

TAURON Group's H1 2023 Financial Results

September 7, 2023





Key H1 2023 data

Financial results		
[PLN m]	H1 2023 vs H1 2022	
Sales revenue	23 282	32%
EBITDA	4 274	82%
Net profit*	1 873	180%
CAPEX	1 865	26%
Net debt/EBITDA	2.0x	down by 0.9x (vs 31.12.2022)

Operating data		
	H1 2023 vs H1 2022	
Electricity distribution [TWh]	25.98	(5)%
Electricity production from RES [TWh]	0.87	(5)%
Electricity production by hard coal-fired units [TWh]	5.39	(22)%
Heat generation [PJ]	6.21	0.2%
Retail electricity supply [TWh]	15.40	(3)%

* attributable to the shareholders of the parent company



Key Q2 2023 data

Financial results		
[PLN m]	Q2 2023 vs Q2 2022	
Sales revenue	9 723	20%
EBITDA	2 044	416%
Net profit*	839	-
CAPEX	1 085	25%
Net debt/EBITDA	2.0x	down by 0,9x (vs 31.12.2022)

Operating data		
	Q2 2023 vs Q2 2022	
Electricity distribution [TWh]	12.32	(7)%
Electricity production from RES [TWh]	0.34	(9)%
Electricity production by hard coal-fired units [TWh]	2.08	(41)%
Heat generation [PJ]	1.79	7%
Retail electricity supply [TWh]	7.04	(6)%

* attributable to the shareholders of the parent company



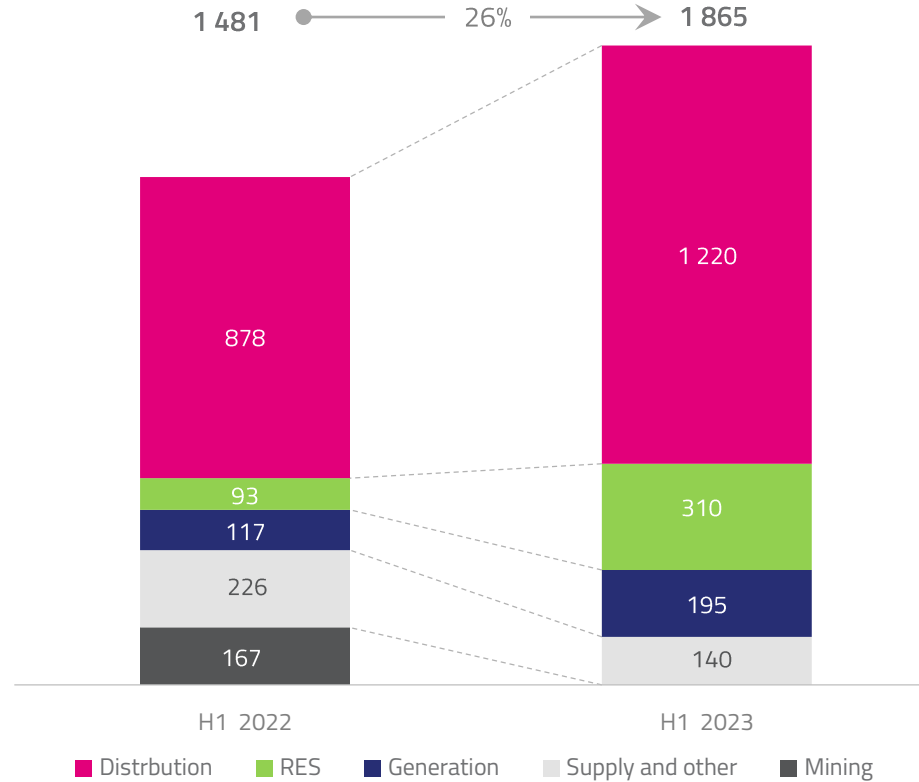
2023 Highlights

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, 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



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 1 483 million in H1 2022 and PLN 1 849 million in H1 2023

Key investment projects implemented in H1 2023

Distribution:



- Installing new grid connections (PLN 683m)
- Grid assets modernization and replacements (PLN 446m)
- AMIPlus (PLN 47m)

RES:



- Proszówek photovoltaic farm construction (PLN 86m)
- Mysłowice photovoltaic farm construction (PLN 60m)
- Warblewo wind farm construction (PLN 57m)
- Mierzyn wind farm construction (PLN 40m)
- Gamów wind farm construction (PLN 28m)
- Nowa Brzeźnica wind farm construction (PLN 27m)
- Modernization of hydroelectric power plants (PLN 4m)

Generation:



- TAURON Wytwarzanie's capex – replacement and refurbishment, overhaul components, 910 MW unit (PLN 120m)
- New facility connections to the district heating networks at TAURON Ciepło (PLN 14m)
- Ligota project at TAURON Ciepło (PLN 12m)
- Low Emission Elimination Program (PLN 10m)
- Construction of the peaking and backup boiler house at TAURON Ciepło ZW Bielsko (PLN 6m)
- Construction of a 140 MWt gas-fired boiler at TAURON Ciepło ZW Katowice (PLN 2m)

Supply and other:



- IT investments at TAURON Obsługa Klienta (PLN 82m)
- Lighting maintenance and expansion (PLN 49m)
- Business Service Center (PLN 7m)

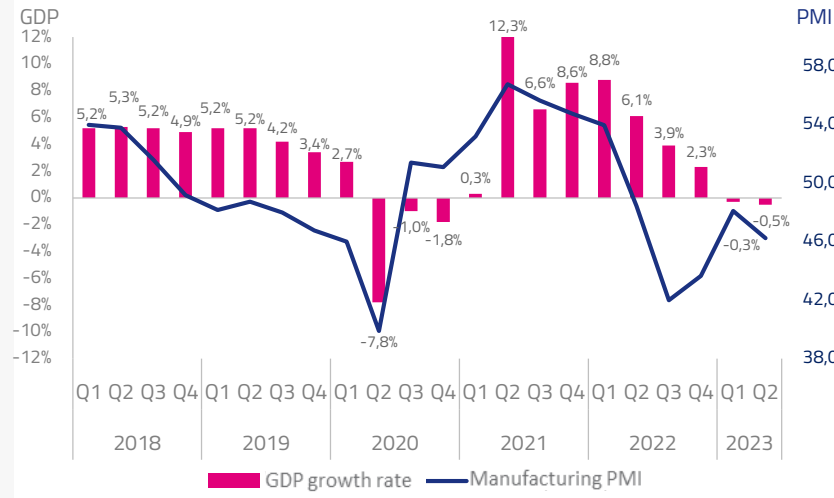
* Investments do not include financial costs added to the expenditures



Macroeconomic and market situation

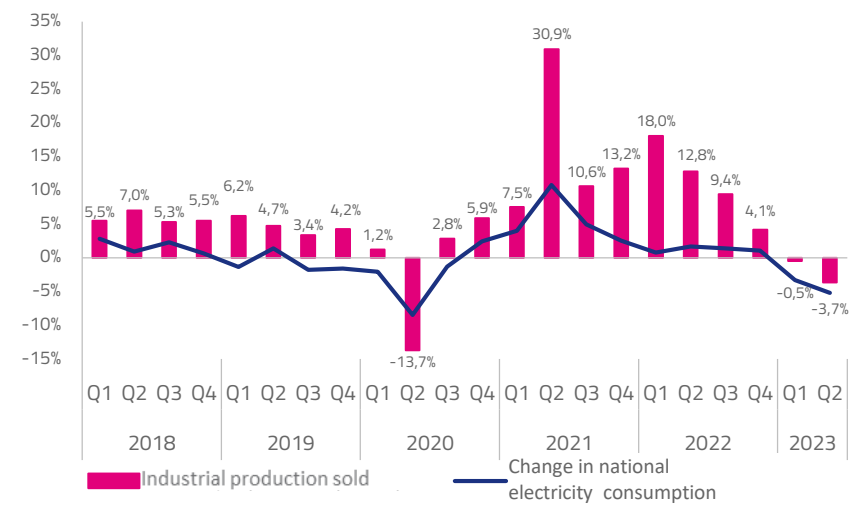
- Earlier declines in the PMI index reflected in the NBP's reported GDP projection for Q2 2023
- A decline in the production by hard coal- and lignite-fired thermal power plants caused by a drop of demand for electricity and elevated generation by gas-fired and RES sources
- Increase of the share of RES sources in the NPS balance due to favorable weather conditions and a rise in the installed capacity of the 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)**



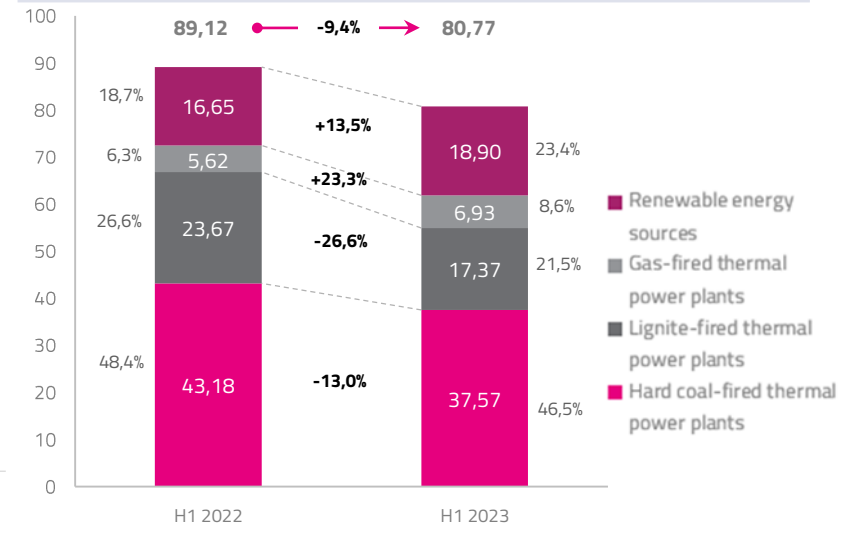
Source: * Statistics Poland data ** PSE data

CO₂ emission allowances price performance



Source: Refinitiv Eikon, ICE Exend data

Structure of electricity production in Poland [TWh]

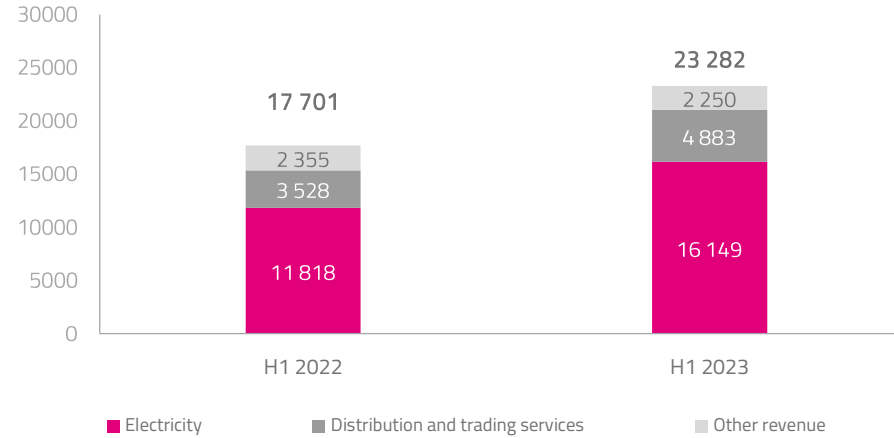


Source: PSE data

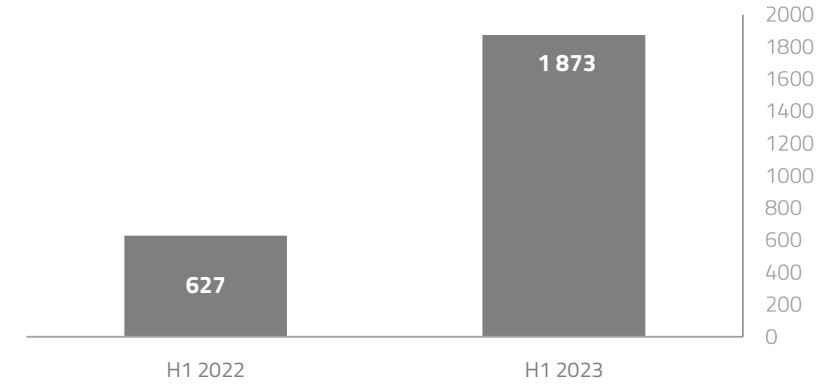


H1 2023 financial data

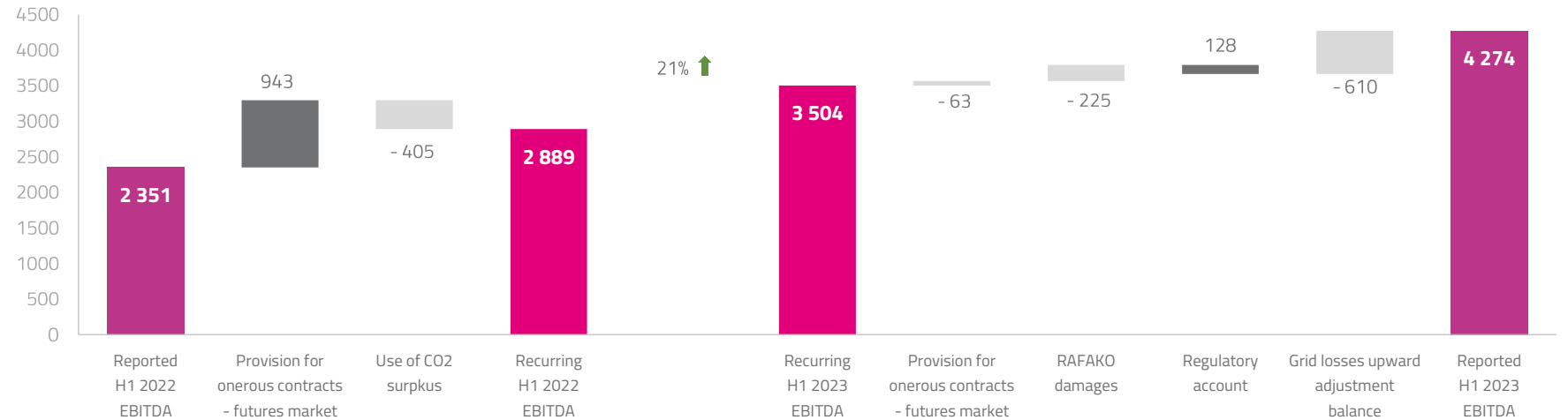
Sales revenue [PLN m]



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



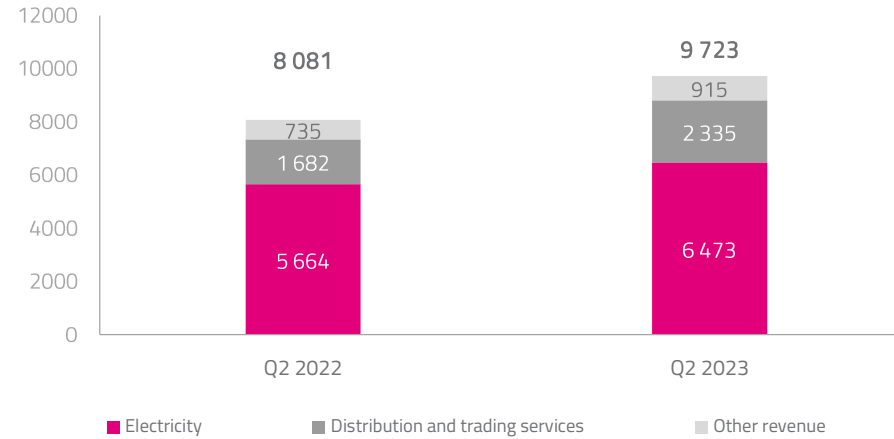
H1 2023 EBITDA vs H1 2022 EBITDA [PLN m]



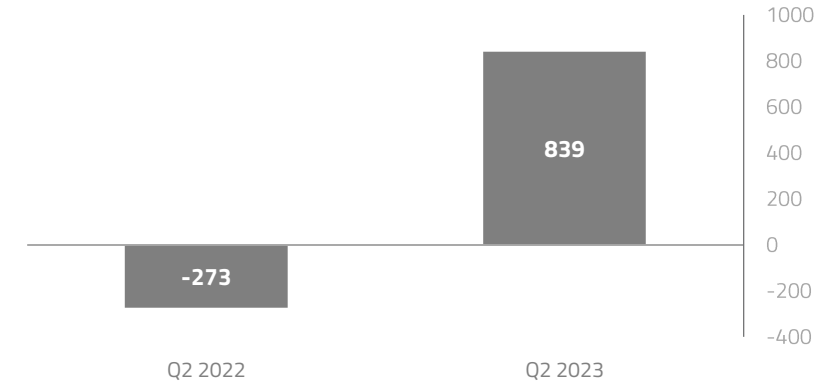


Q2 2023 financial data

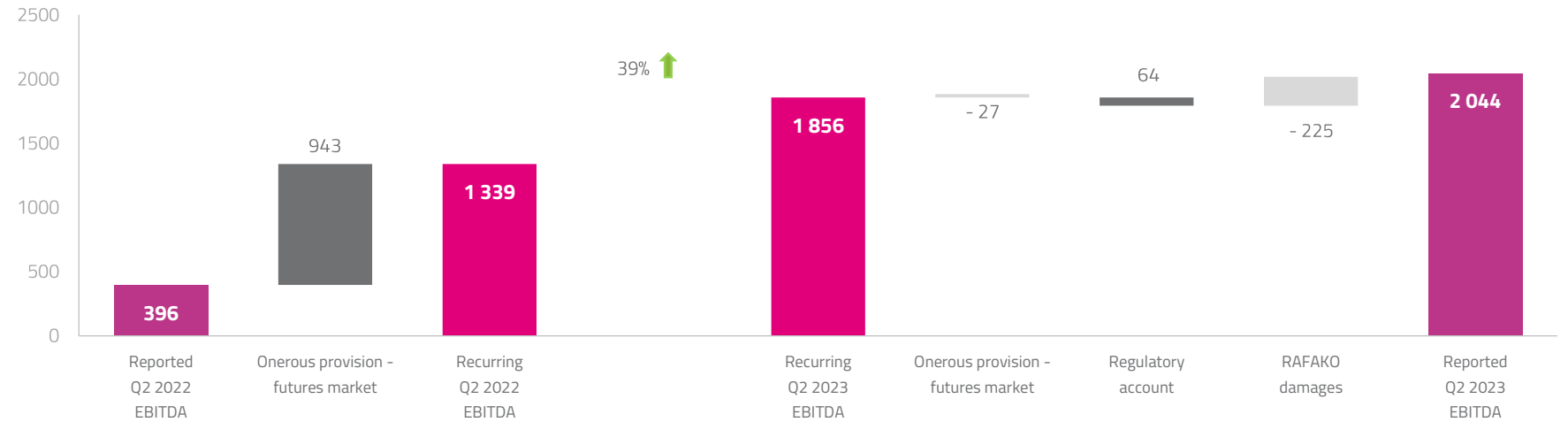
Sales revenue [PLN m]



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



Q2 2023 EBITDA vs Q2 2022 EBITDA [PLN m]

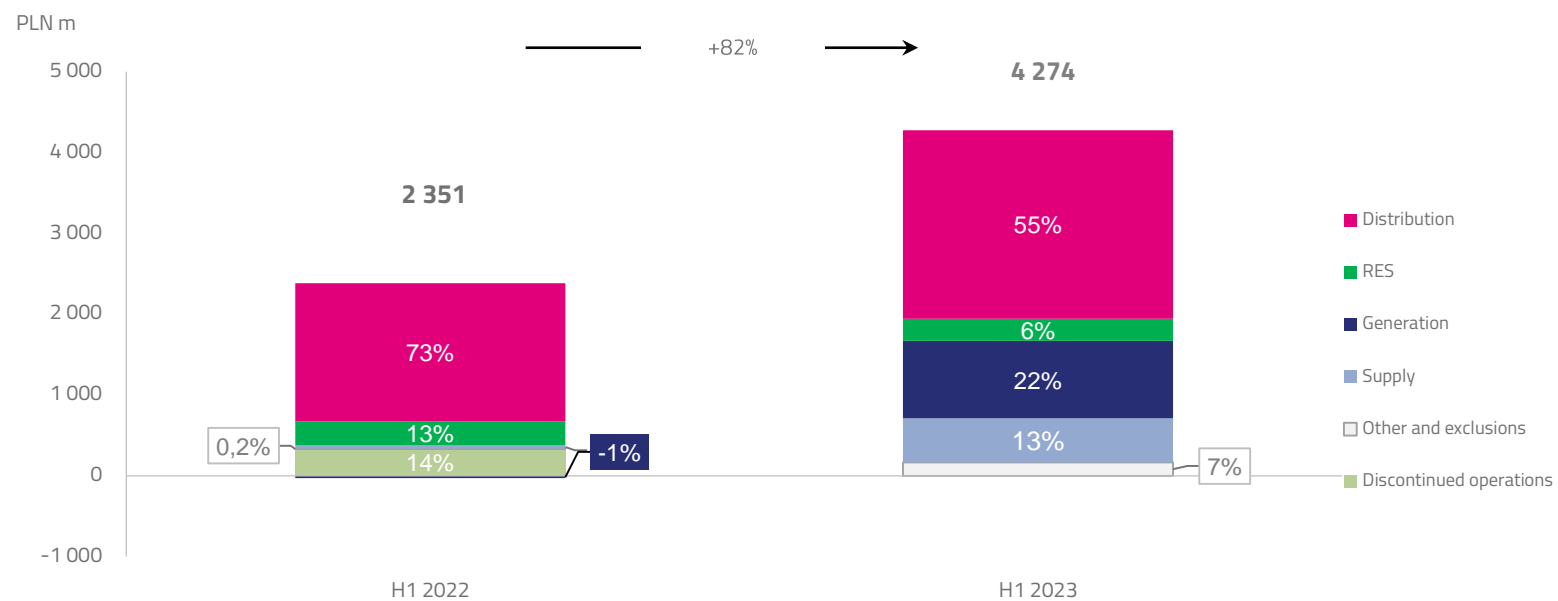




Individual segments' H1 2023 results

[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions*
Revenue	6 118	440	6 868	20 921	(11 065)
EBITDA	2 330	276	957	547	164
EBIT	1 682	180	726	518	79
CAPEX	1 220	310	195	46	94

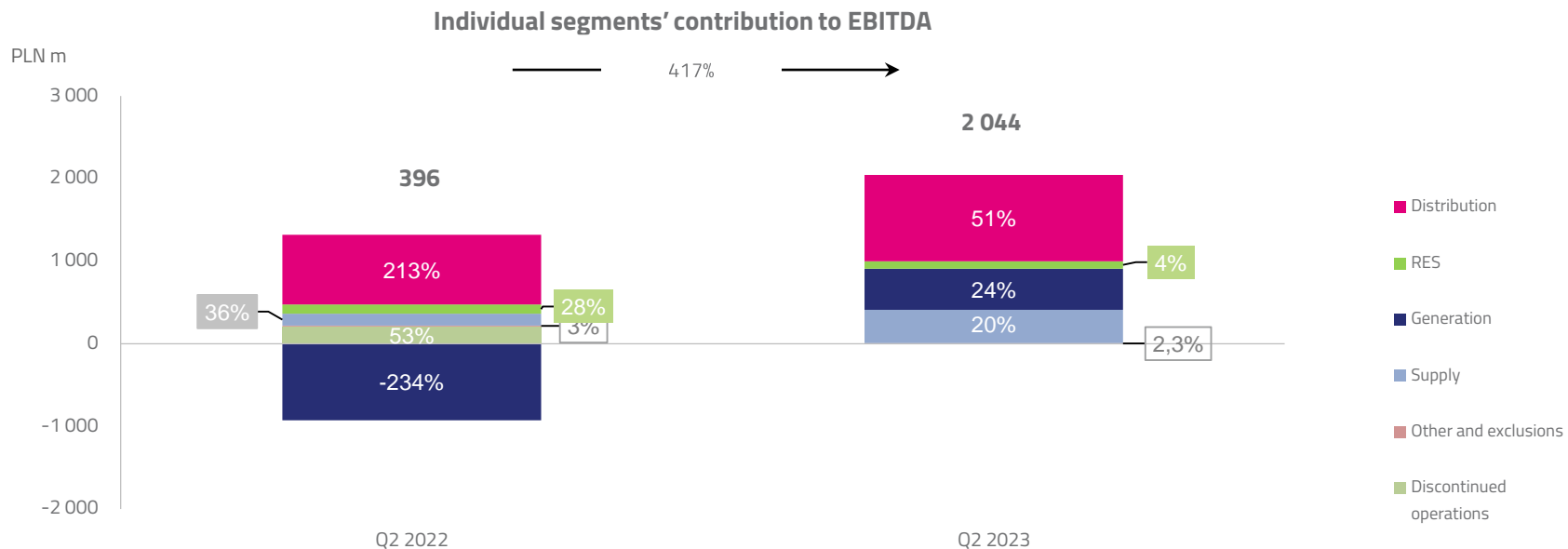
Individual segments' contribution to EBITDA



* Items not included in the segments presented

Individual segments' Q2 2023 results

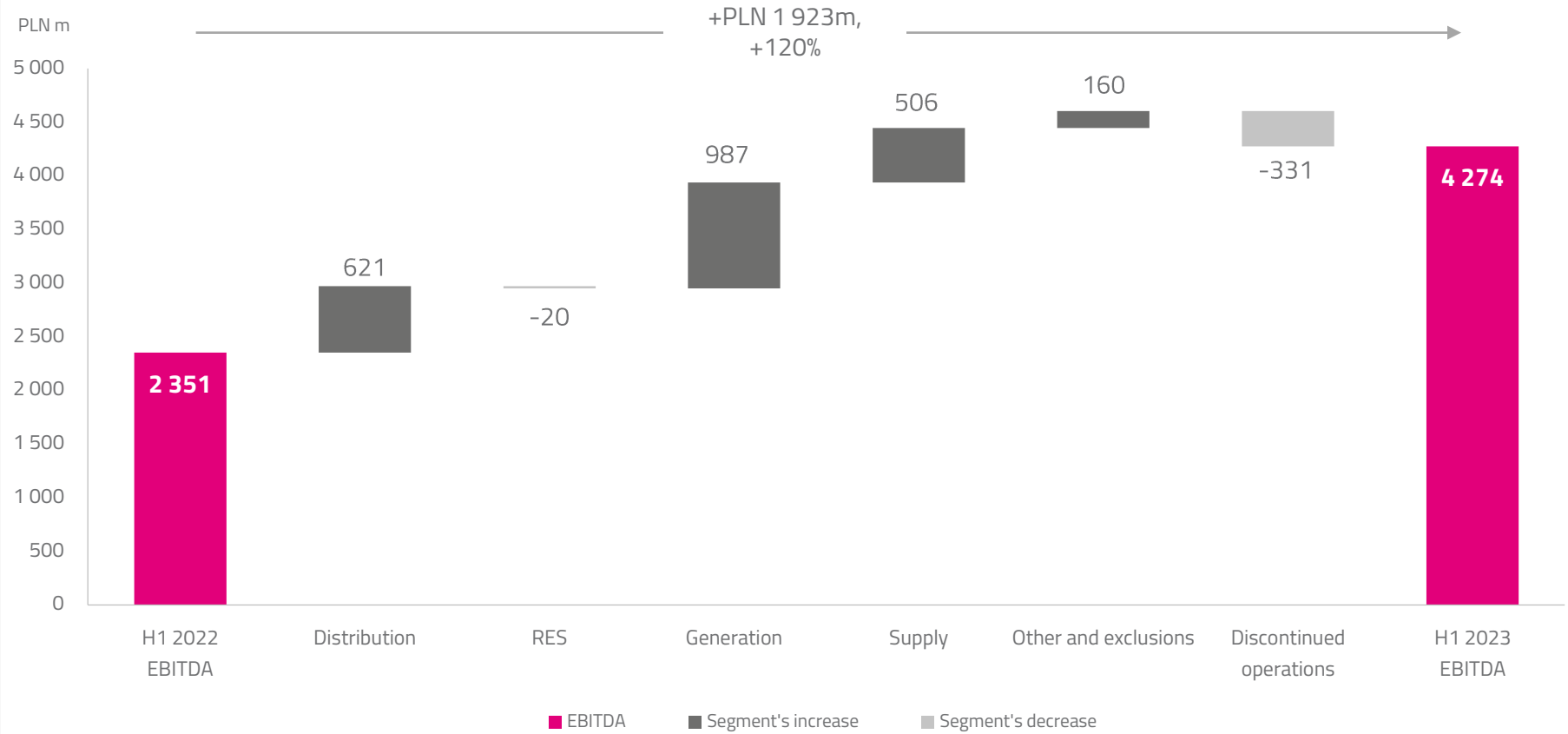
[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions*
Revenue	2 791	171	2 838	8 689	(4 776)
EBITDA	1 044	90	499	402	9
EBIT	714	42	380	386	(34)
CAPEX	646	235	121	22	61



* Items not included in the segments presented

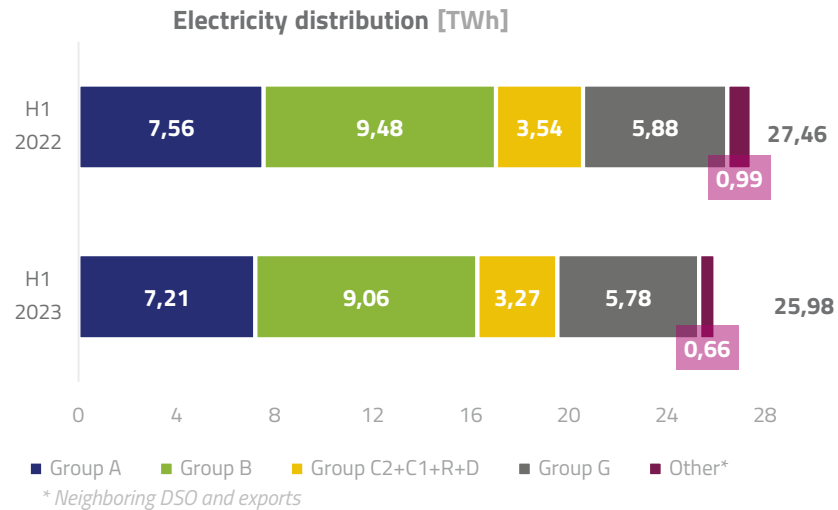
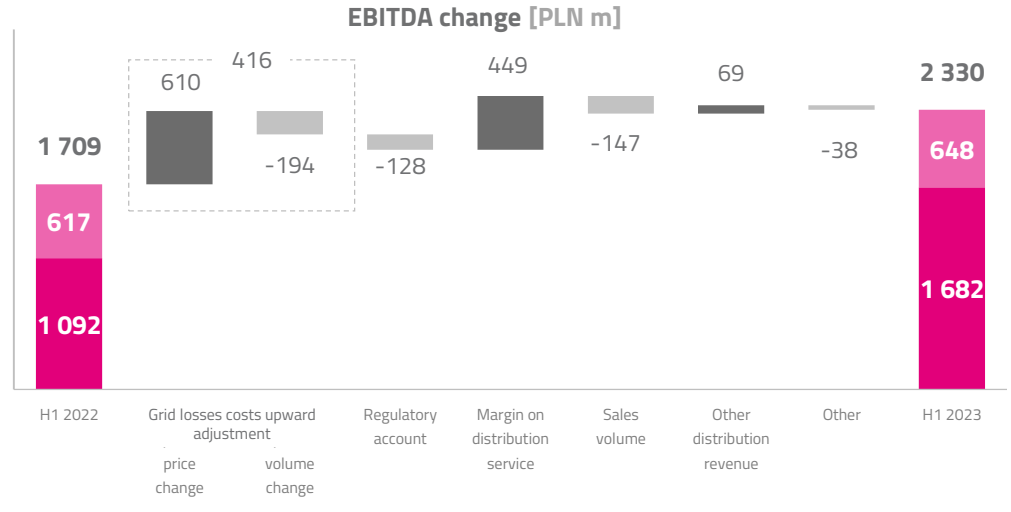
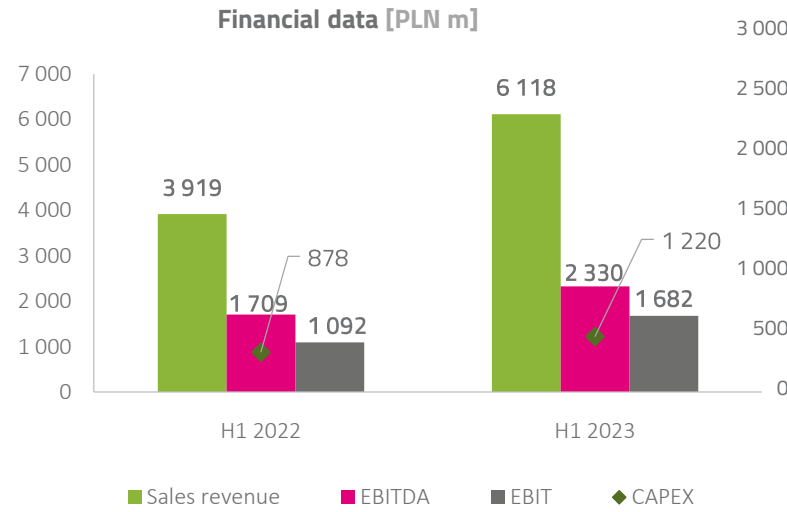


H1 2023 EBITDA





Distribution Segment H1 2023

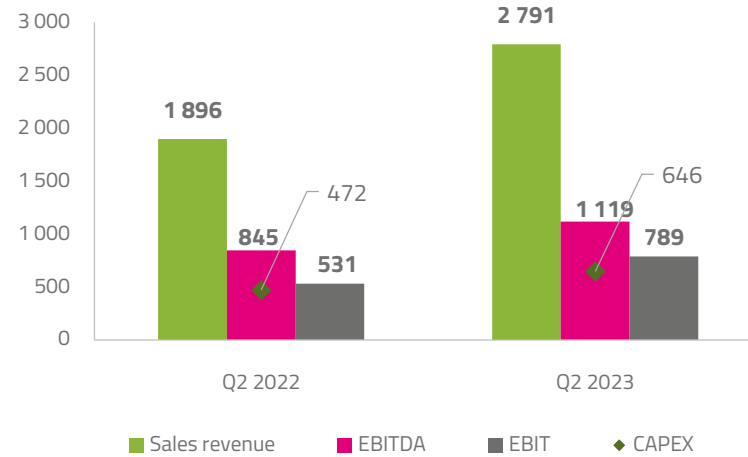


- EBIT
 - Depreciation and impairment charges
- Change in the price of the grid loss costs upward adjustment ✓
 - Increase of the distribution service charge rate ✓
 - Decline of the electricity distribution services sales volume by 1.4 TWh -
 - Negative impact of the regulatory account -

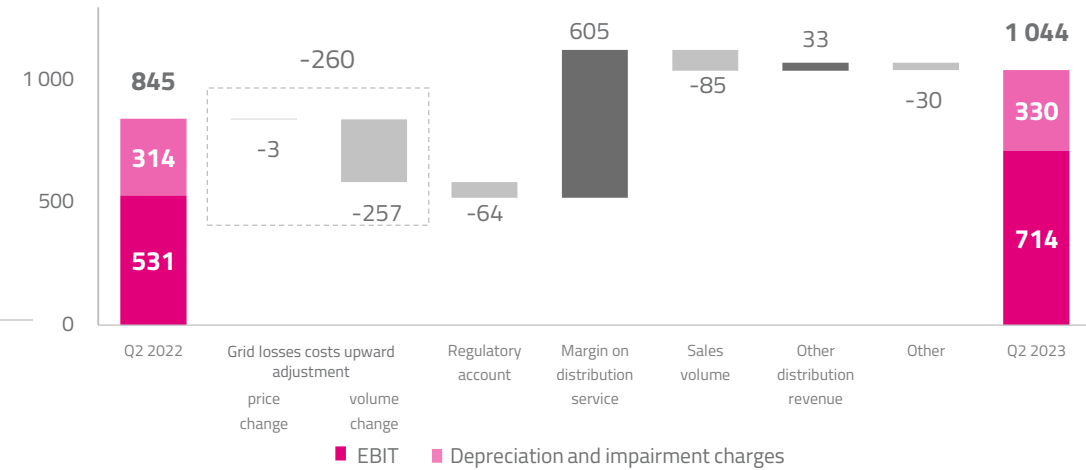


Distribution Segment Q2 2023

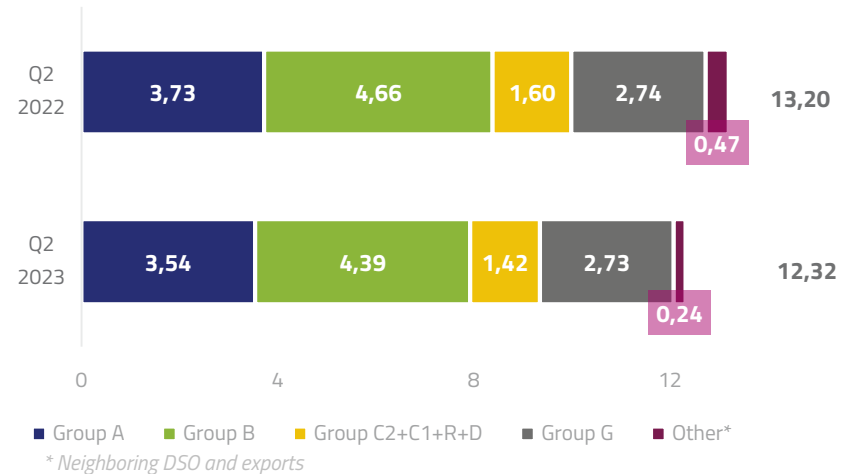
Financial data [PLN m]



EBITDA change [PLN m]



Electricity distribution [TWh]

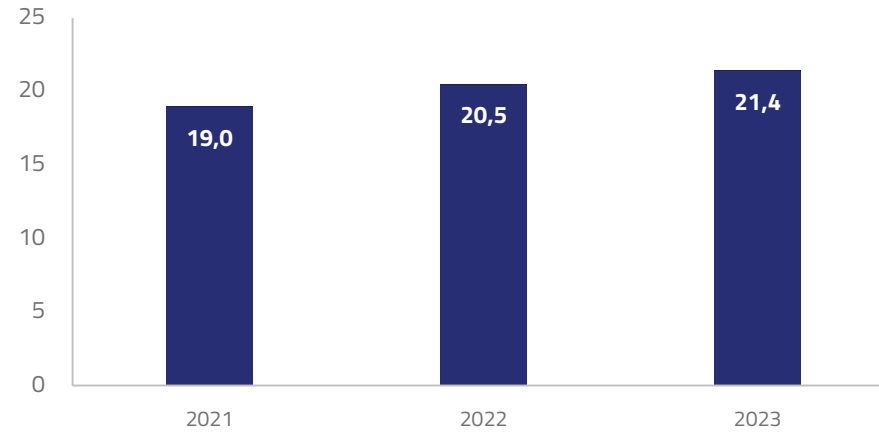


- Increase of the distribution service charge rate ✓
- Decline of the electricity distribution services sales volume by 0.9 TWh -
- Negative impact of the regulatory account -

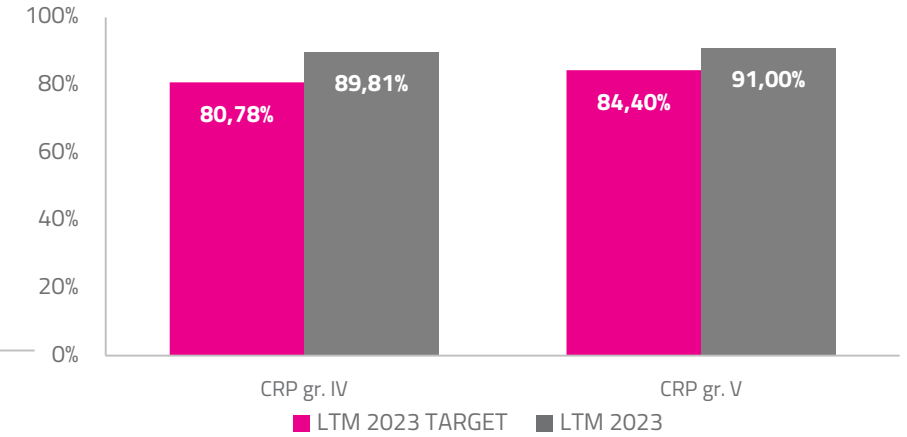


Distribution Segment key parameters

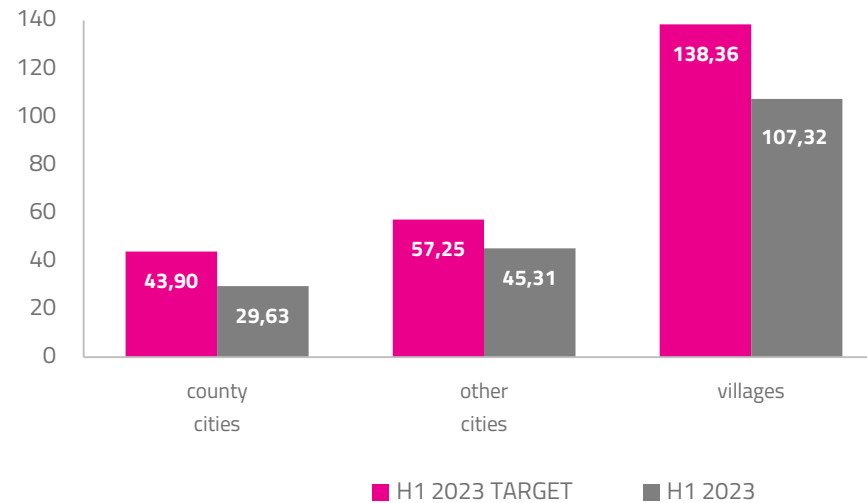
Regulatory Asset Base [PLN bn]



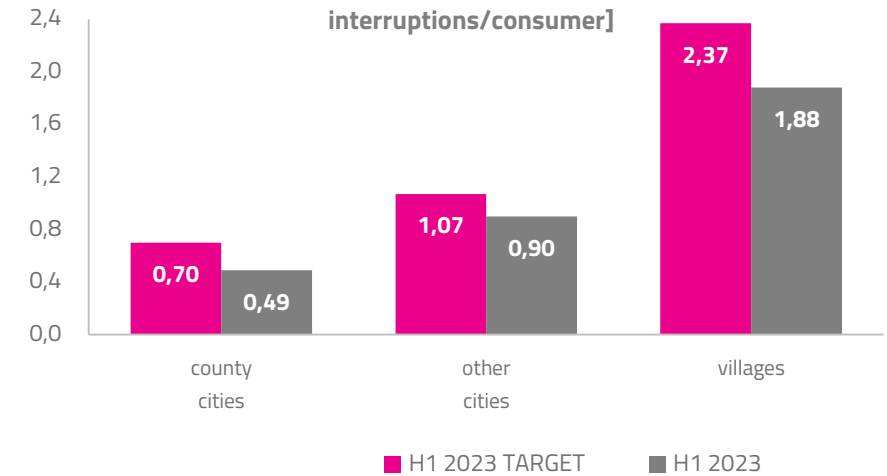
New Grid Connection Installation Time [%]



Interruption Duration [min/consumer]



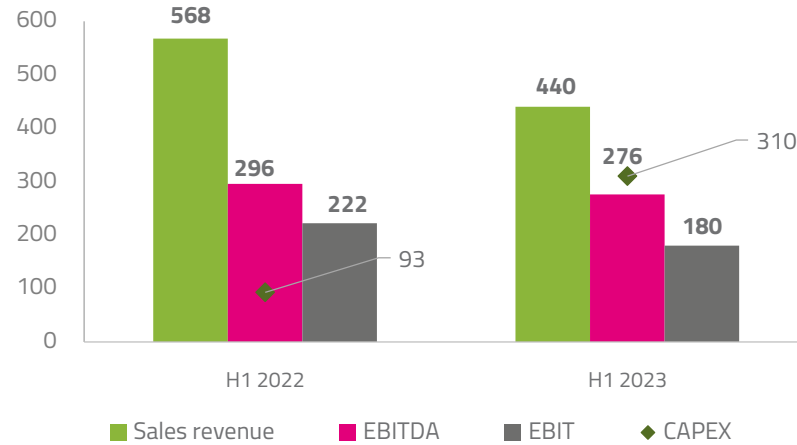
Frequency of Interruptions [number of interruptions/consumer]



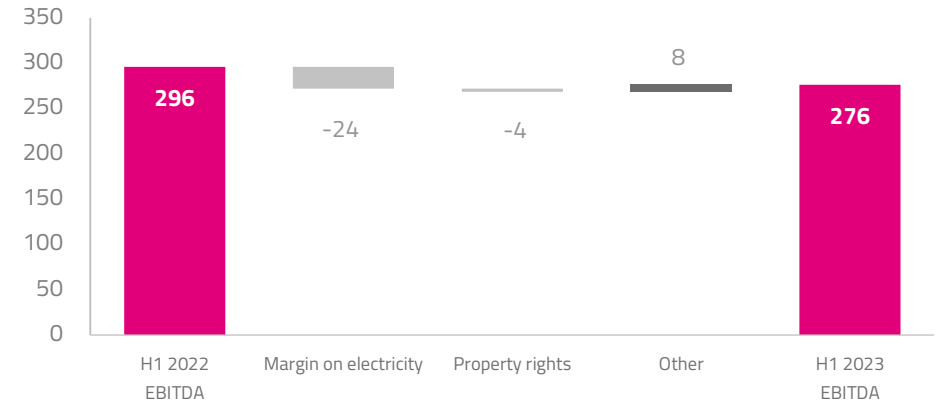


RES Segment H1 2023

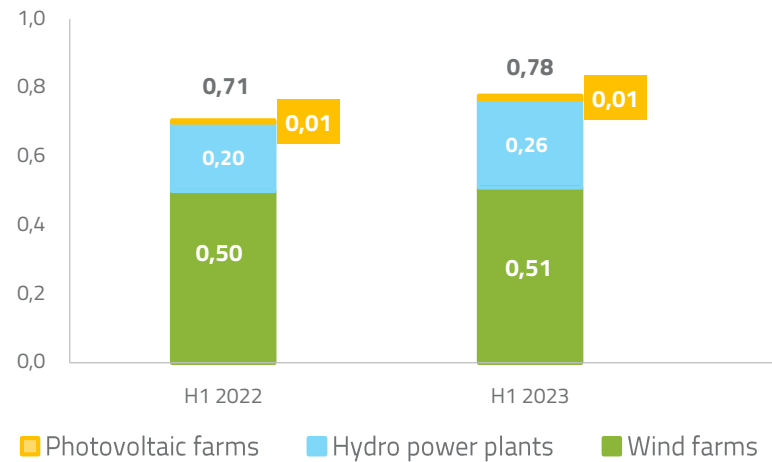
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

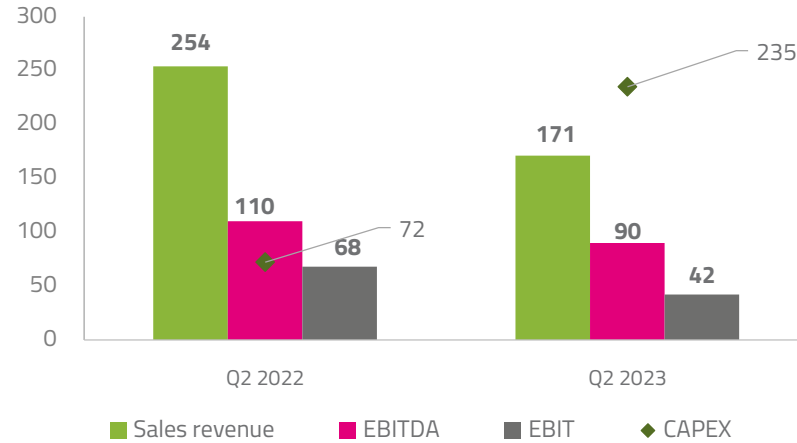


- Higher electricity generation volume ✓
- Resolution of the legal dispute related to improperly collected wind farm grid connection fees ✓
- Decrease of the property rights prices and volume -
- Decrease of the average electricity sales prices -

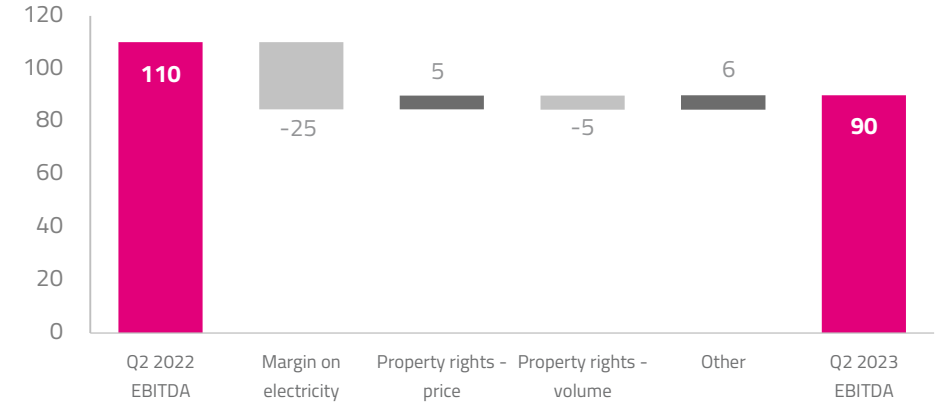


RES Segment Q2 2023

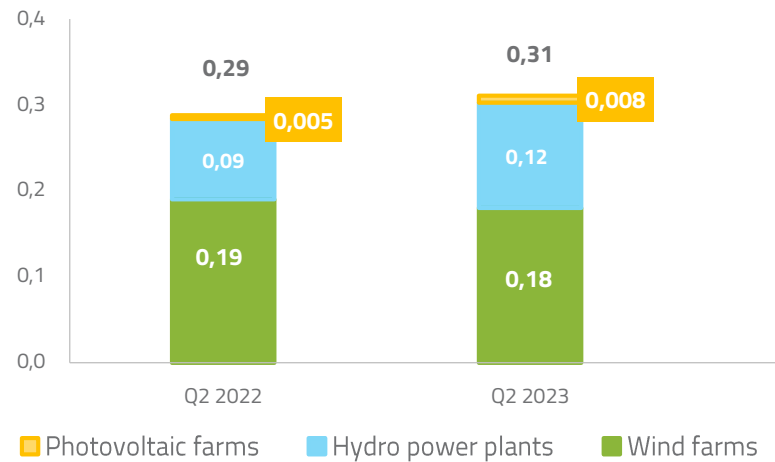
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]

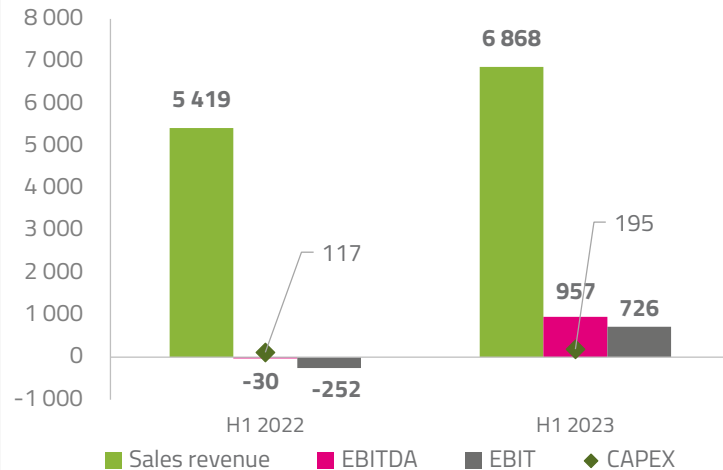


- Higher volume of electricity generation by the hydro power plants ✓
- Decrease of the average electricity sales prices ✗

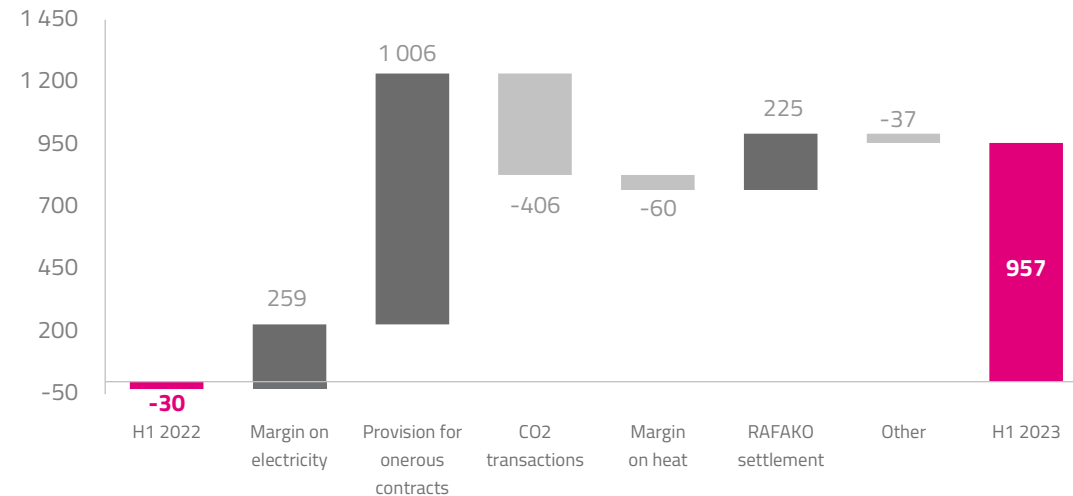


Generation Segment H1 2023

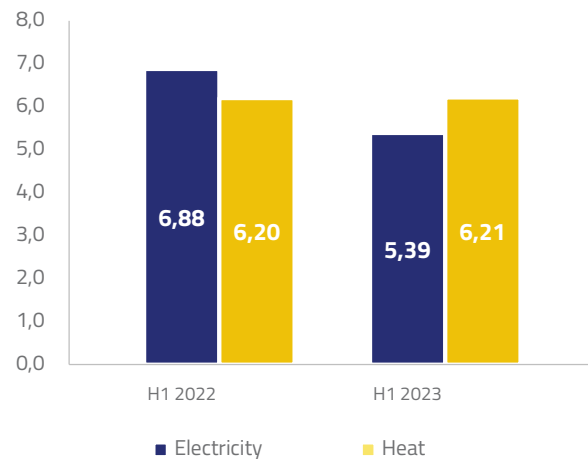
Financial data [PLN m]



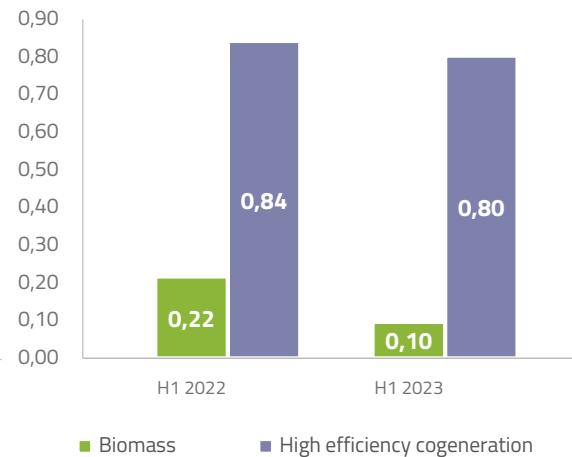
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]

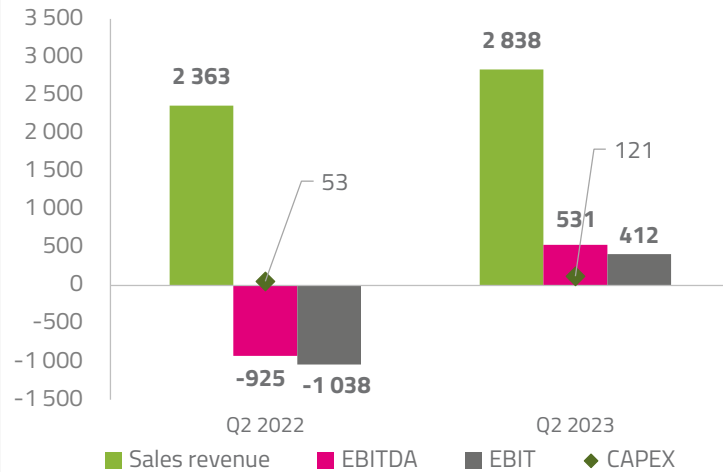


- Receipt of the funds under the RAFAKO performance bond ✓
- Lower volume of electricity generation by coal-fired units -
- Increase in the costs of production fuel -

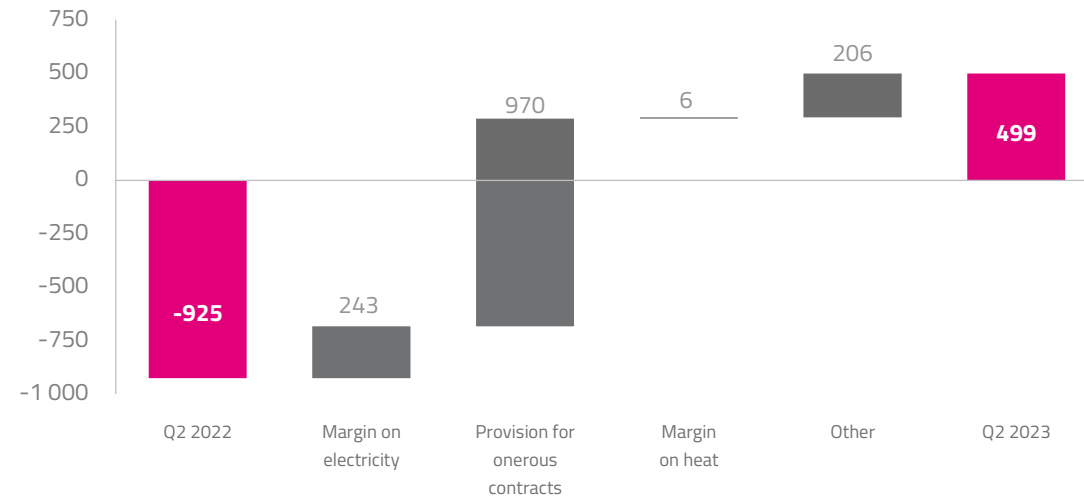


Generation Segment Q2 2023

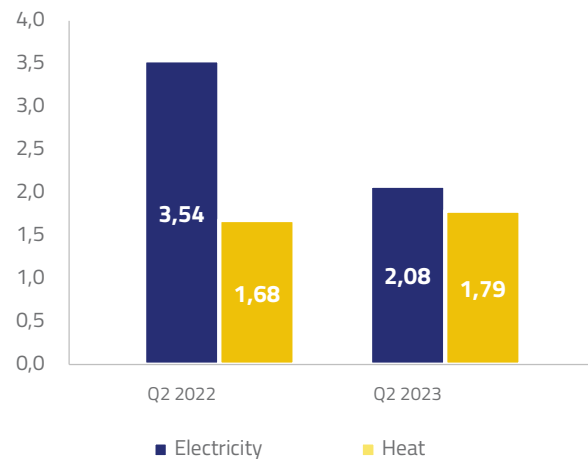
Financial data [PLN m]



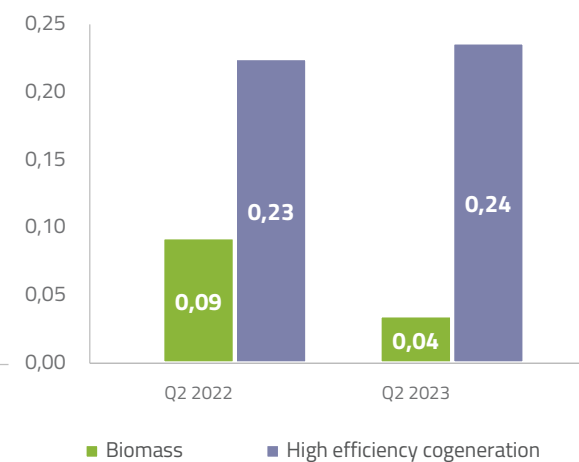
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



Receipt of the funds under the RAFAKO performance bond ✓

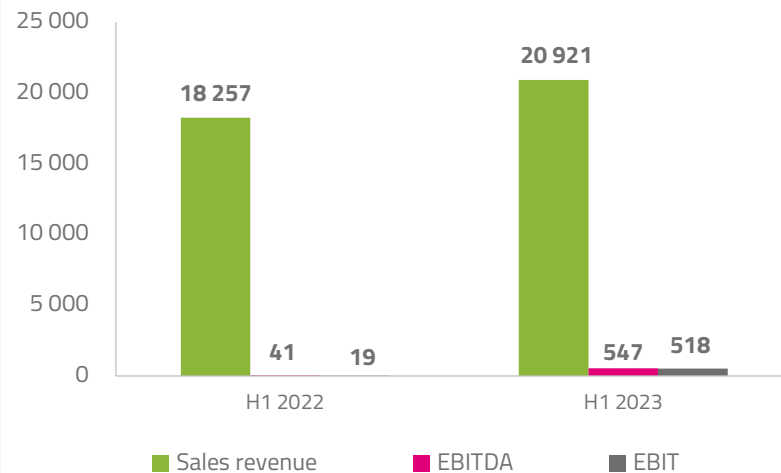
Different mode of the generation units' operation due to the TSO's requirements -

Increase in the costs of the production fuel -

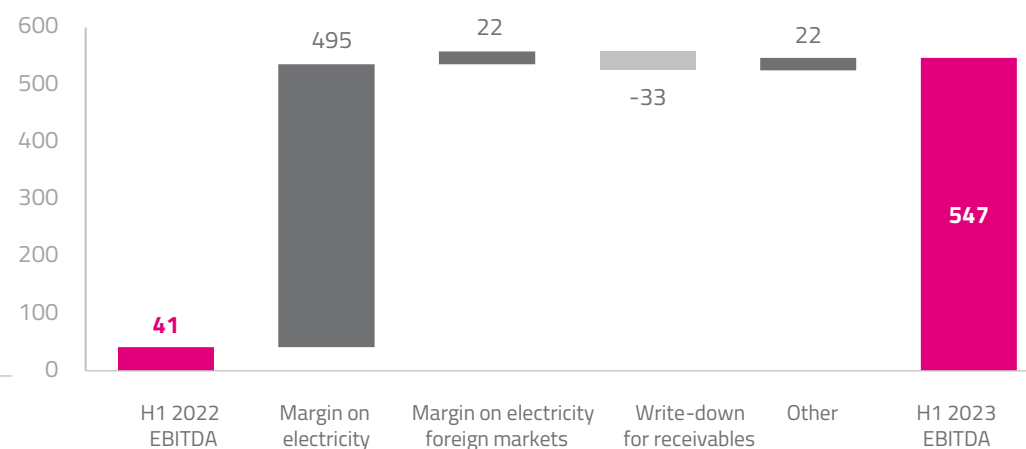


Supply Segment H1 2023

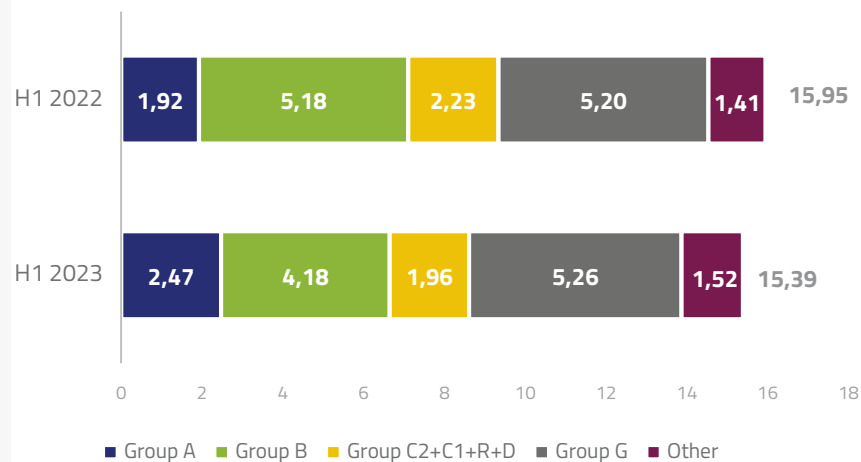
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

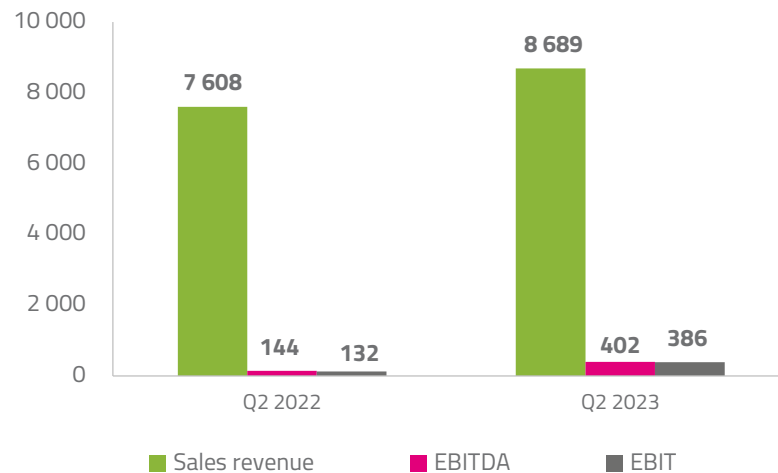


- Impact of electricity contracting hedging profile ✓
- Costs fully covered by the 2023 tariff ✓
- Positive results on the electricity supply by the TAURON Czech Energy subsidiary ✓
- Increase in payment arrears among customers -

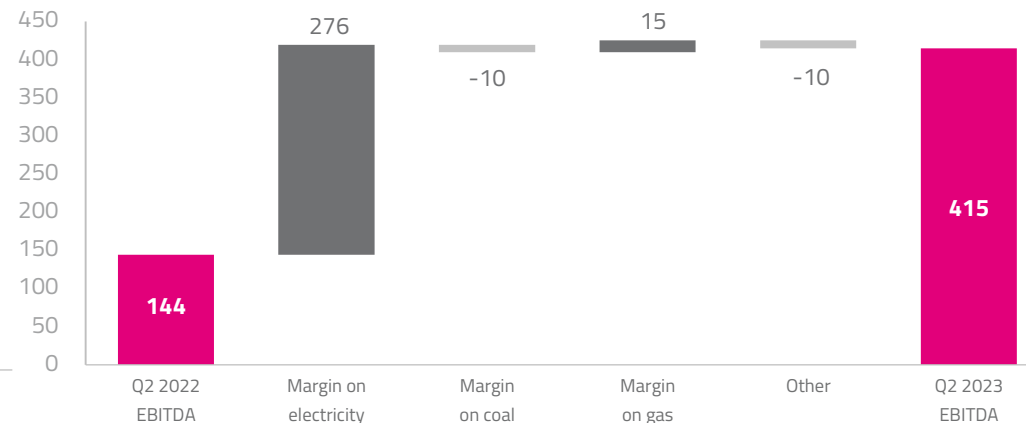


Supply Segment Q2 2023

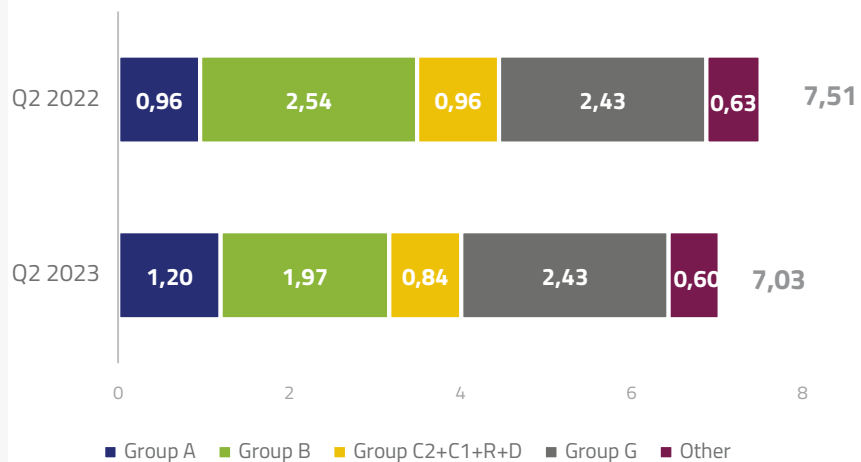
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ Impact of electricity contracting hedging profile



▪ Costs fully covered by the 2023 tariff



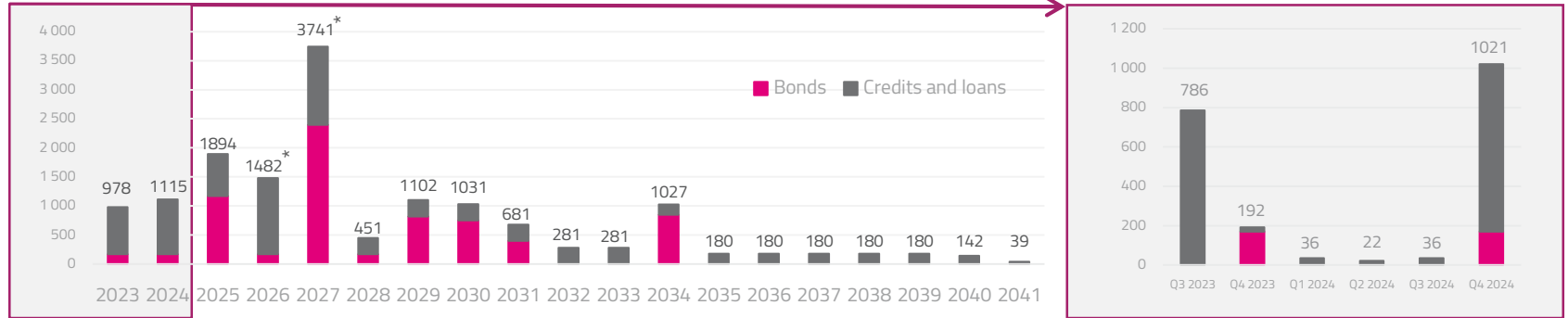
▪ Increase in payment arrears among customers



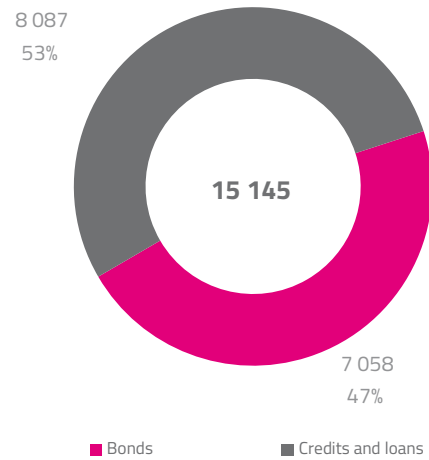


Debt and financing

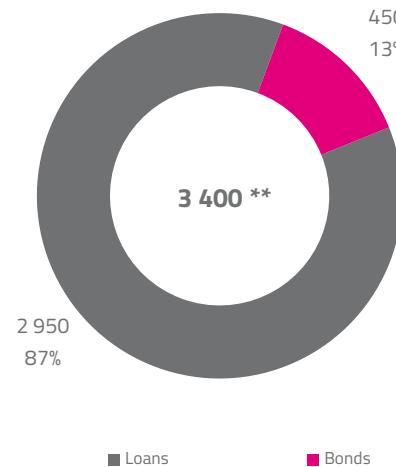
TAURON Group's nominal debt maturity as of June 30, 2023 [PLN m]



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



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



Nominal debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
15 145	Floating rate: 9 456	IRS: 3 840
	Fixed rate: 5 689	None: 5 616

EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 25% 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 facilities with the maximum available limits of PLN 500m and EUR 4m



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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	868.79	118 826	89.7%	-28.2%
Forward PEAK (Y+Q+M)	496.55	17 229	1 211.32	8 875	143.9%	-48.5%
Forward (weighted average)	461.59	182 789	892.59	127 702	93.4%	-30.1%
SPOT (TGE)	786.77	32 994	554.90	53 072	-29.5%	60.9%
Weighted average total	511.31	215 783	793.45	180 773	55.2%	-16.2%

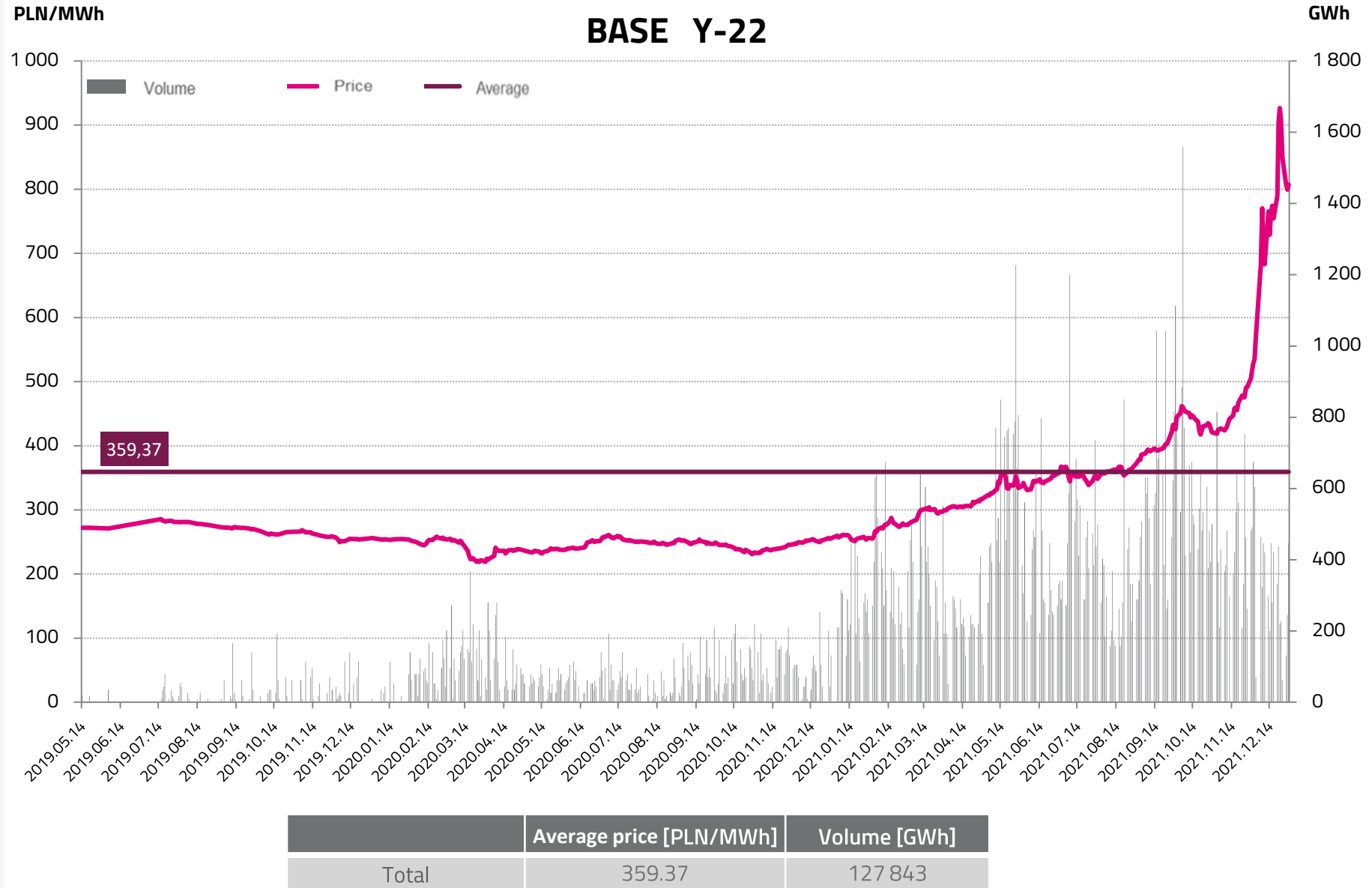
Property rights (PLN/MWh)			
Certificate type	Market prices (H1 2023 weighted average)	Substitution fee and obligation for:	
		2022	2023
RES (PMOZE_A)	207.17	239.86 (18.5%)	239.75 (12.0%)
RES from biogas plants (PMOZE_BIO)	301.18	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey*	Price [EUR/t]
2023 average	88.3
2024 average	99.0
2025 average	105.0
2023 average price forecast by TAURON	85-87

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



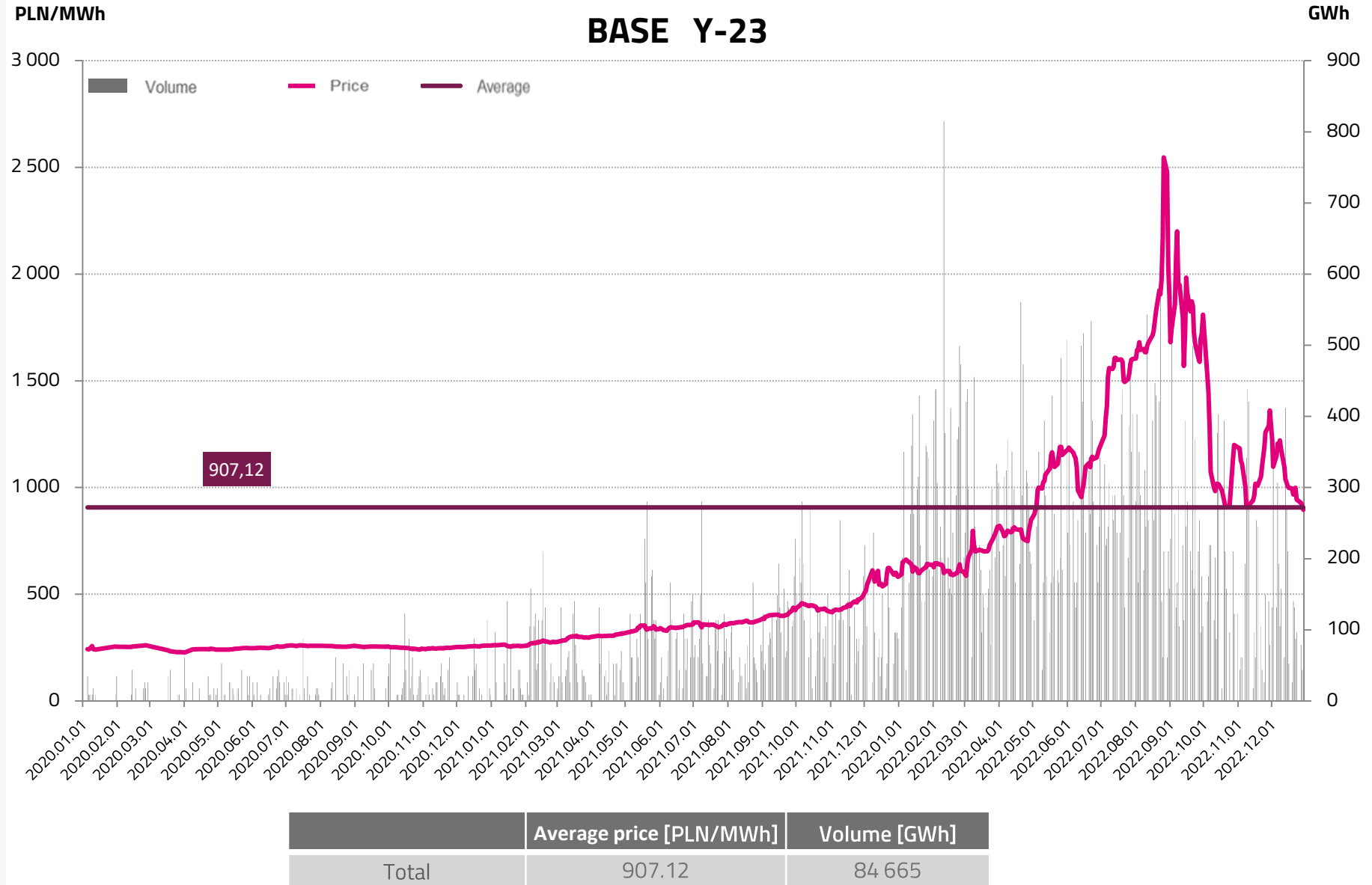
2022 BASE contract prices



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: 736.20 PLN/MWh, total 2024 BASE and PEAK contracts volume: 27 047 GWh (based on the data up to August 17, 2023)