

**TAURON Polska Energia S.A.**

**Quarterly financial information**

**for the 9-month period ended 30 September 2023**

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**INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**

	Note	3-month period ended 30 September 2023 <i>(unaudited)</i>	9-month period ended 30 September 2023 <i>(unaudited)</i>	3-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2022 <i>(unaudited restated figures)</i>
Sales revenue	3	6 450	25 811	5 917	20 629
Cost of sales	4	(6 346)	(25 676)	(5 792)	(20 393)
<b>Profit on sale</b>		<b>104</b>	<b>135</b>	<b>125</b>	<b>236</b>
Selling and distribution expenses	4	(7)	(23)	(7)	(24)
Administrative expenses	4	22	(75)	(37)	(91)
Other operating income and expenses		(2)	(9)	(4)	(6)
<b>Operating profit</b>		<b>117</b>	<b>28</b>	<b>77</b>	<b>115</b>
Dividend income	5	–	443	128	1 774
Interest income on loans	5	215	726	168	304
Interest expense on debt	5	(228)	(725)	(177)	(448)
Revaluation of loans	5	(525)	(538)	(417)	(396)
Other finance income and costs	5	(22)	(198)	(38)	(30)
<b>Profit (loss) before tax</b>		<b>(443)</b>	<b>(264)</b>	<b>(259)</b>	<b>1 319</b>
Income tax expense		11	(64)	(33)	42
<b>Net profit (loss)</b>		<b>(432)</b>	<b>(328)</b>	<b>(292)</b>	<b>1 361</b>
Measurement of hedging instruments		(88)	(262)	(26)	306
Income tax		17	50	5	(58)
<b>Other comprehensive income subject to reclassification to profit or loss</b>		<b>(71)</b>	<b>(212)</b>	<b>(21)</b>	<b>248</b>
Actuarial gains		–	–	–	1
<b>Other comprehensive income not subject to reclassification to profit or loss</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>1</b>
<b>Other comprehensive income, net of tax</b>		<b>(71)</b>	<b>(212)</b>	<b>(21)</b>	<b>249</b>
<b>Total comprehensive income</b>		<b>(503)</b>	<b>(540)</b>	<b>(313)</b>	<b>1 610</b>
<b>Profit (loss) per share basic and diluted (in PLN):</b>					
- basic and diluted, for net profit (loss)		(0.25)	(0.19)	(0.16)	0.78

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	As at 30 September 2023 <i>(unaudited)</i>	As at 31 December 2022 <i>(restated figures)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property		15	19
Right-of-use assets		14	13
Shares	6	15 731	15 716
Loans granted	7	10 733	11 172
Derivative instruments		251	390
Other non-financial assets		15	19
		<b>26 759</b>	<b>27 329</b>
<b>Current assets</b>			
Inventories		66	72
Receivables from buyers		1 790	2 240
Income tax receivables		–	79
Loans granted	7	1 566	2 368
Derivative instruments		401	459
Other financial assets		294	35
Other non-financial assets		6	601
Cash and cash equivalents	8	1 495	1 039
		<b>5 618</b>	<b>6 893</b>
<b>TOTAL ASSETS</b>		<b>32 377</b>	<b>34 222</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital		8 763	8 763
Reserve capital		3 076	3 009
Revaluation reserve from valuation of hedging instruments		238	450
Retained earnings/(Accumulated losses)		(297)	98
		<b>11 780</b>	<b>12 320</b>
<b>Non-current liabilities</b>			
Debt	9	13 342	14 754
Derivative instruments		65	10
Other financial liabilities		10	8
Other non-financial liabilities		–	4
Deferred tax liabilities		28	14
Provision for the onerous contract	10	–	28
Other provisions, accruals, deferred income and government grants		5	4
		<b>13 450</b>	<b>14 822</b>
<b>Current liabilities</b>			
Debt	9	5 077	3 316
Liabilities to suppliers		596	1 419
Derivative instruments		519	331
Other financial liabilities		228	146
Income tax liabilities	11	78	–
Other non-financial liabilities	12	626	1 593
Provision for the onerous contract	10	–	253
Other provisions, accruals, deferred income and government grants		23	22
		<b>7 147</b>	<b>7 080</b>
<b>Total liabilities</b>		<b>20 597</b>	<b>21 902</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32 377</b>	<b>34 222</b>

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY**

**9-MONTH PERIOD ENDED 30 SEPTEMBER 2023 (unaudited)**

	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
<b>As at 1 January 2023</b>	<b>8 763</b>	<b>3 009</b>	<b>450</b>	<b>98</b>	<b>12 320</b>
Prior year profits' distribution	-	67	-	(67)	-
<b>Transactions with shareholders</b>	<b>-</b>	<b>67</b>	<b>-</b>	<b>(67)</b>	<b>-</b>
Net loss	-	-	-	(328)	(328)
Other comprehensive income	-	-	(212)	-	(212)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(212)</b>	<b>(328)</b>	<b>(540)</b>
<b>As at 30 September 2023 (unaudited)</b>	<b>8 763</b>	<b>3 076</b>	<b>238</b>	<b>(297)</b>	<b>11 780</b>

**9-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (unaudited)**

	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
<b>As at 1 January 2022</b>	<b>8 763</b>	<b>2 749</b>	<b>299</b>	<b>290</b>	<b>12 101</b>
Prior year profits' distribution	-	260	-	(260)	-
<b>Transactions with shareholders</b>	<b>-</b>	<b>260</b>	<b>-</b>	<b>(260)</b>	<b>-</b>
Net profit	-	-	-	1 361	1 361
Other comprehensive income	-	-	248	1	249
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>248</b>	<b>1 362</b>	<b>1 610</b>
<b>As at 30 September 2022 (unaudited)</b>	<b>8 763</b>	<b>3 009</b>	<b>547</b>	<b>1 392</b>	<b>13 711</b>

**INTERIM CONDENSED STATEMENT OF CASH FLOWS**

	Note	9-month period ended 30 September 2023 <i>(unaudited)</i>	9-month period ended 30 September 2022 <i>(unaudited restated figures)</i>
<b>Cash flows from operating activities</b>			
<b>Profit (loss) before tax</b>		<b>(264)</b>	<b>1 319</b>
Depreciation and amortization		12	11
Interest and dividends		(406)	(1 661)
Impairment losses on loans granted		538	396
Exchange differences		(76)	220
Other adjustments of profit before tax		284	(233)
Change in working capital		(594)	(4)
Income tax paid		50	(44)
<b>Net cash from operating activities</b>		<b>(456)</b>	<b>4</b>
<b>Cash flows from investing activities</b>			
Purchase of shares in the subsidiary		(59)	(1 061)
Loans granted		(898)	(6 131)
Purchase of other shares		(14)	(15)
Other		-	(3)
<b>Total payments</b>		<b>(971)</b>	<b>(7 210)</b>
Sale of shares		-	4 815
Dividends received		424	1 768
Interest received from loans granted		477	199
Repayment of loans granted		30	7
<b>Total proceeds</b>		<b>931</b>	<b>6 789</b>
<b>Net cash used in investing activities</b>		<b>(40)</b>	<b>(421)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans		(5 431)	(3 791)
Interest paid		(475)	(253)
Commission paid		(3)	(16)
Repayment of lease liabilities		(7)	(7)
<b>Total payments</b>		<b>(5 916)</b>	<b>(4 067)</b>
Contracted loans		4 790	5 546
<b>Total proceeds</b>		<b>4 790</b>	<b>5 546</b>
<b>Net cash from financing activities</b>		<b>(1 126)</b>	<b>1 479</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1 622)</b>	<b>1 062</b>
Net foreign exchange difference		29	(2)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>8</b>	<b>(321)</b>	<b>(2 319)</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>8</b>	<b>(1 943)</b>	<b>(1 257)</b>
restricted cash	<b>8</b>	<b>4</b>	<b>-</b>

## SELECTED EXPLANATORY INFORMATION

### 1. Principles adopted in the preparation of quarterly financial information as well as changes in applied accounting policies and changes in presentation

The quarterly financial information was prepared in accordance with the International Financial Reporting Standards approved by the European Union in the scope resulting from the Regulation of the Minister of Finance of 29 March 2018 on the current and periodic information published by issuers of securities and the conditions for considering as equivalent the information required by law of a non-member state (Journal of Laws of 2018 item 757).

#### **Changes in the accounting principles applied**

The quarterly financial information was prepared using the same accounting principles as those applied in the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2022, except for the application of amendments to the standards which came into force on 1 January 2023 (described in Note 8 to the interim condensed consolidated financial statements for the 9-month period ended 30 September 2023), the introduction of which, in the opinion of the Management Board, had no material impact on the accounting principles applied by the Company to date.

#### **Change in the presentation of transferred collaterals on transaction margins and margin deposits as part of settlements with Izba Rozliczeniowa Giełd Towarowych S.A. in the statement of cash flows**

Starting from the financial statements for the year ended 31 December 2022, the Company changed the presentation of transferred collaterals on transaction margins as part of its settlements with Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") of the consolidated statement of cash flows. The above collaterals were presented in the cash item prior to the change in presentation. After the change in presentation, the change in these collaterals was presented in the cash flows from operating activities of the Company. The comparative figures for the 9-month period ended 30 September 2022 have been restated accordingly.

	9-month period ended 30 September 2022 <i>(unaudited approved figures)</i>	Change of the presentation of collateral transferred to IRGiT	9-month period ended 30 September 2022 <i>(unaudited restated figures)</i>
<b>Cash flows from operating activities</b>			
Change in working capital	(13)	9	(4)
<b>Net cash from operating activities</b>	<b>(5)</b>	<b>9</b>	<b>4</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>1 053</b>	<b>9</b>	<b>1 062</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(2 163)</b>	<b>(156)</b>	<b>(2 319)</b>
<b>Cash and cash equivalents at the end of the period, of which:</b>	<b>(1 110)</b>	<b>(147)</b>	<b>(1 257)</b>
restricted cash	147	(147)	-

#### **Change in the presentation of electricity purchase and sale transactions to subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o.**

With effect from the interim condensed financial statements for the 6-month period ended 30 June 2023, within the statement of financial position and statement of comprehensive income the Company has changed the presentation of the effects of the settlement transaction related to sales of electricity from renewable sources and co-generation to subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The change in presentation consists of recognising the effects of transactions in the financial statements on a net basis, instead of the previous presentation in a staggered array, and does not affect the profit and loss of the Company.

During the year, the Company sales and issues invoices to TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. for electricity without source assignment. Under the agreements concluded between the Company and TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE sp. z o.o., at the end of the financial year the companies settle and invoice the electricity sold by the Company during the year from renewable sources and from co-generation with simultaneous repurchase of the same volume of electricity previously sold by the Company from the above companies and invoiced as electricity without assigning the source of origin.

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*(in PLN million)*

As part of the settlement of the transaction in question, as at 31 December 2022, the Company recognised revenue and receivable from the sale of renewable and cogeneration electricity and expenses and liabilities for the repurchase of electricity without an assigned source of its origin.

The Company has changed the presentation of the comparable data:

- in the statement of financial position as at 31 December 2022, due to the legal title held as well as the intention to settle the agreement in question on a net basis, offsetting the above receivable and liability of PLN 1 830 million and recognising them on a net basis,
- in the statement of comprehensive income for the 9-month period ended 30 September 2022, due to the nature of the settlement in question, by offsetting income and expenses, which in the period related only to the adjustment to the final settlement of energy sales volumes for 2021, made after the financial statements for 2021 were approved for publication and recognised on an ongoing basis in the financial statements for 2022, in the amount of PLN 41 million. The above change in presentation has no impact on the statement of comprehensive income for the 3-month period ended 30 September 2022.

The Company estimates that the statement of comprehensive income for the year ended 31 December 2022 will be restated by offsetting revenues and expenses in the amount of PLN 1 789 million relating to the settlement of energy sales volumes for 2022 in the amount of PLN 1 830 million and adjusting the final settlement of the energy sales volume for 2021 in the amount of PLN 41 million.

	9-month period ended 30 September 2022 <i>(unaudited approved figures)</i>	Change of the presentation of settlement of electricity sales	9-month period ended 30 September 2022 <i>(unaudited restated figures)</i>
Sales revenue	20 588	41	20 629
Cost of sales	(20 352)	(41)	(20 393)
<b>Profit on sale</b>	<b>236</b>	-	<b>236</b>
<b>Operating profit</b>	<b>115</b>	-	<b>115</b>
<b>Profit before tax</b>	<b>1 319</b>	-	<b>1 319</b>
<b>Net profit</b>	<b>1 361</b>	-	<b>1 361</b>
	-	-	-
<b>Total comprehensive income</b>	<b>1 610</b>	-	<b>1 610</b>

	As at 31 December 2022 <i>(approved figures)</i>	Change of the presentation of settlement of electricity sales	As at 31 December 2022 <i>(restated figures)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>27 329</b>	-	<b>27 329</b>
Receivables from buyers	4 070	(1 830)	2 240
<b>Current assets</b>	<b>8 723</b>	<b>(1 830)</b>	<b>6 893</b>
<b>TOTAL ASSETS</b>	<b>36 052</b>	<b>(1 830)</b>	<b>34 222</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>12 320</b>	-	<b>12 320</b>
<b>Non-current liabilities</b>	<b>14 822</b>	-	<b>14 822</b>
Liabilities to suppliers	3 249	(1 830)	1 419
<b>Current liabilities</b>	<b>8 910</b>	<b>(1 830)</b>	<b>7 080</b>
<b>Total liabilities</b>	<b>23 732</b>	<b>(1 830)</b>	<b>21 902</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>36 052</b>	<b>(1 830)</b>	<b>34 222</b>

## 2. Material changes in values based on professional judgement and estimates

In the process of applying the accounting policy, professional judgement of the management, along with accounting estimates, were of key importance affecting the figures disclosed in the financial statements. The assumptions underlying these estimates are based on the best knowledge of the Management Board related to the current and future actions and events in individual areas. In the current period, no significant changes occurred in the estimates or estimation methods applied, which could affect the current or future periods, other than those described hereinafter in this quarterly financial information.

## 3. Sales revenue

	9-month period ended 30 September 2023 <i>(unaudited)</i>	9-month period ended 30 September 2022 <i>(unaudited restated figures)</i>
<b>Revenue from sales of goods for resale</b>	<b>25 581</b>	<b>20 337</b>
Electricity	21 641	17 408
CO <sub>2</sub> emission allowances	2 962	2 099
Gas	953	806
Other	25	24
<b>Rendering of services</b>	<b>230</b>	<b>292</b>
Capacity Market	110	152
Trade services	85	118
Other	35	22
<b>Total sales revenue</b>	<b>25 811</b>	<b>20 629</b>

In the 9-month period ended 30 September 2023, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following goods:

- Electricity - an increase in revenue by PLN 4 233 million is mainly associated with electricity sales contracted at a price higher, on average, by 65% with a sales volume simultaneously lower by 24%. The higher sales prices result from market conditions and the visible increase in energy prices in 2022 for contracts concluded for delivery in 2023. The decline in the volume is a consequence of lower electricity sales to the sales companies in the Group due to its lower demand in 2023 and lower volume sales to TAURON Wytwarzanie S.A. in connection with taking over the responsibility for securing the sales position in the third quarter of 2022 by this company;
- CO<sub>2</sub> emission allowances - the increase in revenue is mainly due to the sale of a higher volume of allowances at a higher price in the current period. Revenues in the scope of CO<sub>2</sub> emission allowances in the current and comparable period mainly related to sales to Group generating companies for the purpose of covering redemption needs resulting from the production of electricity. In addition, in the comparable period, due to the occurrence of a non-recurring event in the form of the failure of the 910 MW unit in Jaworzno, the Company, with a view to using the surplus allowances created due to the failure for the redemption of another Group installation and matching the delivery date of the allowances and the cash expenditure, decided and sold in the 2022 year 1 717 000 EUAs with a simultaneous repurchase of this volume in the EJA MAR'23 forward product. Revenues from sale of the aforementioned allowances amounted to PLN 604 million.
- Gas - an increase in revenue by PLN 147 million is mainly associated with a significant increase in prices by an average of 24% and the simultaneous achievement of a lower volume of sales by an average of 5%. The lower sales volume results from a lower gas demand, mainly at TAURON Sprzedaż Sp. z o.o.

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside TAURON Group (in the comparable period, also from the Group, i.e. from TAURON Wydobywanie S.A., which had been sold to the State Treasury and over which the Company lost control on 31 December 2022), whereas sales take place to affiliated companies, except that, as part of the ongoing efforts to spin off coal generation assets from the Group, TAURON Wytwarzanie S.A. took over the function of independent purchase of fuel for its own needs. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the 9-month period ended 30 September 2023, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 766 million. The Company recognised revenue of PLN 16 million on account of the organization of deliveries.

#### 4. Costs by type

	9-month period ended 30 September 2023	9-month period ended 30 September 2022
	<i>(unaudited)</i>	<i>(unaudited restated figures)</i>
Write-down for the Price Difference Payment Fund	(335)	–
Capacity Market	(110)	(151)
Employee benefits expense	(92)	(80)
Other external services	(35)	(36)
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(12)	(11)
Advertising expenses	(18)	(13)
Allowance for expected credit losses on receivables from buyers	26	(7)
Other costs by type	(8)	(8)
<b>Total costs by type</b>	<b>(584)</b>	<b>(306)</b>
Selling and distribution expenses	23	24
Administrative expenses	75	91
Value of energy sold	(21 288)	(17 239)
Value of other goods sold	(3 902)	(2 963)
<b>Cost of sales</b>	<b>(25 676)</b>	<b>(20 393)</b>

The costs of the write-down to the Price Difference Payment Fund in the amount of PLN 335 million result from the *Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023*, which imposed, among others, an obligation on electricity trading companies to transfer write-downs to the Price Difference Payment Fund for the purpose of paying the recompensations established by the aforementioned Act.

The increase in the value of electricity sold results mainly from purchases of electricity at 64% higher average prices than in the comparable period, with the simultaneously 24% lower volume of electricity purchased. Higher purchase prices result from market conditions and price increases in 2022, which translated into prices in concluded contracts with a delivery date of 2023. The decrease in the volume of electricity purchased results from transfer of the competence made by TAURON Polska Energia S.A. to TAURON Wytwarzanie S.A. in the scope of securing the purchasing position in the third quarter of 2022 and lower demand for electricity.

The increase in the value of other goods sold is a result of the recognition of a higher cost of CO<sub>2</sub> emission allowances sold as a consequence of higher revenue from the sale of CO<sub>2</sub> emission allowances and significant increase in gas purchase prices by an average of 23%, while achieving a purchase volume lower by an average of 5%.

#### 5. Financial revenues and costs

	9-month period ended 30 September 2023	9-month period ended 30 September 2022
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividend income	443	1 774
Interest income on loans	726	304
Interest expense	(725)	(448)
Revaluation of loans	(538)	(396)
<b>Other finance income and costs, of which:</b>	<b>(198)</b>	<b>(30)</b>
Gain/(loss) on derivative instruments	(293)	202
Revaluation of shares	(59)	–
Other interest income	45	23
The earnings on the transfer ownership of shares in subsidiaries	–	56
Commissions due to external financing	(13)	(18)
Exchange differences	64	(240)
Other finance income	70	9
Other finance costs	(12)	(62)
<b>Total, of which:</b>	<b>(292)</b>	<b>1 204</b>
Income and costs from financial instruments	(321)	1 206
Other finance income and costs	29	(2)

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The decline in dividend income mainly results from the lack of dividends from the subsidiary, TAURON Dystrybucja S.A. The profit of TAURON Dystrybucja S.A. for 2022 was fully allocated to the company reserve capital, as a purpose of investment plan realization, as a result of which the Company did not receive any dividends from this subsidiary during the 9-month period ended 30 September 2023. In the comparable period, the dividend revenue from the TAURON Dystrybucja S.A. company amounted to PLN 1 495 million.

The increase in the interest revenue on loans in the 9-month period ended 30 September 2023 in relation to the comparable period results mainly from an increase in the amount of loans granted which occurred in the second half of 2022.

The increase in interest expenses results from a higher level of use of external funding and the generally higher level of base rates in the 9-month period ended 30 September 2023 in relation to the comparable period. The level increase of the base rates is partially offset by the concluded IRS hedging instruments. The amount of interest expenses shown in the table takes into account the above hedging effect.

The revaluation of loans is mainly due to a reduction in the carrying amount of loans granted to TAURON Wytwarzanie S.A. at the balance sheet date in the amount of PLN 788 million, as described in more detail in note 6 of this quarterly financial information.

The loss on derivatives in the 9-month period ended 30 September 2023 is mainly associated with the appreciation of the Polish zloty exchange rate, which translated into a decrease in the valuation and current settlement of FX derivatives. In the comparable period, a positive result on derivative instruments occurred due to the depreciation of the Polish zloty exchange rate. The appreciation of the Polish zloty also influenced the occurrence of exchange rate gains in the current period.

## 6. Shares

No.	Company	As at 30 September 2023			As at 31 December 2022		
		Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
<b>Consolidated subsidiaries</b>							
1	TAURON Wytwarzanie S.A.	8 482	(8 482)	–	7 830	(7 830)	–
2	TAURON Ciepło Sp. z o.o.	1 928	(1 224)	<b>704</b>	1 928	(1 224)	<b>704</b>
3	TAURON Ekoenergia Sp. z o.o.	1 940	–	<b>1 940</b>	1 940	–	<b>1 940</b>
4	TAURON Zielona Energia Sp. z o.o.	600	–	<b>600</b>	600	–	<b>600</b>
5	TAURON Dystrybucja S.A.	10 512	–	<b>10 512</b>	10 512	–	<b>10 512</b>
6	TAURON Nowe Technologie S.A.	650	–	<b>650</b>	650	–	<b>650</b>
7	TAURON Sprzedaż Sp. z o.o.	614	–	<b>614</b>	614	–	<b>614</b>
8	TAURON Sprzedaż GZE Sp. z o.o.	130	–	<b>130</b>	130	–	<b>130</b>
9	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	–	<b>41</b>	41	–	<b>41</b>
10	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	(90)	–	90	(90)	–
11	TAURON Obsługa Klienta Sp. z o.o.	40	–	<b>40</b>	40	–	<b>40</b>
12	Finanse Grupa TAURON Sp. z o.o.	28	(24)	<b>4</b>	28	(24)	<b>4</b>
13	TAURON Inwestycje Sp. z o.o.	95	(95)	–	36	(36)	–
14	Other	5	–	<b>5</b>	5	–	<b>5</b>
<b>Joint ventures</b>							
15	TAMEH HOLDING Sp. z o.o.	416	–	<b>416</b>	416	–	<b>416</b>
<b>Entities measured at fair value</b>							
16	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	5	n.a.	<b>5</b>	4	n.a.	<b>4</b>
17	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	52	n.a.	<b>52</b>	46	n.a.	<b>46</b>
18	Other	18	n.a.	<b>18</b>	10	n.a.	<b>10</b>
<b>Total</b>		<b>25 646</b>	<b>(9 915)</b>	<b>15 731</b>	<b>24 920</b>	<b>(9 204)</b>	<b>15 716</b>

The most significant changes in shareholding in the 9-month period ended 30 September 2023 resulted from the following transactions:

- share capital increase in TAURON Wytwarzanie S.A. performed in the framework of the implementation of the NABE Programme assumptions, as described in more detail in Note 13 of this quarterly financial information. As part of the transaction, TAURON Polska Energia S.A. took up a total of 652 000 shares for the total amount of PLN 652 million. Coverage of the increase in TAURON Wytwarzanie S.A. equity was performed by setting off (converting) a part of TAURON Wytwarzanie S.A. existing debt towards the Company. The Company assesses that the total carrying amount of its exposure to TAURON Wytwarzanie S.A. shares has not changed as a result of the transaction;

- an increase in the share capital of TAURON Inwestycje Sp. z o.o., where TAURON Polska Energia S.A. took up a total of 5 900 shares for the total amount of PLN 59 million. Simultaneously, the Company recognized impairment loss in total amount of PLN 59 million.

### **Impairment tests**

As at 30 September 2023, an analysis was carried out of the indications that may confirm the impairment of shares in subsidiaries and joint ventures in the Conventional Energy Generation and Renewable Energy Generation (RES) segments, as well as a scenario analysis for the valuation of intra-group loans. The analysis identified the following market events that may change the assumptions used in the impairment tests compared to the assumptions used in the impairment tests performed as at 30 June 2023, which may therefore affect the impairment assessment:

- no recovery of electricity demand in the third quarter of 2023. After a significant decline in electricity demand (-4.9% in the first half of 2023 compared to the first half of 2022), demand in the third quarter of 2023 was still 4% lower than in the third quarter of 2022;
- continued lower electricity generation from coal-fired sources. In the third quarter of 2023, electricity generation from coal-fired power stations fell by 14.4% compared to the third quarter of 2022;
- a decrease in the average electricity price for the BASE (Y+1) futures contract from PLN 737.99/MWh in the first half of 2023 to the level of PLN 638.76/MWh in the third quarter of 2023 (-13.4%);
- a decrease in the average electricity price on the SPOT market from PLN 570.41/MWh in the first half of 2023 to PLN 503.70/MWh in the third quarter of 2023 (-11.7%);
- a decrease in the average price of coal in ARA ports to an average level of USD 123.03/Mg in the third quarter of 2023, compared to the average of USD 133.73/Mg in first half 2023 (-8%);
- a decrease in the average gas price for the BASE (Y+1) futures contract from PLN 288.50/MWh in the first half of 2023 to the level of PLN 258.78/MWh in the third quarter of 2023 (-10.3%).

As a result of the above changes and the price decline levels, an adjustment in the forecasts occurred in relation to the assumptions made in the impairment tests carried out as at 30 June 2023 in the following scope:

- a decline in forecast average BASE electricity prices in the period 2024-2026 by an average of 6.8% relative to the assumptions adopted in the impairment tests at 30 June 2023;
- a decline in forecast average BASE coal prices for delivery in 2024-2026 by an average of 22% relative to the assumptions adopted in the impairment tests at 30 June 2023;
- a decrease in projected average BASE gas prices in 2024-2026 by an average of 22.6% relative to the assumptions used in the impairment tests at 30 June 2023;
- a slight increase in projected CO<sub>2</sub> prices for 2024-2026 by an average of 2.2% for EU ETS market contracts compared to the assumptions adopted in the impairment tests at 30 June 2023.

Shares and intra-group loans account for about 85% of the balance sheet total as at the balance sheet day.

The recoverable amount of shares in subsidiaries and joint ventures is the value in use. The calculation method has been presented below.

The analysis of the existing premises showed the need to carry out impairment tests on the shares in the generation companies, i.e. TAURON Ciepło Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Zielona Energia Sp. z o.o.

The tests were carried out based on the current value of the estimated cash flows of the companies' operations on the basis of detailed projections covering the entire life of the companies.

The reliance on projections covering a period longer than 5 years results mainly from the long-lasting investment processes in the electricity industry. The macroeconomic and sector-oriented assumptions underlying the projections are updated as frequently as any indications for their modification are observed on the market. The projections also take into account changes in the regulatory environment known as at the date of the test.

**Key assumptions in the scope of tests performed as at 30 September 2023**

Category	Description
<b>Coal</b>	Between 2024 and 2026, the forecast assumes a 43.6% decline in coal prices compared to the average PSCMI1 index price calculated for the three quarters of 2023. For this period, an assumption was made of a stabilising demand-supply situation in global coal markets, particularly at ARA ports supported by falling natural gas and LNG prices. In connection with a falling demand caused by decreasing electricity generation from conventional sources and the need to take into account global trends in domestic coal price paths (coal mine closures are assumed in accordance with the social agreement defining the timing of mine closures), the occurrence of a fixed coal price at a level nearly 10% lower than the projected average price in 2024-2026 was assumed after 2026.
<b>Energy Electricity</b>	The BASE electricity price forecast assumes a decline by 10.8% for 2024 compared to average prices reference BASE contract (Y+1) achieved in the three quarters of 2023 and a further decline by an average of 0.5% in the period 2025-2030 and an average decrease of 1% in the period 2031-2040. The continuing change in the structure of electricity generation and the increase in the share of renewable energy sources is reducing the level of electricity prices on the wholesale market. A difficult balancing situation in Europe is still forecast, due to the progressive, systematic shutdown of conventional sources and the failure to rebuild available controllable capacity.
<b>CO<sub>2</sub></b>	<p>CO<sub>2</sub> emission limits for heat generation have been adopted in line with the regulation of the Council of Ministers and adjusted by the level of free allowances.</p> <p>The growth path of price of CO<sub>2</sub> emission allowances has been adopted throughout the forecasting horizon. For 2024 the forecast assumes a price slightly higher (0.8%) compared to the average price recorded in three quarters of 2023. CO<sub>2</sub> prices increase by an average of 3.1% over the period 2025-2030 due to the implementation of ambitious climate targets and the extended operation of the Market Stability Reserve mechanism by 2030 (fixed prices 2024).</p> <p>In the period 2031-2040, CO<sub>2</sub> prices will fall by an average of 0.4%. Between 30 June 2023 and 30 September 2023, there were no changes of regulatory nature in the EU ETS market and CO<sub>2</sub> allowance prices were in a sideways trend, therefore, analogically to other assumptions for the period after 2026, the prices used for impairment testing were left as at 30 June 2023.</p>
<b>Natural gas</b>	<p>In view of the observed stabilisation of the demand-supply situation on the global gas markets, a decrease of around 15.2% was assumed for the price in 2024 compared to the average price of the reference BASE contract (Y+1) obtained in the three quarters of 2023.</p> <p>A further decline in gas prices by an average of 1% was assumed in the years 2025-2040. For the period concerned, assumptions were made about the long-term filling of the demand gap for the raw material in question in Europe through stable gas flows from the Norwegian Continental Shelf and LNG supplies. Poland will import via Gas through the Baltic Pipe and two LNG terminals (the FSRU terminal in Gdańsk is scheduled for commissioning in the 2027/2028 timeframe), resulting in a high correlation of gas prices in Poland with the European indices. The price drop in the long term will be affected by the projected decline in demand, resulting from the forecast substitution of natural gas by hydrogen and further increases share of RES in the energy mix of Union European countries.</p>
<b>Period of operation of generating units</b>	<ul style="list-style-type: none"> <li>• In TAURON Ciepło Sp. z o.o., it is assumed that the generating units will operate until 2049;</li> <li>• TAURON Ekoenergia Sp. z o.o. assumes the operation of hydroelectric power plants until 2072, wind power plants until 2047, photovoltaic power plants until 2047;</li> <li>• In TAURON Zielona Energia Sp. z o.o., it is assumed that the wind power will operate until 2035.</li> </ul>
<b>Wages</b>	An increase in wages was assumed, based on signed wage and expected agreements with the social party and an increase in the minimum wage with effect for the following years of the financial forecast.
<b>WACC</b>	A weighted average cost of capital (WACC) level of 8%-11.58% in nominal after-tax terms over the projection period for individual generation companies was assumed. The methodology for calculating the discount rate remained unchanged compared to the impairment test carried out at 30 June 2023.

The assumptions concerning energy certificates of origin, the Capacity Market and the RES support schemes have not changed compared to the tests as at 30 June 2023.

The assumptions consistent with the impairment tests of shares were also used in the analyses performed in the scope of measurement of loans granted to Elektrociepłownia Stalowa Wola S.A., the results of which indicated that there was no need to change the carrying value of the loans granted.

The assumptions for the lifetime of the generating units used in the scenario analysis for the valuation of intra-group loans carried out as at 30 September 2023 have changed compared to the assumptions of the scenario analysis for the measurement of intra-group loans carried out as at 30 June 2023 for TAURON Wytwarzanie S.A.:

- the operation of the generating units was assumed to last no longer than until 2035, including: six units in Jaworzno III Branch until 2028, four units in Łaziska Branch until 2028, two units in Jaworzno II Branch until 2026, two units in Siersza Branch until 2025, a unit in Łagisza Branch and in Nowe Jaworzno Branch until 2035, a biomass unit in Jaworzno II Branch until 2026;
- the extension of support from capacity mechanisms for eight units of the 200 MW class located at the Jaworzno and Łaziska Górne Branches and the 460 MW unit at the Łagisza Branch was assumed in conjunction with the agreement reached by the European Council on 17 September 2023 regarding the reform of the energy market model, which resulted in the extension of the operation of the 200 MW class units until 2028. This has the effect of increasing the discounted cash flow by PLN 1 070 million.

**Results of the tests and analyses conducted in the scope of the valuation of loans granted**

The result of the rationale analyses and impairment tests carried out as at 30 September 2023, in accordance with IAS 36 *Impairment of Assets*, did not indicate an impairment of the carrying amount of shares in subsidiaries and joint ventures.

Analyses of the Company's financing provided to TAURON Wytwarzanie S.A., based on the future cash flows of TAURON Wytwarzanie S.A., showed the legitimacy of reducing the carrying amount of the loans granted in the total amount of PLN 788 million.

Company	Recoverable amount of intra-group loans	Amount of recognised impairment on intra-group loans
	As at 30 September 2023 (unaudited)	9-Month period ended 30 September 2023 (unaudited)
TAURON Wytwarzanie S.A.	4 028	(788)
<b>Total</b>		<b>(788)</b>

**Sensitivity analysis**

The tables below present the estimated impact of a change in key factors on the recoverable amount of the tested shares in subsidiaries. For electricity generating assets, the key factor analysed is the Clean Dark Spread ("CDS") due to the fact that a change in electricity prices generally results from the changes in the price of coal and CO<sub>2</sub> emission allowances.

The CDS is the amount of first-step margin achieved by the CHP plants tested, calculated as a difference between the price of electricity and the model variable costs (fuel cost, CO<sub>2</sub> cost) associated with coal-fired electricity generation.

Parameter	Change	Recoverable amount of shares	
		TAURON Ciepło Sp. z o.o.	
Change of CDS in forecast period	+1%		19
	-1%		(19)
Change of WACC (net)	+0,1 p.p.		(45)
	-0,1 p.p.		44

Parameter	Change	Recoverable amount of shares	
		TAURON Ekoenergia Sp. z o.o.	TAURON Zielona Energia Sp. z o.o.
Change in electricity prices over the forecast period	+1%	51	15
	-1%	(51)	(15)
Change of WACC (net)	+0,1 p.p.	(29)	(6)
	-0,1 p.p.	29	5

## 7. Loans granted

	As at 30 September 2023 <i>(unaudited)</i>			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
<b>Loans measured at amortized cost</b>	<b>10 967</b>	<b>(72)</b>	<b>10 895</b>	<b>13 260</b>	<b>(368)</b>	<b>12 892</b>
Loans granted to subsidiaries	10 466	(38)	10 428	11 093	(151)	10 942
Loans granted under cash pool agreement	501	(34)	467	2 167	(217)	1 950
<b>Loans measured at fair value</b>	<b>1 404</b>	<b>n.a.</b>	<b>1 404</b>	<b>648</b>	<b>n.a.</b>	<b>648</b>
Loans granted to subsidiaries	1 182	n.a.	1 182	442	n.a.	442
Loans granted to EC Stalowa Wola S.A.	222	n.a.	222	206	n.a.	206
<b>Total</b>	<b>12 371</b>	<b>(72)</b>	<b>12 299</b>	<b>13 908</b>	<b>(368)</b>	<b>13 540</b>
Non-current	10 770	(37)	10 733	11 321	(149)	11 172
Current	1 601	(35)	1 566	2 587	(219)	2 368

### 7.1. Loans granted to subsidiaries

Company	As at 30 September 2023 <i>(unaudited)</i>				As at 31 December 2022			
	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount
<b>Loans measured at amortized cost</b>	<b>12 007</b>	<b>10 466</b>	<b>(38)</b>	<b>10 428</b>	<b>12 360</b>	<b>11 093</b>	<b>(151)</b>	<b>10 942</b>
TAURON Wytwarzanie S.A.	5 021	3 627	(2)	3 625	5 564	4 317	(96)	4 221
TAURON Dystrybucja S.A.	5 439	5 379	(22)	5 357	5 460	5 444	(27)	5 417
TAURON Ciepło Sp. z o.o.	980	979	(12)	967	981	980	(17)	963
TAURON Ekoenergia Sp. z o.o.	160	158	(1)	157	160	157	(1)	156
TAURON Obsługa Klienta Sp. z o.o.	146	146	(1)	145	96	96	(2)	94
TAURON Inwestycje Sp. z o.o.	84	-	-	-	7	7	(7)	-
TAURON Nowe Technologie S.A.	45	45	-	45	51	51	(1)	50
"MEGAWATT S.C." Sp. z o.o.	36	36	-	36	6	6	-	6
TEC1 Sp. z o.o. EW Śniatowo spółka komandytowa	34	34	-	34	34	34	-	34
WIND T30 MW Sp. z o.o.	28	28	-	28	-	-	-	-
Other	34	34	-	34	1	1	-	1
<b>Loans measured at fair value</b>	<b>1 133</b>	<b>1 182</b>	<b>n.a.</b>	<b>1 182</b>	<b>452</b>	<b>442</b>	<b>n.a.</b>	<b>442</b>
"MEGAWATT S.C." Sp. z o.o.	309	363	n.a.	363	129	139	n.a.	139
WIND T1 Sp. z o.o.	202	199	n.a.	199	197	185	n.a.	185
WIND T30 MW Sp. z o.o.	182	182	n.a.	182	-	-	n.a.	-
Windpower Gamów Sp. z o.o.	142	142	n.a.	142	-	-	n.a.	-
FF Park PV1 Sp. z o.o.	136	137	n.a.	137	12	12	n.a.	12
WIND T4 Sp. z o.o.	76	76	n.a.	76	40	40	n.a.	40
TAURON Ekoenergia Sp. z o.o.*	53	49	n.a.	49	-	-	n.a.	-
Energetyka Cieszyńska Sp. z o.o.	33	34	n.a.	34	22	22	n.a.	22
Polpower Sp. z o.o. *	n.a.	n.a.	n.a.	n.a.	36	30	n.a.	30
Aval-1 Sp. z o.o.*	n.a.	n.a.	n.a.	n.a.	16	14	n.a.	14
<b>Total</b>	<b>13 140</b>	<b>11 648</b>	<b>(38)</b>	<b>11 610</b>	<b>12 812</b>	<b>11 535</b>	<b>(151)</b>	<b>11 384</b>
Non-current		10 548	(37)	10 511		11 115	(149)	10 966
Current		1 100	(1)	1 099		420	(2)	418

\* The incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o.

As a consequence of analyses carried out as at the balance sheet date taking into account the company's future cash flows of TAURON Wytwarzanie S.A., decrease in the carrying amount of loans granted by PLN 788 million, as described in more detail in Note 6 of this quarterly financial information.

The increase in the value of loans measured at a fair value results mainly from the Company granting loans to companies in the *Renewable Energy* segment during the 9-month period ended 30 September 2023, allocated for the implementation of investment projects in the form of construction of wind farms and photovoltaic farms.

## 7.2. Loans granted to joint ventures

	As at 30 September 2023 <i>(unaudited)</i>		As at 31 December 2022		Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Carrying amount	Repayable principal amount and interest contractually accrued	Carrying amount		
Loans granted to EC Stalowa Wola S.A.	716	222	685	206	30/06/2033	fixed
<b>Total, of which:</b>	<b>716</b>	<b>222</b>	<b>685</b>	<b>206</b>		
Non-current		222		206		

## 7.3. Loans granted under the cash pool service

In order to optimise cash and liquidity management, TAURON Group applies the cash pool service mechanism. Cash pooling is implemented under the agreement concluded with the bank for the operation of a cash management system for a group of accounts, with the effective term until 6 December 2024. As a result of the cash pool mechanism, cash is transferred between the accounts of the service participants and the pool leader's account whose function is performed by TAURON Polska Energia S.A.

Status of receivables generated as a result of cash pool transactions as at 30 September 2023 and 31 December 2022 is presented in the table below.

	As at 30 September 2023 <i>(unaudited)</i>			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool transactions	495	(34)	461	2 150	(217)	1 933
Interest receivable from cash pool transactions	6	–	6	17	–	17
<b>Total, of which:</b>	<b>501</b>	<b>(34)</b>	<b>467</b>	<b>2 167</b>	<b>(217)</b>	<b>1 950</b>
Current	501	(34)	467	2 167	(217)	1 950

Information concerning cash pool liabilities is presented in Note 9.5 of this quarterly financial information.

## 8. Cash and cash equivalents

	As at 30 September 2023 <i>(unaudited)</i>	As at 31 December 2022
<b>Cash and cash equivalents presented in the statement of financial position, of which:</b>	<b>1 495</b>	<b>1 039</b>
restricted cash, including:	190	752
collateral of settlements with Izba Rozliczeniowa Gield Towarowych S.A.	186	671
cash on VAT bank accounts (split payment)	4	81
Cash pool	(3 245)	(715)
Collateral of settlements with Izba Rozliczeniowa Gield Towarowych S.A.	(186)	(671)
Overdraft facility	(4)	–
Foreign exchange	(3)	26
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>(1 943)</b>	<b>(321)</b>

The balances of short-term loans granted and borrowings incurred under cash pool transactions do not represent cash flows from investment or financial activities but constitute cash adjustments, since they mainly serve for management of the Group's current liquidity.

The collateral for settlements with Izba Rozliczeniowa Gield Towarowych S.A. consists of funds transferred as part of transaction and collateral margins in connection with transactions concluded by Company on the Polish Power Exchange which do not constitute cash and equivalents in the statement of cash flows.

## 9. Debt liabilities

	As at 30 September 2023 (unaudited)			As at 31 December 2022		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Unsubordinated bonds	4 229	244	<b>4 473</b>	4 253	216	<b>4 469</b>
Subordinated bonds	1 969	88	<b>2 057</b>	1 961	5	<b>1 966</b>
Bank loans	6 364	965	<b>7 329</b>	7 753	201	<b>7 954</b>
Loan from the subsidiary	772	24	<b>796</b>	781	2	<b>783</b>
Cash pool loans received	–	3 746	<b>3 746</b>	–	2 882	<b>2 882</b>
Lease	8	10	<b>18</b>	6	10	<b>16</b>
<b>Total</b>	<b>13 342</b>	<b>5 077</b>	<b>18 419</b>	<b>14 754</b>	<b>3 316</b>	<b>18 070</b>

### 9.1. Bonds issued

Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Maturity date	Carrying amount	
					As at 30 September 2023 (unaudited)	As at 31 December 2022
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	600	2023-2028	614	602
			490	2023-2029	502	491
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 034	1 014
Eurobonds	fixed	EUR	500	2027	2 323	2 362
<b>Unsubordinated bonds</b>					<b>4 473</b>	<b>4 469</b>
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 <sup>2</sup>	412	401
			190	2034 <sup>2</sup>	860	851
European Investment Bank	fixed <sup>1</sup>	EUR	400	2030 <sup>2</sup>	419	381
		PLN	350	2030 <sup>2</sup>	366	333
<b>Subordinated bonds</b>					<b>2 057</b>	<b>1 966</b>
<b>Total bonds</b>					<b>6 530</b>	<b>6 435</b>

<sup>1</sup> In the case of hybrid (subordinated) bonds subscribed for by the European Investment Bank, two financing periods are distinguished. In the first period, the interest rate is fixed, while in the second period the interest rate is variable based on the base rate (EURIBOR/WIBOR) plus a fixed margin.

<sup>2</sup> In the case of subordinated bonds, the maturity date shall take into account two financing periods. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the balance sheet day includes earlier redemption, in connection with the intended redemption of bonds after the termination of first period of financing (in 2024, 2025 and 2026).

The Company additionally holds financing available under the subordinated bond emission scheme, which was concluded in 2021 with Bank Gospodarstwa Krajowego up to the amount of PLN 450 million. On 10 March 2023, the Company concluded an annex to the aforementioned agreement extending the period allowing for the issue of subordinated bonds to 36 months from the date the documentation was signed, i.e. from 11 March 2021.

### 9.2. Bank loans

Borrowing institution	Interest rate	Currency	Maturity date	As at	
				30 September 2023 (unaudited)	31 December 2022
Consortiums of banks	floating	PLN	2023 *	771	3 271
			2023	750	–
Bank Gospodarstwa Krajowego	floating	PLN	2033	1 021	1 001
			2024	82	141
			2027	102	133
			2040	410	405
European Investment Bank	floating	PLN	2040	1 215	1 222
			2041	1 204	–
Intesa Sanpaolo S.p.A.	floating	PLN	2024	757	775
SMBC BANK EU AG	fixed	PLN	2025	500	499
Erste Group Bank AG	floating	PLN	2026	513	507
Bank Gospodarstwa Krajowego - overdraft facility	floating	PLN	2024	4	–
<b>Total</b>				<b>7 329</b>	<b>7 954</b>

\* Tranches classified as non-current liability.

As at the balance sheet day, the Company has loan agreements concluded in 2020 and 2022 with bank consortia, which the drawdown period of the individual loan tranches may be lower than 12 months, however the financing is revolving and the term of availability exceeds 12 months from the balance sheet day. Due to the intention and ability to maintain financing under the aforementioned agreements over a period exceeding 12 months from the balance sheet date, the drawdowns are classified as non-current liabilities.

The Company has an available revolving funding limit under its agreements with the consortia of banks:

- PLN 4 000 million by 2027 - financing used as at the balance sheet date: PLN 750 million;
- PLN 500 million by 2026 - the Company had no drawdowns of financing under the aforementioned agreement as at the balance sheet date.

In the 9-month period ended 30 September 2023, the Company performed the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Description	9-month period ended 30 September 2023 (unaudited)	
		Drawdown	Repayment
Consortiums of banks	Drawdown of new tranches and repayment of tranches according to agreement deadline	4 850	(7 350)
Bank Gospodarstwa Krajowego	Drawdown under the loan agreement	750	-
European Investment Bank	Drawdowns under the loan agreement	1 200	-
	Repayment of capital instalments according to schedule	-	(91)
<b>Total, including:</b>		<b>6 800</b>	<b>(7 441)</b>
Cash flows		4 790	(5 431)
Net settlement (without cash flow)		2 010	(2 010)

### **Signing the working capital loan agreement**

On 16 February 2023, the Company concluded the working capital loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million. On 24 February 2023, the Company drew down all available funding. After the balance sheet date, on 2 October 2023, the Company repaid the total debt and the agreement expired.

After the balance sheet date, on 3 October 2023, a new revolving credit facility agreement was concluded with Bank Gospodarstwa Krajowego for the amount of PLN 750 million with a repayment date of 3 October 2024, as further described in note 14 of this quarterly financial information. On 25 October 2023, the Company drew down all available funding.

### **Overdrafts**

In the 9-month period ended 30 September 2023, under annexes to the overdraft agreement, the amount of the limit was increased from PLN 250 million to PLN 500 million and the repayment term was extended to 2 October 2024. The Company also has available financing limit under the concluded overdraft agreements up to the amount of EUR 4 million, with the maturity date by 31 December 2023. As at the balance sheet date, the Company had debt of PLN 4 million under overdraft agreements.

### **9.3. Debt agreement covenants**

The agreements signed with banks impose the legal and financial covenants on the Company, standard for this type of transactions. The key covenant is the net debt/EBITDA ratio (for domestic long-term loans agreements and domestic bond issue schemes) which determines the debt less cash in relation to generated EBITDA. The net debt/EBITDA covenant for banks is examined on the basis of consolidated data as at 30 June and 31 December while its permissible limit value, depending on the provisions of financing agreements, is 3.5 or 4.0.

As at 30 June 2023 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.04, accordingly, the covenant was not fulfilled.

### **9.4. Loan from subsidiary**

The liability of the Company amounting to PLN 796 million (EUR 172 million) as at 30 September 2023 relates to the long-term loan received from the subsidiary, Finanse Grupa TAURON Sp. z o.o. under the agreement concluded between TAURON Polska Energia S.A. and the subsidiary, Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ)). The loan agreement in the amount of EUR 167 million was concluded in 2014 and bears interest at a fixed rate while the interest is paid annually until the full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

### 9.5. Loans received under the cash pool service

As at 30 September 2023 and as at 31 December 2022, the Company had current liabilities on account of cash pool transactions amounting to PLN 3 746 million and PLN 2 882 million, respectively. The liability arises from the Group's cash pool service mechanism, which is described in more detail, including the presentation of receivables arising from cash pool transactions, in note 7.3 of this quarterly financial information.

### 10. Provision for onerous contract

	9-month period ended 30 September 2023 <i>(unaudited)</i>	9-month period ended 30 September 2022 <i>(unaudited)</i>
<b>Opening balance</b>	<b>281</b>	<b>222</b>
Unwinding of discount	5	8
Recognition/(Reversal) net	23	198
Utilisation	(309)	(74)
<b>Closing balance</b>	<b>-</b>	<b>354</b>
Non-current	-	39
Current	-	315

#### ***Provision for agreements for the sale of CO<sub>2</sub> emission allowances***

In the 9-month period ended 30 September 2023, in connection with the settlement of contracts with delivery dates in the first half of 2023 and the materialisation of the loss generated on the resale of allowances, the Company used the provision recognised as at 31 December 2022 for onerous contracts in the amount of PLN 281 million. The provision was recognised for onerous contracts related to CO<sub>2</sub> emission allowances under which, on the basis of transaction agreements concluded with subsidiaries, the unavoidable costs of fulfilling the obligation to supply CO<sub>2</sub> emission allowances to subsidiaries exceed the benefits to be received under these agreements. The provision was calculated as a difference between concluded transaction agreements for sales to subsidiaries and concluded contracts for the purchase of CO<sub>2</sub> emission allowances from the market measured at the current exchange rate.

The provision was mainly a consequence of transactions carried out in 2021 and 2022 in connection with the failure and shutdown of the 910 MW unit in Jaworzno related to the surplus of CO<sub>2</sub> emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. (currently TAURON Wytwarzanie S.A.), as a result of which the Company generated a profit upon concluding the transaction, i.e. in 2021 and 2022.

### 11. Liabilities due to income tax

Income tax liabilities of PLN 78 million represent the excess of the tax burden of the Tax Capital Group for 9-month period ended 30 September 2023 in amount of PLN 414 million, over the advance payments paid by the Tax Capital Group in the amount of PLN 336 million.

The Company and selected subsidiaries, settle income tax as Tax Capital Group, registered on 28 December 2022 for 2023-2025 by the Head of the First Mazovian Tax Office in Warsaw.

### 12. Other current non-financial liabilities

	As at 30 September 2023 <i>(unaudited)</i>	As at 31 December 2022
VAT	473	51
Advances received for deliveries	86	1 532
Liabilities due to write-down for the Price Difference Payment Fund	56	-
Social security	6	6
Other	5	4
<b>Total</b>	<b>626</b>	<b>1 593</b>

The increase in VAT liabilities is related to:

- the reinstatement as of 1 January 2023 of the 23% VAT rate on electricity, heat and gas (until 31 December 2022 the reduced rate was 5%),

- the entry into force on 1 April 2023 of legislation introducing the reverse charge of VAT on transactions in the scope of, among others, trading in electricity and greenhouse gas emission allowances, covering, in particular, transactions where the Company purchases electricity on the exchange, with the simultaneous obligation to charge a 23% VAT rate on intra-group transactions.

The decline in the balance of advances received for deliveries is related to the delivery of CO<sub>2</sub> emission allowances to TAURON Wytwarzanie S.A. and lack of transactions resulting in the obligation to receive advance payments for subsequent supplies in the 9-month period ended 30 September 2023.

### **13. Other material information**

#### ***Implementation of the Government programme of the transformation of the Polish electricity sector***

In the 9-month period ended 30 September 2023, works continued in the Group with the aim to implement the government programme for the transformation of the Polish electricity sector (the "NABE Programme") launched in April 2021 by the Ministry of State Assets. The programme aims to separate coal assets from state-owned energy companies under the terms and conditions set out by the MAP in the document entitled "*The transformation of the electricity sector in Poland. Separation of coal generation assets from the companies with the State Treasury shareholding*".

The NABE programme stipulates the acquisition of all assets related to the generation of energy in coal and lignite-fired power plants, including service companies providing services to them by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. The acquisition is preceded by an internal reorganisation of the energy groups, aimed at integrating the assets to be separated within a single entity, which in TAURON Group has been carried out within TAURON Wytwarzanie S.A.

On 14 July 2023, as part of the implementation of the NABE Programme the Company received from the State Treasury, represented by the Minister of State Assets, a proposal for a non-binding document (the Document) summarising the terms of the transaction for the acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A.

In particular, the Document includes a proposal for the purchase price of TAURON Wytwarzanie S.A. shares, the key economic and legal terms and conditions of conducting the transaction, including the key provisions of the preliminary sale agreement and the promised sale agreement, as well as the proposed mechanism for the settlement of TAURON Wytwarzanie S.A. debt to the Company. The value of the enterprise of TAURON Wytwarzanie S.A. (Enterprise Value) was determined according to a locked-box mechanism as at 30 September 2022. The value of the transaction consists of two elements: the price for TAURON Wytwarzanie S.A. shares ("Sale Price") and the value of TAURON Wytwarzanie S.A. debt to the Company that will be subject to repayment.

The Document received does not constitute an offer or commitment to enter into any contract. The Document implies that the transaction will only be conducted if the negotiations of the State Treasury with all of the following companies are successfully concluded: TAURON Polska Energia S.A., PGE Polska Grupa Energetyczna S.A., ENEA S.A., Energa S.A.

The State Treasury proposed the acquisition of shares of TAURON Wytwarzanie S.A. for the Selling Price of PLN 1 together with the repayment to the Company of debts of TAURON Wytwarzanie S.A. existing as at the date of acquisition of the shares by the State Treasury ("Closing Date"). As at 30 September 2022, the debt represented an amount of PLN 6 326 million. In accordance with the Document, the debt by the Closing Date should be reduced by the amount of PLN 652 million as a result of the conversion of a part of the existing debt of TAURON Wytwarzanie S.A. to the equity of TAURON Wytwarzanie S.A. A portion of TAURON Wytwarzanie S.A. debt to the Company in the amount of PLN 2 120 million will be repayable over a period of 8 years from the Closing Date, while the repayment will be covered by a guarantee from the State Treasury equivalent to 70% of the debt. The remainder of TAURON Wytwarzanie S.A. indebtedness to the Company existing as at the Closing Date is to be repaid by the NABE, which is to be disbursed no later than 90 days after the Closing Date. Other intra-group settlements, with particular reference to the settlements concerning CO<sub>2</sub> emission allowances, are carried out on an ongoing basis and will not affect the Selling Price.

On 10 August 2023, the required corporate approvals were obtained for the boundary conditions set out in the Document and for the increase in the equity of TAURON Wytwarzanie S.A. by PLN 652 million and for the subscription of the newly issued shares of TAURON Wytwarzanie S.A. by the Company. On 18 August 2023 the increase in the share capital of TAURON Wytwarzanie S.A. was registered by PLN 7 million through the issue of 652 000 shares with the value of PLN 10 and the issue price of PLN 1 000 per share. Coverage of the increase in TAURON Wytwarzanie S.A. equity was performed by setting off (converting) a part of TAURON Wytwarzanie S.A. existing debt towards the Company.

On 10 August 2023, the Company and the State Treasury signed a document (the “Term Sheet”) summarising the key terms and conditions of the transaction of acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A. in order to establish the NABE.

The key boundary conditions contained in the signed Term Sheet coincide with the terms of the Document, as described above. The Term Sheet also sets out the conditions determining the conclusion of the preliminary agreement for the sale of TAURON Wytwarzanie S.A. shares to the State Treasury, including in particular:

- reaching an agreement on the content of the documentation related to the transaction, including covering the future financing of the NABE and obtaining preliminary bank lending decisions for the financing of the NABE,
- positive consideration of the application for the acquisition of shares by the State Treasury from the Reprivatisation Fund by the Prime Minister,
- obtaining all internal approvals and permits required to conclude or execute the transaction,
- conclusion of agreements (or relevant annexes) to ensure the operation of the companies forming the NABE after closing of the transaction,
- performing changes in the share capital or shareholding structure of the companies forming the NABE in order to prepare them for transactions, including performing of the conversion of part of the existing indebtedness of TAURON Wytwarzanie S.A. towards the Company into TAURON Wytwarzanie S.A. equity.

As part of the next stage of the Transaction, it is envisaged that a preliminary agreement and then a final agreement for the sale of TAURON Wytwarzanie S.A. shares will be concluded.

As at 30 September 2023 and as at the date of approval of this quarterly financial information for publication, the Company believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the shares of TAURON Wytwarzanie S.A. held by the Company as disposable assets classified as held for sale.

In particular, as at 30 September 2023 and as at the date of approval of this quarterly financial information for publication, *the Act on the Principles of Granting Guarantees for NABE Liabilities by the State Treasury*, which is of key importance in terms of ensuring the future financing of NABE and which is one of the conditions precedent for signing the promised agreement for the sale of TAURON Wytwarzanie S.A. shares, has not entered into force. The aforementioned law, passed by the Sejm on 17 August 2023, was rejected by the resolution of the Senate on 7 September 2023. The resolution of the Senate rejecting the Act was not considered by the Sejm before the end of the term of office of the Parliament.

As at the balance sheet date, the Company shares in TAURON Wytwarzanie S.A. are fully written down and their carrying amount is PLN 0. The carrying amount of loans granted to TAURON Wytwarzanie S.A. and cash pool receivables as at 30 September 2023 amounts to the total of PLN 4 028 million.

#### ***Signing the agreement to the Letter of Intent concerning Elektrociepłownia Stalowa Wola S.A.***

On 25 July 2023, an agreement (the “Memorandum of Understanding”) was signed to the Letter of Intent concluded in August 2021 regarding Elektrociepłownia Stalowa Wola S.A. The Memorandum of Understanding was concluded between the Company, the subsidiaries, TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o.o. (current owner of 50% of shares in Elektrociepłownia Stalowa Wola S.A.), Orlen S.A. (legal successor of the previous party to the Letter of Intent, i.e. Polskie Górnictwo Naftowe i Gazownictwo S.A.) and PGNiG TERMIKA S.A. (an entity now part of Orlen Group).

The intention of the parties to the Memorandum of Understanding is to confirm the intention to continue (after the recent ownership changes) the talks planned in the Letter of Intent concerning a potential transaction of the sale by TAURON Group to Orlen Group of its equity involvement in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. by the Company, including a potential development of a method of carrying out the potential transaction and its settlement acceptable to the parties. The Memorandum of Understanding excludes TAURON Wytwarzanie S.A. from the talks, includes TAURON Inwestycje Sp. z o.o. and adjusts the principles of cooperation to the new legal and actual situation. The Memorandum of Understanding further indicates that the method of settlement of the potential transaction to be worked out by the parties may take into account, for example, the potential sale of 100% of the shares in PGNiG TERMIKA Energetyka Przemysłowa S.A. with its registered office in Jastrzębie Zdrój belonging to PGNiG TERMIKA S.A. to the company or companies in the TAURON Group.

#### ***Impact of the COVID-19 pandemic on the operations of the Group***

In the 9-month period ended 30 September 2023, no significant impact of the COVID-19 pandemic on TAURON Group was observed, including on the level of demand for electricity, the developments in prices on the markets of electricity and related products and trends in the level of overdue receivables of the Group’s customers.

The situation related to the COVID-19 pandemic in the 9-month period ended 30 September 2023 did not affect the operations of individual Business Areas of TAURON Group.

The epidemiological emergency state caused by SARS-CoV-2 virus infections was lifted in Poland on 1 July 2023.

***Impact of the military aggression of the Russian Federation against Ukraine on the current and future activities of TAURON Group***

Recognising the scale of the risks associated with the current situation, TAURON Group continuously monitored the impact of the war in Ukraine and undertook measures to mitigate the potential effects of risk materialisation as well as to maintain the continuity of critical infrastructure operations.

TAURON Group did not have assets located in Ukraine, Russia and Belarus, therefore, TAURON Group did not identify any direct effects of the war on its own business operations.

In the TAURON Group's assessment, the indirect consequences of the war that affected or could have affected TAURON Group in the 9-month period ended 30 September 2023 are as follows:

- implementation of national regulations in 2022 for 2023, with the aim of limiting electricity demand, introducing mechanisms to limit increases in electricity prices for end users, introducing margin restrictions for electricity generators and trading companies, including further regulatory interventions in the scope of support for electricity consumers proceeded in 2023,
- a decrease in the volume of energy sales and distribution as a result of reduced economic activity of Polish entrepreneurs in its part resulting from the occurrence of the war on the Ukrainian territory,
- an increase in trade receivables resulting mainly from a nominal rise in electricity selling prices relative to the situation observed in 2022,
- a change in the costs incurred and revenues generated from the production and sale of electricity in TAURON Group, among others, as a result of the crisis observed in the energy fuel market in 2022 partly due to the occurrence of the war in the Ukrainian territory.

The above consequences and the follow-up market changes have been translated and included in the assumptions as part of the Company's most recent impairment tests as at 30 September 2023.

The situation associated with the war on the territory of Ukraine and its impact on the market and regulatory environment is highly volatile and its future consequences are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the aggression, further developments including the potential escalation of hostilities as well as their impact on the condition of the economy in Poland and worldwide. Regarding to war in Ukraine impact of the risks identified may also depend on further regulatory actions at the European Union level and at the national level in terms of implementing intervention measures as well as shaping the future energy market.

#### **14. Events after the balance sheet date**

***Signing of the facility agreement with Bank Gospodarstwa Krajowego***

On 3 October 2023, a revolving loan agreement for the amount of PLN 750 million was signed between the Company and Bank Gospodarstwa Krajowego, the funds from which will be used to finance the current operations of TAURON Group companies. In accordance with the agreement, each repayment of all loan drawn or a part thereof shall result in its renewal by the amount of the repayment and gives a possibility of multiple use during the crediting period up to the credit limit. The loan will be repaid in full by 3 October 2024. The interest rate will be determined on the basis of a floating interest rate increased by a margin. On 25 October 2023, the Company drew down the loan in full amount.

Katowice, 21 November 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.

Oliwia Tokarczyk - Executive Director for Accounting and Taxes