

TAURON Group's Full Year 2023 Financial Results

April 19, 2024





Presentation Agenda



Grzegorz Lot
President of
the Management Board

- Value creation at TAURON Group
- Management Board Priorities
- Key financial and operating data



Piotr Gołębiowski
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



Krzysztof Surma
Vice President of
the Management Board
for Finance

- Financial results
- Debt and financing
- 2024 outlook



Value creation at TAURON Group

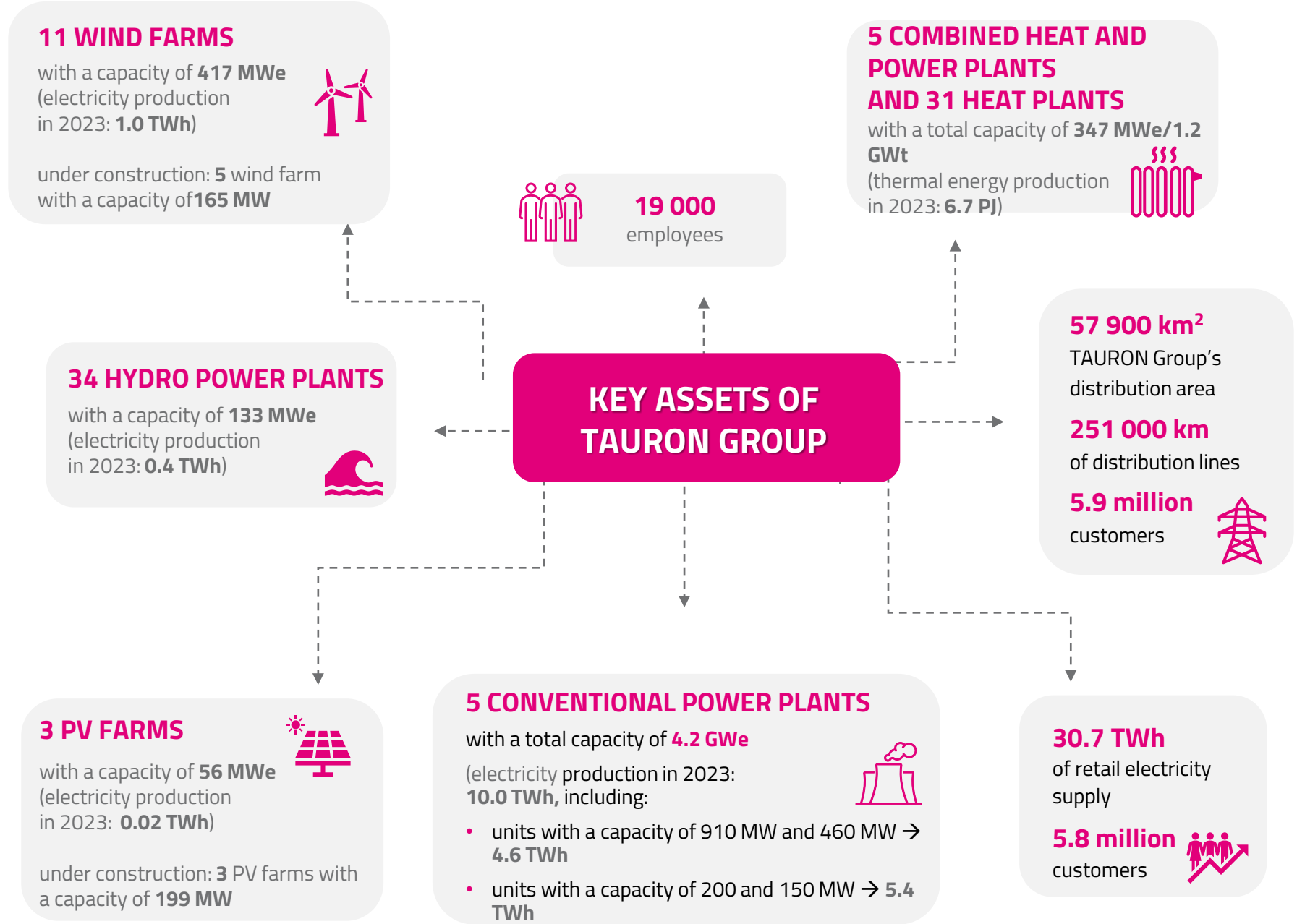
It is **people who create value** and drive the competitive advantage





Value creation at TAURON Group

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





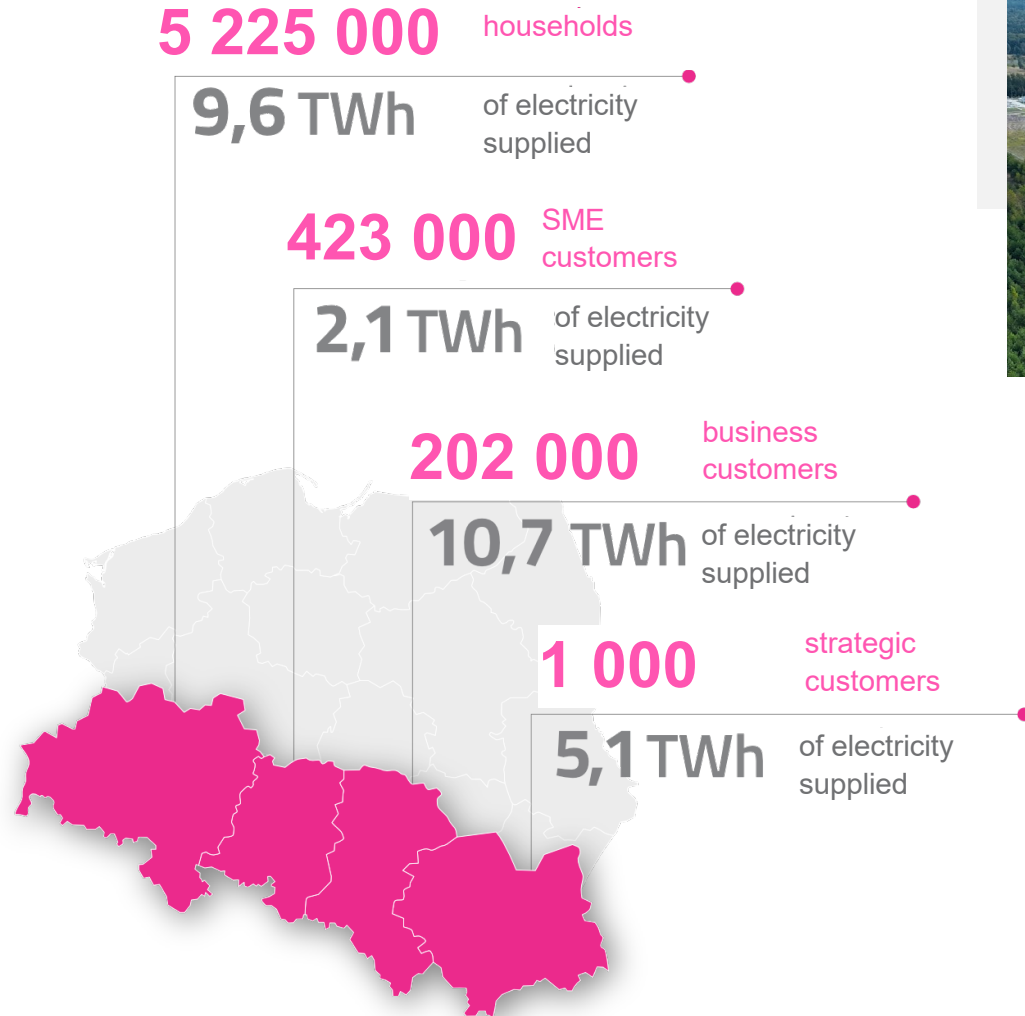
Value creation at TAURON Group

BUSINESS CORE:

Nearly **6 million customers** connected to the distribution grid, and also purchasing electricity



Customers of TAURON Group



AMBITION TO MAKE IT **GREEN ENERGY** GENERATED BY RESOURCES OF **TAURON GROUP**





Value creation at TAURON Group

GOALS INCLUDE:



▶ **CREATING SUSTAINABLE ECONOMIC VALUE FOR SHAREHOLDERS /INVESTORS AND TANGIBLE VALUE FOR CUSTOMERS (PRICE, SECURITY, GREEN ENERGY)**



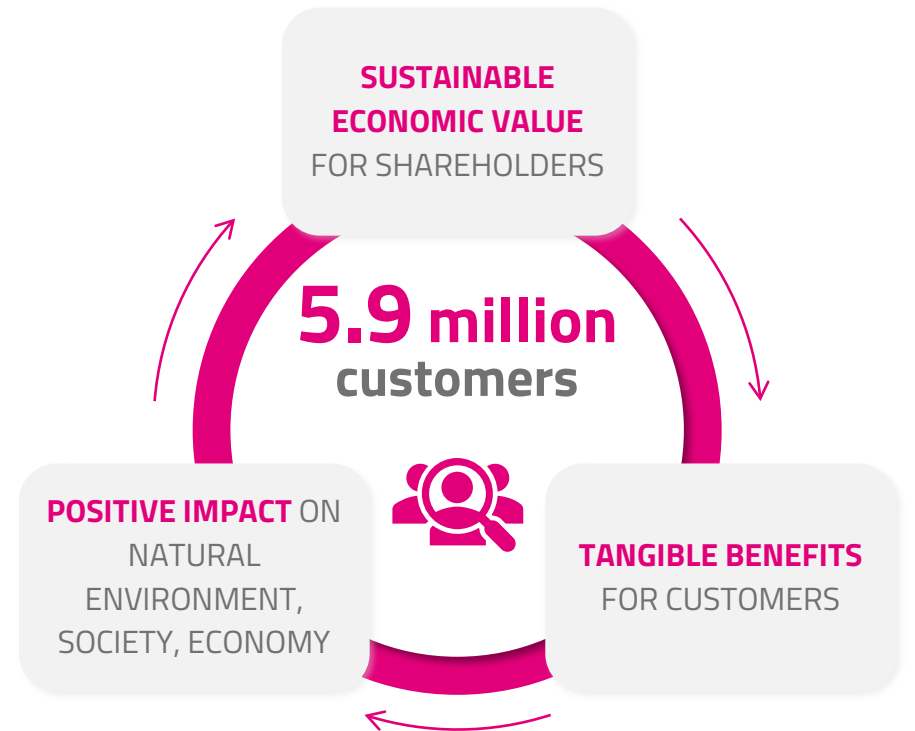
▶ **BUILDING AN EFFICIENT ORGANIZATION AND ORGANIZATIONAL CULTURE ORIENTED TOWARDS CUSTOMERS AND VALUE CREATION**



▶ **EXPANSION OF RES SOURCES** ALONG WITH THE TECHNICAL AND BUSINESS MODEL NECESSARY TO ENSURE PROFITABILITY OF DISTRIBUTION AND ENERGY STORAGE INVESTMENTS AND INFRASTRUCTURE

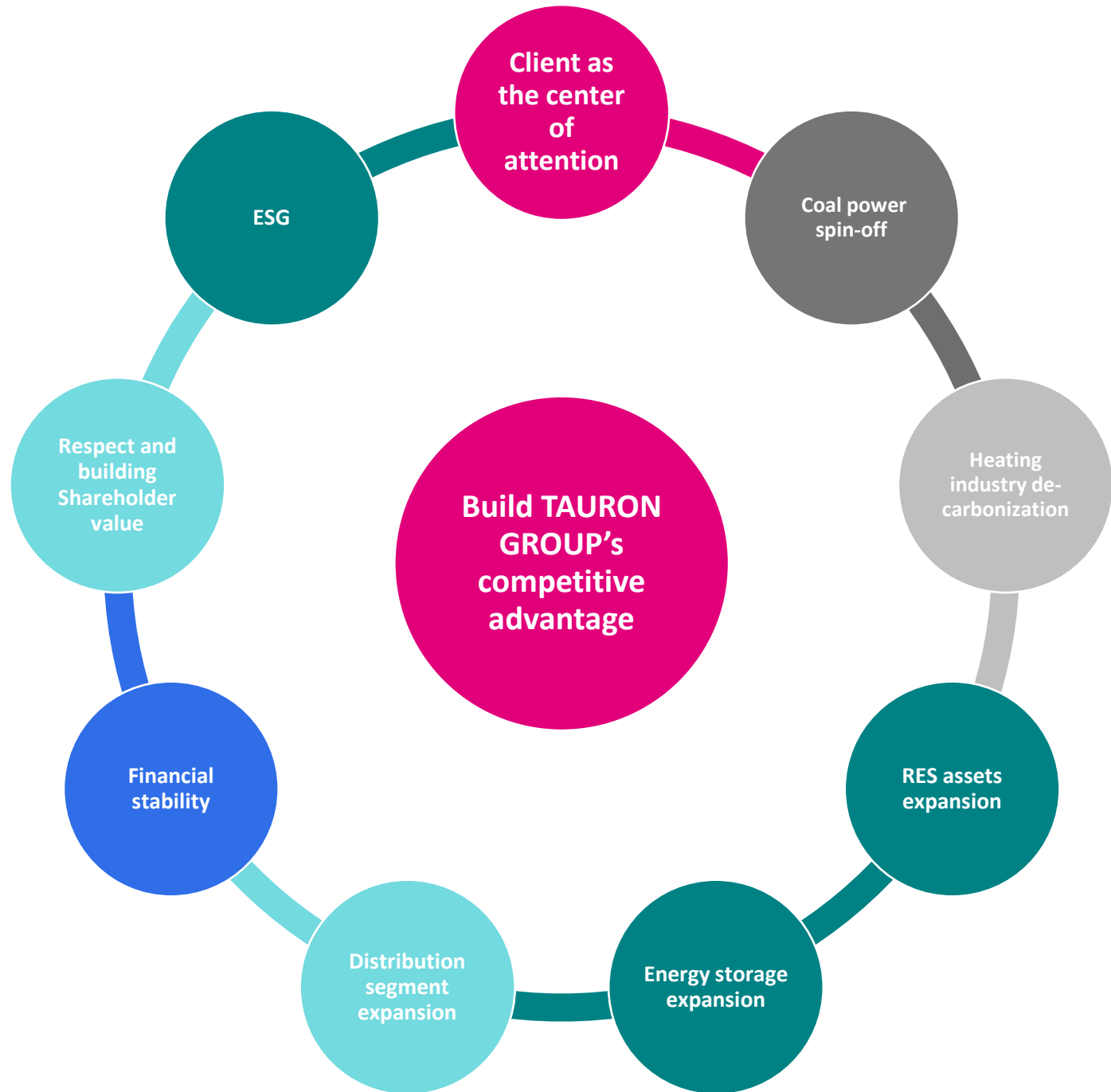


▶ **PROVIDING EMPLOYEES WITH JOBS** AND PASSION TO PERFORM THEIR WORK





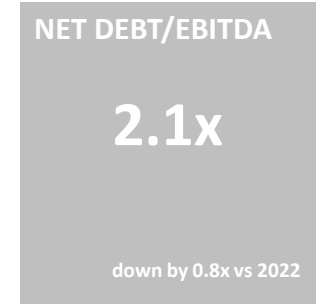
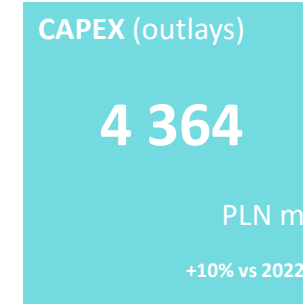
Priorities of the new Management Board of TAURON Polska Energia S.A.





Financial results

Key 2023 data



* revenue from sales and compensation payment

Operating data



Electricity distribution
[TWh]

51.3
-4% vs 2022



RES electricity production
[TWh]

1.7
+7% vs 2022



Coal-fired electricity production
[TWh]

11.0
-21% vs 2022



Heat generation
[PJ]

10.4
-2% vs 2022



Retail electricity supply
[TWh]

30.8
-1% vs 2022



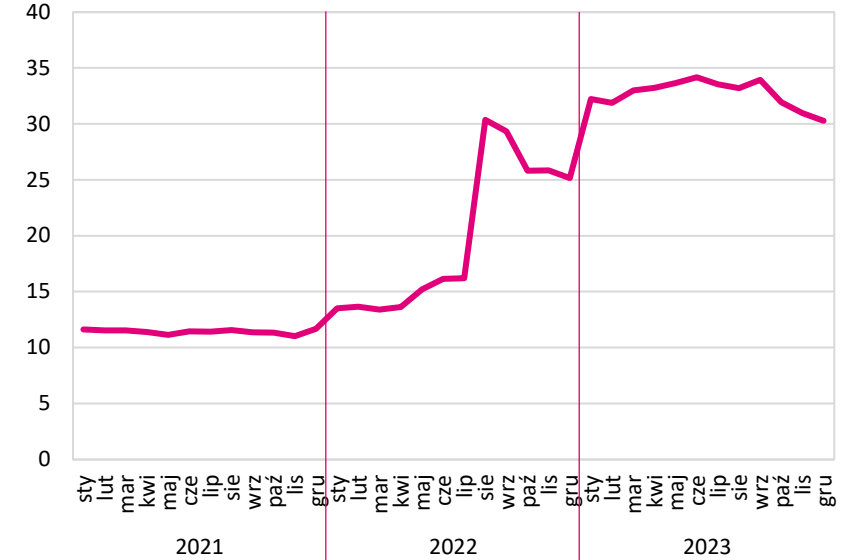
Situation on the energy and fuel market in 2023

- The average price of the front-end one-year BASE contract for electricity with delivery in 2024 came in 42.3% lower compared to the price of the BASE_Y-23 contract a year before physical delivery;
- The average value of the PSCMI1 index in 2023 came in 64.5% higher than the average in 2022;
- The average CO2 price for the EUADEC-23 contract came in 6.8% higher as compared to the average for the EUADEC-22 contract in 2022;
- The average price of the front-end one-year BASE contract for natural gas with delivery in 2024 came in 51.0% lower as compared to the price of the BASE_Y-23 contract one year before physical delivery

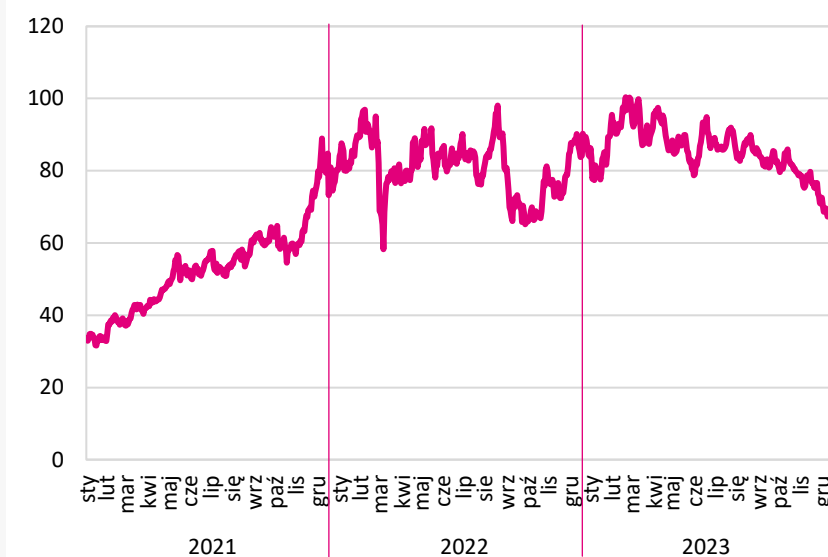
[PLN/MWh] BASE_Y electricity prices a year before delivery



[PLN/GJ] Hard coal prices - PCMI1 index



[EUR/Mg] CO2 EUA DEC emission allowances prices

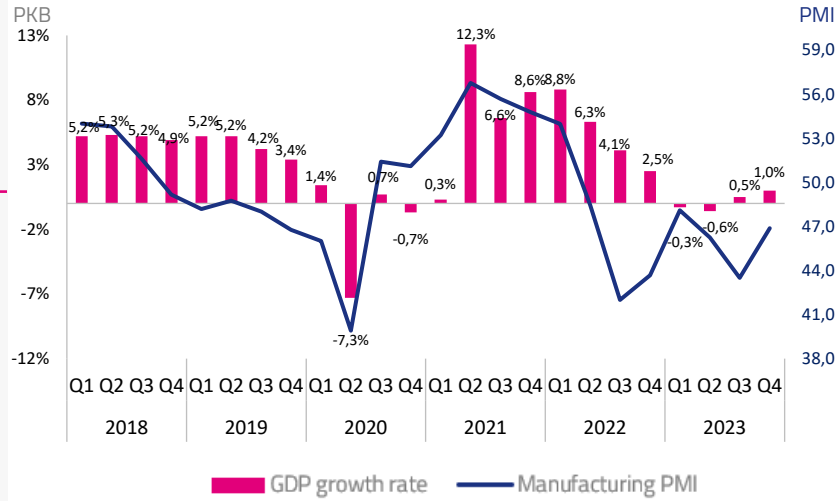


[PLN/MWh] BASE_Y natural gas prices a year before delivery



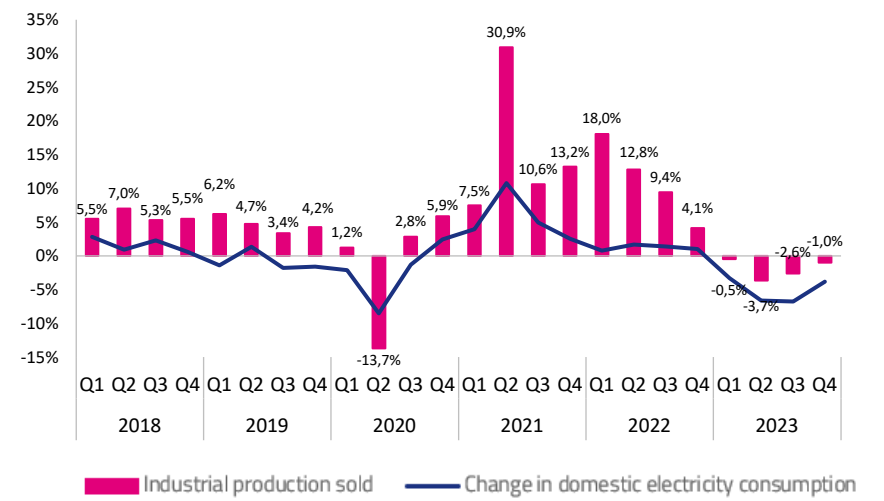
Macroeconomic and market situation

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



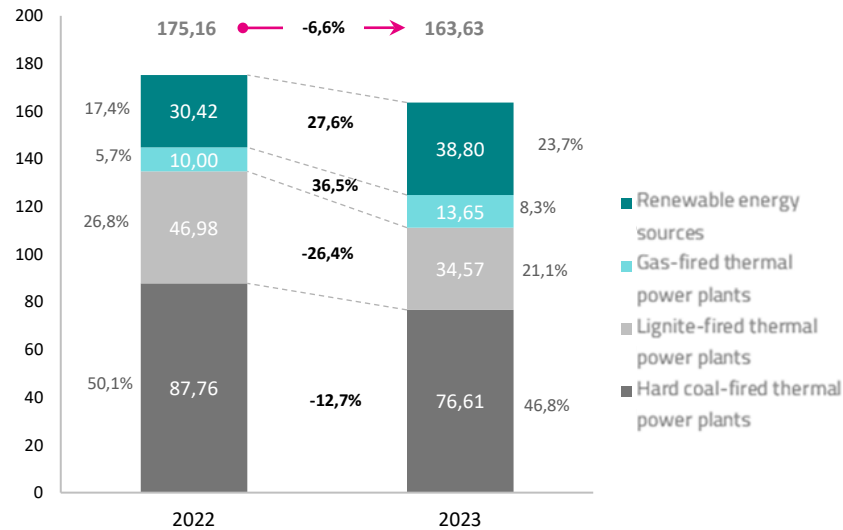
Source: *NBP data za for the 2018-2023 time frame, **Investing.com

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



Source: *Statistics Poland (GUS) data **PSE (TSO) data

Structure of electricity production in Poland [TWh]



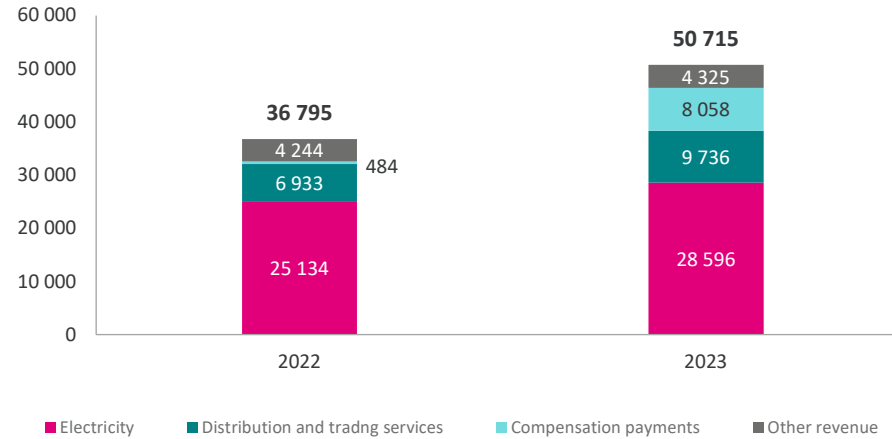
Source: PSE (TSO) data

- Decline in the production by hard coal-fired power plants due to high coal prices and the high RES production
- Decline in the production by lignite-fired power plants due to the need to maintain an adequate level of the spinning reserve in the NPS
- Rise of the share of RES sources in the NPS balance due to favorable weather conditions and an increase of installed capacity in photovoltaic installations
- Increase of the share of gas-fired sources in the NPS balance

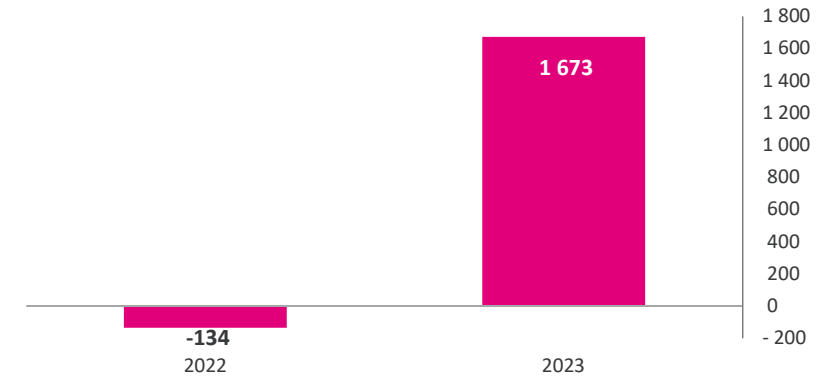


2023 financial data

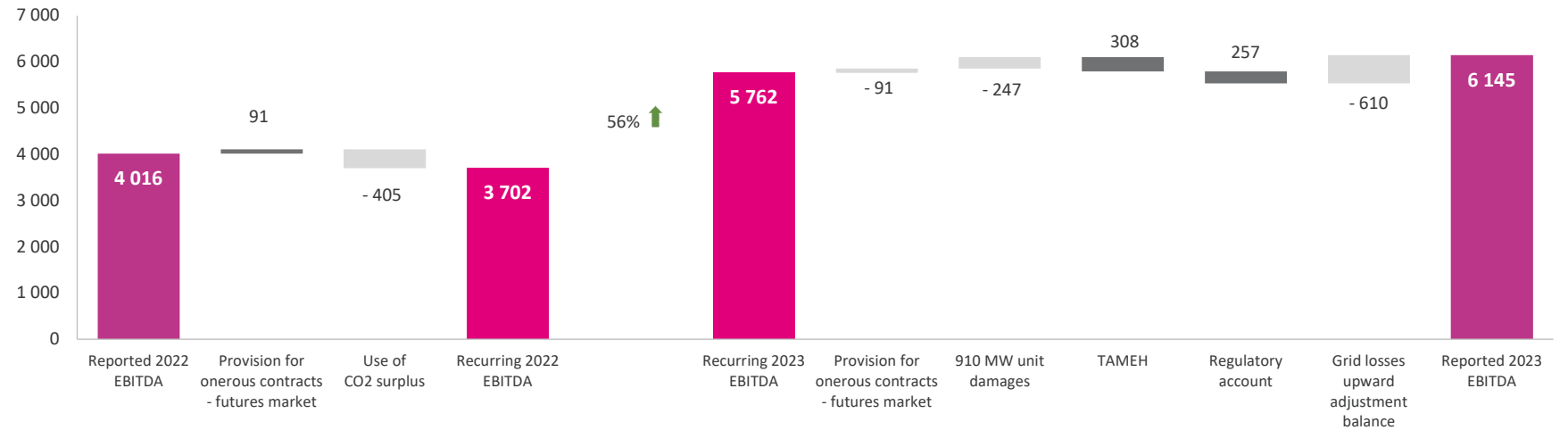
Sales revenue [PLN m]



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



2022 EBITDA vs 2023 EBITDA [PLN m]

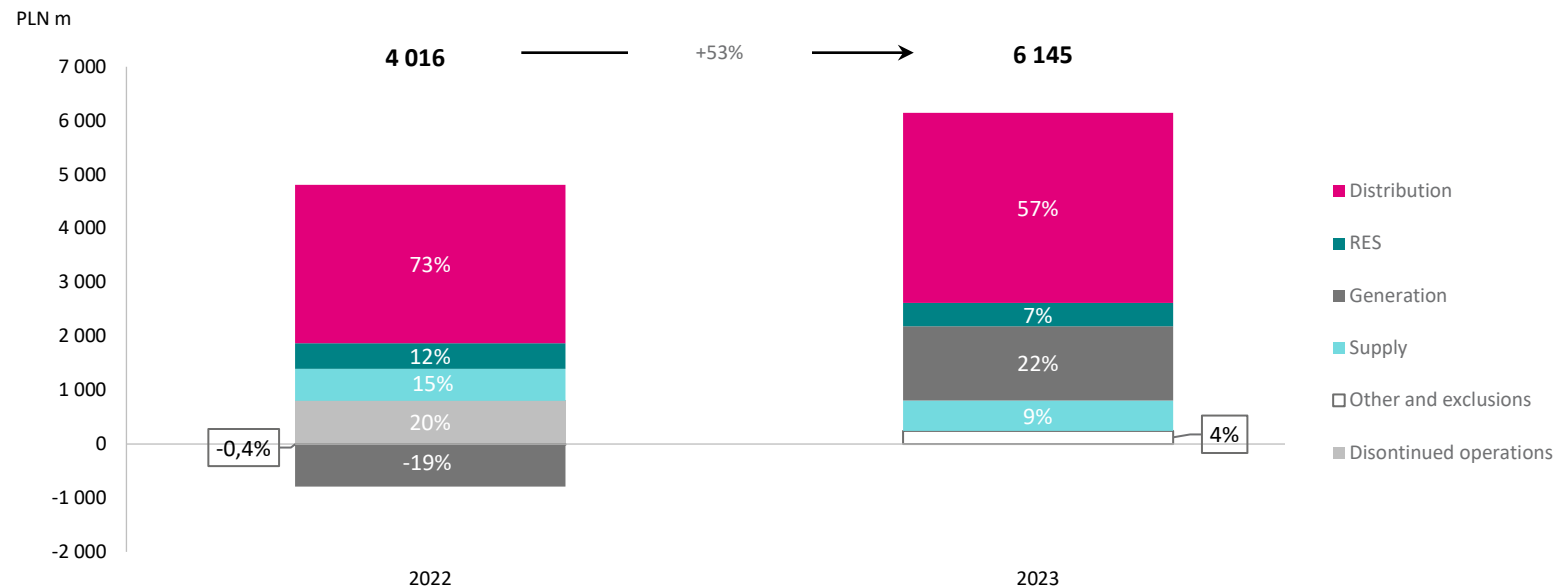




Individual segments' 2023 results

[PLN m]	Distribution	RES	Generation	Supply	Other And exclusions**
Revenue*	12 772	750	13 408	42 740	-18 955
EBITDA	3 528	431	1 377	568	241
EBIT	2 197	261	347	522	67
CAPEX	2 762	593	568	109	332

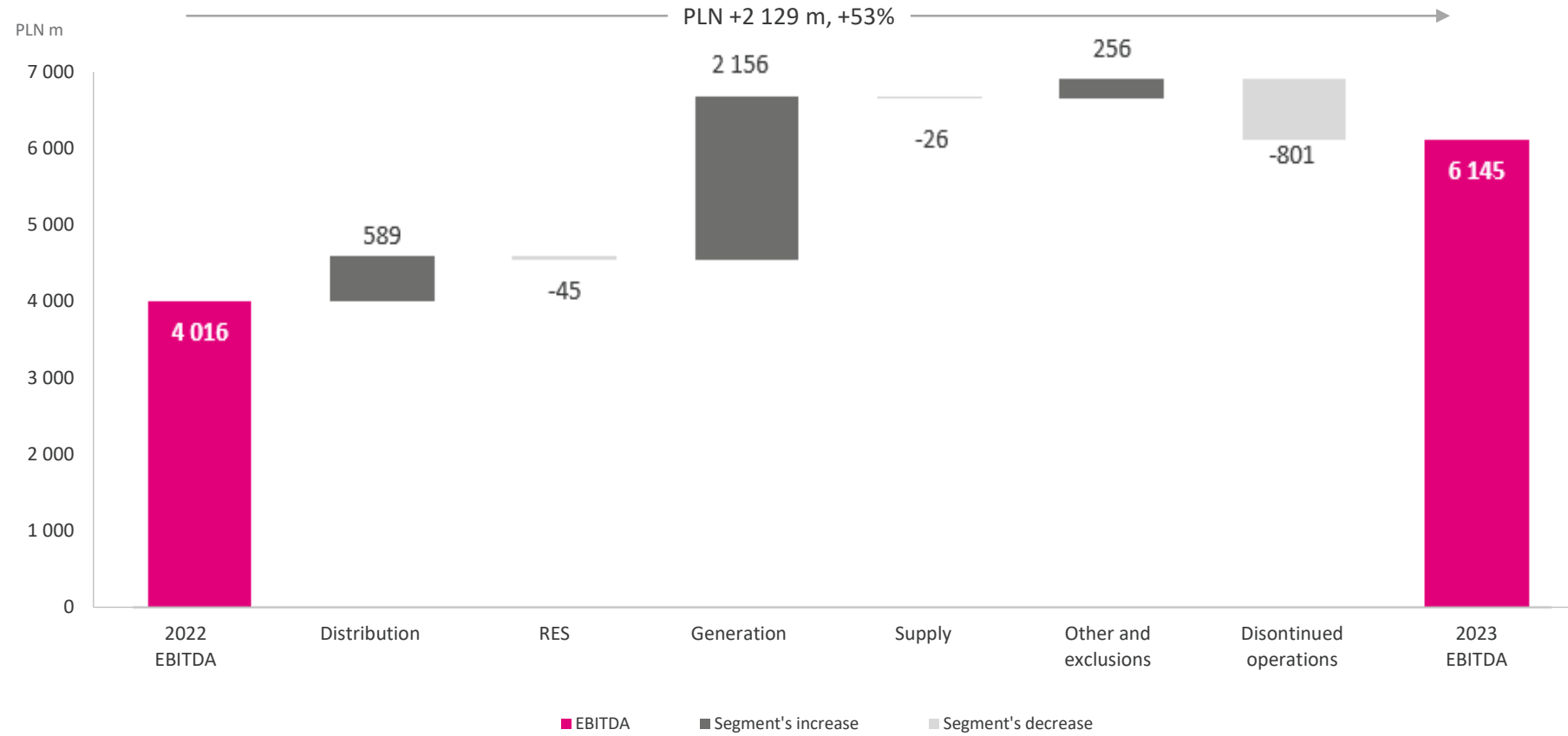
Individual segments' contribution to EBITDA



* Sales revenue and compensation payments
 ** items not included in the segments presented



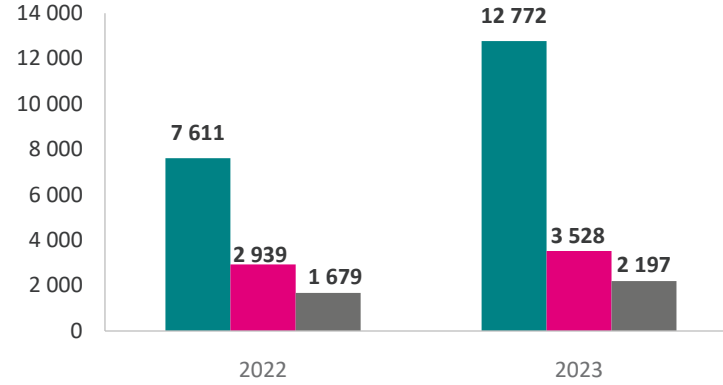
2023 EBITDA





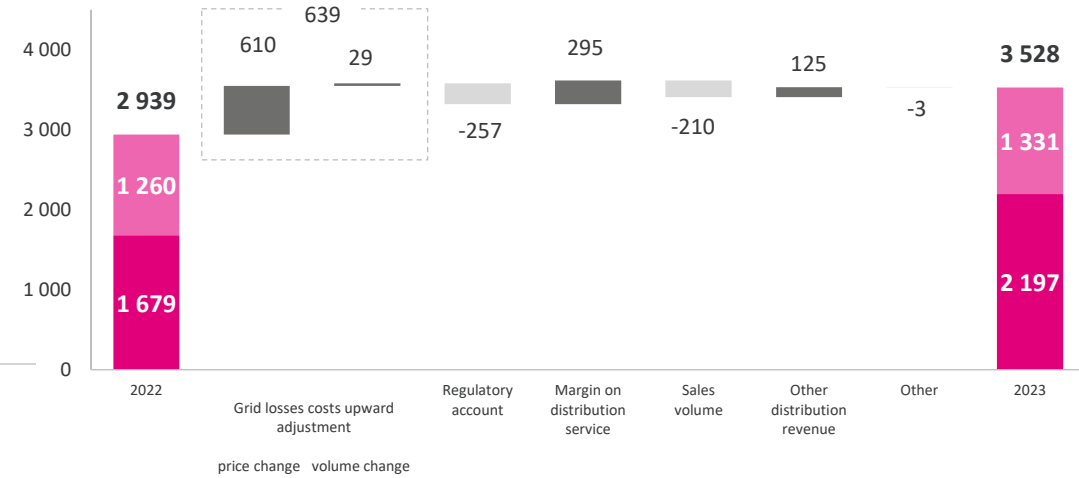
Distribution Segment 2023

Financial data [PLN m]



■ Sales revenue and compensation payments ■ EBITDA ■ EBIT

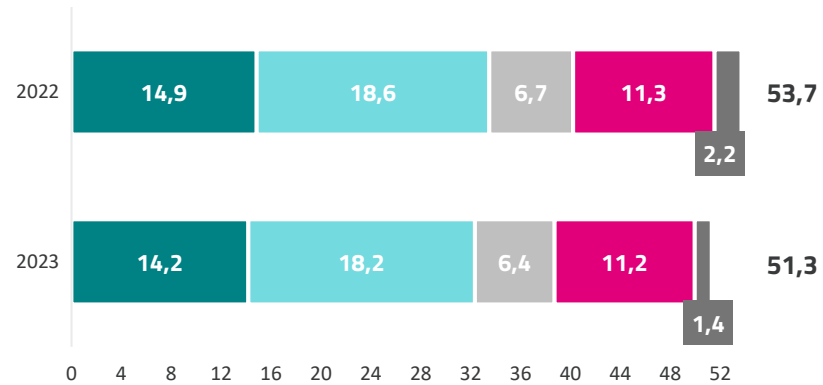
EBITDA change [PLN m]



price change volume change

■ EBIT ■ Depreciation and impairment charges

Electricity distribution [TWh]



■ Group A ■ Group B ■ Group C2+C1+R+D ■ Group G ■ Other*

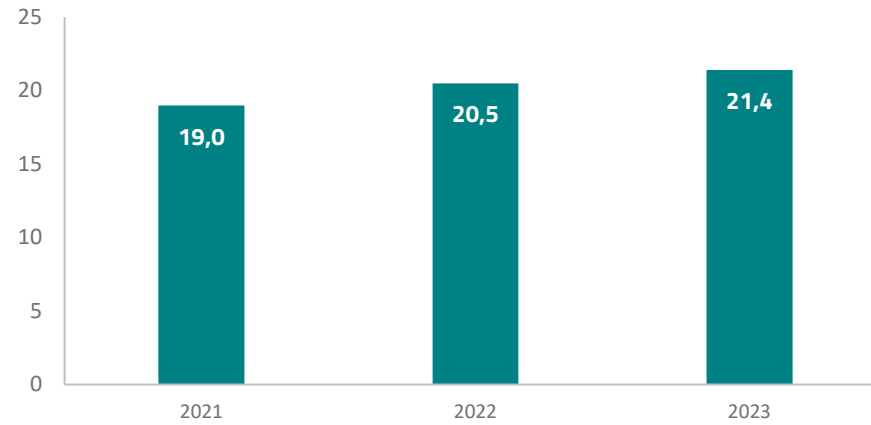
* Neighboring DSO and exports

- Increase of the distribution service rate ✓
- Change of the price of the grid losses costs upward adjustment ✓
- Decline of the electricity distribution services sales volume by 2.4 TWh -
- Negative impact of the regulatory account -

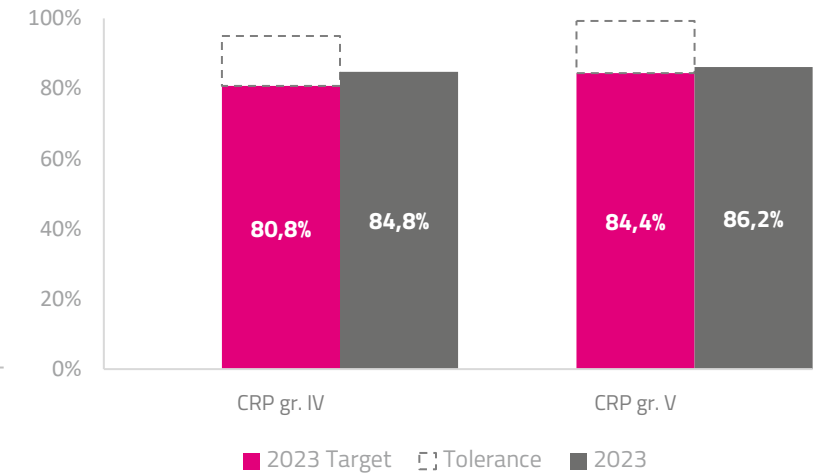


Distribution Segment key parameters

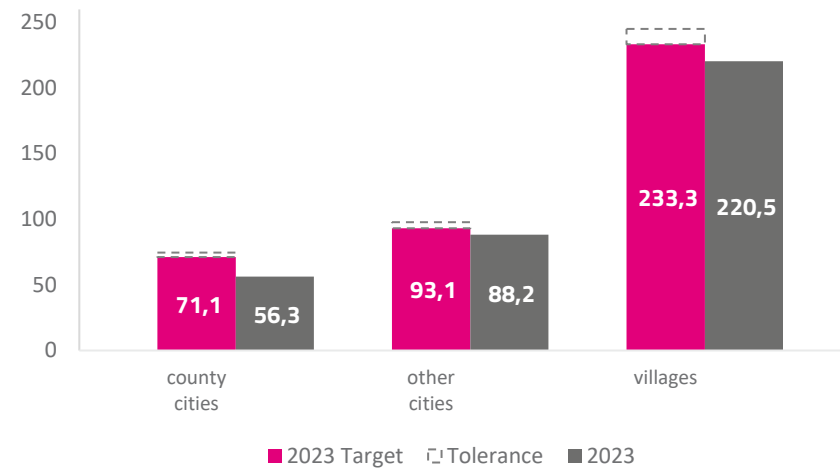
Regulatory Asset Base [PLN bn]



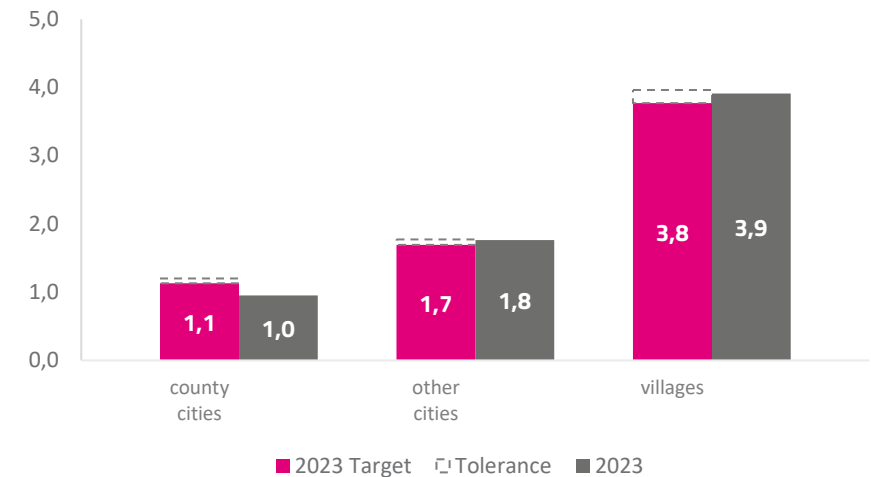
New Grid Connection Installation Time [%]



Interruption Duration [min/consumer]

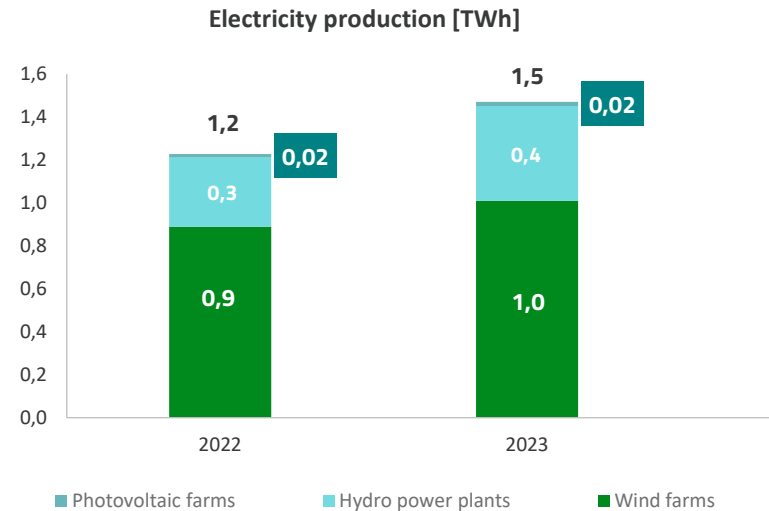
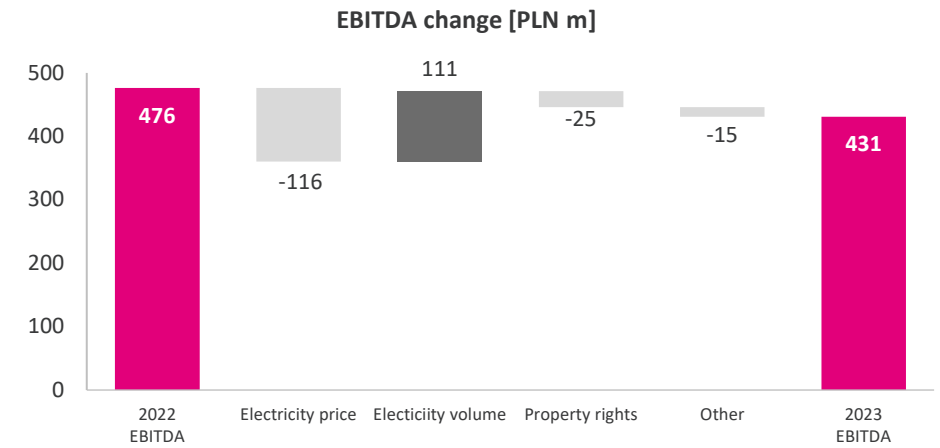
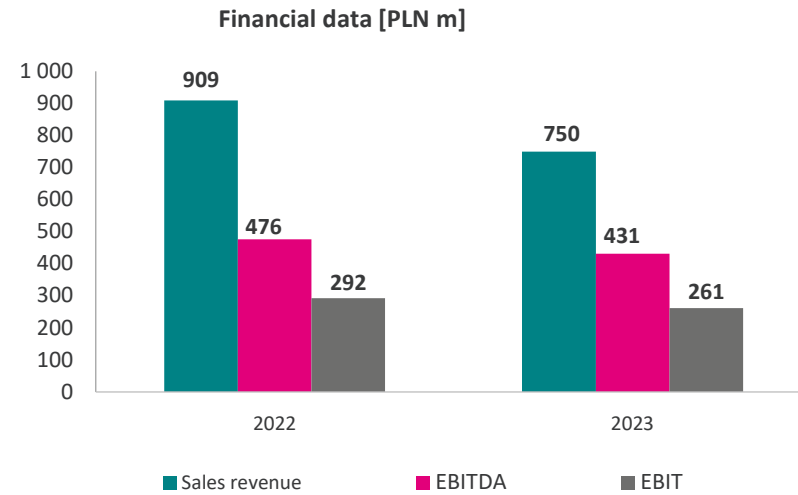


Frequency of Interruptions [number of interruptions/consumer]





RES Segment 2023



- Effect of the act capping an increase of electricity prices



- Decrease of the property rights prices

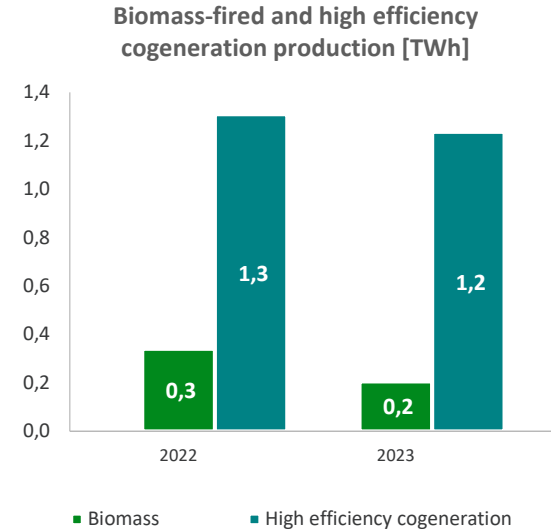
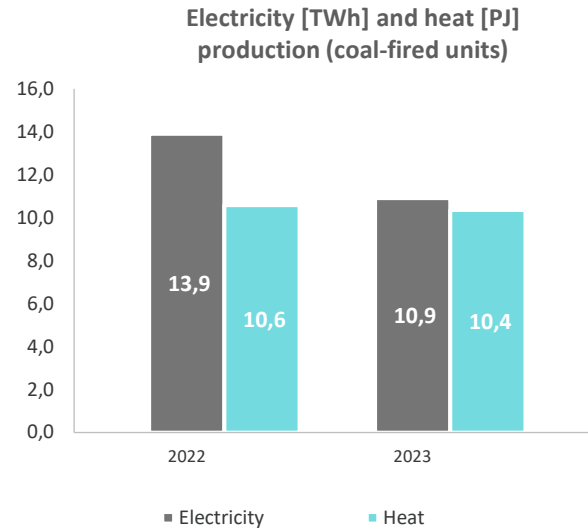
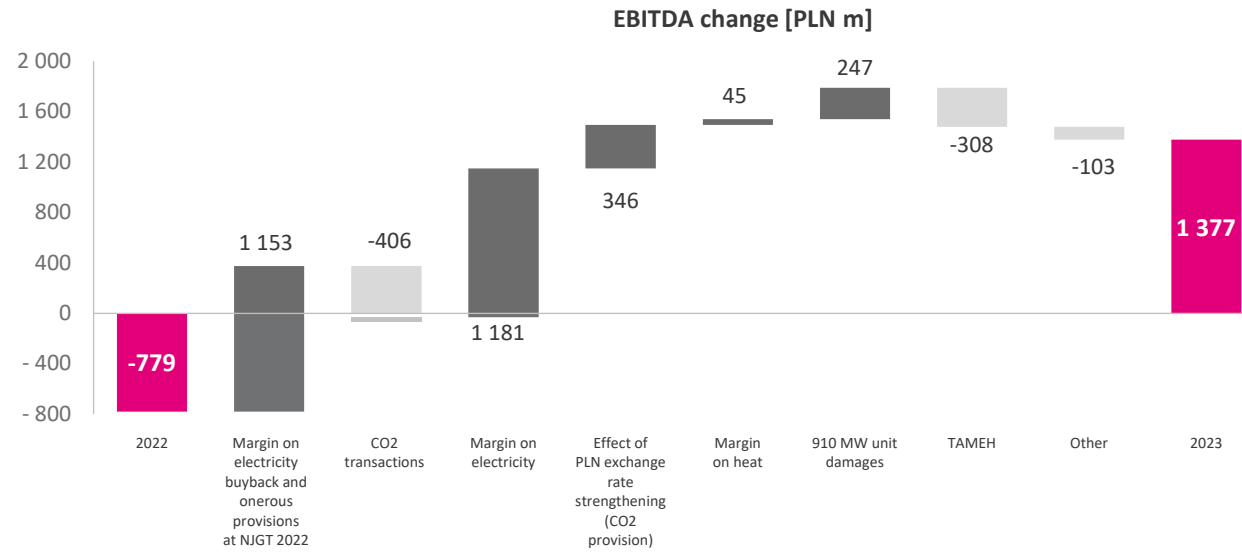
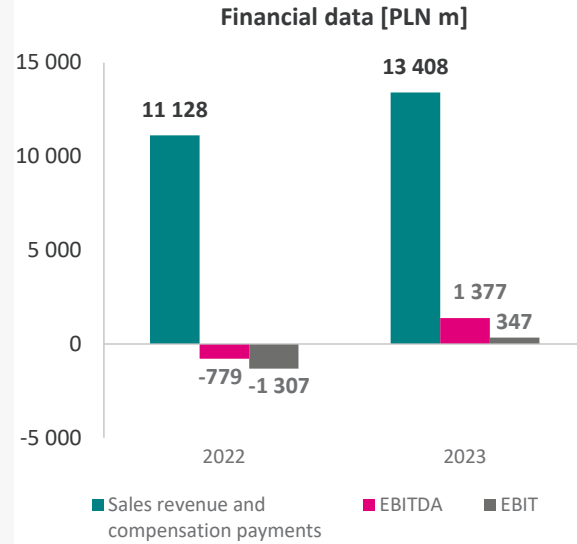


- Higher electricity production volume





Generation Segment 2023

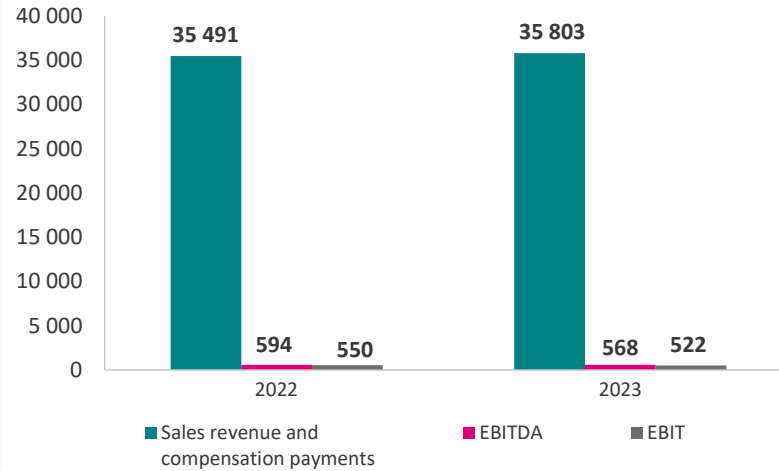


- Favorable forward electricity contracting ✓
- Stable operation of the 910 MW unit – no losses on electricity buybacks for its needs in 2023 ✓
- Receipt of the funds due to damages and guarantees (bonds) related to the 910 MW unit ✓
- TAMEH Czech subsidiary's insolvency -

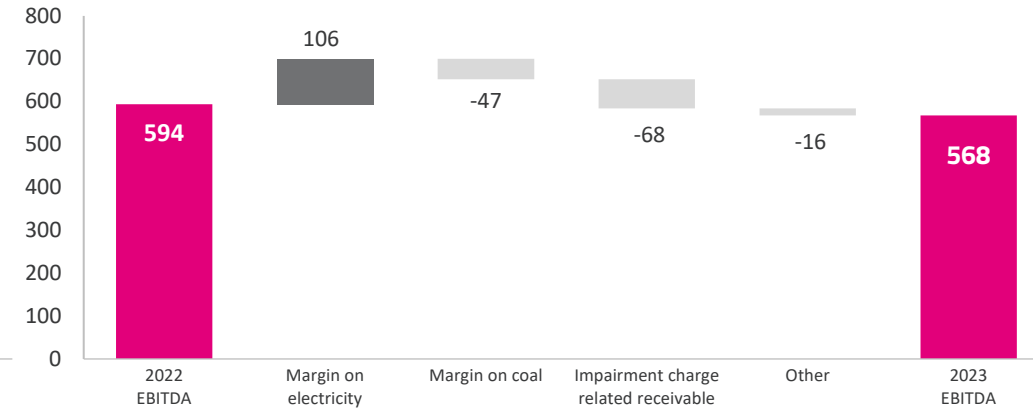


Supply Segment 2023

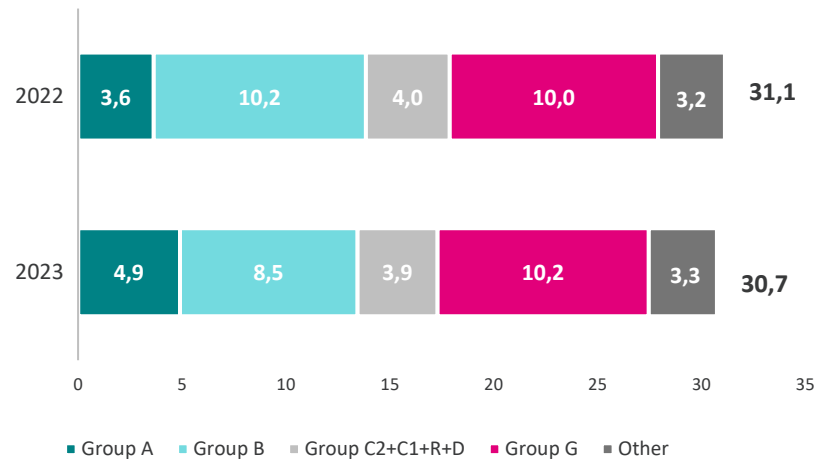
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]

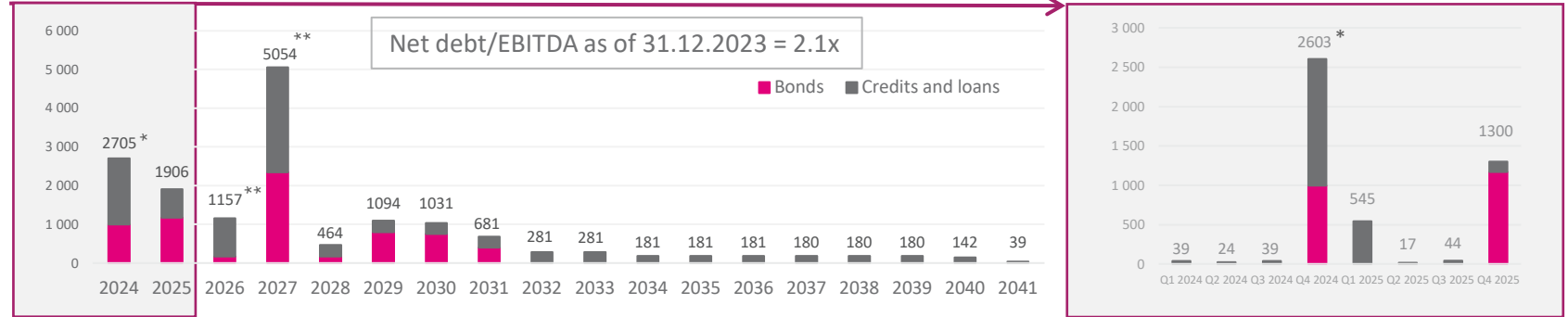


- Setting up of a PLN 574 m provision for a reduction of electricity prices for the household customers (125 PLN/household) -
- Material impact of the regulations on the Segment's results in 2023 -
- Costs fully covered by the tariff in 2023 ✓
- Positive results on the electricity sales by TAURON Czech Energy subsidiary ✓

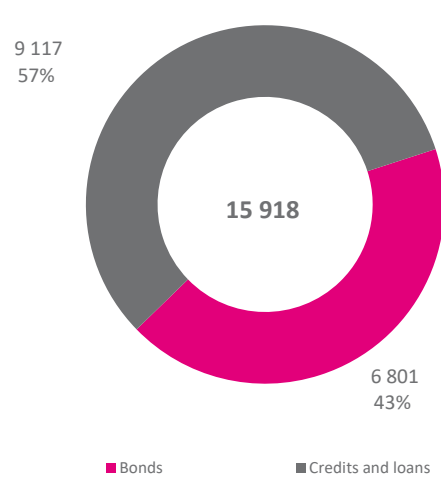


Debt and financing

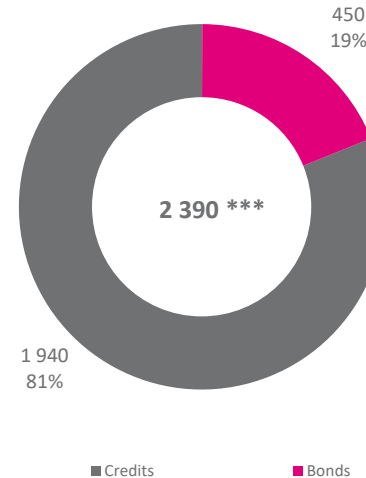
TAURON Group's nominal debt maturity as of December 31, 2023 [PLN m]



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



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



Nominal debt structure by interest rate [PLN m]

Debt amount	Interest rate	Collateral floating rate
15 918	Floating rate: 10 373	IRS: 3 670
	Fixed rate: 5 545	None: 6 703

EUR denominated debt (eurobond, NSV bond and EIB bond issues) represents 23% of the total debt

* 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

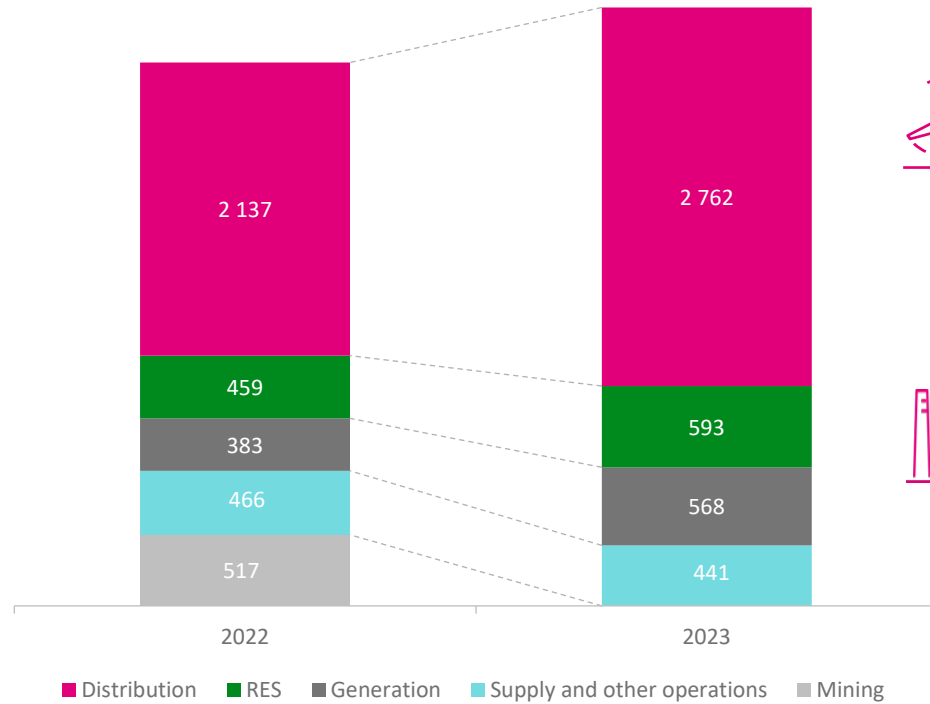
*** Apart from the above indicated available financings, TAURON Group is also using overdraft facility with the maximum available limits of PLN 250m



CAPEX – per segment

Capital expenditures per segment* [PLN m]

3 962 ● 10% → 4 364



Key investment projects implemented in 2023*

Distribution:

- Installing new grid connections (PLN 1 479m)
- Grid assets refurbishments and replacements (PLN 944m)
- AMIPlus (PLN 166m)

RES:

- Construction of 55 MW Proszówek PV Farm (PLN 151 m)
- Construction of 37 MW Mysłowice PV Farm (PLN 82 m)
- Construction of 30 MW Warblewo Wind Farm (PLN 81m)
- Construction of 58.5 MW Mierzyn Wind Farm (PLN 73m)
- Construction of 33 MW Gamów Wind Farm (PLN 60m)
- Construction of 19.6 MW Brzeźnica Wind Farm (PLN 31m)
- Construction of 23.8 MW Sieradz Wind Farm (PLN 24m)
- Construction of 90 MW Postomino PV Farm (PLN 31m)
- Refurbishment of hydro power plants (PLN 19 m)

Generation:

- Outlays at TAURON Wytwarzanie – replacement and refurbishment, overhaul components, 910 MW unit (PLN 303m)
- New facility connections to the district heating network at TAURON Ciepło (PLN 28m)
- District heating market expansion – Katowice Południe (Ligota Project) at TAURON Ciepło (PLN 30m)
- Low Emission Elimination Program (PLN 28m)
- Construction of the peaking and backup boiler house at TAURON Ciepło ZW Bielsko (PLN 14m)
- Construction of 140 MWt gas-fired boiler at TAURON Ciepło ZW Katowice (PLN 61m)
- Construction of 3 gas-fired boilers at Energetyka Cieszyńska (PLN 19 m)

Supply and other operations:

- IT investments at TAURON Obsługa Klienta (PLN 278m)
- Lighting maintenance and expansion (PLN 97m)
- Business Service Center (PLN 14m)

* 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



Growth of RES capacity as part of the Green Turn of TAURON

2019

Green Turn of TAURON

Update of TAURON Group's strategic directions

Acquisition of five wind farms with a capacity of **180 MW**
Acquisition of a **6 MW** photovoltaic farm project in Choszczno

479 MW

RES installed capacity as of December 31, 2018

2020

Commissioning of the photovoltaic farm with a capacity of **5 MW** in Jaworzno

Acquisition of the wind farm project "Piotrkow" with a capacity of **30 MW**

2021

Commencement of the construction of the "Piotrków" wind farm with a capacity of **30 MW**

Commissioning of the photovoltaic farm with a capacity of **6 MW** in Choszczno

2022

Commissioning of 3 wind and photovoltaic farms with a total capacity of **44 MW**

Commencement of the construction and the acquisition of SPVs with the rights to projects to build 5 wind and photovoltaic farms with a total capacity of **226 MW**

2023

Completion of the photovoltaic farm "Mysłowice II" with a capacity of **37 MW**

Commencement of construction and acquisition of SPVs with rights to projects to build 5 wind and photovoltaic farms with a total capacity of **235 MW**

Elektrownia Wiatrowa Baltica-7 sp. z o.o. - a joint venture with PGE - was granted a clearance for the construction of an offshore wind farm with a planned capacity of **approx. 1 GW**

696 MW

RES installed capacity as of December 31, 2023

2024

Implementation of 8 RES projects with a total capacity of **364 MW** under way


Planned completion of 5 wind and photovoltaic farms with a total capacity of **176.5 MW**

873 MW


Planned RES installed capacity as of December 31, 2024



RES projects under way (as of 31.12.2023)



Wind farms	Capacity (MW _e)	Outlays incurred (PLN m)	Planned completion date
FW Mierzyn	58.5	151	Q3/Q4 2024
FW Nowa Brzeźnica	19.6	49	Q2/Q3 2025
FW Sieradz	23.8	24	Q4 2025
FW Gamów	33	89	Q3/Q4 2024
FW Warblewo	30	96	Q4 2024
	164.9		



Photovoltaic farms	Capacity (MW _e)	Outlays incurred (PLN m)	Planned completion date
PV Bałków	54	1	Q4 2025
PV Postomino	90	31	Q4 2025
PV Proszówek I and II	45.6 / 9.4	162	Q2 2024
	199		

364 MW in total



Distribution



- Distribution tariff increase in 2024, stemming from, among other things, an increase of WACC from 8.48% in 2023 to 10.48% in 2024 (a base rate of 7.48% and a 3% bonus for reinvesting) and an increase of RAB from PLN 21.4 billion in 2023 to PLN 21.9 billion in 2024
- Negative impact of the change in the balance of the upward adjustment of the balancing difference
- Volume of distributed electricity at a similar level as in 2023
- Increase in revenue from the other distribution services
- **Lower reported EBITDA y/y**



RES



- Market based electricity sales prices (abolition of price caps in force in 2023) - y/y increase in electricity sales prices
- Additional EBITDA resulting from commencement of new RES capacity in the years 2023 and 2024
- Expected increase in electricity generation volume due to commissioning of new capacity in 2023 and 2024
- Lower profit on sales of Property Rights as a result of falling market prices and lower volume
- **Higher reported EBITDA y/y**



Generation



- Decline in profitability of coal assets due to deterioration of market conditions (lower Clean Dark Spread margin)
- Decrease in the volume of electricity generation from conventional sources
- Negative impact of regulatory changes on the balancing market
- Higher revenue from the capacity market
- **Lower reported EBITDA y/y**



Supply



- G tariff at a level enabling costs to be fully covered and generating positive margins
- No one-off regulatory events
- Decrease in electricity purchase prices
- Decrease in volume of electricity sold - increase in the number of prosumer installations
- **Higher reported EBITDA y/y**

Group's reported EBITDA



CAPEX



CAPEX adapted to the EBITDA level and the Group's financial standing



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Thank you for your attention





Financial results

Key Q4 2023 data

Revenue*

12 091

PLN m

+15% vs Q4 2022

EBITDA

674

PLN m

-42% vs Q4 2022

Net profit

(585)

PLN m

-10% vs Q4 2022

CAPEX (outlays)

1 477

PLN m

+8% vs Q4 2022

NET DEBT/EBITDA

2.1x

down by 0,8x vs 2022

* revenue from sales and compensation payment

Operating data



Electricity
distribution
[TWh]

13.0

-3% vs Q4 2022



RES electricity
production
[TWh]

0.5

+40% vs Q4 2022



Coal-fired electricity
production
[TWh]

3.2

-21% vs Q4 2022



Heat
generation
[PJ]

3.6

-0% vs Q4 2022



Retail electricity
supply
[TWh]

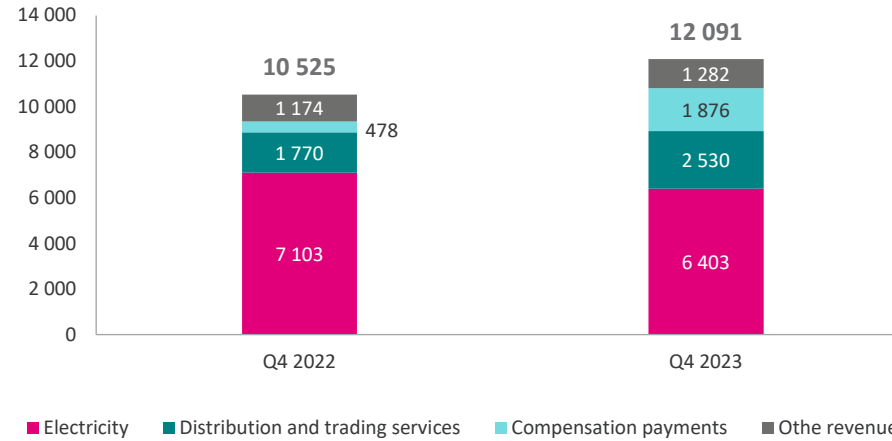
8.3

3% vs Q4 2022

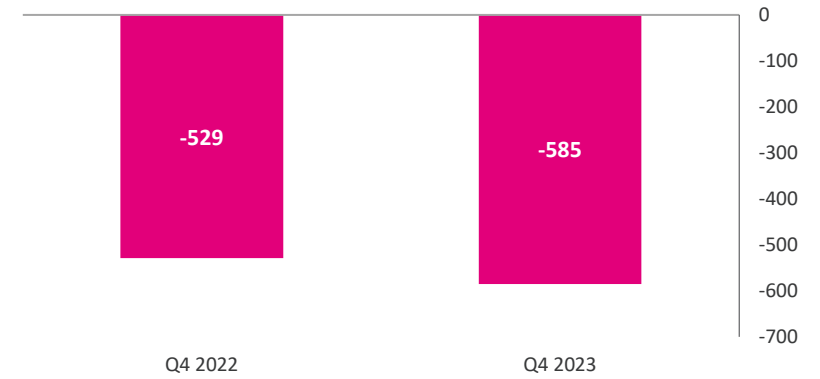


Q4 2023 financial data

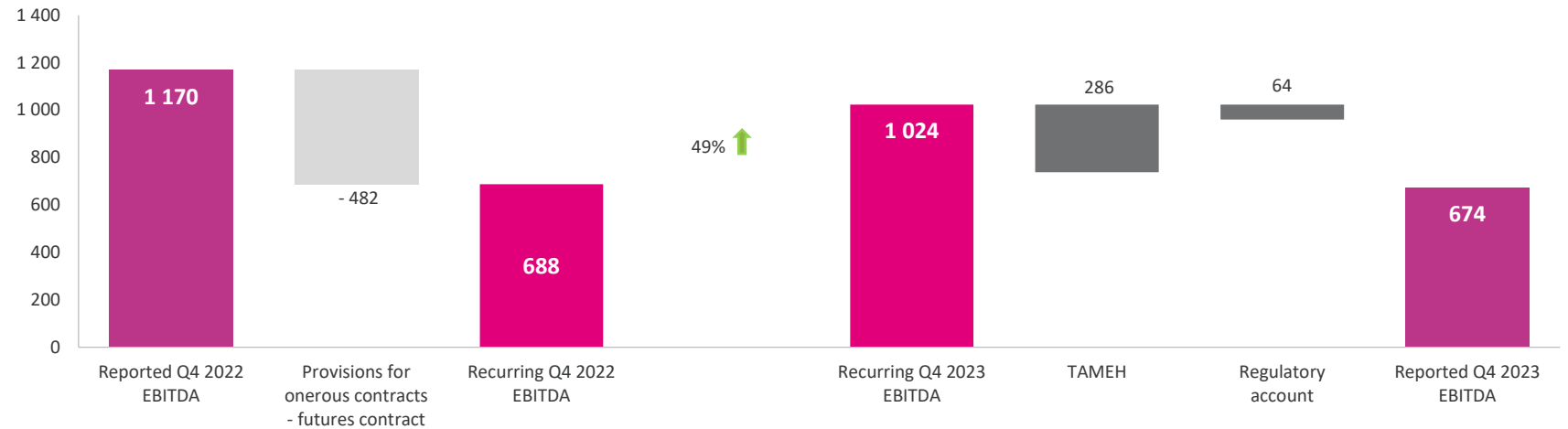
Sales revenue [PLN m]



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



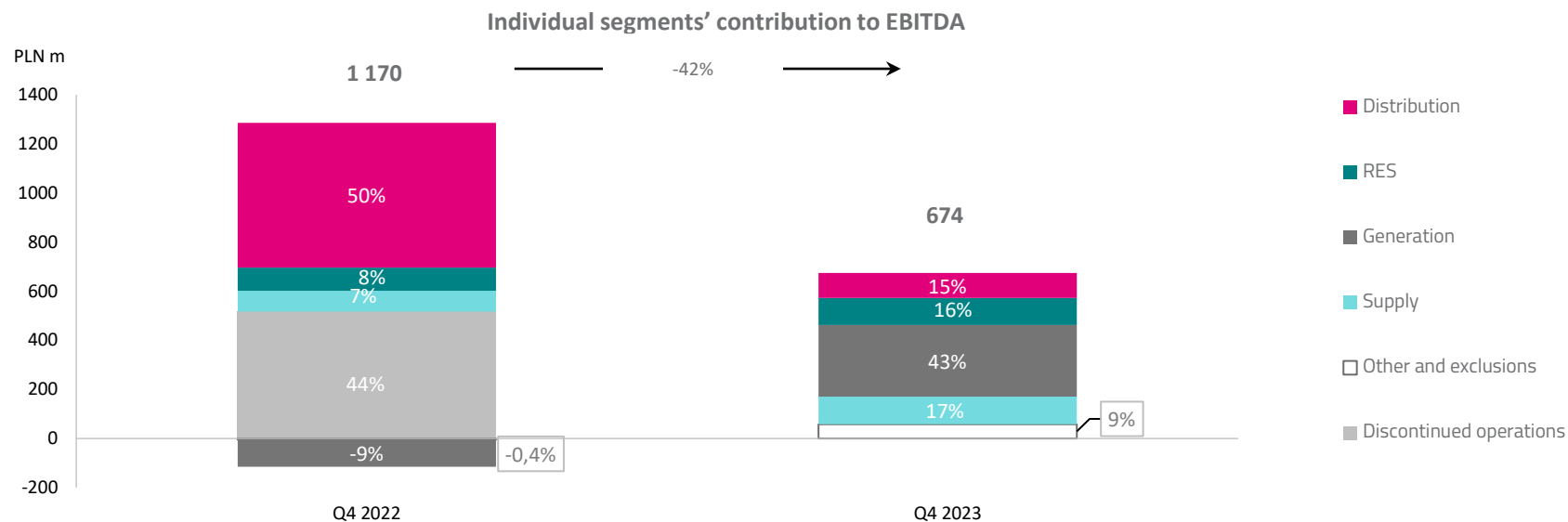
Q4 2022 EBITDA vs Q4 2023 EBITDA [PLN m]





Individual segments' Q4 2023 results

[PLN m]	Distribution	RES	Generation	Supply	Other and exclusions**
Revenue*	2 907	189	3 851	10 232	-5 088
EBITDA	102	110	292	112	58
EBIT	-246	82	-388	108	13
CAPEX	866	197	186	39	189

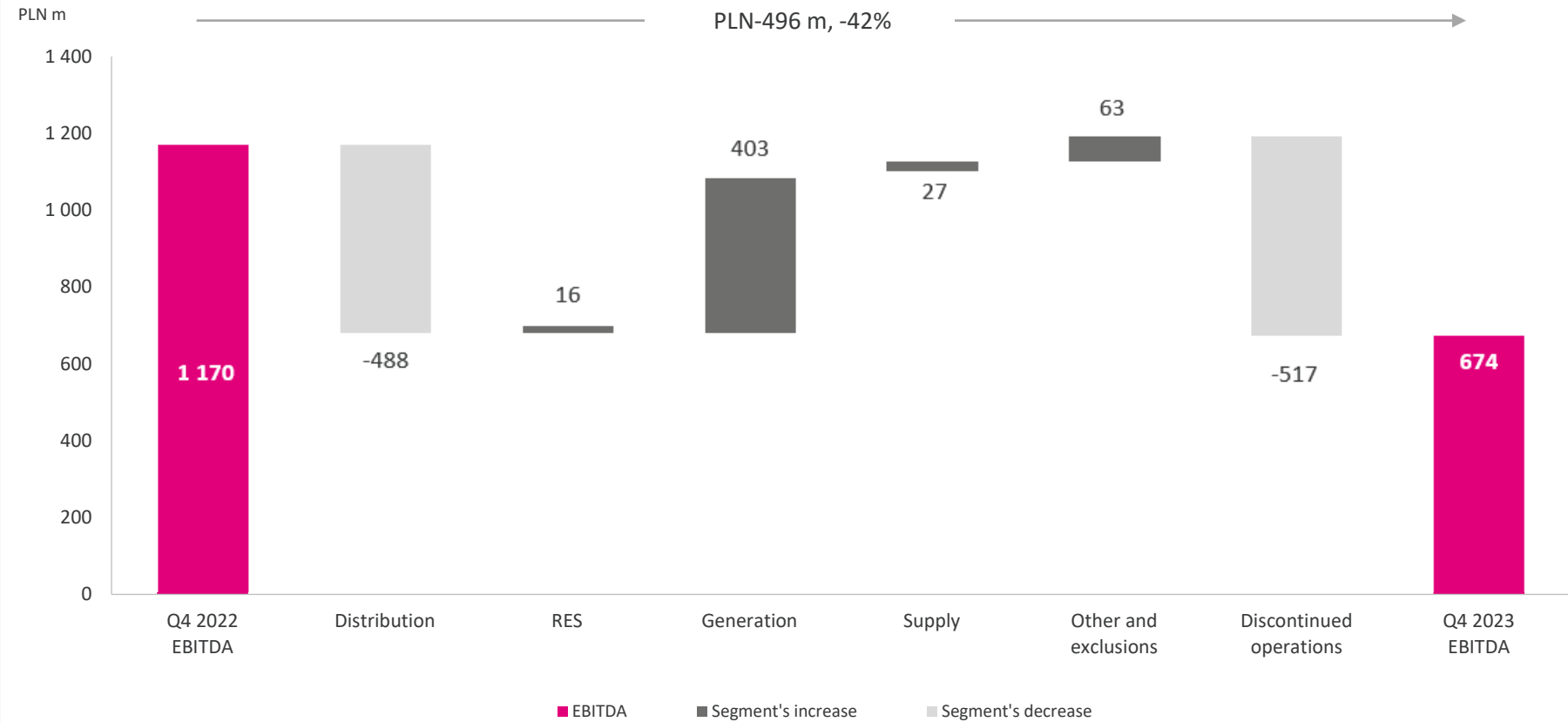


* Sales revenue and compensation payments

** items not included in the segments presented

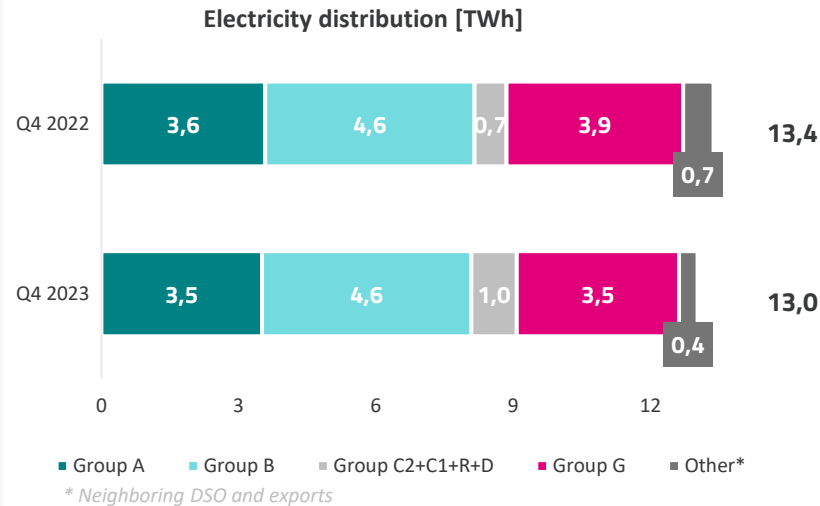
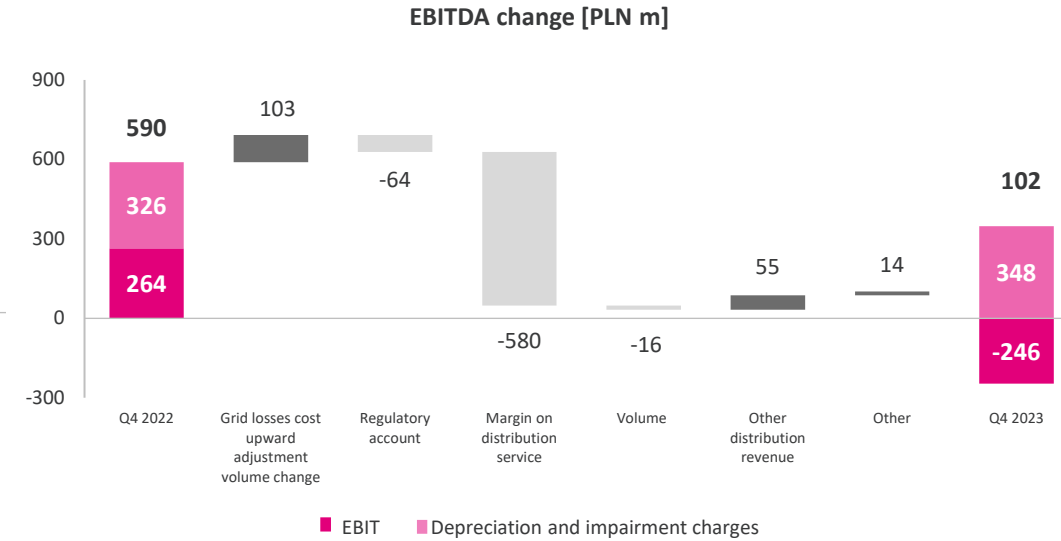
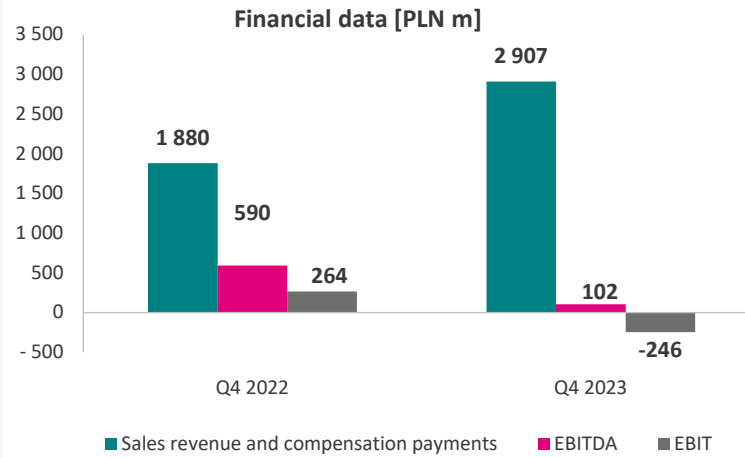


Q4 2023 EBITDA





Distribution Segment Q4 2023

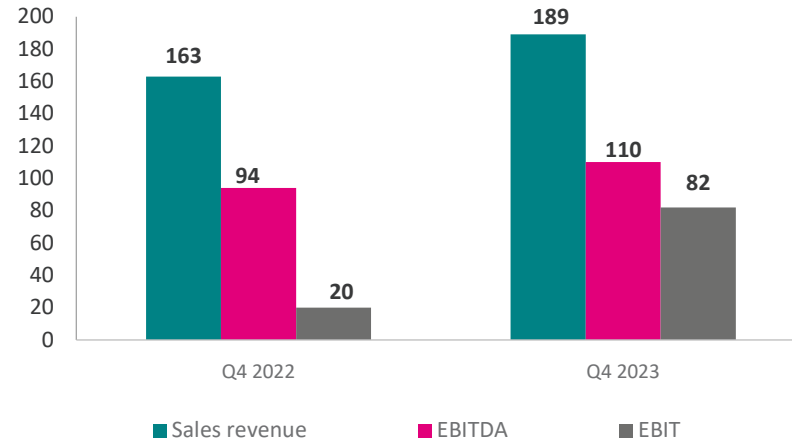


- Increase of the distribution service rate ✓
- Decline of the electricity distribution services sales volume by 0.3 TWh -
- Negative impact of the regulatory account -



RES Segment Q4 2023

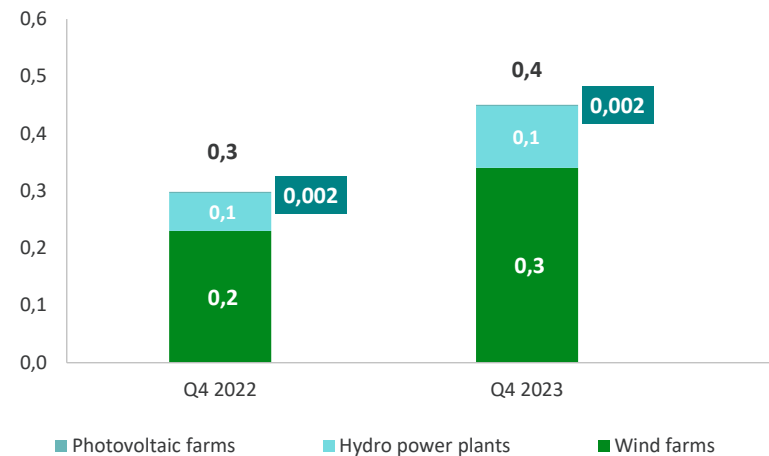
Financial data [PLN m]



EBITDA change [PLN m]



Electricity production [TWh]



• Higher electricity production volume

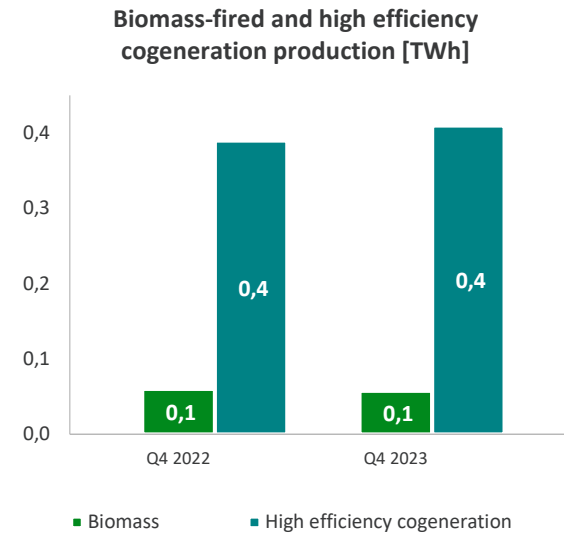
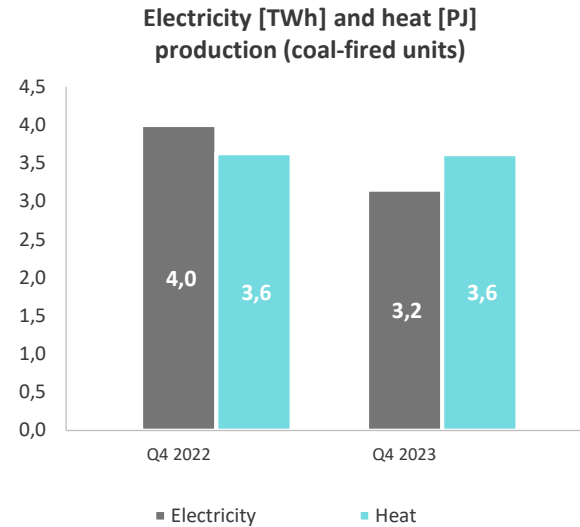
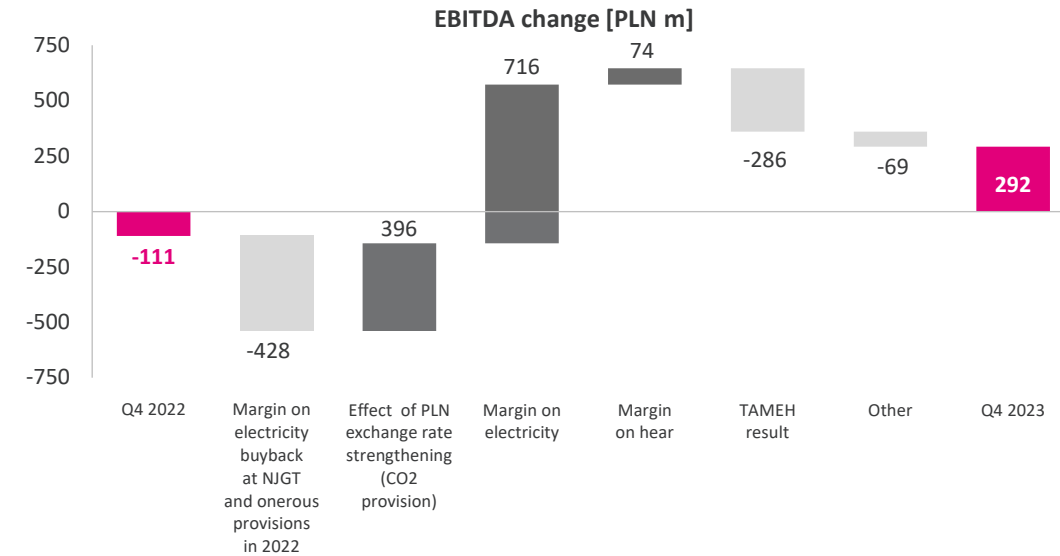
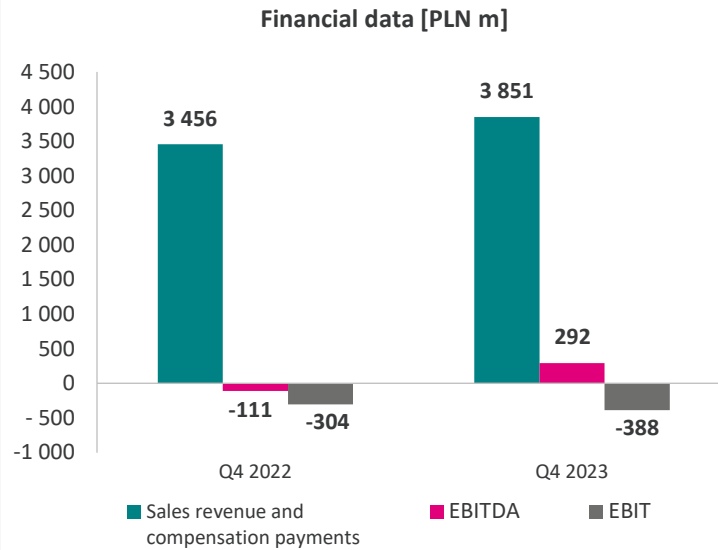


• Decrease of the property rights prices





Generation Segment Q4 2023

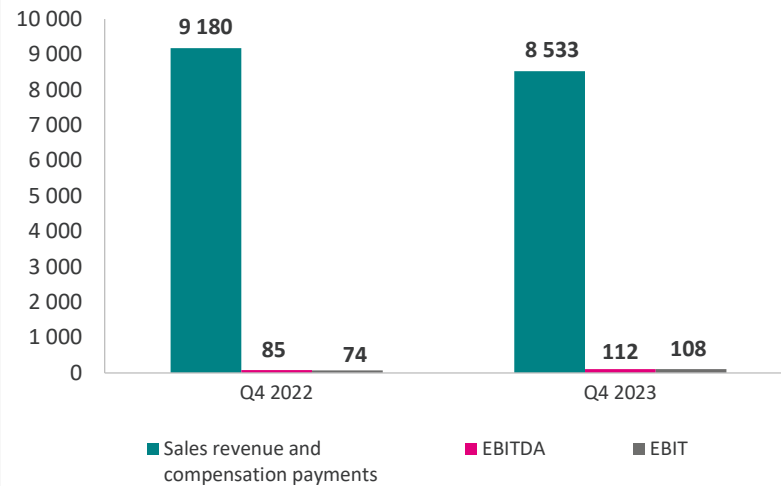


- Favorable forward electricity contracting ✓
- Insolvency of TAMEH Czech subsidiary -
- Lower volume of electricity production by coal-fired units -

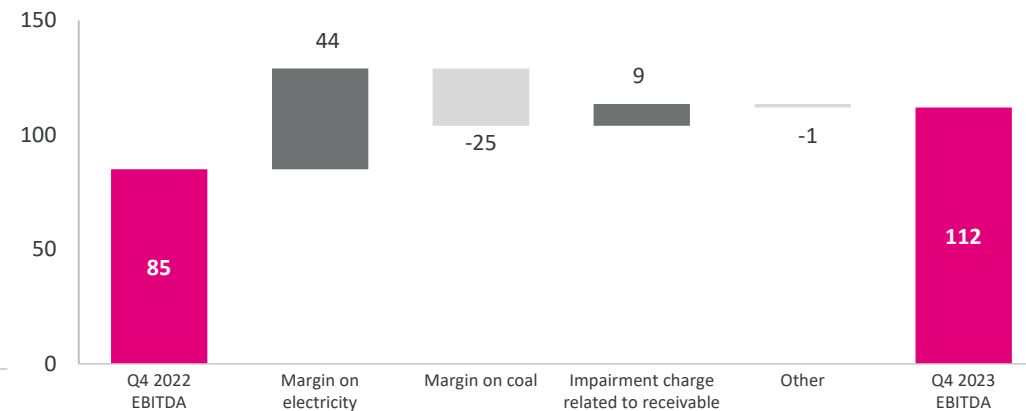


Supply Segment Q4 2023

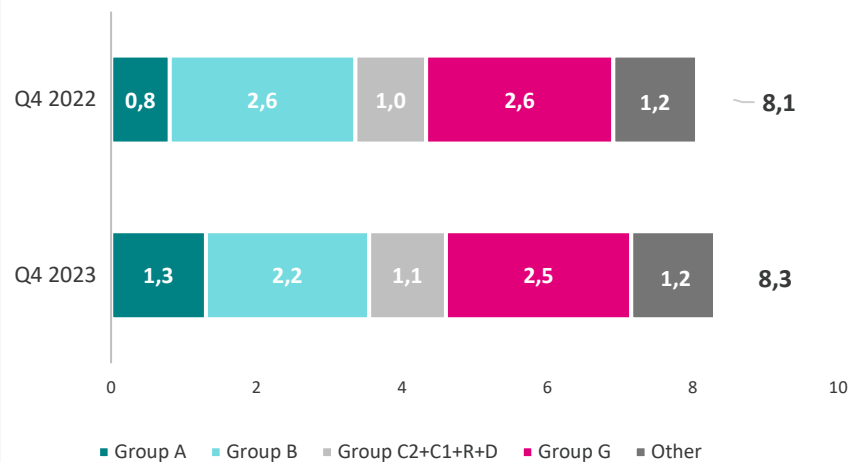
Financial data [PLN m]



EBITDA change [PLN m]



Retail electricity supply [TWh]



▪ Increase of the volume of the electricity sales by business customers



▪ Impact of the electricity contracting hedging profile



▪ Material impact of the regulations on the Segment's results in 2023



▪ Additional customer service costs related to the performance of the tasks stemming from the legal regulations





Analysts covering TAURON

Institution	Analyst
Dom Maklerski mBanku*	Kamil Kliszc
Dom Maklerski Santander	Paweł Puchalski
Dom Maklerski PKO BP	Andrzej Rembelski
Dom Maklerski Banku Handlowego	Piotr Dzięciołowski
Ipopema Securities	Robert Maj
Erste Group	Petr Bartek

*issuing of recommendations has been suspended

Institution	Analyst
Noble Securities	Michał Sztabler
WOOD & Company	Ondrej Slama
Dom Maklerski BOŚ	Jakub Viscardi
Biuro Maklerskie Pekao	Marcin Górnik
Trigon Dom Maklerski	Michał Kozak



Electricity market price trends

Electricity						
Platforms: TGE	2022		2023 (actual + estimates)		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%

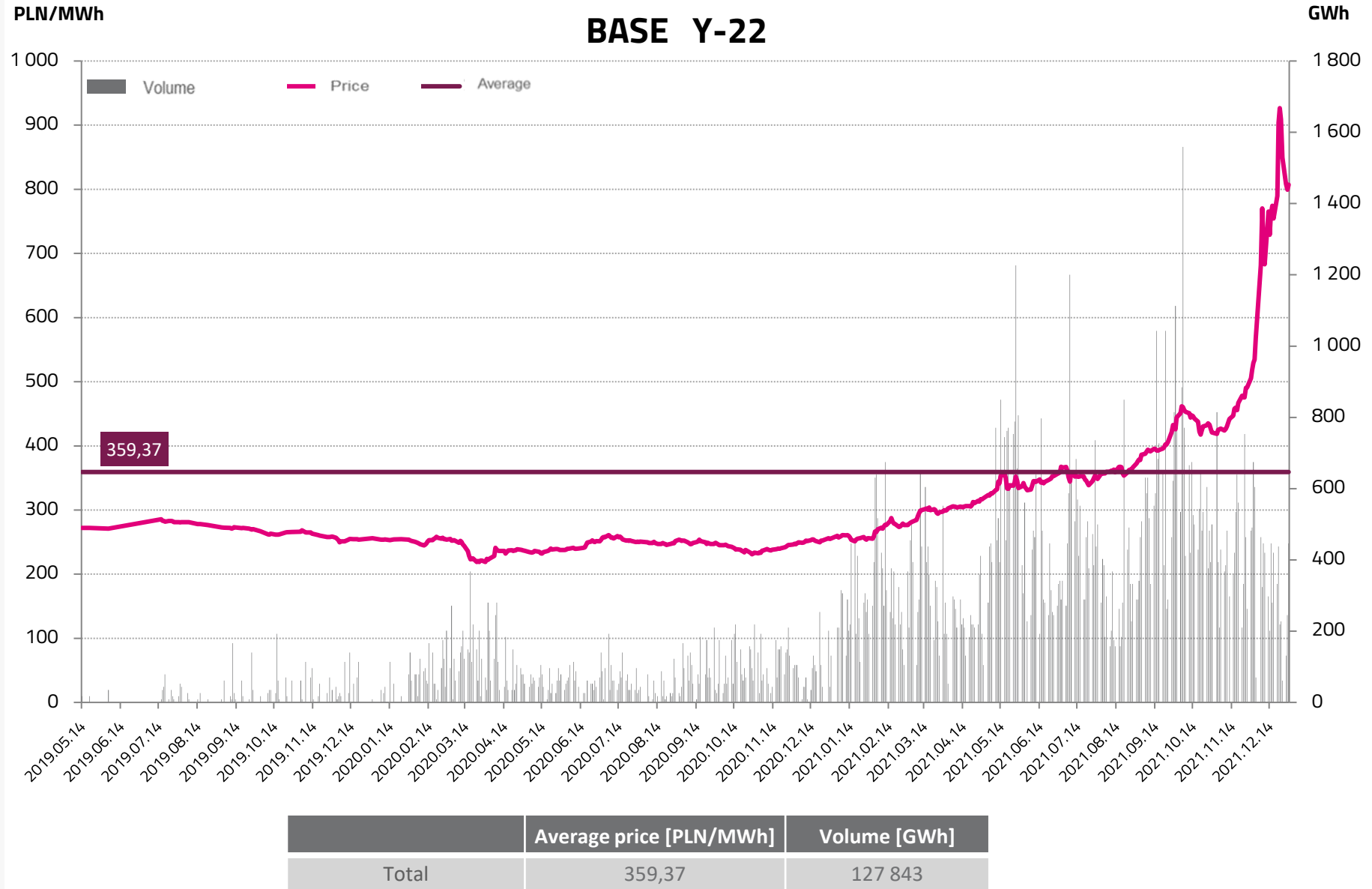
Property rights (PLN/MWh)			
Certificate type	Market prices (Q1-Q3 2023 weighted average)	Substitution fee and obligation for:	
		2022	2023
OZE (PMOZE_A)	182.20	239.86 (18.5%)	239.75 (12.0%)
RES from biogas plants (PMOZE_BIO)	300.98	300.03 (0.5%)	300.03 (0.5%)

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

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



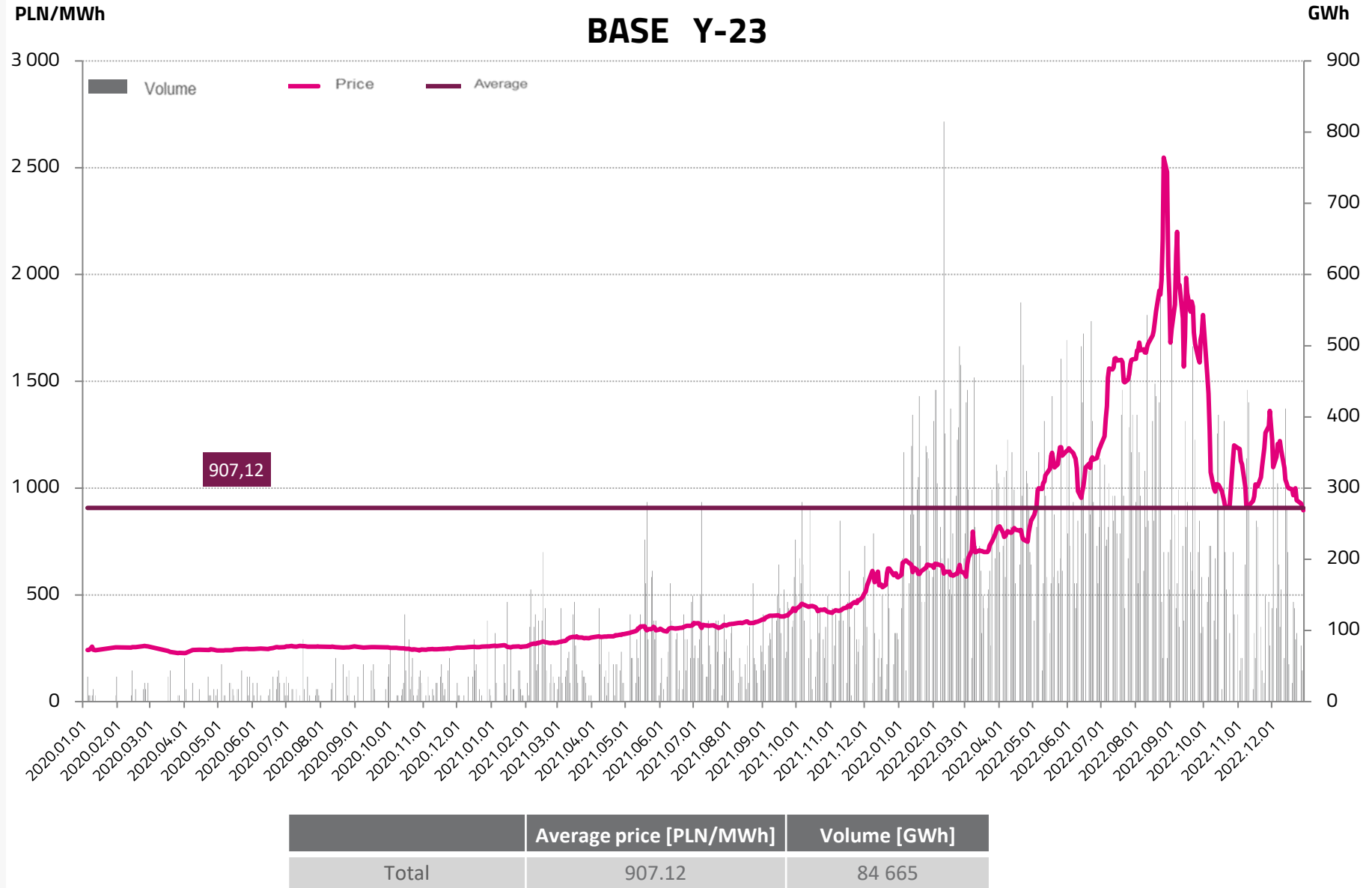
2022 BASE contract prices



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



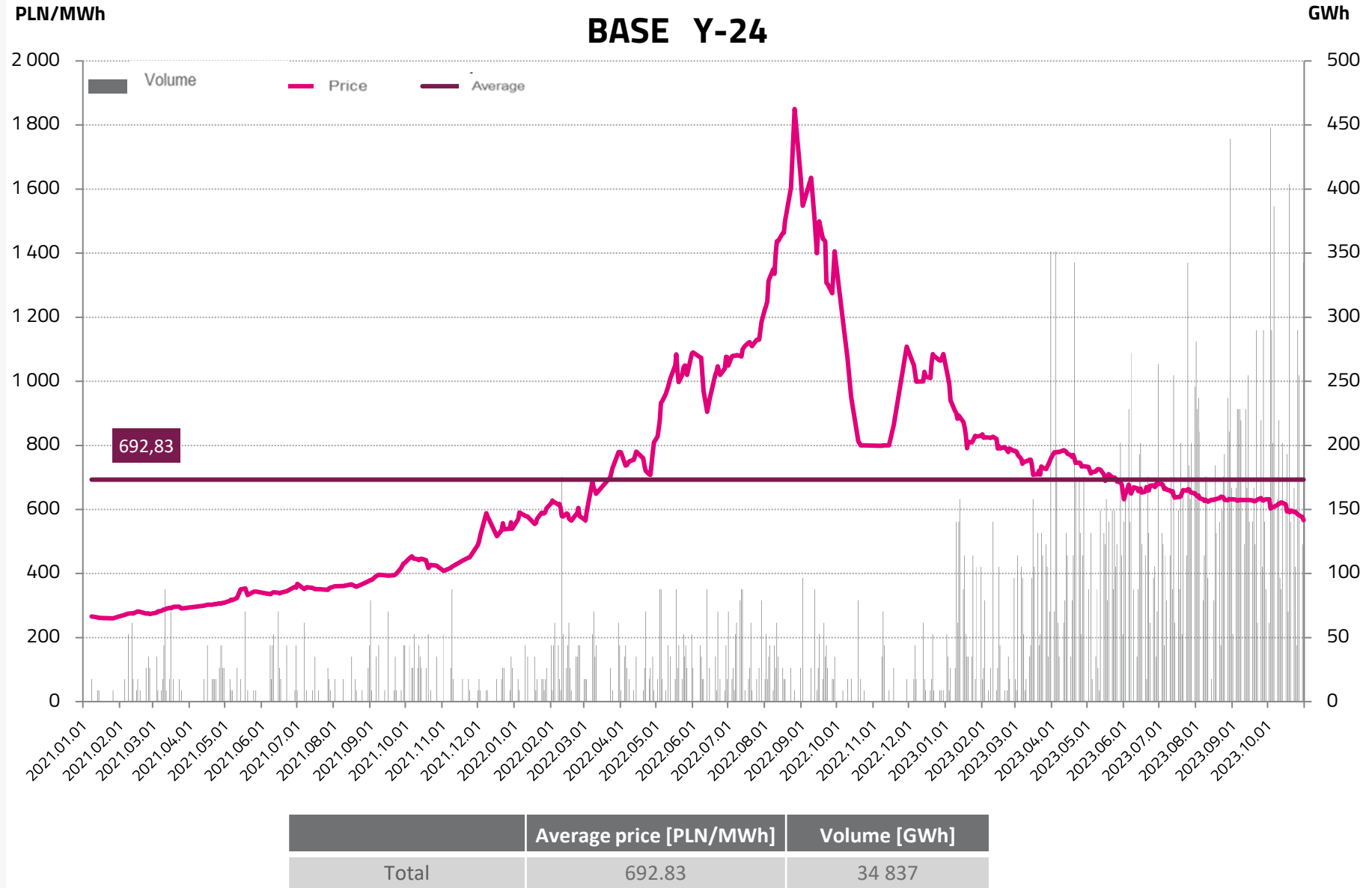
2023 BASE contract prices



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



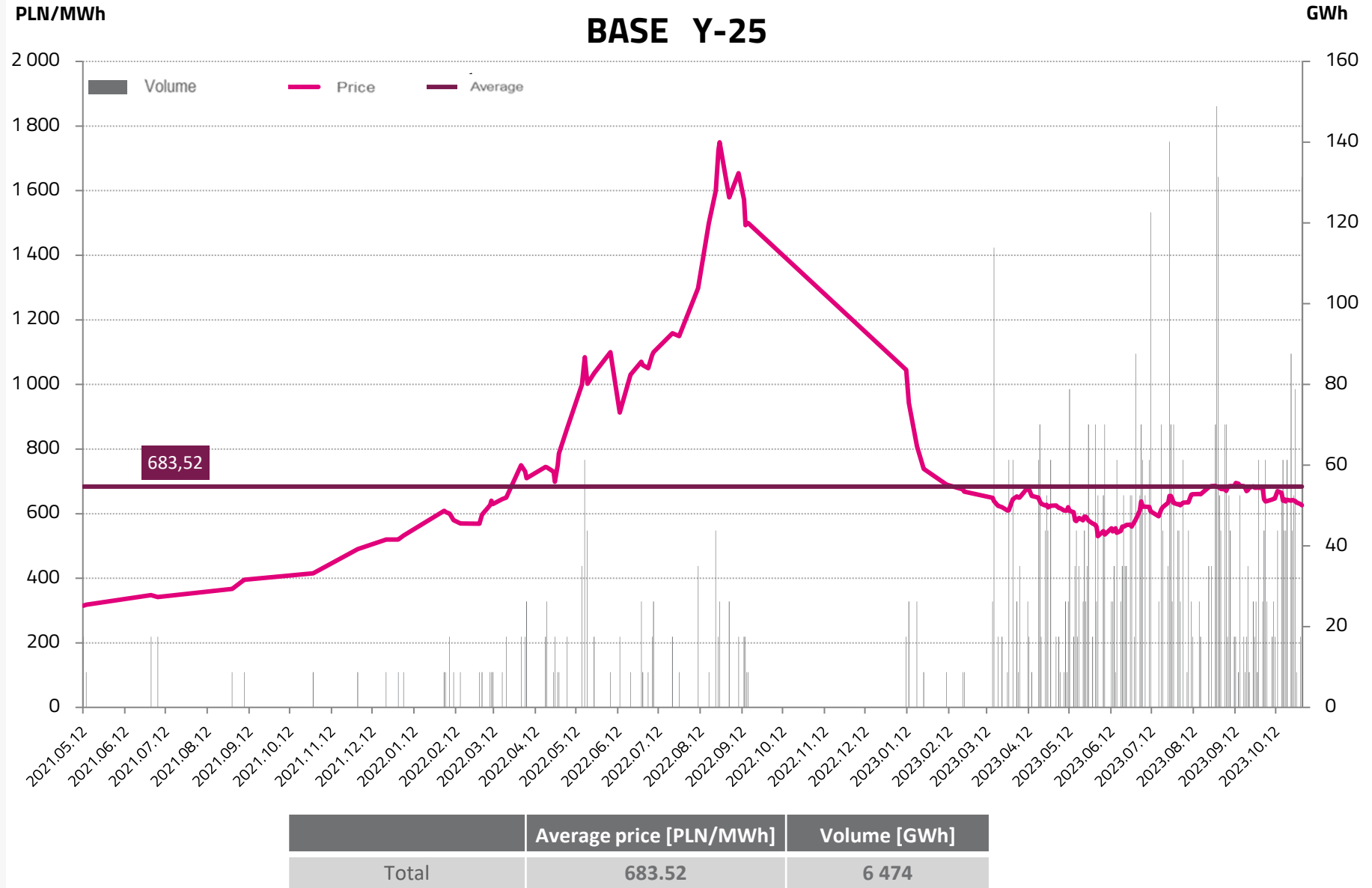
2024 BASE contract prices



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)