

TAURON Group's Q1-Q3 2023 Financial Results

November 23, 2023





Key Q1-Q3 2023 data

Financial results		
[PLN m]	Q1-Q3 2023 vs Q1-Q3 2022	
Sales revenue	32 442	21%
EBITDA	5 471	92%
Net profit*	2 258	472%
CAPEX	2 887	11%
Net debt/EBITDA	1.6x	down by 1.3x (vs Dec 31, 2022)

Operating data		
	Q1-Q3 2023 vs Q1-Q3 2022	
Electricity distribution [TWh]	38.27	(5)%
Electricity production from RES [TWh]	1.17	(3)%
Electricity production by hard coal-fired units [TWh]	7.76	(22)%
Heat generation [PJ]	6.73	(3)%
Retail electricity supply [TWh]	22.46	(3)%

* attributable to the shareholders of the parent company



Key Q3 2023 data

Financial results		
[PLN m]	Q3 2023 vs Q3 2022	
Sales revenue	9 160	5%
EBITDA	1 197	142%
Net profit*	385	-
CAPEX	1 022	(9)%
Net debt/EBITDA	1.6x	down by 1.3x (vs Dec 31, 2022)

Operating data		
	Q3 2023 vs Q3 2022	
Electricity distribution [TWh]	12.28	(4)%
Electricity production from RES [TWh]	0.30	6%
Electricity production by hard coal-fired units [TWh]	2.37	(22)%
Heat generation [PJ]	0.52	(27)%
Retail electricity supply [TWh]	7.05	(1)%

* attributable to the shareholders of the parent company



2023 Highlights Summary

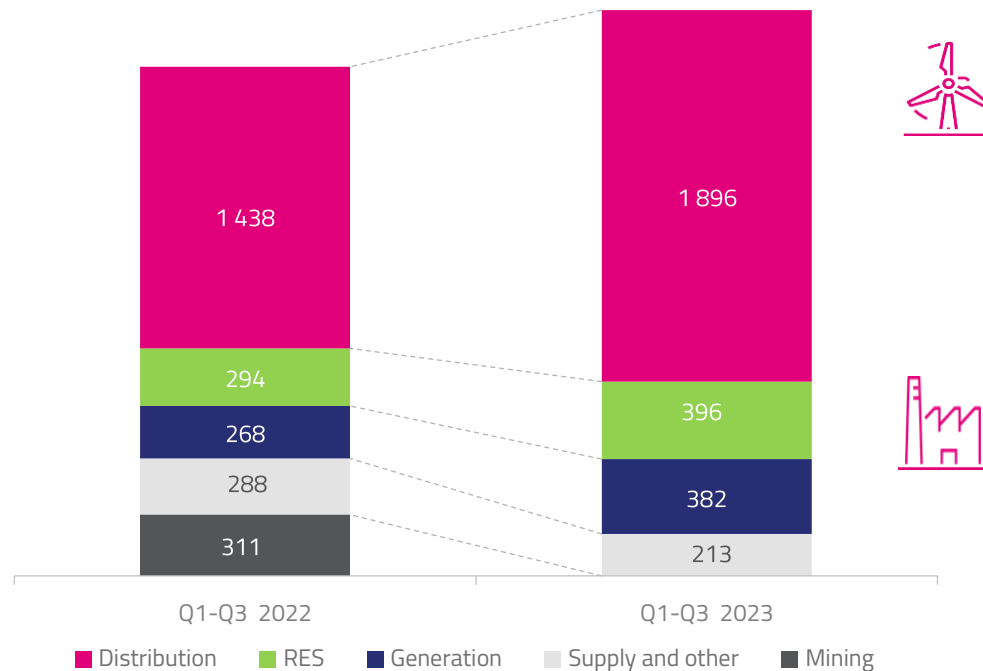
January 5, February 9	Conclusion of the agreements for the purchase of coal from Polska Grupa Górnicza for the production needs of the generating units of TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o.
February 16	Signing of the PLN 750 million revolving credit agreement with Bank Gospodarstwa Krajowego
March	Commencement of the construction of the 33 MW Gamów wind farm
March	Commencement of the construction of the 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 and conclusion of the 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 the funds paid out of the performance bond related to the contract for the construction of the 910 MW unit in Jaworzno. Entry into force of the settlement agreement signed on March 31, 2023
May	Commencement of the construction of the 30 MW Warblewo wind farm
July 15	Receipt of the proposed transaction terms for the acquisition by the State Treasury of 100 percent of TAURON Wytwarzanie S.A. shares
July 25	Signing of an agreement to the letter of intent regarding Elektrociepłownia Stalowa Wola S.A.
August 9	Obtaining a permit for the erection and use of artificial islands, structures and devices in Polish maritime areas for PGE Baltica 4 sp. z o.o., in which TAURON Polska Energia S.A. holds 44.96 percent of shares. The capacity of the planned offshore wind farm, which would be built on the basis of the obtained permit, will be approximately 1 GW
August 10	Obtaining corporate approvals and signing a term sheet summarizing the terms of the transaction for the acquisition of 100% of TAURON Wytwarzanie S.A. shares by the State Treasury
October 3	Signing of the PLN 750 million revolving credit agreement with Bank Gospodarstwa Krajowego
October 5	Fitch Ratings agency affirms TAURON's long term domestic and foreign currency ratings at "BBB-" with a stable outlook



CAPEX – per segment

Capital expenditures per segment* [PLN m]

2 599 ● 11% → 2 887



Key investment projects implemented in Q1-Q3 2023*

Distribution:

- Installing new grid connections (PLN 1 060m)
- Grid assets modernization and replacements (PLN 672m)
- AMIPlus (PLN 90m)

RES:

- Proszówek photovoltaic farm construction (PLN 109m)
- Mysłowice photovoltaic farm construction (PLN 74m)
- Warblewo wind farm construction (PLN 64m)
- Mierzyn wind farm construction (PLN 62m)
- Gamów wind farm construction (PLN 27m)
- Brzeźnica wind farm construction (PLN 27m)
- Modernization of hydroelectric power plants (PLN 9m)

Generation:

- TAURON Wytwarzanie's capex – replacement and refurbishment, overhaul components, 910 MW unit (PLN 228m)
- Ligota project at TAURON Ciepło (PLN 24m)
- New facility connections to the district heating networks at TAURON Ciepło (PLN 21m)
- Construction of 140 MWt gas-fired boiler at TAURON Ciepło ZW Katowice (PLN 21m)
- Low Emission Elimination Program (PLN 19m)
- Maintenance of TAURON Ciepło district heating networks (PLN 16m)
- Construction of 3 gas-fired boilers at ECI (PLN 16m)
- Construction of the peaking and backup boiler house at TAURON Ciepło ZW Bielsko (PLN 7m)

Supply and other:

- IT investments at TAURON Obsługa Klienta (PLN 120m)
- Lighting maintenance and expansion (PLN 72m)
- Business Service Center (PLN 11m)

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

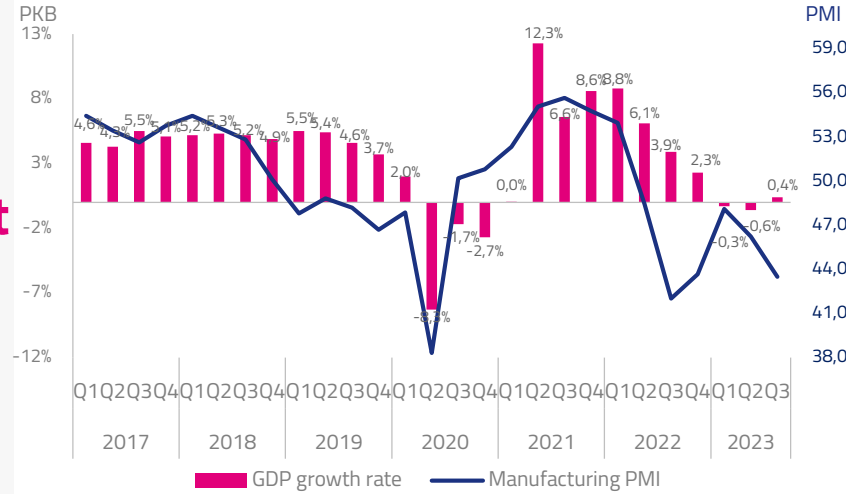
* Investments do not include financial costs added to the expenditures



Macroeconomic and market situation

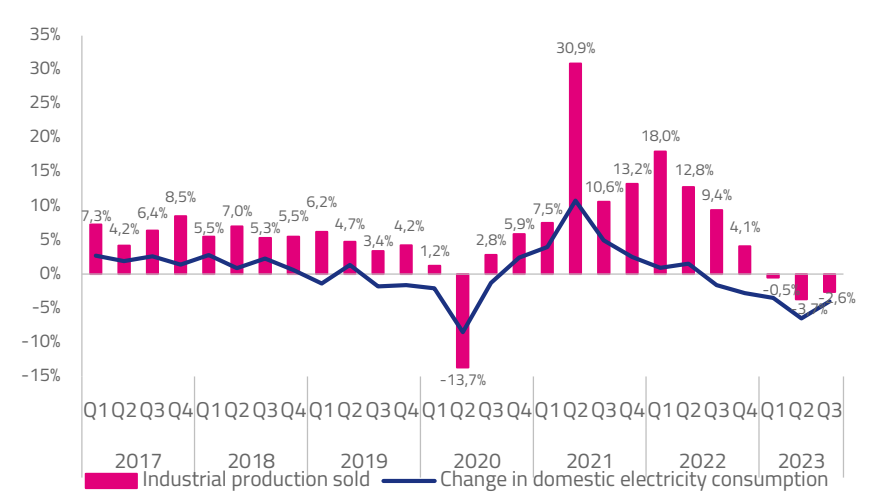
- Earlier declines in the PMI index reflected in the NBP's reported GDP projection for Q3 2023 (projection dated Jul 7, 2023)
- A decline in the production by hard coal- and lignite-fired thermal power plants caused by a drop of demand for electricity and elevated generation by gas-fired and RES sources
- 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 in the NPS balance due to a decline of natural gas 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)**



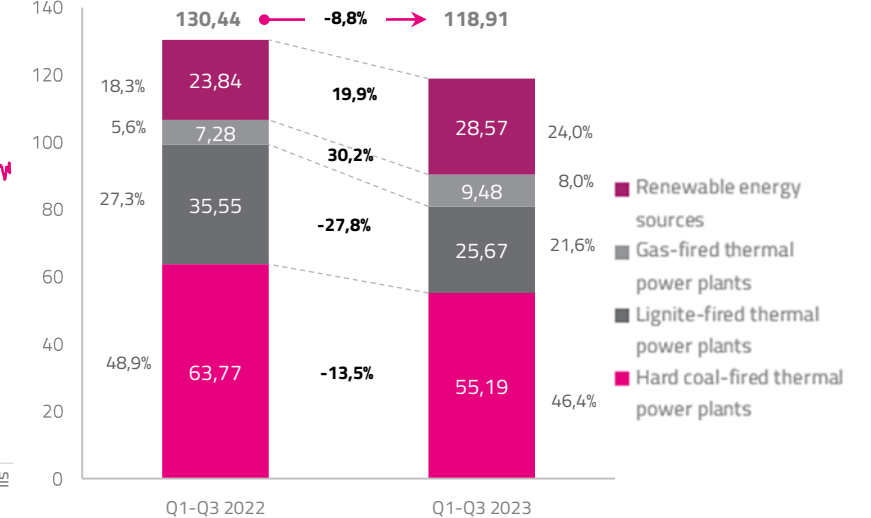
Source: * Statistics Poland data ** PSE data

CO₂ emission allowances price performance



Source: Refinitiv Eikon, ICE Endex data

Structure of electricity production in Poland [TWh]

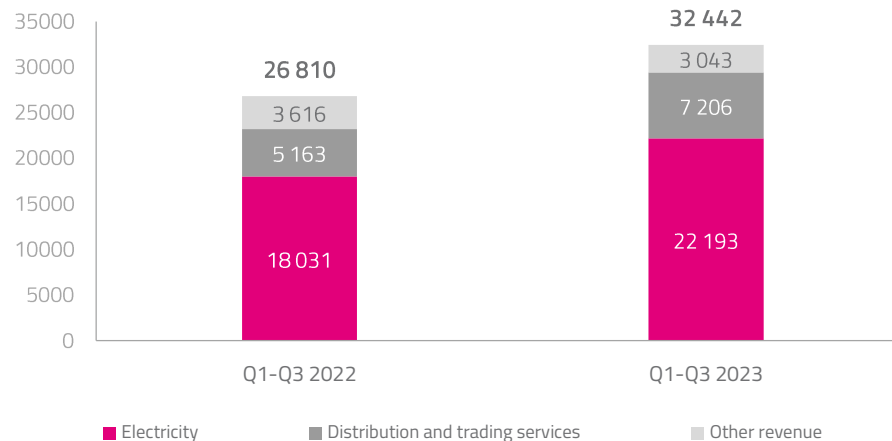


Source: PSE data

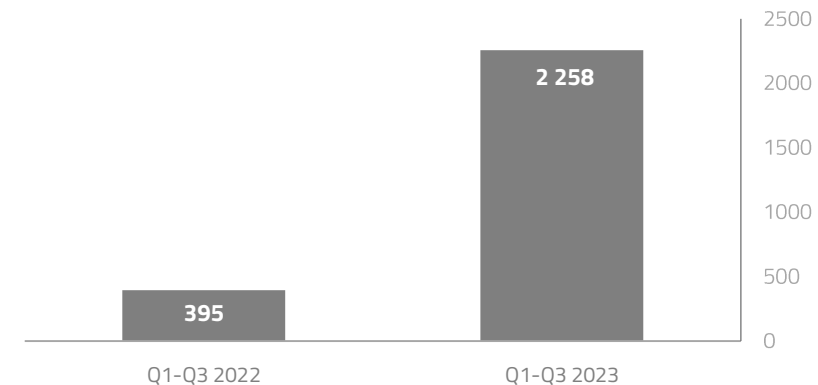


Q1-Q3 2023 financial data

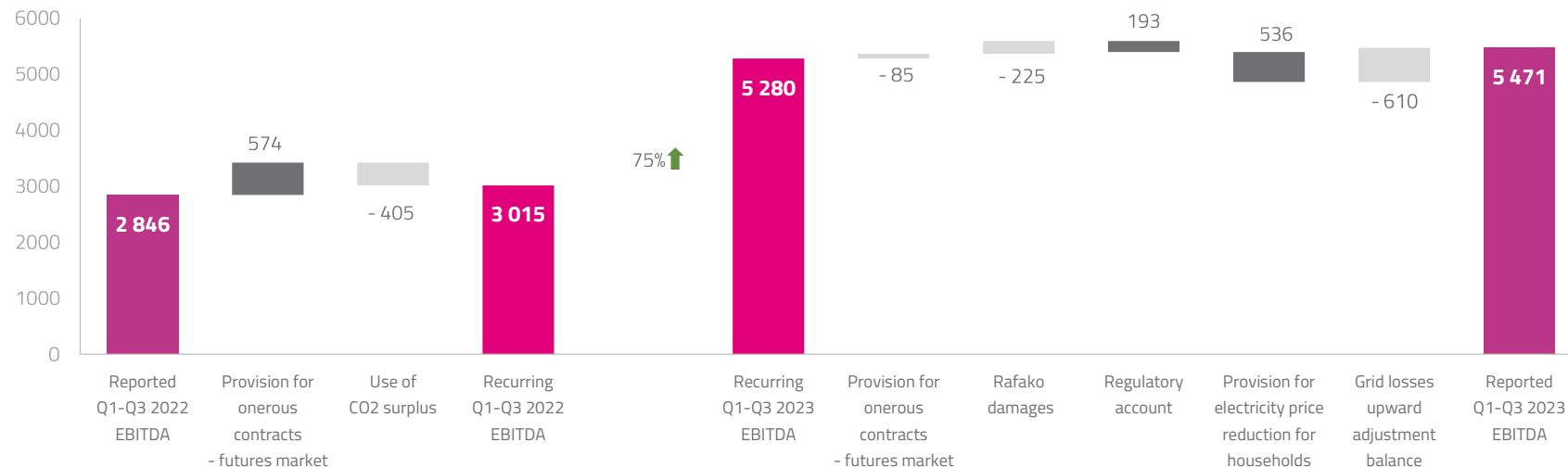
Sales revenue [PLN m]



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



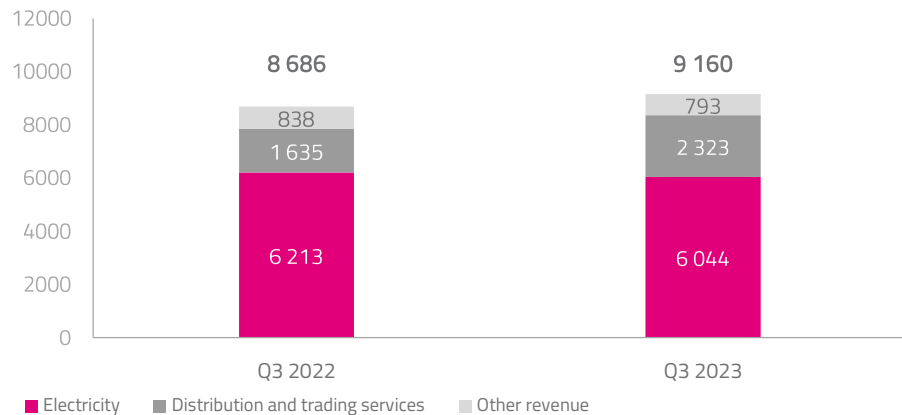
Q1-Q3 2023 EBITDA vs Q1-Q3 2022 EBITDA [PLN m]



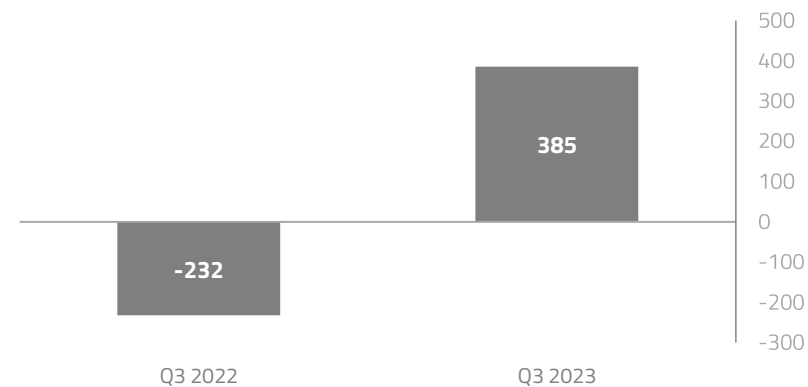


Q3 2023 financial data

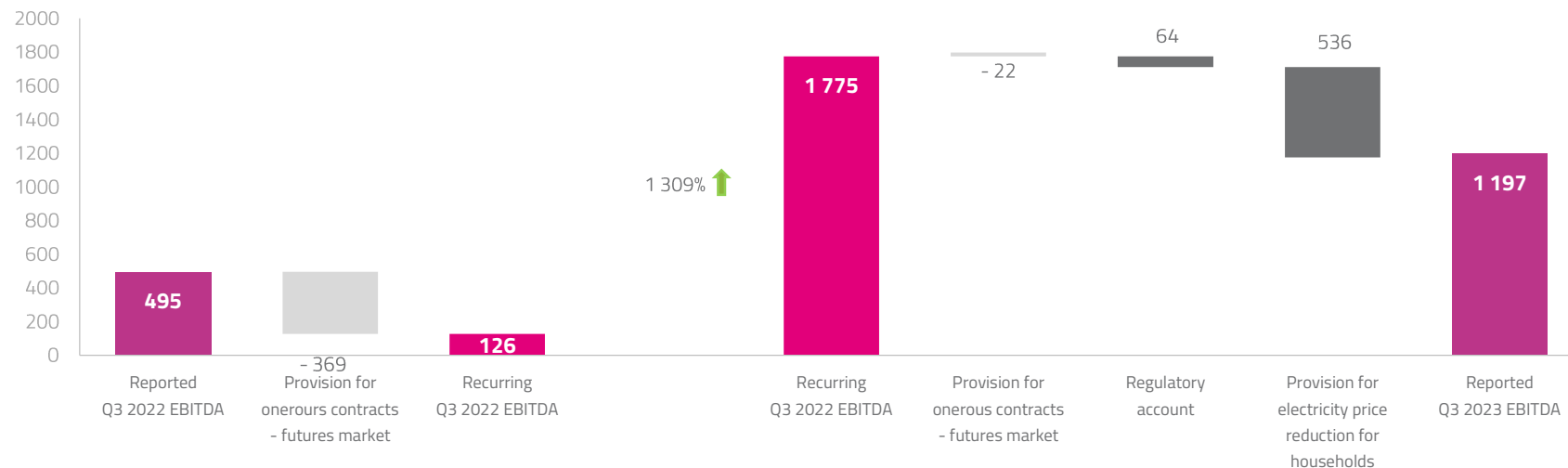
Sales revenue [PLN m]



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



Q3 2023 EBITDA vs Q3 2022 EBITDA [PLN m]

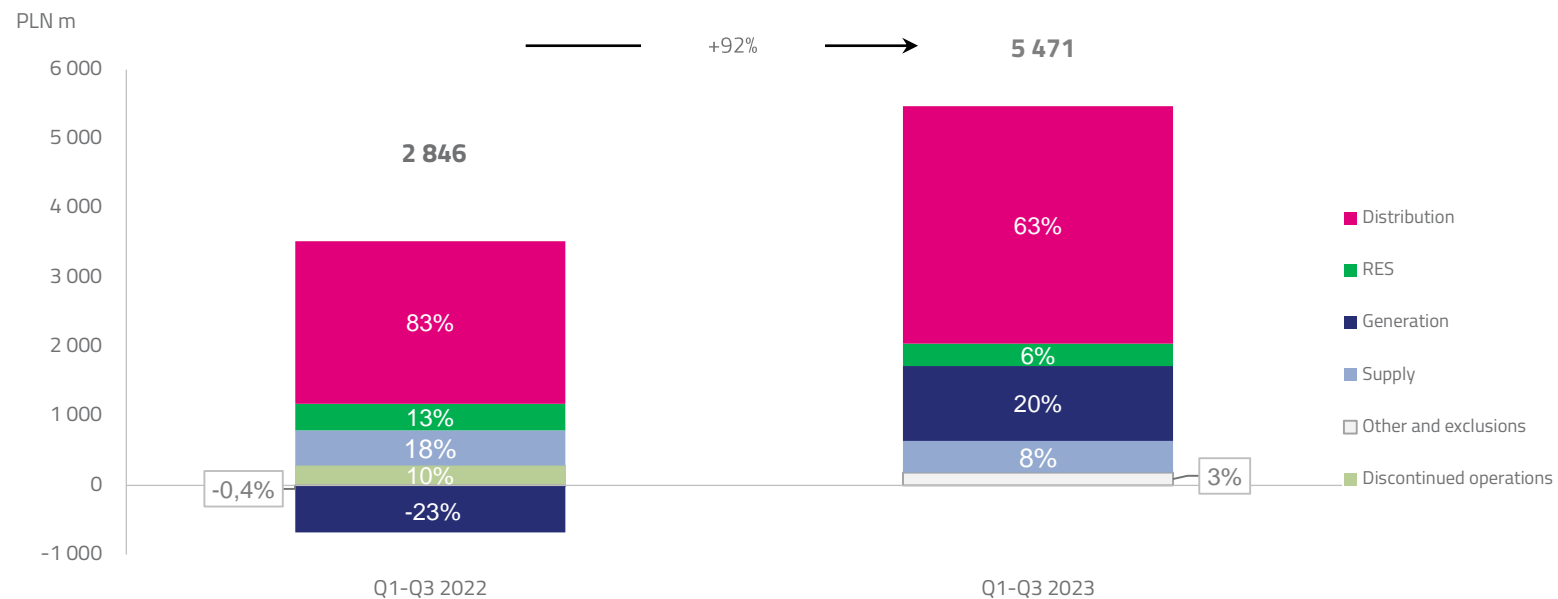




Individual segments' Q1-Q3 2023 results

[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions*
Revenue	8 964	561	9 514	27 270	(13 867)
EBITDA	3 426	321	1 085	456	183
EBIT	2 443	179	735	414	54
CAPEX	1 896	396	382	70	143

Individual segments' contribution to EBITDA

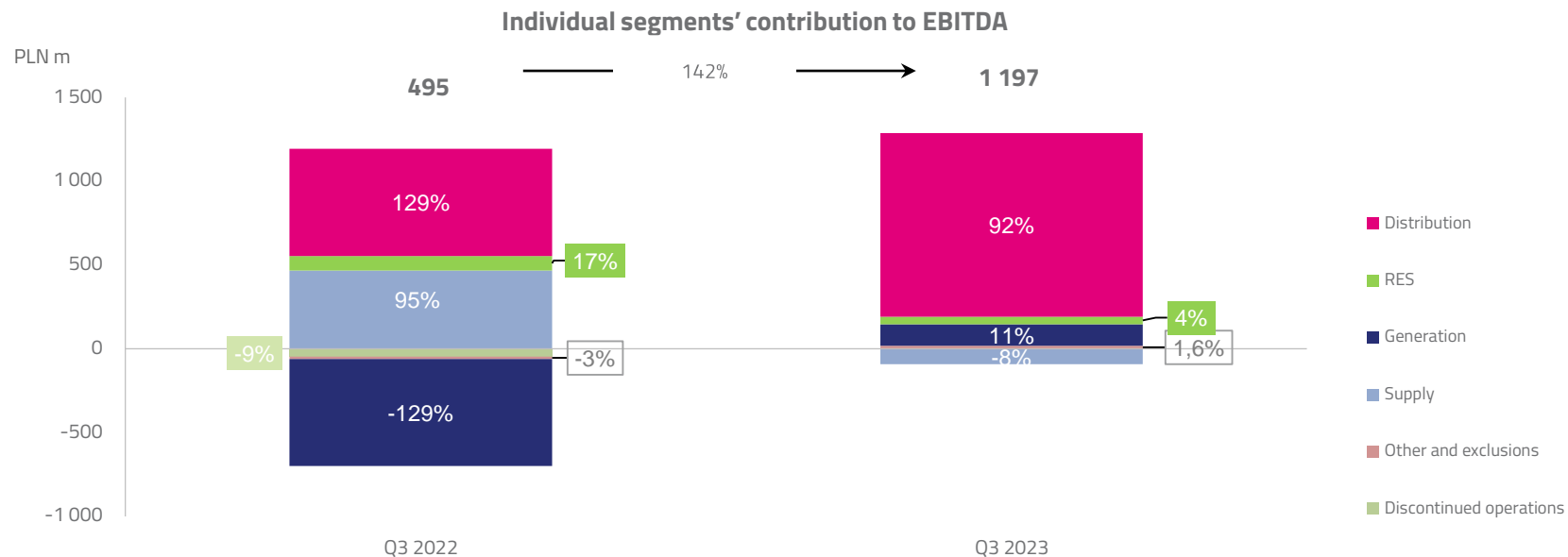


* Items not included in the segments presented



Individual segments' Q3 2023 results

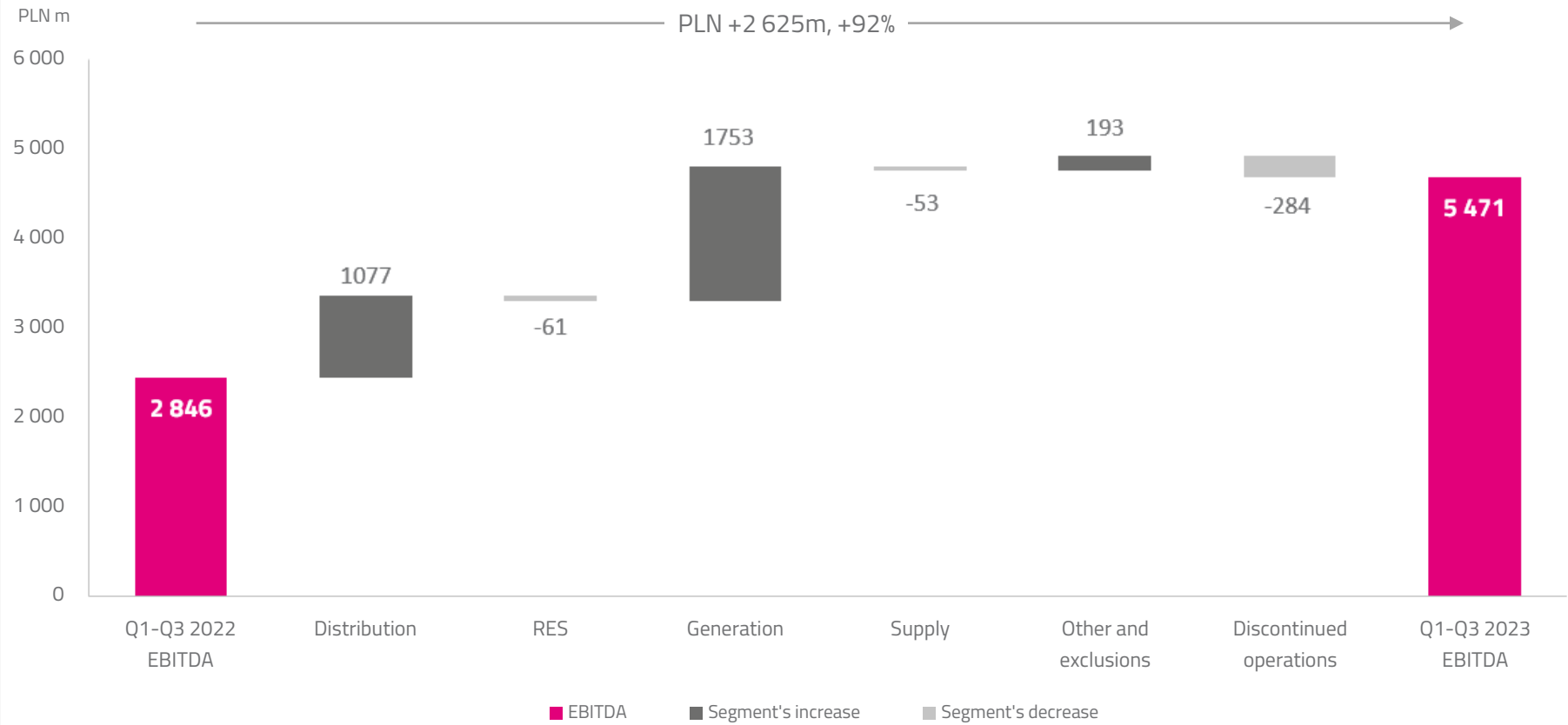
[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions*
Revenue	2 846	121	2 646	6 349	(2 802)
EBITDA	1 096	45	128	(91)	19
EBIT	761	(1)	9	(104)	(25)
CAPEX	676	86	187	24	49



* Items not included in the segments presented

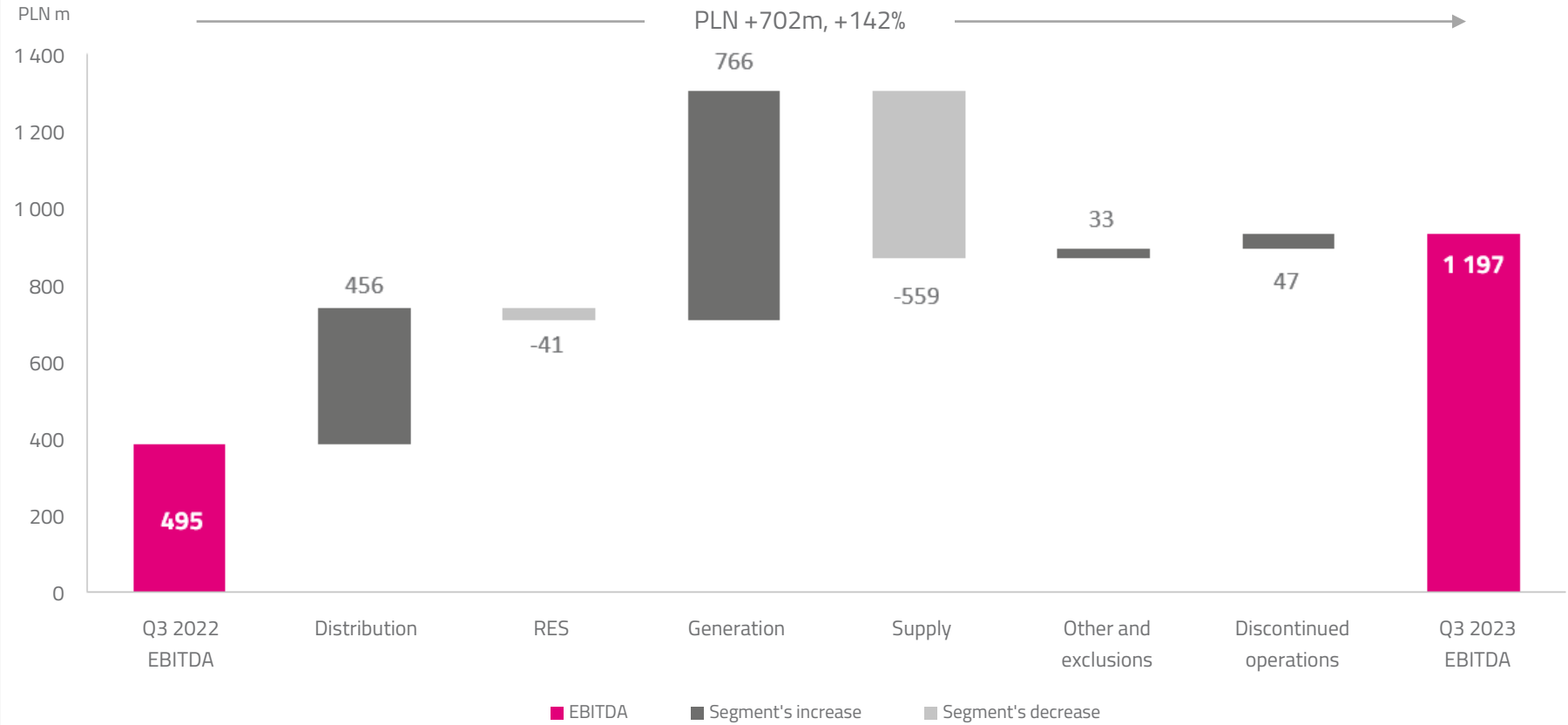


Q1-Q3 2023 EBITDA





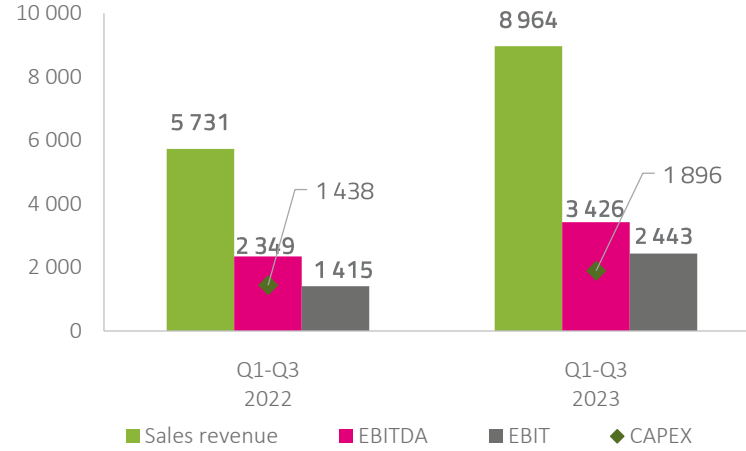
Q3 2023 EBITDA



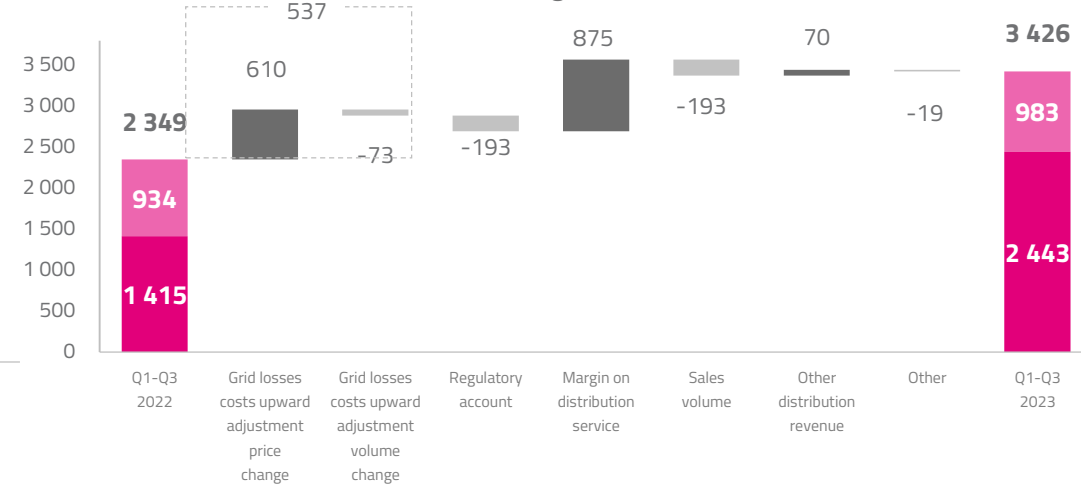


Distribution Segment Q1-Q3 2023

Financial data [PLN m]

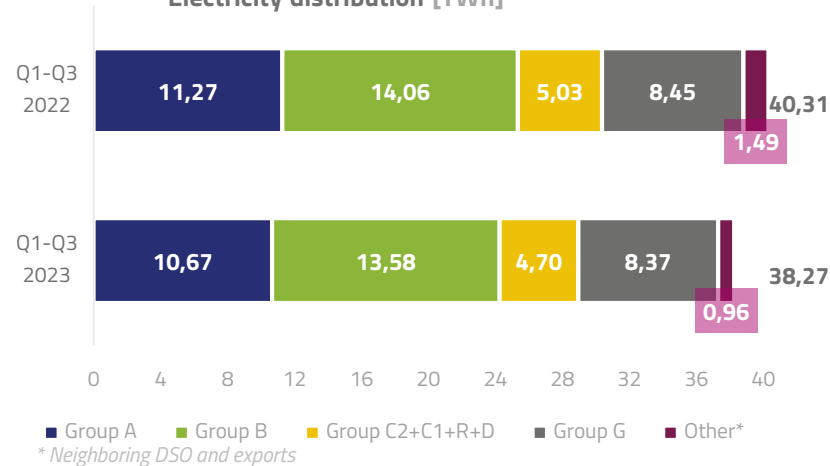


EBITDA change [PLN m]



■ EBIT ■ Depreciation and impairment charges

Electricity distribution [TWh]

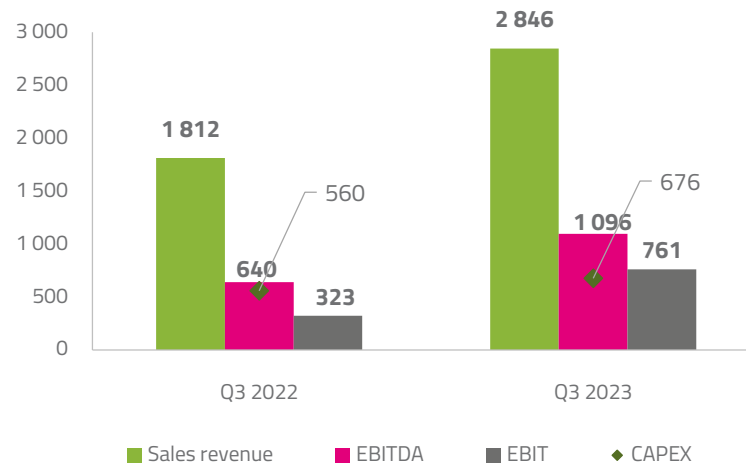


- Change in the price of the grid loss costs upward adjustment ✓
- Increase of the distribution service charge rate ✓
- Decline of the electricity distribution services sales volume by 2.0 TWh -
- Negative impact of the regulatory account -

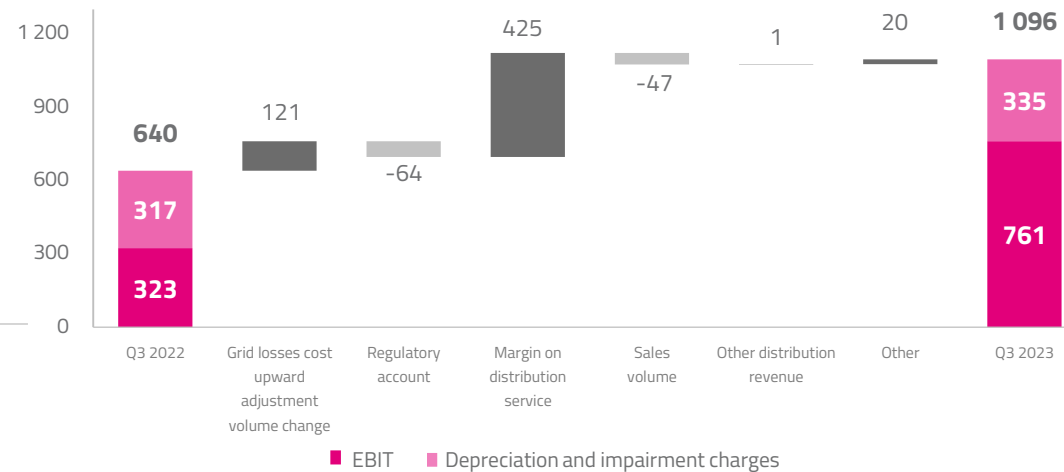


Distribution Segment Q3 2023

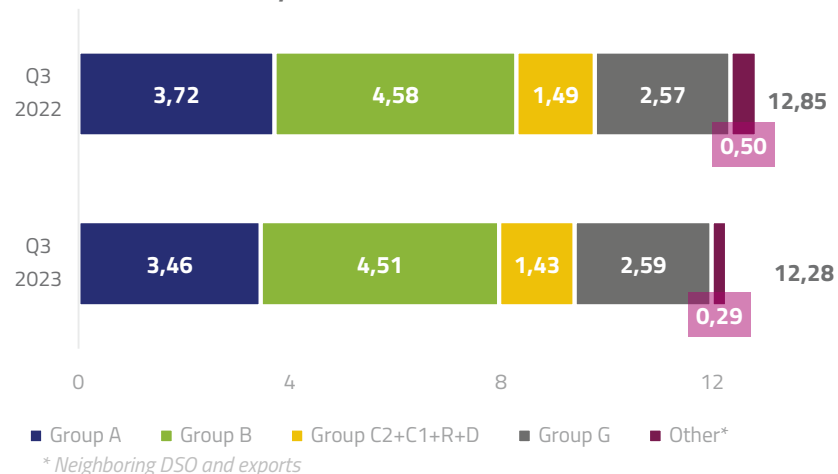
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

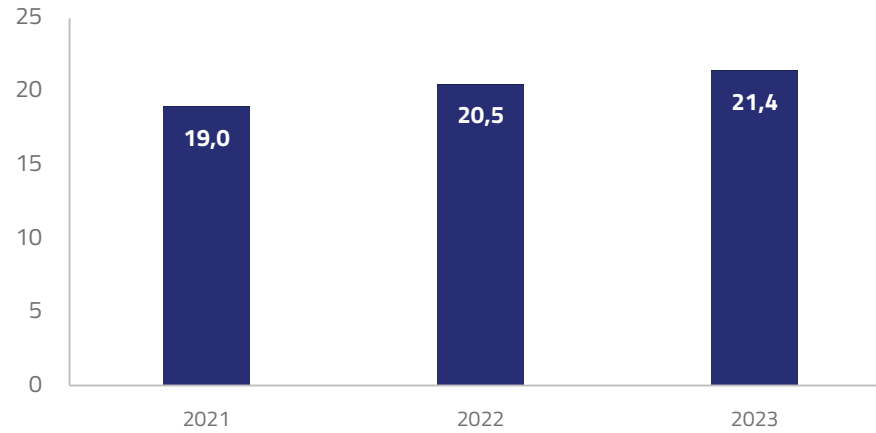


- Increase of the distribution service charge rate ✓
- Decline of the electricity distribution services sales volume by 0.6 TWh -
- Negative impact of the regulatory account -

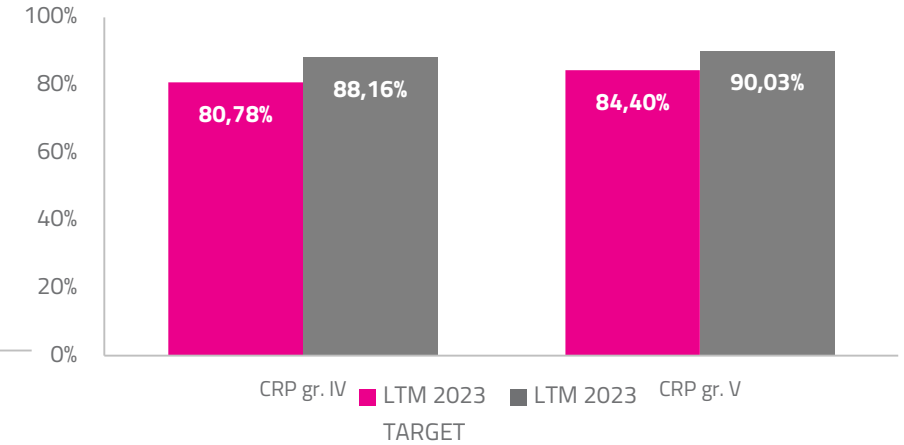


Distribution Segment key parameters

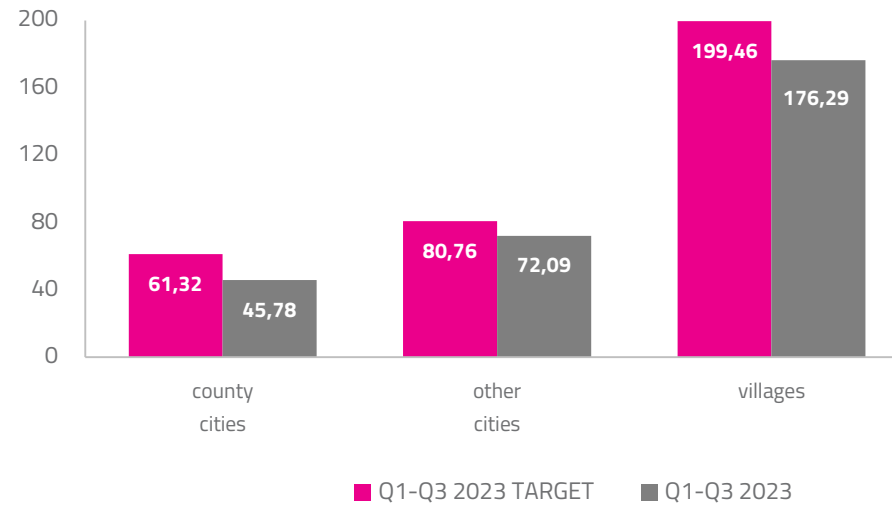
Regulatory Asset Base [PLN bn]



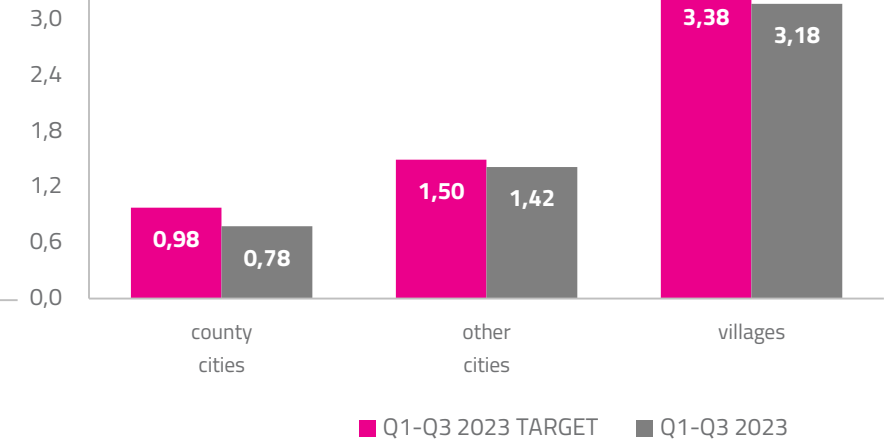
New Grid Connection Installation Time [%]



Interruption Duration [min/consumer]



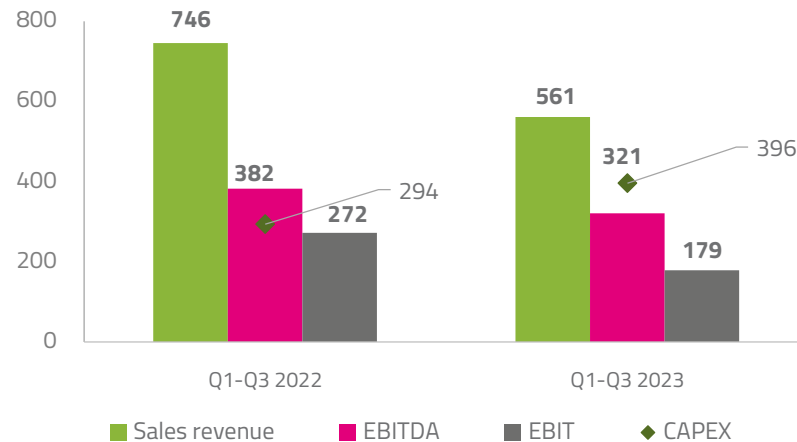
Frequency of Interruptions [number of interruptions/consumer]



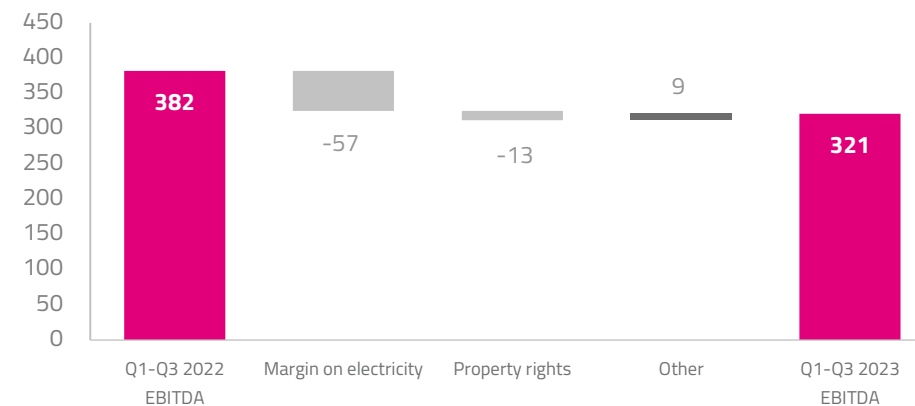


RES Segment Q1-Q3 2023

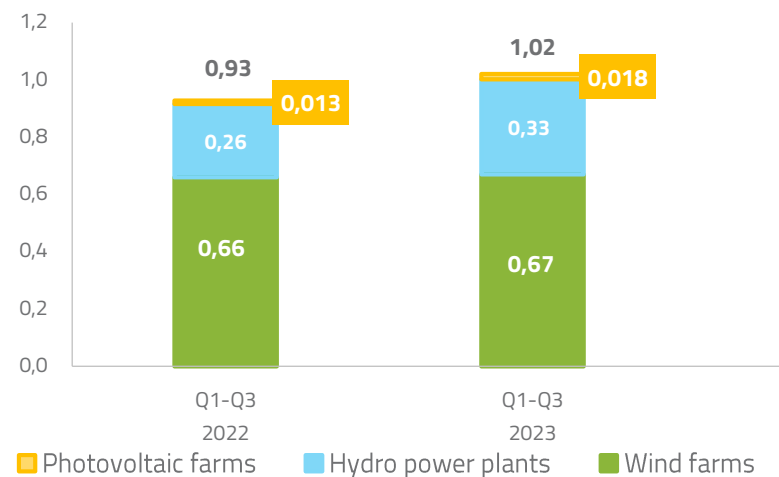
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

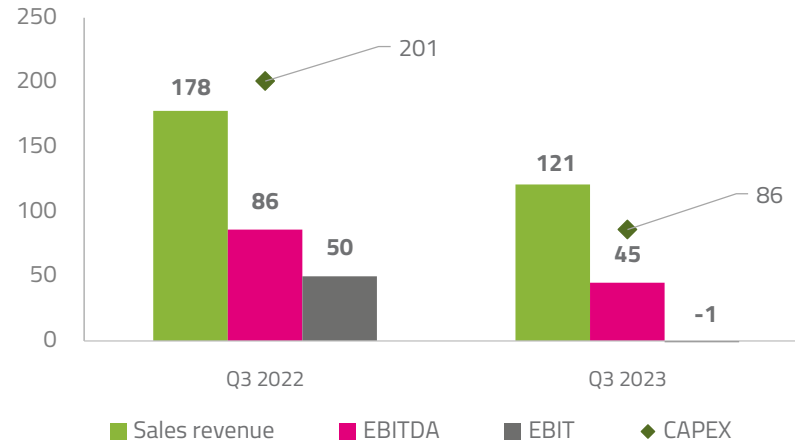


- Decline of the average electricity sales prices -
- Decrease of the property rights prices and volume -
- Higher volume of electricity generation ✓
- Resolution of the legal dispute related to improperly collected wind farm grid connection fees ✓

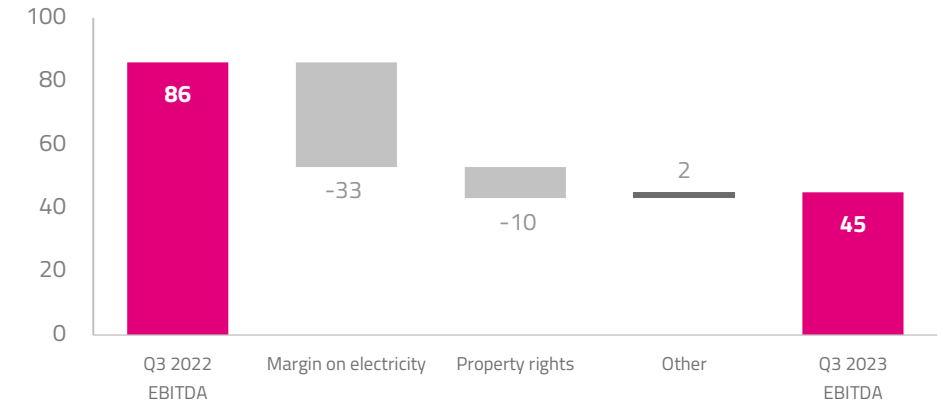


RES Segment Q3 2023

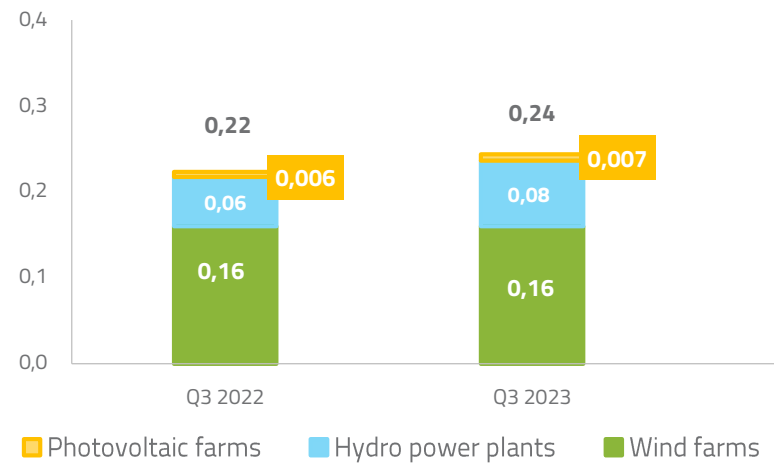
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

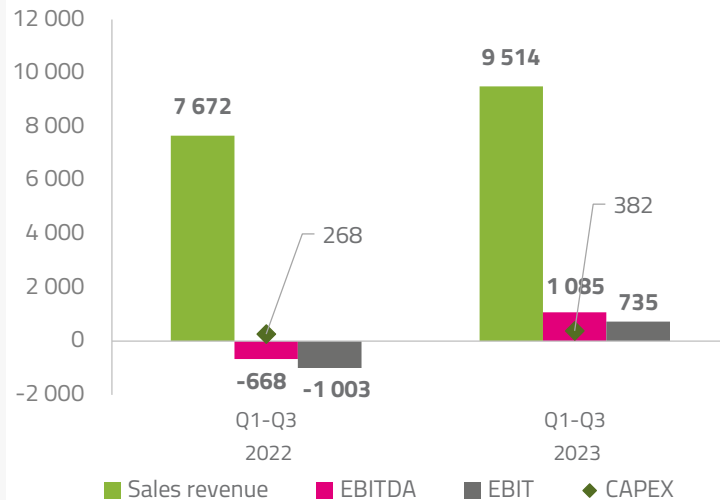


- Decline of the average electricity sales prices -
- Decrease of the property rights prices and volume -
- Higher volume of electricity generation by the hydro power plants ✓

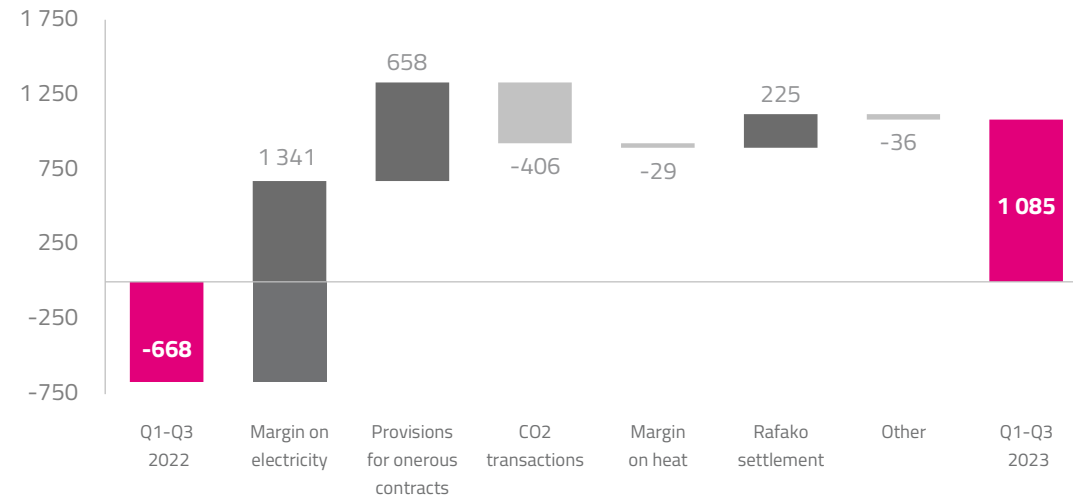


Generation Segment Q1-Q3 2023

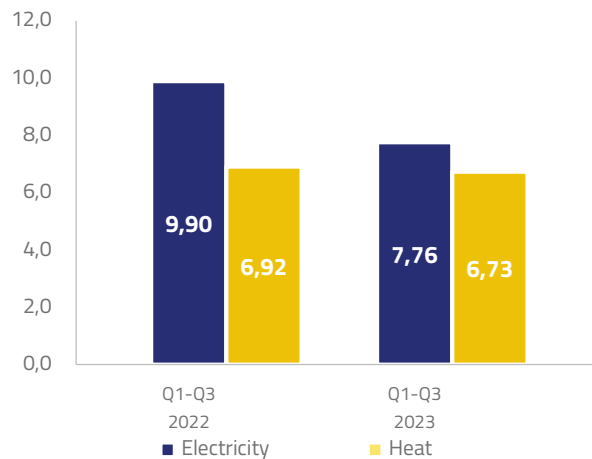
Financial data [PLN m]



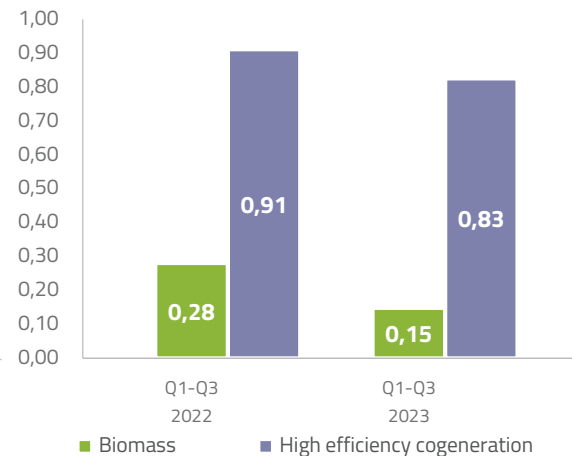
EBITDA change [PLN m]



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



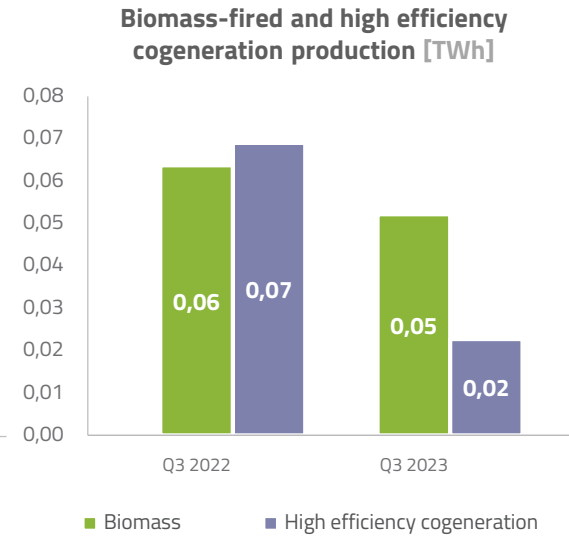
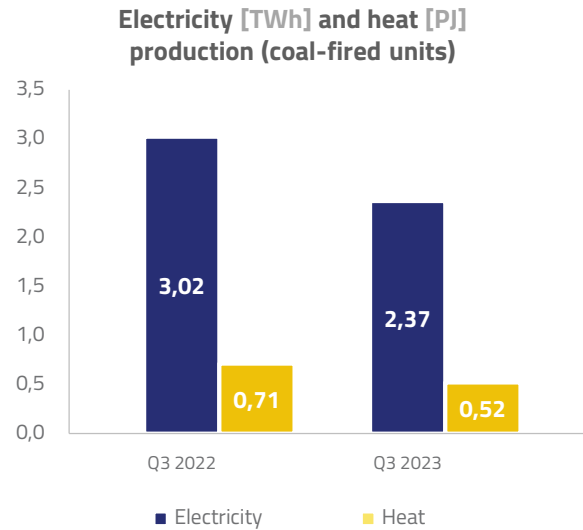
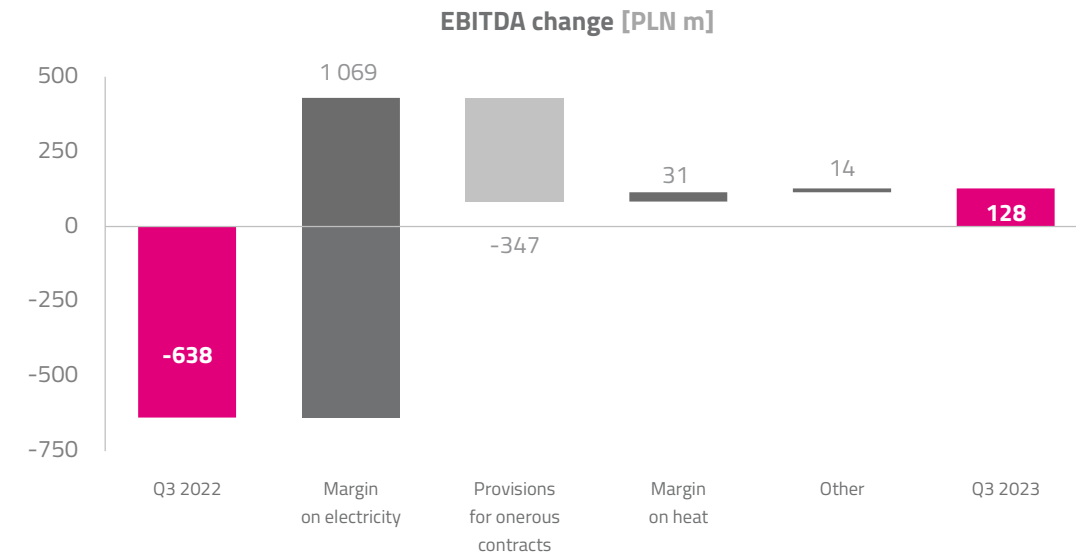
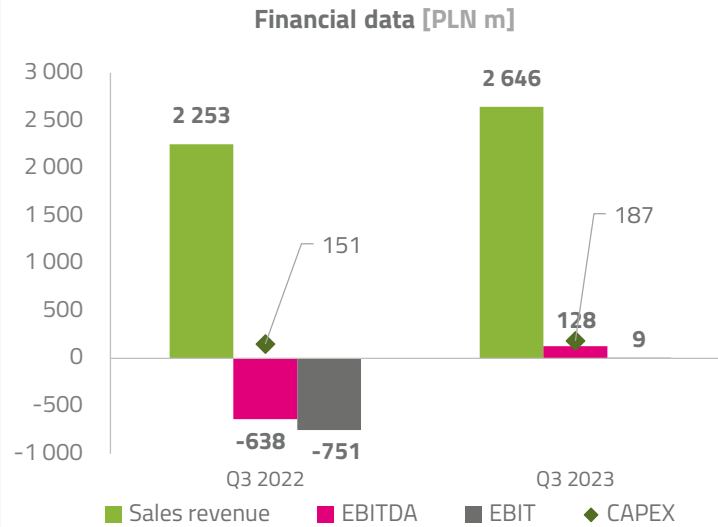
Biomass-fired and high efficiency cogeneration production [TWh]



- Stable operation of the 910 MW unit ✓
- Receipt of the funds under the Rafako performance bond ✓
- Increase in the costs of the production fuel -



Generation Segment Q3 2023

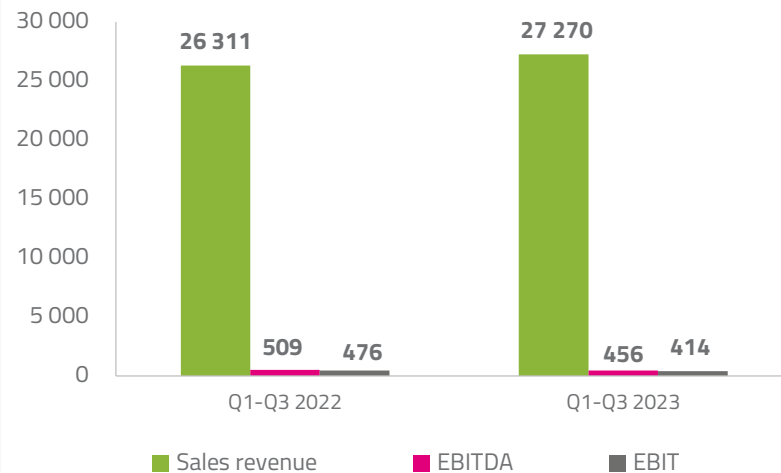


- Stable operation of the 910 MW unit – no losses on electricity repurchase to cover its needs in 2023 ✓
- Increase in the costs of the production fuel -
- Lower volume of electricity generation by coal-fired units -

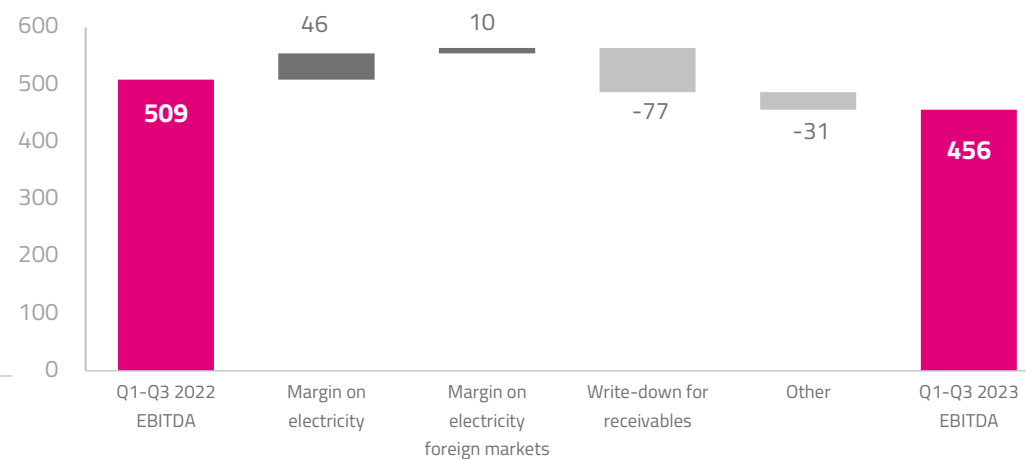


Supply Segment Q1-Q3 2023

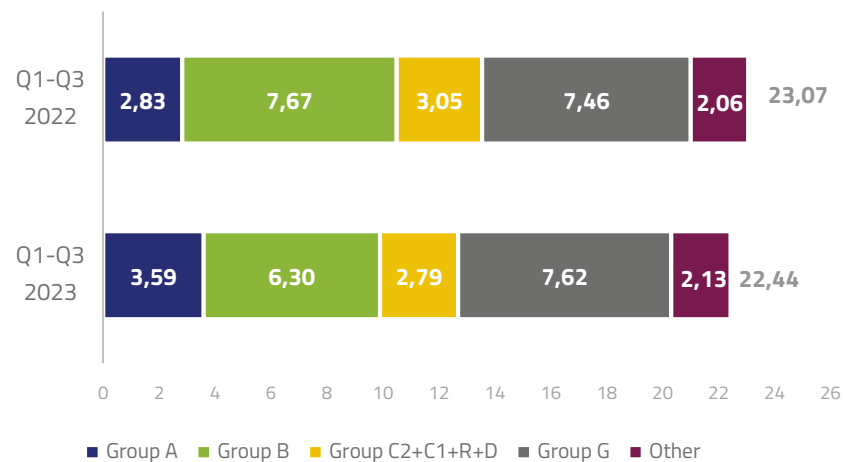
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

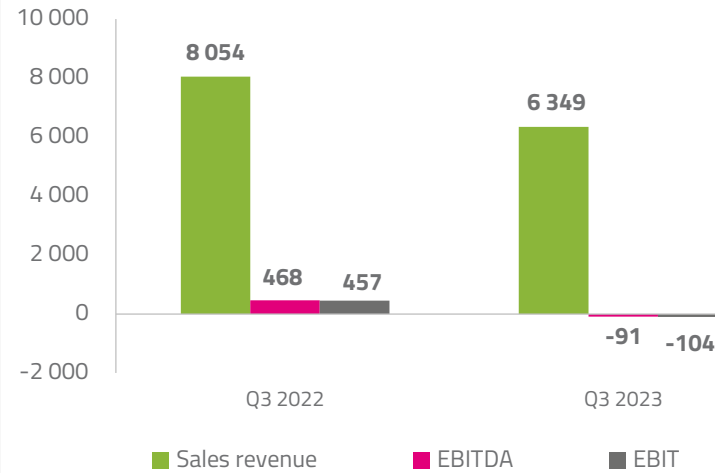


- Setting up of a provision for the electricity price reduction for household customers (PLN 125) -
- Increase in payment arrears among customers -
- Costs fully covered by the 2023 tariff ✓
- Positive results on the electricity supply by TAURON Czech Energy subsidiary ✓

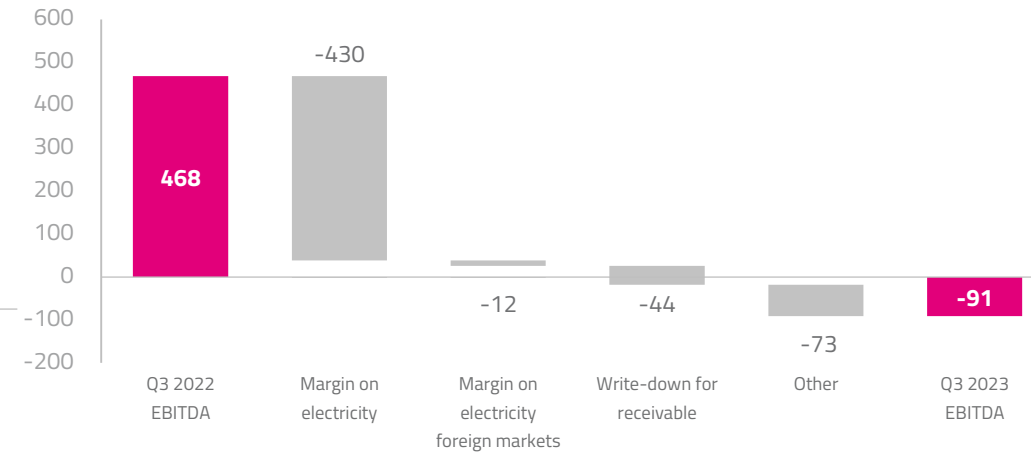


Supply Segment Q3 2023

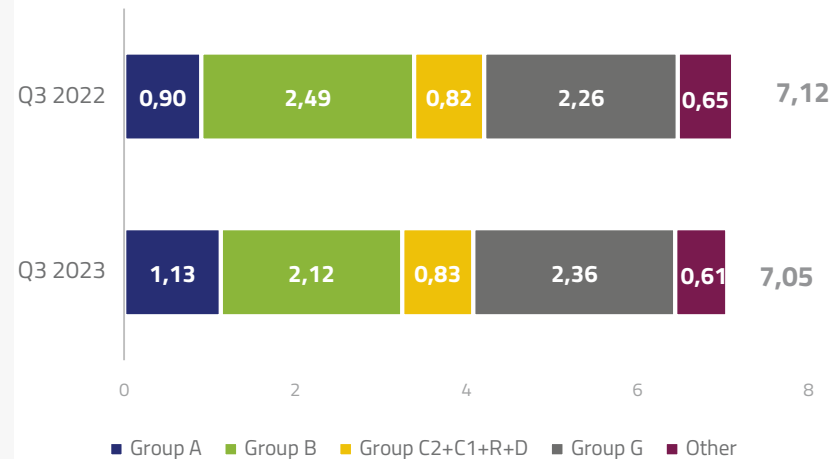
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

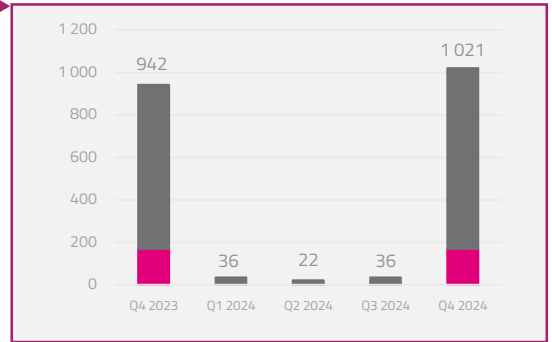
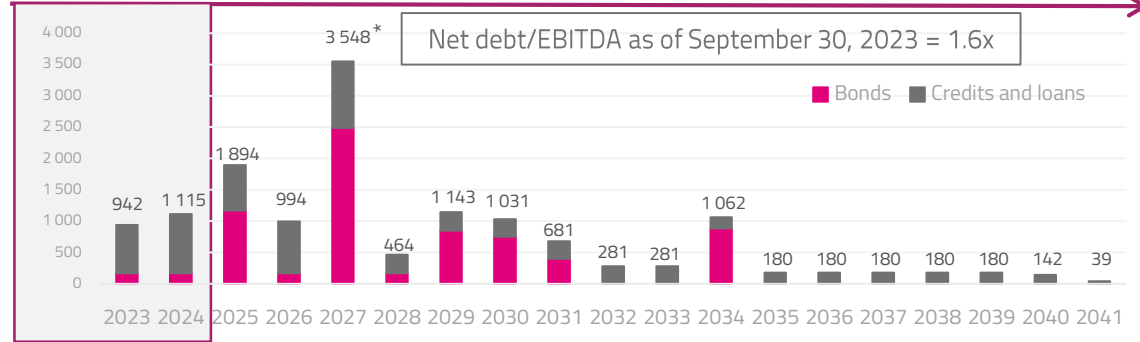


- Setting up of a provision for the electricity price reduction for household customers (PLN 125)
- Increase in payment arrears among customers
- Impact of electricity contracting hedging profile

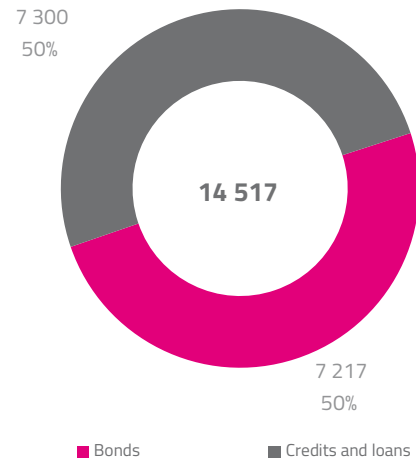


Debt and financing

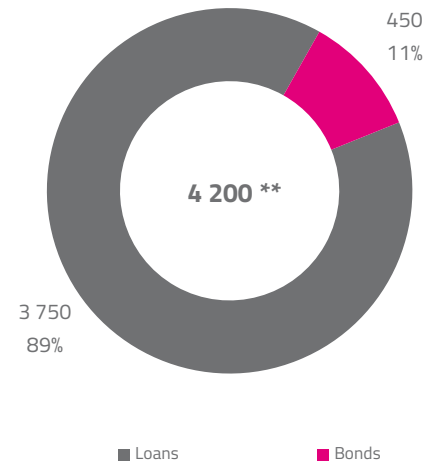
TAURON Group's nominal debt maturity as of September 30, 2023 [PLN m]



TAURON Group's nominal debt maturity as of September 30, 2023 [PLN m]



Amounts of financing available to TAURON Group as of September 30, 2023 [PLN m]



Nominal debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
14 517	Floating rate: 8 705	IRS: 3 840
	Fixed rate: 5 812	None: 4 865

*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 financing, TAURON Group also uses overdraft facilities with the maximum available limits of PLN 500m and EUR 4m



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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	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	867.38	118 549	89.4%	-28.4%
Forward PEAK (Y+Q+M)	496.55	17 229	1 206.20	8 931	142.9%	-48.2%
Forward (weighted average)	461.59	182 789	891.11	127 480	93.1%	-30.3%
SPOT (TGE)	786.77	32 994	528.24	61 620	-32.9%	86.8%
Weighted average total	511.31	215 783	772.87	189 099	51.2%	-12.4%

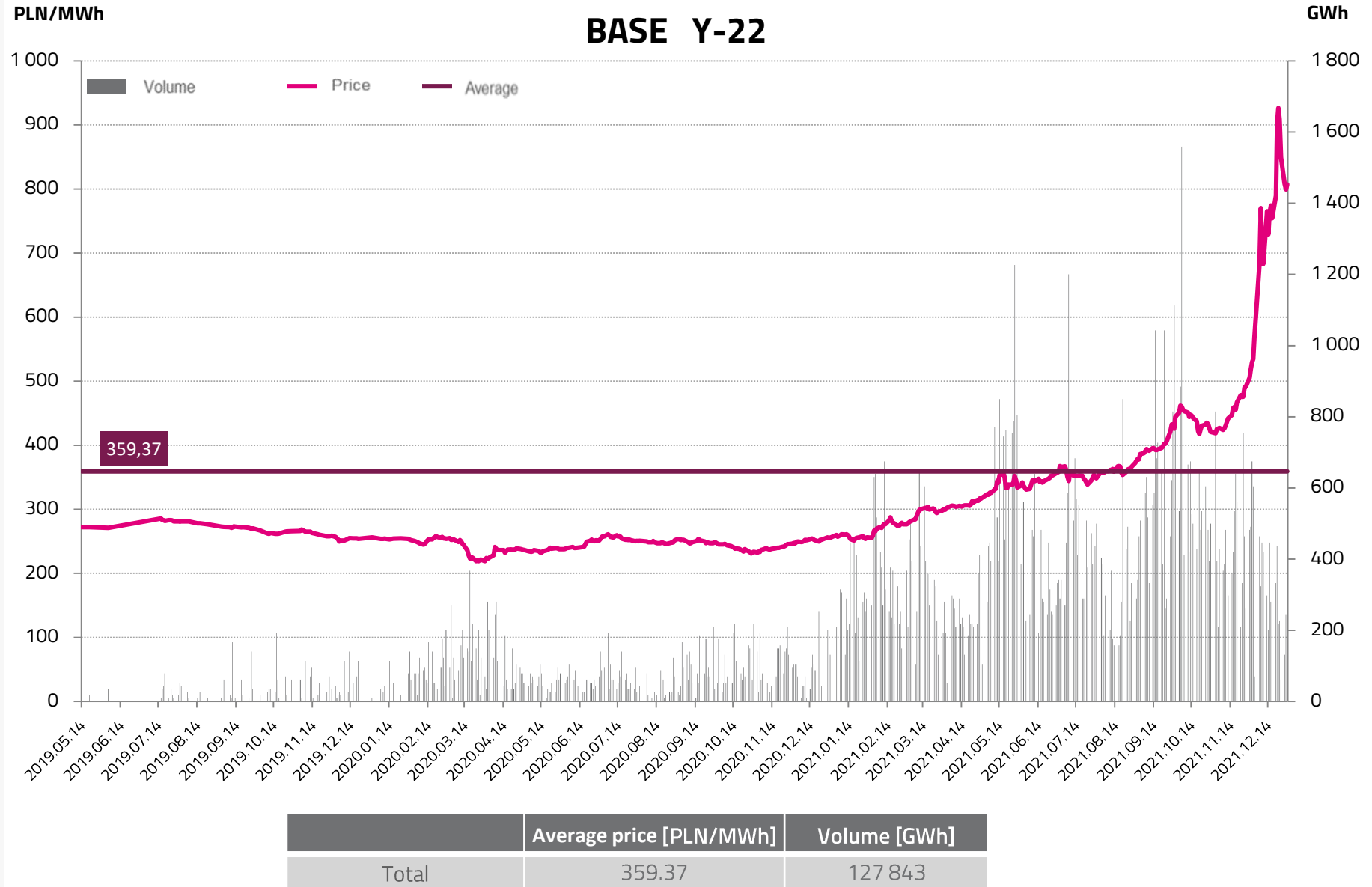
Property rights (PLN/MWh)			
Certificate type	Market prices (Q1-Q3 2023 weighted average)	Substitution fee and obligation for:	
		2022	2023
RES (PMOZE_A)	182.20	239.86 (18.5%)	239.75 (12.0%)
RES from biogas plants (PMOZE_BIO)	300.98	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey*	Price [EUR/t]
2024 average	88.9
2025 average	93.5
2026 average	109.5
2023 average price forecast by TAURON	85-87

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



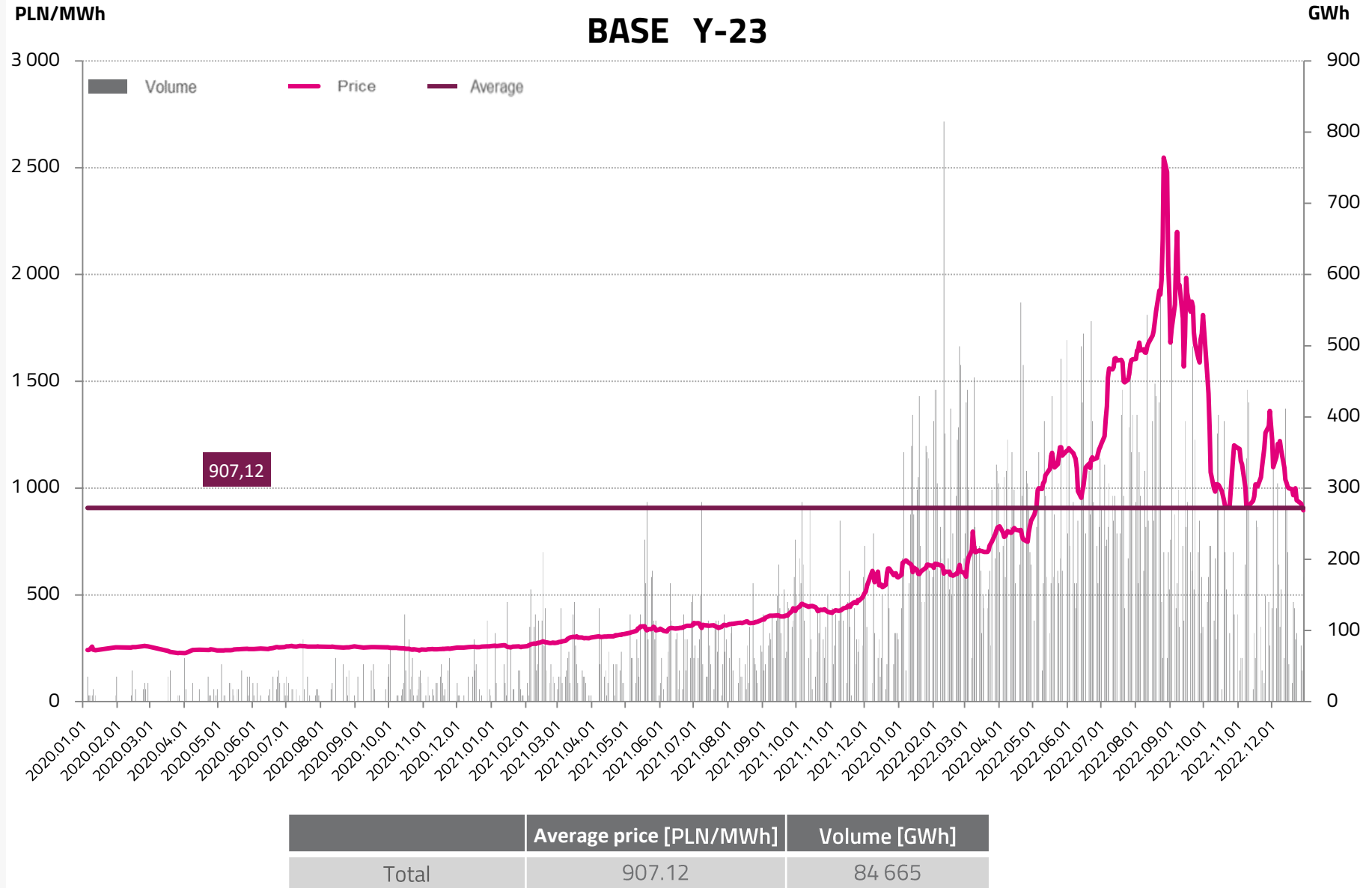
2022 BASE contract prices



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



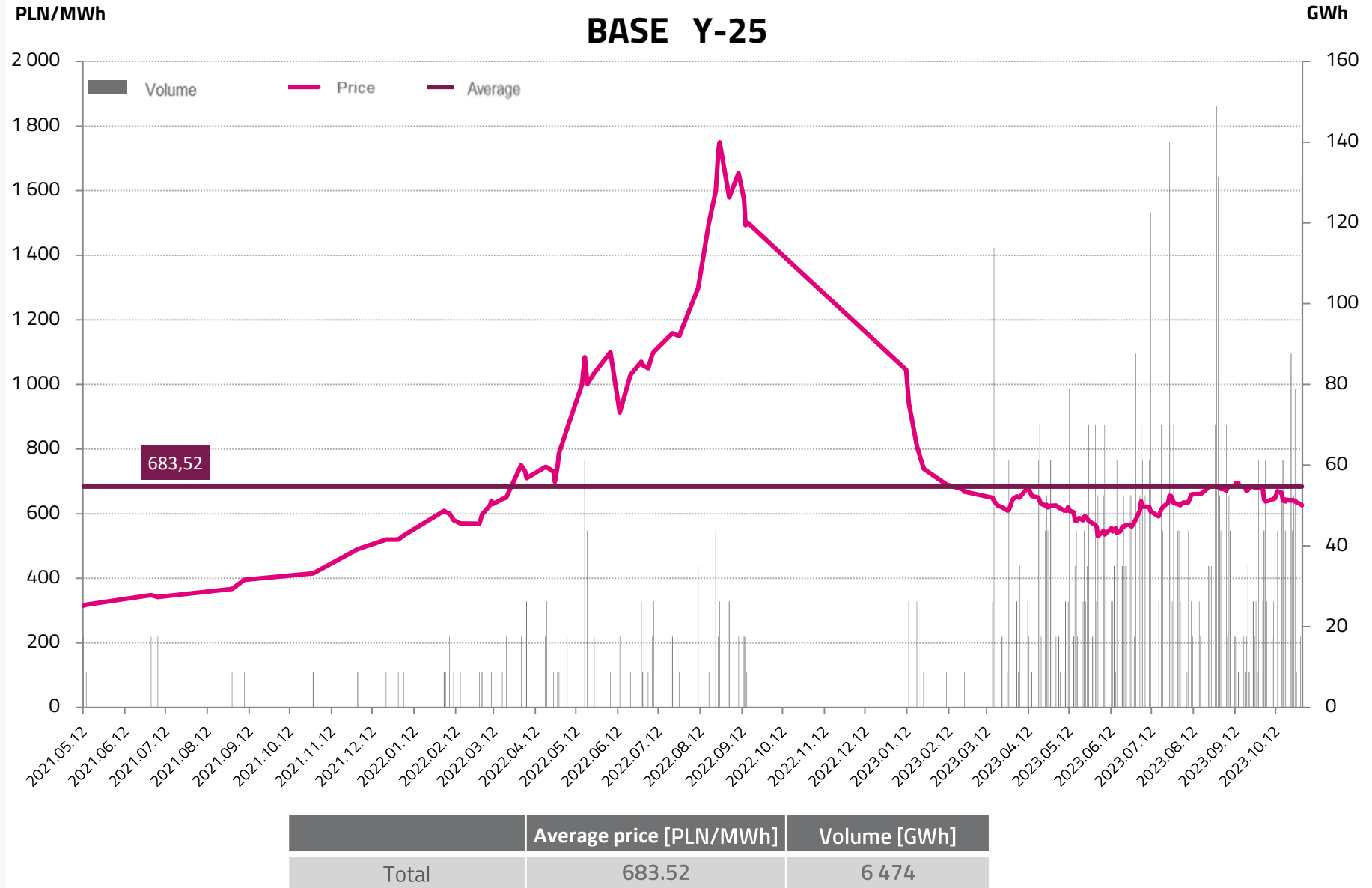
2024 BASE contract prices



Average electricity price that takes into account 2024 one-year BASE and PEAK contracts: 703.62 PLN/MWh, total 2024 BASE and PEAK contracts volume: 37 756 GWh (based on the data up to 31.10.2023)



2025 BASE contract prices



Average electricity price that takes into account 2025 one-year BASE and PEAK contracts: 683.52 PLN/MWh, total 2025 BASE and PEAK contracts volume: 6 474 GWh (based on the data up to 31.10.2023)