

TAURON Group's Q1-Q3 2024 Financial Results

November 29, 2024



Presentation Agenda



Grzegorz Lot
President of the
Management Board

- Group's highlights



Krzysztof Surma
Vice President
of the Management
Board for Finance

- Financial results
- Debt and financing



Piotr Gołębowski
Vice President
of the Management Board
for Trading

- Situation on the energy and fuel
market



Michał Orłowski
Vice President
of the Management
Board for Asset
Management and Development

- Investment projects and CAPEX
- RES expansion



Creating value at TAURON Group

GOAL: building a sustainable competitive advantage and taking a strategic position in selected areas

CUSTOMER

- 70 000 fixed-price green energy contracts under the TAURON Nowa Energia offer (approx. 1 500 GWh have been contracted)
- lower electricity prices for the flood-affected people - more than 8 000 households



FINANCIAL STABILITY

- we have obtained new bank financing worth nearly PLN 4 billion
- we are seeking significant NRP (National Recovery Plan) funding for the Distribution segment
- "BBB-" ratings reaffirmed by the Fitch agency



RES/ ENERGY STORAGE

- RES strategy has been adopted
- application for grid connection conditions for the Rożnów II Pumped Storage Plant has been submitted
- Mierzyn (60 MW) and Warblewo (30 MW) wind farms have been commissioned
- Gamów wind farm and Proszówek photovoltaic farm with a total capacity of approx. 90 MW planned to be commissioned by the end of this year
- implementation of 7 RES projects with total capacity of over 466 MW under way
- acquisition of the project and start of the construction of a 191 MW wind farm
- capacity market auction – energy storage facilities with a total capacity of several hundred MW have been submitted for certification



NEW STRATEGY

- finalizing work on TAURON Group's new strategy - publication on December 17



Actions taken since March 2024

ESG

- ESG action plan adopted
- preparations for sustainability reporting in line with the new requirements



ACCOMPLISHMENTS

- Best of the Best award in The Best Annual Report competition
- first place in the Golden Hundred ranking of the Silesian Voivodeship



MARKET COMMUNICATION

- transparency and simplification of periodic reports for effective communication with the market
- presentation of the economic debt
- decision to change the rules for revaluation of the balancing difference





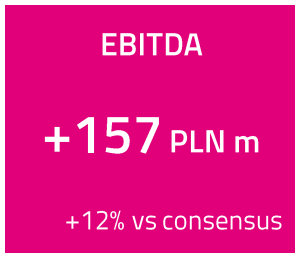
Financial results



Key Q1-Q3 2024 data

Higher profitability at the EBITDA level year-on-year

Δ vs consensus



Operating data



Electricity distribution [TWh]



RES electricity production [TWh]



Non-renewable sources electricity production [TWh]



Heat generation [PJ]



Electricity supply to the final consumers [TWh]



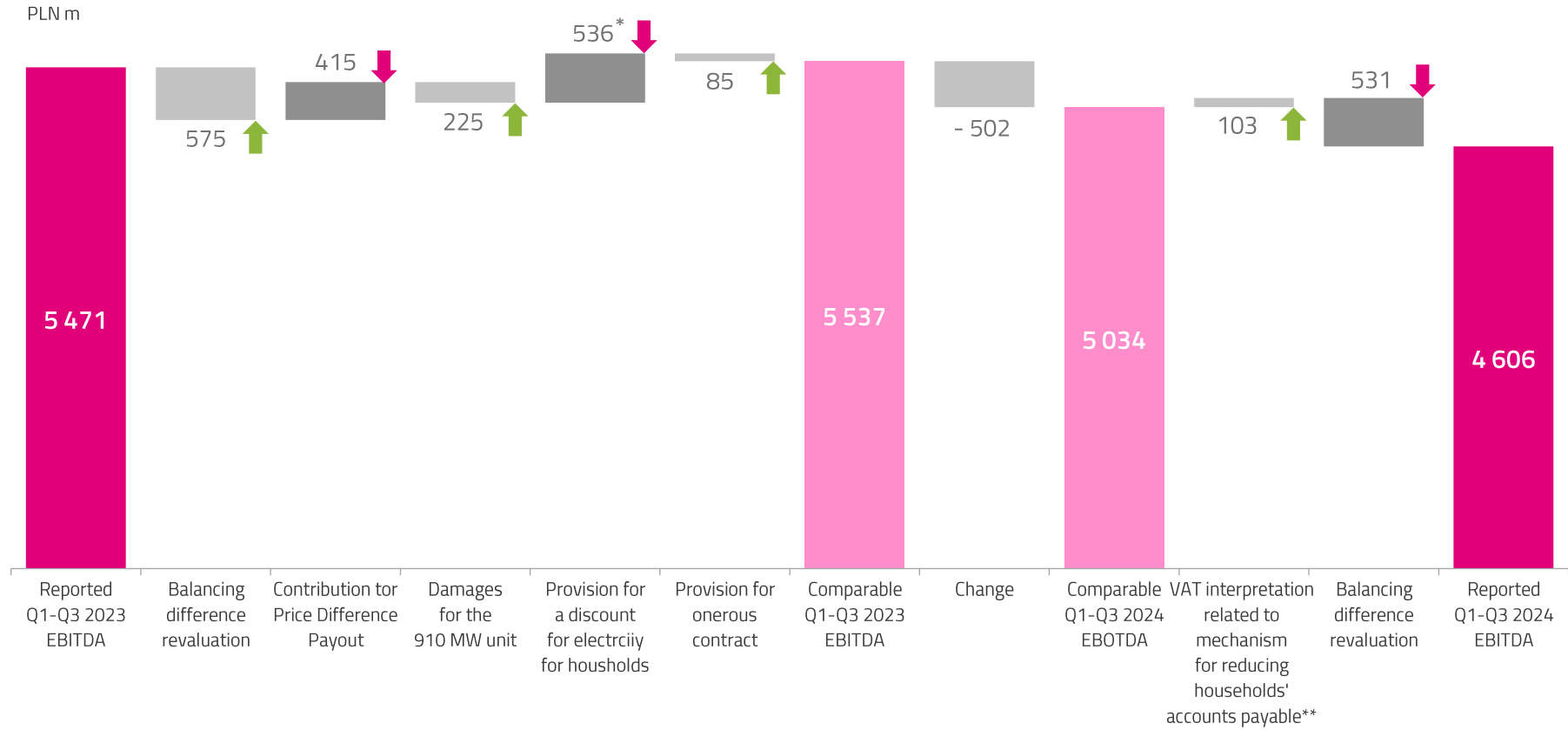
* sales revenue and compensation payments
 ** reported net profit. Net profit adjusted by stripping out the impact of the write-downs related to non-financial fixed assets due to impairment and an increase of the unrecognized asset due to deferred tax.



Comparable EBITDA

Comparable Q1-Q3 2024 EBITDA

EBITDA adjusted by stripping out one-off events lower year on year



*The provision, set up as of 30.09.2023, due to the introduction of the mechanism enabling a reduction of the amount of households' accounts payable towards the electricity trading companies by the amount of PLN 125.34, .

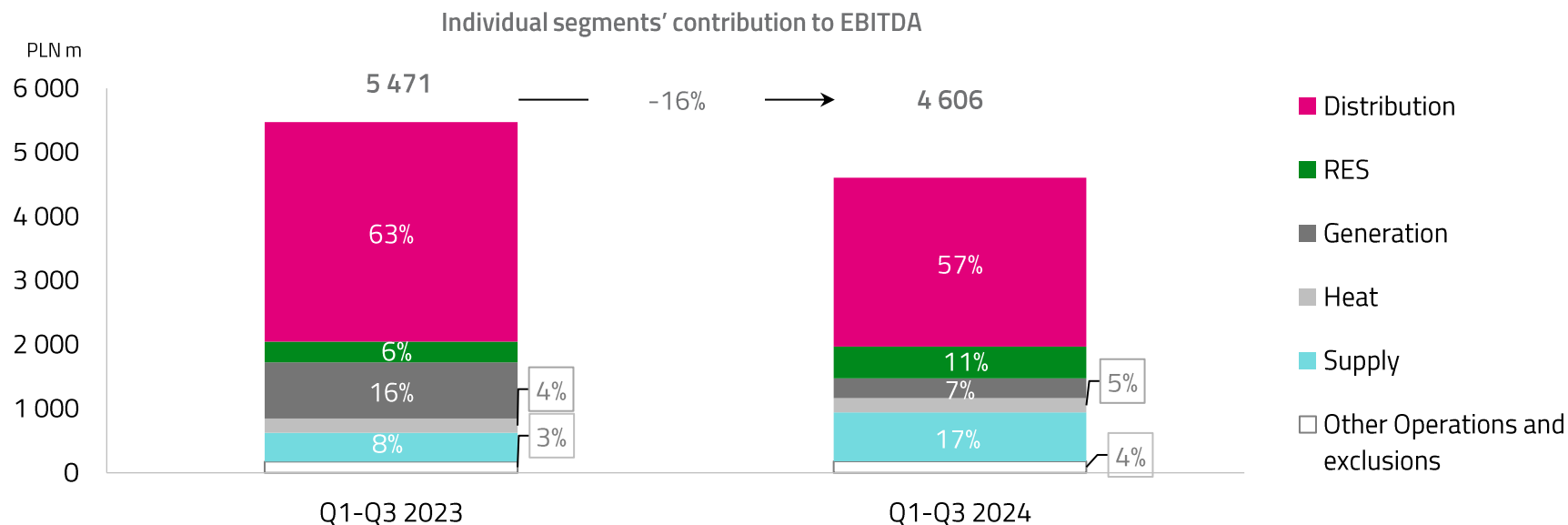
**A partial release of the provision, set up as of 30.09.2023, due to the introduction of the mechanism enabling a reduction of the amount of households' accounts payable towards the electricity trading companies by the amount of PLN 125.34, resulting from the receipt of the individual interpretations of the tax law by TAURON Group's trading subsidiaries. According to the interpretation obtained, the above-mentioned amount is a gross amount, so it includes the VAT, which translates into the right to reduce the VAT due and as a consequence a reduction of the Group's costs in 2024



Individual Segments' Q1-Q3 2024 results

Decline of the contribution of the Distribution Segment's EBITDA to the total EBITDA of TAURON Group mainly as a result of a change in the revaluation of the balancing difference, as a consequence of the lower electricity prices year-on-year

[PLN m]	Distribution	RES	Generation	Heat	Supply	Other Operations and exclusions**
Revenue*	8 606	688	5 653	1 468	22 067	-12 956
EBITDA	2 638	494	309	223	762	180
Adjusted EBIT***	1 591	351	99	134	721	20
EBIT	1 591	351	-1 374	-4	721	20
CAPEX	2 164	1 141	70	92	47	135



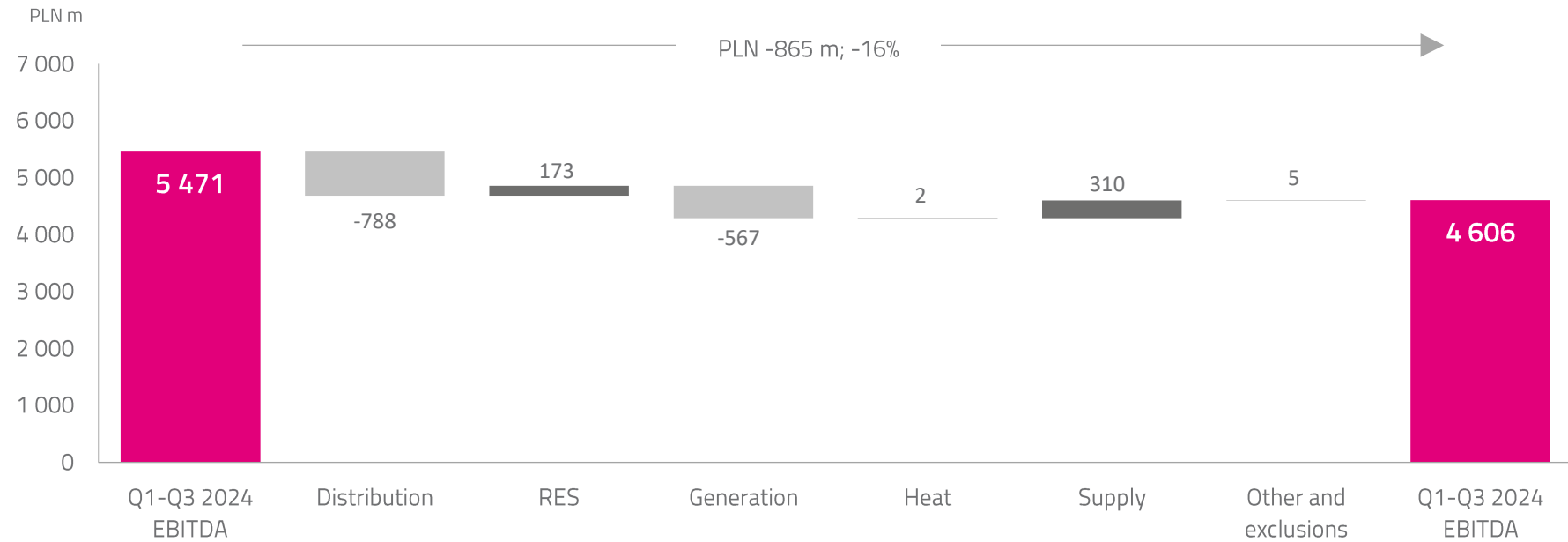
* revenue from sales and compensation payments

** items not included in the segments presented

*** EBIT adjusted by stripping out cleared write-downs on non-financial fixed assets due to impairment testing



Individual Segments' Q1-Q3 2024 EBITDA



Distribution

- 1 107 negative impact of revaluation of grid loss costs
- +130 positive impact of regulatory account settlement
- +92 higher margin on the distribution service



Generation

- 420 lower margin on electricity as a result of the market prices' decline
- 225 in 2024 no damages related to the 910 MW unit
- +39 higher margin on heat as a result of the tariff update year on year



Supply

- +536 in 2024 no provision for the reduction of the electricity bills for the households
- +103 VAT interpretation
- 275 G tariff reduction in Q3 2024



RES

- +227 increase of electricity sales prices as a result of a lack of the statutory regulation thereof
- +43 increase of electricity sales volume as a result of new capacity commissioning
- 56 decline of property rights' market sales prices



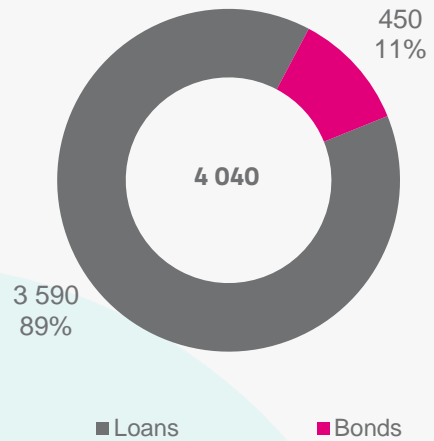
Heat

- +73: higher margin on the heat due to the tariff update year on year
- 38: lower margin on electricity as a result of the market prices decline
- 10: lower TAMEH result



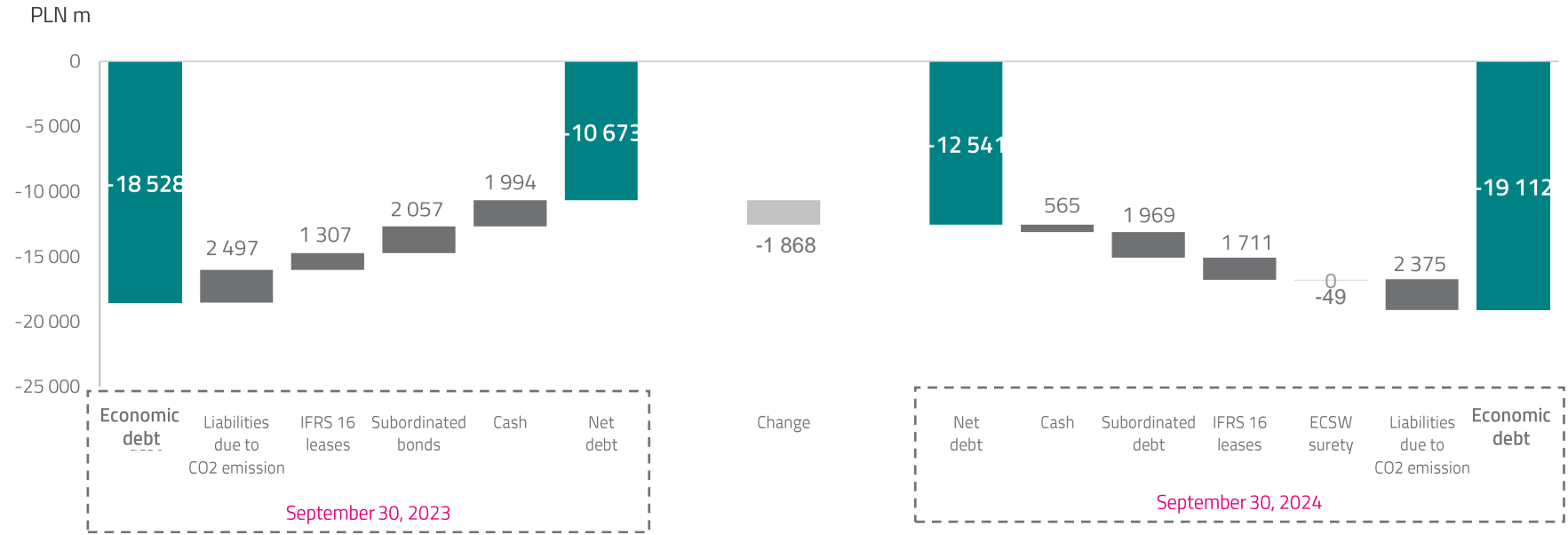
Debt and financing

Financing available to TAURON Group as of September 30, 2024 [PLN m]



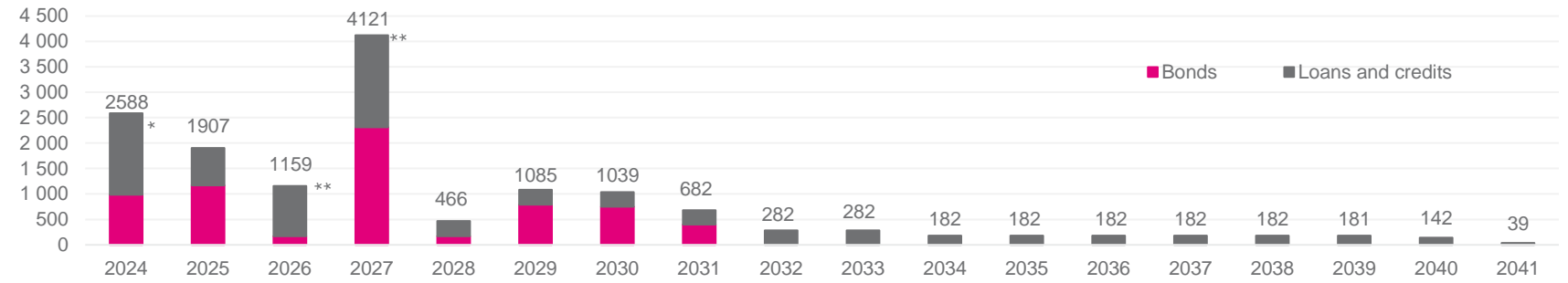
Apart from the above indicated available financings, TAURON Group is also using overdraft facility with the maximum available limits of PLN 500 million and EUR 4 million

Structure of TAURON Group's debt [PLN m]



Net debt/EBITDA as of September 30, 2024 = 2.4x

TAURON Group's nominal debt maturity as of September 30, 2024 [PLN m]



* including the planned redemption of EUR 190 million subordinated bonds after the non-call period
 ** taking into account the maximum maturity of the funds drawn down under the revolving bank loans

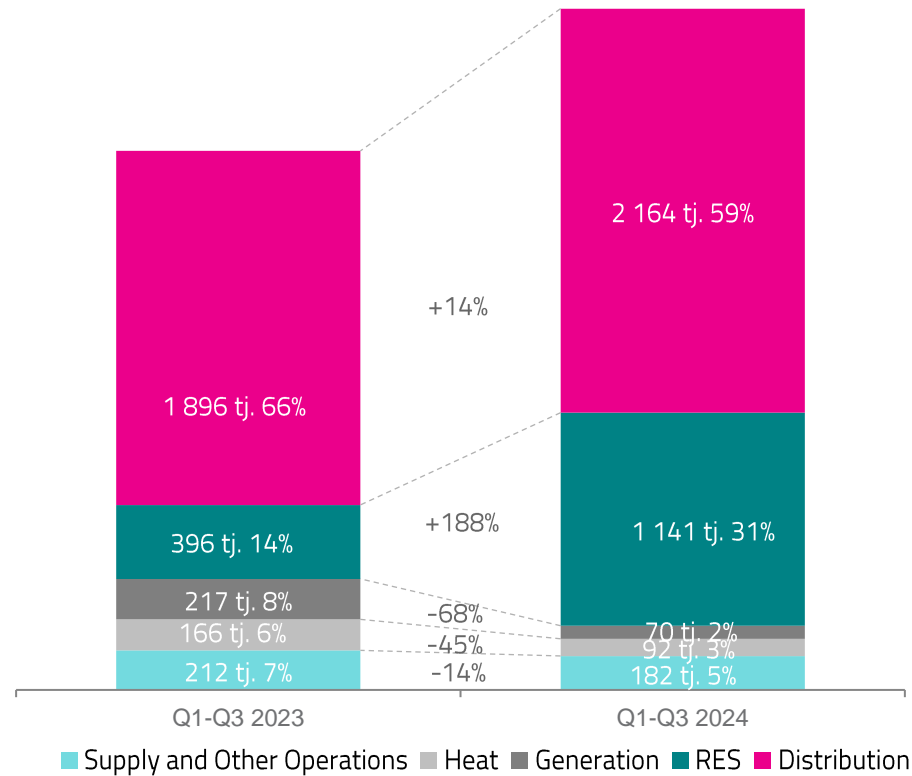


CAPEX – per segment

Focus on investments
In the Distribution and RES
Segments

Capital expenditures per segment* [PLN m]

2 887 ● ———— +26% ———— → 3 649



Key investment projects implemented in Q1-Q3 2024 **



Distribution: PLN 2 121 m

- Installing new grid connections (PLN 1 182 m)
- Grid assets refurbishments and replacements (PLN 748 m)
- AMIPlus (PLN 151 m)
- Dispatcher Communications System (PLN 40 m)



RES: PLN 1 093 m -> 554.7 MW

- Construction of 6 wind farms with a total capacity of 355.7 MW (PLN 868 m)
- Construction of 3 photovoltaic farms with a total capacity of 199 MW (PLN 200 m)
- Refurbishment of hydro power plants (PLN 25 m)



Generation: PLN 59 m

- Replacement and refurbishment of TAURON Wytwarzanie's units (PLN 59 m)



Heat: PLN 68 m

- Maintenance of generation units and district heating network (PLN 46 m)
- New facility connections to the district heating network (PLN 14 m)
- Construction of a 140MWt gas-fired boiler in Katowice (PLN 8 m)



Supply and Other Operations: PLN 143 m

- IT investments at TAURON Obsługa Klienta (PLN 102 m)
- Lighting maintenance and expansion (PLN 41 m)

* Investment outlays do not include equity investments in accordance with the presentation provided in the financial statements.

** Investment outlays do not include financial costs added to the capex and the consolidation adjustments



RES projects under way (as of 30.09.2024)



Wind farms	Capacity (MW _e)	Work progress	Planned completion date
FW Gamów	33	92%	Q4 2024
FW Nowa Brzeźnica	19.6	50%	Q2 2025
FW Sieradz	23.8	20%	Q4 2025
FW Miejska Górka	190.8	2%	Q2 2027
	262.7		









Photovoltaic farms	Capacity (MW _e)	Work progress	Planned completion date
PV Proszówek I and II	55 (45.6 + 9.4)	98%	Q4 2024
PV Bałków	54	9%	Q4 2025
PV Postomino	90	26%	Q4 2025
	199		

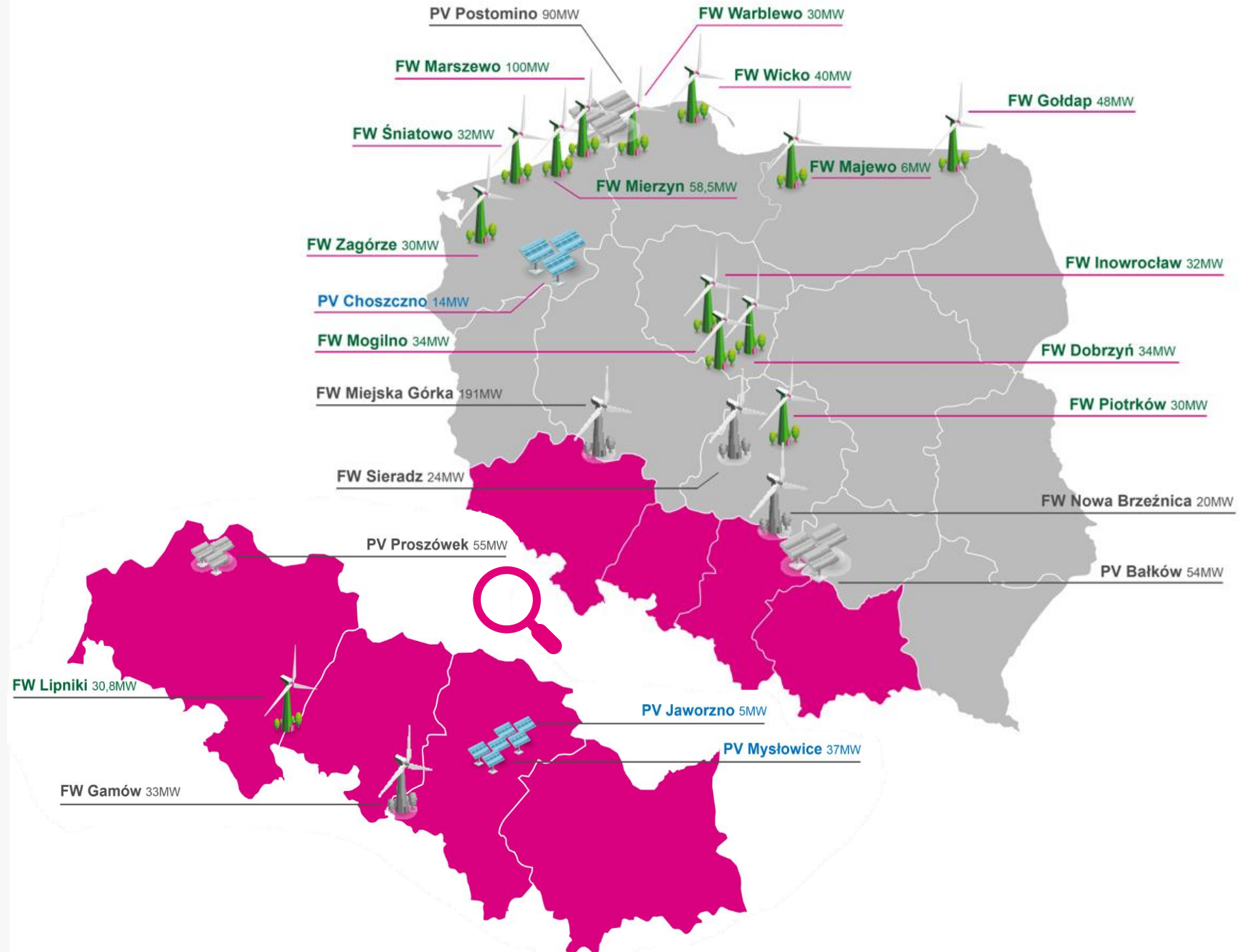


466 MW in total



TAURON Group's wind farms and photovoltaic farms

-  Wind farms
-  Hydro power plants
-  Photovoltaic farms
-  Hard coal / gas fired power plants
-  Hard coal fired combined heat and power plants
-  TAURON Group's distribution area





Results of Wody Polskie's audit at the hydro power plant in Lubachów



Positive result of the audit
excerpt from the WP report



The audited entity presented the protocols drafted by the WINB (Provincial Construction Supervision Authority) in Wrocław regarding the *Assessment of damage and destruction to structures caused by the flood in September 2024*, for the Lubachów water reservoir and the Lubachów Hydroelectric Power Plant, dated 3.10.2024, in which no damage or destruction of structures had been found (appendices 3a and 3b) and the *Assessment of the technical condition of the geodetic points* (appendix 6). The audited entity is in compliance! with the legal obligations pursuant to the Construction Law and the executive acts with respect to the assessment of the condition

In the period under review, the water management procedure on the Lubachów Reservoir, i.e. the decisions on the water discharges (the discharges carried out in the period under audit took place after the approval from the Local Crisis Management Center (PCZK) in Świdnica had been obtained) was carried out correctly in accordance with the Water Management Manual.

**Thank you for your
attention**



TAURON



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Additional information





Financial results

Key Q3 2024 data

Higher profitability at the EBITDA level year-on-year



* revenue from sales and compensation payments

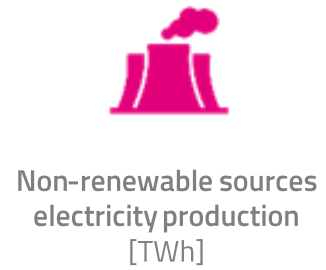
Operating data



12.5
+2% vs Q3 2023



0.3
+8% vs Q3 2023



2.3
-5% vs Q3 2023



0.6
+8% vs Q3 2023



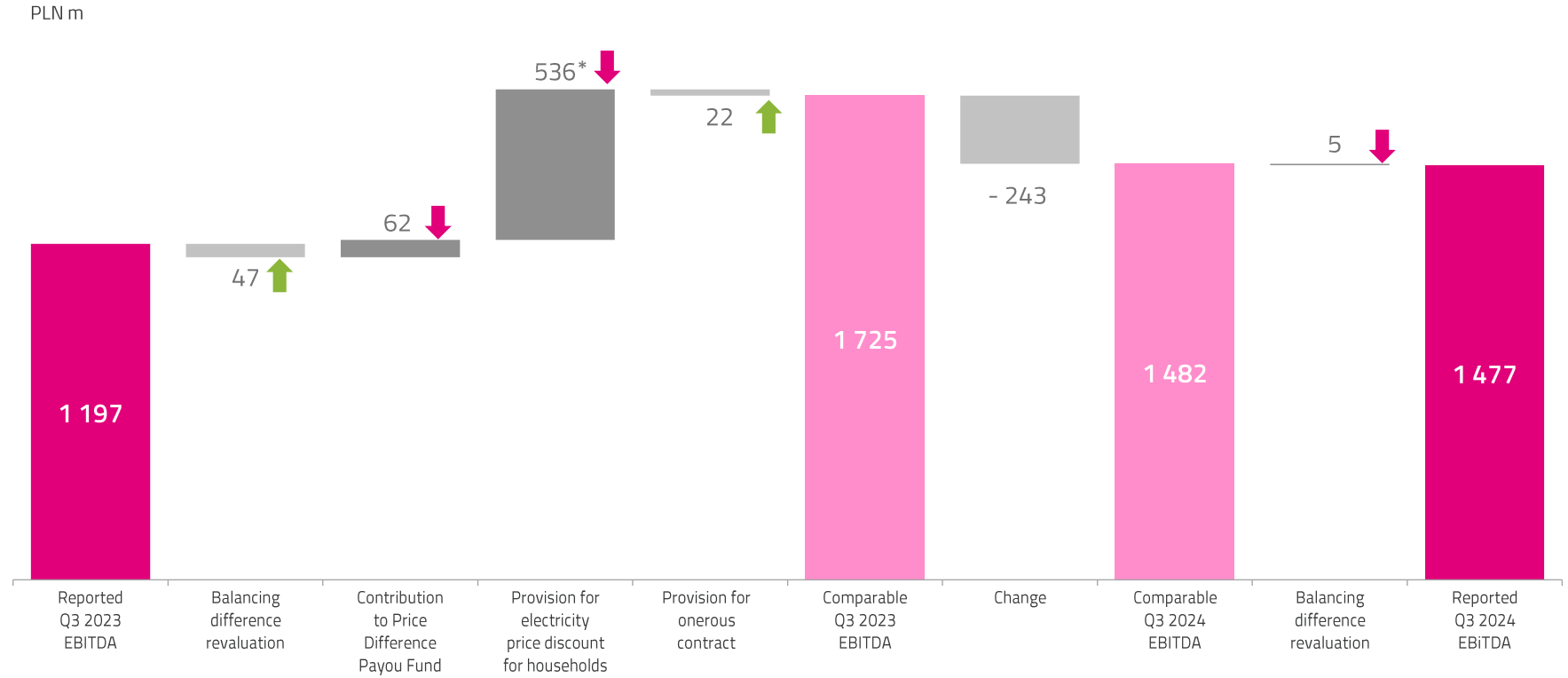
6.1
-13% vs Q3 2023



Comparable EBITDA

Comparable Q3 2024 EBITDA

Adjusted EBITDA lower year on year



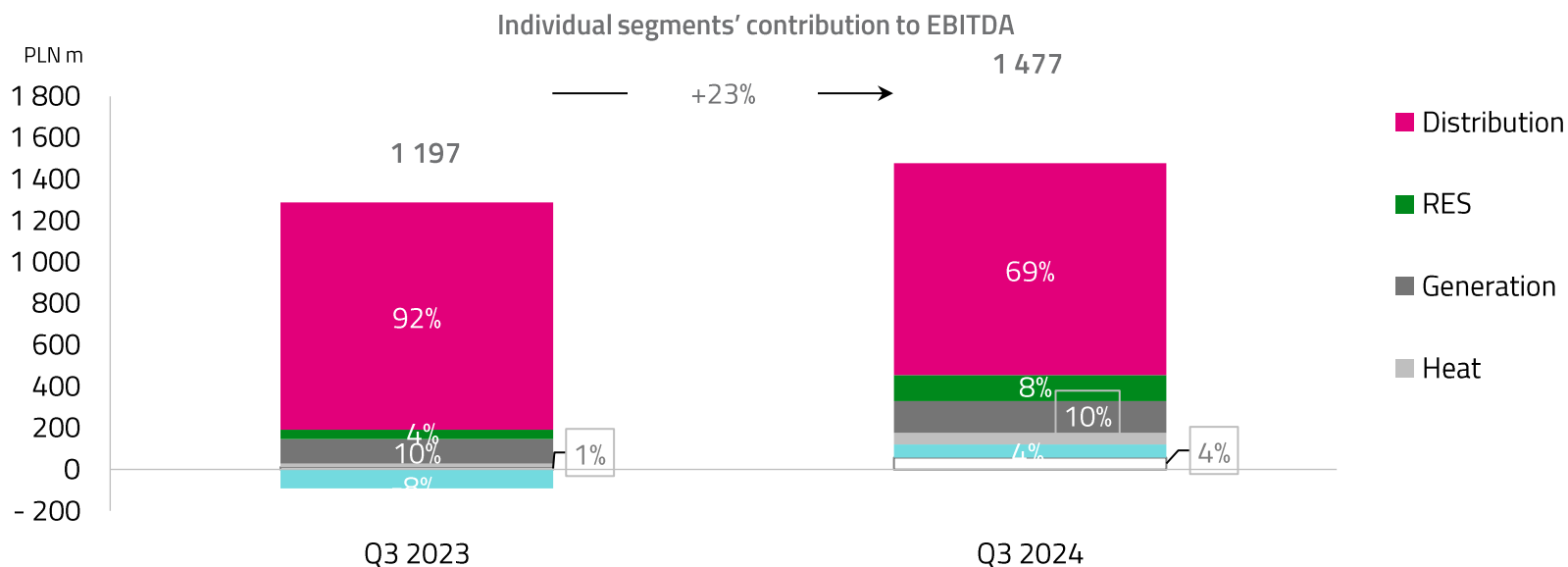
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Individual Segments' Q3 2024 results

Decline of the contribution of the Distribution Segment's EBITDA to the total EBITDA of TAURON Group mainly as a result of a change in the revaluation of the balancing difference, as a consequence of the lower electricity prices year-on-year

[PLN m]	Distribution	RES	Generation	Heat	Supply	Other Operations and exclusions**
Revenue*	2 875	176	1 870	253	8 796	-5 844
EBITDA	1 022	125	153	57	63	57
EBIT	665	77	120	31	48	5
CAPEX	764	909	30	39	16	32

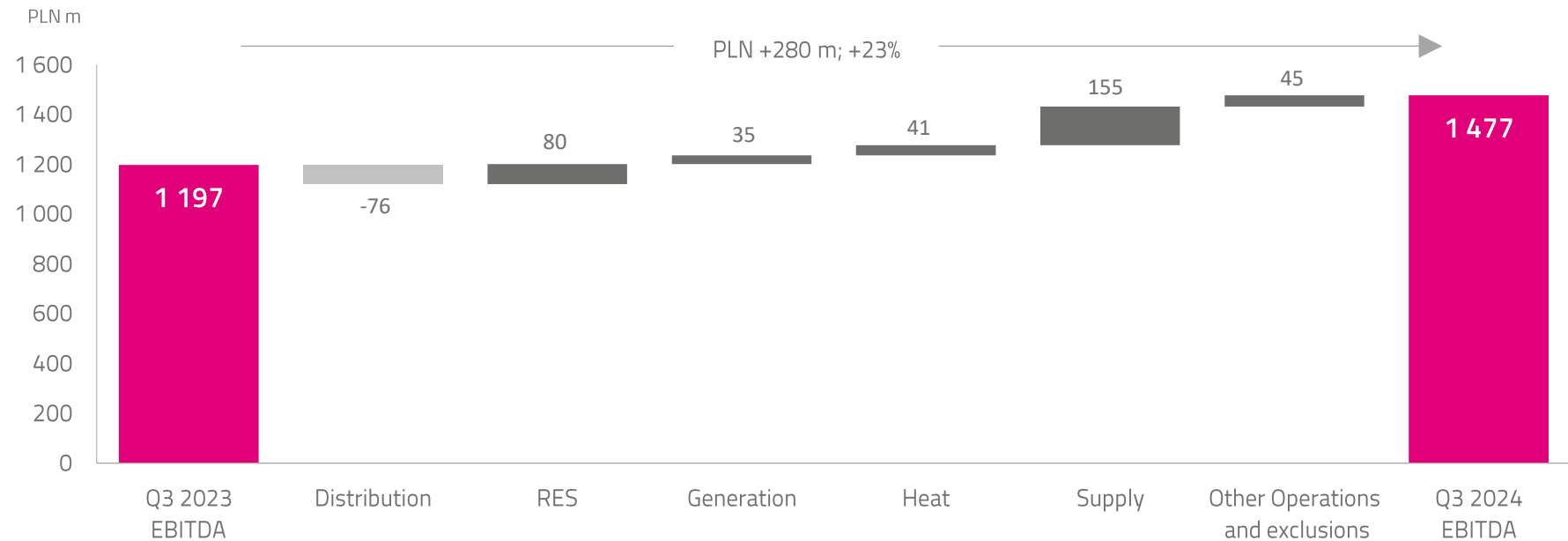


* revenue from sales and compensation payments

** items not included in the segments presented



Individual Segments' Q3 2024 EBITDA



- 80** lower margin on the distribution service
- 52** negative impact of the revaluation of the grid loss costs
- +43** positive impact of the settlement of the regulatory account



- +38** higher margin on electricity as a result of the new legal solutions with respect to the balancing capacities
- +11** margin on heat as a result of the tariff update year on year,



- +536** no provision for the reduction of the electricity bills for households in 2024
- 275** reduction of the G tariff in Q3 2024



- +66** increase of electricity sales prices as a result of a lack of the statutory regulation thereof in 2 2024,
- +29** increase of the electricity sales volume as a result of new capacity
- 2** decline of property rights market sales prices

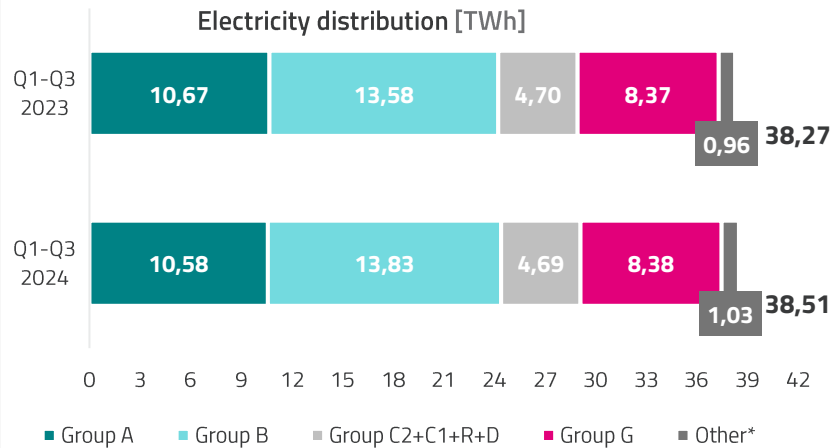
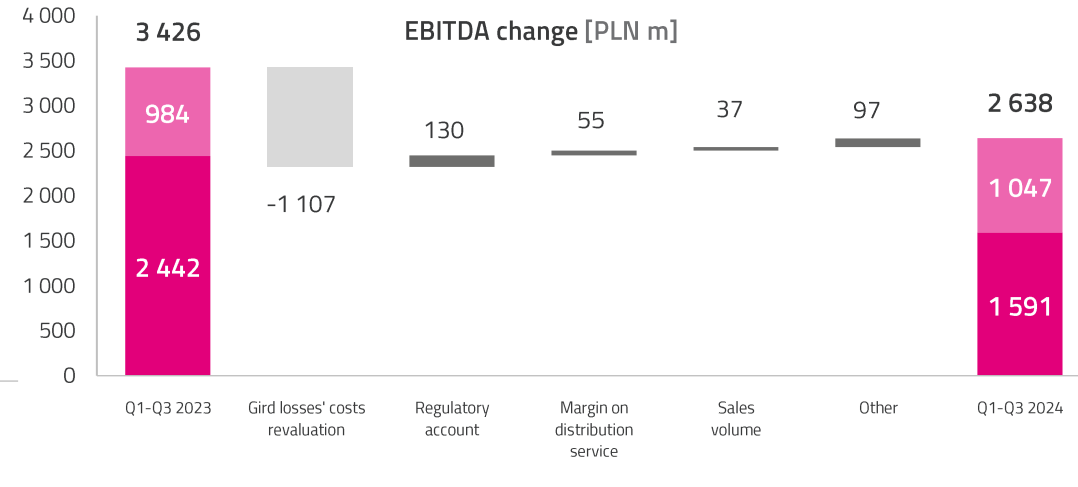
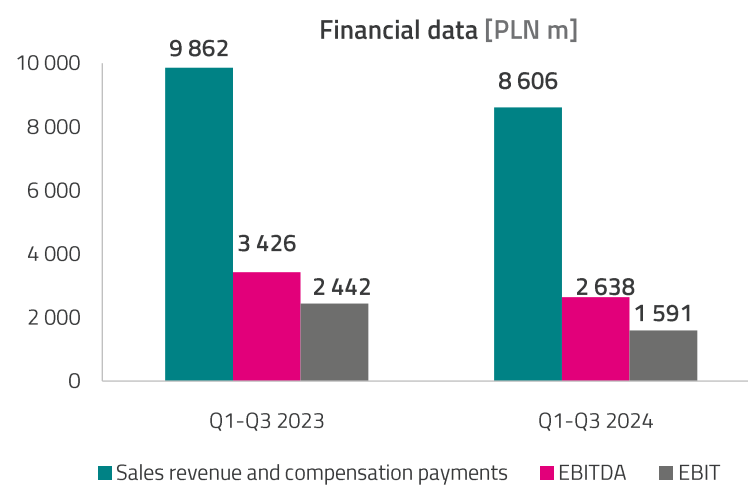


- +38**: higher TAMEH result
- +11**: higher margin on heat as a result of the tariff update year on year



Distribution Segment Q1-Q3 2024

Decline of the Distribution Segment's EBITDA as a result of a change in the revaluation of the balancing difference, as a consequence of the lower electricity prices year-on-year



* Neighboring DSO and exports

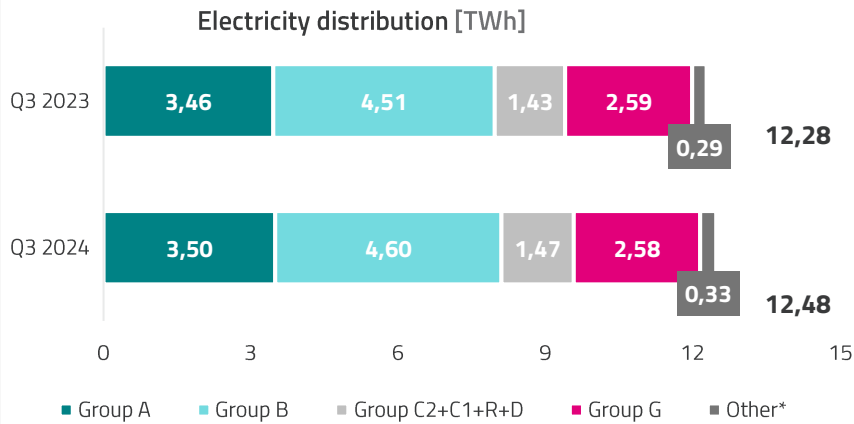
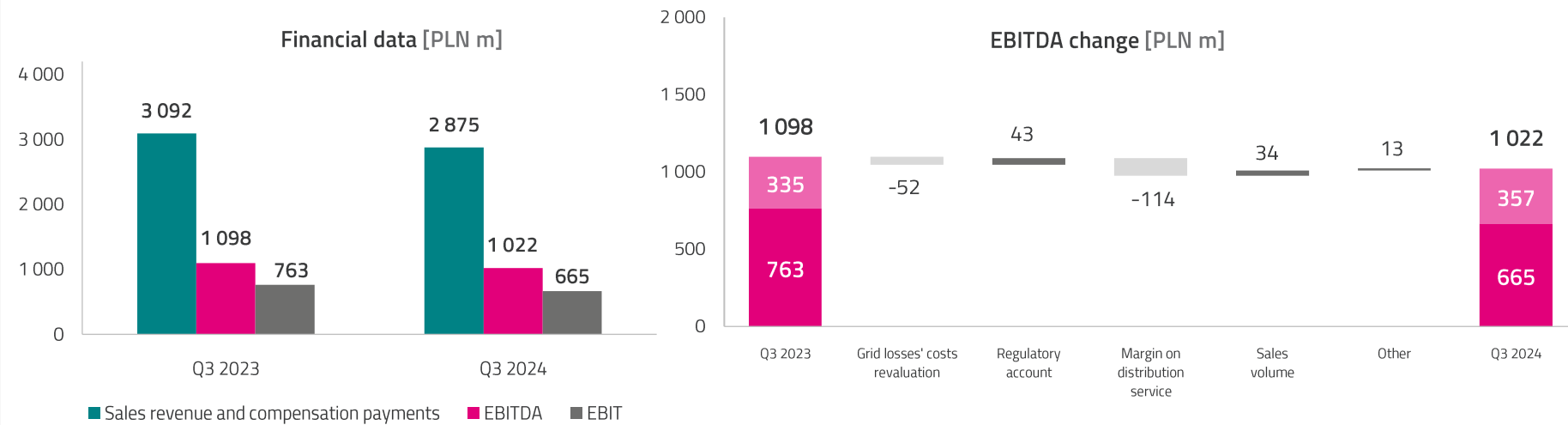
■ EBIT ■ Depreciation and impairment charges

- Negative impact of the balancing difference cost revaluation -
- Positive impact of the regulatory account ✓
- Higher margin on the distribution service ✓



Distribution Segment Q3 2024

Decline of the Distribution Segment's EBITDA as a result of the lower value of the balancing difference surplus, as a consequence of the decline of the electricity prices year-on-year



* Neighboring DSO and exports

■ EBIT ■ Depreciation and impairment charges

■ Negative impact of the decline of the electricity prices on the settlement of the balancing difference

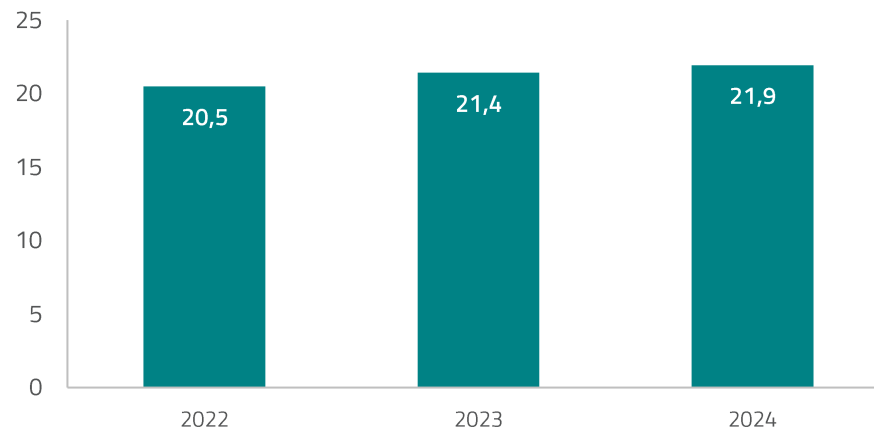
■ Positive impact of the regulatory account



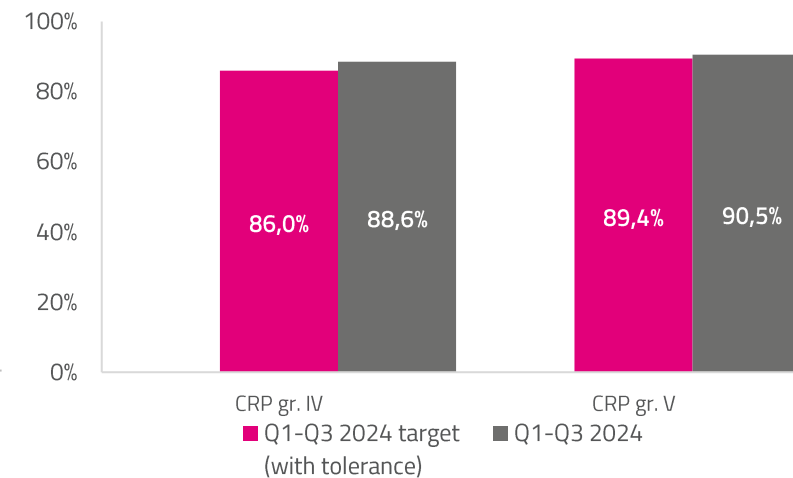


Distribution Segment key parameters

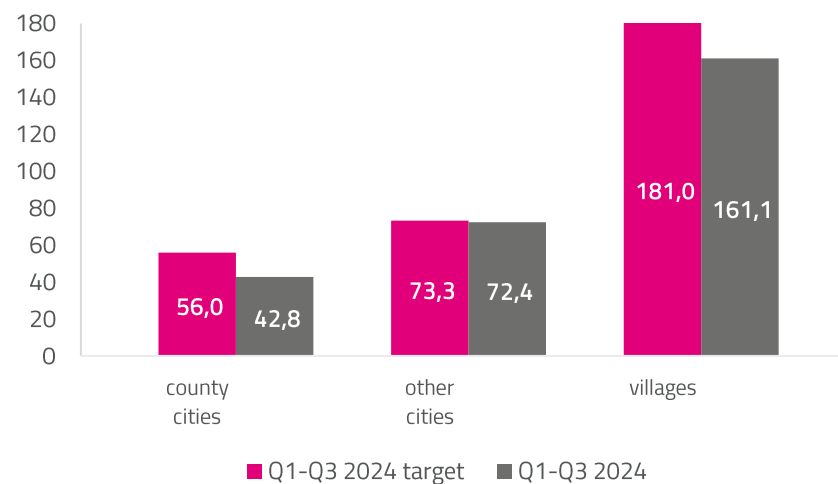
Regulatory Asset Base [PLN billion]



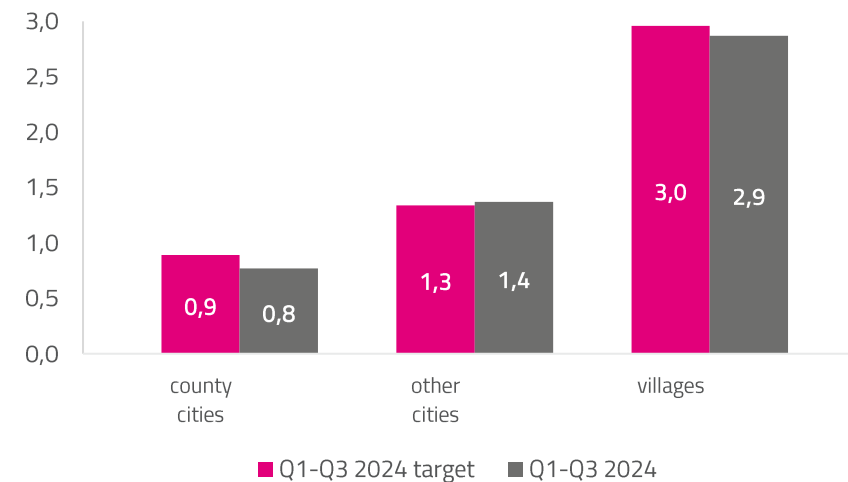
New Grid Connection Installation Time [%]



Interruption Duration [min/consumer]



Frequency of Interruptions [number of interruptions/consumer]

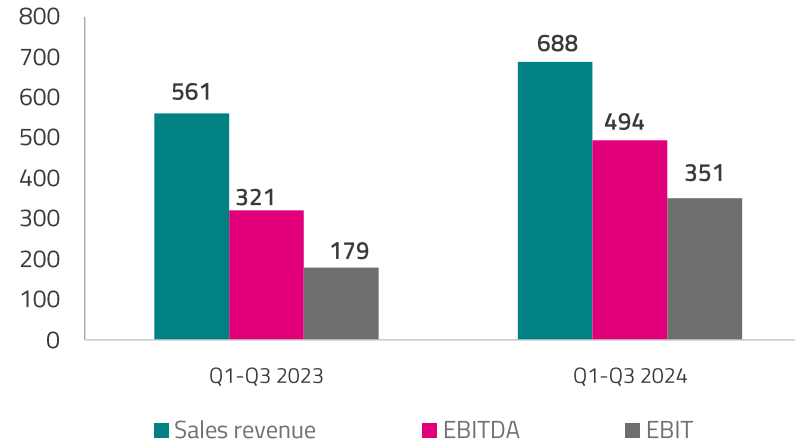




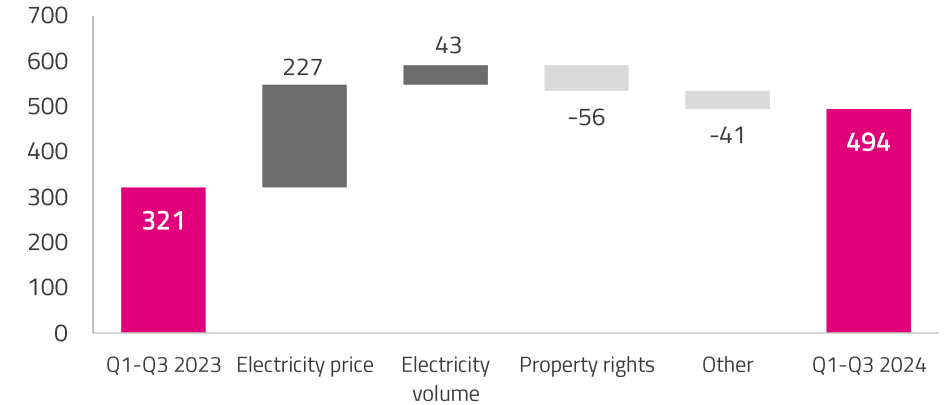
RES Segment Q1-Q3 2024

Higher margin earned on electricity sales as a consequence of a lack of an obligation to make payments to the Price Difference Payout Fund

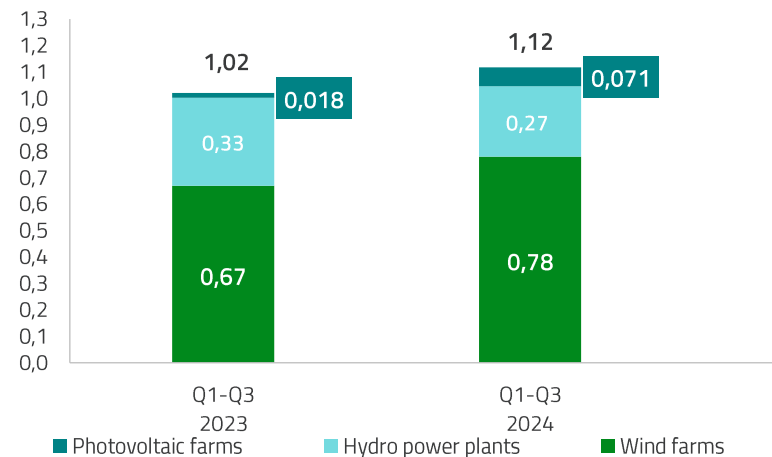
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



▪ Effect of lifting electricity price freeze



▪ Higher production volume by wind farms and photovoltaic farms



▪ Decrease of the property rights prices



▪ Lower production volume by hydro power plants

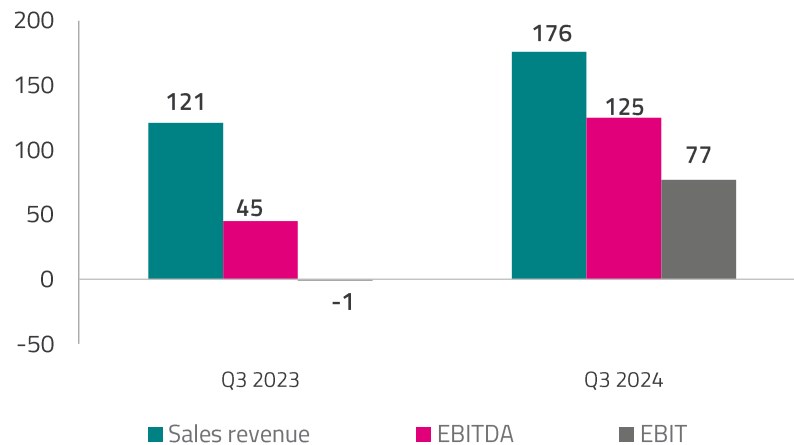




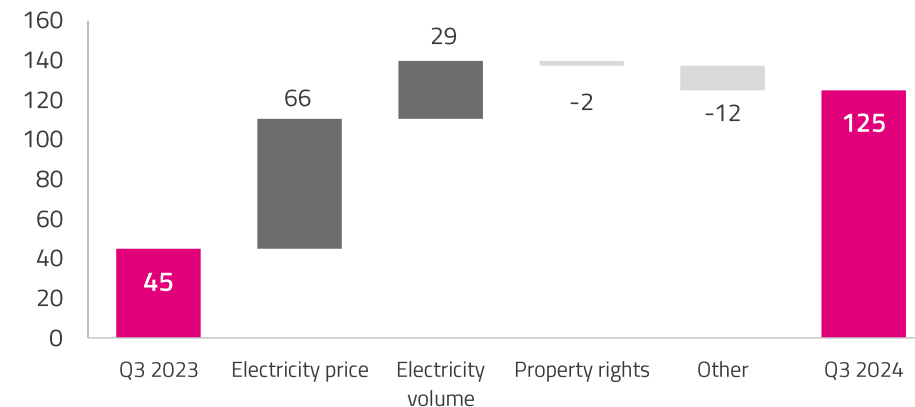
RES Segment Q3 2024

Higher margin earned on electricity sales as a consequence of a lack of an obligation to make payments to the Price Difference Payout Fund

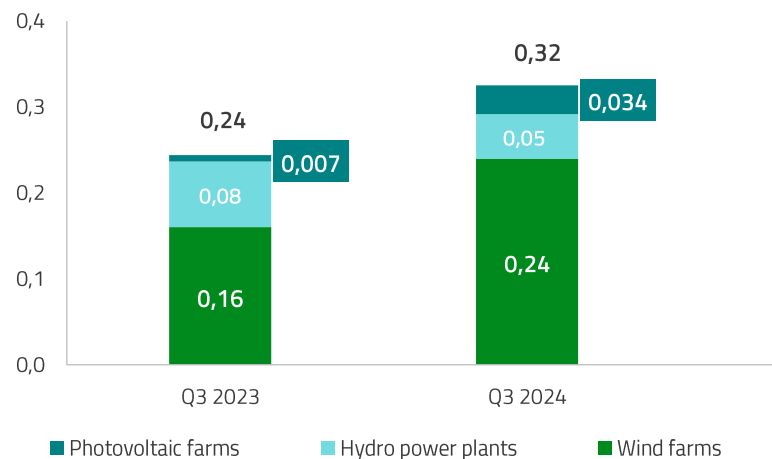
Financial data [PLN m]



EBITDA change [PLN m]



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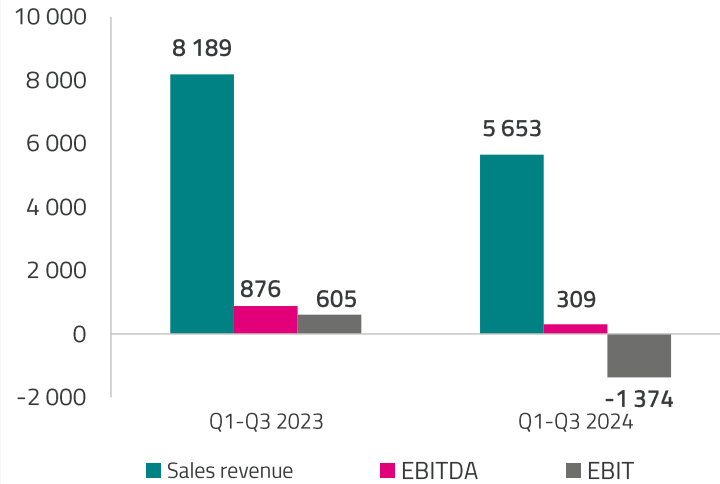


Generation Segment Q1-Q3 2024

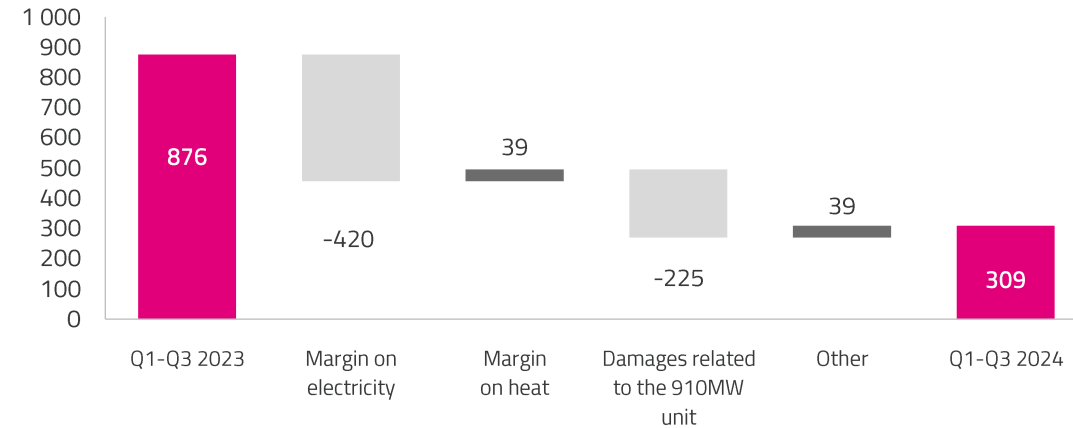
Lower Clean Dark Spread margin earned

Lower electricity production by the coal-fired units

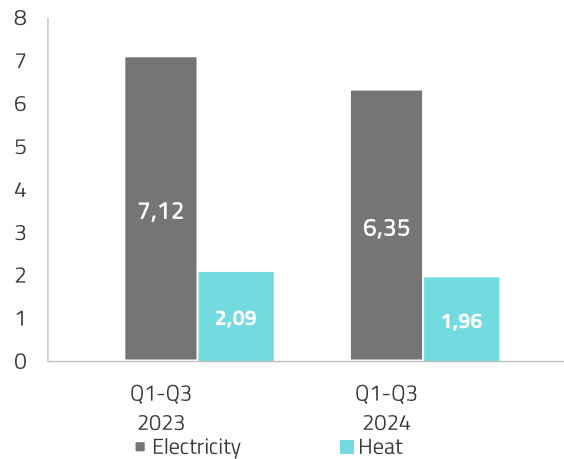
Financial data [PLN m]



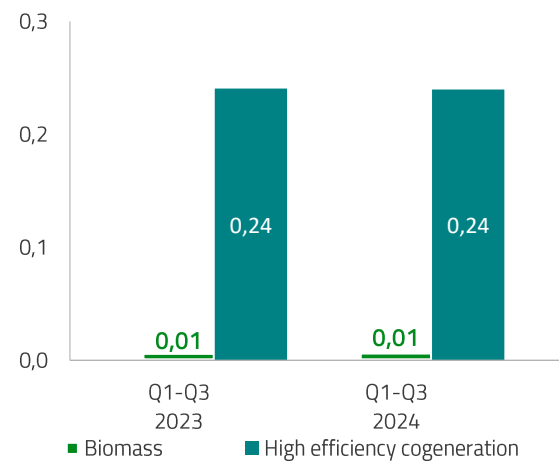
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



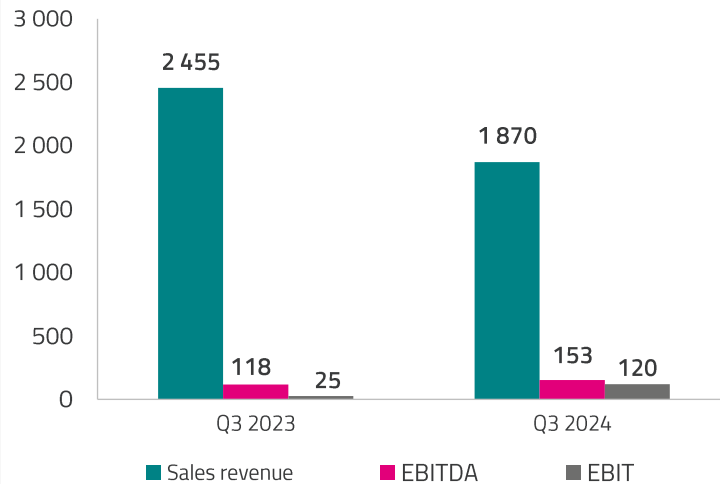
- Lower margin on electricity -
- Lower demand for electricity generated by the coal-fired units -
- Higher revenue from Balancing Capacities ✓
- Higher margin on heat sales ✓



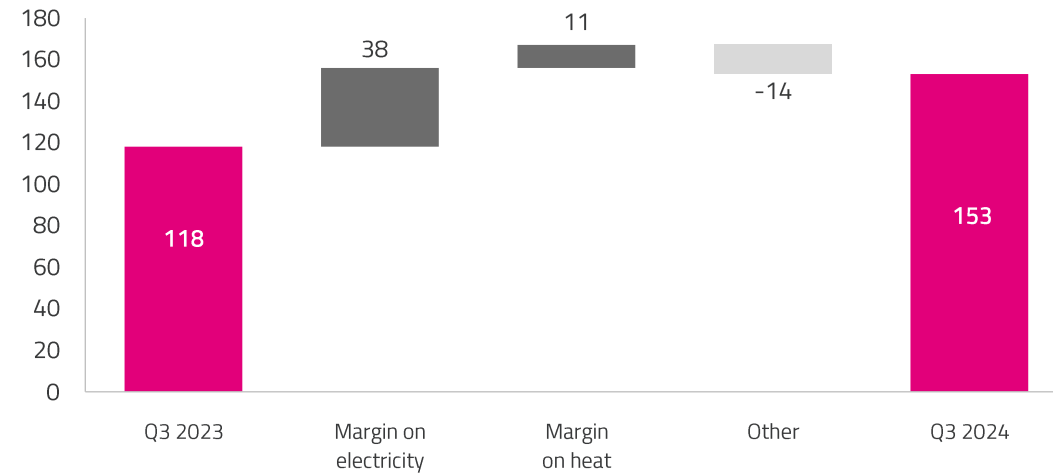
Generation Segment Q3 2024

Higher revenue from Balancing Capacities

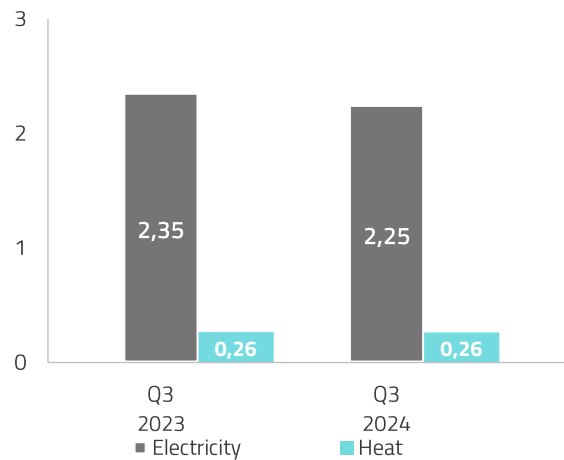
Financial data [PLN m]



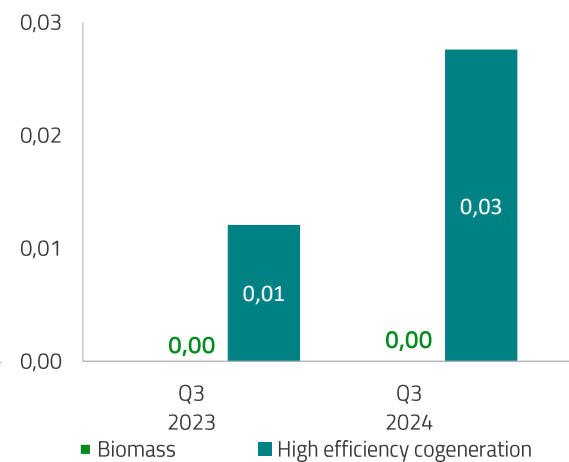
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



Higher revenue from Balancing Capacities



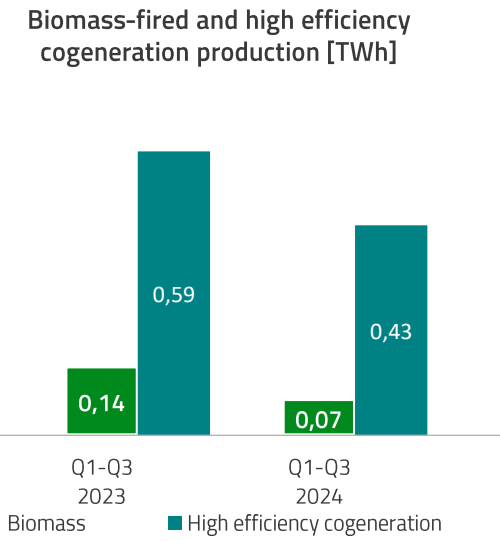
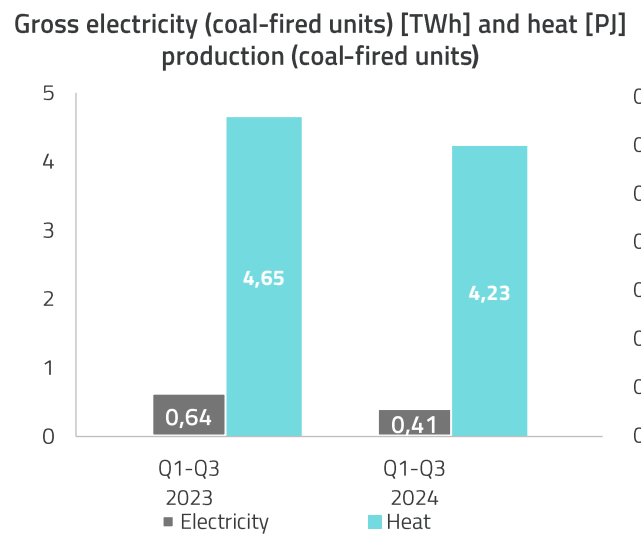
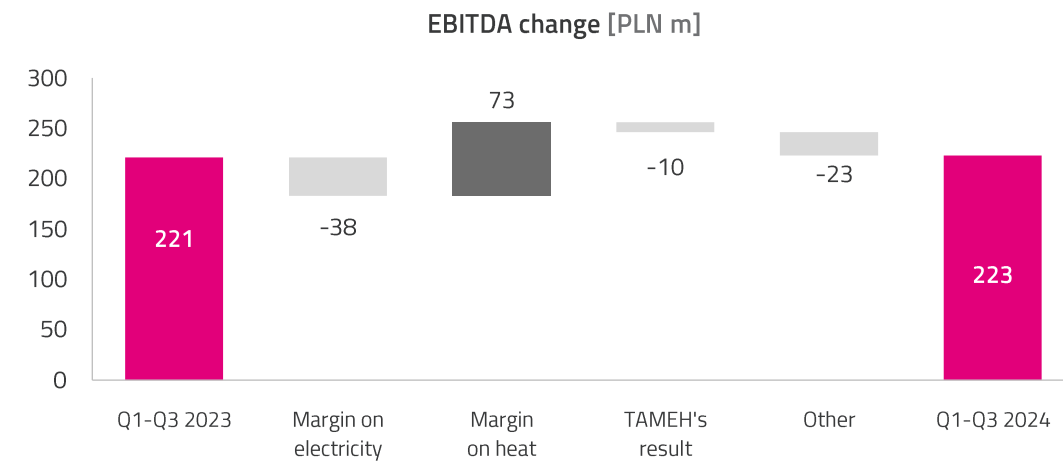
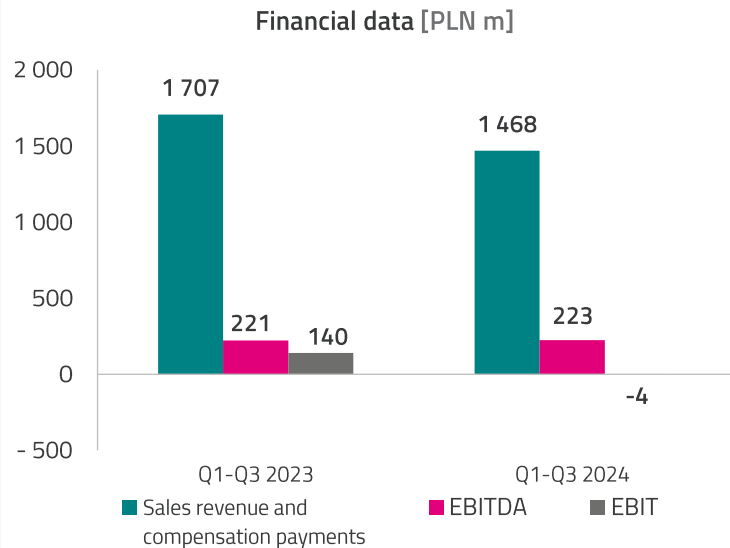
Lower volume of electricity sold





Heat Segment Q1-Q3 2024

Lower electricity production by the coal-fired units



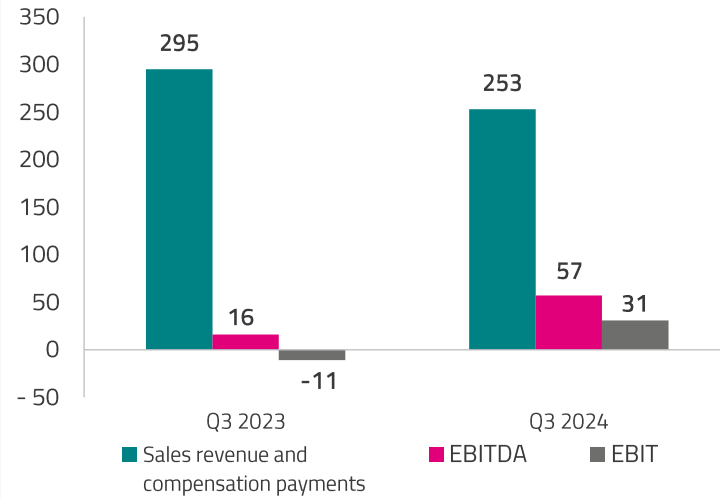
- Higher margin on heat ✓
- Lower margin on electricity -
- TAMEH's lower result -



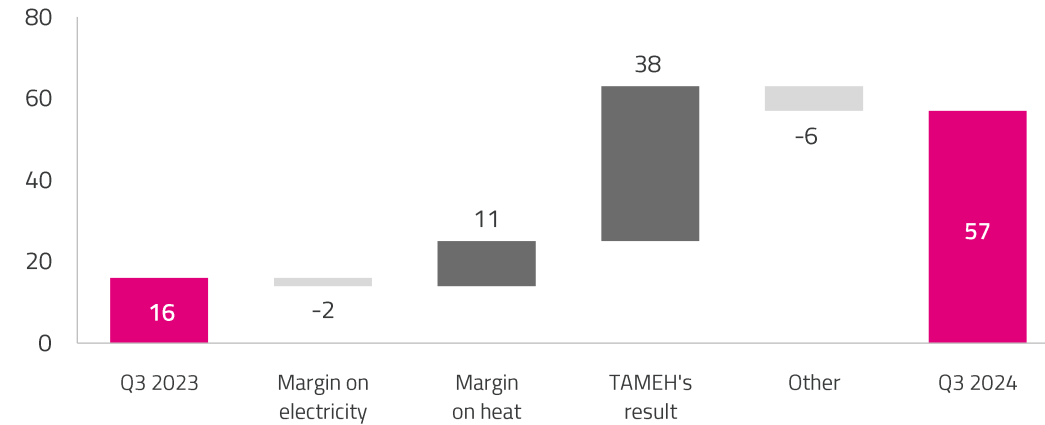
Heat Segment Q3 2024

Update of
TAMEH's valuation

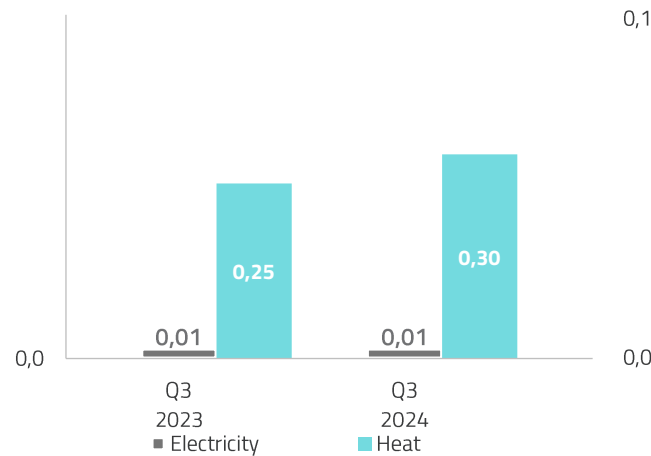
Financial data [PLN m]



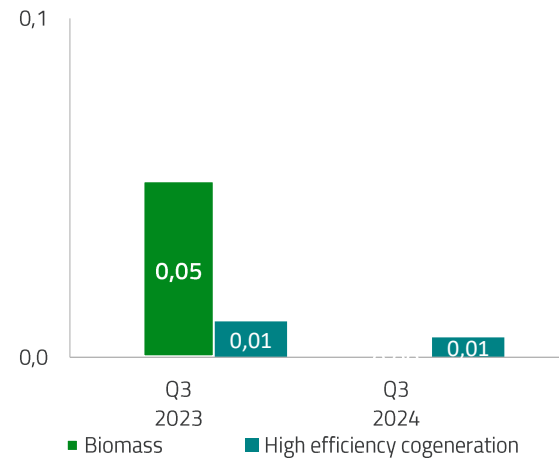
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



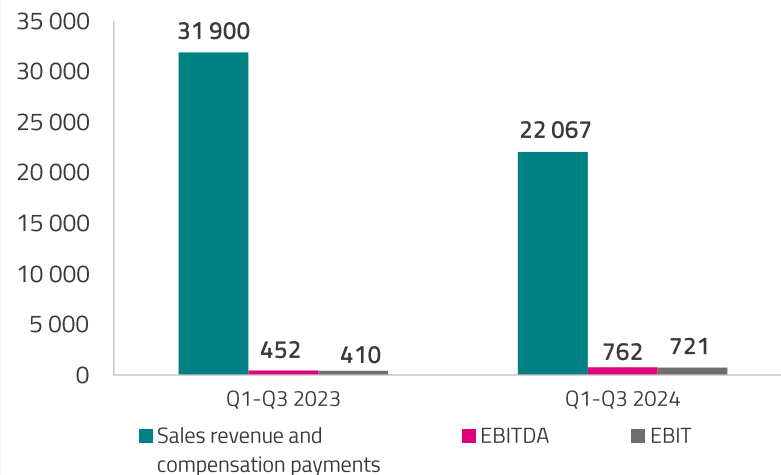
- TAMEH's higher result ✓
- Higher margin on heat ✓
- Lower margin on electricity -



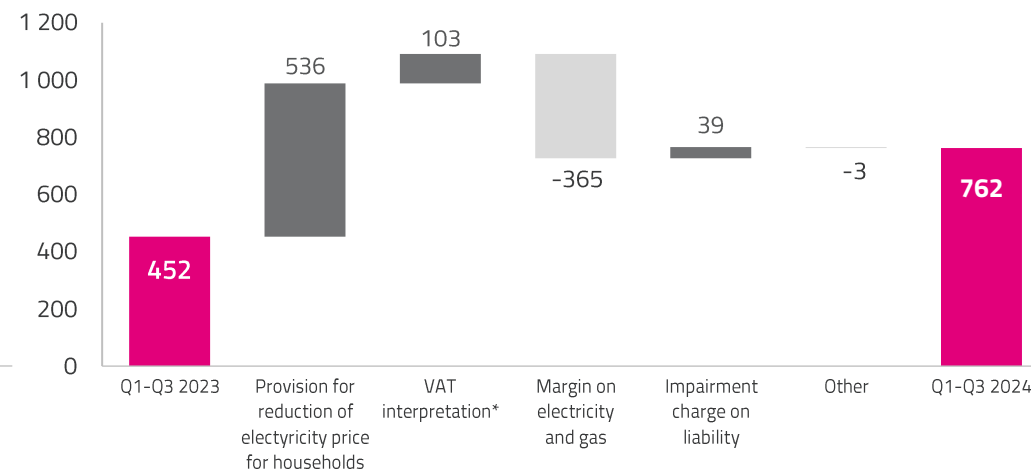
Supply Segment Q1-Q3 2024

Margin on electricity sales impacted by a decline in electricity supply volume in the business customer segment and the lower margins, while there was no contribution to the Price Difference Payout Fund

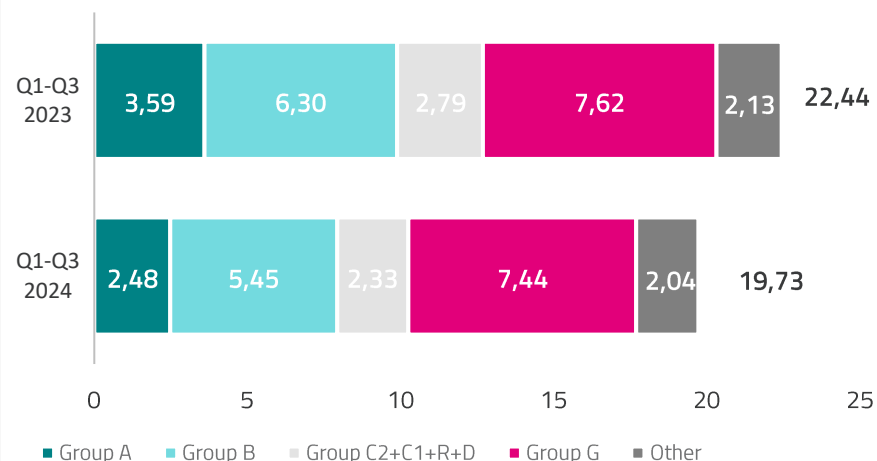
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ Interpretation of the tax authorities with respect to VAT*



▪ Costs fully covered by the G tariff for H1 2024



▪ Reduction of G tariff not providing cost coverage in H2 2024 while providing cost coverage for 18 months



▪ Decline of the supply volume in the business segment, and the freezing of the prices for JST and PUP



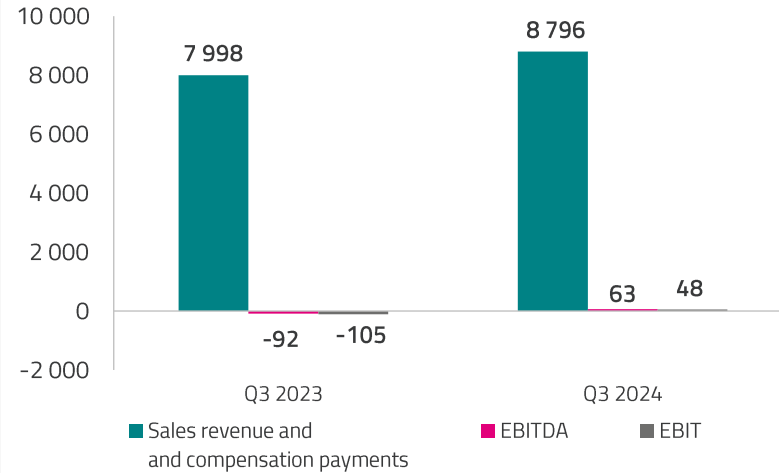
* Balance of the provision, set up as of 30.09.2023, due to the introduction of the mechanism enabling a reduction of the amount of households' accounts payable towards the electricity trading companies by the amount of PLN 125.34, and the partial release thereof resulting from the receipt of the individual interpretations of the tax law regulations by TAURON Group's trading subsidiaries. According to the interpretation obtained, the above-mentioned amount is a gross amount, so it includes the VAT, which translates into the right to reduce the VAT due and, as a consequence, leads to a reduction of the Group's costs in 2024.



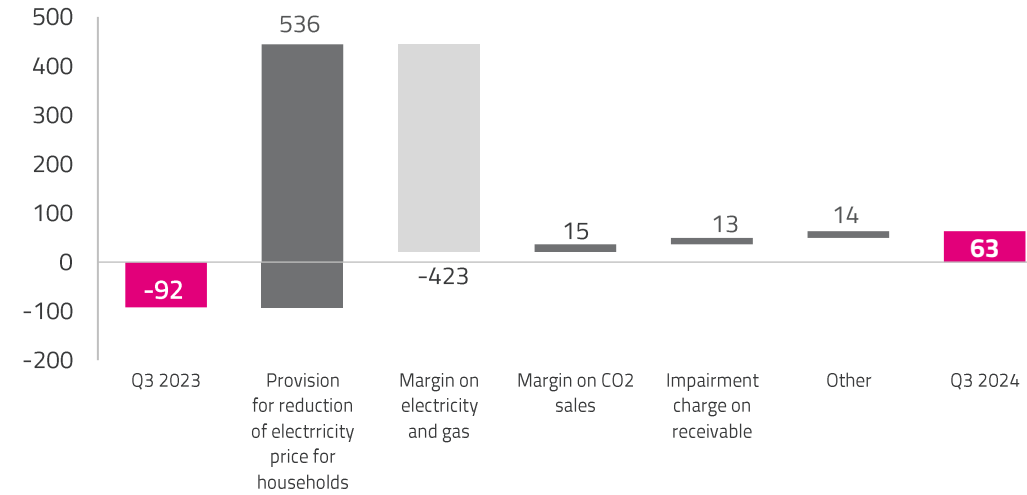
Supply Segment Q3 2024

EBITDA impacted by the lower margin in the business segment and the supply volume decline

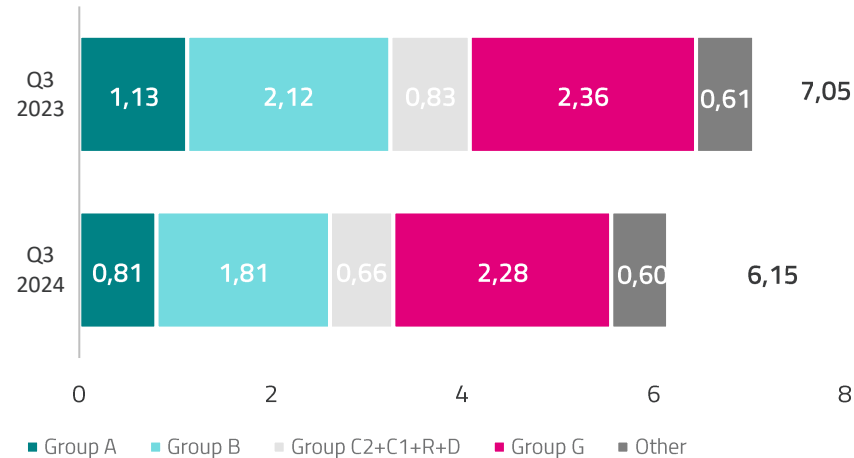
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



Lower margin on the electricity supply in the business segment

Decline of the supply volume in the business segment

No provision for a reduction of electricity price for households (PLN 125) in Q3 2024

