Polish Utilities

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Sector update
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Electricity Price & WACC: The (Forgotten) Downside Risks?

We believe multi-billion NRP's low-interest financing and multi-billion State-originated capacity market schemes (off-shore, extension to coal, storage, gas, cogeneration etc.) were driving sector's strong performance. However, in the recent weeks we have observed electricity price fall to area of PLN400/MWh. This, along with major question marks concerning electricity demand, underline the forgotten yet material FCF downside risk to Conventional Generation and Renewables segments. Additionally, while high capex might yield high future distribution RABs, we believe that ~11% segmental WACC might not be sustainable, thus hypothetically exposing Distribution segment's EBITDAs, FCFs, and Groups' Net Debts. We expect hedging should keep three names' 2025E EBITDAs relatively solid, but very high strategic capex contrasted with electricity / regulated WACC risks may raise concerns, regardless of companies' theoretical appeal at today's reported P/E and EV/EBITDA ratios. The Distribution-skewed Tauron, which promises dividend payout in 2029, remains our Top Pick (OP), while we cut PGE and Enea, the two names holding substantial Conv.Gen. / Renewable / Mining assets, to Neutral.

Upsides are Still There... Both Tauron and PGE have already informed on PLN11-12bn NRP low-interest financing, offering decent valuation support. The off-shore might be used as a leverage at PGE, we note, albeit 2nd stage update should cancel out any upside risk. Also, the Polish market is flooded with all-kind capacity support schemes (cogeneration, gas, PLN8.5bn worth of likely extra support to coal in 2H25-2028), supportive of companies' results and cash flow. Last but not least, government suggested that carve-out committee is still working, and its conclusions ("carve-out in 2028E" would represent best-case scenario, we believe) might be announced in (few) months.

Electricity Price Risk. We thought that the Eastern peace agreement would de-rate European electricity prices, via low-priced Russian coal and gas exports. Instead, the EU is slowly admitting that high electricity prices are highly detrimental to its GDP growth. Yet, we have seen no proposals of immediate solutions so far (CO2 price cut?). In the meantime, thermal coal prices are trending down, YTD electricity demand remains very weak in Poland, which together with Mr. Trump's global threat of trade war depressed the Polish 2026 electricity contract to PLN400/MWh, negative for Conv.Gen., Renewable and Heat segments' EBITDAs and FCFs.

Distribution's WACC Risk. We are all pleased with Distribution segment's upside to RABs, a long-term valuation driver, especially as these are financed with low-interest NRP funds. Though, last week the Polish MPC softened its RFR approach, and the cut in May 2025 may be considered. Today, Polish utilities enjoy ~11% WACC, but the above-mentioned FRA trends highlight the downside risk to Distribution remuneration, we believe. WACC cut would expose segment's EBITDA and FCFs, also increasing three utilities' mid-term indebtedness.

Pecking Order: Top Pick Tauron, PGE the Riskiest. **Tauron** is the least-risky distribution, enjoying zero coal mining exposure. Also, only Tauron announced restoration of dividends as of 2029E. **Enea's** profile should remain highly skewed towards coal, but massive gas/renewable capex may represent a burden. **PGE's** massive flat/rising-opex lignite mining and large Renewable fleet keep its EBITDA & FCF highly exposed to any electricity price / volume declines. Also, 2nd stage off-shore may be losing its shine, we note.

Forecasts, TPs, recommendations. In this report we adjust our 2024 forecasts with some preliminary data, waiting for detailed model update until official data is published. We cut our electricity price forecasts to PLN390/MWh in 2028E, and we cut core Distribution WACC to 6.5% in 2028E. We still apply a 100% probability to delayed carve-out scenario (carve-out in 2029E). We cut all three names' TPs (ENA 3%, PGE 12%), where share price upsides eroding to 5-6% make us cut recommendations to Neutral. With TPE's 22% upside, we keep it at Outperform.

Sector Risks & Upsides. Reinstation of the Russian gas imports poses key threat to renewable / heat / PGE, we believe. Macro slowdown may trim growth at distribution and electricity demand, negative to all utilities. Reduced renewables' load factors or rising profile costs could depress renewable segments' EBITDAs, FCFs, and valuations. Departure from ESG policies could turn Polish utilities investable again, we assume, just like restoration of carve-out hopes.

	Rec. cur.	Rec. prev.	TP * [chng]	Upside
PGE	**N**	OP	**8.0 [⇓]**	***+6%***
Tauron	**OP**	OP	**5.9 [⇓]**	***+22%***
Enea	**N**	OP	**14.7 [⇓]**	***+5%***

*Source: Santander Brokerage Poland estimates, current equity prices on page 2, * PLN and rounded, valuation horizon: Dec'2025; previous Recommendation issued on Nov 29, 2024.*
N – Neutral; OP – Outperform; UP – Underperform

	P/E (x)		EV/EBITDA (x)	
	2025E	2026E	2025E	2026E
PGE	4.0	5.7	5.3	7.1
Tauron	4.0	8.1	5.2	6.9
Enea	3.3	5.6	3.8	5.1

Source: Santander Brokerage Poland estimates, carve-out expected at 2029E year-end

Throughout the report we use prices as of April 07, 2025, unless otherwise stated

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Forecasts, Target Prices, Recommendations

Fig. 1. Polish Utilities – PGE Forecasts and Ratios

PLNmn, Year to Dec	2021	2022	2023	2024E	2025E	2026E
Sales	52,730	73,435	95 964	76 771	63 976	53 740
EBITDA	9,535	8,669	10 028	12 210	12 134	9 942
EBIT	5,123	4,299	-3 446	5 814	7 049	4 671
Net income	3,949	3,359	-5 022	-3 158	4 231	2 980
P/E (x)	4.1	5.5	-3.3	-5.4	4.0	5.7
EV/EBITDA (x)	3.2	4.5	5.4	4.9	5.3	7.1
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	30%	15%	-71%	-59%	-30%	-35%

Source: Company data, Santander Brokerage Poland estimates

Fig. 2. Polish Utilities – Tauron Forecasts and Ratios

PLNmn	2021	2022	2023	2024E	2025E	2026E
Sales	25,614	36,311	50 715	35 399	30 481	26 500
EBITDA	4,141	4,016	6 145	6 469	6 328	5 025
EBIT	916	1,069	3 234	2 650	3 423	1 987
Net income	338	-132	1 489	589	2 091	1 043
P/E (x)	16.3	-35.4	3.5	14.4	4.0	8.1
EV/EBITDA (x)	5.4	6.9	5.1	4.9	5.2	6.9
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	11%	-14%	-29%	3%	-9%	-22%

Source: Company data, Santander Brokerage Poland estimates

Fig. 3. Polish Utilities – Enea Forecasts and Ratios

PLNmn	2021	2022	2023	2024E	2025E	2026E
Sales	21,275	30,076	48 183	32 975	27 479	23 083
EBITDA	3,636	2,220	6 298	6 806	5 183	4 227
EBIT	2,067	578	955	3 284	3 106	1 894
Net income	1,679	48	-659	1 348	2 236	1 328
P/E (x)	2.2	80.0	-5.8	5.5	3.3	5.6
EV/EBITDA (x)	3.1	7.5	2.9	2.7	3.8	5.1
DY	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	75%	-47%	-36%	30%	-16%	-25%

Source: Company data, Santander Brokerage Poland estimates

Fig. 4. Polish Utilities – Valuation Outcomes, Upside/Downside, Recommendations (in PLN/share)

	DCF valuation	DDM valuation	Comparative valuation	Blended* target price	Current share price	*Upside / downside*	Recommendation
PGE	9.9	1.3	8.7	**8.0**	7.54	*6%*	**Neutral**
Tauron	7.7	0.9	5.8	**5.9**	4.82	*22%*	**Outperform**
Enea	15.9	2.0	23.8	**14.7**	14.04	*5%*	**Neutral**

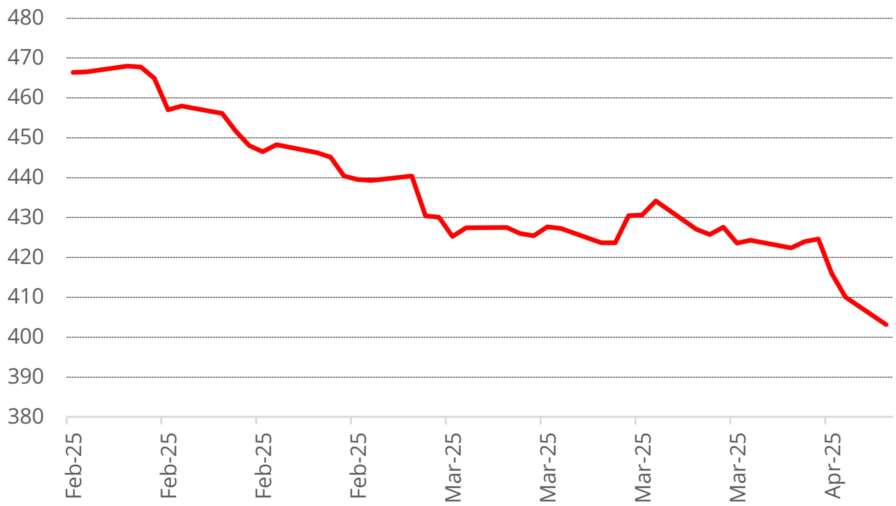
*Source: Santander Brokerage Poland estimates, *60% DCF, 20% DDM, 20% comparative valuation, also weighted by scenario likelihood (0% core & risk, 100% delayed carve-out, 0% carve-out, no change in likelihood vs previous report), TPs rounded, share prices as of April 07, 2025*

Key Stories

Electricity Price on the Slide: Negative for Conventional Generation, Renewables, Heat

In November 2024 we presented our segments' forecasting for three companies, based on our assumed volumes and electricity price trends. We note that in the recent weeks the Polish forward electricity prices remain on the steep slide, down to PLN400/MWh yesterday (Apr 6, 2025).

Fig. 5. 2026 electricity price contract



Source: TGE

We assumed the Polish electricity prices sliding to PLN450/MWh in 2025E (incl. hedging), down to PLN420/MWh in 2028E. However, the 2026 electricity price contract fell to PLN400/MWh yesterday, thermal coal prices remain in the downside both in Europe and in Poland (Feb2025 PSCMI1 at PLN366/t, down +20% y/y).Europe is still considering measures to be applied to cut electricity prices on the continent. Last but not least, the gas inflow could reduce prices further. Finally, the global duties applied by the US might result in stalled GDP growth, we believe, further undermining electricity demand and prices. Therefore, keeping in mind 6GW of the Polish off-shore scheduled for kick-off in 2028E, we believe the Polish electricity price should face increased pressure in the late 2030s', potentially. Therefore, we cut our electricity price estimates to PLN420/MWh in 2025E, PLN34490/MWh in 2027E and PLN360/MWh as of 2028E.

These result in cut to our Conventional Generation segment EBITDA / FCF assumptions in years 2025-2028E. Additionally, renewable segment's EBITDA and FCFs decline vs our previous assumptions, especially as market profile costs remain on the steep rise for both on-shore wind and photovoltaics. Finally, lower electricity price implies lower by-product revenues in Heat segment.

Fig. 6. 2024-29E NEW Conv. Gen. segment EBITDAs [PLNmn]

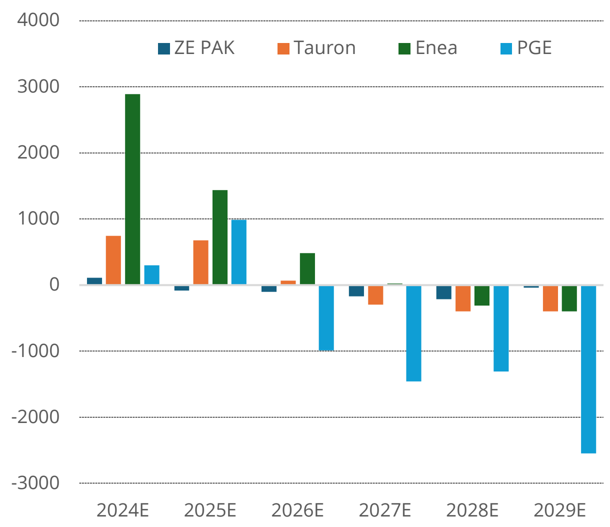


Fig. 7. Discounted 2025-29E NEW Conv.Gen. EBITDAs [PLNmn]

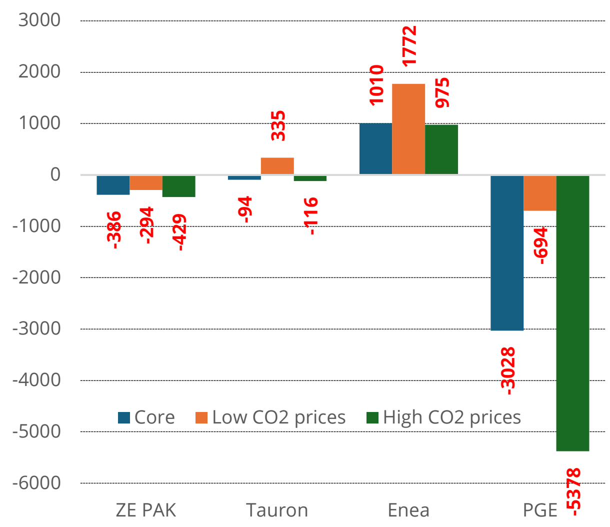


Fig. 8. 2024-29E OLD Conv. Gen. segment EBITDAs [PLNmn]

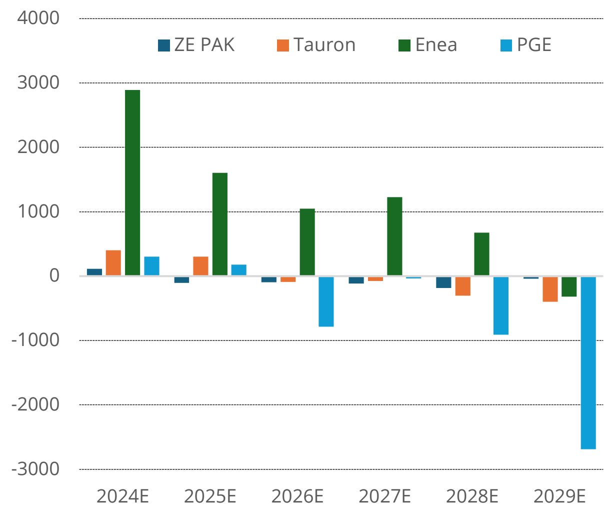
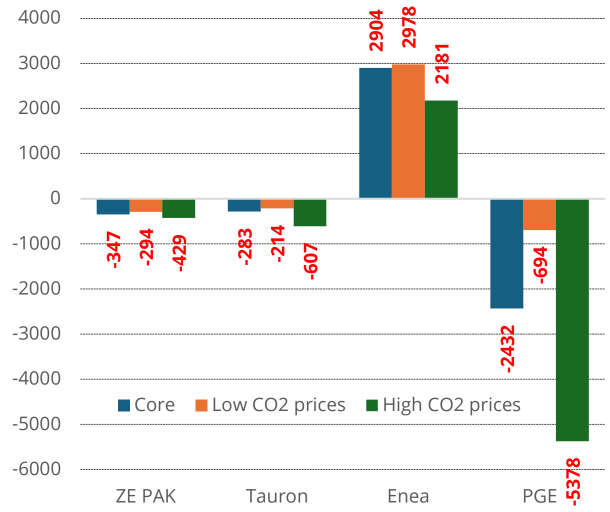


Fig. 9. Discounted 2025-29E OLD Conv.Gen. EBITDAs [PLNmn]

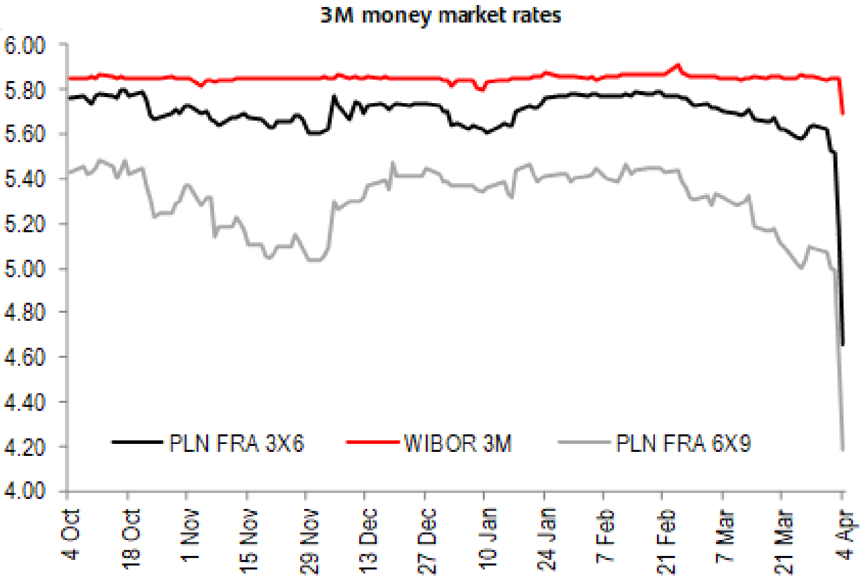


Source for all graphs: Santander Brokerage Poland estimates

Declining FRAs & Yields: Donwside Risk to Distribution?

Last week the Polish Monetary Policy Council's suggested that the cut to RFRs might be imminent, potentially taking the real shape already next month. This resulted in sharp decline to the Polish FRAs and 10-year RFR, we note.

Fig. 10. Polish FRAs & 3M WIBOR



Source: TGE

In our view, the above-mentioned represents downside risk to distribution segment's EBITDAs and FCFs. We appreciate high Distribution capex, especially as it would be financed with NRP funds, as it should come in supportive of utilities' valuation (equaling RAB in Distribution). However, decline at RFR / FRAs highlights the risk to mid- to long-term WACC, which the market might be overlooking. Currently, Polish utilities enjoy WACC at ~11%, with official minimum threshold set at 7.5%, plus reinvestment premium. In Poland, we would not be very surprised to see the regulator trimming the official WACC, either due to RFR decline or to low-priced European loans availability. In this report we cut base 2028E WACC to 6.5%, which should weaken utilities' EBITDA and FCF outlook, we conclude.

Fundamental Themes

[+] Coal Carve-Out Theme: "It Ain't Over Till the Fat Lady Sings"…

[published as separate Santander's Flash Note on March 06, 2025]

Yesterday afternoon, the Polish deputy State Asset Minister said that the cost analysis of the creation of "coal asset bank" is ongoing. Acc. to pap.biznes internet portal, an in-depth analyzes of various scenarios regarding the coal assets of energy companies are currently underway. These include calculation of the costs of consolidating these assets within the "bad asset bank". Mr. Jakub Jaworowski, the Minister of State Assets, stated that in his opinion the final report and the government's decision regarding coal assets are a matter of "a small number of months.".

Comment: Hypothetically Strong Positive. Pecking Order under Carve-Out scenario: PGE is the Major Winner, Tauron receives Support, Enea at Material Risk?

Back in early December 2024, Dziennik Gazeta Prawna daily was suggesting that the Polish government might give up on coal-fired generation assets carve-out plan, replacing it with potential individual coal termination plans for each company. Such suggestions were presented by the government's representative, and thus last December in our models we have delayed coal generation assets' carve-out until 2029. Above, at Fig. 1 we present our current set of EBITDA assumptions (coal-fired generation, including capacity market, balancing support etc.) for the three companies.

The suggestion that the **government's committee is working on the Polish coal-fired generation assets' "bad asset bank" should be seen as clear positive to sector's perception**, we believe. The Bloomberg-based EV/EBITDA ratios settle a notch below 2x for PGE, below 2x for Enea and at ~4x for the distribution-skewed Tauron. With the hypothetical carve-out, the re-rating to the European levels (8x for distribution, 5-6x for clean-er generation) would be rational, although the lack of dividends from Polish companies would require certain discount, we assume. Overall, while fundamental implications would remain a major question mark, we would not be surprised to see PGE / Enea / Tauron share price re-rating in the hypothetical scenario of any firm project announcement.

Pecking Order under Carve-Out scenario: PGE is the Winner, Tauron receives Support, Enea at Material Risk? PGE's fixed-cost lignite operations represent the company's key downside risk, and developments at the Polish / European markets (likely declining electricity price, extra support to local gas projects) could make PGE suffer dearly at EBITDA / FCF. In this context, the hypothetical carve-out would improve our valuation (ceteris paribus) by PLN2.4bn, or PLN1.1 a share. Tauron has already announced self-carve-out, and promised to switch off coal-fired units in coming years. Hence, the positive impact of carve-out would come not meaningful at PLN0.3bn, or PLN0.16 a share. **Enea** represents a very different case, we note. Its low-pollution units and hedging in place should have warranted its coal-fired operations remaining EBITDA-positive until 2028E, we assume. In this light, the carve-out (for PLN1, we assume) could have been value-destructive, we conclude. Furthermore, two days ago the State Asset Minister stated that there are no plans to take over Bogdanka's stake from Enea. In our separate Flash Note published on March 04, 2025 we underlined that lack of disposal of

Bogdanka shares to the State would have resulted in Enea keeping its exposure to thermal coal mining, any investor's multi-angled least-wanted exposure.

CAPACITY MARKET: Extra-time capacity auction (2029/30) for gas-fired units to turn real in months

[published as separate Santander's Flash Note on February 05, 2025]

Yesterday the Polish government has adopted draft amendment to the Capacity Market Act, which provides for the possibility of conducting an extra-time auction on the capacity market for deliveries in 2029 and 2030, These auctions will include, among others, support to gas-fired units. She emphasized that the mechanism introduced in the project will allow for additional auctions on the capacity market if the security of electricity supplies is at risk.

This Monday, the president of PSE, Grzegorz Onichimowski, said that if there are overtime auctions on the capacity market, in accordance with the government's bill on the capacity market, and all the announced investments in gas and renewable energy generation capacity are implemented, the situation in the national power system will remain quite stable until 2030-2031.

According to the project, extra-time auctions would be held if the transmission system operator finds a problem with the adequacy of generation resources and reports it to the relevant minister. The project assumes an additional auction for the delivery year of 2029 and the possibility of conducting such an auction for 2030.

the Ministry assumes that total cost of Capacity Market extension should settle at PLN1.88bn in 2029, followed by PLN1.07bn annually thereafter (for 16 years).

Comment: The outcome of Dec2024 main capacity auction was surprising: energy storage took it all, depressing support price to PLN250/MW, resulting in gas-fired unit receiving no support at all. It made the Polish government organize additional capacity market auctions, designated for the new gas-fired units.

With total capacity support at PLN19bn (17-year support, not inflation-indexed), the size of new capacity represents the key theme. Last year there were ~3.0GW in auction-certified gas-fired capacity available for Dec2024 auction. Of these, we can name two 700MW units of Enea (to be built in Kozienice), two +500MW units from Orlen, and several minor units of other entities.

If we assume that **only units participating in Dec2024 auction would participate in the upcoming auction, the scale of support could settle as high as PLN565/MW. This would be positive news to all capacity auction winners, we conclude (primarily Enea and Orlen, with per share impact incomparably stronger for Enea)**. However, if larger capacity would participate and/or win the auction, the multi-year support (and potential positive valuation impact) would come in relatively smaller.

On the downside, the larger the capacity of new gas-fired units, the smaller the room for coal in the Polish generation mix beyond 2029. Hence, we see these clearly **negative to 1) lignite-fired PGE, 2) economics of any thermal coal-fired generation unit, and to 3) coal producers** (primarily Bogdanka, JSW to a lesser extent, as thermal coal is JSW's by-product).

Details of official Polish Energy Outlook: Booming Renewables, Coal at double-digit negative CAGRs

[published as separate Santander's Flash Note on October 14, 2024]

On September 6, 2024, the Polish Climate Ministry presented the government's outlook for reaching renewables' share in total energy usage in Poland till 2030/2040. We presented its key assumptions in separate Flash note published that day (see takeaways on the subsequent pages). Below we present some interesting details of the multi-year transformation, presented last Friday by the Ministry:

- **Electricity Consumption Growth**. The core and aspirational scenarios point to 2040's Polish electricity consumption respectively at 268TWh and 309TWh, implying 16-year CAGRs at 2.8% or decent 3.7% for the aspirational scenario. However, both scenarios guide for 180-188TWh in 2025 and 193-198TWh in 2030, while the acceleration in electricity consumption is foreseen for years 2035-2040;
- **Coal units**. Ministry sees no rationale for new units' construction, which might be an option for thermal coal's Carbon Capture & Storage. The Ministry expects 8,000MW to be switched off until 2030, followed by another 4.6GW in 2031-35 and 3.6GW in 2026-40. The Ministry underlines some additional capacity support would be very necessary in years 2025-2030;
- **Thermal coal usage**. The Ministry sees domestic coal production / usage falling from 46.5mt in 2022 to 43mt in 2025. The slump should accelerate afterwards, down to 27mt in 2030, 15.4mt in 2035 and 5mt in 2040;
- **Nuclear**. Aspirational scenario assumes 6GW of large-scale State-'s nuclear units operational in years 2023/35-2038. Additionally, the Ministry assumes 600MW of SMRs in 2030-35, and another 1,200MW in years 2036-2040. Finally, the Ministry assumes two large-scale nuclear units based on the Korean technology would be on-lined in 2039 and 2041;
- **Three gas-fired 624MW units in Kozienice**. The Ministry presents long list of units under construction or to-be-built in Poland, which are included into the official figures. These include three 624MW gas-fired units in Kozienice, reportedly to be built in years 2027-2030;
- **Coking coal**. Among plenty of assumptions, the Climate Ministry also presented its outlook for Poland's coking coal production, seen stable at 10mt p.a. Still, it was noted that the actual volumes of metcoal and coke production might substantially deviate from the above-mentioned scenario.

Comment: Negative for Coal, Positive for Renewables.

The 'aspirational' outlook for the Polish energy did not change vs it was highlighted over a month ago. The detailed breakdown between lignite and thermal coal guides for Ministry's estimate of respective units' generation at respectively 11.4TWh and 31.9TWh in 2030. These would imply stunning negative CAGRs at -17% for lignite and -12% for thermal coal. Though, we note that the Ministry sees CO_2 certificate prices at EUR90/t in 2025, EUR100/t in 2030, rallying to EUR250/t in 2040 – if this scenario fails to materialize (due to Europe's Great Recession, hypothetically), we could imagine the decline coming much softer at the expense of thermal coal generation.

Moreover, we believe that the Ministry's electricity consumption estimates 1) are overstated for year 2025 by ~7TWh, and 2) imply quitter sluggish growth until 2030 (~1.4% p.a.), accelerating substantially in the two next five-year periods. Also, the Ministry is very bullish on EV / hydrogen transportation, which seems to represent one of foundations of the above-mentioned decent growth rates. These combined could suggest more room for the Polish coal than it might actually have, either next year or in years 2030 or 2035.

The Ministry's energy outlook includes 1) Kozienice's three new gas-fired 624MW units built in years 2027-30, 2) 1.2GW room for Polish nuclear SMRs and 3) possibility of two large-scale nuclear units in Korean technology turning operational in years 2039-41. Kozienice's gas-fired units would decimate demand for Bogdanka's coal in five years, we conclude, while ZE PAK/PGE nuclear venture might be not entirely off the table, we hypothesize.

Last but not least, the Ministry presented its outlook for Polish coking coal production at stable 10mt in years 2025-2040. The Ministry admitted that there could be high variability of metcoal production, yet we note that JSW's actual production trends (14mt several years ago, 12.45mt in 2024E) tend to meet the above-mentioned goal. Certainly, JSW's production of metcoal at 10mt would represent strong negative news to the company's cash generation potential.

On the following pages we provide some chart-ology, along with our initial view on Ministry's "aspirational energy outlook" as of September 6, 2024.

Fig. 11. Polish electricity consumption outlook

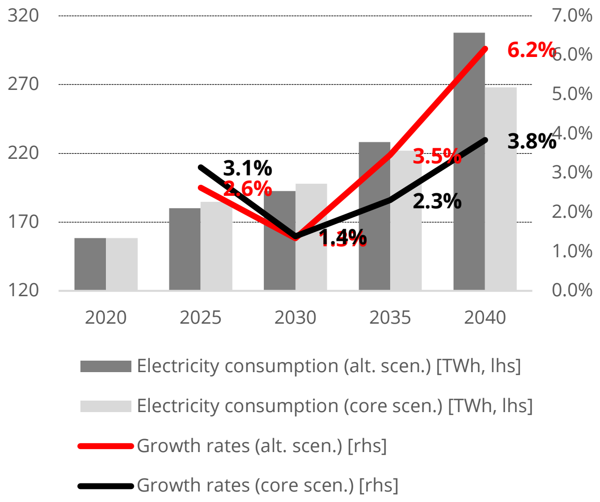
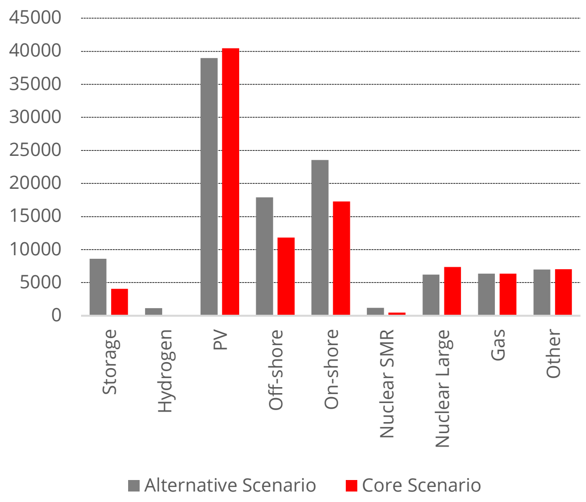


Fig. 12. New capacities by technology, 2020-2040



Source for all graphs: Climate Ministry's presentation, Santander Brokerage Poland estimates

Fig. 13. New capacities in aspirational scenario [MW]

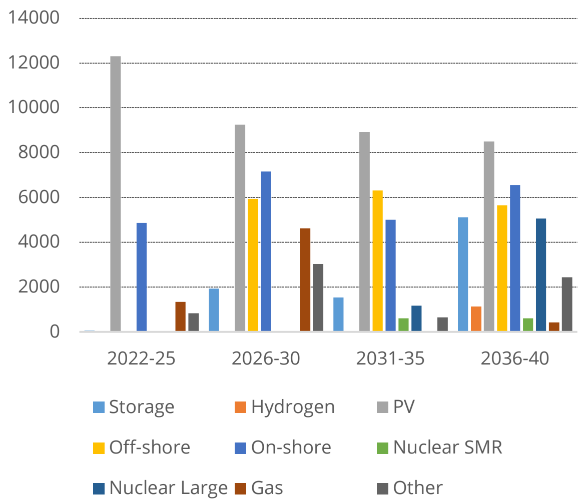
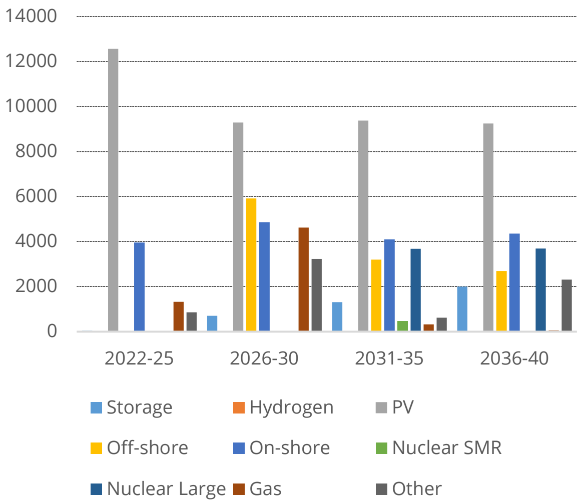


Fig. 14. New capacities in core scenario [MW]



Source for all graphs: Climate Ministry's presentation, Santander Brokerage Poland estimates

Fig. 15. Ministry's key long-term assumptions

	2020	2025	2030	2035	2040
Population [mn]	38.0	38.0	37.9	27.5	37.0
GDP growth	-	3.6%	2.4%	1.7%	1.4%
Disposable Income*	13123	15502	17464	19053	20393
Disposable Income growth	-	3.4%	2.4%	1.8%	1.4%
Coal price [PLN/t]	386	447	369	369	391
CO2 certificate [EUR/t]	25	90	100	120	250
Electricity consumption (alt. scen.) [TWh]	158.3	180.0	192.6	228.3	307.9
Growth rates (alt. scen.) [rhs]	-	2.6%	1.3%	3.5%	6.2%
Electricity consumption (core scen.) [TWh, lhs]	158.3	184.8	198.0	222.0	268.0
Growth rates (core scen.) [rhs]	-	3.1%	1.4%	2.3%	3.8%
Thermal coal production	46.5	43.3	27.0	15.4	5.5
Coking Coal, production	11.8	10.0	9.9	9.8	9.9

*Source: Climate Ministry, * EURk, year 2020*

Fig. 16. Polish electricity generation, 2005-2040, Ministry's alternative scenario [TWh]

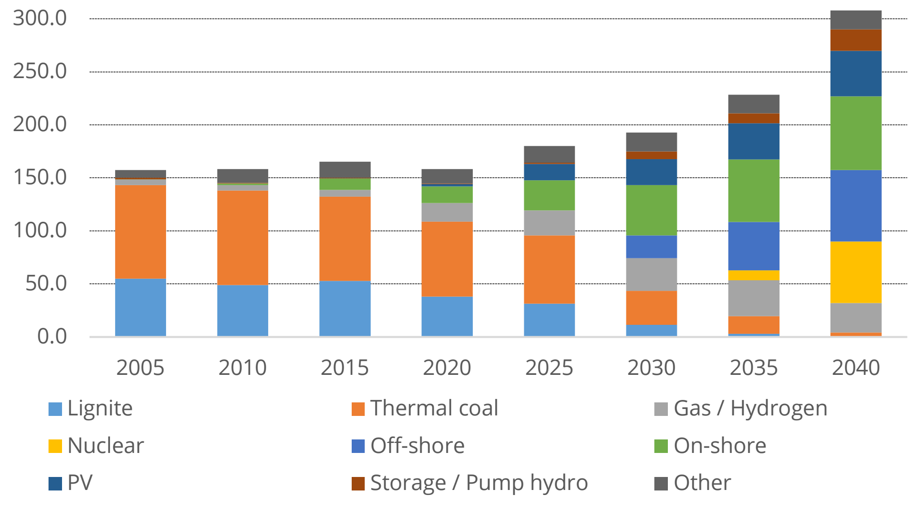


Fig. 17. Polish generation, renewable units, 2005-2040, Ministry's alternative scen. [TWh]

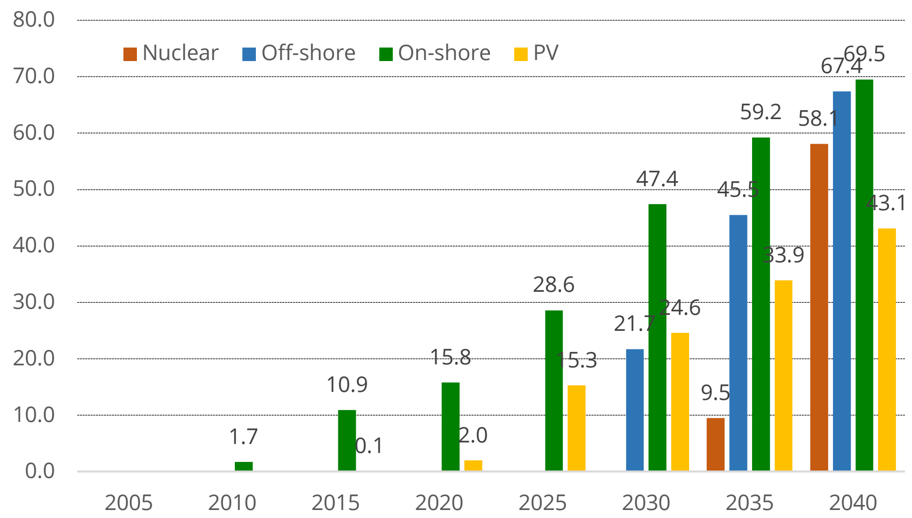


Fig. 18. Polish generation, polluting units, 2005-2040, Ministry's alternative scenario [TWh]

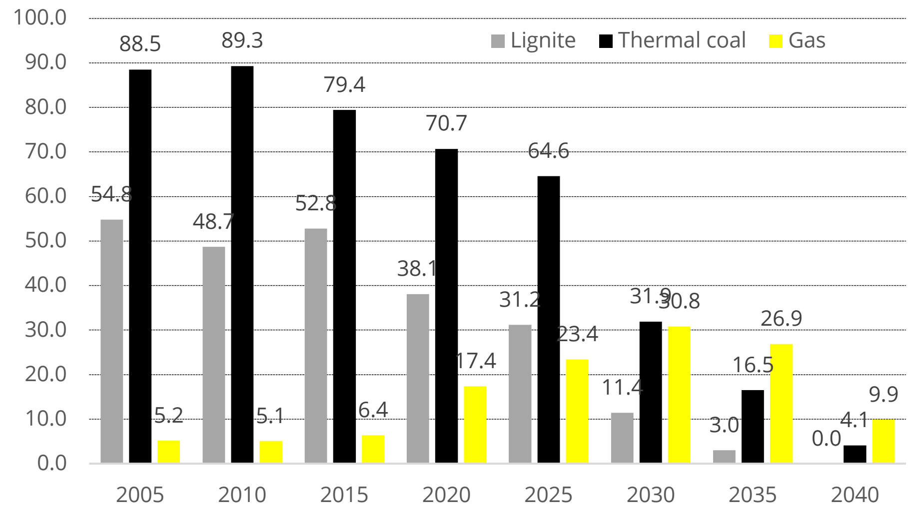
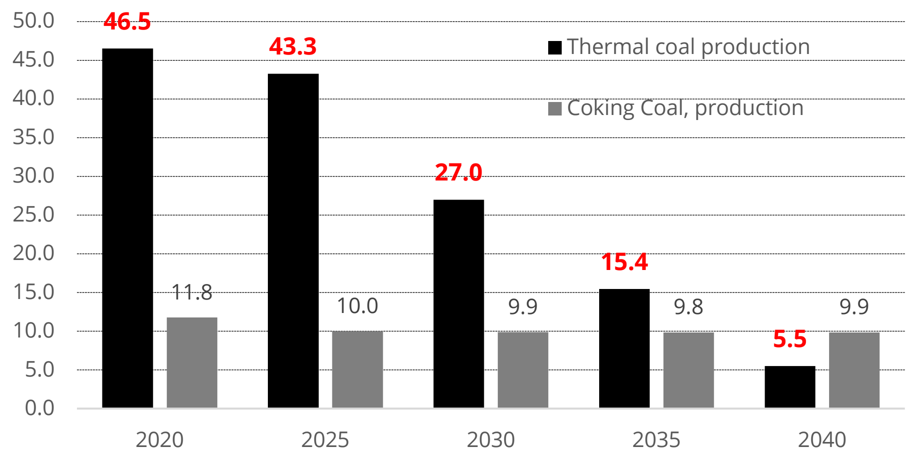


Fig. 19. Polish coal production, 2020-2040, Ministry's alternative scenario [TWh]



Source for all graphs: Climate Ministry, Santander Brokerage Poland estimates

Fig. 20. Ministry's Implied Renewable Load Factors

	2030 capacity [GW]	2030 generation [TWh]	Implied 2030 load factor	2040 capacity [GW]	2040 generation [TWh]	Implied 2040 load factor
On-shore	19	47.7	**28.7%**	25.8	69.5	**30.8%**
PV	29	24.6	**9.7%**	46.2	43.1	**10.6%**
Off-shore	5.9	21.7	**42.0%**	17.9	67.4	**43.0%**

Source: Climate Ministry's presentation, Santander Brokerage Poland estimates

Feb2025: Very weak consumption, exceptionally weak on-shore wind/hydro, very strong coal generation

[published as separate Santander's Flash Note on March 20, 2025]

Yesterday the Polish grid operator published official data for the Polish electricity consumption and generation in February 2025, broken down into technologies.

Fig. 21. February 2025 electricity production and consumption
[positive readings marked green, negative marked red]

GWh	Feb2025	Feb2024	*change y/y*	YTD2025	YTD2024	*change y/y*
Total Generation	14 683	13 797	6.4%	31 119	29 710	4.7%
Systemic units	12 335	10 553	16.9%	25 104	22 909	9.6%
incl. Hydro	**192**	**399**	**-51.9%**	**412**	**799**	**-48.4%**
incl. Fossil fuels	12 143	10 154	19.6%	24 692	22 111	11.7%
Thermal coal	**7 177**	**5 969**	**20.2%**	**14 374**	**13 105**	**9.7%**
Lignite	**3 328**	**2 728**	**22.0%**	**6 903**	**5 841**	**18.2%**
incl. Gas	1 637	1 458	12.3%	3 415	3 164	7.9%
Photovoltaics	**929**	**546**	**70.1%**	**1 356**	**896**	**51.3%**
On-shore wind	**1 418**	**2 697**	**-47.4%**	**4 659**	**5 904**	**-21.1%**
Imports, net	-224	548	n.m.	-1 155	913	n.m.
Polish electricity consumption	**14 459**	**14 345**	**0.8%**	**29 965**	**30 623**	**-2.1%**

Source: operator

February 2025 in brief: Very weak consumption, exceptionally weak on-shore wind & hydro, very strong lignite and thermal coal generation.

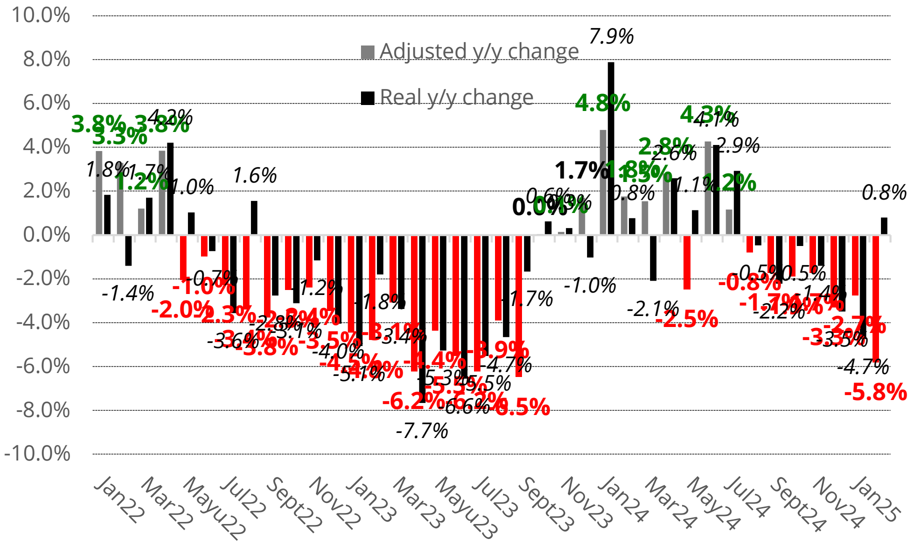
Electricity consumption was down up 0.8% y/y at 14.5TWh, at the first glance breaking the streak of six consecutive y/y declines. However, Feb2025 temperatures were exceptionally low y/y, down 6.6 Celsius degree y/y, thus we calculate that Feb2025 imply the **Polish adjusted electricity consumption sliding at substantial -5.8% y/y** (actually, the seventh consecutive and the strongest-to-date y/y decline of monthly reading).

Feb2025 electricity exports slid to 0.2TWh, still a 0.8TWh y/y twist vs Feb2024. PV generation was fairly strong at 0.9TWh (compared to capacity growth). On-shore wind generation remained exceptionally weak (down 47% y/y, not to mention capacity growth), and hydro production was down 52% y/y (high double-digit y/y declines as of April 2024). Gas-fired generation grew 12% y/y to 1.6TWh, but the growth remains unfulfilling (compared to capacity expansion) probably due to very high gas prices. In this environment, coal generation stood at 10.6TWh, up stunning 21% y/y (the third consecutive month with positive y/y dynamics). Within the coal mix, lignite generation was 22% higher at 3.3TWh, while thermal coal generation was 20% higher y/y.

Implications. On-shore wind reading (-47% y/y) may be one of the weakest y/y readings ever, not to mention capacity higher by 10% y/y, which should result in **Strong Negative to all wind-relying companies and segments (Polenergia**, PGE, Tauron, Cyfrowy Polsat). **Gas-fired** generation just inched higher y/y, potentially keeping 1Q25E PGE's segmental results under pressure. **Lignite continues surprising on the upside, offering potential Positive surprise to PGE and ZE PAK**. Finally, **thermal coal generation** posted very strong positive dynamics, likely **Positive to Enea** (and likely PGE and Tauron, somewhat).

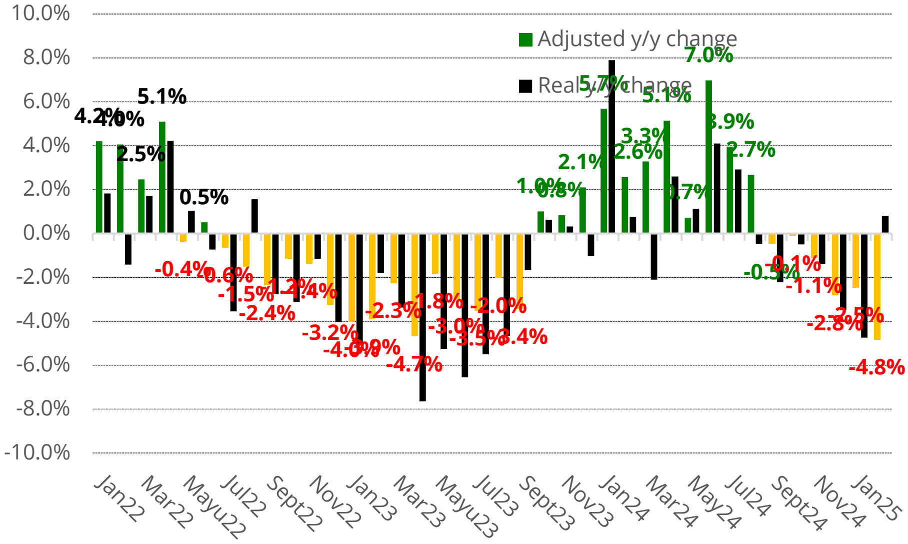
Polish energy mix: Feb2025. Thermal coal electricity production at 48.9% of total Polish production, the strongest reading since Nov2023, up 5.1pp m/m and up 5.6pp y/y. Lignite's share at 22.7%, up 1.0pp m/m and up 2.9pp y/y. Gas-fired units' share at 11.1%, up 0.3pp m/m and up 0.5pp y/y. Share of renewables' generation in the Polish generation mix slid to 17.3%, the lowest monthly reading since Dec2022 (on-shore wind 9.7%, -9.8pp y/y; PV 6.3%, +2.3pp y/y), down 10.0pp m/m and down 9.1pp y/y.

Fig. 22. Polish electricity consumption – real and adjusted



Source: PSE, Santander Brokerage Poland estimates, real data acc. to PSE, adjusted data based on own calculations (adjustments for temperature, number of weekends, inflow of Ukrainians)

Fig. 23. Polish electricity consumption – real and adjusted for auto-consumption



Source: PSE, Santander Brokerage Poland estimates, real data acc. to PSE, adjusted data based on own calculations (adjustments for temperature, number of weekends, inflow of Ukrainians, scale of electricity auto-consumption)

Fig. 24. Hydro, PV, on-shore wind production [TWh]

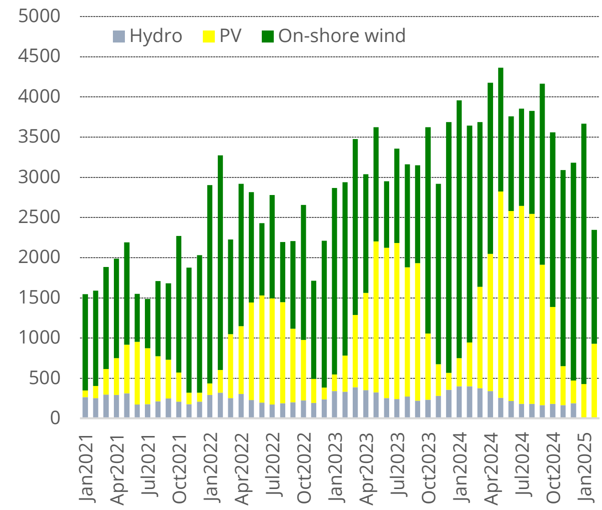


Fig. 25. Hydro, PV, on-shore wind share in Polish production

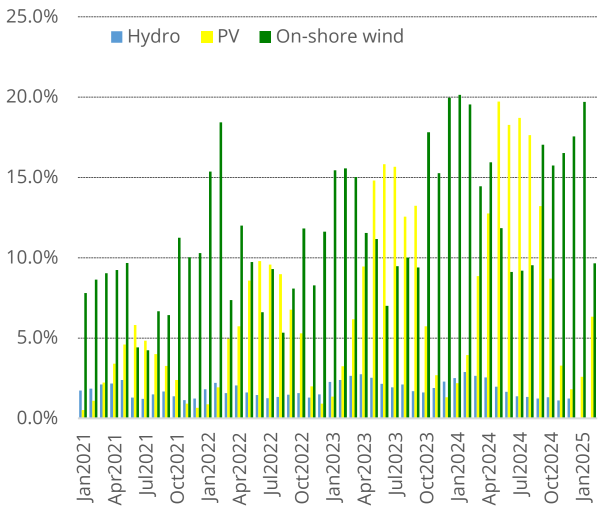


Fig. 26. Thermal coal and Lignite, production [TWh]

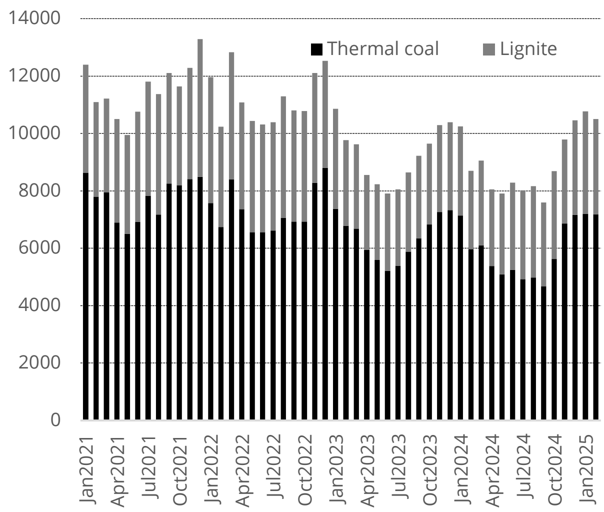


Fig. 27. Thermal coal and Lignite, share in Polish production

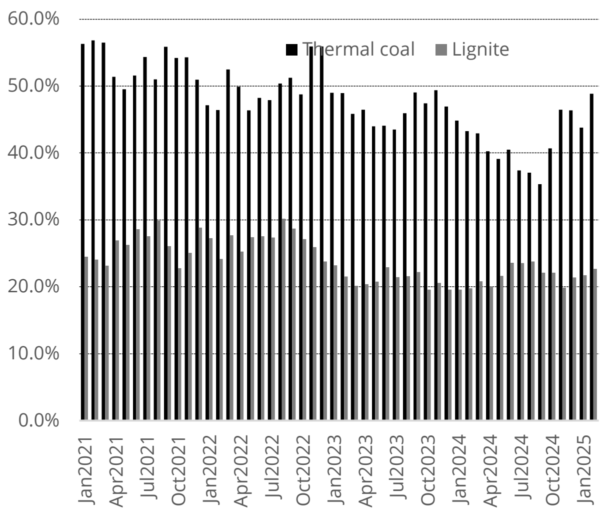


Fig. 28. Gas production and Imports [TWh]

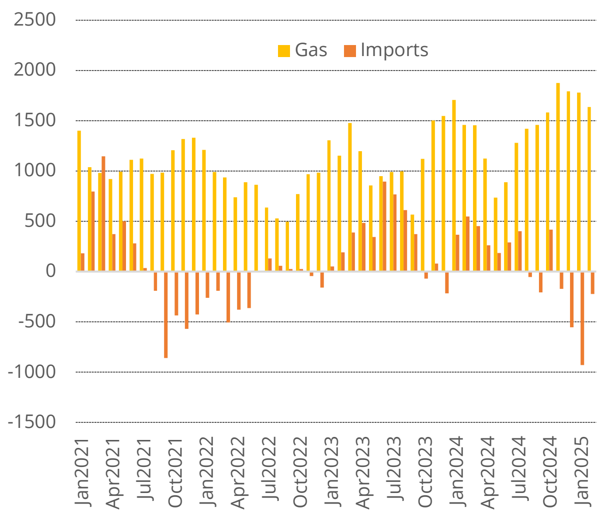
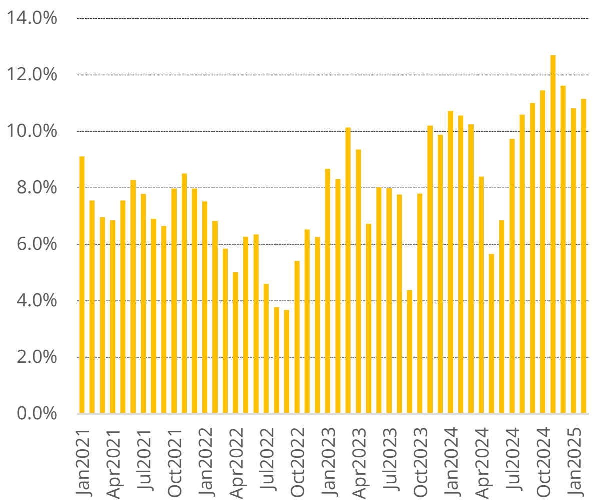


Fig. 29. Gas, share in Polish production



Source for all charts: ARP data, Santander Brokerage Poland estimates

Coal Units' Capacity Market Developments (Extension & Core)

[published as separate Santander's Flash Note on November 4, 2024]

Extension Capacity Market Support. We believe in several weeks the government would announce total PLN8.3bn worth of extension capacity market auctions. These would be designated exclusively for thermal coal- and lignite-fired units, for the period 2H2025-2028. The first auction for 2H2025 might take place in Feb2025 – its scale should not be material (PLN0.5bn), but it could give us good view for potential winners and scale of support in years 2026-28.

Every company wins, potential game-changer to ZE PAK. We calculate PGE might receive ~PLN1.0-1.3bn support to its 2026-28E EBITDA per annum, Enea should receive PLN0.6-PLN0.9bn per annum, and Tauron should receive PLN0.3-0.6bn per annum. These could imply PLN2.7-2.8bn tax-unadjusted discounted FCF to PGE, PLN1.5-1.8bn to Enea, and PLN0.9-1.3bn to Tauron. These could imply **13-25% upsides to respective PGE / Enea / Tauron Market Caps**, we conclude. **Extension capacity market support could become a game-changer to ZE PAK**, if its 470MW unit is allowed to participate in that auction. In such scenario, ZE PAK's could receive ~PLN0.1bn of annual EBITDA in 2026-28E, implying PLN254mn of tax-unadjusted discounted FCFs (PLN5 a share, 30% of Market Cap). Please note that our calculations do not include potential but likely downsides to four companies' coal-segment EBITDAs, resulting from deteriorating market environment.

Coal Capacity Support-Summary. On charts 15-20 we summarize four companies' capacity market support of the Polish coal-fired segments. Assuming extension capacity market in place, we see total coal segments' capacity market incomes growing y/y in 2025E and 2026E, to fall by some 10% in years 2027-28E. Overall, we believe that **extension capacity market scheme should keep total capacity market support some 10-20% higher in years 2025-28E**

compared to 2024. ZE PAK is a different story – it has got no capacity market support beyond 2024, hence the extension capacity support would represent pure upside.

Fig. 30. Annual EBITDA upside, all-unit scenario [PLNmn]

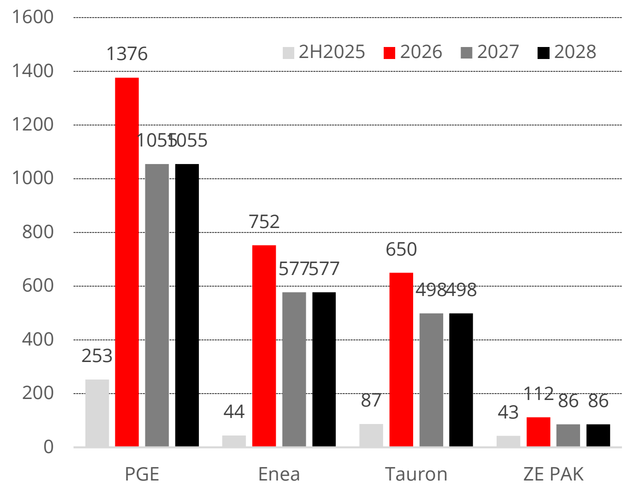
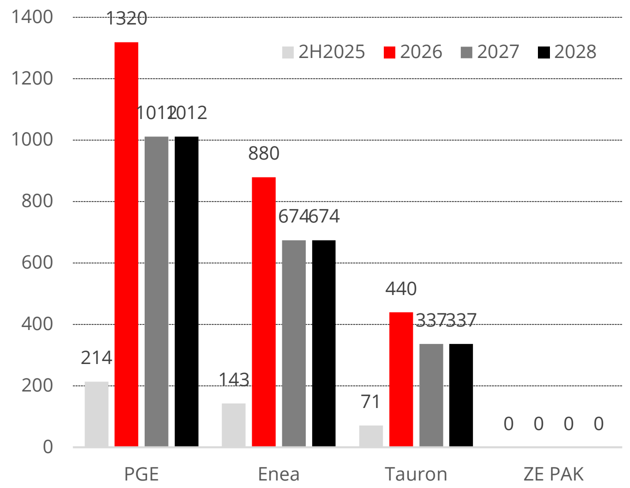


Fig. 31. Annual EBITDA upside, 200-250MW units only [PLNmn]



Source for all graphs: Santander Brokerage Poland estimates

In mid-September investors heard on the possible extension of the Polish capacity market for units with CO2 pollution factor above 0.55. The government's list of legislative and program works as of that time included a draft act amending the Act on the Capacity Market, which assumed additional auctions for coal-fired power plants during the period of power supply, from July 1, 2025 to the end of 2028.

The last major capacity market auction in which coal-fired power plants could participate was the one in 2020, with capacity delivery for 2025. The extension option was made available to Poland thanks to the new regulation of the European Parliament and the EU Council on the internal electricity market. Most importantly, in mid-October 2024 the Polish Climate Minister announced that the EU preliminary approved the above-mentioned Polish proposal.

The draft proposes an amendment to the Capacity Market Act, including the introduction and subsequent conduct of four supplementary auctions for the following delivery periods: the second half of 2025 (semi-annual auction) and for the delivery years 2026, 2027 and 2028 (annual auctions). Supplementary auctions will be held after the end of the additional capacity market auctions, with the first one (2H2025) potentially scheduled for Jan/Feb2025.

Climate Minister suggested total value of extension capacity market support could settle at PLN0.5bn in 2H2025, PLN3bn in 2026, PLN2.5bn in 2027 and PLN2.3bn in 2028.

Key assumptions of Santander's calculations:

- Extension capacity auctions at PLN0.5bn in 2H2025, PLN3.0bn in 2026, PLN2.5bn in 2027, PLN2.3bn in 2028;
- PGE, Tauron, Enea, ZE PAK coal fired capacities based on the official data. The same applies to companies' announced/suggested switch-offs (ZE PAK, PGE, Tauron), and all units receiving capacity support today and in the future (which we call 'constrained capacity' below);

- Few foreign units (participating in previous capacity auctions) and few units of other operators could potentially participate in the Polish extension capacity market auctions. For this purpose, we increased total capacity available for the Polish extension capacity market auction by 800MW;
- We present calculations of extension capacity market in two scenarios. In the core one, we assume all thermal coal and lignite-fired units (not receiving previously-won capacity market support) may participate in extension capacity market auctions. In 200MW-only scenario, we assume that only this class units (not receiving previously-won capacity market support) would be allowed for participation in extension capacity market auctions.

Core Scenario: Extension Capacity auctions for all units

Fig. 32. Capacity available for Polish extension capacity market auctions [MW]

	PGE	Enea	Tauron	ZE PAK	Total
		2H2025 auction			
Total coal capacity	12,400	5,512	4,115	474	23,301
Constrained Capacity *	9,633	5,033	3,160	0	17,826
Available Capacity	**2,767**	**479**	**955**	**474**	**5,475**
		2026-28 auctions			
Total coal capacity	12,400	5,512	4,115	474	23,301
Constrained Capacity *	6,567	2,322	1,360	0	11,049
Available Capacity	**5,833**	**3,190**	**2,755**	**474**	**13,052**

*Source: companies, Santander Brokerage Poland estimates. * constrained capacity is capacity receiving support based on the earlier auctions*

Fig. 33. Polish capacity available for 2H25 auction [MW]

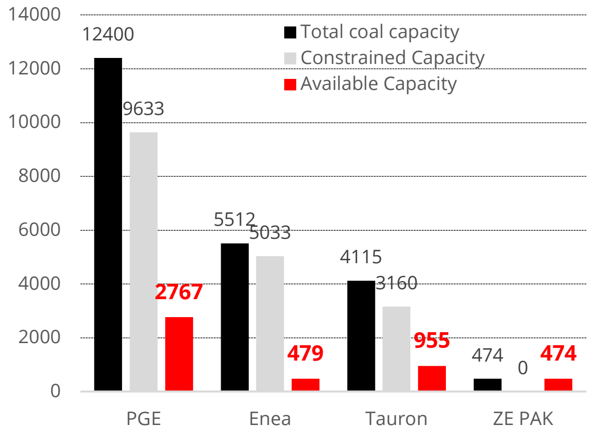


Fig. 34. Polish capacity available for 2026-28 auctions [MW]

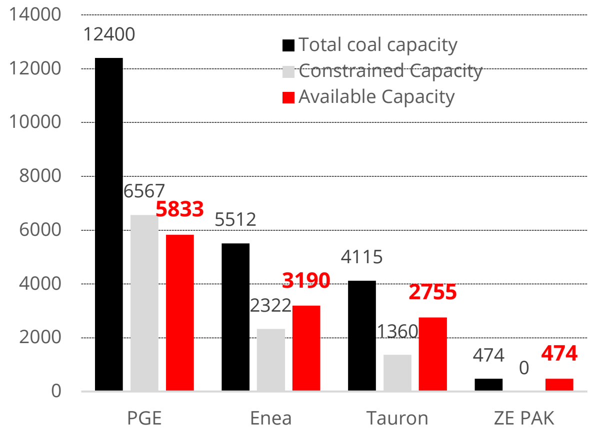


Fig. 35. Discounted impact of 2H25-2028 inflows [PLNmn]

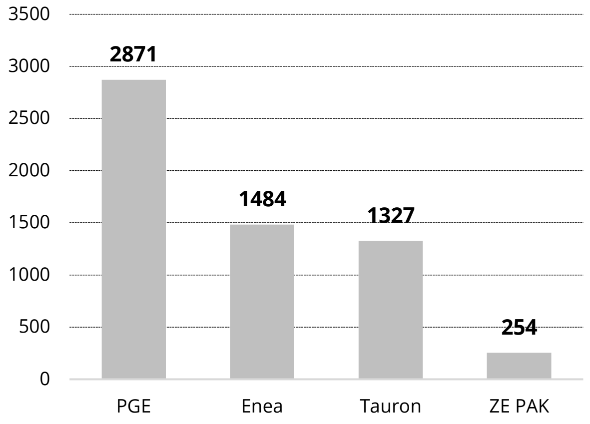
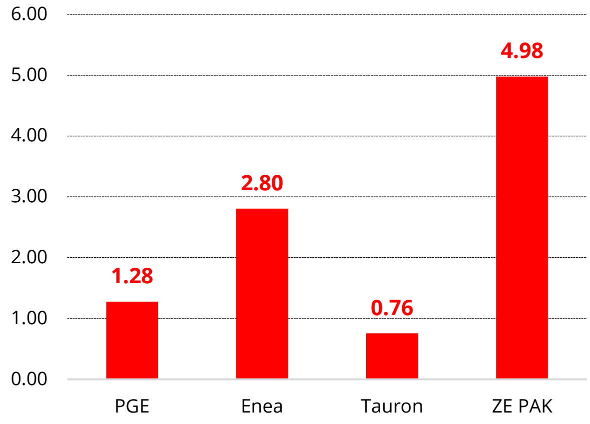
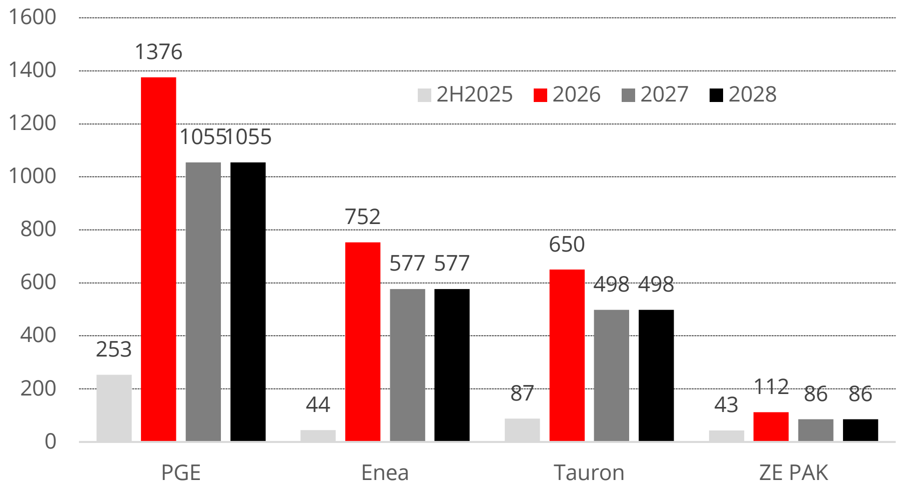


Fig. 36. Disc. impact of 2H25-2028 inflows per share [PLN]



Source for all graphs: Santander Brokerage Poland estimates

Fig. 37. Annual EBITDA from extension capacity market, all-unit scenario [PLNmn]



Source: Santander Brokerage Poland estimates

Alternative Scenario: Extension Capacity auctions only for 200-250MW units

Fig. 38. Capacity available for Polish extension capacity market auctions [MW]

	PGE	Enea	Tauron	ZE PAK	Total
			2H2025 auction		
Available Capacity	**2,400**	**1,600**	**800**	**0**	**5,600**
			2026-28 auctions		
Available Capacity	**2,400**	**1,600**	**800**	**0**	**5,600**

Source: companies, Santander Brokerage Poland estimates

Fig. 39. Polish capacity available for 2H25 auction [MW]

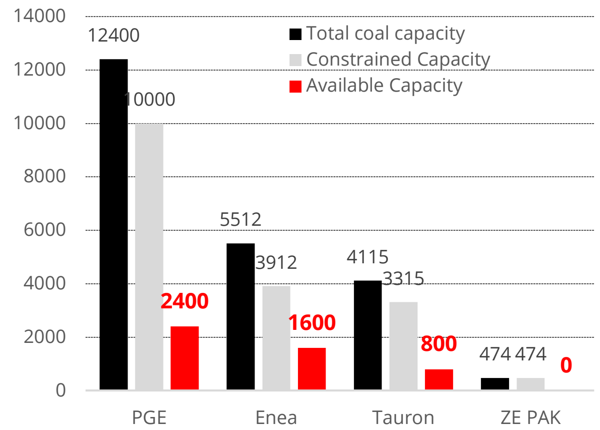


Fig. 40. Polish capacity available for 2026-28 auctions [MW]

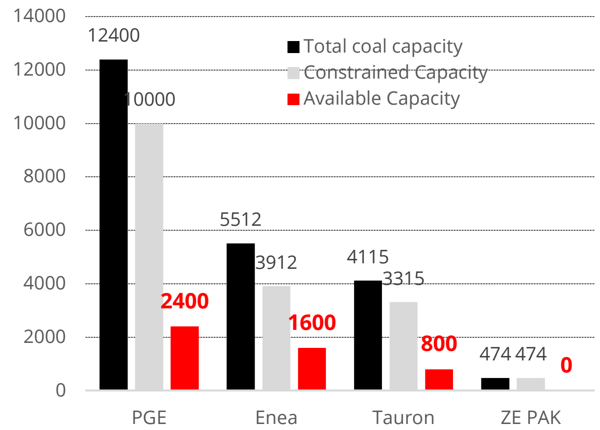


Fig. 41. Discounted impact of 2H25-2028 inflows [PLNmn]

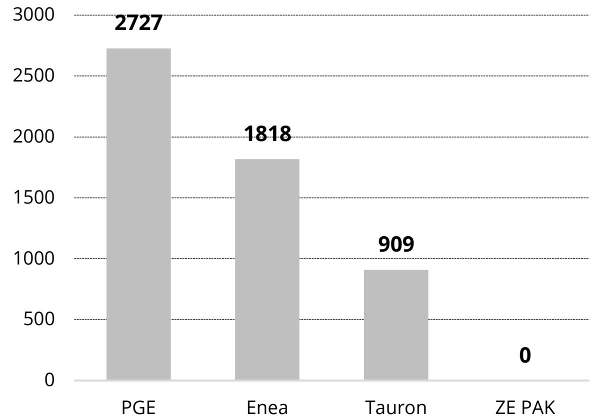
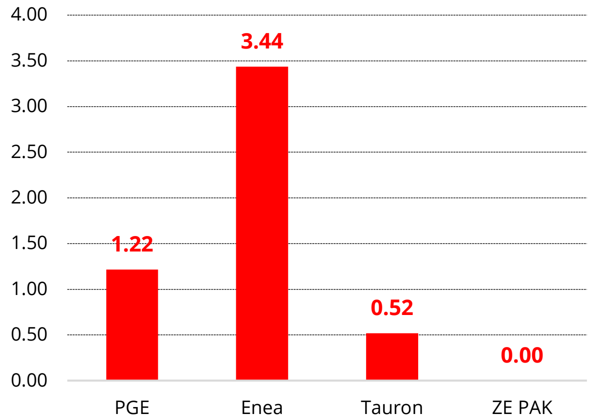
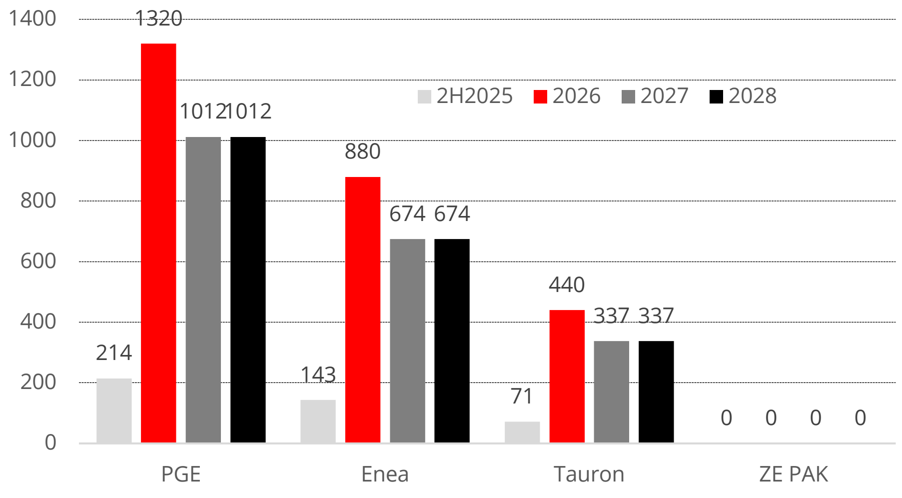


Fig. 42. Disc. impact of 2H25-2028 inflows per share [PLN]



Source for all graphs: Santander Brokerage Poland estimates

Fig. 43. Annual EBITDA from extension capacity market, all-unit scenario [PLNmn]



Source: Santander Brokerage Poland estimates

Summary: Polish utilities' coal-fired capacity support

Below we present summary of existing capacity market schemes and assumed core scenario for the extension of capacity market. In our calculations we assume the Polish inflation rate at ~4% p.a. for the core income, and PLN8.3bn of total extension capacity market support allocated chiefly among PGE, Enea, Tauron and ZE PAK.

Fig. 44. PGE, coal capacity market support [PLNmn]

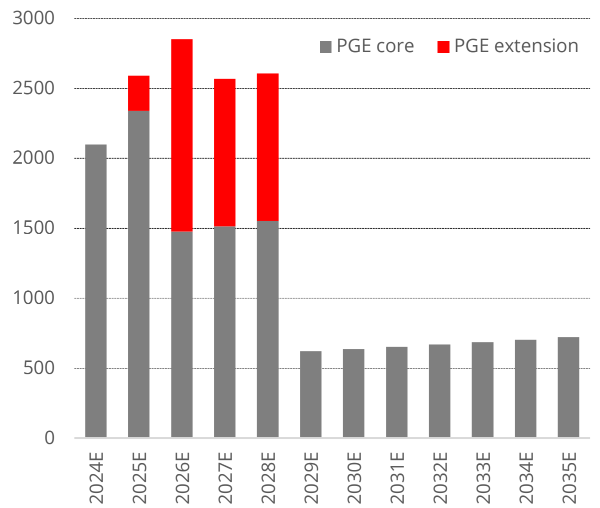


Fig. 45. Enea, coal capacity market support [PLNmn]

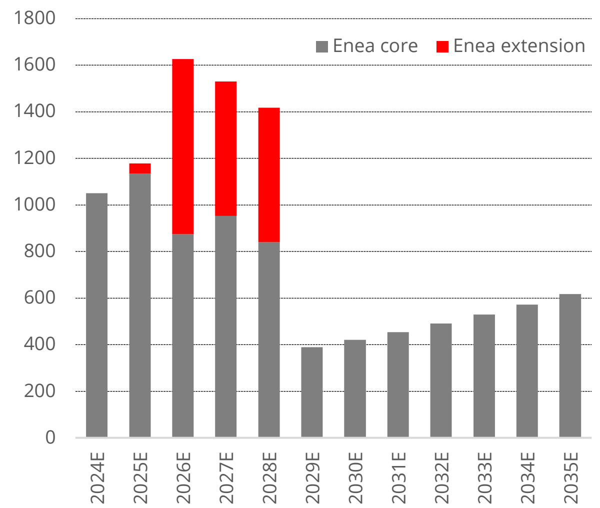


Fig. 46. Tauron, coal capacity market support [PLNmn]

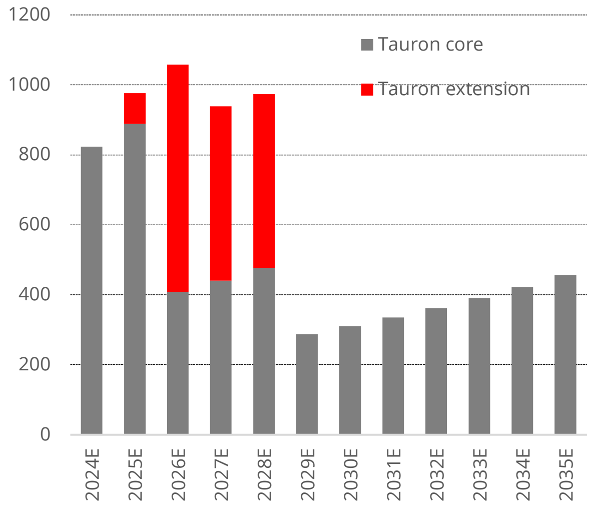
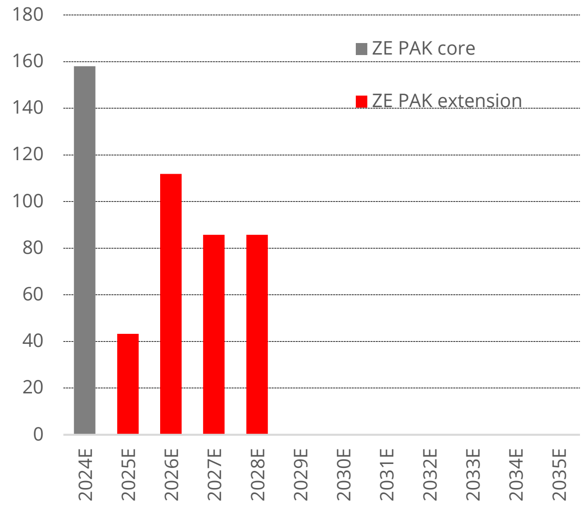


Fig. 47. ZE PAK, coal capacity market support [PLNmn]



Source for all graphs: companies, Santander Brokerage Poland estimates

Fig. 48. Coal capacity market support, summary [PLNmn]

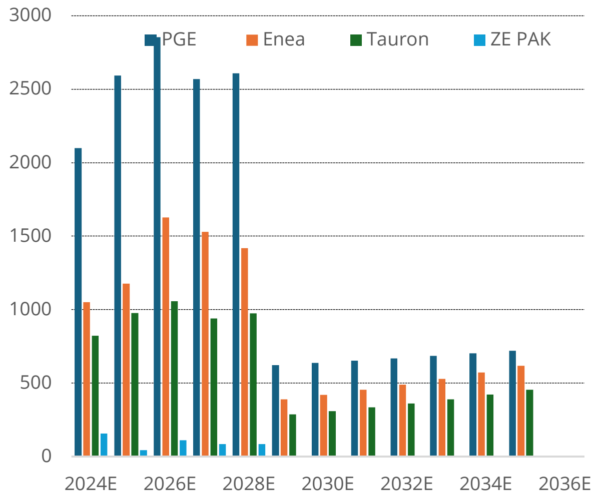
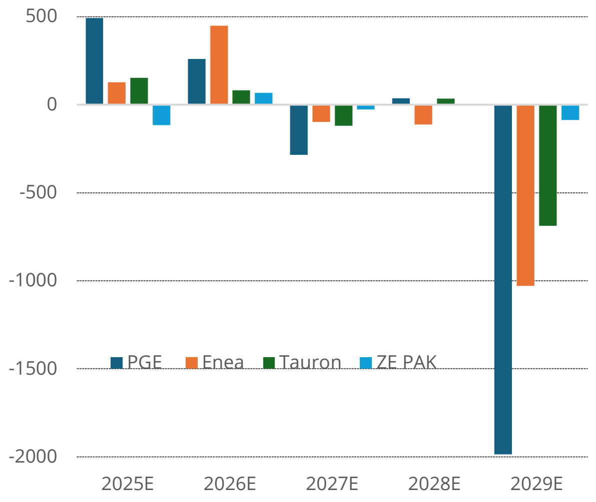


Fig. 49. Coal capacity market support, y/y changes [PLNmn]



Source for all graphs: companies, Santander Brokerage Poland estimates

Company-Specific News flow

PGE

PGE and ZE PAK sign term sheet concerning gas unit and a 50% stake in nuclear venture

[excerpts from separate Flash Note published on January 23, 2025]

Today the two companies informed that they signed term sheet concerning potential PGE's acquisition of ZE PAK's assets.

These would include newly built 600MW gas-fired unit, to become operational in late 2027, which enjoys the 17-year inflation-indexed capacity support at PLN400.4/MW (implying PLN197mn support in the first year of operations). ZE PAK has just started its construction, with little capex spent so far, and the company estimated total capex at ~PLN2bn.

The other asset in question would be ZE PAK's 50% stake in PGE PAK Energia Jadrowa JV (PGE holds the other 50% stake), the shell company set up by PGE and ZE PAK for the purpose of hypothetical future construction of nuclear project (up to 2,800MW capacity) located at ZE PAK's brownfield. The Korean KHNP would be technology provider, potentially. It is important to note that based on our knowledge, ZE PAK has not transferred any assets to that JV yet.

The two parties have agreed that PGE would enjoy negotiation exclusivity for these assets until June 30, 2025.

Comment: Negative to PGE. The transfer of control over PGE-PAK nuclear venture represents the key news (Positive for the seller, Negative for the buyer).

ZE PAK's gas-fired unit (600MW, PLN2bn capex, PLN3.4bn in undiscounted and inflation-unindexed 17-year capacity support) represents one of three pillars of company's SoTP valuation (post-lignite brownfield and renewables represent the other two). With high capacity support covering capex outlays, the scale of annual EBITDA gains (dependent on the future gas prices and electricity demand) stand for foundation of its future high positive NPV, we conclude. We assume the project's annual EBITDAs on pure electricity generation (and implied FCF generation, on top of capacity support) should result in project's positive NPV at some PLN400mn, albeit different production volume assumptions might result in different outcomes.

A 50% stake in nuclear JV is totally different issue, we believe. Neither ZE PAK nor PGE transferred any assets into this vehicle, hence the acquisition could be finalized at PLN1. Still, **the key information would be the transfer of nuclear risk (attached to this JV, we assume) from ZE PAK to PGE, implying Negative for PGE (the buyer)**. As we see it, no matter how many times PGE would be suggesting that it has got no plans to build nuclear complex, acquisition of the remaining 50% stake in PGE PAK nuclear venture (and increasing its stake to a 100%) would be suggesting something else, we conclude.

Tauron

Memorandum of understanding on a 10-year legal conflict: Positive to TPE

[excerpts from separate Flash Note published on April 2, 2025]

Yesterday after close two companies informed on signing memorandum of understanding in a decade-long legal dispute. Below we list key details:

- Polenergia announced that its subsidiaries, Amon and Talia, have signed a memorandum of understanding with Tauron and its subsidiary, Polska Energia - Pierwsza Kompania Handlowa, regarding the amicable settlement of disputes. According to Polenergia, the signing of the memorandum increases the likelihood of resolving the conflicts amicably. This marks a positive step towards ending the ongoing disputes between the parties;
- The parties expressed their willingness to cancel out all bilateral legal claims, and Tauron would pay PLN15mn one-off fee to Polenergia;
- The parties are ready to enter into new 10-year electricity sales agreement, totalling 1.2TWh, priced at unchanged electricity price throughout the entire term of the agreement. The estimated 10-year value of such contract would settle at PLN500mn.

Comment: Positive to Tauron.

Summarizing the decade-long course of legal actions: the total value of Polenergia's claims has been set at PLN344mn in May 2018, it was increased several times by some PLN180mn due to accrued interests. In the meantime, the Polish regional and appeal courts agreed on the rightfulness of Polenergia's claims, and Tauron filed for PLN137mn of counter-appeal.

Tauron: Positive. Tauron represents the other side of the above-mentioned calculations, therefore we see its hypothetical 10-year downside to discounted post-tax cash at PLN42mn or PLN77mn. Still, our Tauron SoTP valuation included a PLN200mn extra debt due to Polenergia's claims. Hence, **we see the agreement insubstantially negative at 10-year hedging, but positive at our Tauron's SoTP valuation (+PLN152mn, +PLN0.09 a share, +1.7% of yesterday's Market Cap)**.

Renewables: Material Realized Electricity Price Downside Risk? We believe that Polenergia's potential approval of the stable 10-year realized on-shore wind-originated price at PLN417/MWh might represent a profit warning for the entire segment. We calculated that **Polenergia would be better off by the discounted post-tax PLN200mn on that contract only provided that the realized on-shore wind electricity price falls below PLN200/MWh**. It could hypothetically turn real either due to electricity prices' slide, or profile cost's expansion, we note. In such scenario, the contract with Tauron would let Polenergia recoup PLN200mn, but at the same time **such realized electricity price levels would represent strong profit warning to all Polish renewable projects' EBITDAs / FCFs / NPVs** (including Polenergia's ones).

Course of actions (based on Polenergia's official communiques):

- March 2015: Tauron's subsidiary is calling off its long-term renewable electricity / green certificate purchase agreements from two Polenergia on-shore wind projects;
- May 2018: Polenergia files lawsuit for the total PLN79mn of compensation and interests overdue, with the core losses estimated at PLN265mn;
- July 2019: Court agrees on rightfulness of Polenergia losses, related to the smaller of the two projects. No decision on the larger project. Tauron appealed against that verdict;
- August 2019: Polenergia claims additional PLN39mn from Tauron due to compensation / accrued interest;
- March 2020: Court agrees that Tauron did not have the right to call off the agreement with the larger Polenergia's project;
- December 2020: Polenergia increases the total value of its claims by PLN53mn, due to interests as of 2017;
- December 2021: Appeal Court agrees on rightfulness of Polenergia claims;
- December 2021: Polenergia increases the total value of its claims by PLN34mn;
- March 2023: Tauron's subsidiary files a counter-appeal against Polenergia's smaller project, totalling PLN62mn;
- December 2023: Polenergia increases the total value of its claims by PLN50mn;
- December 2024: Tauron's subsidiary files a counter-appeal against Polenergia's larger project, totalling PLN75mn.

[+] DPS at PLN0.5 in 2029, 2030 EBITDA at PLN9.2bn, capex at PLN100bn – new strategy

[published as separate Flash Note on December 18, 2024]

Positive. High inflows from NRRP (PLN11bn) would be poured into distribution RAB growth, fueling EBITDA expansion in the future, and renewable investments should add to EBITDA, too. Importantly, the company officially guides for up to 20% dividend payout as of 2029 (2029 DPS at PLN0.5 a share, implying 2028E net profit above PLN4bn). Also, Tauron is to switch out its small coal units, while the last large coal-fired unit will be ringfenced in 2030. High EBITDAs and dividend promises should come in supportive of the stock's multi-year FCFs and valuation, we assume.

We believe the company presented quite rational strategy. Its capex settles at PLN100bn until 2035, with the bulk to be spent on distribution (60%) and renewable / storage segments.

The company guides for PLN9.2bn EBITDA in 2030 and PLN13.1bn in 2035, compared to PLN5.9bn market consensus for years 2025-27. The key upsides should originate in distribution and renewables/storage segments, where the company sees EBITDA rising by PLN4bn and PLN3bn respectively. In such environment, the company should be troubled at its ND-EBITDA ratio, which it expects to peak below 3.5x, falling to 2.0x thereafter.

High capex outlays are to be financed with NRRP funds. Tauron announced it would receive PLN11bn from NRRP funds in coming years, to be spent primarily on distribution segment.

The company would be switching out its coal generation assets in coming years, as three 200MW units have got capacity support until 2028 and 910MW one enjoys support until 2035. Beyond 2030, Tauron plans to ring-fence its last coal asset, making it disappear for the company's presentations as of then. Importantly, the company admits that it expects its Conventional Generation segment to remain positive at EBITDA in the forecasting period, supportive of Group's FCFs and valuation.

We believe the company makes bold assumption at growth of distribution EBITDA and prices of electricity, the later inflating renewable segment's EBITDAs in the future. Therefore, we would not be surprised to see its EBITDA after 2030 coming shorter by +PLN1bn in distribution and +PLN1bn in renewables. Though, it would still point at Tauron's long-term EBITDA at some PLN11bn, very decent result, we note.

Below we list key takeaways from yesterday's Tauron 2025-2035 strategy update:

- **Dividend**. The company guides for its first dividend payment in 2029 (from 2028 profits), seeing the first Tauron dividend at PLN0.5 a share in 2029. The company eyes its DPS growing 6% p.a. to reach PLN0.7 a share in 2035. Dividend payout cap has been set at 20% of previous year's net profit. Dividend policy was based on the company's internal FCF assumptions;
- **NRRP funds.** The company informed it has got PLN11bn financing from NRRP available, through the Polish BGK. The company would be applying for additional financing at later dates;
- **Coal units, coal exposure**. Tauron assumes quitting coal-fired generation in 2030, apart from the effective 910MW Jaworzno. Three 200MW units have capacity support until 2028 and 910MW unit has got support until 2035, but other units would be switched off in coming years. The company intends to ring-fence its last 910MW Jaworzno unit outside the Group in 2030, just as it did with mining several years ago. Therefore, the coal segment should disappear from the company's presentations as of 2030, we note;
- **Coal share in mix**. Tauron presents its coal share in generation mix falling from 70% in 2020 to 55% in 2025, 25% in 2030, 10% in 2035 and nil in 2040;
- **Electricity demand / prices**. The management highlights Poland is to witness booming demand for electricity, partially due to new-born segments. Tauron presents electricity demand paths, starting form ~180TWh in 2025, rising to 190-200TWh p.a. in 2030, and expanding further to 220-260TWh in 2040. The company did not disclose its internal electricity price paths applied in the strategy;
- **EBITDA**. Tauron expects its EBITDA doubling to +PLN13bn in 2035, seeing it at PLN9.2bn in 2030. Key EBITDA drivers (2035 vs 2023): PLN4.2bn upside in distribution, PLN3.1bn in renewables, PLN1.0bn in sales segment. The company expects positive EBITDA in Conv.Gen. segment in every year until 2030;
- **Capex**. Tauron eyes PLN100bn capex in years 2025-35. These would include distribution at 60% / PLN60bn, and renewables/storage at 30% / PLN30bn. Up to 10-20% capex potentially in project finance, 20-30% "preferential loans and grants" (i.e. free money or interest at 1-2% p.a.). NRRP funds are easily-obtainable in coming years, the management would review strategy if the Polish / European long-term goals (or macro environment) change substantially;

- **Off-shore**. Tauron assumes some development costs, later onward the company does not rule out partial disposal of stake in the project to financial / strategic investors;
- **Issues**. The company guides for some selective disinvestment (no details provided), expects its Net Debt to EBITDA remaining well below 3.5x threshold. Tauron believes that the company would keep its investment grade unchanged in the short- and long-term. Number of EV charging stations rising from 213 in 2023 to 572 in 2030 and 1,032 in 2035. The management planned to acquire Tauron shares, but they had too much sensitive information. They are open to approve share-based programs etc. Profile cost in renewables remains on the rise, especially in PV sub-segment, Tauron confirms. Therefore, the company trimmed its capacity expansion in photovoltaics.

Enea

Acquires 84MW in running on-shore wind projects for PLN872-914mn

[published as separate Flash Note on March 27, 2025]

Comment: Neutral. The transaction doubles Enea's wind capacity, and it's good that the company acquires operating assets (no construction / capex risks, contribution to EBITDA). However, our calculations and official comments suggest that NPV of this acquisition might be close to nil, we believe.

With this transaction Enea doubles its on-shore wind capacity to 156MW.

In our view there is vast scarcity of data available concerning acquired assets. Enea did not present new assets' age, its past average annual electricity production, we also do not know whether any of these six projects has got auction support. More than that, we do not know whether PLN872-915mn range represents the transaction's EV, or maybe it is just an equity part of the transaction.

We know that Kolobrzeg (19MW) and Liskowo (34MW) represent the key assets. These two have been built in 2022, and an internet search suggests that their total production should settle at ~160GWh per annum. Overall, the assumed 30% load factor would imply acquired projects' annual production at ~218GWh. Based on Polenergia's 2025E realized electricity price @ PLN408/MWh, this pool of assets would generate some PLN89mn top line, PLN68mn EBITDA and PLN59mn cash. If our calculations were correct, Enea representative's suggestion "20 year to turn positive" would apply to nominal terms, while **the discounted value of these assets could have potentially settled close to nil**, acc. to our early calculations. Still, we note that there are further valuation question marks, concerning earn-out, projects' debt, or development of its future EBITDA in environment of declining electricity prices.

Yesterday mid-day, the company informed it signed agreement concerning purchase of six running on-shore wind projects (located in the Zachodniopomorskie voivodeship), for the maximum of PLN915mn, from EE Polska / EE Pomerania. The acquired assets consist of six separate wind projects, with total capacity of 83.5MW, and an option to purchase ready-to-build 25MW PV project. Acquisition of the latter will depend on results of due diligence process.

The agreement assumes undisclosed earn-out to the selling party, depending on the actual load factors achieved. It would be paid in 1H2026. Acc. to the company's communique, the value of the agreement may range from PLN872mn without earn-out to PLN915mn including that.

The agreement is conditional upon the approval of the Polish Antimonopoly Office.

At the press conference, Enea's representative suggested that "these are not exceptionally lucrative investments, with profitability equal to the (average) market rates of return". He also added that such projects turn cash-positive in 20 years. Acc. to Enea, there are some PPA contracts signed, but Enea plans to cancel these.

Polish coal price falls 21% m/m to PLN360/t in Jan2025; Negative implications of LWB's stake held terminally by Enea

[published as separate Flash Note on March 4, 2025]

Today evening Enea published update of Group's strategy until 2035. Below we present key takeaways:

Yesterday there was info on the Polish coal volumes and prices (Negative to Bogdanka, indirectly Negative to Enea). Additionally, as the State Ministry said it was not working on acquisition of Bogdanka shares from Enea, we also present the discussion / implications of Bogdanka's remaining within Enea structures.

[-] Jan2025: Polish coal price down 21% m/m to PLN360/t, negligible PGG's production decline y/y

Yesterday ARA presented data for the Polish coal segment, including Jan2025 thermal coal prices and monthly production and sales in Poland. Below we present the key takeaways:

- Thermal Coal Prices. Jan2025 PSCMI1 index (coal for electricity generation) fell 21.3% or PLN100/t m/m to PLN361/t, down 28.7% y/y. Jan2025 PSCMI2 index (coal for heating purposes) fell 9.4% m/m to PLN494/t, down 19% y/y;

- All-Coal Production. Polish coal production grew 0.1mt m/m to 4.0mt in January 202, down 2% y/y. The Polish all-coal sales grew 0.1mt m/m to 4.3mt, up 7% y/y.

Fig. 50. PSCMI1 Index [PLN/t]

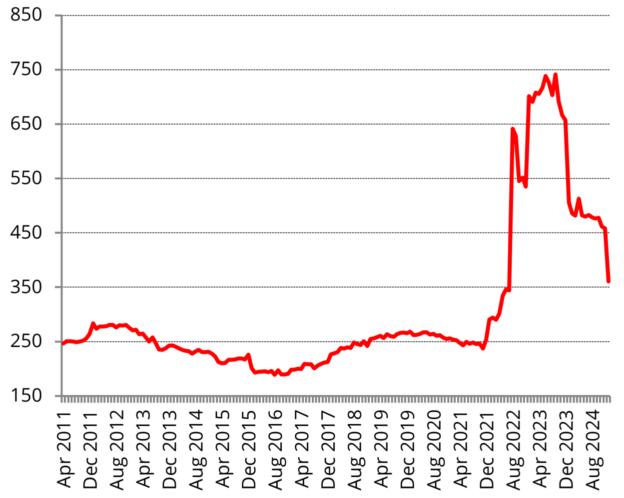
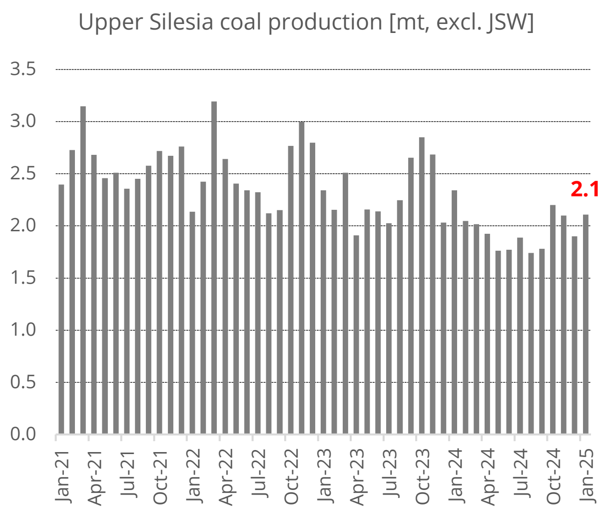


Fig. 51. Ex-JSW Upper Silesian coal production [mt]



Source for both graphs: ARA, Santander Brokerage Poland estimates

Comment: Potentially Strong Negative to Bogdanka (thermal coal is key product).

First of all, in Jan2025 we observe very steep decline of the Polish thermal coal index, down PLN100/t or 21.3% m/m to PLN360/t. We assume Bogdanka's settling price to Enea might settle at ~PLN400/t based on updated arrangements, ARA coal prices have just slid to below PLN400/t, which should exert potentially very strong negative pressure on Bogdanka's 1Q2025 volumes and prices (Negative to results & outlook). This decline might result from PGG's fight for short-term liquidity, or it might stem from State's mines perception that the sanctions on the Russian gas and coal would be cancelled soon, we believe. In the second scenario, the State's miners might be trying to sell its entire inventory coal, prior to pan-European gas / coal price de-rating. All these would have strong negative impact on Bogdanka.

Also, we observe quite slow declines at the Upper Silesian coal production. Based on our calculations, the Polish mines excluding the WSE-listed JSW and Bogdanka could have produced ~2.1mt coal in January 2025. These calculations already assume force majeure-affected low volume from JSW and high volume from Bogdanka. However, if the latter remains under pressure of low-priced Upper Silesian coal, the actual production of State-held Polish mines could come in even higher, we note.

State is not working on LWB takeover – SAN discussion

Yesterday the State Assets Ministry informed it was not working on the hypothetical taking over of Bogdanka coal mine, which currently is 65% controlled by Enea. Such proposal represented the requirement of Law and Justice politicians and local trade unions, who are afraid that the company may be aggressively cutting its workforce in the near future. In 2023 (under the previous Polish government), the State offered to buy out all Bogdanka shares belonging to Enea at PLN45 a share, but Enea rejected to sell its stake. Investors should keep in mind that every past and current plan for Bogdanka assumes that the miner would remain the WSE-listed entity.

Below we comment briefly on (highly unlikely, we ascertain) the hypothetical State's call, and we also discuss in greater detail the implied mid- to long-term outlook of Enea.

Comment: Negative to Enea.

Enea: Negative. Bogdanka used to contribute to Enea's cash position for years, but long-term outlook, short-term cancellation of sanctions on Russia, or the hypothetical tomorrow's carve-out would all keep Enea exposed.

Bogdanka is Enea's key coal provider, and we believe that multi-year pricing arrangements between these two entities (below-market prices until 2020, strong annual cuts to thermal coal prices afterwards) have yielded hundreds million zloty of cash transfers per annum to Enea.

Long-term Liability… Presently Enea sees its coal purchases at ~3mt in 2035, its investing into coal-biomass co-burning at its several 200MW units, considers the same for two 500MW units, and plans to build 1.4-2.1GW in gas-fired units, all detrimental to Bogdanka's volume outlook. In the meantime, the Polish renewables keep booming at capacity and electricity generation, several GW of gas-fired capacity is just waiting for low-priced gas to klick off inexpensive electricity generation. Furthermore, there is 6GW in off-shore capacity under construction (kick-off in 2028), very likely 4-6GW off-shore to be built in years 2030-32, and breakthrough at SMR technology could turn the European and Polish electricity generation mix upside down. In this light, the fate of thermal coal seems certain, we assume, and Bogdanka might start becoming a liability rather than Enea's asset, we believe.

…Short-Term Drag… We note that PGG's extraction volumes have not fallen much in Jan2025, while the PSCMI1 price plummeted 21% to PLN360/t, which settles ~10% below the price set between Enea and Bogdanka (own Santander assumptions). This might suggest PGG is selling its coal production and volumes at exceptionally low prices, potentially looking for short-term liquidity or being afraid of pending cancellation of sanctions on the Russian energy materials (gas / coal).

…and Destructor of Carve-Out Upside? We thought that carve-out of the coal-fired generation assets of the Polish utilities has been shelved. However, two weeks ago the Industry Minister said that the special-purpose committee would present its findings until 2Q2025. We do not believe that carve-out of coal assets could materialize anytime soon. However, if we hypothesize that it turns real tomorrow, investors will face a shake-up of three companies' attractiveness and investability, we conclude. Tauron has got no coal mining, and the remaining +1GW in coal-fired generation assets would be gone, PGE thermal coal-fired generation units and two massive lignite mining/generation complexes would be gone, both offering natural upsides to TPE and PGE. However, the hypothetical tomorrow's carve-out of coal asset would actually cancel out Enea's last assumed positive conventional generation-originated cash flows, but most importantly Enea would suddenly turn out to have the exposure to thermal coal mining, any investor's multi-angled least-wanted exposure.

Strong cuts to multi-year coal delivery contracts with Bogdanka

[published as separate Flash Note on January 23, 2025]

Yesterday Bogdanka and Enea have jointly announced the finalization of their long-term contract recalibration. The new terms were approved by Bogdanka's Supervisory Board, acc. to the communique. Below we list key takeaways:

- **Kozienice**. The term of the contract (until 2036) was kept unchanged. Total net value of **2025-2036 coal deliveries was cut 32%** vs Dec2023 to PLN15.97bn. The implied annual average coal value was reduced by 27% to PLN1.33bn net;
- **Polaniec**. The term of the contract was extended from 2029 previously to 2033 presently. Total net **value of the entire contract was cut 24%** (adjusting for coal sold in 2024) **to PLN3.4bn**. The implied annual average was reduced by 58% to PLN367mn. Within these, value of coal deliveries until 2029 was cut 50% (adjusting for coal sold in 2024) to PLN2.2bn, and the implied annual coal sales were cut 59% to PLN378mn. The value of coal deliveries in years 2030-33 was set at net PLN1.2bn (PLN0.3bn worth of net coal sales);
- Contractual penalties have been set at 15% of undelivered or unpurchased coal, to both parties;
- Terms of two contracts' termination have been altered, but no details were provided. Additionally, Polaniec generation complex got the right to cancel out the coal purchase contract.

Enea's Strategy until 2035: Coal dying out within the Group, realistic capex at PLN60bn (focus on distribution)

[published as separate Flash Note on November 28, 2024]

Today evening Enea published update of Group's strategy until 2035. Below we present key takeaways:

- Coal assets: Enea plans to transform its coal assets (no further details provided). Enea stresses it plans to 'extinguish' and 'turn green' its coal generation units, there is not a word on potential coal assets' carve-out in the presentation. Enea presents Group's coal generation capacity at 5.7GWE until 2028, falling to 3.8GW in years 2029-2033, declining further to 2.4GW in 2034 and 1.3GW in 2035;
- Capacity breakdown. 2030: coal 3.8GW, cold reserve coal 0.9GW, gas 1.4GW, renewables 1.4GW, aspirational renewables 0.7GW. 2035: coal 1.3GW, cold reserve coal 0.9GW, gas 1.4GW, aspirational gas 0.7GW, renewables 1.4GW, aspirational renewables 3.5GW;
- Coal-fired production seen declining ~1TWh y/y in 2025 to 19TWh, falling another ~2TWh to stable plateau at ~17TWh in years 2026-28, to fall to ~10TWh in 2030;
- Enea sees its coal usage declining to 4.5mt in 2030, and to 2.3mt in 2035;

- Company eyes 8.2GW installed capacity in 2030, and 9.8GW in 2035. It should include 2.1GW in renewable sources (2030), growing to 4.9GW in 2035;
- CO_2 pollution factor should fall to 0.45x in 2030 and 0.28x in 2035;
- Total estimated 2024-35 capex at PLN107.5bn, of which PLN40.4bn represents 'aspirational' capex. Additionally, Enea assumes PLN40.4bn capex would be financed via JVs / project finance / other financing structures. Capex split: PLN10.3bn conventional Generation, CCGTs PLN15.2bn, renewables PLN36.2bn, energy storage PLN2.3bn, distribution PLN40.9bn;
- Enea's Net Debt ratio at 2.5x in 2030, falling to 0.9x in 2035;
- The company does not provide any profitability metrics going forward (EBITDAs / ROA / ROE etc.).

Comment: Cautious. Not a word on coal assets' carve-out, replaced by official plan of slow extinguishment of coal units within the Group, might come in distressing to the strict ESG-followers, we believe. Enea's capex plans are reasonable, as two-thirds of PLN60bn (core likely-to-be-spent capex) is to be allocated on Distribution segment (and some investments would be financed via JVs). Lack of EBITDA mid- or long-term outlook is not supportive, we admit.

What Has Changed. Compared to the previous strategy as of 2021, we see 1) increase in target renewable capacity installed (2035's 4.9GW vs 3.6GW previously), to be delivered at three times higher capex (renewables+storage at PLN38.5bn vs PLN13.8bn previously); 2) 2.2x higher outlays on gas-fired CCGTs (PLN15.2bn vs PLN6.8bn previously), and 3) much higher average capex on distribution (annual avg. at PLN3.4bn presently, vs PLN2.1bn previously). Certainly, the key change is the lack of coal carve-out being mentioned, replaced with slow coal generation fleet extinguishment.

High Capex plans, likely much lower delivery? We would advise caution with respect to Enea's official strategy goals at renewables, where the company plans to build 4.4GW capacity for PLN36.2bn (the third of total 12-year capex). The company's plans were very expansionist at the previous strategy, and actually Enea delivered very little in that area. Keeping in mind worsening economics of renewable projects, we would not be surprised to see bulk of these un-delivered. Please note that the company presents 40% of its total capex as opportunistic (renewables and gas), and we believe the company might build ~500Mw in PV and 100-200MWE in on-shore wind until 2030E, which would not represent any strenuous burden for the Group, we assess.

Conventional Asset's capex is … Bogdanka. Enea sees its Conv.Gen. capex at PLN10.3bn of which we assume ~3-4bn would be spent on turning Enea's coal units green and maintenance. In such scenario, the remaining PLN7bn would represent LWB's capex, implying annual capex cut to PLN0.55-0.68bn, we assume.

Santander

Preliminary 4Q2024 Results: Summary

PGE: [+] 4Q2024P: Positive Sales EBITDA and heavy one-offs drive massive consensus beat

[published as separate Flash Note on March 6, 2025]

Fig. 52. PGE: 4Q2024 preliminary results, reported

PLNmn	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	y/y	q/q	SANe	Cons.
Sales	22,352	21,515	24,889	16 841	14 453	15 562				*17 442*	*18 443*
EBITDA	2,445	2,458	1,698	2 532	2 604	2 458	**4 617**	*171.9%*	*87.8%*	*2 883*	*2 825*
EBITDA margin	*10.9%*	*11.4%*	*6.8%*	*15.0%*	*18.0%*	*15.8%*				*16.5%*	*15.3%*
EBIT	1,206	1,206	-8,186	1 408	1 451	1 297				*-5 778*	*588*
EBIT margin	*5.4%*	*5.6%*	*-32.9%*	*8.4%*	*10.0%*	*8.3%*				*-33.1%*	*3.2%*
Net profit	352	950	-8,041	893	1 171	728	**-5 909**	*n.m.*	*n.m.*	*-5 679*	*444*
Net margin	*1.6%*	*4.4%*	*-32.3%*	*5.3%*	*8.1%*	*4.7%*				*-32.6%*	*2.4%*

Source: Company data, pap.pl, Santander Brokerage Poland estimates

Positive. Positive Sales EBITDA justifies the bulk of adj. EBITDA consensus beat, the reported results further supported by PLN1bn one-offs. Strong results and mediocre capex keep Net Debt flat y/y. Rising electricity prices provided decent support to 3Q/4Q24 results, we expect new (lower) levels of hedged pieces to trigger heavy slump at Coal / Heat / Gas-fired EBITDAs as of 1Q2025E.

Quite surprisingly, the realized 4Q2024P electricity prices grew substantially q/q (~5% q/q), providing a decent support to Generation / Heat segments' results, we conclude. Also, the support from other-than-core Distribution services expanded by PLN0.55bn y/y. Weak renewable volumes resulted in fairly weak renewable EBITDA. The key driver of 4Q2024P's positive surprise is sales segment, where the company posted PLN0.2bn gain contrasted to our expectations at PLN0.3bn loss.

Additionally, the company posted PLN1bn worth of positive one-offs in 4Q2024P, which drove the reported EBITDA to long-unseen PLN4.6bn, implying as massive consensus beat.

We believe electricity price developments were related to specific hedging positions, and therefore these likely offered potentially over PLN1bn support to PGE's 2H2024 results, we calculate. New hedging prices and coal volumes would be almost certainly substantially lower, which should send Conventional Generation EBITDA into substantial loss as of 1Q2025E, we assume. On the opposite, we assume the strength of Distribution segment should be maintained in 2025E as well, supported by service incomes, rising RAB and high WACC.

The company's Net Debt remained flat (PLN11bn reported, PLN17bn adjusted) y/y, most likely due to supportive hedging and relatively undemanding capex.

Key 4Q2024P info from PGE:

- Electricity / CO2 prices. Average 4Q24P electricity price at PLN626/MWh, down 9% y/y but PLN37/MWh higher q/q. It includes conventional generation price at PLN611/MWh (down 11% y/y, up PLN22/MWh q/q), and electricity price in heat sub-segment at PLN681/MWh (down 3% y/y, up PLN54/MWh q/q). First-reported electricity price in gas sub-segment at PLN684/MWh. The average CO2 cost at PLN337/MWh, down 10% y/y and down PLN5/MWh q/q;

- Volumes. Lignite generation 1% higher y/y at 7.9TWh (up 3% y/y at 30.8TWh in FY24P), incl. Turow 7's 800% y/y increase to 0.2TWh in 4Q2024P (1.48TWh in FY24P). Thermal coal-fired generation down 15% y/y to 4.6TWh in 4Q24P (down 18% y/y to 15.5TWh in FY24P), incl. two Opole units at 1.7TWh in 4Q24P, down 26% y/y (FY24P's 5.55TWh, down 22% y/y). Gas-fired generation up 63% y/y (low base effect) at 2.14TWh, incl. new Gryfino unit's 1.05TWh in 4Q24P. Hydro pumped storage plants at 0.14TWh, down 55% y/y, down 55% y/y. Renewable (on-shore, PV, biomass) generation at 0.6TWh, 14% lower y/y (wind down 15% y/y, PV up 2x y/y). Distribution volumes at 10.65TWh in PGE Group, up 2% y/y;

- Segments. Recurring distribution EBITDA at PLN1.17bn, 78% higher y/y. Sales EBITDA at PLN220mn, PLN0.7bn higher y/y. Solid results at Heat (PLN0.5bn, down 22% y/y) & Conv. Generation (PLN1bn, up 152% y/y), supported by PLN0.1bn EBITDA from gas units. Renewable EBITDA at PLN316mn, up 16% y/y and down PLN70mn q/q. PKPE's EBITDA at PLN266mn, down 57% y/y and down PLN20mn q/q;

- One-offs. PGE reports PLN1.03bn positive one-offs in 4Q2024P (totaling PLN1.34bn in FY2024P). These include +PLN641mn at re-cultivation reserve, PLN208mn write-up at past payments to the State, and PLN162mn of adjustment to past electricity compensations;

- Capex, net debt. 4Q24P capex at PLN3.1bn, down 10% y/y, totaling PLN10.3bn in FY24P, up 2% y/y. The reported net debt expands by PLN7bn q/q to PLN11.0bn (flat y/y), while net debt adjusted for CO2 dues (economic net debt) falls PLN1.8bn q/q to PLN17.2 (down PLN1.8bn y/y);

- Key results' drivers. Upsides. The lack of electricity price cap +PLN1.8bn y/y in 4Q24P (PLN6.7bn in FY24P). Total cost of fuels (coal / gas) down PLN0.4bn y/y (down 2.95bn y/y in FY24P). CO2 pollution cost lower by PLN1.0bn y/y, due to CO2 price lower by PLN40/t. Capacity- and balancing market incomes higher by PLN0.45bn y/y. Distribution services higher by PLN0.55bn y/y. Downsides. Personnel costs higher by PLN0.2bn y/y in 4Q2024P (up PLN0.85bn y/y in FY2024P). Cogeneration support weaker by PLN0.1bn y/y in 4Q2024P (down PLN0.4bn y/y in FY24P).

Fig. 53. PGE: 4Q2024 preliminary results review – adjusted EBITDA breakdown

PLNmn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	*y/y*	*q/q*	*SANe*
Heat	916	312	86	706	510	266	153	**554**	*-21.5%*	*262%*	*500*
Generation Coal	909	104	310	404	-520	-194	563	**1020**	*153%*	*81.2%*	*850*
Generation Gas							40	**106**	*n.m.*	*165%*	*140*
Energy (renewable)	436	243	167	272	379	267	382	**316**	*16.2%*	*-17.3%*	*350*
Sales	-335	371	382	-495	903	399	-129	**220**	*n.m.*	*n.m.*	*-300*
Distribution	1 274	977	1 001	710	992	1 228	1 142	**1 168**	*64.5%*	*2.3%*	*1 000*
Other *	146	438	504	470	268	339	343	**203**	*-56.8%*	*-40.8%*	*343*
Total	**3 346**	**2 445**	**2 450**	**2 067**	**2 532**	**2 305**	**2 454**	**3 587**	***73.5%***	***46.2%***	***2 883***

Source: Company data, Santander Brokerage Poland estimates, PKPE at 'Other' line as of 2Q2023

Fig. 54. PGE: 4Q2024 preliminary results review – volumes

TWh	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	*y/y*	*q/q*	*SANe*
Generation (conv)	14.87	11.42	12.66	14.94	13.73	12.34	13.16	**14.89**	*-0.3%*	*13.1%*	*14.75*
Generation (renew)	0.85	0.50	0.44	0.71	0.87	0.57	0.58	**0.60**	*-15.5%*	*3.4%*	*0.65*
Retail sale	8.87	8.00	8.49	8.75	9.12	7.92	8.30	**8.36**	*-4.5%*	*0.7%*	*8.50*
Distribution	9.47	8.34	9.64	9.32	10.68	9.43	9.79	**9.53**	*2.3%*	*-2.7%*	*9.41*

Source: Company data, Santander Brokerage Poland estimates

Tauron: [+] 4Q2024P: PLN0.3bn consensus beat at EBITDA

[published as separate Flash Note on March 20, 2025]

Positive. The company posted above-expectation EBITDA at PLN1.46bn, some PLN0.3bn market consensus beat. Sales and Conventional Generation segments (both above our expectations) drove these strong results. Distribution EBITDA come in a notch above our expectations, but the company's adjustments to Distribution EBITDA calculation resulted in PLN40mn cut to 4Q2024P (acc. to the company), and the adjustment would drive 4Q202P distribution EBITDA to +PLN0.9bn.

Strong results and likely delayed CO2 payments made Tauron's reported Net Debt fall PLN1.4bn q/q to PLN11.1bn. However, as Tauron's calculation do not include bonds, the company's total Net Debt settles at PLN13bn, and the adjusted ND-to-EBITDA at 2.0x.

Key 4Q2024P info from Tauron:

- The company did not present any description of factor driving volumes or financial results among sectors;
- 4Q2024P capex at PLN1.5bn, PLN0.2bn lower q/q, totaling PLN5.13bn in FY2024P. Tauron's reported net debt settles at PLN11.1bn, PLN1.4bn lower q/q. The official Net Debt-to-EBITDA ratio at 1.7x, down 0.7pp q/q;
- As of 4Q2024, the company changed its recognition of profits in distribution segment. As of 4Q2024, Tauron/'s distribution EBITDA should become less volatile due to electricity price changes, the company expects. These adjustments resulted in PLN394mn extra gain in Distribution segment, and PLN24mn loss in Sales segment. The above-mentioned changes result in adjustment to past Tauron distribution segment's EBITDAs (PLN343mn increase in 1Q24, PLN62mn increase in 2Q24, PLN2bn increase in 3Q24, PLN40mn cut to 4Q24P);
- One-offs. Write-ups at PLN113mn in 4Q2024P (below EBITDA / EBIT). Reduced deferred tax asset in the amount of PLN141mn (below EBITDA / EBIT).

Fig. 55. Tauron: 4Q2024 preliminary results

PLNmn	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	*y/y*	*q/q*	*SANe*	*Cons.*
Sales	9,723	11,063	12,091	8 142	8 080	8 126	**9 467**	*-21.7%*	*16.5%*	*8 695*	*8 833*
EBITDA	2,044	1,197	674	1 541	1 588	1 477	**1 457**	*116.2%*	*-1.4%*	*1 092*	*1 129*
EBITDA margin	*21.0%*	*10.8%*	*5.6%*	*18.9%*	*19.7%*	*18.2%*	***15.4%***	*9.8*	*-2.8*	*12.6%*	*12.8%*
EBIT	1,488	640	-431	988	-629	946	**939**	*n.m.*	*-0.7%*	*561*	*559*
EBIT margin	*15.3%*	*5.8%*	*-3.6%*	*12.1%*	*-7.8%*	*11.6%*	***9.9%***	*13.5*	*-1.7*	*6.5%*	*6.3%*
Net profit	840	387	-585	531	-1 374	636	**467**	*n.m.*	*-26.6%*	*289*	*258*
Net margin	*8.6%*	*3.5%*	*-4.8%*	*6.5%*	*-17.0%*	*7.8%*	***4.9%***	*9.8*	*-2.9*	*3.3%*	*2.9%*

Source: Company data, pap.pl, Santander Brokerage Poland estimates

Fig. 56. Tauron: 4Q2024 preliminary results – EBITDA breakdown

PLNmn	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	*y/y*	*q/q*	*SANe*
Generation / Heat (coal)	-111	458	499	128	292	292	22	210	**515**	*76.4%*	*145%*	*380*
Renewables	94	186	90	45	110	229	140	125	**190**	*72.7%*	*52.0%*	*200*
Distribution	591	1286	1044	1096	102	622	994	1022	**864**	*747%*	*-15.5%*	*812*
Sales	85	145	402	-91	112	335	363	63	**-109**	*n.m.*	*n.m.*	*-300*
Other	-7	154	9	19	58	63	69	57	**-3**	*n.m.*	*n.m.*	*0*
Total	**1,170**	**2,229**	**2,044**	**1,197**	**674**	**1 541**	**1 588**	**1 477**	**1 457**	***116%***	***-1.4%***	***1 092***

Source: Company data, Santander Brokerage Poland estimates

Fig. 57. Tauron: 4Q2024 preliminary results – volumes

TWh	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	y/y	q/q	SANe
Generation (conv)	4.00	3.31	2.08	2.38	3.17	2.67	1.86	2.30	**3.00**	*-5.4%*	*30.4%*	*3.10*
Generation (renew)	0.36	0.53	0.34	0.30	0.51	0.54	0.34	0.30	**0.50**	*-2.0%*	*66.7%*	*0.49*
Retail sale	8.06	8.36	7.04	7.05	8.31	7.40	6.13	6.10	**7.00**	*-16%*	*14.8%*	*7.40*
Distribution	13.38	13.66	12.32	12.28	13.03	13.65	12.38	12.50	**13.20**	*1.3%*	*5.6%*	*13.16*

Source: Company data, Santander Brokerage Poland estimates

Enea: Solid 4Q24P one-off adjusted results, reported Net Debt up PLN3.0bn q/q

[published as separate Santander's Flash Note on March 4, 2025]

Fig. 58. Enea: 4Q2024 preliminary results review

PLNmn	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	y/y	q/q	SAN	Cons.
Sales	11,503	11,881	12,281	8 385	7 757	8 019	**8 813**	-28.2%	9.9%	13 202	10 015
EBITDA	869	1,124	2,858	1 877	1 593	1 863	**1 473**	-48.3%	-20.6%	1 440	1 583
EBITDA margin	*7.6%*	*9.5%*	*23.3%*	*22.4%*	*20.5%*	*23.2%*	***16.7%***	*-6.6*	*-6.5*	*10.9%*	*15.8%*
EBIT	436	703	-471	1 531	1 213	1 517		n.m.	n.m.	1 094	1 210
EBIT margin	*3.8%*	*5.9%*	*-3.8%*	*18.3%*	*15.6%*	*18.9%*		n.m.	n.m.	*8.3%*	*12.1%*
Net profit	144	716	-1,105	1 018	931	971	**-2 087**	n.m.	n.m.	715	854
Net margin	*1.3%*	*6.0%*	*-9.0%*	*12.1%*	*12.0%*	*12.1%*	***-23.7%***	*-14.7*	*-35.8*	*5.4%*	*8.5%*

Source: Company data, pap, Santander Brokerage Poland estimates

Solid Results, Neutral.

The company's 4Q24P EBITDA settles PLN0.1bn below consensus, but we believe the consensus did not include PLN255mn write-off disclosed two weeks ago. Additionally, the company informed on total PLN2.9bn write-down at the bottom line, hence the adjusted bottom line would settle at PLN872mn, a decent figure. In this light, we would see 4Q2024 reported results as solid. The strength originates chiefly from thermal coal operations, again. We note that Enea's key 4Q2024P drivers were 1) very high Bogdanka's result and 2) very strong total generation EBITDA. In the latter, we believe biomass burning might come in positive (relatively high biomass-originated electricity generation at 0.5TWh), but still the bulk of the consensus beat results from coal-fired generation's superior hedging, we assume.

We believe the write-off on onerous contracts might be potentially written up in coming quarters.

On the less-positive note, the company's Net Debt likely grew PLN3bn q/q from nil a quarter ago. Please note that every Polish utility is paying its past year's CO2 dues in March/April, hence we assume that this figure remains understated by some PLN4bn (Economic Net Debt, including minorities and leasing, at some PLN9-10bn, we calculate). Please also note that 12-month EBITDA has fallen to FY24P PLN6.8bn from previous quarter's PLN8.1bn, the latter inflated by 4Q2023's one-off.

Key 4Q2024P info from Enea:

- 4Q2024 One-offs. On February 20, 2025 the company informed its 4Q/FY2024 results would be depressed by non-cash write-offs. Conventional generation related one-offs were to reduce the Group's consolidated bottom line by PLN2,752mn. Additionally, the company created write-off for onerous contracts, which were to reduce 4Q2024 EBITDA by PLN255mn and bottom line by PLN207mn;
- Capex, Net Debt. Capex at PLN1.36bn in 4Q2024P, totaling PLN3.4bn in FY2024P. The reported 12-month trailing net debt-to-EBITDA ratio increases to 0.46x from 0.02x in 3Q2024, acc. to the company. The implied reported Net Debt position increases to PLN3.1bn from PLN0.2bn a quarter ago, acc. to our calculations;
- Volumes. Conventional generation up 6% y/y to 5.1TWh, biomass-fired generation at 0.5TWh (up 0.2TWh q/q, implied FY24P at 1.5TWh), pure renewable generation at 0.1TWh (implied 0.4TWh in FY24P), distribution volume down 2% y/y to 5.0TWh;
- Drivers of 4Q2024 results by segments, acc. to Enea. Lower mining EBITDA due to low realized coal price (no change in wording vs previous quarters). In Distribution, the company points at rising core revenues, trimmed by rising opex. Result at Trading depressed by write-off for onerous contracts. In Conventional Generation segment, the company points at rising balancing market and capacity support contribution y/y. Y/y renewable EBITDA was lower, due to lower electricity prices, despite the decline in biomass costs. Heat segment's EBITDA grew y/y

Fig. 59. Enea: 4Q2024P results – EBITDA breakdown

PLNmn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	*y/y*	*q/q*	*SANe*
Trade	0	71	-138	37	80	116	36	**-236**	*n.m.*	*n.m.*	*60*
Distribution	427	433	450	513	613	546	586	**538**	*4.9%*	*-8.2%*	*530*
Total Generation	490	577	673	1,866	930	735	1 000	**892**	*-52.2%*	*-10.8%*	*650*
Other	-163	-43	-12	-210	96	83	-44	**-150**	*n.m.*	*n.m.*	*-150*
Mining (LWB)	290	234	151	652	158	113	285	**435**	*-33.3%*	*52.6%*	*350*
Total	**1,044**	**1,272**	**1,124**	**2,858**	**1 877**	**1 593**	**1 863**	**1 473**	***-48.3%***	***-20.6%***	***1 440***

Source: Company data, Santander Brokerage Poland estimates

Fig. 60. Enea: 4Q2024P results – volumes

PLNmn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24P	*y/y*	*q/q*	*SANe*
Generation (conv)	4.70	4.70	4.80	4.80	4.40	4.40	4.60	**5.10**	*6.2%*	*10.9%*	*5.00*
Generation (renew)	0.60	0.50	0.60	0.60	0.60	0.40	0.40	**0.60**	*0.0%*	*50.0%*	*0.50*
Retail sale	6.00	5.50	5.40	5.90	6.50	5.90	6.10	**6.20**	*5.1%*	*1.6%*	*6.50*
Distribution	5.20	4.90	4.80	5.10	5.20	4.80	4.90	**5.00**	*-2.0%*	*2.0%*	*5.20*
Mining (LWB)	1.60	1.67	1.29	2.50	1.88	1.60	1.90	**2.50**	*0.0%*	*31.6%*	*2.40*

Source: Company data, Santander Brokerage Poland estimates

Valuation

In our valuation process, we use DCF, DDM and comparable valuation methodologies. DCF remains our preferred valuation tool, as it relies more on the company's long-term outlook. As changes in financial results or changes in investors' preferences drive the comparable valuation, and management's decisions may alter DDM valuation outcomes, we see these as supportive to the DCF valuation. Hence, we keep using DCF as our primary valuation tool (60% weight), with DDM and comparable valuation having 20% weight each.

DCF Valuation

We distinguish between the regulated and unregulated segments of the industry and apply different valuation assumption to each of them. We keep RFR for both segments at 6.0%. We calculate our TPs on Dec2025.

Fig. 61. Polish Utilities – Detailed WACC Assumptions

	PGE		Tauron		Enea	
	Regulated*	Non-regulated**	Regulated*	Non-regulated**	Regulated*	Non-regulated**
Risk-free rate	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Unlevered beta	1.00	1.20	1.00	1.20	1.00	1.20
Levered beta	1.20	1.44	1.54	1.85	1.40	1.68
Equity risk premium	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
Cost of equity	13.18%	14.61%	15.25%	17.10%	14.42%	16.10%
Risk-free rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Debt risk premium	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Tax rate	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%
After tax cost of debt	5.67%	5.67%	5.67%	5.67%	5.67%	5.67%
%D	20%	20%	40%	40%	33%	33%
%E	81%	81%	60%	60%	67%	67%
WACC	11.71%	12.87%	11.41%	12.52%	11.51%	12.64%

*Source: Santander Brokerage Poland estimates, * relates to Distribution and Renewable segments, ** relates to all other segments*

Fig. 62. Polish Utilities – DCF Valuations I (free cash flows and terminal value)

PLNmn	PGE			Tauron			ENEA		
	PV FCF	PV TV	Total	PV FCF	PV TV	Total	PV FCF	PV TV	Total
Regulated businesses									
Distribution***			30 600			24 288			14 175
Heat	-1 683	708	-975	-1 295	-1 197	-2 492	-372	-510	-881
Renewables*	-7 513	12 955	5 442	-584	3 326	2 742	-3 185	4 025	840
Sub-total	***-9 196***	***13 663***	***35 067***	***-1 879***	***2 129***	***24 538***	***-3 557***	***3 515***	***14 133***
Non-regulated businesses									
Systemic generation**	-7 357	4 046	-3 311	-340	0	-340	1 311	0	1 311
Nuclear / Coal exposure*****	0	0	0	0	0	0	5 059	-4 721	338
Sales & others	4 458	1 526	5 984	1 345	454	1 798	-452	-317	-769
Sub-total	***-2 899***	***5 572***	***2 673***	***1 004***	***454***	***1 458***	***5 918***	***-5 037***	***881***
Net debt ****			**17 109**			**13 552**			7 224
Total DCF valuation [PLNmn, Jan 2025]			20 631			12 444			7 790
Number of shares [mn]			2 244			1 752			529
SOTP / DCF valuation [PLN, Jan 2024]			9.2			7.1			14.7
Target Price [PLN, December 2025]			**9.9**			**7.7**			**15.9**

Source: Company data, Santander Brokerage Poland estimates
All companies: economic net debt at year-end 2023
PGE: (*) includes NPV of PGE's 50% on-shore/PV guidance, includes NPV of off-shore JV, (**) assumes no assets' carve-out until 2029E, (***) 2026E RAB, (****) net debt increased for PLN10bn of unpaid CO2 invoices, cut for positive impact of EU-originated subsidies and low-interest funding (see pages 3-4 for the detailed discussion), (*****) assumed cancelled exposure to nuclear project
Tauron: (*) includes NPV of total 800MW expected pipeline in on-shore and PV, (**) assumes no assets' carve-out until 2029E, no large gas-fired units, (***) 2026E RAB, (****) net debt increased for estimated PLN2.5bn of unpaid CO2 invoices, cut for positive impact of EU-originated subsidies and low-interest funding (see pages 3-4 for the detailed discussion),
Enea: (*) includes NPV of total 750MW expected pipeline in on-shore and PV, (**) assumes no assets' carve-out until 2029E, no large gas-fired units, (***) 2026E RAB, (****) net debt increased for estimated PLN4bn of unpaid CO2 invoices, cut for positive impact of EU-originated subsidies and low-interest funding (see pages 3-4 for the detailed discussion), (*****) in this section we present Santander's valuation of Bogdanka's stake

Fig. 63. Polish Utilities – DCF Valuations II – changes in utilities' DCF valuation vs. our last report as of Nov 29, 2024

	PGE			Tauron			ENEA		
PLNmn	PV FCF	PV TV	Total	PV FCF	PV TV	Total	PV FCF	PV TV	Total
Regulated businesses									
Distribution***			28 334			22 651			12 675
Heat	-1 141	1 013	-128	-1 141	-1 015	-2 155	-311	-444	-755
Renewables*	-6 457	14 371	7 913	895	3 363	4 258	-2 530	3 907	1 377
Sub-total	***-7 599***	***15 383***	***36 119***	***-246***	***2 348***	***24 754***	***-2 841***	***3 463***	***13 296***
Non-regulated businesses									
Systemic generation**	-6 618	4 103	-2 515	-806	0	-806	2 847	0	2 847
Nuclear exposure*****	0	0	0	0	0	0	5 059	-4 771	287
Sales & others	4 551	1 568	6 119	1 453	570	2 023	-427	-292	-719
Sub-total	***-2 067***	***5 670***	***3 604***	***647***	***570***	***1 217***	***7 478***	***-5 063***	***2 415***
Net debt ****			18 154			14 192			8 283
Total DCF valuation [PLNmn, Jan 2024]			21 570			11 778			7 428
Number of shares [mn]			2,244			1,752			529
SOTP / DCF valuation [PLN, Jan 2024]			9.6			6.7			14.0
Target Price [PLN, December 2025]			**11.2**			**7.8**			**16.4**

Source: Company data, Santander Brokerage Poland estimates

All companies: economic net debt at year-end 2023

PGE: (*) includes NPV of PGE's 50% on-shore/PV guidance, includes NPV of off-shore JV, (**) assumes no assets' carve-out until 2029E, (***) 2025E RAB, (****) net debt increased for PLN10bn of unpaid CO2 invoices, cut for positive impact of EU-originated subsidies and low-interest funding (see pages 3-4 for the detailed discussion), (*****) assumed cancelled exposure to nuclear project

Tauron: (*) includes NPV of total 800MW expected pipeline in on-shore and PV, (**) assumes no assets' carve-out until 2029E, no large gas-fired units, (***) 2025E RAB, (****) net debt increased for estimated PLN2.5bn of unpaid CO2 invoices, cut for positive impact of EU-originated subsidies and low-interest funding (see pages 3-4 for the detailed discussion),

Enea: (*) includes NPV of total 750MW expected pipeline in on-shore and PV, (**) assumes no assets' carve-out until 2029E, no large gas-fired units, (***) 2025E RAB, (****) net debt increased for estimated PLN4bn of unpaid CO2 invoices, cut for positive impact of EU-originated subsidies and low-interest funding (see pages 3-4 for the detailed discussion), (*****) in this section we present Santander's valuation of Bogdanka's stake

DDM Valuation

We assume PGE, Tauron and Enea will not be paying dividends until the terminal year, due to their extensive capex agenda. In the long term, we assume the three companies' dividend payout will be 20%. Additionally, Tauron announced its dividend policy, starting from PLN0.5 a share in 2029, growing by 6% per annum to PLN0.7 a share in 2035. However, the company also stated that its dividend would not come in higher to previous year's bottom line, and on the basis of our conservative assumptions it trims Tauron's dividend upside, we conclude.

Fig. 64. Utilities: DDM valuation in our core scenario

PLNmn	2023	2024E/P	2025E	2026E	2027E	2028E	2029E	2030E	2031E
PGE									
Net profit	-5 022	-3 158	4 231	2 980	1 228	1 558	722	3 143	2 989
Payout	0%	0%	0%	0%	0%	0%	0%	0%	20%
Dividend paid*	0	0	0	0	0	0	0	0	629
Cost of equity	14.0%								
Equity value per share [PLN]	**1.3**								
Tauron									
Net profit	1 489	589	2 091	1 043	462	279	267	1 297	1 370
Payout	0%	0%	0%	0%	0%	0%	20%	20%	20%
Dividend paid*	0	0	0	0	0	0	56	54	260
Cost of equity	15.6%								
Equity value per share [PLN]	**0.9**								
Enea									
Net profit	-659	1 348	2 236	1 328	851	591	529	1 092	1 078
Payout	0%	0%	0%	0%	0%	0%	0%	0%	20%
Dividend paid*	0	0	0	0	0	0	0	0	218
Cost of equity	14.6%								
Equity value per share [PLN]	**2.0**								

*Source: Santander Brokerage Poland estimates, * calculated vs. previous year's reported net profit*

Above, we show our DDM valuation in our core scenario. This approach implies DDM valuations at PLN1.3 for PGE, PLN0.9 for Tauron, and PLN2.0 for Enea.

Comparative Valuation

Fig. 65. Utilities – Basics of comparable valuation approach

	2024E	2025E	2026E
PGE			
Share of other segments (heat, gas, sales, other) *	53%	46%	35%
Share of Renewables *	10%	10%	13%
Share of Distribution *	37%	43%	52%
Tauron			
Share of other segments (heat, gas, sales, other) *	28%	29%	11%
Share of Renewables *	10%	9%	11%
Share of Distribution *	61%	62%	78%
Enea			
Share of other segments (heat, gas, sales, other) *	64%	49%	34%
Share of Renewables *	6%	9%	13%
Share of Distribution *	30%	42%	53%

*Source: Santander Brokerage Poland estimates, * percentage of EBITDA in consolidated EBITDA*

In our comparative valuation, we are applying a 50/50 weights to P/E and EV/EBITDA approaches. We believe a 50/50 approach is rational in current highly uncertain environment. In our comparative valuation we rely on average 2025/26E ratios.

We present utilities' valuation based on three scenarios. However, we apply 0% likelihood to two alternative ones, and our valuation relies in full on the core one (100% probability). It assumes coal assets' carve-out is delayed until 2029E. For clarification purposes, in "Core, risks" scenario we assume mid-hundred million zloty additional risks to the core scenario. "Carve-out" assumes actual carve-out and net debt reduction, in line with the previous NABE concept.

Additionally, due to Polish companies' dividends at nil and their high exposure to coal and gas, we weigh ratios with respective segments' share in EBITDA only in "carve-out" scenario. In core scenario, we are applying ratios for the European polluters. Finally, in the worst-case scenario "core, risks", we apply the lowest ratio of the European polluters.

Due to the assumed delayed carve-out and lack of dividends, in our core scenario we have applied average of PPC and Drax, for all companies and years. Additionally, we have applied a 5% discount to these ratios for PGE and Enea, due to their extensive scale of coal-related operations.

These assumptions imply PGE's comparative valuation at PLN8.7 for our core scenario, with Tauron valuation at PLN5.8 and Enea's at PLN23.8.

Fig. 66. Polish Utilities: Comparable valuation, Valuation Metrics, Impl. Valuation Ratios and Impl. Share Prices, core scenario ("delayed carve-out")

	Western European utilities		**P/E (x)**			**EV/EBITDA (x)**	
		2024	**2025E**	**2026E**	**2024**	**2025E**	**2026E**
Generation – Polluters	*Segment median*	***11.0***	***10.9***	***8.1***	***6.3***	***5.7***	***4.9***
Generation – Clean	*Segment median*	***13.1***	***14.6***	***14.6***	***7.1***	***7.2***	***7.6***
Regulated	*Segment median*	***14.0***	***13.1***	***13.0***	***8.7***	***8.3***	***8.2***
PGE	*Implied ratio**	*9.4*	*7.8*	*7.7*	*4.4*	*4.3*	*4.5*
Tauron	*Implied ratio***	*9.9*	*8.2*	*8.1*	*4.6*	*4.6*	*4.7*
Enea	*Implied ratio**	*9.4*	*7.8*	*7.7*	*4.4*	*4.3*	*4.5*
PGE	**Implied share price (PLN)**		**14.7**	**10.2**		**7.8**	**2.0**
Tauron	**Implied share price (PLN)**		**9.8**	**4.8**		**6.4**	**2.3**
Enea	**Implied share price (PLN**		**32.9**	**19.3**		**26.6**	**16.4**

*Source: Bloomberg consensus forecasts, Santander Brokerage Poland estimates, * average of PPC and Drax ratios, with a 5% discount due to large lignite / coal exposure and lack of dividends, ** average of PPC and Drax ratios, no discount due to high distribution skew. Share prices as of April 4, 2025*
Generation – Polluters: RWE, PPC
Generation – Clean: Iberdrola, Endesa, EDP, Verbund, EdF, CEZ
Regulated: EVN, MVV Energie, Elia Group, Terna, Iren, REN, Red Electrica, SSE

Fig. 67. Polish Utilities: Comparable valuation, Valuation Metrics, Impl. Valuation Ratios and Impl. Share Prices, "Core, risks" scenario

		P/E (x)			EV/EBITDA (x)		
		2024	2025E	2026E	2024	2025E	2026E
*Generation – Polluters **		*4.5*	*5.3*	*8.1*	*2.9*	*3.4*	*4.5*
PGE	**Implied share price (PLN)**		**10.1**	**8.4**		**2.7**	**1.0**
Tauron	**Implied share price (PLN)**		**6.4**	**2.9**		**2.1**	**1.2**
Enea	**Implied share price (PLN)**		**22.5**	**16.5**		**17.5**	**15.5**

*Source: Bloomberg consensus forecasts, Santander Brokerage Poland estimates, share prices as of April 4, 2025, * the lowest ratio among "Generation - Polluters"*

Fig. 68. Polish Utilities: Comparable valuation, Valuation Metrics, Impl. Valuation Ratios and Impl. Share Prices, "carve-out" scenario

		P/E (x)			EV/EBITDA (x)		
		2024E	2025E	2026E	2024E	2025E	2026E
Generation – Polluters	*Segment median*	***11.0***	***10.9***	***8.1***	***6.3***	***5.7***	***4.9***
Generation – Clean	*Segment median*	***13.1***	***14.6***	***14.6***	***7.1***	***7.2***	***7.6***
Regulated	*Segment median*	***14.0***	***13.1***	***13.0***	***8.7***	***8.3***	***8.2***
PGE	*Implied ratio**	*8.9*	*9.7*	*11.4*	*5.5*	*6.0*	*6.8*
Tauron	*Implied ratio**	*13.1*	*12.7*	*12.6*	*7.8*	*7.5*	*7.8*
Enea	*Implied ratio**	*12.0*	*12.2*	*11.5*	*7.1*	*6.9*	*7.0*
PGE	**Implied share price (PLN)**		**18.3**	**15.2**		**16.6**	**12.4**
Tauron	**Implied share price (PLN)**		**15.1**	**7.5**		**16.8**	**11.1**
Enea	**Implied share price (PLN)**		**51.5**	**28.9**		**52.0**	**36.8**

*Source: Bloomberg consensus forecasts, Santander Brokerage Poland estimates, share prices as of April 4, 2025, * implied ratios weighted with each company's individual EBITDA breakdown among distribution, renewables and other*

Valuation summary

The carve-out committee is reportedly working within the Industry Ministry, and some decisions might be known in months, hypothetically. Still, we include coal-fired Conventional Generation segment's forecasts until 2029E, assuming their carve-out thereafter. Still, we believe the Polish electricity price and FRA / RFR remain disturbing, posing downside risk to respectively EBITDA / FCF in Conventional Generation, Renewables, Heat and Distribution segments.

We see the above-mentioned scenario as our core one. While we present also two other scenarios ("core, risks" and "carve-out"), we keep their likelihood to nil, hence these do not affect our companies' valuation.

Fig. 69. Polish Utilities – Valuation Summary *

Company		Scenario: Core, Risks ***	Scenario: Core **	Scenario: Carve-Out	Weighted Valuation and Overall Price Target
	Scenario probability	**0%**	**100%**	**0%**	
PGE	DCF	3.2	9.9	12.7	**9.9**
	DDM	0.0	1.3	2.8	**1.3**
	Comparative	5.5	8.7	15.6	**8.7**
	Blended	**3.1**	**8.0**	**11.3**	**8.0**
	Upside / Downside	*-59%*	*6%*	*50%*	***6%***
Tauron	DCF	3.7	7.7	10.9	**7.7**
	DDM	0.0	0.9	2.5	**0.9**
	Comparative	3.1	5.8	12.4	**5.8**
	Blended	**2.8**	**5.9**	**9.5**	**5.9**
	Upside / Downside	*-41%*	*23%*	*97%*	***22%***
Enea	DCF	4.6	15.9	21.8	**15.9**
	DDM	0.0	2.0	5.1	**2.0**
	Comparative	18.0	23.8	42.3	**23.8**
	Blended	**6.3**	**14.7**	**22.5**	**14.7**
	Upside / Downside	*-55%*	*5%*	*61%*	***5%***

*Source: Santander Brokerage Poland estimates, * Target Prices rounded, upside / downside calculated against share prices as of April 7, 2025; ** core scenario assumes carve-out delayed until 2029E and substantial KPO inflows, *** scenario 'core, risks' assumes mid-hundred million zloty of additional downside risks to each company's EBITDA per annum*

The re-worked scenarios, modeling and probabilities have jointly resulted in changes to valuations. We set new TP for PGE at PLN8.0, 12% cut vs previous one. Tauron's TP has been set at PLN5.9, negligibly lower, and Enea's TP settles at PLN14.7, 3% lower vs previous one. Therefore, we maintain Outperform recommendation for Tauron, cutting relatively highly electricity price-exposed PGE and Enea to Neutral.

Fig. 70. Polish Utilities – Valuation Summary (as of Nov 29, 2024 report) *

Company		Scenario: Carve-Out, Risks **	Scenario: Carve-Out, no Debt cut ***	Scenario: Carve-Out, Debt cut	Weighted Valuation and Overall Price Target
		Scenario: Core, Risks ***	Scenario: Core **	Scenario: Carve-Out	Weighted Valuation and Overall Price Target
	Scenario probability	0%	100%	0%	
PGE					
	DCF	4.5	11.2	14.0	**11.2**
	DDM	0.0	2.5	4.0	**2.5**
	Comparative	8.3	9.0	17.9	**9.0**
	Blended	**4.4**	**9.0**	**12.8**	**9.0**
	Upside / Downside	*-36%*	*31%*	*86%*	***31%***
Tauron				0.0	
	DCF	3.8	7.8	11.1	**7.8**
	DDM	0.0	0.9	2.6	**0.9**
	Comparative	3.4	5.4	9.9	**5.4**
	Blended	**3.0**	**6.0**	**9.1**	**6.0**
	Upside / Downside	*-17%*	*66%*	*155%*	***66%***
Enea				0.0	
	DCF	5.0	16.4	22.2	**16.4**
	DDM	0.0	2.5	5.6	**2.5**
	Comparative	23.1	24.0	43.8	**24.0**
	Blended	**7.6**	**15.1**	**23.2**	**15.1**

*Source: Santander Brokerage Poland estimates, * Target Prices rounded, upside / downside calculated against share prices as of November 14, 2024; ** core scenario assumes carve-out delayed until 2029E and substantial KPO inflows, *** scenario 'core, risks' assumes mid-hundred million zloty of additional downside risks to each company's EBITDA per annum*

Changes to Santander Forecasts

In this report, we have applied changes to electricity price and distribution segment's outlook for all three companies. However, as we have only preliminary 4Q2024 data in all cases, our model will be adjusted for the final data or takeaways of the conference calls with the managements. In this report, we have only adjusted our 2024E top line, EBITDA and bottom line estimates for the official preliminary data.

Fig. 71. PGE: Changes to Forecasts

PLNmn	2024E			2025E			2026E		
	Current	Previous	*Change*	Current	Previous	*Change*	Current	Previous	*Change*
Sales	76771	76771	*0.0%*	63976	63976	*0.0%*	53740	57578	*-6.7%*
EBITDA	12210	10520	*16.1%*	12134	11919	*1.8%*	9942	9760	*1.9%*
EBIT	5814	5758	*1.0%*	7049	6779	*4.0%*	4671	4440	*5.2%*
Net profit	-3158	3557	*-188.8%*	4231	4183	*1.2%*	2980	2923	*2.0%*

Source: Santander Brokerage Poland estimates

Fig. 72. Tauron: Changes to Forecasts

PLNmn	2024E			2025E			2026E		
	Current	Previous	*Change*	Current	Previous	*Change*	Current	Previous	*Change*
Sales	35399	36515	*-3.1%*	30481	31442	*-3.1%*	26500	29111	*-9.0%*
EBITDA	6469	5349	*20.9%*	6328	5650	*12.0%*	5025	4823	*4.2%*
EBIT	2650	990	*167.7%*	3423	2745	*24.7%*	1987	1810	*9.8%*
Net profit	589	98	*501.9%*	2091	1559	*34.1%*	1043	949	*10.0%*

Source: Santander Brokerage Poland estimates

Fig. 73. Enea: Changes to Forecasts

PLNmn	2024E			2025E			2026E		
	Current	Previous	*Change*	Current	Previous	*Change*	Current	Previous	*Change*
Sales	32975	38980	*-15%*	27479	32484	*-15%*	23083	29235	*-21%*
EBITDA	6806	6278	*8%*	5183	4885	*6%*	4227	4309	*-2%*
EBIT	3284	3284	*0%*	3106	2893	*7%*	1894	2117	*-11%*
Net profit	1348	3063	*-56%*	2236	2096	*7%*	1328	1554	*-15%*

Source: Santander Brokerage Poland estimates

SAN estimates (central delayed carve-out scenario, no reduction in net debt) vs. market consensus

Fig. 74. PGE: Santander forecasts vs. consensus

PLNmn	2024E			2025E			2026E		
	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*
Sales	76771	68176	*12.6%*	63976	63807	*0.3%*	53740	63266	*-15.1%*
EBITDA	12210	10280	*18.8%*	12134	10605	*14.4%*	9942	10893	*-8.7%*
EBIT	5814	5571	*4.4%*	7049	5592	*26.0%*	4671	5517	*-15.3%*
Net profit	-3158	-2334	*35.3%*	4231	3559	*18.9%*	2980	3483	*-14.4%*

Source: Bloomberg, Santander Brokerage Poland estimates

Fig. 75. Tauron: Santander forecasts vs. consensus

PLNmn	2024E			2025E			2026E		
	SANe	Consensus	*Diff.*	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*
Sales	35399	34945	*1.3%*	30481	31828	*-4.2%*	26500	31187	*-15.0%*
EBITDA	6469	5608	*15.4%*	6328	5859	*8.0%*	5025	6010	*-16.4%*
EBIT	2650	1963	*35.0%*	3423	3367	*1.7%*	1987	3331	*-40.4%*
Net profit	589	149	*295.4%*	2091	2070	*1.0%*	1043	2067	*-49.5%*

Source: Bloomberg, Santander Brokerage Poland estimates

Fig. 76. Enea: Santander forecasts vs. consensus

PLNmn	2024E			2025E			2026E		
	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*	SANe	Cons.	*Diff.*
Sales	32975	35173	*-6.2%*	27479	31081	*-11.6%*	23083	30030	*-23.1%*
EBITDA	6806	6718	*1.3%*	5183	4963	*4.4%*	4227	4714	*-10.3%*
EBIT	3284	5007	*-34.4%*	3106	3271	*-5.0%*	1894	2875	*-34.1%*
Net profit	1348	2899	*-53.5%*	2236	2480	*-9.8%*	1328	2099	*-36.7%*

Source: Bloomberg, Santander Brokerage Poland estimates

FINANCIALS

PGE

Tauron

Enea

PGE [Neutral, TP PLN8.0]

Fig. 77. PGE – P&L, Per Share Ratios, Market Ratios, 2020-26E

PLNmn, year to Dec	2020	2021	2022	2023	2024E	2025E	2026E
Sales	45,766	52,730	73,435	95 964	**76 771**	**63 976**	**53 740**
Consolidated EBITDA, o/w:	**5,966**	**9,535**	**8,669**	**10 028**	**12 210**	**12 134**	**9 942**
Distribution	2,306	2,779	2,864	3 880	4 538	5 265	5 215
Generation	1,725	4,078	2,065	1 472	300	1 514	-364
Renewables	597	1,016	1,792	1 114	1 233	1 270	1 248
Sales	612	827	2,043	-4	1 724	1 648	1 588
Other	-221	29	-135	376	376	376	376
EDF	947	805	39	1 952	1 384	1 158	985
PKPE				1 238	1 052	903	895
Consolidated EBIT, o/w:	**1,408**	**5,123**	**4,299**	**-3 446**	**5 814**	**7 049**	**4 671**
Distribution	1,093	1,557	1,630	2 578	2 761	3 351	3 175
Generation	-647	1,994	127	-9 418	-1 228	-14	-1 892
Renewables	405	672	1,441	738	811	921	868
Sales	577	794	2,010	-38	1 692	1 621	1 557
Other	**-324**	**1**	-163	660	311	311	311
EDF	304	104	-662	1 168	600	374	201
PKPE				866	866	485	451
Net financial income (costs)	-547	-273	-158	-619	-1 326	-1 689	-1 572
Profit before tax	**861**	**4,850**	**4,141**	**-4 065**	**-3 763**	**5 359**	**3 099**
Income tax	166	926	720	847	-715	1 018	589
Net profit	**110**	**3,949**	**3,359**	**-5 022**	**-3 158**	**4 231**	**2 980**
EPS	0.06	2.11	1.63	-2.24	-1.41	1.89	1.33
CEPS	2.50	4.47	3.76	3.77	1.44	4.15	3.68
BVPS	23.27	25.83	24.24	21.33	19.97	21.90	23.28
DPS	-	-	-	-	-	-	-
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E	99.4	4.1	5.5	-3.3	-5.4	4.0	5.7
P/CE	2.3	1.9	2.2	2.0	5.2	1.8	2.0
EV/EBITDA	5.4	3.2	4.5	5.4	4.9	5.3	7.1
EV/sales	0.7	0.6	0.5	0.6	0.8	1.0	1.3

Source: Company data, Santander Brokerage Poland estimates, ratios for years 2020-23 based on historical annual share price averages

Fig. 78. PGE – Balance Sheet Forecasts, 2020-26E

PLNmn	2020	2021	2022	2023	2024E	2025E	2026E
Current assets	**15,096**	**22,727**	**34,046**	**35 103**	**29 091**	**26 042**	**24 400**
Cash and equivalents	3,156	6,733	11,887	6 033	3 758	1 608	684
Other short-term investment	0	0	0	0	0	0	0
Accounts receivable	3,602	4,209	6,517	6 736	5 389	4 491	3 772
Inventories	4,858	2,189	4,918	3 773	1 383	1 383	1 383
Pre-paid expenses	3,480	9,596	10,724	18 561	18 561	18 561	18 561
Fixed assets	**66,498**	**66,239**	**71,732**	**78 340**	**84 718**	**92 649**	**100 203**
PPE	61,741	60,817	64,388	68 508	75 452	83 864	91 827
Long-term investments	1,309	1,257	1,311	1 852	1 852	1 852	1 852
Intangibles	646	682	726	1 952	1 952	1 952	1 952
Goodwill	0	0	0	**0**	**0**	**0**	**0**
Long-term receivables	1,451	2,550	2,124	2 254	2 254	2 254	2 254
Long-term deferred charges	1,351	933	3,183	3 774	3 208	2 727	2 318
Total assets	**81,594**	**88,966**	**105,778**	**113 443**	**113 808**	**118 691**	**124 602**
Current liabilities	**15,018**	**21,797**	**35,296**	**42 210**	**37 986**	**35 640**	**33 563**
Bank debt	1,384	2,160	3,766	4 513	4 513	4 513	4 513
Accounts payable	3,504	4,601	6,707	7 609	6 087	5 073	4 261
Other current liabilities	9,137	13,989	23,918	28 036	26 634	25 302	24 037
Short-term provisions	993	1,047	905	2 052	752	752	752
Long-term liabilities	**23,075**	**18,878**	**16,099**	**23 378**	**31 015**	**33 902**	**38 800**
Bank debt	10,025	8,666	6,799	12 222	20 000	23 000	28 000
Deferred charges	345	402	1,002	1 055	944	861	789
Other long-term liabilities	1,498	1,251	1,935	355	325	295	265
Provisions	11,207	8,559	6,363	9 746	9 746	9 746	9 746
Equity	**43,501**	**48,291**	**54,383**	**47 855**	**44 807**	**49 148**	**52 239**
Share capital	19,165	19,165	19,184	19 184	19 184	19 184	19 184
Capital reserves	23,243	24,380	30,995	32 712	27 690	24 532	28 763
Net income	110	3,949	3,359	-5 022	-3 158	4 231	2 980
Minority interest	**983**	**797**	**845**	**981**	**1 091**	**1 201**	**1 311**
Total liabilities and equity	**81,594**	**88,966**	**105,778**	**113 443**	**113 808**	**118 691**	**124 602**
Net debt	8,253	4,093	-1,322	10 702	20 755	25 905	36 829

Source: Company data, Santander Brokerage Poland estimates

Fig. 79. PGE – Cash Flow Statement Forecasts, 2020-26E

PLNmn	2020	2021	2022	2023	2024E	2025E	2026E
Cash flow from operations	**708**	**5,032**	**998**	**-3 348**	**4 043**	**9 117**	**8 087**
Net profit	110	3,949	3,359	-5 022	-3 158	4 231	2 980
Provisions	1,555	-2,648	-2,196	0	0	0	0
Depreciation and amortisation	4,558	4,412	4,370	13 474	6 396	5 085	5 271
Changes in WC, o/w	939	3,159	-2,931	1 828	2 216	-116	-93
inventories	-142	2,669	-2,729	1 145	2 390	0	0
receivables	1,213	-607	-2,308	-219	1 347	898	719
payables	-132	1,097	2,106	902	-1 522	-1 015	-812
Other, net	-6,454	-3,840	-1,603	-13 628	-1 411	-82	-72
Cash flow from investment	**1,899**	**-686**	**1,635**	**-8 812**	**-14 206**	**-14 378**	**-14 120**
Additions to PPE and intangibles	-5,624	-4,662	-7,100	-10 088	-13 340	-13 498	-13 234
Change in long-term investments	-6	52	-54	-541	0	0	0
Other, net	7,529	3,924	8,789	1 817	-866	-881	-886
Cash flow from financing	**-764**	**-769**	**2,520**	**6 306**	**7 888**	**3 110**	**5 110**
Change in long-term borrowing	-834	-1,359	-1,867	5 423	7 778	3 000	5000
Change in short-term borrowing	-65	776	1,606	747	0	0	0
Change in equity and profit distribution	0	0	2,733	0	0	0	0
Dividends paid	0	0	0	0	0	0	0
Other, net	135	-186	48	136	110	110	110
Net change in cash and equivalents	**1,843**	**3,577**	**5,154**	**-5 854**	**-2 275**	**-2 151**	**-924**
Beginning cash and equivalents	1,313	3,156	6,733	11 887	6 033	3 758	1 608
Ending cash and equivalents	3,156	6,733	11,887	6 033	3 758	1 608	684

Source: Company data, Santander Brokerage Poland estimates

Tauron [Outperform, TP PLN5.9]

Fig. 80. Tauron – P&L, Per Share Ratios, Market Ratios, 2020-26E

PLNmn, year to Dec	2020	2021	2022	2023	2024E	2025E	2026E
Sales	20,367	25,614	36,311	50 715	35 399	30 481	26 500
Consolidated EBITDA, o/w:	**4,309**	**4,141**	**4,016**	**6 145**	**6 469**	**6 328**	**5 025**
Distribution	3,023	2,967	2,939	3 528	3 963	3 921	3 908
Generation	72	1,232	-1,040	1 072	746	678	65
Renewables	287	364	476	431	663	588	575
Heat	171	143	261	305	152	382	68
Coal extraction	-157	-130	781	0			
Sales	683	-524	594	568	879	670	322
Other	229	88	5	241	88	88	88
Consolidated EBIT, o/w:	**-1,646**	**916**	**1,069**	**3 234**	**2 650**	**3 423**	**1 987**
Distribution	1,857	1,767	1,679	2 197	2 562	2 433	2 307
Generation	-2,813	-87	-1,487	-32	-1 576	-222	-835
Renewables	136	213	292	259	474	381	350
Heat	-717	62	180	221	-76	292	-25
Coal extraction	-886	-458	490	0			
Sales	642	-566	550	522	833	624	276
Other	136	-16	-585	67	-86	-86	-86
Net financial income (costs)	-641	-241	-957	-1 120	-867	-842	-698
Profit before tax	**-2,673**	**675**	**112**	**2 114**	**1 783**	**2 581**	**1 288**
Income tax	-78	290	319	625	1 194	490	245
Net profit	**-2,598**	**338**	**-132**	**1 489**	**589**	**2 091**	**1 043**
EPS	-1.48	0.19	-0.08	0.85	0.34	1.19	0.60
CEPS	1.91	2.03	1.61	2.51	2.52	2.85	2.33
BVPS	9.36	9.43	9.48	10.24	10.58	11.77	12.37
DPS	-	-	-	-	-	-	-
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E	-1.3	16.3	-35.4	3.5	14.4	4.0	8.1
P/CE	1.0	1.5	1.7	1.2	1.9	1.7	2.1
EV/EBITDA	5.0	5.4	6.9	5.1	4.9	5.2	6.9
EV/sales	1.1	0.9	0.8	0.6	0.9	1.1	1.3

Source: Company data, Santander Brokerage Poland estimates, ratios for years 2020-23 based on historical annual share price averages

Fig. 81. Tauron – Balance Sheet Forecasts, 2020-26E

PLNmn	2020	2021	2022	2023	2024E	2025E	2026E
Current assets	**7,675**	**6,220**	**10,267**	**12 445**	**11 554**	**9 991**	**7 469**
Cash and equivalents	910	1,290	2,622	1 091	3 417	2 692	803
Other short term investment	1,274	157	597	702	702	897	1 100
Accounts receivable	2,363	3,322	3,819	5 341	3 728	3 210	2 791
Inventories	777	543	1,118	1 483	1 035	891	775
Pre-paid expenses	2,351	908	2,111	3 828	2 672	2 301	2 000
Fixed assets	**31,736**	**33,855**	**35,053**	**37 353**	**38 190**	**41 626**	**45 060**
PPE	29,692	31,146	31,753	34 062	34 899	38 335	41 769
Long-term investments	587	597	682	169	169	169	169
Intangibles	645	639	932	1 205	1 205	1 205	1 205
Long-term receivables	773	1,350	1,014	1 158	1 158	1 158	1 158
Long-term deferred charges	40	123	672	759	759	759	759
Total assets	**39,411**	**40,075**	**45,320**	**49 798**	**49 744**	**51 617**	**52 528**
Current liabilities	**7,311**	**9,917**	**10,195**	**14 269**	**13 826**	**13 819**	**13 858**
Bank debt	1,479	3,204	528	2 871	2 871	2 871	2 871
Accounts payable	965	1,242	2,246	2 088	1 457	1 255	1 091
Other current liabilities	2,869	2,861	3,250	4 619	4 619	4 619	4 619
Short-term provisions	1,998	2,610	4,171	4 691	4 879	5 074	5 277
Long-term liabilities	**15,687**	**13,634**	**18,511**	**17 576**	**17 376**	**17 165**	**16 994**
Bank debt	13,108	11,063	15,959	14 544	15 000	15 000	15 000
Deferred charges	434	741	1,200	1 212	846	728	633
Other long-term liabilities	544	605	701	961	671	578	502
Provisions	1,601	1,225	651	859	859	859	859
Equity	**16,412**	**16,524**	**16,614**	**17 953**	**18 542**	**20 633**	**21 676**
Share capital	8,763	8,763	8,763	8 763	8 763	8 763	8 763
Capital reserves	9,354	7,390	7,950	7 663	9 152	9 741	11 832
Net income	-2,598	338	-132	1 489	589	2 091	1 043
Minority Interest	894	33	33	**38**	**38**	**38**	**38**
Total liabilities and equity	**39,411**	**40,075**	**45,320**	**49 798**	**49 744**	**51 617**	**52 528**
Net debt	13,677	12,977	13,865	16 324	14 454	15 179	17 068

Source: Company data, Santander Brokerage Poland estimates

Fig. 82. Tauron: Cash Flow Statement Forecasts, 2020-26E

PLNmn	2020	2021	2022	2023	2024E	2025E	2026E
Cash flow from operations	**3,764**	**6,371**	**2,887**	**1 273**	**6 816**	**5 709**	**4 658**
Net profit	-2,598	338	-132	1 489	589	2 091	1 043
Provisions	288	-376	-574	208	0	0	0
Depreciation and amortisation	5,954	3,225	2,947	2 911	3 819	2 905	3 038
Changes in WC, o/w	-47	-448	-68	-2 045	1 430	459	372
Inventories	-93	234	-575	-365	448	144	116
Receivables	-72	-959	-497	-1 522	1 613	518	419
Payables	118	277	1,004	-158	-631	-202	-164
Other, net	168	3,633	714	-1 290	978	254	205
Cash flow from investment	**-4,277**	**-4,537**	**-3,775**	**-3 737**	**-4 946**	**-6 434**	**-6 547**
Additions to PPE and intangibles	-4,041	-2,918	-3,962	-4 364	-4 656	-6 341	-6 472
Change in long-term investments	-28	-10	-85	513	0	0	0
Other, net	-208	-1,608	272	115	-290	-93	-75
Cash flow from financing	**184**	**-1,454**	**2,220**	**933**	**456**	**0**	**0**
Change in long-term borrowing	1,278	-2,045	4,896	-1 415	456	0	0
Change in short-term borrowing	-1,003	1,725	-2,676	2 343	0	0	0
Change in equity and profit distribution	-85	-273	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0
Other, net	-6	-861	0	5	0	0	0
Net change in cash and equivalents	**-328**	**381**	**1,332**	**-1 531**	**2 326**	**-725**	**-1 889**
Beginning cash and equivalents	1,238	910	1,290	2 622	1 091	3 417	2 692
Ending cash and equivalents	910	1,290	2,622	1 091	3 417	2 692	803

Source: Company data, Santander Brokerage Poland estimates

Enea [Neutral, TP PLN14.7]

Fig. 83. Enea – P&L, Per Share Ratios, Market Ratios, 2020-26E

PLNmn, year to Dec	2020	2021	2022	2023	2024E	2025E	2026E
Sales	18,177	21,275	30,076	48 183	32 975	27 479	23 083
Consolidated EBITDA, o/w:	**3,301**	**3,636**	**2,220**	**6 298**	**6 806**	**5 183**	**4 227**
Distribution	1,313	1,393	1,329	1 822	2 056	2 179	2 260
Generation	1,163	1,033	3	2 835	2 890	1 435	483
Renewables	113	194	175	18	72	219	73
Heat	254	375	132	752	375	465	544
Sales	-15	-125	-76	-29	100	84	70
Mining	470	798	610	1 326	759	801	797
Other	3	-32	47	-427	0	0	0
Consolidated EBIT, incl.	**-1,707**	**2,067**	**578**	**955**	**3 284**	**3 106**	**1 894**
Distribution	680	724	616	1 085	1 269	1 304	1 297
Generation	-2,443	732	-334	143	2 490	1 035	83
Renewables	53	134	70	-128	-78	65	-85
Heat	211	330	81	698	304	378	435
Sales	-17	-128	-78	-31	98	81	68
Mining	95	367	200	-334	-739	303	156
Other	-286	-92	23	-477	-60	-60	-60
Net financial income (costs)	-292	-105	-300	-1 418	-319	-238	-199
Profit before tax	**-1,999**	**1,962**	**278**	**-463**	**854**	**2 869**	**1 695**
Income tax	-369	368	156	-65	162	545	322
Net profit	**-2,234**	**1,679**	**48**	**-659**	**1 348**	**2 236**	**1 328**
EPS	-5.06	3.80	0.10	-1.24	2.54	4.22	2.51
CEPS	-1.44	7.36	3.48	8.84	9.19	8.14	6.91
BVPS	29.66	34.38	30.48	29.15	30.45	34.84	37.43
DPS	-	-	-	-	-	-	-
Div. yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
P/E	-1.2	2.2	80.0	-5.8	5.5	3.3	5.6
P/CE	-4.3	1.2	2.3	0.8	1.5	1.7	2.0
EV/EBITDA	3.9	3.1	7.5	2.9	2.7	3.8	5.1
EV/EBIT	-7.5	5.4	28.7	18.9	5.6	6.3	11.3

Source: Company data, Santander Brokerage Poland estimates, ratios for years 2020-23 based on historical annual share price averages

Fig. 84. Enea – Balance Sheet Forecasts, 2020-26E

PLNmn	2020	2021	2022	2023	2024E	2025E	2026E
Current assets	**8,122**	**12,290**	**14,273**	**17 474**	**14 218**	**11 504**	**9 067**
Cash and equivalents	1,942	4,154	1,522	2 026	2 804	1 611	411
Other short term investment	67	434	794	1 162	1 162	1 162	1 162
Accounts receivable	2,132	3,313	5,260	6 777	4 638	3 865	3 246
Inventories	3,659	3,976	6,073	5 686	3 891	3 243	2 724
Pre-paid expenses	322	413	624	1 824	1 724	1 624	1 524
Fixed assets	**21,768**	**22,338**	**23,162**	**21 637**	**22 609**	**26 955**	**30 927**
PPE	18,904	19,225	20,154	18 261	19 363	23 689	27 641
Long-term investments	864	912	991	1 056	1 056	1 056	1 056
Intangibles	359	350	352	338	338	338	338
Long-term receivables	345	450	350	279	149	169	189
Long-term deferred charges	1,296	1,401	1,315	1 703	1 703	1 703	1 703
Total assets	**29,890**	**34,628**	**37,435**	**39 111**	**36 827**	**38 459**	**39 994**
Current liabilities	**6,786**	**11,579**	**13,589**	**14 968**	**11 458**	**10 932**	**10 517**
Bank debt	1,224	2,209	782	3 090	1 000	1 000	1 000
Accounts payable	2,038	4,440	5,166	3 271	2 194	1 791	1 475
Other current liabilities	2,325	3,630	6,377	7 522	7 522	7 522	7 522
Short-term provisions	1,199	1,300	1,265	1 086	743	619	520
Long-term liabilities	**10,010**	**7,871**	**7,700**	**8 703**	**9 242**	**9 085**	**9 674**
Bank debt	6,608	5,023	4,712	4 288	5 288	5 288	6 000
Deferred charges	261	377	494	616	631	646	661
Other long-term liabilities	1,193	634	585	1 508	1 032	860	723
Provisions	1,948	1,837	1,909	2 291	2 291	2 291	2 291
Equity	**13,094**	**15,178**	**16,146**	**15 440**	**16 126**	**18 441**	**19 803**
Share capital	588	588	676	676	676	676	676
Capital reserves	13,683	11,744	14,150	13 922	13 263	14 606	16 834
Net income	-2,234	1,679	48	-659	1 343	2 228	1 318
Minority Interest	**1,058**	**1,167**	**1,271**	**1 501**	**844**	**931**	**976**
Total liabilities and equity	**29,890**	**34,628**	**37,435**	**39 111**	**36 827**	**38 459**	**39 994**
Net debt	5,890	3,078	3,972	5 352	3 485	4 678	6 589

Source: Company data, Santander Brokerage Poland estimates

Fig. 85. Enea: Cash Flow Statement Forecasts, 2020-26E

PLNmn	2020	2021	2022	2023	2024E	2025E	2026E
Cash flow from operations	**2,296**	**3,913**	**-2,028**	**416**	**7 494**	**5 315**	**4 487**
Net profit	-2,234	1,679	48	-659	1 343	2 228	1 318
Provisions	398	-111	72	382	0	0	0
Depreciation and amortisation	1,598	1,569	1,642	5 342	3 522	2 076	2 333
Changes in WC, o/w	-2,039	904	-3,319	-3 024	2 856	1 019	820
Inventories	-2,022	-317	-2,097	387	1 795	649	519
Receivables	295	-1,181	-1,947	-1 516	2 139	773	618
Payables	-312	2,402	726	-1 895	-1 077	-402	-317
Other, net	4,574	-128	-471	-1 625	-228	-9	16
Cash flow from investment	**-1,088**	**-1,506**	**214**	**-1 797**	**-4 970**	**-6 595**	**-6 442**
Additions to PPE and intangibles	-2,440	-1,994	-2,591	-3 836	-4 624	-6 403	-6 285
Change in long-term investments	51	-48	-79	-66	0	0	0
Other, net	1,301	536	2,884	2 105	-346	-192	-158
Cash flow from financing	**-2,385**	**-195**	**-818**	**1 885**	**-1 747**	**87**	**756**
Change in long-term borrowing	-1,192	-1,585	-311	-424	1 000	0	712
Change in short-term borrowing	-326	985	-1,427	2 308	-2 090	0	0
Change in equity and profit distribution	-866	405	920	0	-657	87	44
Dividends paid	0	0	0	0	0	0	0
Other, net	0	0	0	0	0	0	0
Net change in cash and equivalents	**-1,177**	**2,212**	**-2,632**	**504**	**778**	**-1 193**	**-1 199**
Beginning cash and equivalents	3,119	1,942	4,154	1 522	2 026	2 804	1 611
Ending cash and equivalents	1,942	4,154	1,522	2 026	2 804	1 611	411

Source: Company data, Santander Brokerage Poland estimates

History of recommendations

Fig. 86. PGE – History of Recommendations

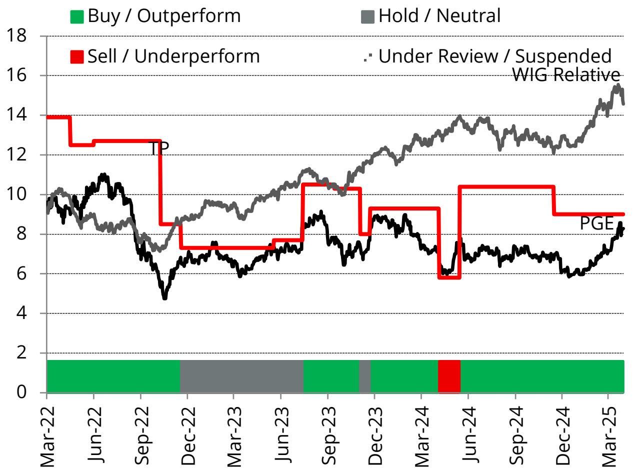


Fig. 87. Tauron – History of Recommendations

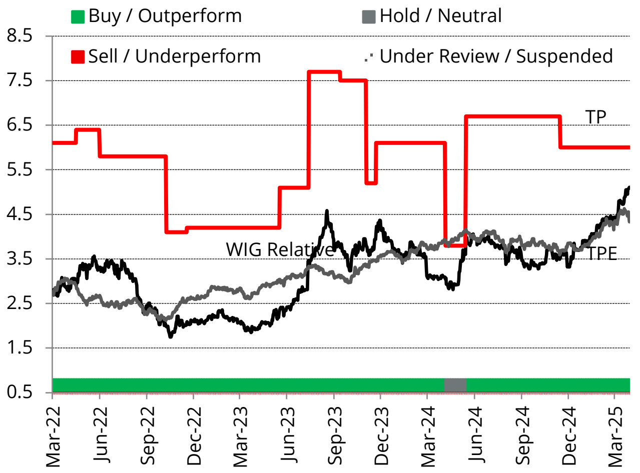
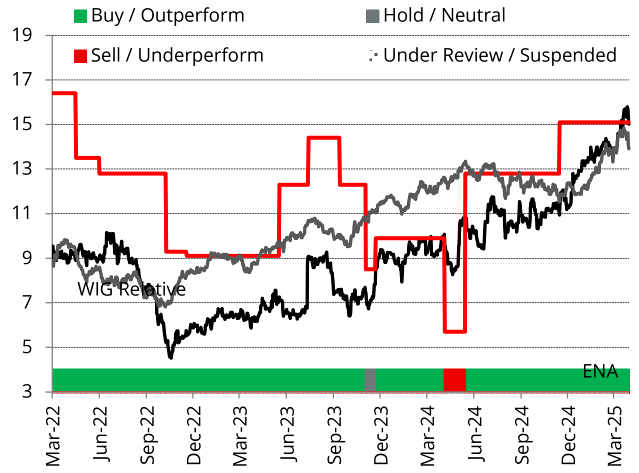


Fig. 88. Enea – History of Recommendations



Source for all graphs: Warsaw Stock Exchange, Santander Brokerage Poland estimates

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The discounted cash flows (DCF) valuation method is based on expected future discounted cash flows. One advantage of the DCF valuation method is that it takes into account all cash streams reaching Issuer and the cost of money over time. Some disadvantages of the DCF valuation method are that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The comparative valuation method is based on the economic rule of "one price". Some advantages of the comparative valuation method are that the analyst need only estimate a small number of parameters; the valuation is based on current market conditions; the relatively large accessibility of indicators for companies being compared; and that there is an extensive knowledge of the comparative method among investors. Some disadvantages of valuation by the comparative method are the considerable sensitivity of the results of the valuation on the choice of companies to the comparative group; the method can lead to a simplification of the picture of the company which in turn can lead to omitting certain important factors (e.g. growth dynamics, extra-operational assets, corporate governance, the repeatability of results, differences in applied accounting standards); and the uncertainty of the effectiveness of a market valuation of companies being compared.
The mid-cycle multiple valuation is based on long-term average valuation multiples of a sector or a peer group. The methodology aims to calculate a fair, through the cycle value of the company. Among its shortfalls is that at peaks and/or troughs of the cycle, the implied fair value may deviate substantially from the market's value of an analysed stock as well as the methods' reliance on the quality of external data (we usually use Bloomberg or Damodaran databases). Simplicity and average through-cycle value allowing to capture over- as well as under-valuation of a given stock are the main advantages of this methodology.
The dividend discount model (DDM) valuation is based on the net present value of the future dividends that are expected to be paid out by the company. Some advantages of the DDM valuation method are that it takes into account real cash flows to equity-owners and that the methodology is used in respect to companies with long dividend payout history. Main disadvantage of the DDM valuation method is that dividend payouts are based on a large number of parameters and assumptions, including dividend payout ratio.
Residual income method is conceptually close to the discounted cash flows method (DCF) for non-financial stocks, the difference being that it is based on expected residual income (returns over COE) rather than expected future cash flows. One advantage of this valuation method is that it captures the excess of profit potentially available to shareholders and the cost of money over time. Main disadvantage of the valuation method is that a large number of parameters and assumptions need to be estimated; and the valuation is sensitive to changes in those parameters.
The warranted equity method (WEV) is based on the formula P/BV = (two year forward ROE less sustainable growth rate)/(Cost of equity less sustainable growth rate) which allows estimating a fair value (FV) of a given stock in two years' time. Subsequently the FV is discounted back to today. The main advantage of the WEV method is that it is a transparent one and based on relatively short term forecasts, hence substantially reducing the margin of forecasting error. The main disadvantage in our view is that the model is based on the principle that stock price should converge towards its fair value implied by company's ROE and COE.
SOTP valuation - different assets of a company are being valued according to different valuation methods, and the sum of these valuations represents the final valuation of the company. SOTP valuation advantages / disadvantages are identical to advantages and disadvantages of the specific valuation methods used.
Liquidation value method – liquidation value is the estimated amount of money that an asset or company could be quickly sold for, such as if it were to go out of business. Then, the estimated assets value is adjusted for liabilities and liquidation expenses. One advantage of this valuation method is its simplicity. This method does not account for intangible assets as goodwill, which is the main disadvantage.

In the opinion of Santander Brokerage Poland, this report has been prepared with all due diligence and excludes any conflict of interests which could influence its content. In Santander Bank Polska there are implemented internal regulations, which are designed to prevent conflicts of interest concerning recommendations. Physical and logic barriers are established, and the principles of documentation adequate to the type of Santander Bank Polska operations are implemented. Additionally, Santander Bank Polska introduced a number of obligations and restrictions relating to the protection of confidential information flow between organizational units.
The date and time on the first page of this report indicates the date of the production of the recommendation, and the dissemination of the recommendation takes place on the same day before the start of the session.

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