblewo wind farm

CAPEX – per segment

Capital expenditures per segment* [PLN m]



Key investment projects implemented in Q1 2023

Distribution:



- Installing new grid connections (PLN 318m)
- Grid assets modernization and replacements (PLN 223m)
- AMIPlus (PLN 15m)

RES:



- Warblewo wind farm construction (PLN 28m)
- Mierzyn wind farm construction (PLN 17m)
- Mysłówice photovoltaic farm construction (PLN 14m)
- Proszówek photovoltaic farm construction (PLN 12m)
- Modernization of hydroelectric power plants (PLN 2m)
- Gamów wind farm construction (PLN 1m)
- Nowa Brzeźnica wind farm construction (PLN 0.3m)

Generation:



- TAURON Wytwarzanie's capex – replacement and refurbishment, overhaul components, 910 MW unit (PLN 33m)
- Ligota project at TAURON Ciepło (PLN 10m)
- New facility connections to the district heating networks at TAURON Ciepło (PLN 7m)
- Low Emission Elimination Program (PLN 5m)
- Construction of peaking and backup boiler house at TAURON Ciepło ZW Bielsko (PLN 3m)
- Construction of 140 MWt gas-fired boiler at TAURON Ciepło ZW Katowice (PLN 2m)

Supply and other:



- Lighting maintenance and expansion (PLN 27m)
- IT investments at TAURON Obsługa Klienta (PLN 26m)
- Business Service Center (PLN 3m)

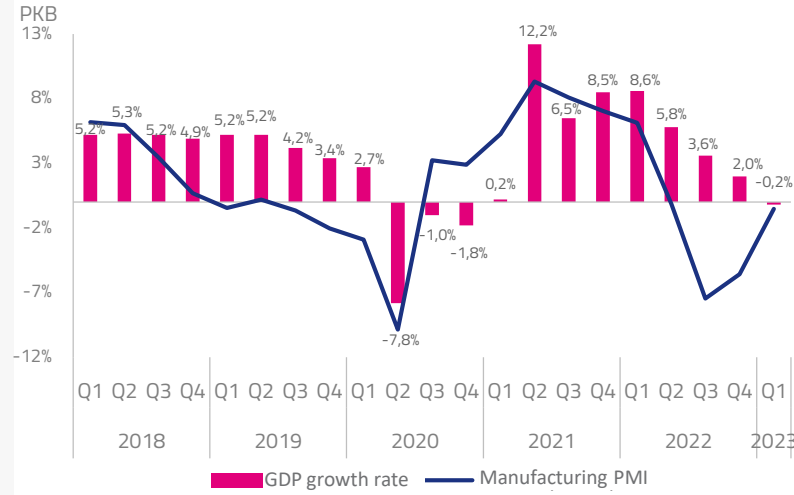
* Outlays do not include equity investments (in accordance with the presentation provided in the financial statements).



Macroeconomic and market situation

- Earlier declines in the PMI index reflected in the NBP's reported GDP projection for Q1 2023
- Decline in the production by hard coal- and lignite-fired thermal power plants caused by a drop of electricity demand and increased generation by gas-fired and RES sources
- Increase of the share of RES sources in the NPS balance due to favorable weather conditions and a rise in the installed capacity of photovoltaic installations
- Increase of the share of gas-fired sources due to a decline of gas fuel prices

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



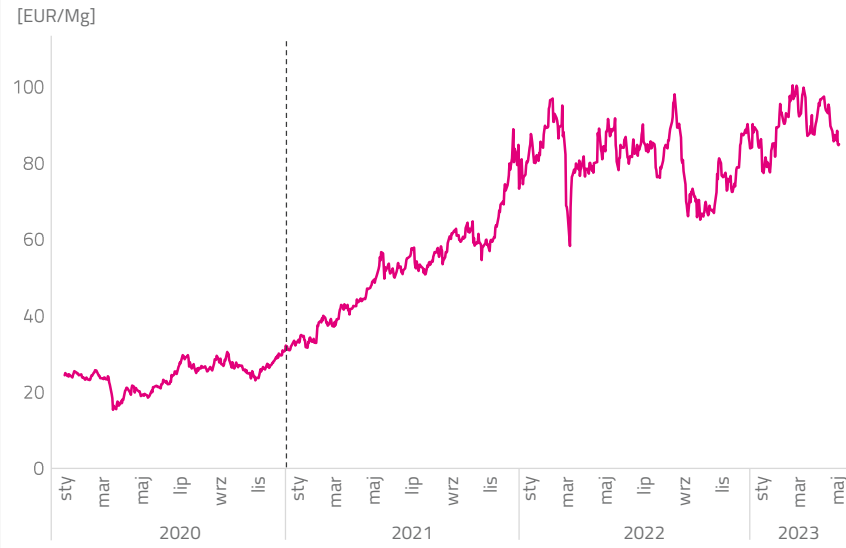
Source: * NBP data for 2017-2023, ** Investing.com

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



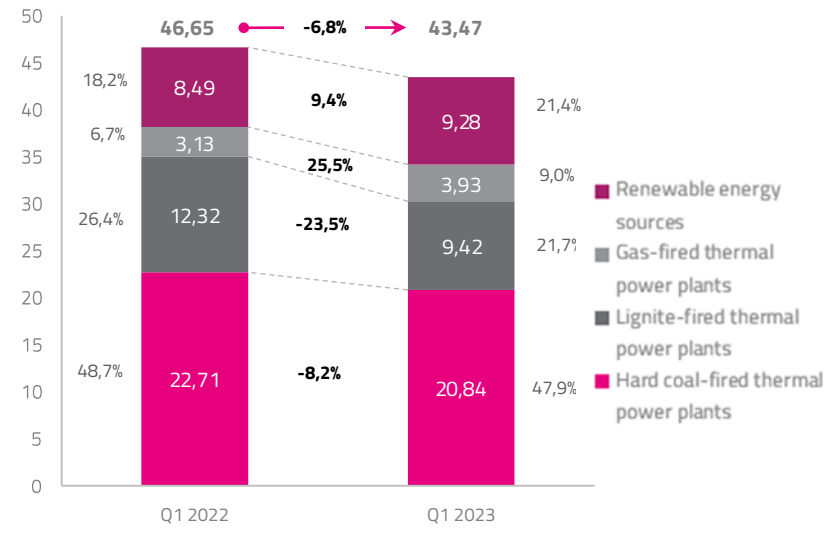
Source: * Statistics Poland data ** PSE data

CO2 emission allowances price performance



Source: Refinitiv Eikon, ICE Endex data

Structure of electricity production in Poland [TWh]

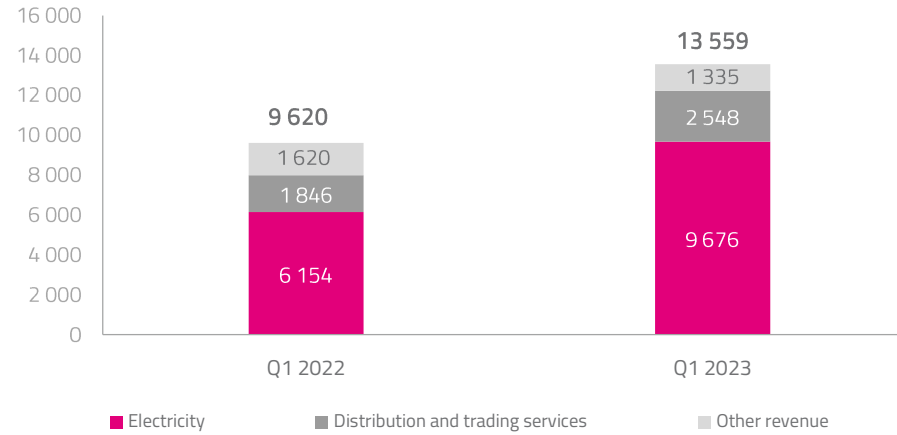


Source: PSE data

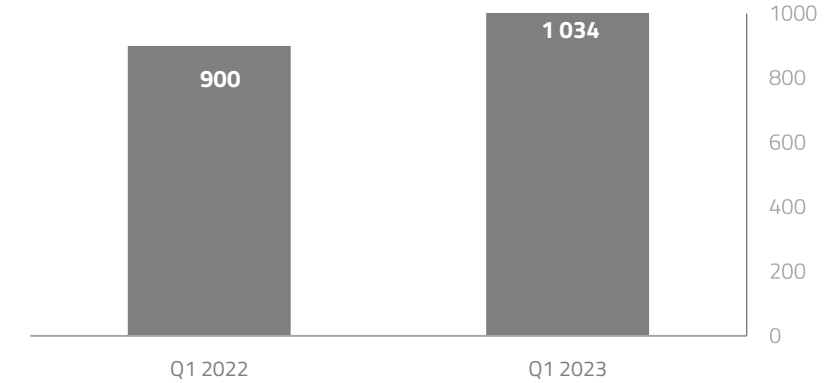


Q1 2023 financial data

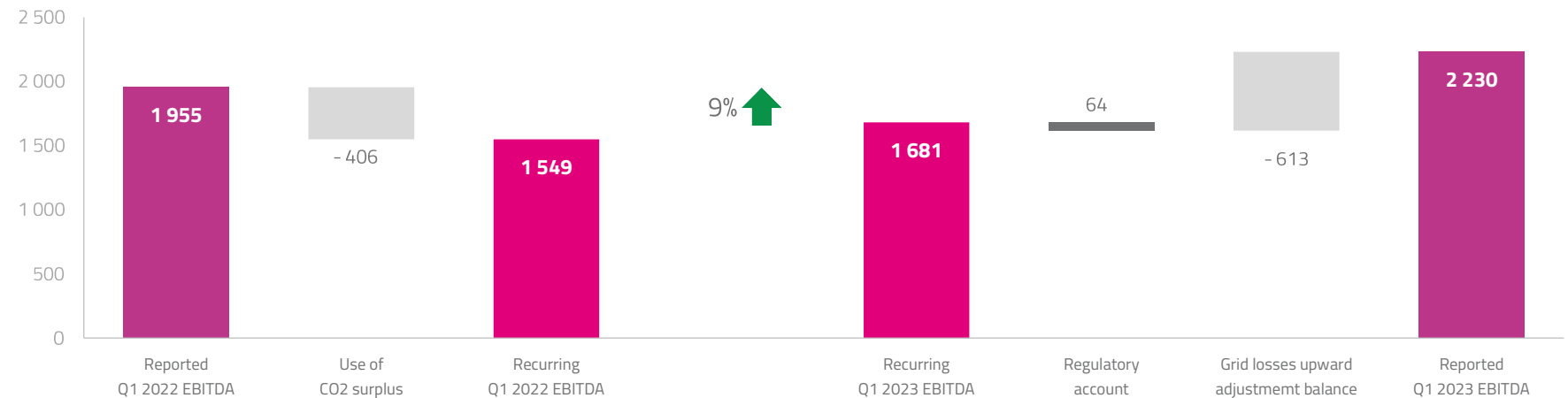
Sales revenue [PLN m]



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



Q1 2023 EBITDA vs Q1 2022 EBITDA [PLN m]

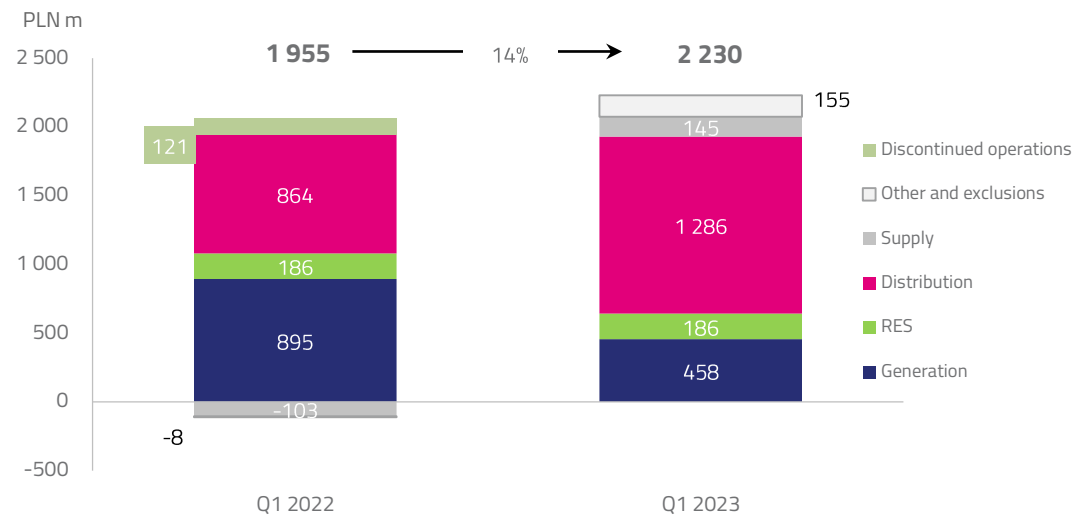




Individual segments' Q1 2023 results

[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions*
Revenue	3 327	269	4 030	12 232	-6 299
EBITDA	1 286	186	458	145	155
EBIT	968	138	346	132	113
CAPEX	574	75	74	24	33

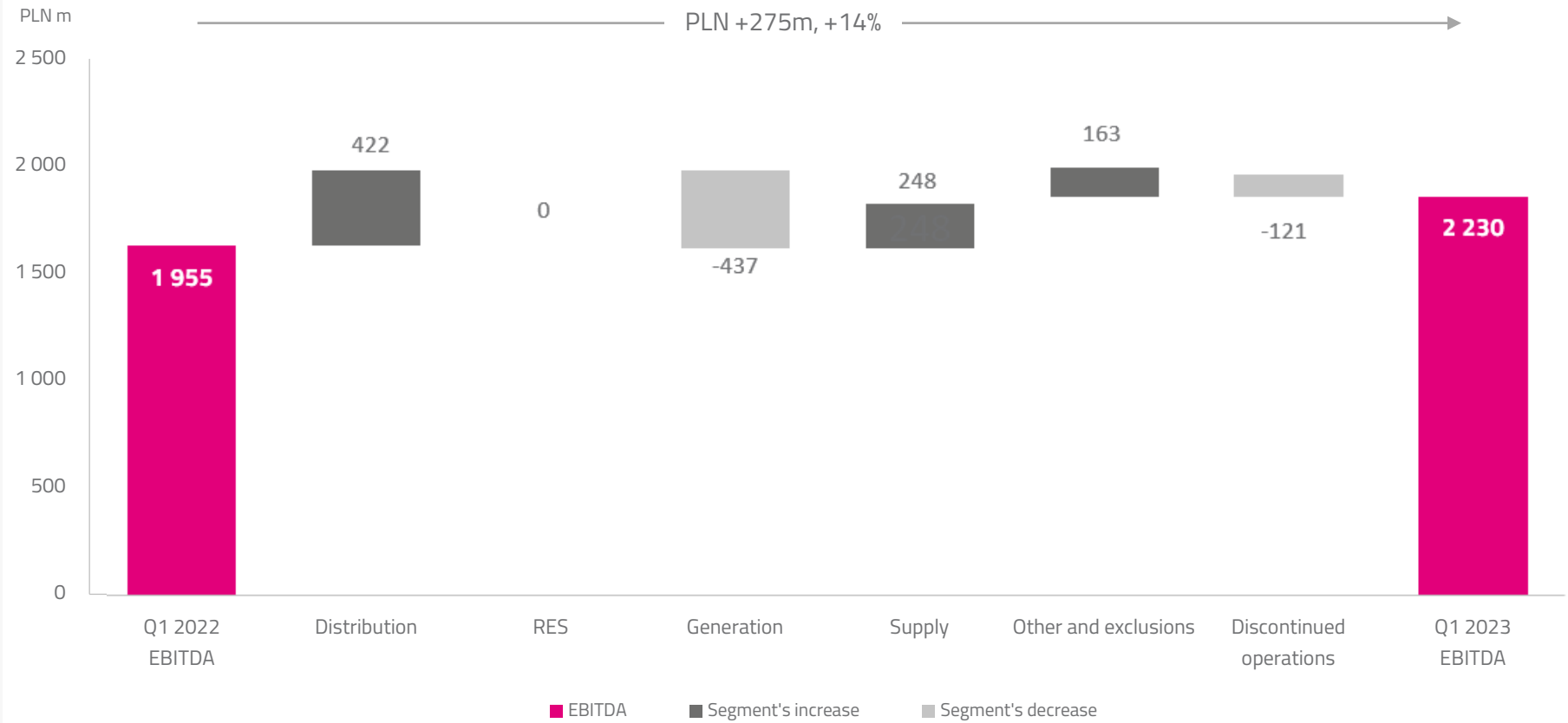
Individual segments' contribution to EBITDA



* Items not included in the segments presented



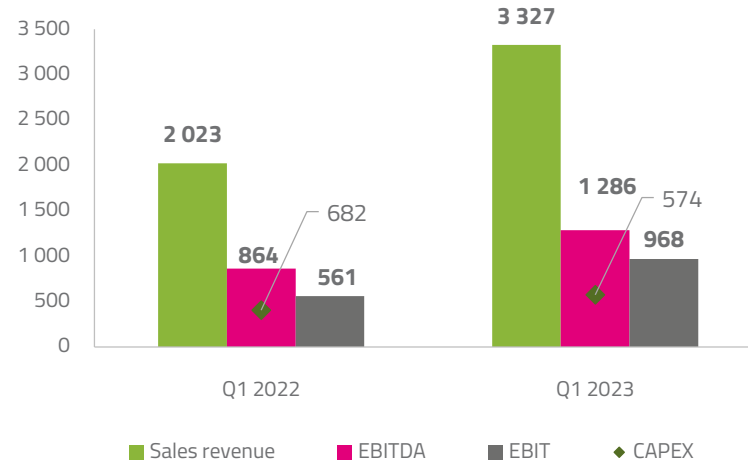
Q1 2023 EBITDA



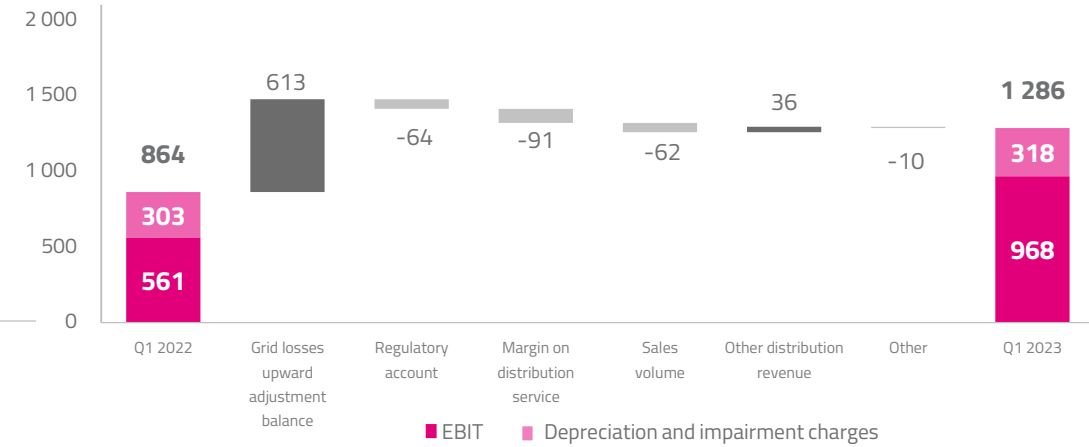


Distribution Segment Q1 2023

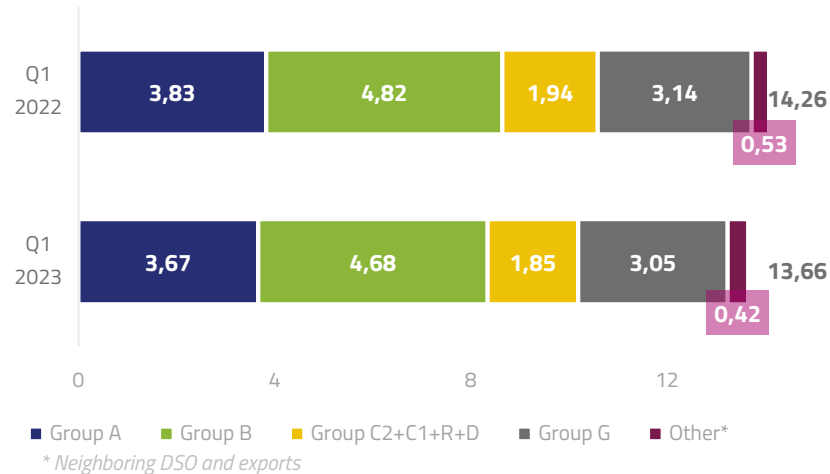
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

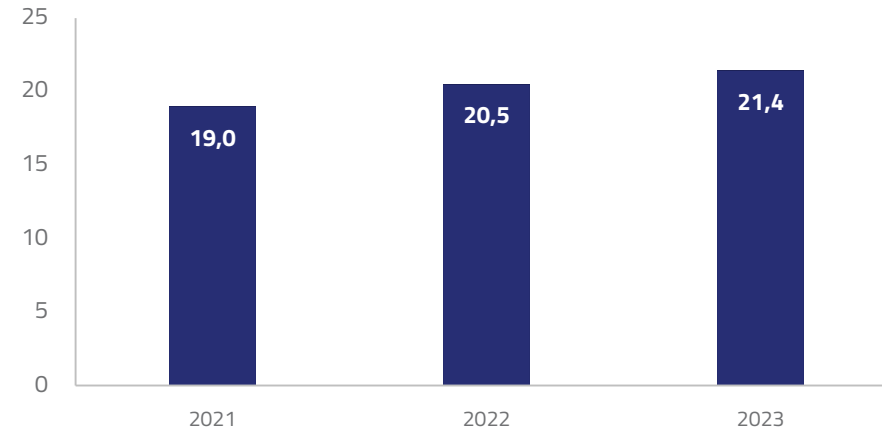


- Change in the price of the grid loss costs upward adjustment ✓
- Decline of electricity distribution services sales volume by 0.6 TWh -
- Negative impact of regulatory account -

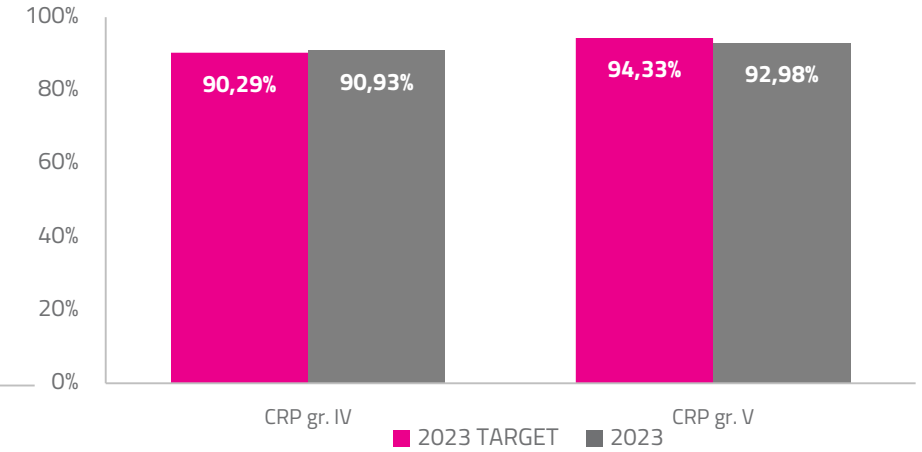


Distribution Segment key parameters

Regulatory Asset Base [PLN bn]

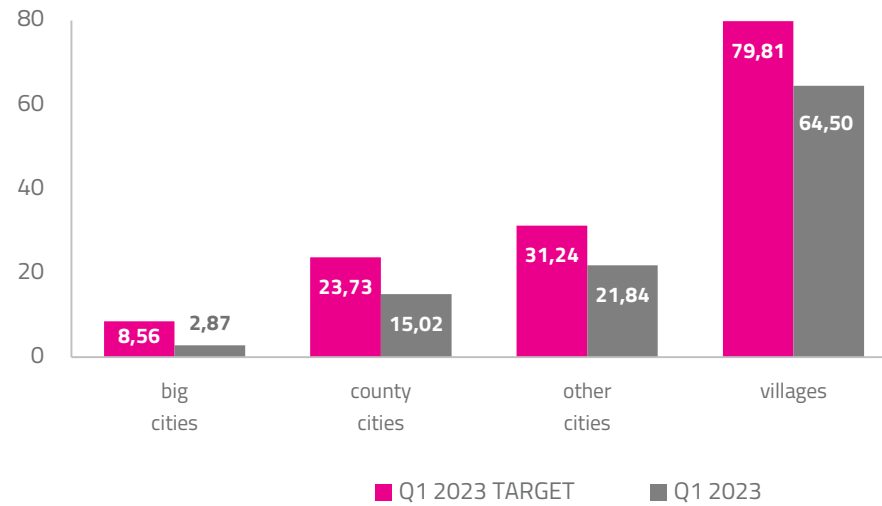


New Grid Connection Installation Time [%]

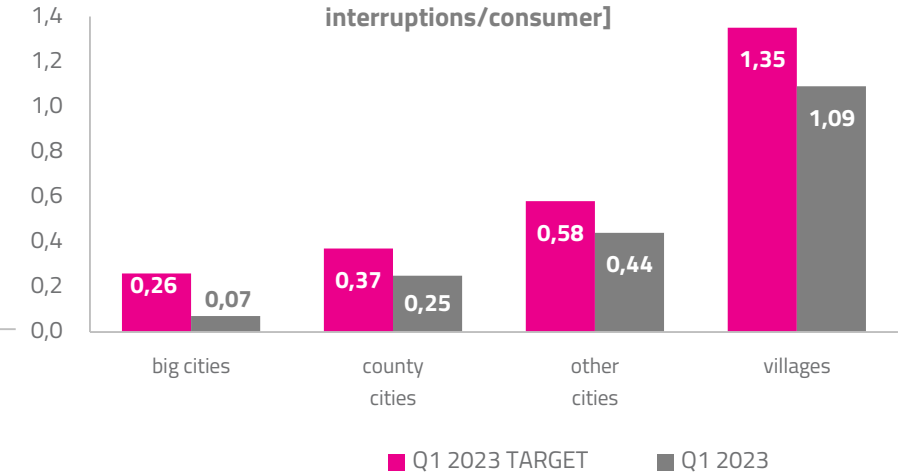


LTM – trailing 12 months ended on March 31, 2023

Interruption Duration [min/consumer]



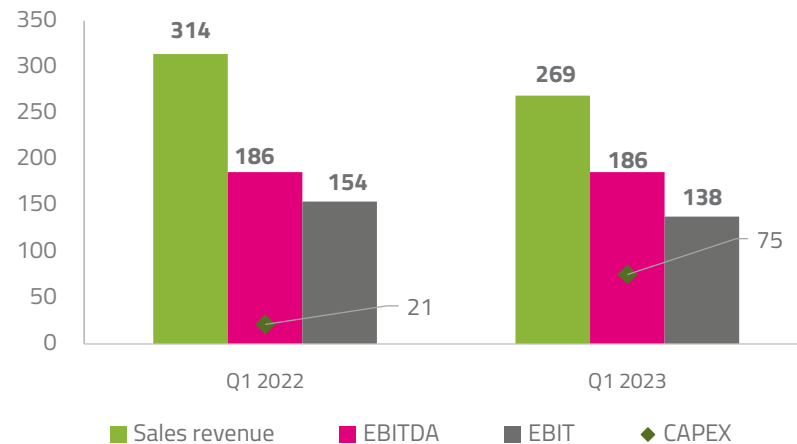
Frequency of Interruptions [number of interruptions/consumer]



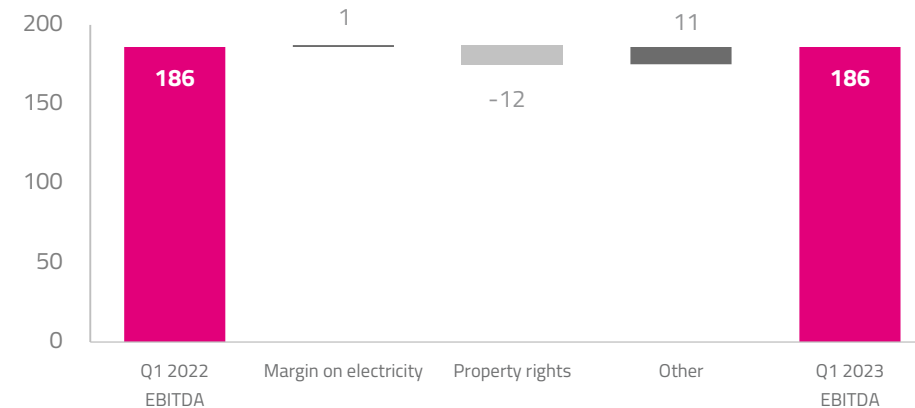


RES Segment Q1 2023

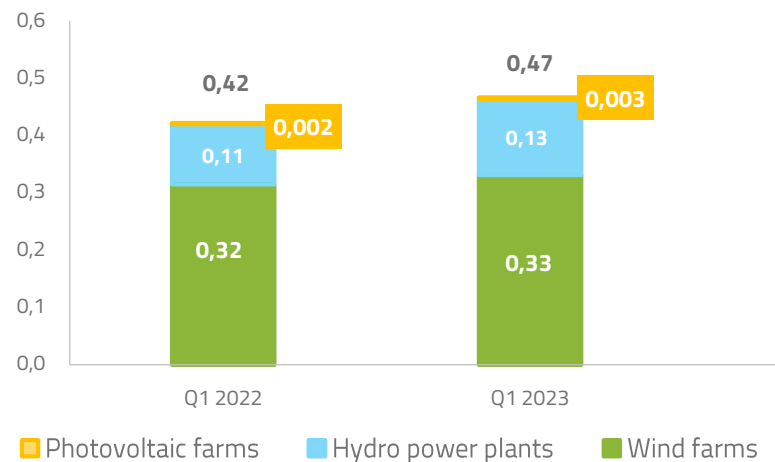
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

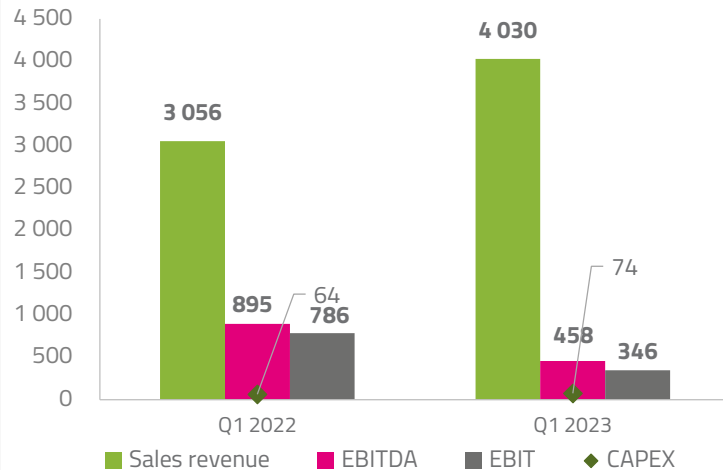


- Higher electricity generation volume ✓
- Resolution of the legal dispute related to improperly collected wind farm grid connection fees ✓
- Decrease of property rights prices and volume -
- Decrease of average electricity sales prices -

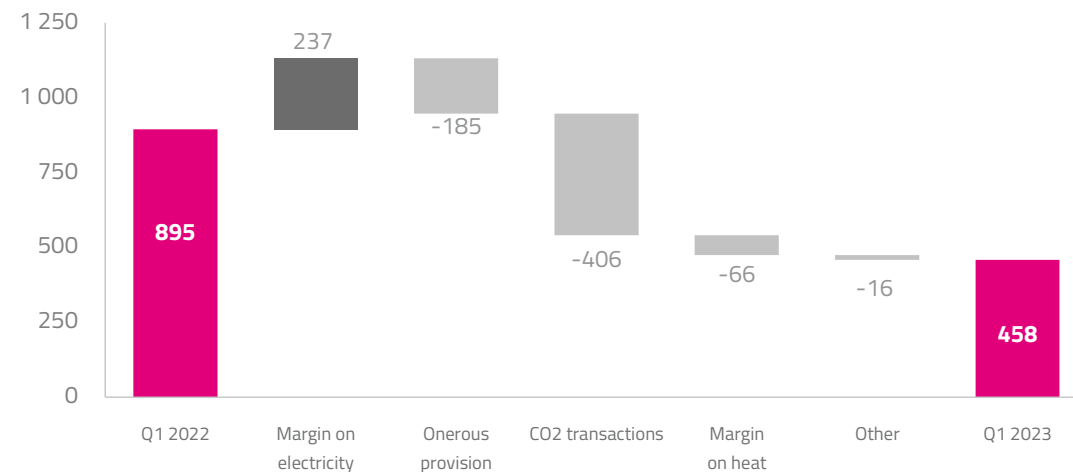


Generation Segment Q1 2023

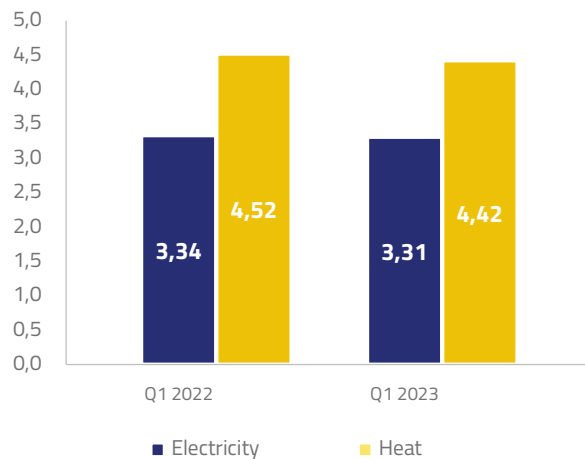
Financial data [PLN m]



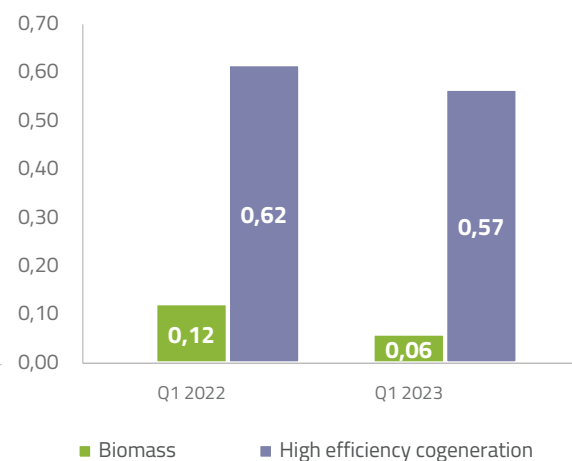
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]

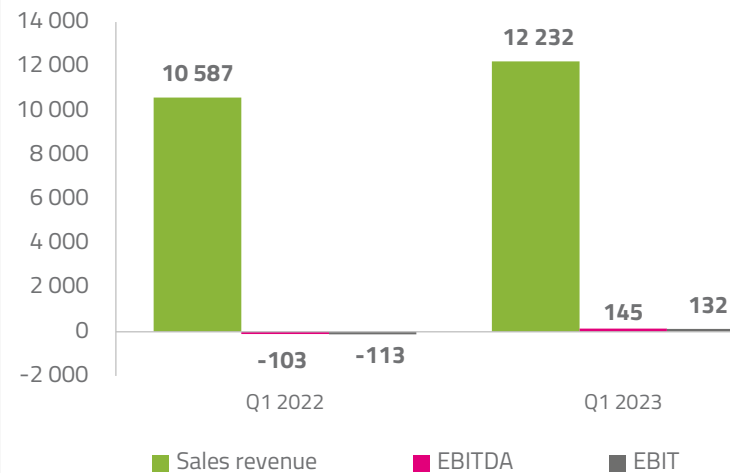


- Lower Clean Dark Spread y/y
- Lower volume of electricity generation by coal-fired units
- Production costs incurred not covered by the regulated heat prices

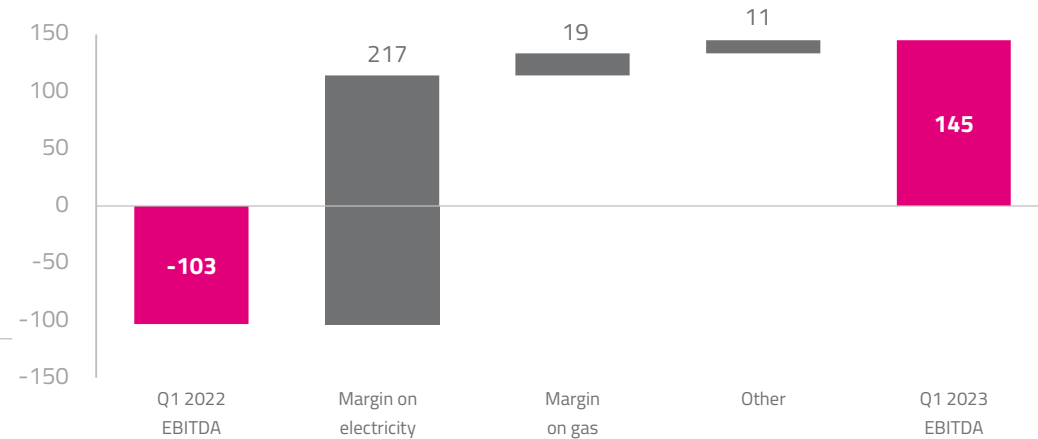


Supply Segment Q1 2023

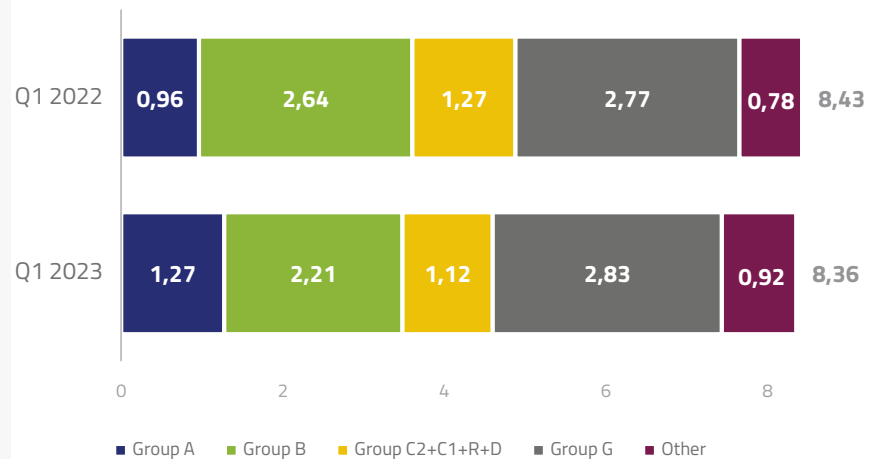
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

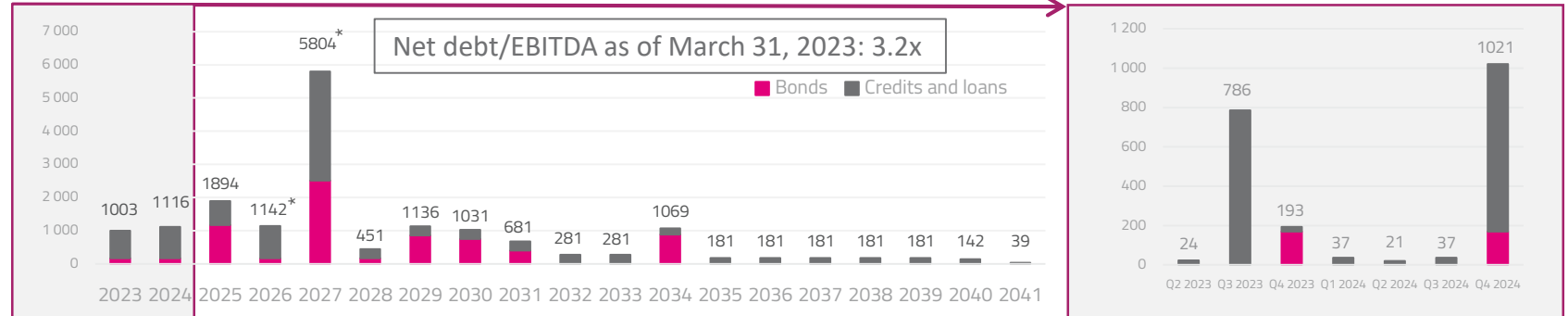


- Stabilization of prices on the electricity and gas market ✓
- Decrease in the volume of electricity sales due to a significant increase in electricity prices -
- Positive result on electricity supply generated by TAURON Czech Energy company ✓

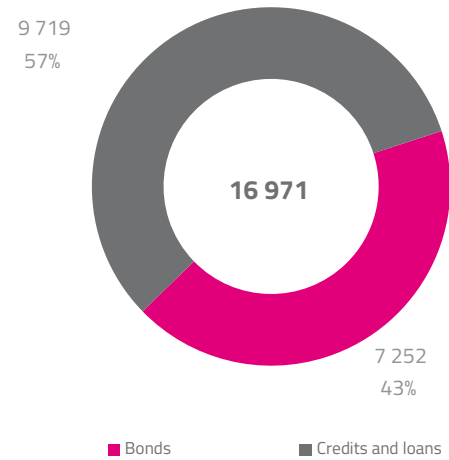


Debt and financing

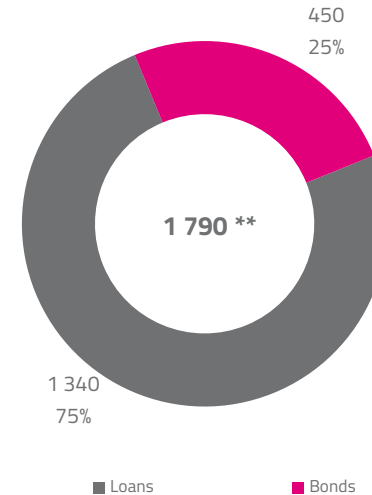
TAURON Group's nominal debt maturity as of March 31, 2023 [PLN m]



TAURON Group's nominal debt maturity as of March 31, 2023 [PLN m]



Amounts of financing available to TAURON Group as of March 31, 2023 [PLN m]



Nominal debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
16 971	Floating rate: 11 069	IRS: 3 840
	Fixed rate 5 902	None: 7 229

■ EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 24% 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 500m



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* issuing of recommendations has been suspended



Electricity market price trends

Electricity						
Platforms: TGE	2022		2023 (actual + estimate)		2023/2022	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	457.95	165 560	880.83	117 883	92.3%	-28.8%
Forward PEAK (Y+Q+M)	496.55	17 229	1 208.43	8 984	143.4%	-47.9%
Forward (weighted average)	461.59	182 789	904.03	126 867	95.9%	-30.6%
SPOT (TGE)	786.77	32 994	596.84	52 827	-24.1%	60.1%
Weighted average total	511.31	215 783	813.72	179 694	59.1%	-16.7%

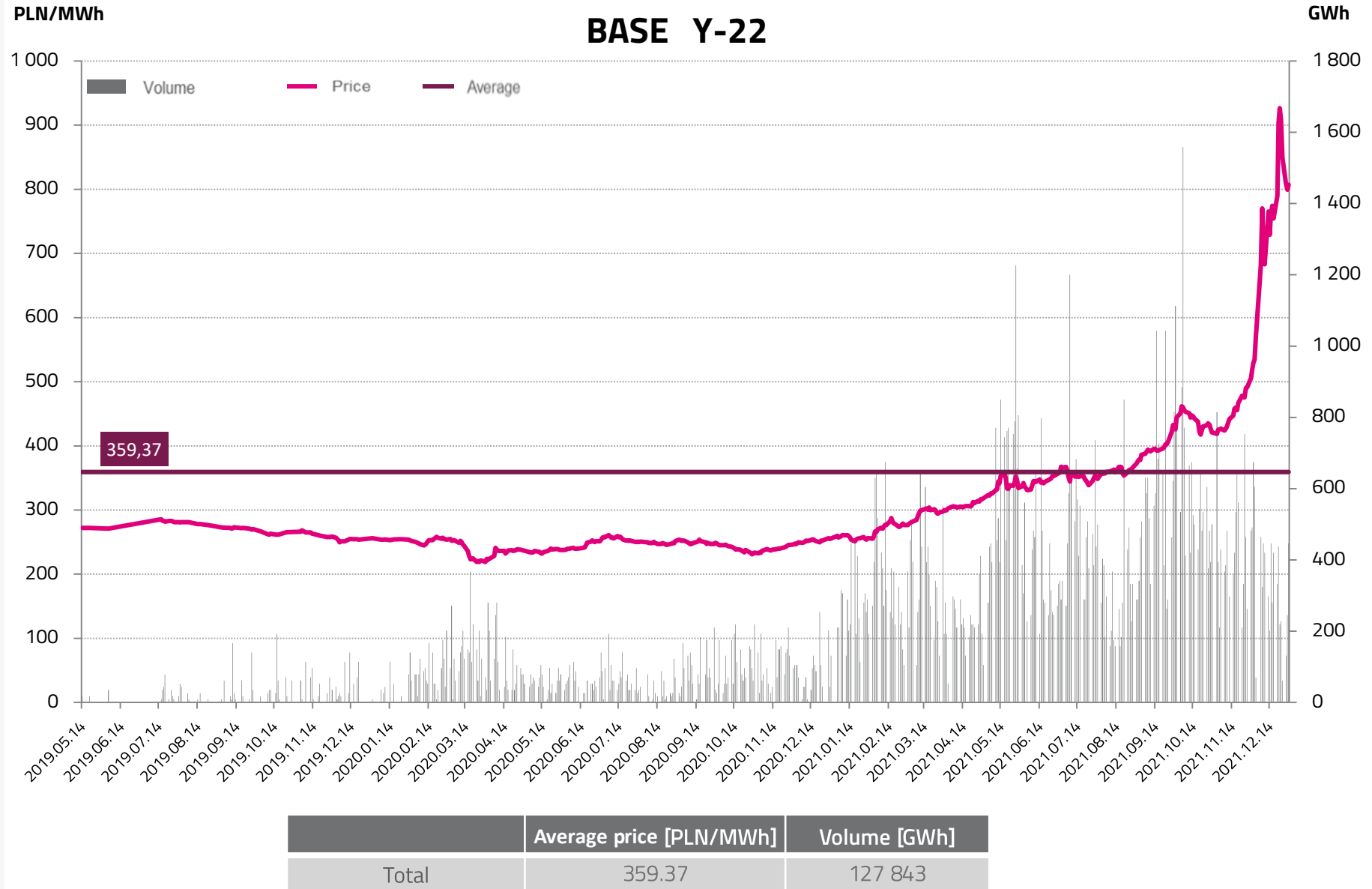
Property rights (PLN/MWh)			
Certificate type	Market prices (Q1 2023 weighted average)	Substitution fee and obligation for:	
		2022	2023
OZE (PMOZE_A)	218.69	239.86 (18.5%)	239.75 (12.0%)
RES from biogas plants (PMOZE_BIO)	300.18	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey*	Price [EUR/t]
2023 average	88.2
2024 average	99.9
2025 average	107.5
2023 average price forecast by TAURON	85-87

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



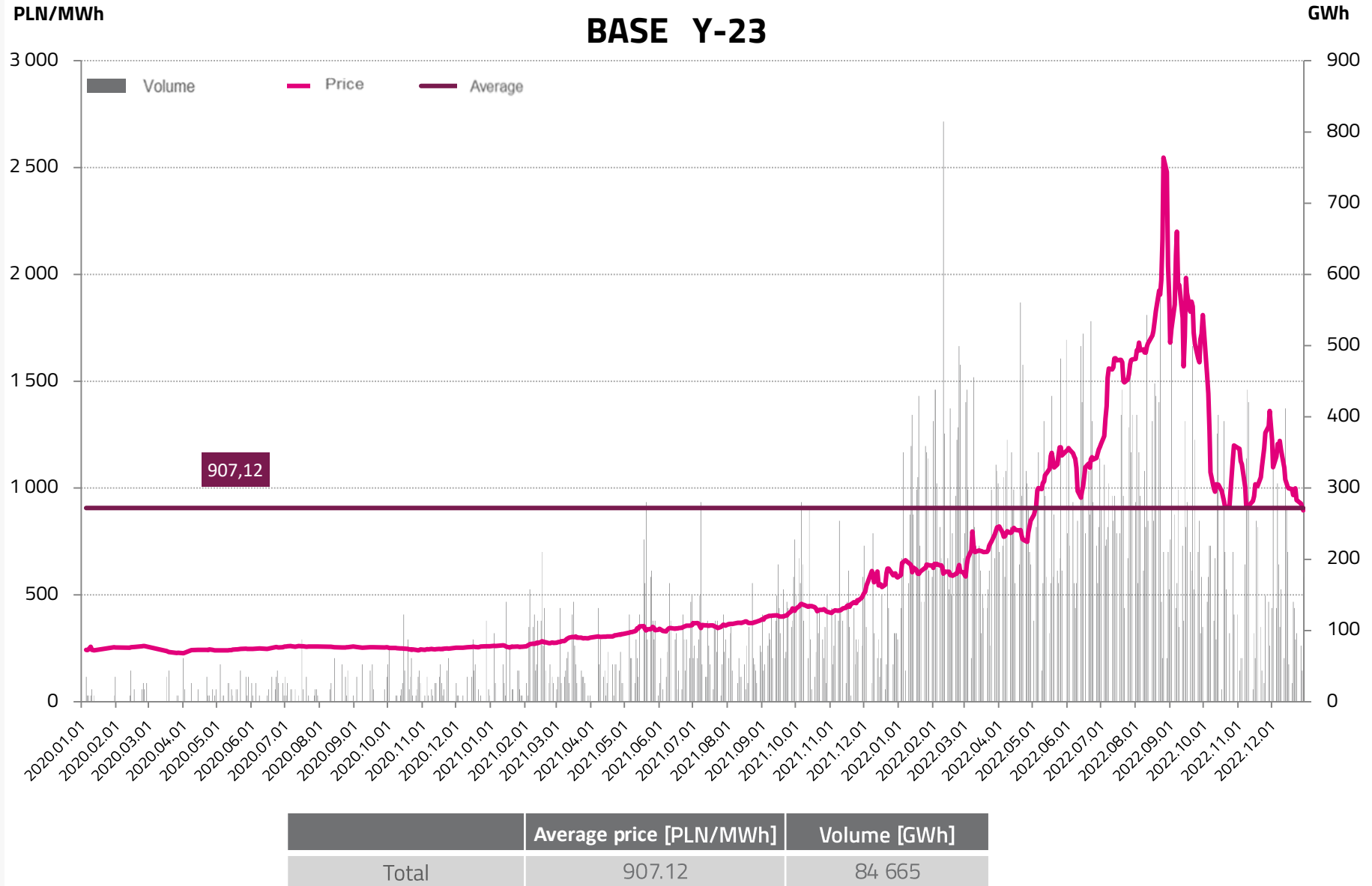
2022 BASE contract prices



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: 779.06 PLN/MWh, total 2024 BASE and PEAK contracts volume: 16 566 GWh (based on the data up to 08.05.2023)