

TAURON Group's Q1 2024 Financial Results

May 23, 2024



Presentation Agenda



Grzegorz Lot
President of
the Management Board

- Key financial and operating data



Piotr Gołębiowski
Vice President of
the Management Board
for Trade

- 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



Krzysztof Surma
Vice President of
the Management Board
for Finance

- Financial results
- Debt and financing



Financial results

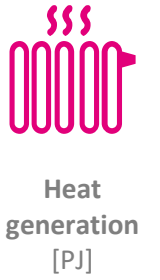
Key Q1 2024 data

Higher profitability at the EBITDA level year-on-year and a significant improvement of the net debt/EBITDA ratio



* revenue from sales and compensation payment

Operating data

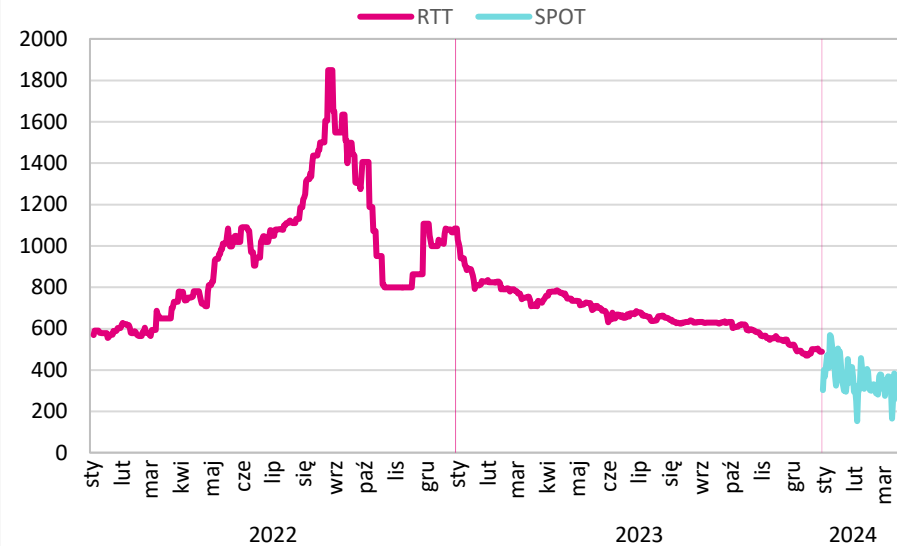




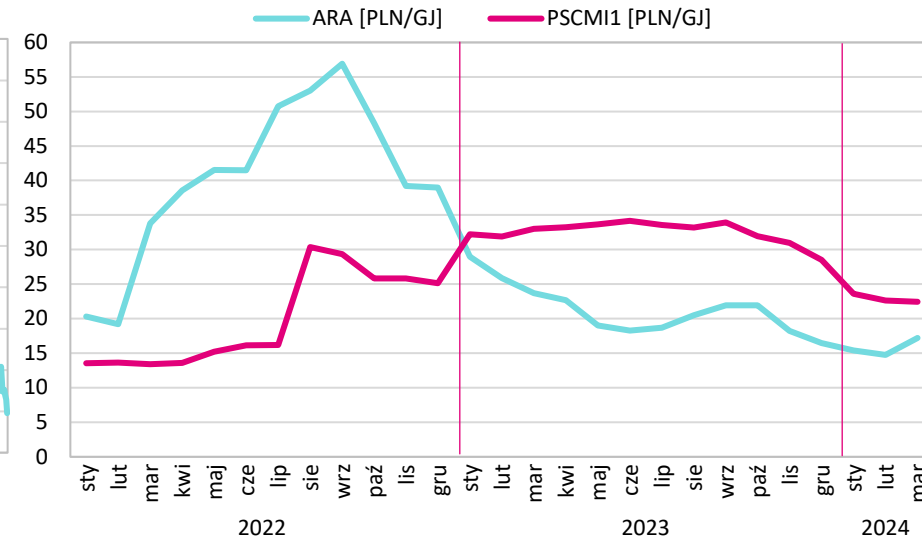
Situation on the energy and fuel market in Q1 2024

- The average price of electricity on the SPOT market in Q1 2024 (355.58 PLN/MWh) was **54.9% lower** compared to the average price of one year BASE_Y-24 contract in 2022-2023 (789.00 PLN/MWh)
- The average value of the PSCMI1 index in Q1 2024 (22.89 PLN/Mg) was **29.6% lower** than the average value in 2023 (32.52 PLN/Mg). The average price of coal at ARA ports for the continued one-year contract in Q1 2024 (15.78 PLN/GJ) **declined 26.1%** versus 2023 (21.34 PLN/GJ)
- The average price of CO₂ for the EUADEC-24 contract in Q1 2024 (61.67 EUR/Mg) was **27.7% lower** compared to the average price of the EUADEC-23 contract in 2023 (85.26 EUR/Mg)
- CDS on the SPOT market for 200 MW units had negative value in Q1 2024. Margins of coal-fired power plants on the SPOT market are under severe pressure, despite the declining cost of thermal coal and the CO₂ emission allowances

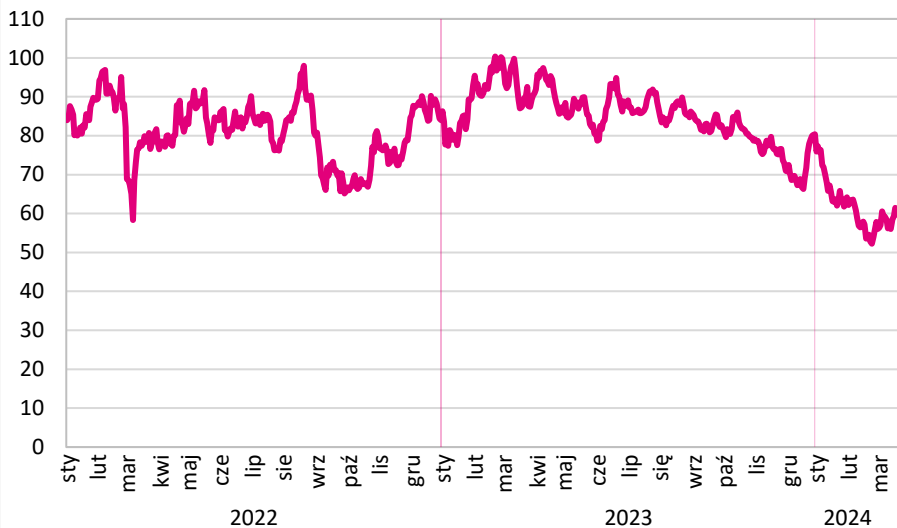
[PLN/MWh] Electricity BASE_Y-24 prices in 2022-2023 and SPOT prices in 2024



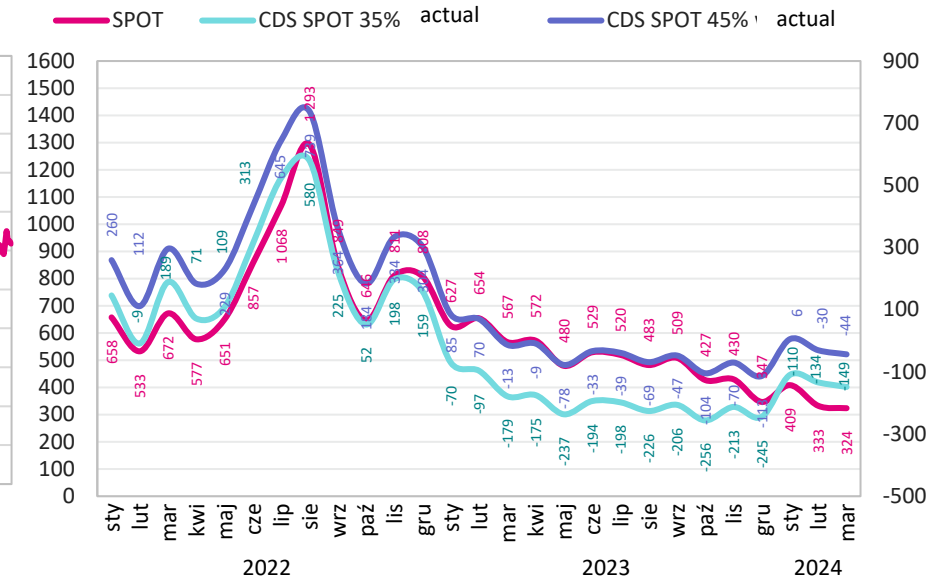
[PLN/GJ] Hard coal prices PSCMI1 vs. ARA CIF



[EUR/Mg] CO₂ EUA DEC emission allowances prices



[PLN/MWh] Electricity prices on the SPOT market and market based CDS



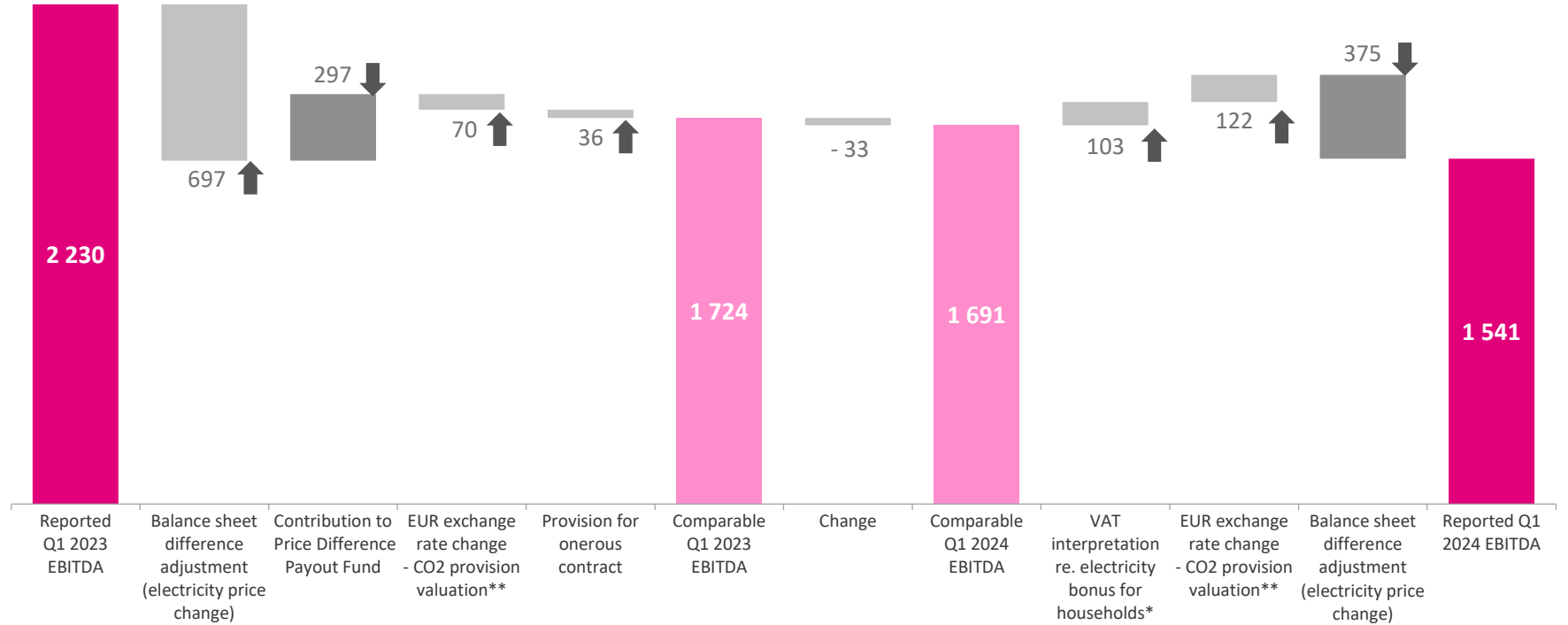


Comparable EBITDA

Comparable EBITDA

Adjusted EBITDA at a comparable level year-on-year

PLN m



* A partial reversal 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 interpretation of the tax law. 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 payable VAT and in consequence, reduce Group's costs in 2024.

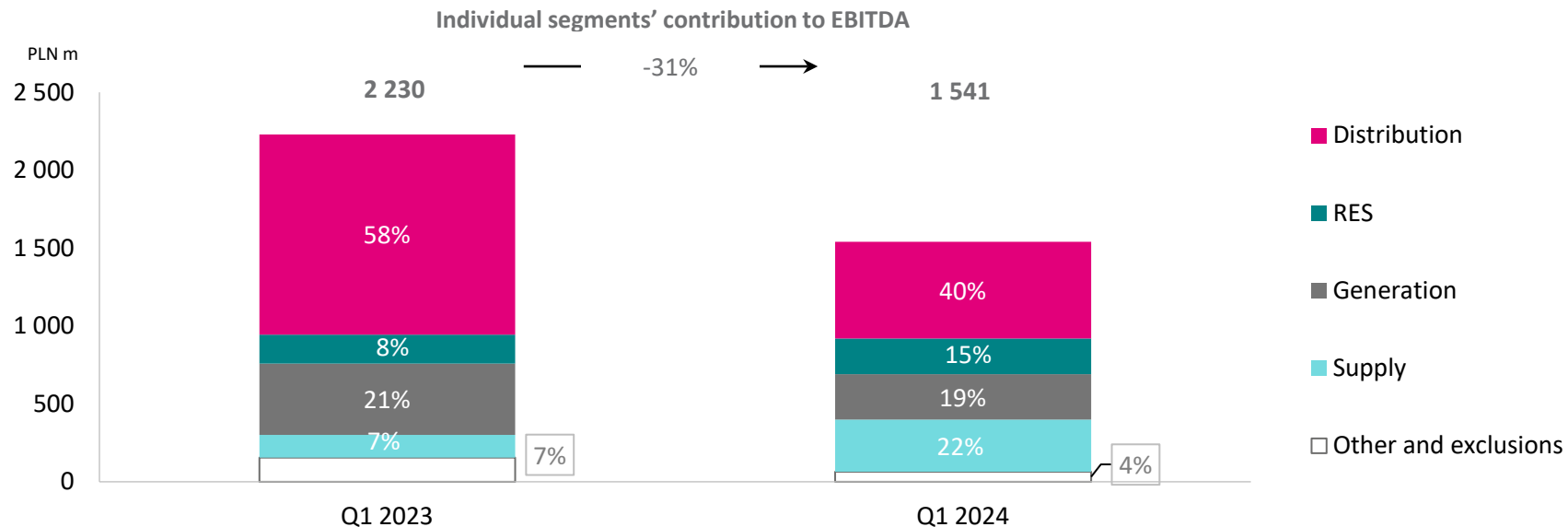
** A change in the EUR exchange rate for contracts for purchase of CO₂ emission allowances accounted for in the provision. In line with the exchange rate hedging policy applied by the Group, a purchase in EUR is hedged by currency futures contracts and a revaluation giving an opposite effect is recognized in the financial activities.



Individual segments' Q1 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	Supply	Other and exclusions**
Revenue*	2 720	292	2 907	7 351	-3 950
EBITDA	622	229	292	335	63
EBIT	280	182	197	322	7
CAPEX	657	99	46	13	32



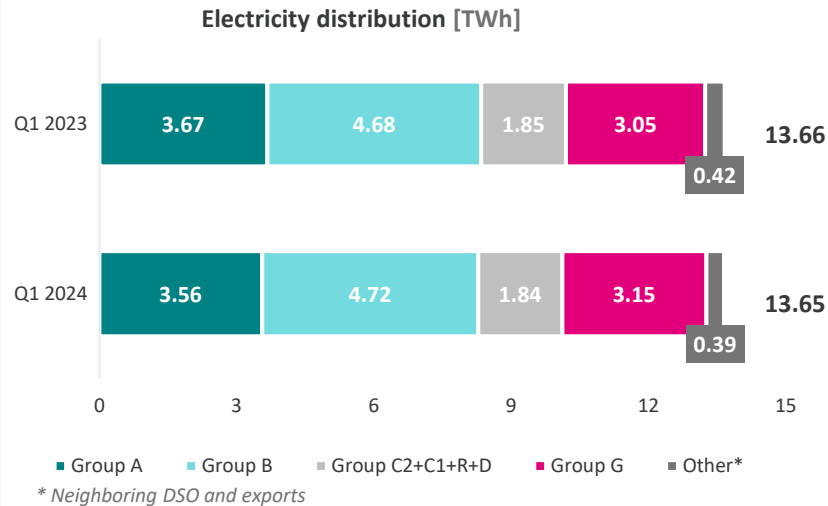
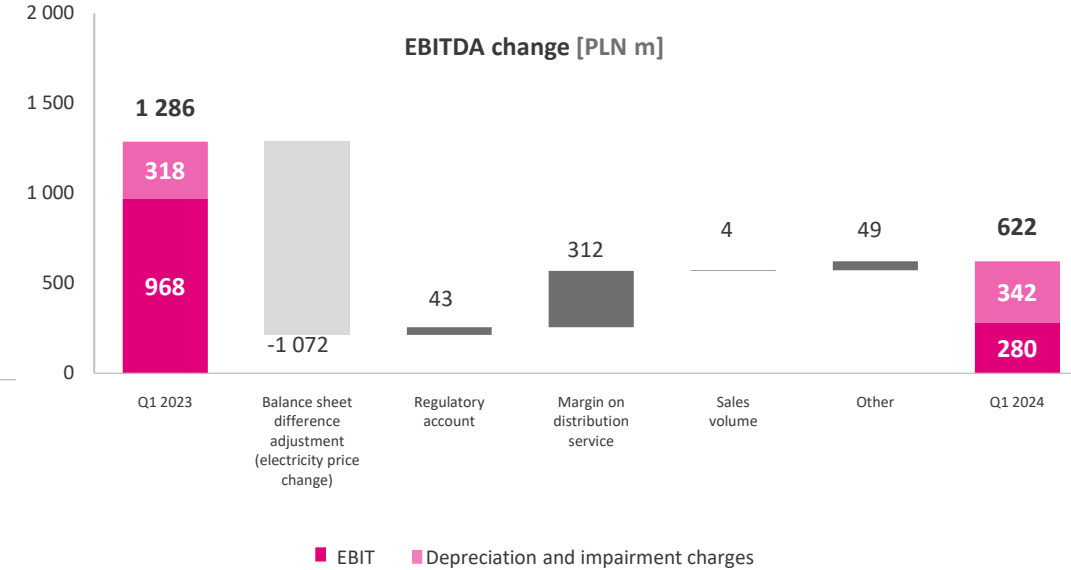
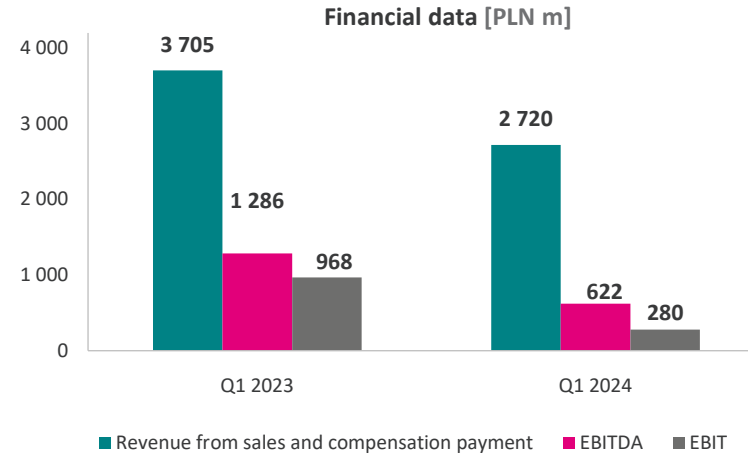
* revenue from sales and compensation

** items not included in the segments presented



Distribution Segment Q1 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



- Negative impact of the grid losses' costs revaluation -
- Higher margin on the distribution service ✓
- Positive impact of the regulatory account ✓

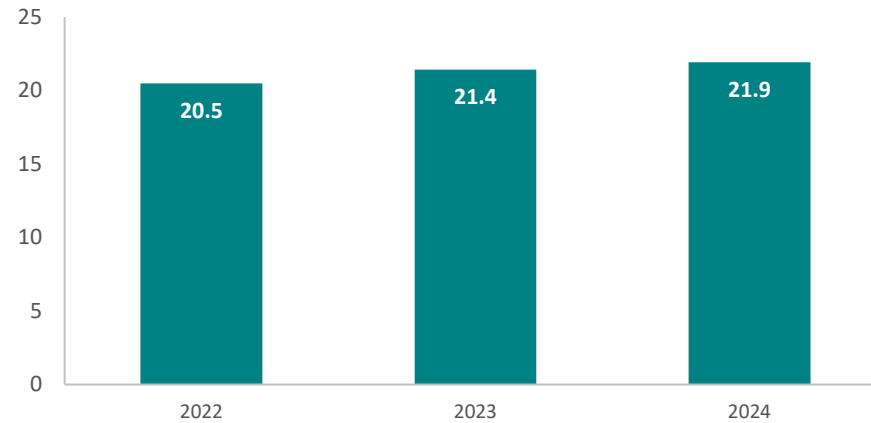


Distribution Segment key parameters

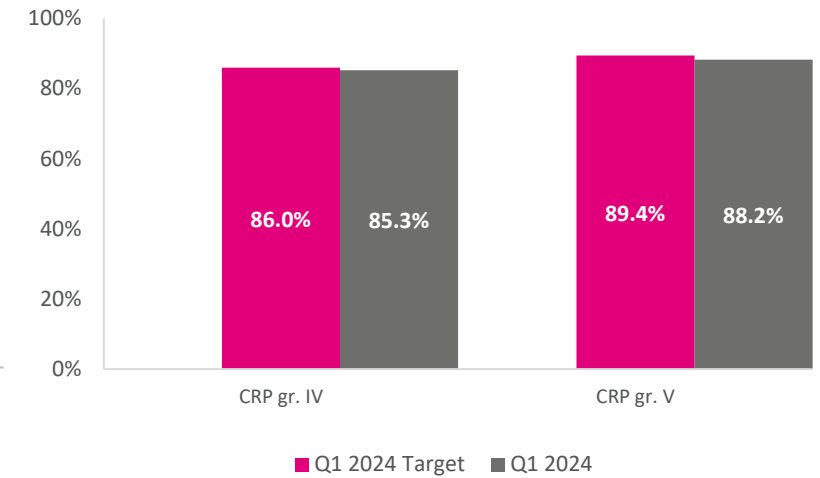
Meeting the target quality parameters, except for the New Grid Connection Installation Time in groups IV and V.

Steps aimed at improving the above mentioned indicator in subsequent quarters, resulting in the possibility of achieving the full year target, have been taken.

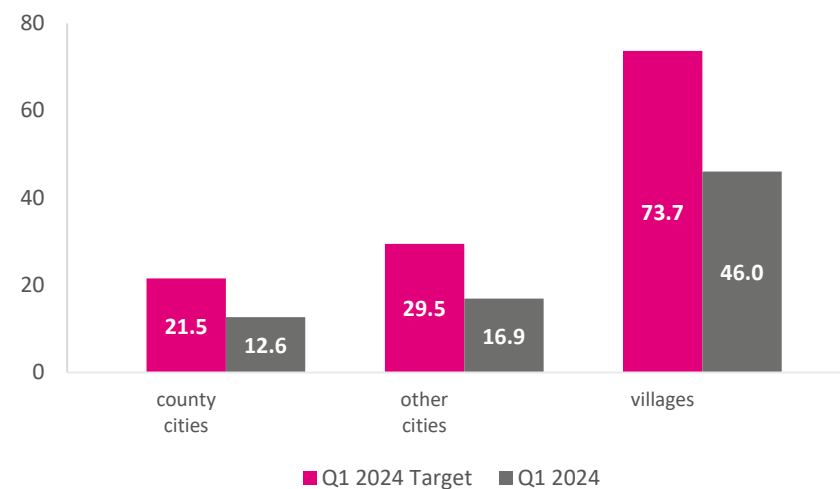
Regulatory Asset Base [PLN bn]



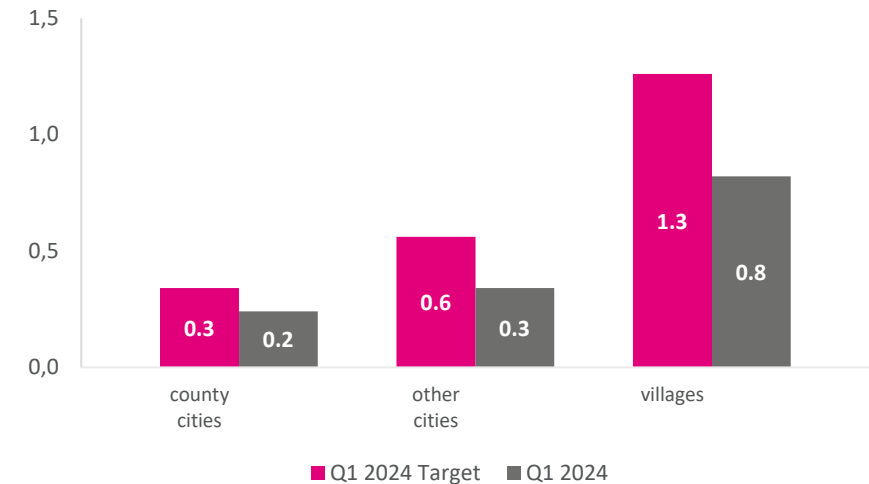
New Grid Connection Installation Time [%]



Interruption Duration [min/consumer]



Frequency of Interruptions [number of interruptions/consumer]

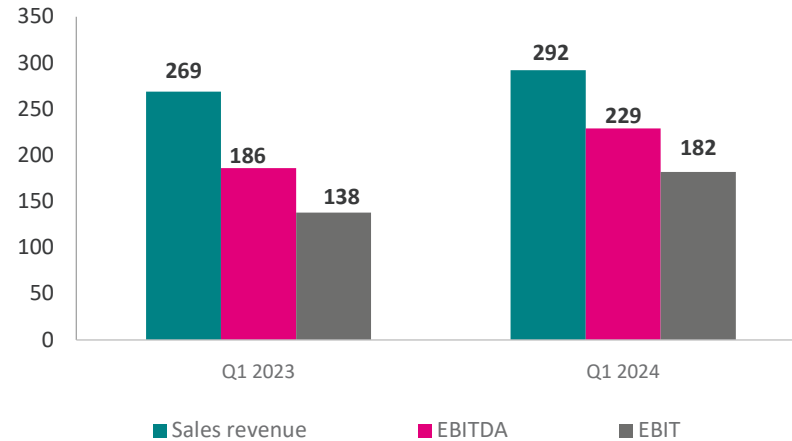




RES Segment Q1 2024

Higher margin earned on electricity sales as a consequence of favorable weather conditions and elimination of regulatory price caps on electricity generated by RES

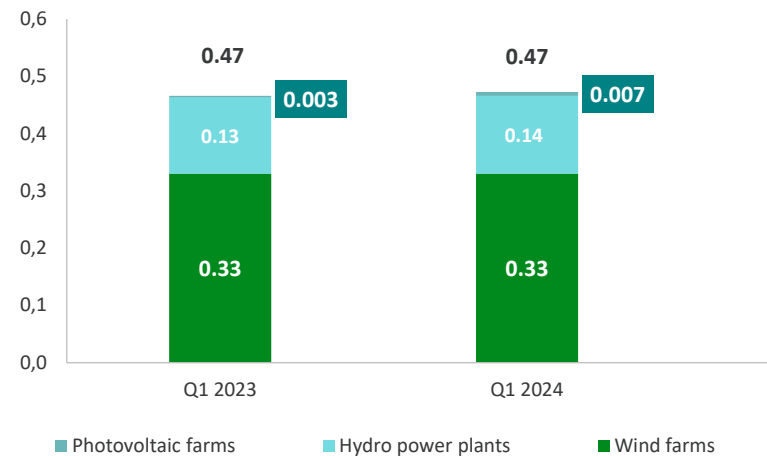
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



• Higher electricity sales price



• Stable electricity production level



• Decrease of the property rights prices



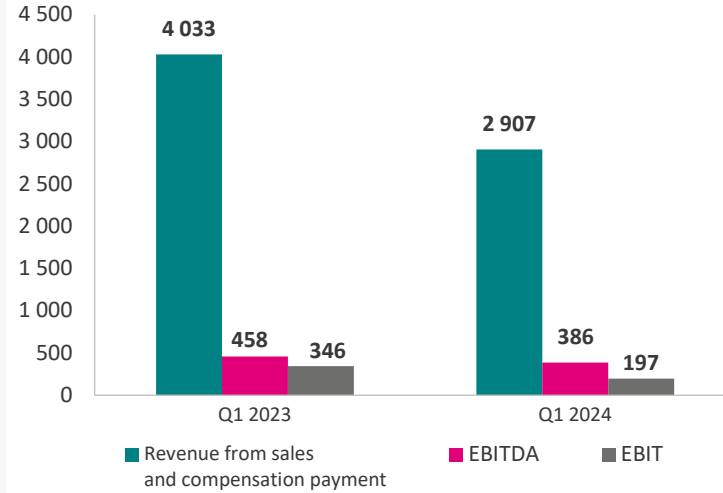


Generation Segment Q1 2024

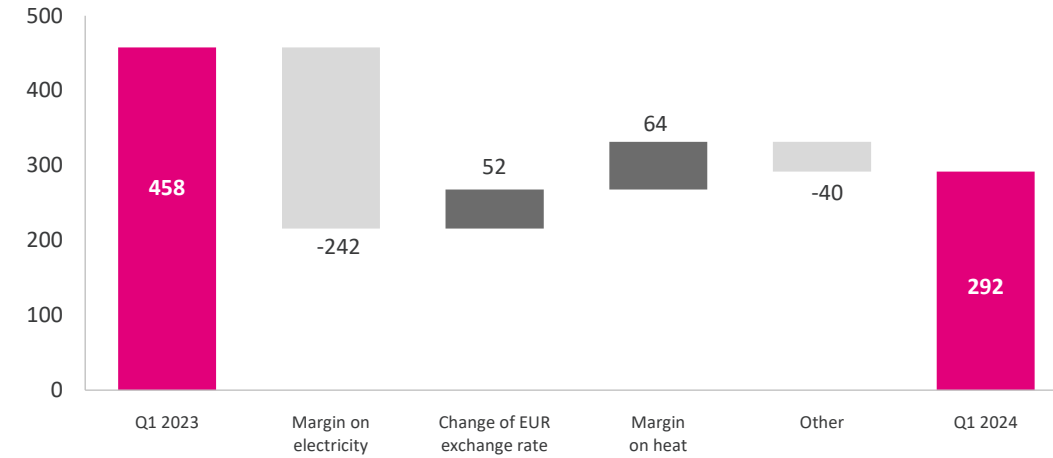
Lower Clean Dark Spread margin earned

Lower electricity production by the coal-fired units

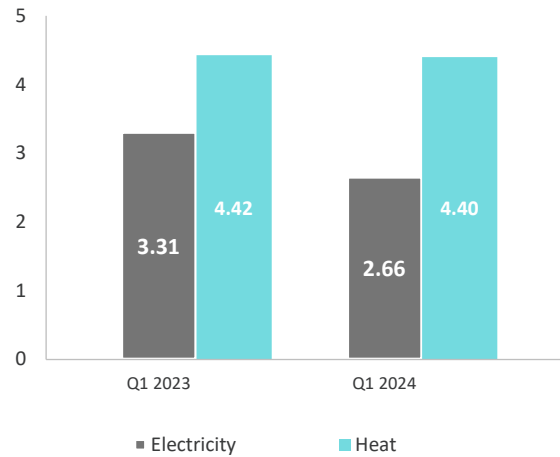
Financial data [PLN m]



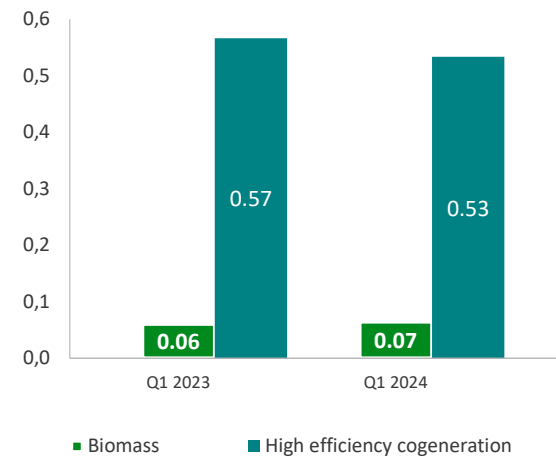
EBITDA change [PLN m]



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



Biomass-fired and high efficiency cogeneration production [TWh]



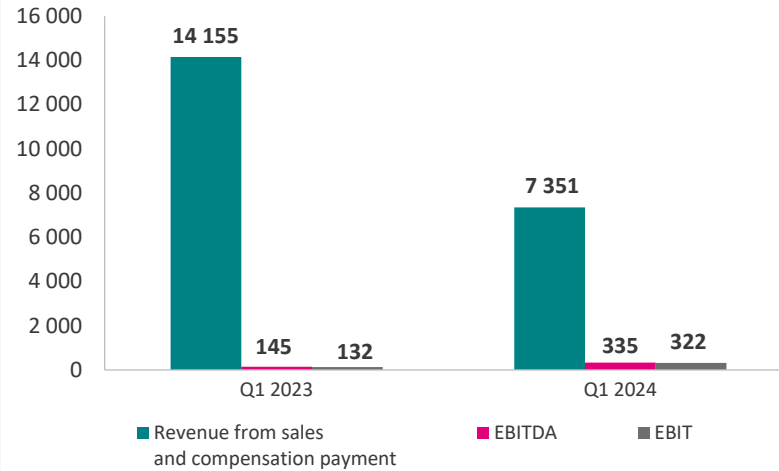
- Lower margin on electricity -
- Lower demand for electricity generated by coal-fired units -
- Higher margin in heat sales ✓



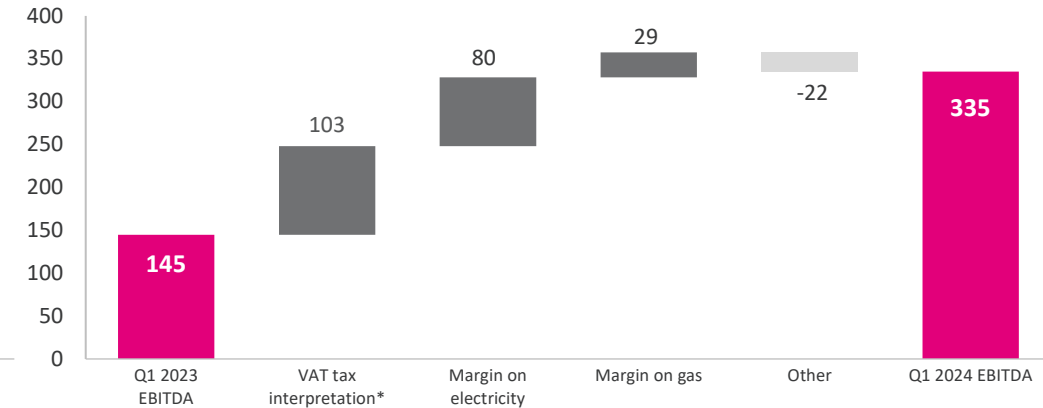
Supply Segment Q1 2024

Higher margin earned on electricity sales thanks to favorable hedging of electricity for 2024, full coverage of costs in G tariff, and reversal of provision in the amount of PLN 103 million

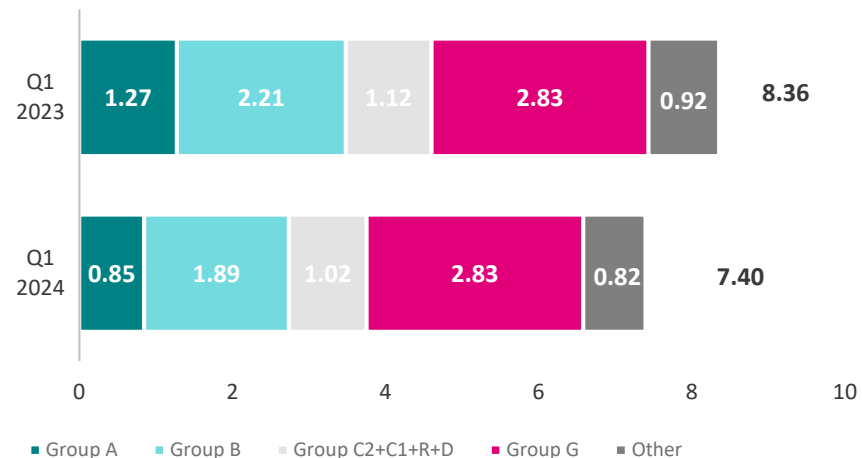
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



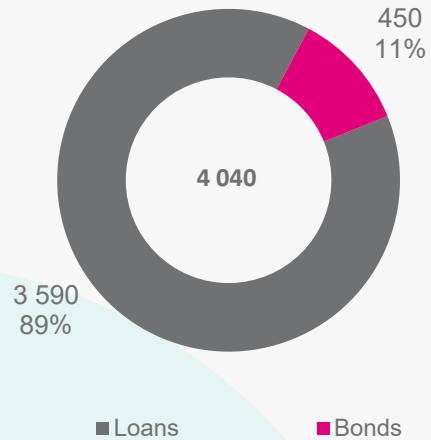
- Interpretation of the tax authorities with respect to VAT* ✓
- Costs fully covered by the 2024 tariff ✓
- Decline of the sales volume in the business segment -

* A partial reversal 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 interpretation of the tax law. 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 payable VAT and in consequence, reduce Group's costs in 2024.



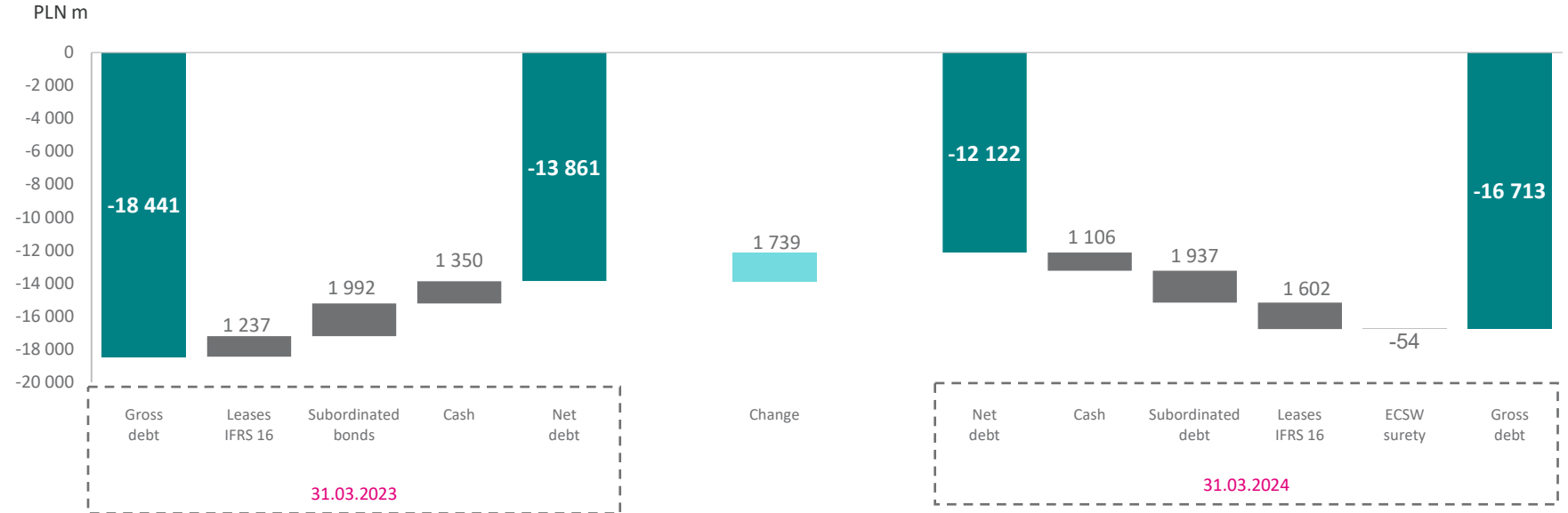
Debt and financing

Amounts of financing available to TAURON Group as of March 31, 2024 [PLN m]

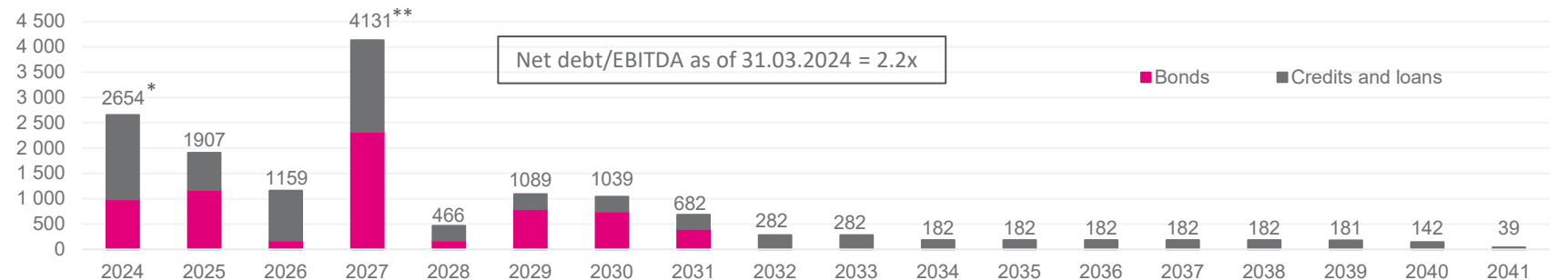


Apart from the above indicated available financings, TAURON Group is also using overdraft facility with the maximum available limits of PLN 500 million and EUR 4 million

Structure of TAURON Group's debt [PLN m]



TAURON Group's nominal debt maturity as of March 31, 2024 [PLN m]



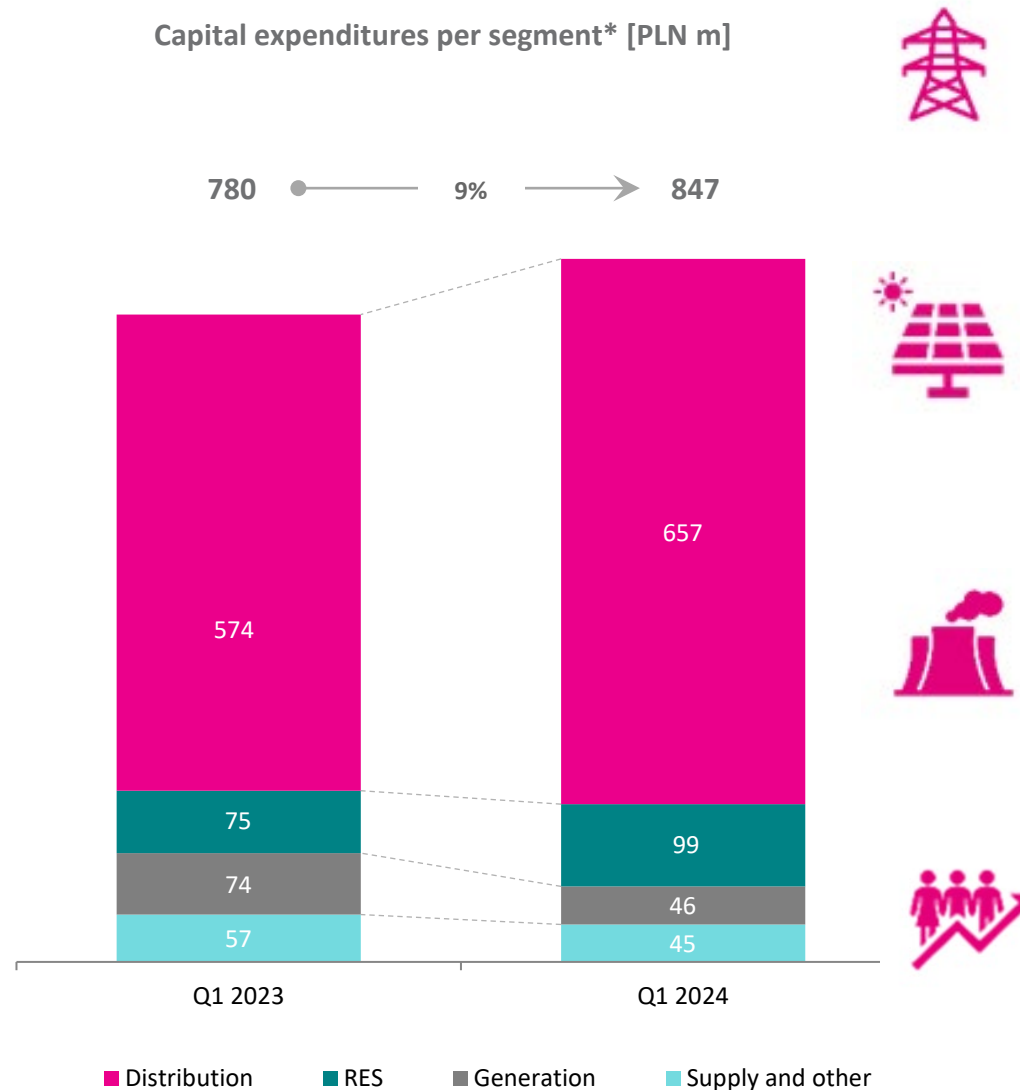
* Including the planned redemption of EUR 190 million subordinated bonds after the non-call period

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

CAPEX – per segment

Focus on investments in Distribution and RES Segments

Capital expenditures per segment* [PLN m]



Key investment projects implemented in Q1 2024 *

Distribution:

- Installing new grid connections (PLN 366m)
- Grid assets refurbishments and replacements (PLN 228m)
- AMIPlus (PLN 55m)

RES:

- Construction of 90 MW Postomino PV Farm (PLN 31m)
- Construction of 55 MW Proszówek PV Farm (PLN 19m)
- Construction of 33 MW Gamów Wind Farm (PLN 18m)
- Construction of 30 MW Warblewo Wind Farm (PLN 8m)
- Construction of 23.8 MW Sieradz Wind Farm (PLN 6m)
- Construction of 58.5 MW Mierzyn Wind Farm (PLN 5m)
- Construction of 19.6 MW Brzeźnica Wind Farm (PLN 5m)
- Refurbishment of hydro power plants (PLN 2 m)

Generation:

- Outlays at TAURON Wytwarzanie – replacement and refurbishment, overhaul components, 910 MW unit (PLN 22m)
- New facility connections to the district heating network at TAURON Ciepło (PLN 5m)
- Maintenance of TC's district heating networks (PLN 4m)
- District heating market expansion – Katowice Południe (Ligota Project) at TAURON Ciepło (PLN 1m)

Supply and other:

- IT investments at TAURON Obsługa Klienta (PLN 24m)
- Lighting maintenance and expansion (PLN 13m)
- Business Service Center (PLN 3m)



* 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 31.03.2024)



Wind farms	Capacity (MW _e)	Work progress	Planned completion date
FW Mierzyn	58.5	92%	Q4 2024
FW Warblewo	30	71%	Q4 2024
FW Gamów	33	61%	Q4 2024
FW Nowa Brzeźnica	19.6	30%	Q2 2025
FW Sieradz	23.8	6%	Q4 2025
	164.9		



Photovoltaic farms	Capacity (MW _e)	Work progress	Planned completion date
PV Proszówek I and II	45.6 / 9.4	92%	Q2 2024
PV Bałków	54	6%	Q4 2025
PV Postomino	90	5%	Q4 2025
	199		

Total 364 MW



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Dom Maklerski Banku Handlowego	Piotr Dzieciołowski
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Dom Maklerski BOŚ	Łukasz Prokopiuk
Biuro Maklerskie Pekao	Marcin Górnik
Trigon Dom Maklerski	Michał Kozak

* issuing of recommendations has been suspended



Electricity market price trends

Electricity						
Platforms: TGE	2023		2024 (actual + estimates)		2023/2022	
	Price (PLN/MWh)	Volume (GWh)	Price (PLN/MWh)	Volume (GWh)	Price %	Volume %
Forward BASE (Y+Q+M)	869.25	117 955	563.34	69 871	-35.2%	-40.8%
Forward PEAK (Y+Q+M)	1 205.46	8 939	644.53	5 821	-46.5%	-34.9%
Forward (weighted average)	892.94	126 895	569.58	75 692	-36.2%	-40.4%
SPOT (TGE)	518.48	63 124	360.21	73 129	-30.5%	15.9%
Weighted average total	768.54	190 019	466.72	148 821	-39.3%	-21.7%

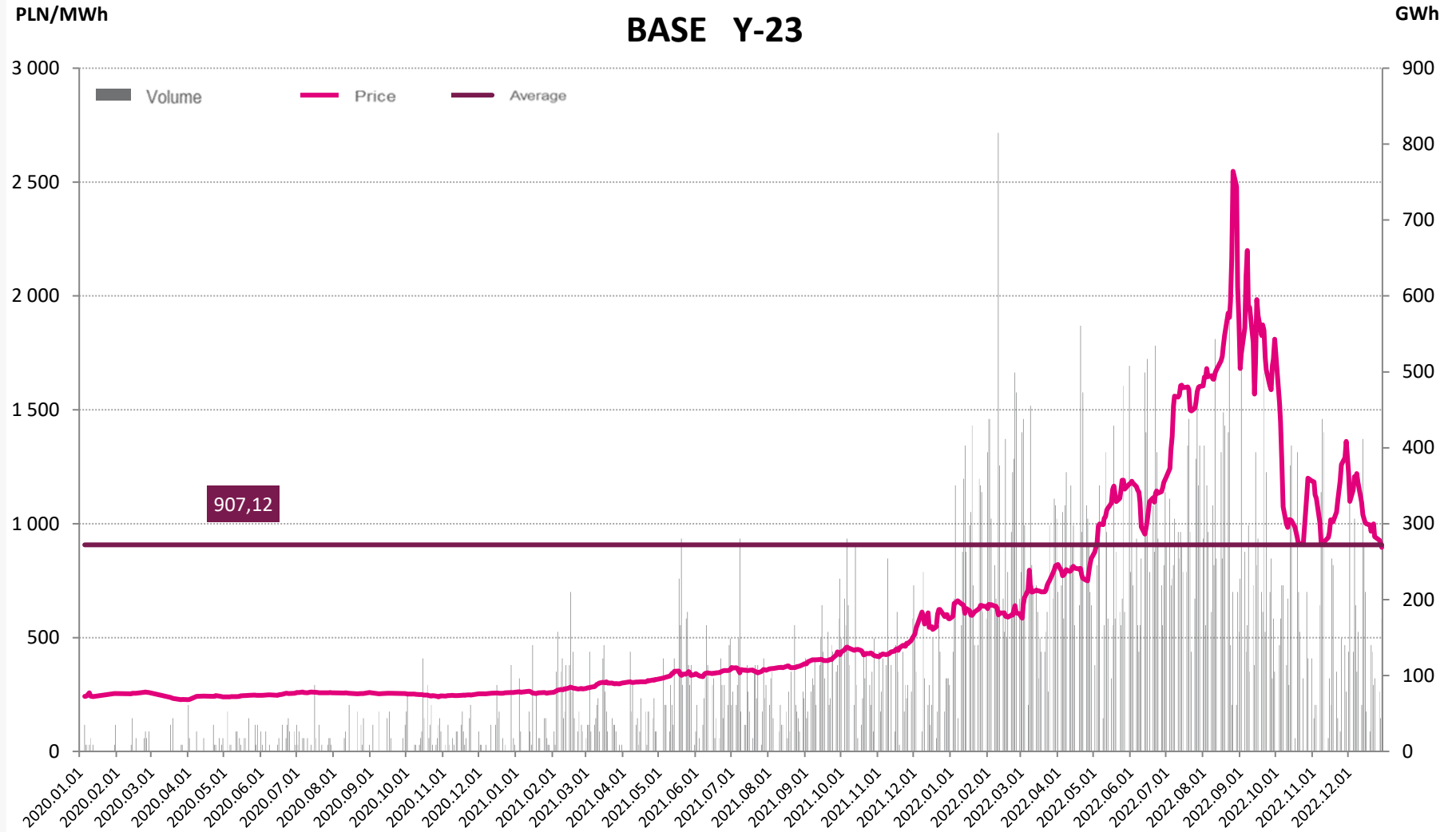
Property rights (PLN/MWh)			
Certificate type	Market prices (Q1 2024 weighted average)	Substitution fee and obligation for:	
		2023	2024
RES (PMOZE_A)	50.92	239.75 (12.0%)	197.73 (5.0%)
RES from biogas plants (PMOZE_BIO)	300.44	300.03 (0.5%)	300.03 (0.5%)

CO ₂ emission allowances (EUR/t)	
CO ₂ market analysts survey*	Price [EUR/Mg]
2024 average	63.7
2025 average	75.3
2026 average.	95.2
2024 average price forecast by TAURON	67-68

* Source: CAKE, Commerzbank, Energy Aspects, Morgan Stanley, Vertis, Volue Insight, TAURON



2023 BASE contract prices

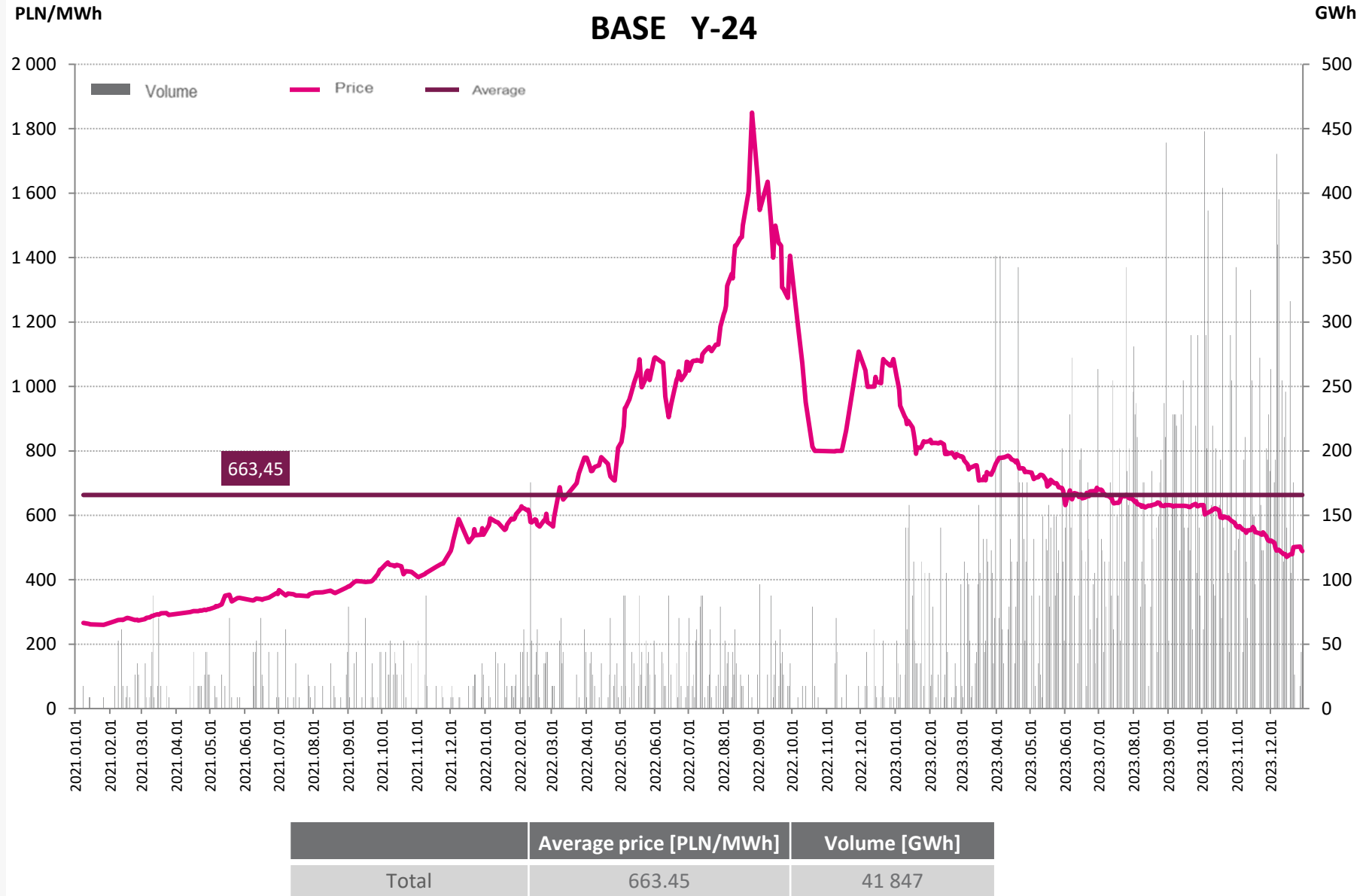


	Average price [PLN/MWh]	Volume [GWh]
Total	907.12	84 665

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



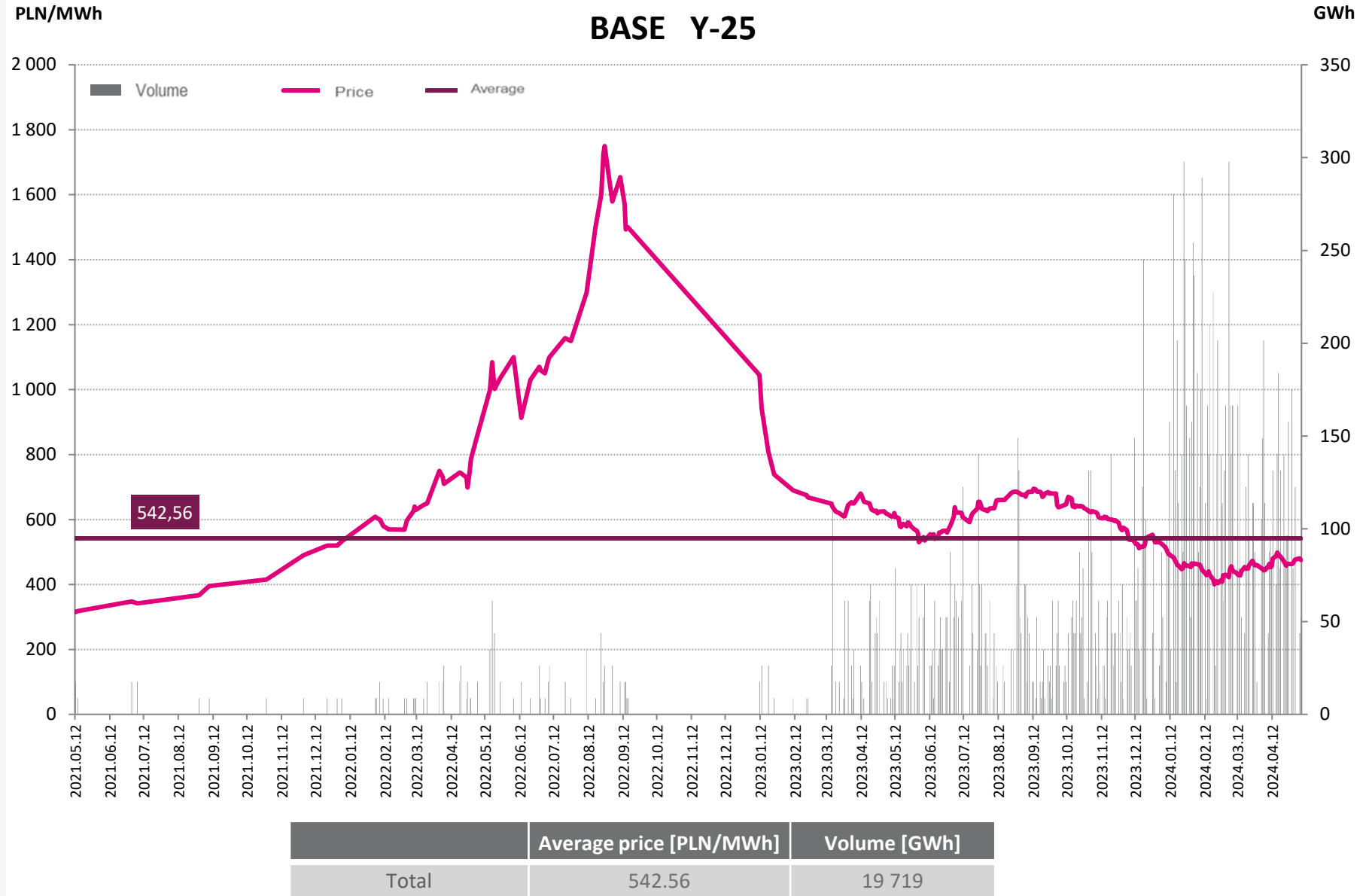
2024 BASE contract prices



Average electricity price that takes into account 2024 one-year BASE and PEAK contracts: 672.47 PLN/MWh, total 2024 BASE and PEAK contracts volume: 45 524 GWh



2025 BASE contract prices



Average electricity price that takes into account 2025 one-year BASE and PEAK contracts: 539.20 PLN/MWh, total 2025 BASE and PEAK contracts volume: 21 314 GWh (based on the data up to 07.05.2024)