EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A. Capital Group for Q3 2020

November 2020

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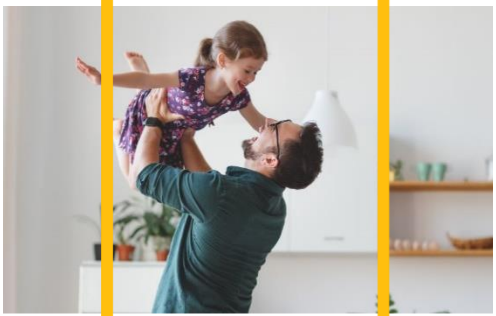
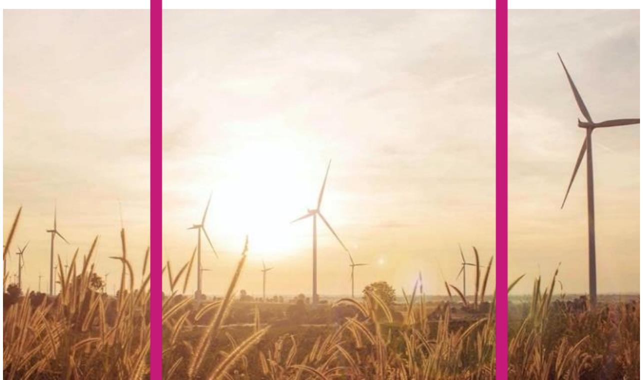




CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2020

TAURON Polska Energia S.A. Capital Group

Interim condensed consolidated financial statements
in accordance with the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2020

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2020 (unaudited)	9-month period ended 30 September 2020 (unaudited)	3-month period ended 30 September 2019 (unaudited restated figures)	9-month period ended 30 September 2019 (unaudited restated figures)
Sales revenue	11	4 988 811	14 876 828	4 696 067	14 021 911
Recompensation revenue	12	66 448	66 448	99 954	821 456
Cost of sales	13	(4 239 562)	(12 821 408)	(4 177 398)	(12 845 372)
Profit on sale		**815 697**	**2 121 868**	**618 623**	**1 997 995**
Selling and distribution expenses	13	(129 491)	(338 068)	(133 573)	(362 822)
Administrative expenses	13	(141 355)	(422 261)	(160 236)	(447 204)
Other operating income and expenses	14	29 679	311 579	151 089	162 567
Share in profit/(loss) of joint ventures	23	(35 157)	5 757	5 492	55 517
Operating profit		**539 373**	**1 678 875**	**481 395**	**1 406 053**
Interest expense on debt	15	(62 462)	(206 834)	(58 771)	(178 080)
Finance income and other finance costs	15	23 462	(76 178)	(44 516)	(48 133)
Profit before tax		**500 373**	**1 395 863**	**378 108**	**1 179 840**
Income tax expense	16	(108 380)	(539 497)	(50 759)	(255 254)
Net profit on continuing operations		**391 993**	**856 366**	**327 349**	**924 586**
Profit/loss on discontinued operations	16	**(15 111)**	**(796 566)**	**(25 320)**	**49 829**
Net profit (loss)		**376 882**	**59 800**	**302 029**	**974 415**
Measurement of hedging instruments	33.4	10 035	(121 710)	1 771	(1 592)
Foreign exchange differences from translation of foreign entity		286	(1 528)	3 448	3 233
Income tax	16	(1 907)	23 125	(337)	302
Other comprehensive income on continuing operations to be reclassified in the financial result		**8 414**	**(100 113)**	**4 882**	**1 943**
Actuarial gains (losses)	35.1	(501)	(100 148)	204	7 925
Income tax	16	96	19 028	(41)	(1 506)
Share in other comprehensive income of joint ventures	23	(5)	355	(50)	228
Other comprehensive income on continuing operations not to be reclassified in the financial result		**(410)**	**(80 765)**	**113**	**6 647**
Other comprehensive income on discontinued operations	17	**609**	**(1 264)**	**155**	**625**
Other comprehensive income, net of tax		**8 613**	**(182 142)**	**5 150**	**9 215**
Total comprehensive income		**385 495**	**(122 342)**	**307 179**	**983 630**
Net profit:					
Attributable to equity holders of the Parent		376 643	60 597	302 731	974 274
Attributable to non-controlling interests		239	(797)	(702)	141
Total comprehensive income:					
Attributable to equity holders of the Parent		385 256	(121 400)	307 869	983 458
Attributable to non-controlling interests		239	(942)	(690)	172
Profit (loss) per share (in PLN):					
basic and diluted from profit for the period attributable to equity holders of the Parent		0.21	0.03	0.17	0.56
basic and diluted from profit on continuing operations for the period attributable to equity holders of the Parent		0.22	0.49	0.19	0.53

The notes to the interim condensed consolidated financial statements form an integral part thereof

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	**18**	30 121 906	31 099 071
Right-of-use assets	**19**	1 631 426	1 773 498
Goodwill	**20**	26 183	26 183
Energy certificates and CO_2 emission allowances for surrender	**21.1**	193 114	468 197
Other intangible assets	**22**	475 510	478 261
Investments in joint ventures	**23**	563 779	559 144
Loans granted to joint ventures	**24**	309 051	238 035
Other financial assets	**25**	220 294	235 522
Other non-financial assets	**26.1**	129 926	152 288
Deferred tax assets	**27**	30 240	22 088
		33 701 429	**35 052 287**
Current assets			
Energy certificates and CO_2 emission allowances for surrender	**21.2**	787 484	1 285 193
Inventories	**28**	656 628	684 152
Receivables from buyers	**29**	2 272 220	2 290 746
Income tax receivables		878	255 702
Receivables arising from other taxes and charges	**30**	124 114	384 714
Loans granted to joint ventures	**24**	9 421	4 999
Other financial assets	**25**	701 143	599 035
Other non-financial assets	**26.2**	107 548	100 275
Cash and cash equivalents	**31**	419 405	1 237 952
Assets classified as held for sale	**32**	1 738 489	22 710
		6 817 330	**6 865 478**
TOTAL ASSETS		**40 518 759**	**41 917 765**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Note	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	**33.1**	8 762 747	8 762 747
Reserve capital	**33.3**	6 338 754	6 801 584
Revaluation reserve from valuation of hedging instruments	**33.4**	(82 919)	15 666
Foreign exchange differences from translation of foreign entities		12 997	14 521
Retained earnings/(Accumulated losses)	**33.5**	3 039 266	2 597 708
		18 070 845	**18 192 226**
Non-controlling interests	**33.6**	**897 087**	**900 434**
Total equity		**18 967 932**	**19 092 660**
Non-current liabilities			
Debt	**34**	12 158 038	11 830 183
Provisions for employee benefits	**35**	917 882	1 313 480
Provisions for disassembly of fixed assets, land restoration and other provisions	**36**	676 050	663 130
Accruals, deferred income and government grants	**39**	384 249	460 003
Deferred tax liabilities	**27**	792 889	605 285
Other financial liabilities	**44**	141 114	79 417
Other non-financial liabilities		7 546	11 776
		15 077 768	**14 963 274**
Current liabilities			
Debt	**34**	1 369 062	2 484 093
Liabilities to suppliers	**40**	733 440	847 226
Capital commitments	**41**	365 663	757 943
Provisions for employee benefits	**35**	100 741	118 418
Provisions for liabilities due to energy certificates and CO_2 emission allowances	**37**	1 110 847	1 378 233
Other provisions	**38**	333 229	563 753
Accruals, deferred income and government grants	**39**	330 645	185 544
Income tax liabilities	**42**	109 788	3 853
Liabilities arising from other taxes and charges	**43**	400 036	589 001
Other financial liabilities	**44**	815 197	560 455
Other non-financial liabilities	**45**	422 359	364 376
Liabilities directly related to assets classified as held for sale	**32**	382 052	8 936
		6 473 059	**7 861 831**
Total liabilities		**21 550 827**	**22 825 105**
TOTAL EQUITY AND LIABILITIES		**40 518 759**	**41 917 765**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9-MONTH PERIOD ENDED 30 SEPTEMBER 2020 *(not audited)*

	Equity attributable to the equity holders of the Parent							
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
As at 1 January 2020	**8 762 747**	**6 801 584**	**15 666**	**14 521**	**2 597 708**	**18 192 226**	**900 434**	**19 092 660**
Coverage of prior years loss	-	**(462 830)**	-	-	**462 830**	-	-	-
Dividends	-	-	-	-	-	-	(2 075)	**(2 075)**
Transactions with non-controlling shareholders	-	-	-	-	19	**19**	(330)	**(311)**
Transactions with shareholders	**-**	**(462 830)**	**-**	**-**	**462 849**	**19**	**(2 405)**	**(2 386)**
Net loss	-	-	-	-	60 597	**60 597**	(797)	**59 800**
Other comprehensive income	-	-	(98 585)	(1 524)	(81 888)	**(181 997)**	(145)	**(182 142)**
Total comprehensive income	**-**	**-**	**(98 585)**	**(1 524)**	**(21 291)**	**(121 400)**	**(942)**	**(122 342)**
As at 30 September 2020 *(unaudited)*	**8 762 747**	**6 338 754**	**(82 919)**	**12 997**	**3 039 266**	**18 070 845**	**897 087**	**18 967 932**

9-MONTH PERIOD ENDED 30 SEPTEMBER 2019 *(not audited restated data)*

	Equity attributable to the equity holders of the Parent							
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
As at 1 January 2019	**8 762 747**	**8 511 437**	**3 371**	**14 016**	**1 004 253**	**18 295 824**	**132 657**	**18 428 481**
Coverage of prior years loss	-	(1 709 853)	-	-	1 709 853	**-**	-	**-**
Dividends	-	-	-	-	-	**-**	(1 932)	**(1 932)**
Shares subscribed for by non-controling shareholders	-	-	-	-	8 843	**8 843**	771 157	**780 000**
Other transactions with non-controling shareholders	-	-	-	-	80	**80**	(441)	**(361)**
Transactions with shareholders	**-**	**(1 709 853)**	**-**	**-**	**1 718 776**	**8 923**	**768 784**	**777 707**
Net profit	-	-	-	-	974 274	**974 274**	141	**974 415**
Other comprehensive income	-	-	(1 290)	3 233	7 241	**9 184**	31	**9 215**
Total comprehensive income	**-**	**-**	**(1 290)**	**3 233**	**981 515**	**983 458**	**172**	**983 630**
As at 30 September 2019 *(unaudited restated figures)*	**8 762 747**	**6 801 584**	**2 081**	**17 249**	**3 704 544**	**19 288 205**	**901 613**	**20 189 818**

The notes to the interim condensed consolidated financial statements form an integral part thereof

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Cash flows from operating activities			
Profit before taxation	**45.1**	**600 914**	**1 225 271**
Share in (profit)/loss of joint ventures		(5 757)	(55 517)
Depreciation and amortization	**46.1**	1 462 692	1 437 697
Impairment losses on non-financial non-current assets		243 749	268 635
Impairment on disposal group due to revaluation to fair value		822 009	-
Exchange differences		187 492	39 961
Interest and commissions		190 846	181 607
Profit on bargain purchase		-	(119 515)
Other adjustments of profit before tax		84 858	(48 124)
Change in working capital	**46.1**	(145 711)	(1 169 655)
Income tax paid	**46.1**	27 336	(308 078)
Net cash from operating activities		**3 468 428**	**1 452 282**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**46.2**	(3 034 183)	(3 058 254)
Cash transfer related to the acquisition of wind farms (after deduction of the acquired cash balance)		-	(542 364)
Loans granted	**46.2**	(85 575)	(16 025)
Purchase of financial assets		(28 751)	(10 597)
Total payments		**(3 148 509)**	**(3 627 240)**
Proceeds from sale of property, plant and equipment and intangible assets		14 317	15 755
Dividends received		5 626	36 002
Repayment of loans granted		10 803	7 000
Redemption of share units		26 747	-
Other proceeds		2 291	2 057
Total proceeds		**59 784**	**60 814**
Net cash used in investing activities		**(3 088 725)**	**(3 566 426)**
Cash flows from financing activities			
Redemption of debt securities		(3 100)	(670 000)
Repayment of loans and borrowings	**46.3**	(3 433 646)	(94 845)
Interest paid	**46.3**	(38 926)	(36 020)
Repayment of lease liabilities		(85 629)	(58 995)
Other payments		(22 041)	(20 932)
Total payments		**(3 583 342)**	**(880 792)**
Issue of debt securities		-	500 000
Proceeds from non-controlling interests		-	780 000
Proceeds from contracted loans	**46.3**	2 360 346	1 450 000
Subsidies and recompensations received		39 269	48 499
Total proceeds		**2 399 615**	**2 778 499**
Net cash from financing activities		**(1 183 727)**	**1 897 707**
Net increase/(decrease) in cash and cash equivalents		**(804 024)**	**(216 437)**
Net foreign exchange difference		(62)	(143)
Cash and cash equivalents at the beginning of the period	**31**	**1 203 601**	**807 972**
Cash and cash equivalents at the end of the period, *of which*:	**31**	**399 577**	**591 535**
restricted cash	**31**	245 097	572 599

INFORMATION ABOUT THE CAPITAL GROUP AND BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the TAURON Polska Energia S.A. Capital Group and its Parent

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

The Parent has been entered in the Register of Entrepreneurs of the National Court Register kept by the District Court for Katowice-Wschód, Business Division of the National Court Register, under number KRS 0000271562.

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

The core business of the TAURON Group includes the following segments: Mining, Generation (encompassing generation of electricity from conventional sources and generation of heat), Renewable Energy Sources (encompassing generation of electricity from renewable sources), Distribution, Sales and other operations, including customer service, as described in more detail in Note 10 to these interim condensed consolidated financial statements.

The Group's interim condensed consolidated financial statements cover the 9-month period ended 30 September 2020 and contain comparative data for the 9-month period ended 30 September 2019 as well as figures as at 31 December 2019. The data for the 9-month period ended 30 September 2020 and the comparative data for the 9-month period ended 30 September 2019, as contained herein, have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2019 were audited by a certified auditor. The condensed interim consolidated statement of comprehensive income for the 3-month period ended 30 September 2020 and the comparative data for the 3-month period ended 30 September 2019 were not audited or reviewed by a certified auditor.

These interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 were approved for publication on 17 November 2020.

Composition of the Management Board

As at 30 September 2020, the composition of the Management Board was as follows:

- Wojciech Ignacok – President of the Management Board,
- Jerzy Topolski – Vice-President of the Management Board,
- Marek Wadowski - Vice-President of the Management Board.

On 14 July 2020, the Supervisory Board recalled, with effect from the end of 14 July 2020, all Members of the Management Board of the Company in its current composition:

- Filip Grzegorczyk – President of the Management Board,
- Jarosław Broda – Vice President of the Management Board,
- Marek Wadowski – Vice President of the Management Board.

2. Composition of the TAURON Capital Group and joint ventures

As at 30 September 2020, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

(in PLN thousand)

Item	Company name	Registered office	Operating segment	Interest in the share capital by TAURON Polska Energia S.A.	Interest in the decision-making body held by TAURON Polska Energia S.A.
1	TAURON Wydobycie S.A.	Jaworzno	Mining	100.00%	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation	100.00%	100.00%
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation	85.88%	85.88%
4	TAURON Serwis Sp. z o.o.	Katowice	Generation	95.61%	95.61%
5	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Renewable Energy Sources	100.00%	100.00%
6	Marselwind Sp. z o.o.	Katowice	Renewable Energy Sources	100.00%	100.00%
7	TEC1 Sp. z o.o.	Katowice	Renewable Energy Sources	100.00%	100.00%
8	TEC2 Sp. z o.o.	Katowice	Renewable Energy Sources	100.00%	100.00%
9	TEC3 Sp. z o.o.	Katowice	Renewable Energy Sources	100.00%	100.00%
10	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
16	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
19	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
20	TAURON Dystrybucja S.A.	Kraków	Distribution	99.75%	99.75%
21	TAURON Dystrybucja Pomiary Sp. z o.o.[1]	Tarnów	Distribution	99.75%	99.75%
22	TAURON Sprzedaż Sp. z o.o.	Kraków	Sales	100.00%	100.00%
23	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sales	100.00%	100.00%
24	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sales	100.00%	100.00%
25	TAURON Nowe Technologie S.A. [2]	Wrocław	Sales	100.00%	100.00%
26	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Other	100.00%	100.00%
27	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Other	100.00%	100.00%
28	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Other	100.00%	100.00%
29	Finanse Grupa TAURON Sp. z o.o.	Katowice	Other	100.00%	100.00%
30	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	Other	100.00%	100.00%
31	Wsparcie Grupa TAURON Sp. z o.o.[1]	Tarnów	Other	99.75%	99.75%
32	TAURON Ciepło Sp. z o.o.	Katowice	Discontinued operations[3]	100.00%	100.00%

[1] TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Dystrybucja S.A. TAURON Polska Energia S.A. is a usufructuary of TAURON Dystrybucja Pomiary Sp. z o.o. shares.
[2] On 1 June 2020, the company name was changed from TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.
[3] As at the balance sheet date, TAURON Ciepło Sp. z o.o., which conducts Generation operations in connection with the classification as a group held for sale, was presented as discontinued operations.

As at 30 September 2020, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled entities:

Item	Company name	Registered office	Operating segment	Interest in the share capital and in the decision-making body held by TAURON Polska Energia S.A
1	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Generation	50.00%
2	TAMEH HOLDING Sp. z o.o. [2]	Dąbrowa Górnicza	Generation	50.00%
3	TAMEH POLSKA Sp. z o.o. [2]	Dąbrowa Górnicza	Generation	50.00%
4	TAMEH Czech s.r.o. [2]	Ostrawa, Czech Republic	Generation	50.00%

[1] TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. through a subsidiary, TAURON Wytwarzanie S.A.
[2] TAURON Polska Energia S.A. holds direct interest in the issued capital and the governing body of TAMEH HOLDING Sp. z o.o., which holds 100% interest in the issued capital and the governing bodies of TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.o.

Changes in the TAURON Group

Merger of TAURON Dystrybucja Serwis S.A. (currently TAURON Nowe Technologie S.A., merging company) with Magenta Grupa TAURON Sp. z o.o.

On 29 October 2019, the Extraordinary General Meeting of Shareholders of TAURON Dystrybucja Serwis S.A. (currently TAURON Nowe Technologie S.A.) with its registered office in Wrocław and the Extraordinary General Meeting of Shareholders of Magenta Grupa TAURON Sp. z o.o. with its registered office in Katowice adopted resolutions on the merger of TAURON Dystrybucja Serwis S.A. (currently TAURON Nowe Technologie S.A., merging company) with Magenta Grupa TAURON Sp. z o.o. (merged company). On 2 January 2020, the merger was registered in the National Court Register maintained by the District Court in Wrocław.

Increase in the share capital of Nowe Jaworzno Grupa TAURON Sp. z o.o.

On 2 March 2020, the Extraordinary General Shareholders' Meeting of Nowe Jaworzno Grupa TAURON Sp. z o.o. adopted a resolution to increase the company's issued capital by PLN 4 551 thousand. All the shares were acquired by the Company for the total amount of PLN 455 100 thousand. On 5 March 2020, the Company provided funds for capital increase. As a result of the transaction, the Company's share in the capital and the decision-maiking body increased from 84.76% to 85.88% The increase in the capitals was registered on 18 May 2020.

As at 30 September 2020, the TAURON Polska Energia S.A.'s share in the capital and decision-making body of other significant subsidiaries and joint ventures has not changed since 31 December 2019.

3. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as endorsed by the European Union ("EU").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read together with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2019.

4. Going concern

The interim condensed consolidated financial statements have been prepared in accordance with the going concern principle regarding the Group companies in the foreseeable future. As at the date of approving these interim condensed consolidated financial statements no circumstances have been detected that could put the going concern operation of the Group's companies at risk.

During the 9-month period ended 30 September 2020, a pandemic of COVID-19 appeared in the area of the Group's operations, causing disruption to the economic and administrative system in Poland and causing significant changes in the market environment, which may affect the financial situation of the Group and the Company. At the moment, the Management Board has analysed the situation in the context of COVID-19 and, based on the scenarios under consideration, in the area of liquidity, financing and securing the continuation of operations does not identify any risk for the continuation of operations in the foreseeable future, including the description of the impact of the COVID-19 pandemic on the Group's operations, as further detailed in note 53 of these interim condensed consolidated financial statements.

5. Functional and presentation currency

The Polish zloty has been used as the presentation currency of these interim condensed consolidated financial statements and the functional currency of the Parent and the subsidiaries included in these interim condensed consolidated financial statements, except TAURON Czech Energy s.r.o. The functional currency of TAURON Czech Energy s.r.o. is the Czech crown ("CZK"). Individual items of the financial statements of TAURON Czech Energy s.r.o. are translated to the presentation currency of the TAURON Group using applicable exchange rates.

These interim condensed consolidated financial statements have been presented in the Polish zloty ("PLN") and all figures are in PLN thousand, unless stated otherwise.

6. Material values based on professional judgement and estimates

When applying the accounting policy as regards the issues referred to below, professional judgement of the management, along with accounting estimates, have been of key importance; they have impacted the figures disclosed in these interim condensed consolidated financial statements and in the explanatory notes. The assumptions underlying the estimates have been based on the Management Board's best knowledge of current and future actions and events in individual areas. In the period covered by these interim condensed consolidated financial statements, there were no significant changes in estimates or estimation methods applied, which would affect the current or future periods, other than presented below or described further in these interim condensed consolidated financial statements.

6.1. Impact of COVID-19 on the level of expected credit losses and fair value measurement of financial instruments

Impact of COVID-19 on the level of expected credit losses of receivables from customers

Estimates and assumptions

With regard to receivables from buyers, the Group estimates the amount of allowances for expected credit losses based on a weighted probability of credit loss to be incurred as a consequence of any of the following events:

• there will be a significant (material) delay in payment;

• the debtor will be put into liquidation or bankruptcy or restructuring;

• the claims will be submitted to administrative enforcement, court proceedings or judicial execution.

For receivables from buyers, the Group has separated the portfolio of strategic counterparties and the portfolio of other counterparties. The risk of insolvency of strategic counterparties is assessed on the basis of ratings assigned to counterparties using an internal scoring model, appropriately transformed into the probability of default, taking into account the estimates of potential recoveries from the collateral provided.

In the case of receivables from other counterparties, it is expected that adjusted historical default data may reflect the credit risk that will be incurred in future periods. The expected credit losses for this group of counterparties have been estimated using an aging matrix of receivables, and percentage ratios assigned to particular ranges and groups (including, among others, receivables claimed in court, receivables from counterparties in bankruptcy) to estimate the value of receivables from buyers that are not expected to be repaid.

COVID-19 impact on the methodology of estimates and assumptions

The economic impact of COVID-19 is expected to affect the quality of the Group companies portfolio of financial assets and reduce the level of repayment of receivables form customers. The projected impact varies depending on the economic sector in which the counterparty operates. Due to the uncertainties associated with the further development of the COVID-19 and the expected impact of aid schemes, the possibility of precise estimation of future repayment of receivables from customers is limited.

In order to take into account the impact of future factors (including COVID-19) on the portfolio of strategic and other customers, the Group has made:

• updating of the expected credit loss model parameters with respect to the terms of appropriate factors and recovery rate,

• includes a forecasting approach (forward-looking rate).

COVID-19 impact on the level of estimates made

The estimates taking into account the uncertainties related to the effect of COVID-19 on the expected credit losses with regard to receivables from buyers was PLN 14 842 thousand, which affected the burden on the Group's operating result for the 9-month period ended 30 September 2020. The total expected credit loss as at 30 September 2020 calculated for receivables from customers (except for receivables claimed in court) was estimated at PLN 55 736 thousand.

The Group assumes that the volume of data available for analysis in future periods will increase and will allow to extend the scope of analysis for the expected credit losses for the needs of the next consolidated financial statements.

Impact of COVID-19 on the level of expected credit losses and valuation of loans granted and guarantee issued at fair value

Estimates and assumptions

For loans classified as assets measured at amortised cost, the Group estimates the amount of write-offs revaluating their value. The risk of borrowers' insolvency is estimated on the basis of ratings assigned to counterparties using an internal scoring model, appropriately transformed into probability of default, taking into account the time value of money.

The measurement of a loan classified as an asset measured at fair value is estimated as the present value of future cash flows, taking into account the borrower's credit risk.

The guarantees issued are estimated at the amount of expected credit losses.

COVID-19 impact on the methodology of estimates and assumptions

In order to take into account the impact of future factors (including COVID-19), the Group has made adjustments to the probability of estimated credit losses based on Credit Default Swap (CDS) quotations, diversified depending on the internal counterparty rating.

COVID-19 impact on the level of estimates made

The effect of taking into account the impact of COVID-19 on the estimation methodology made resulted in the following changes affecting the Group's financial costs results for the 9-month period ended 30 September 2020 in the amount of PLN 15 747 thousand:

• an increase in expected credit losses calculated for loans granted to joint ventures companies by amount of PLN 2 265 thousand and for other financial assets by amount of PLN 102 thousand,

• a decrease in the fair value of loans granted to joint ventures by PLN 5 910 thousand,

• an increase in expected credit losses on the off-balance sheet liability under the guarantee issued by the Company by PLN 7 470 thousand, which according to IFRS 9 *Financial Instruments* was recognized as an increase in financial liabilities.

The Group assumes that the volume of data available for analysis in future periods will increase and will allow to extend the scope of analysis for the expected credit losses for the needs of the next consolidated financial statements.

6.2. Other material values based on professional judgement and estimates

The remaining items of the interim condensed consolidated financial statements which involve a significant risk of a significant adjustment to the carrying amounts of assets and liabilities are presented below.

(in PLN thousand)

Item	Note	Estimates and assumptions
Property, plant and equipment	Note 18	As at the end of each reporting period, the Group estimates whether there are objective indications of impairment of a given item of property, plant and equipment. If such indications occur, the Group is obliged to test the property, plant and equipment for impairment. Impairment tests include estimation of the recoverable amount of an asset or the cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU is the higher of the fair value less cost to sell and the value in use. The value in use of CGUs is estimated based on their future cash flows discounted subsequently to the present value using a discount rate. The Group reviews, at least as at the end of every financial year, the economic useful life of property, plant and equipment and any adjustments to the depraciation are effective as of the beginning of the reporting period in which the review was completed.
Right-of-use assets	Note 19	At the commencement date of the lease, the Group measures the right-of-use assets, inter alia, using the present value of lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate, in line with the adopted method, depending on the ratings of individual companies in the TAURON Group. The Group applies a portfolio approach to leases with similar characteristics (same assets used in a similar way). When accounting for leases under the portfolio approach, the Group uses estimates and assumptions that reflect the size and composition of the portfolio, including estimates of the weighted average lease term. To determine the leasing period for lease agreements without termination date, the Group makes estimates.
Disposal group	Note 32	As at the balance sheet date, the Company assessed that the conditions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were met in relation to the operations of the subsidiary TAURON Ciepło Sp. z o.o. with regard to the classification of its operations as discontinued. Therefore, as at 30 September 2020, the Group presents in the statement of financial position the group for sale as part of assets classified as held for sale and liabilities related to these assets and recognized a write-down for impairment of the group for sale to the amount of fair value less costs of sale.
Deferred tax assets	Note 27	At the end of each reporting period, the Group verifies whether or not the deferred tax assets may be realized.
Debt	Note 34	When measuring liabilities at amortized cost using the effective interest rate method, the Group estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. In the case of a loan agreement defining the maximum term of individual credit tranches up to 1 year or with a repayment date at the end of the interest period, where the financing available under the agreement is revolving and the term of availability exceeds 1 year, the Group classifies the tranches according to the intention and possibility of maintaining financing under the agreement, i.e. as long-term or short-term liabilities. The marginal interest rate of lease is estimated as a weighted average cost of TAURON Group's debt adjusted for the individual rating of the companies taking into account the division into lease periods.
Provisions	Note 35 Note 36 Note 37 Note 38	The Group estimates the amount of provisions created on the basis of the adopted assumptions, methodology and method of calculation appropriate for a given title of provisions, assessing the probability of disbursement of funds containing economic benefits and determining a reliable level of the amount necessary to meet the obligation. The Group creates provisions when the probability of disbursement of funds containing economic benefits is higher than 50%. Due to a decrease in market interest rates as at the balance sheet date, the Group changed its estimate of the discount rate adopted for the valuation of long-term provisions, which is described in more detail in the individual notes to these interim condensed consolidated financial statements.
Derivative instruments	Note 47.2	The Group measures financial derivatives at fair value at each balance sheet date. Derivatives purchased and held to secure their own needs are not subject to valuation as at the balance sheet date. Due to the delay in commissioning the power unit in Jaworzno, as at the balance sheet date, the Group has a significant surplus of CO_2 emission rights contracted to be acquired to be redeemed by the subsidiary in connection with the emission for 2020. The Company intends to acquire the CO_2 emission rights at maturity in order to allocate it for own redemption needs in subsequent reporting periods, therefore these contracts are recognised as excluded from IFRS 9 *Financial Instruments* and therefore are not measured at fair value as at the balance sheet date.

(in PLN thousand)

Additionally, the Group's material estimates include contingent liabilities recognized, in particular, in relation to legal proceedings to which the Group companies are parties. Contingent liabilities have been presented in detail in Note 50 hereto.

7. Standards and amendments to standards which have been published but are not yet effective

The Group did not choose an early application of any standards or amendments to standards, which were published, but are not yet effective.

- **Standards and revised standards issued by the International Accounting Standards Board which have not been endorsed by the European Union and are not yet effective**

According to the Management Board, the following standards and revised standards will not materially impact the accounting policies applied thus far:

Standard	Effective date specified in the Standard, not endorsed by the EU *(annual periods beginning on or after the date provided)*
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
Revised IFRS 10 *Consolidated Financial Statements and* IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* with subsequent amendments	the effective date has been postponed
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*: *Interest Rate Benchmark Reform*	1 January 2021
Amendments to IFRS 4 *Insurance Contracts*	1 January 2021
Amendments to IFRS 3 *Business Combinations*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment*	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
Annual Improvements to IFRS (Cycle 2018-2020):	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	1 January 2022
IFRS 9 *Financial Instruments*	1 January 2022
IAS 41 *Agriculture*	1 January 2022
IFRS 17 *Insurance contracts*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023

** The European Commission decided not to launch the process of endorsement of the interim standard for use in the EU until the publication of the final version of IFRS 14 Regulatory Deferral Accounts.*

8. Changes in the accounting policies

8.1. Application of amendments to standards

The accounting principles (policy) adopted for the preparation of these interim condensed consolidated financial statements are consistent with those adopted for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for the application of the amendments to standards and changes to the accounting principles applied by the Group and discussed below.

According to the Management Board, the introduction of the following amendments to standards has not materially impacted the accounting policies applied thus far.

Standard	Effective date in the EU *(annual periods beginning on or after the date provided)*
Revised IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS	1 January 2020
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures*: Interest Rate Benchmark Reform	1 January 2020
Amendments to IFRS 16 *Leasing*	1 January 2020

On 1 January 2020, amendments to IFRS 3 *Business Combinations* came into force. The most important changes introduced to the above mentioned standard include the clarification of the definition of an undertaking. The amendments shall be applied prospectively for reporting periods beginning on or after 1 January 2020. The Group believes that the changes may affect possible future transactions covered by IFRS 3 *Business Combinations* related to the acquisition of undertakings.

8.2. Other changes in accounting and presentation principles applied by the Group

Leases

In the interim condensed consolidated financial statements for the 9-month period ended 30 September 2019, in connection with the entry into force of IFRS 16 *Leases*, the Group, as at 1 January 2019, estimated and recognized the rights to use the assets and liabilities under the lease to the best of its knowledge at the time the above statements were approved for publication. The key areas included as per IFRS 16 *Leases* were the rights of perpetual usufruct of land and lease agreements for the development of heating substations and transformer stations.

The need to restate the comparable data for the 9-month period ended 30 September 2019 results from a change in the estimate of the amount of recognised lease assets and liabilities as at 1 January 2019. As a result of the summary of decisions taken at public meetings, issued by the IFRS Interpretation Committee in June 2019, concerning, among other things,the interpretation of the recognition of rights to underground parts of land with respect to IFRS 16 *Leases,* the TAURON Group has carried out additional analyses regarding chosen group of agreements considering whether they are covered by IFRS 16 *Leases.* The groups of agreements covered by these additional analyses included in particular lease, tenancy, usufruct, easement and other unnamed agreements concerning a part of land for line infrastructure and decisions concerning placing the equipment in a public road lane. As a result of the works carried out, the Group stated that the above agreements constitute leasing within the meaning of IFRS 16 *Leases* and consequently, in the consolidated financial statements for the year ended 31 December 2019, it adjusted the estimate of the amount of recognized rights to use the assets as at 1 January 2019. In order to ensure the comparability of data in the interim condensed consolidated financial statements for the 9-month period ended 30 September 2020, the Group has made an appropriate transformation of the comparable data.

Discontinued operations

In connection with the classification as at 30 September 2020 of the assets and liabilities of the subsidiary as a disposal group, as more fully described in Notes 17 and 32 of these interim condensed consolidated financial statements, the comparative data were restated accordingly to present the result on discontinued operations.

Settlement of the acquisition of wind farm companies owned by the in.ventus group

On 3 September 2019, the transaction documentation regarding TEC1 Sp. z o.o., TEC2 Sp. z o.o. and TEC3 Sp. z o.o. (subsidiaries of TAURON Polska Energia S.A.) acquiring five wind farms owned by the in.ventus group and amounts owed to Hamburg Commercial Bank AG (formerly HSH Nordbank AG) by wind farm operators was signed.

In line with IFRS 3 *Business Combination*, the transaction was settled using the acquisition method. The control over the business was assumed on 3 September 2019. As at the date of approving condensed interim consolidated financial statements for the 9-month period ended 30 September 2019 for publication, bearing in mind the short period that passed after the control assuming date, the Group was unable to obtain all information necessary to complete the identification and fair value measurement of the acquired assets and liabilities and performed provisional settlements of transaction. Therefore, the Group, in the interim condensed consolidated financial statements for the 9-month period ended 30 September 2020, made an appropriate transformation of the comparable data in order to present the final settlement of the transaction using the acquisition method.

The effect of the changes described above on the interim condensed consolidated statement of comprehensive income for the 9-month period ended 30 September 2019 is presented in the table below:

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

	9-month period ended 30 September 2019 *(unaudited, approved figures)*	Recognition of right-of-use assets and lease liabilities	Discontinued operations	Settlement of wind farms acquisition	9-month period ended 30 September 2019 *(unaudited restated figures)*
Sales revenue	14 438 190	-	(416 279)	-	14 021 911
Recompensation revenue	821 456	-	-	-	821 456
Cost of sales	(13 221 471)	10 404	365 292	403	(12 845 372)
Profit on sale	**2 038 175**	**10 404**	**(50 987)**	**403**	**1 997 995**
Selling and distribution expenses	(365 325)	-	2 503	-	(362 822)
Administrative expenses	(464 424)	-	17 220	-	(447 204)
Other operating income and expenses	54 852	-	(11 800)	119 515	162 567
Share in profit/(loss) of joint ventures	55 517	-	-	-	55 517
Operating profit	**1 318 795**	**10 404**	**(43 064)**	**119 918**	**1 406 053**
Interest expense on debt	(169 251)	(10 276)	1 474	(27)	(178 080)
Finance income and other finance costs	(44 292)		(3 841)	-	(48 133)
Profit before tax	**1 105 252**	**128**	**(45 431)**	**119 891**	**1 179 840**
Income tax expense	(250 761)	(24)	(4 398)	(71)	(255 254)
Net profit on continuing operations	**854 491**	**104**	**(49 829)**	**119 820**	**924 586**
Net profit on discontinued operations	**-**	**-**	**49 829**	**-**	**49 829**
Net profit	**854 491**	**104**	**-**	**119 820**	**974 415**
Measurement of hedging instruments	(1 592)	-	-	-	(1 592)
Foreign exchange differences from translation of foreign entity	3 233	-	-	-	3 233
Income tax	302	-	-	-	302
Other comprehensive income on continuing operations to be reclassified in the financial result	**1 943**	**-**	**-**	**-**	**1 943**
Actuarial gains (losses)	8 697	-	(772)	-	7 925
Income tax	(1 653)	-	147	-	(1 506)
Share in other comprehensive income of joint ventures	228	-	-	-	228
Other comprehensive income on continuing operations not to be reclassified in the financial result	**7 272**	**-**	**(625)**	**-**	**6 647**
Other comprehensive income on discontinued operations	**-**	**-**	**625**	**-**	**625**
Other comprehensive income, net of tax	**9 215**	**-**	**-**	**-**	**9 215**
Total comprehensive income	**863 706**	**104**	**-**	**119 820**	**983 630**

9. Seasonality of activities

The Group's operations are characterised by seasonality.

Sale of heat depends on weather conditions, especially air temperature and is higher in the autumn-winter period. The level of electricity sales to individual customers depends on the length of the day, which means that the sales of electricity to this group of customers are usually lower in the spring-summer period and higher in the autumn-winter period. Sales of coal to individual customers are higher in the autumn-winter season. The seasonality of other areas of the Group's operations is low.

BUSINESS SEGMENTS

10. Information on operating segments

The Group presents segment information for the current and comparative reporting periods in accordance with IFRS 8 *Operating Segments*.

The Group is organized and managed by segment, in accordance with the type of products and services offered. Each segment constitutes a strategic business entity offering different products and operating on different markets.

The Group applies the same accounting policies to all operating segments. The Group accounts for transactions between segments as if they were made between unrelated parties, i.e. using current market prices.

Revenue from transactions between segments is eliminated in the consolidation process.

After elimination of costs arising from intercompany transactions, general and administrative expenses of the Parent are presented under unallocated expenses. General and administrative expenses of the Parent are incurred for the benefit of the entire Group and cannot be directly attributed to a specific operating segment.

Segment assets do not include deferred tax, income tax receivables or financial assets, except for receivables from buyers and other financial receivables, assets relating to gain on measurement of commodity derivative instruments as well as cash and cash equivalents, which represent segment assets.

Segment liabilities do not include deferred tax, income tax liability or financial liabilities, except for liabilities to suppliers, capital commitments and payroll liabilities as well as liabilities relating to loss on measurement of commodity derivative instruments, which represent segment liabilities.

The Group's financing (including finance income and costs) and income tax are monitored at the Group level and they are not allocated to segments.

None of the Group's operating segments has been combined with another segment to create reporting operating segments.

The Management Board separately monitors operating results of the segments to take decisions on how to allocate the resources, to assess the effects of the allocation and to evaluate performance. Evaluation of performance is based on EBITDA and operating profit or loss. EBITDA is defined as EBIT increased by amortization/depreciation and impairment of non-financial assets. To impairment of non-financial assets TAURON Group includes impairment of non-financial assets of entities consolidated using the full method and share in impairment of non-financial assets of the entities recognized with the equity method. EBIT is the profit/(loss) on before tax, finance income and finance costs, i.e. operating profit/(loss) on continuing and discontinued operations.

Change in the division of the Group's reporting into operating segments

The division of the Group's reporting in the period from 1 January 2020 to 30 September 2020 is based on operating segments presented in the table below. As of 1 January 2020, the Group separated a new operating segment *Renewable energy sources,* assigning to it the data of companies whose activities are related to the generation of electricity from renewable sources, i.e. wind and water. The core business of TAURON Ekoenergia Sp. z o.o. and limited partnerships assigned to the new segment is production of electricity from renewable energy sources. The companies TEC1 Sp. z o.o., TEC2 Sp. z o.o. and TEC3 Sp. z o.o. are project companies established in order to implement the project of acquiring wind farms from the in.ventus group. Currently, these companies act as the general partner and limited partner of the limited partnerships acquired under the above transaction. Marselwind Sp. z o.o. is also a project company in the area of renewable energy sources, not currently conducting production activities. Until 31 December 2019, the companies currently assigned to the Renewable Energy Sources segment were allocated to the Generation operating segment. The data for the comparable period, i.e. for the 9-month period ended 30 September 2019 and as at 31 December 2019 were restated accordingly.

Separation of the RES operating segment is related to the 2019 update of the strategic directions which supplement the TAURON Group Strategy for 2016-2025. In this update, the TAURON Group stressed the need to adapt to environmental requirements and focus on the development of low and zero emission sources while making the Group's asset portfolio more flexible. The update of the strategic directions has strengthened the importance of the development of clean energy, which will be the basis for building the value of the TAURON Group and assumes an increased share of renewable sources in the TAURON Group's generation assets.

As part of the implementation of the above strategy, on 3 September 2019, the transaction documentation was signed for the acquisition by the companies TEC1 Sp. z o.o., TEC2 Sp. z o.o., TEC3 Sp. z o.o. of five wind farms belonging to the in.ventus group. As a result of this transaction, the production potential related to the Group's renewable energy sources has significantly increased and, consequently, the significance of financial data related to production activities in the area of renewable energy sources has increased.

Presentation of the subsidiary as discontinued operations

As at 30 September 2020, the Group presents its subsidiary TAURON Ciepło Sp. z o.o. as a group held for sale, as described in Notes 17 and 32 of these interim condensed consolidated financial statements. Therefore, the company's operations have been presented under discontinued operations. Previously, it was reported in the Generation segment. The comparable data were restated accordingly.

Operating segments	Core business	Subsidiaries/ Entities recognized with the equity method
Mining 	*Hard coal mining*	TAURON Wydobycie S.A.
Generation  	*Generation of electricity using conventional sources, including combined heat and power generation, as well as generation of electricity using joint combustion of biomass and other energy acquired thermally. Key fuels include hard coal, biomass, coal gas and coke-oven gas.* *Generation and sales of heat*	TAURON Wytwarzanie S.A. Nowe Jaworzno Grupa TAURON Sp. z o.o. TAURON Serwis Sp. z o.o. *TAMEH HOLDING Sp. z o.o.* [1] *TAMEH POLSKA Sp. z o.o.* [1] *TAMEH Czech s.r.o.* [1] *Elektrociepłownia Stalowa Wola S.A.* [1]
Renewable Energy Sources 	*Generation of electricity using renewable sources*	TAURON Ekoenergia Sp. z o.o. Marselwind Sp. z o.o. TEC1 Sp. z o.o. TEC2 Sp. z o.o. TEC3 Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.
Distribution 	*Distribution of electricity*	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiary Sp. z o.o.
Sales 	*Wholesale trading in electricity, trading in CO_2 emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity*	TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o. TAURON Nowe Technologie S.A.[2]

[1] *Entities recognized with the equity method.*
[2] *On 1 June 2020, the company name was changed from TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.*

In addition to the key operating segments listed above, the TAURON Group also conducts operations in quarrying stone (including limestone) for the power industry, metallurgy, construction and highway engineering industry as well as in the area of production of sorbents for use in wet desulphurization installations and fluidized bed combustors (Kopalnia Wapienia Czatkowice Sp. z o.o.). The operations of TAURON Obsługa Klienta Sp. z o.o., Finanse Grupa TAURON Sp. z o.o., Bioeko Grupa TAURON Sp. z o.o., Wsparcie Grupa TAURON Sp. z o.o. and Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. are also treated as other operations of the Group.

(in PLN thousand)

10.1. Operating segments

9-month period ended on 30 September 2020 or as at 30 September 2020 *(unaudited)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Unallocated items / Eliminations	Total continuing operations	Discontinued operations	Total continuing and discontinued operations
Revenue										
Sales to external customers	273 824	1 574 236	112 392	2 438 246	10 149 329	103 587	-	**14 651 614**	**569 335**	**15 220 949**
Inter-segment sales	514 099	721 501	345 608	2 636 321	1 878 846	663 532	(6 759 907)	**-**	**-**	**-**
Sales to discontinued operations	801	42 861	-	4 210	122 419	54 923	-	**225 214**	**(225 214)**	**-**
Total Segment revenue	**788 724**	**2 338 598**	**458 000**	**5 078 777**	**12 150 594**	**822 042**	**(6 759 907)**	**14 876 828**	**344 121**	**15 220 949**
Recompensation revenue	**-**	**-**	**-**	**-**	**66 448**	**-**	**-**	**66 448**	**-**	**66 448**
Profit/(loss) of the segment	**(347 746)**	**(205 609)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(107 505)**	**1 745 148**	**(793 344)**	**951 804**
Share in profit/(loss) of joint ventures	-	5 757	-	-	-	-	-	**5 757**	**-**	**5 757**
Unallocated expenses	-	-	-	-	-	-	(72 030)	**(72 030)**	**-**	**(72 030)**
EBIT	**(347 746)**	**(199 852)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(179 535)**	**1 678 875**	**(793 344)**	**885 531**
Net finance income (costs)	-	-	-	-	-	-	(283 012)	**(283 012)**	**(1 605)**	**(284 617)**
Profit/(loss) before income tax	**(347 746)**	**(199 852)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(462 547)**	**1 395 863**	**(794 949)**	**600 914**
Income tax expense	-	-	-	-	-	-	(539 497)	**(539 497)**	**(1 617)**	**(541 114)**
Net profit/(loss) for the period	**(347 746)**	**(199 852)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(1 002 044)**	**856 366**	**(796 566)**	**59 800**
Assets and liabilities										
Segment assets	1 441 598	9 462 983	2 359 573	19 708 418	4 015 581	668 133	-	**37 656 286**	**1 715 232**	**39 371 518**
Investments in joint ventures	-	563 779	-	-	-	-	-	**563 779**	**-**	**563 779**
Unallocated assets	-	-	-	-	-	-	583 462	**583 462**	**-**	**583 462**
Total assets	**1 441 598**	**10 026 762**	**2 359 573**	**19 708 418**	**4 015 581**	**668 133**	**583 462**	**38 803 527**	**1 715 232**	**40 518 759**
Segment liabilities	1 032 002	1 340 617	214 617	1 683 207	1 792 095	390 993	-	**6 453 531**	**373 232**	**6 826 763**
Unallocated liabilities	-	-	-	-	-	-	14 724 064	**14 724 064**	**-**	**14 724 064**
Total liabilities	**1 032 002**	**1 340 617**	**214 617**	**1 683 207**	**1 792 095**	**390 993**	**14 724 064**	**21 177 595**	**373 232**	**21 550 827**
EBIT	**(347 746)**	**(199 852)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(179 535)**	**1 678 875**	**(793 344)**	**885 531**
Depreciation/amortization	**(135 909)**	**(180 396)**	**(112 887)**	**(868 257)**	**(33 086)**	**(69 185)**	**-**	**(1 399 720)**	**(62 972)**	**(1 462 692)**
Impairment	**(179 431)**	**(67 270)**	**-**	**2 877**	**(56)**	**377**	**-**	**(243 503)**	**(821 869)**	**(1 065 372)**
EBITDA	**(32 406)**	**47 814**	**217 362**	**2 416 876**	**640 543**	**211 444**	**(179 535)**	**3 322 098**	**91 497**	**3 413 595**
Other segment information										
Capital expenditure *	226 800	955 375	7 061	1 315 971	31 249	124 328	-	**2 660 784**	**66 819**	**2 727 603**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates.*

9-month period ended on 30 September 2019 *(not audited restated data)* or as at 31 December 2019 *(restated data)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Unallocated items / Eliminations	Total continuing operations	Discontinued operations	Total continuing and discontinued operations
Revenue										
Sales to external customers	263 128	2 029 481	74 075	2 361 484	8 983 220	83 268	-	**13 794 656**	**643 534**	**14 438 190**
Inter-segment sales	402 716	534 464	221 720	2 532 394	1 316 812	611 261	(5 619 367)	**-**	**-**	**-**
Sales to discontinued operations	67 564	18 152	-	4 407	99 689	37 443	-	**227 255**	**(227 255)**	**-**
Total Segment revenue	**733 408**	**2 582 097**	**295 795**	**4 898 285**	**10 399 721**	**731 972**	**(5 619 367)**	**14 021 911**	**416 279**	**14 438 190**
Recompensation revenue	**-**	**-**	**-**	**-**	**821 456**	**-**	**-**	**821 456**	**-**	**821 456**
Profit/(loss) of the segment	**(676 330)**	**158 413**	**209 686**	**1 151 097**	**503 762**	**59 600**	**23 752**	**1 429 980**	**43 064**	**1 473 044**
Share in profit/(loss) of joint ventures	-	55 517	-	-	-	-	-	**55 517**	**-**	**55 517**
Unallocated expenses	-	-	-	-	-	-	(79 444)	**(79 444)**	**-**	**(79 444)**
EBIT	**(676 330)**	**213 930**	**209 686**	**1 151 097**	**503 762**	**59 600**	**(55 692)**	**1 406 053**	**43 064**	**1 449 117**
Net finance income (costs)	-	-	-	-	-	-	(226 213)	**(226 213)**	**2 367**	**(223 846)**
Profit/(loss) before income tax	**(676 330)**	**213 930**	**209 686**	**1 151 097**	**503 762**	**59 600**	**(281 905)**	**1 179 840**	**45 431**	**1 225 271**
Income tax expense	-	-	-	-	-	-	(255 254)	**(255 254)**	**4 398**	**(250 856)**
Net profit/(loss) for the period	**(676 330)**	**213 930**	**209 686**	**1 151 097**	**503 762**	**59 600**	**(537 159)**	**924 586**	**49 829**	**974 415**
Assets and liabilities										
Segment assets	1 294 329	9 451 839	2 491 198	19 176 164	4 730 135	648 705	-	**37 792 370**	**2 758 401**	**40 550 771**
Investments in joint ventures	-	559 144	-	-	-	-	-	**559 144**	**-**	**559 144**
Unallocated assets	-	-	-	-	-	-	807 850	**807 850**	**-**	**807 850**
Total assets	**1 294 329**	**10 010 983**	**2 491 198**	**19 176 164**	**4 730 135**	**648 705**	**807 850**	**39 159 364**	**2 758 401**	**41 917 765**
Segment liabilities	928 077	1 671 341	194 822	2 011 950	1 855 630	511 992	-	**7 173 812**	**487 910**	**7 661 722**
Unallocated liabilities	-	-	-	-	-	-	15 163 383	**15 163 383**	**-**	**15 163 383**
Total liabilities	**928 077**	**1 671 341**	**194 822**	**2 011 950**	**1 855 630**	**511 992**	**15 163 383**	**22 337 195**	**487 910**	**22 825 105**
EBIT	**(676 330)**	**213 930**	**209 686**	**1 151 097**	**503 762**	**59 600**	**(55 692)**	**1 406 053**	**43 064**	**1 449 117**
Depreciation/amortization	**(145 334)**	**(160 287)**	**(73 192)**	**(868 892)**	**(29 887)**	**(67 855)**	**-**	**(1 345 447)**	**(92 250)**	**(1 437 697)**
Impairment	**(269 362)**	**728**	**481**	**(278)**	**-**	**(36)**	**-**	**(268 467)**	**(1 300)**	**(269 767)**
EBITDA	**(261 634)**	**373 489**	**282 397**	**2 020 267**	**533 649**	**127 491**	**(55 692)**	**3 019 967**	**136 614**	**3 156 581**
Other segment information										
Capital expenditure *	369 062	911 903	7 049	1 330 839	20 637	48 514	-	**2 688 004**	**52 977**	**2 740 981**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates*

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

3 month-period ended 30 September 2020 *(not audited)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Unallocated items / Eliminations	Total continuing operations	Discontinued operations	Total continuing and discontinued operations
Revenue										
Sales to external customers	100 756	390 920	25 998	825 049	3 534 508	39 569	-	**4 916 800**	**117 371**	**5 034 171**
Inter-segment sales	184 997	381 392	82 980	893 949	570 593	220 688	(2 334 599)	**-**	**-**	**-**
Sales to discontinued operations	-	13 960	-	1 225	30 992	25 834	-	**72 011**	**(72 011)**	**-**
Total Segment revenue	**285 753**	**786 272**	**108 978**	**1 720 223**	**4 136 093**	**286 091**	**(2 334 599)**	**4 988 811**	**45 360**	**5 034 171**
									-	**-**
Profit/(loss) of the segment	**(76 441)**	**(9 217)**	**16 392**	**436 050**	**228 215**	**24 446**	**(23 263)**	**596 182**	**(15 838)**	**580 344**
Share in profit/(loss) of joint ventures	-	(35 157)	-	-	-	-	-	**(35 157)**	**-**	**(35 157)**
Unallocated expenses	-	-	-	-	-	-	(21 652)	**(21 652)**	**-**	**(21 652)**
EBIT	**(76 441)**	**(44 374)**	**16 392**	**436 050**	**228 215**	**24 446**	**(44 915)**	**539 373**	**(15 838)**	**523 535**
Net finance income (costs)	-	-	-	-	-	-	(39 000)	**(39 000)**	**(407)**	**(39 407)**
Profit/(loss) before income tax	**(76 441)**	**(44 374)**	**16 392**	**436 050**	**228 215**	**24 446**	**(83 915)**	**500 373**	**(16 245)**	**484 128**
Income tax expense	-	-	-	-	-	**-**	(108 380)	**(108 380)**	**1 134**	**(107 246)**
Net profit/(loss) for the period	**(76 441)**	**(44 374)**	**16 392**	**436 050**	**228 215**	**24 446**	**(192 295)**	**391 993**	**(15 111)**	**376 882**
									-	**-**
EBIT	**(76 441)**	**(44 374)**	**16 392**	**436 050**	**228 215**	**24 446**	**(44 915)**	**539 373**	**(15 838)**	**523 535**
Depreciation/amortization	**(37 545)**	**(62 296)**	**(37 405)**	**(292 164)**	**(9 368)**	**(24 628)**	**-**	**(463 406)**	**-**	**(463 406)**
Impairment	**289**	**(3 654)**	**-**	**39**	**(56)**	**9**	**-**	**(3 373)**	**(15 551)**	**(18 924)**
EBITDA	**(39 185)**	**21 576**	**53 797**	**728 175**	**237 639**	**49 065**	**(44 915)**	**1 006 152**	**(287)**	**1 005 865**
									-	**-**
Other segment information									**-**	**-**
Capital expenditure *	108 716	294 603	1 520	407 696	9 866	58 542	-	**880 943**	**34 379**	**915 322**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates.*

3-month period ended 30 September 2019 *(not audited restated data)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Unallocated items / Eliminations	Total continuing operations	Discontinued operations	Total continuing and discontinued operations
Revenue										
Sales to external customers	77 675	715 955	27 958	794 237	2 987 407	29 823	-	**4 633 055**	**128 783**	**4 761 838**
Inter-segment sales	111 097	137 753	55 206	827 291	453 120	211 673	(1 796 140)	**-**	**-**	**-**
Sales to discontinued operations	12 946	6 703	-	1 415	34 401	7 547	-	**63 012**	**(63 012)**	**-**
Total Segment revenue	**201 718**	**860 411**	**83 164**	**1 622 943**	**3 474 928**	**249 043**	**(1 796 140)**	**4 696 067**	**65 771**	**4 761 838**
Recompensation revenue	**-**	**-**	**-**	**-**	**99 954**	**-**	**-**	**99 954**	**-**	**99 954**
									-	**-**
Profit/(loss) of the segment	**(164 999)**	**36 782**	**130 262**	**373 021**	**100 132**	**20 235**	**8 256**	**503 689**	**(34 472)**	**469 217**
Share in profit/(loss) of joint ventures	-	5 492	-	-	-	-	-	**5 492**	**-**	**5 492**
Unallocated expenses	-	-	-	-	-	-	(27 786)	**(27 786)**	**-**	**(27 786)**
EBIT	**(164 999)**	**42 274**	**130 262**	**373 021**	**100 132**	**20 235**	**(19 530)**	**481 395**	**(34 472)**	**446 923**
Net finance income (costs)	-	-	-	-	-	-	(103 287)	**(103 287)**	**(315)**	**(103 602)**
Profit/(loss) before income tax	**(164 999)**	**42 274**	**130 262**	**373 021**	**100 132**	**20 235**	**(122 817)**	**378 108**	**(34 787)**	**343 321**
Income tax expense	-	-	-	-	-	-	(50 759)	**(50 759)**	**9 467**	**(41 292)**
Net profit/(loss) for the period	**(164 999)**	**42 274**	**130 262**	**373 021**	**100 132**	**20 235**	**(173 576)**	**327 349**	**(25 320)**	**302 029**
									-	**-**
EBIT	**(164 999)**	**42 274**	**130 262**	**373 021**	**100 132**	**20 235**	**(19 530)**	**481 395**	**(34 472)**	**446 923**
Depreciation/amortization	**(46 283)**	**(53 099)**	**(27 697)**	**(288 287)**	**(10 275)**	**(23 032)**	**-**	**(448 673)**	**(30 847)**	**(479 520)**
Impairment	**(7)**	**708**	**-**	**(1 655)**	**-**	**238**	**-**	**(716)**	**(646)**	**(1 362)**
EBITDA	**(118 709)**	**94 665**	**157 959**	**662 963**	**110 407**	**43 029**	**(19 530)**	**930 784**	**(2 979)**	**927 805**
									-	**-**
Other segment information									**-**	**-**
Capital expenditure *	132 332	442 783	3 189	468 167	10 387	16 687	-	**1 073 545**	**25 335**	**1 098 880**

** Capital expenditure includes expenditures for property, plant and equipment and intangible assets, excluding acquisition of CO_2 emission allowances and energy certificates*

(in PLN thousand)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Sale of goods for resale, finished goods and materials without elimination of excise	**9 990 696**	**9 347 316**
Excise	(77 420)	(113 354)
Sale of goods for resale, finished goods and materials	**9 913 276**	**9 233 962**
Electricity	8 891 445	8 319 786
Heat energy	104 534	78 794
Gas	233 754	229 715
Coal	334 334	356 069
Energy certificates and similar	157 723	87 747
Other goods for resale, finished goods and materials	191 486	161 851
Rendering of services	**4 914 904**	**4 742 969**
Distribution and trade services	4 652 734	4 491 913
Maintenance of road lighting	88 870	89 212
Connection fees	58 782	59 182
Other services	114 518	102 662
Other revenue	**48 648**	**44 980**
Total	**14 876 828**	**14 021 911**

In the 9-month period ended 30 September 2020, sales revenues increased in relation to the comparable period, and the main changes concerned revenues from sales of the following products, goods and services:

- electricity - the increase results from higher prices with lower volumes of electricity sold on the wholesale market and to retail customers;
- coal - the decrease in revenue from coal sales results from a lower sales volume and lower prices;
- energy certificates of origin – the increase in revenues from certificates of origin is mainly related to the production of electricity by wind farms previously owned by the in.ventus group, acquired by the TAURON Group on 3 September 2019 and to the price increase;
- distribution and trade services - higher revenues from sales of distribution and trade services are associated with an increase in the distribution service rate, with a simultaneous decrease in the sales volume.

Sales revenue by operating segment has been presented in the tables below..

9 month-period ended 30 September 2020 *(not audited)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**262 628**	**1 596 475**	**110 944**	**2 623**	**7 821 743**	**118 863**	**9 913 276**
Electricity	-	1 445 034	4 258	-	7 431 647	10 506	**8 891 445**
Heat energy	27	104 507	-	-	-	-	**104 534**
Gas	-	-	-	-	233 754	-	**233 754**
Coal	245 330	-	-	-	89 004	-	**334 334**
Energy certificates and similar	858	42 644	106 686	-	815	6 720	**157 723**
Other goods for resale, finished goods and materials	16 413	4 290	-	2 623	66 523	101 637	**191 486**
Rendering of services	**10 830**	**12 259**	**1 050**	**2 412 912**	**2 447 218**	**30 635**	**4 914 904**
Distribution and trade services	-	-	-	2 310 914	2 341 820	-	**4 652 734**
Maintenance of road lighting	-	-	-	8	88 862	-	**88 870**
Connection fees	-	-	-	58 743	-	39	**58 782**
Other services	10 830	12 259	1 050	43 247	16 536	30 596	**114 518**
Other revenue	**1 167**	**8 363**	**398**	**26 921**	**2 787**	**9 012**	**48 648**
Total	**274 625**	**1 617 097**	**112 392**	**2 442 456**	**10 271 748**	**158 510**	**14 876 828**

(in PLN thousand)

9-month period ended 30 September 2019 *(not audited restated data)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**315 114**	**2 029 361**	**72 862**	**4 381**	**6 728 263**	**83 981**	**9 233 962**
Electricity	-	1 923 100	10 618	-	6 386 068	-	**8 319 786**
Heat energy	23	78 771	-	-	-	-	**78 794**
Gas	-	-	-	-	229 715	-	**229 715**
Coal	297 654	-	-	-	58 415	-	**356 069**
Energy certificates and similar	-	23 777	62 241	-	1 729	-	**87 747**
Other goods for resale, finished goods and materials	17 437	3 713	3	4 381	52 336	83 981	**161 851**
Rendering of services	**14 490**	**10 516**	**875**	**2 337 104**	**2 351 977**	**28 007**	**4 742 969**
Distribution and trade services	-	-	-	2 243 721	2 248 192	-	**4 491 913**
Maintenance of road lighting	-	-	-	-	89 212	-	**89 212**
Connection fees	-	-	-	59 182	-	-	**59 182**
Other services	14 490	10 516	875	34 201	14 573	28 007	**102 662**
Other revenue	**1 088**	**7 756**	**338**	**24 406**	**2 669**	**8 723**	**44 980**
Total	**330 692**	**2 047 633**	**74 075**	**2 365 891**	**9 082 909**	**120 711**	**14 021 911**

Revenue from sales of electricity by sales market and customer group is presented in the following table.

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Revenue from sales of electricity	**8 891 445**	**8 319 786**
Retail sale	**6 243 447**	**5 521 542**
Strategic clients	737 509	986 515
Business clients	2 930 896	2 335 012
Mass clients, *including:*	2 602 342	2 256 852
G group	2 024 706	1 739 967
Other	50 120	56 517
Excise duty	(77 420)	(113 354)
Wholesale	**2 131 279**	**2 302 231**
Operational capacity reserve	**139 388**	**163 806**
Other	**377 331**	**332 207**

12. Compensation

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Price difference amount	46 397	637 595
Financial compensation	20 051	183 861
Total	**66 448**	**821 456**

In 2019, the Group recognised the effects of the entry into force of the amended *Act on the amendment to the act on the excise tax and some other acts* ("Act") and its implementing acts in the form of the amount of due compensation for trading enterprises. The Act, as amended, provided for two formulas of compensation for trading enterprises:

- the amount of the price difference for the period from 1 January 2019 to 30 June 2019 for all customers ("Price Difference Amount");
- financial compensation for the period from 1 July 2019 to 31 December 2019, for the final customers referred to in Article 5(1a), i.e. customers to whom the Company is obliged to apply the prices of 30 June 2018 ("Financial Compensation").

Due to the fact that the compensation included in 2019 was partly based on estimated data, pursuant to Article 9 of the Act, on 28 September 2020 TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. submitted applications for adjustment of the Price Difference Amount and Financial Compensation for the entire year 2019. The applications were submitted to Zarządca Rozliczeń S.A. ("Zarządca"). The adjusted Price Difference Amount and Financial Compensation are based on the factual volumes and prices involved in their calculation. As at 30 September 2020, the Group recognised the receivable on this account accordingly.

(in PLN thousand)

On 5 October 2020, the Zarządca called on the companies to explain and remove irregularities in the submitted applications. On 15 October 2020, answers and explanations were provided to all the issues raised in the calls, and on 27 October 2020, TAURON Sprzedaż GZE Sp. z o.o. re-submitted the application with the irregularities indicated in the letter removed. All the explanations described above submitted to Zarządca did not affect the amount of compensation.

13. Expenses by type

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(1 399 720)	(1 345 447)
Impairment of property, plant and equipment, right-of-use assets and intangible assets	(243 749)	(269 157)
Materials and energy	(861 903)	(1 094 575)
Maitenance and repair services	(128 786)	(137 098)
Distribution services	(1 196 006)	(1 146 366)
Other external services	(557 075)	(546 383)
Cost of obligation to remit the CO_2 emission allowances	(567 985)	(462 234)
Other taxes and charges	(517 045)	(464 146)
Employee benefits expense	(1 832 783)	(2 085 708)
Allowance for trade receivables expected credit losses	(38 096)	(28 798)
Other	(51 656)	(57 436)
Total costs by type	**(7 394 804)**	**(7 637 348)**
Change in inventories, prepayments, accruals and deferred income	106 727	69 398
Cost of goods produced for internal purposes	655 126	592 051
Selling and distribution expenses	338 068	362 822
Administrative expenses	422 261	447 204
Cost of goods for resale and materials sold	(6 948 786)	(6 679 499)
Cost of sales	**(12 821 408)**	**(12 845 372)**

In the 9-month period ended 30 September 2020, the main changes in the cost of goods, products, materials and services sold in comparison with the comparable period were related to:

- decrease in the consumption of materials and energy mainly as a result of a decrease in the cost of consumed fuels, which is due to lower realized production of electricity in the 9-month period ended 30 September 2020 in relation to the comparable period. Moreover, in the current reporting period the cost of coal used to start up the 910 MW unit in Jaworzno was included in material and energy consumption;
- increase in the cost of distribution services, resulting from the increases in the tariff for distribution services for Polskie Sieci Elektroenergetyczne S.A., which came into force on 6 April 2019 and 1 January 2020;
- increase in the cost of the obligation to redeem CO_2 emission allowances, which mainly results from the inclusion in the cost of fulfilling the obligation to redeem CO_2 emission allowances in the comparable period of 883 000 units of Certified Emission Reductions (CERs), whose purchase price was significantly lower than EUA and the increase in the price of CO_2 emission allowances included in the calculation of the provision. The average EUA price included in the calculation of the provision for the 9-month period ended 30 September 2020 was higher than the EUA price included in the redemption cost for the comparable period. At the same time, there was a decrease in emissions in the current period compared to the comparable period;
- increase in the costs of taxes and fees, mainly due to the costs of real estate taxes on the wind farms acquired in September 2019 and the provision created for property tax in connection with the decision of the Constitutional Tribunal of July 2020;
- decrease in the cost of employee benefits, which is mainly related to the recognition in the current period of the effects of the release by the Group companies of the actuarial provisions for the employee tariff in part for current employees as future pensioners in the amount of PLN 299 408 thousand (including in the Distribution segment in the amount of PLN 228 648 thousand). The above mentioned events have been presented in detail in Note 35.1 hereto;
- increase in the value of goods and materials sold, which is an effect of recognition in the current period of:

- a higher cost of electricity sold as a result of an increase in the purchase price in relation to the comparable period and with a higher volume of electricity purchased from the market;
- the effects of the change in the Company's strategy in terms of securing the redemption needs for CO_2 emission allowances in the Generation segment. of the Generation segment. The transactions concluded as part of the implementation of the strategy change affected the Group's burden of the value of goods and materials sold in the amount of PLN 126 255 thousand. As part of the management of the CO_2 emission allowance portfolio of the subsidiaries, the company acquires allowances for redemption purposes of the Group's manufacturing companies. The main purpose of concluding the above transactions by the Company is to secure the expected level of volume and costs of acquiring CO_2 emission allowances, which the Group's generation companies are obliged to redeem. In the first quarter of 2020, the Group decided to change its strategy for securing the redemption needs of the Generation area, consisting in a one-time replacement of exchange contracts with the delivery date in December 2020 with OTC contracts with the delivery date in March 2021. The decision to change the strategy was made taking into account the current market circumstances that are difficult to predict at the time of the transaction. These circumstances include, in particular, increasing costs of maintaining the position on the stock exchange, which was connected, among others, with the need to make current contributions to the stock exchange deposits, changes in legal and market circumstances in the area of CO_2 emission allowance trading, related to Brexit and the COVID-19 pandemic. In order to implement the above change of strategy, the Company resold the forward position with the delivery date in December 2020 held on the exchange (it concluded a opposite transaction on the exchange) and at the same time purchased the same volume in contracts with the delivery date in March 2021 from OTC counterparties. The counter-transaction resulted in the original contract not being settled by physical delivery, and therefore the Company recognised this contract and the counter-transaction contract in accordance with IFRS 9 *Financial Instruments* at fair value. All new transactions concluded on the OTC market will be used for the purpose of fulfilling the obligation of redemption by manufacturing companies of TAURON Group, therefore, as excluded from the scope of IFRS 9 *Financial Instruments* are not measured at fair value. At the same time, the purchase of the volume with the delivery date in March 2021 from OTC counterparties, at prices lower than those originally contracted, will reduce the cost of creating a provision for CO_2 emission liabilities by the Group for current and subsequent reporting periods. As a result of the above, the Group believes that the total impact of the strategy change on the operating result will not be significant. In the Group's opinion, the change of strategy allows, in the current market situation, to secure the redemption needs of the Group's manufacturing companies in a way that minimizes the risks to which the Group is exposed.

In the 9-month period ended 30 September 2020, the costs of revaluation write-offs on property, plant and equipment, rights-of-use assets and intangible assets amounted to PLN 243 749 thousand, of which PLN 227 030 thousand was recognised as a result of the tests performed as at 30 June 2020, and PLN 16 719 thousand relates to write-offs on individual assets.

14. Other operating revenue and expenses

The increase in other operating income in the 9-month period ended 30 September 2020 as compared to the corresponding period is primarily related to recognition of the effects of reversal by the Group companies of the actuarial provisions for the employee tariff in part for pensioners in the current period. The effect of the said reversal on an increase in the Group's other operating revenue was PLN 233 911 thousand (including PLN 196 409 thousand in the Distribution segment). The above mentioned events have been presented in detail in Note 35.1 hereto.

Other operating income in the current period also includes income from co-financing the costs of employee benefits under the so-called anti-crisis shield in the amount of PLN 64 680 thousand.

In the comparable period, under other operating revenue the Group recognised a result on a bargain purchase of wind farms from the in.ventus group in the amount of PLN 119 515 thousand.

(in PLN thousand)

15. Finance income and costs

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Income and costs from financial instruments	**(280 613)**	**(180 750)**
Dividend income	5 627	3 814
Interest income	23 533	20 432
Interest costs	(206 834)	(178 080)
Commission relating to borrowings and debt securities	(12 247)	(13 282)
Gain/loss on derivative instruments	79 855	9 189
Exchange differences	(180 214)	(37 083)
Remeasurement of loans granted	10 016	12 281
Other	(349)	1 979
Other finance income and costs	**(2 399)**	**(45 463)**
Interest on employee benefits	(16 741)	(23 981)
Interest on discount of other provisions	(7 963)	(9 768)
Other finance income	31 184	8 909
Other finance costs	(8 879)	(20 623)
Total, *including recognized in the statement of comprehensive income:*	**(283 012)**	**(226 213)**
Interest expense on debt	(206 834)	(178 080)
Finance income and other finance costs	(76 178)	(48 133)

In the 9-month period ended 30 September 2020 in relation to the comparable period, the main changes in financial income and expenses were as follows:

- surplus of negative exchange rate differences over positive ones in the amount of PLN 180 214 thousand, in the comparable period PLN 37 083 thousand. The exchange rate differences relate mainly to exchange rate differences related to the Company's obligations in relation to debt in EUR. In the 9-month period ended 30 September 2020, the surplus of exchange losses exceeded exchange gains amounted to PLN 231 817 thousand, while in the comparative period PLN 63 335 thousand. At the same time, in the 9-month period ended 30 September 2020, the Group capitalised foreign exchange differences of PLN 45 938 thousand for investment tasks and in the comparable period of PLN 23 498 thousand;
- recognition of a positive result on derivatives on account of measurement and realisation of currency forwards and CCIRS;
- an increase in other financial income is mainly related to the recognition by the Company of income from the release of the provision for control proceedings in the part concerning interest in the amount of PLN 24 497 thousand, which is further described in note 38.3 of these interim condensed consolidated financial statements.

16. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Current income tax	**(325 696)**	**(363 933)**
Current income tax expense	(318 499)	(370 183)
Adjustments to current income tax from previous years	(7 197)	6 250
Deferred tax	**(213 801)**	**108 679**
Income tax expense in profit/(loss)	**(539 497)**	**(255 254)**
Income tax expense relating to other comprehensive income, *including:*	**42 153**	**(1 204)**
reclassified to profit or loss	23 125	302
not reclassified to profit or loss	19 028	(1 506)

(in PLN thousand)

The lower current income tax burden on the Group's financial result in the 9-month period ended 30 September 2020 is to a large extent connected with higher income tax deductible costs of the CO_2 emission allowances redeemed and property rights (redemption of energy certificates) compared to the comparable period.

The higher burden of deferred income tax on the Group's financial result for the 9-month period ended 30 September 2020 results from the fact that as at the balance sheet date the deferred income tax assets of the Mining segment company were written off in the amount of PLN 257 467 thousand. Based on the analyses carried out as at the balance sheet date, the Group estimated that it is not possible to realise the above asset in the foreseeable future.

17. Discontinued operations

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Sales revenue	344 121	416 279
Cost of sales	(309 652)	(365 292)
Profit on sale on discontinued operations	**34 469**	**50 987**
Selling and distribution expenses	(3 370)	(2 503)
Administrative expenses	(17 049)	(17 220)
Other operating income and expenses	14 615	11 800
Write-off for revaluation to fair value less costs of sale	(822 009)	-
Operating profit (loss) on discontinued operations	**(793 344)**	**43 064**
Finance income and finance costs	(1 605)	2 367
Profit before tax on discontinued operations	**(794 949)**	**45 431**
Income tax resulting from profit before tax	(1 617)	4 398
Income tax resulting from write-off to fair value less costs of sale	-	-
Income tax expense	(1 617)	4 398
Profit/loss on discontinued operations	**(796 566)**	**49 829**
	-	-
Actuarial gains	(1 560)	772
Income tax	296	(147)
Other comprehensive income on discontinued operations not reclassified to profit or loss	**(1 264)**	**625**
Total comprehensive income from discontinued operations	**(797 830)**	**50 454**
	-	-
Net profit on discontinued operations attributable to:	**(796 566)**	**49 829**
Equity holders of the Parent	(796 566)	49 829
Total comprehensive income on discontinued operations attributable to:	**(797 830)**	**50 454**
Equity holders of the Parent	(797 830)	50 454

The discontinued operations is the activity of the subsidiary TAURON Ciepło Sp. z o.o., which is related to the classification by the Company of 100% of shares held in TAURON Ciepło Sp. z o.o. as held for sale.

The purpose of the sale of the Company's shares in TAURON Ciepło Sp. z o.o. is in line with the update of the strategic directions, adopted by the Management Board of the Company and positively assessed by the Supervisory Board in May 2019, which supplement the TAURON Group Strategy for 2016-2025. Taking into account the need for the Group's energy transformation, optimisation of the investment portfolio and maintenance of financial stability, it was decided to carry out market-based verification of, among others, the strategic option involving making the Group's asset portfolio more flexible by adjusting the mining assets to the Group's planned demand for fuel, reorganisation of the Generation segment and the capital investment portfolio. The above option includes, among others, market verification of the possibility of the sale of shares in the subsidiary TAURON Ciepło Sp. z o.o.

As a result of the above events, the Company launched a project aimed at market verification of the possibility of selling shares of the subsidiary TAURON Ciepło Sp. z o.o. and possible continuation of the sales process. As part of the project, on 22 November 2019, the Management Board of the Company, received preliminary, non-binding offers to purchase shares in TAURON Ciepło Sp. z o.o., among others, decided to admit bidders to the due diligence of the company.

On 16 June 2020 the Company's Management Board decided to move to the next stage of the process of selling shares in TAURON Ciepło Sp. z o.o. and to start negotiations on the contract for the sale of shares in TAURON Ciepło Sp. z o.o. with Polskie Górnictwo Naftowe i Gazownictwo S.A. in an exclusive mode established for a period of six weeks, which was subsequently extended until 30 November 2020. On the basis of the course of negotiations, the Company may decide to extend the exclusivity period granted to the bidder for the time necessary to finalise the negotiations of the transaction documentation. The Company anticipates that a possible loss of control over TAURON Ciepło Sp. z o.o. will occur not earlier than in Q1 2021.

(in PLN thousand)

As at 30 June 2020 and as at the balance sheet date, the Company assessed that in relation to the TAURON Ciepło Sp. z o.o. acitivity, the conditions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were met as regards the classification of the above activity as discounted operations. The core business of TAURON Ciepło Sp. z o.o. is the generation, distribution and sale of thermal energy for heating, domestic hot water preparation and ventilation. In addition, as at the date of classifying the net assets of TAURON Ciepło Sp. z o.o. as non-current assets held for sale, the Group carried out a valuation of the assets held for sale at fair value. The fair value as at the balance sheet date was estimated at PLN 1 342 000 thousand, based on the information collected in the course of the market sales process of shares in TAURON Ciepło Sp. z o.o. Due to the fact that the fair value of assets for sale is lower than its book value, the Group recognized an impairment loss for non-financial fixed assets in the amount of PLN 822 009 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

18. Property, plant and equipment

9 month-period ended 30 September 2020 *(not audited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**140 554**	**25 480 506**	**20 297 298**	**265 001**	**957 959**	**7 777 093**	**54 918 411**
Direct purchase	-	-	-	1 074	-	2 138 829	**2 139 903**
Borrowing costs	-	-	-	-	-	183 198	**183 198**
Transfer of assets under construction	844	1 667 783	1 139 809	-	26 396	(2 834 832)	**-**
Sale	(327)	(6 330)	(97 239)	-	(3 783)	-	**(107 679)**
Liquidation	(8)	(43 418)	(212 716)	(126 932)	(8 135)	-	**(391 209)**
Received free of charge	700	6 773	-	-	-	-	**7 473**
Transfers to/from assets held for sale	(2 145)	(1 788 629)	(1 868 946)	-	(55 367)	(100 926)	**(3 816 013)**
Overhaul expenses	-	-	-	-	-	147 963	**147 963**
Items generated internally	-	-	-	95 908	-	148 730	**244 638**
Cost of disassembly of wind farms and decommissioning of mines	-	83 400	5 276	-	-	-	**88 676**
revenue from start-up	-	-	-	-	-	(90 599)	**(90 599)**
Other movements	717	(2 404)	6 842	-	(2 627)	24 853	**27 381**
Foreign exchange differences from translation of foreign entity	-	-	(3)	-	(2)	-	**(5)**
Closing balance	**140 335**	**25 397 681**	**19 270 321**	**235 051**	**914 441**	**7 394 309**	**53 352 138**
ACCUMULATED DEPRECIATION							
Opening balance	**(341)**	**(10 756 599)**	**(12 008 192)**	**(116 238)**	**(655 060)**	**(282 910)**	**(23 819 340)**
Depreciation for the period	-	(622 396)	(571 267)	(78 617)	(47 859)	(65)	**(1 320 204)**
Increase of impairment	(15)	(92 645)	(87 231)	(20 942)	(1 189)	(67 158)	**(269 180)**
Decrease of impairment	-	2 746	586	-	70	26 631	**30 033**
Sale	168	5 569	95 732	-	3 654	-	**105 123**
Liquidation	-	37 228	207 155	126 932	8 127	-	**379 442**
Transfers to/from assets held for sale	-	742 912	877 102	-	38 140	13 874	**1 672 028**
Other movements	-	29	(1 329)	-	1 940	(8 778)	**(8 138)**
Foreign exchange differences from translation of foreign entity	-	-	2	-	2	-	**4**
Closing balance	**(188)**	**(10 683 156)**	**(11 487 442)**	**(88 865)**	**(652 175)**	**(318 406)**	**(23 230 232)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**140 213**	**14 723 907**	**8 289 106**	**148 763**	**302 899**	**7 494 183**	**31 099 071**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**140 147**	**14 714 525**	**7 782 879**	**146 186**	**262 266**	**7 075 903**	**30 121 906**
of which operating segments:							
Mining	**3 146**	**383 641**	**231 001**	**141 405**	**5 301**	**341 356**	**1 105 850**
Generation	**40 383**	**1 058 867**	**1 482 058**	**-**	**8 364**	**5 547 421**	**8 137 093**
Renewable Energy Sources	**765**	**890 020**	**1 264 893**	**-**	**1 196**	**2 289**	**2 159 163**
Distribution	**78 995**	**11 874 754**	**4 687 042**	**-**	**227 343**	**1 081 774**	**17 949 908**
Other segments and other operations	**16 858**	**507 243**	**117 885**	**4 781**	**20 062**	**103 063**	**769 892**

(in PLN thousand)

9-month period ended 30 September 2019 *(not audited restated data)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**125 869**	**23 775 062**	**19 133 480**	**221 074**	**943 340**	**6 376 491**	**50 575 316**
Direct purchase	-	-	-	758	-	2 195 974	**2 196 732**
Borrowing costs	-	-	-	-	-	155 418	**155 418**
Transfer of assets under construction	974	917 820	602 357	-	42 154	(1 563 305)	**-**
Sale	(39)	(1 489)	(68 709)	-	(22 315)	(31)	**(92 583)**
Liquidation	(10)	(28 087)	(66 957)	(90 684)	(7 877)	-	**(193 615)**
Received free of charge	-	8 240	112	-	-	-	**8 352**
Transfers to/from assets held for sale	(60)	(12 428)	(46)	-	(171)	-	**(12 705)**
Overhaul expenses	-	-	-	-	-	146 967	**146 967**
Items generated internally	-	-	-	143 203	-	35 962	**179 165**
Business acquisition	592	270 463	441 138	-	-	-	**712 193**
Other movements	164	(2 189)	398	-	783	(3 059)	**(3 903)**
Foreign exchange differences from translation of foreign entity	-	-	3	-	6	-	**9**
Closing balance	**127 490**	**24 927 392**	**20 041 776**	**274 351**	**955 920**	**7 344 417**	**53 671 346**
ACCUMULATED DEPRECIATION							
Opening balance	**(404)**	**(9 599 896)**	**(10 765 131)**	**(52 458)**	**(611 258)**	**(139 502)**	**(21 168 649)**
Depreciation for the period	-	(606 800)	(561 676)	(68 864)	(55 428)	-	**(1 292 768)**
Increase of impairment	-	(92 069)	(77 203)	(36 398)	(2 128)	(62 072)	**(269 870)**
Decrease of impairment	-	2 178	367	-	3	6 040	**8 588**
Sale	-	734	66 865	-	20 918	-	**88 517**
Liquidation	-	23 835	63 117	90 684	7 861	-	**185 497**
Transfers to/from assets held for sale	-	9 369	38	-	159	-	**9 566**
Other movements	(2)	(482)	978	-	71	-	**565**
Foreign exchange differences from translation of foreign entity	-	-	(2)	-	(4)	-	**(6)**
Closing balance	**(406)**	**(10 263 131)**	**(11 272 647)**	**(67 036)**	**(639 806)**	**(195 534)**	**(22 438 560)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**125 465**	**14 175 166**	**8 368 349**	**168 616**	**332 082**	**6 236 989**	**29 406 667**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**127 084**	**14 664 261**	**8 769 129**	**207 315**	**316 114**	**7 148 883**	**31 232 786**
of which operating segments:							
Mining	**3 118**	**416 845**	**371 826**	**204 026**	**9 651**	**396 049**	**1 401 515**
Generation*	**42 519**	**1 626 602**	**2 595 829**	**-**	**25 048**	**5 588 505**	**9 878 503**
Renewable Energy Sources	**765**	**818 239**	**1 182 067**	**-**	**1 527**	**1 834**	**2 004 432**
Distribution	**63 823**	**11 332 817**	**4 506 717**	**-**	**261 426**	**1 135 165**	**17 299 948**
Other segments and other operations	**16 859**	**469 758**	**112 690**	**3 289**	**18 462**	**27 330**	**648 388**

** Generation Segment data in the comparable period consist assets of subsidiary TAURON Ciepło Sp. z o.o. classified as assets held for sale from 30 June 2020*

In the 9-month period ended 30 September 2020, the Group acquired property, plant and equipment of PLN 2 323 101 thousand (including capitalized borrowing costs). The major purchases were made in connection with investments in the following operating segments:

Operating segment	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Distribution	1 284 079	1 293 306
Generation	782 328	787 719
Mining	119 378	219 032

Impairment tests

In view of the persistence and development of the COVID-19 pandemic in the third quarter of this year, an analysis of the effects of changes in the market situation which may change long-term market assumptions concerning the energy sector was made.

The economic slowdown, which took place mainly in the second quarter of 2020, had a very significant impact on the economic situation in the country in the third quarter of 2020, when the recovery of electricity consumption in the National Power System could be observed.

In the analysed period, a slight increase in CO_2 emission allowances prices can be observed in relation to the prices recorded in the third quarter of 2019. In 2020, due to the COVID-19 pandemic, the average price of CO_2 emission allowances for the 9-month period of 2020 was about EUR 23.83/$MgCO_2$ and decreased by about EUR 1.1/$MgCO_2$ in relation to the same period in 2019.

(in PLN thousand)

The stagnation on the raw material markets continues, with price drops on the CO_2 emission allowances market we have seen price drops on other markets. Gas prices dropped by more than 17% year-on-year in Q3 2020, while in the 9-month period of 2020 they dropped by nearly 40% on a year-to-year basis. The oil market is also characterized by low prices, which, compared to the third quarter of 2019, dropped by about 30% in the third quarter of 2020 and are at about 40 USD/bbl.

The persistently low prices of energy resources and relatively low CO_2 emission allowances prices have not directly translated into decreases in electricity prices in annual contracts.

Having analysed the observed market and regulatory phenomena, it was concluded that in the expected perspective they are not significant factors whose impact causes the legitimacy of changes in long-term forecasts compared to information available as at 30 June 2020.

For this reason, it was considered that the results of the recent impairment tests of property, plant and equipment and goodwill carried out as at 30 June 2020 are valid.

In the 9-month period ended 30 September 2020, the Group recognized impairment loss on property, plant and equipment as a result of asset impairment tests carried out as at 30 June 2020.

The recoverable amount of the above group of assets corresponds to their value in use. Impairment loss were charged to the cost of sales.

The impairment loss recognized as a result of tests carried out as at 30 June 2020 concerns the following entities generating cash flows:

CGU	Company	Discount rate (before tax) assumed in tests as at:		Recoverable amount	Impairment loss recognized
		30 June 2020 *(unaudited)*	31 December 2019	As at 30 June 2020 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Mining	TAURON Wydobycie S.A.	14.99%	14.01%	375 631	(179 237)
Generation - Coal	TAURON Wytwarzanie S.A. / Nowe Jaworzno Grupa TAURON Sp. z o.o.	9.34%	8.60%	7 563 445	(41 545)
Generation - Biomass		8.04%	8.60%	-	(6 248)
ZW Bielsko EC1	TAURON Ciepło Sp. z o.o.	9.30%	8.57%	363 684	-
ZW Bielsko EC2				2 579	-
ZW Katowice				879 574	-
ZW Tychy				647 453	-
Local generators				70 189	-
Transmission		7.47%	7.51%	806 324	-
Hydropower plants	TAURON Ekoenergia Sp. z o.o. / TEC	8.27%	8.90%	800 515	-
Wind farms		8.65%	8.94%	2 167 453	-
Distribution	TAURON Dystrybucja S.A.	6,44%	7,02%	18 605 012	
Total					**(227 030)**

As at 30 June 2020, impairment tests were performed for property, plant and equipment based on the following indications:

- the market value of the Company's net assets remaining below net asset carrying amount for a long period;
- changes in global prices of energy resources, energy and dynamic changes in the prices of CO_2 emission allowances;
- significant fluctuations of energy prices on the future/forward market and continuing liquidity problems;
- decrease in domestic energy consumption due to the increase in winter temperatures and the impact of the COVID-19 pandemic;
- regulatory activities aimed at the limiting of end user price increases;
- increased risks in commercial coal production;
- tightening the European Union's climate policy by increasing the CO_2 reduction target;
- the effects of the results of the RES auctions to date and the very dynamic development of the prosumer and microinstallation sub-sector in connection with the support programmes launched;

(in PLN thousand)

- effects of introducing winter package provisions (including emission standards) that adversely impact the capability of coal-based units to participate in the power market after 1 July 2025;
- toughening emission standards, persisting unfavourable market conditions for the conventional power industry;
- a decrease in the risk-free rate.

The tests conducted as at 30 June 2020 required estimating the value in use of cash generating units, based on their future cash flows discounted subsequently to the present value using a discount rate.

The impairment tests for property, plant and equipment and intangible assets (non-current assets) were carried out at the level of individual companies, except for:

- TAURON Wytwarzanie S.A. and Nowe Jaworzno Grupa TAURON Sp. z o.o. where the identification of cash-generating units ("CGUs") was recognized at a different level by identifying two centres generating economic benefits in the area of activity of the companies TAURON Wytwarzanie S.A. and Nowe Jaworzno Grupa TAURON Sp. z o.o: CGU Generation - Coal and CGU Generation - Biomass. Key indications included: publishing the provisions regarding the new Capacity Market mechanism in 2018, launching a new product: capacity obligation; the strategy of joining the Capacity Market consisting in the portfolio approach, where maximizing the total Capacity Market revenue matters; allocating power to suppliers; determining the reserve sources level for the other power contracted at the Capacity Market and high dependence of cash proceeds among generators; The settlement of the first three Capacity Market auctions in 2018 allows for additional cash inflows from 2021 onwards;
- TAURON Ciepło Sp. z o.o. - where separated generation of heat and electricity and transmission and distribution of heat. In addition, tests were also conducted on the "generation" activity for individual generation plants: CGU ZW Katowice, CGU ZW Tychy, CGU ZW Bielsko BBEC1, CGU ZW Bielsko BBEC2, CGU Local Generators;
- TAURON Ekoenergia Sp. z o.o. and other generation companies of the Renewable Energy Sources segment, where the test was carried out separately for hydroelectric power generation activities - CGU Hydropower Plants and for total wind farm electricity generation activities - CGU Wind Farms; Consolidation of wind farms in one CGU resulted mainly from the specificity and nature of the basic service contracts and technical management of individual wind parks allowing for optimisation of the production process aimed at improving economic indicators of the operated wind farms. Moreover, from the point of view of management analysis, the notion of a group of assets producing energy in wind technology is important, not a single operation of wind farms. This is also important for the integrated management of the portfolio of produced volume from wind farms and the sale of electricity and property rights within the TAURON Group;
- TAURON Nowe Technologie S.A., where as of 30 June 2020 the activity related to lighting and providing solutions related to modern technologies was separated.

The tests were conducted based on the present value of projected cash flows from operations of the CGUs, by reference to detailed projections by 2025 for CGU Distribution and by 2029 for other CGUs and the estimated residual value. The projections used for the power generating and mining units cover the entire period of their operation. Reliance on projections covering a period longer than 5 years results mainly from the fact that investment processes in the power industry are time-consuming. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed on the market. Projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions made for purposes of tests performed as at 30 June 2020:

Category	Description
Coal	Coal prices in the coming years were adopted at a slightly declining level. In the long term, coal prices will fall more sharply as a result of the implementation of climate policy and the shift away from coal to other countries, as well as the growing production of energy from RES sources. In 2021, a decrease in coal prices by over 2% was assumed, which resulted, inter alia, from the impact of the COVID-19 pandemic. It has been assumed that in the years 2021-2040 the prices of power coal will decrease by 7.1%.
Electricity	The adopted forecast of wholesale electricity prices for 2020-2029 with an outlook until 2040, due to uncertainty as to the final shape of the market architecture and the introduction of the scarcity pricing mechanism, has been updated and adapted to current price levels of forward contracts for 2020-2023. The projected levels of wholesale electricity prices assume that the COVID-19 pandemic should have the greatest impact on prices in the years 2020-2021, when a 12.7% drop from the prices projected at the end of 2019 will be visible. In the period from 2024 to 2040 the price levels used in the tests were adopted as at 31 December 2019. The forecast assumes, among other things, the impact of the demand and supply balance on electricity, fuel purchase costs and CO_2 emission allowances. In 2021, a slight increase in energy prices by 1.3% in relation to 2020 was assumed, which results, inter alia, from the prediction of further impact of the COVID-19 pandemic on fuel prices (slight decrease in

(in PLN thousand)

Category	Description
	coal prices) and the decreasing level of margins obtained on sales of electricity from hard coal fired sources. The price increase in the period up to 2029 results from the increase in prices of CO_2 emission allowances and planned shutdowns of coal and nuclear units in Germany affecting the level of the cross-system exchange balance. An increase of 25% is assumed in relation to 2021 followed by a drop by 13.6% between 2030 and 2040 (fixed prices) vs. 2029; The electricity retail price path has been adopted based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to surrender energy certificates as well as the expected level of margin.
CO_2	CO_2 emission limits for heat generation have been set in line with the regulation of the Council of Ministers and adjusted by the level of operations, i.e. generation of heat. The CO_2 emission allowance price growth path for the years 2021-2029 with the perspective by 2040 has been adopted. Due to the impact of the COVID-19 pandemic, it was assumed that the price of CO_2 emission allowances in 2020 will be 4% lower than the average price in 2019. In 2021 the price of CO_2 emission allowances was assumed to be 9% higher than the average price in 2019. It has been assumed that the market price will increase by ca. 34% by 2028, comparing to the average price observed in 2019, with slight CO_2 emission allowances price decreases in 2029-2040 vs. 2028 (fixed prices), totalling 11%. This results from the assumed increase in decarbonization of the economy and the resultant drop in demand for emission allowances in 2030 -2040. The long-term projections assume the purchase of CO2 emission allowances at the level of the total planned shortfall in the year following the year to which the emissions relate. This assumes the dissolution of the reserve for CO_2 deficiency also in the following year.
Energy certificates	The price path assumed for emission certificates and the obligatory redemption in the subsequent years are based on the currently applicable Act on Renewable Energy Sources.
Capacity Market	It was assumed that the operational mechanism of the power reserve will be excluded from the beginning of 2021, i.e. from the moment of implementation of the Capacity Market. The Capacity Market mechanism implementation has been taken into account (in line with the adopted and notified Act on the Capacity Market and the Capacity Market Regulations). With regard to the operating coal-based units that do not meet the EPS 550 criterion (for which the unit emission allowance exceeds 550 kg/MWh), commencement of payments for power in 2021 to be continued to 2025 has been assumed.
RES	Limited support periods for green energy have been assumed in accordance with the Act on Renewable Energy Sources, which provides for new support mechanisms for electricity generated from renewable sources. The support period has been limited to 15 years as from the date of the first supply of electricity qualifying for an energy certificate to the network.
WACC	The weighted average cost of capital (WACC) during the projection period for individual CGUs, as used in the calculations, ranges from 5.90% to 14.99% in nominal terms before tax, taking into account the risk free rate determined by reference to the yield on 10-year treasury bonds (1.99%) and the risk premium for operations appropriate for the power industry (6.75%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is 2.5% and it corresponds to the estimated long-term inflation rate. As at 30 June 2020, the level of WACC decreased compared to the level as at 31 December 2019 mainly due to a decrease of the risk-free rate and an increase in the cost of debt with the simultaneous increase of market risk premium.
Regulated and tariff revenue	Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed. The return on capital is conditional on the Regulatory Asset Value. In the second half of 2020, the impact of COVID-19 on the reduction of electricity supply to non-household customers was taken into account. It is assumed that between 2021 and 2025 there will be an increase in electricity supply. In the first three years, growth of 2% per annum, while for the others, growth of 1% per annum. Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed.
Sales volume and capacity	The assumed sales volume to end customers was based on GDP growth, the competitive situation on the market, a significant increase in financial costs (trade credit costs) charged to the sales companies. This will result in a decrease in volume between 2021 and 2023. Since 2024, a gradual recovery of the lost volume is planned. Additionally, it is assumed that in the second half of 2020 there will be a decrease in volume due to the COVID-19 pandemic. Periods of economic utility of fixed assets and maintenance of production capacity as a result of replacement investments were taken into account.

The assumptions were also used to estimate the value in use of other intangible assets.

The necessity to write down CGU Mining and CGU Generation - Coal assets in the first half of 2020 resulted in particular from updating market assumptions regarding the cost of capital for coal assets, resulting, among others, from the risk of deterioration of the economic situation affected by the COVID-19 pandemic. The necessity to write down CGU Generation - Biomass assets in the first half of 2020 resulted in particular from the decrease in the margin on electricity as a result of the reduction of electricity price in biomass units.

Sensitivity analysis for mining and generation assets (including TAURON Ciepło Sp. z o.o. operations)

A sensitivity analysis performed for each CGU revealed that the value in use of the tested assets was mainly affected by the forecast electricity prices, CO_2 emission allowance prices, discount rates and hard coal prices. The estimated changes in impairment losses on mining and generation assets (including TAURON Ciepło Sp. z o.o. operations) as at 30 June 2020 as a result of changes in the key assumptions, have been presented below.

Parameter	Change	Impact on impairment loss *(in PLN million)*	
		Increase of impairment loss (net)	Decrease of impairment loss (net)
Change of electricity prices in the forecast period	+1%	-	338
	-1%	338	-
Change of CO_2 emission allowances prices in the forecast period	+1%	136	-
	-1%	-	136
Change of WACC (net)	+0.1 p.p.	112	-
	-0.1 p.p.	-	114
Change of coal prices in the forecast period	+1%	46	-
	-1%	-	46

Sensitivity analysis for the Distribution segment

The sensitivity analysis was conducted for a change in the discount rate and a change in the WACC level adopted for the calculation of regulated income in the years 2022-2025 and in the residual period. The table below presents the estimated inflows to impairment losses on the Distribution segment assets as at 30 June 2020.

Parameter	Change	Impact on increase of impairment loss *(in PLN million)*
Change of WACC (net)	+0.1 p.p.	678
	-0.1 p.p.	-
Change in the WACC adopted for the calculation of regulated income in 2022-2025 and in the residual period	+0,1 p.p.	-
	-0,1 p.p.	515

19. Right-of-use assets

9 month-period ended 30 September 2020 *(not audited)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehickles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	**475 863**	**1 076 085**	**176 424**	**64 789**	**6 571**	**121 144**	**6 256**	**1 927 132**
Increase due to a new lease contract	37 772	59	5 881	16 997	38	211	-	**60 958**
Increase(decrease) due to lease changes	(3 002)	8 161	6 237	(1 946)	(8)	29	-	**9 471**
Transfer of assets held for sale	(13 081)	(107 698)	(21 340)	-	(282)	(4 196)	-	**(146 597)**
Other movements	(589)	(1 561)	469	(4 314)	1 034	7 077	(405)	**1 711**
Closing balance	**496 963**	**975 046**	**167 671**	**75 526**	**7 353**	**124 265**	**5 851**	**1 852 675**
ACCUMULATED DEPRECIATION								
Opening balance	**(20 176)**	**(60 097)**	**(15 341)**	**(34 713)**	**(2 210)**	**(21 097)**	**-**	**(153 634)**
Depreciation for the period	(18 284)	(23 993)	(12 080)	(13 846)	(2 164)	(4 361)	-	**(74 728)**
Increase of impairment	-	(1 223)	(7)	(4 240)	(20)	(3)	-	**(5 493)**
Decrease of impairment	-	1 281	-	-	-	-	-	**1 281**
Transfer of assets held for sale	890	2 262	2 240	-	115	708	-	**6 215**
Other movements	177	848	157	4 260	(341)	9	-	**5 110**
Closing balance	**(37 393)**	**(80 922)**	**(25 031)**	**(48 539)**	**(4 620)**	**(24 744)**	**-**	**(221 249)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOI	**455 687**	**1 015 988**	**161 083**	**30 076**	**4 361**	**100 047**	**6 256**	**1 773 498**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**459 570**	**894 124**	**142 640**	**26 987**	**2 733**	**99 521**	**5 851**	**1 631 426**

(in PLN thousand)

9-month period ended 30 September 2019 *(not audited restated data)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehickles	Transmission easements	Right-of-use assets in progress	Right-of-use assets, total
COST								
Opening balance	-	-	-	-	-	-	-	-
Impact of IFRS 16	393 110	1 071 236	166 028	28 978	3 739	96 489	12 931	**1 772 511**
Restated opening balance	**393 110**	**1 071 236**	**166 028**	**28 978**	**3 739**	**96 489**	**12 931**	**1 772 511**
Increase due to a new lease contract	1 805	5	4 287	20 266	2 443	360	-	**29 166**
Increase(decrease) due to lease changes	6 213	(119)	2 501	(792)	474	13	-	**8 290**
Business acquisition	34 931	-	1 199	-	-	33	-	**36 163**
Other movements	(677)	4 186	(470)	-	(134)	2 382	34	**5 321**
Closing balance	**435 382**	**1 075 308**	**173 545**	**48 452**	**6 522**	**99 277**	**12 965**	**1 851 451**
ACCUMULATED DEPRECIATION								
Opening balance	-	-	-	-	-	-	-	-
Impact of IFRS 16	-	(25 384)	-	-	-	(15 987)	-	**(41 371)**
Restated opening balance	**-**	**(25 384)**	**-**	**-**	**-**	**(15 987)**	**-**	**(41 371)**
Depreciation for the period	(14 019)	(24 363)	(11 307)	(12 787)	(1 474)	(3 636)	-	**(67 586)**
Increase of impairment	-	(1 492)	(21)	(5 512)	(55)	-	-	**(7 080)**
Other movements	19	184	10	-	26	-	-	**239**
Closing balance	**(14 000)**	**(51 055)**	**(11 318)**	**(18 299)**	**(1 503)**	**(19 623)**	**-**	**(115 798)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOI	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**421 382**	**1 024 253**	**162 227**	**30 153**	**5 019**	**79 654**	**12 965**	**1 735 653**

20. Goodwill

Operating segment	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Distribution	25 602	25 602
Other	581	581
Total	**26 183**	**26 183**

Impairment tests

Having analysed the observed market and regulatory phenomena, it was concluded that in the expected perspective they are not significant factors whose impact causes the legitimacy of changes in long-term forecasts compared to information available as at 30 June 2020. Therefore, the results of the recent impairment tests of goodwill carried out as at 30 June 2020 were deemed valid.

The impairment test performed as at 30 June 2020 did not reveal impairment of the carrying amount of goodwill.

The test was carried out with reference to net assets increased by goodwill in the Distribution segment and other activities. The recoverable amount in each company was determined based on the value in use.

The test was performed based on the present value of projected cash flows from operations. The calculations were made on the basis of detailed forecasts until 2025 and the estimated residual value, with the forecasts covering the entire period of their operation for the mining units. Reliance on projections covering a period longer than 5 years results mainly from the fact that investment processes in the power industry are time-consuming. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed on the market. Projections also take into account changes in the regulatory environment known as at the date of the test.

The level of weighted average cost of capital (WACC) assumed for calculations during the projection period for individual CGUs, as used in the calculations, ranges from 6.44% to 7.61% in nominal terms before tax, taking into account the risk free rate determined by reference to the yield on 10-year treasury bonds (1.99%) and the risk premium for operations appropriate for the power industry (6.75%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is 2.5% and it corresponds to the estimated long-term inflation rate. As at 30 June 2020, the level of WACC decreased compared to the level as at 31 December 2019 mainly due to a decrease of the risk-free rate and an increase in the cost of debt with the simultaneous increase of market risk premium.

(in PLN thousand)

The key assumptions affecting the estimated value in use and the discount rates applied during tests:

Operating segment	Key assumptions	Discount rate (before tax) assumed in tests as at:	
		30 June 2020 *(unaudited)*	31 December 2019
Distribution	Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return level depends on the Regulatory Value of Assets. Maintaining generation capacity of the existing non-current assets as a result of replacement investments.	6.44%	7.02%

21. Energy certificates and CO2 emission allowances

21.1. Long-term energy certificates and CO2 emission allowances

	9-month period ended 30 September 2020 *(unaudited)*			9-month period ended 30 September 2019 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**306 221**	**161 976**	**468 197**	**208 585**	**453 018**	**661 603**
Direct purchase	126 389	-	**126 389**	150 137	-	**150 137**
Reclassification	(289 137)	(112 335)	**(401 472)**	(191 943)	(406 301)	**(598 244)**
Closing balance	**143 473**	**49 641**	**193 114**	**166 779**	**46 717**	**213 496**

21.2. Short-term energy certificates and CO_2 emission allowances

	9-month period ended 30 September 2020 *(unaudited)*			9-month period ended 30 September 2019 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**594 968**	**690 225**	**1 285 193**	**90 267**	**111 396**	**201 663**
Direct purchase	155 784	168 532	**324 316**	310 690	-	**310 690**
Generated internally	162 893	-	**162 893**	92 558	-	**92 558**
Business acquisition	-	-	**-**	10 658	-	**10 658**
Surrendered	(595 541)	(776 602)	**(1 372 143)**	(165 801)	(113 647)	**(279 448)**
Reclassification	289 137	112 335	**401 472**	191 943	406 301	**598 244**
Transfers to assets held for sale	(46)	(14 201)	**(14 247)**	-	-	**-**
Closing balance	**607 195**	**180 289**	**787 484**	**530 315**	**404 050**	**934 365**

The increase in the redemption of CO_2 emission allowances is described in Note 37 of these interim condensed consolidated financial statements.

(in PLN thousand)

22. Other Intangible Assets

9 month-period ended 30 September 2020 *(not audited)*

	Development expenses	Perpetual usufruct right	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST						
Opening balance	**8 946**	**15 605**	**822 069**	**183 967**	**114 253**	**1 144 840**
Direct purchase	-	-	-	-	68 121	**68 121**
Transfer of intangible assets not made available for use	2 695	-	87 951	986	(91 632)	**-**
Sale/Liquidation	(1 309)	-	(18 914)	(99)	(36)	**(20 358)**
Transfers to/from assets held for sale	(1 622)	-	(14 590)	(639)	(521)	**(17 372)**
Other movements	3	-	(46)	129	883	**969**
Foreign exchange differences from translation of foreign entity	-	-	(7)	-	-	**(7)**
Closing balance	**8 713**	**15 605**	**876 463**	**184 344**	**91 068**	**1 176 193**
ACCUMULATED AMORTIZATION						
Opening balance	**(6 250)**	**-**	**(562 534)**	**(97 765)**	**(30)**	**(666 579)**
Amortization for the period	(719)	-	(58 975)	(8 066)	-	**(67 760)**
Impairment	(8)	-	(153)	(9)	(5)	**(175)**
Sale/Liquidation	1 306	-	18 914	99	-	**20 319**
Transfers to/from assets held for sale	333	-	12 658	514	-	**13 505**
Foreign exchange differences from translation of foreign entity	-	-	7	-	-	**7**
Closing balance	**(5 338)**	**-**	**(590 083)**	**(105 227)**	**(35)**	**(700 683)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**2 696**	**15 605**	**259 535**	**86 202**	**114 223**	**478 261**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**3 375**	**15 605**	**286 380**	**79 117**	**91 033**	**475 510**

9-month period ended 30 September 2019 *(not audited restated data)*

	Development expenses	Perpetual usufruct right	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST						
Opening balance	**6 403**	**774 682**	**776 434**	**271 336**	**85 486**	**1 914 341**
Impact of IFRS 16	-	(758 941)	-	(94 809)	(12 931)	**(866 681)**
Restated opening balance	**6 403**	**15 741**	**776 434**	**176 527**	**72 555**	**1 047 660**
Direct purchase	-	-	-	-	62 699	**62 699**
Transfer of intangible assets not made available for use	2 543	-	49 711	15 235	(67 489)	**-**
Sale/Liquidation	-	-	(19 897)	(564)	-	**(20 461)**
Other movements	-	-	(391)	354	(643)	**(680)**
Foreign exchange differences from translation of foreign entities	-	-	15	-	-	**15**
Closing balance	**8 946**	**15 741**	**805 872**	**191 552**	**67 122**	**1 089 233**
ACCUMULATED AMORTIZATION						
Opening balance	**(5 744)**	**(25 387)**	**(493 665)**	**(101 835)**	**(7)**	**(626 638)**
Impact of IFRS 16	-	25 387	-	15 987	-	**41 374**
Restated opening balance	**(5 744)**	**-**	**(493 665)**	**(85 848)**	**(7)**	**(585 264)**
Amortization for the period	(173)	-	(67 462)	(9 708)	-	**(77 343)**
Impairment	-	-	(311)	(23)	(10)	**(344)**
Sale/Liquidation	-	-	19 895	545	-	**20 440**
Other movements	-	-	-	(26)	-	**(26)**
Foreign exchange differences from translation of foreign entities	-	-	(15)	-	-	**(15)**
Closing balance	**(5 917)**	**-**	**(541 558)**	**(95 060)**	**(17)**	**(642 552)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**659**	**749 295**	**282 769**	**169 501**	**85 479**	**1 287 703**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**3 029**	**15 741**	**264 314**	**96 492**	**67 105**	**446 681**

Under other intangible assets, the Group presents rights of perpetual usufruct of land in the amount of PLN 15 605 thousand, which refer to the limestone mine belonging to the subsidiary, excluded from IFRS 16 *Leases*.

23. Investments in joint ventures

Investments in joint ventures accounted for using the equity method are presented in the table below:

(in PLN thousand)

	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 30 September 2020 or for the 9-month period ended 30 September 2020 *(unaudited)*	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 31 December 2019 or for the 9-month period ended 30 September 2019 *(unaudited)*
Non-current assets	1 823 980	2 165 838	**3 989 818**	1 623 476	2 186 422	**3 809 898**
Current assets, *including:*	84 632	549 523	**634 155**	136 404	644 722	**781 126**
cash and cash equivalents	*1 132*	*243 560*	***244 692***	*90 830*	*284 503*	***375 333***
Non-current liabilities (-), *including:*	(1 883 127)	(895 417)	**(2 778 544)**	(1 719 704)	(922 262)	**(2 641 966)**
debt	*(1 879 274)*	*(748 739)*	***(2 628 013)***	*(1 716 142)*	*(827 878)*	***(2 544 020)***
Current liabilities (-), *including:*	(634 308)	(610 905)	**(1 245 213)**	(519 395)	(709 111)	**(1 228 506)**
debt	*(26 617)*	*(181 628)*	***(208 245)***	*(34 961)*	*(184 095)*	***(219 056)***
Total net assets	(608 823)	1 209 039	**600 216**	(479 219)	1 199 771	**720 552**
Share in net assets	(304 412)	604 520	**300 108**	(239 610)	599 886	**360 276**
Investment in joint ventures	**-**	**563 779**	**563 779**	**-**	**559 144**	**559 144**
Share in revenue of joint ventures	1 300	466 486	**467 786**	284	588 568	**588 852**
Share in profit/(loss) of joint ventures	**-**	**5 757**	**5 757**	**-**	**55 517**	**55 517**
Share in other comprehensive income of joint ventures	**-**	**355**	**355**	**-**	**228**	**228**

* *Presented information concerns the TAMEH HOLDING Sp. z o.o. Capital Group. The value of the interest held in TAMEH HOLDING Sp. z o.o. differs from the value of net assets attributable to the Group, because the cost of shares in TAMEH HOLDING Sp. z o.o. was calculated taking into account the fair value of the share contributed to the joint venture by companies from the ArcelorMittal Capital Group.*

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle established in 2010 on the initiative of TAURON Polska Energia S.A. and PGNiG S.A. The entity was registered to carry out an investment project, i.e. construction of a gas and steam unit fuelled with natural gas in Stalowa Wola with the gross maximum electrical capacity of 450 MWe and the net heat capability of 240 MWt. On 30 September 2020, Elektrociepłownia Stalowa Wola was put into operation.

TAURON Polska Energia S.A. has an indirect share of 50% in the company's capital and in the body performed by TAURON Wytwarzanie S.A. Due to the fact that in 2015 the accumulated share of losses of the joint venture and the adjustment to "top-down" transactions between the Group companies and the joint venture exceeded the value of the interest in the joint venture, the Company discontinued to recognize its share of any further losses of the joint venture.

In addition, the Company has receivables due to loans granted to Elektrociepłownia Stalowa Wola S.A. in the carrying amount of PLN 318 472 thousand, as further described in note 24 to these interim condensed consolidated financial statements.

Judgement of the Court of Arbitration at the Polish Chamber of Commerce on the claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A. and proceedings between Abener Energia S.A. and Elektrociepłownia Stalowa Wola S.A.

On 25 April 2019, a judgement of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw (“Judgment”) was issued in the case brought by Abener Energia S.A. ("Abener") against Elektrociepłownia Stalowa Wola S.A. ("ECSW"), a joint venture of the TAURON Group, in which the Company holds, indirectly through its subsidiary TAURON Wytwarzanie S.A., 50% of shares in the share capital.

The proceedings before the Court of Arbitration concerned a claim for payment, for establishing the legal relationship and for the obligation to submit a declaration of intent in connection with the terminated contract concluded between Abener (general contractor) and ECSW (contracting authority) for the construction of a CCGT unit in Stalowa Wola. Under the Judgement, ECSW was obligated to pay to Abener the amount of PLN 333 793 thousand together with statutory interest for delay and costs of the arbitration proceedings. On 24 June 2019, ECSW filed a complaint with the Court of Appeals in Rzeszów for the revocation of the judgement.

On 22 September 2020, the Court of Appeals in Rzeszów dismissed the appeal filed by the ECSW for revoking the Judgement and on 29 September 2020 declared the Judgement enforceable. The ECSW submitted an application for service of the above mentioned judgement regarding the complaint consideration along with its justification.

Moreover, on 25 September 2020, ECSW submitted an application to the Court of Appeal in Rzeszów for suspending the enforceability of the Judgement until the cassation appeal has been examined and on 7 October 2020 a complaint against the decision to make the Judgment enforceable.

After the balance sheet date, on 20 October 2020, the ECSW received a copy of the judgement with a justification. As at the date of approval of these interim condensed consolidated financial statements for publication, an analysis is underway as to whether a cassation appeal to the Supreme Court is justified.

(in PLN thousand)

In connection with the above Judgement Elektrociepłownia Stalowa Wola S.A. recognised in the statement of financial position for 2018 a provision in the amount of PLN 397 965 thousand, which reduced the share in net assets attributable to the TAURON Group. In 2019, the provision was increased by accrued interest of PLN 23 366 thousand, and in the 9-month period ended 30 September 2020 by PLN 15 382 thousand.

On 20 December 2019, ECSW received a new suit filed by Abener with the Court of Arbitration. The subject matter of the statement of claim is the payment by ECSW to Abener of the total amount of PLN 156 447 thousand and EUR 537 thousand together with statutory interest for late payment as compensation for damages resulting from requesting and obtaining by the ECSW at Abener's expense the payment from the performance bond or possibly returning the unjustified enrichment obtained by the ECSW at Abener's expense in connection with obtaining payment from the performance bond. The performance bond was granted to ECSW by Abener pursuant to the contract concluded between the parties for the construction of the CCGT unit in Stalowa Wola. The statement of claim was filed by ECSW on 20 March 2020. The assessment of the claims and the grounds on which they are based indicates that they are unfounded. The arbitration proceedings are pending.

After the balance sheet date, on 19 October 2020, ECSW filed a lawsuit to the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against Abener for the payment by Abener to ECSW of PLN 198 664 thousand and EUR 461 thousand, together with interest, as compensation for the damage corresponding to the costs of removal of defects, faults and failures of works, supplies and services performed by Abener during the performance of the aforementioned contract. The proceedings are pending.

The CCGT unit construction contract concluded between ECSW and Abener does not contain any regulations obliging the Company to pay remuneration to Abener in any form for ECSW.

TAMEH HOLDING Sp. z o.o. and subsidiaries

In 2014 a shareholders' agreement was concluded by and between the TAURON Group and the ArcelorMittal Group regarding TAMEH HOLDING Sp. z o.o., which is responsible for investment and operational projects related to the industrial power sector. The duration of the agreement is 15 years and may be extended. Each capital group holds 50% of shares in TAMEH HOLDING Sp. z o.o.

TAMEH HOLDING Sp. z o.o. holds 100% of shares in TAMEH POLSKA Sp. z o.o., incorporated by the following entities contributed by the TAURON Group: Zakład Wytwarzania Nowa and Elektrownia Blachownia along with Kraków Heat and Power Plant contributed by the ArcelorMittal Group. Moreover, TAMEH HOLDING Sp. z o.o. holds 100% of shares in TAMEH Czech s.r.o., based on the Ostrava Heat and Power Plant.

24. Loans granted to joint ventures

Loans granted to the joint venture Elektrociepłownia Stalowa Wola S.A. as at 30 September 2020 and 31 December 2019 are presented in the table below:

	Loan amount	As at 30 September 2020 *(unaudited)*			As at 31 December 2019			Maturity date	Interest rate
		Gross value	Impairment allowance	Carrying amount	Gross value	Impairment allowance	Carrying amount		
Loans measured at fair value									
Debt consolidation agreement	609 951	227 754	n.a.	**227 754**	216 018	n.a.	**216 018**	30.06.2033	fixed
Loans measured at amortized cost									
VAT loan	15 000	9 611	(190)	**9 421**	5 109	(110)	**4 999**	31.03.2021	WIBOR 1M+mark-up
Other loans	7 290	8 373	(310)	**8 063**	7 955	(218)	**7 737**	30.06.2033	fixed
	9 500	9 678	(360)	**9 318**	9 197	(252)	**8 945**		
	5 175	5 782	(215)	**5 567**	5 485	(150)	**5 335**		
	59 175	60 599	(2 250)	**58 349**	-	-	-		
Total		**321 797**	**(3 325)**	**318 472**	**243 764**	**(730)**	**243 034**		
Non-current		312 186	(3 135)	**309 051**	238 655	(620)	**238 035**		
Current		9 611	(190)	**9 421**	5 109	(110)	**4 999**		

Under the agreement consolidating the borrower's debt of 28 February 2018 for the total amount of PLN 609 951 thousand, all existing liabilities of Elektrociepłownia Stalowa Wola S.A. towards the Company resulting from the loans granted and not repaid by 28 February 2018 were renewed. As at the balance sheet date, the nominal amount of the loan is PLN 310 851 thousand (the capital of PLN 299 100 thousand was repaid on 30 April 2018). The debt in question is subordinated debt, valued as at the balance sheet date at fair value of PLN 227 754 thousand.

Taking into account the impact of the epidemiological situation related to COVID-19 resulted decreasing the fair value of the agreement consolidating the debt by the amount of PLN 5 910 thousand and an increase in revaluation write-offs on loans measured at amortised cost by PLN 2 265 thousand. The estimates taking into account the uncertainties relating to the effect of the impact of COVID-19 on the value of loans granted Elektrociepłownia Stalowa Wola S.A. are further described in Note 6.1 of these interim condensed consolidated financial statements.

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

On 20 February 2020, the Company and Elektrociepłownia Stalowa Wola S.A. entered into a loan agreement of up to PLN 59 175 thousand to finance liabilities related mainly to the completion of the construction of the gas-steam unit and the Back-Up Heat Source in Stalowa Wola. A security for the repayment of the loan, accrued interest, costs and other amounts due to the Company under the agreement is a blank promissory note of the borrower together with a promissory note declaration. As at the balance sheet date, the amount of the loan granted was equal to the maximum amount of the loan limit resulting from the agreement in question.

The increase in the gross value of the VAT loan in the amount of PLN 4 502 thousand results mainly from granting loan tranches in the 9-month period ended 30 September 2020 in the total amount of PLN 13 600 thousand and repayment of the loan tranche by Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 9 100 thousand. On 30 September 2020, an annex to the VAT loan agreement was concluded, under which the loan repayment date was extended to 31 March 2021.

After the balance sheet date, on 16 October 2020 the Company and Elektrociepłownia Stalowa Wola S.A. concluded a loan agreement of up to the amount of PLN 35 000 thousand to secure operational activities and electricity trading activities. Pursuant to the agreement, the repayment of the loan with interest accrued based on a fixed interest rate will take place until 30 June 2033, and the loan, accrued interest, costs and other amounts due to the Company arising from the loan agreement are secured by a blank promissory note of the borrower with a promissory note declaration.

25. Other financial assets

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Derivative instruments	448 759	105 529
Variation margin deposits arising from stock exchange transactions	118 670	25 113
Shares	116 617	140 508
Receivables due to financial compensation for traiding companies	66 448	151 114
Deposits and term deposits for Mining Decommissioning Fund	53 483	50 228
Initial deposits arising from stock exchange transactions	51 346	184 353
Bid bonds, deposits and collateral transferred	36 167	131 192
Investment fund units	-	26 622
Loans granted	19 505	12 451
Other	10 442	7 447
Total	**921 437**	**834 557**
Non-current	220 294	235 522
Current	701 143	599 035

As at 30 September 2020, assets on account of positive valuation of derivatives refer to commodity derivatives (including a significant part of forwards on account of transactions for which the underlying commodity are CO_2 emission allowances) and currency forwards. Due to the market situation in the current reporting period related mainly to COVID-19, significant changes in commodity derivative prices and weakening of the Polish zloty, in the 9-month period ended 30 September 2020 there was an increase in assets due to valuation of the above derivatives compared to the end of 2019. Derivatives have been presented in detail in Note 47.2 hereto.

Variation and initial margins are related mostly to futures transactions on the CO_2 emissions allowances concluded on foreign regulated markets. The change in the value of margins compared to the comparable period results mainly from the Company's position on the stock exchange as at the balance sheet date and, in the case of variation margins, also from an increase in the prices of allowances. Variation margins stated as cash paid by the Company arising from current stock exchange transitions, due to change in valuation of futures contracts, open as at the end of reported period.

As at 30 September 2020 the shares held by the Group are mainly shares in the following entities:

- SCE Jaworzno III Sp. z o.o., in the amount of PLN 29 476 thousand;
- EEC Magenta Sp. z o.o. 2 ASI SKA, in the amount of PLN 19 116 thousand.
- AVAL-1 Sp. z o.o., in the amount of PLN 16 631 thousand;

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

- PGE EJ 1 Sp. z o.o., in the amount of PLN 14 402 thousand;
- ElectroMobility Poland S.A., in the amount of PLN 11 847 thousand;

The decrease in the value of shares is related to the reclassification of the assets of the subsidiary TAURON Ciepło Sp. z o.o. to assets classified as held for sale, as a result of which the shares held in other companies were recognised in the asset item classified as held for sale.

The value of bid bonds, security deposits and collaterals transferred relates mainly to collaterals transferred under the settlement guarantee system of the Izba Rozliczeniowa Giełd Towarowych S.A. As at 30 September 2020, the hedges on this account amounted to PLN 15 672 thousand and as at 31 December 2019 – PLN 82 607 thousand.

Receivables from compensation for trading companies for the fourth quarter of 2019 in the amount of PLN 151 114 thousand, due to trading companies under *the Act on Amending the Excise Tax Act and certain other acts* was received in full within the 9-month period ended 30 September 2020. At the same time, as of 30 September 2020, the Group has receivables on account of compensations for trading companies, which result from applications for adjustment of the price difference and financial compensation for the entire year 2019 submitted by trading companies on 28 September 2020, as further described in note 12 of these interim condensed consolidated financial statements.

26. Other non-financial assets

26.1. Other non-current non-financial assets

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Prepayments for assets under construction and intangible assets *including:*	78 032	79 296
related to project realization: Construction of 910 MW Power Unit in Jaworzno	*69 458*	*74 774*
Prepayments for debt charges	9 408	10 767
Contract acquisition costs and costs of discounts	9 559	3 365
Other prepayments	32 927	58 860
Total	**129 926**	**152 288**

26.2. Other current non-financial assets

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Costs settled over time	**71 047**	**87 416**
IT, telecom and postal services	18 683	24 449
Property and tort insurance	22 131	45 222
Contract acquisition costs and costs of discounts	13 786	8 399
Prepayments for debt charges	5 231	3 796
Other prepayments	11 216	5 550
Other current non-financial assets	**36 501**	**12 859**
Advance payments for deliveries	3 311	3 521
Surplus of Social Benefit Foud assets over liabilities	5 042	825
Transfers made to the Social Benefit Fund	17 693	-
Other current assets	10 455	8 513
Total	**107 548**	**100 275**

(in PLN thousand)

27. Deferred income tax

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	1 891 429	1 880 816
difference between tax base and carrying amount of financial assets	102 273	48 137
different timing of recognition of sales revenue for tax purposes	293 861	327 914
difference between tax base and carrying amount of energy certificates	14 211	17 623
other	48 247	66 780
Deferred tax liabilities	**2 350 021**	**2 341 270**
provisions and accruals	646 726	665 886
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	492 912	495 875
power infrastructure received free of charge and received connection fees	4 391	7 859
difference between tax base and carrying amount of financial assets and financial liabilities	434 101	292 771
different timing of recognition of sales revenue and cost of sales for tax purposes	232 527	277 964
tax losses	10 434	6 533
other	23 748	11 185
Deferred tax assets	**1 844 839**	**1 758 073**
Impairment of deferred tax assets	(257 467)	-
Deferred tax assets after impairment	**1 587 372**	**1 758 073**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**30 240**	**22 088**
Deferred tax liability	**(792 889)**	**(605 285)**

As at 30 September 2020 and 31 December 2019, the deferred tax assets was set off against deferred tax liability of companies from the Tax Group of Companies ("TGC") due to the fact that the said companies had filed a combined tax return under the agreements Tax Group of Companies.

In the 9-month period ended 30 September 2020, the Group recognized a revaluation write-off on the company's deferred tax assets relating to assets and liabilities of the company from the Mining segment in the amount of PLN 257 467 thousand, which is also described in more detail in Note 16 to these interim condensed consolidated financial statements. The recognition of the above write-down results, among others, from the assumptions adopted for the analysis of the recoverability of the deferred tax asset in terms of the composition of the future Tax Group for years 2021-2023 under which TAURON Wydobycie S.A. was not included. After the balance sheet date, on 9 November 2020, a notarial deed was signed - an agreement to establish the Tax Capital Group for 2021-2023. On 10 November 2020, an application was sent to the 1st Silesian Tax Office to register the Tax Capital Group.

28. Inventories

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Gross value		
Coal, *of which:*	478 635	557 472
Raw materials	*116 081*	*253 514*
Semi-finished goods and work-in-progress	*359 110*	*295 471*
CO_2 emission allowances	22 504	-
Other inventories	160 479	137 906
Total	**661 618**	**695 378**
Measurement to fair value		
CO_2 emission allowances	(90)	-
Measurement to net realisable value		
Coal	(263)	-
Other inventories	(4 637)	(11 226)
Total	**(4 990)**	**(11 226)**
Fair value		
CO_2 emission allowances	22 414	-
Net realisable value		
Coal, *of which:*	478 372	557 472
Raw materials	*116 081*	*253 514*
Semi-finished goods and work-in-progress	*359 110*	*295 471*
Other inventories	155 842	126 680
Total	**656 628**	**684 152**

(in PLN thousand)

29. Receivables from buyers

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Value of items before allowance/write-down		
Receivables from buyers	1 540 809	1 616 813
Receivables from buyers – additional assessment of revenue from sales of electricity and distribution services	787 148	689 395
Receivables claimed at court	180 086	213 900
Total	**2 508 043**	**2 520 108**
Allowance/write-down		
Receivables from buyers	(55 736)	(39 655)
Receivables claimed at court	(180 086)	(189 707)
Total	**(235 822)**	**(229 362)**
Value of item net of allowance (carrying amount)		
Receivables from buyers	1 485 073	1 577 158
Receivables from buyers – additional assessment of revenue from sales of electricity and distribution services	787 148	689 395
Receivables claimed at court	-	24 193
Total, *of which:*	**2 272 221**	**2 290 746**
Current	2 272 220	2 290 746

Taking into account the impact of COVID-19 on the level of write-offs for expected credit losses of receivables from customers resulted in an increase of the above write-downs by PLN 14 842 thousand, which is described in more detail in Note 6.1 hereto.

30. Receivables arising from other taxes and charges

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
VAT receivables	112 562	362 745
Excise duty receivables	5 941	10 974
Other	5 611	10 995
Total	**124 114**	**384 714**

The decrease in VAT receivables results mainly from the settlement of VAT receivables as at 31 December 2019 in the companies of the Generation segment in the first quarter 2020 in the amount of PLN 160 528 thousand, resulting from transactions of acquisition of CO_2 emission allowances by these companies from the parent company.

31. Cash and cash equivalents

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Cash at bank and in hand	403 853	1 231 112
Short-term deposits (up to 3 months)	15 534	4 898
Other	18	1 942
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**419 405**	**1 237 952**
restricted cash, *including:*	245 097	729 450
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*157 019*	*599 059*
bank accounts related to subsidies received	*41 435*	*71 606*
cash on VAT bank accounts (split payment)	*37 671*	*58 428*
Bank overdraft	(8 700)	(23 339)
Cash pool	(16 332)	(10 973)
Cash reclassifed to assets held for sale	5 181	-
Foreign exchange	23	(39)
Total cash and cash equivalents presented in the statement of cash flows	**399 577**	**1 203 601**

(in PLN thousand)

The decrease of the balance of restricted cash resources in relation to the comparable period in total amount of PLN 484 353 thousand concerns mainly the clearings with the Warsaw Commodity Clearing House. (decrease of the cash balance by the amount of PLN 442 040 thousand) and results from decrease of the value of required collateral margins and establishment of further non-monetary collaterals for the benefit of the Warsaw Commodity Clearing House, which is described in more detail in Note 51 hereto.

The difference between the balance of cash presented in the statement of financial position and the one in the statement of cash flows results from overdrafts, cash pool loans granted by entities not subject to consolidation due to the overall immateriality and exchange gains and losses on measurement of cash on currency accounts.

32. Assets held for sale and liabilities related to assets held for sale

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Disposal group assets classified as held for sale, *including:*	1 715 232	-
Property, plant and equipment	*1 404 165*	-
Right-of-use assets	*88 736*	-
Other non-current assets	*55 807*	-
Inventories	*88 823*	-
Receivables from buyers	*45 914*	-
Other current assets	*31 787*	-
Other non-current assets classified as held for sale	23 257	22 710
Total	**1 738 489**	**22 710**
	-	-
Disposal group liabilities classified as held for sale, *including:*	373 232	-
Accruals, deferred income and government grants	*94 175*	-
Other non-current liabilities	*80 886*	-
Provisions for liabilities due to energy certificates and CO_2 emission allowances	*75 497*	-
Other provisions	*47 479*	-
Other current liabilities	*75 195*	-
Other liabilities directly related to non-current assets classified as held for sale	8 820	8 936
Total	**382 052**	**8 936**

The Group classified as held for sale are the net assets of TAURON Ciepło Sp. z o.o., as described in more detail in Note 17 of these interim condensed consolidated financial statements.

As at the balance sheet date, the Group assessed that in relation to the assets and liabilities of TAURON Ciepło Sp. z o.o., the conditions resulting from IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were met with respect to classification of the above assets as disposal group as held for sale, in particular the net assets are, in the Company's opinion, available for immediate sale in their current state, taking into account only normal and customary conditions for sales. Therefore, the Group reclassified the assets and liabilities of TAURON Ciepło Sp. z o.o. as disposal groups to the following items, respectively: assets classified as held for sale and liabilities related to assets held for sale. As at the date of the above reclassification of the disposal group, the Group performed its valuation at fair value, which is described in more detail in note 17 hereto. The fair value was estimated at PLN 1 342 000 thousand. Due to the fact that the fair value is lower than the current carrying amount of the disposal group amounting to PLN 2 164 009 thousand, the Group recognized an impairment loss on non-financial fixed assets in the amount of PLN 822 009 thousand, which decreased the value of:

- tangible fixed assets in the amount of PLN 771 866 thousand,
- rights to use assets in the amount of PLN 48 778 thousand,
- intangible assets in the amount of PLN 1 365 thousand.

(in PLN thousand)

33. Equity

33.1. Issued capital

Issued capital as at 30 September 2020 *(not audited)*

Class/ issue	Type of shares	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value	Method of payment
AA	bearer shares	1 589 438 762	5	7 947 194	cash/in-kind contribution
BB	registered shares	163 110 632	5	815 553	in-kind contribution
	Total	**1 752 549 394**		**8 762 747**	

As at 30 September 2020, the value of issued capital, the number of shares and the par value of shares had not changed as compared to 31 December 2019.

Shareholding structure as at 30 September 2020 and 31 December 2019 *(to the best of the Company's knowledge)*

Shareholder	Number of shares	Nominal value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	910 553	10.39%	10.39%
Nationale - Nederlanden Otwarty Fundusz Emerytalny	88 742 929	443 715	5.06%	5.06%
Other shareholders	954 847 515	4 774 237	54.49%	54.49%
Total	**1 752 549 394**	**8 762 747**	**100%**	**100%**

33.2. Shareholder rights

The voting rights of the shareholders holding more than 10% of the total votes in the Company have been limited in such a manner that none of them is entitled to exercise the right to more than 10% of votes at the General Shareholders' Meeting of the Company.

The voting right limitation mentioned above does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company entitling to not less than 25% of the total votes in the Company.

33.3. Reserve capital

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Amounts subject to distribution	**4 886 520**	**4 886 520**
Amounts from distribution of prior years profits	4 886 520	4 886 520
Non-distributable amounts	**1 452 234**	**1 915 064**
Decrease in the value of issued capital	1 217 354	1 680 184
Settlement of mergers with subsidiaries	234 880	234 880
Total reserve capital	**6 338 754**	**6 801 584**

33.4. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**15 666**	**3 371**
Remeasurement of hedging instruments	(107 550)	(1 902)
Remeasurement of hedging instruments charged to profit or loss	(14 160)	310
Deferred income tax	23 125	302
Closing balance	**(82 919)**	**2 081**

(in PLN thousand)

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from debt, which has been discussed in more detail in Note 47.2 to these interim condensed consolidated financial statements.
For concluded hedging transactions covered by the financial risk management policy, the Company applies hedge accounting.

As at 30 September 2020, the Company recognised PLN (82 919) thousand of revaluation reserve from valuation of hedging instruments. It represents a liability arising from valuation of interest rate swaps as at the end of the reporting period, totalling PLN 116 408 thousand, adjusted by a portion of valuation relating to interest accrued on debt as at the end of the reporting period, including deferred tax.

33.5. Retained earnings and accumulated losses and restrictions on dividend payment

Prior year profit/loss arising from settlement of business combinations with subsidiaries and actuarial gains and losses related to provisions for post-employment benefits recognized through other comprehensive income are not distributable.

As at 30 September 2020 and as at the date of approving these interim condensed consolidated financial statements for publication no other dividend restriction occurred.

On 29 March 2020, the Management Board of TAURON Polska Energia S.A. adopted a resolution on submitting a motion to the Ordinary General Meeting of TAURON Polska Energia S.A. to cover the Company's net loss for the financial year 2019 in the amount of PLN 462 830 thousand from the Company's reserve capital. On 15 July 2020, the Ordinary General Meeting of Shareholders of the Company adopted a resolution in accordance with the recommendation of the Management Board.

33.6. Non-controlling interest

The non-controlling interest of PLN 897 087 thousand relates mainly to the shares in the share capital of the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. taken up by the Infrastructure Investments Fund - Closed-end Private Assets Capital Investment Fund and PFR Inwestycje Fundusz Inwestycji Zamkniętych totaling PLN 880 000 thousand.

33.7. Dividends paid and proposed

In the 9-month period ended 30 September 2020 and in the comparative period, the Company did not propose to pay or pay any dividends to its shareholders.

34. Debt

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Unsubordinated bonds	4 535 682	4 343 595
Subordinated bonds	2 063 048	1 913 427
Loans and borrowings	5 972 400	7 050 651
Lease liabilities	955 970	1 006 603
Total	**13 527 100**	**14 314 276**
Non-current	12 158 038	11 830 183
Current	1 369 062	2 484 093

(in PLN thousand)

34.1. Bonds issued

Bonds issued as at 30 September 2020 *(not audited)*

Issuer	Investor	Interest	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date			of which maturing within *(after the balance sheet date):*			
						Total carrying amount	Interest accrued	Principal at amortised cost	up to 1 year	1-2 years	2-5 years	Over 5 years
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	800 000	2021-2028	802 810	3 928	798 882	-	99 941	299 647	399 294
				630 000	2021-2029	632 756	3 006	629 750	-	69 987	209 930	349 833
	BNP Paribas Bank Polska S.A.[1]	floating, based on WIBOR 6M	PLN	6 300	9.11.2020	6 345	46	6 299	6 299	-	-	-
				51 000	29.12.2020	51 179	189	50 990	50 990	-	-	-
	Eurobonds	fixed	EUR	500 000	5.07.2027	2 263 403	12 960	2 250 443	-	-	-	2 250 443
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168 000	3.12.2029	779 189	22 242	756 947	-	-	-	756 947
Unsubordinated bonds						**4 535 682**	**42 371**	**4 493 311**	**57 289**	**169 928**	**509 577**	**3 756 517**
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[3]	404 270	4 842	399 428	-	-	-	399 428
	European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	880 923	31 407	849 516	-	-	849 516	-
			PLN	400 000	17.12.2030[3]	415 174	23 943	391 231	-	-	-	391 231
			PLN	350 000	19.12.2030[3]	362 681	20 362	342 319	-	-	-	342 319
Subordinated bonds						**2 063 048**	**80 554**	**1 982 494**	**-**	**-**	**849 516**	**1 132 978**
Total bonds issued						**6 598 730**	**122 925**	**6 475 805**	**57 289**	**169 928**	**1 359 093**	**4 889 495**

[1] *Bond Issue Scheme dated 24 November 2015*
[2] *In the case of hybrid (subordinated) financing - bonds covered by the European Investment Bank, two 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.*
[3] *In the case of subordinated bonds, the maturity shall take into account the two financing periods referred to below. The redemption dates presented in the table above are the final contractual redemption dates after two financing periods. The valuation of bonds as at the balance sheet date takes into account the earlier redemption, due to the intention to redeem the bonds after the first financing period. The ageing takes into account the repayment estimate after the first financing period.*

Bonds issued as at 31 December 2019

Issuer	Investor	Interest	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date			of which maturing within *(after the balance sheet date):*			
						Total carrying amount	Interest accrued	Principal at amortised cost	up to 1 year	1-2 years	2-5 years	Over 5 years
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	800 000	2021-2028	799 551	856	798 695	-	99 906	299 568	399 221
				630 000	2021-2029	630 368	657	629 711	-	69 980	209 914	349 817
	BNP Paribas Bank Polska S.A.[1]	floating, based on WIBOR 6M	PLN	3 100	25.03.2020	3 123	24	3 099	3 099	-	-	-
				6 300	9.11.2020	6 323	27	6 296	6 296	-	-	-
				51 000	29.12.2020	50 979	13	50 966	50 966	-	-	-
	Eurobonds	fixed	EUR	500 000	5.07.2027	2 140 700	24 870	2 115 830	-	-	-	2 115 830
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168 000	3.12.2029	712 551	2 127	710 424	-	-	-	710 424
Unsubordinated bonds						**4 343 595**	**28 574**	**4 315 021**	**60 361**	**169 886**	**509 482**	**3 575 292**
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[3]	400 123	761	399 362	-	-	-	399 362
	European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	771 161	1 630	769 531	-	-	769 531	-
			PLN	400 000	17.12.2030[3]	395 901	1 243	394 658	-	-	-	394 658
			PLN	350 000	19.12.2030[3]	346 242	922	345 320	-	-	-	345 320
Subordinated bonds						**1 913 427**	**4 556**	**1 908 871**	**-**	**-**	**769 531**	**1 139 340**
Total bonds issued				-		**6 257 022**	**33 130**	**6 223 892**	**60 361**	**169 886**	**1 279 013**	**4 714 632**

[1] *Bond Issue Scheme dated 24 November 2015*
[2] *In the case of hybrid (subordinated) financing - bonds covered by the European Investment Bank, two 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.*
[3] *In the case of subordinated bonds, the maturity shall take into account the two financing periods referred to below. The redemption dates presented in the table above are the final contractual redemption dates after two financing periods. The valuation of bonds as at the balance sheet date takes into account the earlier redemption, due to the intention to redeem the bonds after the first financing period. The ageing takes into account the repayment estimate after the first financing period.*

The Company has issued unsecured coupon bonds priced at the nominal value, except for Eurobonds with the issue price accounting for 99.44% of the nominal value. The eurobonds have been admitted to trading on the London Stock Exchange.

Bonds acquired by the European Investment Bank ("EIB") are subordinated, which means that they have priority of satisfaction only before the amounts due to the Company's shareholders in the event of its bankruptcy or liquidation. This in turn has a positive impact on the Company's financial stability, as the bonds are excluded from the calculation of the net debt/EBITDA ratio, which is a covenant in some financing agreements concluded by the Company. Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a beneficial effect on the rating of the TAURON Group.

(in PLN thousand)

In the case of bonds covered by the EIB, two financing periods are distinguished. The Company cannot early buy-back the bonds in the first (non-call) period, nor can EIB early sell them to third parties (in both cases except for cases indicated in the subscription agreement). The interest rate during this period is fixed, while after the non-call period the interest rate is variable based on the base rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) plus a fixed margin. In the case of bonds issued in PLN, the maturity date was set at 12 years from the issue date, i.e. 17 and 19 December 2030, while according to the characteristics of hybrid financing, the first financing period was defined as 7 years and the next one as 5 years. In the case of bonds issued in EUR, the maturity date was set at 18 years from the issue date, i.e. 16 December 2034, while according to the characteristics of hybrid financing, the first financing period was defined as 8 years and the next one as 10 years.

The bonds issued under the agreement of 6 September 2017 concluded with Bank Gospodarstwa Krajowego with a nominal value of PLN 400 000 thousand are also of a subordinated nature. In the case of these bonds, two periods are also distinguished. In the first 7-year period (the so-called non-call), it is not possible for the Company to redeem the bonds early and it is not possible for BGK to sell them to third parties (in both cases, subject to exceptions specified in the documentation). The interest rate is variable based on WIBOR 6M plus a fixed margin, with the margin being additionally increased after the 7-year financing period.

Changes in the balance of bonds, excluding interest which increase their carrying amount

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**6 223 892**	**10 034 904**
Issue*	-	499 312
Redemption	(3 100)	(670 000)
Replacing bond issue scheme with loan arrangement	-	(1 839 600)
Change in valuation	255 013	50 933
Closing balance	**6 475 805**	**8 075 549**

** Costs of issue have been included.*

The change in the bond valuation results mainly from the foreign currency valuation of liabilities incurred in EUR.

Establishment of a bond issue scheme

On 6 February 2020, TAURON Polska Energia S.A. concluded a Scheme Agreement with Santander Bank Polska S.A., under which a bond issue scheme was established ("Scheme") up to a maximum of PLN 2 000 000 thousand. The funds from the bond issue will support the implementation of the Group's energy transformation, including increasing the share of low- and zero-emission sources in its generation structure.

As at the balance sheet date, the Company did not issue under the Schedule.

After the balance sheet date, on 30 October 2020, under the Schedule, the Company issued bonds in the total nominal amount of PLN 1 000 000 thousand. The bonds take the form of unsecured bearer securities denominated in PLN, with a maturity of 5 years. The bonds are intended for trading and listing in the alternative trading system operated by the Warsaw Stock Exchange.

The bond issue conditions include sustainable development indicators in the form of the CO_2 emission reduction index and the RES power increase index, the level of implementation of which has an impact on the bond margin level.

After the balance sheet date, on 9 November 2020, bonds with a nominal value of PLN 6 300 thousand acquired by BNP Paribas Bank Polska S.A. were redeemed by the Company at maturity.

(in PLN thousand)

34.2. Loans and borrowings

Loans and borrowings taken out as at 30 September 2020 *(not audited)*

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within *(after the balance sheet date)*:					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	4 836 353	4 836 353	923 835	3 120	4 211	1 999 831	1 007 392	897 964
	fixed	1 105 118	1 105 118	69 463	88 922	158 385	108 565	636 163	43 620
Total PLN		**5 941 471**	**5 941 471**	**993 298**	**92 042**	**162 596**	**2 108 396**	**1 643 555**	**941 584**
EUR	floating	485	2 194	2 194	-	-	-	-	-
Total EUR		**485**	**2 194**	**2 194**	**-**	**-**	**-**	**-**	**-**
Total			**5 943 665**	**995 492**	**92 042**	**162 596**	**2 108 396**	**1 643 555**	**941 584**
Interest increasing carrying amount			28 735						
Total			**5 972 400**						

Loans and borrowings taken out as at 31 December 2019

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within *(after the balance sheet date)*:					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	6 313 602	6 313 602	1 617 085	503 014	4 135	3 191 792	99 806	897 770
	fixed	690 834	690 834	34 590	122 114	156 704	108 082	196 712	72 632
Total PLN		**7 004 436**	**7 004 436**	**1 651 675**	**625 128**	**160 839**	**3 299 874**	**296 518**	**970 402**
EUR	floating	5 304	22 585	22 585	-	-	-	-	-
Total EUR		**5 304**	**22 585**	**22 585**	**-**	**-**	**-**	**-**	**-**
USD	floating	198	754	754	-	-	-	-	-
Total USD		**198**	**754**	**754**	**-**	**-**	**-**	**-**	**-**
Total			**7 027 775**	**1 675 014**	**625 128**	**160 839**	**3 299 874**	**296 518**	**970 402**
Interest increasing carrying amount			22 876						
Total			**7 050 651**						

The major liabilities due to loans and borrowings have been presented in the table below:

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

Loans/ borrowings	Borrowing institution	Purpose	Interest rate	Maturity date	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Loans	Consortium of banks I	Redemption of bonds, investment expenditures and general expenses of the Group	Floating	28.06.2020 *	-	1 839 159
				02.09.2020 *	-	151 376
				10.09.2020 *	-	302 555
				01.10.2020	606 999	604 070
				14.10.2020	302 589	301 714
				31.01.2020	-	502 358
				30.04.2020	-	502 330
				28.02.2020	-	501 195
				13.01.2020	-	600 868
				14.04.2021*	604 971	-
				30.04.2021*	201 469	-
				29.06.2021*	1 103 208	-
				10.09.2021*	99 985	-
Loans	Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	Floating	20.12.2033	1 001 519	998 458
Loans	European Investment Bank	Construction of a boiler fired with biomass at Jaworzno III Power Plant and renovation of a steam turbine	Fixed	15.12.2021	41 272	40 047
		Construction and start-up of a co-generation unit at EC Bielsko Biała	Fixed	15.12.2021	59 001	57 294
		Modernization and extension of power grid	Fixed	15.06.2024	158 539	175 298
			Fixed	15.09.2024	71 432	89 820
			Fixed	15.09.2024	89 571	112 661
		Modernization and extension of power grid and improvement of hydropower plants	Fixed	15.03.2027	189 207	219 415
Loans	Intesa Sanpaolo S.p.A.	Group's investment expenditure, except for financing or refinancing projects related to coal assets	Floating	19.12.2024	249 845	-
					249 778	-
					249 547	-
Loans	SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	Fixed	23.03.2025	498 754	-
Loans	Consortium of banks II	Group's general corporate expenses, excluding financing and refinancing of any new coalassets-related projects	floating	10.03.2021*	160 028	-
Overdraft facility	Powszechna Kasa Oszczędności Bank Polski S.A.	Financing of ongoing activities	floating	29.12.2020	6 506	-
Overdraft facility	Bank Gospodarstwa Krajowego	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	Floating	31.12.2020	2 194	20 456
Borrowings	Regional Fund for Environmental Protection and Water Management	Construction of renewable power unit at Jaworzno III Power Plant	Floating	15.12.2022	9 000	12 000
Other loans and borrowings					16 986	19 577
Total					**5 972 400**	**7 050 651**

** Tranche classified as a long-term liability*

Pursuant to the provisions of the credit agreement of 19 June 2019 concluded with the bank consortium (Consortium of Banks I), the maximum period for drawing down individual credit tranches is 12 months. However, the financing available under the agreement is revolving, and its availability period is the end of 2022. Due to the intention and ability to maintain financing under the said agreement for a period exceeding 12 months from the balance sheet date with respect to credit tranches with a 12-month repayment date, tranches with a total nominal value of PLN 2 000 000 thousand are presented as a long-term liability. As at 30 September 2020, tranches with a total nominal value of PLN 900 000 thousand are presented as a short-term liability.

Similarly, the syndicated loan taken out under the agreement of 25 March 2020, referred to below, is renewable. The Company may contract financing within the available financing with a selected interest period. According to the agreement, the repayment takes place at the end of the interest period, with the Company having the possibility of taking out financing again. Due to the intention and ability to maintain financing under the said agreement for a period exceeding 12 months from the balance sheet date, the tranche in the amount of PLN 160 000 thousand is presented as a long-term liability as at the balance sheet date.

(in PLN thousand)

Credit agreement with bank SMBC BANK EU AG

On 16 March 2020, TAURON Polska Energia S.A. concluded a credit agreement with SMBC BANK EU AG for the amount of PLN 500 000 thousand, from which funds are used to finance the Group's general corporate objectives, excluding the construction, purchase, expansion of coal-fired power plants and refinancing of any financial commitments or expenses incurred for such purposes.

On 23 March 2020, the Company drew down funds under the agreement in the amount of PLN 500 000 thousand.

Syndicated loan agreement

On 25 March 2020, TAURON Polska Energia S.A. concluded a syndicated credit agreement for the amount of PLN 500 000 thousand with Banca IMI S.p.A., London Branch, Banca IMI S.p.A., Intesa Sanpaolo S.p.A. acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland and China Construction Bank (Europe) S.A. acting through China Construction Bank (Europe) S.A. (Joint-Stock Company) Branch in Poland.

The funds under the loan agreement are used to finance the general corporate objectives of the Company and the TAURON Group, excluding financing of any new projects related to coal assets.

According to the loan agreement, the financing period is 5 years from the date of conclusion of the loan agreement with the possibility of double extension by one year, i.e. up to a maximum of 7 years. The interest rate is calculated on the basis of a variable WIBOR rate appropriate for a given interest period, increased by a margin depending, among other things, on the degree of utilisation of the loan and the fulfilment of environmentally friendly contractual conditions, i.e. reduction of the issue volume and increase of the share of renewable energy sources in the TAURON Group's generation structure.

On 10 September 2020, the Company drew down funds under the agreement in the amount of PLN 160 000 thousand.

The change in the balance of credits and loans without interest increasing the carrying amount in the 9-month period ended 30 September 2020 and in the comparative period is presented in the table below.

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**7 027 775**	**881 582**
Movement in bank overdrafts and cash pool loans received	**(14 510)**	**180 546**
Movement in other loans and borrowings:	**(1 069 600)**	**3 194 765**
Repaid	(7 583 646)	(94 845)
Taken*	6 504 055	1 447 137
Replacing bond issue scheme with loan arrangement*	-	1 837 822
Change in valuation	9 991	4 651
Closing balance	**5 943 665**	**4 256 893**

** Inclusive of the borrowing costs*

During the 9-month period ended on 30 September 2020, the Group carried out the following transactions relating to credits and loans (in nominal value), excluding overdrafts:

Lender	Description	9-month period ended 30 September 2020 *(unaudited)* Drawdown	9-month period ended 30 September 2020 *(unaudited)* Repayment
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to credit agreement deadline	5 100 000	(7 489 600)
Intesa Sanpaolo S.p.A.	Drawdown of 3 tranches of PLN 250 000 thousand each (total available financing)	750 000	
SMBC BANK EU AG	Drawdown of total of available financing	500 000	
Consortium of banks II	First tranche draw down	160 000	
European Investment Bank	Repayment of capital instalments according to schedule		(90 864)
Other borrowings		346	(3 182)
Total, *including:*		**6 510 346**	**(7 583 646)**
Cash flows		2 360 346	(3 433 646)
Net settlement (without cash flow)		4 150 000	(4 150 000)

(in PLN thousand)

Bank overdrafts

As at 30 September 2020 the balance of overdraft facilities amounted to PLN 8 700 thousand (as at 31 December 2019 PLN 23 339 thousand). The available financing and the balance of overdraft facilities of TAURON Polska Energia S.A. broken down into individual agreements for individual balance sheet dates is presented in the table below.

	Bank	Purpose	Currency	Currency financing available	Repayment date	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
						currency	PLN	currency	PLN
intraday limit	PKO BP	intraday limit	PLN	300 000	17.12.2020		-		-
overdraft facility	PKO BP	financing of ongoing operations	PLN	300 000	29.12.2020		6 506		-
	BGK	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	EUR	45 000	31.12.2020	485	2 194	4 804	20 456
	mBank	financing of security deposits and commodity transactions	USD	200	31.03.2020	-	-	198	754
Total							**8 700**		**21 210**

34.3. Debt agreement covenants

The agreements signed by the Company with the banks include legal and financial covenants which are commonly used in such transactions. The key covenant is the net debt to EBITDA ratio (for long-term credit agreements and the national bond issue schemes) which sets the debt less cash in relation to generated EBITDA. The net debt/EBITDA covenant is calculated on the basis of consolidated data as at 30 June and 31 December, and the permissible limit value of the net debt/EBITDA ratio is 3.5.

As at 30 June 2020 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.66 and therefore the covenant was not exceeded.

34.4. Liabilities under lease

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Within 1 year	113 483	110 893
Within 1 to 5 years	287 339	309 789
Within 5 to 10 years	290 601	298 093
Within 10 to 20 years	496 693	500 368
More than 20 years	602 630	708 324
Gross lease liabilities	**1 790 746**	**1 927 467**
Discount	(834 776)	(920 864)
Present value of lease payments	**955 970**	**1 006 603**
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	955 970	1 006 603

35. Provisions for employee benefits

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Provision for post-employment benefits and jubilee bonuses	980 792	1 397 489
Provision for employment termination benefits and other provisions for employee benefits	37 831	34 409
Total	**1 018 623**	**1 431 898**
Non-current	917 882	1 313 480
Current	100 741	118 418

(in PLN thousand)

35.1. Provisions for post-employment benefits and jubilee bonuses

9 month-period ended 30 September 2020 *(not audited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	**378 423**	**450 154**	**119 410**	**449 502**	**1 397 489**
Current service costs	20 441	6 063	3 442	29 254	**59 200**
Actuarial gains and losses	9 253	79 488	13 575	20 267	**122 583**
Benefits paid	(17 035)	(5 970)	(3 102)	(34 823)	**(60 930)**
Past-service costs	-	(533 319)	-	-	**(533 319)**
Interest expense	5 236	3 584	1 826	6 355	**17 001**
Reclassification to liabilities associated with assets held for sale	(21 232)	-	-	-	**(21 232)**
Closing balance	**375 086**	**-**	**135 151**	**470 555**	**980 792**
Non-current	349 981	-	131 051	423 437	**904 469**
Current	25 105	-	4 100	47 118	**76 323**

The costs of past employment result from agreements concluded in May 2020 between the management boards of selected subsidiaries and representative trade unions and signed additional protocols amending the company collective labour agreements in those companies. On the basis of additional protocols, changes were introduced in the scope of cash equivalent payments for the reduced use of electricity by pensioners, disability pensioners and other entitled persons who are not employees of the above companies, which in the meaning of the regulation of IAS 19 *Employee Benefits* were the basis for the release of provisions for the employee tariff.

The total impact of the above-mentioned changes on the release of provisions for employee tariffs in the 9-month period ended 30 September 2020 amounted to PLN 533 319 thousand, of which PLN 299 408 thousand relating to employees as future pensioners reduced the Group's operating expenses, while PLN 233 911 thousand relating to current pensioners increased the Group's other operating income.

9 month-period ended 30 September 2019 *(not audited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	**331 270**	**370 267**	**91 720**	**395 572**	**1 188 829**
Current service costs	11 927	6 800	2 053	17 046	**37 826**
Actuarial gains and losses	(8 755)	-	58	(386)	**(9 083)**
Benefits paid	(16 646)	(5 745)	(2 409)	(34 184)	**(58 984)**
Interest expense	6 690	8 034	1 923	7 867	**24 514**
Closing balance	**324 486**	**379 356**	**93 345**	**385 915**	**1 183 102**
Non-current	294 773	366 320	90 295	344 905	**1 096 293**
Current	29 713	13 036	3 050	41 010	**86 809**

Valuation of provisions for employment benefits

Provisions for post-employment benefits and jubilee bonuses have been estimated using actuarial methods.

The valuation of provisions for employment benefits as at 30 September 2020 was prepared based on actuarial forecasts using a sensitivity analysis in relation to the discount rate level. The assumptions adopted by the actuary to prepare the forecast for 2020 were the same as those adopted for the valuation of provisions as at 31 December 2019. However, taking into account the fact that in this year, the market interest rates dropped, the Group decided to apply a discount rate of 1.5% for provision valuation (as at 31 December 2019 the discount rate was 2.1%), which resulted in an increase in actuarial losses in the 9-month period ended 30 September 2020, compared to the comparable period. The other key actuarial assumptions as at 31 December 2019 to calculate the liability amount presented below have not changed:

(in PLN thousand)

	31 December 2019
Estimated inflation rate (%)	2.50%
Employee rotation rate (%)	0.93% - 8.98%
Estimated salary increase rate (%)	2.50%*
Estimated electricity price increase rate (%)	3.50%
Estimated increase rate for contribution to the Social Fund (%)	3.50%
Remaining average employment period	12.18 – 22.67

** Remuneration growth rate 2.5% since 2021. In 2020, the adopted remuneration growth rate for some companies differs from that adopted for the following years.*

35.2. Provisions for employment termination benefits and other provisions for employee benefits

	9-month period ended 30 September 2020 *(unaudited)*			9-month period ended 30 September 2019 *(unaudited)*		
	Voluntary redundancy schemes	Other provisions	Total	Voluntary redundancy schemes	Other provisions	Total
Opening balance	**21 032**	**13 377**	**34 409**	**31 991**	**10 658**	**42 649**
Recognition	2 851	7 775	**10 626**	409	853	**1 262**
Reversal	(2 423)	-	**(2 423)**	(13 689)	-	**(13 689)**
Utilization	(2 986)	(1 795)	**(4 781)**	(4 811)	(3 142)	**(7 953)**
Closing balance	**18 474**	**19 357**	**37 831**	**13 900**	**8 369**	**22 269**
Non-current	7 470	5 943	**13 413**	8 030	-	**8 030**
Current	11 004	13 414	**24 418**	5 870	8 369	**14 239**

36. Provisions for dismantling fixed assets, restoration of land and other provisions

	9-month period ended 30 September 2020 *(unaudited)*			9-month period ended 30 September 2019 *(unaudited)*		
	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total
Opening balance	**305 885**	**194 082**	**499 967**	**202 599**	**135 878**	**338 477**
Unwinding of the discount	4 667	2 822	**7 489**	4 558	2 805	**7 363**
Discount rate adjustment	77 045	15 252	**92 297**	-	-	**-**
Business acquisition	-	-	**-**	-	60 817	**60 817**
Recognition/(reversal), net	196	(12 852)	**(12 656)**	124	(19 737)	**(19 613)**
Utilisation	-	(1 586)	**(1 586)**	-	(4 211)	**(4 211)**
Closing balance	**387 793**	**197 718**	**585 511**	**207 281**	**175 552**	**382 833**
Non-current	387 394	187 175	**574 569**	207 281	155 403	**362 684**
Current	399	10 543	**10 942**	-	20 149	**20 149**
Other provisions, long-term portion			**101 481**			**83 446**
Total			**676 050**			**446 130**

36.1. Provision for mine decommissioning costs

The provision is recognized for mines included in the Group based on estimated costs of liquidating buildings and reclaiming land after completion of the exploitation process. The provision for mine decommissioning costs includes the balance of the Mine Decommissioning Fund ("MDF"), which is created under the Geological and Mining Law and the related implementing provisions, by the Group's mining companies as a pre-determined ratio of the tax depreciation charge on fixed assets or, for the exploitation fee, the equivalent of the charge transferred to a separate bank account. Financial assets of the Fund are presented in the statement of financial position under non-current and current financial assets, while the balance of the Fund is recognized under the provision for future costs of mine decommissioning.

As at 30 September 2020, the balance of the provision amounted to PLN 387 793 thousand, and the change is primarily related to the revaluation of the provision due to the change in the discount rate adopted for the calculation of the provision - a decrease in the discount rate from 2.1% to 1.5%.

(in PLN thousand)

36.2. Provision for restoration of land and dismantling and removal of fixed assets

The provision for restoration of land and dismantling and removal of fixed assets comprises the following provisions recognized by the Generation and RES segment companies:

- provision for ash pile reclamation costs, which totalled PLN 19 301 thousand as at 30 September 2020 (versus PLN 30 976 thousand as at 31 December 2019);
- provision for windfarm dismantling costs, which totalled PLN 148 727 thousand as at 30 September 2020 (versus PLN 132 860 thousand as at 31 December 2019);
- provision for costs of liquidation of fixed assets – a chimney in Elektrownia Jaworzno as well as cooling towers and a unit in Elektrownia Łagisza and liquidation of assets in Elektrownia Siersza and amounts to PLN 29 690 thousand as at 30 September 2020 (versus PLN 30 246 thousand as at 31 December 2019).

The most significant change in the above provisions was the change in the discount rate adopted for the valuation of provisions as at the balance sheet date - due to a decrease in the discount rate, provisions increased by PLN 15 252 thousand, and the release of the provision for costs related to the rehabilitation of ash storage sites in the amount of PLN 12 382 thousand in connection with a decrease in the area to be reclaimed.

37. Provisions for liabilities due to CO_2 emission and energy certificates

	9-month period ended 30 September 2020 *(unaudited)*			**9-month period ended 30 September 2019 *(unaudited)***		
	Provisions for liabilities due to CO_2 emission allowances	**Provision for obligation to submit energy certificates**	**Provisions total**	**Provisions for liabilities due to CO_2 emission allowances**	**Provision for obligation to submit energy certificates**	**Provisions total**
Opening balance	**772 299**	**605 934**	**1 378 233**	**111 406**	**384 066**	**495 472**
Recognition	624 567	543 051	**1 167 618**	527 016	418 082	**945 098**
Reversal	-	(3 098)	**(3 098)**	(75)	(3 841)	**(3 916)**
Utilisation	(776 602)	(595 707)	**(1 372 309)**	(113 647)	(373 403)	**(487 050)**
Reclassification to liabilities associated with assets held for sale	(56 473)	(3 124)	**(59 597)**	-	-	-
Closing balance	**563 791**	**547 056**	**1 110 847**	**524 700**	**424 904**	**949 604**

The increase in the cost of creating a provision for CO_2 emission liabilities in the 9-month period ended 30 September 2020 as compared to the comparable period is described in Note 13 of these interim condensed consolidated financial statements. The use of the provision in the 9-month period ended 30 September 2020 in the amount of PLN 776 602 thousand relates in full to the obligation to redeem the provision for 2019 (the Group fulfilled the entire obligation for 2019 in the first half of 2020). In the comparable period, the use of the provision relating to the obligation to redeem CO_2 emission allowances for 2018 amounted to PLN 113 647 thousand, while the remaining obligation to redeem for 2018 was already fulfilled in 2018 (PLN 498 369 thousand).

The increase in the costs of creating a provision for the obligation to present certificates of origin of energy in the 9-month period ended 30 September 2020 as compared to the comparable period is mainly related to the increase in the prices of property rights to energy from renewable sources and the increase in 2020 of the obligation to present certificates of origin of energy from renewable sources from 18.5% to 19.5% of the electric power sales volume to end users.

(in PLN thousand)

38. Other provisions

	9-month period ended 30 September 2020 *(unaudited)*				9-month period ended 30 September 2019 *(unaudited)*			
	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other provisions	Provisions total	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other provisions	Provisions, total
Opening balance	**88 070**	**241 796**	**397 050**	**726 916**	**92 110**	**213 996**	**311 295**	**617 401**
Unwinding of discount and change of discount rate	-	75	61	**136**	-	-	2 405	**2 405**
Recognition/(reversal), net	(2 624)	4 916	(41 951)	**(39 659)**	(843)	68 288	(4 335)	**63 110**
Utilisation	(215)	(145 704)	(60 112)	**(206 031)**	(297)	(185 628)	(2 948)	**(188 873)**
Other movements	(44 442)	-	(13 152)	**(57 594)**	-	-	-	-
Closing balance	**40 789**	**101 083**	**281 896**	**423 768**	**90 970**	**96 656**	**306 417**	**494 043**
Non-current	-	25 022	76 459	**101 481**	-	4 394	79 052	**83 446**
Current	40 789	76 061	205 437	**322 287**	90 970	92 262	227 365	**410 597**
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				**10 942**				**20 149**
Total				**333 229**				**430 746**

38.1. Provision for use of real estate without contract

The Group companies recognize provisions for all claims filed by the owners of the real estate on which distribution systems and generation assets are located. As at 30 September 2020, the relevant provision amounted to PLN 40 789 thousand and was related to the following segments:

- Generation – PLN 5 202 thousand;
- Distribution – PLN 34 126 thousand;
- Renewable Energy Sources – PLN 1 461 thousand.

The decrease in provisions is mainly related to the reclassification of provisions of the subsidiary TAURON Ciepło Sp. o.o. to liabilities related to assets classified as held for sale.

In 2012, a third party lodged a claim against TAURON Ciepło S.A. (currently: TAURON Ciepło Sp. z o.o.) related to clarification of the legal status of the transmission equipment located on its property. The company has questioned both the legitimacy of the claims and of the basis for offsetting their amounts against the current liabilities to the company arising from heat supplies. Consequently, the company went to court to recover its current receivables from the debtor. The amount of the potential claims of the aforesaid entity in respect of clarification of the legal status of the company's transmission equipment will be reviewed in the course of the proceedings. With regard to the dispute, in light of the adopted accounting policy, a provision has been recognized for the estimated cost of the above claim. Bearing in mind the pending litigation, in accordance with IAS 37.92, the Group does not disclose all information regarding the above issue as required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. In connection with the classification as at the balance sheet date of the subsidiary TAURON Ciepło Sp. z o.o. as a disposal group, the above provision was presented in the statement of financial position as liabilities related to assets classified as held for sale.

38.2. Provisions for onerous contracts

Provisions for onerous contracts in connection with the approval by the President of the Energy Regulatory Office ("the President of ERO") of the electricity sales tariff

As at 31 December 2019 a provision for onerous contracts was created in the amount of PLN 237 445 thousand. This provision relates primarily to households, including customers using tariff prices approved by the President of the Energy Regulatory Office ("G Tariff") in the amount of PLN 130 287 thousand and individual customers who have used the Company's product price lists ("GD price lists") in the amount of PLN 99 570 thousand.

The need to create the above provision for the G tariff resulted from the adoption of the parameters specified in the invitation of the President of ERO to calculate the sales price for these customers for 2020, the approval of which in December 2019 results in the impossibility of obtaining revenue from the sale of electricity in a value covering the justified costs of conducting business in this respect.

The price level approved by the President of ERO for tariff group G for 2020 was also an important reason for the losses incurred on GD price lists for which a reserve was created. Some product agreements in the household segment tie the electricity rates to the price of the G tariff, thus making it impossible to obtain revenue from sales in an amount ensuring coverage of full variable costs of the business.

(in PLN thousand)

At the same time, on 7 January 2020, the subsidiary TAURON Sprzedaż Sp. z o.o. submitted an application for the approval of the change of the electricity tariff for the consumers of tariff G-groups for 2020, which is to transfer all justified costs that were not accepted in the application approved in December 2019. By order of 8 July 2020, the President of ERO refused to approve the change in the electricity tariff for these consumers. On 31 July 2020, the Management Board of TAURON Sprzedaż Sp. z o.o. appealed to the Court of Competition and Consumer Protection against the Decision of the President of the Energy Regulatory Office of 8 July 2020.

In the 9-month period ended 30 September 2020, the above provision was partially used in the amount of PLN 142 942 thousand and as at the balance sheet date it amounts to PLN 94 503 thousand.

Other provisions for onerous contracts

As at 31 December 2019, a provision was created for onerous contracts in the amount of PLN 4 213 thousand in connection with the partial acceptance by the Court of Appeal in Warsaw of the request for security by ordering the subsidiary Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. to execute in full the provisions of the contracts under the existing terms and conditions, in accordance with their contents, until the legal conclusion of the proceedings in the action brought by Pękanino Wind Invest Sp. z o.o. against Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. In the 9-month period ended 30 September 2020, the provision was partially used in the amount of PLN 2 762 thousand. As at the balance sheet date, the company updated the value of the provision, as a result of which the provision was increased by PLN 5 128 thousand, to PLN 6 579 thousand.

38.3. Provisions for counterparty claims, court disputes and other provisions

Material provisions recognized as other provisions have been discussed below:

Item	Operating segment	Description	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Provision for counterparty claims	Generation	The provision relates to claims raised by contractors relating to the construction of 910 MW Block in Jaworzno. For additional, increased costs related to ongoing contracts, in the year ended 31 December 2019 the company from the Generation segment created a provision in the amount of PLN 93 539 thousand. In the 9-month period ended 30 September 2020 the company created a provision in the amount of PLN 5 137 thousand due to new claims and partially released the provision in the amount of PLN 31 202 thousand. The cost of creating and releasing the provision was recognized for capital expenditures.	67 474	93 539
Provision for increased transmission easement charges	Distribution	The provision relates to the risk of increased periodical fees for transmission easement for energy infrastructure located in the areas of forest districts of the Regional Directorate of State Forests in Wrocław in connection with the change in the nature of land from forest areas to land related to business activities. In the 9-month period ended 30 September 2020 the company from Distribution segment utilised a provision in the amount of PLN 2 160 thousand.	65 163	67 323
Provision for a fine to the Energy Regulatory Office ("ERO")	Distribution	The provision was recognized due to the risk of violation of the Energy Law of 10 April 1997 by misleading the President of the Energy Regulatory Office, following his demand for information.	6 000	6 000
Provision for real estate tax	Distribution	Provision for the business risk regarding tax on real estate classified as power grid assets.	39 356	39 356
	Renewable Energy Sources	The provision concerns the risk of the ruling of the Constitutional judgment of 22 July 2020 on real estate tax of wind farms in 2018.	16 776	-

(in PLN thousand)

Item	Operating segment	Description	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Provision for VAT	Sales	In the current and comparable period, the Company created reserves for tax risks in connection with the ongoing control proceedings. The Company is a party to control proceedings initiated in 2014 and 2016 by the Director of the Tax Control Office in Warsaw ("Director of UKS") with respect to value added tax. The duration of the control proceedings was repeatedly extended by the Director of UKS, and subsequently by the Head of the Mazovian Customs and Tax Office. In the 9-month period ended 30 September 2020 and in the comparative period, the Company increased the provision in connection with the accrual of interest. On 17 September 2020, the Head of the Mazovian Customs and Tax Office in Warsaw issued a decision ending the control proceedings initiated in 2014, which was collected on 7 October 2020. Therefore, the Company adjusted the reserve accordingly: • in connection with the determination of the liability, a provision in the amount of PLN 54 734 thousand was used. As at the balance sheet date, the above amount was presented in liabilities due to other taxes and charges (as part of the VAT liability); • the provision in the amount of PLN 24 497 thousand of accrued interest was released. At the same time, on 20 October 2020, the Company sent an appeal against the decision of the Mazovian Customs and Tax Office in Warsaw of 17 September 2020. The liability was paid in the total amount of PLN 54 734 thousand (of which PLN 51 819 thousand constituted the principal amount due and the amount of PLN 2 915 thousand was interest due by the date of initiation of the proceedings) in October 2020. At the same time, on 20 October 2020, the Company appealed against the decision of the Head of the Masovian Customs and Tax Office in Warsaw of 17 September 2020. On 5 November 2020, the company received from the attorney a letter from the Head of the Masovian Customs and Tax Office informing about the transfer of the company's appeal together with the case files to the second instance authority, i.e. the Director of the Tax Administration Chamber in Katowice. As regards the control procedure initiated in 2016, the Company received the result of the control after the balance sheet date, i.e. the document ending the control procedure, in which no irregularities were found in the subject of the control. The company did not create provisions for the consequences of this procedure. As for the next control procedure initiated in 2016, the new date of completion of the procedure was set for 30 November 2020.	1 018	77 094

39. Accruals, deferred income and government grants

39.1. Deferred income and government grants

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Deferred income	**31 008**	**48 623**
Donations, subsidies received for the purchase or fixed assets received free-of-charge	26 660	44 521
Other	4 348	4 102
Government grants	**379 044**	**443 433**
Subsidies obtained from EU funds	314 221	349 335
Forgiven loans from environmental funds	16 645	32 764
Measurement of preferential loans	29 998	32 567
Other	18 180	28 767
Total	**410 052**	**492 056**
Non-current	384 249	460 003
Current	25 803	32 053

(in PLN thousand)

39.2. Accrued expenses

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Bonuses	231 457	59 827
Unused holidays	41 978	46 612
Environmental protection charges	14 950	25 600
Other accrued expenses	16 457	21 452
Total, *of which:*	**304 842**	**153 491**
Current	304 842	153 491

40. Liabilities to suppliers

Current liabilities to suppliers as at 30 September 2020 and 31 December 2019 are presented in the table below:

Operating segment	As at 30 September 2020 *(unaudited)*	As at 31 December 2019 *(restated figures)*
Mining	131 352	122 602
Generation*	60 665	124 057
Renewable Energy Sources	8 953	13 552
Distribution, *including:*	220 534	223 173
liability to Polskie Sieci Elektroenergetyczne S.A.	*176 346*	*172 790*
Sales	252 951	287 827
Other	58 985	76 015
Total	**733 440**	**847 226**

** Generation Segment data in the comparable period consist liabilities of subsidiary TAURON Ciepło Sp. z o.o. classified as a group held for sale from 30 June 2020.*

41. Capital commitments

Short-term capital commitments as at 30 September 2020 and 31 December 2019 are presented in the table below:

Operating segment	As at 30 September 2020 *(unaudited)*	As at 31 December 2019 *(restated figures)*
Mining	65 983	62 059
Generation*	105 055	426 419
Renewable Energy Sources	1 053	2 588
Distribution	159 135	182 150
Sales and Other	34 437	84 727
Total	**365 663**	**757 943**

** Generation Segment data in the comparable period consist liabilities of subsidiary TAURON Ciepło Sp. z o.o. classified as a group held for sale from 30 June 2020.*

Long-term capital commitments have been presented in the interim condensed consolidated statement of financial position within other financial liabilities. As at 30 September 2020 the liability amounted to PLN 5 548 thousand (as at 31 December 2019 - PLN –7 414 thousand).

Commitments to incur capital expenditure

As at 30 September 2020 and 31 December 2019, the Group committed to incur expenditure on property, plant and equipment and intangible assets of PLN 3 516 545 thousand and PLN 3 981 923 thousand, respectively, with the key items presented below:

(in PLN thousand)

Operating segment	Agreement/investment project	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Generation	Construction of 910 MW Power Unit in Jaworzno	342 665	598 758
	Project of adjusting generation units to the BAT (Best Available Techniques) conclusions	52 763	313 110
Distribution	Construction of new electrical connections	1 535 074	1 227 019
	Modernization and reconstruction of existing networks	824 301	918 317
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	126 255	146 380
	Construction of the 800 m drift at "Janina" Mining Plant	6 704	30 681
	Investment Program in "Brzeszcze" Mining Plant	15 713	51 606
Other	Construction of a broadband Internet network under the Operational Programme Digital Poland	183 372	249 798

42. Income tax liabilities

Income tax liabilities in the amount of PLN 109 788 thousand arise mainly from the Tax Capital Group's tax liabilities in the amount of PLN 108 010 thousand, representing a PGK tax charge excess for the 9-month period ended 30 September 2020 of PLN 316 500 thousand over the advance payments made for the first eight months of 2020 in the amount of PLN 208 490 thousand.

The Agreement of Tax Group of Companies for 2018-2020 was registered on 30 October 2017. The main companies forming the Tax Group of Companies have been operating since 1 January 2018: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

43. Liabilities arising from other taxes and charges

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
VAT	214 620	297 343
Social security	128 115	215 340
Personal Income Tax	38 203	53 974
Excise	11 341	12 063
Other	7 757	10 281
Total	**400 036**	**589 001**

The decrease in VAT liabilities results mainly from the settlement in first quarter of 2020 of the VAT liability, resulting from the Company's disposal of CO_2 emission allowances to subsidiaries in the Generation segment, which on 31 December 2019 in amount of PLN 160 528 thousand.

In connection with the decision of the Head of the Mazovian Customs and Tax Office in Warsaw of 17 September 2020 terminating the control proceedings for which the Company created a provision (which is discussed in more detail in Note 38.3 of these interim condensed consolidated financial statements), as at the balance sheet date a liability in the amount of PLN 54 734 thousand was recognized as a VAT liability with interest. The above obligation was paid in October 2020.

Tax reports and other matters may be audited by authorities competent to impose penalties and fines, whereas any additional tax liabilities resulting from final decisions of tax control authorities have to be paid together with interest. Consequently, the figures presented and disclosed in these interim condensed consolidated financial statements may change in the future.

(in PLN thousand)

44. Other financial liabilities

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Derivative instruments	659 366	124 527
Wages, salaries	116 585	223 679
Bid bonds, deposits and collateral received	87 581	94 340
Liabilities due to obligation to repay overpaid amounts to customers in connection with the entry into force of the amended Act*	-	41 720
Other	92 779	155 606
Total	**956 311**	**639 872**
Non-current	141 114	79 417
Current	815 197	560 455

** The Act of 28 December 2018, amending the Excise Duty Act and Certain Other Acts.*

As at 30 September 2020, the liability on account of negative valuation of derivatives refers to commodity derivatives (including a significant part of forwards on account of transactions for which the underlying commodity are CO_2 emission allowances) and IRS and CCIRS instruments. Due to the market situation in the current reporting period related mainly to COVID-19, significant changes in prices of commodity derivatives and weakening of the Polish zloty and decrease in interest rates, there was an increase in liabilities due to valuation of the above derivatives compared to the end of 2019. Derivatives have been presented in detail in Note 47.2 hereto.

The obligation to return the overpaid amounts to the customers concerning the adjustments recognised by the Group reducing the customers' revenues for the first half of 2019, which resulted from the need to adjust the prices in that period to the provisions of the amended *Act of 28 December 2018 amending the Excise Tax Act and certain other acts*, was settled in full in the 9-month period ended 30 September 2020.

45. Other current non-financial liabilities

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Payments from customers relating to future periods	**417 327**	**360 602**
Amounts overpaid by customers	335 867	299 558
Prepayments for connection fees	45 474	21 085
Other	35 986	39 959
Other current non-financial liabilities	**5 032**	**3 774**
Total	**422 359**	**364 376**

(in PLN thousand)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

46. Significant items of the interim condensed consolidated statement of cash flows

46.1. Cash flows from operating activities

Profit before taxation

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Profit before tax on continuing operations	1 395 863	1 179 840
Profit before tax on discontinued operations	(794 949)	45 431
Total	**600 914**	**1 225 271**

Depreciation and amortization

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Amortisation and depreciation regarding continuing operations	(1 399 720)	(1 345 447)
Amortisation and depreciation regarding discontinued operations	(62 972)	(92 250)
Total	**(1 462 692)**	**(1 437 697)**

(in PLN thousand)

Changes in working capital

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Change in receivables	**179 577**	**(1 015 350)**
Change in receivables from buyers in statement of financial position	18 526	(18 947)
Change in receivables due to financial compensation	84 666	(821 456)
Change in other financial receivables	131 480	(182 432)
Reclassification to assets classified as held for sale	(57 946)	-
Adjustment by the opening balance of the acquired business	-	3 802
Other adjustments	2 851	3 683
Change in inventories	**(65 156)**	**(104 329)**
Change in inventories in statement of financial position	27 524	(105 050)
Reclassification to assets classified as held for sale	(87 019)	-
Adjustment by the opening balance of the acquired business	-	10 579
Adjustment related to transfer of invetories to/from property, plant and equipment	(5 661)	(9 858)
Change in payables excluding loans and borrowings	**(476 140)**	**(53 940)**
Change in liabilities to suppliers in statement of financial position	(117 188)	(303 650)
Change in payroll, social security and other financial liabilities	(213 132)	377 697
Change in non-financial liabilities in statement of financial position	53 753	23 948
Change in liabilities arising from taxes excluding income tax	(188 965)	(85 101)
Adjustment of VAT change related to capital commitments	(72 821)	(62 040)
Reclassification to liabilities directly related to assets classified as held for sale	57 080	-
Adjustment by the opening balance of the acquired business	-	(7 472)
Other adjustments	5 133	2 678
Change in other non-current and current assets	**1 022 973**	**(407 126)**
Change in other current and non-current non-financial assets in statement of financial position	15 089	(12 966)
Change in receivables arising from taxes excluding income tax	260 600	(106 549)
Change in non-current and current CO_2 emission allowances	622 271	113 647
Change in non-current and current energy certificates	150 521	(398 242)
Change in advance payments for property, plant and equipment and intangible assets	(1 264)	(5 979)
Reclassification to assets classified as held for sale	(23 822)	-
Adjustment by the opening balance of the acquired business	-	7 089
Other adjustments	(422)	(4 126)
Change in deferred income, government grants and accruals	**130 445**	**114 828**
Change in deferred income, government grants and accruals in statement of financial position	69 347	170 260
Adjustmet related to property, plant and equipment and intangible assets received free of charge	(7 513)	(9 652)
Adjustment related to subsidies received and refunded	(38 047)	(44 995)
Reclassification of accruals and government grants to assets classified as held for sale	108 895	-
Adjustment by the opening balance of the acquired business and temporary gains on bargain purchase	-	(548)
Other adjustments	(2 237)	(237)
Change in provisions	**(937 410)**	**296 262**
Change of short term and long term provisions in statement of financial position	(898 265)	349 023
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	(100 148)	8 697
Adjustement related to provisions recognized in correspondence with property, plant and equipment	(62 276)	-
Reclassification of provisions to liabilities directly related to assets classified as held for sale	123 832	-
Adjustment by the opening balance of the acquired business	-	(60 817)
Other adjustments	(553)	(641)
Total	**(145 711)**	**(1 169 655)**

(in PLN thousand)

Income tax paid

In the period of nine months ended 30 September 2020, the Group achieved a net income tax income of PLN 27 336 thousand, which is mainly due to tax settlements of the Capital Group in the amount of PLN 39 076 thousand, which are composed of the following:

- inflows amounting to PLN 210 165 resulting from the payment of income tax advances for eight months of 2020 in the amount of PLN 208 490 thousand and income tax settlements for previous years resulting in an outflow of PLN 1 675 thousand;
- inflows of PLN 249 241 thousand resulting from income tax settlements for 2019.

In the comparable period of nine months ended 30 September 2019, income tax paid amounted to PLN 308 078 thousand. The Tax Group of Companies paid PLN 309 076 thousand of income tax, which results from the payment of income tax advances for eight months of 2019 in the amount of PLN 327 505 thousand and income tax settlements for previous years resulting in a net outflow of PLN 18 429 thousand.

46.2. Cash from/used in investing activities

Purchase of property, plant and equipment and intangible assets

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Purchase of property, plant and equipment	(2 261 571)	(2 328 652)
Purchase of intangible assets	(68 121)	(62 699)
Change in the balance of VAT-adjusted capital commitments	(321 325)	(357 697)
Change in the balance of advance payments	1 264	5 979
Costs of overhaul and internal manufacturing	(392 601)	(326 132)
Other	8 171	10 947
Total	**(3 034 183)**	**(3 058 254)**

Loans granted

Expenditure related to the granting of loans in the amount of PLN 85 575 thousand is mainly related to the granting of loans by the Company:

- loan tranches to the co-subsidiary Elektrociepłownia Stalowa Wola S.A. in the total amount of PLN 72 775 thousand,
- a loan granted to PGE EJ1 Sp. z o.o. of PLN 7 800 thousand;
- a loan granted to AVAL-1 Sp. z o.o. of PLN 3 300 thousand.

46.3. Cash from/used in financing activities

Loans and borrowings repaid

Expenditures on repayment of loans and borrowings shown in the interim condensed consolidated statement of cash flows in the amount of PLN 3 433 646 thousand arise mainly from repayment by the parent company during the 9-month period ended 30 September 2020:

- tranches of loans to the Consortium of banks in the amount of PLN 3 339 600 thousand;
- instalments of the loan to the European Investment Bank in the amount of PLN 90 864 thousand.

(in PLN thousand)

Interest paid

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Interest paid in relation to debt securities	(8 949)	(4 927)
Interest paid in relation to loans	(24 096)	(27 061)
Interest paid in relation to the lease and other	(5 881)	(4 032)
Total	**(38 926)**	**(36 020)**

The Group's consolidated statement of cash flows presents incurred borrowing costs which were capitalized in the current period in the value of assets as payments to acquire property, plant and equipment and intangible assets in cash flows from investing activities. In the 9-month period ended 30 September 2020, interest paid constituting borrowing costs which were capitalized in the value of property, plant and equipment and intangible assets amounted to PLN 138 189 thousand.

Loans taken out

Proceeds from the loans taken out, disclosed in the interim condensed consolidated statement of cash flows in the amount of PLN 2 360 346 thousand, were related mainly to the disbursement by the parent company:

- loan tranches under an agreement concluded with a Consortium of Banks in the amount of PLN 950 000 thousand;
- all available financing under the loan agreement concluded with the bank Intesa Sanpaolo S.p.A., acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland, totalling PLN 750 000 thousand;
- the total available financing under the loan agreement concluded with SMBC BANK EU AG in the amount of PLN 500 000 thousand;
- a loan tranche in the amount of PLN 160 000 thousand under the syndicated loan agreement of 25 March 2020, which is discussed in more detail in Note 34.2 hereto.

46.4. Cash from/used in discontinued operations

In the interim condensed consolidated statement of cash flows, the Group presents total cash flows from continuing and discontinued operations.

Net cash flows attributable to operating, investing and financing activities of discontinued operations are presented in the table below.

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited restated figures)*
Net cash from operating activity	112 568	206 982
Net cash from investment activity	(66 520)	(52 489)
Net cash from financing activity	(3 525)	(3 583)
Net increase/(decrease) in cash and cash equivalents on discontinued operations	**42 523**	**150 910**

(in PLN thousand)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

47. Financial instruments

47.1. Carrying amount and fair value of financial instrument classes and categories

Categories and classes of financial assets	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**2 574 219**		**2 582 793**	
Receivables from buyers	2 318 133	2 318 133	2 290 746	2 290 746
Deposits	53 483	53 483	50 228	50 228
Loans granted	110 223	110 223	39 467	39 467
Other financial receivables	92 380	92 380	202 352	202 352
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 451 358**		**2 004 034**	
Derivative instruments	448 759	448 759	86 067	86 067
Shares	155 708	155 708	140 508	140 508
Loans granted	227 754	227 754	216 018	216 018
Other financial receivables	194 551	194 551	296 867	296 867
Investment fund units	-	-	26 622	26 622
Cash and cash equivalents	424 586	424 586	1 237 952	1 237 952
3 Derivative hedging instruments	**-**	**-**	**19 462**	**19 462**
4 Financial assets excluded from the scope of IFRS 9 *Finanical Instruments*	**563 779**		**559 144**	
Investments in joint ventures	563 779		559 144	
Total financial assets, ***of which in the statement of financial position:***	**4 589 356**		**5 165 433**	
Non-current assets	**1 093 124**		**1 032 701**	
Investments in joint ventures	563 779		559 144	
Loans granted to joint ventures	309 051		238 035	
Other financial assets	220 294		235 522	
Current assets	**3 496 232**		**4 132 732**	
Receivables from buyers	2 272 220		2 290 746	
Loans granted to joint ventures	9 421		4 999	
Other financial assets	701 143		599 035	
Cash and cash equivalents	419 405		1 237 952	
Assets classified as held for sale	94 043		-	

Following an analysis, deposits from stock exchange clearings and part of the collateral provided amounted to PLN 194 551 thousand as at 30 September 2020, was classified as other financial receivables measured at fair value through profit or loss, since the classification provides reflection of the nature of these financial assets. The remaining other financial receivables are classified as measured at amortized cost.

The Group classifies a loan granted to Elektrociepłownia Stalowa Wola S.A. under an agreement of 28 February 2018 with a value of PLN 227 754 thousand to assets measured at fair value though profit or loss, as discussed in detail in Note 24 to these interim condensed consolidated financial statements.

(in PLN thousand)

Categories and classes of financial liabilities	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**14 017 902**		**15 428 187**	
Preferential loans and borrowings	9 654	9 654	12 488	12 488
Arm's length loans and borrowings	5 954 046	5 990 939	7 014 824	7 030 597
Bank overdrafts	8 700	8 700	23 339	23 339
Bonds issued	6 598 730	6 973 207	6 257 022	6 537 537
Liabilities to suppliers	756 140	756 140	850 628	850 628
Other financial liabilities	163 859	163 859	223 920	223 920
Capital commitments	385 066	385 066	765 357	765 357
Salaries and wages	122 118	122 118	223 679	223 679
Insurance contracts	19 589	19 589	56 930	56 930
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**542 958**		**124 527**	
Derivative instruments	542 958	542 958	124 527	124 527
3 Derivative hedging instruments	**116 408**	**116 408**	**-**	**-**
4 Financial liabilities excluded from the scope of IFRS 9 *Finanical Instruments*	**1 029 552**		**1 006 603**	
Liabilities under leases	1 029 552		1 006 603	
Total financial liabilities, *of which in the statement of financial position:*	**15 706 820**		**16 559 317**	
Non-current liabilities	**12 299 152**		**11 909 600**	
Debt	12 158 038		11 830 183	
Other financial liabilities	141 114		79 417	
Current liabilities	**3 407 668**		**4 649 717**	
Debt	1 369 062		2 484 093	
Liabilities to suppliers	733 440		847 226	
Capital commitments	365 663		757 943	
Other financial liabilities	815 197		560 455	
Liabilities associated with assets classified as held for sale	124 306		-	

The fair value measurement methodology applied to financial instruments and fair value hierarchy levels assigned to these instruments are presented in the following table.

Financial asset/liability classes	Fair value measurement level	Fair value measurement methodology
Financial assets/liability measured at fair value		
Derivatives, *including:*		
IRS and CCIRS	2	Derivatives have been measured in line with the methodology presented in Note 47.2 hereto.
Currency forwards	2	
Commodity forwards and futures	1	
Shares	3	The Group estimated the fair value of shares held in not listed companies using the adjusted net assets method, considering its share in the net assets and adjusting the value by relevant factors affecting the measurement, such as the non-controlling interest discount and the discount for the limited liquidity of the above instruments or using a mixed approach. As the key factors affecting the value of the assumed shares had not changed at a given end of the reporting period compared to the initial recognition, in the case of other instruments the Group assumes that the historical cost is an acceptable approximation of the fair value.
Loans granted	3	Fair value measurement of the loan had the form of the current value of future cash flows, including borrower's credit risk.
Financial liabilities whose fair value is disclosed		
Loans, borrowings and bonds issued	2	Liabilities arising from fixed interest debt are measured at fair value. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate applicable to given bonds or loans, i.e. applying market interest rates.

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

The fair value of other financial instruments as at 30 September 2020 and as at 31 December 2019 (except from those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for the following reasons:

- the potential discounting effect relating to short-term instruments is not significant;
- the instruments are related to arm's length transactions.

Shares in jointly-controlled entities excluded from the scope of IFRS 9 *Financial Instruments* are measured using the equity method.

47.2. Derivative instruments and hedge accounting

Measurement of derivatives as at each reporting period end is presented in the following table.

	As at 30 September 2020 *(unaudited)*				As at 31 December 2019			
	Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income	Total	
			Assets	Liabilities			Assets	Liabilities
Derivatives subject to hedge accounting								
IRS	(14 039)	(102 369)	**-**	**(116 408)**	121	19 341	**19 462**	**-**
Derivatives measured at fair value through profit or loss								
CCIRS, IRS	(4 778)	-	**-**	**(4 778)**	(12 885)	-	**-**	**(12 885)**
Commodity forwards/futures	(128 265)	-	**409 915**	**(538 180)**	4 248	-	**86 067**	**(81 819)**
Currency forwards	38 844	-	**38 844**	**-**	(29 823)	-	**-**	**(29 823)**
Total			**448 759**	**(659 366)**			**105 529**	**(124 527)**
Non-current			30 577	(98 856)			20 352	(16 848)
Current			418 182	(560 510)			85 177	(107 679)

Derivative instruments (subject to hedge accounting)

In the 9-month period ended 30 September 2020, the Company hedged part of the interest rate risk in relation to the cash flows related to the exposure to WIBOR 6M determined under the dynamic risk management strategy, i.e:

- interest on a loan with a nominal value of PLN 250 000 thousand by concluding hedging transactions for interest rate swaps (IRS) for periods starting from 30 July 2020, expiring on 19 December 2024;
- interest on a loan with a nominal value of PLN 250 000 thousand by concluding hedging transactions for interest rate swaps (IRS) for periods starting from 5 August 2020, expiring on 19 December 2024;
- interest on a loan with a nominal value of PLN 250 000 thousand by concluding hedging transactions for interest rate swaps (IRS) for periods starting from 28 August 2020, expiring on 19 December 2024.

In the year ended 31 December 2019, the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. interest on bonds with the total par value of PLN 1 490 000 thousand, through the entry into interest rate swap (IRS) transactions for terms beginning on 20 December 2019 and subsequently expiring from 2023 to 2029.

In 2016, the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. interest on debt with the par value of PLN 2 051 000 thousand, through the entry into interest rate swap (IRS) transactions for a term of 4 to 5 years.

Effects of hedge accounting on revaluation reserve regarding hedging instruments are presented in Note 33.4 hereto.

Derivative instruments measured at fair value through profit or loss (FVTPL)

As at 30 September 2020, derivative instruments which did not fall within the scope of hedge accounting and were classified as financial assets or financial liabilities measured at fair value through profit or loss comprised:

- CCIRSs that hedge foreign currency cash flows resulting from the payment of interest on the issued eurobonds;
- commodity derivatives (futures, forward) including CO_2 emission allowance and other commodity purchase and sale transactions;
- FX forward transactions hedging foreign currency cash flows resulting from the Company's operations.

(in PLN thousand)

The CCIRSs have been used with respect to the Company's Coupon Only Cross Currency Swap fixed-fixed transactions concluded in 2017 and in 2018 and involve an exchange of interest payments on the total par value of EUR 500 000 thousand. They mature in July 2027. In accordance with the terms and conditions, the Company pays interest at a fixed rate in PLN and receives fixed interest-rate payments in EUR. Hedge accounting principles do not apply to the transaction in question.

In the 9-month period ended 30 September 2020, due to the market situation in the current reporting period related mainly to COVID-19, in which there were significant changes in prices of commodity derivatives, in particular those for which CO_2 emission allowances are the underlying commodity, the valuation of commodity derivatives increased compared to the end of 2019 (both positive – assets, and negative – liabilities).

Due to the delayed commissioning of the power unit in Jaworzno, as at the balance sheet date, the Group has a significant surplus of CO_2 emission allowances contracted to be acquired for redemption by the subsidiary in connection with the emissions for 2020. The Company intends to acquire CO_2 emission rights at maturity, therefore these contracts are recognised as excluded from IFRS 9 *Financial Instruments* and therefore are not measured at fair value as at the balance sheet date.

The fair value with respect to individual derivative financial instruments is determined as follows:

Derivative instrument	Methodology of determining fair value hierarchy
IRS	Difference between the discounted interest cash flows based on the floating and fixed interest rates. Reuters' interest rate curve is the input data.
CCIRS	Difference between the discounted interest cash flows of the payable and receivables streams, in two various currencies, denominated in the measurement currency. Reuters' interest rate curve, basis spreads and NBP fixing for relevant currencies are the input data.
Forward currency contracts	Difference between the discounted future cash flows between the future price as at the valuation date and the transaction price multiplied by the par value of the FX contract. Reuters' NBP fixing and the interest rate curve implied from fx swap transaction for a relevant currency is the input data.
Commodity (forwards, futures)	The fair value of forwards for the purchase and sale of CO_2 emission allowances, electricity and other commodities is based on prices quoted on an active market or based on cash flows being the difference between the price reference index (forward curve) and the contract price.

The fair value hierarchy for derivative financial instruments was as follows:

	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
	Level 1	Level 2	Level 1	Level 2
Assets				
Derivative instruments - commodity	409 915	-	86 067	-
Derivative instruments - currency	-	38 844	-	-
Derivative instruments-IRS	-	-	-	19 462
Total	**409 915**	**38 844**	**86 067**	**19 462**
Liabilities				
Derivative instruments - commodity	538 180	-	81 819	-
Derivative instruments - currency	-	-	-	29 823
Derivative instruments-IRS	-	116 771	-	-
Derivative instruments-CCIRS	-	4 415	-	12 885
Total	**538 180**	**121 186**	**81 819**	**42 708**

48. Principles and objectives of financial risk management

The objectives and principles of financial risk management have not changed in relation to the situation as at 31 December 2019.

In an environment of uncertainty and dynamic changes caused by the COVID-19 pandemic, credit risk activities in the TAURON Group are focused on early identification of potential counterparties exposed to increased credit risk. These measures include, among others, tightening the rules for assessing the financial standing of counterparties, constant monitoring of receivables, monitoring of industry information and the macroeconomic environment.

As at 30 September 2020, the Parent held hedging transactions covered by the financial risk management policy, concluded in order to hedge interest cash flows related to debt. For transactions concluded, the parent company applies hedge accounting. The accounting treatment of the hedging transactions described above is described in more detail in Note 47.2 of these interim condensed consolidated financial statements.

49. Finance and capital management

In the period covered by these interim condensed consolidated financial statements, there were no significant changes in the objectives, principles and procedures of finance and capital management.

OTHER INFORMATION

50. Contingent liabilities

Claims related to termination of long-term contracts

Claims relating to termination of long-term contracts against subsidiary Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o.

In 2015 companies of the following groups of companies: in.ventus, Polenergia and Wind Invest filed a case against Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to electricity purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising new contractual penalty and contract termination related claims, or they file separate suits for the payment of damages.

As of the date of approval of these interim condensed consolidated financial statements for publication, the amount of damages claimed in lawsuits is as follows: Polenergia group companies - PLN 115 566 thousand (including Amon Sp. z o.o. – PLN 69 488 thousand, Talia Sp. z o.o. – PLN 46 078 thousand); Wind Invest group companies – PLN 322 313 thousand.

In the case of the claims of Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued, in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term contracts concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Talia Sp. z o.o. for the purchase of electricity and property rights arising from certificates of origin are ineffective and do not have legal effect in the form of termination of both agreements, as a result of which these agreements after the notice period, i.e. after 30 April 2015 remain in force for all provisions and are binding on the parties. Moreover, the Courts recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages as justified in principle, but they did not prejudge the amount of possible damages. The judgements are not valid. In the case of the claim Amon Sp. o.o. the judgement was issued on 25 July 2019 (Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. appealed against the judgement), and in the case of the claim of Talia Sp. o.o. on 6 March 2020, supplemented by the court on 8 September 2020 (Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. submitted an application for service of the judgement together with a justification to analyse it and submit an appeal).

The above partial and preliminary judgements do not change the Group's assessment that the chances of losing a case are no higher than the chance of winning it.

In the case filed by Pękanino Wind Invest Sp. z o.o. to secure the claims for establishing that the termination of long-term agreements submitted by Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. is ineffective, the Court of Appeal in Warsaw on 6 November 2019 partially accepted the motion for security by ordering Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. to execute in full the provisions of the agreements on the existing terms and conditions, in accordance with their contents, until the legal conclusion of the proceedings in the action brought by Pękanino Wind Invest Sp. z o.o. against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the District Court in Warsaw. The security order is final and binding. This provision does not prejudge the merits of the action, which can only take place in a judgement which is final and binding, but only temporarily regulates the parties' relations for the duration of the proceedings. Bearing in mind the need to implement the provision on collateral referred to above, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. created a provision for onerous contracts which value as at balance sheet date is amounted of PLN 6 579 thousand.

The remaining proceedings are pending before the courts of first instance (including one which was referred to the second instance court for re-examination by the first instance court).

In light of the current status of the proceedings and the related circumstances, the Group believes that the chances of losing other cases both as regards declaration of ineffectiveness of the termination notices and securing non-monetary claims and the claims for compensation are not higher than the chances for winning them. Therefore, no provision for the related costs except for the reserve created for the proceedings of Pękanino Wind Invest Sp. z o.o. as referred to above) will be created.

In connection with the transaction of purchase on 3 September 2019 by subsidiaries of TAURON Polska Energia S.A., i.e. TEC1 Sp. z o.o, TEC2 Sp. z o.o. and TEC3 Sp. z o.o. five wind farms belonging to the in.ventus group and financial claims of Hamburg Commercial Bank AG against the companies operating the wind farms, the cases from the in.ventus group companies brought against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. were suspended by the court, at the joint request of the parties. In March 2020, the parties filed an application to initiate proceedings in order to withdraw the claimant's statement of claim together with a waiver of the claim. In June 2020, the court took up the proceedings and the companies submitted statements of withdrawal of the waiver of claims. By order of 3 July 2020, the court discontinued the proceedings in the above-mentioned case. The judgment is final and binding.

Claims relating to termination of long-term contracts against TAURON Polska Energia S.A.

In 2017 and 2018 companies of the following capital groups: in.ventus, Polenergia and Wind Invest filed cases against TAURON Polska Energia S.A. regarding damages and liability for potential future losses resulting from tort, including unfair competition. According to the plaintiffs notices of termination submitted by Polska - Energia Pierwsza Kompania Handlowa S.A. regarding long-term contracts for the purchase of power and property titles related to energy certificates allegedly directed by TAURON Polska Energia S.A., provided the factual basis for these claims.

As at the date of approval of these interim condensed consolidated financial statements for publication, the amount of damages claimed in lawsuits is as follows: Polenergia group companies – PLN 78 855 thousand, Wind Invest group companies – PLN 129 947 thousand.

Moreover, the claimants' companies indicate in their lawsuits the following values of estimated damages that may arise in the future: Polenergia group companies – PLN 265 227 thousand, Wind Invest group companies – PLN 1 119 363 thousand.

The court competent for hearing the claims is the Regional Court for Katowice. All cases are held before the first instance courts. Those filed by Wind Invest group companies are held in camera. As at the date of approval of these interim condensed consolidated financial statements for publication, the Company's chances of obtaining a positive resolution in disputes should be assessed positively, i.e. the chances of losing are no higher than the chances of winning it.

In connection with the transaction of purchase on 3 September 2019 by subsidiaries of TAURON Polska Energia S.A., i.e. TEC1 Sp. z o.o, TEC2 Sp. z o.o. and TEC3 Sp. z o.o. five wind farms belonging to the in.ventus group and financial claims of Hamburg Commercial Bank AG against the companies operating the wind farms, the cases from the in.ventus group companies brought against TAURON Polska Energia S.A. were suspended by the court, at the joint request of the parties. In the first quarter of 2020, the parties filed an application to initiate proceedings in order to withdraw the claimant's statement of claim together with a waiver of the claim. The court has taken action at the unanimous request of the parties. By letter dated 5 June 2020, the claimant party withdrew its waiver of the claim. By order of 06 August 2020, the court discontinued the proceedings in the above-mentioned case. The judgment is final and binding.

Claims relating to termination of long-term contracts by a subsidiary TAURON Sprzedaż Sp. z o.o.

In 2018, the subsidiary TAURON Sprzedaż Sp. z o.o. was notified of cases filed against it by two Polenergia group companies with regard to settlement related to damages in the total amount of PLN 78 855 thousand for an alleged loss incurred by the Polenergia group companies as a result of groundless termination of the long-term agreement concluded between them and Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. The companies indicated in their conclusions that the Company, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and liquidators of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. have caused and continue to cause damage to the companies from the Polenergia group, and TAURON Sprzedaż Sp. z o.o. has consciously benefited from this damage and – according to the companies from the Polenergia group – is responsible for it. TAURON Sprzedaż Sp. z o.o. considered the claims of the Polenergia group companies groundless; thus, no settlement was reached. Based on the analysis of the legal situation, in the opinion of the Management Board of TAURON Sprzedaż Sp. z o.o., there are no grounds for creating a provision for the above case. The case is not subject to legal proceedings.

Claim against PGE EJ 1 Sp. z o.o.

On 13 March 2015, a consortium consisting of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter referred to as the "WorleyParsons Consortium"), which is the research contractor for the investment process related to the construction of a nuclear power plant by PGE EJ 1 Sp. z o.o. (hereinafter referred to as the "Agreement"), reported in connection with the Agreement – in a call for payment to PGE EJ 1 Sp. z o.o. – claims for a total amount of PLN 92 315 thousand. As a result, on 15 April 2015, the Company (as a holder of 10% of shares in the issued capital of PGE EJ 1 Sp. z o.o.) concluded an agreement with PGE EJ 1 Sp. z o.o. and its other shareholders (i.e. PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.) that regulated mutual relations related to these claims, including principles of providing additional funds (if any) to PGE EJ 1 Sp. z o.o. by its shareholders.

In the Company's view, its potential additional exposure to PGE EJ 1 Sp. z o.o. arising from the agreement shall not exceed its percentage capital exposure to that entity.

In November 2015, the District Court in Warsaw delivered to PGE EJ 1 Sp. z o.o. a lawsuit of WorleyParsons consortium for the amount of about PLN 59 million, subsequently extended in 2017 and 2019 to about PLN 128 million.

PGE EJ1 Sp. z o.o. did not accept the claim and believed that the probability that the court would decide in favour of the plaintiffs was remote. No provisions were recognised in relation to the above events.

Claims filed by Huta Łaziska S.A.

In connection with the Company's merger with Górnośląskie Zakład Elektroenergetyczny S.A. ("GZE") – TAURON Polska Energia S.A. became a party to a court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the President of ERO. Currently, the trial is pending before the Court of Appeal in Warsaw.

The ERO President, by virtue of a decision of 12 October 2001, ordered GZE to resume the supply of electricity to the Huta (suspended on 11 October 2001 due to the fact that Huta did not pay its payment obligations) under the terms of the agreement of 30 July 2001, in particular at the price of PLN 67 per MWh, until the dispute was finally resolved, and on 14 November 2001 it finally settled the dispute by issuing a decision stating that the suspension of electricity supplies was not unjustified. Huta appealed against that decision. On 25 July 2006, the Court of Appeals in Warsaw issued a final and binding decision ending the dispute concerning GZE's energy supplies to Huta. The court dismissed Huta's appeal against the decision of the Regional Court in Warsaw dated 19 October 2005, in which the court had dismissed Huta's appeal against the decision of the President of the Energy Regulatory Office. Huta filed a cassation appeal against the judgement of the Court of Appeals in Warsaw, which was dismissed by the judgement of the Supreme Court dated 10 May 2007. On 15 November 2001 (following the issue of the above decision by the President of the Energy Regulatory Office on 14 November 2001 and due to the growing indebtedness of Huta to GZE due to electricity supply) GZE again suspended supply. Therefore, Huta has sued GZE for damages.

Under a suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office (jointly and severally) Huta claimed the payment of PLN 182 060 thousand with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the ERO President dated 12 October 2001.

In this case, the courts of the first and second instance passed judgements favourable for GZE; however, in its judgement of 29 November 2011 the Supreme Court overruled the judgement of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the decision of the Regional Court and remanded the case for re-examination by the latter. Since 27 November 2012, the case was heard by the court of first instance. By judgement of 28 May 2019, the Regional Court in Warsaw dismissed Huta's claim in its entirety and ruled that Huta reimbursed each of the respondents for the costs of the proceedings. The judgement is not final and binding. Huta appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and awarding the costs of the proceedings against the respondents in favour of Huta, or alternatively that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company.

Based on the legal analysis of the claims, as well as taking into account the above judgement, the Company believes that the claims are unfounded and the risk of having to satisfy them is negligible. As a result, no provision has been recognised by the Company for any costs associated with those claims.

Claim filed by ENEA S.A.

Claim filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, regards the payment of PLN 17 086 thousand with statutory interest from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in connection with possible errors in the determination of aggregated measurement and settlement data by ENEA Operator Sp. z o.o. (as a Distribution System Operator, DSO), constituting the basis for settlements of ENEA and the Company with Polskie Sieci Elektroenergetyczne S.A. on account of imbalance on the Balancing Market in the period from January to December 2012. During the proceedings, at the request of ENEA S.A. the court decided to extend the suit against seven sellers for which TAURON Polska Energia S.A. acted as an entity in charge of trade balances in the distribution area of ENEA Operator Sp. z o.o. in 2012. Among the entities subsidised were two subsidiaries of TAURON Polska Energia S.A., i.e: TAURON Sprzedaż Sp. z o.o. (with respect to which ENEA S.A. has applied for the award of the amount of PLN 4 934 thousand with statutory interest from the date of delivery of the copy of the application for extension of the suit until the date of payment), and TAURON Sprzedaż GZE Sp. z o.o. (with respect to which ENEA S.A. has applied for the award of the amount of PLN 3 480 thousand with statutory interest from the date of delivery of the copy of the application for extension of the suit until the date of payment). The demand for payment of the above amounts as well as the amounts claimed from the other five sellers was submitted by the petitioner in case the claim against TAURON Polska Energia S.A. is dismissed. The case is pending before the first-instance court.

The Company did not recognise any provision as, in the opinion of the Company, the risk of losing the case is below 50%. Provisions were recognised by the subsidiaries of TAURON Polska Energia S.A. in the total amount of PLN 5 883 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 182 thousand (TAURON Sprzedaż GZE Sp. z o.o.). The said provisions cover the principal, interest reviewed as at 30 September 2020 and the cost of the proceedings.

As at 30 September 2020, the value of the claim against the Company is PLN 17 086 thousand, including statutory interest accrued between 30 June 2015 and the payment date. Should the claim filed against the Company be dismissed, the claim for payment by the Group companies totals PLN 8 414 thousand, including statutory interest accrued between the date of service of a copy of the request filed by ENEA S.A. to extend the suit by a specific Group company and the payment date. As new measurement data were presented by ENEA Operator Sp. z o.o. during the proceedings, the values of the claims against the Company and the Group companies may be expected to change.

Administrative proceedings instigated by the President of the Energy Regulatory Office ("ERO")

In 2016, administrative proceedings to impose a fine for a failure to maintain facilities, installations and equipment in a proper technical condition and for non-compliance with the terms of the electricity distribution licence were instigated against TAURON Dystrybucja S.A. By virtue of a decision of 29 June 2017, the company was fined with PLN 350 thousand. In July 2017 the company recognized a provision of PLN 351 thousand and filed an appeal against the decision to the Court of Competition and Consumer Protection. After the balance sheet date, on 20 October 2020, the court conducting the proceedings in the first instance announced the verdict and revoked the decision of the ERO President to impose a fine. The judgement is not final and binding.

As at the end of the reporting period, the companies in the Sales segment have been subject to the following proceedings:

- On 18 July 2018 proceedings were instigated against TAURON Sprzedaż Sp. z o.o. regarding the adjustment of the terms of the electricity distribution licence to meet the requirements of the applicable law. In November 2018, the company received a decision of the President of the Energy Regulatory Office on the change of the concession, from which it appealed to the SOKiK. The court did not set a date for the hearing.
- On 15 October 2018 proceedings were instigated against TAURON Sprzedaż GZE Sp. z o.o. in relation to discontinued supply of electricity to end users. The proceedings have been suspended.
- On 31 December 2019 and 9 January 2020, TAURON Sprzedaż GZE Sp. z o.o. initiated administrative proceedings to impose fines in connection with the disclosure of the possibility of non-compliance with the obligations set out in Article 9a Section 1, Article 9a Section 8 of the Energy Law and Article 12 Section 1 of the Energy Efficiency Act. By virtue of a decision of the President of ERO of 26 March 2020, the company was fined with PLN 2 934 thousand in total. The company appealed against the decision issued to the Court of Competition and Consumer Protection. In December 2019, due to the above-mentioned proceedings, the company created provisions in the total amount of PLN 6 320 thousand. In April 2020, the Management Board of the company decided to update the value of the provisions to the amount of fines imposed on the company, and therefore the company dissolved the provisions in the total amount of PLN 6 320 thousand and created provisions in the total amount of PLN 2 934 thousand.
- On 11 May 2020, TAURON Polska Energia S.A. initiated proceedings to impose fines on the Company in connection with the disclosure of the possibility of failure to fully comply with the obligation to obtain and submit for redemption certificates of origin for electricity generated from RES or certificates of origin for agricultural biogas. According to the Company's estimates, the total amount of the threatened penalties is about PLN 90 thousand. The Company has submitted relevant explanations, at the same time applying for discontinuation of the proceedings, due to the fact that in the Company's opinion the above mentioned obligations were properly fulfilled.

The companies have been providing relevant explanations on an ongoing basis. The Companies do not recognize provisions for potential fines that may be imposed in the above proceedings (except for proceedings instigated on 31 December 2019 and 9 January 2020) as in the opinion of the Management Boards of the companies the risk of adverse rulings and fines is low.

Administrative and explanatory proceedings instigated by the President of the Office for Competition and Consumer Protection ("OCCP")

The President of UOKiK instigated the following proceedings against the companies from the Sales segment pending as at the balance sheet date:

- Proceedings instituted on 4 October 2017 against TAURON Sprzedaż GZE Sp. z o.o. with regard to the alleged violation of collective interests of consumers, which consisted in hindering a change of the electricity supplier.

- The preliminary investigation instigated on 31 December 2018 against TAURON Sprzedaż Sp. z o.o. in relation to suspected violation of collective interests of consumers through application of practices involving conclusion of electricity sales agreements on the phone.
- The preliminary investigation initiated on 8 January 2019 against TAURON Sprzedaż Sp. z o.o. in connection with the suspicion of a practice by the company infringing the collective interests of consumers by introducing changes in the scope of information made available to consumers in applications for conclusion or amendment of the terms and conditions of a comprehensive agreement concerning electricity.
- Proceedings of 18 March 2020 initiated ex officio against TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. in cases of declaring the provisions of the model contract as prohibited in connection with the mechanism used by companies to automatically extend the period of settlement of fees for the sale of electricity according to the Price List (renewal offers). Cases were previously subject to investigations.
- Preliminary investigation initiated on 30 March 2020 against TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. concerning the possibility of the companies applying practices infringing the collective interests of consumers related to the way of informing consumers that the acceptance of settlements of fees for the sale of electricity at the rates specified in the price list is connected with obtaining a guarantee of a fixed discount, not a guarantee of a fixed price.
- The preliminary investigation initiated on 29 April 2020 against TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. with respect to determining whether the companies may have abused their dominant position on the market for reserve sales of electricity in the areas of electricity distribution of individual operators and whether the cases are antitrust in nature.
- Investigation proceedings initiated after the balance sheet date (on 19 October 2020) against TAURON Sprzedaż Sp. z o.o. on the basis of Article 49a of the Act on Competition and Consumer Protection on the possibility of the company applying practices infringing the collective interests of consumers related to the misleading content of the website containing information on the company's offer concerning electricity.

The companies have been providing relevant explanations and take up remedial actions on an ongoing basis. The Companies do not recognize provisions for potential fines that may be imposed in the above proceedings as in the opinion of the Management Boards of the companies the risk of adverse rulings and fines is low.

Use of real estate without contract

The Group companies do not have legal titles to all lands on which distribution networks, heating installations and related equipment are located. In the future, the Group may be required to incur costs due to use of real estate without contract, but it should be noted that the risk of losing assets is negligible. The Group recognizes provisions for all court disputes reported in this respect. The Group does not establish a provision for possible claims by land owners of land with unregulated status, which have not been lodged, due to the lack of detailed records of unsettled land and, consequently, the inability to reliably estimate the amount of potential claims. However, taking into account the previous history of lodged claims and costs incurred in this respect in previous years, the risk related to the need to incur significant costs on this account can be considered as low.

Provisions for the court disputes in the amount of PLN 40 789 thousand were recognized in the statement of financial position under other provisions (Note 38.1) and PLN 44 400 thousand recognised under liabilities related to assets classified as held for sale (created by a subsidiary classified as a group held for sale as at the balance sheet date).

Claim for reimbursement of expenses incurred to protect a facility against the effects of mining operations

In December 2017, a claim was filed against the subsidiary TAURON Wydobycie S.A. by Galeria Galena Sp. z o.o. with its registered office in Gliwice for the payment of PLN 22 785 thousand as reimbursement of expenses incurred to protect a facility located in Jaworzno against the effects of mining operations. Additionally, on 5 April 2018, the Company was serviced petition for payment filed by Galeria Galena Sp. z o.o. against the legal successors of Kompania Węglowa S.A. together with an application for combining this case for joint examination with the case against TAURON Wydobycie S.A. Currently, the case has been combined for joint examination against the defendants by Galeria Galena Sp. z o.o., i.e. against the State Treasury - Director of the Regional Mining Office in Katowice and legal successors of Kompania Węglowa S.A. in Katowice. The parties have been providing explanations and serving pleadings on an ongoing basis. The case is pending before District Court in Katowice (the first instance). In the course of the proceedings, a court expert's opinion was drawn up, about which objections were raised. A request for a supplementary opinion was submitted in February 2020.

With regard to the broadening of the scope of the claim to include other defendants, i.e. the legal successors of former Kompania Węglowa S.A. and doubts over the facts and legal uncertainties, which make it impossible to decide on the final outcome of the case heard by the Court or to estimate the amount that may be awarded by the Court no provision has been recognised for the above.

The commitment of the Funds in the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o.

The investment agreement signed by the Company with the Closed-End Investment Funds (“Funds”) managed by the Polish Development Fund provides for a number of situations whose occurrence constitutes a material breach of the agreement by the Company. The above situations, some of which are beyond the direct control of the Company, include, among others, the occurrence of events of a legal nature, events relating to the financial and material situation of the TAURON Group, decisions of an investment and operational nature taken by the Group with respect to the financing and construction of the 910 MW unit, as well as events relating to the future operation of the unit. Any possible material breach of the agreement on the part of the Group's companies may lead to the potential launch of a procedure, the effect of which may be a request (activation of an option) by the Closed-End Investment Funds to repurchase from the Closed Investment Funds the shares in the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. held by those Funds, in the amount invested by the Funds in the shares, increased by the agreed return and a material breach bonus and reduced by the distribution of funds by Nowe Jaworzno Grupa TAURON Sp. z o.o. to the Funds.

On 27 March 2020, an annex to the investment agreement was concluded, removing from the catalogue of significant breaches of the agreement on the part of the Company the breaches referring to debt ratios combined with a simultaneous amendment to the shareholders’ agreement, consisting in granting the Funds special rights in case of exceeding the agreed levels of these ratios.

On 4 May 2020, the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. and the contractor signed an agreement relating to the performance of the 910 MW Unit construction contract, in which the estimated date of commissioning of the 910 MW Unit was postponed to 15 November

2020, which is described in more detail in Note 53 of these interim condensed consolidated financial statements. On 5 August 2020, the Company, the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Funds concluded annexes to the investment agreement as well as an annex to the conditional agreement on the sale of the Funds' shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. concluded by the Company with the Funds. On the basis of the above annexes, in particular the deadline for commissioning of the unit specified in the investment agreement was postponed by six months. After the balance sheet date, on 13 November 2020, the 910 MW power unit was commissioned, which in the context of the annexes to the investment agreement signed, means that the cut-off date for unit commissioning has not been exceeded, and thus no breach of the investment agreement.

As at the date of approval of these interim condensed consolidated financial statements for publication, the Company does not identify on its part any risk of material breach of the agreement, which is beyond the Company's direct control, and is of the opinion that there is no real possibility, including in the future, of occurrence of material breaches of the agreement. Therefore, the Group, bearing in mind the provisions of IAS 32 *Financial Instruments: Presentation*, does not recognize the Funds' involvement as liabilities but as non-controlling interests.

As at the balance sheet date, the Closed Investment Funds hold shares of Nowe Jaworzno Grupa TAURON Sp. z o.o. in the amount of PLN 880 000 thousand.

Claim concerning the change of agreement concerning the construction of the Grzegorz Shaft in TAURON Wydobycie S.A.

The general contractor of the investment task conducted by TAURON Wydobycie S.A., entitled: "Construction works performed by the General Contractor of Stage I of the construction of the Grzegorz Shaft together with the construction of surface infrastructure for TAURON Wydobycie S.A." stopped the works indicating as the reason safety hazard caused by the disclosure of a change in hydrogeological conditions in the area of works and applied to the company for an amendment to the agreement being the basis for performance thereof, including changes in the amount of remuneration. The company TAURON Wydobycie S.A., after analysing the materials related to claims for amendment of the agreement by the Contractor and obtaining an expert's opinion, which indicated significant errors in the design of the shaft lining, preventing further execution of the agreement with the General Contractor, turned to the designer of the design documentation with a request to remove significant defects in the technical design of the shaft lining of the Grzegorz Shaft. In the opinion of the company, in order to carry out the investment in accordance with the agreement concluded with the General Contractor, it is necessary to improve the design of the shaft lining and remove design errors.

The company, in accordance with the request for a payment guarantee for construction works submitted by the contractor, granted the contractor a payment guarantee in the form of a bank letter of credit.

The Group estimates that, as at the balance sheet date, there is no basis for making provisions for the effects of the above events. The case is not subject to legal proceedings.

Claims related to additional works concerning the contract for construction of the 910 MW power unit

Nowe Jaworzno Grupa TAURON Sp. z o.o. created a provision for claims for inflationary adjustment made by the contractors related to the construction of Block 910 MW, which is described in more detail in Note 38.3 of these interim condensed consolidated financial statements. As at 30 September 2020, the related provision was PLN 67 474 thousand.

In the 9-month period ended 30 September 2020, the consortium of RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. submitted further claims to the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. relating to additional work on the main contract concluded by the parties for the construction of the 910 MW power unit. At the same time, in the opinion of Nowe Jaworzno Grupa TAURON Sp. z o.o. it was entitled to penalties for delayed commissioning of the 910 MW Unit. Consequently, mediations were initiated before the Conciliation Court at the General Prosecutor's Office. Mediation regarding the above mentioned claims ended with signing a settlement after the balance sheet date, on 13 November 2020, as a result of which Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Consortium waived the equivalent mutual claims that had arisen by the date of signing the settlement. The waiver does not cover potential claims of Nowe Jaworzno Grupa TAURON Sp. z o.o. under the statutory warranty or the warranty, as well as the recourse claims against the Consortium for the payment of the claims of further subcontractors and the claims of the Consortium related to the works carried out in accordance with the contract. Moreover, the Consortium will perform for Nowe Jaworzno Grupa TAURON SP. z o.o. additional benefits. The total of value of additional services provided by the consortium will not exceed the amount of the provision established as at 30 September 2020.

The terms of the settlement as well as the scope of additional services to be performed by the Consortium are described in more detail in Note 54 to these interim condensed consolidated financial statements.

51. Security for liabilities

Key items of collateral established and binding as at 30 September 2020 in the Group are presented in the following table and regard contracts concluded by the Parent.

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

Collateral	Collateral amount			Due date	Agreement/transaction
	Currency		PLN		
Declarations of submission to enforcement			7 284 000	31.12.2025	Loan arrangement with a consortium of banks of 19 June 2019
			2 550 000	20.12.2032	Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego of 31 July 2013
			1 500 000	31.12.2036	Loan agreement with Bank Gospodarstwa Krajowego of 19 December 2018
			900 000	31.12.2027	Loan agreements with Intesa Sanpaolo S.p.A. of 19 December 2019
			621 000	31.10.2021	Bank guarantee agreement dated 28 January 2020 with MUFG Bank, Ltd.*
			600 000	30.06.2034	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 6 September 2017
			600 000	17.12.2021	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			600 000	31.12.2028	Credit agreement with SMBC Bank EU AG of 16 March 2020
			600 000	31.12.2030	Credit agreement with a consortium of banks of 25 March 2020
			600 000	14.03.2023	Agreement concluded with Bank Gospodarstwa Krajowego for bank guarantees in favour of Izba Rozliczeniowa Giełd Towarowych S.A. of 13 March 2020
			600 000	31.03.2021	Agreement for membership in the Stock Exchange Clearing House run by Izba Rozliczeniowa Giełd Towarowych S.A.
			360 000	29.12.2021	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
			300 000	24.04.2024	Agreement concluded with Santander Bank Polska S.A. for bank guarantees for Izba Rozliczeniowa Giełd Towarowych S.A. of 24 April 2020
			240 000	31.12.2023	Bond Issue Scheme of 24 November 2015
			180 000	25.05.2024	Conditional contract concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland for bank guarantees for Izba Rozliczeniowa Giełd Towarowych S.A. of 25 May 2020
	EUR	24 000	108 643	31.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
	EUR	50 000	226 340		
			96 000	27.05.2024	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			24 000	27.05.2029	
Bank account mandates			500 000	13.03.2022	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Giełd Towarowych S.A. of 13 March 2020
			300 000	17.12.2020	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			300 000	29.12.2020	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
	EUR	45 000	203 706	31.12.2020	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
Bank guarantees			200 000	31.10.2020	Bank guarantees issued by Santander Bank Polska S.A. to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Power Commodity Exchange
			30 000	16.11.2020	Bank guarantee issued by BGK to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Power Commodity Exchange
			5 000	30.06.2021	Bank guarantee issued by CaixaBank S.A. to PSE S.A. as performance security for the power transmission service agreement
			500	31.12.2020	Bank guarantee issued by CaixaBank S.A. for GAZ-SYSTEM S.A. as a security for the proper performance of the transmission contract

** The security in the form of a declaration of submission to enforcement submitted to the Agreement of 28 January 2020 on a guarantee limit concluded with MUFG Bank, Ltd. concerns an annex to the bank guarantee issued under an earlier guarantee limit agreement concluded with MUFG Bank, Ltd. in February 2019, which extended its validity until 11 April 2021. The security in the form of a statement of submission to enforcement submitted to the guarantee limit agreement concluded with MFUG, Ltd. in February 2019 in the amount of PLN 621 000 thousand expired on 31 July 2020.*

After the end of balance sheet date, on 15 October 2020, CaixaBank S.A. has issued bank guarantees for the benefit of the PSE S.A. as a collateral of the Company's liabilities, in amount of PLN 5 000 thousand and for the benefit of the GAZ-SYSTEM S.A. in amount of PLN 500 thousand, valid to 20 November 2020.

In order to secure liabilities of the Company resulting from significant transactions entered into by the Company on the Polish Power Exchange through the agency of the Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT"), the Company, apart from the cash collaterals, also provided the IRGiT with non-cash collaterals. They include:

- Declaration of submission to enforcement

In connection with entering into force of the act of 14 May 2020 on amending some acts within the scope of protection activities in connection with spread of the SARS-CoV-2 virus, as of 1 June 2020 the IRGiT regulations concerning, among others, extension of the catalogue of accepted non-cash collaterals established and provided in connection with the transactions being entered into and the temporary release from the obligation to establish a cash collateral. In accordance with the aforementioned act the changes introduced by the IRGiT were of temporary nature and were in force until 30 September 2020.

Under the above changes, the Company provided a collateral for IRGiT –and made a declaration of submission to enforcement in the form of a notarial deed up to the maximum amount of PLN 600 000 thousand, with the deadline– for the deed to be declared enforceable against the Company for all or part of the cash receivables by 31 March 2021.

- Bank guarantees

In March 2020, Bank Gospodarstwa Krajowego, on the grounds of the agreement for granting of the guarantees within the framework of the line, it has issued bank guarantees for the benefit of the IRGiT, commissioned by the Company, in total amount of PLN 500 000 thousand, with expiration dates from 30 June 2020 to 31 August 2020. At the Company's request the bank guarantees in total amount of PLN 300 000 thousand have been removed from the IRGiT collateral register and the bank has been released from all liabilities resulted from the guarantees in question. The bank guarantees issued up to the amount of PLN 200 000 thousand expired on 31 July 2020.

As at 30 September 2020, the Company had the following concluded agreements on limits for bank guarantees in favour of the IRGiT:

- agreement for granting a guarantee under the line of 13 March 2020, concluded with Bank Gospodarstwa Krajowego, under which the bank granted the Company a line with a limit of PLN 500 000 thousand, with an availability date of 13 March 2021 (the agreement is secured by a declaration of submission to enforcement of PLN 600 000 thousand) – as at the balance sheet date, under the above agreement, the bank guarantee in amount of PLN 30 000 thousand valid to 16 November 2020, was issued;
- an agreement of 24 April 2020 concluded with Santander Bank Polska S.A. for a limit on bank guarantees up to PLN 250 000 thousand, under which the Company is authorised to order the issuance of bank guarantees with a validity period until 31 December 2022 (the agreement is secured with a declaration of submission to enforcement of PLN 300 000 thousand) – as at the balance sheet date, under the above agreement, two bank guarantees (each in amount of PLN 100 000 thousand valid to 31 October 2020, were issued;
- guarantee line agreement of 25 May 2020 concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland, under which the bank granted the Company a guarantee line for bank guarantees in the maximum amount of PLN 150 000 thousand, with the deadline for availability of the guarantee line until 25 May 2021 (the line, at the Company's request, may be extended by another 12 months through an annex, the agreement in question is secured by a declaration of submission to enforcement in the amount of PLN 180 000 thousand).

After the balance sheet date, the following bank guarantees were issued for the benefit of the IRGiT, constituting collateral for the Company's liabilities:

- a bank guarantee issued by Santander Bank Polska S.A. in amount of PLN 50 000 thousand, valid from 13 October 2020 to 31 October 2020;
- a bank guarantee issued by Intesa Sanpaolo S.p.A. Joint Stock Company Branch in Poland in the amount of PLN 50 000 thousand, valid from 26 October 2020 to 16 November 2020;

and the following annexes:

- an annex to the bank guarantee issued by Santander Bank Polska S.A. in amount of PLN 100 000 thousand, with the expiration date on 30 November 2020;
- an annex to the bank guarantee issued by Santander Bank Polska S.A. in total amount of PLN 150 000 thousand, valid until 16 November 2020;
- an annex to the bank guarantee issued by Bank Gospodarstwa Krajowego in the amount of PLN 30 000 thousand, valid until 17 December 2020.

- Transfer of the ownership title to CO_2 emission allowances and property rights to certificates of origin

In November and December 2019 as well as in February 2020 the agreements on transfer of CO_2 emission allowances in favour of the IRGiT were concluded between the Company and the IRGiT as well as between the Company, the subsidiary of TAURON Wytwarzanie S.A. and the IRGiT. As of 30 September 2020, the object of the established collateral amounted in total to 3 021 799 tons of CO_2 emission allowances, including:

- The Company has deposited 2 205 000 tonnes of CO_2 emission allowances on its account in the Union Registry and
- the subsidiary of TAURON Wytwarzanie S.A. transferred to IRGiT allowances owned by TAURON Wytwarzanie S.A. in the total amount of 816 799 tonnes.

(in PLN thousand)

On 10 February 2020, two agreements of transfer of ownership as collateral concerning the property rights of the certificates of origin were concluded between the Company, the subsidiary TAURON Sprzedaż Sp. z o.o. and the IRGiT as well as between the Company, the subsidiary TAURON Sprzedaż GZE Sp. z o.o. and the IRGiT. On 30 September 2020, on the grounds of the concluded agreements the subsidiaries submitted to the Certificate of Origin Register kept by the Polish Power Exchange (POLPX) an instruction to block the property rights in total number of 1 930 594.92 MWh.

Carrying amounts of assets pledged as collateral against liabilities of the Group

The carrying amounts of assets pledged as collateral for the payment of liabilities at the end of each reporting period have been presented in the table below.

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Other financial receivables	51 346	184 353
Real estate	8 016	10 482
Cash	8 363	45
Total	**67 725**	**194 880**

Collaterals of forwards and futures (derivative financial instruments) concluded by the Company on foreign exchange markets is the key item. As at 30 September 2020 and 31 December 2019 the collateral amount was PLN 51 346 thousand and PLN 184 353 thousand, respectively.

Other forms of collateral against liabilities of the Group

As at 30 September 2020, other material forms of collateral regarding liabilities of TAURON Group included:

- Registered pledges and a financial pledge on shares of TAMEH HOLDING Sp. z o.o.

Under the agreement of 15 May 2015, annexed on 15 September 2016, the parent company established 3 293 403 shares in the share capital of TAMEH HOLDING Sp. z o.o, with the nominal value of PLN 100 and the total nominal value of PLN 329 340 thousand, constituting 50% of the shares in the share capital, a financial pledge and registered pledges, i.e. a registered pledge with the highest priority of satisfaction on the shares up to the maximum security amounting to CZK 3 950 000 thousand and a registered pledge with the highest priority of satisfaction on the shares up to the maximum security amounting to PLN 1 370 000 thousand in favour of RAIFFEISEN BANK INTERNATIONAL AG. The Company also agreed to establish a financial pledge and registered pledges on new shares acquired or taken up. Moreover, the Company assigned the rights to dividend and other payments.

The agreement to establish registered pledges and a financial pledge was concluded to secure transactions including the agreement for term loans and working capital loans, entered into by TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as original borrowers, TAMEH HOLDING Sp. z o.o. as the parent and the guarantor, and RAIFFEISEN BANK INTERNATIONAL AG as the agent and the collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until release by the pledgee, not later than on 31 December 2028.

As at 30 September 2020, the carrying amount of the investment in a joint venture measured using the equity method in the TAMEH HOLDING Sp. z o.o. Capital Group was PLN 563 779 thousand.

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2020 prepared in accordance with IFRS, as endorsed by the EU (in PLN thousand)

- Blank promissory notes

Agreement/transaction secured by blank promissory notes	Issuer of a blank promissory note	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Agreements concerning loans granted to subsidiary TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o. by Regional Fund for Environmental Protection and Water Management in Katowice. The companies have provided declarations of submission to enforcement as collateral for the loans in question.	TAURON Polska Energia S.A.	70 000*	70 000
Performance bonds under contracts and agreements concluded by the company, including co-funding of engagements being carried out.	TAURON Dystrybucja S.A.	220 402	212 284
Performance and reimbursement security under the co-funding agreements concluded with the National Fund for Environmental Protection and Water Management in Warsaw.	TAURON Ciepło Sp. z o.o.	67 254	87 251
Performance bonds under the co-funding agreements concluded with Centrum Projektów Polska Cyfrowa in Warsaw.	TAURON Obsługa Klienta Sp. z o.o.	187 841	187 841
An agreement with PSE S.A. to provide electricity supply services, an agreement with the National Fund for Environmental Protection and Water Management in Warsaw concerning partial cancellation of a loan and an agreement with the National Centre for Research and Development in Warsaw for the funding of a project.	TAURON Wytwarzanie S.A.	63 708	63 708

* *As at the balance sheet date, the outstanding amount of loans secured with the promissory notes was PLN 9 000 thousand.*

- Guarantees and surety agreements

Company in respect of which contingent liability has been granted	Beneficiary	Due date	As at 30 September 2020 *(unaudited)*			As at 31 December 2019		Transaction
			Currency		PLN	Currency	PLN	
Corporate and bank guarantees								
Finanse Grupa TAURON Sp. z o.o. (former TAURON Sweden Energy AB (publ))	Bondholders	3.12.2029	EUR	168 000	760 502	168 000	715 428	Corporate guarantee granted by the Company to secure bonds issued by a subsidiary.
Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11.04.2021			517 500		517 500	Bank guarantee issued at the Company's request by MUFG Bank, Ltd. to secure BGK's receivables under the loan agreement concluded on 8 March 2018 between the borrower Elektrociepłownia Stalowa Wola S.A. and Bank Gospodarstwa Krajowego and Polskie Górnictwo Naftowe i Gazownictwo S.A.
TAURON Czech Energy s.r.o.	various entities	31.01.2021-30.06.2021	CZK	95 000	15 827	95 000	15 922	Payment guarantees issued at TAUORN Czech Energy s.r.o. request by PKO BP S.A. Czech Branch and UniCredit Bank Czech Republic and Slovakia, a.s. for securing contracts concluded with market operators and contracts for supply of electricity and natural gas.
			EUR	1 000	4 527	1 200	5 110	
various subsidiaries[1]	various entities	07.10.2020-28.07.2029			33 572		8 821	Bank guarantees issued at the Company's request by CaixaBank S.A. for securing liabilities of subsidiaries under concluded contracts.
Surety agreements								
TAURON Sprzedaż Sp. z o.o.	Polska Spółka Gazownictwa Sp. z o.o.	30.11.2020[2]			20 000		20 000	Surety by the Company of liabilities of the subsidiary under the concluded distribution agreement.
Nowe Jaworzno Grupa TAURON Sp. z o.o.	Polskie Sieci Elektroenergetyczne S.A.	31.12.2020			33 024		33 024	Surety by the Company of liabilities of a subsidiary resulting from the obligation of the subsidiary under the Capacity Market Act to establish and maintain a security.
Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	30.01.2021			9 959		9 959	Surety by the Company of liabilities of a jointly-controlled company under bank guarantee agreements and overdraft loan agreements concluded between BGK and ECSW S.A.
		31.10.2020[3]	USD	3 664	14 165	3 664	13 915	
		24.04.2021	USD	1 329	5 135	1 329	5 047	

[1] *After the balance sheet date, the guarantee issued to secure the liabilities of the subsidiary TAURON Serwis Sp. z o.o. in the amount of EUR 142 thousand came into force and guarantees were issued to secure the liabilities of the subsidiary TAURON Sprzedaż Sp. z o.o. in the total amount of PLN 2 859 thousand.*
[2] *After the balance sheet date, on 4 November 2020, under the annex, the validity of surety was extended until 30 November 2021.*
[3] *After the balance sheet date, on 27 October 2020, the Company received a notice that the surety in the amount of USD 3 664 thousand expired.*

(in PLN thousand)

At the Company's request, MUFG Bank, Ltd. issued a bank guarantee as security for the receivables of Bank Gospodarstwa Krajowego, resulting from the loan agreement concluded in March 2018 between the borrower Elektrociepłownia Stalowa Wola S.A. and Bank Gospodarstwa Krajowego and Polskie Górnictwo Naftowe i Gazownictwo S.A. The current bank guarantee expires in April 2021. The bank guarantee was issued based on the guarantee agreement concluded January 2020 with the MUFG Bank, Ltd. and the receivables of MUFG Bank, Ltd. towards the Company are secured with a declaration of submission to enforcement up to PLN 621 000 thousand valid until 31 October 2021. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, whose value as at 30 September 2020 amounted to PLN 10 964 thousand (as at 31 December 2019 PLN 15 265 thousand).

In order to provide funds to cover future mine decommissioning costs, the subsidiaries TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. have established the Mine Decommissioning Fund.

52. Related-party disclosures

52.1. Transactions with joint ventures

The Group has interest in the following joint ventures: Elektrociepłownia Stalowa Wola S.A. and the TAMEH HOLDING Sp. z o.o. Capital Group, which has been discussed in more detail in Note 23 to these interim condensed consolidated financial statements.

The total amount of transactions with jointly-controlled entities has been presented in the following table.

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Revenue	101 239	78 084
Costs	(48 114)	(27 180)

The key item of receivables from and liabilities to jointly-controlled entities is a loan granted to Elektrociepłownia Stalowa Wola S.A., which has been discussed in more detail in Note 24 to these interim condensed consolidated financial statements.

The Company also provided collateral for joint ventures to secure the repayment of liabilities, as more fully described in note 51 of these interim condensed consolidated financial statements.

52.2. Transactions with State Treasury companies

As the State Treasury of the Republic of Poland is the Company's major shareholder, State Treasury companies are treated as related parties.

The total value of transactions with State Treasury companies has been presented in the table below.

Revenue and expenses

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Revenue	1 664 451	1 668 971
Costs	(1 803 972)	(2 030 121)

Receivables and liabilities

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Receivables	331 955	277 032
Payables	339 335	290 373

(in PLN thousand)

As at 30 September 2020, receivables presented in the table above comprised advance payments for purchases of fixed assets of PLN 2 443 thousand (as at 31 December 2019 - PLN 2 439 thousand).

Among the companies of the State Treasury, the largest clients of the TAURON Polska Energia S.A. Capital Group during the 9-month period ended 30 September 2020 were KGHM Polska Miedź S.A., PSE S.A., Polska Grupa Górnicza S.A. and Spółka Restrukturyzacji Kopalń S.A. The total sales to the above contractors amounted to 88% of the volume of revenues generated in transactions with State Treasury companies. The largest purchase transactions were made by the Group from PSE S.A., Polska Grupa Górnicza S.A. and Węglokoks S.A. Purchases from the above contractors constituted 87% of the value of purchases from State Treasury companies in the 9-month period ended 30 September 2020.

Among the companies of the State Treasury, the largest clients of the TAURON Polska Energia S.A. Capital Group during the 9-month period ended 30 September 2019 were KGHM Polska Miedź S.A., PSE S.A., Polska Grupa Górnicza S.A. oraz Jastrzębska Spółka Węglowa S.A. The total sales to the above contractors amounted to 91% of the volume of revenues generated in transactions with State Treasury companies. The largest purchase transactions were made by the Group from PSE S.A., Polska Grupa Górnicza S.A. and Węglokoks S.A. Purchases from the above contractors constituted 90% of the value of purchases from State Treasury companies in the 9-month period ended 30 September 2019.

The Capital Group concludes material transactions on the energy markets through Izba Rozliczeniowa Giełd Towarowych S.A. As it is only responsible for organization of commodities exchange trading, it was decided not to classify purchase and sale transactions made through this entity as related-party transactions.

Transactions with State Treasury companies are mainly related to the operating activities of the Group and they are concluded on arm's length terms.

52.3. Compensation of the executives

The amount of compensation and other benefits paid and/or due to the Management Board, Supervisory Boards and other key executives of the Parent and the subsidiaries in the 9-month period ended 30 September 2020 and in the comparative period has been presented in the table below.

	9-month period ended 30 September 2020 *(unaudited)*		9-month period ended 30 September 2019 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	**3 841**	**16 248**	**2 759**	**11 489**
Short-term benefits (with surcharges)	3 081	15 844	2 302	10 690
Employment termination benefits	628	396	440	799
Other	132	8	17	-
Supervisory Board	**539**	**977**	**699**	**778**
Short-term employee benefits (salaries and surcharges)	539	905	699	705
Other	-	72	-	73
Other key management personnel	**13 901**	**35 519**	**13 172**	**30 733**
Short-term employee benefits (salaries and surcharges)	12 347	34 272	11 515	29 564
Jubilee bonuses	-	109	-	78
Employment termination benefits	765	110	783	110
Other	789	1 028	874	981
Total	**18 281**	**52 744**	**16 630**	**43 000**

The amounts paid or payable until 30 September 2020 have been presented above. Moreover, in accordance with the adopted accounting policy, the Group recognizes provisions for benefits on account of management agreements' termination for members of the Management Board and other key executives, which may be paid or due in future reporting periods.

53. Other material information

Change of the commissioning date for a 910 MW power unit

In connection with the failure of one of the boiler elements during the last phase of the 910 MW power unit (the "Unit") tests in Jaworzno, the Consortium RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A., being the contractor of the Unit, the designer of the boiler and the entity responsible for the start-up of the boiler indicated that it was necessary to postpone the commissioning of the Unit. On 6 March 2020, the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. received information from the Contractor that the estimated commissioning of the Unit was to take place by the end of July 2020. On 4 May 2020, a subsidiary of Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Contractor signed an agreement relating to the performance of the Unit construction contract. In the signed agreement, the parties agreed on the causes of damage to one of the boiler elements referred to above. According to the conclusions of the Emergency Committee consisting of representatives of the Parties, the failure was a consequence of an adverse combination of events during the start-up of the Unit. In addition, the Emergency Committee agreed on a way of repairing damaged boiler components to avoid similar failures in the future.

The agreement also established a schedule of actions including procedures to prevent the risk of recurrence of failure and procedures for tuning and starting up the Unit. As a consequence of the agreement, the parties concluded an annex to the main contract, in which the Contractor undertook to commission the Unit by 15 November 2020. This period shall take into account the additional time necessary to deal with the consequences of the failure referred to above.

After the balance sheet date, on 13 November 2020, the 910 MW power unit was commissioned. Moreover, on the same day, a settlement and an annex to the agreement for the construction of the Unit were concluded with the contractor, which is described in more detail in Note 54 to these interim condensed consolidated financial statements.

Impact of the COVID-19 pandemic on the Group's operations

In the 9-month period ended 30 September 2020 an increase in the incidence of COVID-19 was observed in Poland. As a result, particularly at the beginning of the period of growing incidence, a number of restrictions have been introduced in the country to stop the spread of SARS-CoV-2 causing the COVID-19 disease. This situation caused disturbances in the economic and administrative system in Poland. A similar situation was observed in other countries around the world, including the countries of Poland's main trading partners. As a result, the pandemic significantly limited economic activity in the first half of 2020, affecting the work of industrial plants and companies from the segment of small and medium-sized enterprises, and disturbed the functioning of the entire economic system of the country. It should be noted that, in the third quarter of 2020, and in particular in September, there was a significant increase in the incidence of COVID-19 in Poland and worldwide. Consequently, in the medium and long term the pandemic is expected to have an impact on the national, European and global economic situation, with a negative impact on economic growth in Poland in 2020 and beyond.

As regards the market environment as a result of the pandemic, increased volatility of prices of financial instruments and commodities were observed during the 9-month period ended 30 September 2020. The third quarter was characterized by lower volatility than the first half of the year, but it still remains at an increased level. As regards financial factors, a weakening of the Polish zloty and a drop in interest rates are observed, including a threefold interventional reduction of the NBP reference interest rate by 140 basis points. The change in exchange rates affects the costs of purchase of CO_2 emission allowances as well as the valuation of TAURON Group debt denominated in foreign currencies. On the other hand, changes in interest rates may affect costs resulting from the concluded financing agreements based on a variable interest rate, as well as, in subsequent years, the level of regulated revenue from return on capital employed in the distribution area.

The situation related to the COVID-19 pandemic in the period of 9-month period ended 30 September 2020 affected in particular the level of demand for electricity in the National Power System, and consequently the volumes of electricity distribution and sales in the TAURON Capital Group. In the third quarter of 2020, the impact of the COVID-19 pandemic on the national demand was milder than in the second quarter of 2020, which was caused, among other things, by the change in the government's strategy for introducing restrictions in the fight against COVID-19 from national to local actions. The decrease in electricity consumption in Poland in the third quarter of 2020 was 1.4%, while in the 9-month period ended 30 September 2020, electricity consumption in Poland decreased by approximately 3.9% compared to the same period of 2019. Several percent decreases in demand for electricity resulted in a drop in revenue mainly in the area of electricity distribution and sales. In particular, the Group estimates that in the Distribution segment, the negative impact of the pandemic on the EBITDA amounted to PLN 40 489 thousand, which results from the loss of part of the sales volume to recipients outside households. As far as the Sales segment is concerned, the estimated negative impact of the pandemic on the EBITDA was PLN 65 389 thousand, which results from the loss of margin associated with the drop in electricity sales and the need to balance the purchase position. The pandemic situation being observed also results in a decrease in production in the area of conventional production and, consequently, a decrease in demand for hard coal and the increase in its reserves. Due to this situation, renegotiations of price and quantity conditions were undertaken with coal suppliers.

So far, the TAURON Group has not identified any significant problems in the execution of payments by customers, however, due to the effects of the pandemic, financial disturbances can be expected in the TAURON Group's customers in the future, which may cause problems in settling current payments for electricity, heat and gas. In the period from March to September 2020, changes in the level of overdue receivables were observed in the first weeks of the pandemic development. Since then, overdue receivables have remained substantially constant, with an increased migration of the receivables balance to the subsequent overdue periods. In order to limit potential credit losses, credit risk management criteria were tightened, monitoring of receivables was intensified and debt collection activities were intensified. In particular, the pandemic of COVID-19 affected the need to create additional write-offs for expected losses of credit facilities and to change the fair value measurement of loans granted, which increased the Group's operating costs by PLN 14 842 thousand and financial costs by PLN 15 747 thousand.

In terms of the impact of the pandemic on the provision of funding for the TAURON Group, no significant risk has been identified so far. With regard to obtaining sources of financing, the Company has a conservative policy assuming an advance of 12 to 24 months in relation to the planned date of their use. The aim of such an approach is, among other things, to increase security to protect the Company against loss of liquidity in cases that are difficult to predict, such as a pandemic. By implementing this policy and entering into negotiations with financial institutions at an early stage, the Company led at the beginning of the pandemic to the conclusion of new financing agreements increasing the liquidity security of the TAURON Group. Such an approach proved to be effective, as the effect of the pandemic was a significant reduction in the functioning of financial markets, as well as the temporary closure of some of these markets, e.g. the bond market in Poland, and thus limiting access to new financing instruments for entities. At the same time, expectations of higher margins on the part of financial institutions have been noted in relation to potential new instruments.

In terms of liquidity, apart from the negative impact of the previously indicated loss of income in the area of distribution and sales, the Company was obliged (especially in the first half of 2020) to make significantly higher amounts of required supplementary deposits both to IRGiT and to ICE exchange. This was a result of high volatility of prices on the electricity market and related products, taking into account the contract position held on particular markets, which translated into the level of cash employed for this purpose. In order to improve the liquidity situation in the first half of 2020 the Company concluded agreements on guarantee limits allowing to lodge the required collaterals in non-monetary form (instead of cash) to the IRGiT as well as to replace the hitherto established cash collaterals with bank guarantees. The Company has also taken advantage of the solutions of the so-called "anti-crisis shield" by submitting to the IRGiT a declaration of submission to execution, thus lowering the level of lodged deposits both in cash form and in established bank guarantees (the solution, in accordance with the act, expired on 30 September 2020).

Moreover, the Company undertakes a number of additional actions and initiatives aimed at limiting the impact of the pandemic on its financial liquidity, such as the above mentioned policy of obtaining financing and minimizing the value of deposits on IRGiT by the right of operation on the Polish Power Exchange. In particular, in order to limit the liquidity risk, the Company adjusted the delivery dates of the concluded forward contracts for CO_2 emission allowances to the dates of their redemption and decided to conclude new contracts exclusively on the OTC market. Such a solution not only reduced the level of expenditure planned for 2020, but also eliminated the risk of making security deposits, both initial ones and those related to price fluctuations of CO_2 emission allowances. Among the activities undertaken by the TAURON Group to minimize the liquidity risk, a system for limiting the TAURON Group's expenses has also been introduced (aimed, among other things, at reducing operating costs and strict, monthly analysis of cash balance execution), as well as applying for the use of aid programs initiated by public authorities. In particular, in the company of the Mining Segment, an agreement was signed between the Management Board of the company and the social side, limiting the working time and reducing the remuneration of the Management Board and employees of the company by 20% in the 3-month period, starting from 1 May 2020. In turn, in the company of the Generation Segment, an agreement signed between the Management Board of the company and the social side reduced the working time and reduced the remuneration of the Management Board and employees of the company by 10% in the same period of time. These agreements helped to reduce costs and obtain funds under the so called “anti-crisis shield” for reduced working hours for employees.

As a result of the COVID-19 pandemic, there were some obstacles in the implementation of the TAURON Capital Group's strategic investment projects. In the case of the investment in the construction of the 910 MW unit in Jaworzno and the construction of the unit in EC Stalowa Wola they occurred in the initial period of the pandemic as a result of the introduction of strict control of access to infrastructure and additional safety procedures. With respect to the construction of the 910 MW unit, the COVID-19 pandemic was one of the reasons for amending the agreement with the Consortium of Rafako S.A. and Mostostal Warszawa S.A., as well as the contractor's claims related to additional works (which was presented in Note no. 50 to this interim condensed consolidated financial statements). In order to minimize the consequences of disruptions in the projects, all contractors carrying out the investments cooperate closely and on an ongoing basis with the TAURON Group companies responsible for the investments, which monitor the situation in the projects and react adequately to the situation using the available tools. As part of the response to the pandemic, actions were also taken in the TAURON Group to review and limit investment expenditure.

Regardless of the economic and business effects, the current situation affects also the operating activities of individual business areas through increased employee absenteeism, increased operating costs resulting from the need to meet epidemiological conditions (costs of purchasing materials, costs of organizational changes), as well as relations with key subcontractors and contractors of the TAURON Group. In this respect, the TAURON Group undertakes a number of organisational and material preventive measures aimed at protecting the employees of the TAURON Group's individual companies and maintaining the continuity of the critical infrastructure. Additionally, the necessary changes in the organisation of work in the companies were made to ensure work safety. In particular, a dedicated crisis management team operates in the Company to assess the situation in particular areas of activity and to prepare detailed plans in case of disturbances in the continuity of key processes functioning in the TAURON Group. Moreover, dedicated crisis teams operate in the TAURON Group's individual companies to coordinate and implement measures at the Company level to prevent disturbances of the core business as a result of the risks associated with the COVID-19 pandemic.

To sum up, besides the reactions described above, the TAURON Group, aware of the risks associated with the epidemiological situation, takes active measures to minimize the impact of the current and expected economic situation as well as to protect itself against extreme events. However, it should be stressed that the situation related to the COVID-19 pandemic is very volatile and the future impact and scale of the pandemic is currently difficult to estimate precisely. The duration of the pandemic, its severity and extent, as well as its impact on economic growth in Poland in the short, medium and long term will be important. Already implemented and future regulatory actions aiming at introducing COVID-19 pandemic mitigation mechanisms are also important. Consequently, it cannot be ruled out that the COVID-19 pandemic may significantly affect the operations of the TAURON Group also in subsequent periods, including the level of revenues generated and costs incurred, as well as on the financial liquidity and debt level of the TAURON Group. The Management Board of the Company, being aware of the risks resulting from the pandemic, is monitoring the impact on an ongoing basis and will take all possible steps to mitigate any negative effects of the COVID-19 pandemic on the TAURON Group.

54. Events after the end of the reporting period

Issue and redemption of bonds

On 30 October 2020, The Company issued bonds in the total nominal amount of PLN 1 000 000 thousand and on 9 November 2020 redeemed bonds, in line with maturity date, in total nominal amount of PLN 6 300 thousand, which has been discussed in more detail in Note 34.1 these interim condensed consolidated financial statements.

Signing of a letter of intent to sell shares in PGE EJ 1 Sp. z o.o.

On 1 October 2020 the Company (holding 10% of shares in the capital of PGE EJ 1 Sp. z o.o.) and other entities holding shares in PGE EJ 1 Sp. z o.o. (PGE Polska Grupa Energetyczna S.A., Enea S.A. and KGHM Polska Miedź S.A.), signed a letter of intent with the State Treasury regarding the acquisition by the State Treasury of 100% of shares in PGE EJ 1 Sp. z o.o.

The entities signing the letter of intent undertook to carry out in good faith all actions necessary for the preparation and execution of the transaction consisting in the acquisition by the State Treasury of shares in PGE EJ 1 Sp. z o.o. The intention expressed in the letter of intent is for the State Treasury to acquire shares in PGE EJ 1 Sp. z o.o. until 31 December 2020, however the parties have not specified the date of the letter of intent. The letter of intent does not imply any obligation on the part of the parties to complete the transaction. The decision to carry out the transaction will depend on the outcome of negotiations in this respect and the fulfilment of other conditions set out in legal regulations or corporate documents. Possible sale of shares in PGE EJ 1 Sp. z o.o. is part of the Group's strategic directions.

As at the balance sheet date, the Company assessed that in relation to the shares held in PGE EJ 1 Sp. z o.o., the conditions resulting from IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were met as regards the classification of the above assets as held for sale.

Commissioning of the 910 MW power unit and conclusion of a settlement and an annex to the agreement

After the balance sheet date, on 13 November 2020, the 910 MW power generating unit at the Jaworzno III Power Plant ("Unit") was commissioned. Moreover, on the same day, a subsidiary Nowe Jaworzno, Grupa TAURON Sp. z o.o., E003B7 Sp. z o.o. (a company that is wholly owned by RAFAKO S.A. under restructuring) and the Consortium, including RAFAKO S.A. under restructuring – MOSTOSTAL WARSZAWA S.A. ("Consortuium"), acting with the agreement of the supervisor (administrator) of the arrangement under the simplified restructuring proceedings, signed a settlement ("Settlement") which is the result of the mediation conducted before the Arbitration Court at the General Counsel to the Republic of Poland (Prokuratoria Generalna Rzeczypospolitej Polskiej) and which regulates, in particular, the following issues:

- Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Consortium, waived their mutual and equivalent claims that had arisen by the date of signing the Settlement, with the exception of, inter alia, Nowe Jaworzno Grupa TAURON Sp. z o.o. claims under the statutory warranty or the warranty, as well as the recourse claims against the Consortium for the payment of the claims of further subcontractors and the claims of the Consortium related to the works carried out in accordance with the contract;
- the Consortium will provide additional services for Nowe Jaworzno Grupa TAURON Sp. z o.o., including the works aimed at optimizing the Unit's operation (performance), the results of which will include, inter alia, the reduction of the Unit's technical minimum power generation output from 40% to 37%. In addition, the technical warranty for the boiler's high-pressure part will be extended by six months (to 36 months), with respect to which Nowe Jaworzno Grupa TAURON Sp. z o.o. will receive an additional security (bond) issued by the warranty providers.

The Settlement will enter into force after the suspending conditions have been met, the key ones among which include the Unit's commissioning by 15 November 2020 (the condition has been met) and the submission by the Consortium of an agreement, in the form of a promissory agreement (pre-approved commitment), with the financial institutions with respect to the method of obtaining the funds required to complete the project. Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Consortium also agreed that the Settlement concluded before the mediator would be referred to the competent common court along with a petition for the approval thereof by the court. After the Settlement concluded before the mediator has been approved by the court by way of a legally binding decision, the Settlement shall become a legally binding court approved settlement agreement.

In connection with the conclusion of the Settlement, on 13 November 2020, Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Consortium concluded an annex to the Agreement for the construction of the Unit, that regulates in detail the agreements reached by the Parties specified in the Settlement with respect to the additional services to be provided by the Consortium including, among others, the deadlines for their completion and the payment terms related thereto.

These interim condensed consolidated financial consolidated statements of the TAURON Polska Energia S.A. Group prepared for the 9-month period ended on 30 September 2020 in accordance with International Accounting Standard 34 include 84 pages.

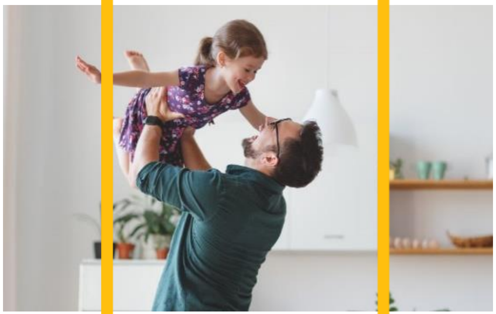
Katowice, 17 November 2020

Wojciech Ignacok – President of the Management Board

Marek Wadowski – Vice President of the Management Board

Oliwia Tokarczyk – Executive Director in Charge of Taxes and Accounting

TAURON



CONDENSED INTERIM FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2020

TAURON Polska Energia S.A.

Interim condensed financial statements
in accordance with the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2020

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*	3-month period ended 30 September 2019 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Sales revenue	11	2 708 846	7 915 766	2 418 932	7 296 402
Cost of sales	12	(2 537 647)	(7 602 290)	(2 308 675)	(7 105 408)
Profit on sale		**171 199**	**313 476**	**110 257**	**190 994**
Selling and distribution expenses	12	(3 904)	(16 182)	(5 576)	(18 443)
Administrative expenses	12	(28 110)	(88 439)	(30 610)	(88 525)
Other operating income and expenses		217	(3 903)	34	(3 514)
Operating profit		**139 402**	**204 952**	**74 105**	**80 512**
Dividend income	13	977 187	977 187	1 067 978	1 100 861
Interest income on loans and bonds	13	59 728	186 510	106 632	295 160
Interest expense on debt	13	(96 600)	(314 233)	(98 205)	(294 427)
Revaluation of shares	13	-	(17 616)	-	(102 050)
Revaluation of loans and bonds	13	(273 436)	(703 028)	(158 059)	(616 380)
Revaluation write-off to fair value of non-current assets classified as held for sale	13	(8 063)	(1 403 946)	-	-
Other finance income and costs	13	3 413	(124 692)	(71 121)	(58 553)
Profit (loss) before tax		**801 631**	**(1 194 866)**	**921 330**	**405 123**
Income tax expense	14	(11 367)	30 005	2 198	(94 617)
Net profit (loss)		**790 264**	**(1 164 861)**	**923 528**	**310 506**
Measurement of hedging instruments	27.4	10 035	(121 710)	1 771	(1 592)
Income tax expense	14	(1 907)	23 125	(337)	302
Other comprehensive income subject to reclassification to profit or loss		**8 128**	**(98 585)**	**1 434**	**(1 290)**
Actuarial gains (losses)		(110)	(884)	58	175
Income tax expense	14	21	168	(11)	(33)
Other comprehensive income not subject to reclassification to profit or loss		**(89)**	**(716)**	**47**	**142**
Other comprehensive income, net of tax		**8 039**	**(99 301)**	**1 481**	**(1 148)**
Total comprehensive income		**798 303**	**(1 264 162)**	**925 009**	**309 358**
Profit (loss) per share (in PLN):					
- basic and diluted, for net profit (loss)		0.46	(0.66)	0.53	0.18

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
ASSETS			
Non-current assets			
Investment property	**15**	29 065	19 737
Right-of-use assets	**16**	29 676	34 177
Shares	**17**	20 548 429	21 844 183
Loans granted	**18**	4 216 237	5 047 552
Derivative instruments	**19**	30 577	20 352
Deferred tax assets	**20**	129 432	23 418
Other financial assets	**21**	2 492	2 348
Other non-financial assets	**22**	18 039	18 823
		25 003 947	**27 010 590**
Current assets			
Inventories	**23**	170 354	149 364
Receivables from buyers	**24**	820 648	1 472 462
Income tax receivables		-	255 490
Loans granted	**18**	1 297 256	265 202
Derivative instruments	**19**	418 182	85 177
Other financial assets	**21**	311 809	316 949
Other non-financial assets	**22**	7 638	6 167
Cash and cash equivalents	**25**	157 304	923 728
Non-current assets classified as held for sale	**26**	355 957	-
		3 539 148	**3 474 539**
TOTAL ASSETS		**28 543 095**	**30 485 129**

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION – CONTINUED

	Note	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
EQUITY AND LIABILITIES			
Equity			
Issued capital	**27.1**	8 762 747	8 762 747
Reserve capital	**27.3**	6 338 754	6 801 584
Revaluation reserve from valuation of hedging instruments	**27.4**	(82 919)	15 666
Retained earnings / (Accumulated losses)	**27.5**	(1 474 567)	(771 820)
		13 544 015	**14 808 177**
Non-current liabilities			
Debt	**28**	11 289 480	10 909 597
Other financial liabilities	**29**	13 290	15 126
Derivative instruments	**19**	98 856	16 848
Provisions for employee benefits		3 965	5 929
		11 405 591	**10 947 500**
Current liabilities			
Debt	**28**	2 380 887	3 607 266
Liabilities to suppliers	**30**	326 529	424 486
Other financial liabilities	**29**	85 889	272 744
Derivative instruments	**19**	560 510	107 679
Income tax liabilities	**31**	107 914	-
Other non-financial liabilities	**32**	113 135	223 035
Provisions for employee benefits		301	292
Other provisions	**33**	1 018	77 094
Accruals, deferred income and government grants		17 306	16 856
		3 593 489	**4 729 452**
Total liabilities		**14 999 080**	**15 676 952**
TOTAL EQUITY AND LIABILITIES		**28 543 095**	**30 485 129**

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2020 *(not audited)*

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2020	**8 762 747**	**6 801 584**	**15 666**	**(771 820)**	**14 808 177**
Coverage of prior years loss	-	(462 830)	-	462 830	-
Transactions with shareholders	**-**	**(462 830)**	**-**	**462 830**	**-**
Net loss	-	-	-	(1 164 861)	**(1 164 861)**
Other comprehensive income	-	-	(98 585)	(716)	**(99 301)**
Total comprehensive income	**-**	**-**	**(98 585)**	**(1 165 577)**	**(1 264 162)**
As at 30 September 2020 *(unaudited)*	**8 762 747**	**6 338 754**	**(82 919)**	**(1 474 567)**	**13 544 015**

FOR THE 9-MONTH PERIOD ENDED 30 SEPTEMBER 2019 *(not audited)*

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2019	**8 762 747**	**8 511 437**	**3 371**	**(2 017 719)**	**15 259 836**
Coverage of prior years loss	-	(1 709 853)	-	1 709 853	-
Transactions with shareholders	**-**	**(1 709 853)**	**-**	**1 709 853**	**-**
Net profit	-	-	-	310 506	**310 506**
Other comprehensive income	-	-	(1 290)	142	**(1 148)**
Total comprehensive income	**-**	**-**	**(1 290)**	**310 648**	**309 358**
As at 30 September 2019 *(unaudited)*	**8 762 747**	**6 801 584**	**2 081**	**2 782**	**15 569 194**

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF CASHFLOWS

	Note	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Cash flows from operating activities			
Profit (loss) before tax		(1 194 866)	405 123
Depreciation and amortization		10 637	9 825
Interest and dividends net		(828 759)	(1 012 371)
Impairment losses on shares		17 616	102 050
Impairment losses on bonds and loans		703 028	616 380
Revaluation write-off to fair value of non-current assets classified as held for sale		1 403 946	-
Exchange differences		231 862	63 477
Other adjustments of profit before tax		62 753	(29 876)
Change in working capital	**34.1**	438 238	(387 749)
Income tax paid		13 425	(45 961)
Net cash from operating activities		**857 880**	**(279 102)**
Cash flows from investing activities			
Purchase of bonds		-	(420 000)
Loans granted	**34.2**	(1 115 760)	(722 317)
Purchase of shares	**34.2**	(477 504)	(856 896)
Other		(13 759)	(2 531)
Total payments		**(1 607 023)**	**(2 001 744)**
Redemption of bonds		-	1 050 000
Dividends received		975 182	1 100 861
Investment fund units alienation		26 747	-
Repayment of loans granted		209 102	7 000
Interest received	**34.2**	67 360	229 391
Other		32	275
Total proceeds		**1 278 423**	**2 387 527**
Net cash from investing activities		**(328 600)**	**385 783**
Cash flows from financing activities			
Repayment of loans	**34.3**	(3 430 464)	(90 864)
Redemption of debt securities		(3 100)	(670 000)
Payment of lease liabilities		(6 929)	(5 481)
Interest paid	**34.3**	(171 035)	(178 111)
Commission paid		(20 282)	(18 816)
Total payments		**(3 631 810)**	**(963 272)**
Issue of debt securities		-	500 000
Contracted loans	**34.3**	2 360 000	1 450 000
Total proceeds		**2 360 000**	**1 950 000**
Net cash from financing activities		**(1 271 810)**	**986 728**
Net increase / (decrease) in cash and cash equivalents		**(742 530)**	**1 093 409**
Net foreign exchange difference		(46)	(143)
Cash and cash equivalents at the beginning of the period	**25**	**(49 080)**	**(1 560 034)**
Cash and cash equivalents at the end of the period, *of which:*	**25**	**(791 610)**	**(466 625)**
restricted cash	**25**	146 210	448 760

Additional notes to the interim condensed financial statements
form an integral part thereof

INFORMATION ABOUT TAURON POLSKA ENERGIA S.A. AND THE BASIS FOR THE PREPARATION OF INTERIM CONDENSED FINANCIAL STATEMENTS

1. General information about TAURON Polska Energia S.A.

The interim condensed financial statements was prepared by TAURON Polska Energia Spółka Akcyjna (the "Company") with its registered seat in Katowice at ul. ks. Piotra Ściegiennego 3, whose shares are allowed for public trading.

The Company was established by the Notarial Deed on 6 December 2006 under the business name Energetyka Południe S.A. On 8 January 2007, the District Court Katowice-Wschód Commercial Division of the National Court Register registered the Company under the KRS number 0000271562. The change of its name to TAURON Polska Energia S.A. was registered with the District Court on 16 November 2007.

The Company was assigned statistical number (REGON) 240524697 and tax identification number (NIP) 9542583988.

TAURON Polska Energia S.A. was established for an unlimited period.

The core business of TAURON Polska Energia S.A. is:

- Head office and holding operations, except for financial holdings→ PKD 70.10 Z;
- Sales of electricity → PKD 35.14 Z;
- Sales of coal → PKD 46.71.Z;
- Sales of gaseous fuels in a network system → PKD 35.23.Z.

TAURON Polska Energia S.A. is the parent of the TAURON Polska Energia S.A. Group of Companies (the "Group", the "TAURON Group").

The Company prepared interim condensed financial statements covering the 9-month period ended 30 September 2020 and containing comparative data for the 9-month period ended 30 September 2019 and as at 31 December 2019. The data included in these interim condensed financial statements for the 9-month period ended 30 September 2020 and comparative data for the 9-month period ended 30 September 2019 have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2019 were audited by a certified auditor. Interim condensed statement of comprehensive income for the 3-month period ended 30 September 2020 and comparative data for the 3-month period ended 30 September 2019 have not been audited or reviewed by a certified auditor.

These interim condensed financial statements for the 9-month period ended 30 September 2020 were approved for publication on 17 November 2020.

The Company also prepared the condensed interim consolidated financial statements for the 9-month period ended 30 September 2020, which were approved for publication by the Management Board on 17 November 2020.

These interim condensed financial statements are part of the consolidated report which also includes the condensed interim consolidated financial statements for the 9-month period ended on 30 September 2020.

Composition of the Management Board

As at 30 September 2020, the composition of the Management Board was as follows:

- Wojciech Ignacok – President of the Management Board,
- Jerzy Topolski – Vice President of the Management Board,
- Marek Wadowski – Vice President of the Management Board.

On 14 July 2020, the Supervisory Board recalled, with effect from the end of 14 July 2020, all Members of the Management Board of the Company in its current composition:

- Filip Grzegorczyk – President of the Management Board,
- Jarosław Broda – Vice President of the Management Board,
- Marek Wadowski – Vice President of the Management Board.

(in PLN thousand)

2. Shares in related parties

As at 30 September 2020, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's capital	Share of TAURON Polska Energia S.A. in the governing body
1	TAURON Wydobycie S.A.	Jaworzno	Hard coal mining	100.00%	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation, transmission and distribution of electricity and heat	100.00%	100.00%
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation of electricity	85.88%	85.88%
4	TAURON Ciepło Sp. z o.o.	Katowice	Production and distribution of heat	100.00%	100.00%
5	TAURON Serwis Sp. z o. o.	Katowice	Services	95.61%	95.61%
6	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation of electricity	100.00%	100.00%
7	Marselwind Sp. z o.o.	Katowice	Generation of electricity	100.00%	100.00%
8	TEC1 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
9	TEC2 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
10	TEC3 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Generation of electricity	n/a	100.00%
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	Generation of electricity	n/a	100.00%
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	Generation of electricity	n/a	100.00%
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	Generation of electricity	n/a	100.00%
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	Generation of electricity	n/a	100.00%
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	Generation of electricity	n/a	100.00%
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	Generation of electricity	n/a	100.00%
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	Generation of electricity	n/a	100.00%
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	Generation of electricity	n/a	100.00%
20	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	Generation of electricity	n/a	100.00%
21	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99.75%	99.75%
22	TAURON Dystrybucja Pomiary Sp. z o.o.[1]	Tarnów	Services	99.75%	99.75%
23	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100.00%	100.00%
24	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100.00%	100.00%
25	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sale of electricity	100.00%	100.00%
26	TAURON Nowe Technologie S.A. [2]	Wrocław	Services	100.00%	100.00%
27	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100.00%	100.00%
28	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Limestone quarrying and stone quarrying	100.00%	100.00%
29	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Sale of electricity	100.00%	100.00%
30	Finanse Grupa TAURON Sp. z.o.o.	Katowice	Services	100.00%	100.00%
31	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	Wholesale of fuel and derivative products	100.00%	100.00%
32	Wsparcie Grupa TAURON Sp. z o.o.[1]	Tarnów	Services	99.75%	99.75%

[1] TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Dystrybucja S.A. TAURON Polska Energia S.A. is a usufructuary of TAURON Dystrybucja Pomiary Sp. z o.o. shares.
[2] On 1 June 2020, the company name was changed from TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.

Changes in the share of TAURON Polska Energia S.A. in the issued capital and governing body of Nowe Jaworzno Grupa TAURON Sp. z o.o.

In the 9-month period ended 30 September 2020, the capital of subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. was increased, as further described in Note 17 to these interim condensed financial statements. As at 30 September 2020, the Company's share in the capital and decision-making body was 85.88% (as of 31 December 2019 – 84.76%).

As at 30 September 2020, the TAURON Polska Energia S.A.'s share in the issued capital and governing bodies of other significant subsidiaries and joint ventures has not changed since 31 December 2019.

As at 30 September 2020, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled entities:

Lp.	Nazwa spółki	Siedziba	Podstawowy przedmiot działalności	Udział TAURON Polska Energia S.A. w kapitale i organie stanowiącym spółki
1	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Wytwarzanie energii elektrycznej	50,00%
2	TAMEH HOLDING Sp. z o.o.[2]	Dąbrowa Górnicza	Działalność firm centralnych i holdingów	50,00%
3	TAMEH POLSKA Sp. z o.o.[2]	Dąbrowa Górnicza	Wytwarzanie, przesyłanie, dystrybucja i obrót energii elektrycznej i ciepła	50,00%
4	TAMEH Czech s.r.o.[2]	Ostrawa, Republika Czeska	Produkcja, handel i usługi	50,00%

[1]TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. through a subsidiary, TAURON Wytwarzanie S.A.
[2] TAURON Polska Energia S.A. holds direct interest in the issued capital and the governing body of TAMEH HOLDING Sp. z o.o., which holds 100% interest in the issued capital and the governing bodies of TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.o.

3. Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as approved by the European Union ("EU").

The interim condensed financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the Company's financial statements prepared in accordance with IFRS for the year ended 31 December 2019.

4. Going concern

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these interim condensed financial condensed statements for publication, no circumstances had been identified which would indicate a risk to the Company's ability to continue as a going concern.

During the 9-month period ended 30 September 2020, an pandemic of COVID-19 appeared in the area of the Group's operations, causing disruption to the economic and administrative system in Poland and causing significant changes in the market environment, which may affect the financial situation of the Group and the Company. At the moment, the Management Board has analysed the situation in the context of COVID-19 and, based on the scenarios under consideration, in the area of liquidity, financing and securing the continuation of operations does not identify any risk for the continuation of operations in the foreseeable future, including the description of the impact of the COVID-19 pandemic on the Group's operations, as further detailed in Note 41 of these interim condensed financial statements.

5. Functional and presentation currency

Polish zloty is the functional currency of the parent company and the presentation currency of these interim condensed financial statements. These interim condensed financial statements have been presented in the Polish zloty ("PLN") and all figures are in PLN thousand, unless stated otherwise.

6. Material values based on professional judgement and estimates

When applying the accounting policy in view of the below presented issues, professional judgement of the management, along with accounting estimates, have been of key importance; they have impacted the figures disclosed in these interim condensed financial statements and in the explanatory notes. The assumptions underlying the estimates have been based on the Management Board's best knowledge of current and future actions and events in individual areas. In the period covered by these interim condensed financial statements, there were no significant changes in estimates or estimation methods applied, which would affect the current or future periods, other than those presented below or mentioned further in these interim condensed financial statements.

6.1. Impact of COVID-19 on the level of expected credit losses and fair value measurement of financial instruments

Impact of COVID-19 on the level of expected credit losses of receivables from customers

Estimates and assumptions

With regard to receivables from buyers, the Company estimates the amount of allowances for expected credit losses based on a weighted probability of credit loss to be incurred as a consequence of any of the following events:

• there will be a significant (material) delay in payment;

• the debtor will be put into liquidation or bankruptcy or restructuring;

• the claims will be submitted to administrative enforcement, court proceedings or judicial execution.

For receivables from buyers, the Company has separated the portfolio of strategic counterparties and the portfolio of other counterparties. The risk of insolvency of strategic counterparties is assessed on the basis of ratings assigned to counterparties using an internal scoring model, appropriately transformed into the probability of default, taking into account the estimates of potential recoveries from the collateral provided.

In the case of receivables from other counterparties, it is expected that adjusted historical default data may reflect the credit risk that will be incurred in future periods. The expected credit losses for this group of counterparties have been estimated using an aging matrix of receivables, and percentage ratios assigned to particular ranges and groups (including, among others, receivables claimed in court, receivables from counterparties in bankruptcy) to estimate the value of receivables from buyers that are not expected to be repaid.

COVID-19 impact on the methodology of estimates and assumptions

The economic impact of COVID-19 is expected to affect the quality of the Company portfolios of financial assets and reduce the level of repayment of receivables from buyers. The projected impact varies depending on the economic sector in which the counterparty operates. Due to the uncertainty related to further development of COVID-19 and the expected impact of aid programs, the possibility of precise estimation of future repayment of receivables from buyers is limited.

In order to take into account the impact of future factors (including COVID-19) on the portfolio of strategic and other customers, the Company has performed:

• updating of the expected credit loss model parameters with respect to the terms of appropriate factors and recovery rate,

• includes a forecasting approach (forward-looking rate).

COVID-19 impact on the level of estimates made

The estimates taking into account the uncertainties related to the effect of COVID-19 on the expected credit losses with regard to receivables from buyers was PLN 6 377 thousand, which affected the burden on the Company's operating result for the 9-month period ended 30 September 2020. The total expected credit loss as at 30 September 2020 calculated for receivables from customers (except for receivables claimed in court) was estimated at PLN 7 289 thousand.

The Company assumes that the volume of data available for analysis in future periods will increase and will allow to extend the scope of analysis for the expected credit losses for the needs of the next financial statements.

Impact of COVID-19 on the level of expected credit losses and valuation of loans granted and guarantee issued at fair value

Estimates and assumptions

For loans classified as assets measured at amortized cost, the Company estimates the amount of write-offs revaluating their value. The risk of borrowers' insolvency is estimated on the basis of ratings assigned to counterparties using an internal scoring model, appropriately transformed into probability of default, taking into account the time value of money.

The measurement of a loan classified as an asset measured at fair value is estimated as the present value of future cash flows, taking into account the borrower's credit risk.

The guarantees issued are estimated at the amount of expected credit losses.

COVID-19 impact on the methodology of estimates and assumptions

In order to take into account the impact of future factors (including COVID-19), the Company made adjustments to the probability of expected credit losses based on Credit Default Swap (CDS) quotations, diversified according to the internal counterparty rating.

COVID-19 impact on the level of estimates made

The effect of taking into account the impact of COVID-19 on the estimation methodology made resulted in the following changes affecting the Company's financial costs results for the 9-month period ended 30 September 2020 in the amount of PLN 53 107 thousand:

• an increase in expected credit losses calculated for loans granted by PLN 39 727 thousand (including loans granted to subsidiaries by amount of PLN 36 690 thousand, receivables due to cash pool loans by amount of PLN 693 thousand, loans granted to joint ventures companies by amount of PLN 2 265 thousand, other loans by amount of PLN 79 thousand),

• a decrease in the fair value of loans granted to joint ventures by PLN 5 910 thousand,

• an increase in expected credit losses calculated for contingent liabilities under the guarantee issued by the Company by PLN 7 470 thousand, which according to IFRS 9 *Financial Instruments* was recognised as an increase in financial liabilities.

The Company assumes that the volume of data available for analysis in future periods will increase and will allow to extend the scope of analysis for the expected credit losses for the needs of the next financial statements.

6.2. Other material values based on professional judgement and estimates

The following are other items of the financial statements which involve a significant risk of a significant adjustment to the carrying amounts of assets and liabilities. Detailed information on the adopted assumptions are presented in the relevant notes to these interim condensed financial statements, as indicated in the table below.

(in PLN thousand)

Item	Note	Estimates and assumptions
Shares	Note 17	Due to the existence as at the balance sheet date of objective premises indicating impairment of the shares and stock item, including long-term maintenance of the Company's capitalization at a level below the balance sheet value of net assets, the Company carried out impairment tests on shares and stock and intragroup loans as at 30 June 2020. The result of the tests carried out as at 30 June 2020 did not indicate the necessity of creating or reversing impairment losses on shares and stocks and intragroup loans. With a view to the persistence and development of the COVID-19 pandemic in the third quarter of this year, an analysis was made of the effects of changes in the market situation that may change long-term market assumptions for the energy sector. After the analysis of the observed market and regulatory phenomena, it was concluded that, in the expected perspective, they do not constitute significant factors whose impact causes the legitimacy of the change of long-term forecasts, compared to the information available as of 30 June 2020. For this reason, it was concluded that the results of the recent impairment tests on shares and stock and intragroup loans presented in fixed assets carried out as at 30 June 2020 are valid.
Loans granted	Note 18	The Company makes appropriate classification and valuation of granted loans. Granted loans with a maturity of less than one year, for which an extension of the repayment period is planned, are classified as long-term instruments. In accordance with the requirements of IFRS 9 *Financial Instruments* for loans measured at amortised cost, the Company estimates the amount of write-offs due to expected credit losses. As at the balance sheet date, the Company also has loans granted, initially recognised as impaired financial assets due to credit risk. The amount of credit loss as at the date of recognition was estimated on the basis of scenarios assumed by the Company for repayment of the loan granted, taking into account the results of the asset impairment test.
Derivative instruments	Note 19	As at each balance sheet date, the Company measures derivative financial instruments at fair value. The methods of determining the fair value is presented in Note 19 of these interim condensed financial statements. Derivatives purchased and held to secure their own needs are not subject to valuation as at the balance sheet date. Due to the delay in commissioning the power unit in Jaworzno, as at the balance sheet date, the Company has a significant surplus of CO_2 emission rights contracted to be acquired in 2021 for resale to a subsidiary for redemption in connection with the emission for 2020. The Company intends to acquire CO_2 emission rights at maturity, therefore these contracts are recognised as excluded from IFRS 9 *Financial Instruments and* therefore are not measured at fair value as at the balance sheet date.
Deferred tax assets	Note 20	As at the end of each reporting period, the Company asses the realisation of deferred tax assets and verifies deferred tax assets which were not recognized.
Non-current assets classified as held for sale	Note 26	In relation to the shares in the subsidiary TAURON Ciepło Sp. z o.o., ine the Company's opinion, the conditions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* in terms of classification as non-current assets held for sale were met. Therefore, as at the balance sheet date, the Company presents in the statement of financial position the shares under fixed assets classified as held for sale and recognised a write-off for revaluation to fair value less selling costs.
Debt	Note 28	When measuring liabilities at amortized cost using the effective interest rate method, the Company estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. In the case of a loan agreement defining the maximum term of individual credit tranches up to 1 year or with a repayment date at the end of the interest period, where the financing available under the agreement is revolving and the term of availability exceeds 1 year, the Company classifies the tranches according to the intention and possibility of maintaining financing under the agreement, i.e. as long-term or short-term liabilities.
Provisions	Note 33	The value of provisions is determined based on assumptions made by the Company as well as a methodology and calculation method that is appropriate for a specific provision. To this end, the Company verifies the probability of an outflow of resources embodying economic benefits and estimates reliably the amount necessary to fulfil the obligation. The Company recognized provisions if the probability of an outflow of resources embodying economic benefits is higher than 50%.

Additionally, the Company makes significant estimates as regards the contingent liabilities disclosed thereby, and in particular as regards court cases it is a party to. Contingent liabilities have been presented in detail in Note 37 hereto.

7. Published standards and amendments to standards which have been published but are not yet effective

The Company has not decided to apply any standard or amendment to a standard that has been published but has not yet entered into force.

(in PLN thousand)

- **Standards and revised standards issued by the International Accounting Standards Board which have not been endorsed by the European Union and are not yet effective**

According to the Management Board, the following standards and revised standards will not materially impact the accounting policies applied thus far:

Standard	Effective date specified in the Standard, not endorsed by the EU *(annual periods beginning on or after the date provided)*
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
Revised IFRS 10 *Consolidated Financial Statements and* IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture* with subsequent amendments	the effective date has been postponed
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 I*nsurance Contracts* and IFRS 16 *Leases*: *Interest Rate Benchmark Reform*	1 January 2021
Amendments to IFRS 4 *Insurance Contracts*	1 January 2021
Amendments to IFRS 3 *Business Combinations*	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
Annual Improvements to IFRS (Cycle 2018-2020):	
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	1 January 2022
IFRS 9 *Financial Instruments*	1 January 2022
IAS 41 *Agriculture*	1 January 2022
IFRS 17 *Insurance contracts*	1 January 2023
Amendments to IAS 1 P*resentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023

** The European Commission decided not to launch the process of endorsement of the interim standard for use in the EU until the publication of the final version of IFRS 14 Regulatory Deferral Accounts.*

8. Changes in the accounting policies

The accounting principles (policy) adopted for the preparation of these interim condensed financial statements are consistent with those used for the preparation of the annual financial statements of the Company for the year ended 31 December 2019, except for the application of changes to the standards below.

According to the Management Board, the introduction of the following amendments to standards has not materially impacted the accounting policies applied thus far:

Standard	Effective date in the EU *(annual periods beginning on or after the date provided)*
Revised IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*	1 January 2020
Amendments to IFRS 3 *Business Combinations: Definition of a Business*	1 January 2020
Amendments to References to the Conceptual Framework in IFRS	1 January 2020
Amendments to IFRS 16 *Leasing*	1 January 2020
Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 7 *Financial Instruments: Disclosures: Interest Rate Benchmark Reform*	1 January 2020

9. Seasonality of activities

The Company's activity related to electricity trading is not seasonal in nature, therefore in this respect the presented results of the Company do not record significant fluctuations during the year. Due to the holding activity, the Company may show significant financial revenues from dividends recognised in the dates of resolutions on the payment of dividends, unless these resolutions indicate other dates for determining the right to dividend. In the 9-month period ended 30 September 2020, the Company recognized a dividend income of PLN 977 187 thousand (in the comparable period – PLN 1 100 861 thousand).

BUSINESS SEGMENTS

10. Information on operating segments

The Company carries out its business in two operating segments, that is “Sales” and “Holding activity”.

The “Sales” segment includes mainly assets, liabilities, revenues and operating costs related to sales of electricity, gas, fuels and commodity derivative instruments.

The assets of the “Holding activity” segment are mainly:

- shares in subsidiaries and jointly-controlled entities;
- cash pool loan receivables from related parties, including a cash pool deposit;
- receivables arising from other loans granted to related parties;
- assets arising from valuation of hedging instruments relating to the incurred financing.

As at 30 September 2020 in the segment "Holding operations" the segment's assets also include shares in the subsidiary TAURON Ciepło Sp. z o.o., which have been classified as fixed assets held for sale.

The liabilities of the “Holding activity” segment are:

- bonds issued by the Company, credits received (except for credits in the account) and liabilities resulting from the valuation of hedging instruments related to the incurred financing;
- liabilities due to loans from related parties, including under the cash pool agreement.

The “Holding activity” segment includes intra-group receivables and liabilities arising from income tax settlements of the Tax Capital Group companies.

Finance income and finance costs include dividend income as well as net interest income and expense earned/incurred by the Company in relation to the central financing model adopted by the Group and revaluation write-offs on shares and stocks and loans (in the comparable period also write-offs on bonds), constituting assets of the “Holding activity” segment.

General and administrative expenses are presented under unallocated expenses, as they are incurred for the Group as a whole and are not directly attributable to a specific operating segment.

EBIT is the profit/loss on continuing operations before tax, finance income and finance costs, i.e. operating profit (loss).

EBITDA is the profit/loss on continuing operations before tax, finance income and finance costs, increased by amortisation/depreciation and revaluation write-offs on non-financial assets.

(in PLN thousand)

9-month period ended on 30 September 2020 or as at 30 September 2020 *(not audited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	969 868	-	-	**969 868**
Sales within the Group	6 945 893	5	-	**6 945 898**
Segment revenue	**7 915 761**	**5**	**-**	**7 915 766**
Profit/(loss) of the segment	**293 386**	**5**	**-**	**293 391**
Unallocated expenses	-	-	(88 439)	**(88 439)**
EBIT	**293 386**	**5**	**(88 439)**	**204 952**
Revaluation of shares	**-**	(17 616)	**-**	**(17 616)**
Revaluation of loans	**-**	(703 028)	-	**(703 028)**
Revaluation write-off to fair value of non-current assets classified as held for sale	**-**	(1 403 946)	**-**	**(1 403 946)**
Other net finance income/(costs)	-	611 374	113 398	**724 772**
Profit/(loss) before income tax	**293 386**	**(1 513 211)**	**24 959**	**(1 194 866)**
Income tax expense	-	-	30 005	**30 005**
Net profit/(loss) for the period	**293 386**	**(1 513 211)**	**54 964**	**(1 164 861)**
Assets and liabilities				
Segment assets	1 833 125	26 541 696	-	**28 374 821**
Unallocated assets	-	-	168 274	**168 274**
Total assets	**1 833 125**	**26 541 696**	**168 274**	**28 543 095**
Segment liabilities	1 004 380	13 677 748	**-**	**14 682 128**
Unallocated liabilities	-	-	316 952	**316 952**
Total liabilities	**1 004 380**	**13 677 748**	**316 952**	**14 999 080**
EBIT	**293 386**	**5**	**(88 439)**	**204 952**
Depreciation/amortization	**(10 637)**	**-**	**-**	**(10 637)**
Impairment	**(8)**	**-**	**-**	**(8)**
EBITDA	**304 031**	**5**	**(88 439)**	**215 597**
Other segment information				
Capital expenditure *	14 228	-	-	**14 228**

** Capital expenditure includes expenditures for property, plant and equipment, investment properties and non-current intangible assets, except for energy certificates acquired by the Company.*

9 month-period ended 30 September 2019 *(not audited)* or as at 31 December 2019

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	643 110	-	-	**643 110**
Sales within the Group	6 653 287	5	-	**6 653 292**
Segment revenue	**7 296 397**	**5**	**-**	**7 296 402**
Profit/(loss) of the segment	**169 032**	**5**	**-**	**169 037**
Unallocated expenses	-	-	(88 525)	**(88 525)**
EBIT	**169 032**	**5**	**(88 525)**	**80 512**
Revaluation of shares	**-**	(102 050)	-	**(102 050)**
Revaluation of loans and bonds	-	(616 380)	-	**(616 380)**
Other net finance income (costs)	-	1 023 709	19 332	**1 043 041**
Profit/(loss) before income tax	**169 032**	**305 284**	**(69 193)**	**405 123**
Income tax expense	-	-	(94 617)	**(94 617)**
Net profit/(loss) for the period	**169 032**	**305 284**	**(163 810)**	**310 506**
Assets and liabilities				
Segment assets	3 003 016	27 176 583	-	**30 179 599**
Unallocated assets	-	-	305 530	**305 530**
Total assets	**3 003 016**	**27 176 583**	**305 530**	**30 485 129**
Segment liabilities	836 660	14 685 415	**-**	**15 522 075**
Unallocated liabilities	-	-	154 877	**154 877**
Total liabilities	**836 660**	**14 685 415**	**154 877**	**15 676 952**
EBIT	**169 032**	**5**	**(88 525)**	**80 512**
Depreciation/amortization	**(9 825)**	**-**	**-**	**(9 825)**
Impairment	**145**	**-**	**-**	**145**
EBITDA	**178 712**	**5**	**(88 525)**	**90 192**
Other segment information				
Capital expenditure *	2 269	-	-	**2 269**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

(in PLN thousand)

In the 9-month period ended 30 September 2020, revenue from sales to two major clients from the TAURON Group accounted for 73% and 10% of the Company's total revenue in the "Sales" segment and amounted to PLN 5 739 784 thousand and PLN 783 052 thousand, respectively. In the 9-month period ended 30 September 2019, revenue from sales to two major clients from the TAURON Group accounted for 79% and 11% of the Company's total revenue in the "Sales" segment and amounted to PLN 5 755 679 thousand and PLN 779 508 thousand, respectively.

3 month-period ended 30 September 2020 *(not audited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	483 372	-	-	**483 372**
Sales within the Group	2 225 474	-	-	**2 225 474**
Segment revenue	**2 708 846**	**-**	**-**	**2 708 846**
Profit/(loss) of the segment	**167 512**	**-**	**-**	**167 512**
Unallocated expenses	-	-	(28 110)	**(28 110)**
EBIT	**167 512**	**-**	**(28 110)**	**139 402**
Revaluation of loans and bonds	-	-	-	-
Revaluation of loans	-	(273 436)	-	**(273 436)**
Revaluation write-off to fair value of non-current assets classified as held for sale	-	(8 063)	-	**(8 063)**
Other net finance income (costs)	-	889 015	54 713	**943 728**
Profit/(loss) before income tax	**167 512**	**607 516**	**26 603**	**801 631**
Income tax expense	-	-	(11 367)	**(11 367)**
Net profit/(loss) for the period	**167 512**	**607 516**	**15 236**	**790 264**
EBIT	**167 512**	**-**	**(28 110)**	**139 402**
Depreciation/amortization	**(3 687)**	**-**	**-**	**(3 687)**
Impairment	**21**	**-**	**-**	**21**
EBITDA	**171 178**	**-**	**(28 110)**	**143 068**
Other segment information				
Capital expenditure *	12 130	-	-	**12 130**

**Capital expenditure includes expenditures for property, plant and equipment, investment properties and non-current intangible assets, except for energy certificates acquired by the Company.*

3 month-period ended 30 September 2019 *(not audited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	215 873	-	-	**215 873**
Sales within the Group	2 203 059	-	-	**2 203 059**
Segment revenue	**2 418 932**	**-**	**-**	**2 418 932**
Profit/(loss) of the segment	**104 715**	**-**	**-**	**104 715**
Unallocated expenses	-	-	(30 610)	**(30 610)**
EBIT	**104 715**	**-**	**(30 610)**	**74 105**
Revaluation of shares	-	-	-	-
Revaluation of loans and bonds	-	(158 059)	-	**(158 059)**
Other net finance income (costs)	-	975 420	29 864	**1 005 284**
Profit/(loss) before income tax	**104 715**	**817 361**	**(746)**	**921 330**
Income tax expense	-	-	2 198	**2 198**
Net profit/(loss) for the period	**104 715**	**817 361**	**1 452**	**923 528**
EBIT	**104 715**	**-**	**(30 610)**	**74 105**
Depreciation/amortization	**(3 297)**	**-**	**-**	**(3 297)**
Impairment	**3**	**-**	**-**	**3**
EBITDA	**108 009**	**-**	**(30 610)**	**77 399**
Other segment information				
Capital expenditure *	548	-	-	**548**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

(in PLN thousand)

NOTES TO THE INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Revenue from sales of goods for resale and materials	**7 813 333**	**7 178 495**
Electricity	7 403 377	6 934 652
Gas	230 346	233 806
CO_2 emission allowances	171 436	3 144
Other	8 174	6 893
Rendering of services	**102 433**	**117 907**
Trading income	77 656	87 438
Other	24 777	30 469
Total	**7 915 766**	**7 296 402**

The increase in revenue from the sale of electricity in the 9-months period ended 30 September 2020 in relation to the comparable period is mainly related to the execution of sales contracted on the energy forward market in a higher volume and at the same time higher price.

The increase in revenue from the sale of CO_2 emission allowances results mainly from the sale of CO_2 emission allowances to a subsidiary in April 2020 for the purpose of CO_2 emission allowances redemption by that company.

TAURON Polska Energia S.A. acts as an agent coordinating and supervising purchases, supplies and transportation of fuels. The Company buys coal from entities outside and from the TAURON Group, while the sale is made to related companies. The Company recognizes revenue from agency services (supply management) in the trading income line.

In the 9-month period ended 30 September 2020, the value of raw materials purchased and subsequently resold in the aforementioned transactions was PLN 884 166 thousand. The Company recognized revenue from agency services of PLN 21 442 thousand.

12. Expenses by type

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(10 637)	(9 825)
Materials and energy	(1 480)	(1 153)
External services	(32 202)	(34 484)
Taxes and charges	(5 071)	(3 601)
Employee benefits expense	(69 691)	(73 974)
Advertising expenses	(11 646)	(15 762)
Other	(5 876)	(898)
Total costs by type	**(136 603)**	**(139 697)**
Costs of performances intended for internal purposes	165	137
Selling and distribution expenses	16 182	18 443
Administrative expenses	88 439	88 525
Cost of goods for resale and materials sold	(7 570 473)	(7 072 816)
Cost of sales	**(7 602 290)**	**(7 105 408)**

In the 9-month period ended 30 September 2020 in relation to the comparable period, there was an increase in the cost of goods, materials and services sold in the amount of PLN 496 882 thousand. The value of cost of goods, materials and services sold includes the cost of CO_2 emission allowances sold to the subsidiary in the amount of PLN 170 019 thousand and includes the effects of the change in the strategy of securing the redemption needs of the Group's Generation segment related to CO_2 emission allowances. The transactions concluded as part of the implementation of the strategy change affected the Company’s burden of the value of goods and materials sold in the amount of PLN 126 255 thousand.

(in PLN thousand)

As part of the management of the CO_2 emission allowance portfolio of the subsidiaries, the company acquires allowances for redemption purposes of the Group's manufacturing companies. The main purpose of concluding the above transactions by the Company is to secure the expected level of volume and costs of acquiring CO_2 emission allowances, which the Group's generation companies are obliged to redeem. In the first quarter of 2020, the Group decided to change the strategy of securing the redemption needs of the Group's Generation area by replacing the exchange contracts with the delivery date in December 2020 with OTC contracts with the delivery date in March 2021. The decision to change the strategy was made taking into account the circumstances difficult to predict at the time of concluding the transactions. These circumstances include, in particular, the growing costs of maintaining the position on the exchange, which was related to, inter alia, with the need to make ongoing contributions to stock exchange deposits, a change in the legal and market circumstances in the area of trading CO_2 emission allowances related to Brexit and the COVID-19 pandemic. Pursuing the above change in strategy, the Company resold the forward position with the delivery date in December 2020 held on the exchange (it concluded a opposite transaction on the exchange) with the simultaneous purchase of the same volume in contracts with a delivery date in March 2021 from counterparties on the OTC market. The counter-transaction resulted in the original contract not being settled by physical delivery, and therefore the Company recognised this contract and the counter-transaction contract in accordance with IFRS 9 *Financial Instruments* at fair value. All new transactions concluded on the OTC market will be used for the purpose of fulfilling the obligation of redemption by manufacturing companies of TAURON Group, therefore, as excluded from the scope of IFRS 9 *Financial Instruments* are not measured at fair value. In the Company's opinion, the change of strategy allows, in the current market situation, to secure the redemption needs of the Group's generating companies in a way that minimizes the risks to which the Group is exposed.

Moreover, the higher cost of the value of goods and materials sold was influenced by the purchase of a higher volume of electricity at higher average electricity purchase prices.

13. Finance income and costs

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Dividend income	977 187	1 100 861
Interest income on loans and bonds	186 510	295 160
Interest expense	(314 233)	(294 427)
Realuation of shares	(17 616)	(102 050)
Revaluation of bonds and loans	(703 028)	(616 380)
Revaluation write-off to fair value of non-current assets classified as held for sale	(1 403 946)	-
Other finance income and costs, *of which:*	**(124 692)**	**(58 553)**
Other interest income	4 640	4 879
Gain/(loss) on derivative instruments	79 855	9 189
Commissions due to external financing	(12 282)	(13 317)
Exchange differences	(224 822)	(61 792)
Provision release	24 497	-
Other finance income	11 916	9 672
Other finance costs	(8 496)	(7 184)
Total, *of which:*	**(1 399 818)**	**324 611**
Income and costs from financial instruments	(1 398 836)	326 386
Other finance income and costs	(982)	(1 775)

Significant changes in the items of financial income and expenses in the 9-month period ended 30 September 2020 resulted mainly from recognising:

- lower interest income due to a decrease of interest rates in the current period and recognition of lower interest income on impaired loans, with a simultaneous increase in the nominal value of the loans granted;
- of a write-off for the revaluation to fair value of shares in TAURON Ciepło Sp. z o.o. in the amount of PLN 1 403 946 thousand in connection with the classification as at the balance sheet date of the shares as fixed assets classified as held for sale;
- net cost of revaluation of loans in the amount of PLN 703 028 thousand, which resulted mainly from:

(in PLN thousand)

 - the valuation of loans with a total nominal value of PLN 698 354 thousand granted in the current period to a subsidiary in the Extraction segment, which were initially recognised as an impaired financial assets, as a result of which the Company's financial result was charged with a negative valuation of PLN 651 282 thousand, and;
 - recognition in accordance with IFRS 9 *Financial Instruments* a loss of PLN 62 131 thousand due to modification of financial instruments, in connection with a change in the contractual provisions of intragroup loans;

- surplus of negative exchange differences over positive ones in the amount of PLN 224 822 thousand (in the comparable period PLN 61 792 thousand). The exchange differences relate mainly to the exchange differences related to the Company's debt in the EUR, i.e. a loan obtained from a subsidiary, subordinated bonds and eurobonds;
- a positive result on derivatives due to the measurement and realization mainly of FX forwards and CCIRS;
- release of the provision in the amount of PLN 24 497 thousand is related to the release of the provision for control proceedings in the part concerning interest, which is discussed in more detail in Note 33 of these interim condensed financial statements.

14. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2020 (unaudited)	9-month period ended 30 September 2019 (unaudited)
Current income tax	**(52 716)**	**(31 833)**
Current income tax expense	(52 457)	(41 636)
Adjustments of current income tax from prior years	(259)	9 803
Deferred tax	**82 721**	**(62 784)**
Income tax expense in profit or loss	**30 005**	**(94 617)**
Income tax expense in other comprehensive income	**23 293**	**269**

A decrease in the deferred income tax burden is primarily related to an increase in deferred income tax assets on debt liabilities during the 9-month period ended 30 September 2020.

NOTES TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

15. Investment property

	9-month period ended 30 September 2020 (unaudited)	9-month period ended 30 September 2019 (unaudited)
COST		
Opening balance	**41 513**	**40 095**
Impact of IFRS 16 *Leases*	-	1 526
Restated opening balance	**41 513**	**41 621**
Direct purchase	11 964	-
Increase/(decrease) due to lease changes	315	(108)
Closing balance	**53 792**	**41 513**
ACCUMULATED DEPRECIATION		
Opening balance	**(21 776)**	**(18 085)**
Depreciation for the period	(2 951)	(2 768)
Closing balance	**(24 727)**	**(20 853)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**19 737**	**22 010**
NET CARRYING AMOUNT AT THE END OF THE PERIOD, *of which:*	**29 065**	**20 660**
Buildings	22 971	15 372
Perpetual usufruct of land	6 094	5 288

(in PLN thousand)

The investment property is composed mainly of a perpetual fructose right to land and buildings and building structures located in Katowice Szopienice, at Lwowska 23. The Company concluded a lease agreement with a subsidiary for the lease of property. The income from lease during the 9-month period ended 30 September 2020 was PLN 4 209 thousand.

In the 9-month period ended 30 September 2020, the increase in the investment property concerned mainly the purchase of the right of perpetual usufruct of land, building and building structure located in Katowice Szopienice, at Lwowska 23, from the subsidiary TAURON Wytwarzanie S.A.

The Company decided that assets from the right-of-use of assets meeting the definition of investment property, which refer to rights of perpetual fructose of land, are presented in investment property. Therefore, as at 1 January 2019, the right of perpetual fructose of land constituting an investment property was increased by the value of discounted lease payments of PLN 1 526 thousand.

16. Right-of-use assets

9 month-period ended 30 September 2020 *(not audited)*

	Perpetual usufruct right	Buildings and premises	Motor vehicles	Total right-of-use assets
COST				
Opening balance	**-**	**40 262**	**1 817**	**42 079**
Increase due to a new lease contract	45	-	-	**45**
Increase/(decrease) due to lease changes	-	1 983	-	**1 983**
Liquidation	-	-	(34)	**(34)**
Closing balance	**45**	**42 245**	**1 783**	**44 073**
ACCUMULATED DEPRECIATION				
Opening balance	**-**	**(7 226)**	**(676)**	**(7 902)**
Depreciation for the period	-	(5 979)	(533)	**(6 512)**
Liquidation	-	-	17	**17**
Closing balance	**-**	**(13 205)**	**(1 192)**	**(14 397)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**-**	**33 036**	**1 141**	**34 177**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**45**	**29 040**	**591**	**29 676**

9 month-period ended 30 September 2019 *(not audited)*

	Buildings and premises	Motor vehicles	Total right-of-use assets
COST			
Opening balance	**-**	**-**	**-**
Impact of IFRS 16	38 468	1 502	**39 970**
Restarted opening balance	**38 468**	**1 502**	**39 970**
New lease agreement	-	183	**183**
Increase(decrease) due to lease changes	852	131	**983**
Closing balance	**39 320**	**1 816**	**41 136**
ACCUMULATED DEPRECIATION	-	-	-
Opening balance	**-**	**-**	**-**
Depreciation for the period	(5 334)	(495)	**(5 829)**
Closing balance	**(5 334)**	**(495)**	**(5 829)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**-**	**-**	**-**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**33 986**	**1 321**	**35 307**

(in PLN thousand)

17. Shares

17.1. Change in share balance

Change in share balance in the period from 01 January 2020 to 30 September 2020 *(not audited)*

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
1	TAURON Wydobycie S.A.	1 341 755	-	1 341 755	(1 341 755)	-	(1 341 755)	-	-
2	TAURON Wytwarzanie S.A.	7 865 701	-	7 865 701	(7 635 126)	-	(7 635 126)	230 575	230 575
3	TAURON Ciepło Sp. z o.o.	1 928 043	(1 928 043)	-	(168 140)	168 140	-	1 759 903	-
4	TAURON Ekoenergia Sp. z o.o.	1 939 765	-	1 939 765	-	-	-	1 939 765	1 939 765
5	Marselwind Sp. z o.o.	307	110	417	-	-	-	307	417
6	TAURON Serwis Sp. z o.o.	1 268	-	1 268	-	-	-	1 268	1 268
7	Nowe Jaworzno Grupa TAURON Sp. z o.o.	4 861 026	455 100	5 316 126	-	-	-	4 861 026	5 316 126
8	TAURON Dystrybucja S.A.	10 511 628	-	10 511 628	-	-	-	10 511 628	10 511 628
9	TAURON Nowe Technologie S.A.*	640 362	9 500	649 862	-	-	-	640 362	649 862
10	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505	-	-	-	613 505	613 505
11	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823	-	-	-	129 823	129 823
12	TAURON Czech Energy s.r.o.	4 223	-	4 223	-	-	-	4 223	4 223
13	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	-	41 178	-	-	-	41 178	41 178
14	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	61 056	17 616	78 672	(61 056)	(17 616)	(78 672)	-	-
15	Bioeko Grupa TAURON Sp. z o.o.	1 269	-	1 269	-	-	-	1 269	1 269
16	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831	-	-	-	39 831	39 831
17	Finanse Grupa TAURON Sp. z o.o.	28 482	-	28 482	(23 925)	-	(23 925)	4 557	4 557
18	TAMEH HOLDING Sp. z o.o.	415 852	-	415 852	-	-	-	415 852	415 852
19	PGE EJ 1 Sp. z o.o.	14 402	-	14 402	-	-	-	14 402	14 402
20	Magenta Grupa TAURON Sp. z o.o.	9 500	(9 500)	-	-	-	-	9 500	-
21	ElectroMobility Poland S.A.	11 847	-	11 847	-	-	-	11 847	11 847
22	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	1 058	773	1 831	-	-	-	1 058	1 831
23	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	10 950	8 166	19 116	-	-	-	10 950	19 116
24	TEC1 Sp. z o.o.	725	-	725	-	-	-	725	725
25	TEC2 Sp. z o.o.	225	-	225	-	-	-	225	225
26	TEC3 Sp. z o.o.	600 025	-	600 025	-	-	-	600 025	600 025
27	Other	379	-	379	-	-	-	379	379
	Total	**31 074 185**	**(1 446 278)**	**29 627 907**	**(9 230 002)**	**150 524**	**(9 079 478)**	**21 844 183**	**20 548 429**

* *On 1 June 2020, the company name was changed from TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.*

Classification of shares in TAURON Ciepło Sp. z o.o. as non-current assets held for sale

As the prerequisites for the classification of shares in the subsidiary TAURON Ciepło Sp. z o.o. as held for sale were met, the Company reclassified shares in TAURON Ciepło Sp. z o.o. with a net value of PLN 1 759 903 thousand to assets held for sale, as described in more detail in Note 26 of these interim condensed financial statements.

Merger of TAURON Dystrybucja Serwis S.A. (now: TAURON Nowe Technologie S.A.) with Magenta Grupa TAURON Sp. z o.o.

On 29 October 2019, the Extraordinary General Meeting of Shareholders of TAURON Dystrybucja Serwis S.A. (now: TAURON Nowe Technologie S.A.) with its registered office in Wrocław and the Extraordinary General Meeting of Shareholders of Magenta Grupa TAURON Sp. z o.o. with its registered office in Katowice adopted resolutions on the merger of TAURON Dystrybucja Serwis S.A. (now: TAURON Nowe Technologie S.A., the acqiuer) with Magenta Grupa TAURON Sp. z o.o. (the acquiree). On 2 January 2020, the merger was registered in the National Court Register maintained by the District Court in Wrocław.

As a result of the merger, the Company relocated its shares in Magenta Grupa TAURON Sp. z o.o. in the net amount of PLN 9 500 thousand to the value of shares in TAURON Nowe Technologie S.A.

Additional payments to thecapital of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.

On 8 January 2020, the Extraordinary General Meeting of Shareholders of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. adopted a resolution on making additional payments to the company's capital in the amount of PLN 8 016 thousand. The cash in the additional payments was contributed by the Company on 10 January 2020.

On 16 June 2020, the Extraordinary General Meeting of Shareholders of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. adopted a resolution on making additional payments to the company's capital in the amount of PLN 9 600 thousand. The cash in the additional payments was contributed by the Company on 18 June 2020.

(in PLN thousand)

Increase in the share capital of Nowe Jaworzno Grupa TAURON Sp. z o.o.

On 2 March 2020, the Extraordinary General Shareholders' Meeting of Nowe Jaworzno Grupa TAURON Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 4 551 thousand. All the shares were acquired by the Company for the total amount of PLN 455 100 thousand. On 5 March 2020, the Company provided funds for capital increase. As a result of the transaction, the Company's share in the issued capital and the governing body will be increased from 84.76% to 85.88% The increase in the share capital was registered on 18 May 2020.

Other changes in long-term investments that took place in the 9-month period ended 30 September 2020 resulted from the issued capital increases of the following companies:

- EEC Magenta Sp. z o.o. 2ASI spółka komandytowo-akcyjna in the amount of PLN 8 166 thousand;
- EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna in the amount of PLN 773 thousand;

and capital contribution to Marselwind Sp. z o.o. in the amount of PLN 110 thousand.

Change in share balance in the period from 01 January 2019 to 30 September 2019 *(not audited)*

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
1	TAURON Wydobycie S.A.	1 341 755	-	1 341 755	(1 242 697)	(99 058)	(1 341 755)	99 058	-
2	TAURON Wytwarzanie S.A.	7 865 701	-	7 865 701	(7 635 126)	-	(7 635 126)	230 575	230 575
3	TAURON Ciepło Sp. z o.o.	1 928 043	-	1 928 043	-	-	-	1 928 043	1 928 043
4	TAURON Ekoenergia Sp. z o.o.	1 939 765	-	1 939 765	(185 172)	-	(185 172)	1 754 593	1 754 593
5	Marselwind Sp. z o.o.	307	-	307	-	-	-	307	307
6	TAURON Serwis Sp. z o.o.	1 268	-	1 268	-	-	-	1 268	1 268
7	Nowe Jaworzno Grupa TAURON Sp. z o.o.	4 611 026	250 000	4 861 026	-	-	-	4 611 026	4 861 026
8	TAURON Dystrybucja S.A.	10 511 628	-	10 511 628	-	-	-	10 511 628	10 511 628
9	TAURON Nowe Technologie S.A. *	640 362	-	640 362	-	-	-	640 362	640 362
10	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505	-	-	-	613 505	613 505
11	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823	-	-	-	129 823	129 823
12	TAURON Czech Energy s.r.o.	4 223	-	4 223	-	-	-	4 223	4 223
13	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	-	41 178	-	-	-	41 178	41 178
14	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	61 056	-	61 056	(61 056)	-	(61 056)	-	-
15	TAURON Sweden Energy AB (publ)	28 382	(28 382)	-	(20 933)	20 933	-	7 449	-
16	Bioeko Grupa TAURON Sp. z o.o.	1 269	-	1 269	-	-	-	1 269	1 269
17	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831	-	-	-	39 831	39 831
18	Finanse Grupa TAURON Sp. z o.o.	-	28 482	28 482	-	(23 925)	(23 925)	-	4 557
19	TAMEH HOLDING Sp. z o.o.	415 852	-	415 852	-	-	-	415 852	415 852
20	PGE EJ 1 Sp. z o.o.	18 651	-	18 651	-	-	-	18 651	18 651
21	Magenta Grupa TAURON Sp. z o.o.	9 500	-	9 500	-	-	-	9 500	9 500
22	ElectroMobility Poland S.A.	17 500	-	17 500	-	-	-	17 500	17 500
23	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	12	1 046	1 058	-	-	-	12	1 058
24	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	24	4 775	4 799	-	-	-	24	4 799
25	TEC1 Sp. z o.o.	-	725	725	-	-	-	-	725
26	TEC2 Sp. z o.o.	-	225	225	-	-	-	-	225
27	TEC3 Sp. z o.o.	-	600 025	600 025	-	-	-	-	600 025
28	Other	379	-	379	-	-	-	379	379
	Total	**30 221 040**	**856 896**	**31 077 936**	**(9 144 984)**	**(102 050)**	**(9 247 034)**	**21 076 056**	**21 830 902**

* *On 1 June 2020, the company name was changed from TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.*

17.2. Impairment tests

In view of the persistence and development of the COVID-19 pandemic in the third quarter of this year, an analysis of the effects of changes in the market situation which may change long-term market assumptions concerning the energy sector was made.

The economic slowdown, which took place mainly in the second quarter of 2020, had a very significant impact on the economic situation in the country in the third quarter of 2020, when the recovery of electricity consumption in the National Power System could be observed.

In the analysed period, a slight increase in CO_2 emission allowances prices can be observed in relation to the prices recorded in the third quarter of 2019. In 2020, due to the COVID-19 pandemic, the average price of CO_2 emission allowances for the 9-month period of 2020 was about EUR 23.83/MgCO_2 and decreased by about EUR 1.1/MgCO_2 in relation to the same period in 2019.

The stagnation on the raw material markets continues, with price drops on the CO_2 emission allowances market we have seen price drops on other markets. Gas prices dropped by more than 17% year-on-year in Q3 2020, while in the 9-month period of 2020 they dropped by nearly 40% on a year-to-year basis. The oil market is also characterized by low prices, which, compared to the third quarter of 2019, dropped by about 30% in the third quarter of 2020 and are at about 40 USD/bbl.

(in PLN thousand)

The persistently low prices of energy resources and relatively low CO_2 emission allowances prices have not directly translated into decreases in electricity prices in annual contracts.

Having analysed the observed market and regulatory phenomena, it was concluded that in the expected perspective they are not significant factors whose impact causes the legitimacy of changes in long-term forecasts compared to information available as at 30 June 2020.

For this reason, it was considered that the results of the recent impairment tests of shares and stocks as well as intragroup loans shown in fixed assets carried out as at 30 June 2020 are valid.

The recoverable amount is the value in use. The calculation method has been presented below.

The tests were conducted based on the present value of projected cash flows from operations of the significant companies, by reference to detailed projections by 2025 for TAURON Dystrybucja S.A. and by 2029 for other companies and the estimated residual value. The detailed projections used for the power generating and mining units cover the entire period of their operation. Reliance on projections covering a period longer than 5 years results mainly from the fact that investment processes in the power industry are time-consuming. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed on the market. Projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions made for purposes of the tests performed as at 30 June 2020

Category	Description
Coal	Coal prices were assumed to remain stable in the coming years. In the long run, coal prices will decrease as a result of the implementation of climate policy and the strategy to replace coal with energy from renewable sources followed by a growing number of countries. In 2021, a decrease in coal prices by over 2% was assumed, which resulted, inter alia, from the impact of the COVID-19 pandemic. It has been assumed that in the years 2021–2040 the prices of power coal will decrease by 7.1%.
Electricity	The electricity wholesale price projections for the years 2020-2029 with the perspective by 2040, due to uncertainties about the final shape of the market architecture and the introduction of the scarcity pricing mechanism has been updated and adapted to current price levels in the years 2020-2023. The projected levels of wholesale electricity prices assume that the COVID-19 pandemic should have the greatest impact on prices in the years 2020-2021, in which it will be visible a decline compared to the prices forecasted at the end of 2019 at the level of 12.7%. In the period from 2024 to 2040 the price levels used in the tests were adopted as at 31 December 2019. The forecast assumes, among other things, the impact of the demand and supply balance on electricity, fuel purchase costs and CO_2 emission allowances. In 2021, a slight increase in energy prices by 1.3% in relation to 2020 was assumed, which results, inter alia, from the prediction of further impact of the COVID-19 pandemic on fuel prices (slight decrease in coal prices) and the decreasing level of margins obtained on sales of electricity from hard coal fired sources. The price increase in the period up to 2029 results from the increase in prices of CO_2 emission allowances and planned shutdowns of coal and nuclear units in Germany affecting the level of the cross-system exchange balance. An increase of 25% is assumed in relation to 2021 followed by a drop by 13.6% between 2030 and 2040 (fixed prices) vs. 2029. The electricity retail price path has been adopted based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to surrender energy certificates as well as an expected level of margin.
CO_2	CO_2 emission limits for heat generation have been set in line with the regulation of the Council of Ministers and adjusted by the level of operations, i.e. generation of heat. The CO_2 emission allowance price growth path for the years 2021-2029 with the perspective by 2040 has been adopted. Due to the impact of the COVID-19 pandemic, it was assumed that the price of CO_2 emission allowances in 2020 will be 4% lower than the average price in 2019. In 2021 the price of CO_2 emission allowances was assumed to be 9% higher than the average price in 2019. It has been assumed that by 2028 the market price will increase by ca. 34% comparing to the average price observed in 2019, with slight CO_2 emission allowance price decreases in 2029-2040 vs. 2028 (fixed prices), totaling 11%. This results from the assumed increase in decarbonization of the economy and the resultant drop in demand for emission allowances in 2030 -2040. The long-term projections assume the purchase of CO_2 emission allowances at the level of the total planned deficit in the next year to which the emissions relate. It was thus assumed that the provision for CO_2 deficiency will be dissolved at the end of the next year to which the provision applies.
Energy certificates	The price path assumed for emission certificates and the obligatory redemption in the subsequent years are based on the currently applicable Act on Renewable Energy Sources.
Power Market	The operating reserve capacity mechanism is to be excluded from the beginning of 2021, i.e. from the time the Capacity Market has been implemented. The Capacity Market mechanism implementation has been taken into account (in line with the adopted and notified Act on the Capacity Market and the draft Capacity Market Regulations). It is assumed that payments for capacity will be launched from 2021 and maintained until 2025 for existing coal units which do not meet the EPS 550 criterion (for which the unit emission capacity exceeds 550 kg/MWh).

Category	Description
RES	Limited support periods for green energy have been assumed in accordance with the Act on Renewable Energy Sources, which provides for new support mechanisms for renewable energy. The support period has been limited to 15 years as from the date of the first supply of electricity qualifying for an energy certificate to the network.
WACC	The weighted average cost of capital (WACC) during the projection period, for particular CGUs, as used in the calculations, ranges from 6.44% to 14.99% in nominal terms before tax, taking into account the risk free rate determined by reference to the yield on 10-year treasury bonds (1.99%) and the risk premium for operations appropriate for the power industry (6.75%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is 2.5% and it corresponds to the estimated long-term inflation rate. The level of WACC as at 30 June 2020 decreased compared to the level as at 31 December 2019 mainly due to the decrease in the risk free rate and the cost of debt with a simultaneous increase in the market risk premium.
Regulated and tariff revenue	Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed. The return on capital is conditional on the Regulatory Asset Value. In the second half of 2020, the impact of COVID-19 on the reduction of electricity supply to non-household customers was taken into account. In the years 2021-2025, an increase in electricity supplies was assumed. In the first three years, growth of 2% per annum, in the case of the remaining years, an increase of 1% per annum. Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital has been assumed.
Sales volume and capacity	The assumed sales volume to end customers was based on GDP growth, the competitive situation on the market, a significant increase in financial costs (trade credit costs) charged to the sales companies. This resulted in a decrease in volume in the years 2021-2023. From 2024, it is planned to gradually recover the lost volume. Additionally, in the second half of 2020, a decrease in volume caused by the COVID-19 pandemic was assumed. Periods of economic utility of fixed assets and maintenance of production capacity as a result of replacement and development investments were taken into account.

Fixed assets were also tested for impairment. To this end, the Company applied the relevant assumptions used for impairment testing of shares and intra-group loans.

Sensitivity analysis for the Mining and Generation units (including TAURON Ciepło Sp. z o.o.)

Sensitivity analyses conducted by the Company reveal that the projected prices of electricity, those of CO_2 emission allowances and the adopted discount rates, as well as coal prices are the key factors exerting an effect on the estimated cash flows of the key entities.

The table below presents the estimated changes in write-offs on shares and stocks and intra-group loans in mining and generating companies (including TAURON Ciepło Sp. z o.o.), after taking into account the impact of its reversal as at 30 June 2020 as a result of changes in the most significant assumptions.

Parameter	Change	Impact on impairment loss *(in PLN million)*	
		Increase of impairment loss (net)	Decrease of impairment loss (net)
Change of electricity prices in the forecast period	+1%	-	186
	-1%	186	-
Change of CO_2 emission allowances prices in the forecast period	+1%	92	-
	-1%	-	92
Change of WACC (net)	+0.1 p.p.	65	-
	-0.1 p.p.	-	65
Change of coal prices in the forecast period	+1%	8	-
	-1%	-	8

Test results

The impairment tests carried out in line with IAS 36 *Impairment of Assets* as at 30 June 2020 did not indicate an increase or loss in the carrying amount of shares and stocks and intra-group loans.

Loans to Elektrociepłownia Stalowa Wola S.A. were also tested for impairment. The results of the test showed that there is no need for an impairment loss provided that the assumptions are the same as those for the impairment tests on shares.

(in PLN thousand)

18. Loans granted

Loans granted by the Company as at 30 September 2020 and 31 December 2019 are presented in the table below.

	As at 30 September 2020 *(unaudited)*			As at 31 December 2019		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost						
Loans granted to subsidiaries	5 101 782	(90 144)	**5 011 638**	4 623 619	(37 284)	**4 586 335**
Loans granted to EC Stalowa Wola S.A.	94 043	(3 325)	**90 718**	27 746	(730)	**27 016**
Loans granted to PGE EJ 1 Sp. z o.o.	16 351	(123)	**16 228**	8 252	(45)	**8 207**
Loans granted to AVAL-1 Sp. z o.o.	3 312	(35)	**3 277**	-	-	**-**
Granted cash pool loans including accrued interest	171 888	(8 010)	**163 878**	537 404	(62 226)	**475 178**
Loans measured at fair value						
Loans granted to EC Stalowa Wola S.A.	227 754	n.a.	**227 754**	216 018	n.a	**216 018**
Total	**5 615 130**	**(101 637)**	**5 513 493**	**5 413 039**	**(100 285)**	**5 312 754**
Non-current	4 275 957	(59 720)	**4 216 237**	5 139 751	(92 199)	**5 047 552**
Current	1 339 173	(41 917)	**1 297 256**	273 288	(8 086)	**265 202**

18.1. Loans to subsidiaries

As part of the operation of intra-group financing, the Company grants loans to its subsidiaries.

The balances of loans granted as at 30 September 2020 and as at 31 December 2019, broken down by individual companies are presented in the table below.

Company	As at 30 September 2020 *(unaudited)*				As at 31 December 2019			
	Contractual loan value	Gross value	Impairment loss	Carrying amount	Contractual loan value	Gross value	Impairment loss	Carrying amount
TAURON Dystrybucja S.A.	3 000 000	3 012 009	(12 797)	**2 999 212**	3 000 000	3 014 526	(7 453)	**3 007 073**
TAURON Ciepło Sp. z o.o.	975 000	990 348	(4 305)	**986 043**	975 000	978 752	(19 879)	**958 873**
TAURON Wydobycie S.A.	2 668 354	341 078	(29 025)	**312 053**	1 970 000	268 576	(3 596)	**264 980**
TAURON Wytwarzanie S.A.	500 000	504 226	(35 647)	**468 579**	200 000	200 768	(5 582)	**195 186**
TAURON Ekoenergia Sp. z o.o.	160 000	153 791	(1 806)	**151 985**	160 000	160 997	(774)	**160 223**
TAURON Sprzedaż Sp. z o.o.	100 000	100 330	(6 564)	**93 766**	-	-	-	**-**
Total	**7 403 354**	**5 101 782**	**(90 144)**	**5 011 638**	**6 305 000**	**4 623 619**	**(37 284)**	**4 586 335**
Non-current		3 938 787	(49 783)	**3 889 004**		4 612 447	(33 632)	**4 578 815**
Current		1 162 995	(40 361)	**1 122 634**		11 172	(3 652)	**7 520**

As at 30 September 2020, the nominal value of loans with a repayment date of less than one year, which have been classified as long-term due to the Company's expectation as at the balance sheet date that the loans will be repaid more than 12 months after the balance sheet date, was PLN 1 708 354 thousand.

As at the balance sheet date, the loans granted to TAURON Ciepło Sp. z o.o. were classified as short-term assets, including loans with a total nominal value of PLN 70 000 thousand, whose repayment date exceeds one year from the end of the reporting period. The above classification is related to the project conducted by the Company aimed at market verification of the possibility of selling shares in the subsidiary TAURON Ciepło Sp. z o.o. and to the reclassification, as at the balance sheet date, of the shares in TAURON Ciepło Sp. z o.o. held by the Company to assets held for sale, which is described in more detail in Note 26 of these interim condensed financial statements. The Company believes that a possible sale of TAURON Ciepło shares will involve an earlier termination of the debt financing of TAURON Ciepło Sp. z o.o. by the Company.

In the first quarter of 2020, the Company amended the loan agreements granted to its subsidiaries with regard to changes in the interest rate. In accordance with IFRS 9 *Financial Instruments*, the Company recognised the change in the contractual provisions as a modification of financial instruments, therefore a loss of PLN 62 131 thousand was recognised in financial expenses, which decreased the gross value of loans.

In the 9-month period ended 30 September 2020, the Company, within the intra-group financing, granted a loans to a subsidiary TAURON Wydobycie S.A. with a nominal value of PLN 698 354 thousand, which was initially recognised as an impaired financial asset due to credit risk, with the result that the loss on the initial measurement of PLN 651 282 thousand reduced the gross value of the loan and charged to the Company's profit/(loss). The amount of credit loss as at the date of recognition was estimated on the basis of scenarios assumed by the Company for repayment of the loan granted, taking into account the results of the asset impairment test carried out as at 30 June 2020. Thus, as at the balance sheet date, the loans granted to TAURON Wydobycie S.A. with a nominal value of PLN 2 668 354 thousand were valued at PLN 312 053 thousand.

(in PLN thousand)

In the 9-month period ended 30 September 2020, the Company also granted loans to its subsidiaries: TAURON Sprzedaż Sp. z o.o. with a nominal value of PLN 100 000 thousand and TAURON Wytwarzanie S.A. with a nominal value of PLN 500 000 thousand. At the same time, TAURON Wytwarzanie S.A. repaid a loan of PLN 200 000 thousand.

Taking into account the impact epidemiological situation related to COVID-19, resulted in an increase in impairment losses on loans granted to subsidiaries by PLN 36 690 thousand, as further described in Note 6.1 to these interim condensed financial statements.

After the balance sheet date, the Company granted loans to its subsidiaries with a nominal value of PLN 261 000 thousand.

18.2. Loans granted to Elektrociepłownia Stalowa Wola S.A.

Loans granted to the joint venture Elektrociepłownia Stalowa Wola S.A. as at 30 September 2020 and 31 December 2019 are presented in the table below.

	Loan amount	As at 30 September 2020 *(unaudited)*			As at 31 December 2019			Maturity date	Interest rate
		Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount		
Loans measured at fair value									
Debt consolidation agreement	609 951	227 754	n.a.	**227 754**	216 018	n.a.	**216 018**	30.06.2033	fixed
Loans measured at amortized cost									
VAT loan	15 000	9 611	(190)	**9 421**	5 109	(110)	**4 999**	31.03.2021	WIBOR 1M+mark-up
Other loans	7 290	8 373	(310)	**8 063**	7 955	(218)	**7 737**	30.06.2033	fixed
	9 500	9 678	(360)	**9 318**	9 197	(252)	**8 945**		
	5 175	5 782	(215)	**5 567**	5 485	(150)	**5 335**		
	59 175	60 599	(2 250)	**58 349**	-	-	**-**		
Total		**321 797**	**(3 325)**	**318 472**	**243 764**	**(730)**	**243 034**		
Non-current		312 186	(3 135)	**309 051**	238 655	(620)	**238 035**		
Current		9 611	(190)	**9 421**	5 109	(110)	**4 999**		

Under the agreement consolidating the borrower's debt of 28 February 2018 for the total amount of PLN 609 951 thousand, under which all existing liabilities of Elektrociepłownia Stalowa Wola S.A. towards the Company resulting from the loans granted and not repaid by 28 February 2018 were renewed. As at the balance sheet date, the par value of the loan was PLN 310 851 thousand (the principal of PLN 299 100 thousand was repaid on 30 April 2018). The debt in question is subordinated debt, valued as at the balance sheet date at fair value of PLN 227 754 thousand.

On 20 February 2020, the Company and Elektrociepłownia Stalowa Wola S.A. entered into a loan agreement of up to PLN 59 175 thousand to finance liabilities related mainly to the completion of the construction of the gas-steam unit and the Back-Up Heat Source in Stalowa Wola. A security for the repayment of the loan, accrued interest, costs and other amounts due to the Company under the agreement is a blank promissory note of the borrower together with a promissory note declaration. As at the balance sheet date, the balance of the loan granted was equal to the maximum amount resulting from the agreement in question.

The increase in the gross value of the VAT loan in the amount of PLN 4 502 thousand results mainly from granting loan tranches in the 9-month period ended 30 September 2020 in the total amount of PLN 13 600 thousand and repayment of the loan tranche by Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 9 100 thousand. On 30 September 2020, an annex to the VAT loan agreement was concluded, under which the loan repayment date was extended to 31 March 2021.

Taking into account the impact of epidemiological situation related to COVID-19 resulted in an decrease of debt consolidation agreement's value by PLN 5 910 thousand and an increase in impairment losses on loans measured at amortized cost by PLN 2 265 thousand. Impact of COVID-19 on valuation of loans granted to Elektrociepłowania Stalowa Wola S.A. have been described in more detail in Note 6.1 to these interim condensed financial statements.

After the balance sheet date, on 16 October 2020 the Company and Elektrociepłownia Stalowa Wola S.A. concluded a loan agreement of up to the amount of PLN 35 000 thousand to secure operational activities and electricity trading activities. Pursuant to the agreement, the repayment of the loan with interest accrued based on a fixed interest rate will take place until 30 June 2033, and the loan, accrued interest, costs and other amounts due to the Company arising from the loan agreement are secured by a blank promissory note of the borrower with a promissory note declaration.

(in PLN thousand)

18.3. Loans granted under cash pool agreement

In order to optimise cash management, financial liquidity and finance income and costs, the TAURON Group has implemented a cash pool structure. On 09 October 2017, the Company concluded a cash pooling agreement with PKO Bank Polski S.A. with the expiration date of 17 December 2020, with TAURON Polska Energia S.A. acting as an agent.

	As at 30 September 2020 *(unaudited)*			As at 31 December 2019		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool loans granted	171 654	(8 010)	163 644	525 938	(62 226)	463 712
Interest on loans granted under cash pool	234	-	234	11 466	-	11 466
Total	**171 888**	**(8 010)**	**163 878**	**537 404**	**(62 226)**	**475 178**
Non-current	17 082	(6 708)	10 374	283 551	(57 917)	225 634
Current	154 806	(1 302)	153 504	253 853	(4 309)	249 544

Detailed information on liabilities under cash pool service has been presented in Note 28.5 to these interim condensed financial statements.

Taking into account in the calculation of expected credit losses the impact of the epidemiological situation related to COVID-19 resulted in an increase in impairment losses on loans granted under cash pool agreement by amount of PLN 693 thousand, as further described in Note 6.1 to these interim condensed financial statements.

19. Derivative instruments

	As at 30 September 2020 *(unaudited)*				As at 31 December 2019			
	Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income	Total	
			Assets	Liabilities			Assets	Liabilities
Derivative instruments subject to hedge accounting								
IRS	(14 039)	(102 369)	**-**	**(116 408)**	121	19 341	**19 462**	**-**
Derivative instruments measured at fair value through profit or loss								
CCIRS, IRS	(4 778)	-	**-**	**(4 778)**	(12 885)	-	**-**	**(12 885)**
Commodity future/forward	(128 265)	-	**409 915**	**(538 180)**	4 248	-	**86 067**	**(81 819)**
Currency forward	38 844	-	**38 844**	**-**	(29 823)	-	**-**	**(29 823)**
Total			**448 759**	**(659 366)**			**105 529**	**(124 527)**
Non-current			30 577	(98 856)			20 352	(16 848)
Current			418 182	(560 510)			85 177	(107 679)

Hedging derivative instruments (subject to hedge accounting)

In the 9-month period ended 30 September 2020, the Company hedged part of the interest rate risk in relation to the cash flows related to the exposure to WIBOR 6M determined under the dynamic risk management strategy, i.e:

- interest on a credit with a nominal value of PLN 250 000 thousand by concluding interest rate swap (IRS) hedging transactions for periods beginning on 30 July 2020 and expiring on 19 December 2024;
- interest on a credit with a nominal value of PLN 250 000 thousand by concluding interest rate swap (IRS) hedging transactions for periods beginning on 5 August 2020 and expiring on 19 December 2024;
- interest on a credit with a nominal value of PLN 250 000 thousand by concluding interest rate swap (IRS) hedging transactions for periods beginning on 28 August 2020 and expiring on 19 December 2024.

In the year ended 31 December 2019, the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. interest on bonds with the total par value of PLN 1 490 000 thousand, through the entry into interest rate swap (IRS) transactions for terms beginning on 20 December 2019 and subsequently expiring from 2023 to 2029.

In 2016, the Company hedged a portion of its interest rate risk for cash flows relating to the exposure to WIBOR 6M, designated under the dynamic risk management strategy, i.e. interest on debt with the par value of PLN 2 051 000 thousand, through the entry into interest rate swap (IRS) transactions for a term of 4 to 5 years.

(in PLN thousand)

Derivative instruments measured at fair value through profit or loss (FVTPL)

As at 30 September 2020, derivative instruments which did not fall within the scope of hedge accounting and were classified as financial assets or financial liabilities measured at fair value through profit or loss comprised:

- CCIRSs that hedge foreign currency cash flows resulting from the payment of interest on the issued eurobonds;
- commodity derivatives (futures, forward) covering forward transactions for the purchase and sale of CO_2 emission allowances and other derivatives;
- FX forward transactions hedging foreign currency cash flows resulting from the Company's operations.

The CCIRSs have been used with respect to the Company's Coupon Only Cross Currency Swap fixed-fixed transactions concluded in 2017 and in January 2018 and involve an exchange of interest payments on the total par value of EUR 500 000 thousand. They mature in July 2027. In accordance with the terms and conditions, the Company pays interest at a fixed rate in PLN and receives fixed interest-rate payments in EUR. Hedge accounting principles do not apply to the transaction in question.

In the 9-month period ended 30 September 2020, due to the market situation in the current reporting period related mainly to COVID-19, the occurrence of significant changes in commodity derivatives prices, including those which are basis on CO_2 emission allowances, there was an increase in commodity derivatives in compared to end of 2019 (positive – assets as well as negative – liabilities).

Due to the delay in commissioning the power unit in Jaworzno, as at the balance sheet date, the Company has a significant surplus of CO_2 emission rights contracted to be acquired for resale to a subsidiary for redemption in connection with the emission for 2020. The Company intends to acquire CO_2 emission allowances on time maturity, therefore these contracts are recognised as excluded from IFRS 9 *Financial Instruments* and therefore are not measured at fair value as at the balance sheet date.

The fair value with respect to individual derivative financial instruments is determined as follows:

Derivative instrument	Methodology of determining fair value
IRS	The difference between discounted floating-rate interest cash flows and those based on fixed interest rates. Reuters interest rate curve is the input data.
CCIRS	The difference between discounted interest cash flows relating to payments and receipts, in two different currencies, expressed in the valuation currency. Interest rate curves, basis spreads and NBP fixing for the relevant currencies from Reuters are the input data.
Forward currency contracts	The difference between discounted future cash flows: the forward price at the valuation date and the transaction price, multiplied by the nominal value of the contract in a foreign currency. NBP fixing and the implied interest rate curve from FX swap transactions for the relevant currency from Reuters are the input data.
Commodity forwards, futures	The fair value of forwards for the purchase and sale of CO_2 emission allowances, electricity and other commodities is based on prices quoted on an active market or based on cash flows being the difference between the price reference index (forward curve) and the contract price.

(in PLN thousand)

The hierarchy of fair value with respect to derivative financial instruments is as follows:

	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
	1 level	2 level	1 level	2 level
Assets				
Derivative instruments - commodity	409 915	-	86 067	-
Derivative instruments - currency	-	38 844	-	-
Derivative instruments - IRS	-	-	-	19 462
Total	**409 915**	**38 844**	**86 067**	**19 462**
Liabilities				
Derivative instruments - commodity	538 180	-	81 819	-
Derivative instruments - currency	-	-	-	29 823
Derivative instruments - IRS	-	116 771	-	-
Derivative instruments - CCIRS	-	4 415	-	12 885
Total	**538 180**	**121 186**	**81 819**	**42 708**

20. Deferred income tax

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
difference between tax base and carrying amount of financial assets	93 531	23 181
difference between tax base and carrying amount of property, plant and equipment and intangible assets and right-of-use assets	6 116	7 599
valuation of hedging instruments	-	3 698
difference between tax base and carrying amount of ficiancial liabilities	68	7 884
other	3 916	-
Deferred tax liabilities	**103 631**	**42 362**
difference between tax base and carrying amount of financial assets	5 944	5 367
difference between tax base and carrying amount of financial liabilities	174 933	38 976
valuation of hedging instruments	22 118	-
difference between tax base and carrying amount of non-current assets classified as held for sale	364 730	-
different timing of recognition of revenue and cost of sales for tax purposes	23 736	14 851
provisions and accruals	3 183	3 594
difference between tax base and carrying amount of fixed and intangible assets	2 159	2 458
other	990	534
Deferred tax assets	**597 793**	**65 780**
Write-off of deferred tax assets	(364 730)	**-**
Deferred tax assets/(liabilities), net	**129 432**	**23 418**

Deferred tax assets on deductible temporary differences arising from investments in subsidiaries is recognised insofar as their reversal is probable in the foreseeable future and where taxable income will be available to enable realisation of deductible differences. According to the Company, deductible temporary differences related to recognition of revaluation allowances on shares in subsidiaries of PLN 9 079 478 thousand will not be reversed in the foreseeable future, as the investments are not intended for sale.

In the 9-month period ending on 30 September 2020, the Company recognised a deferred tax asset in the amount of PLN 364 730 thousand related to the difference between tax and balance sheet value of shares in the subsidiary TAURON Ciepło Sp. z o.o. in connection with the intention to sell and the classification of shares as assets held for sale, while making a write-off for this asset due to the fact that it cannot be realized in the foreseeable future.

In addition, the Company does not recognise a deferred tax asset related to revaluation write-offs on loans granted. As at 30 September 2020, the impairment loss for loans granted was PLN 101 637 thousand.

(in PLN thousand)

In connection with the forecast tax income for 2020 for the Tax Group of Companies ("TCG") to which the Company belongs and the projected tax profits in subsequent years, a deferred tax asset on all negative temporary differences other than those described above was recognised in the financial statements in full.

21. Other financial assets

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Receivables arising from income tax settlements of the TCG companies	121 724	-
Variation margin deposits arising from stock exchange transactions	118 670	25 113
Initial deposits arising from stock exchange transactions	51 346	184 353
Bid bonds, deposits, collateral transferred	20 412	82 951
Units in investment funds	-	26 622
Other	2 149	258
Total	**314 301**	**319 297**
Non-current	2 492	2 348
Current	311 809	316 949

Variation and initial margins are related mostly to futures transactions on the CO_2 emissions allowances concluded on foreign regulated markets. The change in the value of margins compared to the comparable period results mainly from the Company's position on the stock exchange as at the balance sheet date and, in the case of variation margins, also from an increase in the prices of allowances. Variation margins constituted funds paid by the Company for current stock exchange settlements in connection with the change of valuation of concluded futures contracts opened as at the balance sheet date.

The decrease in the value of bid bonds, security deposits and collaterals transferred in relation to the comparable period in the amount of PLN 62 539 thousand relates mainly to collaterals transferred under the settlement guarantee system of the Izba Rozliczeniowa Giełd Towarowych S.A. As at 30 September 2020, the hedges on this account amounted to PLN 15 642 thousand and as at 31 December 2019 – PLN 80 237 thousand.

22. Other non-financial assets

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Prepaid expenses, *including:*	15 399	15 126
Prepaid fee on debt	*14 639*	*14 563*
Advance payments for deliveries	4 283	4 957
Other	5 995	4 907
Total	**25 677**	**24 990**
Non-current	18 039	18 823
Current	7 638	6 167

(in PLN thousand)

23. Inventories

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Gross Value		
CO_2 emission allowances	170 169	149 151
Energy certificates	250	250
Materials	71	-
Total	**170 490**	**149 401**
Measurement to net realisable value		
CO_2 emission allowances	-	-
Energy certificates	(46)	(37)
Measurement to fair value		
CO_2 emission allowances	(90)	-
Total	**(136)**	**(37)**
Net value		
CO_2 emission allowances	170 079	149 151
Energy certificates	204	213
Materials	71	-
Total	**170 354**	**149 364**

Inventories are measured at the net realisable value, except for the inventory of CO_2 emission allowances purchased for sale and short-term profit from market price volatility, which as at the balance sheet date is measured at fair value.

24. Receivables from buyers

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Gross Value		
Receivables from buyers	827 937	1 474 635
Receivables claimed at court	1 030	1 005
Total	**828 967**	**1 475 640**
Allowance/write-down		
Receivables from buyers	(7 289)	(2 173)
Receivables claimed at court	(1 030)	(1 005)
Total	**(8 319)**	**(3 178)**
Net Value		
Receivables from buyers	820 648	1 472 462
Receivables claimed at court	-	-
Total	**820 648**	**1 472 462**

As at 30 September 2020 and 31 December 2019, the largest item of receivables from buyers was receivables from TAURON Sprzedaż Sp. z o.o., a subsidiary, amounting to PLN 552 353 thousand and PLN 694 511 thousand, respectively. Related-party transactions as well as related party receivables and liabilities have been presented in Note 40.1 hereto.

The decrease in receivables from customers is mainly due to a decrease in amounts due from companies in the Generation segment due to the sale of CO_2 emission allowances sold to companies at the end of 2019. As at 31 December 2019, the related balance was PLN 561 340 thousand.

The impact of COVID-19 on the level of write-downs on expected credit losses of receivables from customers have been further described in Note 6.1 hereto.

(in PLN thousand)

25. Cash and cash equivalents

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Cash at bank and in hand	157 274	923 721
Short-term deposits (up to 3 months)	30	7
Total cash and cash equivalents presented in the statement of financial position, *including*:	**157 304**	**923 728**
restricted cash, *including:*	146 210	593 682
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*144 954*	*571 699*
Cash pool	(940 226)	(951 564)
Overdraft	(8 700)	(21 210)
Foreign exchange	12	(34)
Total cash and cash equivalents presented in the statement of cash flows	**(791 610)**	**(49 080)**

The decrease of the balance of restricted cash in relation to the comparable period in total amount of PLN 447 472 thousand concerns mainly the clearings with Izba Rozliczeniowa Giełd Towarowych S.A. (a decrease in the balance of cash on this account by PLN 426 745 thousand) and results from a reduction in the value of the required margin deposits and establishment of subsequent non-cash collaterals by the Company for the Izba Rozliczeniowa Giełd Towarowych S.A., as further described in Note 38 of these interim condensed financial statements.

The balances of short-term loans granted and taken out in a cash pool transaction are not cash flows from investing or financing activities, but a cash adjustment, as their main objective is to manage the Group's liquidity on a day-to-day basis.

Detailed information on cash pool balances has been presented in notes 18.3 and 28.5 to these interim condensed financial statements.

26. Non-current assets classified as held for sale

	As at 30 September 2020 *(unaudited)*
Shares carrying amount at the moment of reclassification to assets held for sale	1 759 903
Book value of loans granted	986 043
The total book value of the capital involvment in TAURON Ciepło Sp. z o.o.	2 745 946
Fair value of the capital involvment in TAURON Ciepło Sp. z o.o.	1 342 000
Write-off for revaluation to fair value less selling costs	**(1 403 946)**

	As at 30 September 2020 *(unaudited)*
Current book value	1 759 903
Revaluation to fair value less sale costs	(1 403 946)
Fair value less sale costs	**355 957**

Non-current assets classified as held for sale constitute 100% of shares held by the Company in the subsidiary TAURON Ciepło Sp. z o.o.

The purpose of the disposal of shares in TAURON Ciepło Sp. z o.o. is in line with the update of the strategic directions, adopted by the Management Board of the Company and approved by the Supervisory Board in May 2019, which supplement the TAURON Group Strategy for 2016-2025. Taking into account the need for the Group's energy transformation, optimisation of the investment portfolio and maintenance of financial stability, it was decided to carry out market-based verification of, inter alia, a strategic option involving making the Group's asset portfolio more flexible by adjusting the mining assets to the Group's planned demand for fuel, reorganisation of the Generation segment and the capital investment portfolio. The above option includes, among others, market verification of the possibility of selling shares in the subsidiary TAURON Ciepło Sp. z o.o.

(in PLN thousand)

As a result of the above events, the Company launched a project aimed at market verification of the possibility of selling shares of the subsidiary TAURON Ciepło Sp. z o.o. and possible continuation of the sales process. As part of the project, on 22 November 2019, the Management Board of the Company received preliminary non-binding offers to purchase shares in TAURON Ciepło Sp. z o.o., among others, decided to admit bidders to the due diligence of the company.

On 16 June 2020 the Management Board of the Company decided to proceed to the next stage of the process of selling shares in TAURON Ciepło Sp. z o.o. and commencement of negotiations on an agreement on the sale of shares in TAURON Ciepło Sp. z .o.o. with Polskie Górnictwo Naftowe i Gazownictwo S.A. in the exclusivity mode established for a period of six weeks, which was subsequently extended until 30 November 2020. On the basis of the course of negotiations, the Company may decide to extend the exclusivity period granted to the bidder for the time necessary to finalise the negotiations of the transaction documentation. The Company anticipates that a possible loss of control over TAURON Ciepło Sp. z o.o. will occur not earlier than in the first quarter of 2021.

As at 30 June 2020 and as at the balance sheet date, the Company assessed that in relation to the shares in TAURON Ciepło Sp. z o.o., the conditions of IFRS 5 *Non-current assets held for sale and discontinued operations* were met as regards the classification of the above assets as held for sale, in particular the shares are, in the Company's opinion, available for immediate sale in their current state, taking into account only normal and customary conditions for sales, therefore the Company reclassified the shares in TAURON Ciepło Sp. z o.o. as non-current assets classified as assets for sale as at 30 June 2020. As at the balance sheet date, the Company assessed to fair value the total involvement in TAURON Ciepło in the form of its shares with a balance sheet value of PLN 1 759 903 thousand, and whereas, in the Company's opinion, a possible sale of TAURON Ciepło Sp. z o.o.'s shares will involve an earlier termination of the company's debt financing of the intra-group loans granted to TAURON Ciepło Sp. z o.o. with a value of PLN 986 043 thousand. The fair value of the said involvement was estimated at the level of PLN 1 342 000 thousand, based on the information collected in the course of the market sales process of shares in TAURON Ciepło Sp. z o.o. Due to the fact that the fair value less costs of sale is lower than the accounting value of the shares held to date and loans granted, the Company recognised non-current assets classified as held for sale at fair value less costs of sale and recognised financial costs due to revaluation of shares to fair value in the amount of PLN 1 403 946.

27. Equity

27.1. Issued capital

Issued capital as at 30 September 2020 *(not audited)*

Class/ issue	Type of shares	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value	Method of payment
AA	bearer shares	1 589 438 762	5	7 947 194	cash/in-kind contribution
BB	registered shares	163 110 632	5	815 553	in-kind contribution
Total		**1 752 549 394**		**8 762 747**	

As at 30 September 2020, the value of issued capital, the number of shares and the par value of shares had not changed as compared to 31 December 2019.

27.2. Major shareholders

Ownership structure as at 30 September 2020 and 31 December 2019 *(to the best of the Company's knowledge)*

Shareholder	Number of shares	Nominal value of shares	% of issued capital	% of total vote*
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	910 553	10.39%	10.39%
Nationale - Nederlanden Otwarty Fundusz Emerytalny	88 742 929	443 715	5.06%	5.06%
Other shareholders	954 847 515	4 774 237	54.49%	54.49%
Total	**1 752 549 394**	**8 762 747**	**100%**	**100%**

* *The voting rights of the shareholders holding more than 10% of the total votes in the Company have been limited in such a manner that none of them is entitled to exercise the right to more than 10% of votes at the General Shareholders' Meeting of the Company. The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company entitling to not less then 25% of the total votes in the Company.*

(in PLN thousand)

27.3. Reserve capital

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Amounts subject to distribution	**4 886 520**	**4 886 520**
Amounts from distribution of prior years profits	4 886 520	4 886 520
Non-distributable amounts	**1 452 234**	**1 915 064**
Decrease in the value of issued capital	1 217 354	1 680 184
Settlement of mergers with subsidiaries	234 880	234 880
Total reserve capital	**6 338 754**	**6 801 584**

27.4. Revaluation reserve from valuation of hedging instruments

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**15 666**	**3 371**
Remeasurement of hedging instruments	(107 550)	(1 902)
Remeasurement of hedging instruments charged to profit or loss	(14 160)	310
Deferred income tax	23 125	302
Closing balance	**(82 919)**	**2 081**

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from debt, which has been discussed in more detail in Note 19 to these interim condensed financial statements.

For concluded hedging transactions covered by the financial risk management policy, the Company applies hedge accounting.

As at 30 September 2020, the Company recognised PLN (82 919) thousand of revaluation reserve from valuation of hedging instruments. It represents a liability arising from valuation of interest rate swaps as at the end of the reporting period, totalling PLN 116 408 thousand, adjusted by a portion of valuation relating to interest accrued on debt as at the end of the reporting period, including deferred tax.

27.5. Retained earnings and accumulated losses and restrictions on dividend payment

As at 30 September 2020, only PLN 13 thousand was distributed to shareholders under the retained earnings item.

On 29 March 2020, the Management Board of TAURON Polska Energia S.A. adopted a resolution on submitting a motion to the Ordinary General Meeting of TAURON Polska Energia S.A. to cover the Company's net loss for the financial year 2019 in the amount of PLN 462 830 thousand from the Company’s reserve capital. On 15 July 2020, the Ordinary General Meeting of Shareholders of the Company adopted a resolution in accordance with the recommendation of the Management Board.

27.6. Dividends paid and proposed

In the 9-month period ended 30 September 2020 and in the comparative period, the Company did not propose to pay or pay any dividends to its shareholders.

(in PLN thousand)

28. Debt

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Long-term portion of debt		
Unsubordinated bonds	3 679 075	3 544 236
Subordinated bonds	1 982 494	1 908 871
Bank loans	4 850 655	4 719 385
Loans from the subsidiary	753 524	708 831
Lease	23 732	28 274
Total	**11 289 480**	**10 909 597**
Short-term portion of debt		
Unsubordinated bonds	77 418	86 808
Subordinated bonds	80 554	4 556
Bank loans	1 095 759	2 300 443
Loans from the subsidiary	23 596	2 125
Cash pool loans received	1 095 032	1 205 417
Lease	8 528	7 917
Total	**2 380 887**	**3 607 266**

28.1. Bonds issued

Bonds as at 30 September 2020 (*not audited*)

Investor	Interest rate	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date: Total carrying amount	Accrued interest	Principal at amortized cost	of which maturing within *(after the balance sheet date)*: up to 1 year	1-2 years	2 - 5 years	over 5 years
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	800 000	2021-2028	802 810	3 928	798 882	-	99 941	299 647	399 294
			630 000	2021-2029	632 756	3 006	629 750	-	69 987	209 930	349 833
BNP Paribas Bank Polska S.A.[1]	floating, based on WIBOR 6M	PLN	6 300	9.11.2020	6 345	46	6 299	6 299	-	-	-
			51 000	29.12.2020	51 179	189	50 990	50 990	-	-	-
Eurobonds	fixed	EUR	500 000	5.07.2027	2 263 403	12 960	2 250 443	-	-	-	2 250 443
Unsubordinated bonds					**3 756 493**	**20 129**	**3 736 364**	**57 289**	**169 928**	**509 577**	**2 999 570**
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[3]	404 270	4 842	399 428	-	-	-	399 428
European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	880 923	31 407	849 516	-	-	849 516	-
		PLN	400 000	17.12.2030[3]	415 174	23 943	391 231	-	-	-	391 231
		PLN	350 000	19.12.2030[3]	362 681	20 362	342 319	-	-	-	342 319
Subordinated bonds					**2 063 048**	**80 554**	**1 982 494**	**-**	**-**	**849 516**	**1 132 978**
Total bonds					**5 819 541**	**100 683**	**5 718 858**	**57 289**	**169 928**	**1 359 093**	**4 132 548**

1 Bond Issue Scheme dated 24 November 2015.
[2] In the case of hybrid (subordinated) financing - bonds covered by the European Investment Bank, two 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.
[3] In the case of subordinated bonds, the maturity shall take into account the two financing periods referred to below. The redemption dates presented in the table above are the final contractual redemption dates after two financing periods. The valuation of bonds as at the balance sheet date takes into account the earlier redemption, due to the intention to redeem the bonds after the first financing period. The ageing takes into account the repayment estimate after the first financing period.

(in PLN thousand)

Bonds as at 31 December 2019

Investor	Interest rate	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date			of which maturing within *(after the balance sheet date)*			
					Total carrying amount	Accrued interest	Principal at amortized cost	up to 1 year	1-2 years	2 - 5 years	over 5 years
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	800 000	2021-2028	799 551	856	798 695	-	99 906	299 568	399 221
			630 000	2021-2029	630 368	657	629 711	-	69 980	209 914	349 817
BNP Paribas Bank Polska S.A.[1]	floating, based on WIBOR 6M	PLN	3 100	25.03.2020	3 123	24	3 099	3 099	-	-	-
			6 300	9.11.2020	6 323	27	6 296	6 296	-	-	-
			51 000	29.12.2020	50 979	13	50 966	50 966	-	-	-
Eurobonds	fixed	EUR	500 000	5.07.2027	2 140 700	24 870	2 115 830	-	-	-	2 115 830
Unsubordinated bonds					**3 631 044**	**26 447**	**3 604 597**	**60 361**	**169 886**	**509 482**	**2 864 868**
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[3]	400 123	761	399 362	-	-	-	399 362
European Investment Bank	fixed[2]	EUR	190 000	16.12.2034[3]	771 161	1 630	769 531	-	-	769 531	-
		PLN	400 000	17.12.2030[3]	395 901	1 243	394 658	-	-	-	394 658
		PLN	350 000	19.12.2030[3]	346 242	922	345 320	-	-	-	345 320
Subordinated bonds					**1 913 427**	**4 556**	**1 908 871**	**-**	**-**	**769 531**	**1 139 340**
Total bonds					**5 544 471**	**31 003**	**5 513 468**	**60 361**	**169 886**	**1 279 013**	**4 004 208**

1 Bond Issue Scheme dated 24 November 2015.
[2] In the case of hybrid (subordinated) financing - bonds covered by the European Investment Bank, two 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.
[3] In the case of subordinated bonds, the maturity shall take into account the two financing periods referred to below. The redemption dates presented in the table above are the final contractual redemption dates after two financing periods. The valuation of bonds as at the balance sheet date takes into account the earlier redemption, due to the intention to redeem the bonds after the first financing period. The ageing takes into account the repayment estimate after the first financing period.

The Company has issued unsecured coupon bonds priced at the nominal value, except for Eurobonds with the issue price accounting for 99.44% of the nominal value. The Europeans have been admitted to trading on the London Stock Exchange.

Bonds acquired by the European Investment Bank ("EIB") are subordinated, which means that they have priority of satisfaction only before the amounts due to the Company's shareholders in the event of its bankruptcy or liquidation. This in turn has a positive impact on the Company's financial stability, as the bonds are excluded from the calculation of the net debt/EBITDA ratio, which is a covenant in part of financing agreements concluded by the Company. Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a beneficial effect on the rating of the TAURON Group.

In the case of bonds covered by the EIB, two financing periods are distinguished. The Company cannot early buy-back the bonds in the first (non-call) period, nor can EIB early sell them to third parties (in both cases except for cases indicated in the subscription agreement). The interest rate during this period is fixed, while after the non-call period the interest rate is variable based on the base rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) plus a fixed margin. In the case of bonds issued in PLN, the maturity date was set at 12 years from the issue date, i.e. 17 and 19 December 2030, while according to the characteristics of hybrid financing, the first financing period was defined as 7 years and the next one as 5 years. In the case of bonds issued in EUR, the maturity date was set at 18 years from the issue date, i.e. 16 December 2034, while according to the characteristics of hybrid financing, the first financing period was defined as 8 years and the next one as 10 years.

The bonds issued under the agreement of 6 September 2017 concluded with Bank Gospodarstwa Krajowego with a nominal value of PLN 400 000 thousand are also of a subordinated nature. In the case of these bonds, two periods are also distinguished. In the first 7-year period (the so-called non-call), it is not possible for the Company to redeem the bonds early and it is not possible for BGK to sell them to third parties (in both cases, subject to exceptions specified in the documentation). The interest rate is variable based on WIBOR 6M plus a fixed margin, with the margin being additionally increased after the 7-year financing period.

The change in the balance of bonds without interest increasing the carrying amount in the 9-month period ended 30 September 2020 and in the comparative period is presented in the table below. The change in the bond valuation results mainly from the foreign currency valuation of liabilities incurred in EUR.

(in PLN thousand)

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**5 513 468**	**9 317 854**
Issue*	-	499 312
Redemption	(3 100)	(670 000)
Replacing the bond issue scheme by the loan arrangement	-	(1 839 600)
Measurement change	208 490	38 326
Closing balance	**5 718 858**	**7 345 892**

**Costs of issue have been included.*

Establishment of a bond issue scheme

On 6 February 2020, TAURON Polska Energia S.A. concluded a Scheme Agreement with Santander Bank Polska S.A., under which a bond issue scheme was established (the "Scheme") up to a maximum of PLN 2 000 000 thousand. The funds from the bond issue will support the implementation of the Group's energy transformation, including increasing the share of low- and zero-emission sources in its generation structure.

As at the balance sheet date, the Company has not issued any bonds under the Scheme.

After the balance sheet date of 30 October 2020, under the Scheme, the Company issued bonds in the total nominal amount of PLN 1 000 000 thousand. The bonds take the form of unsecured bearer securities denominated in PLN, with a maturity of 5 years. The bonds are intended for trading and listing in the alternative trading system operated by the Warsaw Stock Exchange.

The bond issue conditions include sustainable development indicators in the form of the CO_2 emission reduction index and the RES power increase index, the level of implementation of which has an impact on the bond margin level.

After the balance sheet date, on 9 November 2020, bonds with a nominal value of PLN 6 300 thousand acquired by BNP Paribas Bank Polska S.A. were redeemed by the Company at maturity

(in PLN thousand)

28.2. Bank credits

Borrowing institution	Purpose	Interest rate	Maturity date	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Consortium of banks I	Redemption of bonds, investment and Group's general expenditures	floating	28.06.2020 *	-	1 839 159
			02.09.2020 *	-	151 376
			10.09.2020 *	-	302 555
			01.10.2020	606 999	604 070
			14.10.2020	302 589	301 714
			31.01.2020	-	502 358
			30.04.2020	-	502 330
			28.02.2020	-	501 195
			13.01.2020	-	600 868
			14.04.2021*	604 971	-
			30.04.2021*	201 469	-
			29.06.2021*	1 103 208	-
			10.09.2021*	99 985	-
Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	floating	20.12.2033	1 001 519	998 458
European Investment Bank	Construction of a boiler fired with biomass at Jaworzno III Power Plant and renovation of a steam turbine	fixed	15.12.2021	41 272	40 047
	Construction and start-up of a co-generation unit at EC Bielsko Biała	fixed	15.12.2021	59 001	57 294
	Modernization and extension of power grid	fixed	15.06.2024	158 539	175 298
		fixed	15.09.2024	71 432	89 820
		fixed	15.09.2024	89 571	112 661
	Modernization and extension of power grid and improvement of hydropower plants	fixed	15.03.2027	189 207	219 415
Intesa Sanpaolo S.p.A.	Group's investment expenditure, except for financing or refinancing projects related to coal assets	floating	19.12.2024	249 845	-
				249 778	-
				249 547	-
SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	fixed	23.03.2025	498 754	-
Consortium of banks II	Group's general corporate expenses, excluding financing and refinancing of any new coal assets-related projects	floating	10.03.2021*	160 028	-
Powszechna Kasa Oszczędności Bank Polski S.A. (bank overdrafts)	Financing of ongoing activities	floating	29.12.2020	6 506	-
Bank Gospodarstwa Krajowego (bank overdrafts)	Financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	floating	31.12.2020	2 194	20 456
mBank (bank overdrafts)	Financing of performance bonds and commodity transactions	floating	31.03.2020	-	754
Total				**5 946 414**	**7 019 828**

** Tranche classified as a long-term liability*

Pursuant to the provisions of the credit agreement of 19 June 2019 concluded with the bank consortium (Consortium of banks I), the maximum period for drawing down individual credit tranches is 12 months. However, the financing available under the agreement is revolving, and its availability period is the end of 2022. Due to the intention and ability to maintain financing under the said agreement for a period exceeding 12 months from the balance sheet date with respect to credit tranches with a 12-month repayment date, tranches with a total nominal value of PLN 2 000 000 thousand are presented as a long-term liability. As at 30 September 2020, tranches with a total nominal value of PLN 900 000 thousand are presented as a short-term liability. The remaining tranches were revolved after the balance sheet date for the next month and repaid in November 2020.

Similarly, the syndicated loan taken out under the agreement of 25 March 2020 (Consortium of banks II) is revolving. The Company may take out financing within the available financing with a selected interest period. According to the agreement, the repayment takes place at the end of the interest period, with the Company having the possibility of taking out financing again. Due to the intention and ability to maintain financing under the said agreement for a period exceeding 12 months from the balance sheet date, the tranche in the amount of PLN 160 000 thousand is presented as a long-term liability as at the balance sheet date.

(in PLN thousand)

Credit agreement with SMBC BANK EU AG

On 16 March 2020, TAURON Polska Energia S.A. concluded a credit agreement with SMBC BANK EU AG for the amount of PLN 500 000 thousand, from which funds may be used to finance the Group's general corporate objectives, excluding the construction, purchase, expansion of coal-fired power plants and refinancing of any financial commitments or expenses incurred for such purposes. On 23 March 2020, the Company drew down funds under the agreement in the amount of PLN 500 000 thousand.

Syndicated loan agreement

On 25 March 2020, TAURON Polska Energia S.A. concluded a syndicated credit agreement for the amount of PLN 500 000 thousand with Banca IMI S.p.A., London Branch, Banca IMI S.p.A., Intesa Sanpaolo S.p.A. acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland and China Construction Bank (Europe) S.A. acting through China Construction Bank (Europe) S.A. (Joint-Stock Company) Branch in Poland.

The funds under the loan agreement are used to finance the general corporate objectives of the Company and the TAURON Group, excluding financing of any new projects related to coal assets.

According to the loan agreement, the financing period is 5 years from the date of conclusion of the loan agreement with the possibility of double extension by one year, i.e. up to a maximum of 7 years. The interest rate is calculated on the basis of a variable WIBOR rate appropriate for a given interest period, increased by a margin depending, among other things, on the degree of utilisation of the loan and the fulfilment of environmentally friendly contractual conditions, i.e. reduction of the issue volume and increase of the share of renewable energy sources in the TAURON Group's generation structure.

On 10 September 2020, the Company drew down funds under the agreement in the amount of PLN 160 000 thousand.

The change in the balance of credits without interest increasing the carrying amount in the 9-month period ended 30 September 2020 and in the comparative period is presented in the table below.

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**6 996 963**	**846 751**
Movement in bank overdrafts	**(12 510)**	**183 239**
Movement in loans (excluding bank overdrafts):	**(1 066 778)**	**3 198 736**
Repaid	(7 580 464)	(90 864)
Taken*	6 503 709	1 447 137
Replacing the bond issue scheme by the loan arrangement	-	1 837 822
Change in valuation	9 977	4 641
Closing balance	**5 917 675**	**4 228 726**
Interest increasing the carrying amount	28 739	26 097
Total bank loans	**5 946 414**	**4 254 823**

** Inclusive of the borrowing costs*

In the 9-month period ended on 30 September 2020, the Company carried out the following transactions relating to bank credits (in nominal value), excluding overdrafts:

Lender	Description	9-month period ended 30 September 2020 *(unaudited)* Drawdown	Repayment
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to maturity date	5 100 000	(7 489 600)
Intesa Sanpaolo S.p.A.	Drawdown of 3 tranches of PLN 250 000 thousand each (total available financing)	750 000	
SMBC BANK EU AG	Drawdown of total of available financing	500 000	
Consortium of banks II	First tranche drawdown	160 000	
European Investment Bank	Repayment of capital instalments according to schedule		(90 864)
Total, *including:*		**6 510 000**	**(7 580 464)**
Cash flows		2 360 000	(3 430 464)
Net settlement (without cash flow)		4 150 000	(4 150 000)

(in PLN thousand)

Bank overdrafts

The Company has available financing under credits, including overdraft facilities. Available financing and the balance of loans as at individual balance sheet dates are presented in the table below.

	Bank	Purspose	Currency	Currency financing available	Repayment date	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
						currency	PLN	currency	PLN
intraday limit	PKO BP	intraday limit	PLN	300 000	17.12.2020		-		-
overdraft facility	PKO BP	financing of ongoing operations	PLN	300 000	29.12.2020		6 506		-
	BGK	financing of CO_2 emission allowance, electricity and gas transactions on EU stock exchanges	EUR	45 000	31.12.2020	485	2 194	4 804	20 456
	mBank	financing of security deposits and commodity transactions	USD	200	31.03.2020	-	-	198	754
Total							**8 700**		**21 210**

28.3. Debt agreement covenants

The agreements signed by the Company with the banks include legal and financial covenants which are commonly used in such transactions. The key covenant is the net debt to EBITDA ratio (for long-term credit agreements and the the bond issue schemes) which sets the debt less cash in relation to generated EBITDA. The net debt/EBITDA covenant is calculated on the basis of consolidated data as at 30 June and 31 December, and the permissible limit value of the net debt/EBITDA ratio is 3.5.

As at 30 June 2020 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.66 and therefore the covenant was not exceeded.

28.4. Loans from the subsidiary

As of 30 September 2020, the carrying amount of the liability to the subsidiary Finanse Grupa TAURON Sp. z o.o. on account of the loan received was PLN 777 120 thousand (EUR 171 671 thousand), including interest accrued as of the balance sheet date of PLN 23 596 thousand (EUR 5 213 thousand). As at 31 December 2019, the carrying amount of the loan was PLN 710 956 thousand (EUR 166 950 thousand), including interest accrued as at the balance sheet date of PLN 2 125 thousand (EUR 499 thousand).

The Company's liability is a long-term loan received under an agreement entered into in December 2014 by TAURON Polska Energia S.A. and TAURON Sweden Energy AB (publ) (currently Finanse Grupa TAURON Sp. z o.o.). The loan bears interest at a fixed rate and interest is paid annually, in December, until the loan has been fully repaid. The loan repayment date is 29 November 2029.

28.5. Loans received under cash pool agreement

The balances of liabilities arising from cash pool transactions have been presented in the table below.

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Liabilities from cash pool loans received	1 095 032	1 204 453
Interest payable on loans received under cash pool agreement	-	964
Total, *of which:*	**1 095 032**	**1 205 417**
Current	1 095 032	1 205 417

At the same time, the company has receivables arising from cash pool transactions, which is presented in Note 18.3 of these interim condensed financial statements.

Surplus cash obtained by the Company under the cash pool agreement is deposited in bank accounts.

(in PLN thousand)

28.6. Liability under lease

As at 30 September 2020, the Company had a lease liability of PLN 32 260 thousand. The liability relates to the right of perpetual fructose of land, lease of office and warehouse premises, parking spaces and cars.

Ageing of liability under lease

Maturity within *(after the balance sheet date)*	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Within 1 year	9 427	9 339
Within 1 to 5 years	23 190	29 116
Within 5 to 10 years	395	331
Within 10 to 20 years	791	662
More than 20 years	3 930	3 356
Gross lease liabilities	**37 733**	**42 804**
Discount	(5 473)	(6 613)
Present value of lease payments	**32 260**	**36 191**

29. Other financial liabilities

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Liabilities arising from income tax settlements of the TCG companies	37 058	212 598
Bid bonds, deposits and collateral received	22 568	16 164
Measurement of financial guarantee	10 964	15 265
Commissions related to borrowings	2 246	7 564
Wages and salaries as well as other employee related liabilities	3 697	7 571
Other	22 646	28 708
Total	**99 179**	**287 870**
Non-current	13 290	15 126
Current	85 889	272 744

Income tax liabilities of the Tax Capital Group are described in more detail in Note 31 to these interim condensed financial statements.

30. Liabilities to suppliers

As at 30 September 2020, the largest balance of liabilities towards suppliers were those towards the subsidiaries TAURON Wydobycie S.A., TAURON Wytwarzanie S.A. and State Treasury company - Węglokoks S.A. and amounted to PLN 98 142 thousand, PLN 49 027 thousand and PLN 45 441 thousand respectively.

As at 31 December 2019 the largest balance of liabilities towards suppliers were liabilities towards the subsidiaries TAURON Sprzedaż Sp. z o.o. and TAURON Wytwarzanie S.A. and the State Treasury company - Polska Grupa Górnicza S.A. and amounted respectively to PLN 150 454 thousand, PLN 51 887 thousand and PLN 43 517 thousand.

31. Income tax liabilities and Tax Group of Companies

The Agreement of Tax Group of Companies for 2018-2020 was registered on 30 October 2017. The main companies forming the Tax Group of Companies have been operating since 1 January 2018: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 30 September 2020, the Tax Group of Companies had an income tax liability of PLN 107 914 thousand, mainly consisting of a TGC's liability for the 9-month period ended 30 September 2020, representing the excess of TGC's tax burden of PLN 316 500 thousand over advances paid in the amount of PLN 208 490 thousand. The surplus of the tax burden over the advance payments is related to the fact that in 2020, TGC pays fixed monthly advance payments for corporate income tax of PLN 26 061 thousand.

At the same time, due to the Company's settlements, as the Representative Company, with the subsidiaries of the Tax Group of Companies, it has reported a liability to these subsidiaries arising from tax overpayment of PLN 37 058 thousand which has been presented as Other financial liabilities, as well as receivables from the Tax Group of Companies arising from tax underpayment of PLN 121 724 thousand which have been presented as Other financial assets.

(in PLN thousand)

Tax reports and other matters may be audited by authorities competent to impose substantial penalties and fines, whereas any additional tax liabilities resulting from final decision of tax inspection authorities have to be paid together with interest. Consequently, the figures presented and disclosed in these interim condensed consolidated financial statements may change in the future.

32. Other non-financial liabilities

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
VAT	106 345	215 605
Social security	3 368	5 200
Personal Income Tax	2 381	2 186
Excise	991	-
Other	50	44
Total	**113 135**	**223 035**

The decrease in VAT liabilities results mainly from the settlement in the first quarter of 2020 of the VAT liability as at 31 December 2019 in the amount of PLN 160 528 thousand, resulting from the Company's disposal of CO_2 emission allowances to subsidiaries in the Generation segment.

In connection with the decision of the Head of the Mazovian Customs and Tax Office in Warsaw of 17 September 2020 terminating the control proceedings for which the Company created a provision (which is discussed in more detail in Note 33 of these interim condensed financial statements), as at the balance sheet date, under the VAT liability in the amount of PLN 54 734 thousand was recognized a liability with interest. The above obligation was paid in October 2020.

33. Other provisions

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Opening balance	**77 094**	**72 894**
Recognision	3 155	3 140
Reversal	(24 497)	-
Utilisation	(54 734)	-
Closing balance	**1 018**	**76 034**
Current	1 018	76 034

In the current and comparable period the Company created provisions for tax risks in connection with the ongoing control proceedings. The Company is a party to VAT inspection proceedings initiated in 2014 and 2016 by the Director of the Tax Inspection Office in Warsaw ("Director of the TIO"). The duration of control proceedings was several times extended by the TIO Director and then by the Head of Mazowiecki Customs and Tax Office.

In the 9-month period ended 30 September 2020 and in the comparable period, the Company increased the provision due to the calculation of interest accordingly. On 17 September 2020, the Head of the Mazowiecki Customs and Tax Office in Warsaw issued a decision terminating the control proceedings initiated in 2014, which was received on 7 October 2020. Therefore, the Company revaluated the provision accordingly:

- in connection with the determination of the liability, the provision of PLN 54 734 thousand was used. As at the balance sheet date, this amount is presented in other non-financial liabilities under the VAT liability;
- the provision of PLN 24 497 thousand for accrued interest was released.

The payment of the liability in the total amount of PLN 54 734 thousand (of which PLN 51 819 thousand was the principal and PLN 2 915 thousand was the interest due until the date the proceedings were initiated) was made in October 2020. At the same time, on 20 October 2020, the Company filed an appeal against the decision of the Head of the Mazowiecki Customs and Tax Office in Warsaw of 17 September 2020. On 5 November 2020, the Company received a letter from the proxy of the Head of the Mazovian Customs and Tax Office informing about the transfer of the company's appeal together with the case files to the second instance authority, i.e. the Director of the Tax Administration Chamber in Katowice.

(in PLN thousand)

As regards the control proceedings initiated in 2016, after the balance sheet date, the Company received the result of the control, i.e. a document ending the control proceedings, in which no irregularities were found as regards the subject matter of the control. The Company did not create provisions for the effects of these proceedings.

As regards the next control proceedings initiated in 2016, new deadline for completion of the proceedings was set for 30 November 2020.

NOTES TO THE INTERIM CONDENSED STATEMENT OF CASH FLOWS

34. Significant items of the interim condensed statement of cash flows

34.1. Cash flows from operating activities

Change in working capital

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Change in receivables	753 920	(175 111)
Change in inventories	(20 990)	(1 684)
Change in payables excluding loans	(216 386)	(223 007)
Change in other non-current and current assets	159	3 750
Change in deferred income, government grants and accruals	450	4 560
Change in provisions	(78 915)	3 743
Change in working capital	**438 238**	**(387 749)**

34.2. Cash flows from investing activities

Loans granted

The loans of PLN 1 115 760 thousand were granted:

- granting a loan to the subsidiary TAURON Wydobycie S.A. in the amount of PLN 698 354 thousand;
- granting a loan to the subsidiary TAURON Wytwarzanie S.A. in the amount of PLN 500 000 thousand;
- granting a loan to the subsidiary TAURON Sprzedaż Sp. z o.o. in the amount of PLN 100 000 thousand;
- granting a loan to the co-subsidiary Elektrociepłownia Stalowa Wola S.A. in the total amount of PLN 72 775 thousand;
- a loan granted to PGE EJ1 Sp. z o.o. of PLN 7 800 thousand;
- a loan granted to AVAL-1 Sp. z o.o. of PLN 3 300 thousand;
- change in the balance of loans granted to subsidiaries under a long-term commitment cash pool agreement in the amount of PLN (266 469) thousand.

Acquisition of shares

Payments to acquire shares of PLN 477 504 thousand were related to the Company's transfer of funds to increase the capital of the following companies:

- Nowe Jaworzno Grupa TAURON Sp. z o.o., totalling PLN 455 100 thousand;
- EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna in the amount of PLN 3 905 thousand;
- EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna in the amount of PLN 773 thousand;

and capital contribution to Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. of PLN 17 616 thousand and Marselwind Sp. z o.o. of PLN 110 thousand.

(in PLN thousand)

Interest received

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Interest received in relation to debt securities	-	229 293
Interest received in relation to loans granted	67 360	98
Total	**67 360**	**229 391**

34.3. Cash flows from financing activities

Loans repaid

Expenditure on repayment of loans is related to the repayment by the Company in the 9-month period ended on 30 September 2020:

- Loan tranches under the agreement concluded with the Consortium of Banks in the amount of PLN 3 339 600 thousand;
- instalments of the loan to the European Investment Bank in the amount of PLN 90 864 thousand.

Interest paid

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Interest paid in relation to loans	(123 937)	(39 274)
Interest paid in relation to debt securities	(46 866)	(137 502)
Interest paid in relation to the lease	(232)	(1 277)
Other interest	-	(58)
Total	**(171 035)**	**(178 111)**

Loans taken out

Proceeds from credits taken out in the amount of PLN 2 360 000 thousand in the 9-month period ended 30 September 2020 were related to the release of:

- loan tranches under an agreement concluded with a Consortium of Banks in the amount of PLN 950 000 thousand;
- all available financing under the credit agreement concluded with the bank Intesa Sanpaolo S.p.A., acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland, totalling PLN 750 000 thousand;
- the total available financing under the credit agreement concluded with SMBC BANK EU AG in the amount of PLN 500 000 thousand;
- a loan tranche in the amount of PLN 160 000 thousand under the syndicated loan agreement of 25 March 2020, which is discussed in more detail in Note 28.2 of these interim condensed financial statements.

(in PLN thousand)

OTHER INFORMATION

35. Financial instruments

Categories and classes of financial assets	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**6 232 540**	**6 232 540**	**6 569 821**	**6 569 821**
Receivables from buyers	820 648	820 648	1 472 462	1 472 462
Loans granted under cash pool agreement	163 878	163 878	475 178	475 178
Other loans granted	5 121 861	5 121 861	4 621 558	4 621 558
Other financial receivables	126 153	126 153	623	623
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 069 540**	**1 069 540**	**1 592 623**	**1 592 623**
Derivative instruments	448 759	448 759	86 067	86 067
Long-term shares	47 575	47 575	48 136	48 136
Loans granted	227 754	227 754	216 018	216 018
Other financial receivables	188 148	188 148	292 052	292 052
Investment fund units	-	-	26 622	26 622
Cash and cash equivalents	157 304	157 304	923 728	923 728
3 Derivative hedging instruments	**-**	**-**	**19 462**	**19 462**
4 Financial assets excluded from the scope of IFRS 9 *Finanical Instruments*	**20 856 811**		**21 796 047**	
Shares in subsidiaries	20 085 002		21 380 195	
Shares in a subsidiary classified as non-current assets held for sale	355 957	355 957	-	-
Shares in jointly-controlled entities	415 852		415 852	
Total financial assets, *of which in the statement of financial position:*	**28 158 891**		**29 977 953**	
Non-current assets	**24 797 735**		**26 914 435**	
Shares	20 548 429		21 844 183	
Loans granted	4 216 237		5 047 552	
Derivative instruments	30 577		20 352	
Other financial assets	2 492		2 348	
Current assets	**3 361 156**		**3 063 518**	
Receivables from buyers	820 648		1 472 462	
Loans granted	1 297 256		265 202	
Derivative instruments	418 182		85 177	
Other financial assets	311 809		316 949	
Cash and cash equivalents	157 304		923 728	
Non-current assets classified as held for sale	355 957		-	

(in PLN thousand)

Categories and classes of financial liabilities	As at 30 September 2020 *(unaudited)*		As at 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**14 063 815**	**14 470 074**	**15 193 028**	**15 483 307**
Arm's length loans, *of which:*	7 809 866	7 947 915	8 914 991	9 001 735
Liability under the cash pool loan	1 095 032	1 095 032	1 205 417	1 205 417
Bank loans	5 937 714	5 974 607	6 998 618	7 014 391
Loans from the subsidiary	777 120	878 276	710 956	781 927
Overdraft	8 700	8 700	21 210	21 210
Bonds issued	5 819 541	6 087 751	5 544 471	5 748 006
Liabilities to suppliers	326 529	326 529	424 486	424 486
Other financial liabilities	98 576	98 576	287 819	287 819
Liabilities due to purchases of fixed and intangible assets	603	603	51	51
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**542 958**	**542 958**	**124 527**	**124 527**
Derivative instruments	542 958	542 958	124 527	124 527
3 Derivative hedging instruments	**116 408**	**116 408**	**-**	**-**
4 Financial liabilities excluded from the scope of IFRS 9 *Finanical Instruments*	**32 260**		**36 191**	
Liabilities under leases	32 260		36 191	
Total financial liabilities, *of which in the statement of financial position:*	**14 755 441**		**15 353 746**	
Non-current liabilities	**11 401 626**		**10 941 571**	
Debt	11 289 480		10 909 597	
Other financial liabilities	13 290		15 126	
Derivative instruments	98 856		16 848	
Current liabilities	**3 353 815**		**4 412 175**	
Debt	2 380 887		3 607 266	
Liabilities to suppliers	326 529		424 486	
Derivative instruments	560 510		107 679	
Other financial liabilities	85 889		272 744	

The fair value measurement methodology applied to financial instruments and fair value hierarchy levels assigned to these instruments are presented in the following tables.

Financial asset/liabilities classes	Fair value measurement level	Fair value measurement methodology
		Financial assets/liabilities measured at fair value
Derivatives, *including:*		Derivatives have been measured in line with the methodology presented in Note 19 hereto.
IRS and CCIRS	2	
Currency forwards	2	
Commodity forwards and futures	1	
Non-current shares	3	The Company estimated the fair value of shares held in other entities using the adjusted net assets method, considering its share in the net assets and adjusting the value by relevant factors affecting the measurement, such as the non-controlling interest discount and the discount for the limited liquidity of the above instruments. In justify cases, the Company assumes that the historical cost is an acceptable approximation of the fair value.
Loans granted	3	Fair value measurement of the loan had the form of the current value of future cash flows, including borrower's credit risk.
		Financial liabilities whose fair value is disclosed
Loans, borrowings and bonds issued	2	Liabilities arising from fixed interest debt are measured at fair value. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate applicable to given bonds or loans, i.e. applying market interest rates.

The fair value of other financial instruments as at 30 September 2020 and as at 31 December 2019 (except from those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for the following reasons:

- the potential discounting effect relating to short-term instruments is not significant;
- the instruments are related to arm's length transactions.

(in PLN thousand)

Shares in subsidiaries and jointly-controlled entities excluded from the scope of IFRS 9 *Financial Instruments* are measured at cost less any impairment allowances.

36. Finance and financial risk management

36.1. Financial risk management

There is a *Financial Risk Management Policy in the TAURON Group*, which defines the strategy of interest rate and currency risk management. At the same time the Policy introduces hedge accounting principles which define the principles and types of hedge accounting and the accounting treatment of hedging instruments and hedged items under hedge accounting according to IFRS. The financial risk management policy and hedge accounting policies relate to cash flow risk.

Hedge accounting

As at 30 September 2020, the Company had hedging transactions covered by the financial risk management policy and covered by hedge accounting. The Company hedges part of the interest rate risk on account of debt, as further described in Note 19 to these interim condensed financial statements.

36.2. Finance and capital management

Finance and capital management is carried out at the level of TAURON Polska Energia S.A. Group. In the period covered by these interim condensed financial statements, there were no significant changes in the objectives, principles and procedures of finance and capital management

37. Contingent liabilities

As at 30 September 2020 and 31 December 2019 the Company's contingent liabilities were mainly the effect of securities and guarantees given to related parties and were as follows:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	Validity	As at 30 September 2020 *(unaudited)* Currency		As at 30 September 2020 *(unaudited)* PLN	As at 31 December 2019 Currency	As at 31 December 2019 PLN
corporate guarantee	Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ))	Bondholders	3.12.2029	EUR	168 000	760 502	168 000	715 428
liability towards MUFG Bank, Ltd. under guarantees issued by the bank for jointly-controlled entity	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11.04.2021			517 500		517 500
registered pledges and financial pledge of shares in TAMEH HOLDING Sp. z o.o.	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG	31.12.2028[1]			415 852		415 852
blank promissory note with a promissory note declaration	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice	15.12.2022			40 000		40 000
	TAURON Ciepło Sp. z o.o.					30 000		30 000
surety contract	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków	15.06.2021			914		914
			31.12.2023			293		293
	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Fund Advisors	28.09.2025			2 500		2 500
		Polskie Sieci Elektroenergetyczne S.A.	31.12.2020			33 024		33 024
	TAURON Wytwarzanie S.A.	Polskie Sieci Elektroenergetyczne S.A.	indefinite			5 000		5 000
	TAURON Sprzedaż Sp. z o.o.	Polska Spółka Gazownictwa Sp. z o.o.	30.11.2020[2]			20 000		20 000
	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	30.01.2021			9 959		9 959
			31.10.2020[3]	USD	3 664	14 165	3 664	13 915
			24.04.2021	USD	1 329	5 135	1 329	5 047
liability towards CaixaBank S.A. being result of guarantees issued by the bank for subsidiaries[4]	various subsidiaries	various entities	07.10.2020-28.07.2029			33 572		8 821

[1] The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until release by the pledgee, not later than on 31 December 2028.
[2] After the balance sheet date, on 4 November 2020, by virtue of the concluded annex, the term of validity of the surety was extended until 30 November 2021.
[3] After the balance sheet date, on 27 October 2020, the Company received a notice of expiration of the surety in the amount of USD 3 664 thousand as a security for Bank Gospodarstwa Krajowego's claims under the working capital loan agreement granted to Elektrociepłownia Stalowa Wola S.A.
[4] After the balance sheet date, the guarantee issued to secure the liabilities of the subsidiary TAURON Serwis Sp. z o.o. in the amount of EUR 142 thousand came into force and guarantees were issued to secure the liabilities of the subsidiary TAURON Sprzedaż Sp. z o.o. in the total amount of PLN 2 859 thousand.

The most significant items of contingent liabilities concern:

- Corporate guarantee for an amount of EUR 168 000 thousand

  The corporate guarantee was granted in 2014 to secure the bonds Finances TAURON Group Sp. z o.o. (formerly by TAURON Sweden Energy AB (publ)). The guarantee is valid until 3 December 2029, i.e. the bond redemption date and amounts to EUR 168 000 thousand (PLN 760 502 thousand), and the beneficiaries of the guarantee are the bondholders who purchased the issued bonds.

- Liabilities towards MUFG Bank, Ltd.

  At the Company's request, MUFG Bank, Ltd. issued a bank guarantee as security for the receivables of Bank Gospodarstwa Krajowego, resulting from the loan agreement concluded in March 2018 between the borrower Elektrociepłownia Stalowa Wola S.A. and Bank Gospodarstwa Krajowego and Polskie Górnictwo Naftowe i Gazownictwo S.A.

  The current bank guarantee expires in April 2021. The bank guarantee was issued under a guarantee limit agreement concluded in January 2020 with the MUFG Bank, Ltd. and the receivables of MUFG Bank, Ltd. towards the Company are secured with a declaration of submission to enforcement up to PLN 621 000 thousand valid until 31 October 2021.

  In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, whose value as at 30 September 2020 amounted to PLN 10 964 thousand (as at 31 December 2019 PLN 15 265 thousand).

- Registered and financial pledges on shares

  Under the agreement of 15 May 2015, annexed on 15 September 2016, TAURON Polska Energia S.A. established on 3 293 403 shares in the share capital of TAMEH HOLDING Sp. z o.o, constituting approximately 50% of the shares in the share capital, a financial pledge and registered pledges in favour of RAIFFEISEN BANK INTERNATIONAL AG, i.e. a registered pledge with the highest priority of satisfaction on the shares up to the maximum security amounting to CZK 3 950 000 thousand and a registered pledge with the highest priority of satisfaction on the shares up to the maximum security amounting to PLN 1 370 000 thousand. The Company also agreed to establish a financial pledge and registered pledges on new shares acquired or taken up. Moreover, the Company assigned the rights to dividend and other payments.

  The agreement to establish registered pledges and a financial pledge was concluded to secure transactions including the agreement for term loans and working capital loans, entered into by TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as original borrowers, TAMEH HOLDING Sp. z o.o. as the parent and the guarantor, and RAIFFEISEN BANK INTERNATIONAL AG as the agent and the collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until release by the pledgee, not later than on 31 December 2028.

  The carrying amount of shares in TAMEH HOLDING Sp. z o.o. as at 30 September 2020 was PLN 415 852 thousand.

- Blank bill of exchanges together with bill of exchange declarations

  The Company issued two blank bills of exchange together with bill of exchange declarations with a total value of PLN 70 000 thousand in order to secure loan agreements received by its subsidiaries from the Provincial Fund for Environmental Protection and Water Management in Katowice. The security in the form of bills of exchange is valid until all liabilities to the lender are paid by the subsidiaries, i.e. until 15 December 2022. As at the balance sheet date, the outstanding amount of loans secured with the promissory notes was PLN 9 000 thousand.

Significant items of the Company's contingent liabilities due to court proceedings and concluded agreements:

Claims related to termination of long-term contracts

Claims relating to termination of long-term contracts against subsidiary Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o.

In 2015 companies of the following groups of companies: in.ventus, Polenergia and Wind Invest filed a case against Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to electricity purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising new contractual penalty and contract termination related claims, or they file separate suits for the payment of damages.

As of the date of approval of these interim condensed financial statements for publication, the amount of damages claimed in lawsuits is as follows: Polenergia group companies - PLN 115 566 thousand (including Amon Sp. z o.o. – PLN 69 488 thousand, Talia Sp. z o.o. – PLN 46 078 thousand); Wind Invest group companies – PLN 322 313 thousand.

In the case of the claims of Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued, in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term contracts concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Talia Sp. z o.o. for the purchase of electricity and property rights arising from certificates of origin are ineffective and do not have legal effect in the form of termination of both agreements, as a result of which these agreements after the notice period, i.e. after 30 April 2015 remain in force for all provisions and are binding on the parties. Moreover, the Courts recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages as justified in principle, but they did not prejudge the amount of possible damages. The judgements are not valid. In the case of the claim Amon Sp. o.o. the judgement was issued on 25 July 2019 (Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. appealed against the judgement), and in the case of the claim of Talia Sp. o.o. on 6 March 2020, supplemented by the court on 8 September 2020 (Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. submitted an application for service of the judgement together with a justification to analyse it and submit an appeal).

The above partial and preliminary judgements do not change the Group's assessment that the chances of losing a case are no higher than the chance of winning it.

In the case filed by Pękanino Wind Invest Sp. z o.o. to secure the claims for establishing that the termination of long-term agreements submitted by Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. is ineffective, the Court of Appeal in Warsaw on 6 November 2019 partially accepted the motion for security by ordering Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. to execute in full the provisions of the agreements on the existing terms and conditions, in accordance with their contents, until the legal conclusion of the proceedings in the action brought by Pękanino Wind Invest Sp. z o.o. against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the District Court in Warsaw. The security order is final and binding. This provision does not prejudge the merits of the action, which can only take place in a judgement which is final and binding, but only temporarily regulates the parties' relations for the duration of the proceedings. Bearing in mind the need to implement the provision on collateral referred to above, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. created a provision for onerous contracts which value as at balance sheet date is amounted of PLN 6 579 thousand.

The remaining proceedings are pending before the courts of first instance (including one which was referred to the second instance court for re-examination by the first instance court).

In light of the current status of the proceedings and the related circumstances, the Group believes that the chances of losing other cases both as regards declaration of ineffectiveness of the termination notices and securing non-monetary claims and the claims for compensation are not higher than the chances for winning them. Therefore, no provision for the related costs except for the reserve created for the proceedings of Pękanino Wind Invest Sp. z o.o. as referred to above) will be created.

In connection with the transaction of purchase on 3 September 2019 by subsidiaries of TAURON Polska Energia S.A., i.e. TEC1 Sp. z o.o, TEC2 Sp. z o.o. and TEC3 Sp. z o.o. five wind farms belonging to the in.ventus group and financial claims of Hamburg Commercial Bank AG against the companies operating the wind farms, the cases from the in.ventus group companies brought against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. were suspended by the court, at the joint request of the parties. In March 2020, the parties filed an application to initiate proceedings in order to withdraw the claimant's statement of claim together with a waiver of the claim. In June 2020, the court took up the proceedings and the companies submitted statements of withdrawal of the waiver of claims. By order of 3 July 2020, the court discontinued the proceedings in the above-mentioned case. The judgment is final and binding.

Claims relating to termination of long-term contracts against TAURON Polska Energia S.A.

In 2017 and 2018 companies of the following capital groups: in.ventus, Polenergia and Wind Invest filed cases against TAURON Polska Energia S.A. regarding damages and liability for potential future losses resulting from tort, including unfair competition. According to the plaintiffs notices of termination submitted by Polska - Energia Pierwsza Kompania Handlowa S.A. regarding long-term contracts for the purchase of power and property titles related to energy certificates allegedly directed by TAURON Polska Energia S.A., provided the factual basis for these claims.

As at the date of approval of these interim condensed financial statements for publication, the amount of damages claimed in lawsuits is as follows: Polenergia group companies – PLN 78 855 thousand, Wind Invest group companies – PLN 129 947 thousand.

Moreover, the claimants' companies indicate in their lawsuits the following values of estimated damages that may arise in the future: Polenergia group companies – PLN 265 227 thousand, Wind Invest group companies – PLN 1 119 363 thousand.

The court competent for hearing the claims is the Regional Court for Katowice. All cases are held before the first instance courts. Those filed by Wind Invest group companies are held in camera. As at the date of approval of these interim condensed financial statements for publication, the Company's chances of obtaining a positive resolution in disputes should be assessed positively, i.e. the chances of losing are no higher than the chances of winning it.

In connection with the transaction of purchase on 3 September 2019 by subsidiaries of TAURON Polska Energia S.A., i.e. TEC1 Sp. z o.o, TEC2 Sp. z o.o. and TEC3 Sp. z o.o. five wind farms belonging to the in.ventus group and financial claims of Hamburg Commercial Bank AG against the companies operating the wind farms, the cases from the in.ventus group companies brought against TAURON Polska Energia S.A. were suspended by the court, at the joint request of the parties. In the first quarter of 2020, the parties filed an application to initiate proceedings in order to withdraw the claimant's statement of claim together with a waiver of the claim. The court has taken action at the unanimous request of the parties. By letter dated 5 June 2020, the claimant party withdrew its waiver of the claim. By order of 06 August 2020, the court discontinued the proceedings in the above-mentioned case. The judgment is final and binding.

Claims relating to termination of long-term contracts by a subsidiary TAURON Sprzedaż Sp. z o.o.

In 2018, the subsidiary TAURON Sprzedaż Sp. z o.o. was notified of cases filed against it by two Polenergia group companies with regard to settlement related to damages in the total amount of PLN 78 855 thousand for an alleged loss incurred by the Polenergia group companies as a result of groundless termination of the long-term agreement concluded between them and Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. The companies indicated in their conclusions that the Company, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and liquidators of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. have caused and continue to cause damage to the companies from the Polenergia group, and TAURON Sprzedaż Sp. z o.o. has consciously benefited from this damage and – according to the companies from the Polenergia group – is responsible for it. TAURON Sprzedaż Sp. z o.o. considered the claims of the Polenergia group companies groundless; thus, no settlement was reached. Based on the analysis of the legal situation, in the opinion of the Management Board of TAURON Sprzedaż Sp. z o.o., there are no grounds for creating a provision for the above case. The case is not subject to legal proceedings.

Claim against PGE EJ 1 Sp. z o.o.

On 13 March 2015, a consortium consisting of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter referred to as the "WorleyParsons Consortium"), which is the research contractor for the investment process related to the construction of a nuclear power plant by PGE EJ 1 Sp. z o.o. (hereinafter referred to as the "Agreement"), reported in connection with the Agreement – in a call for payment to PGE EJ 1 Sp. z o.o. – claims for a total amount of PLN 92 315 thousand. As a result, on 15 April 2015, the Company (as a holder of 10% of shares in the issued capital of PGE EJ 1 Sp. z o.o.) concluded an agreement with PGE EJ 1 Sp. z o.o. and its other shareholders (i.e. PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.) that regulated mutual relations related to these claims, including principles of providing additional funds (if any) to PGE EJ 1 Sp. z o.o. by its shareholders.

In the Company's view, its potential additional exposure to PGE EJ 1 Sp. z o.o. arising from the agreement shall not exceed its percentage capital exposure to that entity.

In November 2015, the District Court in Warsaw delivered to PGE EJ 1 Sp. z o.o. a lawsuit of WorleyParsons consortium for the amount of about PLN 59 million, subsequently extended in 2017 and 2019 to about PLN 128 million.

PGE EJ1 Sp. z o.o. did not accept the claim and believed that the probability that the court would decide in favour of the plaintiffs was remote. No provisions were recognised in relation to the above events.

Claims filed by Huta Łaziska S.A.

In connection with the Company's merger with Górnośląskie Zakład Elektroenergetyczny S.A. ("GZE") – TAURON Polska Energia S.A. became a party to a court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the President of ERO. Currently, the trial is pending before the Court of Appeal in Warsaw.

The ERO President, by virtue of a decision of 12 October 2001, ordered GZE to resume the supply of electricity to the Huta (suspended on 11 October 2001 due to the fact that Huta did not pay its payment obligations) under the terms of the agreement of 30 July 2001, in particular at the price of PLN 67 per MWh, until the dispute was finally resolved, and on 14 November 2001 it finally settled the dispute by issuing a decision stating that the suspension of electricity supplies was not unjustified. Huta appealed against that decision. On 25 July 2006, the Court of Appeals in Warsaw issued a final and binding decision ending the dispute concerning GZE's energy supplies to Huta. The court dismissed Huta's appeal against the decision of the Regional Court in Warsaw dated 19 October 2005, in which the court had dismissed Huta's appeal against the decision of the President of the Energy Regulatory Office. Huta filed a cassation appeal against the judgement of the Court of Appeals in Warsaw, which was dismissed by the judgement of the Supreme Court dated 10 May 2007. On 15 November 2001 (following the issue of the above decision by the President of the Energy Regulatory Office on 14 November 2001 and due to the growing indebtedness of Huta to GZE due to electricity supply) GZE again suspended supply. Therefore, Huta has sued GZE for damages.

Under a suit of 12 March 2007 against GZE and the State Treasury represented by the President of the Energy Regulatory Office (jointly and severally) Huta claimed the payment of PLN 182 060 thousand with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the ERO President dated 12 October 2001.

In this case, the courts of the first and second instance passed judgements favourable for GZE; however, in its judgement of 29 November 2011 the Supreme Court overruled the judgement of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the decision of the Regional Court and remanded the case for re-examination by the latter. Since 27 November 2012, the case was heard by the court of first instance. By judgement of 28 May 2019, the Regional Court in Warsaw dismissed Huta's claim in its entirety and ruled that Huta reimbursed each of the respondents for the costs of the proceedings. The judgement is not final and binding. Huta appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and awarding the costs of the proceedings against the respondents in favour of Huta, or alternatively that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company.

Based on the legal analysis of the claims, as well as taking into account the above judgement, the Company believes that the claims are unfounded and the risk of having to satisfy them is negligible. As a result, no provision has been recognised by the Company for any costs associated with those claims.

Claim filed by ENEA S.A.

Claim filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, regards the payment of PLN 17 086 thousand with statutory interest from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in connection with possible errors in the determination of aggregated measurement and settlement data by ENEA Operator Sp. z o.o. (as a Distribution System Operator, DSO), constituting the basis for settlements of ENEA and the Company with Polskie Sieci Elektroenergetyczne S.A. on account of imbalance on the Balancing Market in the period from January to December 2012. During the proceedings, at the request of ENEA S.A. the court decided to extend the suit against seven sellers for which TAURON Polska Energia S.A. acted as an entity in charge of trade balances in the distribution area of ENEA Operator Sp. z o.o. in 2012. Among the entities subsidised were two subsidiaries of TAURON Polska Energia S.A., i.e: TAURON Sprzedaż Sp. z o.o. (with respect to which ENEA S.A. has applied for the award of the amount of PLN 4 934 thousand with statutory interest from the date of delivery of the copy of the application for extension of the suit until the date of payment), and TAURON Sprzedaż GZE Sp. z o.o. (with respect to which ENEA S.A. has applied for the award of the amount of PLN 3 480 thousand with statutory interest from the date of delivery of the copy of the application for extension of the suit until the date of payment). The demand for payment of the above amounts as well as the amounts claimed from the other five sellers was submitted by the petitioner in case the claim against TAURON Polska Energia S.A. is dismissed. The case is pending before the first-instance court.

The Company did not recognise any provision as, in the opinion of the Company, the risk of losing the case is below 50%. Provisions were recognised by the subsidiaries of TAURON Polska Energia S.A. in the total amount of PLN 5 883 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 182 thousand (TAURON Sprzedaż GZE Sp. z o.o.). The said provisions cover the principal, interest reviewed as at 30 September 2020 and the cost of the proceedings.

As at 30 September 2020, the value of the claim against the Company is PLN 17 086 thousand, including statutory interest accrued between 30 June 2015 and the payment date. Should the claim filed against the Company be dismissed, the claim for payment by the Group companies totals PLN 8 414 thousand, including statutory interest accrued between the date of service of a copy of the request filed by ENEA S.A. to extend the suit by a specific Group company and the payment date. As new measurement data were presented by ENEA Operator Sp. z o.o. during the proceedings, the values of the claims against the Company and the Group companies may be expected to change.

The commitment of the Funds in the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o.

The investment agreement signed by the Company with the Closed-End Investment Funds (“Funds”) managed by the Polish Development Fund provides for a number of situations whose occurrence constitutes a material breach of the agreement by the Company. The above situations, some of which are beyond the direct control of the Company, include, among others, the occurrence of events of a legal nature, events relating to the financial and material situation of the TAURON Group, decisions of an investment and operational nature taken by the Group with respect to the financing and construction of the 910 MW unit, as well as events relating to the future operation of the unit. Any possible material breach of the agreement on the part of the Group's companies may lead to the potential launch of a procedure, the effect of which may be a request (activation of an option) by the Closed-End Investment Funds to repurchase from the Closed Investment Funds the shares in the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. held by those Funds, in the amount invested by the Funds in the shares, increased by the agreed return and a material breach bonus and reduced by the distribution of funds by Nowe Jaworzno Grupa TAURON Sp. z o.o. to the Funds.

On 27 March 2020, an annex to the investment agreement was concluded, removing from the catalogue of significant breaches of the agreement on the part of the Company the breaches referring to debt ratios combined with a simultaneous amendment to the shareholders’ agreement, consisting in granting the Funds special rights in case of exceeding the agreed levels of these ratios.

On 4 May 2020, the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. and the contractor signed an agreement relating to the performance of the 910 MW Unit construction contract, in which the estimated date of commissioning of the 910 MW Unit was postponed to 15 November 2020, which is described in more detail in Note 41 of these interim condensed financial statements. On 5 August 2020, the Company, the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Funds concluded annexes to the investment agreement as well as an annex to the conditional agreement on the sale of the Funds’ shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. concluded by the Company with the Funds. On the basis of the above annexes, in particular the deadline for commissioning of the unit specified in the investment agreement was postponed by six months. After the balance sheet date, on 13 November 2020, the 910 MW power unit was commissioned, which in the context of the annexes to the investment agreement signed, means that the cut-off date for unit commissioning has not been exceeded, and thus no breach of the investment agreement.

As at the date of approval of these interim condensed financial statements for publication, the Company does not identify on its part any risk of material breach of the agreement, which is beyond the Company’s direct control, and is of the opinion that there is no real possibility, including in the future, of occurrence of material breaches of the agreement.

As at the balance sheet date, the Closed Investment Funds hold shares of Nowe Jaworzno Grupa TAURON Sp. z o.o. in the amount of PLN 880 000 thousand.

38. Security for liabilities

The most significant types of collateral securing the Company’s liabilities as at 30 September 2020 are presented in the table below.

(in PLN thousand)

Collateral	Collateral amount			Due date	Agreement/transaction
	Currency		PLN		
Declarations of submission to enforcement			7 284 000	31.12.2025	Loan arrangement with a consortium of banks of 19 June 2019
			2 550 000	20.12.2032	Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego of 31 July 2013
			1 500 000	31.12.2036	Overdraft agreement with Bank Gospodarstwa Krajowego of 19 December 2018
			900 000	31.12.2027	Credit agreements with Intesa Sanpaolo S.p.A. of 19 December 2019
			621 000	31.10.2021	Bank guarantee agreement dated 28 January 2020 with MUFG Bank, Ltd.*
			600 000	30.06.2034	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 6 September 2017
			600 000	17.12.2021	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			600 000	31.12.2028	Credit agreement with SMBC Bank EU AG of 16 March 2020
			600 000	31.12.2030	Credit agreement with a consortium of banks of 25 March 2020
			600 000	14.03.2023	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Giełd Towarowych S.A. of 13 March 2020
			600 000	31.03.2021	Membership agreement in the Exchange Clearing Chamber operated by Izba Rozliczeniowa Giełd Towarowych S.A.
			360 000	29.12.2021	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
			300 000	24.04.2024	Agreement concluded with Santander Bank Polska S.A. for bank guarantees for the benefit of Izba Rozliczeniowa Giełd Towarowych S.A. of 24 April 2020
			240 000	31.12.2023	Bond Issue Scheme of 24 November 2015
			180 000	25.05.2024	Contingent agreement concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland for bank guarantees for the benefit of Izba Rozliczeniowa Giełd Towarowych S.A. of 25 May 2020
	EUR	24 000	108 643	31.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
	EUR	50 000	226 340		
			96 000	27.05.2024	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			24 000	27.05.2029	
Bank account madates			500 000	13.03.2022	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Giełd Towarowych S.A. of 13 March 2020
			300 000	17.12.2020	Bank account agreement (intraday limit) with PKO Bank Polski S.A. of 9 October 2017
			300 000	29.12.2020	Overdraft agreement with PKO Bank Polski S.A. of 9 October 2017
	EUR	45 000	203 706	31.12.2020	Overdraft agreement with Bank Gospodarstwa Krajowego of 8 May 2017
			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
Bank guarantees			200 000	31.10.2020	Bank guarantees issued by Santander Bank Polska S.A. to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Power Commodity Exchange
			30 000	16.11.2020	Bank guarantee issued by BGK to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Power Commodity Exchange
			5 000	30.06.2021	Bank guarantee issued by CaixaBank S.A. to PSE S.A. as performance security for the power transmission service agreement
			500	31.12.2020	Bank guarantee issued by CaixaBank S.A. to GAZ-SYSTEM S.A. as transmission contract performance security.
Blank promissory notes to secure the payment of the Company's liabilities			7 559	-	Security for adequate performance of obligations under the concluded grants agreements

** The security in the form of a declaration of submission to enforcement submitted to the Agreement of 28 January 2020 on a guarantee limit concluded with MUFG Bank, Ltd. concerns an annex to the bank guarantee issued under an earlier guarantee limit agreement concluded with MUFG Bank, Ltd. in February 2019, which extended its validity until 11 April 2021. The security in the form of a statement of submission to enforcement submitted to the guarantee limit agreement concluded with MFUG, Ltd. in February 2019 in the amount of PLN 621 000 thousand expired on 31 July 2020.*

After the end of balance sheet date, on 15 October 2020, CaixaBank S.A. has issued bank guarantees for the benefit of the PSE S.A. as a collateral of the Company's liabilities, in amount of PLN 5 000 thousand and for the benefit of the GAZ-SYSTEM S.A. in amount of PLN 500 thousand, valid to 20 November 2020.

In order to secure liabilities of the Company resulting from significant transactions entered into by the Company on the Polish Power Exchange (POLPX) through the agency of the Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT"), the Company, apart from the cash collaterals, also provided the IRGiT with non-cash collaterals. They include:

Declaration of submission to enforcement

In connection with entry into force of the act of 14 May 2020 on amending some acts within the scope of protection activities in connection with spread of the SARS-CoV-2 virus, as of 1 June 2020 the IRGiT regulations concerning, among others, extension of the catalogue of accepted non-monetary collaterals established and paid in relation to concluded transactions and temporary exemption from the obligation to establish a cash collateral. In accordance with the aforementioned act the changes introduced by the IRGiT were of temporary nature and were in force until 30 September 2020.

Pursuant to the above changes, the Company provided to IRGiT a security in the form of a notarial deed up to the maximum amount of PLN 600 000 thousand, with the deadline for the deed to be declared enforceable against the Company for all or part of the cash receivables by 31 March 2021.

Bank guarantees

In March 2020, Bank Gospodarstwa Krajowego, on the grounds of the agreement for granting of the guarantees within the framework of the line, it has issued bank guarantees for the benefit of the IRGiT, commissioned by the Company, in total amount of PLN 500 000 thousand, with expiration dates from 30 June 2020 to 31 August 2020. At the Company's request the bank guarantees in total amount of PLN 300 000 thousand have been removed from the IRGiT collateral register and the bank has been released from all liabilities resulted from the guarantees in question. The bank guarantees issued up to the amount of PLN 200 000 thousand expired on 31 July 2020.

As at 30 September 2020, the Company had the following concluded agreements on limits for bank guarantees in favour of the IRGiT:

- an agreement for granting a guarantee under the line of 13 March 2020, concluded with Bank Gospodarstwa Krajowego, under which the bank granted the Company a line with a limit of PLN 500 000 thousand, with an availability date of 13 March 2021 (the agreement is secured by a declaration of submission to enforcement in the amount of PLN 600 000 thousand) – as at the balance sheet date, a bank guarantee in the amount of PLN 30 000 thousand was issued under the agreement with a validity period until 16 November 2020;
- an agreement of 24 April 2020 concluded with Santander Bank Polska S.A. for a limit on bank guarantees up to PLN 250 000 thousand, under which the Company is authorised to order the issuance of bank guarantees with a validity period until 31 December 2022 (the agreement is secured with a declaration of submission to enforcement of PLN 300 000 thousand) - as at the balance sheet date, under the agreement two bank guarantees (each for the amount of PLN 100 000 thousand) were issued with a validity period until 31 October 2020;
- a guarantee line agreement of 25 May 2020 concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland, under which the bank granted the Company a guarantee line for bank guarantees in the maximum amount of PLN 150 000 thousand, with the deadline for availability of the guarantee line until 25 May 2021 (the line, at the Company's request, may be extended by another 12 months through an annex), the agreement is secured by a declaration of submission to enforcement in the amount of PLN 180 000 thousand.

After the balance sheet date, the following bank guarantees in favour of the IRGiT were issued constituting collateral for the Company's liabilities:

- a bank guarantee issued by Santander Bank Polska S.A. in the amount of PLN 50 000 thousand valid from 13 October 2020 to 31 October 2020;
- a bank guarantee issued by Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland in the amount of PLN 50 000 thousand valid from 26 October 2020 to 16 November 2020 and in the amount of PLN 150 000 thousand valid from 17 November 2020 to 16 December 2020;

and the following annexes:

- an annex to the bank guarantee issued by Santander Bank Polska S.A. in amount of PLN 100 000 thousand, with the expiration date on 30 November 2020;
- annexes to the bank guarantees issued by Santander Bank Polska S.A. in total amount of PLN 150 000 thousand, valid until 16 November 2020;
- an annex to the bank guarantee issued by Bank Gospodarstwa Krajowego in the amount of PLN 30 000 thousand, valid until 17 December 2020.

Transfer of the ownership title to CO_2 emission allowances and property rights to certificates of origin

In November and December 2019 as well as in February 2020 the agreements on transfer of CO_2 emission allowances in favour of the WCCH were concluded between the Company and the WCCH as well as between the Company, the subsidiary of TAURON Wytwarzanie S.A. and the IRGiT. As of 30 September 2020, the object of the established collateral amounted in total to 3 021 799 tons of CO_2 emission allowances, including:

- The Company has deposited 2 205 000 tonnes of CO_2 emission allowances on its account in the Union Registry and
- the subsidiary of TAURON Wytwarzanie S.A. transferred to IRGiT allowances owned by TAURON Wytwarzanie S.A. in the total amount of 816 799 tonnes.

(in PLN thousand)

On 10 February 2020, two agreements of transfer of ownership as collateral concerning the property rights of the certificates of origin were concluded between the Company, the subsidiary TAURON Sprzedaż Sp. z o.o. and the IRGiT as well as between the Company, the subsidiary TAURON Sprzedaż GZE Sp. z o.o. and the IRGiT. On 30 September 2020, on the grounds of the concluded agreements the subsidiaries submitted to the Certificate of Origin Register kept by the Polish Power Exchange (POLPX) an instruction to block the property rights in total number of 1 930 594.92 MWh.

39. Capital commitments

As at 30 September 2020 and 31 December 2019, the Company did not have any material capital commitments.

40. Related-party disclosures

40.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties, as presented in Note 2 to these interim condensed financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's majority shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length terms.

The total value of transactions with the aforementioned entities and the balances of receivables and liabilities have been presented in the tables below.

Revenue and expenses

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Revenue from subsidiaries	**9 110 486**	**8 753 205**
Revenue from operating activities	7 839 198	7 392 183
Dividend income	972 724	1 065 648
Other finance income	298 564	295 374
Revenue from jointly-controlled entities	**84 970**	**103 267**
Revenue from State Treasury companies	**149 823**	**196 590**
Costs from subsidiaries	**(1 886 930)**	**(1 328 290)**
Costs of operating activities	(1 862 270)	(1 294 394)
Finance costs	(24 660)	(33 896)
Costs incurred with relation to transactions with jointly-controlled entities	**(2 837)**	**(6 805)**
Costs from State Treasury companies	**(378 114)**	**(677 518)**

(in PLN thousand)

Receivables and liabilities

	As at 30 September 2020 *(unaudited)*	As at 31 December 2019
Loans granted to subsidiaries and receivables from subsidiaries	**8 763 810**	**8 322 763**
Receivables from buyers	807 336	1 434 004
Loans granted under cash pool agreement with interest accrued	171 888	532 174
Other loans granted	7 657 268	6 351 775
Receivables arising from the TCG	120 968	-
Dividend receivables	2 005	-
Other financial receivables	86	178
Other non-financial receivables	4 259	4 632
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	**475 613**	**388 189**
Receivables from State Treasury companies	**11 775**	**25 912**
Liabilities to subsidiaries	**2 136 379**	**2 392 415**
Liabilities to suppliers	223 301	264 063
Loans received under cash pool agreement with interest accrued	1 078 700	1 189 214
Other loans received	777 120	710 956
Liabilities arising from the TCG	37 058	212 446
Other financial liabilities	19 560	15 015
Other non-financial liabilities	640	721
Liabilities to jointly-controlled entities	**4**	**633**
Liabilities to State Treasury companies	**78 012**	**73 399**

Revenues from the subsidiaries include revenues from the sale of coal to TAURON Wytwarzanie S.A., TAURON Ciepło Sp. z o.o. and Nowe Jaworzno Grupa TAURON Sp. z o.o., which in the statement of comprehensive income are presented after deduction of acquisition costs, in the value of the surplus constituting remuneration for agency, as referred to in Note 11 to these interim condensed financial statements.

As regards revenues from sales resulting from transactions with State Treasury companies in the 9-month period ended 30 September 2020, the largest counterparty of TAURON Polska Energia S.A. was PSE S.A. Sales to this counterparty accounted for 96% of total revenues from State Treasury companies.

As regards the costs incurred in connection with transactions with State Treasury companies in the 9-month period ended 30 September 2020, the largest counterparties of TAURON Polska Energia S.A. were Polska Grupa Górnicza S.A., Węglokoks S.A. and Jastrzębska Spółka Węglowa S.A. The costs in the transaction with these counterparties accounted for 91% of the total costs incurred in the purchase transactions with State Treasury companies.

The Company concludes material transactions on the energy market through the Izba Rozliczeniowa Giełd Towarowych S.A. As it is only responsible for organisation of commodities exchange trading, the Company does not classify purchase and sale transactions made through this entity as related-party transactions.

40.2. Compensation of the executives

The amount of compensation and other benefits paid or payable to the Management Board, Supervisory Board and other key executives of the Company in the 9-month period ended 30 September 2020 and in the comparative period has been presented in the table below.

(in PLN thousand)

	9-month period ended 30 September 2020 *(unaudited)*	9-month period ended 30 September 2019 *(unaudited)*
Management Board	**3 841**	**2 759**
Short-term benefits (with surcharges)	3 081	2 302
Temination benefits	628	440
Other	132	17
Supervisory Board	**539**	**699**
Short-term employee benefits (salaries and surcharges)	539	699
Other members of key management personnel	**13 901**	**13 172**
Short-term employee benefits (salaries and surcharges)	12 347	11 515
Temination benefits	765	783
Other	789	874
Total	**18 281**	**16 630**

The amounts paid or payable until 30 September 2020 have been presented above. Moreover, in accordance with the adopted accounting policy, the Company recognises provisions for termination benefits for members of the Management Board and other key executives, which may be paid or due in future reporting periods.

No loans have been granted from the Company's Social Benefit Fund to members of the Management Board, Supervisory Board or other key executives.

41. Other material information

Judgement of the Court of Arbitration at the Polish Chamber of Commerce on the claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A. and proceedings between Abener Energia S.A. and Elektrociepłownia Stalowa Wola S.A.

On 25 April 2019, a judgement of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw ("the Judgment") was issued in the case brought by Abener Energia S.A. ("Abener") against Elektrociepłownia Stalowa Wola S.A. ("ECSW"), a joint venture of the TAURON Group, in which the Company holds, indirectly through its subsidiary TAURON Wytwarzanie S.A., 50% of shares in the share capital.

The proceedings before the Court of Arbitration concerned a claim for payment, for establishing the legal relationship and for the obligation to submit a declaration of intent in connection with the terminated contract concluded between Abener (general contractor) and ECSW (contracting authority) for the construction of a CCGT unit in Stalowa Wola. Under the Judgement, ECSW was obligated to pay to Abener the amount of PLN 333 793 thousand together with statutory interest for delay and costs of the arbitration proceedings. On 24 June 2019, the ECSW brought an action for the annulment of the Judgement.

On 22 September 2020, the Court of Appeals in Rzeszów dismissed the appeal filed by the ECSW for revoking the Judgement and on 29 September 2020 declared the Judgement enforceable. The ECSW submitted an application for service of the above mentioned judgement regarding the complaint consideration along with its justification.

Moreover, on 25 September 2020, ECSW submitted an application to the Court of Appeal in Rzeszów for suspending the enforceability of the Judgement until the cassation appeal has been examined, and on 7 October 2020 a complaint against the decision to make the Judgment enforceable.

After the balance sheet date, on 20 October 2020, the ECSW received a copy of the judgement with a justification. As at the date of approval of these interim condensed financial statements for publication, an analysis is underway as to whether a cassation appeal to the Supreme Court is justified.

In connection with the above Judgement, Elektrociepłownia Stalowa Wola S.A. recognised in the statement of financial position for 2018 a provision in the amount of PLN 397 965 thousand, which reduced the share in net assets attributable to the TAURON Group. In 2019, the provision was increased by accrued interest of PLN 23 366 thousand, and in the 9-month period ended 30 September 2020 by PLN 15 382 thousand.

On 20 December 2019, ECSW received another suit filed by Abener with the Court of Arbitration. The subject matter of the statement of claim is the payment by ECSW to Abener of the total amount of PLN 156 447 thousand and EUR 537 thousand together with statutory interest for late payment of damages resulting from requesting and obtaining by the ECSW at Abener's expense the payment from the performance bond or possibly returning the unjustified enrichment obtained by the ECSW at Abener's expense in connection with obtaining payment from the performance bond. The performance bond was granted to ECSW by Abener pursuant to the contract concluded between the parties for the construction of the CCGT unit in Stalowa Wola. The statement of claim was filed by ECSW on 20 March 2020. The assessment of the claims and the grounds on which they are based indicates that they are unfounded. The arbitration proceedings are pending.

After the balance sheet date, on 19 October 2020, ECSW filed a lawsuit to the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against Abener for the payment by Abener to ECSW of PLN 198 664 thousand and EUR 461 thousand, together with interest, as compensation for the damage corresponding to the costs of removal of defects, faults and failures of works, supplies and services performed by Abener during the performance of the aforementioned contract. The proceedings are pending.

The CCGT unit construction contract concluded between ECSW and Abener does not contain any regulations obliging the Company to pay remuneration to Abener in any form for ECSW. On 30 September 2020, Elektrociepłownia Stalowa Wola was put into operation.

Change of the commissioning date for a 910 MW power unit

In connection with the failure of one of the boiler elements during the last phase of the 910 MW power unit (“Unit”) tests in Jaworzno, the Consortium RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A., being the contractor of the Unit, the designer of the boiler and the entity responsible for the start-up of the boiler indicated that it was necessary to postpone the commissioning of the Unit. On 6 March 2020, the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. received information from the Contractor that the estimated commissioning of the Unit was to take place by the end of July 2020. On 4 May 2020, a subsidiary of Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Contractor signed an agreement relating to the performance of the Unit Construction Contract. In the signed agreement, the parties agreed on the causes of damage to one of the boiler elements referred to above. According to the conclusions of the Emergency Committee consisting of representatives of the Parties, the failure was a consequence of an adverse combination of events during the start-up of the Unit. In addition, the Emergency Committee agreed on a way of repairing damaged boiler components to avoid similar failures in the future.

The agreement also established a schedule of actions including procedures to prevent the risk of recurrence of failure and procedures for tuning and starting up the Unit. As a consequence of the Agreement, the parties concluded an annex to the main agreement, in which The Contractor obligated that the unit will be commissioned by 15 November 2020. This period shall take into account the additional time necessary to deal with the consequences of the failure referred to above.

After the balance sheet date, on 13 November 2020, the 910 MW power unit was commissioned.

Impact of the COVID-19 pandemic on the Company’s and TAURON Group’s operations

In the 9-month period ended 30 September 2020 the growth in the incidence of COVID-19 was observed in Poland. As a result, particularly at the beginning of the period of growing incidence, a number of restrictions have been introduced in the country to stop the spread of SARS-CoV-2, caused COVID-19 disease. This situation caused disturbances in the economic and administrative system in Poland. A similar situation was observed in other countries around the world, including the countries of Poland's main trading partners. As a result, the pandemic significantly limited economic activity in the first half of 2020, affecting the work of industrial plants and companies from the segment of small and medium-sized enterprises, and disturbed the functioning of the entire economic system of the country. It should be noted that, in the third quarter of 2020, and in particular in September, there was a significant increase in the incidence of COVID-19 in Poland and worldwide. Consequently, in the medium and long term the pandemic is expected to have an impact on the national, European and global economic situation, with a negative impact on economic growth in Poland in 2020 and beyond.

As regards the market environment as a result of the pandemic, increased volatility of prices of financial instruments and commodities were observed during the 9-month period ended 30 September 2020. The third quarter was characterized by lower volatility than the first half of the year, but it still remains at an increased level. As regards financial factors, a weakening of the Polish zloty and a drop in interest rates is observed, including a threefold interventional reduction of the NBP reference interest rate by 140 basis points. The change in exchange rates affects the costs of purchase of CO_2 emission allowances as well as the valuation of TAURON Group debt denominated in foreign currencies. On the other hand, changes in interest rates may affect costs resulting from the concluded financing agreements based on a variable interest rate.

The situation related to COVID-19 pandemic, affects in particular the level of demand for electricity in the National Power System and as a consequence, the volumes of distribution and sales of electricity in the TAURON Group. In recent months, several percent decreases in demand for electricity have been observed, resulting in a drop in revenue in the area of electricity distribution and sales. In the third quarter of 2020, the impact of the COVID-19 pandemic on the national demand was milder than in the second quarter of 2020, which was caused, among other things, by the change in the government's strategy for introducing restrictions in the fight against COVID-19 from national to local actions. The decrease in electricity consumption in Poland in the third quarter of 2020 was 1.4%, while in the 9-month period ended 30 September 2020, electricity consumption in Poland decreased by approximately 3.9% compared to the same period of 2019. Several percent decreases in demand for electricity resulted in a drop in revenue mainly in the area of electricity distribution and sales. In particular, the Group estimates that in the Distribution segment, the negative impact of the pandemic on the Group's EBITDA amounted to PLN 40 489 thousand, which results from the loss of part of the sales volume to recipients outside households. As far as the Sales segment is concerned, the estimated negative impact of the pandemic on the Group's EBITDA was PLN 65 389 thousand, which results from the loss of margin associated with the drop in electricity sales and the need to balance the purchase position. This situation also results in a decrease in production in the area of conventional production and, consequently, a decrease in demand for hard coal. Due to this situation, renegotiations of price and quantity conditions were undertaken with coal suppliers.

So far, the Group has not identified any significant problems in the execution of payments by customers, however, due to the effects of the pandemic, financial disturbances can be expected in the Group's customers in the future, which may cause problems in settling current payments for electricity, heat and gas. In the period from March to September 2020, changes in the level of overdue receivables were observed in the first weeks of the pandemic development. Since then, overdue receivables have remained substantially constant, with an increased migration of the receivables balance to the subsequent overdue periods In order to limit potential credit losses, credit risk management criteria were tightened a monitoring of receivables and debt collection activities were intensified. In particular, the pandemic of COVID-19 affected the need to create additional write-offs for expected losses of credit facilities and to change the fair value measurement of loans granted, which increased the Company's operating costs by PLN 6 377 thousand and financial costs by PLN 53 107 thousand.

In terms of providing a source of funding the Company and the TAURON Group, no significant risk has been identified so far. With regard to obtaining sources of financing, the Company has a conservative policy assuming an advance of 12 to 24 months in relation to the planned date of their use. The aim of such an approach is, among other things, to increase security to protect the Company against loss of liquidity in cases that are difficult to predict, such as a pandemic. By implementing this policy and entering into negotiations with financial institutions at an early stage, the Company led at the beginning of the pandemic to the conclusion of new financing agreements increasing the liquidity security of the TAURON Group. Such an approach proved to be effective, as the effect of the pandemic was a significant reduction in the functioning of financial markets, as well as the temporary closure of some of these markets, e.g. the bond market in Poland, and thus limiting access to new financing instruments for entities. At the same time, expectations of higher margins on the part of financial institutions have been noted in relation to potential new instruments.

In terms of liquidity, apart from the negative impact of the previously indicated loss of income in the area of distribution and sales, the Company was obliged (especially in the first half of 2020) to make significantly higher amounts of required supplementary deposits both to WCCH and to ICE exchange. This was a result of high volatility of prices on the electricity market and related products, taking into account the contract position held on particular markets, which translated into the level of cash employed for this purpose. In order to improve the liquidity situation in the first half of 2020 the Company concluded agreements on guarantee limits allowing to lodge the required collaterals in non-monetary form (instead of cash) to the WCCH as well as to replace the hitherto established cash collaterals with bank guarantees. The Company has also taken advantage of the solutions of the so-called "anti-crisis shield" by submitting to the WCCH a declaration of submission to execution, thus lowering the level of lodged deposits both in cash form and in established bank guarantees (the solution, in accordance with the act, expired on 30 September 2020).

Moreover, the Company undertakes a number of additional actions and initiatives aimed at limiting the impact of the pandemic on its financial liquidity, such as the above mentioned policy of obtaining financing and minimizing the value of deposits on WCCH by the right of operation on the Polish Power Exchange. In particular, in order to limit the liquidity risk, the Company adjusted the delivery dates of the concluded forward contracts for CO_2 emission allowances to the dates of their redemption and decided to conclude new contracts exclusively on the OTC market. Such a solution not only reduced the level of expenditure planned for 2020, but also eliminated the risk of making security deposits, both initial ones and those related to price fluctuations of CO_2 emission allowances. Among the activities undertaken by the TAURON Group to minimize the liquidity risk, a system for limiting the TAURON Group's expenses has also been introduced (aimed, among other things, at reducing operating costs and strict, monthly analysis of cash balance execution), as well as applying for the use of aid programs initiated by public authorities. In particular, in the company of the Mining Segment, an agreement was signed between the Management Board of the company and the social side, limiting the working time and reducing the remuneration of the Management Board and employees of the company by 20% in the 3-month period, starting from 1 May 2020. In turn, in the company of the Generation Segment, an agreement signed between the Management Board of the company and the social side reduced the working time and reduced the remuneration of the Management Board and employees of the company by 10% in the same period of time. These agreements helped to reduce costs and obtain funds under the so called “anti-crisis shield” for reduced working hours for employees.

As a result of the COVID-19 pandemic, there were some obstacles in the implementation of the Group's strategic investment projects. In the case of the investment in the construction of the 910 MW unit in Jaworzno and the construction of the unit in EC Stalowa Wola S.A. they occurred in the initial period of the pandemic as a result of the introduction of strict control of access to infrastructure and additional safety procedures. In order to minimize the consequences of disruptions in the projects, all contractors carrying out the investments cooperate closely and on an ongoing basis with the Group companies responsible for the investments, which monitor the situation in the projects and react adequately to the situation using the available tools. As part of the response to the pandemic, actions were also taken in the Group to review and limit investment expenditure.

Regardless of the economic effects, the current situation affects the operating activities of individual business areas through increased employee absenteeism, increased operating costs resulting from the need to meet epidemiological conditions (costs of purchasing materials, costs of organizational changes), as well as relations with key subcontractors and contractors of the Group. In this respect, the TAURON Group undertakes a number of organisational and material preventive measures aimed at protecting the employees of the Group’s individual companies and maintaining the continuity of the critical infrastructure. The necessary changes in the organisation of work in the companies were made to ensure work safety. In particular, a dedicated crisis management team functions in the Company to assess the situation in particular areas of activity and to prepare detailed plans in case of disturbances in the continuity of key processes functioning in the Group. Crisis teams operate in the Group’s individual companies to coordinate and implement measures to prevent disturbances of the core business as a result of the risks associated with COVID-19.

To sum up, besides the reactions described above, the Company aware of the risks associated with the epidemiological situation, takes active measures to minimize the impact of the current and expected economic situation as well as to protect itself against extreme events. However, it should be stressed that the situation related to the COVID-19 pandemic is very volatile and the future impact and scale of the pandemic is currently difficult to estimate precisely. The duration of the pandemic, its severity and extent, as well as its impact on economic growth in Poland in the short, medium and long term will be important. Already implemented and future regulatory actions aiming at introducing COVID-19 pandemic mitigation mechanisms are also important. Consequently, it cannot be ruled out that the COVID-19 pandemic may significantly affect the operations of the Company and the TAURON Group also in subsequent periods, including the level of revenues generated and costs incurred, as well as on the financial liquidity and debt level of the TAURON Group. The Management Board of the Company, being aware of the risks resulting from the pandemic, is monitoring the impact on an ongoing basis and will take all possible steps to mitigate any negative effects of the COVID-19 pandemic on the TAURON Group.

42. Events after the end of the reporting period

Issue and redemption of bonds

On 30 October 2020, The Company issued bonds in the total nominal amount of PLN 1 000 000 thousand and on 9 November 2020 redeemed bonds, in line with maturity date, in total nominal amount of PLN 6 300 thousand, as described in more detail in Note 28.1 this interim condensed financial statements.

Signing of a letter of intent to sell shares in PGE EJ 1 Sp. z o.o.

On 1 October 2020 the Company (holding 10% of shares in the capital of PGE EJ 1 Sp. z o.o.) and other entities holding shares in PGE EJ 1 Sp. z o.o. (PGE Polska Grupa Energetyczna S.A., Enea S.A. and KGHM Polska Miedź S.A.), signed a letter of intent with the State Treasury regarding the acquisition by the State Treasury of 100% of shares in PGE EJ 1 Sp. z o.o.

The entities signing the letter of intent undertook to carry out in good faith all actions necessary for the preparation and execution of the transaction consisting in the acquisition by the State Treasury of shares in PGE EJ 1 Sp. z o.o. The intention expressed in the letter of intent is for the State Treasury to acquire shares in PGE EJ 1 Sp. z o.o. until 31 December 2020, however the parties have not specified the date of the letter of intent. The letter of intent does not imply any obligation on the part of the parties to complete the transaction. The decision to carry out the transaction will depend on the outcome of negotiations in this respect and the fulfilment of other conditions set out in legal regulations or corporate documents. Possible sale of shares in PGE EJ 1 Sp. z o.o. is part of the Group's strategic directions.

As at the balance sheet date, the Company assessed that in relation to the shares held in PGE EJ 1 Sp. z o.o., the conditions resulting from IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* were met as regards the classification of the above assets as held for sale.

Commissioning of the 910 MW power unit and conclusion of a settlement and an annex to the agreement

After the balance sheet date, on 13 November 2020, the 910 MW power generating unit at the Jaworzno III Power Plant ("Unit") was commissioned. Moreover, on the same day, a subsidiary Nowe Jaworzno, Grupa TAURON Sp. z o.o., E003B7 Sp. z o.o. (a company that is wholly owned by RAFAKO S.A. under restructuring) and the Consortium, including RAFAKO S.A. under restructuring – MOSTOSTAL WARSZAWA S.A. ("Consortuium"), acting with the agreement of the supervisor (administrator) of the arrangement under the simplified restructuring proceedings, signed a settlement ("Settlement") which is the result of the mediation conducted before the Arbitration Court at the General Counsel to the Republic of Poland (Prokuratoria Generalna Rzeczypospolitej Polskiej) and which regulates, in particular, issues of mutual equivalent claims that have arisen by the date of signing the Settlement and additional services that the Consortium will perform for Nowe Jaworzno Grupa TAURON Sp. z o.o.

The Settlement will enter into force after the suspending conditions have been met, the key ones among which include the Unit's commissioning by 15 November 2020 (the condition has been met) and the submission by the Consortium of an agreement, in the form of a promissory agreement (pre-approved commitment), with the financial institutions with respect to the method of obtaining the funds required to complete the project. Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Consortium also agreed that the Settlement concluded before the mediator would be referred to the competent common court along with a petition for the approval thereof by the court. After the Settlement concluded before the mediator has been approved by the court by way of a legally binding decision, the Settlement shall become a legally binding court approved settlement agreement.

In connection with the conclusion of the Settlement, on 13 November 2020, Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Consortium concluded an annex to the Agreement for the construction of the Unit, that regulates in detail the agreements reached by the Parties specified in the Settlement with respect to the additional services to be provided by the Consortium including, among others, the deadlines for their completion and the payment terms related thereto.

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 9-month period ended on 30 September 2020 in accordance with International Accounting Standard 34 include 63 pages.

Katowice on 17 November 2020

Wojciech Ignacok – President of the Management Board

Marek Wadowski – Vice President of the Management Board

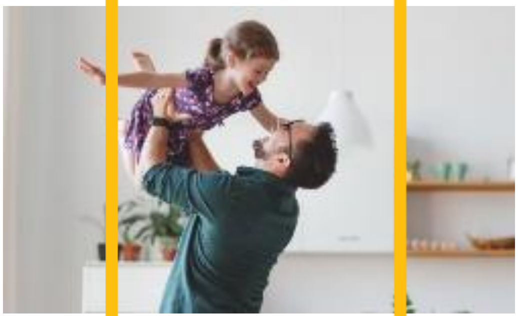
Oliwia Tokarczyk – Executive Director in Charge of Taxes and Accounting

EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A. Capital Group for Q3 2020

November 2020

TAURON.PL



ADDITIONAL INFORMATION

to TAURON Polska Energia S.A. Capital Group's extended and consolidated Q3 2020 report.

TABLE OF CONTENTS

1. TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

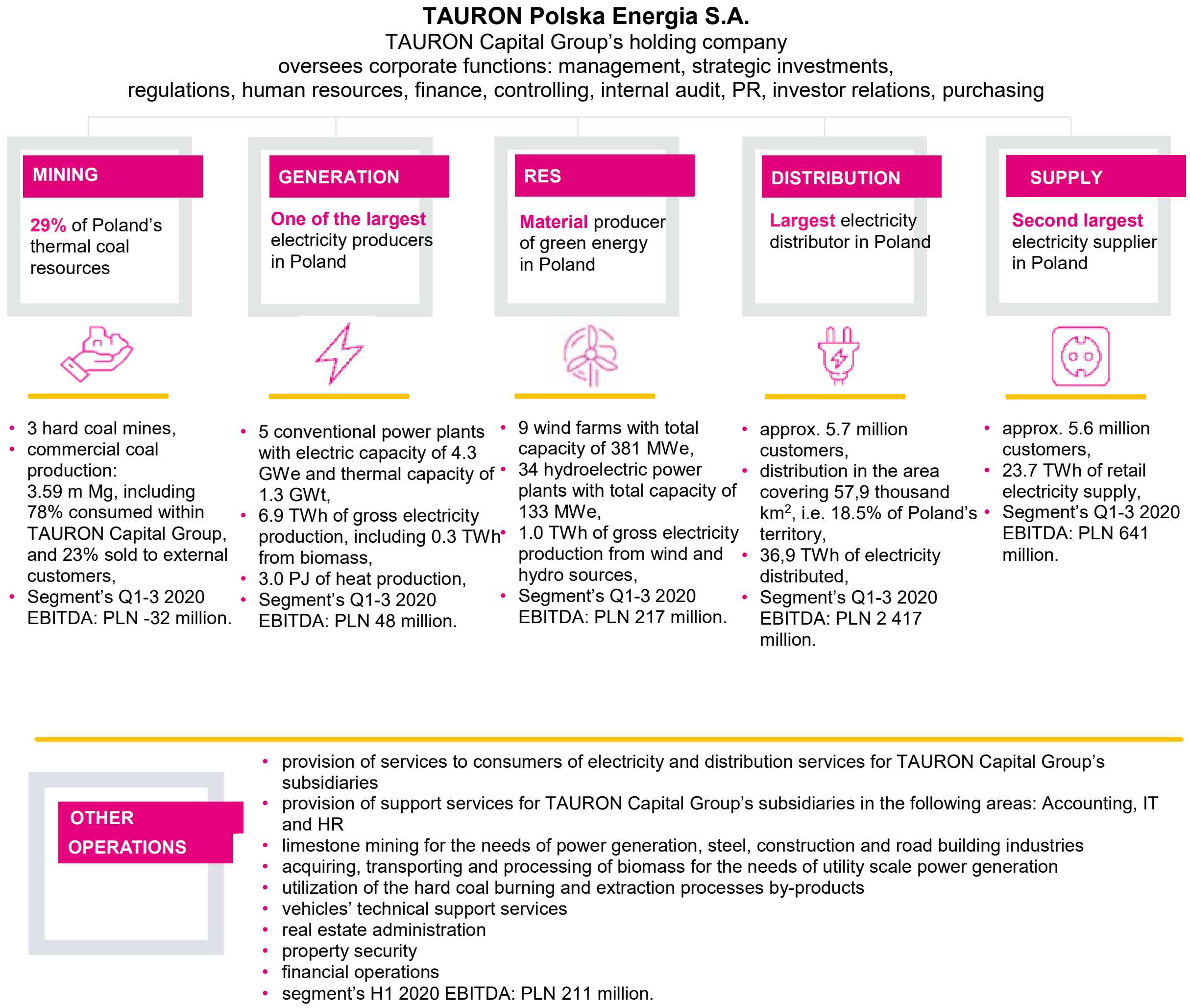
1.1. Basic information on TAURON Polska Energia S.A. and TAURON Capital Group

TAURON Capital Group's parent (holding) company is TAURON Polska Energia S.A. (hereinafter called the Company or TAURON), that was established on December 6, 2006 as part of the implementation of the *Program for the Power Sector*. The Company was registered in the National Court Register on January 8, 2007 under the name: Energetyka Południe S.A. The change of the Company's name to its current name, i.e. TAURON Polska Energia S.A., was registered on November 16, 2007.

The Company does not have any branches (plants).

TAURON Polska Energia S.A. Capital Group (TAURON Capital Group) is a vertically integrated energy group located in the south of Poland. TAURON Capital Group conducts its operations in all key segments of the energy market (excluding electricity transmission which is the sole responsibility of the Transmission System Operator (TSO)), i.e. hard coal mining as well as electricity and heat generation, distribution and supply.

Figure no. 1. TAURON Capital Group



Due to the classification by the Company of 100% of the shares in TAURON Ciepło sp. z o. o. (TAURON Ciepło) as held for sale, the operations of TAURON Ciepło are presented under Discontinued Operations in this report (instead of the previous inclusion as part of the Generation Segment). The comparable data is restated (adjusted) accordingly.

1.2. Business segments (lines of business)

In accordance with *TAURON Group's Business and Operational Model* (Business Model) in force, TAURON Capital Group's business operations are conducted by the units defined as: Corporate Center, 7 Lines of Business: Trading, Mining, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply as well as Shared Services Centers (Centra Usług Wspólnych - CUW).

For the needs of reporting TAURON Capital Group's results the operations of TAURON Capital Group are assigned to the following 6 Segments, hereinafter also referred to as Lines of Business:

Mining Segment comprising mainly hard coal mining, cleaning (upgrading) and sales in Poland. This Segment's operations are conducted by TAURON Wydobycie S.A. (TAURON Wydobycie).

Generation Segment comprising mainly electricity generation using conventional sources, including co-generation, as well as electricity generation from biomass burning. This Segment also includes heat generation and supply. This Segment's operations are conducted by TAURON Wytwarzanie S.A. (TAURON Wytwarzanie) and Nowe Jaworzno Grupa TAURON sp. z o.o. (Nowe Jaworzno Grupa TAURON). This Segment also includes TAURON Serwis sp. z o.o. (TAURON Serwis) subsidiary, dealing primarily with the generation equipment's overhauls

The operations of TAURON Ciepło (thus far included as part of the Generation Segment) are presented under Discontinued Operations which is due to the classification of 100% of the shares therein as held for sale. The core operations of TAURON Ciepło comprise the production, distribution and supply of thermal energy (heat) for the purpose of heating, preparing (conditioning) domestic (tap) hot water and ventilation.

RES Segment comprising electricity generation from renewable energy sources: hydroelectric power plants and wind farms. This Segment's operations are conducted by TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA), Marselwind sp. z o.o., TEC1 sp. z o.o. (TEC1), TEC2 sp. z o.o. (TEC2) and TEC3 sp. z o.o. (TEC3), as well as 10 subsidiaries acquired in September 2019, i.e.: TEC1 sp. z o.o. Mogilno I spółka komandytowa (limited partnership), TEC1 sp. z o.o. Mogilno II spółka komandytowa (limited partnership), TEC1 sp. z o.o. Mogilno III spółka komandytowa (limited partnership), TEC1 sp. z o.o. Mogilno IV spółka komandytowa (limited partnership), TEC1 sp. z o.o. Mogilno V spółka komandytowa (limited partnership), TEC1 sp. z o.o. Mogilno VI spółka komandytowa (limited partnership), TEC1 sp. z o.o. EW Śniatowo spółka komandytowa (limited partnership), TEC1 sp. z o.o. EW Dobrzyń spółka komandytowa (limited partnership), TEC1 sp. z o.o. EW Gołdap spółka komandytowa (limited partnership), TEC1 sp. z o.o. Ino 1 spółka komandytowa (limited partnership).

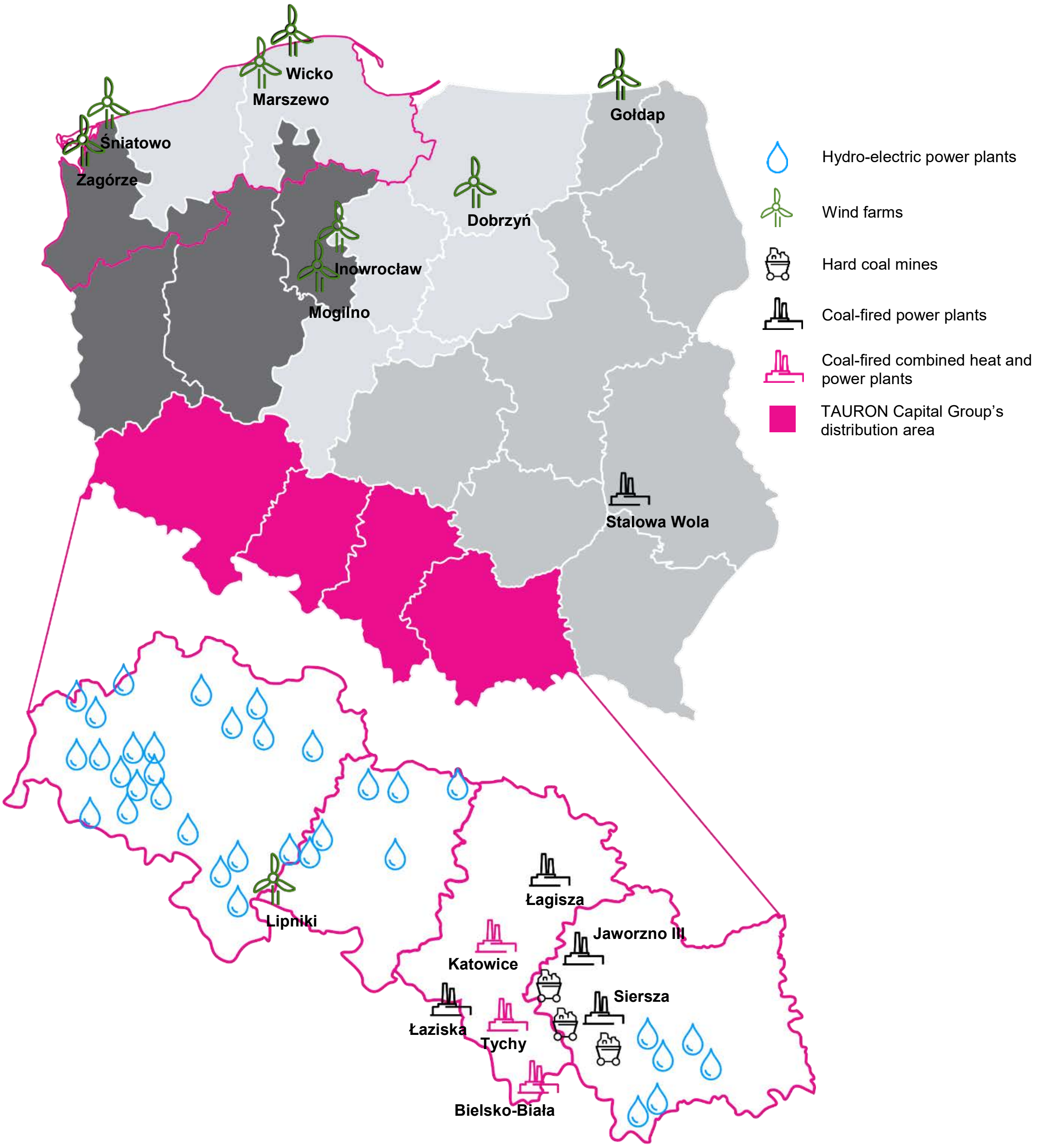
Distribution Segment comprising distribution of electricity using the distribution grids located on the territory of the following voivodeships (regions): Małopolska, Lower Silesia, Opole, Silesia, partly: Świętokrzyskie, Podkarpackie, Łódź, Wielkopolska and Lubuskie. This Segment's operations are conducted by TAURON Dystrybucja S.A. (TAURON Dystrybucja). The Company uses modern technological solutions and has the potential to guarantee security of electricity supply and a high quality standard of the services provided to the customers. To ensure the achievement of the strategic goals, it is actively looking for innovative solutions, participating in the research and development works, as well as implementing new technologies, with a particular emphasis on the smart grid technology. In addition, it is aiming to build a modern distribution segment by integrating the segment's structures and processes, maintaining the leading position on the Polish market with respect to the grid security and efficiency as well as preparing the grid infrastructure and organization for the development of the distributed power generation sources. This Segment also includes TAURON Dystrybucja Pomiary sp. z o.o. (TAURON Dystrybucja Pomiary) subsidiary, dealing mainly with technical support services related to electricity metering systems and metering data acquisition.

Supply Segment comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO_2 emission allowances, property rights arising from the certificates of origin that confirm electricity generation from renewable sources, in cogeneration and property rights arising from the energy efficiency certificates, as well as fuels, and, as of January 2019, also the lighting services sales. This Segment's operations are conducted by TAURON Polska Energia S.A., TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż), TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE), TAURON Czech Energy s.r.o. (TAURON Czech Energy) and TAURON Nowe Technologie S.A. (formerly: TAURON Dystrybucja Serwis S.A.) subsidiary providing services for the business and individual customers with respect to, among others, innovative products and services related to the Led modern lighting systems, smart city, e-mobility products as well as energy efficiency, operating the MV/LV grids, the construction of electric vehicle charging stations.

Other operations comprising, among others, customer service for TAURON Capital Group's customers, provision of the support services for TAURON Capital Group's subsidiaries with respect to accounting, HR management and ICT, conducted by TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta) subsidiary, as well as the operations related to the extraction of stone (rocks), including limestone, for the needs of the power generation, steel making, construction and road building industries, as well as the production of sorbing agents for wet flue gas desulphurization installations and for use in fluidized bed boilers, carried out by Kopalnia Wapienia "Czatkowice" sp. z o.o. (KW Czatkowice) subsidiary. This Segment also includes the following subsidiaries: Finanse Grupa TAURON sp. z o.o. (Finanse Grupa TAURON) dealing with the financial operations, Bioeko Grupa TAURON sp. z o.o. (Bioeko Grupa TAURON) dealing mainly with the utilization of the hard coal burning and extraction processes' by-products, biomass acquisition, transportation and processing, Wsparcie Grupa TAURON sp. z o.o. (Wsparcie Grupa TAURON) dealing primarily with real estate administration, property security, as well as the technical support of vehicles and Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (PEPKH).

The below figure presents the location of TAURON Capital Group's key assets, as well as the distribution area where TAURON Dystrybucja is conducting operations as the Distribution System Operator (DSO).

Figure no. 2. Location of TAURON Capital Group's key assets



1.3. TAURON Capital Group's organization and structure

As of September 30, 2020, and as of the date of drawing up this information TAURON Capital Group's key subsidiaries, besides TAURON parent company, included 32 subsidiaries subject to consolidation, listed in section 1.3.2. of this information.

Furthermore, as of September 30, 2020, and as of the date of drawing up this information, the Company held, directly or indirectly, shares in the other 39 companies.

1.3.1. Composition of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. and changes thereto

1.3.1.1. Management Board

The current 6th term of office the Company's Management Board began on July 15, 2020.

On July 14, 2020, the Company's Supervisory Board dismissed, effective as of the end of the day, all Members of the Company's Management Board, and appointed, as of July 15, 2020, Members of the Company's Management Board of the 6th common term.

In accordance with the *Articles of Association of TAURON Polska Energia S.A.* (the Company's Articles of Association) the common term of office shall last 3 years.

Composition of the Company's Management Board as of September 30, 2020, and as of the date of drawing up this information

1. Wojciech Ignacok - President of the Management Board,
2. Jerzy Topolski - Vice President of the Management Board for Asset Management,
3. Marek Wadowski - Vice President of the Management Board for Finance.

Changes to the composition of the Company's Management Board in the first three quarters of 2020 and by the date of drawing up this information

As of January 1, 2020, the Company's Management Board of the 5^{th} common term was composed of the following members: Filip Grzegorczyk (President of the Management Board), Jarosław Broda (Vice President of the Management Board for Asset Management and Development) and Marek Wadowski (Vice President of the Management Board for Finance).

On July 14, 2020, the Company's Supervisory Board dismissed, effective as of the end of the day, all of the Members of the Company's Management Board of the 5th common term, and appointed, as of July 15, 2020, Wojciech Ignacok, Jerzy Topolski and Marek Wadowski to be the Members of the Company's Management Board of the 6th common term.

No other changes to the composition of the Company's Management Board had taken place by the date of drawing up this information.

Experience and competences of Members of the Company's Management Board as of the date of drawing up this information

Wojciech Ignacok - President of the Management Board (CEO)

A graduate of the Faculty of the Automatic Control Engineering and Robotics of the AGH University of Science and Technology in Cracow.

He has professional experience with respect to the operations of the power sector, in particular regarding district heating. In addition, he had an opportunity to apply his knowledge in conducting complex investment projects.

Since 2016 he held the position of the President of the Management Board at PEC Geotermia Podhalańska S.A., a company conducting operations with respect to the generation, transmission and distribution of heat generated from geothermal sources, as well as the production of electricity in cogeneration.

Between 2003 and 2016 he had been running his own business operations dealing, among others, with preparing tender documentation and technical support for investment projects financed, among others, using the European Union funds.

In 2009-2016 he had been associated with Scott Wilson Sp. z o.o./URS/Aecom Company, where he provided the services of a consultant / consultant engineer / project manager / deputy director as part of the implementation of projects with respect to the modernization of the Wrocław flood control canal system in order to provide flood protection and the construction of the Lower Silesian Center of Materials and Biomaterials Wroclaw Research

Center EIT +. Since 2013, he had also been responsible for the construction of the Racibórz Dolny flood control reservoir on the Odra River.

While at PEC Geotermia Podhalańska S.A., in 2007–2008 he was the President of the Management Board, in 1997–2003 he had held the positions of: a marketing specialist, the marketing department manager and the Vice President of the Management Board – the Director for Operations and Investments.

In 1995-1997 he had worked in the logistics and IT department at the "CZS" Production and Commercial Plant.

He was awarded the Silver Cross of Merit.

Jerzy Topolski - Vice President of the Management Board

A graduate of the Faculty of Electrical Engineering, Automatics and Electronics of the AGH University of Science and Technology in Cracow. He also completed the postgraduate studies in the field of energy enterprise management and new techniques in power engineering management.

He has professional experience with respect to the operations of the power sector, including management of the development of the distribution grid and the provision of electricity distribution services. He was involved in setting up the organization of the electricity market in Poland.

From the beginning of his professional career, he had been associated with the energy industry and TAURON Group or its legal predecessors, i.e. ENION S.A. and Zakład Energetyczny Kraków S.A.

Since 2016, he was the Vice President of the Management Board for Operator at TAURON Dystrybucja S.A. (Issuer's subsidiary), where he was responsible, among others, for the development of the distribution grid, provision of electricity distribution services, metering and grid operation management.

In addition to the above mentioned position, in 2016 he was the Director of TAURON Dystrybucja S.A. Cracow and Tarnów branches. In 2015-2016 he had worked as a coordinator and had been responsible, among others, for customer service quality. From 2013 to 2014 he had been the chief specialist, and in 2011-2012 he had been the head of the Office of Tariffs and the Energy Regulatory Office (URE) Relations.

In 2010 - 2011 he had been holding the position of the Director of the Tariff Department at ENION S.A. and had been responsible in particular for regulated revenue management. In 2007 - 2010 he had been the Director of the Distribution Services Department and had been responsible for ensuring profitability of the distribution services sales. From 2005 to 2007, he had been the President of the Management Board, in 2004 - 2005 - a Member of the Management Board for Trading, and until 2004 - a Member of the Management Board and the Director of Energy Trading.

In 1989 - 2000 he had been holding the following positions at Zakład Energetyczny Kraków S.A.: the director of the high voltage region; deputy head of the high voltage region for technical affairs as well as the grid foreman and engineer.

Marek Wadowski - Vice President of the Management Board

A graduate of the University of Economics in Katowice. He also completed post graduate studies at École Supérieure de Commerce Toulouse where he obtained the Mastère Spécialisé en Banque et Ingéniere Financière diploma and the Executive MBA studies at the Kozminski University in Warsaw.

He has professional experience in the field of financial, controlling and accounting processes management in various industries (power sector, mining, steel industries), as well as in financing of investment projects and international commercial transactions.

Since January 29, 2016, he has been holding the position of the Vice President of the Management Board of TAURON Polska Energia S.A. and overseeing the operations of the following business areas: finance management, controlling, accounting and tax policy, analytics, procurement and administration, IT, market operator and trading services, trading, fuel trading, portfolio management, as well as the Personal Data Protection Inspector.

In 2008 - 2015 he had been associated with Jastrzębska Spółka Węglowa S.A. capital group (JSW). In 2008 - 2009, as the Vice President of the Management Board – the Director for Finance of Polski Koks S.A. (a JSW subsidiary), he had been responsible for structuring commercial transactions, implementing the currency risk hedging policy, reducing financial costs, liquidity management. In 2009 - 2012, as the Vice President of the Management Board of JSW for Economic Affairs, he had been involved in the company's IPO (implementation of the International Accounting Standards, modification of the management information system, drafting of the IPO prospectus, talks with investors). In 2012 - 2015, as the Vice President of the Management Board - Director for Economic Affairs of Spółka Energetyczna Jastrzębie S.A. (a JSW subsidiary), he had been involved in the implementation of the Power Sector 2016 (Energetyka 2016) investment program, as part of which he has been dealing with the business plan development as well as structuring and acquisition of financing from the consortium of banks in the form of a bond issue program. He had also been implementing the risk management procedures related to interest rates, CO2 and prices of certificates of origin, as well as developing and implementing the liquidity management policy.

In 2005 - 2008 he had worked at Huta Cynku Miasteczko Śląskie S.A., where he had held the positions of: the management board's plenipotentiary for restructuring, the Director for Economics and Finance, a Member of the Management Board - the Director for Economics and Finance, the President of the Management Board - General Manager.

In 1999 - 2005 he had worked as a consultant at BRE Corporate Finance S.A., responsible for the due diligence projects and enterprise valuations.

1.3.1.2. Supervisory Board

The current 6th term of office of the Supervisory Board, began on July 15, 2020, i.e. on the day of holding the Ordinary General Meeting (GM) of the Company approving the financial statements for the last full financial year of the tenure of the Members of the Supervisory Board of the 5th term, i.e. for the financial year 2019.

In accordance with the Company's Articles of Association it shall be a common term of office and it shall last for 3 years.

Composition of the Company's Supervisory Board as of September 30, 2020, and as of the date of drawing up this information

1. Andrzej Kania - Chair of the Supervisory Board,
2. Teresa Famulska - Vice Chair of the Supervisory Board,
3. Katarzyna Taczanowska - Secretary of the Supervisory Board,
4. Ryszard Madziar - Member of the Supervisory Board,
5. Grzegorz Peczkis - Member of the Supervisory Board,
6. Barbara Piontek - Member of the Supervisory Board.

Changes to the composition of the Company's Supervisory Board in the first three quarters of 2020 and by the date of drawing up this information

As of January 1, 2020, the Company's Supervisory Board was composed of the following members: Beata Chłodzińska (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Jacek Szyke (Secretary of the Supervisory Board), Barbara Łasak – Jarszak (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board), Jan Płudowski (Member of the Supervisory Board), Marcin Szlenk (Member of the Supervisory Board), Katarzyna Taczanowska (Member of the Supervisory Board) and Agnieszka Woźniak (Member of the Supervisory Board).

On March 24, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Agnieszka Woźniak from the Company's Supervisory Board and appointed Andrzej Śliwka to be a member of the Company's Supervisory Board.

On April 20, 2020, Jacek Szyke and Marcin Szlenk submitted statements on their resignations from the membership of the Company's Supervisory Board, without providing the reasons for their resignations.

On April 27, 2020, Beata Chłodzińska submitted a statement on her resignation from the membership of the Company's Supervisory Board, without providing the reasons for her resignation.

On May 22, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, appointed, as of May 22, 2020, Andrzej Kania to be a member of the Company's Supervisory Board.

On May 25, 2020, the Company's Supervisory Board appointed Andrzej Kania to be the Chair of the Company's Supervisory Board and Katarzyna Taczanowska to be the Secretary of the Company's Supervisory Board.

On June 5, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, dismissed Jan Płudowski from the Company's Supervisory Board and appointed Barbara Piontek to be a member of the Company's Supervisory Board.

On June 16, 2020, Andrzej Śliwka submitted a statement on his resignation from the membership of the Company's Supervisory Board, without providing the reasons for his resignation.

On July 15, 2020, i.e. on the date of the Ordinary General Meeting (GM) of the Company approving the financial statements for the last full financial year of performing the function of the Members of the Supervisory Board of the 5th common term of office, i.e. for the financial year 2019, the mandates of all Members of the Company's Supervisory Board expired.

On July 15, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, appointed Andrzej Kania, Ryszard Madziar and Barbara Piontek to be Members of the Company's Supervisory Board of the 6th common term of office.

On July 15, 2020, the Ordinary General Meeting (GM) of the Company, acting pursuant to § 22, section 1) of the Company Articles of Association, appointed Grzegorz Peczkis and Katarzyna Taczanowską to be Members of the Company's Supervisory Board of the 6th common term of office.

On August 3, 2020, the Minister of State Assets, acting pursuant to § 23, section 1, clauses 1) and 3) of the Company's Articles of Association, appointed, as of August 3, 2020, Teresa Famulska to be a Member of the Company's Supervisory Board of the 6th common term of office.

On August 3, 2020, the Company's Supervisory Board of the 6th common term of office was formed and it elected Andrzej Kania to be the Chair of the Company's Supervisory Board, Teresa Famulska to be the Vice-Chair of the Company's Supervisory Board and Katarzyna Taczanowska as the Secretary of the Company's Supervisory Board.

No other changes to the composition of the Company's Supervisory Board had taken place by the date of drawing up this information.

Experience and competences of the members of the Company's Supervisory Board as of the date of drawing up this information

Andrzej Kania - Chair of the Supervisory Board

A graduate of the Rzeszów University of Technology (Politechnika Rzeszowska), where he completed his studies in 1991. Andrzej Kania is also a graduate of the National School of Public Administration in Warsaw (Krajowa Szkoła Administracji Publicznej) and the doctoral studies that he completed at the Warsaw School of Economics (Szkoła Główna Handlowa)

He has held important functions at public institutions. He was a Department Head at the Energy Regulatory Office and the Director of the Energy Department at the Ministry of Economy. He also held the position of the Office Director of the Polish Electricity Association.

Andrzej Kania has extensive experience with respect to investment project evaluation and implementation based on measurable results in the management of large scale and high risk investment projects.

He also served as a Member of the Supervisory Board at six companies operating in the energy and infrastructure sector. He was a Member of the Supervisory Board of Polimex Mostostal S.A. from November 30, 2017, until March 15, 2020.

He is currently holding the position of the Director of the Department of Security and Crisis Management at the Ministry of State Assets.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since May 22, 2020.

In the Supervisory Board of the 6th common term of office he is the Chair of the Supervisory Board and the Head of the Nominations and Compensation Committee of the Supervisory Board.

Teresa Famulska - Vice Chair of the Supervisory Board

A graduate of the University of Economics in Katowice (currently the University of Economics in Katowice). She holds a title of a Professor of economics appointed by the President of the Republic of Poland at the request of the Board of the Faculty of Finance and Insurance of the University of Economics in Katowice. She is a professional tax advisor.

Since graduation she has been associated with the University of Economics in Katowice. She is currently the Head of the Public Finance Department holding the full Professor's position. In 1998 - 2013 she had been working at the School of Banking and Finance, recently as a dean, holding the full Professor's position.

An author of more than 150 domestic and foreign publications in the field of finance, mainly public finance and corporate finance. Apart from academic work she is continuously involved in business practice, participating, among others, in several dozen science and research projects. She conducted numerous lectures and training courses for the finance and management personnel of enterprises and for the tax authorities staff. In 2007 - 2018 she had worked for three consecutive terms at the State Examination Commission on Tax Advisory Services, where, since 2010, for two consecutive terms based on the Minister of Finance's appointment, she was the Head of the Commission. In 2007 - 2019 a member of the Financial Education Committee of the Polish Academy of Science, where, in 2011 - 2015, she was a member of the Board of the Committee. Furthermore, she is a member of the Polish Finance and Banking Association (since 2004, a member of the Board), International Fiscal Association, Center for Information and Organization of Public Finance and Tax Law Research of Central and Eastern European Countries and Polish Economic Society.

Vice Chair of the Supervisory Board and the Chair of the Audit Committee of the Supervisory Board of TAURON Polska Energia S.A. of the fifth common term of office.

She was awarded the following orders and accolades: Silver Cross of Merit, Silver Medal for Long Term Service, Medal of the Commission of National Education, awards of the Minister of National Education and of the President of the University of Economics in Katowice.

In the Supervisory Board of the 6th common term of office she is the Vice Chair of the Company's Supervisory Board and the Head of the Audit Committee of the Supervisory Board.

Katarzyna Taczanowska - Secretary of the Supervisory Board

A graduate of the Faculty of Law of the University of Warsaw, registered on the list of attorneys-at-law of the Warsaw Bar Association (Okręgowa Izba Radców Prawnych w Warszawie).

Katarzyna Taczanowska has many years of professional experience in providing legal services for business entities that she has been offering since 2003. She was a partner at the GWW Woźny and Partners (GWW Woźny i Wspólnicy) law firm, since 2009 until now she has been a partner at the Kudlak, Taczanowska-Wileńska sp.k. law firm. In 2009 - 2012 she had been the Director of the Legal Office at Towarzystwo Funduszy Inwestycyjnych PZU S.A. (PZU S.A. Investment Funds Company). She was a member of the Supervisory Boards of PZU Życie S.A., LOT Aircraft Maintenance Services sp. z o.o. and IDA Management sp. z o.o.

Since July 2018 Katarzyna Taczanowska has been holding the position of the General Director for Corporate and Legal Affairs at KGHM Polska Miedź S.A.

She has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since May 8, 2019.

In the Supervisory Board of the 6th common term of office she is the Secretary of the Company's Supervisory Board and a member of the Audit Committee of the Supervisory Board.

Ryszard Madziar - Member of the Supervisory Board

A graduate of the faculty of political science of the University of Warsaw. He holds an MBA degree obtained at the Warsaw Management University (Wyższa Szkoła Menedżerska w Warszawie).

He has an extensive experience in public administration. He has held the following positions: the Mayor of Wołomin, the Head of the Political Cabinet of the Vice Chairman of the Council of Ministers, and prior to that, the Deputy Director of the Mazovian Regional Office of the Agency for Restructuring and Modernization of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa).

He is a member of the Supervisory Board of, among others, Totalizator Sportowy.

Currently, he is the Head of the Political Cabinet at the Ministry of State Assets.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since July 15, 2020.

In the Supervisory Board of the 6th common term of office he is a Member of the Nominations and Compensation Committee of the Supervisory Board and a Member of the Strategy Committee of the Supervisory Board.

Grzegorz Peczkis - Member of the Supervisory Board

A graduate of the Faculty of Environment and Energy Engineering of the Silesian University of Technology, specializing in Machine Mechanics and Design. He holds a PhD degree in technical science in the field of machine design and operation. He also completed post-graduate studies in enterprise (business) management and pedagogical professional development studies for university lecturers.

Grzegorz Peczkis gained experience both in business, as a proxy at the Diapom sp. z o.o. company, as well as at academic institutions as an Assistant Lecturer and then an Assistant Professor at the Silesian University of Technology.

He is holding the position of the Vice Chair of the Supervisory Board of Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.

He is an author of several dozen scientific (research) and popular (journalistic) publications. He holds rights under ten patents granted by the Patent Office of the Republic of Poland.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since December 6, 2019.

In the Supervisory Board of the 6th common term of office he is the Head of the Strategy Committee of the Supervisory Board and a Member of the Audit Committee of the Supervisory Board.

Barbara Piontek - Member of the Supervisory Board

An economist, the Vice President of Katowicka Specjalna Strefa Ekonomiczna S.A., a Professor at the WSB Academy in Dąbrowa Górnicza.

A highly valued expert in the field of public management (at the central as well as the local government level), development of strategic industries as well as in developing business models and promoting innovation of the economy. An expert in the field of strategic management and restructuring processes of strategic areas, including those related to the strategic and energy security. A market analyst and a specialist in the field of new technology implementations. A strategic advisor to large as well as small and medium size enterprises.

She created development (growth) strategies for cities, developed business plans for strategic investment projects, took part in international as well as national research and development projects. A graduate of the University of Economics in Katowice and the Catholic University of Lublin, she obtained her academic degrees at the Cracow University of Economics and the Wrocław University of Economics and Business. She is a member of, among others, the Social Economic Council at the Silesian Voivode, as well as the Steering Committee of the "Program for Silesia" of the Silesian Voivode and the Executive Council for the Program for Silesia of the Chancellery of the Prime Minister.

She has many years of experience in the field of business oversight (supervision). From 2016 until June 4, 2020, she had been the Vice Chair of the Supervisory Board of TAURON Wytwarzanie S.A. Since 2018 she has been the Chair of the Supervisory Board of the Pomeranian Special Economic Zone. She has been the Chair of the Supervisory Board of Polska Grupa Górnicza S.A. (Polish Mining Group) since October 2020.

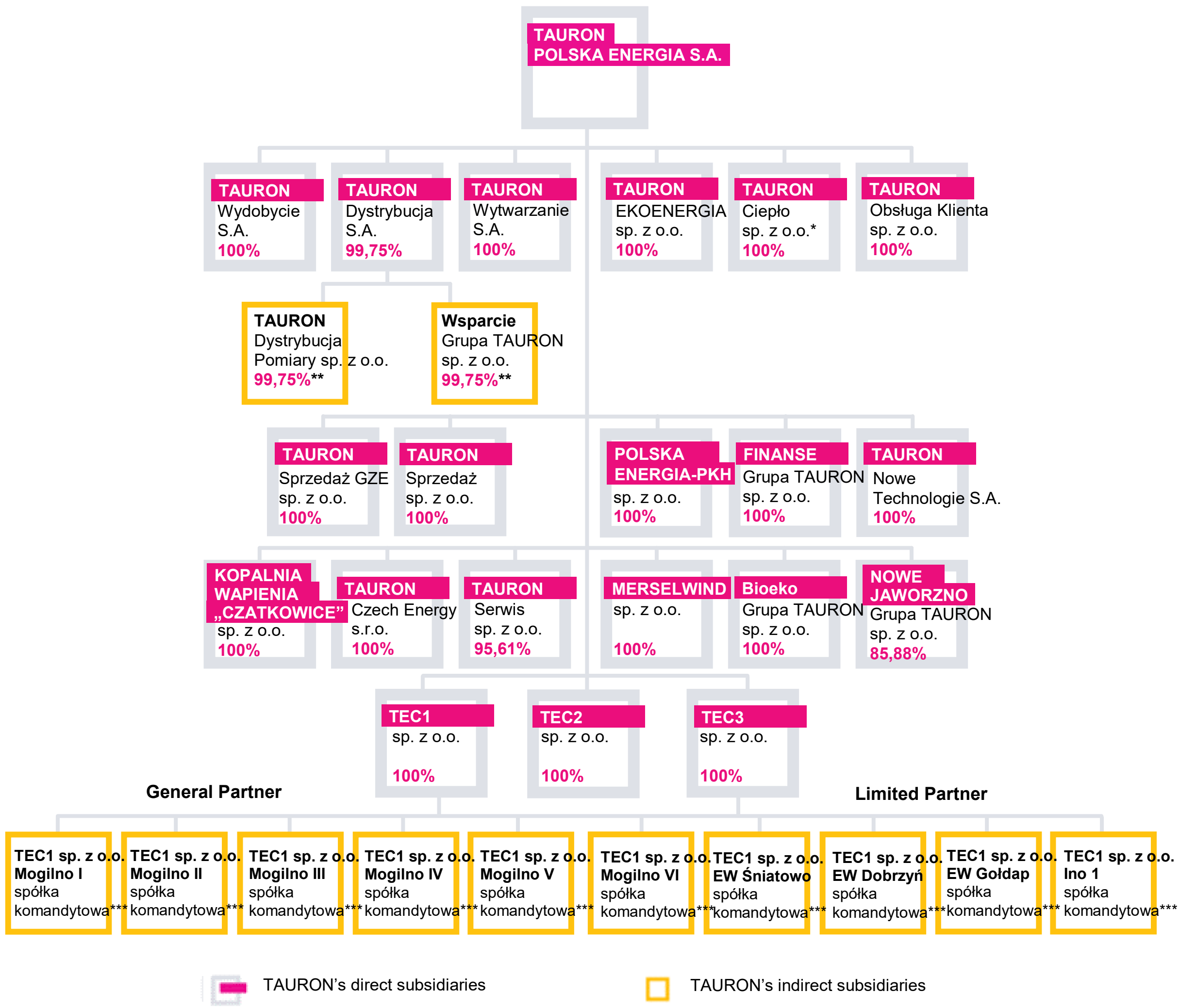
She has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since June 5, 2020.

In the Supervisory Board of the 6th common term of office she is a Member of the Nominations and Compensation Committee of the Supervisory Board and a Member of the Strategy Committee of the Supervisory Board.

1.3.2. Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of September 30, 2020.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation as of September 30, 2020



As of the balance sheet date, TAURON Capital Group assessed that in relation to the net assets of TAURON Ciepło, the conditions for classifying the above assets as a group for disposal, classified as held for sale were met

***The shares in TAURON Dystrybucja Pomiary and Wsparcie Grupa TAURON are held by TAURON indirectly via TAURON Dystrybucja subsidiary, The Company is a user of the shares of TAURON Dystrybucja Pomiary.*
****In the limited partnership companies indicated: TEC1 is the General Partner, TEC3 is the Limited Partner*

1.3.3. Changes to TAURON Capital Group's organization

The following changes to the organization of TAURON Capital Group had taken place in the first three quarters of 2020 and by the date of drawing up this information:

Merger of TAURON Dystrybucja Serwis S.A. (currently: TAURON Nowe Technologie S.A.) with Magenta Grupa TAURON sp. z o.o. (Magenta Grupa TAURON)

On January 2, 2020, the District Court for Wrocław – Fabryczna in Wrocław, 6th Commercial Department of the National Court Register, registered the merger of the company TAURON Dystrybucja Serwis S.A. (Acquiring Company) with the company Magenta Grupa TAURON sp. z o.o. (Acquired Company).

The above event was the result of adopting, on October 29, 2019, of the resolutions regarding the merger of the above mentioned companies, by the Extraordinary General Meeting (GM) of the Acquiring Company and the Extraordinary General Meeting (GM) of the Acquired Company.

As a result of the merger the share capital of the Acquiring Company was raised from the amount of PLN 9 494 173 to the amount of PLN 9 535 649, i.e. by the amount of PLN 41 476, by way of establishing (issuing) 41 476 ordinary registered shares with the nominal value (par value) of PLN 1 each. As a sole shareholder of Magenta Grupa TAURON, TAURON received, in exchange for 30 000 shares in the share capital of Magenta Grupa TAURON, 41 476 shares in the increased share capital of TAURON Dystrybucja Serwis S.A.

The merger of TAURON Dystrybucja Serwis S.A. and Magenta Grupa TAURON was aimed at integrating resources and competences as well as optimizing operational efficiency at TAURON Capital Group by integrating the mutually complementary entities with respect to creating and implementing new solutions at TAURON Capital Group as well as selling them on the external market in the form of various types of products and services.

On March 3, 2020, the Extraordinary General Meeting (GM) of TAURON Dystrybucja Serwis S.A. adopted a resolution to change the company's name to TAURON Nowe Technologie S.A.

On June 1, 2020, the District Court for Wrocław – Fabryczna in Wrocław, 6th Commercial Department of the National Court Register registered the change of the name of the company TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.

Acquisition by TAURON EKOENERGIA sp. z o.o. of 100% of the shares in AVAL-1 sp. z o.o. (AVAL-1)

On January 2, 2020, TAURON EKOENERGIA acquired 100% shares in AVAL-1 with its registered office in Szczecin, i.e. 50 shares with a nominal value of PLN 100 each and the total value of PLN 5 000.

AVAL-1 is implementing a 6 MW solar farm construction project in the municipality of Choszczno in the West Pomerania Region.

The implementation of the investment project is in line with the assumptions of the *Update of the strategic directions in TAURON Capital Group's Strategy for 2016 - 2025* (Update of the strategic directions), assuming an increase of the share of low- and zero-emission sources in TAURON Capital Group's generation structure (mix) to more than 65% in 2030.

The detailed information on the implementation of the project to build a 6 MW photovoltaic farm in the municipality of Choszczno is provided in section 1.3.6. of this information.

Cessation of the legal existence of German limited partnerships

On April 1, 2020, TEC3 – the limited partner of the below listed companies, acquired from TEC2 – the general partner of the below listed companies, the general rights and obligations of the general partner in the German limited partnerships, i.e.:

1. SCE Wind Mogilno 2008 I GmbH & Co. KG,
2. SCE Wind Mogilno 2008 II GmbH & Co. KG,
3. SCE Wind Mogilno 2008 III GmbH & Co. KG,
4. SCE Wind Mogilno 2008 IV GmbH & Co. KG,
5. SCE Wind Mogilno 2008 V GmbH & Co. KG,
6. SCE Wind Mogilno 2008 VI GmbH & Co. KG,
7. Windpark Sniatowo GmbH & Co. KG,
8. Windpark Dobrzyn 2008 GmbH & Co. KG,
9. Windpark Goldap GmbH & Co. KG,
10. Windpark Ino 1 GmbH & Co. KG.

As a result of completing the above transaction, as of April 1, 2020, the legal existence of the German limited partnerships ceased without conducting the liquidation proceedings (the so-called collapse based on the provisions of the German law), and thus the assets and liabilities of the German limited partnerships were transferred, by way of a universal succession, to TEC3.

The purpose of the above action was to simplify the structure of TAURON Capital Group

Classifying the net assets of TAURON Ciepło as a group for disposal, classified as held for sale, and the operations of TAURON Ciepło as discontinued operations

In 2019 the Company launched a project aimed at the market verification of the possibility of the sale of the shares in the TAURON Ciepło subsidiary and the potential continuation of the sale process. On June 16, 2020, the Company's Management Board took the decision to move to the next stage of the process of the sale of the shares in the TAURON Ciepło subsidiary and commence negotiations of the agreement on the sale of the shares in TAURON Ciepło with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) on the condition of exclusivity for the period of six weeks, which was subsequently extended until November 30, 2020. Based on the progress of the negotiations the Company may take a decision to extend the exclusive negotiations period granted to the bidder for the time required to finalize the transaction documentation, The Company expects that the potential loss of its control over TAURON Ciepło will take place not earlier than as of January 1, 2021.

As of the balance sheet date, TAURON Capital Group assessed that with respect to the net assets of TAURON Ciepło, the conditions for classifying the above assets as a group for disposal, classified as held for sale, stemming from *IFRS 5 Fixed assets held for sale and discontinued operations*, were met. In connection with the above, the net assets of TAURON Ciepło were valued, as of the balance sheet date, at fair value (mark to market).

Furthermore, as of the balance sheet date, the Company assessed that with respect to the operations of TAURON Ciepło, the conditions for classifying its operations as discontinued, stemming from *IFRS 5 Fixed assets held for sale and discontinued operations*, were met. The core operations of TAURON Ciepło include heat energy generation, distribution and supply for the purposes of heating, preparing (conditioning) domestic (tap) hot water and ventilation.

1.3.4. Organizational or equity ties with other entities

Apart from the equity ties with the companies presented in section 1.3.2 of this information, the material joint subsidiaries in which TAURON held, directly or indirectly, shares as of September 30, 2020, include the companies listed in the below table.

Table no. 1. List of material joint subsidiaries as of September 30, 2020

#	Company name	Registered office	Main subject of operations	TAURON's share in the company's capital and in the parent company
1.	Elektrociepłownia Stalowa Wola S.A.*	Stalowa Wola	Electricity generation	50.00%
2.	TAMEH HOLDING sp. z o.o.**	Dąbrowa Górnicza	Central (head office) companies and holding operations	50.00%
3.	TAMEH POLSKA sp. z o.o.**	Dąbrowa Górnicza	Electricity and heat generation, transmission, distribution and trading	50.00%
4.	TAMEH Czech s.r.o.**	Ostrava, Czech Republic	Production, trading and services	50.00%

**Shares in Elektrociepłownia Stalowa Wola S.A. (EC Stalowa Wola) are held by TAURON indirectly via TAURON Wytwarzanie subsidiary.*
***Companies form a capital group. TAURON holds a direct stake in the share capital and in the parent company TAMEH HOLDING sp. z o.o. (TAMEH HOLDING), that holds a 100% stake in the share capital and in the parent company of TAMEH POLSKA sp. z o.o. and TAMEH Czech s.r.o.*

1.3.5. Major domestic and foreign investments as well as equity investments

TAURON Taking up or acquiring share securities in TAURON Capital Group companies

The below table presents a summary of equity increases in TAURON Capital Group subsidiaries in the first three quarters of 2020 and by the date of drawing up this information.

Table no. 2. Summary of equity increases in TAURON Capital Group's subsidiaries in the first three quarters of 2020 and by the date of drawing up this information

#	Subsidiary	Share capital increase (total price for taking up shares)	Company taking up shares	Nominal value of shares taken up	Date of passing the resolution by the GM	Structure of the share capital following the increase
1.	AVAL-1	**PLN 4 500 000**	TAURON EKOENERGIA	PLN 45 000	27.02.2020	TAURON EKOENERGIA 100%
2.	Nowe Jaworzno Grupa TAURON	**PLN 455 100 000**	TAURON	PLN 4 551 000	02.03.2020	TAURON 85.88% FIIKFIZAN 7.06% PFR IFIZ 7.06%

#	Subsidiary	Share capital increase (total price for taking up shares)	Company taking up shares	Nominal value of shares taken up	Date of passing the resolution by the GM	Structure of the share capital following the increase
3.	AVAL-1	**PLN 11 060 000**	TAURON EKOENERGIA	PLN 110 600	10.06.2020	TAURON EKOENERGIA 100%

Making additional contributions to the capital of Polska Energia - Pierwsza Kompania Handlowa sp. z o.o.

As part of the implementation of the resolution of the Extraordinary General Meeting (GM) of PEPKH of January 8, 2020, regarding the imposition on TAURON, as the sole shareholder, of the obligation to make additional payments, on January 10, 2020, TAURON made additional contributions to the share capital of the above mentioned company in the total amount of PLN 8 016 000. The resolution of the Extraordinary General Meeting (GM) was adopted in connection with the pending licensing proceedings before the Energy Regulatory Office (URE) for granting PEPKH a new license for trading in electricity.
The purpose of the additional contributions was to meet the requirements of the President of the Energy Regulatory Office (URE) with respect to PEPKH having certain financial resources.

As part of the implementation of the resolution of the Extraordinary General Meeting (GM) of PEPKH of June 16, 2020, regarding the imposition on TAURON, as the sole shareholder, of the obligation to make additional payments, on June 18, 2020, TAURON made additional contributions to the share capital of the above mentioned company in the total amount of PLN 9 600 000.

The purpose of the above mentioned contributions to the shares was to enable PEPKH to continue its business operations with respect to its main subject of operations, based on the granted license for electricity trading.

Making additional contributions to the capital of KOMFORT Zarządzanie Aktywami sp. z o.o. (KOMFORT Zarządzanie Aktywami)

As part of the implementation of the resolution of the Extraordinary General Meeting (GM) of KOMFORT Zarządzanie Aktywami of June 5, 2020, regarding the imposition on TAURON Dystrybucja Pomiary, as the sole shareholder, of the obligation to make additional payments, on June 9, 2020, TAURON Dystrybucja Pomiary made additional contributions to the share capital of the above mentioned company in the total amount of PLN 35 175.00.

The purpose of the above mentioned contributions to the shares was to enable KOMFORT Zarządzanie Aktywami to continue its business operations.

Making additional contributions to the capital of the company Marselwind

As part of the implementation of the resolution of the Ordinary General Meeting (GM) of Marselwind of September 2, 2020, regarding the imposition on TAURON, as the sole shareholder, of the obligation to make additional payments, by September 8, 2020, the Company made additional contributions to the share capital of the Marselwind in the total amount of PLN 110 000.00.

The payment of the additional payments will allow for covering the losses from previous years, the potential losses in the subsequent years of Marselwind's operations, and will allow to maintain the level of the financial resources sufficient for the functioning of the above mentioned company.

Taking up or acquiring share securities in the other companies in which TAURON holds an equity stake

The below table presents a summary of equity increases in the other companies in which TAURON holds an equity stake in the first three quarters of 2020 and by the date of drawing up this information.

Table no. 3. Summary of equity increases in the other companies in which TAURON held an equity stake in the first three quarters of 2020 and by the date of drawing up this information

#	Company	Share capital increase (total price for taking up shares)	Company taking up shares	Nominal value of shares taken up	Date of passing the resolution by the GM	Structure of the share capital following the increase
1.	EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo – akcyjna (EEC Magenta limited liability company ASI limited joint stock partnership)	**PLN 17 200**	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership) (EEC Ventures)	PLN 172	02.03.2020	EEC Ventures 3%
		PLN 414 600	PFR Starter FIZ	PLN 4 146		PFR Starter FIZ 72.1%
		PLN 143 200	TAURON	PLN 1 432		TAURON 24.9%
		PLN 75 900	EEC Ventures	PLN 759	27.08.2020	EEC Ventures 3%
		PLN 1 823 300	PFR Starter FIZ	PLN 18 233		PFR Starter FIZ 72.1%
		PLN 629 700	TAURON	PLN 6 297		TAURON 24.9%

#	Company	Share capital increase (total price for taking up shares)	Company taking up shares	Nominal value of shares taken up	Date of passing the resolution by the GM	Structure of the share capital following the increase
2.	EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo – akcyjna (EEC Magenta limited liability company 2 ASI limited joint stock partnership)	**PLN 60 200**	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership) (EEC Ventures 2)	PLN 1 790	04.05.2020	EEC Ventures 2 2.95%
		PLN 2 986 000	PFR NCBR CVC FIZAN	PLN 29 860		PFR NCBR CVC FIZAN 49.02%
		PLN 2 925 800	TAURON	PLN 29 258		TAURON 48.03 %
		PLN 20 500	EEC Ventures 2	PLN 601	28.05.2020	EEC Ventures 2 2.95%
		PLN 1 000 000	PFR NCBR CVC FIZAN	PLN 10 000		PFR NCBR CVC FIZAN 49.02%
		PLN 979 500	TAURON	PLN 9 795		TAURON 48.03 %
		PLN 88 800	EEC Ventures 2	PLN 2 571	24.09.2020	EEC Ventures 2 2.95%
		PLN 4 350 000	PFR NCBR CVC FIZAN	PLN 43 500		PFR NCBR CVC FIZAN 49.02%
		PLN 4 261 200	TAURON	PLN 42 612		TAURON 48.03 %

The other most significant equity investments in the financial assets as of September 30, 2020, include stakes in the following entities:

1. Spółka Ciepłowniczo Energetyczna Jaworzno III sp. z o.o. (limited liability company) with the balance sheet value of PLN 29 476 000,
2. EEC Magenta sp. z o. o. 2 ASI spółka komandytowo-akcyjna (limited joint stock partnership) with the balance sheet value of PLN 19 116 000,
3. AVAL-1 with the balance sheet value of PLN 16 631 000,
4. PGE EJ 1 sp. z o.o. (PGE EJ 1) with the balance sheet value of PLN 14 402 000,
5. ElectroMobility Poland S.A. with the balance sheet value of PLN 11 847 000.

Major investments in financial assets

TAURON Capital Group's investments in financial assets made in the first three quarters of 2020 include loan agreements concluded with the below listed companies:

1. PGE EJ 1 in the amount of PLN 4 000 000 with the repayment date of January 30, 2023,
2. PGE EJ 1 in the amount of PLN 6 500 000 with the repayment date of September 1, 2023,
3. EC Stalowa Wola in the amount of PLN 59 175 000 with the repayment date of June 30, 2033.

As of September 30, 2020 the above-mentioned loan to EC Stalowa Wola had been drawn down in the full amount. In turn, on October 15, 2020, the last third tranche of the loan to PGE EJ 1 was disbursed in the amount of PLN 2 700 000.

Investments in the financial assets were financed using own funds and the funds obtained as part of the financing model in place at TAURON Capital Group.

On February 11, 2020, the Company retired all of its participation units in the investment funds worth PLN 26 747 000.

1.3.6. Implementation of the strategic investment (CAPEX) projects

Key strategic investment (CAPEX) projects underway

The below table presents the activities carried out by TAURON Capital Group in the first three quarters of 2020 and by the date of drawing up this information in connection with the implementation of the key strategic investment (CAPEX) projects.

Table no. 4. Key strategic investment (CAPEX) projects' work progress in the first three quarters of 2020 and by the date of drawing up this information

#	Investment project	Investment project's work progress
1.	Construction of a new 910 MW_e supercritical parameters power generation unit in Jaworzno **Contractor:** Consortium of RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. **Planned project completion date:** Q4 2020 **Work progress:** 99% **Expenditures incurred:** PLN 5 800.6 million*	The trial run of the unit was begun in January 2020 and the trial runs of the auxiliary and accompanying systems (installations) were continued. The contractual deadline for commissioning the unit was January 31, 2020. On January 30, 2020, the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium provided the information that the unit would be ready for commissioning on February 4, 2020. In February 2020, in the final phase of the unit's test run, a failure occurred, as a result of which the boiler components - dust burners - were damaged. Thus, the General Contractor failed to meet the above mentioned deadline. On March 6, 2020, the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium estimated that the unit's commissioning should take place by July 31, 2020. On May 4, 2020, Nowe Jaworzno Grupa TAURON sp. z o.o., the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium and E003B7 sp. z o.o. (SPV) signed an Agreement in which the Parties determined the causes of damage to one of the boiler components. According to the conclusions presented by the fact finding commission composed of the representatives of NJGT, the Consortium and SPV the failure was a consequence of an unfavorable coincidence of circumstances that had occurred during the start-up of the unit. Each of these circumstances, occurring individually, could not have led to an occurrence of the failure. In addition, the fact finding commission has agreed on how to repair the damaged boiler components, which will allow for avoiding similar failures in the future. As part of the agreement, a schedule of actions has also been agreed upon, including procedures aimed at providing protection against the risk of a recurrence of a failure as well as procedures for tuning (adjusting) and the commissioning works related to the unit. On June 10, 2020, an amendment to the Contract was concluded in accordance with the intentions expressed in the above mentioned agreement and the rules for the further implementation of the Contract were established. The new Contract implementation schedule has been introduced, confirming the date of commissioning the unit as November 15, 2020. The parties also provided for regulating the other mutual relations and settlements in a separate amendment/ agreement. In addition, a permit to use the buildings of the new unit was obtained and the test run with respect to the auxiliary and accompanying systems (installations) was completed. The fulfillment of the above conditions enabled the Employer to take over, as of February 28, 2020, the auxiliary and accompanying systems (installations). In March 2020, the Supreme Administrative Court (Naczelny Sąd Administracyjny) dismissed the cassation appeal against the ruling of the Voivodeship Administrative Court (Wojewódzki Sąd Administracyjny) in Warsaw of November 21, 2017, regarding the decision granting the integrated permit to Nowe Jaworzno Grupa TAURON. The decision is legally binding (final), which allows Nowe Jaworzno Grupa TAURON to finally operate the new unit in accordance with the applicable *BAT Conclusions* and the environmental protection regulations. In the third quarter of 2020, the assembly (erection) works were continued and the commissioning works were resumed after the effects of the failure of the boiler elements from February 2020 had been fixed. As part of the commissioning works, the technological process systems were brought back into operation and the boiler was re-fired in July 2020. Subsequently, after the required steam purity had been achieved, the unit was synchronized with the National Power System in August 2020, which enabled the repeated adjustment run of the unit to begin. As part of that run, a program of trials and tests was carried out, including, among others: the rated (nominal) power of the unit was achieved, the performance tests were carried out for the boiler feed water pumps and the unit's power (capacity) adjustment tests were continued. In accordance with the schedule, the adjustment and trial runs had been completed in the fourth quarter of 2020, and subsequently, the unit was handed over for operation (commissioned) on November 13, 2020. In addition, under the contract, the General Contractor will complete a transition period within up to five months from the date of commissioning the unit for operation, during which, among others, it will conduct additional optimizations and tests on the operating facility in order for the unit to meet the changed and new Guaranteed Technical (Performance) Parameters. As part of the implementation of the provisions of the amendment to the contract with the General Contractor concluded on June 10, 2020, regarding the settlement by the parties of the other mutual relations and settlements, Nowe Jaworzno Grupa TAURON, E003B7 sp. z o.o. and the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium, including RAFAKO S.A. under restructuring acting with the approval of the supervisor (administrator) of the arrangement under the simplified restructuring proceedings, signed a settlement which was the result of the mediation conducted before the Arbitration Court at the General Counsel to the Republic of Poland (Prokuratoria Generalna Rzeczypospolitej Polskiej) and which regulated, in particular, the following issues: 1. the Parties waived their mutual and equivalent claims that had arisen by the date of signing the settlement, with the exception of, inter alia, Nowe Jaworzno Grupa TAURON's claims under the statutory warranty or the warranty, as well as the recourse claims against the Consortium for the payment of the claims of further

#	Investment project	Investment project's work progress
		subcontractors and the claims of the Consortium related to the works carried out in accordance with the contract, 2. the Consortium will provide additional services for Nowe Jaworzno Grupa TAURON, including the works aimed at optimizing the Unit's operation (performance), the results of which will include, inter alia, the reduction of the Unit's technical minimum power generation output from 40 percent to 37 percent In addition, the technical warranty for the boiler's high-pressure part will be extended by six months (to 36 months), with respect to which Nowe Jaworzno Grupa TAURON will receive an additional security (bond) issued by the warranty providers. The settlement will enter into force after the suspending conditions have been met, the key ones among which include the Unit's commissioning by November 15, 2020 (the condition has been met) and the submission by the Consortium of an agreement, in the form of a promissory agreement (pre-approved commitment), with the financial institutions with respect to the method of obtaining the funds required to complete the project (the condition has been met). Nowe Jaworzno Grupa TAURON and the Consortium also agreed that the settlement concluded before the mediator would be referred to the competent common court along with a petition for the approval thereof by the court. After the settlement concluded before the mediator has been approved by the court by way of a legally binding decision, the settlement shall become a legally binding court approved settlement agreement. In connection with the conclusion of the settlement, on November 13, 2020, Nowe Jaworzno Grupa TAURON and the Consortium concluded an annex to the agreement, that regulated in detail the agreements reached by the Parties specified in the settlement with respect to the additional services to be provided by the Consortium including, among others, the deadlines for their completion and the payment terms related thereto. The conclusion of the settlement and the annex will not lead to the exceeding of the assumed total amount of expenditures that is foreseen for the implementation of this investment project, i.e. PLN 6.2 billion, where the remuneration for the Consortium under the agreement signed and the annexes thereto concluded will, in total, amount to PLN 4.6 billion. On September 2, 2020, the Management Board of Rafako S.A. disclosed in the regulatory filing (current report) that it had made a decision to submit an application to Monitor Sądowy i Gospodarczy (Court and Business Bulletin (Gazette)) in order to announce the opening of the procedure for the approval of an arrangement based on the provisions of the *Act of May 15, 2015, Restructuring Law* including the amendments stemming from the *Act of June 19, 2020, on subsidies to interest for bank loans granted to businesses affected by the effects of COVID-19 and on the simplified proceedings for approval of the arrangement in connection with the outbreak of COVID-19*. The said notice was effectively published on September 7, 2020. In addition, on October 7, 2020, Nowe Jaworzno Grupa TAURON submitted to the ERO an application for a license for electricity generation, which had been supplemented with a signed protocol after the unit had been taken over for operation (commissioned). The unit is operating in the Polish power system.
2.	Construction of a 449 MW_e CCGT unit, including a 240 MW_t heat generation unit at Stalowa Wola (Investment project implemented jointly with the strategic partner – Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG)). **Contractor:** the contract with Abener Energia S.A. (Abener Energia) was terminated. The project's completion is implemented under the EPCM formula (contract manager) – Energoprojekt Gliwice – Energopomiar Katowice consortium **Planned project completion date:** Q4 2020 **Work progress:** 99% **Expenditures incurred: PLN** 1 388.6 million	All of the mechanical, construction and finishing works have been completed. The unit has been granted a valid use permit (certificate). On March 4, 2020, the first synchronization of the gas turbine with the electricity grid was carried out. The steam purging process had been commenced, which was completed in the second week of April 2020. The restoration of the systems after the purging was completed. The unit's hot start-up was completed in the third quarter of 2020. On September 30, 2020, the unit was commissioned with a capacity limitation of 300 MWe. After an optimization period scheduled to last until the end of 2020, the unit should reach full capacity.
3.	Construction of the "Grzegorz" shaft (TAURON Wydobycie) including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings) **Contractor:** Consortium of Przedsiębiorstwo Budowy Szybów S.A. (formerly KOPEX Przedsiębiorstwo Budowy Szybów S.A.), FAMUR Pemug sp. z o.o. (main task – Stage I), LINTER S.A. **Planned project completion date:** 2023 **Work progress:** 48% **Expenditures incurred:** PLN 273.8 million	The works related to passing of the fault are underway on the 540 m level, and after it has been passed, the drilling towards the shaft will be resumed in order to merge the longwalls. Due to the hydrogeological hazard, the deepening (sinking) of the shaft was suspended in Q2 2020, until the analysis of the impact of the hydrological conditions on the further boring of the shaft has been completed and the decision on the potential changes to the project (design) has been taken. By September 2020, the shaft had been deepened and the outer casing had been completed down to the depth of -78,5/-870 m. 390.5/2120 meters of headings and 170.5/238 meters of longwall ventilation drift had been drilled on the 800 m level by the end of September 2020.
4.	Construction of the 800 m level at the Janina Coal Mine (ZG Janina) (TAURON Wydobycie).	In connection with the COVID-19 pandemic, there was a partial stoppage in the performance of the works related to this investment project. However, the works related to installing the equipment (furnishings) of the hoisting machine and the shaft cage were conducted. A flyover was constructed for the crew to access the newly

#	Investment project	Investment project's work progress
	Contractor: Consortium of Mostostal Zabrze GPBP S.A. and SIEMAG TECBERG POLSKA S.A. (Construction of the ultimate above the ground and underground infrastructure including the Janina VI shaft mine shaft elevator), KOPEX S.A. and KOPEX Przedsiębiorstwo Budowy Szybów S.A. (task completed – shaft boring) **Planned project completion date:** 2021 **Work progress:** 85% **Expenditures incurred:** PLN 445.6 million	built tower, which connects the new and the old infrastructure. The hoisting machine had been commissioned and the technological process runs had been commenced by the end of September 2020. The installation works related to the heating and ventilation systems, as well as cabling and woodwork (carpentry) in the headframe building have been completed. Concrete pouring works have been completed and the installing of the shaft equipment (furnishings) has been commenced on the shaft bottom (pit) at the 800 m level. In addition, the tender for the boring of the horizontal headings on the 800 m level is being prepared, the announcement of which was delayed until 2020 due to the optimization of the scope thereof. The announcement of the tender is planned to take place by the end of the year.
5.	Brzeszcze CAPEX Program **Contractors:** TRANS-JAN, Consortium of FAMUR and KOPEX Machinery, Consortium of FAMUR and KPRGiBSz, Consortium of MAS and Carbospec, Elektrometal Cieszyn **Planned Program completion date:** 2025 **Work progress:** 66% **Expenditures incurred:** PLN 319.7 million	The extraction of the 510 deposit had been conducted until the end of September 2020. The works aimed at altering and improving the efficiency of the ventilation system are continued. As part of the program the total of 6 693 meters of headings (workings) had been bored and altered by September 2020.
6.	Implementing heat generation at unit no. 10 and the construction of the peaking and backup boilers in Łagisza **Contractor:** GE Power (steam turbine set refurbishment), Mostostal Warszawa (implementing the heat generation unit including refurbishing the heat production part), SBB Energy (construction of the peaking and backup boilers). **Planned project completion date:** Q4 2019 / Q2 2020 **Work progress:** 99% **Expenditures incurred:** PLN 126.2 million	The steam turbine set refurbishment and the implementation of the heat generation unit including the station's adaptation have been completed. The systems were tested, commissioned and handed over for operation in the fourth quarter of 2019 The peaking and backup boilers were commissioned in the first half of 2020. The implementation of the Project has been completed. The final settlements with the Contractors and the preparations for conducting the performance tests are underway.
7.	Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation **Contractor:** Contractors are being selected to carry out specific work (project) stages (milestones). **Planned project completion date:** 2023 **Work progress:** 17% **Expenditures incurred:** PLN 22.3 million	The PLNE program is carried out on the territory of the following metropolitan areas: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec and Świętochłowice. The new agreement with the Voivodeship Fund for Environmental Protection and Water Management (Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej - WFOŚiGW) was concluded on January 31, 2020, as a result of a new application submitted by TAURON Ciepło to WFOŚiGW in 2019, for the co-financing of the PLNE Program for a new scope of the program's implementation in the form of 22 MWt. The amount of the funding obtained is PLN 32 million. Network connections are currently being installed under the network connection agreements concluded and the process of acquiring new customers is underway.
8.	TAURON Internet (POPC) - implementation of the project in the areas awarded (7 projects on the territory of the following areas: Rybnik, Katowice and Tychy, Oświęcim, Kraków, Wałbrzych A, Wałbrzych B, Sosnowiec) **Contractor:** Atem Polska sp. z o.o. (Katowice-Tychy), MZUM sp. z o.o. (Sosnowiec), Atem Polska sp. z o.o. (Wałbrzych A), Mediamo Sp. z o.o. (Oświęcim), MX3 sp. z o.o. (Rybnik), MZUM sp. z o.o. (Wałbrzych B), ZICOM sp. z o.o. (Kraków-Tarnów) **Planned project completion date:** 2021 **Work progress:** 24% **Expenditures incurred:** PLN 76.86 million	The POPC program involves implementing an infrastructure to enable high speed internet connections for households (min 30 MB/s). The final product of the project will be the provision of the wholesale services enabling connecting of the end users by the retail operators. In January 2020, a contractor for the construction of the backbone network was selected. The contractor is carrying out the works contracted. All of the contractors had been conducting the works related to the deployment of the fiber optic network and connecting of the schools to the network until September 2020. The contractors had been actively connecting schools and installing the fiber optic line terminal cabinets (racks) until the end of September 2020,. The installation of the backbone infrastructure has also been commenced. The milestone of connecting 80% of the Education Units covered by the program to the network has been achieved.
9.	Program aimed at adapting TAURON Wytwarzanie's generating units to comply with the operational conditions in force beyond 2021 **Contractor:** Contractors are being selected to carry out specific projects. **Planned project completion date:** 2021 **Work progress:** 73% **Expenditures incurred:** PLN 241.9 million	As part of the program the refurbishment of the following power generating units, in accordance with the following scope of works, is planned: 1. Jaworzno II Power Plant, units no. 2 and 3 – the construction of the flue gas desulfurization (FGD) installation. The implementation of the project was halted due to the obtained derogations from the *BAT Conclusions*, which allowed for further operation of the units. The parties are preparing documents that will enable the termination of the contract and the mutual settlements. 2. Jaworzno III Power Plant, units no. 1, 3, 5 – the construction of the selective catalytic reduction (SCR). installation. The assembly (erection) of the reactor on unit no. 5 is underway, the assembly (erection) of the inverter containers has been completed, the works on unit no. 5 are carried out in accordance with the schedule. The trial run of the installation

#	Investment project	Investment project's work progress
		on unit no. 1 has been completed, the finishing works are continued. The trial run of the installation on unit no. 3 has been conducted, the hand over for operation is underway. 3. Łaziska Power Plant, units no. 9, 10, 11, 12 – the refurbishment of the selective catalytic reduction (SCR) installation. Unit no. 9 has been handed over for operation, the adjustment run of unit no. 10 is underway. The new catalysts on units no. 11 and 12 have been installed. The installation of the sonic and steam blowers on units no, 11 and 12 is in progress. 4. Łaziska Power Plant, units no. 9, 10, 11 and 12 – the refurbishment of the flue gas desulfurization (FGD) installation. The trial runs of units no. 9 and 10 have been conducted. The hand over for operation of units no. 9 and 10 is underway. The installation works on the connection of units no. 9, 10, 11 and 12. 5. Łaziska Power Plant – the refurbishment of the sewage treatment plant. The reduced scope of the refurbishment works will be carried out as part of the ongoing overhauls (maintenance) starting from the spring of 2021, the works will be conducted without any impact on the power plant's operation. 6. Siersza Power Plant - the adaptation of the existing selective catalytic reduction (SCR) installations. The repeated bidding procedure was declared null and void. A turnaround plan to meet the Capacity Market Operational Milestone has been developed. The project implementation has been suspended due to the obtained derogations from the *BAT Conclusions*. 7. Łagisza Power Plant – the construction of the flue gas desulfurization (FGD) installation was substituted by the completion of the dry additives feeding installation. The tender procedure has been carried out. The project implementation has been halted due to the obtained derogations from the *BAT Conclusions*. 8. Monitoring Project - the contractor, as part of the first stage (works required to be performed at the power plants), has completed the deliveries of the equipment. The company provided the feedback with respect to all of the basic (core) projects.

**The amount increased by, among others, training, fast wearing parts.*

Other investment projects

Preparation and implementation of investment projects in the field of renewable energy sources (RES)

In accordance with the assumptions of the Update of the Strategic Directions, that assumes an increase in the share of the low- and zero-emission sources in the generation mix of TAURON Capital Group to more than 65% in 2030, TAURON Capital Group's subsidiaries have been steadfastly developing projects related to the new RES capacity. By 2025, the Group is planning to invest in on-shore wind farms (additional 900 MW), photovoltaic farms (additional 300 MW) and commence the process of getting involved in the construction of off-shore wind farms.

As part of the investments in the field of renewable energy sources (RES), the program of building photovoltaic (PV) farms in the areas that were reclaimed or required rehabilitation as a result of long term industrial activity (*TAURON PV Program*) was continued in the third quarter of 2020. The Program includes the construction of PV farms at 5 locations (sites), with the total capacity of approx. 75-150 MWp

The construction works, as part of the first project carried out under the *TAURON PV Program* - a 5 MW photovoltaic (PV) farm in Jaworzno - were commenced in August 2020. The investment outlays for the construction of the farm amount to PLN 15 million. The project is co-financed by the Voivodeship Fund for Environmental Protection and Water Management (WFOŚiGW) in Katowice (a loan with an option to redeem up to PLN 3 million). The completion of the PV farm construction in Jaworzno is planned for the end of 2020. The erection of the support (prop) structures has been completed and the PV panels and inverters have been installed.

The next most advanced project is the PV farm in Mysłowice, where preparations are underway to start the process of selecting the contractor for the farm and the grid connection.

At other locations (sites), the works currently include obtaining the required administrative (zoning) approvals.

Apart from the TAURON PV Program the PV Choszczno project is also under construction - a complex of photovoltaic farms with the total capacity of 6 MW. The investment project is implemented as part of the acquisition of AVAL-1 shares by TAURON EKOENERGIA on January 2, 2020. The installation of the PV panels and inverters has been completed. The total budget of the project is approx. PLN 17 million and the project implementation completion date is planned for the end of 2020. The scope of the second PV investment project at that site has been extended to 8 MW. The preparation of the project to take part in the RES auction is underway.

Apart from developing their in-house projects, TAURON Capital Group's subsidiaries are also looking for the opportunities to acquire advanced RES projects ready for construction on the market. A team is also being prepared to implement RES projects, mainly PV projects prepared in-house, from the moment of identifying the site up to obtaining a building permit. After the initial analyses, several preliminary contracts were signed, among others, for the purchase of 6 PV projects and 5 wind farm projects. The due diligence analyses of further projects are underway. All of the investment decisions will be made after the detailed analyses of the technical, legal and business risks have been completed, after positive financial results of the individual projects have been obtained and after the final terms have been agreed upon with the sellers.

Nuclear power plant construction project

PGE EJ 1 was carrying out the project's initial stage scope of works related to conducting environmental and siting studies at Żarnowiec and Lubiatowo-Kopalino sites in the their quarter of 2020. Having collected the appropriate amount of data, the writing of the environmental and siting reports began. Currently, the compiling of both reports is underway.

The project is carried out under the Partners' (Shareholders') Agreement concluded in 2014 by TAURON, Enea S.A. (Enea) and KGHM Polska Miedź S.A. (KGHM Polska Miedź) (Business Partners) with Polska Grupa Energetyczna S.A. (PGE). In accordance with the above agreement each of the Business Partners holds 10% of shares in PGE EJ 1 – a special purpose vehicle responsible for preparing and implementing an investment project involving the construction and operation of a nuclear power plant.

The Partners' (Shareholders') Agreement governs the principles of cooperation in the project implementation, including the parties' commitment to jointly, in proportion to the stakes held, finance the operations as part of a project development milestone (stage).

The preparations for the sale of TAURON's shares in PGE EJ1 were commenced in the third quarter of 2020,. The content of the Letter of Intent was agreed. The Letter of Intent regarding the sale of the shares was signed by all of the shareholders of PGE EJ 1 and a representative of the State Treasury on October 1, 2020. The entities signing the Letter of Intent undertook to carry out, in good faith, all of the activities required to prepare and carry out the transaction involving the acquisition by the State Treasury of 100% of the shares in PGE EJ 1. The intention is that the shares will be purchased by December 31, 2020, however the parties have not specified the effective term of the Letter of Intent. The Letter of Intent does not entail the obligation of the parties to carry out the transaction, and the decision to complete the deal will depend on the results of the negotiations in this respect and the fulfillment of other conditions specified in the legal regulations or the corporate documents.

413 MWe CCGT unit construction project including an approx. 250 MWt heat generation unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie)

In September 2016, in accordance with *TAURON Group's Strategy for 2016-2025 (Strategy)*, as part of the priority of ensuring TAURON Capital Group's financial stability, the 413 MWe CCGT unit construction project including a heat production unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie) was halted due to the loss of its business justification. TAURON Capital Group is currently conducting analyses that would enable a potential resumption of the project or a potential replacement thereof with the smaller high efficiency cogeneration units, along with the establishment of the locations of such units. Taking of the investment decision will, on one hand, be based on the assessment of the projects' profitability, and, on the other hand, on TAURON Capital Group's financial standing. The possibility of involving an equity partner to implement the project cannot be excluded.

Capital expenditures

TAURON Capital Group's capital expenditures came in at PLN 2 728 million in the first three quarters of 2020 and they were 1% lower than the outlays incurred in the same period of 2019 that stood at PLN 2 741 million (excluding the equity investments). This is primarily due to the drop in spending in the Mining Segment and the increase of the outlays in the Generation, Supply and the Other Operations Segments.

The below table presents the selected, highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first three quarters of 2020.

Table no. 5. The highest by value capital expenditures incurred by TAURON Capital Group's Lines of Business in the first three quarters of 2020

Item	Capital expenditures (PLN m}
Distribution	
Installation of new connections	639
Existing grid assets' upgrades (refurbishments) and replacements	597

Item	Capital expenditures (PLN m}
Dispatch Communications System	23
Generation	
Construction of a 910 MW_e super critical parameters generation unit in Jaworzno	429
Adaptation of TAURON Wytwarzanie generating units to the *BAT Conclusions*	199
CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	137
Connecting of new facilities	23
Implementing heat generation at the Łagisza Power Plant	17
Investment projects related to the development (expansion) and maintenance of district heating networks	12
Connecting of the facilities heated using the low emission sources to the district heating networks	7
Restoration of the SUW demineralized water preparation (conditioning) station	7
Mining	
Preparation of the future production	96
Construction of the 800 m level at the Janina Coal Mine (ZG Janina)	36
Brzeszcze Coal Mine's (ZG Brzeszcze) Investment (CAPEX) Program	25
Construction of the "Grzegorz" shaft at the Sobieski Coal Mine (ZG Sobieski)	15
Supply and Other Operations	
Broadband Internet deployment as part of POPC III	71
Maintenance and development of street lighting	26

2. OPERATIONS OF TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

2.1. Subject of the operations of TAURON Polska Energia S.A. and TAURON Capital Group

TAURON Polska Energia S.A.

TAURON, as the parent entity of TAURON Capital Group, performs the consolidating and management function at TAURON Capital Group. As a result of implementing the Business Model and centralizing of the functions, TAURON concentrated many competences related to the functioning of TAURON Capital Group's subsidiaries and is currently carrying out operations, among others, in the following areas:

1. wholesale trading in electricity, gas and related products, in particular, with respect to providing trading (commercial) services for the subsidiaries, securing the requirements with respect to fuel, CO_2 emission allowances and certificates of origin of electricity,
2. purchasing management,
3. finance management,
4. asset management,
5. corporate risk management,
6. managing the IT operations model in place,
7. coordinating the research and development (R&D) activities carried out within TAURON Capital Group,
8. advisory services with respect to accounting and taxes,
9. legal support services,
10. audit.

The above functions are gradually limited at TAURON Capital Group's subsidiaries. Such centralization is aimed at improving TAURON Capital Group's efficiency.

The core operations of the Company, besides managing TAURON Capital Group, include wholesale electricity trading on the territory of the Republic of Poland, based on the license for trading in electricity issued by the President of ERO for the period from June 1, 2008 until December 31, 2030.

The Company is focusing on purchasing and selling electricity for the needs of securing the buy and sell positions of TAURON Capital Group's entities and on wholesale electricity trading. The Company bought and sold 28.7 TWh of electricity in the first three quarters of 2020. Electricity sales performed by TAURON during this period were mainly addressed to the following subsidiaries: TAURON Sprzedaż and TAURON Sprzedaż GZE, with 83.3% of the electricity purchased sold thereto. The above subsidiaries are carrying out the retail electricity supply to the final consumers, and therefore TAURON is not dependent on any single electricity consumer. The other consumers (the trading companies outside TAURON Capital Group, exchanges) accounted for less than 16.7% of the revenue and none of them exceeded 4% of the total revenue from electricity sales. A decision was made in the third quarter of 2020 to discontinue trading activities with respect to intersystem exchange. This is due to the situation regarding the restriction of importing options, which has been prevailing since the beginning of 2020, in line with the Company's trading strategy, as well as the changes with respect to managing the provision of the transmission capacity for intersystem exchange at the level of the Community electricity market (the introduction of the Market Coupling mechanism for the Day-ahead and Intraday markets). In connection with the above, the documents terminating the transmission contracts (50Hertz Transmission GmbH, TenneT TSO GmbH, Amprion GmbH) were submitted to the TSO in Germany in September 2020.

With respect to wholesale electricity trading, as of the end of 2019, the Company took over electricity trading from TAURON Wytwarzanie generation subsidiary, and in April 2020, from TAURON Ciepło, and centralized this activity at TAURON level. The principles of cooperation were defined in the SLA service provision agreements with respect to the trading operations conducted by TAURON for TAURON Wytwarzanie and TAURON Ciepło, pursuant to which the Company is providing, among others, the *market access* service, as part of which it is operating on the Polish Power Exchange (TGE) on its own behalf for the benefit of TAURON Wytwarzanie and TAURON Ciepło, fulfilling the exchange obligation for those subsidiaries.

The Company's additional operations include wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in gas fuels issued by the President of ERO for the period from May 4, 2012 until May 4, 2022. In the first three quarters of 2020 the Company purchased and sold 2.9 TWh of gas fuel. The Company is focusing on selling natural gas for the supply needs of TAURON Sprzedaż, with 57.6% of the purchased fuel gas sold thereto. The other volume was sold mainly on the exchange (33.5%). Other consumers accounted for 8.9% of the revenue and none of them exceeded 4% of the total revenue from the gas sales.

On September 29, 2020, the President of ERO granted TAURON a license to conduct business operations involving foreign trade in natural gas. The new competence will enable TAURON to expand its currently conducted trading operations with respect to natural gas trading on the territory of the Republic of Poland by adding the options of bringing (importing) natural gas from the neighboring markets and its dispatching (exporting) to the neighboring markets that Poland is connected with via the gas transportation (pipeline) system.

The competences of the Company also include management, for the needs of TAURON Capital Group, of the property rights related to the certificates of origin of electricity, constituting the confirmation of electricity generation from the renewable sources (including sources using agricultural biogas), as well as the property rights related to electricity efficiency certificates. The principles of cooperation were defined in the agreements for the management of the property rights' balance (TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Wytwarzanie, TAURON Ciepło) and in the agreements for the provision of trading services with respect to portfolio management of the property rights and guarantees of origin (TAURON Ekoenergia, TEC1 EW Dobrzyń, EW Śniatowo, EW Inowrocław, EW Gołdap). The Company did not carry out trading in the property rights in the first three quarters of 2020, such trading was carried out by TAURON Capital Group's subsidiaries that were acquiring the individual rights and the subsidiaries obligated to redeem (retire) the above mentioned property rights.

TAURON is a competence center with respect to the management and trading in the CO_2 emission allowances for TAURON Capital Group's subsidiaries. As a result of centralizing trading in emissions a synergy effect was achieved, involving optimizing of the costs of utilizing the resources of TAURON Capital Group's entities. In pursuit of the above objectives with respect to the CO_2 emission allowances trading, the Company is actively participating in trading on the London ICE exchange, the EEX Leipzig exchange and on the OTC market. In connection with the centralizing of this function, TAURON is responsible for the settlements (clearing) of the subsidiaries' CO_2 emission allowances, securing the subsidiaries' emission needs taking into account the allowances allocated. In the first three quarters of 2020 the Company changed the model of contracting the CO_2 emission allowances under which the CO_2 contracts concluded were transferred from the ICE exchange to the OTC market, at the same time aligning the settlement (clearing) date of the above mentioned contracts with the retirement (redemption) period.

TAURON also acts as the Market Operator and the entity responsible for trade balancing for TAURON Capital Group's subsidiaries and for the external customers. These functions are carried out under the transmission agreement concluded with the TSO – Polskie Sieci Elektroenergetyczne S.A. (PSE – Transmission System Operator) and other regulations in this respect (Terms and Conditions for Balancing and the Transmission Grid Code).

The Company currently holds exclusive control over the generation capacity with respect to the trading and technical capabilities related thereto, it is responsible for optimizing the generation, i.e. the selection of the generation units for operation as well as the relevant distribution of loads in order to execute the contracts concluded, taking into consideration the technical conditions of the generation units, as well as the grid constraints and other factors, over various time frames. As part of the services provided for the Generation Segment the Company participates in preparing the overhaul plans, plans of available (dispatchable) capacity, as well as the production plans for the generation units, over various time frames, as well as in agreeing them with the relevant grid operator. TAURON is also developing its competences with respect to the Market Operator function for gas under the transmission agreement with GAZ-SYSTEM S.A. (GAZ-SYSTEM). In July 2015 TAURON, as one of the first entities in Poland, launched a balancing group for entities carrying out trading transactions on the gas market and is currently conducting balancing of the trading of two entities, i.e. TAURON Sprzedaż and an external entity added to the balancing group as of the end of 2019.

In 2019 TAURON conducted, on behalf of TAURON Capital Group's subsidiaries, the general certification of physical units, existing and planned as part of the capacity market. As a result, the physical generating units and controllable loads (demand reduction units) will be able to take part in the certification process for the main auctions for the delivery year 2025 and for the additional auctions for the individual quarters of the delivery year 2022, and subsequently they will be able to be offered as part of the above mentioned auctions.

Four additional capacity market auctions were held in the first quarter of 2020, for the individual quarters of the 2021 delivery year. The auctions were conducted by PSE in accordance with the *act of December 8, 2017, on the capacity market* (in July 2020, the Ministry of Climate presented a draft amendment to the act on the capacity market, which was mainly aimed at adapting the national regulations to the provisions of Regulation No 2019/943 on the internal electricity market, with regard to emission limits of units participating in capacity mechanisms Moreover, in order to prepare for certification for the main auction in the context of the above mentioned restrictions, PSE conducted consultations with respect to the amendment of the Capacity Market Regulations. TAURON Capital Group took an active part in both consultations.

On April 9, 2020, the President of the Energy Regulatory Office (ERO) published the information on the final results of the additional auctions in the Public Information Bulletin. According to the information, the closing price of each of the four auctions stood at 286.01 PLN/kW/year. TAURON Capital Group's subsidiaries concluded capacity contracts with the volume of:

1. 154.3 MW in the additional auction for the 1st quarter of 2021,
2. 163.3 MW in the additional auction for the 2nd quarter of 2021,
3. 16.0 MW in the additional auction for the 3rd quarter of 2021,
4. 146.3 MW in the additional auction for the 4th quarter of 2021

The total revenue of TAURON Capital Group stemming from the performance of the capacity contracts concluded as a result of the additional auctions will reach PLN 34.3 million.

Since February 2020 TAURON has been taking part in the so-called guaranteed program of the reduction of electricity demand at the request of PSE, acting as the Aggregator in this respect. Based on the reduction potential, jointly with the customers participating in the program, TAURON will reduce the demand for electricity at selected hours of the day, thus affecting the balancing of KSE (National Power System) and increasing the security of that system.

In accordance with TAURON Group's adopted Business Model the Company is performing the management function with respect to managing the purchasing of production fuels for the needs of TAURON Capital Group's generation entities and secures their fuel position. All of the hard coal for the production needs of TAURON Capital Group is contracted and secured by TAURON. In this respect the Company provides the deliveries of appropriate quality and quantity, guaranteeing that the mandatory reserves of coal are stored at all of the generation units of TAURON Capital Group.

TAURON Capital Group

TAURON Capital Group is conducting its operations and generating its revenue, first and foremost, from electricity and heat supply and distribution, electricity and heat production, as well as hard coal sales, in accordance with the description of the operations of its operating segments (lines of business) provided in section 1.2. of this information.

TAURON Capital Group's core products include electricity and heat, as well as hard coal. Additionally, TAURON Capital Group is trading in commodities: electricity and energy market products as well as coal and gas, and it is also providing electricity distribution and supply services, including to the final consumers, heat distribution and transmission and other services related to the operations conducted thereby.

TAURON Capital Group's discontinued operations constitute the operations of the TAURON Ciepło subsidiary, which is related to the classifying by the Company of its 100% of shares in TAURON Ciepło as held for sale. The core operations of TAURON Ciepło comprise the production, distribution and supply of thermal energy (heat) for the purpose of heating, preparing (conditioning) domestic (tap) hot water and ventilation.

The detailed description of the individual operating segments (lines of business), including the operating data, as well as the results posted by those segments in the first three quarters of 2020, is provided, respectively, in sections 3.3. and 3.4.2. of this information.

2.2. Factors and non-typical (one-off) events that have a significant impact on the abbreviated consolidated financial statements

2.2.1. Internal factors

The operations and earnings of the Company and TAURON Capital Group in the first three quarters of 2020 were impacted, among others, by the following internal factors:

1. update of the strategic directions and steadfast implementation of the Strategy as well as achieving of the assumed financial and non-financial effects,
2. actions with respect to optimizing (streamlining) processes taken by all of TAURON Capital Group's subsidiaries,
3. decisions with respect to the implementation of the key investment projects,
4. measures implemented at TAURON Capital Group's subsidiaries in connection with the COVID-19 pandemic, aimed at ensuring the safety of the employees and customers, as well as securing business continuity, including reducing the operating expenses,
5. implementing the *Strategic Asset Management Plan for 2018 - 2025* – one of the fundamental documents constituting the core of the integrated asset management system at TAURON Capital Group,
6. implementation of the investment projects with respect to adapting TAURON Capital Group's power plants to the so-called *BAT Conclusions* by reducing, starting from 2021, the emissions of sulfur and nitrogen compounds as well as chlorine and mercury or obtaining of the derogations,
7. loyalty building measures aimed at retaining the existing customers and marketing activities with respect to acquiring new customers,
8. centralized TAURON Capital Group's financial management area, supported by the use of such tools as: central model of financing, cash flow (financial liquidity) management policy using the *cash pooling* mechanism, risk management policy in the financial area, insurance policy,
9. ability to obtain debt financing on the international markets,
10. Tax Capital Group's (Podatkowa Grupa Kapitałowa - PGK) operations, primarily aimed at optimizing the performance of the obligations associated with the payment of the corporate income tax by TAURON Capital Group's key subsidiaries,
11. TAURON's purchasing processes management, in particular, the management of fuel purchases for the needs of TAURON Capital Group's generation entities,
12. geological and mining conditions of hard coal extraction,
13. failures of TAURON Capital Group's equipment, installations and grids,
14. implementation of *TAURON Wydobycie (Mining) Turnaround Program for 2020-2029*.

The detailed information related to the impact of the above mentioned factors on the financial result achieved in the first three quarters of 2020 is provided in section 3 of this information. The effects of this impact are visible both in the short term, as well as in the long term outlook.

During the first three quarters of 2020, there had been no material, non-typical (one-off) internal events that would have a significant impact on the financial result achieved. It should be emphasized, however, that due to the current epidemiological situation, in March 2020, TAURON Capital Group's subsidiaries introduced extraordinary preventive measures aimed at ensuring the safety of the employees and customers, as well as at ensuring the security of the continuity of the critical infrastructure's operation.

The analyses completed as of September 30, 2020, carried out as part of the impairment tests related to TAURON Capital Group's assets, demonstrated that the impairment tests completed as of June 30, 2020, were up to date, the consequences of which are described below.

As of June 30, 2020, the analyses were carried out as part of the impairment tests related to TAURON Capital Group's assets' carrying amount, that demonstrated changes with respect to the recoverable carrying value of the fixed assets in the Mining Segment and in the Generation Segment that were due, first and foremost, to the following factors:

- a change of the assumptions related to the cost of capital for the hard coal assets resulting, among others, from the risk of a deterioration of the economic situation due to the COVID 19 pandemic,
- a decrease of the margin on electricity as a consequence of the reduction of the electricity sales price at the biomass fired units.

As a consequence, the booking of the impairment charges related to the loss of the carrying value of the tangible and intangible fixed assets in the amount of PLN 227 million, which led to the reduction of the consolidated net financial result by PLN 184 million, was recognized in the earnings of TAURON Capital Group for the first half of 2020 presented in the consolidated financial statements.

The analyses carried out as part of the impairment tests related to the loss of the assets' carrying amount had not demonstrated the need to book impairment charges in TAURON's standalone financial statements.

As of the balance sheet date, TAURON Capital Group assessed that with respect to the assets and liabilities of TAURON Ciepło, the conditions for classifying the above assets as a group for disposal intended for sale, stemming from *IFRS 5 Fixed assets held for sale and discontinued operations*, were met. In connection with the above, the assets and liabilities of TAURON Ciepło were reclassified as a group for disposal (sale) to the following categories: fixed assets classified as held for sale and liabilities related to assets held for sale, respectively. As of the date of the above reclassification of the group for sale, TAURON Capital Group performed its valuation at fair value (mark to market), which is described in more detail in note 16 of the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group. in accordance with the International Financial Reporting Standards approved by the European Union for the 6-month period ended on June 30, 2020.* Due to the fact that the fair value is lower than the current balance sheet value of the group for disposal (sale), TAURON Capital Group took an impairment charge due to the loss of the carrying value of the non-financial fixed assets in the amount of PLN 806 419 000.

2.2.2. External factors

The results of TAURON Capital Group's operations are impacted by the following external factors:

1. macroeconomic environment,
2. market environment,
3. regulatory environment,
4. competitive environment (landscape).

2.2.2.1. Macroeconomic environment

The Polish market is the core area of TAURON Capital Group's business operations and TAURON Capital Group takes advantage of the positive trends occurring thereupon as well as it is affected by the changes thereof. The macroeconomic situation, both in the individual sectors of the economy as well as on the financial markets, is a significant factor impacting the earnings generated by TAURON Capital Group.

According to a number of external institutions, the negative effects of the COVID-19 pandemic will be greater than earlier predicted.

The International Monetary Fund is estimating that the global GDP decline will clock in at 4.9% in 2020, while in 2021 the growth rate of the world economy is forecast to come in at 5.4%. According to the forecasts of the World Bank, the world's GDP will decline by 5.2% in real terms in 2020, and the world economies will grow by 4.2% in 2021. The negative effects of the pandemic will be felt most by the Eurozone countries, for which the GDP growth rate forecast for 2020 stands at -9% in real terms.

According to the forecasts of the European Commission (EC), Poland's GDP will fall by 4.6% in 2020, and it will go up by 4.3% in 2021. The inflation rate will come in at 2.7% in 2020, trending upward to reach 2.8% in 2021.

The latest forecasts of the World Bank predict a decline of the Polish economy by 3.9% in 2020 (as compared with 4.2% that was forecast in June 2020). The estimated GDP growth rate in 2021 stands at approx. 3.5% (as compared to 2.8% forecast in June 2020).

Taking into account the dynamic changes stemming from the measures taken to reduce the spread of the COVID-19 pandemic, the above forecasts bear a high risk of error.

There was high volatility and uncertainty in the currency market, which is very sensitive to any demand and supply fluctuations. The outbreak of the COVID-19 pandemic led to a depreciation of the Polish currency (e.g. the current EUR/PLN exchange rate remains at around PLN 4.5, while the price was around PLN 4.3 at the beginning of March 2020).

The situation on the international coal market, in spite of the symptoms of economic recovery, was still characterized by a downward trend. The price of coal at ARA ports under monthly contracts stood at the level of approx. 57 USD/t in September 2020. The Polish coal price index for the power industry PSCMI 1 came in at approximately 263.9 PLN/t in August 2020 (as compared to 268.3 PLN/t in January 2020).

According to the data provided by Polskie Sieci Elektroenergetyczne S.A. (PSE) a decline of electricity production has been observed in Poland over the recent months. Domestic electricity consumption was 4.4% lower in the period from January to August 2020 than in the same year-ago period, while electricity production by the domestic generating units went down by more than 7%.

In September 2020, Moody's agency verified the rating for Poland and maintained it at the current A2 level with a stable outlook.

In its October rating Standard & Poor's Global Ratings agency maintained a long term foreign currency rating for Poland of A- with a stable outlook. The agency expects a substantial rebound of Poland’s GDP growth rate to 4.8% in 2021 following the estimated 3.4% recession in 2020.

2.2.2.2. Market environment

Electricity

The below table presents the volumes of Poland’s electricity consumption, production and imports and the average electricity prices on the SPOT market, both in Poland as well as in the neighboring countries in the third quarter of 2020 and in the third quarter of 2019.

Table no. 6. Volumes of Poland’s electricity consumption, production and imports and the average electricity prices on the SPOT market in Poland and in the neighboring countries in the third quarter of 2020 and in the third quarter of 2019

#	Volume	unit	Q3 2020	Q3 2019	Increase/Decrease
1.	Electricity consumption	GWh	40 229	40 756	-527 (-1.3%)
2.	Electricity production by domestic power plants	GWh	36 500	37 915	-1 415 (-3.7%)
3.	Electricity production by power plants fired with:				
	hard coal	GWh	17 607	19 496	-1 889 (-9.7%)
	lignite	GWh	9 863	10 278	-415 (-4.0%)
	gas	GWh	3 236	2 842	394 (13.9%)
4.	Electricity production by wind farms	GWh	2 222	2 521	-299 (-11.9%)
5.	Electricity imports	GWh	3 728	2 841	887 (31.2%)
6.	Average electricity price on the SPOT market in:				
	Poland	PLN/MWh	229.77	249.44	-19.67
		EUR/MWh	51.72	57.74	-6.02
	Neighboring countries (on the example of German)	EUR/MWh	36.12	37.43	-1.31

The average temperature in the third quarter of 2020 was the same as compared with the third quarter of 2019 and came in at 18.1°C. The warmest month of the third quarter of 2020 was August with the average temperature standing at 20.4°C

The decrease of electricity prices on the SPOT market by 7.9% in the third quarter of 2020 as compared to the third quarter of 2019 was caused by the higher electricity production from photovoltaic installations and higher capacity reserve in the power system. A moderate decline of electricity prices was also recorded on the neighboring markets.

The generation from the wind and photovoltaic sources in Germany came in at 36.44 TWh, as compared to 36.46 TWh in the same period of 2019.

The prices of the futures contracts were characterized by markedly lower volatility in the third quarter of 2020 as compared to the first half of 2020. The price of the reference BASE_Y-21 futures contract (clearing price) came in, on average, at 234.42 PLN/MWh, i.e. it was 0.60 PLN/MWh (0,3%) higher than the average price for the same contract in the first half of 2020. The main reasons for the stabilization of the futures contract prices included: the improvement of the situation related to the COVID-19 pandemic, canceling of a number of restrictions and good macroeconomic data readings. A seasonal increase in the prices of the raw materials (commodities) and the CO_2 emission allowances was also recorded.

As compared to the third quarter of 2019, the continued lower electricity prices on the SPOT market translated into a lower valuation of the futures contract, therefore, as compared to the average price in the third quarter 2019, the BASE_Y-21 price was 42.54 PLN/MWh (-15.5%) lower in the third quarter of 2020.

Market participants continued to clearly discount the strong expansion of photovoltaic installations in Poland in the valuation of the PEAK_Y-21 reference futures contract. The average price of that futures contract clocked in at the level of 275.43 PLN/MWh in the third quarter of 2020 and it was lower by 58.88 PLN/MWh (-17.6%) than in the corresponding period of 2019.

Oil and coal

The volume weighted average price of Brent crude on the ICE exchange came in at 43.27 USD/barrel in the third quarter of 2020 and it was lower by 18.90 USD/barrel (a drop by 30.4%) as compared to the volume weighted average price of Brent crude in the same period of 2019. .

The total trading volume came in at slightly more than 12 billion barrels in the third quarter of 2020, while in the same year-ago period it stood at 17.3 billion barrels (a decrease by 30.5%).

The main factors that had an impact on the demand and supply situation on the oil markets in the third quarter of 2020 were the global events affecting the fuel industry. Global crude oil markets continued to be heavily influenced by the COVID-19 developments as the demand forecast for the oil market remained uncertain. On the hand, on the supply side, OPEC+ members decided, in July 2020, to ease the cuts in supply from the original level of 9.7 million barrels per day to approx. 7.7 million barrels per day starting from August 2020. This was because the alliance recorded a recovery in demand during the summer months. However, some countries did not adhere to the original extraction quota agreement and produced more oil than had been contracted.

The average price of CIF ARA coal on the EEX exchange for the annual contract stood at 57.97 USD/t in the third quarter of 2020 and it was lower by 8.74 USD/t (a decrease by 13.1%) as compared to the average coal price in the third quarter of 2019.

The third quarter of the year is usually characterized by the replenishment of the coal inventories forced by the increased demand for the raw material due to the operation of air conditioning equipment. The third quarter of 2020 looked slightly different in the individual areas of the international coal market.

A much higher demand for coal caused by the upcoming summer peak in energy demand took place in China and was caused in particular by the tense relations between Australia and China, caused by the introduction of many import restrictions on the supply of Australian commodity by China. This demand was largely met by the purchases of the domestic coal.

On the other hand, the situation on the European coal market slightly improved due to the increase in the margins for electricity producers in Germany, as of the end of the third quarter of 2020, and a reduction of the supplies from Colombia. There was also a decrease in the supplies from Russia and the US, which was a consequence of the lower coal prices in the first half of 2020, with little prospects for their increase in the second half of 2020.

There was an increase of the prices at all global coal terminals in September 2020, and an improvement of the forecasts for the rest of the year.

The increase of the prices on the European market was, first and foremost, caused by such factors as: improving forecasts for the rise of the share of coal in electricity production in the remaining months of 2020, the reduction of the supplies of the commodity from Colombia and the stopping of the production at other coal mines due to the ongoing *lockdown* there.

The import restrictions imposed by the Chinese authorities on the Australian commodity continued to reduce the demand significantly, especially for the high ash coal. Nevertheless, the impending winter restocking period for the Chinese power plants, which usually begins in October, has encouraged potential buyers from China and India to increase their interest in the supplies from abroad. Even more so as the stronger Chinese currency in relation to the US dollar stimulated interest in the imported raw material.

Natural gas

The average price of gas on the Day Ahead Market on Towarowa Giełda Energii S.A. (TGE - Polish Power Exchange) came in at 41.93 PLN/MWh in the third quarter of 2020 and it was lower by almost 8 PLN/MWh (a drop by 17,5%) as compared to the average price of gas in the third quarter of 2019.

Gas prices in the third quarter of 2020 were the result of the effects of the COVID-19 pandemic and the gradual recovery of the demand for gas in Europe and Asia, which led to an increase of the gas prices as compared to the second quarter of 2020. The factors impacting the gas prices included further difficulties and the postponement of the commissioning of the Nord Stream II gas pipeline and the infrastructure related problems on the liquefied natural gas market in Australia.

The lowest monthly average volume weighted price of the next day delivery contract in the third quarter of 2020 was recorded in July 2020, when it came in at 29.87 PLN/MWh, and the highest one in September 2020, when it clocked in at 57.24 PLN/MWh. The volume of trading under the above mentioned contract came in at 2 286 TWh in the third quarter of 2020, and it was 2.8% lower than the volume of trading under that contract in the third quarter of 2019, when it stood at 2 351 TWh.

The average volume weighted price of the yearly reference contract on the futures market came in at 67.05 PLN/MWh in the third quarter of 2020, and it was more than 21 PLN/MWh (a drop by 24.4%) lower than the average volume weighted price in the third quarter of 2019. The lowest average volume weighted price of that contract was recorded in July 2020, when it stood at 65.13 PLN/MWh, and the highest one in September 2020, when it stood at 69.47 PLN/MWh. The volume of trading under that contract came in at 5 974 TWh in the third quarter of 2020, and it was lower by 37.4% as compared to the volume of trading under that contract in the same period of 2019, when it stood at 9 539 TWh.

According to the Gas Infrastructure Europe association's data, as of September 30, 2020, the Polish storage facilities with the total capacity of approx. 3.2 billion m^3 were 98.6% filled and a year earlier they had been 100% filled (a drop by 1.4 pp). In Europe that level, as of September 30, 2020, stood at 94.7%, and a year earlier it had clocked in at 96.7% (+2.0 pp).

CO_2 emission allowances

The prices on the CO_2 emission allowances market were characterized, similar as in the first half of 2020, by very high volatility in the third quarter of 2020, fueled by both the speculative factors, as well as the fundamental ones. The average price of the EUA-DEC20 reference contract quotes came in at 27.40 EUR/MgCO_2, i.e. EUR 5.36 higher than in the first half of 2020 (+ 24.3%) and EUR 0.50 higher than in the third quarter of 2019 (+ 1.88%). The highest closing price was set on September 14, 2020, at EUR 30.47 and the lowest one clocked in at EUR 25.01 on July 27, 2020, which represents a price difference of EUR 5.46.

The price fluctuations were caused by the COVID-19 pandemic and the significant share of financial institutions in the turnover on this market, which led to uncertainty among the market participants with respect to the real demand for the allowances. In the third quarter of 2020, the impact of the COVID-19 pandemic on the EU ETS market was mitigated by the actions of the European Commission, that continued work on the concept of the *Green Deal for the European Union* (including the development of the hydrogen strategy for Europe), which had a direct impact on the price increase. Market participants carefully monitored all of the information regarding the direction of potential solutions that would change the shape and principles of operation of the EU ETS. In September 2020, works were carried out in the environment (ENVI) and industry (ITRE) committees on amendments to the *European Climate Law* document, that was the basis for the creation of the new regulations and directives aimed at formally defining the targets for reducing the CO_2 emissions by 2030, 2040 and finally by 2050. In order to achieve the goal of climate neutrality at the European Union (EU) level, the above mentioned committees recommended a significant increase of the targets for reducing CO_2 emissions already in 2030, in the order of at least 55%-60% as compared to 1990, which translated into a material rise of the prices of the CO_2 emission allowances. In accordance with the announcements of the European Commission, the European Council and the European Parliament, the final CO_2 emissions reduction target will be approved by the end of 2020.

Property rights

The prices on the green certificates market were stable in January and February of 2020. The prices were characterized by greater volatility in March 2020 as a consequence of the fast changing situation related to the COVID-19 pandemic. In the second quarter of 2020 and at the beginning of the third quarter of 2020 the price fluctuations stabilized and the monthly weighted average TGEozea index remained flat (the minimum price clocked in at 120.93 PLN/MWh in April 2020, while the maximum came in at 138.20 PLN/MWh in July 2020).

Higher prices were recorded in August and September 2020, when the index fluctuated around 140 PLN/MWh (the weighted average TGEozea index in August and September 2020 stood at: 141.76 PLN/MWh and 140.08 PLN/MWh, respectively).

The weighted average price of the green certificates index came in at 136.48 PLN/MWh in the third quarter of 2020 and it was higher by close to 4% than the weighted average price of the green certificates index in the same period of 2019. The trading volume went up by 1.5%, from 2 544 GWh in the third quarter of 2019 to 2 582 GWh in the third quarter of 2020. The balance of the PMOZE_A register at the end of September 2020 reached a surplus of 32.05 TWh, and taking into account the certificates blocked for retirement this balance declined by more than 6.12 TWh to 25.93 TWh (a drop by more than 6.3% year on year).

The blue certificates market can invariably be viewed as very stable. The TGEozebio index fluctuated around the substitution fee figure, which for the current year is 300.03 PLN/MWh. In the January to September 2020 period the prices were moving within the range between the low of 299.62 PLN/MWh, reached at the beginning of July 2020, and the high of 301.38 PLN/MWh, reported in May 2020. The weighted average price of the TGEozebio index in the first three quarters of 2020 came in at 300.14 PLN/MWh, while in the third quarter of 2020 itself it clocked in at 300.12 PLN/MWh, and the trading volume reached 113.74 GWh and it was 9.15% lower than the trading volume contracted in the third quarter of 2019. The balance of the PMOZE - BIO register reached 345.1 GWh at the end of September 2020. Taking into account the certificates blocked for retirement this balance dropped by more than 77.1 GWh to 267.97 GWh (a decline by almost 7.9% as compared to the first three quarters of 2019)

The prices of the PMEF white certificates were moving in an upward trend. The prices turned back lower only in the third quarter of 2020. In the January to September 2020 period the prices of the white certificates fluctuated between the minimum price of 1 735.61 PLN/toe, reached in January 2020, and the maximum price of 2 000.98 PLN/toe reported in mid-February 2020. The highest prices were, however, observed in May 2020, when the weighted average monthly price clocked in at 1 998.80 PLN/toe (on average the prices stood at more than 15% above the substitution fee figure which in 2020 for the white certificates were 1 736.44 PLN/ toe). The weighted average price of the contract discussed came in at 1 777.73 PLN/toe for the third quarter of 2020 and it was higher by more than 20% as compared to the third quarter of 2019. The trading volume went down by more than 95% in the third quarter of 2020 as compared to the trading volume in the third quarter of 2019. It came in at 6 489 toe in the third quarter of 2020 as compared to 143 083 toe in the same period of 2019.

The performance of the contracts for the PMEF-2020 register, as well as the PMEF_F register, on the market was similar. The prices had continued moving in an upward trend until May 2020, only in June 2020 were the indices falling towards the substitution fee figure.

The weighted average price of the PMEF_F contract in the third quarter of 2020 was higher by more than 19% as compared to the prices in the same period of 2019 and it came in at 1 789.47 PLN/toe. The weighted average price of the PMEF-2020 contract in the third quarter of 2020 clocked in at the level of 1 775.51 PLN/toe (the contract was listed only in 2020).

2.2.2.3. Regulatory environment

TAURON Capital Group is monitoring changes and taking actions in the regulatory area, both at the national as well as the EU level.

The below table below presents the most important changes in the regulatory environment of TAURON Capital Group in the first three quarters of 2020.

Table no. 7. Most important changes in the regulatory environment of TAURON Capital Group in the first three quarters of 2020

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
National regulations				
1.	Draft act on promoting electricity generation in off-shore wind farms	The goal of the draft act is to create a dedicated support system for the generation of electricity in the off-shore wind farms and to facilitate applying for the documents required in the course of the investment related works conducted for the off-shore wind farms. The support process (system) is to be divided into two stages: 1. the first stage will be available for the most advanced projects, which, if the statutory criteria have been met, will receive individual support requiring an approval by the European Commission, as being in compliance with the principles of the EU internal market. The first phase is scheduled until June 30, 2021. 2. as part of the second stage the support is to be granted in the form of an auction procedure.	Public consultations have been completed	The act will have an impact on the investment opportunities in the off-shore wind energy. In connection with the Update of TAURON Capital Group's strategy, the act may constitute the basis for further analyses of the investment potential of the electricity generation sector in the off shore wind farms. Providing a dedicated support system for the generation of electricity in the off-shore wind farms may constitute an incentive for the potential investors wishing to develop this type of technology.
2.	Draft act on amending the act – Energy law and certain other acts	The goal of the draft act is to introduce a number of changes, including, among others: • comprehensive regulations with respect to energy storage,	Standing Committee of the Council of Ministers	The act will affect various areas of the business operations conducted by TAURON Capital Group's subsidiaries due to the comprehensive nature of the regulations and in particular by introducing standards on deepening the

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
		• additional mechanisms for consumer protection on the energy market, • changes to the unbundling rules, • introduction of the central energy market information system to be correlated with the implementation of the remote readout electricity meters, • increasing the powers of the President of ERO in relation to the electric utilities, • defining the conditions and procedure for recognizing the given distribution system as a closed distribution system by the President of ERO.		principles of unbundling, the obligation to install remote readout electricity meters and changes in the rules for concluding contracts with the consumers.
3.	Draft act on the compensations due to the increase in the electricity prices in 2020	The goal of the draft act is to implement a compensation system aimed at maintaining a stable level of electricity prices in 2020, as compared to 2019. The beneficiaries of the aid are to be the final consumers of electricity within households who meet the criteria with respect to, among others: income, being connected to an appropriate electricity grid connection (point of electricity consumption) or the level of electricity consumption in 2020, defined in the draft. The amount of the compensations will depend on the amount of the electricity drawn from the grid and consumed by an eligible final customer. The compensations are to be granted in the form of an adjustment to the gross payment amount as listed on the first electricity invoice issued to the eligible entity after March 15, 2021 or by way of a payout of the compensation due to the bank account in the event that it would be impossible to adjust the account payable amount. The trading company will be applying to the price settlement manager (i.e. Zarządca Rozliczeń S.A.) for the payment of the equivalent of the total of the compensation amounts paid out. The payouts will be financed by the Price Difference Payout Fund. The deadline for submitting applications for the payment of the equivalent of the total of the compensation amounts is to be set by September 30, 2021. The deadline for the payment of the equivalent of the compensations by the price settlement manager is to depend on the number of electricity grid connections covered by the compensation in the given trading company. In case of the largest trading companies, given the possible deficiencies in the application and the need to supplement them, the payment deadline may fall at the beginning of 2022.	Public consultations have been completed	The act will affect TAURON Capital Group's trading companies that supply electricity to the final consumers within households as they will act as an intermediary in the system of collecting the consumers' declarations and paying out the compensations, in particular by: • introducing new obligations with respect to collecting applications, among others: informing the consumers about the possibility of obtaining the compensations, receiving and verifying the declarations, • imposing the verification obligations with regard to the payouts related to the applications, apart from the payouts themselves. The operation of the system will also be supported by the distribution companies, i.e. TAURON Dystrybucja.
4.	The act of July 16, 2020, on amending the act on Renewable Energy Sources	The goal of the act is to introduce the definition of energy wood applicable in the period from October 1, 2020, until December 31, 2021. The requirements defined in the regulation of the competent minister responsible for the environment on the detailed qualitative and dimensional characteristics of energy wood shall not be applicable to energy wood during that period.	The legal act came into force on October 1, 2020	The act impacts an extension of the possibility of sourcing energy wood for energy purposes (as forest originated biomass).
5.	The draft act on amending the Act on the Renewable Energy Sources (RES) and certain other acts	The goal of the draft act is to, in particular: • extend the effective term of the existing support systems for electricity generated in the RES installations (prosumers, micro-installations that do not use the discount system, FiT, FiP, auctions), • extend the definition of a small installation, • change the rules for issuing regulations with respect to the maximum volume and value of electricity planned to be contracted under the RES auctions.	Collecting feedback	The act and, in particular, an extension of the effective term of the existing support systems FiT, FiP and the auction based system may potentially impact the investment decisions of TAURON Capital Group with respect to the RES projects.
6.	Package of draft regulations with respect to distributed energy	The goal of the package of draft regulations is to expand and clarify in detail the legal regulations with respect to the functioning of distributed energy mechanisms. The package includes the following regulations:	Public consultations have been completed	The package of the regulations will affect the principles of cooperation, including the processing of the metering data as well as the settlements and connecting of the micro installations to the grid, between TAURON Dystrybucja and TAURON Sprzedaż, prosumers, energy cooperatives and micro installation users.

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
		• regulation with respect to the registration, balancing and sharing of the metering data and the settlements of the energy cooperatives • regulation with respect to the technical requirements, grid connection conditions and the interoperation of the micro installations with the power system, • regulation with respect to the registration, balancing and sharing of the metering data and the settlements of the renewable energy prosumers.		
7.	Draft act on amending the act on the greenhouse gas emission allowances trading system and certain other acts	The goal of the draft act is to transpose *Directive (EU) 2018/410 of the European Parliament and of the Council of March 14, 2018, amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814,* in particular, to introduce the National Modernization Fund implementation system to be responsible for co-financing the implementation of investment projects modernizing the national power system and improving energy efficiency.	Committee for European Affairs	The Act, and in particular the introduction of the National Modernization Fund implementation system, will affect the possibility of obtaining funds for investments that fall within the scope for which financing from the Modernization Fund's funds is possible.
8.	Draft act on amending the act on the capacity market	The goal of the draft act is to adjust the content of the Act on the Capacity Market to *Regulation (EU) 2019/943 of the European Parliament and of the Council of June 5, 2019, on the internal market for electricity*, in particular with regard to the limiting factor of 550 g/CO_2. Additionally, it aims to introduce a mechanism supporting the implementation of investments, in particular in low-emission units and mitigating the effects of delays resulting from the COVID-19 pandemic.	Collecting feedback	The act will ensure the proper implementation and functioning of the capacity market mechanism despite the negative impact of the COVID-19 pandemic on the investment processes.
9.	Package of the regulations related to the COVID-19 epidemic	Regulations aimed at reducing the number of cases and eliminating the negative consequences of the COVID-19 pandemic. The package includes the following regulations:	Legal acts have come into force	
		1. regulations introducing specific obligations and restrictions (including for the employers) in connection with the declaration of the state of the epidemic hazard on the territory of the Republic of Poland, and subsequently the state of the epidemic: • Regulation of the Minister of Health of March 20, 2020, on announcing the state of the epidemic on the territory of the Republic of Poland, • Regulation of the Council of Ministers of March 31, 2020, on establishing certain restrictions, orders and bans in relation to the occurrence of the state of the epidemic (as subsequently amended).		The regulations have an impact on all of TAURON Capital Group's subsidiaries, in particular due to the obligation to provide employees with disposable gloves or hand disinfectants, as well as to ensure a distance between work stations of at least 1.5 m, unless ensuring such a distance is impossible due to the nature of the activity performed at the given workplace (plant), and the plant provides personal protective equipment related to combating the COVID-19 pandemic.
		2. regulations related to the so-called anti-crisis shield (including the financial shield) constituting a collection of measures and solutions supporting entrepreneurs and the economy in connection with the negative effects of the COVID-19 pandemic: • Act of March 2, 2020, on special solutions related to preventing, countering and combating COVID-19, other infectious diseases and the crisis situations caused thereby (as subsequently amended), • Act of March 31, 2020, on amending the act on special solutions related to preventing, countering and combating COVID-19, other infectious diseases and the crisis situations caused thereby, as well as certain other acts (as subsequently amended), • Act of April 16, 2020, on special support instruments in connection with the spreading of the SARS-CoV-2 virus, • Act of June 19, 2020, on the subsidies to the interest rate of the bank loans granted to the entrepreneurs (businesses) affected by the effects of COVID-19 and on the simplified proceedings aimed at obtaining an approval of the arrangement		The acts have an impact on TAURON Capital Group's subsidiaries that: • supply electricity and gas to the consumers, in particular by the provisions that exclude the possibility of the energy company stopping the supply of electricity or gas fuels to a consumer in the event of illegal consumption of fuels or electricity or a delay in the payment for services by the consumer, in case such a consumer is: the final consumer in a household or an entity on which operating restrictions or temporary restrictions with respect to the scope of its operations have been imposed, pursuant to the provisions of the *Act of December 5, 2008, on preventing and combating infections and human infectious diseases*. • conclude transactions on the exchanges and trading platforms by the introduction of the possibility of posting non-cash collaterals to cover the margins securing such transactions in the form of the property rights stemming from the certificates of origin, emission allowances, bank guarantees, as well as sureties issued by the capital group's subsidiaries, • ensure the functioning of the critical infrastructure or the distribution grids, in particular by introducing greater flexibility with respect to the working time rules and enabling

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
		in connection with the occurrence of COVID-19.		the employer to change the employee working time system or schedule, as well as to instruct the employees to perform work overtime within the scope and for the time required to ensure the continuity of the business operations., • have concluded grid connection agreements for the renewable energy source installations in particular by imposing the obligation on such subsidiaries to enable entities with which they have concluded the said agreements to extend (at the request of such entities) the deadline for delivering electricity to the grid for the first time, provided that such a deadline falls prior to June 30, 2022, • have experienced a drop in the business operations turnover, in particular by introducing the possibility of paying the employees, subject to the economic downtime, wages reduced by no more than 50% and the possibility of reducing working hours by 20% (but not more than down to ½ of full-time). Additionally, the acts impact TAURON Dystrybucja (as a DSO), in particular by extending until March 31, 2021, the deadline for submitting a draft development plan to the President of the ERO, and all of TAURON Capital Group's subsidiaries, in particular by the solutions aimed at limiting the spread of the epidemic, as well as securing and improving the financial situation of the entrepreneurs (businesses) by providing the possibility to: • perform work remotely, • grant care allowance for the employees in the event of a release from the obligation to perform work for the purpose of taking care of a child up to 8 years of age, • reduce income or revenue earned from the business operations in 2019 by deducting the amount of the loss incurred in 2020 due to COVID-19, • hold meetings by the companies' management boards and supervisory boards remotely, adopting resolutions remotely, as well as casting votes by the members of such bodies in writing through another member of the body (unless the company's shareholders' agreement or the company's articles of association provide otherwise) • obtain funding from the Guaranteed Employee Benefits Fund to subsidize the wages of the employees affected by the economic downtime or the reduced work time, • obtain financing (in particular in the form of a guarantee, loan, surety, public aid) from: Państwowy Fundusz Rozwoju S.A. (Polish Development Fund), Agencja Rozwoju Przemysłu S.A. (Industrial Development Agency), and Bank Gospodarstwa Krajowego (BGK).
10.	Draft act amending the act - Code of Commercial Companies and certain other acts	The goal of the draft act is to change the current solutions provided for with respect to commercial companies law by: • introducing the so-called holding law, including the concept of the interest of a group of companies and actions in this interest justifying, in certain circumstances, a violation of the interest of subsidiaries being part of the capital group, as well as the possibility of issuing binding instructions by the management board of the parent company to the management boards of subsidiaries, • strengthening the role of the supervisory boards in companies including, among others, by extending the scope of reporting between the management board and the supervisory board, and the possibility for supervisory boards to request specific information from management boards.	Public consultations have been completed	The act will lead to: • increasing the efficiency of supervision over the subsidiaries by strengthening the role of supervisory boards in the control process and introducing the possibility of issuing binding instructions to the management boards of subsidiaries by the management board of the parent company, • increasing the scope of responsibilities of the individual organizational units in the subsidiaries of TAURON Capital Group by introducing additional reporting paths, among others to the supervisory board • undertaking a number of comprehensive adaptation measures within TAURON Capital Group, including changes to the articles of association of the subsidiaries, TAURON Group's Code, regulations of the management boards and supervisory boards, in order to ensure compliance of TAURON Capital Group's operations with the changed legal status

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
				Additionally, the Act will have an impact by introducing the concept of the interest of a group of companies related to the possibility of excluding the liability of the members of the subsidiaries' authorities in the event of acting in such interest (in the event of a simultaneous violation of the individual interest of the subsidiary) and the introduction of criminal liability (including fines in the amount of at least PLN 50 000), not only for the members of the management team, but also for the ordinary employees for a failure to provide the supervisory board with the relevant information.
11.	Draft regulation of the Minister of Climate amending the regulation on the detailed rules of shaping and calculation of the tariffs and billing (settlements) in electricity trading	The goal of the draft regulation is to: • enable energy companies (electric utilities), conducting business operations with respect to electricity distribution, to establish a tariff group for the consumers using electricity exclusively for the needs of the generally accessible charging stations and the provision of the charging services thereupon, • limit the negative effects of the COVID-19 pandemic for the DSOs and the TSOs, manifested in the reduction of electricity consumption by the consumers, by introducing a mechanism to equalize the balance of the actual revenue and the planned regulated revenue, • transpose into the national law the provisions of Art. 10, clause 3, letter b of the Directive of European Parliament and of the Council 2012/27/EU of October 25, 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC entitling electricity consumers to receive invoices and billing information in electronic form.	Collecting feedback	The regulation will primarily affect the Distribution Line of Business, especially by introducing a mechanism to equalize the actual revenue and the planned revenue. In addition, the introduction of a solution with respect to the dedicated tariff for the charging stations will have an impact, taking into account the commitment of TAURON Capital Group to supporting the development of electromobility.
12.	Draft regulation of the Minister of Climate amending the regulation on the detailed conditions for the operation of the power system	The goal of the draft regulation is, in particular, to introduce the first stage of the Balancing Market (RB) reform, implementation of the Community regulations into the national law and implementation of the obligations under the European Commission Decision SA.46100 (2017/N) - Poland - Planned Polish capacity mechanism and the Electricity Market Reform Implementation Plan. The first stage of the RB (Balancing Market) reform, included in the proposed regulation, covers: • enabling active participation of the generating units that are not subject to the central dispatching and electricity storage facilities in the RB, introducing the concept of *active participation* in the RB, • changes with respect to the integrated scheduling process by enabling a wide range of offers (bids) to be updated, • withdrawal of the possibility to provide services: Cold Intervention Reserve, Operational Capacity Reserve, Guaranteed Intervention Program DSR, Intervention Operation, • change of the sign convention on the RB in order to adapt it to the requirements of *Commission Regulation (EU) 2017/2195 of 23 November 23, 2017, establishing a guideline on electricity balancing*, • changing the principle of setting the imbalance prices and settlements, • improving the principle of valuation and settlements with respect to re-dispatching. In addition, minor changes to the provisions related to connecting devices to the electricity grid are envisaged, first and foremost to the extent resulting from the need to adapt them to the provisions of *Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 5, 2019, on the internal market for electricity*.	Collecting feedback	The regulation will affect TAURON Capital Group's subsidiaries operating on the RB (Balancing Market), in particular by implementing the adaptation measures to ensure compliance with the new legal requirements.

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
European Union (EU) regulations				
13.	European Green Deal – published by the European Commission in December 2019 includes:	*European Green Deal*, which is a plan of actions aimed at achieving climate neutrality by the EU states by 2050. In accordance with the regulation the steps taken by the European Commission (EC) are to cover the entire economy, including the power, agriculture, transportation (land, sea, air) and manufacturing industry sectors. The European Commission (EC) has published a legislative schedule covering the next several years.	Public consultations of the draft legal acts and the assessments of the effects of the regulations	*European Green Deal* is a major challenge for all sectors of the economy. It will be possible to evaluate the detailed goals for the power sector after the legislative acts related to the sector have been published. TAURON Capital Group is aligning its activities with the global and EU trends related to the power sector. The Update of the Strategic Directions (the so-called *Green Turn of TAURON*) was adopted in 2019, according to which the low and zero-emission sources will constitute 65% of the TAURON Capital Group's energy mix by 2030. Investments in photovoltaics (including on the post-industrial land), on-shore wind farms and an involvement in the off-shore wind farms are planned. The directions indicated are in line with the assumptions of the *European Green Deal*.
	Just Transition Mechanism - a draft published by the European Commission in January 2020	The draft regulation consists of three pillars: • 1st pillar - Just Transition Fund, • 2nd pillar - InvestEU Program, • 3rd pillar - Loans for the public sector. In January 2020, the European Commission (EC) published a draft Regulation on the establishment of the Just Transition Fund, according to which the budget would amount to EUR 7.5 billion, with the maximum limit (cap) of support for a single country of EUR 2 billion. As part of the work on the Multi-Annual Financial Framework for 2021-2027, the European Commission (EC) proposed to increase the budget to EUR 40 billion, with the maximum limit (cap) of support for a single Member State of EUR 8 billion. In May 2020, the European Commission (EC) published a draft regulation establishing the InvestEU Program, according to which funds are to be secured in the EU budget, which will allow for the setting up of guarantees worth EUR 75.2 billion.	Works on the draft regulations in the European Parliament and the Council of the EU	The regulation may provide support for TAURON Capital Group and its workforce in the following areas: • investments in renewable energy sources (including on the post-industrial land), • raising and changing the qualifications of, first and foremost, the personnel employed in the mining or generation lines of business, • research and development of the low emission technologies, • reclamation and management (utilization) of the post-mining and post-industrial land.
	European Climate Law – a draft published by the European Commission (EC) in March 2020	The draft regulation establishes the framework for achieving climate neutrality (European Climate Law) and, according to that regulation, the European Commission will propose a new target for reducing the greenhouse gas emissions at the EU level by 2030. In addition, the European Commission (EC) is proposing the introduction of the EU level greenhouse gas emissions reduction trajectory for 2030 - 2050.	Works on the draft regulation in the European Parliament and the Council of the EU	Tightening of the target for reducing the greenhouse gas emissions to 50-55% by 2030 may have an impact on the costs of the CO_2 emission allowances and the commencement of works on other regulations related to the power sector, in particular on the revision of the ETS Directive. In addition, legislative initiatives undertaken by the European Parliament aim to ban the use of subsidies (direct and indirect) for the fossil fuels from 2025.
	Amendment of the Council Directive 2003/96/EC Of October 27, 2003, on restructuring the Community framework for the taxation of energy products and electricity	The draft amendment aims to verify the current minimum excise tax rates as well as the system of rates, exemptions and reductions (breaks) applicable to the taxation of energy.	Initial Assessment of the Regulation's Effects	The regulation may affect the generation mix of TAURON Capital Group through the preferential taxation of sources generating energy in an environmentally sustainable manner.
	Border tax on the GHG emissions	The legislative options analyzed include the introduction of appropriate taxes reflecting the carbon footprint, tariffs or an extension (by adding imports) of the Emissions Trading System (EU ETS). The designed solution aims to protect the European industry against the so-called "carbon leakage".	Initial Assessment of the Regulation's Effects	The regulation may lead to an increase of the prices of the components imported by TAURON Capital Group and a reduction of potential electricity imports from the countries not covered by the EU ETS.
14.	European Recovery and Resilience Facility	In May 2020, the European Commission (EC) published a communication entitled *The EU budget powering the recovery plan for Europe* in which it presented the planned changes to the EU budget for 2021-2027 related to the need to combat the effects of the COVID-19 pandemic. The EC is planning, inter alia, to set up an additional support mechanism worth EUR 750 billion.	Negotiations between the member states and within the EU institutions	The instrument may constitute significant support for the implementation of the investment projects that are a part of the *Green Turn of TAURON*, and thus have a positive impact on TAURON Capital Group's transition process. The Recovery Fund's priorities include, among others, compliance of the projects with the *European Green Deal* or the national energy and climate plans.

#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
		As stated in the communication, the investment projects presented under the economic recovery and resilience plans should be in line with the EU's long term strategies, in particular the *European Green Deal*, the member states' national energy and climate plans, as well as the just transition plans.		
15.	Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (Regulation with respect to Taxonomy (sustainable financing)	In accordance with the regulation a classification system, the so-called *EU Taxonomy*, i.e. the green list for sustainable economic activities, was introduced The criteria are based on the adopted six environmental goals: 1. mitigating climate change, 2. adaptation to climate change, 3. sustainable use and protection of water and marine resources, 4. transition to a circular economy, 5. prevention of pollution and monitoring (auditing) thereof, 6. protection and restoration of biodiversity and ecosystems. An activity can be classified as environmentally sustainable if it contributes to one of the above objectives while “not causing serious harm” to others. EU, the member states, financial market participants offering financial products, financial and non-financial companies covered by the non-financial reporting will be obligated to use the *EU Taxonomy* starting from December 2021.	In force from July 12, 2020	The principles of classifying economic activities included in the *EU Taxonomy* affect the ability and conditions of obtaining capital for the implementation of the investment projects by TAURON Capital Group.
16.	Commission Implementing Regulation (EU) 2020/1001 of July 9, 2020 laying down detailed rules for the application of Directive 2003/87 / EC of the European Parliament and of the Council as regards the operation of the Modernization Fund supporting investments to modernize the energy systems and to improve energy efficiency of certain Member States (Regulation on the Modernization Fund)	The regulation lays down the detailed rules on the operation of the Modernization Fund as regards the following • submission of proposals for financing of investments, • assessment of priority investments and non-priority investments • management, disbursement and payment of the resources from the Modernization Fund, • composition and operation of the Investment Committee for the Modernization Fund, • monitoring, reporting, evaluation, and auditing, • information and transparency. The Modernization Fund, financed from the sales of the CO_2 emission allowances, was established for the years 2021-2030 to support investments in the modernization of energy systems and improvement of energy efficiency in the Member States in which GDP per capita according to the market prices in 2013 was below 60% of the EU average (including Poland). The entities responsible for the correct use of the fund include the European Investment Bank (EIB) and the Investment Committee of the Modernization Fund.	In force from July 30, 2020	The Modernization Fund may constitute significant support for the implementation of investment projects that are a part of the *Green Turn of TAURON*, and thus have a positive impact on TAURON Capital Group’s transition process.
17.	Commission Implementing Regulation (EU) 2020/1294 of September 15, 2020, on the Union renewable energy financing facility	The regulation sets out the provisions required for the implementation and operation of the EU's renewable energy financing facility, which will be in place as of January 1, 2021. The function of the facility is to create a framework and provide support for the new projects in the EU in the field of renewable energy in order to eliminate the discrepancies (misalignments). Under the facility, all of the Member States will be able to pay voluntary financial contributions, that will be used to submit support offers for the new RES projects. All of the technologies identified as renewable energy technologies in accordance with *Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources* should be	The legal act came into force on October 7, 2020	Support for reducing the cost of capital of the RES projects, achieving the RES target in the energy mix and strengthening the regional cooperation with third countries.

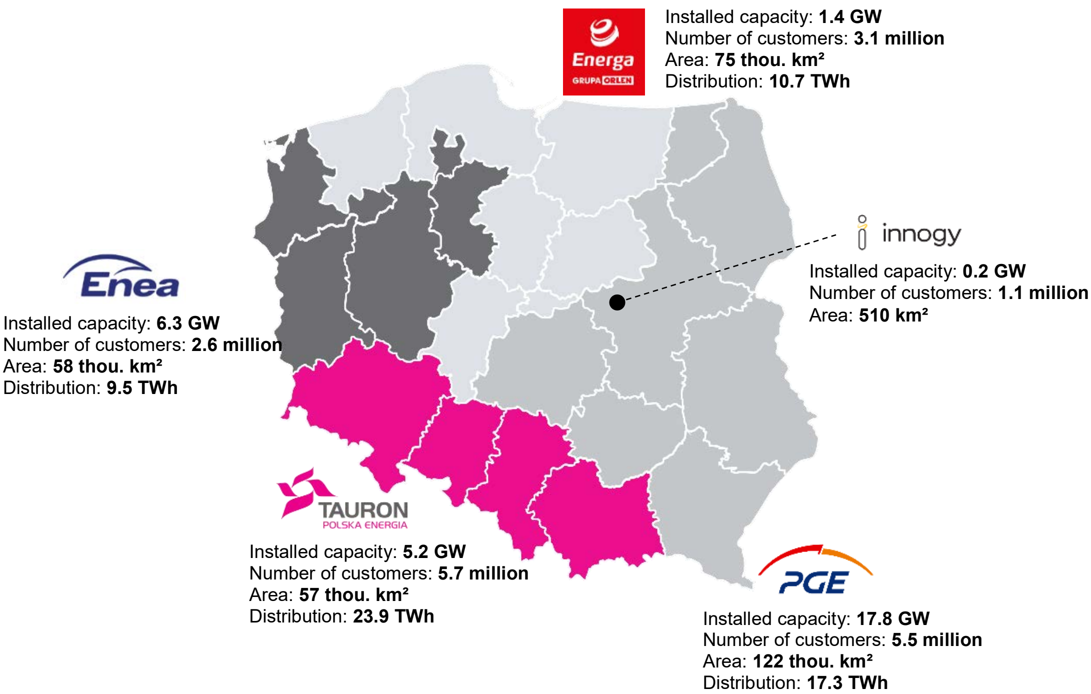
#	Name of the regulation	Description of the regulatory change	Status as of 30.09.2020	Impact on TAURON Capital Group
		eligible for support in the form of low interest loans and grants (subsidies).		
18.	Amendment of the Directive of the European Parliament and of the Council (EU) No 2014/65 of May 15, 2014 on markets in financial instruments (MIFID II Directive)	The amendment of the directive is aimed at, inter alia, simplifying the formal requirements related to the exercising, by the entities that do not have an investment firm status, of the so-called exemption from the additional activities foreseen for the enterprises that trade financial instruments on a small scale.	Draft being processed in the European Parliament	The amendment of the directive, by repealing Art. 2, clause 4 of the MIFID II Directive, authorizing the European Securities and Markets Authority (ESMA) to issue detailed regulatory standards on how to perform calculations for the purpose of exercising the exemption for the so-called additional activities (enabling trading in financial instruments without a brokerage license), will make it necessary to conduct a verification (revision) of the internal regulations of TAURON Capital Group regarding MIFID II in order to adjust them to the current legal status and ensure compliance with the regulatory requirements in this respect. In addition, the amendment of the directive will have a positive impact due to the deletion of the provision on the need to notify the supervisory authority (KNF) annually of the fact of exercising the above mentioned exemption. The introduction to the MIFID II directive of Art. 90, clause 1a, according to which, by December 31, 2021, the European Commission will examine and summarize the impact of exercising, by entities, of the exemption from the additional activities in relation to trading in the CO_2 emission allowances and their derivatives, and will propose potential modifications in this regard, may be of key importance for TAURON Group's subsidiaries trading in the CO_2 emission allowances, in particular in a situation where the option of exercising the exemption from the additional activities for such subsidiaries were to be limited, which might involve a requirement for such subsidiaries to obtain a brokerage license.

2.2.2.4. Competitive environment (landscape)

Apart from TAURON Capital Group, three large, vertically integrated energy groups are currently operating on the Polish market: PGE, Enea and ORLEN Group's Energa S.A. (Energa). Furthermore, Innogy Polska is conducting its operations in Warsaw, managing Warsaw's power grid.

The below figure presents TAURON Capital Group's competitive environment (landscape) based on the H1 2020.

Figure no. 4. TAURON Capital Group's competitive environment (landscape) based on the H1 2020



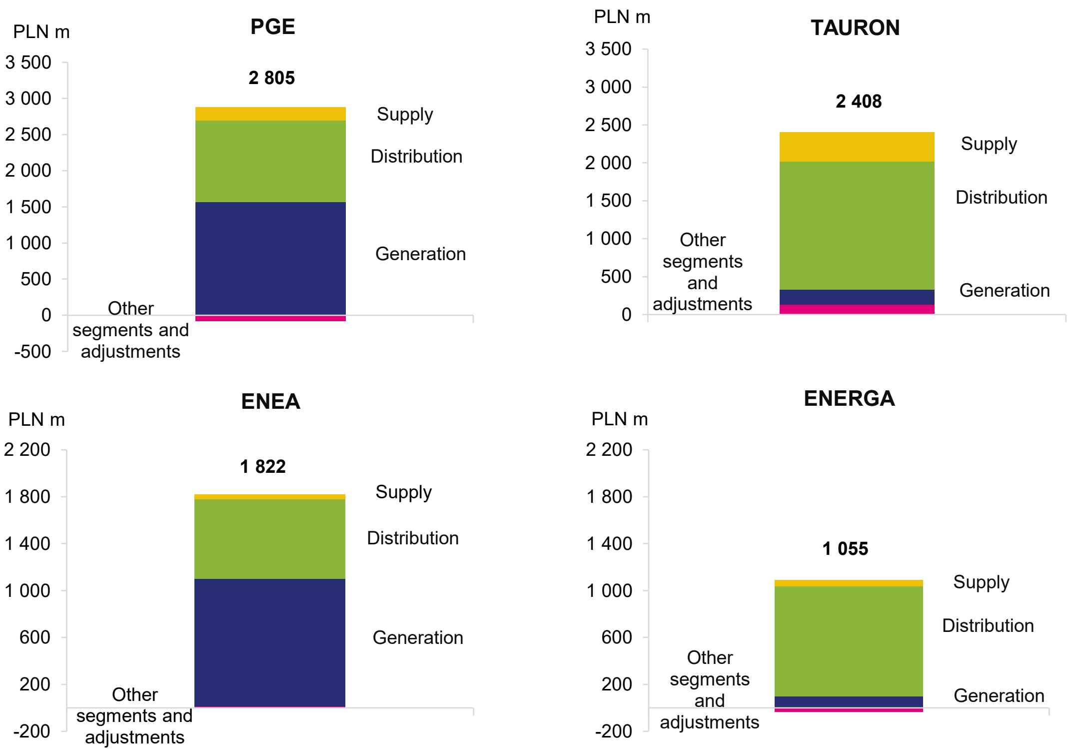
The consolidated energy groups (PGE, TAURON, Enea, Energa) held a 65% market share in the electricity generation sub-sector in the first half of 2020.

TAURON Capital Group is a fully vertically integrated energy enterprise (electric utility) that takes advantage of the synergies stemming from the size and scope (scale) of the operations conducted.

TAURON Capital Group controls the value chain, from hard coal mining up to the delivery of electricity to the final consumers. TAURON Capital Group is conducting its operations in all of the key segments of the energy market (excluding electricity transmission), i.e. in hard coal mining, as well as electricity and heat generation, distribution, supply and trading.

The below figure presents information on the structure of EBITDA based on the main segments.

Figure no. 5. EBITDA - structure based on the main segments in the first half of 2020*



**In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat.*
Source: Companies' interim reports

Generation

TAURON Capital Group is one of Poland's largest electricity producers

TAURON Capital Group's share in the domestic electricity generation market, based on the gross electricity production output, stood at approx. 8% in the first half of 2020. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's generation assets are concentrated in the south of Poland. Also, the deposits of the hard coal used to fire TAURON Capital Group's power plants and combined heat and power plants are located in this region.

Nationwide, as of the end of the first half of 2020, TAURON Capital Group's hard coal fired units' installed capacity accounted for approx. 14% of the total installed capacity of all hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants as well as hydro power plants, the share of TAURON Capital Group came in at approx. 6%, 13% and 6%, respectively.

87% of TAURON Capital Group's generation assets were, as of the end of the second quarter 2020, hard coal fired units, 10% of which were modern high efficiency generating units. TAURON Capital Group's total installed capacity stood at almost 5.2 GW as of September 30, 2020, with 659 MW of that figure coming from the renewable sources. Wind farms' installed capacity represented 7.4%, hydroelectric power plants' installed capacity accounted for 2.6%, biomass-fired generating units' installed capacity constituted 2.8% of TAURON Capital Group's total installed capacity.

The 450 MW CCGT unit in Stalowa Wola was commissioned on September 30, 2020,, with TAURON and the PGNiG Group each holding 50% of the shares in the joint venture.

TAURON's electricity production (in total: Generation Segment, RES and discontinued operations) clocked in at 8.7 TWh in the first three quarters of 2020, with 7.3 TWh coming from the hard coal fired sources and 1.4 TWh from RES.

PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 41% in the first half of 2020, and the installed capacity of 17.8 GW, with 14.7 GW of that in coal and lignite fired assets. Enea is the second largest electricity producer in Poland. Enea’s market share in Poland’s electricity generation stood at approx. 14% in the first half of 2020 and its installed capacity clocked in at 6.3 GW. Energa, on the other hand, has the largest share of electricity produced from the renewable energy sources (RES) on the Polish market, and Energa Group’s total installed capacity stands at approx. 1.4 GW. Energa produced 1.4 TWh of electricity in the first half of 2020, with approx. 0.8 TWh (i.e.) of that volume coming from RES.

The increase of the production of electricity from RES was caused by a decline of the production from the conventional units as a consequence of a lower demand as a result of the COVID-19 pandemic and good weather conditions, especially high windiness, which translated into high electricity production from the wind sources.

Good weather conditions, in particular the high wind conditions, contributed to the increase of the electricity production from RES, which translated into high electricity production from the wind sources.

The below figures present estimated market shares of the individual energy groups, in terms of electricity generated and installed capacity, according to the data for the first half of 2020.

Figure no. 6. Gross electricity production - estimated market shares in the first half of 2020

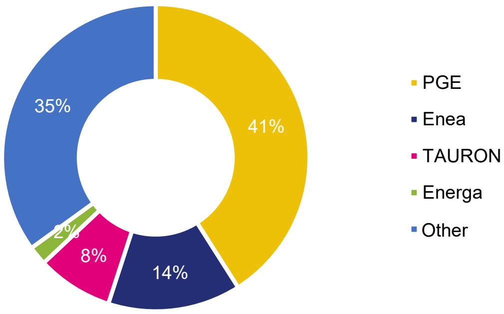
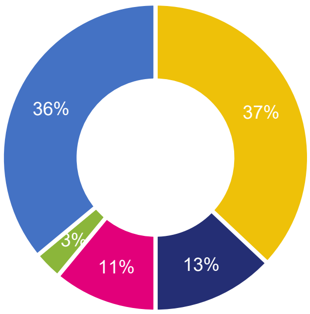


Figure no. 7. Installed capacity - estimated market shares in the first half of 2020



Source: Agencja Rynku Energii S.A. (ARE), information from the companies published on their websites

Distribution

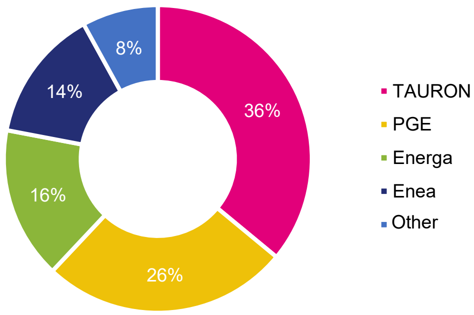
TAURON Capital Group is the Polish market leader in terms of the number of distribution customers and volume of electricity distributed

TAURON Capital Group is Poland’s largest electricity distributor. TAURON Dystrybucja’s share in electricity distribution to the final consumers reached approx. 36% in the first half of 2020. TAURON Capital Group’s distribution grids cover more than 18% of Poland’s territory. The volume of electricity delivered to the final consumers came in at approx. 36.9 TWh in the first three quarters of 2020. TAURON Capital Group is Poland’s largest electricity distributor also in terms of revenue from the distribution operations.

It should be emphasized that TAURON Capital Group’s distribution operations, due to the natural monopoly in the designated area, are a source of a stable and predictable revenue, representing a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution’s geographical area on which the Distribution and Supply Segments’ subsidiaries are historically operating is a heavily industrialized and densely populated area and therefore the distribution grid is very well utilized. The number of the Distribution Segment’s customers reached 5.71 million in the third quarter of 2020.

The below figure presents estimated market shares of the individual energy groups in terms of electricity distribution based on the H1 2020 data.

Figure no. 8. Electricity distribution to the final consumers - estimated market shares in the first half of 2020



Source: ARE, information from the companies published on their websites

Supply

TAURON Capital Group is Poland's second largest electricity supplier

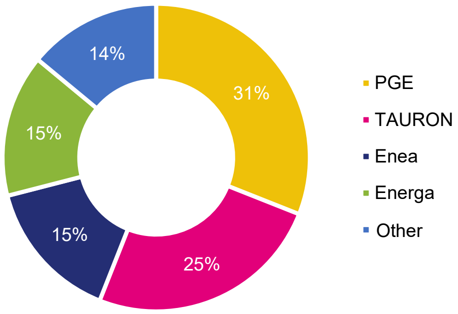
TAURON Capital Group holds a 25% share in the electricity supply market to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group came in at 23.7 TWh in the first three quarters of 2020. The number of customers served by TAURON Capital Group's Supply Segment is approx. 5.6 million.

PGE is the largest retail electricity supplier with a 31% market share as of the end of the second quarter of 2020. The other two groups, Enea and Energa, hold a 15% market share each.

In the segment of electricity supply to the households the individual energy groups are geographically linked, first of all, with the areas in which they are acting as an ex officio electricity supplier. The need to submit household tariffs for approval to the President of the Energy Regulatory Office leads to limited options for positioning prices in the product offerings, and what follows, it impacts their attractiveness for the customers. These restrictions do not apply to business and institutional customers. A broader and more open competition exists in these sectors.

The below figure presents estimated market shares of the individual energy groups in terms of electricity supply to the final consumers based on the H1 2020 data.

Figure no. 9. Electricity supply to the final consumers - estimated market shares in the first half of 2020



Source: ARE, information from the companies published on their websites

The below table presents information on the installed capacity and the volume of electricity generation, distribution and supply, as well as the domestic market shares in the first half of 2020.

Table no. 8. Installed capacity, generation, distribution and supply of electricity by energy groups in the first half of 2020

#	Group	Installed capacity		Generation*		Distribution		Supply	
		Quantity (GW)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)
1.	PGE	17.8	36.8	31.4	40.7	17.3	26.1	20.1	31.3
2.	TAURON	5.2	10.7	5.9	7.7	23.9	36.0	16.0	25.0
3.	Energa	1.4	2.9	1.4	1.8	10.7	16.1	9.3	14.5
4.	Enea	6.3	13.0	11.2	14.5	9.5	14.3	9.8	15.3
5.	Other	17.7	36.6	27.2	35.3	5.0	7.5	8.9	13.9
	Total	**48.4**	**100**	**77.1**	**100**	**66.4**	**100**	**64.1**	**100**

**Volume of gross electricity generated in the first half of 2020*

Source: ARE, information from the companies published on their websites, own estimates in case of the companies publishing the net production

The period under review was characterized by a decrease of the demand for electricity due to the outbreak of the COVID-19 pandemic. The decline of the demand contributed to a decrease of the electricity production in Poland, and thus to a lower level of the distribution and supply volumes.

The analysis of the largest energy groups operating on the domestic market points to various sources of competitiveness in the selected segments of the energy market, depending on the operations conducted thereby.

The below table presents the main sources of competitiveness of TAURON Capital Group.

Table no. 9. Sources of competitiveness of TAURON Capital Group

#	Line of Business	Initiatives	Sources of competitiveness
1.	Mining Generation	• Reducing the fuel price and supply risk • Investments in generating units • Operating expenses	• Concluded capacity market contracts. • High efficiency generating units with a competitive unit production cost • Improvement of operational efficiency

#	Line of Business	Initiatives	Sources of competitiveness
	RES Heat	• Operating expenses • Investments in district heating networks	• Improvement of operational efficiency • Development of low and zero emission generation sources – *Green Turn of TAURON* • Expanding regulated operations
2.	Distribution	• Operating expenses • Investment project efficiency • Improvement of grid reliability indicators	• Implementing the ultimate business model • Implemented IT systems, separate processes, clear (transparent) split of responsibilities
3.	Supply	• Operating expenses • Sales margin, developing products tailored to customer needs, growth in new Lines of Business	• Efficiently allocated operating expenses • Brand, current customer base, sales channels in place, experience in product and purchasing portfolio management

2.3. Factors that will have an impact on the results achieved over at least the next quarter

The results of TAURON Capital Group's operations over at least the next quarter will be most materially impacted by the following factors:

1. macroeconomic situation in Poland at the EU and global economy level, including changes of interest rates, FX rates, etc., impacting valuation of assets and liabilities listed by the Company in the statement of financial position
2. market situation in Poland and in the EU, as well as the global economy, including changes of the electricity prices, prices of the CO_2 emission allowances, prices of the raw materials (commodities), etc., affecting the revenues and the level of the costs generated,
3. introduction of the state of epidemic in Poland, as of March 20, 2020, effective until cancelled due to the COVID-19 virus infections which, as a consequence, leads to a decrease of the demand for electricity, and thus a decline of the volume of electricity distributed and supplied, as well as a reduction in electricity production,
4. possibility of a further tightening of the constraints and trade restrictions as a result of an increase in the number of COVID-19 cases,
5. potential increase of the overdue accounts receivable caused by the deterioration of the financial condition of the counterparties (contractors),
6. extraordinary preventive measures implemented at TAURON Capital Group's subsidiaries due to the state of epidemic, aimed at ensuring the safety of the employees and customers and ensuring the security of the continuity of the operations of the critical infrastructure,
7. political environment in Poland and at the EU level, including the positions and decisions of the state administration institutions and offices, e.g.: UOKiK, URE (ERO) and the European Commission (EC),
8. result of the Court of Justice of the European Union (CJEU) proceedings conducted in connection with a complaint submitted by TEMPUS against the European Commission regarding the declaring the decision of the European Commission, deeming the Polish capacity market mechanism to be in line with the internal market, as null and void,
9. changes to the regulations related to the power sector, and also changes in the legal environment, including: tax law, commercial law, environment protection law,
10. changes to the regulations governing the operation of the PPE (TGE), in particular the possibility of abolishing the exchange obligation and changing the timeline of the contracting by extending it by 1 year,
11. change in the policies of the financial institutions with respect to the financing of coal fired electricity generation,
12. possibility of using the European funds supporting the transition of the energy sector and mitigating the effects of the social changes
13. geological and mining factors, as well as the natural hazards that may affect the volume of fossil fuel extraction,
14. introduction of the generation capabilities compensation mechanism (the so-called capacity market), in particular the impact on the results of the main auctions for the delivery of electricity in 2021 - 2024 and the decisions regarding the discontinuing of the operational capacity reserve and the interventional cold reserve mechanisms,
15. support system for electricity generation from the dedicated sources (*color certificates*), resulting, on one hand, in the costs of redeeming (retiring) certificates for the suppliers of electricity to the final consumers, on the other hand, in revenue from the sales of certificates for the generators of electricity,
16. RES support system, the so-called RES auctions,
17. competitive environment (landscape), including the activities and steps taken by the competition on the energy market,
18. further tightening of the EU climate policy, in particular, resulting in the energy transition focused on the RES, as well as in an increase of the prices of the CO_2 emission allowances,
19. growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation and Mining Lines of Business,
20. level of tariff for the electricity and heat supply to households (tariff group G) approved by the President of ERO,
21. level of tariff for the electricity distribution approved by the President of ERO,
22. environment protection requirements as a consequence of changes to the *act of April 27, 2001,*

Environment Protection Law, the so-called anti-smog resolutions,

23. planned changes to the regulations related to the *act of August 25, 2006 on the system for monitoring and inspecting fuel quality*, among others the quality requirements for solid fuels,
24. science (research) and technical progress,
25. demand for electricity and the other energy market products, taking into account changes due to seasonality and weather conditions
26. shaping of the personnel policy, including the results of the negotiations with the Social Council of TAURON Group,
27. changes to the schedules, budgets and scopes of the investment projects implemented by TAURON Capital Group,
28. impact of weather conditions, including of extreme nature, resulting in the impact on the failure rate of the assets of TAURON Capital Group and the seasonality of the revenue generated and the costs incurred.

The impact of the above mentioned factors on the financial result achieved in the first three quarters of 2020 is presented in section 3 of this information. The effects of this impact are visible both in the short term perspective, as well as in the long term outlook.

TAURON Capital Group's operations are characterized by seasonality that is applicable, in particular, to heat production, distribution and supply, electricity distribution and supply to the individual consumers, as well as hard coal sales to the individual consumers for heating purposes. Heat supply depends on weather conditions, in particular on outdoor temperature, and it is higher in the autumn and winter season. The volume of electricity supply to the individual consumers depends on the length of day which usually makes electricity supply to this group of consumers lower in the spring and summer season and higher in the autumn and winter season. Hard coal sales to the individual consumers are higher in the autumn and winter season. The seasonality of TAURON Capital Group's other lines of business is low.

High volatility of the conditions for conducting business operations has been observed in Poland recently. Additionally, the constantly tightening climate regulations at the European and the national level constitute an important premise for the analysis of the current and future situation of TAURON Capital Group. Therefore, the Company has intensified its analytical works with respect to the assessment of the impact of the ongoing and planned changes in the economic and regulatory environment on the financial position, assets and personnel situation of TAURON Capital Group. This is why it may be justified to update the current Strategy to reflect the changes in the market and regulatory environment. A potential adaptation of the Strategy might take place if the conclusions from the analyses and consultations conducted were to demonstrate the possibility of a more efficient use of TAURON Capital Group's potential, and in particular a chance for a faster transition of the Company's energy mix towards RES.

2.4. TAURON Capital Group's material accomplishments and failures (setbacks) in the first three quarters of 2020 and after the balance sheet date

Material events that had occurred in the first three quarters of 2020, as well as the ones that had taken place by the date of drawing up this information are listed below

Major business events in the first three quarters of 2020

Update of the information on the construction of the power generating unit in Jaworzno – handing of the unit for operation (commissioning) and the conclusion of the settlement and the annex to the agreement

On January 30, 2020, TAURON received from Nowe Jaworzno Grupa TAURON information on the change of the commissioning date of the 910 MWe supercritical parameters power generating unit at Jaworzno III Power Plant - Power Plant II. The unit's contractor, i.e. the RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. Consortium, notified Nowe Jaworzno Grupa TAURON that the unit would be ready for commissioning on February 4, 2020. Taking into account the information received from the Consortium, Nowe Jaworzno Grupa TAURON conducted an internal unit construction schedule viability analysis. Taking into account the course of the technical tests and the test (trial) run of the unit conducted so far, Nowe Jaworzno Grupa TAURON estimated that the commissioning of the unit should take place by February 15, 2020.

On February 13, 2020, Nowe Jaworzno Grupa TAURON received a letter from the company E003B7 sp. z o.o. (a subsidiary of RAFAKO SA) in which, in particular, it was indicated that during the last phase of the unit's tests one of the boiler's elements had been damaged. As a result, the commissioning of the Unit was not possible on the above indicated date. A team composed of the representatives of the contractor and Nowe Jaworzno Grupa TAURON was set up to determine the scope of works and the time required to replace the damaged components.

On March 6, 2020, Nowe Jaworzno Grupa TAURON received the information from RAFAKO S.A. regarding the estimated date of commissioning the unit. The RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium estimated that the unit should be commissioned by July 31, 2020.

On May 4, 2020, Nowe Jaworzno Grupa TAURON, the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. consortium and E003B7 sp. z o.o. signed an Agreement related to the implementation of the contract for the construction of the 910 MW power generating unit in Jaworzno. The causes of damage to one of the boiler components are determined in the agreement. According to the conclusions presented by the fact finding commission composed of the representatives of Nowe Jaworzno Grupa TAURON, the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. consortium and E003B7 sp. z o.o. the failure was a consequence of an unfavorable coincidence of circumstances that had occurred during the start-up of the unit. Each of these circumstances, occurring on its own, could not have led to an occurrence of the failure. In addition, the fact finding commission has agreed on how to repair the damaged boiler components, which will allow for avoiding similar failures in the future. As part of the agreement, a schedule of actions has also been agreed upon, including procedures aimed at providing protection against the risk of a recurrence of a failure as well as procedures for tuning (adjusting) and the commissioning works of the unit. The RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. consortium and E003B7 sp. z o.o. will forthwith commence implementing the steps provided for in the agreed schedule and enforcing the findings of the fact finding commission. The RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. consortium estimates that the unit will be commissioned by November 15, 2020. This deadline takes into account the additional time required to fix the effects of the failure referred to above.

The 910 MWe supercritical parameters power generating unit at Jaworzno III Power Plant - Power Plant II was handed over for operation (commissioned) on November 13, 2020 (an event occurring after the balance sheet date). The unit is operating in the Polish power system. At the same time, on the same day Nowe Jaworzno Grupa TAURON, E003B7 sp. z o.o. and the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium, including RAFAKO S.A. under restructuring acting with the approval of the supervisor (administrator) of the arrangement under the simplified restructuring proceedings, signed a settlement which was the result of the mediation conducted before the Arbitration Court at the General Counsel to the Republic of Poland (Prokuratoria Generalna Rzeczypospolitej Polskiej) and which regulated, in particular, the following issues:

1. Nowe Jaworzno Grupa TAURON and the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium waived their mutual and equivalent claims that had arisen by the date of signing the above mentioned settlement, with the exception of, inter alia, Nowe Jaworzno Grupa TAURON's claims under the statutory warranty or the warranty, as well as the recourse claims against the Consortium for the payment of the claims of further subcontractors and the claims of the Consortium related to the works carried out in accordance with the contract,

2. the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium will provide additional services for Nowe Jaworzno Grupa TAURON, including the works aimed at optimizing the Unit's operation (performance), the results of which will include, inter alia, the reduction of the Unit's technical minimum power generation output from 40 percent to 37 percent In addition, the technical warranty for the boiler's high-pressure part will be extended by six months (to 36 months), with respect to which Nowe Jaworzno Grupa TAURON will receive an additional security (bond) issued by the warranty providers.

The settlement will enter into force after the suspending conditions have been met, the key ones among which include the Unit's commissioning by November 15, 2020 (the condition has been met) and the submission by the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium of an agreement, in the form of a promissory agreement (pre-approved commitment), with the financial institutions with respect to the method of obtaining the funds required to complete the project (the condition has been met).

Nowe Jaworzno Grupa TAURON and the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium also agreed that the settlement concluded before the mediator would be referred to the competent common court along with a petition for the approval thereof by the court. After the settlement concluded before the mediator has been approved by the court by way of a legally binding decision, the settlement shall become a legally binding court approved settlement agreement.

In connection with the conclusion of the settlement, on November 13, 2020, Nowe Jaworzno Grupa TAURON and the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium concluded an annex to the agreement, that regulated in detail the agreements reached by the Parties specified in the settlement with respect to the additional services to be provided by the Consortium including, among others, the deadlines for their completion and the payment terms related thereto.

The conclusion of the settlement and the annex to the agreement will not lead to the exceeding of the assumed total amount of expenditures that is foreseen for the implementation of this investment project, i.e. PLN 6.2 billion, where the remuneration for the RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A. Consortium under the agreement signed and the annexes thereto concluded will, in total, amount to PLN 4.6 billion.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 2/2020 of January 30, 2020, no. 4/2020 of February 13, 2020, no. 7/2020 of March 6, 2020, no. 19/2020 of May 4, 2020, and no. 53/2020 of November 13, 2020.

Additional information on the implementation of the construction of the power unit in Jaworzno is presented in section 1.3.6. of this information.

Establishing of a series A bond issue program, including concluding of a framework (master) agreement with the European Bank for Reconstruction and Development

On February 6, 2020, TAURON concluded, with Santander Bank Polska S.A., a program agreement, pursuant to which a bond issue program was established, under which TAURON has an option to issue bonds up to the maximum amount of PLN 2 000 000 000.

The proceeds from the bond issue will support the implementation of TAURON Capital Group's energy transition, including increasing the share of the low and zero emission sources in its generation mix, in particular, the proceeds from the bond issue will be used to:

1. finance the costs of developing / acquiring renewable energy sources (RES) projects,
2. finance the distribution, as well as TAURON Capital Group's general corporate operations related to RES or the energy transition to zero emission,
3. finance the costs of developing or acquiring projects where biomass or gas is used as fuel,
4. refinance TAURON Capital Group's debt taken on in order to finance the above undertakings.

The terms of the bond issue, including the purpose of the issue, the maturity date, as well as the amount and manner of paying out interest, will be defined for the specific series of the bonds being issued.

On May 6, 2020, October 8, 2020 (an event occurring after the balance sheet date) and October 20, 2020 (an event occurring after the balance sheet date), TAURON concluded additional agreements on the participation of, respectively, PKO Bank Polski S.A., Bank Polska Kasa Opieki S.A. and Erste Group Bank AG as additional dealers in the bond issue under the above program agreement.

On October 5, 2020, (an event occurring after the balance sheet date), TAURON commenced activities aimed at issuing bonds under the bond issue program with the assumed nominal value of approximately PLN 1 000 000 000 and the potential acquisition (underwriting) of the bonds by the European Bank for Reconstruction and Development.

On October 23, 2020, (an event occurring after the balance sheet date), based on the results of the completed book building process, the TAURON Management Board took a decision to issue series A bearer bonds on the following terms:

1. total nominal value (par value) of the bonds: PLN 1 000 000 000,
2. nominal value (par value) of one Bond: PLN 1 000,
3. issue price of one Bond: equal to the nominal value (par value) of one Bond,
4. date of the Bonds issue: October 30, 2020,
5. bonds redemption date: October 30, 2025,
6. option to redeem the bonds early by the Issuer (bond call option, callable bond): an early redemption shall be possible on the interest payment dates,
7. bondholders' option (put option, putable bond) to demand the Bonds be paid back prior to their maturity date: in the event of the State Treasury losing ownership control that would result in the loss of the Issuer's investment grade rating, a failure to publish the values of the sustainable development indicators or a failure to have the Bonds admitted to the alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) within 90 working days from the date of issue,
8. interest periods: 6 months,
9. interest on the bonds: variable based on the interest rate as the sum of the WIBOR rate for the 6-month deposits and a margin of 135 basis points,
10. purpose of the issue: the proceeds from the issue of the Bonds may be used to: finance the costs of developing/acquiring RES projects, finance the distribution operations, as well as the Group's general corporate operations related to RES or energy transition to zero emission, and to refinance the Group's debt taken on in order to finance the above undertakings. The proceeds from the bond issue will not be allowed to be used to finance new and existing coal fired units, the operations of TAURON Wydobycie S.A. and the operations of TAURON Wytwarzanie S.A. (in case of other undertakings than the ones indicated above),
11. sustainable development indicators (metrics) included in the terms of the Bonds issue: the emission reduction index by an average of 2 percent per annum and the RES capacity growth rate by an average of 8% per annum. If the above indicators are not met, the margin will be increased by 5 basis points in relation to the base margin (in case of a failure to meet one indicator) or by 10 basis points (in case of a failure to meet two indicators at the same time). An independent auditor will be confirming the correctness of calculating the sustainability indicators,
12. benefits under the bonds will be only in cash,
13. bonds will not be secured,
14. bonds will be issued pursuant to Art. 33, clause 1 of the *Act of January 15, 2015, on bonds*, on the basis of exemptions from the obligation to publish a prospectus provided for in Regulation of the European Parliament and of the Council (EU) 2017/1129 and will be offered only to qualified investors within the meaning of the above mentioned regulation,
15. Company will apply for the admission of the bonds to the alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.)

Bonds with a nominal value (par value) of PLN 1 000 000 000 were issued on October 30, 2020, and acquired (underwritten) by the bondholders, including the European Bank for Reconstruction and Development.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 3/2020 of February 6, 2020, no. 46/2020 of October 5, 2020, no. 49/2020 of October 23, 2020 and no. 51/2020 of October 30, 2020.

Signing of the loan agreement with SMBC BANK EU AG

On March 16, 2020, TAURON concluded a loan agreement with SMBC BANK EU AG worth PLN 500 million, the proceeds from which may be used to fund the Company's general corporate purposes, excluding the construction, acquisition, extension of any coal fired power plants and refinancing any financial debt or expenditures incurred for such purposes.

The loan will be repaid within 5 years from the date of concluding the above agreement. The interest will be calculated based on a fixed interest rate.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 8/2020 of March 16, 2020.

The loan was launched in the full amount in March 2020.

Signing of the memorandum of understanding on the preliminary terms of cooperation between TAURON and PFR with respect to investments in renewable energy sources (RES)

On March 23, 2020, TAURON signed a memorandum of understanding with the closed-end investment funds, a part of whose investment portfolio is managed by PFR (Polski Fundusz Rozwoju - Polish Development Fund).

The above memorandum of understanding sets out the preliminary terms of cooperation under consideration between TAURON and PFR with respect to investments in the renewable energy sources (RES). The Company and PFR have agreed that the potential investments in RES will be carried out as joint investments in assets in the RES segment, the so-called direct Investments, and have also allowed for investments in companies operating in the cleantech area. The Memorandum of Understanding sets out the general conditions for conducting direct investments, with the minimum level of each PFR investment in a company 100 percent owned by TAURON, which owns a portfolio of investment projects of a relevant size at the stage of readiness for construction, in terms of the total ultimate capital expenditures of such company, amounting to not less than PLN 50 million and will be implemented through successive capital injections for the purpose of implementing the capex projects. In addition, TAURON and PFR will be subject to a period of limitation in the disposal of the shares in the above mentioned company of between 5 and 7 years from the moment PFR acquires shares in the given company. The recapitalizations will each time take place in the form and proportions ensuring TAURON's ultimate share of at least 50 percent + 1 share, and PFR’s share of no more than 50 percent - 1 share.

The primary goal of the investments will be on-shore wind farm projects and photovoltaic farm projects located in Poland. The parties envisage the possibility of acquiring an additional partner by selling shares thereto or have it join the company owned by TAURON.

The final terms of the cooperation between TAURON and PFR with respect to the direct investments will each time be agreed in the transaction documentation related to the specific investment projects.

The Memorandum of Understanding is intentional in its nature and does not constitute a binding commitment of the parties, does not give rise to financial obligations, does not oblige or guarantee any of the parties' exclusivity with respect to RES investments, nor does it preclude the possibility of their independent investments or cooperation with third parties.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 11/2020 of March 23, 2020.

Signing of the syndicated loan agreement

On March 25, 2020, TAURON concluded a syndicated loan agreement worth PLN 500 million with Banca IMI S.P.A., London Branch, Banca IMI S.P.A., Intesa Sanpaolo S.P.A. acting through Intesa Sanpaolo S.P.A. S.A. Oddział w Polsce (Polish Branch), and China Construction Bank (Europe) S.A. acting through China Construction Bank (Europe) S.A. (Spółka Akcyjna) (Joint Stock Company) Oddział w Polsce (Polish Branch).

In accordance with the above agreement the funds obtained may be used to finance the Company’s and TAURON Capital Group’s general corporate purposes, excluding the financing of any new projects related to the coal assets

The financing period was set as 5 years from the date of concluding the above agreement, with an option to extend it, twice, each time by a year, i.e. up to 7 years maximum. The Company will be able to use the funds throughout the entire financing period (after the suspending conditions that are standard for this type of financing have been met).

The interest rate will be calculated based on the variable WIBOR interest rate, applicable to the given interest period, increased by a margin depending, among others, on the degree of loan utilization and the fulfillment of the pro-ecological contractual conditions, i.e. the reduction of emissions and an increase of the share of renewable energy sources (RES) in TAURON Capital Group's generation fleet structure.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 13/2020 of March 25, 2020.

The loan was disbursed in the amount of PLN 160 000 000 in September 2020.

Commencement of exclusive negotiations in the process of the sale of the shares in TAURON Ciepło

On June 16, 2020, the Management Board of TAURON took the decision to move to the next stage of the process of the sale of the shares in TAURON Ciepło and commence negotiations of the agreement on the sale of the shares in TAURON Ciepło with PGNiG on the condition of exclusivity for the period of 6 weeks.

The negotiations are aimed at defining the terms of the potential transaction of the sale by the Company of the entire stake held in TAURON Ciepło. TAURON expects that the potential takeover of control over TAURON Ciepło by the investor would take place not earlier than as of January 1, 2021.

The conclusion of the potential transaction will require, in particular, obtaining the relevant corporate approvals and clearances from the institutions providing the financing for the business operations of TAURON Capital Group. The Company allows for the possibility of canceling the process leading to the conclusion of the transaction.

On July 28, 2020, the Management Board of TAURON took the decision to extend by 8 weeks the exclusive negotiation period granted to PGNiG in the process of the sale of the shares in TAURON Ciepło.

On September 22, 2020, the Management Board of TAURON took the decision to extend again, until November 30, 2020, the above mentioned exclusivity period.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 24/2020 of June 16, 2020, no. 34/2020 of July 28, 2020 and no. 42/2020 of September 22, 2020.

Major corporate events in the first three quarters of 2020

Changes to the composition of TAURON's Supervisory Board

There had been changes to the composition of the Company's Supervisory Board in the first three quarters of 2020, which are presented in section 1.3.1.2 of this information.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 12/2020 of March 24, 2020, no. 14/2020 of March 30, 2020, no. 16/2020 of April 20, 2020, no. 17/2020 of April 27, 2020, no. 22/2020 of May 25, 2020, no. 23/2020 of June 5, 2020, no. 25/2020 of June 16, 2020, no. 29/2020 of July 15, 2020 and no. 35/2020 of August 3, 2020.

Recommendation of the Management Board of TAURON Polska Energia S.A. on covering the net loss for 2019 from the supplementary capital and not paying out a dividend from the supplementary capital

On March 30, 2020, the Management Board of TAURON made the decision to recommend to the Ordinary General Meeting (GM) of the Company to cover the loss of PLN 462 830 170.74 for the financial year 2019 from the supplementary capital. In addition, the decision was also taken that the Management Board of TAURON would not recommend to the Ordinary General Meeting (GM) of the Company the payout of the dividend in 2020 from the supplementary capital.

At the same time, the Company confirmed that the dividend policy announced in the current report (regulatory filing) no. 35/2016 of September 2, 2016, with respect to the dividend amount and the conditions that must be met for its payout remained unchanged.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 15/2020 of March 30, 2020.

Signing of the Additional Protocols amending the company collective bargaining agreements at the subsidiaries

In the first half of 2020, the Management Boards of TAURON subsidiaries, i.e. TAURON Dystrybucja, TAURON Dystrybucja Pomiary, TAURON Obsługa Klienta, TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Nowe Technologie, TAURON Ekoenergia, TAURON Ciepło and TAURON, reached agreements with the representative trade union organizations and signed the Additional Protocols amending the company collective bargaining agreements, and in case of TAURON, the relevant amendment to the compensation regulations.

Pursuant to the above mentioned agreements, amendments were introduced with respect to the payouts of the cash equivalent due to the discount for the consumption of electricity by the retirees, pensioners and other eligible persons who were no longer employees of the subsidiaries. The signing of the Additional Protocols and in case of TAURON, the relevant amendment to the compensation regulations, enabled the subsidiaries to dissolve the provisions in the total amount of approx. PLN 533 million, that had been set up for this purpose. The positive impact of the dissolving of the provisions on the EBITDA of TAURON Capital Group was recognized in the consolidated financial statements of TAURON Capital Group for the first half of 2020.

The above mentioned Additional Protocols came into force upon the entry into the register of the company collective bargaining agreements maintained by the National Labor Inspectorate (Państwowa Inspekcja Pracy).

TAURON disclosed the information on the above events in the regulatory filings (current reports) no. 21/2020 of May 22, 2020, and no. 38/2020 of August 11, 2020.

Changes to the composition of TAURON's Management Board

There had been changes to the composition of the Company's Management Board in the first three quarters of 2020, which are presented in section 1.3.1.1 of this information.

TAURON disclosed the information on the above events in the regulatory filing (current report): no. 28/2020 of July 14, 2020.

Ordinary General Meeting of TAURON

The Ordinary General Meeting (GM) of the Company was held on July 15, 2020, and it adopted the resolutions related to, inter alia, the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2019, in accordance with the International Financial Reporting Standards approved by the European Union, the Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2019, in accordance with the International Financial Reporting Standards approved by the European Union, the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2019,* the covering of the net loss for the financial year 2019, the acknowledgement of the fulfillment of duties by members of the Company's Management Board and Supervisory Board, amending the *Articles of Association of TAURON Polska Energia S.A.,* adopting the *Compensation Policy for the members of the Management Board and Supervisory Board at TAURON Polska Energia S.A.,* establishing the number of members of the Company's Supervisory Board and appointing the members of the Company's Supervisory Board of the 6th common term.

The decision was taken to cover the Company's net loss for the financial year 2019 in the amount of PLN 462 830 170.74 from the Company's spare (supplementary) capital.

TAURON disclosed the information on convening of the Ordinary General Meeting (GM) and on the content of the draft resolutions in the regulatory filings (current reports) no. 26/2020 of June 18, 2020, and no. 27/2020 of June 18, 2020. TAURON disclosed the information on the adopted resolutions of the Ordinary General Meeting (GM) in the regulatory filing (current report): no. 30/2020 of July 15, 2020.

Registration of amendments and adoption of the consolidated text of the Company's Articles of Association

On July 21, 2020, the District Court Katowice-Wschód in Katowice, the 8th Commercial Department of the National Court Register, registered the amendments to the Company's Articles of Association adopted by the Ordinary General Meeting (GM) of the Company on July 15, 2020.

On August 3, 2020, the Supervisory Board of the Company adopted the consolidated text of the Company's Articles of Association, taking into account the amendments adopted by the Ordinary General Meeting (GM) of the Company on July 15, 2020.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 32/2020 of July 21, 2020 and no. 36/2020 of August 3, 2020.

Other major events in the first three quarters of 2020

Petition of TAURON Sprzedaż for a change of the approved tariff

As of January 1, 2020, pursuant to the decision of the President of the Energy Regulatory Office (ERO) of December 17, 2019, the electricity tariff for the G tariff groups consumers entered into force, resulting in an increase in the payments for the household consumers by 19.9% as compared to the payments incurred in 2018/2019.

Due to the fact that the said decision prevented TAURON Sprzedaż from passing on the justified costs of the activities related to electricity trading, in a letter of January 7, 2020, it submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, thus initiating administrative proceedings.

Due to the particularly complex nature of the case and the COVID-19 pandemic, the deadline for resolving the case was set as July 29, 2020.

By way of the decision of July 8, 2020, the President of the Energy Regulatory Office (ERO) did not approve the above mentioned tariff change.

On July 30, 2020, TAURON Sprzedaż filed an appeal to the Regional Court in Warsaw - Court of Competition and Consumer Protection, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020.

As of the date of drawing up this information, TAURON Sprzedaż is waiting for the position of the President of the ERO in the said case and for setting of the date of the hearing.

Ruling of the Regional Court related to PEPKH

On March 6, 2020, the Regional Court in Gdańsk issued a partial and preliminary ruling in the lawsuit filed in 2015 against PEPKH by Talia sp. z o.o. (Talia), in which it determined that PEPKH's statements on the termination of the long term agreements, concluded between PEPKH and Talia, for the purchase of electricity and property rights arising from the certificates of origin had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all of the provisions and shall be binding for the parties, and determined that the demand for payment of damages for a failure to perform the agreement on the sale of the property rights arising from the certificates of origin had been justified in principle, however it did not determine the amount of the potential damages.

The decision was issued in the first instance and is not legally binding. PEPKH did not agree with the decision.

On March 12, 2020, PEPKH filed with the court its request that the court serve the decision, including the statement of reasons in writing, in order to analyze it and file an appeal.

On August 3, 2020, PEPKH filed an appeal against the above ruling to the court.

On September 8, 2020, the Regional Court in Gdańsk supplemented the above-mentioned partial and preliminary ruling in the form of another ruling in such a way that it determined that the demand for payment of the damages for a failure to perform a long term electricity sales contract concluded on December 23, 2009, between PKH and Talia, had been justified in principle, however the Court did not determine in any way the amount of the potential damages.

The supplementary ruling was issued in the first instance and is not legally binding. PEPKH does not agree with the supplementary ruling.

TAURON disclosed the information on the above event in the regulatory filings (current reports) no. 6/2020 of March 6, 2020, and no. 40/2020 of September 8, 2020.

On September 14, 2020, PEPKH filed with the court its request that the court serve the decision, including the statement of reasons in writing, in order to analyze it and file an appeal.

Abener Energia's lawsuit against EC Stalowa Wola

On March 20, 2020, EC Stalowa Wola submitted its response to the lawsuit filed on December 20, 2019 by Abener Energia to the Arbitration Court at the Polish Chamber of Commerce in Warsaw.

The subject of the claim is the payment by EC Stalowa Wola to Abener Energia of the total amount of PLN 156 446 842.98 and EUR 536 839.02 (which is equivalent to PLN 2 287 148.96 according to the NBP's exchange rate as of December 20, 2019), including the statutory interest for delay, as the compensation resulting from submitting the demand and obtaining by EC Stalowa Wola, at the expense of Abener Energia, of the payment under the contract performance bond or possibly the return of unjust enrichment obtained by EC Stalowa Wola at the expense of Abener Energia in connection with obtaining the payment under the contract performance bond. The bond was issued to EC Stalowa Wola by Abener Energia in accordance with the contract concluded between Abener Energia (general contractor) and EC Stalowa Wola (the ordering party) for the construction of a CCGT unit with a gross electric capacity of approx. 450 MW in Stalowa Wola.

Revision of the ratings granted by the Fitch Ratings agency

On May 21, 2020, Fitch Ratings agency revised the ratings granted to the Company in such a way that selected ratings were affirmed unchanged, while some ratings were downgraded.

The full list of rating actions:

1. long-term foreign and local currency IDRs were downgraded to "BBB-" from "BBB", stable outlook,
2. short-term foreign and local currency IDRs were affirmed at "F3",
3. national long-term rating was downgraded to "A(pol)" from "A+(pol)", stable outlook,
4. foreign currency senior unsecured rating of EUR 500 million Eurobonds was downgraded to "BBB-" from "BBB",
5. EUR 190 million hybrid bonds (European Investment Bank – "EIB") rating was downgraded to "BB" from "BB+",
6. PLN 750 million hybrid bonds (EIB) rating was downgraded to "BB" from "BB+",
7. PLN 400 million hybrid bond program and hybrid bond issue (Bank Gospodarstwa Krajowego S.A.) rating was downgraded to "BB" from "BB+", while the national rating of the same program and bonds was downgraded to "BBB(pol)" from "BBB+(pol)".

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 20/2020 of May 21, 2020.

Completion of the Pilot Maker Elektro ScaleUp program

On June 30, 2020, TAURON Capital Group ended the cooperation with the startups accelerated within the Pilot Maker Elektro ScaleUp program. As part of the work under the program, commenced in September 2018, TAURON experts were involved in 2 acceleration rounds, where work was carried out on 7 projects in the field of electromobility.

5 of TAURON Capital Group's subsidiaries were involved in the implementation of the pilot projects: TAURON, TAURON Nowe Technologie, TAURON Ekoenergia, TAURON Wytwarzanie and TAURON Sprzedaż.

The accelerated solutions include chargers for electric vehicles installed on the street lighting poles, enabling charging of several e-vehicles simultaneously, both cars as well as micro-mobility vehicles, such as electric bicycles, e-scooters or scooters (EV Charge and Born Electric). Another group of accelerated solutions is the software required for the operation of the charging station systems and billing of the electricity purchased at the charging stations. Solutions in this area were developed by Enelion, that worked on the software for managing a network of chargers, including a client application that allows for efficient use of the charging stations and settling (clearing) payments for the electricity purchased, as well as by MC2 Energy and Flexidao, that also included the possibility of purchasing green energy in their systems used for settling (clearing) purchases of electricity for the needs of charging e-cars. An important aspect of electromobility is also e-vehicle sharing and therefore works were also carried out on the development of software to support car-sharing services in cooperation with Fleetnet. As part of the acceleration program a solution for monitoring the operation of devices that make up the power grid supplying electricity to the charging network was also tested. The system offered by Elmodis, that allows for monitoring the operation of the key devices for efficient electricity generation and predict their potential malfunctions, was tested as part of the program,

Out of the 7 solutions tested by the end of June 2020, 3 of TAURON Capital Group's subsidiaries decided to continue the cooperation on a commercial basis and concluded appropriate agreements with 4 startups, with two of them still remaining in force. The continued cooperation involves the support for the car-sharing services and the management of electric vehicle charging stations.

Protective measures for the energy industry in connection with the epidemic

Due to the epidemic situation in the country the government of the Republic of Poland decided to take protective measures for the energy sector as part of the anti-crisis program. The new legal regulations included, inter alia, area of operation of the Commodity Clearing House (IRGiT) that settles transactions concluded on Towarowa Giełda Energii S.A. (TGE – Polish Power Exchange). The scope of the possible forms of non-cash collaterals was expanded, including, in particular, collaterals based on the company's market rating. In addition, the concentration restrictions on the use of non-cash collaterals in the form of property rights stemming from RES production were lifted. These regulations significantly reduced TAURON's margin liabilities in cash.

Obtaining approvals from the financial institutions to change the method of calculating the net debt/EBITDA ratio

With respect to the financing agreements with a covenant in the form of the net debt/EBITDA ratio, TAURON obtained approvals from the financial institutions regarding the exclusion of the financing obtained by selected TAURON's special purpose vehicles (SPV) for the implementation of investments in RES. The changes make it possible to exclude from the calculation of the net debt/EBITDA ratio defined in the loan agreements, the debt financing obtained by the SPVs for the RES projects, while also symmetrically excluding EBITDA generated by such SPVs.

The SPV financing structure, based on the project finance formula, assumes obtaining debt financing on the financial market at the level achievable for this type of projects, without a recourse to TAURON. In case TAURON holds a controlling stake in the given SPV, then, from the accounting point of view, the data of such a company (including debt) will be fully included in the consolidated financial statements of TAURON Capital Group, while such data may be excluded from the calculation of the gearing ratio for the needs of the loan agreements.

The possibility of excluding the specific SPVs is at the discretion of an individual decision made by TAURON, i.e. TAURON will indicate the SPVs that will be excluded from the calculation of the net debt/EBITDA ratio at the end of the specific reporting periods. At the same time, a mechanism was implemented to enable TAURON to re-include the SPV in the calculation of the net debt/EBITDA ratio.
The implementation of the strategy described above and the approval of TAURON's financing banks for the exclusion of the SPV results from the calculation of the net debt/EBITDA ratio allows for a faster implementation of the green transition and the achievement of the assumed level of capacity in renewable energy sources (RES).

Calls for TAURON Polska Energia S.A. shareholders to submit share documents in order to dematerialize the shares

On August 26, 2020, September 10, 2020, September 25, 2020, October 12, 2020 (an event occurring after the balance sheet date) and October 27, 2020 (an event occurring after the balance sheet date), in accordance with Art. 16 of the *Act of August 30, 2019 amending the Act - Code of Commercial Companies and certain other acts* (Journal of Laws of 2019, item 1798, as amended from Journal of Laws of 2020, item 875), the Management Board of TAURON called on the shareholders holding the Company's shares in the form of a document to submit their documents of the shares to the Company, in order to dematerialize the shares and register them with Krajowy Depozyt Papierów Wartościowych S.A. (The Central Securities Depository of Poland, KDPW S.A.).

Taking into account the current legal status the share documents issued by the Company shall expire by virtue of law as of March 1, 2021.

TAURON disclosed the information on the above events in the regulatory filings (current reports) no. 39/2020 of August 26, 2020, no. 41/2020 of September 10, 2020, no. 44/2020 of September 25, 2020, no. 47/2020 of October 12, 2020, and no. 50/2020 of October 27, 2020.

Ruling of the Court of Appeal on the claims of Abener Energia against EC Stalowa Wola

On September 22, 2020, the Court of Appeal in Rzeszów issued a ruling in which the Court of Appeal dismissed the complaint of EC Stalowa Wola S.A. to overturn the ruling of the Court of Arbitration at the Polish Chamber of Commerce of April 25, 2019, pursuant to which EC Stalowa Wola was obliged to pay Abener Energia S.A. the amount of PLN 333 793 359.31. including the statutory interest for delay and the costs of the arbitration proceedings.

The proceedings before the Arbitration Court at the Polish Chamber of Commerce were related to the claim for payment, the petition to establish legal relationship and make the commitment to submit a statement of will (intent) in conjunction with the terminated contract, concluded between Abener Energia (general contractor) and EC Stalowa Wola (the ordering party), for the construction of the CCGT unit in Stalowa Wola.

TAURON declared that before the ruling of the Court of Arbitration is declared enforceable, EC Stalowa Wola will analyze and take measures, as well as exercise its rights in order to limit the negative impact of the above event on the financial position of EC Stalowa Wola.

The ruling of the Court of Appeal may be appealed in a cassation.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 43/2020 of September 22, 2020.

On September 25, 2020, EC Stalowa Wola filed with the Court of Appeal in Rzeszów a petition to suspend the enforcement of the ruling until the cassation appeal is examined.

On September 29, 2020, the Court of Appeal in Rzeszów declared the ruling to be enforceable.

On October 7, 2020 (an event occurring after the balance sheet date), EC Stalowa Wola filed a complaint with the Court of Appeal in Rzeszów against the decision to grant an enforcement clause to the ruling.

On October 20, 2020 (an event occurring after the balance sheet date), EC Stalowa Wola received a copy of the decision including the justification thereof. As at the date of drawing up this information, an analysis is underway with respect to the legitimacy of filing a cassation appeal with the Supreme Court.

Major events after September 30, 2020

Signing of a letter of intent regarding the sale of the shares in the company PGE EJ 1

On October 1, 2020, the Company signed, as one of the parties, a letter of intent with the State Treasury regarding the acquisition by the State Treasury of 100 percent of the shares in the company PGE EJ 1.

The Letter of Intent has been signed by all entities holding shares in the company PGE EJ 1 (i.e. TAURON, PGE, Enea and KGHM Polska Miedź), an entity responsible for the preparation and implementation of the investment project that involves the construction and operation of Poland's first nuclear power plant. TAURON owns 10 percent of the shares in PGE EJ 1.

The entities signing the Letter of Intent have undertaken to carry out, in good faith, all of the activities required to prepare and complete a transaction involving the acquisition of the shares in PGE EJ 1 by the State Treasury. The intention expressed in the Letter of Intent is for the State Treasury to acquire the shares in the company PGE EJ 1 by December 31, 2020, however, the Parties have not specified the effective term of the Letter of Intent. The Letter of Intent does not entail the obligation of the parties to follow through with the transaction. The decision to carry out the transaction will depend on the results of the negotiations in this regard and the fulfillment of other conditions specified in the legal regulations or corporate documents.

A potential sale of the shares in PGE EJ 1 is in line with the strategic directions announced by TAURON on May 27, 2019.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 45/2020 of October 1, 2020.

Filing of a lawsuit against Abener Energia by EC Stalowa Wola

On October 19, 2020, EC Stalowa Wola filed a lawsuit with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against Abener Energia.

The proceedings before the Court of Arbitration at the Polish Chamber of Commerce will be conducted in connection with the contract concluded between Abener Energia (general contractor) and EC Stalowa Wola (the ordering party) for the construction of a CCGT unit with a heating section in Stalowa Wola which was terminated.

The subject of the claim is the payment by Abener Energia to EC Stalowa Wola of the amount of PLN 198 663 931.86 and EUR 461 207.21 (which is equivalent to PLN 2 098 400.56 according to the NBP's exchange rate as of October 19, 2020) including the interest, as the compensation for the damage corresponding to the costs of fixing defects, faults, malfunctions and shortcomings of the works, deliveries and services performed by Abener Energia during the performance of the above mentioned contract.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 48/2020 of October 19, 2020.

3. ANALYSIS OF FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP

3.1. Selected financial data of TAURON Polska Energia S.A. and TAURON Capital Group

The below table presents selected financial data of TAURON Polska Energia S.A. and TAURON Capital Group.

Table no. 10. Selected financial data of TAURON Polska Energia S.A. and TAURON Capital Group

Selected consolidated financial data of TAURON Polska Energia S.A. Capital Group

Selected financial data	in PLN '000		in EUR '000	
	2020 period from 01.01.2020 to 30.09.2020 r.	2019 period from 01.01.2019 to 30.09.2019 (adjusted data)	2020 period from 01.01.2020 to 30.09.2020	2019 period from 01.01.2019 to 30.09.2019 (adjusted data)
Sales revenue	14 876 828	14 021 911	3 349 128	3 254 401
Operating profit	1 678 875	1 406 053	377 955	326 336
Pre-tax profit	1 395 863	1 179 840	314 242	273 834
Net profit from continued operations	856 366	924 586	192 788	214 591
Net profit (loss) from discontinued operations	(796 566)	49 829	(179 326)	11 565
Net profit (loss)	59 800	974 415	13 462	226 156
Net profit (loss) attributable to shareholders of the parent company	60 597	974 274	13 642	226 123
Net profit (loss) attributable to non-controlling shares	(797)	141	(179)	33
Other total net income	(182 142)	9 215	(41 005)	2 139
Total aggregate income	(122 342)	983 630	(27 542)	228 295
Total aggregate income attributable to shareholders of the parent company	(121 400)	983 458	(27 330)	228 255
Total aggregate income attributable to non-controlling shares	(942)	172	(212)	40
Profit per share (in PLN/EUR) (basic and diluted) from the profit for the period attributable to the holding entity's shareholders)	0.03	0.56	0.01	0.13
Profit per share (in PLN/EUR) (basic and diluted) from the profit from the continued operations for the period attributable to the holding entity's shareholders)	0.49	0.53	0.11	0.12
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	3 468 428	1 452 282	780 826	337 066
Net cash flows from investing activities	(3 088 725)	(3 566 426)	(695 346)	(827 746)
Net cash flows from financing activities	(1 183 727)	1 897 707	(266 485)	440 446
Increase/(decrease) in net cash and equivalents	(804 024)	(216 437)	(181 005)	(50 234)
	As of 30.09.2020	As of 31.12.2019 (adjusted data)	As of 30.09.2020	As of 31.12.2019 (adjusted data)
Fixed assets	33 701 429	35 052 287	7 444 868	8 231 135
Current assets	6 817 330	6 865 478	1 505 993	1 612 182
Total assets	40 518 759	41 917 765	8 950 861	9 843 317
Share capital	8 762 747	8 762 747	1 935 749	2 057 707
Equity attributable to shareholders of the parent company	18 070 845	18 192 226	3 991 969	4 271 980
Equity attributable to non-controlling shares	897 087	900 434	198 172	211 444
Total equity	18 967 932	19 092 660	4 190 141	4 483 424
Long term liabilities	15 077 768	14 963 274	3 330 778	3 513 743

Short term liabilities	6 473 059	7 861 831	1 429 941	1 846 150
Total liabilities	21 550 827	22 825 105	4 760 720	5 359 893

Selected standalone financial data of TAURON Polska Energia S.A.

Selected financial data	in PLN '000		in EUR '000	
	2020 period from 01.01.2020 to 30.09.2020	2019 period from 01.01.2019 to 30.09.2019	2020 period from 01.01.2020 to 30.09.2020	2019 period from 01.01.2019 to 30.09.2019
Sales revenue	7 915 766	7 296 402	1 782 027	1 693 451
Operating profit	204 952	80 512	46 140	18 686
Pre-tax profit (loss)	(1 194 866)	405 123	(268 993)	94 027
Net profit (loss)	(1 164 861)	310 506	(262 238)	72 067
Other total net income	(99 301)	(1 148)	(22 355)	(266)
Total aggregate income	(1 264 162)	309 358	(284 593)	71 800
Profit (loss) per share (in PLN/EUR) (basic and diluted)	(0,66)	0,18	(0,15)	0,04
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	857 880	(279 102)	193 129	(64 778)
Net cash flows from investing activities	(328 600)	385 783	(73 976)	89 538
Net cash flows from financing activities	(1 271 810)	986 728	(286 315)	229 014
Increase/(decrease) in net cash and equivalents	(742 530)	1 093 409	(167 161)	253 774
	As of 30.09.2020	As of 31.12.2019	As of 30.09.2020	As of 31.12.2019
Fixed assets	25 003 947	27 010 590	5 523 537	6 342 747
Current assets	3 539 148	3 474 539	781 821	815 907
Total assets	28 543 095	30 485 129	6 305 358	7 158 654
Share capital	8 762 747	8 762 747	1 935 749	2 057 707
Equity	13 544 015	14 808 177	2 991 962	3 477 322
Long term liabilities	11 405 591	10 947 500	2 519 570	2 570 741
Short term liabilities	3 593 489	4 729 452	793 825	1 110 591
Total liabilities	14 999 080	15 676 952	3 313 396	3 681 332

The above financial data was converted into EUR according to the following principles:

1. individual items of the statement of financial position - at the average NBP exchange rate announced as of September 30, 2020 - PLN/EUR 4.5268 (as of December 31, 2019 - PLN/EUR 4.2585),
2. individual items of the statement of comprehensive income and the statement of cash flows - at the exchange rate representing the arithmetic mean of average NBP exchange rates announced on the last day of each month of the financial period from January 1, 2020 to September 30, 2020 - PLN/EUR 4.4420 (for the period from January 1, 2019 to September 30, 2019: PLN/EUR 4.3086).

3.2. Key operating data of TAURON Capital Group

The below table presents the key operating data posted by TAURON Capital Group in the first three quarters of 2020 and in the third quarter of 2020, as compared to the same periods of 2019.

Table no. 11. Key operating data posted by TAURON Capital Group in the first three quarters of 2020 and in the third quarter of 2020, as compared to the same periods of 2019

Item	Unit	Q1-3 2020	Q1-3 2019	Change in % 2020/2019	Q3 2020	Q3 2019	Change in % 2020/2019
Commercial coal production	Mg m	**3.59**	2.94	122%	**1.10**	0.69	160%
Electricity generation (gross production)	TWh	**8.71**	10.41	84%	**2.85**	3.26	87%
including generation of electricity from renewable sources	TWh	**1.39**	0.97	143%	**0.40**	0.29	138%

Item	Unit	Q1-3 2020	Q1-3 2019	Change in % 2020/2019	Q3 2020	Q3 2019	Change in % 2020/2019
Production from biomass	*TWh*	***0.40***	*0.27*	*148%*	***0.15***	*0.10*	*150%*
Production of hydroelectric power plants and wind farms	*TWh*	***0.99***	*0.71*	*139%*	***0.24***	*0.19*	*126%*
Heat generation	PJ	**7.51**	7.14	105%	**0.82**	0.73	112%
Electricity distribution	TWh	**36.94**	38.74	95%	**12.34**	12.66	98%
Electricity supply	TWh	**32.12**	33.87	95%	**10.46**	11.03	95%
retail supply	*TWh*	***23.71***	*25.02*	*95%*	***7.72***	*8.00*	*96%*
wholesale	*TWh*	***8.42***	*8.84*	*98%*	***2.74***	*3.03*	*90%*
Number of customers - Distribution	'000	**5 693**	5 627	101%	**5 693**	5 627	101%

3.3. Sales structure by the Segments of operations (Lines of Business)

The below table presents TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) for the first three quarters of 2020 and for the third quarter of 2020, as compared to the same periods of 2019.

Table no. 12. TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) for the first three quarters of 2020 and for the third quarter of 2020, as compared to the same periods of 2019

Item	Unit	Q1-3 2020	Q1-3 2019	Change in % 2020/2019	Q3 2020	Q3 2019	Change in % 2020/2019
Mining Segment's hard coal sales	Mg m	**2.97**	2.96	100%	**1.09**	0.78	140%
Generation Segment's electricity and heat sales	TWh	**7.00**	8.17	86%	**2.33**	2.65	88%
	PJ	**2.37**	1.84	129%	**0.32**	0.19	168%
Electricity and heat sales as part of the discontinued operations	TWh	**0.73**	0.95	77%	**0.20**	0.17	118%
	PJ	**7.48**	7.91	95%	**0.54**	0.59	92%
RES Segment's electricity sales	TWh	**0.96**	0.68	142%	**0.18**	0.23	129%
Distribution Segment's distribution services sales	TWh	**36.94**	38.74	95%	**12.34**	12.66	98%
Supply Segment's retail electricity supply	TWh	**23.69**	25.01	95%	**7.71**	7.99	96%

Mining Segment

The core business operations conducted by TAURON Capital Group's Mining segment comprise mining, cleaning (upgrading) and sales of hard coal, as well as sales of methane as the accompanying fossil from the Brzeszcze deposit.

TAURON Capital Group operates 3 coal mines: Sobieski Coal Mine (ZG Sobieski), Janina Coal Mine (ZG Janina) and Brzeszcze Coal Mine (ZG Brzeszcze). The above mentioned coal mines are the producers of the hard coal offered for sale on the market as large size lump coal, medium size lump coal and thermal coal dust.

Hard coal sales volume reached 2.97 million Mg in the first three quarters of 2020, i.e. a result comparable to the same period of 2019. Coal sales within TAURON Capital Group came in at 2.30 million Mg, which meant that 77% of coal produced was sold to TAURON Capital Group's subsidiaries, while the balance of the sales was placed on the external market.

Commercial coal production stood at 3.59 million Mg in the reported period, i.e. it was 22% higher than in the same period of 2019. The higher output is the result of the higher extraction of coal thanks to the more favorable configuration of the longwall coal faces at the Brzeszcze Coal Mine (ZG Brzeszcze) and Janina Coal Mine (ZG Janina), as well as the difficult geological conditions and the smaller number of the longwall coal faces for extraction both at the Sobieski Coal Mine (ZG Sobieski).

Generation Segment

The core operations conducted by TAURON Capital Group's Generation Segment comprise electricity and heat generation by hard coal and biomass fired power plants.

Total achievable capacity of the Generation Segment's generating units reached 4.3 GW of electric capacity and 1.3 GW of thermal capacity as of the end of September 2020.

In the first three quarters of 2020 the Generation Segment produced 6.9 TWh of electricity, i.e. 21% less than last year (8.7 TWh), which was due to the lower sales of electricity from in-house production year on year and the adopted trading strategy (taking into account the market conditions).

The production of the biomass burning units came in at 0.29 TWh, i.e. 26% more than last year (0.23 TWh).

Sales of electricity from in-house production plus electricity purchased for trading clocked in at 7.0 TWh in the first three quarters of 2020, which meant a 14% decline in relation to the same period of 2019.

Heat sales reached 2.4 PJ in the first three quarters of 2020, i.e. 29% more as compared to the same period of 2019, which was a consequence of the higher sales from the Łagisza Power Plant (the effect of the implementation of the investment project related to adding heat generation to unit no. 10).

64% of the Generation Segment subsidiaries' demand for hard coal to be used to generate electricity and heat was covered with the hard coal coming from TAURON Capital Group's in-house coal mines in the first three quarters of 2020. The balance of the demand was covered from the external sources.

RES Segment

The core operations conducted by TAURON Capital Group's RES Segment comprise electricity generation by the hydroelectric power plans and wind farms.

Total achievable capacity of the RES Segment's generating units reached 519 MW of electric capacity as of the end of June 2020 and it was 180 MW higher than in the same period of 2019. The above mentioned increase is a consequence of the acquisition of wind farms by TAURON Capital Group in September 2019.

The RES Segment produced 0.96 TWh of electricity in the first three quarters of 2020, i.e. 42% more as compared to last year (0.68 TWh), which was due to the favorable wind conditions and the production of electricity by the wind farms acquired in September 2019.

Distribution Segment

TAURON Capital Group is Poland's largest electricity distributor, both in terms of the volume of electricity delivered, as well as the revenue from the distribution operations. The Distribution Segment is operating large area distribution grids, located in the south of Poland.

The Distribution Segment delivered, in total, 36.94 TWh of electricity, including 35.76 TWh to the final consumers, in the first three quarters of 2020. During this period the Distribution Segment provided distribution services for 5.71 million consumers. In the same period of 2019 the Distribution Segment delivered, in total, 38.74 TWh of electricity to 5.64 million consumers, including 37.41 TWh to the final consumers.

Supply Segment

The Supply Segment is conducting its operations on the domestic and foreign markets, comprising wholesale trading and retail supply of electricity and natural gas, as well as the related products, property rights arising from the certificates of origin of electricity, CO_2 emission allowances and fuels. The Supply Segment is supplying electricity to the business and mass customer segments, including households. In addition, the Supply Segment supplies electricity to the TAURON Dystrybucja subsidiary to cover grid losses related to electricity distribution.

In the first three quarters of 2020 the Supply Segment subsidiaries supplied, in total, 23.69 TWh of retail electricity to 5.6 million customers, both households, as well as businesses, i.e. 5% less than in the same period of the previous year.

Other operations

TAURON Capital Group's other organizational units provide support services for TAURON Capital Group's subsidiaries with respect to accounting, human resources management and data communications, conducted by TAURON Obsługa Klienta (TAURON Customer Service), as well as the activities related to the extraction of stone (rocks), including limestone, for the needs of the power, steel making, construction and road building sectors, as well as the production of sorbents for wet flue gas desulphurization installations and for use in fluidized bed boilers, conducted by Kopalnia Wapienia (KW) "Czatkowice". This segment also includes: Finanse Grupa TAURON dealing with the financial operations, Bioeko TAURON Group dealing mainly with the management (utilization) of the combustion and coal mining by-products, sourcing, transportation and processing of biomass, Wsparcie Grupa TAURON dealing mainly with real estate administration, property protection as well as technical maintenance of vehicles and PEPKH.

Sales revenue of the Other Operations Segment companies came in at PLN 822 million in the first three quarters of 2020, which was higher by 12% than the revenue posted in the same period of 2019, with the main reason being the higher sales of the customer service and support services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries.

Discontinued operations

The discontinued operations include the operations of TAURON Ciepło whose core operations comprise heat generation, supply and distribution, as well as electricity generation by hard coal and biomass fired combined heat and power plants.

Total achievable capacity of TAURON Ciepło's generating units reached 0.3 GW of electric capacity and 1.2 GW of thermal capacity as of the end of September 2020.

Heat sales came in at 7.5 PJ in the first three quarters of 2020, i.e. 5% less as compared to the same period of 2019, which was a consequence of the higher outside temperatures year on year and the lower consumer demand.

In the first three quarters of 2020 TAURON Ciepło produced 0.80 TWh of electricity, i.e. 20% less than last year (0.99 TWh), which was due to the lower sales of electricity from in-house production year on year and the adopted trading strategy (taking into account the market conditions).

3.4. TAURON Capital Group's financial position after Q3 2020

3.4.1. Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of September 30, 2020, and December 31, 2019.

Table no. 13. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of September 30, 2020, and December 31, 2019

Consolidated statement of the financial position	As of September 30, 2020 (unaudited)	As of December 31, 2019 (adjusted data)	Change in % 2020/2019
ASSETS			
Fixed assets	83.2%	83.6%	99%
Current assets	16.8%	16.4%	103%
TOTAL ASSETS	**100.0%**	**100.0%**	
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	44.6%	43.4%	103%
Non-controlling shares	2.2%	2.1%	103%
Total equity	**46.8%**	**45.5%**	**103%**
Long term liabilities	37.2%	35.7%	104%
Short term liabilities	16.0%	18.8%	85%
Total liabilities	**53.2%**	**54.5%**	**98%**
TOTAL EQUITY AND LIABILITIES	**100.0%**	**100.0%**	**100.0%**
Financial liabilities	10 516 965	11 394 246	92%
Net financial liabilities	10 097 560	10 129 572	100%
Net debt/EBITDA ratio	2.53	2.81	90%
Current liquidity ratio	1.05	0.87	121%

Fixed assets represent 83.2% of total assets in the structure of assets, as of September 30, 2020, i.e. a 1% decline as compared to their share as of the end of 2019.

The share of current assets, as of September 30, 2019, as compared to their share as of the end of 2019, rose by 3%.

Liabilities represent 53.2% of total equity and liabilities in the structure of equity and liabilities, as of September 30, 2020, with the long term liabilities accounting for 37.2% and the short term liabilities constituting 16.0% of the balance sheet total, which means a change of the debt structure versus the end of 2019, when such shares were, respectively: 35.7% and 18.8%.

Financial liabilities fell by 8%, while at the same time the net debt dropped slightly - (0.4)% - in the first three quarters of 2020, as compared to 2019. Taking into account the fact that the rolled over amount of the EBITDA result was higher by 11% than the reported value as of December 31, 2019, the net debt to EBITDA ratio was lower, coming in at 2.53x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (net debt ratio/EBITDA) specified in some contracts concluded between the Company and the financial institutions is not less than 3.5x. Exceeding it could potentially trigger an immediate repayment of TAURON's obligations. Due to the upward trend of this ratio observed in the first three quarters of 2020, TAURON launched a number of initiatives aimed at reducing the risk of exceeding it and, among others, caps (limits) on capital expenditures for TAURON Capital Group's individual subsidiaries were introduced and options that could have a positive impact on EBITDA were identified. In addition, in the second quarter of 2020, in accordance with the agreement signed between the workforce and the management boards of the subsidiaries regarding amendments to the provisions of the corporate collective bargaining agreements resulting in a change to the principles of the payout of a cash equivalent due to the discount for the consumption of electricity by the retirees, pensioners and other eligible persons who are not employees of the above mentioned subsidiaries, the provisions related to the employee tariff were dissolved. The above event had a positive impact on the EBITDA and, consequently, on the level of the covenant.

Consolidated statement of comprehensive income

The below table presents selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 9 months ended on September 30, 2020, as well as the comparable data for the period of 9 months ended on September 30, 2020. These items are provided in accordance with the *Interim abbreviated consolidated financial statements of TAURON Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 9 months ended on September 30, 2020.*

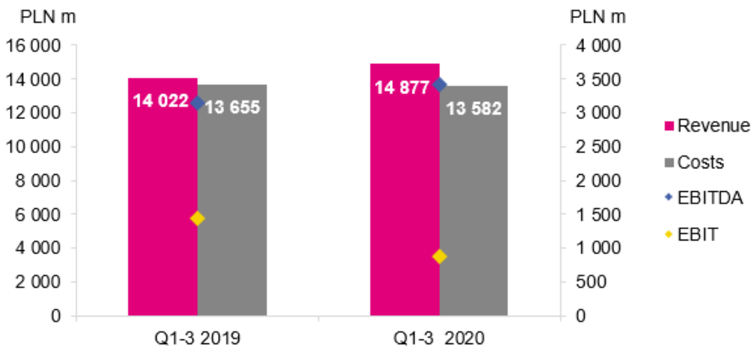
Table no. 14. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first three quarters of 2020 and for the first three quarters of 2019

Item (PLN '000)	Q1-3 2020 (unaudited)	Q1-3 2019 (adjusted data)	Change in % 2020/2019
Sales revenue	14 876 828	14 021 911	106%
Compensations	66 448	821 456	8%
Cost of goods sold	(13 581 737)	(13 655 801)	99%
including: impairment charge due to the loss of the carrying value of the non-financial fixed assets	(237 296)	(257 980)	92%
Other operating revenue and costs	311 579	162 567	192%
Share in joint ventures' profits	5 757	55 517	10%
Operating profit	**1 678 875**	**1 406 053**	**119%**
Operating profit margin (%)	*11.3%*	*10.0%*	*113%*
Cost of interest on debt	(206 834)	(178 080)	116%
Other financial revenue and costs	(76 178)	(48 133)	158%
Pre-tax profit	**1 395 863**	**1 179 840**	**118%**
Pre-tax profit margin (%)	*9.4%*	*8.4%*	112%
Income tax	(539 497)	(255 254)	211%
Net profit from the continued operations for the period	**856 366**	**924 586**	93%
Net profit margin from the continued operations (%)	*5.8%*	*6.6%*	87%
Net profit from the discontinued operations for the period	(796 566)	49 829	
Net profit for the period	**59 800**	**974 415**	6%
Net profit margin (%)	*0.4%*	*6.9%*	6%
Total comprehensive income for the period	**(122 342)**	**983 630**	
Profit attributable to:			
Shareholders of the parent entity	60 597	974 274	6%
Non-controlling shares	(797)	141	
EBIT and EBITDA			
EBIT	**885 531**	**1 449 117**	**61%**
EBITDA	**3 413 595**	**3 156 581**	**108%**

The financial results generated by TAURON Capital Group in the first three quarters of 2020 take into account the results of the impairment tests related to the loss of the carrying value of the fixed assets and intangible assets, in accordance with the information disclosed in the regulatory filing (current report) no. 37/2020 of August 5, 2020.

The below figure presents TAURON Capital Group's financial results for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 10. TAURON Capital Group's financial results for the first three quarters of 2019 and for the first three quarters of 2020

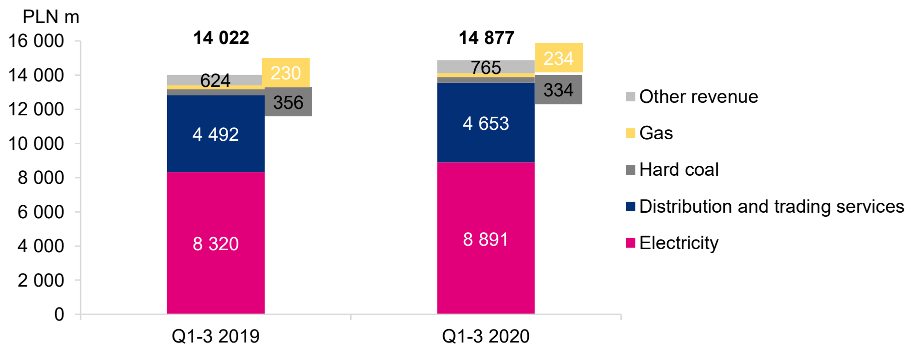


TAURON Capital Group generated 6% higher revenue in the first three quarters of 2020 than the revenue reported for the same period of 2019, with the following factors responsible for it:

1. higher electricity sales revenue, which is a consequence of an increase in prices and a lower volume of electricity sold on the wholesale market and to the retail customers,
2. higher distribution and trading services sales revenue as a consequence of an increase of the distribution services rate along with the decline of the distribution service volume,
3. higher revenue from the valuation of certificates of origin of electricity mainly in connection with the electricity production by the wind farms acquired by TAURON Capital Group in September 2019,
4. higher heat sales revenue due to the higher sales volume which is related to adding heat generation to unit no. 10 at the Łagisza Power Plant,
5. lower hard coal sales revenue as a consequence of the lower volume and obtaining lower prices.

The below figure presents TAURON Capital Group's revenue structure for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 11. TAURON Capital Group's revenue structure for the first three quarters of 2019 and for the first three quarters of 2020



The costs of TAURON Capital Group's operations (operating expenses) came in at PLN 13.6 billion in the first three quarters of 2020, i.e. they were 1% lower than the costs incurred in the same period of 2019, which was a consequence of the following factors:

1. higher depreciation costs, mainly as a result of an increase in the value of the assets as a result of the transaction to acquire the wind farms in September 2019, and the transferring of the auxiliary systems of the 910 MW unit in Jaworzno to assets in March 2020,
2. higher costs of electricity sold, as a consequence of an increase in the purchase price year on year and, at the same time, the lower volume of electricity purchased on the market,
3. charging the *value of goods and materials sold* item with the resale transactions of the futures positions with the delivery date in December 2020 held on the power exchange, while at the same time purchasing the same volume in contracts with the delivery date in March 2021 from the counterparties on the OTC market. The above action was a consequence of a change in the hedging strategy involving a change of the method used to secure the Generation Segment's retirement needs. As a result of the above, a one-time swap of the exchange traded contracts with the delivery date in December 2020 to the OTC contracts with the delivery date in March 2021 was made. The decision to change the strategy was made taking into account the current market circumstances, difficult to predict at the time of the transaction, including: the rising costs of maintaining a position on the

exchange, significantly higher than at the time of concluding the contracts, which is related to, among others, to the need to make ongoing margin payments; a change of the legal and market circumstances in the area of trading in the CO_2 emission allowances related to Brexit and the COVID-19 virus pandemic. Implementing the above mentioned strategy change, all of new transactions concluded on the OTC market will be used for the purpose of performing the retirement obligation by TAURON Capital Group's generation subsidiaries,

4. higher costs of the greenhouse gas emission allowances, which is the result of an increase in the price of the allowances and the lower CO_2 emissions by the generating units due to the lower production of electricity from the conventional sources. In addition, in the first quarter of 2019 TAURON Capital Group retired (settled), instead of the CO_2 emission allowances, the certified emission reduction (CER) units in the amount of 883 000, whose purchase price was much lower than the price of EUA,
5. lower labor costs, as a result of:
   a) recognition in the current period of the effects of the dissolution of the actuarial provisions by TAURON Capital Group's subsidiaries in connection with the amendment to the provisions of the corporate collective bargaining agreements of the subsidiaries with respect to the payout of a cash equivalent for the discounted use of electricity by the current employees of TAURON Capital Group who would acquire the rights to the tariff upon retirement or upon receiving a disability pension and other entitled persons,
   b) lower headcount,
   c) reduction of the working time in accordance with the signed agreement with the workforce, as a consequence of the COVID-19 pandemic,
   d) change in the discount rate from 2.1% to 1.5%, which led to an increase of the actuarial provisions,
   e) increase of the minimum wage,
   f) higher costs of the contribution to the Company's Social Benefits Fund, which is related to a 22% increase of the basis for its assessment,
   g) dissolution in 2019 of the provision related to the Voluntary Redundancy Program,
6. higher costs of the distribution services, which is due to an increase in the tariff for the distribution services for PSE, that entered into force on April 6, 2019 and January 1, 2020,
7. lower overhaul costs mainly due to the lower number of the maintenance and support (overhaul) services for the mining assets, which is related to the shorter length of the roadways bored,
8. higher costs of the other external services, which is the result of:
   a) higher rates for the purchased postal services, courier services and the multimedia customer service, as well as an increase in the number of calls made as part of customer service,
   b) lower costs of the transportation of the production related fuels due to the lower electricity production,
   c) lower number of the mining services purchased, which is related to the shorter length of the roadways bored,
9. higher costs of taxes and fees, mainly due to the recognition of the real estate taxes assessed on the wind farms acquired in September 2019 and the provision set up for the real estate tax in connection with the judgement of the Constitutional Tribunal of July 2020,
10. lower costs of the consumed materials and energy mainly as a result of a decrease in the costs of the consumed fuels, which is due to the lower electricity production in the first three quarters of 2020 than in the same period of 2019. In addition, TAURON Capital Group booked the costs of the hard coal used to start up the 910 MW unit in Jaworzno in the current reporting period.
11. an increase in the hard coal inventory levels as well as in the prepayments and accruals mainly as a result of a rise of the value of the hard coal inventories at TAURON Wydobycie and the Generation Segment Subsidiaries as an effect of allocating the costs of the hard coal produced but not consumed to the balance sheet items which is related to the lower demand for hard coal from the counterparties (contractors) from outside TAURON Capital Group and the lower electricity production due to the COVID-19 epidemic
12. higher value of the costs of services for in-house needs, which is the result of the recognition of a part of the operating costs of the 910 MW unit in Jaworzno as a capital expenditure in connection with its start-up, and a lower value of the mining costs allocated to the balance sheet, which is the result of the smaller number of reinforced longwall coal faces and the smaller number of meters of the length of the investment and production mining workings completed.

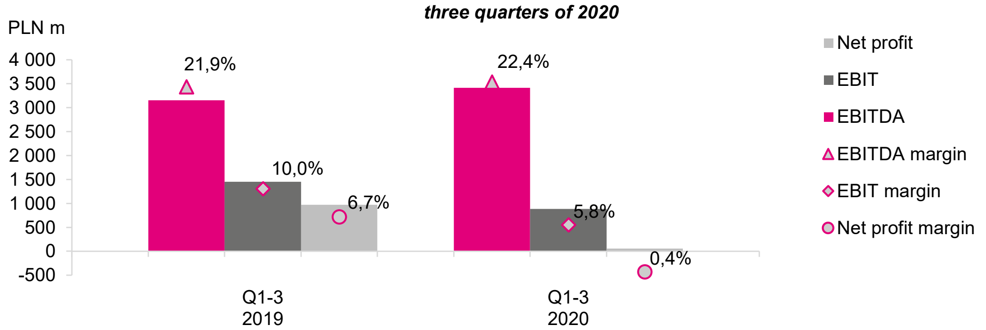
The EBITDA margin on the continued and discontinued operations generated in the first three quarters of 2020 came in at 22.4% and it was higher than the margin posted in the same period of 2019 by 0.5 pp. The EBIT margin clocked in at 5.8% and it was lower by 4.2 pp than the margin achieved in the same period of 2019, while the net profit margin stood at 0.4%, and it was lower by 6.3 pp. The decline of both the EBIT margin, as well as the net profit, is mainly a consequence of booking of the impairment charge related to the loss of the carrying amount of TAURON Ciepło's net assets as of the moment of their revaluation to the fair value (mark to market) and the costs of the FX differences.

In accordance with the consolidated statement of comprehensive income presented, the total comprehensive income of TAURON Capital Group, taking into account the net profit increased or decreased by the change in the value of the hedging instruments, the FX differences arising from the conversion of a foreign unit and the other revenue, after tax, reached PLN -122 million in the first three quarters of 2020, as compared to PLN 984 million generated in the same period of 2019.

The total income attributable to the shareholders of the parent company came in at PLN -121 million, as compared to PLN 983 million posted a year ago, while the net profit attributable to the shareholders of the parent company stood at PLN -61 million, as compared to PLN 974 million posted in the same period of 2019.

The below figure presents TAURON Capital Group's financial results and the margins generated in the first three quarters of 2019 and in the first three quarters of 2020.

Figure no. 12. TAURON Capital Group's financial results and the margins generated in the first three quarters of 2019 and in the first three quarters of 2020



3.4.2. Financial results by the Segments of operations (lines of business)

The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2020 and in the third quarter of 2020 as compared to the same periods of 2019. The data for the individual Segments of operations do not include the consolidation related exclusions.

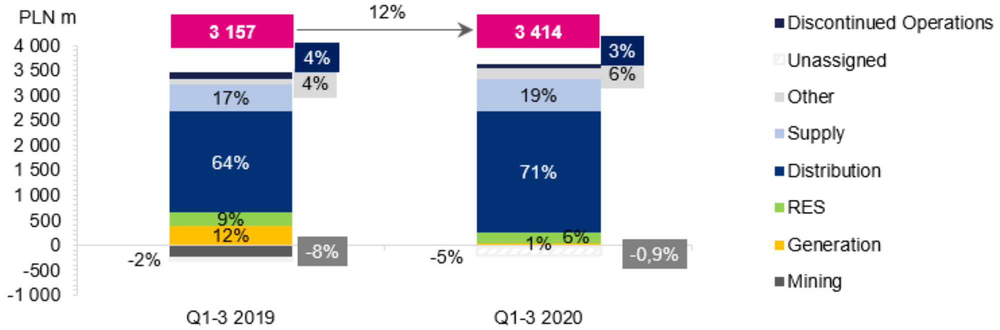
Table no. 15. TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2020 and in the third quarter of 2020 as compared to the same periods of 2019

EBITDA (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019	Q3 2020	Q3 2019*	Change in % 2020/2019
Mining	**(32 406)**	(261 634)	12%	**(39 185)**	(118 709)	33%
Generation	**47 814**	373 489	13%	**21 576**	94 665	23%
RES	**217 362**	282 397	77%	**53 797**	157 959	34%
Distribution	**2 416 876**	2 020 267	120%	**728 175**	662 963	110%
Supply	**640 543**	533 649	120%	**237 639**	110 407	215%
Other operations	**211 444**	127 491	166%	**49 065**	43 029	114%
Unassigned items and exclusions	**(179 535)**	(55 692)	322%	**(44 915)**	(19 530)	230%
EBITDA from the continued operations	**3 322 098**	**3 019 967**	**115%**	**1 006 152**	**930 784**	**108%**
EBITDA from the discontinued operations	**91 497**	136 614	67%	**(287)**	(2 979)	10%
Total EBITDA	**3 413 595**	**3 156 581**	**112%**	**1 005 865**	**927 805**	**108%**

**adjusted data*

The below figure presents TAURON Capital Group's EBITDA structure in the first three quarters of 2019 and in the first three quarters of 2020.

Figure no. 13. TAURON Capital Group's EBITDA structure in the first three quarters half of 2019 and in the first three quarters of 2020



The Distribution Segment and the Supply Segment make the biggest contributions to TAURON Capital Group's EBITDA.

3.4.2.1. Mining Segment

The below table presents the Mining Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Table no. 16. Mining Segment's results for the first three quarters of 2020 and for the first three quarters of 2019

Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
Mining			
Sales revenue	**788 724**	**733 408**	**108%**
hard coal – large and medium size lump coal	*197 986*	*179 082*	*111%*
thermal coal	*553 328*	*520 101*	*106%*
other products, materials and services	*37 410*	*34 225*	*109%*
EBIT	**(347 746)**	**(676 330)**	**-**
Depreciation and write-offs	315 340	414 696	76%
EBITDA	**(32 406)**	**(261 634)**	**-**

**adjusted data*

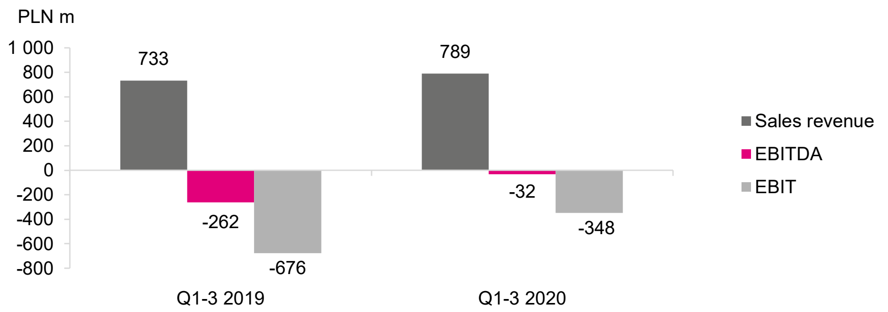
The Mining Segment's EBITDA and EBIT were higher in the first three quarters of 2020 than in the same period of 2019. The results posted were impacted by the following factors:

1. an increase of the large and medium size lump coal assortment sales volume by 20%, with a decline of the thermal coal sales at the same time,
2. an increase of the average coal price by 7%, i.e. from 235.86 PLN/Mg to 253.29 PLN/Mg, which is mainly due to an increase of the price of coal dust from 219.52 PLN/Mg to 237.95 PLN/Mg
3. receipt of the financing aid as part of the government anti-crisis shield package program,
4. other - mainly the allocation of the costs to the balance sheet due to the placement of the hard coal surplus on heaps (stockpiling).

In addition, the higher EBIT result is due to the lower impairment charge than in the same period of 2019.

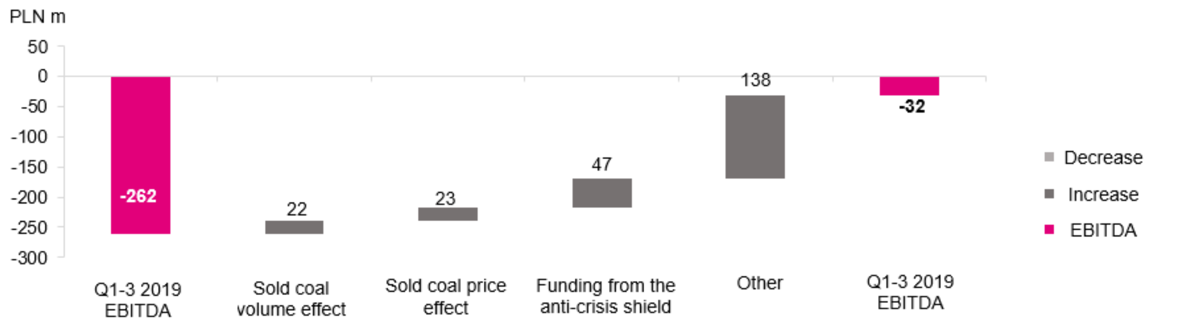
The below figure presents the Mining Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 14. Mining Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020



The below figure presents the Mining Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 15. Mining Segment's EBITDA, including the material factors impacting the change year on year



3.4.2.2. Generation Segment

The below table presents the Generation Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Table no. 17. Generation Segment's results for the first three quarters of 2020 and for the first three quarters of 2019

Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
Generation			
Sales revenue	**2 338 598**	**2 582 097**	**91%**
electricity	*2 120 336*	*2 424 163*	*87%*
heat	*104 507*	*78 770*	*133%*
property rights related to certificates of origin of electricity	*75 857*	*42 834*	*177%*
other	*37 899*	*36 330*	*104%*
EBIT	**-199 852**	**213 930**	**-**
Depreciation and write-offs	247 666	159 559	156%
EBITDA	**47 814**	**373 489**	**13%**

**adjusted data*

Generation Segment's sales revenue was 9% lower in the first three quarters of 2020, as compared to the same period of 2019, mainly due to the lower electricity sales revenue (lower sales volume).

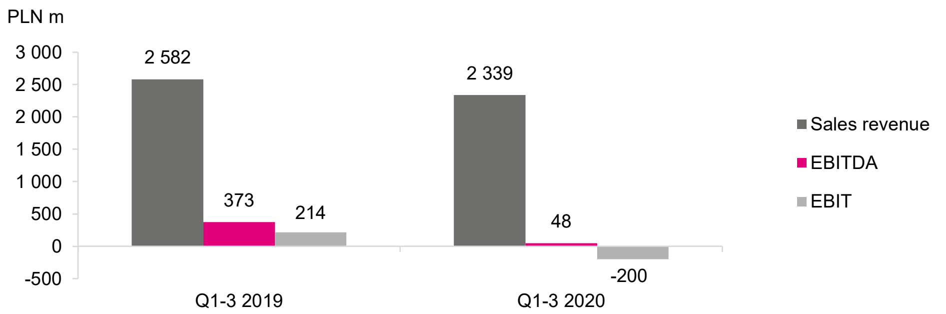
Generation Segment's EBITDA and EBIT were lower in the first three quarters of 2020 than in the same period of 2019. The results posted were affected by the following factors:

1. lower margin on electricity (hard coal fired units) – primarily due to the lower Clean Dark Spread (CDS) year on year and the drop of the electricity sales volume. The CDS was materially positively impacted in 2019 by including 883 000 Certified Emission Reduction (CER) units in the cost of the provision set up in connection with the obligation to present the CO_2 emission allowances to be retired,
2. higher margin on electricity (biomass fired units) – due to the higher PMOZE prices, as well as the higher production volume,
3. a swap of the CO_2 emission allowance purchase contracts – in the first quarter of 2020 TAURON Capital Group made a decision to change the hedging strategy related to securing the Generation Segment's retirement needs, involving a one-time swap of the exchange traded contracts with the delivery date in December 2020 to the OTC contracts with the delivery date in March 2021. All of the new transactions concluded on the OTC market will be used for the purpose of performing the retirement obligation by TAURON Capital Group's generation subsidiaries. The above transactions led to a charge to the Generation Segment's EBITDA result in the amount of PLN 114 million. At the same time, the completed purchase of the volume with the delivery date in March 2021 from the counterparties on the OTC market, taking into account the decrease of the CO_2 emission allowances prices at the time of the transaction, will lead to the reduction of the costs of TAURON Capital Group setting up a provision for the CO_2 emission liabilities for 2020.
4. receipt of the financing aid as part of the government anti-crisis shield package program,
5. other - primarily: the lower result of TAMEH year on year, the higher costs of the overhauls and the higher costs of the property insurance year on year.

In addition, the lower EBIT result was due to the higher impairment charges as compared to the same period of 2019.

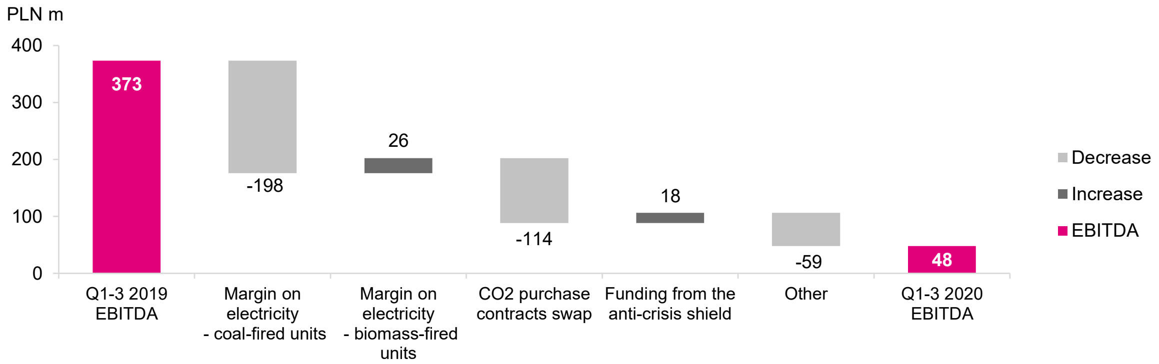
The below figure presents the Generation Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 16. Generation Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.



The below figure presents the Generation Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 17. Generation Segment's EBITDA, including the material factors impacting the change year on year



3.4.2.3. RES Segment

The below table presents the RES Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Table no. 18. RES Segment's results for the first three quarters of 2020 and for the first three quarters of 2019

Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
RES			
Sales revenue	**458 000**	**295 795**	**155%**
Electricity	*214 611*	*169 632*	*127%*
Certificates of origin of electricity	*241 927*	*124 930*	*194%*
Other	*1 462*	*1 233*	*119%*
EBIT	**104 475**	**209 686**	**50%**
Depreciation and write-offs	112 887	72 711	155%
EBITDA	**217 362**	**282 397**	**77%**

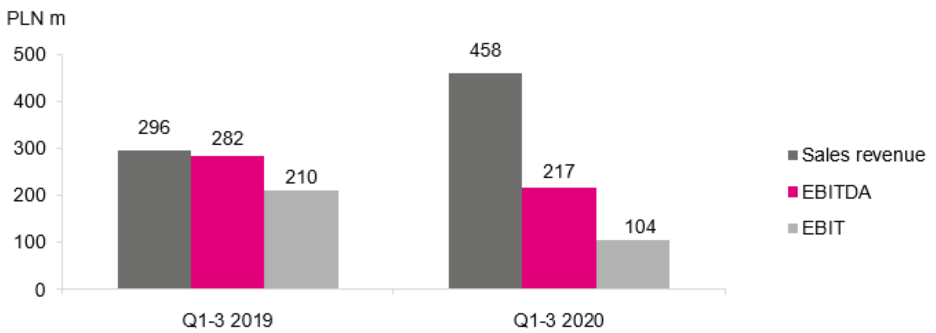
**adjusted data*

RES segment's EBITDA and EBIT were lower in the first three quarters of 2020 than in the same period of 2019. The results posted were affected by the following factors:

1. result on the opportunistic acquisition of 5 wind farms from the in.ventus group - an event that had a positive impact on the 2019 result,
2. a higher margin on electricity sales - mainly due to the electricity production by the wind farms acquired in September 2019,
3. higher revenues from the certificates of origin of electricity, which is a consequence of the higher prices and the certificates obtained as a result of the electricity production by the wind farms acquired in September 2019,
4. higher fixed costs as a result of setting up, in June 2020, of the provision for the real estate tax as a result of the judgement of the Constitutional Tribunal of July 2020 with respect to the constitutionality of the definition of a building structure and the costs of operating the wind farms acquired in September 2019.

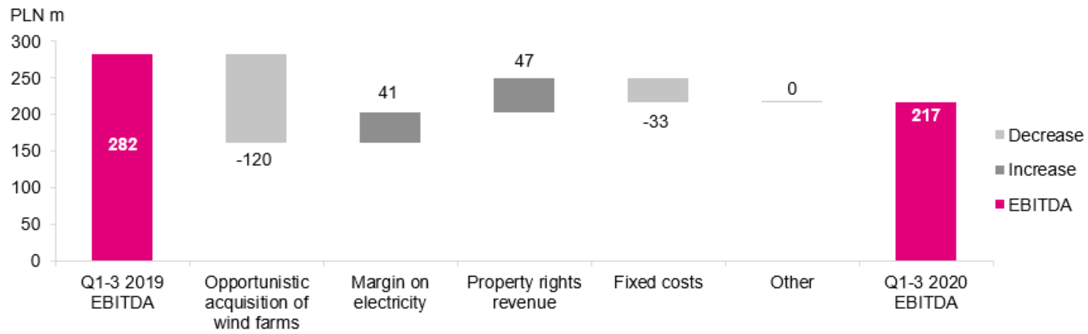
The below figure presents the RES Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 18. RES Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020



The below figure presents the RES Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 19. RES Segment's EBITDA, including the material factors impacting the change year on year



3.4.2.4. Distribution Segment

The below table presents the Distribution Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Table no. 19. Distribution Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
Distribution			
Sales revenue	**5 078 777**	**4 898 285**	104%
distribution services	*4 935 288*	*4 768 269*	*104%*
connection fees	*58 790*	*59 298*	*99%*
power line collisions fixing	*29 468*	*19 757*	*149%*
other revenue	*55 231*	*50 961*	*108%*
EBIT	**1 551 496**	**1 151 097**	135%
Depreciation and write-offs	865 380	869 170	100%
EBITDA	**2 416 876**	**2 020 267**	120%

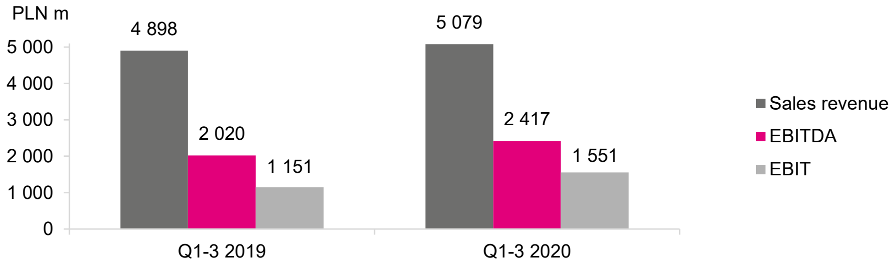
**adjusted data*

The Distribution Segment reported a 4% sales revenue increase, while EBIT and EBITDA went up by, respectively, 35% and 20% in the first three quarters of 2020, as compared to the same period of 2019. The results posted were affected by the following factors:

1. an increase of the average rate for the distribution service sales to the final consumers,
2. a decline of the total electricity delivery by 1 799 GWh, including to the final consumers by 1 641 GWh, first of all in the B, C and A tariff groups, as a result of the economic slowdown and the visible impact of the COVID-19 pandemic on the economy,
3. higher costs of purchasing the transmission services as a result of an increase of the variable and fixed grid rates (fees),
4. an increase of the revenue from the passive energy and fixing power line collisions,
5. an increase of the costs of purchasing electricity to cover the balancing difference as a result of the higher volume, the higher purchase price and the upward adjustment,
6. dissolution of the provision for the payment of the equivalent for electricity,
7. a rise of the other fixed costs, including labor costs as a result of the wages agreements signed, as well as the costs of the taxes on the grid assets due to the increase of the value of the assets as a result of the investment projects conducted.

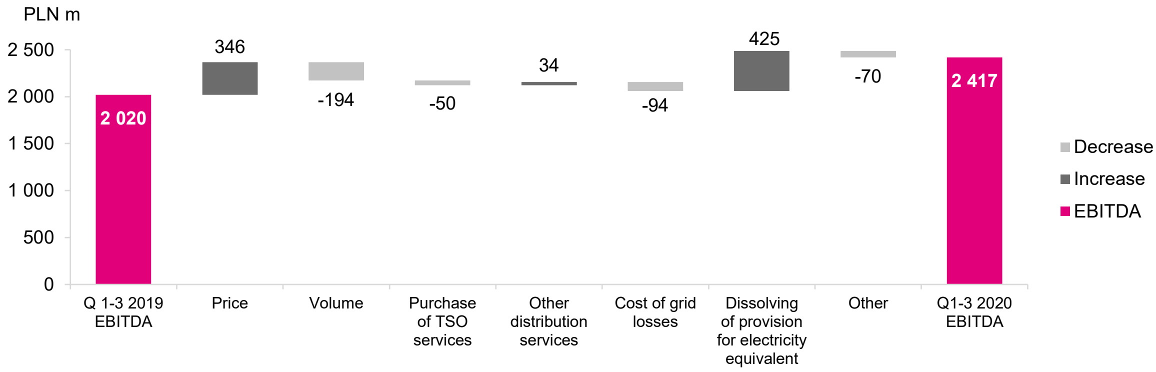
The below figure presents the Distribution Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 20. Distribution Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020



The below figure presents the Distribution Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 21. Distribution Segment's EBITDA, including the material factors impacting the change year on year



3.4.2.5. Supply Segment

The below table presents the Supply Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Table no. 20. Supply Segment's results for the first three quarters of 2020 and for the first three quarters of 2019

Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
Supply			
Sales revenue	**12 150 594**	**10 399 721**	**117%**
electricity, including:	*8 356 843*	*6 974 409*	*120%*
retail electricity supply revenue	*6 835 052*	*6 192 558*	*110%*
greenhouse gas emission allowances	*171 436*	*3 144*	*5 453%*
fuels	*1 122 656*	*973 829*	*115%*
distribution service (passed on)	*2 396 967*	*2 294 019*	*104%*
other services, incl. trading services	*102 692*	*154 375*	*67%*
EBIT	**607 401**	**503 762**	**121%**
Depreciation and write-offs	33 142	29 887	111%
EBITDA	**640 543**	**533 649**	**120%**

**adjusted data*

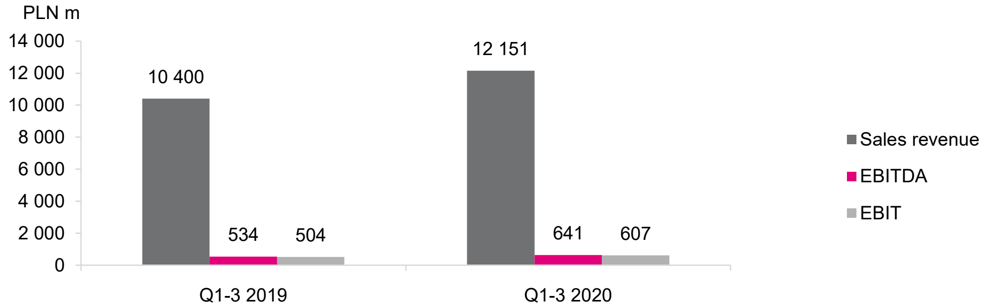
The Supply Segment's sales revenue was 17% higher in the first three quarters of 2020 as compared to the same period of 2019, mainly due to the higher electricity sales revenue (higher electricity sales price) and the higher fuel sales revenue (higher coal and gas fuel sales volumes).

The Supply Segment's EBITDA and EBIT were lower in the first three quarters of 2020 than in the same period of 2019. The results posted were affected by the following factors:

1. electricity volume and prices – a positive impact on the result is caused by the result generated on the electricity wholesale trading due to the completion of the buybacks of the volume contracted for the 910 MW unit in Jaworzno, and an increase of the electricity retail sales prices (increase of the tariff prices and price lists),
2. property rights prices – a negative impact on the result due to an increase of the prices of the *green certificates* (PMOZE),
3. obligation to retire the property rights – a negative impact on the result is a consequence of an increase of the obligation related to the *green certificates* (PMOZE) from 18.5% to 19.5%,
4. other – the recognized result on the sale of the other market (commercial) products, street lighting, the higher costs of sales and the balance of the other operations

The below figure presents the Supply Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 22. Supply Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020



The below figure presents the Supply Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 23. Supply Segment's EBITDA, including the material factors impacting the change year on year

3.4.2.6. Other Operations

The below table presents the Other Operations Segment's results for the first three quarters of 2020 and for the first three quarters of 2019.

Table no. 21. Other Operations Segment's results for the first three quarters of 2020 and for the first three quarters of 2019

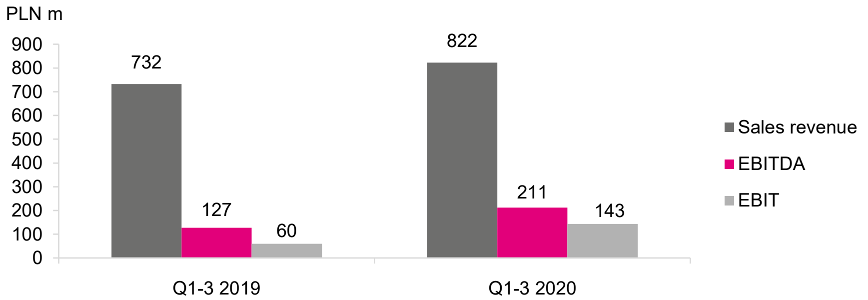
Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
Other Operations			
Sales revenue	**822 044**	**731 972**	**112%**
customer service	*179 881*	*160 475*	*112%*
support services	*366 993*	*340 301*	*108%*
Aggregates	*75 440*	*78 147*	*97%*
Biomass	*112 553*	*92 398*	*122%*
other revenue	*87 177*	*60 650*	*144%*
EBIT	**142 636**	**59 600**	**239%**
Depreciation and write-offs	68 808	67 891	101%
EBITDA	**211 444**	**127 491**	**166%**

**adjusted data*

Other Operations Segment subsidiaries' sales revenue was higher by 12% in the first three quarters of 2020 than in the same period of 2019, which was primarily due to the higher sales of the customer service and support services provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries.

The below figure presents the Other Operations Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 24. Other Operations Segment's financial data for the first three quarters of 2019 and for the first three quarters of 2020.



3.4.2.7. Discontinued operations

The below table presents the Discontinued operations' results for the first three quarters of 2020 and for the first three quarters of 2019.

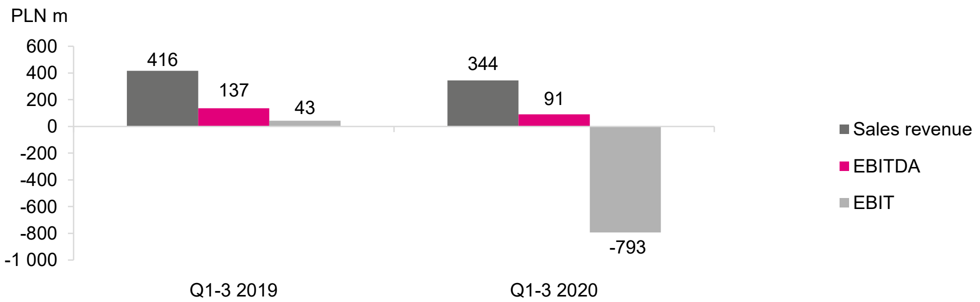
Table no. 22. Discontinued operations' results for the first three quarters of 2020 and for the first three quarters of 2019

Item (PLN '000)	Q1-3 2020	Q1-3 2019*	Change in % 2020/2019
Other Operations			
Sales revenue	**344 121**	**416 279**	**83%**
EBIT	**-793 344**	**43 064**	**-**
Depreciation and write-offs	884 841	93 550	946%
EBITDA	**91 497**	**136 614**	**67%**

**adjusted data*

The below figure presents the Discontinued operations' financial data for the first three quarters of 2019 and for the first three quarters of 2020.

Figure no. 25. Discontinued operations' financial data for the first three quarters of 2019 and for the first three quarters of 2020.



As of the day of placing TAURON Ciepło's net assets in the group for disposal, classified as held for sale, TAURON Capital Group performed a valuation of the group for disposal at fair value (mark to market). The fair value was, as of the balance sheet date, determined to stand at PLN 1 342 000 000. Due to the fact that the fair value of the group for disposal is lower than its current book value, TAURON Capital Group took an impairment charge related to the loss of the carrying value of the non-financial fixed assets in the amount of PLN 822 009 000.

3.4.3. Assets

The below table presents the consolidated statement of financial position – assets as of September 30, 2020 and December 31, 2019.

Table no. 23. Interim abbreviated consolidated statement of financial position – assets (material items) as of September 30, 2020 and December 31, 2019

Statement of financial position (PLN '000)	As of September 30, 2020 (unaudited)	As of December 31, 2019 (adjusted data)	Change in % 2020/2019
ASSETS			
Fixed assets	**33 701 429**	**35 052 287**	**96%**
Tangible fixed assets	30 121 906	31 099 071	97%
Current assets	**6 817 330**	**6 865 478**	**99%**
Cash and equivalents	419 405	1 237 952	34%
Fixed assets and the assets of the group for disposal, classified as held for trade	1 738 489	22 710	7 655%
TOTAL ASSETS	**40 518 759**	**41 917 765**	**97%**

As of September 30, 2020, TAURON Capital Group's statement of financial position shows the balance sheet total that is 3% lower, as compared to the balance sheet total as of December 31, 2019.

The below figures present the change in assets and current assets as of December 31, 2019, and September 30, 2020.

Figure no. 26. Change in assets as of December 31, 2019, and September 30, 2020

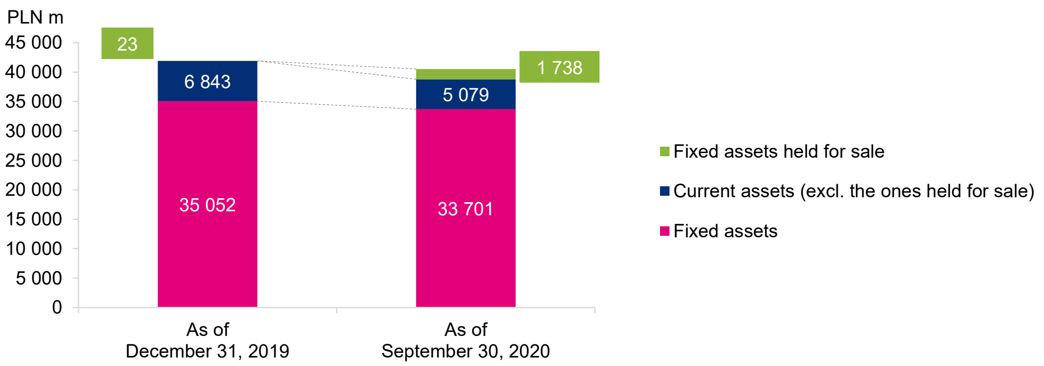
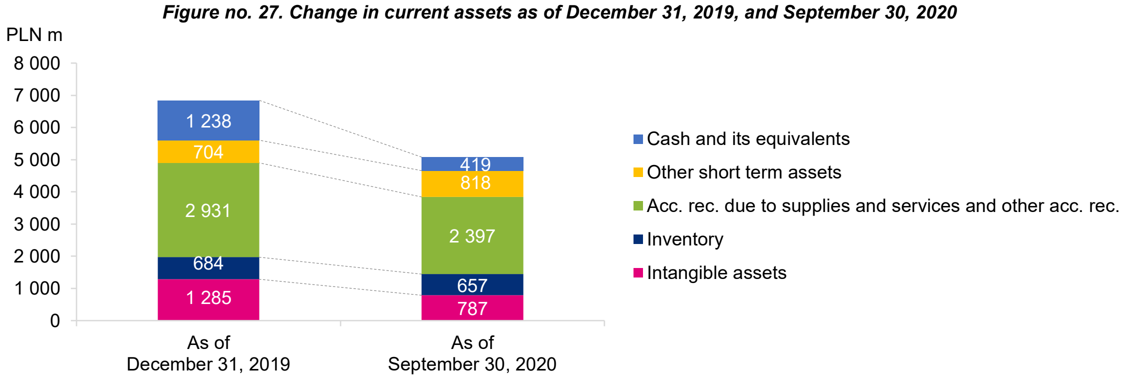


Figure no. 27. Change in current assets as of December 31, 2019, and September 30, 2020



Fixed assets represent the biggest item of the assets as of the end of September 2020, constituting 83.3% of the balance sheet total. As compared to the end of 2019, the value of the fixed assets is lower by PLN 1 351 million (4%), which was most impacted by the event related to the reclassification of TAURON Ciepło assets as held for sale (disposal). Excluding the above event, the value of the fixed assets as of the balance sheet date was at the same level as at the end of 2019. In addition, the following factors had an impact on the change in the value of the fixed assets:

1. tangible fixed assets – an increase by 1% is a result of the investment projects implemented by TAURON Capital Group's subsidiaries
2. right to use assets – a decrease by 6% as a result of the depreciation charges,

3. certificates of origin of electricity and the gas emission allowances to be retired – a decline by 59% due to the reclassifying of the certificates of origin of electricity and the CO_2 emission allowances as current assets held in order to fulfill the obligation related to the retirement of the above mentioned assets,
4. loans granted to the joint ventures – a rise by 30% due to the loan granted and the update of the valuation of the loan valued at fair value (marked to market),
5. other financial assets – a drop by 6%,
6. other non-financial assets – a drop by 15%,
7. deferred income tax assets - increase by 37%.

The following factors had an impact on the decline in the value of the current assets by PLN 48 million (1%):

1. recognition (booking) of the net assets of TAURON Ciepło classified as assets held for sale, which is related to the project conducted by TAURON Capital Group aimed at the market verification of the possibility of the sale of the shares in the TAURON Ciepło subsidiary and the potential continuation of the sale process,
2. balance of cash on hand and its equivalents – a decline by 66%. The information on the reasons for the change is provided in section 3.4.4 of this information,
3. certificates of origin of electricity and the CO_2 emission allowances to be retired – a drop by 39% which is the result of the following events:
   a) transfer of the CO_2 emission allowances and certificates of origin of electricity for retirement due to the statutory settlement (retirement) for 2019,
   b) recognition (booking) of the certificates of origin of electricity acquired or produced in-house for the fulfillment of the obligation to retire property rights,
   c) reclassifying as short term assets a part of the property rights and the CO_2 emission allowances held, originally classified as long term assets, that were reclassified due to their allocation for the needs of the current fulfilling of the obligation to retire the above mentioned assets,
4. inventory – a drop by 4% mainly due to the lower level of the hard coal inventory,
5. accounts receivable from the consumers – a fall by 1%,
6. accounts receivable due to income tax – a slump by 100% in connection with the received inflow due to the settlement of the corporate income tax for 2019,
7. accounts receivable due to the other taxes and fees – a fall by 68% mainly due to the settlement of the VAT which was the result of the transaction to purchase the CO_2 emission allowances by the Generation Segment subsidiaries from the parent entity
8. loans granted to the joint ventures – a surge by 88%, as a result of updating of the loan valuation to fair value (mark to market),
9. other financial assets – an increase by 17%, which is the result of an increase in the valuation of the derivative instruments and the value of the variation margins due to the settlements of the exchange transactions along with a decrease in the value of the initial margins due to the settlements of the exchange transactions. In addition, the settlement in 2020 of the accounts receivable due to the compensations for the trading companies and the sale of the investment funds' participation units had an impact on the change in the value of the other financial assets,
10. other non-financial assets – an increase by 7%.

The below table presents the consolidated statement of financial position – equity and liabilities as of September 30, 2020 and December 31, 2019.

Table no. 24. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of September 30, 2020 and December 31, 2019

Statement of financial position (PLN '000)	As of September 30, 2020 (unaudited)	As of December 31, 2019 (adjusted data)	Change in % 2020/2019
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	**18 070 845**	**18 192 226**	**99%**
Non-controlling shares	897 087	900 434	100%
Total equity	**18 967 932**	**19 092 660**	**99%**
Long term liabilities	**15 077 768**	**14 963 274**	**101%**
Liabilities due to debt	12 158 038	11 830 183	103%
Short term liabilities	**6 473 059**	**7 861 831**	**82%**
Liabilities due to debt	1 369 062	2 484 093	55%
Total liabilities	**21 550 827**	**22 825 105**	**94%**
TOTAL EQUITY AND LIABILITIES	**40 518 759**	**41 917 765**	**97%**

The below figures present the change in equity and liabilities, as well as equity attributable to the majority shareholders as of December 31, 2019, and September 30, 2020.

Figure no. 28. Change in equity and liabilities as of December 31, 2019, and September 30, 2020

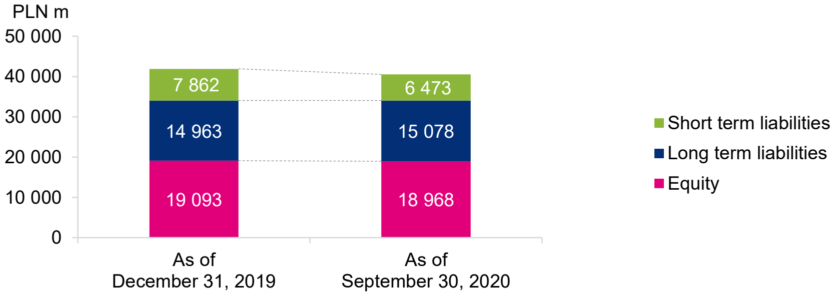
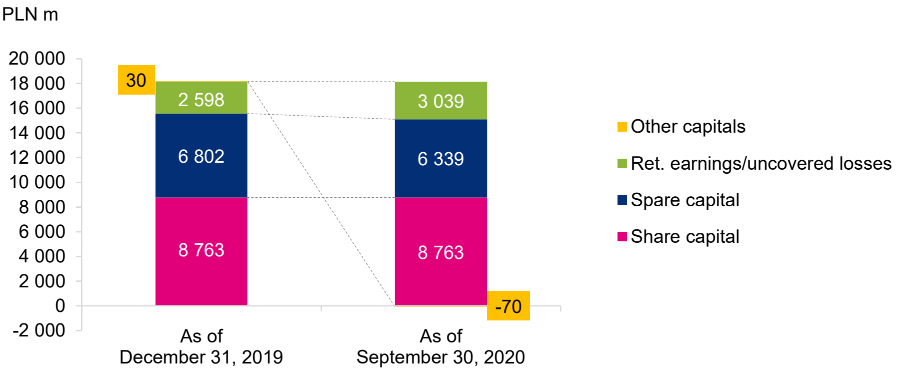


Figure no. 29. Change in equity attributable to majority shareholders as of December 31, 2019, and September 30, 2020r



Similar as in the previous years, equity continues to be a material source of financing the assets and its share in the balance sheet total stands at 46.8%.

The below figures present the change in the long term and short term liabilities as of December 31, 2019, and September 30, 2020.

Figure no. 30. Change in long term liabilities as of December 31, 2019, and September 30, 2020

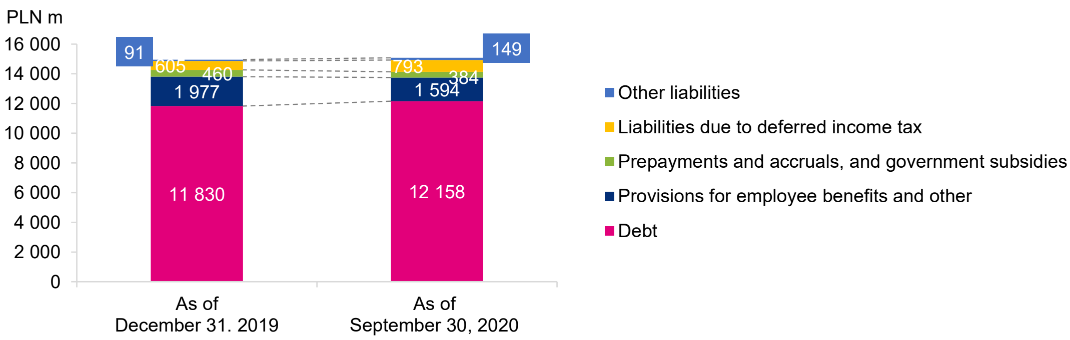
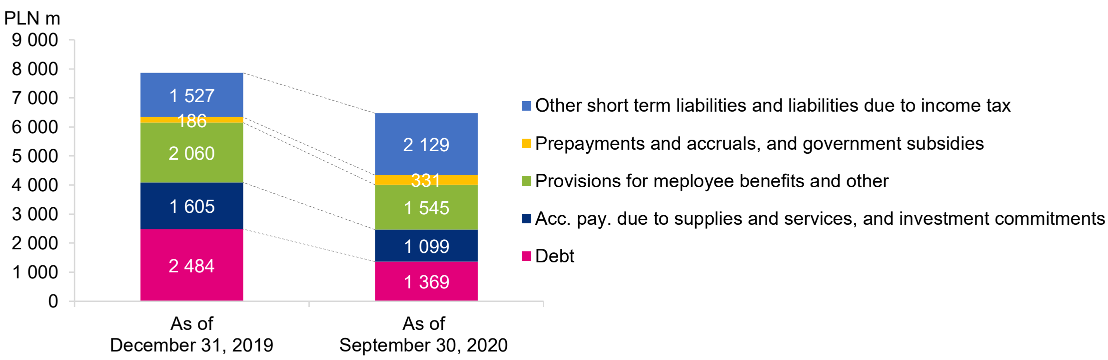


Figure no. 31. Change in short term liabilities as of December 31, 2019, and September 30, 2020



The amount of TAURON Capital Group's long term liabilities went up by PLN 114 million (1%) in the first three quarters of 2020, which was a consequence of the following factors:

1. reclassifying of some liabilities as liabilities related to the assets classified as net assets of TAURON Ciepło held for sale, which is related to the project conducted by TAURON Capital Group aimed at the market verification of the possibility of the sale of the shares in the TAURON Ciepło subsidiary and the potential continuation of the sale process,
2. liabilities due to debt – an increase by 3% as a result of taking out loans worth PLN 2 360 million in the first three quarters of 2020, an update of the value of the bonds issued in a foreign currency as a result of a rise of the FX rate as of September 30, 2020, as compared to the FX rate as of December 31, 2019, as well as reclassifying of some liabilities as short term liabilities,
3. liabilities due to the deferred income tax – a rise by 31%, which is mainly due to the fact that, as of the balance sheet date, a deferred tax asset of the Mining segment's subsidiary was included in the impairment charge,
4. provisions for the employee benefits – a drop by 30% in connection with the dissolution of the provisions for the employee tariff which is an effect of the agreement concluded in May 2020 and the signing of the additional protocols between the management boards of the subsidiaries and the workforce that amended the provisions of the corporate collective bargaining agreements of the subsidiaries with respect to the payout of a cash equivalent due to the discount for the consumption of electricity by the retirees, pensioners and other eligible persons who were no longer employees of the above mentioned subsidiaries.
5. other non-financial liabilities – a drop by 36%,
6. other financial liabilities – an increase by 78%.

The amount of TAURON Capital Group's short term liabilities went down by PLN 1 389 million (by 18%), which was primarily a consequence of the following factors:

1. reclassifying of some long term liabilities as liabilities related to the assets classified as net assets of TAURON Ciepło held for sale, which is related to the project conducted by TAURON Capital Group aimed at the market verification of the possibility of the sale of the shares in the TAURON Ciepło subsidiary and the potential continuation of the sale process,
2. liabilities due to debt – a drop by 45%, which is related to the repayment of the loans received in the amount of PLN 3 434 million, reclassifying of some long term liabilities as short term liabilities and an update of the value of the bonds issued in a foreign currency as a result of a rise of the FX rate as of September 30, 2020, as compared to the FX rate as of December 31, 2019,
3. accounts payable towards the suppliers – a decline by 13% and investment commitments – a drop by 52%,
4. provisions for the employee benefits – a drop by 15% in connection with the dissolution of the provisions for the employee tariff, which is described in more detail in section 4. In the above paragraph,
5. provisions for the obligations due to the certificates of origin of electricity and the CO_2 emissions – a drop by 19%, mainly as a result of using up (consuming) the provision, set up in 2019, related to the obligations due to the emissions of gases and the certificates of origin of electricity for 2019 in connection with the fulfillment, by the subsidiaries, of the statutory obligations related thereto and the setting up of the provision related to the obligations due to the emissions of the CO_2 gases and the certificates of origin of electricity for the three quarters of 2020,
6. other provisions – a decrease by 41%,
7. prepayments and accruals, and government subsidies – a rise by 78%,
8. accounts payable due to income tax – an increase by 2 749%,
9. accounts payable due to taxes and fees – a drop by 32%, which is the result of the lower accounts payable due to the VAT tax, the accounts payable due to the social security and the personal income tax. The decrease of the accounts payable due to the VAT tax is primarily the result of the settlement, within the period of the six months ended on June 30, 2020, of the liability due to the VAT tax as of December 31, 2019, stemming from the transaction involving the sale by the Company of the CO_2 emission allowances to the Generation Segment subsidiaries,
10. other financial liabilities – an increase by 45% as a consequence of the rise of the variation margins' value due to the settlements of the exchange transactions, the decline of the accounts payable due to wages and the settlement in full of the obligation to refund the overpaid amounts to the consumers, which stemmed from the need to adapt the prices during that period to the provisions of the amended *Act of December 28, 2018, on amending the Excise Duty Act and certain other acts,*
11. other non-financial liabilities – an increase by 16% primarily as a consequence of the rise of the overpayments received from the customers and the prepayments on the account of the grid connection fee.

3.4.4. Cash flows

Consolidated cash flow statement

The below table presents the selected information from the interim abbreviated cash flow statement for the first three quarters of 2020 and for the first three quarters of 2019.

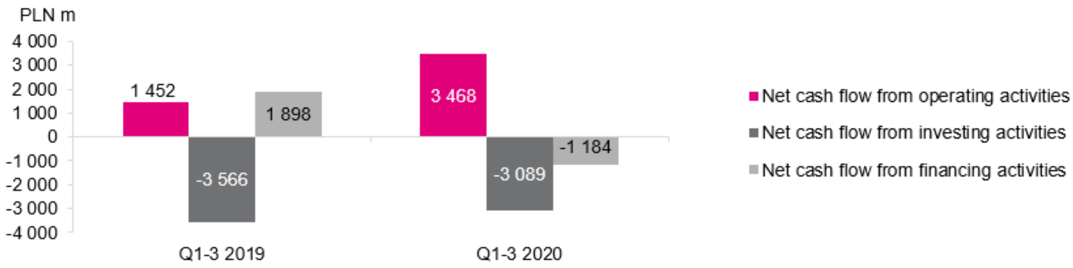
Table no. 25. interim abbreviated cash flow statement for the first three quarters of 2020 and for the first three quarters of 2019

Cash flow statement (PLN '000)	Q1-3 2020 (unaudited)	Q1-3 2019 (adjusted data)	Change in % 2020/2019
Cash flows from operating activities			
Pre-tax profit	600 914	1 225 271	49%
Adjustments	2 867 514	227 011	1263%
Net cash flows from operating activities	**3 468 428**	**1 452 282**	**239%**
Cash flows from investing activities			
Sale of tangible fixed assets and intangible assets	14 317	15 755	91%
Purchase of tangible fixed assets and intangible assets	(3 034 183)	(3 058 254)	99%
Repayment of the loans granted	10 803	7 000	154%
Granting of loans	(85 575)	(16 025)	534%
Net cash flows from investing activities	**(3 088 725)**	**(3 566 426)**	**87%**
Cash flows from financing activities			
Issuance of debt securities	0	500 000	0%
Redemption of debt securities	(3 100)	(670 000)	0%
Proceeds from credits/loans taken out	2 360 346	1 450 000	163%
Repayment of loans/credits	(3 433 646)	(94 845)	3620%
Interest paid	(38 926)	(36 020)	108%
Net cash flows from financing activities	**(1 183 727)**	**1 897 707**	**-62%**
Increase / (decrease) in net cash and equivalents	**(804 024)**	**(216 437)**	**371%**
Cash opening balance	**1 203 601**	**807 972**	**149%**
Cash closing balance	**399 577**	**591 535**	**68%**

The total amount of all net flows of cash from operating, investing and financing activities in the first three quarters of 2020 was negative and came in at PLN (804) million.

The below figure presents cash flows in the first three quarters of 2019 and in the first three quarters of 2020.

Figure no. 32. Cash flows in the first three quarters of 2019 and in the first three quarters of 2020



The amount of cash flows from operating activities in the first three quarters of 2020 came in at PLN 3 468 million, which was the result of the following factors:

1. EBITDA generated in the amount of PLN 3 414 million,
2. a negative change of the working capital in the amount of PLN 146 million, which is the result of:
   a) a positive change of the balance of the accounts receivable, mainly from the consumers, in the amount of PLN 180 million,
   b) a negative change of the inventory level, in the amount of PLN 65 million,

c) a negative change of the balance of the accounts payable in the amount of PLN 476 million, mainly as a result of a decrease of the accounts payable to the suppliers, the accounts payable due to wages as well as the tax liabilities,
d) a positive change in the other long and short term assets as well as the provisions in the total amount of PLN 86 million, mainly as a result of a change in the accounts receivable due to the tax liabilities and the settlement of the initial and variation margins due to the settlements of the exchange transactions,
e) a positive change in prepayments and accruals as well as government subsidies in the amount of PLN 130 million,

3. income tax received in the amount of PLN 27 million, which results mainly from the tax capital group's (PGK) settlements, that are made up of:
    a) an inflow in the amount of PLN 249 million stemming from the tax settlements for 2019,
    b) an outflow due to the income tax in the amount of PLN 210 million, as a result of the remittance of the advance payments for the 8 months of 2020 in the amount of PLN 208 million and the settlements of the income tax for the previous years, resulting in the outflow in the amount of PLN 2 million,
4. other factors PLN +173 million mainly due to the valuation of the derivative instruments.

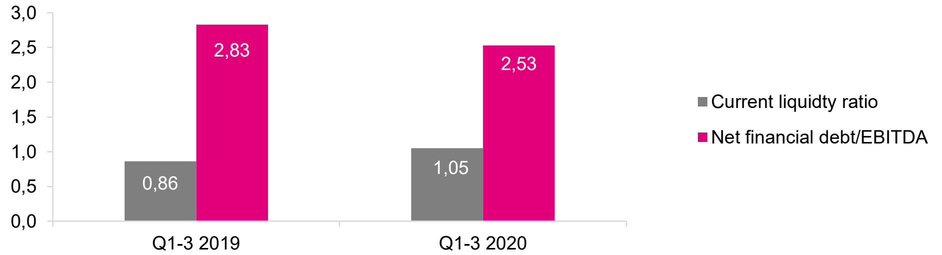
Expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flows from investing activities and they were lower by 1% in the reporting period than the outlays incurred in the same period of 2019. In the first three quarters of 2020 the largest expenditures were incurred by the Distribution Segment and the Generation Segment.

The negative value of cash flows from financing activities is primarily due to the higher amount of the expenditures realized due to the repayments of the financial liabilities than the inflows received due to obtaining the financing. The amount of the repaid loans and credits came in at PLN 3 434 million, while the loans and credits taken out clocked in at PLN 2 360 million. In addition, TAURON Capital Group redeemed debt securities worth PLN 3 million in the first three quarters of 2020. The total amount of the interest paid by TAURON Capital Group, mainly on the financial liabilities, came in at PLN 38 million, while the subsidies received and the compensation amounted to PLN 39 million.

TAURON Capital Group is maintaining its market position. The current liquidity ratio and the net debt to EBITDA ratio continue to stand at a safe level.

The below figure presents the current liquidity ratio and the net financial debt to EBITDA ratio in the first three quarters of 2019 and in the first three quarters of 2020.

Figure no. 33. Current liquidity ratio and the net financial debt to EBITDA ratio in the first three quarters of 2019 and in the first three quarters of 2020



TAURON Capital Group is effectively managing its financial liquidity using the central financing model put in place and the central financial risk management policy. TAURON Capital Group is using the *cash pooling* mechanism in order to minimize the potential cash flow disruptions and the risk of liquidity loss. TAURON Capital Group is using various sources of funding, such as, for example, overdrafts, bank loans, loans from the environmental funds, bond issues.

3.5. Position of the Management Board of TAURON Polska Energia S.A. on the Company's ability to perform in line with the earlier published forecasts of the results for the given year

TAURON Capital Group did not publish any forecasts of the financial results for 2020. TAURON Capital Group's financial position is stable and no negative events which could pose any threat to the continuity of its business operations or cause a material deterioration of its financial position have occurred.

The detailed description of the financial position, understood as ensuring the provision of funds for both the operating, as well as the investing activities, is provided in section 3 of this information.

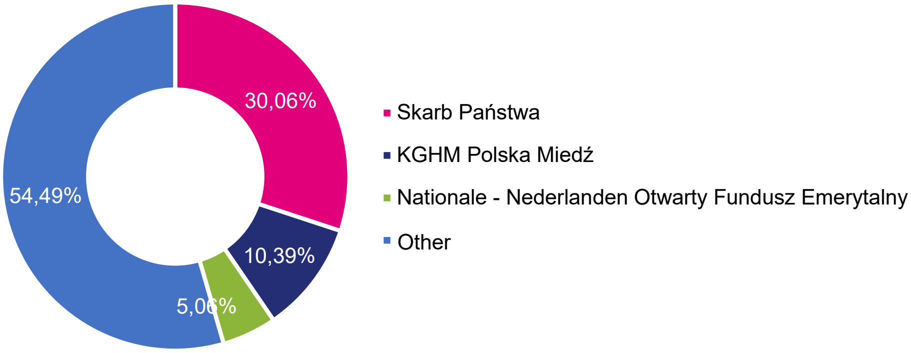
4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

4.1. Structure of TAURON Polska Energia S.A. shareholding

As of September 30, 2020 and as of the date of drawing up this report the Company's share capital, in accordance with an entry in the National Court Register, stood at PLN 8 762 746 970 and was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 ordinary BB series registered shares.

The below figure presents the shareholding structure as of September 30. 2020, and as of the date of drawing up this information.

Figure no. 34. Shareholding structure as of September 30. 2020, and as of the date of drawing up this information



4.2. Information on the shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of TAURON Polska Energia S.A.

The below table presents the shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting (GM) of the Company, as of September 30, 2020 and as of the date of drawing up this information.

Table no. 26. Shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting (GM) of the Company, as of September 30, 2020 and as of the date of drawing up this information

#	Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held*	Percentage share in the total number of votes*
1.	State Treasury	526 848 384	30.06%	526 848 384	30.06%
2.	KGHM Polska Miedź	182 110 566	10.39%	182 110 566	10.39%
3.	Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5.06%	88 742 929	5.06%

**Pursuant to the provisions of the Company's Articles of Association, the voting right of the shareholders holding more than 10% of the total number of votes in the Company shall be limited in such a way that none of them may exercise more than 10% of the total number of votes in the Company at the General Meeting. The cumulative votes owned by the shareholders between whom there is a parent - daughter or daughter - parent company relationship within the meaning of the provisions of the Company's Articles of Association shall be subject to an applicable reduction. The above mentioned restriction on the voting rights shall not be applicable to the State Treasury and the State Treasury subsidiaries in the period during which the State Treasury, together with the State Treasury subsidiaries, holds a number of shares in the Company entitling it to exercise at least 25% of the total votes in the Company.*

From the date of disclosing the previous interim report, i.e. since August 19, 2020, until the date of disclosing this information the Company had not received any notifications from its shareholders on any changes in the ownership structure of substantial blocks of TAURON shares.

4.3. Summary of the holdings of TAURON Polska Energia S.A. shares or rights thereto by members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A.

As of September 30, 2020 and as of the date of drawing up this information the members of Company's Management Board and the members of the Company's Supervisory Board did not hold any TAURON shares or rights thereto.

From the date of disclosing the previous interim report, i.e. since August 19, 2020, until the date of disclosing this information there had been no changes to the number of TAURON shares or rights thereto held by the members of the Company's Management Board and the members of the Company's Supervisory Board.

5. OTHER MATERIAL INFORMAATION AND EVENTS

5.1. Material proceedings pending before the court, competent arbitration authority or public administration authority

The below table presents a summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the first three quarters of 2020.

Table no. 27. Summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the first three quarters of 2020

#	Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
Proceedings involving TAURON		
1.	**Plaintiff:** Huta Łaziska S.A. **Defendants:** TAURON (as a legal successor to GZE) and State Treasury represented by the President of ERO	**Object of litigation**: a lawsuit for the payment of compensation for alleged damage caused by non-performance by GZE of the decision of the President of ERO of October 12, 2001 related to the resumption of electricity supply to the plaintiff. **Value of the object of litigation**: PLN 182 060 000.00 **Initiation of the proceeding**: the lawsuit of March 12, 2007 **Company's position**: the Company considers the claims covered by the lawsuit as being without merit. On May 28, 2019, the Regional Court in Warsaw issued a ruling on the dismissal of Huta Łaziska S.A.'s lawsuit in whole and ruled that Huta Łaziska S.A. shall refund each defendant the costs of the proceedings. The ruling is not legally binding. Huta Łaziska S.A. filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole.
2.	**Authority conducting the investigation:** Head of the Mazovian Customs and Tax Office **Party:** TAURON	**Object of litigation**: examining the accuracy of the tax base amounts declared by TAURON and the correctness of calculations and payments of the VAT tax for the period from October 2013 until September 2014. The main subject of the three investigations carried out by the Head of the Mazovian Customs and Tax Office are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from the following entities: Castor Energy sp. z o.o. and Virtuse Energy sp. z o.o. **Value of the object of litigation (deducted VAT amount):** PLN 54 371 306.92, including: Castor Energy sp. z o.o.– PLN 52 494 671.92, Virtuse Energy sp. z o.o. – PLN 1 876 635.00 **Date of initiating the proceeding**: October 2014, August 2016, December 2016 **Company's position:** in the Company's opinion during the verification of both counterparties (business partners, contractors), due diligence was adhered to, the Company acted in good faith and should have the right to deduct the tax assessed on the invoices documenting the electricity purchase from the counterparties (business partners, contractors) Castor Energy sp. z o.o. and Virtuse Energy sp. z o.o. On October 7, 2020, the Company received the decision of the Head of the Mazovian Customs and Tax Office as the final result of one of the audit proceedings, specifying the amount of its VAT tax liability for the following months: October, November, December 2013 and the first quarter of 2014, which results in the obligation for the Company to pay additional VAT for that period in the total amount of PLN 51 818 354, including interest on the tax arrears. In order to limit further accrual of interest, the Company voluntarily paid the liability amount specified in the decision, including the interest accrued until the date the proceedings were initiated (i.e. PLN 54 721 900 in total). At the same time, in accordance with the position adopted by the Company, the decision will be subject of an appeal complaint.
3.	**Plaintiff:** Enea **Defendant:** TAURON	**Object of litigation**: a lawsuit for the payment due to the Company's alleged unjust enrichment in connection with the settlements related to the non-balancing of the Balancing Market with PSE between January and December 2012 **Value of the object of litigation**: PLN 17 085 846.49 **Initiation of the proceeding:** the lawsuit of December 10, 2015 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
Lawsuits pertaining to the termination, by the PEPKH subsidiary, of the agreements related to the sales of electricity and property rights arising from the certificates of origin		
4.	**Plaintiff:** Dobiesław Wind Invest sp. z o.o. **Defendant:** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of liability for the future. **Value of the object of litigation**: PLN 34 746 692.31 **Initiation of the proceeding**: the lawsuit of June 30, 2017 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit..
5.	**Plaintiff:** Gorzyca Wind Invest sp. z o.o. **Defendant:** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition. **Value of the object of litigation**: PLN 39 718 323.00 **Initiation of the proceeding**: the lawsuit of June 29, 2017 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.

#	Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
6.	**Plaintiff:** Pękanino Wind Invest sp. z o.o. **Defendant:** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition. **Value of the object of litigation**: PLN 28 469 073.00 **Initiation of the proceeding**: the lawsuit of June 29, 2017 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
7.	**Plaintiff:** Nowy Jarosław Wind Invest sp. z o.o. **Defendant:** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition. **Value of the object of litigation**: PLN 27 008 100.00 **Initiation of the proceeding**: the lawsuit of June 29, 2017 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
8.	**Plaintiff:** in.ventus sp. z o.o. Mogilno I sp. k. **Defendant:** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition. **Value of the object of litigation**: EUR 12 286 229.70 (i.e. PLN 53 587 619.46 at NBP's average exchange rate of June 29, 2018). **Initiation of the proceeding:** the lawsuit of June 29, 2018 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit. The proceeding was suspended by the court as a result of the joint petition filed by the parties to suspend the proceeding pursuant to art.178 of the Code of Civil Procedure, indicating that on September 3, 2019, the transaction had been finalized under which TAURON's subsidiaries had acquired all rights and obligations of the partners in the plaintiff company and due to the ownership changes that had occurred the parties intended to work out a solution that would enable ending of the court dispute. At the joint request of the parties, the court resumed the proceedings. The motion for the resumption of the proceedings was filed in order for the plaintiff to withdraw the lawsuit along with the waiver of the claim. By way of the letter of June 5, 2020, the Plaintiff withdrew the lawsuit and waived the claim. The company is waiting to be served with the court decision to discontinue the above mentioned proceedings. The court dismissed the proceeding on August 7, 2020.
9.	**Co-participation on the plaintiff's side:** Amon sp. z o.o. and Talia sp. z o.o. **Defendant:** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition. **Value of the object of litigation**: Amon sp. z o.o. – PLN 47 556 025.51; Talia sp. z o.o. – PLN 31 299 182.52 **Initiation of the proceeding**: the lawsuit of April 30, 2018 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the certificates of origin		
1.	**Plaintiff:** Gorzyca Wind Invest sp. z o.o., Pękanino Wind Invest sp. z o.o., Dobiesław Wind Invest sp. z o.o. **Defendant:** PEPKH	**Object of litigation**: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin null and void, and to award damages. **Value of the object of litigation**: Gorzyca Wind Invest sp. z o.o.– PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. PLN 64 116 908.85 **Initiation of the proceeding:** Gorzyca Wind Invest sp. z o.o. – May 18, 2015, Pękanino Wind Invest sp. z o.o. – May 20, 2018, Dobiesław Wind Invest sp. z o.o. – May 18, 2015 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
2.	**Plaintiff:** Dobiesław Wind Invest sp. z o.o. **Defendant:** PEPKH	**Object of litigation**: plea to award damages and liquidated damages. **Value of the object of litigation**: PLN 76 559 461.18 **Initiation of the proceeding**: the lawsuit of June 14, 2017 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
3.	**Plaintiff:** Nowy Jarosław Wind Invest sp. z o.o. **Defendant:** PEPKH	**Object of litigation**: plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and property rights arising from the certificates of origin null and void, and to award damages. **Value of the object of litigation:** PLN 69 282 649.20 **Initiation of the proceeding**: the lawsuit of June 3, 2015 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
4.	**Plaintiff:** Amon sp. z o.o. **Defendant:** PEPKH	**Object of litigation**: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin null and void, and to award damages. **Value of the object of litigation**: PLN 40 478 983.22 **Initiation of the proceeding**: the lawsuit of May 22, 2015 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit. On July 25, 2019 the Regional Court in Gdańsk issued a partial and preliminary ruling in the case in which the Court: 1. determined that PEPKH's statements on the termination of long term agreements, concluded between PKH and Amon sp. z o.o., for the purchase of electricity and property rights arising from certificates of origin had been ineffective and had not produced legal effects, such as the termination of both

#	Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
		agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties, 2. determined that Amon sp. z o.o.'s demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages. The ruling is not legally binding. PEPKH disagrees with the ruling and filed an appeal complaint on October 25, 2019. Proceedings regarding the procedural issues are ongoing. The case is pending.
5.	**Plaintiff:** Amon sp. z o.o. **Defendant:** PEPKH	**Object of litigation:** plea to determine awarding of damages due to a failure to perform, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin **Value of the object of litigation**: PLN 29 009 189.38 **Initiation of the proceeding**: September 2, 2019 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit. The case was suspended by a court decision until the District Court in Gdańsk has reviewed an appeal against the judgment in the lawsuit brought by Amon sp.z o.o. against PEPKH, referred to in item 4 above. The court's decision is not legally binding (final).
6.	**Plaintiff:** Talia sp. z o.o. **Defendant:** PEPKH	**Object of litigation**: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the certificates of origin null and void, and to award damages. **Value of the object of litigation**: PLN 46 078 047.43 **Initiation of the proceeding**: the lawsuit of May 21, 2015 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit. On March 6, 2020 the Regional Court in Gdańsk issued a partial and preliminary ruling in the case in which the Court: 1. determined that PKH's statements on the termination of long term agreements, concluded between PEPKH i Talia, for the purchase of electricity and property rights arising from certificates of origin had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties, 2. determined that Talia's demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages. The ruling is not legally binding (final). PEPKH disagrees with the ruling. On August 3, 2020, PEPKH filed an appeal against the ruling to the court and on September 14, 2020, PEPKH filed with the court its request that the court serve the decision, including the statement of reasons in writing, in connection with the supplementary ruling.
7.	**Plaintiff:** Mogilno III, Mogilno IV, Mogilno V, Mogilno VI **Defendant:** PEPKH	**Object of litigation**: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity null and void, and to award damages. **Value of the object of litigation**: Mogilno III – equivalent of EUR 3 651 402.56; Mogilno IV – equivalent of EUR 3 765 458.12 EUR; Mogilno V – equivalent of EUR 3 505 331.82; Mogilno VI – equivalent of EUR 2 231 812.61 **Initiation of the proceeding**: the lawsuit of May 25, 2015 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit. The proceeding suspended by the court as a result of the joint petition filed by the parties to suspend the proceeding under art.178 of the Code of Civil Procedure, indicating that on September 3, 2019, the transaction had been finalized under which TAURON's subsidiaries had acquired all rights and obligations of the partners in the plaintiff company and due to the ownership changes that had occurred the parties intended to work out a solution that would enable ending of the court dispute. The parties filed a motion for the resumption of the proceedings in order for the plaintiff to withdraw the lawsuit along with the waiver of the claim. By way of the decision of July 3, 2020, the court discontinued the proceedings in the above mentioned cases.
8.	**Plaintiff:** Mogilno I, Mogilno II **Defendant:** PEPKH	**Object of litigation**: lawsuit for payment of damages for the losses arisen as a result of a failure to perform agreements for the sale of property rights by PEPKH. **Value of the object of litigation**: Mogilno I – equivalent of EUR 3 583 336.19 EUR; Mogilno II – equivalent of EUR 3 659 538.72 **Initiation of the proceeding**: the lawsuits of November 7, 2018 **Company's position:** the Company considers the claims covered by the lawsuit as being without merit. The proceeding suspended by the court as a result of the joint petition filed by the parties to suspend the proceeding under art.178 of the Code of Civil Procedure, indicating that on September 3, 2019, the transaction had been finalized under which TAURON's subsidiaries had acquired all rights and obligations of the partners in the plaintiff company and due to the ownership changes that had occurred the parties intended to work out a solution that would enable ending of the court dispute. The parties filed a motion for the resumption of the proceedings in order for the plaintiff to withdraw the lawsuit along with the waiver of the claim. By way of the decision of July 3, 2020, the court discontinued the proceedings in the above mentioned cases.

5.2. Transactions with related entities on terms other than at arm's length

All transactions with related entities are concluded at arm's length.

The detailed information on the transactions with related entities is provided in note 52 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in accordance with the International Financial Reporting Standards approved by the European Union, for the period of 9 months ended on September 30, 2020.*

5.3. Information on granted guarantees, loan or credit co-signings (sureties, endorsements)

Guarantees granted

In the first three quarters of 2020, at TAURON's instruction, MUFG Bank Ltd. extended until April 11, 2021, the effective term of the bank guarantee in the amount of PLN 517 500 000, granted on April 11, 2018. The guarantee is granted to provide a collateral for BGK's claims towards EC Stalowa Wola.

Additionally, in the first three quarters of 2020, TAURON concluded agreements for the guarantee facilities for up to the total amount of PLN 900 000 000, with the effective terms between March 13, 2021 and December 31, 2022, enabling the granting of bank guarantees to IRGiT (Warsaw Commodity Exchange Clearing House).

Irrespective of the above, TAURON also has valid agreements in place on the limit for bank guarantees with the Polish Branch of Caixabank S.A., up to the total amount of PLN 100 000 000, concluded in May 2019.

As of September 30, 2020, the amount of active bank guarantees, issued under framework agreements at the request of the Company with respect to the liabilities of TAURON Capital Group's subsidiaries and those of the related companies, amounted to PLN 786 572 000 PLN.

The below table presents a summary of bank guarantees granted under TAURON's guarantee facilities in the first three quarters of 2020.

Table no. 28. Summary of bank guarantees granted under TAURON's guarantee facilities in the first three quarters of 2020

#	Company	Beneficiary	Type of guarantee	Amount ('000)	Effective term
1.	TAURON	IRGiT (Warsaw Commodity Exchange Clearing House)	payment	PLN 250 000	from 29.04.2020 to 12.06.2020
2.	TAURON Wydobycie	Przedsiębiorstwo Budowy Szybów (Shaft Construction Company)	payment	PLN 8 354	from 06.04.2020 to 15.06.2020
3.	TAURON	IRGiT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 18.03.2020 to 17.06.2020
4.	TAURON	IRGiT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 18.03.2020 to 17.06.2020
5.	TAURON	IRGiT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 18.03.2020 to 17.06.2020
6.	TAURON	IRGiT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 18.03.2020 to 31.07.2020
7.	TAURON	IRGIT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 18.03.2020 to 31.07.2020
8.	TAURON	IRGIT (Warsaw Commodity Exchange Clearing House)	payment	PLN 30 000	from 01.07.2020* to 16.11.2020
9.	TAURON Sprzedaż	Gmina Wrocław (Wrocław Municipality)	bid deposit	PLN 1 300	from 30.06.2020 to 28.09.2020
10.	TAURON Nowe Technologie	Aldesa Construcciones	performance bond	PLN 475	from 25.06.2020** to 29.09.2020
11.	TAURON Serwis	Enea Elektrownia Połaniec (Enea Połaniec Power Plant)	bid deposit	PLN 400	from 22.07.2020 to 07.10.2020
12.	TAURON	IRGIT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 01.08.2020* to 31.10.2020
13.	TAURON	IRGIT (Warsaw Commodity Exchange Clearing House)	payment	PLN 100 000	from 01.08.2020* to 31.10.2020
14.	TAURON Sprzedaż	Komendant Stołeczny Policji (Head of Warsaw Police)	performance bond	PLN 12	from 09.03.2020 to 30.11.2020
15.	TAURON Serwis	SUNGROW Deutschland	payment	EUR 142	from 01.10.2020*** to 30.11.2020
16.	TAURON	GAZ-SYSTEM	performance bond	PLN 500	from 10.06.2020 to 31.12.2020
17.	TAURON Sprzedaż	Kopalnia Soli Wieliczka (Wieliczka Salt Mine)	performance bond	PLN 406	from 27.01.2020 to 30.01.2021
18.	TAURON Sprzedaż	Gmina Olsztyn (Olsztyn Municipality)	performance bond	PLN 533	from 27.01.2020 to 30.01.2021

#	Company	Beneficiary	Type of guarantee	Amount ('000)	Effective term
19.	TAURON Sprzedaż	Gmina Olsztyn (Olsztyn Municipality)	performance bond	PLN 4 484	from 27.01.2020 to 30.01.2021
20.	TAURON Sprzedaż	Gmina Miejska Żory (Żory City Municipality)	performance bond	PLN 218	from 01.04.2020 to 31.01.2021
21.	TAURON Sprzedaż	Gmina Miejska Żory (Żory City Municipality)	performance bond	PLN 5	from 01.04.2020 to 31.01.2021
22.	TAURON Sprzedaż	Głubczyckie Wodociągi i Kanalizacja (Głubczyce Aqueduct and Sewage Company)	performance bond	PLN 85	from 18.03.2020 to 30.04.2021
23.	TAURON Sprzedaż	Polska Spółka Gazownictwa (Polish Gas Company)	performance bond	PLN 2 860	from 14.05.2020 to 31.05.2021
24.	TAURON	PSE (TSO)	performance bond	PLN 5 000	from 03.07.2020 to 30.06.2021
25.	TAURON Sprzedaż	Uzdrowisko Krynica-Żegiestów (Krynica-Żegiestów Spa)	performance bond	PLN 31	from 10.08.2020 to 30.06.2021
26.	TAURON Sprzedaż	Gmina Miasto Nowy Targ (Nowy Targ City Municipality)	performance bond	PLN 70	from 01.07.2020 to 30.07.2021
27.	TAURON Sprzedaż	Główny Instytut Górnictwa (Central Mining Institute)	performance bond	PLN 83	from 01.07.2020 to 31.07.2021
28.	TAURON Nowe Technologie	STRABAG Infrastruktura Południe (STRABAG South Infrastructure)	performance bond	PLN 128	from 22.06.2020 to 24.08.2021
29.	TAURON Sprzedaż	Beskidzki Zespół Leczniczo-Rehabilitacyjny (Beskidy Therapeutic and Rehabilitaion Center)	performance bond	PLN 20	from 01.09.2020 to 30.09.2021
30.	TAURON Wytwarzanie	WFOŚiGW (Voivodeship Fund for Environmental Protection and Water Management)	payment	PLN 11 587	from 10.06.2020 to 09.12.2021
31.	TAURON Sprzedaż	Przedsiębiorstwo Państwowe Porty Lotnicze (Airports State Enterprise)	performance bond	PLN 3 401	from 05.05.2020 to 30.01.2022
32.	TAURON Sprzedaż	Polski Holding Hotelowy (Polish Hotel Holding)	performance bond	PLN 474	from 29.05.2020 to 30.01.2022
33.	TAURON Sprzedaż	Wojewódzkie Przedsiębiorstwo Usług Turystycznych (Voivodeship Tourist Services Enterprise)	performance bond	PLN 28	from 29.05.2020 to 30.01.2022
34.	TAURON Sprzedaż	AMW Hotele (AMW Hotels)	performance bond	PLN 184	from 29.05.2020 to 30.01.2022
35.	TAURON Sprzedaż	Welcome Airport Services	performance bond	PLN 65	from 01.07.2020 to 30.01.2022
36.	TAURON Sprzedaż	Port Lotniczy Rzeszów-Jasionka (Rzeszów Jasionka Airport)	performance bond	PLN 206	from 09.07.2020 to 30.01.2022
37.	KW Czatkowice	PGE Górnictwo i Energetyka Konwencjonalna (PGE Mining and Conventional Energy)	performance bond	PLN 331	from 03.02.2020 to 31.03.2022
38.	TAURON Sprzedaż	GAZ-SYSTEM	performance bond	PLN 220	from 24.03.2020 to 31.03.2022
39.	TAURON Sprzedaż	Zakład Ubezpieczeń Społecznych (Social Security Office)	performance bond	PLN 517	from 01.04.2020 to 30.04.2022
40.	TAURON Sprzedaż	State Treasury	performance bond	PLN 13	from 13.08.2020 to 30.08.2022
41.	TAURON Nowe Technologie	S&I Poland	performance bond	PLN 292	from 30.03.2020 to 30.05.2023
42.	TAURON Nowe Technologie	Aldesa Construcciones	statutory warranty	PLN 95	from 30.09.2020* to 01.04.2026

**Annexes were signed, after the end of the third quarter of 2020, to extend the guarantee (bond) effective term.*
***Annex was signed to increase the amount of the guarantee (bond).*
****Guarantees (bonds) issued by September 30, 2020, but effective past the end of Q3 2020*

After the third quarter of 2020 had ended, the following guarantees for liabilities were issued by the date of drawing up this information:

1. TAURON up to the total amount of PLN 255 500 000,
2. TAURON Sprzedaż up to the total amount of PLN 2 859 000.

Sureties granted

On June 30, 2020, TAURON extended the effective term of the surety of October 31, 2019, granted up to the amount of USD 3 664 000 to provide a collateral for BGK's claims under the working capital loan agreement granted to EC Stalowa Wola. The surety expired on October 27, 2020.

TAURON, as well as its subsidiaries, did not grant any credit or loan sureties in the first three quarters of 2020.

5.4. Impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first three quarters of 2020

An increase in the number of COVID-19 cases had been observed in Poland in the period of the first three quarters of 2020 ended on September 30, 2020. Therefore, in particular at the beginning of the period during which a rising number of cases occurred, a number of restrictions aimed at preventing the spread of the SARS-CoV-2 virus were introduced in nationwide. This situation led to disruptions in the economic and administrative system in Poland. A similar situation was observed in other countries in the world, including the countries that were Poland's main trading partners. As a result, the epidemic significantly limited economic activity in the first half of 2020, affecting the operations of manufacturing plants as well as the small and medium sized enterprise segment companies, and it also disrupted the functioning of Poland’s entire economic system. It should be noted that in the third quarter of 2020, and in particular in September 2020, there was a significant increase in the number of COVID-19 cases in Poland and in the world. As a consequence, in the medium and long term, it should be expected that the epidemic will continue to impact the condition of the national, European as well as the global economy, negatively affecting the economic growth in Poland in 2020 and in the subsequent years.

With respect to the market environment, heightened volatility of the prices of the financial instruments and commodities have been observed in the first three quarters of 2020 as a result of the pandemic. The third quarter of 2020 was characterized by lower volatility than the first half of 2020, but it still remains at an increased level. With respect to the financial factors, a weakening of the Polish zloty and a decline of the interest rates can be observed, including a three time emergency reduction of the NBP’s reference (prime) interest rate by the total of 140 basis points. The change in foreign exchange rates affects the incurred costs of purchasing CO_2 emission allowances, as well as the valuation of the debt of TAURON Capital Group denominated in foreign currencies. On the other hand, changes of the interest rates may affect the costs stemming from the concluded financing agreements based on a variable interest rate, as well as, in the following years, the level of the regulated revenue due to the return on the capital employed in the Distribution Line of Business.

In the first three quarters of 2020 the situation related to the COVID-19 pandemic affected, in particular, the level of demand for electricity in the Polish Power System (KSE) and, as a consequence, TAURON Capital Group’s electricity distribution and supply volumes. In the third quarter of 2020 the impact of the COVID-19 pandemic on the domestic demand was less severe than in the second quarter of 2020, which was caused, inter alia, by a switch of the government's strategy with respect to introducing restrictions in the fight against the coronavirus from the nationwide activities to the local measures. The decrease in electricity consumption in Poland in the third quarter of 2020 came in at 1.4%, while in the first three quarters of 2020 domestic electricity consumption declined by approx. 3.9% as compared to the same period of 2019. The several percent declines in the demand for electricity led to a drop in revenues, mainly in the electricity Distribution and Supply Lines of Business.

The above situation causes, in particular, a decrease of EBITDA in the Distribution Line of Business, which is a consequence, first and foremost, of a significant reduction in the electricity volumes delivered to the non-household consumers (1.2 TWh in the second quarter of 2020, 0.42 TWh in the third quarter of 2020 and 1.93 TWh in the January to September 2020 time frame, respectively). In case of the household consumers, the restrictions introduced in connection with the COVID-19 pandemic resulted in an increase of the electricity volume delivered in the January to September 2020 time frame in the order of 0.29 TWh. The decrease of EBITDA in the Supply Line of Business is, first and foremost, due to the loss of margin related to the decline of the electricity supply volume and the need to balance the buy position.

The observed situation related to the COVID-19 pandemic underway leads to a fall of the production volume in the conventional Generation Line of Business and, as a consequence, to a drop of the demand for hard coal and a rise in its inventory level. The reduction of TAURON Capital Group’s demand for hard coal for the Generation and Heat Lines of Business in 2020, due to the decline of electricity generation and heat production, as well as the epidemic situation, is estimated to reach between 1.0 and 1.5 million tons. Because of such developments the negotiations with the coal suppliers have been undertaken in order to renegotiate the price terms and the contracted coal quantities. By the date of drawing up this information, due to the ongoing talks between the government and the representatives of the coal sector, it had not been possible to reach final decisions on the implementation of the coal contract concluded with Polska Grupa Górnicza S.A. (Polish Mining Group).

Disruptions in the economic activity in Poland, in turn, caused financial difficulties for TAURON Capital Group’s customers and contractors (counterparties). The situation was mitigated by the regulatory measures with respect to the introduction of further anti-crisis shields, which were aimed at maintaining liquidity and protecting jobs at Polish businesses. TAURON Capital Group has, thus far, not identified any significant problems with the payments made by the customers, however, due to the effects of the pandemic, the customers of TAURON Capital Group can be expected to experience financial disturbances in the future, which may lead to problems with the payment of their current accounts payable for electricity, heat and gas. In the period from March to September 2020, changes in the level of overdue receivables were observed in the first weeks of the pandemic development. Since then, the overdue receivables have remained substantially constant, however an increased migration of the accounts receivable balances to the subsequent overdue periods can be observed. In order to limit the potential credit losses, the credit risk management criteria have been tightened, monitoring of receivables has been intensified and debt collection activities have been intensified.

TAURON Capital Group estimates that the negative impact of the above risk factors on the EBITDA for the first three quarters of 2020 amounted to PLN 171 million in total.

In addition, the COVID-19 pandemic led to the need to take additional impairment charges related to the expected credit losses of the financial instruments and to the change in the valuation of the loans granted to fair value (mark to market), which is presented in notes 6.1 and 53 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in accordance with the International Financial Reporting Standards approved by the European Union, for the period of 9 months ended on September 30, 2020*. The ongoing monitoring of the situation on the financial markets that affect the valuation of the financial instruments is carried out.

As far as the impact of the pandemic on the provision of the sources of financing for TAURON Capital Group is concerned, no significant threat in this respect has been reported so far. In terms of obtaining the sources of financing, the Company has pursued a conservative policy of obtaining financing 12 to 24 months ahead of the planned date of the use thereof. The goal of this approach is, among others, to increase the security of the Company's liquidity, protecting the Company against the loss of liquidity in difficult to foresee situations, such as, for example, an outbreak of a pandemic. By implementing this policy and undertaking negotiations with the financial institutions early enough, at the beginning of the pandemic the Company managed to conclude new financing agreements, thus increasing the security of the liquidity of TAURON Capital Group. Such an approach turned out to be effective because an effect of the pandemic was a significant reduction of the functioning of the financial markets, and even the temporary closure of some of these markets, e.g. the bond market in Poland, and thus a restriction of the availability of the new financing instruments for entities. At the same time, it was observed that higher margins were expected by the financial institutions in case of the potentially new instruments

With respect to the liquidity aspect, apart from the negative impact of the loss of revenue in the Distribution and Supply Lines of Business, as indicated before, the Company was obliged (in particular in the first half of 2020) to deposit materially higher amounts of the required variation margins (mark to market) to both IRGiT (Warsaw Commodity Exchange Clearing House), as well as the ICE exchange. It was a consequence of the high volatility of prices on the electricity and related products market, taking into account the Company's contractual position on the individual markets, which translated into the level of funds engaged for such purpose. In order to improve its liquidity position, in the first half of 2020, the Company concluded agreements on the guarantee limits allowing it to provide to IRGiT (Warsaw Commodity Exchange Clearing House) the required collateral in a non-cash form (instead of cash) and to replace the previously established collateral in cash with the bank guarantees. The Company also took advantage of the anti-crisis shield package by filing a declaration of voluntary submission to debt recovery with IRGiT (Warsaw Commodity Exchange Clearing House), thus reducing the level of the margins to be deposited, both in the form of cash, as well as in the bank guarantees set up (this solution, in accordance with the Act, expired on September 30, 2020).

In addition, the Company is undertaking a number of additional steps and initiatives aimed at limiting the impact of the pandemic on the financial liquidity, such as the above mentioned forward looking (pre-emptive) policy of obtaining financing and minimizing of the value of the margins provided to the IRGiT (Warsaw Commodity Exchange Clearing House) due to the Polish Power Exchange (TGE) operations. In particular, in order to reduce the liquidity risk, the Company adjusted the delivery dates of the concluded futures contracts for the CO_2 emission allowances to the redemption dates thereof and took the decision to conclude the new contracts only on the OTC market. Such a solution not only lowered the level of the expenses planned for 2020, but also eliminated the risk of providing the security margins (collaterals), both the initial ones as well as those related to the fluctuations in the CO_2 emission allowance prices (variation margins). Among the measures taken by TAURON Capital Group in order to minimize TAURON Capital Group's liquidity risk, the system for limiting TAURON Capital Group's expenses was also introduced (aimed, among others, at reducing the operating costs and closely, monthly analyzing of the use of the cash balance on a monthly basis) as well as the system for applying for aid programs initiated by the public authorities. In particular, in the Mining Segment's subsidiary an agreement between the subsidiary's Management Board and the workforce was signed, limiting the working time and reducing the compensation of the subsidiary's Management Board and personnel by 20% for the period of three months, starting from May 1, 2020. On the other hand, in the Generation Segment's subsidiary an agreement signed between the subsidiary's Management Board and the workforce reduced the working time and lowered the compensation of the subsidiary's Management Board and personnel by 10% in the same period of time. The above agreements made it possible to cut costs and obtain funds under the solutions available as part of the anti-crisis shield package due to the reduced working time of the personnel.

As a result of the outbreak of the COVID-19 pandemic, certain difficulties in the implementation of the strategic projects carried out by TAURON Capital Group have taken place. In case of the 910 MW unit construction investment project in Jaworzno and the construction of a unit at EC Stalowa Wola, such disruptions occurred in the initial period of the pandemic as a result of the introduction of the stringent control of access to the infrastructure and additional security procedures. With regard to the construction of a 910 MW power generating unit, the COVID-19 pandemic was one of the reasons for the amendment to the contract with the Consortium of Rafako S.A. and Mostostal Warszawa S.A., as well as for the contractor's claims related to the additional works, which is also presented in note 50 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group. in accordance with the International Financial Reporting Standards approved by the European Union for the 6-month period ended on September 30, 2020.* In order to minimize the consequences of the disruptions to the projects that have occurred, all of the contractors implementing the investment projects are cooperating, closely and on an ongoing basis, with the TAURON Capital Group's subsidiaries responsible for the investment projects, that are monitoring the status of the projects and reacting adequately to the situation, using the tools available. As part of the reaction to the pandemic, measures were also taken at TAURON Capital Group aimed at reviewing and limiting the capital expenditures.

Taking into account the aspect of implementing the Strategy, the impact of the pandemic confirmed that the Update of the strategic directions and the assumptions for building the value of TAURON Capital Group based on the development of clean energy, adopted in May 2019, was justified. The strategic directions assume the gradual decommissioning of the hard coal fired units and investments in the renewable energy sources (*Green Turn of TAURON*), and the effects of the pandemic result in a faster loss of the competitiveness of the conventional generation sources than assumed before and the need to intensify activities allowing for a faster development of renewable electricity generation technologies. In addition, the situation caused by the pandemic demonstrated that the development of modern digital technologies allowing for remote communications and remote use of TAURON Capital Group's resources, and in particular, enabling remote service of our customers, was justified. These issues are indicated in the Strategy and will be taken into account in the development of the Sales and Customer Service Areas. The economic effects of the pandemic do not force changes to the strategic directions of TAURON Capital Group which continue to be valid.

Regardless of the economic effects, the current situation affects the business operations of the individual lines of business (segments) because of increased absenteeism of the employees, an increase in the operating costs resulting from the need to meet the epidemiological conditions (costs of purchasing the materials, costs of the organizational changes), as well as the relationships with the key subcontractors and contractors (counterparties) of TAURON Capital Group. In this regard, TAURON Capital Group has taken a number of preventive measures with respect to the organizational and material issues aimed at protecting the employees of TAURON Capital Group's individual subsidiaries and maintaining the continuity of the critical infrastructure's operations. The changes to the organization of the work at the subsidiaries, required to ensure work safety, have also been introduced. In particular, a dedicated crisis management team is in place at TAURON, whose task is to assess the situation in the individual lines of business and prepare detailed plans in the event the continuity of the key processes functioning at TAURON Capital Group is disrupted. Dedicated crisis teams that are responsible for the coordination and implementation of the measures at the Company's level, aimed at preventing the disruptions to the core operations as a result of the impact of the risks related to the COVID-19 pandemic, are functioning at TAURON Capital Group's individual subsidiaries.

To sum up, apart from the reactions described above, TAURON Capital Group, being aware of the threats related to the epidemiological situation, is taking active measures in order to minimize the impact of the current and expected economic situation, as well as to protect itself against the extreme events. It should be emphasized, however, that the situation related to the COVID-19 pandemic is highly volatile and the future effects and the scale of the pandemic are difficult to precisely estimate at the moment. The duration of the pandemic, its severity and scope, as well as its impact on the economic growth in Poland in the short, medium and long term will be important. The regulatory actions, both already undertaken, as well as the future ones, aimed at introducing mechanisms alleviating the effects of the COVID-19 pandemic, are also vital. As a consequence it cannot be ruled out that the COVID-19 pandemic may have a significant impact on the business operations of TAURON Capital Group also in the subsequent periods, including on the level of revenues generated and costs incurred, as well as on the financial liquidity and the level of debt of TAURON Capital Group. The Management Board of the Company, being aware of the threats stemming from the pandemic, is monitoring on an ongoing basis and will continue to monitor the potential impact, as well as it will take all possible steps in order to mitigate any negative effects of the COVID-19 pandemic on TAURON Capital Group.

5.5. Other information that could be material for the evaluation of TAURON Capital Group's staffing, assets, financial position, financial result and changes thereof, as well as information that could be material for the evaluation of the ability of TAURON Capital Group to meet its obligations

Besides the events indicated above in this information no other events had occurred in the first three quarters of 2020, that could be material for the evaluation of TAURON Capital Group's staffing, assets, financial position, financial result and changes thereof, as well as for the assessment of the ability of TAURON Capital Group to meet its obligations.

Katowice, November 17, 2020

Wojciech Ignacok - President of the Management Board (CEO)

Marek Wadowski - Vice President of the Management Board

Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS

The glossary of trade terms and the list of abbreviations and acronyms most commonly used in this report is presented below.

Table no. 29. Explanation of abbreviations and acronyms as well as trade terms

#	Abbreviation and trade term	Full name / explanation
1.	Abener Energia	Abener Energia S.A. with its registered office in Campus Palmas Altas (Sevilla).
2.	Update of the Strategic Directions	Document entitled the *Update of the Strategic Directions in TAURON Group's Strategy for 2016-2025* adopted by TAURON's Management Board on May 27, 2019, constituting a supplement to the document entitled *TAURON Group's Strategy for 2016-2025* adopted by TAURON's Management Board on September 2, 2016.
3.	Amon	Amon sp. z o.o. with its registered office in Łebcz.
4.	ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
5.	ARE	Agencja Rynku Energii S.A. (Energy Market Agency) with its registered office in Warsaw.
6.	AVAL-1	AVAL-1 sp. z o. o. with its registered office in Szczecin.
7.	BASE (BASE Contract)	A baseload contract for the supply of electricity at all hours of the period, e.g. the BASE contract for March 2020 is related to the supply of the same amount of electricity during all hours of the month of March 2020.
8.	BGK	Bank Gospodarstwa Krajowego with its registered office in Warsaw.
9.	Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. with its registered office in Stalowa Wola.
10.	Cash pooling	True cash pooling structure, implemented under the cash management agreement, is based on daily limits granted to the individual participants by the agent managing the service, i.e. TAURON. As a result of the implementation of the cash pooling mechanism, cash transfers are made between the accounts of the service participants and the Agent's account.
11.	CDS	Clean Dark Spread - margin ratio used to calculate the profitability of electricity production, taking into account the revenues from the sale of electricity and the cost of fuel and CO_2 emission allowances.
12.	CER	Certified Emission Reduction
13.	Color certificates	Property rights based on the certificates of origin of electricity generated in the way that is subject to support, the so-called color certificates: **green** - certificates of origin of electricity from RES, **blue** - certificates of origin of electricity generated from agricultural biogas. **yellow** - certificates of origin of electricity generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, **red** - certificates of origin of electricity from co-generation (CHP certificates - Combined Heat and Power), **violet** - certificates of origin of electricity generated in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing, **white** - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors)
14.	CIF	Cost, Insurance, Freight
15.	COVID-19	Coronavirus Disease 2019 - acute respiratory system contagious disease caused by the SARS-CoV-2 virus infection. The disease was first diagnosed and described in November 2019 in central China in the city of Wuhan, Hubei Province.
16.	CUW	Shared Services Center (Centrum Usług Wspólnych - CUW) - separate organizational units responsible for providing a specific range of support services (CUW R – accounting services, CUW HR – human resources services, CUW IT – IT services).
17.	CVC	Corporate Venture Capital - Venture Capital (VC) investments carried out by VC funds with the intention of achieving not only financial goals, but also strategic (industry) goals set by a large company (corporation) which is the capital donor for this fund. VC are capital investments made on the OTC market in business ventures that are in the early stages of development. CVC is a development of VC as a way of investing capital and is to have a positive impact on the industry objectives of TAURON Capital Group.
18.	Best Practices 2016	*Best Practices of WSE Listed Companies 2016*, in force as of January 1, 2016
19.	DSR	Demand Side Response). A mechanism that involves a temporary reduction of electricity consumption by the consumers or a postponement of its consumption at the request of the transmission system operator.
20.	EIB	European Investment Bank with its registered office in Luxembourg.
21.	EBIT	Earnings Before Interest and Taxes.
22.	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.

#	Abbreviation and trade term	Full name / explanation
23.	EC Stalowa Wola	Elektrociepłownia Stalowa Wola S.A. with its registered office in Stalowa Wola.
24.	EEC Ventures	EEC Ventures limited liability company limited joint stock partnership with its registered office in Warsaw
25.	EEC Ventures 2	EEC Ventures limited liability company 2 limited joint stock partnership with its registered office in Warsaw
26.	EEX (EEX exchange)	European Energy Exchange) - European energy exchange in Leipzig, where contracts and derivatives for electricity for various European countries are traded, as well as primary auctions of CO_2 emission allowances are conducted.
27.	ENEA	Enea S.A. with its registered office in Poznań.
28.	ENERGA	Energa S.A. with its registered office in Gdańsk.
29.	EPCM	Engineering Procurement Construction Management - construction, engineering and procurement management service (Contract Manager).
30.	EU ETS	European Union Emission Trading System
31.	EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO2) equivalent to the air, within the meaning of Article 2 section 4 of the *act of July 17, 2009 on the management system of emissions of greenhouse gases and other substances*, which is used for settlements of emission level within the system and which can be managed under the rules provided in the *Act of April 28, 2011 on the system of greenhouse gases emission allowances trading*
32.	EUR	Euro - a common European currency introduced in some EU member states
33.	Finanse Grupa TAURON	Finanse Grupa TAURON sp. z o.o. with its registered office in Katowice.
34.	FIIK	Fundusz Inwestycji Infrastrukturalnych – Kapitałowy (Infrastructure Investment Fund – Equity).
35.	FIP	Feed-in premium - a system of subsidies to the market price, that is a form of support for electricity generation from RES.
36.	FIT	Feed-in tariff – a system of guaranteed tariffs, that is a form of support for electricity generation from RES.
37.	FIZ	Fundusz Inwestycyjny Zamknięty (Closed-end Investment Fund)
38.	FIZAN	Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Closed-end Private Equity Investment Fund)
39.	GAZ-SYSTEM	Gas Transmission Pipelines Operator (Operator Gazociągów Przesyłowych) GAZ-SYSTEM S.A. with its registered office in Warsaw.
40.	GHG	Green House Gas - greenhouse gas. The gaseous component of the atmosphere contributing to the greenhouse effect.
41.	GPW (WSE)	Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) with its registered office in Warsaw
42.	TAURON Capital Group	TAURON Capital Group Polska Energia S.A.
43.	GZE	Górnośląski Zakład Elektroenergetyczny S.A. with its registered office in Gliwice.
44.	ICE (ICE exchange)	InterContinental Exchange - commodity and financial exchange, where, among others, contracts for oil, coal, natural gas and CO_2 emission allowances are traded.
45.	IOS	Flue gas desulphurization installation
46.	IRGiT	Izba Rozliczeniowa Giełd Towarowych S.A. (Warsaw Commodity Exchange Clearing House) with its registered office in Warsaw.
47.	KGHM Polska Miedź	KGHM Polska Miedź S.A. with its registered office in Lubin.
48.	BAT Conclusions	Best Available Techniques with respect to large combustion plants (LCP), introduced by way of the Executive Decision of the European Commission (EU) no. 2017/1442of July 31, 2017 (
49.	KSE	National Power System (Krajowy System Elektroenergetyczny)
50.	KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. with its registered office in Krzeszowice.
51.	Łagisza Grupa TAURON	Łagisza Grupa TAURON sp. z o.o. with its registered office in Katowice.
52.	Magenta Grupa TAURON	Magenta Grupa TAURON sp. z o.o. with its registered office in Katowice.
53.	Marselwind	Marselwind sp. z o.o. with its registered office in Katowice.
54.	MBO	Management By Objectives - a management system by objectives, in which the assessed Employee achieves the objectives assigned thereto in the accounting period and is assessed on the achievement of such objectives. The level of assessment of the achievement of the set goals is the basis for making a decision regarding the acquisition by the assessed Employee of the right to the bonus.
55.	Mg	Mega gram - million grams (1 000 000 g), i.e. a ton.

#	Abbreviation and trade term	Full name / explanation
56.	Business Model	Document entitled *TAURON Group's Business and Operational Model* (which is an update of *TAURON Group's Business Model* adopted by the Management Board on May 4, 2016).
57.	IFRS	International Financial Reporting Standards.
58.	NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
59.	NCBR	National Research and Development Center (Narodowe Centrum Badań i Rozwoju) with its registered office in Warsaw.
60.	Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. with its registered office in Jaworzno.
61.	Line of Business (Segment)	Seven areas (segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
62.	OPEC	Organization of the Petroleum Exporting Countries with its registered office in Vienna.
63.	DSO (OSD)	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD)
64.	TSO (OSP)	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
65.	OTC (OTC market)	Over The Counter Market – European OTC market.
66.	RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
67.	PEAK (PEAK contract)	Peak contract for the supply of electricity during business hours (8-22) on business days, e.g. the PEAK contract for March 2020 is related to the supply of the same volume of electricity on all business days in March 2020 between 8 and 22.
68.	PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with its registered office in Warsaw.
69.	PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund) with its registered office in Warsaw.
70.	PFR IFIZ	PFR Inwestycje Fundusz Inwestycyjny Zamknięty (PFR Investments Closed-end Investment Fund)
71.	PGE	PGE Polska Grupa Energetyczna S.A. with its registered office in Warsaw.
72.	PGE EJ 1	PGE EJ 1 sp. z o.o. with its registered office in Warsaw.
73.	PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. with its registered office in Warsaw.
74.	GDP (PKB)	Gross Domestic Product (Produkt Krajowy Brutto)
75.	PLN	Polish zloty currency symbol - zł
76.	PMEF	Property rights related to the energy efficiency certificates
77.	PMOZE	Property rights related to the certificates of origin confirming generation of electricity in RES before March 1, 2009
78.	PMOZE_A	Property rights related to the certificates of origin confirming generation of electricity in RES after March 1, 2009
79.	PMOZE-BIO	Property rights related to the certificates of origin confirming generation of electricity from agricultural biogas from July 1, 2016
80.	POPC	Digital Poland Operational Program.(Program Operacyjny Polska Cyfrowa – POPC)
81.	PSE	Polskie Sieci Elektroenergetyczne S.A. with its registered office in Konstancin-Jeziorna
82.	RB	Balancing Market (Rynek Bilansujący)
83.	SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
84.	SCR	Selective Catalytic Reduction - flue gas denitrification system.
85.	Segment, Segments of Operations (Operating Segments)	TAURON Capital Group's segments of operations used in the statutory reporting process. TAURON Capital Group's results from operations are allocated to the following five Segments (also called Line of Business in this report): Mining, Generation, Distribution, Supply and Other operations.
86.	SLA	Service Level Agreement
87.	SPOT (SPOT market)	With respect to electricity, it is the place where trade transactions for electricity are concluded with delivery not later than 3 days after the date of the transaction's conclusion (most often it is one day before the date of delivery). The operation of the SPOT market for electricity is strongly tied to the operation of the Balancing Market run by the TSO.
88.	Company	TAURON Polska Energia S.A. with its registered office in Katowice.
89.	Company's Articles of Association	Document entitled *Articles of Association of TAURON Polska Energia S.A.*

#	Abbreviation and trade term	Full name / explanation
90.	Strategy	Document entitled *TAURON Group's Strategy for 2016-2025* adopted by the Management Board on September 2, 2016, which is supplemented by the *Update of Strategic Directions in the TAURON Group's Strategy for 2016-2025*, adopted by the TAURON Management Board on May 27, 2019.
91.	TAMEH HOLDING	TAMEH HOLDING sp. z o.o. with its registered office in Dąbrowa Górnicza.
92.	TAMEH POLSKA	TAMEH POLSKA sp. z o.o. with its registered office in Dąbrowa Górnicza.
93.	TAMEH Czech	TAMEH Czech s.r.o. with its registered office in Ostrava (Czech Republic).
94.	TAURON	TAURON Polska Energia S.A. with its registered office in Katowice.
95.	TAURON Ciepło	TAURON Ciepło sp. z o.o. with its registered office in Katowice.
96.	TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
97.	TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
98.	TAURON Dystrybucja Pomiary	TAURON Dystrybucja Pomiary sp. z o.o. with its registered office in Tarnów.
99.	TAURON EKOENERGIA	TAURON EKOENERGIA sp. z o.o. with its registered office in Jelenia Góra.
100.	TAURON Nowe Technologie	TAURON Nowe Technologie S.A. (formerly: TAURON Dystrybucja Serwis S.A.) with its registered office in Wrocław.
101.	TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. with its registered office in Wrocław.
102.	TAURON Serwis	TAURON Serwis sp. z o.o. with its registered office in Katowice.
103.	TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. with its registered office in Cracow.
104.	TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. with its registered office in Gliwice.
105.	TAURON Wydobycie	TAURON Wydobycie S.A. with its registered office in Jaworzno.
106.	TAURON Wytwarzanie	TAURON Wytwarzanie S.A. with its registered office in Jaworzno.
107.	TEC1	TEC1 sp. z o.o. with its registered office in Katowice.
108.	TEC2	TEC2 sp. z o.o. with its registered office in Katowice.
109.	TEC3	TEC3 sp. z o.o. with its registered office in Katowice.
110.	TGE (POLPX)	Towarowa Giełda Energii S.A. (Polish Power Exchange – POLPX) with its registered office in Warsaw.
111.	TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
112.	EU (UE)	European Union (Unia Europejska - UE)
113.	Unbundling	Separation of the operations with respect to transmission or distribution of electricity from the operations that involve the production and delivery (supply) of this electricity to the final consumers.
114.	ERO (URE)	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
115.	USA	United States of America
116.	USD	United States Dollar - US dollar's international acronym
117.	WFOŚiGW	Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej (Voivodeship Fund for Environmental Protection and Water Management) in Katowice or in Cracow.
118.	Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. with its registered office in Tarnów.
119.	GM (WZ/ZW)	General Meeting (GM) / Shareholders' (Partners') Meeting (Walne Zgromadzenie – WZ / Zgromadzenie Wspólników - ZW)
120.	ZG	Coal Mine (Zakład Górniczy - ZG) (Janina Coal Maine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

Appendix B: INDEX OF TABLES AND FIGURES

The list of tables and figures presented in this report is provided below.

Index of tables

Index of figures