

**TAURON Polska Energia S.A. Capital Group**

**Consolidated report on payments to governments  
for the year ended 31 December 2022**

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## INTRODUCTION

### 1. Basis for preparation

This consolidated report on payments to governments (“consolidated report on payments”) has been prepared on the basis of the provisions of Chapter 6a of the Accounting Act of 29 September 1994 (Journal of Laws of 2023, items 120), hereinafter referred to as the “Accounting Act”, and Chapter 10 of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

### 2. General information

The TAURON Polska Energia S.A. Capital Group (the “Group”, the “Capital Group”, the “TAURON Group”) is composed of TAURON Polska Energia S.A. (the “parent entity”, the “Company”, the “Parent Company”) and its subsidiaries. TAURON Polska Energia S.A. with its registered office in Katowice at ul. ks. Piotra Ściegiennego 3, operates as a joint-stock company, incorporated by a notarial deed on 6 December 2006. Until 16 November 2007, the Company operated under the name Energetyka Południe S.A.

The Parent Company has been entered in the register of entrepreneurs of the National Court Register kept by the District Court for Katowice-Wschód, Commercial Department of the National Court Register KRS entry number: 0000271562.

The duration of the Parent Company and entities included in the Capital Group is unlimited. The entities operate based on the appropriate licences granted to individual companies of the Group.

The Group’s consolidated report on payments to governments covers the year ended 31 December 2022 and comprises comparative data for the year ended 31 December 2021.

This consolidated report on payments was approved for publication by the Management Board on 28 March 2023.

## CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS - REPORTING PRINCIPLES

### 3. Personal scope

In accordance with Chapter 6a of the Accounting Act, the report on payments to governments shall be prepared by undertakings active in the extractive industry or undertakings active in the logging of primary forests.

An undertaking active in the extractive industry means an undertaking conducting activities of exploration, prospecting, discovery, exploitation and extraction of mineral, oil, natural gas deposits or other materials, which falls within the scope of the activities listed in Section B.05-08 of the Polish Classification of Activities.

An entity logging primary forests is understood as an entity engaging in the activities referred to in section A.02.2 of the Polish Classification of Activities in an area covered by primary forests.

In compliance with the requirement of Article 63g of the Accounting Act, the Company has prepared the consolidated report on payments to governments for the Group’s subsidiaries active in the extractive industry. The Group’s subsidiaries do not engage in any activity related to the logging of primary forests.

This consolidated report on payments to governments comprises payments arising from the extractive operations of two companies, namely a subsidiary Kopalnia Wapienia Czatkowice Sp. z o.o. and TAURON Wydobycie S.A., which was a subsidiary of TAURON Polska Energia S.A. till 31 December 2022.

On 21 October 2022, a conditional agreement for the sale of shares in the subsidiary TAURON Wydobycie S.A. was concluded between the Company and the State Treasury, On 14 December 2022 the conditions precedent resulting from the above agreement have been met. On December 31, 2022, an entry was made in the register of shareholders of TAURON Wydobycie S.A. indicating the State Treasury as the acquirer of TAURON Wydobycie S.A. shares as a result of which, on December 31, 2022, the ownership title to shares in TAURON Wydobycie S.A. was transferred from the Company to the State Treasury.

Considering that until December 31, 2022, TAURON Wydobycie S.A. was a subsidiary of TAURON Polska Energia S.A., this consolidated report on payments to governments includes payments made by the subsidiary TAURON Wydobycie S.A. made in the period until the loss of control, i.e. until December 31, 2022.

In the year ended 31 December 2022 and in the comparative period, the companies TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. satisfied the criteria laid down in Article 63f of the Accounting Act, which means that at least two of the three thresholds specified therein were exceeded and the payments made in the year ended 31 December 2022 and in the comparative period were at least equivalent to PLN 424 700.

The criteria adopted at the level of individual companies covered by this consolidated report on payments are presented in the table below.

Criterion		As at 31 December 2022 or Year ended 31 December 2022	As at 31 December 2021 or Year ended 31 December 2021
Item	Threshold <sup>1</sup>		
<b>Total balance sheet</b>			
TAURON Wydobycie S.A. <sup>2</sup>	<b>85</b>	1 717	1 011
Kopalnia Wapienia Czatkowice Sp. z o.o.		191	195
<b>Net revenue from sales of products, goods and materials</b>			
TAURON Wydobycie S.A. <sup>2</sup>	<b>170</b>	2 680	1 467
Kopalnia Wapienia Czatkowice Sp. z o.o.		147	120
<b>Average annual headcount in FTEs</b>			
TAURON Wydobycie S.A. <sup>2</sup>	<b>250</b>	6 305.57	6 364.56
Kopalnia Wapienia Czatkowice Sp. z o.o.		292.58	295.39

<sup>1</sup>The threshold has been defined in Article 63f of the Accounting Act. The threshold amounts for the balance sheet total and for sales revenue are expressed in PLN million. The average annual headcount is expressed as the number of full-time employees (FTEs).

<sup>2</sup> On 31 December 2022 the ownership title to shares in TAURON Wydobycie S.A. was transferred to the State Treasury.

#### 4. Material scope

##### 4.1. Governments

This consolidated report on payments presents information concerning payments made in the year ended 31 December 2022 and comparative data for the year ended 31 December 2021 to governments, i.e. central and/or local governments as well as entities overseen or controlled by such governments.

The payments reported in this consolidated report on payments were made to the national governments. In the year ended 31 December 2022 and in the comparative period, no payments were made to governments of other countries.

##### 4.2. Cash basis

This consolidated report on payments to governments comprises payments made in the year ended 31 December 2022 and comparative data for the year ended 31 December 2021.

The payments reported in this consolidated report on payments comprise amounts paid in cash. In the years ended 31 December 2022 and 31 December 2021, respectively, no amounts were paid in kind and settled by delivery of a commodity or services relating to extractive operations.

##### 4.3. Presentation currency and materiality threshold

This consolidated report on payments is presented in the Polish zloty ("PLN") whereas all figures are provided in PLN million ("PLN million"), unless otherwise stated.

Pursuant to Article 63f of the Accounting Act, the obligation to prepare a consolidated report on payments arises where a single payment or an aggregate amount of related payments made by an entity in the financial year is the equivalent of at least PLN 424 700.

This consolidated report on payments does not present single payments or aggregate amounts of related payments which are lower than PLN 424 700\*.

A related payment means a periodic payment or an instalment payment under an agreement.

\* GBP 80 197, according to average exchange rate, published by National Bank of Poland at 30 December 2022- 5.2957

#### **4.4. Project**

The Company prepared its consolidated report on payments presenting the data broken down by two categories, i.e. payments to the appropriate government levels by titles, as referred to in Article 63e(6) of the Accounting Act, and by project and titles of payments.

The Company defines a project as operational activities, in particular extractive operations, carried out by the subsidiaries under an agreement or a decision, in particular lease, rental, licence or concession. An agreement or a decision forms the basis for determination of payments made to governments. Where multiple agreements or decisions are substantially interconnected, the operations carried out thereunder are recognised as a single project. Where a single framework agreement or a decision interconnected with detailed agreements or decisions occurs, the operations carried out thereunder are recognised as a single project.

The Company assigned the payments made to governments in the year ended 31 December 2022 and in the comparative period to two projects:

- Extraction of coal from deposits at TAURON Wydobywanie S.A.; and
- Extraction of carboniferous limestone from the "Czatkowice" deposit.

The above projects are related to the mining activities conducted by two companies belonging to the TAURON Group to 31 December 2022 and covered by the reporting obligation, i.e. by TAURON Wydobywanie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

If a payment may not assigned to the specific project, it is disclosed by the Company at the entity level as opposed to the project level. This is the case when payments are made on account of obligations imposed on the units at the entity level as opposed to the project level. The amount of corporate income tax paid is an example of such a payment at a unit level.

#### **4.5. Payment titles**

Pursuant to Article 63e(6) of the Accounting Act, the reporting obligation applies to the following payment titles:

- Production receivables

Production receivables mean amounts due in relation to production, paid to governments in kind in the form of raw materials extracted, under an agreement or a decision.

In the year ended 31 December 2022 and in the comparative period, no payments were made to governments on account of receivables related to production.

- Taxes levied on the income, production or profits of companies, excluding taxes levied on consumption such as value added taxes, personal income taxes or sales taxes

This consolidated report on payments includes amounts paid as the Tax Capital Group's corporate income tax in the period from 1 January 2021 to 31 December 2021 within the Tax Group, whereas in the period from 1 January 2022 to 31 December 2022 the companies covered by this report on accounted for the tax individually.

In this consolidated report on payments for the year ended 31 December 2022 the Company has included payments relating to corporate income tax payable individually, whereas in the comparative period, the Company included corporate income tax payments within the Tax Capital Group relating to the subsidiary, Kopalnia Wapienia Czatkowice Sp. z o.o., whereas TAURON Wydobywanie S.A. settled tax payable individually. In the year ended 31 December 2022, the payment due to corporate income tax relating to the subsidiary, Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 4 million, while in the comparative period the corporate income tax payment amounted to PLN 2 million. In the year ended 31 December 2022, the payment due to corporate income tax relating to TAURON Wydobywanie S.A. amounted to PLN 18 million, while in the comparative period no payment was made in relation to corporate income tax.

Payments relating to taxes levied on consumption such as value added tax, personal income tax or sales tax (including excise duty and tax on civil law transactions) and payments relating to lump-sum income tax (withholding tax), property tax, agricultural tax and forest tax have not been presented herein.

- Royalties

In the year ended 31 December 2022 and in the comparative period, no payments were made to governments on account of royalties.

- Dividends

In the year ended 31 December 2022 and in the comparative period, no payments were made to governments on account of dividends.

- Concession fees and discovery and production bonuses

In the year ended 31 December 2022 and in the comparative period, no payments were made to governments in relation to concession fees or discovery and production bonuses.

- Licence fees, rental fees, entry fees and other considerations for licences and/or concessions

This consolidated report on payments includes amounts paid as development fees, considerations for forest exclusion from forest production, environmental fees, mining usufruct fees, fees for using paid geological information and fees for perpetual usufruct of land.

- Payments for infrastructure improvements

In the year ended 31 December 2022 and in the comparative period, no payments were made to governments in relation to infrastructure improvements.

This consolidated report on payments presents only those titles under which payments were actually made to governments in the year ended 31 December 2022 and in the comparable period ended 31 December 2021.

## CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

Payments made to governments are presented below by the relevant levels of government, broken down by titles of payments made in the year ended 31 December 2022 and 31 December 2021, respectively.

### Year ended 31 December 2022

Public administration levels	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
<b>Governments</b>			
Central government	-	26	26
Local agencies of central government	22	1	23
<b>Total payments to central government</b>	<b>22</b>	<b>27</b>	<b>49</b>
<b>Local governments</b>			
Local governments – municipalities/communes	-	10	10
Local governments – districts	-	1	1
<b>Total payments to local governments</b>	<b>-</b>	<b>11</b>	<b>11</b>
<b>Total payments to governments</b>	<b>22</b>	<b>38</b>	<b>60</b>

**TAURON Polska Energia S.A. Capital Group**  
*Consolidated report on payments to governments for the year ended 31 December 2022*  
*(in PLN million)*

**Year ended 31 December 2021**

Public administration levels	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
<b>Governments</b>			
Central government	-	24	<b>24</b>
Local agencies of central government	2	2	<b>4</b>
<b>Total payments to central government</b>	<b>2</b>	<b>26</b>	<b>28</b>
<b>Local governments</b>			
Local governments – municipalities/communes	-	9	<b>9</b>
Local governments – districts	-	1	<b>1</b>
<b>Total payments to local governments</b>	<b>-</b>	<b>10</b>	<b>10</b>
<b>Total payments to governments</b>	<b>2</b>	<b>36</b>	<b>38</b>

The payments to governments across projects are shown below by titles of payments made in the year ended 31 December 2022 and 31 December 2021, respectively.

**Year ended 31 December 2022**

Project	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
<b>Payments at project level</b>			
Extraction of coal from deposits by TAURON Wydobycie S.A.	-	34	<b>34</b>
Extraction of carboniferous limestone from the "Czatkow ice" deposit	-	4	<b>4</b>
<b>Total payments at project level</b>	<b>-</b>	<b>38</b>	<b>38</b>
<b>Payments at entity level</b>	<b>22</b>	<b>-</b>	<b>22</b>
<b>Total payments</b>	<b>22</b>	<b>38</b>	<b>60</b>

**Year ended 31 December 2021**

Project	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
<b>Payments at project level</b>			
Extraction of coal from deposits by TAURON Wydobycie S.A.	-	33	<b>33</b>
Extraction of carboniferous limestone from the "Czatkow ice" deposit	-	3	<b>3</b>
<b>Total payments at project level</b>	<b>-</b>	<b>36</b>	<b>36</b>
<b>Payments at entity level</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Total payments</b>	<b>2</b>	<b>36</b>	<b>38</b>

This consolidated report on payments has been prepared for the year ended 31 December 2022 in order to ensure transparency of information concerning payments made to governments, in compliance with the requirements set out in the applicable legal regulations and it contains 8 pages.

**Management Board**

Katowice, 28 March 2023

Paweł Szczeszek – President of the Management Board

Patryk Demski - Vice President of the Management Board

Bogusław Rybacki - Vice-President of the Management Board

Krzysztof Surma - Vice President of the Management Board,

Tomasz Szczegielniak - Vice President of the Management Board

Artur Warzocha - Vice President of the Management Board