EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A. Capital Group for Q3 2021

November 2021

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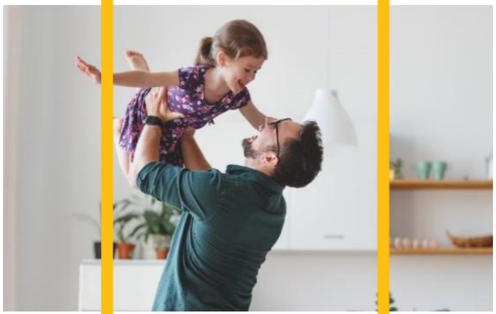

CONDENSED INTERIM FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 2021

TAURON Polska Energia S.A.

Interim condensed financial statements

compliant with the International Financial Reporting Standards

approved by the European Union

for the 9-month period ended 30 September 2021

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2021 *(unaudited)*	3-month period ended 30 September 2020 *(restated unaudited figures)*	9-month period ended 30 September 2020 *(restated unaudited figures)*
Sales revenue	11	4 066 900	11 542 627	2 708 846	7 915 766
Cost of sales	12	(4 141 256)	(11 609 808)	(2 537 647)	(7 602 290)
Profit on sale (loss)		**(74 356)**	**(67 181)**	**171 199**	**313 476**
Selling and distribution expenses	12	(5 976)	(17 737)	(3 904)	(16 182)
Administrative expenses	12	(23 645)	(69 830)	(28 110)	(88 439)
Other operating income and expenses		148	(530)	217	(3 903)
Operating profit (loss)		**(103 829)**	**(155 278)**	**139 402**	**204 952**
Dividend income	13	138 374	1 851 630	977 187	977 187
Interest income on loans	13	66 699	182 113	59 728	186 510
Interest expense on debt	13	(82 641)	(247 911)	(96 600)	(314 233)
Revaluation of shares	13	-	(759 017)	(7 063)	(1 082 969)
Revaluation of loans	13	8 212	(279 012)	(273 436)	(703 028)
Other finance income and costs	13	(10 912)	25 232	3 413	(124 692)
Profit before tax (loss)		**15 903**	**617 757**	**802 631**	**(856 273)**
Income tax expense	14	19 383	(13 681)	(11 367)	30 005
Net profit (loss)		**35 286**	**604 076**	**791 264**	**(826 268)**
Measurement of hedging instruments	26.4	64 600	196 758	10 035	(121 710)
Income tax expense	14	(12 274)	(26 416)	(1 907)	23 125
Other comprehensive income subject to reclassification to profit or loss		**52 326**	**170 342**	**8 128**	**(98 585)**
Actuarial gains (losses)		(203)	235	(110)	(884)
Income tax expense	14	38	(45)	21	168
Other comprehensive income not subject to reclassification to profit or loss		**(165)**	**190**	**(89)**	**(716)**
Other comprehensive income, net of tax		**52 161**	**170 532**	**8 039**	**(99 301)**
Total comprehensive income		**87 447**	**774 608**	**799 303**	**(925 569)**
Profit per share (loss) (in PLN):					
- basic and diluted, for net profit (loss)		0.02	0.34	0.45	(0.47)

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

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
ASSETS			
Non-current assets			
Investment property	**15**	24 889	28 388
Right-of-use assets	**16**	22 269	28 012
Shares	**17**	20 114 864	20 856 962
Loans granted	**18**	6 297 725	4 233 601
Derivative instruments	**19**	278 256	36 041
Other financial assets	**20**	466	2 541
Other non-financial assets	**21**	10 244	17 267
		26 748 713	**25 202 812**
Current assets			
Inventories	**22**	501 024	394 031
Receivables from buyers	**23**	1 244 009	1 301 409
Income tax receivables	**30**	-	82 464
Loans granted	**18**	111 865	1 147 350
Derivative instruments	**19**	760 741	122 805
Other financial assets	**20**	228 023	87 303
Other non-financial assets	**21**	10 892	12 291
Cash and cash equivalents	**24**	204 730	643 134
Non-current assets classified as held for sale	**25**	-	53 136
		3 061 284	**3 843 923**
TOTAL ASSETS		**29 809 997**	**29 046 735**

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Note	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
EQUITY AND LIABILITIES			
Equity			
Issued capital	**26.1**	8 762 747	8 762 747
Reserve capital	**26.3**	2 749 099	6 338 754
Revaluation reserve from valuation of hedging instruments	**26.4**	91 471	(78 871)
Retained earnings / (Accumulated losses)	**26.5**	633 039	(3 560 882)
		12 236 356	**11 461 748**
Non-current liabilities			
Debt	**27**	10 025 729	12 117 294
Other financial liabilities	**28**	10 242	14 090
Derivative instruments	**19**	94 913	73 739
Other non-financial liabilities	**31**	141 285	23 830
Provisions for employee benefits		4 653	4 208
Provision for onerous contracts	**32**	626 842	840 458
Accruals, deferred income and government grants		585	1 184
		10 904 249	**13 074 803**
Current liabilities			
Debt	**27**	3 461 706	2 772 339
Liabilities to suppliers	**29**	689 035	764 096
Other financial liabilities	**28**	604 863	233 099
Derivative instruments	**19**	859 470	101 845
Income tax liabilities	**30**	62 863	-
Other non-financial liabilities	**31**	606 504	346 471
Provisions for employee benefits		224	426
Provision for onerous contracts	**32**	361 473	269 439
Other provisions	**33**	4 111	4 909
Accruals, deferred income and government grants		19 143	17 560
		6 669 392	**4 510 184**
Total liabilities		**17 573 641**	**17 584 987**
TOTAL EQUITY AND LIABILITIES		**29 809 997**	**29 046 735**

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2021 *(unaudited)*

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2021		**8 762 747**	**6 338 754**	**(78 871)**	**(3 560 882)**	**11 461 748**
Coverage of prior years loss	**26.5**	-	(3 589 655)	-	3 589 655	-
Transactions with shareholders		**-**	**(3 589 655)**	**-**	**3 589 655**	**-**
Net profit		-	-	-	604 076	**604 076**
Other comprehensive income		-	-	170 342	190	**170 532**
Total comprehensive income		**-**	**-**	**170 342**	**604 266**	**774 608**
As at 30 September 2021 *(unaudited)*		**8 762 747**	**2 749 099**	**91 471**	**633 039**	**12 236 356**

PERIOD OF 9 MONTHS ENDED 30 SEPTEMBER 2020 *(restated unaudited figures)*

	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	-	-	-	(826 268)	**(826 268)**
Other comprehensive income	-	-	(98 585)	(716)	**(99 301)**
Total comprehensive income	**-**	**-**	**(98 585)**	**(826 984)**	**(925 569)**
As at 30 September 2020 *(restated unaudited figures)*	**8 762 747**	**6 338 754**	**(82 919)**	**(1 135 974)**	**13 882 608**

(in PLN thousand)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(restated unaudited figures)*
Cash flows from operating activities			
Profit before tax (loss)		617 757	(856 273)
Depreciation and amortization		11 623	10 637
Interest and dividends net		(1 764 338)	(828 759)
Impairment losses on shares		759 017	1 082 969
Impairment losses on loans		279 012	703 028
Exchange differences		17 398	231 862
Other adjustments of profit before tax		88 836	62 753
Change in working capital	**34.1**	520 106	438 238
Income tax paid		(35 002)	13 425
Net cash from operating activities		**494 409**	**857 880**
Cash flows from investing activities			
Loans granted	**34.2**	(1 422 113)	(1 115 760)
Purchase of shares	**34.2**	(16 919)	(477 504)
Other		(456)	(13 759)
Total payments		**(1 439 488)**	**(1 607 023)**
Dividends received		1 851 630	975 182
Investment fund units alienation		-	26 747
Sale of shares	**34.2**	52 605	-
Repayment of loans granted		121 796	209 102
Interest received	**34.2**	167 194	67 360
Other		21	32
Total proceeds		**2 193 246**	**1 278 423**
Net cash from investing activities		**753 758**	**(328 600)**
Cash flows from financing activities			
Repayment of loans	**34.3**	(2 840 864)	(3 430 464)
Redemption of debt securities		-	(3 100)
Payment of lease liabilities		(7 179)	(6 929)
Interest paid	**34.3**	(164 445)	(171 035)
Commission paid		(13 752)	(20 282)
Total payments		**(3 026 240)**	**(3 631 810)**
Contracted loans	**34.3**	700 000	2 360 000
Total proceeds		**700 000**	**2 360 000**
Net cash from financing activities		**(2 326 240)**	**(1 271 810)**
Net increase / (decrease) in cash and cash equivalents		**(1 078 073)**	**(742 530)**
Net foreign exchange difference		(1 678)	(46)
Cash and cash equivalents at the beginning of the period	**24**	**(742 944)**	**(49 080)**
Cash and cash equivalents at the end of the period, *of which:*	**24**	**(1 821 017)**	**(791 610)**
restricted cash	**24**	89 111	146 210

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

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

These interim condensed financial statements have been prepared by TAURON Polska Energia Spółka Akcyjna (the "Company") with its registered office in Katowice, ul. ks. Piotra Ściegiennego 3, whose shares are publicly traded.

The company was established by a Notarial Deed on 6 December 2006 under the name Energetyka Południe S.A. On 8 January 2007, the District Court for Katowice-Wschód, Commercial Department 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 by the District Court on 16 November 2007.

The entity was assigned the statistical number, REGON 240524697 and the 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. focuses on:

- activity of central companies (head offices) and holdings, excluding financial holdings → (PKD 70.10 Z),
- Electric energy trade → (PKD 35.14 Z),
- Sales of coal → PKD 46.71.Z,
- Gas fuel trading in the network system → (PKD 35.23 Z).

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

The Company has prepared interim condensed financial statements covering the 9-month period ended 30 September 2021 and containing comparative figures for the 9-month period ended 30 September 2020 and as at 31 December 2020. The data included in these interim condensed financial statements for the 9-month period ended 30 September 2021 and the comparative data for the 9-month period ended 30 September 2020 have not been audited or reviewed by the statutory auditor. The comparative figures as at 31 December 2020 were subject to the audit by the statutory auditor. The data included in these interim condensed financial statements for the 3-month period ended 30 September 2021 and the comparative figures for the 3-month period ended 30 September 2020 have not been audited or reviewed by the statutory auditor.

These interim condensed financial statements for the 9-month period ended 30 September 2021 were approved for publication on 16 November 2021.

The Company has also prepared the interim condensed consolidated financial statements for the 9-month period ended 30 September 2021 which were approved for publication by the Management Board on 16 November 2021.

These interim condensed financial statements is a part of the consolidated report which also comprises the interim condensed consolidated financial statements for the 9-month period ended 30 September 2021.

Composition of the Management Board:

As at 1 January 2021, 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 19 February 2021, Mr Wojciech Ignacok resigned from his function of the President of the Management Board, with effect as of 28 February 2021. On 24 February 2021, the Supervisory Board of the Company adopted a resolution concerning the assignment of the duties of the President of the Management Board of the Company to Mr Marek Wadowski from 1 March 2021 until the date of the appointment of the President of the Management Board of the Company.

On 1 April 2021, the Supervisory Board of the Company appointed Mr Paweł Strączyński to the Company Management Board and nominated him to the position of the President of the Management Board.

On 13 May 2021, the Company received the resignation of Mr Marek Wadowski from his membership in the Management Board of the Company and therefore from the position of Vice-President of the Management Board for Financial Affairs, effective as of the end of the day on 17 May 2021.

On 2 July 2021, the Company received the resignation of Mr Paweł Strączyński from his position of the President of the Management Board of the Company, effective as of the end of the day on 21 July 2021. On 19 and 27 July 2021, the Company accepted the declaration of Mr Paweł Strączyński on the amendment of his declaration of resignation from the position of the President of the Management Board as a of which his resignation from the position of the President of the Management Board took effect on 4 August 2021.

On 4 August 2021, the Supervisory Board of the Company appointed the following members of the Management Board with effect as of 5 August 2021:

- Mr Artur Michałowski for the position of Vice-President of the Management Board for Trade,
- Mr Patryk Demski for the position of Vice-President of the Management Board for Strategy and Development,
- Mr Krzysztof Surma for the position of Vice-President of the Management Board for Finance.

At the same time, the Supervisory Board of the Company adopted a resolution concerning the assignment of the duties of the President of the Management Board of the Company to Mr Artur Michałowski as of 5 August 2021 until the date of appointment of the President of the Management Board of the Company.

As at 30 September 2021 and as at the date of approval of these interim condensed financial statements for publication, the composition of the Management Board was as follows:

- Artur Michałowski - Acting President of the Management Board, Vice-President of the Management Board,
- Patryk Demski - Vice-President of the Management Board,
- Krzysztof Surma - Vice-President of the Management Board,
- Jerzy Topolski - Vice-President of the Management Board.

2. Shares in related parties

As at 30 September 2021, TAURON Polska Energia S.A. held, directly and indirectly, interest in the following key subsidiaries:

(in PLN thousand)

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the governing body	Company holding direct shareholding in equity/ General partner
1	TAURON Wydobycie S.A.	Jaworzno	Hard coal mining	100,00%	TAURON Polska Energia S.A.
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation, transmission and distribution of electricity and heat	100,00%	TAURON Polska Energia S.A.
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation of electricity	86,29%	TAURON Polska Energia S.A.
4	TAURON Ciepło Sp. z o.o.	Katowice	Production and distribution of heat	100,00%	TAURON Polska Energia S.A.
5	TAURON Serwis Sp. z o. o.	Katowice	Services	95,61%	TAURON Polska Energia S.A.
6	Łagisza Grupa TAURON Sp. z o.o.	Katowice	Generation of electricity	100,00%	TAURON Wytwarzanie S.A.
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation of electricity	100,00%	TAURON Polska Energia S.A.
8	Marselwind Sp. z o.o.	Katowice	Generation of electricity	100,00%	TAURON Polska Energia S.A.
9	TEC1 Sp. z o.o.	Katowice	Head office and holding operations	100,00%	TAURON Polska Energia S.A.
10	TAURON Zielona Energia Sp. z o.o. [1]	Katowice	Head office and holding operations	100,00%	TAURON Polska Energia S.A.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
20	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	Generation of electricity	100,00%	TEC1 Sp. z o.o.
21	WIND T1 Sp. z o.o.	Jelenia Góra	Generation of electricity	100,00%	TAURON Ekoenergia Sp. z o.o.
22	AVAL-1 Sp. z o.o.	Jelenia Góra	Generation of electricity	100,00%	TAURON Ekoenergia Sp. z o.o.
23	Polpower Sp. z o.o.	Połczyn-Zdrój	Generation of electricity	100,00%	TAURON Ekoenergia Sp. z o.o.
24	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99,76%	TAURON Polska Energia S.A.
25	TAURON Dystrybucja Pomiary Sp. z o.o.[2]	Tarnów	Services	99,76%	TAURON Dystrybucja S.A.
26	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100,00%	TAURON Polska Energia S.A.
27	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100,00%	TAURON Polska Energia S.A.
28	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sale of electricity	100,00%	TAURON Polska Energia S.A.
29	TAURON Nowe Technologie S.A.	Wrocław	Services	100,00%	TAURON Polska Energia S.A.
30	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100,00%	TAURON Polska Energia S.A.
31	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Limestone quarrying and stone quarrying	100,00%	TAURON Polska Energia S.A.
32	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Sale of electricity	100,00%	TAURON Polska Energia S.A.
33	Finanse Grupa TAURON Sp. z o.o.	Katowice	Services	100,00%	TAURON Polska Energia S.A.
34	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	Wholesale of fuel and derivative products	100,00%	TAURON Polska Energia S.A.
35	Wsparcie Grupa TAURON Sp. z o.o.	Tarnów	Services	99,76%	TAURON Dystrybucja S.A.

[1] On 1 July 2021 the merger of companies: TEC3 sp. z o.o. (the acquiring company) with the company TEC2 sp. z o.o. (the acquired company) pursuant to Article 492(1)(1) of the Code of Commercial Companies. On 8 November 2021 there was a change of company name, form previous TEC3 Sp. z o.o. for TAURON Zielona Energia Sp. z o.o.

[2] TAURON Polska Energia S.A. is the user of shares in TAURON Dystrybucja Pomiary Sp. z o.o.

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

On 13 January 2021, an increase in the share capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. by PLN 1 900 thousand was registered based on the resolution of 3 December 2020. All shares were acquired by the Company for the total amount of PLN 190 000 thousand. As a result of this transaction, the Company shareholding in the capital and in the governing body of Nowe Jaworzno Grupa TAURON Sp. z o.o. increased from 85.88% to 86.29%.

Decrease in the share capital of TAURON Dystrybucja S.A.

On 21 May 2021, a decrease in the share capital of the subsidiary, TAURON Dystrybucja S.A. was registered in connection with the statutory redemption of shares acquired by the company from shareholders representing no more than 5% of the share capital. As at 30 September 2021, the share of the Company in the capital and in the governing body reached 99.76% (as at 31 December 2020 - 99.75%).

As a result of the change in the Company share in TAURON Dystrybucja S.A., the share in subsidiaries held indirectly through TAURON Dystrybucja S.A., i.e. in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o., also changed.

Acquisition of shares in Polpower Sp. z o.o.

On 10 June 2021, TAURON Ekoenergia Sp. z o.o. acquired 100% of the shares of Polpower Sp. z o.o. Consequently, TAURON Polska Energia S.A. holds an indirect share of 100% in the company Polpower Sp. z o.o.

As at 30 September 2021, the share of TAURON Polska Energia S.A. in the capital and in the governing body of the remaining key subsidiaries and jointly-controlled entities has not changed since 31 December 2020.

As at 30 September 2021, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled entities:

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's issued capital and governing body
1	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Generation of electricity	50.00%
2	TAMEH HOLDING Sp. z o.o.[2]	Dąbrowa Górnicza	Head office and holding operations	50.00%
3	TAMEH POLSKA Sp. z o.o.[2]	Dąbrowa Górnicza	Generation, transmission, distribution and sale of electricity and heat	50.00%
4	TAMEH Czech s.r.o.[2]	Ostrawa, Czech Republic	Production, trade and services	50.00%

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

3. Statement of compliance

These interim condensed financial statements were compiled in accordance with the International Accounting Standard 34 Interim Financial Reporting ("IAS 34") according to the template approved by the European Union (the "EU").

The interim condensed financial statements do not comprise all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company prepared in accordance with the IFRS for the year ended 31 December 2020.

4. Going concern

These interim condensed financial statements have been prepared with the assumption of continuation of activities by the Company as a going concern in the foreseeable future, i.e. in the period not shorter than one year following the balance sheet day. As at the date of approval of these interim condensed financial statements for publication, no circumstances had been identified which would indicate a risk to the ability of the Company to continue as a going concern.

The Company identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Company has full capacity to settle its liabilities as they become due and payable. As at the balance sheet date, the Company has an access to financing available under financing arrangements.

The Management Board analysed the financial situation of the Company in the context of COVID-19 and it does not currently identify any risks for the continuity of the activity as a going concern in the foreseeable future, i.e. in the period shorter than 1 year from the balance sheet date in the areas of liquidity, financing and securing the continuity of operating activities, taking into account the description of the impact of the COVID-19 pandemic on the Group's activities, as further discussed in Note 41 to these interim condensed financial statements.

5. Functional and presentation currency

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

6. Material values based on professional judgement and estimates

In the process of applying the accounting policy in relation to the issues provided below, besides accounting estimates, the professional judgement of the management has been of key importance, affecting the figures disclosed in these interim condensed financial statements, including in the additional explanatory notes. The assumptions underlying these estimates are based on the best knowledge of the Management Board related to the current and future actions and events in individual areas. In the period covered by these interim condensed financial statements, no significant changes occurred in the estimates or estimation methods applied, which could affect the current or future periods, other than those described below and hereinafter on 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 respect to receivables from customers, the Company estimates the amount of the allowance for expected credit losses based on the probability-weighted credit loss.

The Company has allocated a portfolio of strategic counterparties and a portfolio of other counterparties for receivables from customers.

The default risk of strategic counterparties is assessed based on the ratings granted to counterparties using an internal scoring model, adequately restated to the probability of default, taking into account estimates of potential recoveries from the collaterals submitted.

In case of receivables from other counterparties, the adjusted historical repayment figures may reflect the credit risk that will be incurred in future periods. The expected credit losses for this group of counterparties were estimated using the receivables ageing matrix and the percentage ratios assigned to the various ranges and groups (including receivables claimed at court, receivables from counterparties in bankruptcy) allowing to estimate the value of receivables from customers expected to be outstanding.

Impact of COVID-19 on the methodology of estimates and assumptions

The economic effects of COVID-19 may affect both the quality of the financial asset portfolio of the Company and the level of repayment of receivables from customers. The forecast impact varies depending on the economic sector in which a particular counterparty operates. Due to the uncertainty surrounding further development of the COVID-19 pandemic and the expected impact of aid programmes, the ability to accurately estimate the future repayment of receivables from customers is limited.

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

- it has updated the parameters for the model of expected credit loss in the scope of relevant coefficients and recovery rate,
- it has taken into consideration the forward-looking approach.

Impact of COVID-19 on the level of estimates prepared

Estimates taking into account uncertainties mainly related to the effect of COVID-19 on expected credit losses on receivables from customers were calculated based on the difference in the estimate of the amount of expected credit losses resulting from the model updated to this extent and the model based on pre-pandemic parameters and amounted to PLN 1 910 thousand, which affected the operating result of the Company in the 9-month period ended 30 September 2021. The total expected credit loss as at 30 September 2021 calculated for receivables from customers (excluding receivables claimed at court) was estimated at a level of PLN 2 822 thousand.

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

Estimates and assumptions

For loans classified as assets measured at amortised cost, the Company estimates the amount of their impairment losses. The risk of insolvency of borrowers is estimated based on the ratings assigned to counterparties using an internal scoring model, adequately converted into a probability of default, taking into account the time value of money.

The valuation of a loan classified as an asset measured at a fair value is estimated as the current value of future cash flows taking into account the credit risk of the borrower.

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

Impact of COVID-19 on the methodology of estimates and assumptions

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

Impact of COVID-19 on the level of the estimates prepared

In order to take into account the impact of the COVID-19 pandemic on expected credit losses on loans granted and guarantees issued, the Company calculates the difference in the amount of expected credit losses determined based on current quotations of Credit Default Swap (CDS) instruments and the amount of expected credit losses determined based on quotations of CDS instruments in the period preceding the COVID-19 pandemic . The effect of taking into account the impact of COVID-19 on the estimation methodology resulted in the following changes affecting jointly the financial expenses of the Company in the 9-month period ended 30 September 2021 in the amount of PLN 4 435 thousand:

• an increase in expected credit losses calculated for loans granted to subsidiaries by the amount of PLN 2 363 thousand,

• an increase in expected credit losses on the off-balance sheet liability due to a guarantee issued by a bank at the Company request in favour of a jointly controlled entity by the amount of PLN 2 072 thousand.

Bearing in mind that the measurement of the loans granted to Elektrociepłownia Stalowa Wola S.A. was based on the analysis of its future cash flows and the Company does not hold figures enabling it to estimate the impact of COVID-19 on each of the elements of the calculation of the future cash flows of Elektrociepłownia Stalowa Wola S.A., the Company assessed that it is unable to reliably determine the impact of COVID-19 on the decrease in the carrying amount of the loans granted to Elektrociepłownia Stalowa Wola S.A.

6.2. Other material values based on professional judgement and estimates

Other items of the financial statements with a significant risk of material adjustment to the carrying amounts of assets and liabilities are presented below. Detailed information concerning the assumptions adopted 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
Deferred tax assets	Note 14	As at each balance sheet date, the Company assesses the feasibility of the deferred tax assets and verifies unrecognised deferred tax assets. In connection with the analyses performed indicating uncertainty as to the occurrence of potential tax gains in the Company in 2021 and in subsequent years, a deferred tax asset has been recognised in the financial statements only up to the amount of the deferred tax liability.
Shares	Note 17	Due to the existence of objective premises indicating the impairment of the item of shares as at the balance sheet date, including long-term persistence of the Company capitalization at the level below the carrying amount of net assets, the Company performed impairment tests of shares and stocks as at 30 June 2021. The result of the impairment tests performed as at 30 June 2021 indicated the necessity to recognise impairment losses on Nowe Jaworzno Grupa TAURON Sp. z o.o. shares. Due to current changes in the scope of prices of electricity, raw materials and CO_2 emission allowances as well as taking into account the current market situation, the analysis of effects of changes in the market situation in the third quarter of the current year was performed. Having analysed the observed market and regulatory phenomena, it was concluded that, in the expected perspective, they do not jointly constitute material factors whose impact makes it reasonable to change the long-term forecasts, in relation to the information available as at 30 June 2021. For this reason, the results of the most recent impairment tests on shares in subsidiaries and the analyses regarding the measurement of intra-group loans carried out as at 30 June 2021 were deemed 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 11 Note 19	As at each balance sheet date, the Company measures derivative financial instruments up to the fair value. The methods of determining the fair value is presented in Note 19 to 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 delayed commissioning of the Jaworzno power unit, as at 31 December 2020, the Company had a significant surplus of CO_2 emission allowances contracted to be purchased for redemption by a subsidiary in connection with the 2020 issue. In the first quarter of 2021, as a result of the analysis of new premises and circumstances that arose after 31 December 2020, the Company changed its intention regarding the aforementioned CO_2 emission allowances and decided to roll them over with the conclusion of new contracts with delivery dates in March 2022, 2023, 2024.
Debt	Note 27	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 32 Note 33	The Company estimates the amount of provisions based on the adopted assumptions, methodology and method of calculation relevant to the particular provision title, assessing the probability of expenditure of funds containing economic benefits and determining the reliable level of the amount necessary to fulfil the obligation. The Company creates the provisions when the probability of spending the funds containing economic benefits is higher than 50%. In particular, with respect to the provision for the onerous contract - a multiannual agreement for the purchase of electricity from a subsidiary - covering the years 2021-2026, the Company adopts a number of assumptions concerning the development of achievable electricity sales prices to subsidiaries, and the cost of electricity generation by the 910 MW unit in the aforementioned years.

In addition to the foregoing, the Company makes significant estimates as regards the contingent liabilities recognised, in particular in the scope of litigation the Company is a party to. Contingent liabilities are presented in detail in Note 37 to these interim condensed financial statements.

(in PLN thousand)

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

The Company did not choose earlier application of any standards or amendments to standards which were published, however, have not entered into force by 30 September 2021.

- **Amendments to standards issued by the International Accounting Standards Board which were approved by the European Union but have not yet entered into force**

According to the Management Board, the following amendments to standards will not materially affect the accounting policy applied so far:

Standard/ amendment	Effective in the EU as of *(annual periods beginning on or after the date provided)*
Amendments to IFRS 3 *Business Combinations: Changes to references to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment: Revenues earned before putting into use*	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	1 January 2022
Changes to various standards: *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

- **Standards issued by the International Accounting Standards Board and amendments to standards which have not yet been approved by the European Union and have not entered into force yet**

Amendments to IAS 1 *Presentation of Financial Statements: Classification of financial liabilities as current or non-current* to enter into force on 1 January 2023

In accordance with the amendments to IAS 1 *Presentation of Financial Statements*, liabilities are classified as non-current if the entity has a significant right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The expectations of the entity do not affect the classification.

As at the balance sheet day, the Company has revolving credit agreements under which the drawing period of the credit tranches is equal to or less than 1 year, while the period of availability of funding exceeds 12 months from the balance sheet date and the Company has the right to defer the liability by at least 12 months from the end of the reporting period. In the case of these credit agreements, the Company classifies the tranches as either a non-current liability or a current liability in accordance with the expectation regarding the repayment of the liability. As at 30 September 2021, taking into account the intentions of the Company, tranches with an aggregate nominal value of PLN 950 000 thousand are classified as current liabilities. Under the agreement, the Company has the right to defer the settlement of a liability for a period exceeding 12 months, thus in accordance with the amendments to IAS 1 *Presentation of Financial Statements* the said liability would be classified as a non-current liability.

According to the Management Board, the following standards and amendments to standards will not materially affect the accounting policies applied so 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*
Amendments 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 IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting Estimates*	1 January 2023
Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	1 January 2023
IFRS 17 *Insurance contracts*	1 January 2023

* *The European Commission decided to suspend 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.*

(in PLN thousand)

8. Changes in accounting policies used and restatement of comparable figures

The accounting principles (policy) applied for the preparation of these interim condensed financial statements are consistent with those applied for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020, except for the application of the amendments to standards listed below. The Company also made a restatement of comparable figures, as described below.

8.1. Application of amendments to standards

According to the Management Board, introduction of the following amendments to standards did not materially affect the accounting policy applied so far:

Standard	Effective date in the EU *(annual periods beginning on or after the date provided)*
Amendments to IFRS 4 *Insurance Contracts*	1 January 2021
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 16 *Leases: Covid-19-Related Rent Concessions beyond 30 June 2021* (apply for financial years which starts at the latest on 1 January 2021 and later)	1 April 2021

8.2. Restatement of comparable figures

Change in the plan concerning the sale of shares in TAURON Ciepło Sp. z o.o.

As at 30 September 2021, the Company assessed that in relation to the shares in TAURON Ciepło Sp. z o.o., the conditions resulting from IFRS 5 *Non-current assets held for sale and discontinued operations* are no longer met in the scope of classification of the aforementioned assets as held for sale. In particular, the active programme to find a purchaser is not continued and the sale of shares in TAURON Ciepło Sp. z o.o. was not completed within one year from the date of recognition of shares in TAURON Ciepło Sp. z o.o. as non-current assets classified as held for sale, i.e. as of 30 June 2020. In the framework of the project aimed at market verification of the possibility to sell shares of the subsidiary, TAURON Ciepło Sp. z o.o. and the potential continuation of the sales process, the Company conducted negotiations on an exclusivity basis with Polskie Górnictwo Naftowe i Gazownictwo S.A. On 29 January 2021, Polskie Górnictwo Naftowe i Gazownictwo S.A. expressed its intention to discontinue the negotiations aimed at acquiring shares in TAURON Ciepło Sp. z o.o.

As at 30 June 2020, the Company assessed that in relation to the shares in TAURON Ciepło Sp. z o.o. the prerequisites resulting from IFRS 5 *Non-current assets held for sale and discontinued operations* were met in the scope of classification of the aforementioned assets as held for sale, therefore, as at 30 June 2020 the Company reclassified the shares in TAURON Ciepło Sp. z o.o. to non-current assets classified as assets held for sale. The measurement of the fair value of this company, carried out by the Company as at 30 June 2020 on the basis of information gathered in the course of the conducted market sale process of shares in TAURON Ciepło Sp. z o.o., amounted to PLN 1 343 000 thousand. As at 30 September 2020 and 31 December 2020 the estimation of the fair value has not significantly changed and amounted to PLN 1 342 000 thousand.

Based on paragraph 28 of IFRS 5 *Non-current assets held for sale and discontinued operations*, in view of the fact that assets held for sale for which the sale plan was changed was the subsidiary, the Company assesses that it is necessary to restate the comparable figures in these interim condensed financial statements accordingly. The comparable figures were restated as if the shares in TAURON Ciepło Sp. z o.o. in the previous reporting periods had not been classified as held for sale and had not been measured to the fair value.

In order to ensure comparability of the data in the interim condensed financial statements for the 9-month period ended 30 September 2021, the Company restated the comparable figures accordingly in terms of presentation and measurement of shares in TAURON Ciepło Sp. z o.o. for a 9-month period ended 30 September 2020 and as at 31 December 2020. After the restatement, these shares are presented under *Shares* in the interim condensed statement of financial position and were measured at their recoverable value based on the estimated value in use of the Company exposure to shares and loans granted to TAURON Ciepło Sp. z o.o. as at 31 December 2020 amounting to the total of PLN 1 680 593 thousand. The key assumptions of the tests performed, in particular with regard to the adopted price paths for coal, electricity and CO_2 emission allowances, are described in Note 10 of the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020. Moreover, the feed-in tariff revenue of heat companies has been assumed, ensuring the coverage of justified costs and gaining a reasonable level of return on the capital employed. For the activities related to heat and electricity generation of TAURON Ciepło Sp. z o.o., the lifetime of the generating units up to 2049 has been adopted. For the activity related to heat transmission, a detailed forecast over a 10-year period was adopted including the residual value.

(in PLN thousand)

- **Restating of comparable figures as at 31 December 2020**

Taking into account that as at 31 December 2020 the value in use of the Company shareholding and the carrying amount of the loans granted to TAURON Ciepło Sp. z o.o. was estimated at PLN 1 680 593 thousand while the carrying amount of the loans granted was PLN 976 264 thousand, under the restated figures as at 31 December 2020, the Company measured the shares held at PLN 704 329 thousand. As part of the authorised figures, taking into account that the fair value measurement of TAURON Ciepło Sp. z o.o. amounted to PLN 1 342 000 thousand, while the carrying amount of loans granted amounted to PLN 976 264 thousand, the Company measured the shares held in TAURON Ciepło Sp. z o.o. at a fair value of PLN 365 736 thousand and recognised them as non-current assets classified as held for sale.

The restatement of comparable figures in the scope of presentation and measurement of shares in TAURON Ciepło Sp. z o.o. resulted in an increase of the Company retained earnings by PLN 338 593 thousand reflecting the difference as at 31 December 2020 between the estimate of the value in use of the shares in TAURON Ciepło Sp. z o.o. amounting to PLN 704 329 thousand and the measurement of the aforementioned shares at a fair value amounting to PLN 365 736 thousand.

The table below presents the impact of the change described above on the statement of financial position as at 31 December 2020:

	As at 31 December 2020 *(authorised figures)*	Change of presentation and measurement of shares in TAURON Ciepło Sp. z o.o.	As at 31 December 2020 *(restated figures)*
ASSETS			
Non-current assets			
Shares	20 152 633	704 329	20 856 962
	24 498 483	**704 329**	**25 202 812**
Current assets			
Non-current assets classified as held for sale	418 872	(365 736)	53 136
	4 209 659	**(365 736)**	**3 843 923**
TOTAL ASSETS	**28 708 142**	**338 593**	**29 046 735**
EQUITY AND LIABILITIES			
Equity			
Retained earnings / (Accumulated losses)	(3 899 475)	338 593	(3 560 882)
	11 123 155	**338 593**	**11 461 748**
Total liabilities	**17 584 987**	**-**	**17 584 987**
TOTAL EQUITY AND LIABILITIES	**28 708 142**	**338 593**	**29 046 735**

The recoverable amount of the shares in TAURON Ciepło Sp. z o.o. and the total carrying amount of the exposure to shares (after impairment allowance in accordance with IAS 36 *Impairment of assets*) and loans granted to TAURON Ciepło Sp. z o.o. recognised within the restated figures as at 31 December 2020 are presented in the table below:

Company	Discount rate (before tax) assumed in tests as at:	Recoverable amount of shares	Carrying amount of shares and loans
	31 December 2020	As at 31 December 2020	As at 31 December 2020
TAURON Ciepło Sp. z o.o.	10.02% (generating operation) 7.73% (transmission operation)	704 329	1 680 593

- **Restatement of comparable figures for the 9-month period ended 30 September 2020**

Taking into account that as at 30 September 2020 the value in use of the Company exposure to shares and the carrying amount of the loans granted to TAURON Ciepło Sp. z o.o. was estimated at PLN 1 680 593 thousand while the carrying amount of the loans granted was PLN 986 043 thousand, the Company measured the shares held at PLN 694 550 thousand. This requires the recognition, within the restated figures for the 9-month period ended 30 September 2020, of an impairment loss on shares in accordance with IAS 36 *Impairment of Assets* in the amount of PLN 1 065 353 thousand. Within the authorised figures, the Company recognised an allowance for revaluation of shares in the company to fair value in the amount of PLN 1 403 946 thousand.

(in PLN thousand)

The restatement of comparable figures in the scope of the impact of the TAURON Ciepło Sp. z o.o. shares measurement on the financial result of the Company in the 9-month period ended 30 September 2020 resulted in an increase of the net financial result by PLN 338 593 thousand reflecting the difference between the recognition of the impairment loss on the shares in TAURON Ciepło Sp. z o.o. in accordance with IAS 36 *Impairment of Assets* in the amount of PLN 1 065 353 thousand and the amount recognised under authorised figures due to revaluation of TAURON Ciepło Sp. z o.o. shares to the fair value in the amount of PLN 1 403 946 thousand.

The impact of the amendment described above on the interim condensed statement of comprehensive income for the 9-month period ended 30 September 2020 is shown in the table below:

	9-month period ended 30 September 2020 *(authorised unaudited figures)*	Change of presentation and measurement of shares in TAURON Ciepło Sp. z o.o.	9-month period ended 30 September 2020 *(restated unaudited figures)*
Operating profit	**204 952**	**-**	**204 952**
Revaluation write-off to fair value of non-current assets classified as held for sale	(1 403 946)	1 403 946	-
Revaluation of shares	(17 616)	(1 065 353)	(1 082 969)
Profit before tax (loss)	**(1 194 866)**	**338 593**	**(856 273)**
Income tax expense	30 005	-	30 005
Net profit (loss)	**(1 164 861)**	**338 593**	**(826 268)**
Other comprehensive income, net of tax	**(99 301)**	**-**	**(99 301)**
Total comprehensive income	**(1 264 162)**	**338 593**	**(925 569)**
Profit per share (loss) (in PLN):			
- basic and diluted, for net profit (loss)	(0.66)	0.19	(0.47)

9. Seasonality of activities

The activities of the Company associated with electricity trading are not of seasonal nature, therefore in this respect, the reported results of the Company do not experience significant fluctuations over the year. Due to its holding activities, the Company may recognise significant financial income from dividends recognised on the dates on which resolutions on payment of dividends are adopted, unless the resolutions indicate other dates of determining the right to dividend. In the 9-month period ended 30 September 2021, the Company recognised a dividend income of PLN 1 851 630 thousand (in the comparable period - PLN 977 187 thousand).

BUSINESS SEGMENTS

10. Information on operating segments

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

The “Sales” segment mainly recognises assets, liabilities as well as operating revenue and expenses related to trading in electricity, gas and fuel carried out by the Company and commodity derivative transactions.

The assets of the “Holding activities” mainly comprise:

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

(in PLN thousand)

The liabilities of the "Holding activity" segment comprise:

- bonds issued by the Company, loans received (other than overdrafts), including liabilities arising from valuation of hedging instruments related to the financing incurred;
- liabilities due to loans received from related parties, including under the cash pool service.

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 write-downs of shares and loans (in the comparable period, also write-downs on bonds) constituting assets of the "Holding Activity" segment.

General and administrative expenses are presented under unallocated expenses, since they are incurred for the Group as a whole and cannot be directly attributed to a specific operating segment.

The Company understands EBIT as 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 depreciation and/or amortisation and impairment of non-financial assets.

9-month period ended 30 September 2021 or as at 30 September 2021 *(unaudited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	2 687 973	-	-	**2 687 973**
Sales within the Group	8 854 649	5	-	**8 854 654**
Segment revenue	**11 542 622**	**5**	**-**	**11 542 627**
Profit/(loss) of the segment	**(85 453)**	**5**	**-**	**(85 448)**
Unallocated expenses	-	-	(69 830)	**(69 830)**
EBIT	**(85 453)**	**5**	**(69 830)**	**(155 278)**
Dividend income	-	1 851 630	-	**1 851 630**
Revaluation of shares	-	(759 017)	-	**(759 017)**
Revaluation of loans	-	(279 012)	-	**(279 012)**
Other net finance income/(costs)	-	(96 140)	55 574	**(40 566)**
Profit/(loss) before income tax	**(85 453)**	**717 466**	**(14 256)**	**617 757**
Income tax expense	-	-	(13 681)	**(13 681)**
Net profit/(loss) for the period	**(85 453)**	**717 466**	**(27 937)**	**604 076**
Assets and liabilities				
Segment assets	2 900 095	26 821 523	-	**29 721 618**
Unallocated assets	-	-	88 379	**88 379**
Total assets	**2 900 095**	**26 821 523**	**88 379**	**29 809 997**
Segment liabilities	3 384 719	13 560 132	**-**	**16 944 851**
Unallocated liabilities	-	-	628 790	**628 790**
Total liabilities	**3 384 719**	**13 560 132**	**628 790**	**17 573 641**
EBIT	**(85 453)**	**5**	**(69 830)**	**(155 278)**
Depreciation/amortization	**(5 912)**	**-**	**(5 711)**	**(11 623)**
Impairment	**859**	**-**	**-**	**859**
EBITDA	**(80 400)**	**5**	**(64 119)**	**(144 514)**
Other segment information				
Capital expenditure *	278	-	-	**278**

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

(in PLN thousand)

9-month period ended 30 September 2020 *(restated unaudited figures)* or as at 31 December 2020 *(restated figures)*

	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	-	(1 082 969)	-	**(1 082 969)**
Revaluation of loans	-	(703 028)	-	**(703 028)**
Other net finance income (costs)	-	611 374	113 398	**724 772**
Profit/(loss) before income tax	**293 386**	**(1 174 618)**	**24 959**	**(856 273)**
Income tax expense	-	-	30 005	**30 005**
Net profit/(loss) for the period	**293 386**	**(1 174 618)**	**54 964**	**(826 268)**
Assets and liabilities				
Segment assets	2 578 505	26 313 008	-	**28 891 513**
Unallocated assets	-	-	155 222	**155 222**
Total assets	**2 578 505**	**26 313 008**	**155 222**	**29 046 735**
Segment liabilities	2 359 838	14 955 850	-	**17 315 688**
Unallocated liabilities	-	-	269 299	**269 299**
Total liabilities	**2 359 838**	**14 955 850**	**269 299**	**17 584 987**
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 acquisition.*

The increase in the value of revenues from sales are described in detail in Note 11 to these interim condensed financial statements.

In the 9-month period ended 30 September 2021, revenue from sales to two major clients included in TAURON Group constituted 48% and 10% of the total revenue of the Company in the “Sales” segment and amounted to PLN 5 589 620 thousand and PLN 1 112 253 thousand, respectively. In the 9-month period ended 30 September 2020, the revenue from sales to two major clients included in TAURON Group accounted for 73% and 10% of the Company total revenue in the “Sales” segment and amounted to PLN 5 755 679 thousand and PLN 779 508 thousand, respectively.

(in PLN thousand)

3-month period ended 30 September 2021 *(unaudited)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	897 873	-	-	**897 873**
Sales within the Group	3 169 027	-	-	**3 169 027**
Segment revenue	**4 066 900**	**-**	**-**	**4 066 900**
Profit/(loss) of the segment	**(80 184)**	**-**	**-**	**(80 184)**
Unallocated expenses	-	-	(23 645)	**(23 645)**
EBIT	**(80 184)**	**-**	**(23 645)**	**(103 829)**
Dividend income	-	138 374	-	**138 374**
Revaluation of shares	-	-	-	**-**
Revaluation of loans	-	8 212	-	**8 212**
Other net finance income (costs)	-	(107 035)	80 181	**(26 854)**
Profit/(loss) before income tax	**(80 184)**	**39 551**	**56 536**	**15 903**
Income tax expense	-	-	19 383	**19 383**
Net profit/(loss) for the period	**(80 184)**	**39 551**	**75 919**	**35 286**
EBIT	**(80 184)**	**-**	**(23 645)**	**(103 829)**
Depreciation/amortization	**(1 982)**	**-**	**(1 827)**	**(3 809)**
Impairment	**(160)**	**-**	**-**	**(160)**
EBITDA	**(78 042)**	**-**	**(21 818)**	**(99 860)**
Other segment information				
Capital expenditure *	42	-	-	**42**

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

3-month period ended 30 September 2020 *(restated unaudited figures)*

	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 shares	-	(7 063)	-	**(7 063)**
Revaluation of loans and bonds	-	(273 436)	-	**(273 436)**
Other net finance income (costs)	-	889 015	54 713	**943 728**
Profit/(loss) before income tax	**167 512**	**608 516**	**26 603**	**802 631**
Income tax expense	-	-	(11 367)	**(11 367)**
Net profit/(loss) for the period	**167 512**	**608 516**	**15 236**	**791 264**
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 acquisition.*

(in PLN thousand)

EXPLANATORY NOTES TO THE INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Revenue from sales of goods for resale and materials	**10 960 021**	**7 813 333**
Electricity	9 472 204	7 403 377
CO_2 emission allowances	1 180 701	171 436
Gas	295 992	230 346
Other	11 124	8 174
Rendering of services	**278 661**	**102 433**
Trading income	98 649	77 656
Capacity market	153 823	-
Other	26 189	24 777
Total revenue from contracts with customers	**11 238 682**	**7 915 766**
Restructuration in the portfolio of CO_2 emission allowances	303 945	-
Total sales revenue	**11 542 627**	**7 915 766**

Revenues in compliance with IFRS 15 Revenue from contracts with customers

In the 9-month period ended 30 September 2021, sales revenues increased in relation to the comparable period while the main changes were related to the revenue from sales of the following goods and services:

- Electricity - the increase in revenue by PLN 2 068 827 thousand is mainly related to the performance of sales contracted in the forward market of electricity and sales in the SPOT market in a 21% higher volume at a price simultaneously higher, by the average of 6%. The increase in the volume is a result of higher electricity volumes sold to generation companies in order to secure the performance of the contracts concluded by generation companies of the Group, including as a result of electricity repurchases at higher prices on the SPOT market due to the failure of the 910 MW unit in the Nowe Jaworzno Group TAURON Sp. z o.o., and a decline in the volume to companies of the Sales segment as a result of lower demand.
- CO_2 emission allowances - the increase in the revenue from sales of CO_2 emission allowances in the current period in relation to the comparable period by the amount of PLN 1 009 265 thousand results mainly from the following transactions:
  - sales of emission allowances to subsidiaries of the Generation segment in the total amount of PLN 858 106 thousand for the purpose of redemption in connection with the emission for 2020. The majority of CO_2 emission allowances for redemption purposes in connection with the 2020 emission were sold to subsidiaries in March 2021 (in December 2020 - PLN 168 790 thousand). Meanwhile, in the comparable period, CO_2 emission allowances for redemption purposes in connection with the emission for 2019 were mostly sold as early as December 2019 (in April 2020, PLN 165 276 thousand);
  - sales of emission allowances to subsidiaries of the Generation segment in the total amount of PLN 161 664 thousand for the purpose of redemption in connection with the emission for 2021;
  - transactions resulting from restructuring of CO_2 emission allowances in the portfolio of the subsidiary company, Nowe Jaworzno Grupa TAURON Sp. z o.o. As part of its management of the portfolio of CO_2 emission allowances of its subsidiaries, the Company purchases allowances for redemption purposes of the Group's generation companies. In connection with the delayed commissioning of the 910 MW unit and the resulting lower production, a significant surplus of allowances contracted for the purpose of meeting the redemption obligation for 2020 over the actual demand was generated in the portfolio of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. In consequence, the Company took twofold activities which the goal was to manage of a surplus. One of activity was to bought back from the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. and then resold CO_2 emission allowances in the amount of 691 000 EUAs. The revenues gained from this activity amounted to PLN 134 738 thousand. As a second activity, the Company made a restructuration of CO_2 emission allowances portfolio, in scope of forward contracts, as described below.
- Gas - the increase in the revenue by the amount of PLN 65 646 thousand is mainly related to the accomplishment of sales of a volume higher by 15% on average with a simultaneous average increase in prices by 15%. The sales performed are mainly aimed at securing the gas sales agreements and contracts concluded by TAURON Sprzedaż Sp. z o.o. and achieving a positive margin on trading activities.

(in PLN thousand)

- Capacity Market - from 1 January 2021, pursuant to the *Act of 8 December 2017 on the Capacity Market*, which introduced a new service, the capacity obligation, consisting in keeping the preparedness of the capacity market unit to supply electrical capacity to the system and an obligation to supply a certain capacity to the system during a period of emergency, the Capacity Market started operating. The Company, as the capacity supplier, is obliged to fulfil the capacity obligation in favour of PSE S.A., therefore it recognises revenues received from PSE S.A. on account of the fulfilment of the capacity obligation by means of Capacity Market units owned by the TAURON Group companies. In the 9-month period ended 30 September 2021, the revenue of the Company from the Capacity Market amounted to PLN 153 823 thousand. The Company assesses that as the capacity supplier it exercises control over the service provided and therefore recognises revenues from the Capacity Market as a principal within the meaning of IFRS 15 *Revenue from contracts with customers*

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside TAURON Group and from the Group, whereas the sale is targeted at related companies. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the 9-month period ended 30 September 2021, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 1 042 097 thousand. The Company recognised revenue of PLN 20 033 thousand on account of the agency service.

Restructuring of the portfolio of CO_2 emission allowances

In March 2021, the Company restructured portfolio of CO_2 emission allowances, the subsidiaries Nowe Jaworzno Grupa TAURON Sp. z o.o., with respect to the volume of 3 258 000 CO_2 emission allowances, conclude under forward contract with the acceptance date in March 2021. As a result of the analysis of new premises and circumstances, the Company changed its intention regarding the above-mentioned CO_2 emission allowances and decided to perform their rollover including the conclusion of new contracts with delivery dates in March 2022, 2023 and 2024.

In connection with the foregoing, the original contracts were not settled by physical delivery, accordingly, the Company recognised the contracts in compliance with IFRS 9 *Financial Instruments* at a fair value under the date of the change in the judgement, i.e. in March 2021 and subsequently recognised the result from the settlement of instruments, which resulted in an increase in the sales revenue and the operating profit in the amount of PLN 303 945 thousand (i.e. EUR 65 893 thousand). New contracted transactions with delivery dates between 2022 and 2024 were concluded and are held in accordance with the Group’s expected redemption requirements and will be settled by physical delivery and are therefore excluded from the scope of IFRS 9 *Financial Instruments* and are not measured at a fair value. At the same time, these transactions were performed at prices higher than the purchase originally contracted, implying higher costs of purchasing CO_2 emission allowances for the purpose of resale to the subsidiary. Accordingly, in the 9-month period ended 30 September 2021, the Company recognised a provision for onerous contracts which amounted to PLN 230 348 thousand as at the balance sheet date, as further disclosed in Note 32 to these interim condensed financial statements.

12. Costs by type

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(11 623)	(10 637)
Materials and energy	(739)	(1 480)
Capacity market	(153 429)	-
Other external services	(30 594)	(32 202)
Taxes and charges	(4 169)	(5 071)
Employee benefits expense	(67 597)	(69 691)
Advertising expenses	(10 306)	(11 646)
Write-down for expected credit losses related to receivables from customers	5 664	(5 116)
Other	57	(760)
Total costs by type	**(272 736)**	**(136 603)**
Costs of performances intended for internal purposes	250	165
Selling and distribution expenses	17 737	16 182
Administrative expenses	69 830	88 439
Cost of goods for resale and materials sold	(11 424 889)	(7 570 473)
Cost of sales	**(11 609 808)**	**(7 602 290)**

(in PLN thousand)

In the 9-month period ended 30 September 2021 in relation to the comparable period, the main changes in the cost of goods, materials and services sold referred to:

- The Capacity Market - recognition of costs on account of the performance of the capacity obligation by generating units belonging to subsidiaries for the purposes of the Capacity Market in the amount of PLN 153 429 thousand, in connection with the commencement of the operation of the Capacity Market as of 1 January 2021;
- an increase in the value of goods and materials sold in the amount of PLN 3 854 416 thousand, which was mainly affected by:
  - an increase in the cost of electricity purchase by PLN 3 058 828 thousand, which results from the purchase of the 21% higher volume of electricity at 18% higher average electricity purchase prices. The increase in the volume of electricity purchased results from the electricity purchase for the needs of companies in the Generation segment in order to secure the performance of the electricity sales contracts concluded by them, including Nowe Jaworzno Grupa TAURON Sp. z o.o. and commissioning of the 910 MW unit in November 2020. At the same time, the impact of a higher cost of electricity purchase from Nowe Jaworzno Grupa TAURON Sp. z o.o. on the value of goods and materials sold was reduced by the partial use of the provision for an onerous contract in the amount of PLN 417 338 thousand, which is discussed in more detail in Note 32 to these interim condensed financial statements,
  - recognition of the value of resold CO_2 emission allowances in the amount of PLN 1 156 698 thousand, mainly in connection with the transactions of sale of allowances to subsidiaries from the Generation segment and sale of allowances repurchased from Nowe Jaworzno Grupa TAURON Sp. z o.o. to the market, which is described in Note 11 to these interim condensed financial statements (PLN 170 019 thousand in the comparable period),
  - recognition of the cost of creation of the provision for onerous contracts in the amount of PLN 228 765 thousand, in connection with the restructuring of CO_2 emission allowances in the portfolio of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., as further described in Note 32 to these interim condensed financial statements.
  - charging, in the comparable period, the value of goods and materials sold by the Company with the amount of PLN 126 255 thousand as a result of a change in the strategy for securing the depreciation needs related to CO_2 emission allowances of the Generation area.

13. Financial revenues and costs

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(restated unaudited figures)*
Dividend income	1 851 630	977 187
Interest income on loans	182 113	186 510
Interest expense	(247 911)	(314 233)
Realuation of shares	(759 017)	(1 082 969)
Revaluation of loans	(279 012)	(703 028)
Other finance income and costs, *of which:*	**25 232**	**(124 692)**
Other interest income	253	4 640
Gain/(loss) on derivative instruments	45 576	79 855
Commissions due to external financing	(18 348)	(12 282)
Exchange differences	(15 314)	(224 822)
Other	13 065	27 917
Total, *of which:*	**773 035**	**(1 061 225)**
Income and costs from financial instruments	771 805	(1 060 243)
Other finance income and costs	1 230	(982)

Significant changes in the items of financial revenues and expenses in the 9-month period ended 30 September 2021, as compared to the corresponding period, resulted mainly from the recognition of:

- higher revenues due to dividend;
- lower interest expenses by PLN 66 322 thousand, which mainly results from the change in the use of financing instruments and changes in interest rates;
- lower cost of revaluation of shares, which in the current period results mainly from revaluation of shares of Nowe Jaworzno Grupa TAURON Sp. z o.o. in the amount of PLN 748 217 thousand due to impairment tests performed, as described in more detail in Note 17.2 to these interim condensed financial statements;

(in PLN thousand)

- lower net impairment loss on loans, which in the current period results mainly from a write-down of PLN 250 000 thousand on a loan granted to a subsidiary in the Mining segment which was recognised at initial recognition as a financial asset impaired due to credit risk;
- surplus of exchange losses over gains in the amount of PLN 15 314 thousand (in the comparable period - PLN 224 822 thousand). The exchange differences mainly relate to exchange differences associated with the liabilities of the Company on account of debt denominated in EUR (PLN 15 720 thousand).

14. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Current income tax	**(40 142)**	**(52 716)**
Current income tax expense	(40 096)	(52 457)
Adjustments of current income tax from prior years	(46)	(259)
Deferred tax	**26 461**	**82 721**
Income tax expense in profit or loss	**(13 681)**	**30 005**
Income tax expense in other comprehensive income	**(26 461)**	**23 293**

In connection with the analyses performed indicating the uncertainty concerning the potential occurrence of tax profits in the Company in 2021 and in the consecutive years, in the financial statements, the deferred tax asset on all negative temporary differences other than those described above was recognised only up to the amount of the deferred tax liability.

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
difference between tax base and carrying amount of financial assets	180 628	39 326
difference between tax base and carrying amount of property, plant and equipment and intangible assets and right-of-use assets	4 775	5 810
valuation of hedging instruments	24 584	-
difference between tax base and carrying amount of ficiancial liabilities	140	326
other	12 615	1 159
Deferred tax liabilities	**222 742**	**46 621**
difference between tax base and carrying amount of financial assets	2 011	2 874
difference between tax base and carrying amount of financial liabilities	257 616	85 159
valuation of hedging instruments	4 918	17 112
difference between tax base and carrying amount of non-current assets classified as held for sale	-	3 308
different timing of recognition of revenue and cost of sales for tax purposes	24 634	30 961
provisions and accruals	3 397	3 306
difference between tax base and carrying amount of fixed and intangible assets	2 794	2 319
other	948	995
Deferred tax assets	**296 318**	**146 034**
Write-off of deferred tax assets in correspondence with the financial result	(73 576)	(88 445)
Write-off of deferred tax assets in correspondence with other comprehensive income	-	(10 968)
Deferred tax assets/(liabilities), net	**-**	**-**

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(in PLN thousand)

The Company recognises deferred tax assets for deductible temporary differences associated with investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised. The Company estimates that regarding to the negative temporary differences associated with the recognition of impairment losses on shares in subsidiaries in the amount of PLN 11 632 782 thousand do not meet above conditions of recognition of deferred tax assets.

The Company also did not recognise a deferred tax asset on provisions for onerous contracts since it assessed that as at the date of recognition of the provision and as at the balance sheet date there is no possibility to realise this asset.

EXPLANATORY NOTES TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

15. Investment real estate

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
COST		
Opening balance	**54 365**	**41 513**
Direct purchase	-	11 964
Increase due to lease changes	258	315
Closing balance	**54 623**	**53 792**
ACCUMULATED DEPRECIATION		
Opening balance	**(25 977)**	**(21 776)**
Depreciation for the period	(3 757)	(2 951)
Closing balance	**(29 734)**	**(24 727)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**28 388**	**19 737**
NET CARRYING AMOUNT AT THE END OF THE PERIOD, *of which:*	**24 889**	**29 065**
Buildings, structures and other tangible fixed assets	18 072	22 971
Perpetual usufruct of land	6 817	6 094

The investment real estate is composed of the perpetual usufruct right to land and buildings located in Katowice Szopienice, at ul. Lwowska 23. The Company entered into an agreement to rent the property with a subsidiary. The rental revenue in the 9-month period ended 30 September 2021 amounted to PLN 5 554 thousand.

In investment real estate, the Company presents right-of-use assets that meet the definition of investment real estate, relating to rights to perpetual usufruct of land.

16. Right-of-use assets

9-month period ended 30 September 2021 *(unaudited)*

	Perpetual usufruct right	Buildings and premises	Motor vehicles	Total right-of-use assets
COST				
Opening balance	**45**	**42 833**	**1 783**	**44 661**
Increase due to lease changes	-	887	102	**989**
Liquidation	-	-	(102)	**(102)**
Closing balance	**45**	**43 720**	**1 783**	**45 548**
ACCUMULATED DEPRECIATION				
Opening balance	**-**	**(15 280)**	**(1 369)**	**(16 649)**
Depreciation for the period	-	(6 310)	(414)	**(6 724)**
Liquidation	-	-	94	**94**
Closing balance	**-**	**(21 590)**	**(1 689)**	**(23 279)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**45**	**27 553**	**414**	**28 012**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**45**	**22 130**	**94**	**22 269**

(in PLN thousand)

9-month period ended 30 September 2020 *(unaudited)*

	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 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**

17. Shares

17.1. Change in the status of shares

Change in the status of shares in the period from 1 January 2021 to 30 September 2021 *(unaudited)*

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance *(restated figures)*	(Decreases) Increases	Closing balance	Opening balance *(restated figures)*	Decreases (Increases)	Closing balance	Opening balance *(restated figures)*	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	(7 829 593)	-	(7 829 593)	36 108	36 108
3	TAURON Ciepło Sp. z o.o.	1 928 043	-	1 928 043	(1 223 714)	-	(1 223 714)	704 329	704 329
4	TAURON Ekoenergia Sp. z o.o.	1 939 765	-	1 939 765	(376 106)	-	(376 106)	1 563 659	1 563 659
5	Marselwind Sp. z o.o.	417	-	417	-	-	-	417	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.	5 506 126	-	5 506 126	-	(748 217)	(748 217)	5 506 126	4 757 909
8	TAURON Dystrybucja S.A.	10 511 628	-	10 511 628	-	-	-	10 511 628	10 511 628
9	TAURON Nowe Technologie S.A.	649 862	-	649 862	-	-	-	649 862	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.	78 672	10 800	89 472	(78 672)	(10 800)	(89 472)	-	-
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	ElectroMobility Poland S.A. [1]	11 026	-	11 026	-	-	-	11 026	11 026
20	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna [1]	1 831	1 319	3 150	-	-	-	1 831	3 150
21	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna [1]	19 116	4 800	23 916	-	-	-	19 116	23 916
22	TEC1 Sp. z o.o.	725	-	725	-	-	-	725	725
23	TEC2 Sp. z o.o.	225	(225)	-	-	-	-	225	-
24	TAURON Zielona Energia Sp. z o.o.[2]	600 025	225	600 250	-	-	-	600 025	600 250
25	Pozostałe [1]	379	-	379	-	-	-	379	379
	Total	**31 730 727**	**16 919**	**31 747 646**	**(10 873 765)**	**(759 017)**	**(11 632 782)**	**20 856 962**	**20 114 864**

[1] Companies measured at a fair value.
[2] On 8 October 2021, the company name was changed from the previous TEC3 Sp. z o.o. to TAURON Zielona Energia Sp. z o.o.

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

In connection with the failure to fulfil the premises of classification of shares held in the subsidiary, TAURON Ciepło Sp. z o.o. as held for sale as at 30 September 2021, in accordance with paragraph 28 of IFRS 5 *Non-current assets held for sale and discontinued operations*, the Company restated the comparative figures for a 9-month period ended 30 September 2020 and as at 31 December 2020, recognising the shares in TAURON Ciepło Sp. z o.o. in the net value of PLN 704 329 thousand, which is described in more detail in Note 8.2 to these interim condensed financial statements.

Surcharges to the capitals of the company Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.

On 17 March 2021, the Extraordinary Meeting of Shareholders of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o adopted the resolution on contribution of surcharges to the capitals of the company in the amount PLN 10 800 thousand. Funds on account of surcharges were contributed by the Company on 24 March 2021. As at the balance sheet date, the Company has written down the contributed surcharges to the full amount.

(in PLN thousand)

Merger of the TEC3 Sp. z o.o. (currently TAURON Zielona Energia S.A.) with TEC2 Sp. z o.o.

On 21 June 2021, the Extraordinary Meeting of Shareholders of TEC3 Sp. z o.o. (currently: TAURON Zielona Energia Sp. z o.o.) with its registered office in Katowice and the Extraordinary Meeting of Shareholders of TEC2 Sp. z o.o. with its registered office in Katowice adopted resolutions on the merger of TEC3 Sp. z o.o. (the acquiring company) with TEC2 Sp. z o.o. (the acquired company). On 1 July 2021, the merger of the companies was registered in the National Court Register kept by the District Court in Katowice.

As a result of the merger, the Company reallocated its shares in TEC2 Sp. z o.o. in the net amount of PLN 225 thousand to the value of shares in TEC3 Sp. z o.o.

Change in the Company share in the share capital of ElectroMobility Poland S.A.

On 30 September 2021, an increase in the share capital of ElectroMobility Poland S.A. was registered in the National Court Register through the issue of new shares subscribed by the State Treasury. As at 30 September 2021, the share of the Company in the capital and in the governing body amounts to 4.325% (as at 31 December 2020, it amounted to 25%).

Other changes in the status of long-term investments which took place in the 9-month period ended 30 September 2021 resulted from increases in the capital of the following companies:

- EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna in the amount of PLN 4 800 thousand;
- EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna in the amount of PLN 1 319 thousand.

Change in the status of stocks and shares in the period from 1 January 2020 to 30 September 2020 *(restated unaudited figures)*

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)	(1 065 353)	(1 233 493)	1 759 903	694 550
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.[1]	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.[2]	11 847	-	11 847	-	-	-	11 847	11 847
22	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna[2]	1 058	773	1 831	-	-	-	1 058	1 831
23	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna[2]	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[2]	379	-	379	-	-	-	379	379
	Total	**31 074 185**	**481 765**	**31 555 950**	**(9 230 002)**	**(1 082 969)**	**(10 312 971)**	**21 844 183**	**21 242 979**

[1] On 1 June 2020, the name of the company was changed from former TAURON Dystrybucja Serwis S.A. to TAURON Nowe Technologie S.A.
[2] Companies measured at a fair value.

17.2. Impairment tests

As at the balance sheet date, the analysis was performed of changes in the prices of electricity, raw materials and CO_2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests.

The analysis performed indicated an increase in the prices of electricity, raw materials and CO_2 emission allowances in the 3-month period ended 30 September 2021 compared to the average prices of the aforementioned products in the first half of 2021. In particular:

- the price of CO_2 emission allowances increased by approximately 30.4% compared to the average price in the first half of 2021, which resulted, inter alia, from a rapid recovery of demand for electricity with simultaneous restrictions in their supply resulting from the operation of the market stabilisation reserve mechanism, as well as low electricity production from Renewable Energy Sources determining the need for a large share of electricity from conventional sources in production, which is a factor additionally driving the demand for allowances;
- the average price of the reference annual natural gas contract listed on TGE S.A. was 64.4% higher than the price in the first half of 2021. Gas prices in the third quarter of 2021 were mainly driven by the increase in demand and the low supply on the part of commodity producers, which resulted in increases in natural gas prices on both the European market and the global market;
- the average price of coal on the EEX exchange for the annual continuation contract was 47.1% higher compared to the average price of this contract in the first half of 2021. Like in the case of natural gas, high coal prices were affected by the supply and demand situation, additionally supported by the situation on the gas market, which increased coal consumption leading to a decrease in stocks at ARA ports. However, the situation on the international market did not trigger a significant increase in steam coal prices in Poland;
- the average price of electricity in Poland increased by approximately 42.2% compared to the first half of 2021. This change was driven by both an increase in prices of CO_2 emission allowances and an increase in the demand for electricity due to economic recovery, weather factors and high electricity prices in neighbouring countries. Due to favourable price relations in the third quarter of 2021, a negative balance of cross-border exchange was recorded, which was the result of PSE S.A. making capacity available for export and the price competitiveness of electricity produced in Poland. Similar price trends occurred in the forward market.

Despite the above significant changes in market factors, following analysis of observed market and regulatory developments, it was concluded that these are of a short-term nature and therefore do not necessitate a change in the long-term outlook, relative to the information available as at 30 June 2021. For this reason, the results of the most recent impairment tests of shares and analyses in the scope of measurement of intra-group loans conducted as at 30 June 2021 are deemed valid.

As at 30 June 2021 impairment tests focusing on shares in subsidiaries and the analyses in the scope of valuation of intragroup loans were conducted taking into account the following premises:

- the Company's capitalization remaining below the net asset carrying amount for a long period;
- changes in global energy commodity and electricity prices;
- the dynamic growth in prices of CO_2 emission allowances significantly exceeding long-term market forecasts reduces the margins of conventional power generation;
- high volatility of energy prices on the forward market (including the persistent low liquidity) and persistently high prices on the spot market;
- recovery of domestic electricity consumption to levels recorded before the COVID-19 pandemic;
- work on the "Ready for 55" package to guide the European Union towards ambitious net emission reductions by 2030 and becoming the first climate-neutral continent by 2050;
- results of the RES auctions to date and a very dynamic development of the prosumer and microinstallation sub-sector in connection with the aid programmes launched;
- results of introducing winter package provisions, including the emission standard, adversely affecting the capability of coal-fired units to participate in the Capacity Market after 1 July 2025;
- tightening of emission standards persisting unfavourable market conditions for the conventional power industry;
- increased risks in commercial coal production;
- a decline in the risk-free rate;
- adoption by the Council of Ministers of the Polish Energy Policy up to 2040, determining the directions for the transformation of the energy sector.

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

Relevant tests were conducted based on the present value of projected cash flows from operations of the key entities, by reference to detailed projections by 2030 and the estimated residual value, excluding power generating and mining units for which detailed projections cover the entire period of their operation.

(in PLN thousand)

The assumptions concerning the life of the generation and mining units are consistent with those adopted for the impairment tests carried out as at 31 December 2020, including in particular:

- the operation of TAURON Wytwarzanie S.A. generation units was assumed until 2035, including: the unit in Jaworzno III Branch until 2025; two units in Jaworzno III Branch until 2028; two units in Jaworzno II Branch until 2030; the unit in Łagisza Branch until 2035. The operation of the Nowe Jaworzno Grupa TAURON Sp. z o.o. generation unit was assumed until 2060;
- the forecast for hydroelectric power plants covers the period up to 2066 while for wind farms - up to 2040;
- the operation of the mining units was assumed until 2049, including ZG Sobieski and ZG Janina until 2049 and ZG Brzeszcze until 2040.

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

Key assumptions in the scope of tests performed as at 30 June 2021

Category	Description
Coal	Coal prices for the assumptions adopted as at 30 June 2021 have not changed in relation to the previous assumptions as at 31 December 2020 over the entire forecast horizon. Coal prices show a slight upward trend in the nearest three years due to the observed sustained upward trend in the scope of domestic cost of mining. However, in the long term (2025-2040), coal prices will continue to fall due to the accelerated implementation of the decarbonisation policy promoted by the European Union, aimed at reaching the climate neutrality in Europe by 2050. Its manifestation is the gradual reduction of the share of coal in the energy mix of individual countries (including Germany, the Czech Republic and Poland), which is associated with an increase in the share of energy from RES in the energy balance of the European Union Member States. After 2025, the price of coal in Poland will begin to fall, as a result of decreased electricity generation with the use of this raw material as well as an expected increase in import volumes in view of high levels of mining cost in the country. In the years 2021-2024, a 5.4% real increase in steam coal prices relative to 2021 was assumed, while in the years 2025-2040, a 5.8% real decline in steam coal prices relative to 2024 was assumed. In May this year, the Social Agreement concerning the transformation of the hard coal mining sector and selected transformation processes in the Silesian region was concluded. The Agreement was concluded between the government party, the trade union party, mining municipalities and the management boards of mining companies, including the management of TAURON Wydobycie S.A. The Agreement defines, among others, a support system for production units (coal mines) as part of a plan to phase out production capacity. The financial projection, prepared for the purpose of impairment tests is based on assumptions consistent with the Social Agreement concluded, including the life time of the Company mines and subsidies for production capacity reduction. The capacity reduction subsidies were included in the impairment tests from 2022 to 2049 and calculated based on the difference between the eligible coal production costs and the coal sales revenue calculated in accordance with the support scheme rules.
Electricity	The adopted forecast of wholesale electricity prices for the period 2021-2040 has been updated and adjusted in the first three years (2021-2023) to current levels recorded in the market. In 2024-2040, the wholesale electricity price (in constant prices) will increase by approx. 4.5%. The forecast of wholesale electricity prices is affected by the current and expected balancing situation in the national power system, forecasts of fuel prices and the costs of purchasing CO_2 emission allowances. In 2022, a significant increase in energy prices of around 23% compared to 2021 has been assumed, which results, among others, from a sharp rise in the prices of CO_2 emission allowances. The observed change in the structure of electricity generation and the increase in the share of renewable energy sources in the energy mix reduces the level of margins gained on the sale of electricity from coal-fired sources. The effect of the decline in production volumes and margins for conventional sources is partially offset by assuming a significant impact of the *Scarcity Pricing* mechanism on electricity prices. In accordance with the obligations arising from the Decision of the European Commission notifying the Capacity Market in Poland, the implementation of this mechanism was scheduled by 1 January 2021. As a result of delays in the implementation of the mechanism, it was assumed that it would start operating at the beginning of 2023. Due to the structure of the capacity balance, the operation of the mechanism will be reflected in wholesale electricity prices from 2025. Full implementation of the *Scarcity Pricing* mechanism in the model generates appropriate price signals depending on the capacity balance in the KSE, resulting in higher wholesale electricity prices. The increase in prices by 2035 results from the growth in prices of CO_2 emission allowances and planned shutdowns of coal-fired and nuclear units in Germany directly affecting the level of the interconnection exchange balance. 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 redeem energy certificates of origin as well as the expected level of margin.
CO_2	CO_2 emission limits for heat generation have been adopted 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 has been adopted throughout the forecasting horizon. In 2022, a 65.5% higher price of CO_2 emission allowances was assumed compared to the average price in 2021. In the period 2023-2030, a price increase to the level of approx. 60 EUR/Mg in constant prices (approx. 70 EUR/Mg in current prices) has been assumed due to the assumption of an increase in the Linear Reduction Factor (LRF) to the level of 4.2% proposed by the European Commission (from the current 2.2%). The projected CO_2 price in 2030 compared to the average price in 2020 will be c.a. 140.8% higher. A further increase in the price of CO_2 emission allowances is

(in PLN thousand)

Category	Description
	assumed in the years 2031-2040, compared to 2030, which stems from the assumed increase in the decarbonisation rate of the economy and the target of achieving climate neutrality of Europe in 2050. The price of CO_2 projected for 2040 amounts to approx. 68 EUR/Mg (approx. 100 EUR/Mg in current prices).
Certificates of energy origin (MWh)	The price path for certificates of energy origin and the obligatory redemption in the subsequent years have been adopted based on the provisions of the RES Act and the system balance forecast.
Capacity market	Revenues for the performance of capacity contracts concluded by the Group in the auctions held between 2018 and 2020 are included. With regard to coal-fired units which, in accordance with the provisions of EU regulations, are subject to limitations in the use of support from capacity mechanisms as of 1 July 2025 (the so-called EPS 550), revenues obtained in full amount resulting from the contracts concluded were assumed until 2035 with regard to the unit belonging to Nowe Jaworzno Grupa TAURON Sp. z o.o. and until 2028 with regard to the remaining companies. The reason is that coal units belonging to the Group benefit from the so-called protection of acquired rights, therefore they are not subject to emission restrictions until the completion of the contracts concluded.
RES	For green energy, limited support periods were included, in line with the provisions of the RES Act defining new mechanisms for granting the support for electricity generated from this type of sources. The support period was limited to 15 years counted from the moment of first injection to the grid of electricity eligible to receive the energy origin certificate to the grid.
Natural gas	Natural gas prices for the assumptions adopted as at 30 June 2021 were raised in relation to the previous assumptions as at 31 December 2020 over the entire forecast horizon. The exception is 2021 due to the execution of an annual contract with the delivery in 2021. The main reason for the projected increases in gas prices were the significantly higher estimates concerning the forecast of the demand for natural gas presented by GAZ-SYSTEM S.A. in the horizon up to 2040. The period of 2021-2025 will see a large increase in the demand for natural gas in Poland, determined by an increase in the number of natural gas-fired sources. An additional factor of the projected price increase is the decline in gas production in Europe, with a simultaneous increase in gas consumption. In Poland, we assume the commissioning of the *Baltic Pipe*, the expansion of the LNG terminal in Świnoujście, the Poland-Lithuania Interconnector (GIPL) as well as the commissioning of the floating LNG terminal in the Gulf of Gdańsk and the gas units in the Dolna Odra Power Plant by 2028 at the latest. After 2024, a decline in raw material extraction from the Norwegian Continental Shelf is assumed. In the years 2026-2030, further growth in the number of natural gas-fired sources in Poland is assumed, which is determined by the continued growth in demand. Beyond 2030, the demand for gas in Europe and Asia will grow more slowly than in the previous 10-year period. The share of gas in global energy production has been growing more slowly, which is also evident in the forecasts of external agencies that do not assume a significant increase in real gas prices over this period.
WACC	The weighted average cost of capital (WACC) during the projection period for individual CGUs has been adopted in the range of 5.7%-13.98% in nominal terms before tax, taking into account the risk-free rate corresponding to the yield on 10-year Treasury bonds (at a level of 1.39%) and the risk premium for operations relevant for the power industry (6.75%). The growth rate used for extrapolation of projected cash flows going beyond the detailed planning period has been adopted at a level of 2.5% and corresponds to the estimated long-term inflation rate. The level of WACC as at 30 June 2021 compared to the level as at 31 December 2020 increased in the Mining segment mainly due to the inclusion of the additional specific risk. In the remaining segments, it has decreased primarily due to the decline in the risk-free rate.
Regulated revenue	Regulated revenue of distribution companies has been assumed, ensuring the coverage of justified costs and a reasonable level of return on capital. The return on capital depends on the Regulatory Asset Value. In the years 2021-2030, an increase in electricity supply by 1.15% year-on-year has been assumed.
Sales volume and production capacity	The volume of sales to customers of the Company was assumed taking into account the GDP growth, the competitive situation in the market, growth of financial costs (trade credit costs) incurred by sales companies and the development of the prosumer market in the area of TAURON Dystrybucja. As a result of taking these factors into account, volumes are lower in the first years, with a gradual recovery of lost volume planned from 2024 onwards. The economic useful lives of non-current assets and the maintenance of production capacity as a result of replacement investments were taken into account.

On 14 March 2019, Tempus Energy Germany GmbH and T Energy Sweden AB companies filed a complaint with the Court of Justice of the European Union (“CJEU”) against the aid decision of the European Commission concerning the Polish Capacity Market. The complaint sought to revoke the decision on the waiver of objections concerning the Polish Capacity Market. The complainants’ allegations refers to the European Commission’s failure to initiate a formal investigation procedure and the allegedly discriminatory treatment of demand management units within the Polish Capacity Market. After the balance sheet day, on 6 October 2021 the European Union Court within CJEU dismissed a complaint of Tempus Energy Germany GmbH and T Energy Sweden AB companies on decision of the European Commission, approved the Polish Capacity Market.

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

Test results

The impairment tests conducted in compliance with IAS 36 *Impairment of Assets* as at 30 June 2021 indicated impairment of the carrying amount of shares of Nowe Jaworzno Grupa and TAURON Sp. z o.o.

Company	WACC* assumed in tests as at		Recoverable amount of shares as at 30 June 2021 *(unaudited)*	Impairment loss recognized in the 6-month period ended 30 June 2021 *(unaudited)*
	30 June 2021 *(unaudited)*	31 December 2020		
Nowe Jaworzno Grupa TAURON Sp. z o.o.	9.87%	10.07%	4 757 909	(748 217)
Total				**(748 217)**

** The level of the weighted average cost of capital (WACC) in nominal terms before tax.*

The necessity to apply impairment loss on the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. resulted in particular from the following factors:

- an increase in the prices of CO_2 emission allowances resulting from more stringent climate policy of the European Union strongly targeted at accelerating the pace of decarbonisation in pursuit of the climate neutrality of Europe,
- a change in the energy mix in Poland towards low- and zero-emission sources, resulting in lower electricity production volumes from conventional sources, in particular coal-fired power plants,
- a projected decline in market margins in the medium- and long-term perspective as a result of an increase in the variable costs of production from conventional sources, mainly due to the increase in the price of CO_2 emission allowances and the growth in the share of renewable energy sources and new natural gas-fired sources,
- the assumed repurchase of shares in the company Nowe Jaworzno Grupa TAURON Sp. z o.o. from funds managed by the Polish Development Fund and the early termination of the purchase of the volume of electricity generated by the 910 MW unit in Jaworzno at prices specified in the agreement for the purchase of electricity generated in this unit by the Company. Consequently, in relation to the tests as at 31 December 2020, from the time of the share repurchase, the purchase of electricity will be performed at prices determined by price paths based on expected market conditions. The resumption of the previous assumptions in this scope would result in the absence of allowance for the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o.

Sensitivity analysis in Nowe Jaworzno TAURON sp. z o.o.

The estimated changes in the impairment loss on the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o., also after including the impact of its reversal as at 30 June 2021 as a result of changes to the most significant assumptions, are 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%	-	139
	-1%	140	-
Change of CO_2 emission allowances prices in the forecast period	+1%	71	-
	-1%	-	70
Change of WACC (net)	+0.1 p.p.	30	-
	-0.1 p.p.	-	29
Change of coal prices in the forecast period	+1%	33	-
	-1%	-	33
No revenue from the Capacity Market	-100%	1 132	-
No scarcity pricing mechanism*	-	1 678	-

* *In accordance with the obligations related to the Capacity Market notification process and in accordance with Article 16(e) of the Commission Decision "State aid No. SA.46100 (2017/N) – Poland – Planned Polish capacity mechanism", by 1 January 2021, Poland should have introduced an administrative scarcity pricing mechanism as referred to in Article 44(3) of the Electricity Balancing Guideline. In the first quarter of 2021, PSE S.A. presented a rescheduling plan to be included in the new Implementation Plan, in which the deadline for implementing the mechanism was postponed to 2023. The failure to include the scarcity pricing mechanism in the above analysis means lower revenues from sales of energy from own production throughout the period analysed by PLN 7.4 billion in nominal terms. Details of the scarcity pricing mechanism are described in the key assumptions adopted in the tests as at 30 June 2021.*

18. Loans granted

Loans granted by the Company as at 30 September 2021 and 31 December 2020 are presented in the table below.

(in PLN thousand)

	As at 30 September 2021 *(unaudited)*			As at 31 December 2020		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost						
Loans granted to subsidiaries	6 405 138	(101 590)	**6 303 548**	5 074 636	(71 113)	**5 003 523**
Loans granted to EC Stalowa Wola S.A.	27 182	(2 814)	**24 368**	27 670	(1 480)	**26 190**
Granted cash pool loans	49 347	(42 018)	**7 329**	312 756	(34 041)	**278 715**
Loans measured at fair value						
Loans granted to EC Stalowa Wola S.A.	74 345	n.a.	**74 345**	72 523	n.a	**72 523**
Total	**6 556 012**	**(146 422)**	**6 409 590**	**5 487 585**	**(106 634)**	**5 380 951**
Non-current	6 443 094	(145 369)	**6 297 725**	4 336 528	(102 927)	**4 233 601**
Current	112 918	(1 053)	**111 865**	1 151 057	(3 707)	**1 147 350**

18.1. Loans granted to subsidiaries

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

The table below presents the balance of loans granted o subsidiaries as at 30 September 2021 and 31 December 2020, broken down by individual companies.

Company	As at 30 September 2021 *(unaudited)*				As at 31 December 2020			
	Contractual loan value	Gross value	Impairment loss	Carrying amount	Contractual loan value	Gross value	Impairment loss	Carrying amount
TAURON Dystrybucja S.A.	4 050 000	4 082 194	(10 605)	**4 071 589**	3 250 000	3 284 433	(10 781)	**3 273 652**
TAURON Wytwarzanie S.A.	1 100 000	1 105 256	(83 868)	**1 021 388**	500 000	504 226	(53 784)	**450 442**
TAURON Ciepło Sp. z o.o.	975 000	979 031	(5 911)	**973 120**	975 000	977 318	(1 054)	**976 264**
TAURON Wydobycie S.A.	3 110 000	-	-	**-**	2 868 354	-	-	**-**
TAURON Ekoenergia Sp. z o.o.	160 000	155 057	(594)	**154 463**	160 000	154 121	(1 340)	**152 781**
TAURON Sprzedaż Sp. z o.o.	-	-	-	**-**	100 000	100 330	(1 856)	**98 474**
Other	83 100	83 600	(612)	**82 988**	53 992	54 208	(2 298)	**51 910**
Total	**9 478 100**	**6 405 138**	**(101 590)**	**6 303 548**	**7 907 346**	**5 074 636**	**(71 113)**	**5 003 523**
Non-current		6 300 000	(100 988)	**6 199 012**		3 929 234	(67 516)	**3 861 718**
Current		105 138	(602)	**104 536**		1 145 402	(3 597)	**1 141 805**

As at 30 September 2021, the nominal value of loans with a repayment term of a loans or its instalment of less than one year which had been classified as long-term loans due to the expectation of the Company as at the balance sheet date regarding the repayment term of loans over 12 months from the balance sheet date, amounted to PLN 2 350 000 thousand and applied to TAURON Wydobycie S.A. and TAURON Wytwarzanie S.A.

In the 9-month period ended 30 September 2021, the most significant intra-group financing transactions related to:

- consolidating the loans granted to TAURON Ciepło Sp. z o.o. falling due in February 2021 with the total nominal value of PLN 905 000 thousand and replacing them with a loan with the final repayment date of 26 February 2030,
- granting loans to subsidiaries: TAURON Wytwarzanie S.A. with a nominal value of PLN 600 000 thousand, TAURON Wydobycie S.A. with a nominal value of PLN 250 000 thousand, TAURON Dystrybucja S.A. with a nominal value of PLN 800 000 thousand and WIND T1 Sp. z o.o. with a nominal value of PLN 40 100 thousand,

  The loan granted to TAURON Wydobycie S.A. was recognised at initial recognition as an impaired financial asset due to credit risk. The amount of credit loss as at the date of recognition was estimated based on the loan repayment scenarios assumed by the Company taking into account the results of the most recent asset impairment test. The analyses of credit risk of the loans granted to TAURON Wydobycie S.A., taking into account, among others, the estimation of the future cash flows of the company showed that it was reasonable to measure the carrying amount of the loans at a zero value. Accordingly, the loss due to the initial valuation of the loan in the amount of PLN 250 000 thousand reduced the gross value of the loan and charged the financial result of the Company.
- repayment of the loan of PLN 100 000 thousand by TAURON Sprzedaż Sp. z o.o.

After the balance sheet date, loan agreements were concluded for Polpower Sp. z o.o. to the total amount of PLN 43 565 thousand and an annex to the loan agreement was also concluded with Wind T1 Sp. z o.o., increasing the amount of the loan to PLN 142 000 thousand.

(in PLN thousand)

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

Loans granted to the joint venture of Elektrociepłownia Stalowa Wola S.A. as at 30 September 2021 and as at 31 December 2020 are presented in the table below.

	Loan amount	As at 30 September 2021 *(unaudited)*			As at 31 December 2020			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	74 345	n.a.	**74 345**	72 523	n.a.	**72 523**	30.06.2033	fixed
Loans measured at amortized cost									
VAT loan	15 000	-	-	**-**	2 453	(33)	**2 420**	-	WIBOR 1M+mark-up
Other loans	7 290	2 135	(461)	**1 674**	1 986	(353)	**1 633**	30.06.2033	fixed
	9 500	2 468	(427)	**2 041**	2 295	(304)	**1 991**		
	5 175	1 478	(240)	**1 238**	1 372	(165)	**1 207**		
	59 175	15 576	(1 423)	**14 153**	14 404	(598)	**13 806**		
	35 000	5 525	(263)	**5 262**	5 160	(27)	**5 133**		
Total		**101 527**	**(2 814)**	**98 713**	**100 193**	**(1 480)**	**98 713**		
Non-current		101 527	(2 814)	**98 713**	97 740	(1 447)	**96 293**		
Current		-	-	**-**	2 453	(33)	**2 420**		

Pursuant to the borrower's debt consolidation agreement 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 arising from loans granted and unpaid until 28 February 2018 were renewed. As at the balance sheet date, the nominal amount of the loan is PLN 310 851 thousand (the principal in the amount of PLN 299 100 thousand was repaid on 30 April 2018). The debt in question constitutes subordinated debt, measured at a fair value of PLN 74 345 thousand as at the balance sheet date.

On 31 March 2021, Elektrociepłownia Stalowa Wola S.A. repaid in full the principal and interest on account of the VAT loan agreement.

18.3. Loans granted under the cash pool service

In order to optimise cash and liquidity management, TAURON Group applies the cash pool service mechanism. Cash pooling is carried out under the agreement concluded with Santander Bank Polska S.A. on 8 December 2020 for the operation of a cash management system for a group of accounts, with the effective term until 31 December 2023. As a result of the cash pool mechanism, cash is transferred between the accounts of the service participants and the pool leader's account whose function is performed by TAURON Polska Energia S.A.

The balance of receivables arising as a result of cash pooling as at 30 September 2021 and 31 December 2020 is presented in the table below.

	As at 30 September 2021 *(unaudited)*			As at 31 December 2020		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool loans granted	48 896	(42 018)	6 878	312 216	(34 041)	278 175
Interest on loans granted under cash pool	451	-	451	540	-	540
Total	**49 347**	**(42 018)**	**7 329**	**312 756**	**(34 041)**	**278 715**
Non-current	41 567	(41 567)	-	309 554	(33 964)	275 590
Current	7 780	(451)	7 329	3 202	(77)	3 125

Information concerning liabilities due to the cash pool service is presented in Note 27.5 of these interim condensed financial statements.

19. Derivatives and hedge accounting

	As at 30 September 2021 *(unaudited)*				As at 31 December 2020			
	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	(9 421)	112 927	**129 391**	**(25 885)**	(6 230)	(83 831)	**-**	**(90 061)**
Derivative instruments measured at fair value through profit or loss								
CCIRS	11 518	-	**12 761**	**(1 243)**	3 268	-	**5 023**	**(1 755)**
Commodity future/forward	(106 029)	-	**821 226**	**(927 255)**	2 321	-	**86 089**	**(83 768)**
Currency forward	75 619	-	**75 619**	**-**	67 734	-	**67 734**	**-**
Total			**1 038 997**	**(954 383)**			**158 846**	**(175 584)**
Non-current			278 256	(94 913)			36 041	(73 739)
Current			760 741	(859 470)			122 805	(101 845)

(in PLN thousand)

As at 30 September 2021, the Company holds the following derivative instruments:

Instrument	Description
Derivative instruments subject to hedge accounting	
IRS	IRS (Interest Rate Swap) instruments are used to hedge a portion of the interest rate risk on the cash flows associated with the exposure to WIBOR 6M designated under the dynamic risk management strategy, i.e: • interest on a loan with a nominal value of PLN 750 000 thousand, for periods commencing respectively from July 2020 and expiring in December 2024; • interest on bonds with a total nominal value of PLN 3 090 000 thousand, for periods beginning in December 2019 and expiring successively from 2023 to 2029. Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.
Derivative instruments measured at a fair value through the profit and loss other than subject to hedge accounting	
CCIRS	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on a total notional amount of EUR 500 000 thousand. The transaction matures in July 2027. Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN, while receiving payments at a fixed interest rate in EUR. CCIRS derivatives aimed at securing the currency flows generated by interest payments on Eurobonds issued.
Commodity forward/future	Derivative instruments (future, forward) comprise forward transactions for the purchase and sale of CO_2 emission allowances and other commodities.
FX forward	FX forward derivative instruments aimed at hedging currency flows generated due to the activities conducted.

The fair value in relation to individual derivative financial instruments is determined in the following way:

Derivative instrument	Methodology of determining fair value
IRS	The difference between discounted floating-rate interest cash flows and those based on fixed interest rates. Refinitiv 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 Refinitiv 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 Refinitiv 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.

The fair value hierarchy in relation to derivative financial instruments is as follows:

(in PLN thousand)

	As at 30 September 2021 *(unaudited)*		As at 31 December 2020	
	1 level	2 level	1 level	2 level
Assets				
Derivative instruments - commodity	821 226	-	86 089	-
Derivative instruments - currency	-	75 619	-	67 734
Derivative instruments - IRS	-	129 391	-	-
Derivative instruments - CCIRS	-	12 761	-	5 023
Total	**821 226**	**217 771**	**86 089**	**72 757**
Liabilities				
Derivative instruments - commodity	927 255	-	83 768	-
Derivative instruments - currency	-	-	-	-
Derivative instruments - IRS	-	25 885	-	90 061
Derivative instruments - CCIRS	-	1 243	-	1 755
Total	**927 255**	**27 128**	**83 768**	**91 816**

20. Other financial assets

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Receivables arising from income tax settlements of the TCG companies	167 583	21 869
Initial deposits arising from stock exchange transactions	49 980	48 663
Bid bonds, deposits, collateral transferred	10 769	19 161
Other	157	151
Total	**228 489**	**89 844**
Non-current	466	2 541
Current	228 023	87 303

The value of initial and variation margins is related mostly to futures transactions in CO_2 emission allowances concluded on foreign regulated markets.

The decrease in the value of deposits, performance bonds and collaterals transferred in relation to the comparable period in the amount of PLN 8 392 thousand relates mainly to the collaterals transferred in the framework of the clearing guarantee system with Izba Rozliczeniowa Giełd Towarowych S.A.

21. Other non-financial assets

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Prepaid fee on debt	11 106	13 707
VAT receivables	-	4 316
Advance payments for deliveries	2 937	3 888
Other	7 093	7 647
Total	**21 136**	**29 558**
Non-current	10 244	17 267
Current	10 892	12 291

(in PLN thousand)

22. Inventories

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Gross Value		
CO_2 emission allowances	458 239	394 810
Energy certificates	250	250
Materials	108	-
Total	**458 597**	**395 060**
Measurement to net realisable value		
CO_2 emission allowances	(171)	(987)
Energy certificates	-	(42)
Measurement to fair value		
CO_2 emission allowances	42 598	-
Total	**42 427**	**(1 029)**
Net value		
CO_2 emission allowances	45 031	393 823
Energy certificates	250	208
Materials	108	-
Fair value		
CO_2 emission allowances	455 635	-
Total	**501 024**	**394 031**

Inventories are measured at the net achievable value, with the exception of the inventory of CO_2 emission rights purchased for sale and the short term realisation of profits arising from market price volatility, which is measured at the fair value as at the balance sheet date.

23. Receivables from customers

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Gross Value		
Receivables from buyers	1 246 831	1 309 852
Receivables claimed at court	1 056	1 039
Total	**1 247 887**	**1 310 891**
Allowance/write-down		
Receivables from buyers	(2 822)	(8 443)
Receivables claimed at court	(1 056)	(1 039)
Total	**(3 878)**	**(9 482)**
Net Value		
Receivables from buyers	1 244 009	1 301 409
Receivables claimed at court	-	-
Total	**1 244 009**	**1 301 409**

As at 30 September 2021 and as at 31 December 2020, receivables from the subsidiary, TAURON Sprzedaż Sp. z o.o. represented the highest balance of receivables from customers amounting to PLN 582 389 thousand and PLN 748 448 thousand, respectively. Transactions with related parties and balances of settlements with these entities are presented in Note 40.1 of these interim condensed financial statements.

The impact of COVID-19 on the level of allowance for expected credit losses for receivables from customers is further described in Note 6.1 of these interim condensed financial statements.

(in PLN thousand)

24. Cash and equivalents

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Cash at bank and in hand	204 730	393 129
Short-term deposits (up to 3 months)	-	250 005
Total cash and cash equivalents presented in the statement of financial position, *including*:	**204 730**	**643 134**
restricted cash, *including:*	89 111	119 240
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*88 804*	*108 917*
Cash pool	(2 024 586)	(1 383 241)
Overdraft	(2)	-
Foreign exchange	(1 159)	(2 837)
Total cash and cash equivalents presented in the statement of cash flows	**(1 821 017)**	**(742 944)**

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

Information on balances arising from the cash pool agreement is presented in Notes 18.3 and 27.5 of these interim condensed financial statements.

25. Non-current assets classified as held for sale

On 26 March 2021, the Company, based on the agreement, sold to the State Treasury, all possessed shares of PGE EJ 1 Sp. z o.o., classified as a held for sale. Pursuant to the agreement, the Company sold 532 523 shares of PGE EJ 1 Sp. z o.o. constituting 10% of the share capital and representing 10% of votes at the Meeting of Shareholders of PGE EJ 1 Sp. z o.o. for price of PLN 52 605 thousand. The agreement was concluded by the State Treasury with all of shareholders of PGE EJ 1 Sp. z o.o, i.e. PGE Polska Grupa Energrtyczna S.A., Enea S.A., and KGHM Polska Miedź S.A. The total selling price for 100% of the shares amounted to PLN 526 050 thousand.

Moreover, on 26 March 2021, the Shareholders concluded the annex to the agreement of 15 April 2015 concerning the case of WorleyParsons with PGE EJ 1 Sp. z o.o., regulating the principles of Shareholders' liability for potentially arising liabilities or benefits due as a result of the settlement of dispute between PGE EJ 1 Sp. z o.o. and WorleyParsons, which is described in more detail in Note 37 to these interim condensed financial statements.

On 15 June 2021 an amendment to the articles of association of PGE EJ 1 Sp. z o.o. was registered which, inter alia, changed the name of the company (following the conclusion of the share sale agreement described above) to Polskie Elektrownie Jądrowe Sp. z o.o.

26. Equity

26.1. Issued capital

Issued capital as at 30 September 2021 *(unaudited)*

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 2021, the value of issued capital, the number of shares and the nominal value of the shares has not changed since 31 December 2020.

(in PLN thousand)

26.2. Major Shareholders

Shareholding structure as at 30 September 2021 and as at 31 December 2020 (to the best of the Company 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 are 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 authorising to at least 25% of the total votes in the Company.*

26.3. Reserve capital

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Amounts from distribution of prior years profits	2 749 099	4 886 520
Decrease in the value of issued capital	-	1 217 354
Settlement of mergers with subsidiaries	-	234 880
Total reserve capital	**2 749 099**	**6 338 754**

The decrease in the value of supplementary capital in the 9-month period ended 30 September 2021 results from the coverage of the Company net loss for the financial year 2020 in the amount of PLN 3 589 655 thousand.

The supplementary capital of the Company does not exceed the level of one-third of the Company share capital, i.e. PLN 2 920 916 thousand, therefore, it may be used only to cover losses.

26.4. Revaluation reserve from measurement of hedging instruments

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Opening balance	**(78 871)**	**15 666**
Remeasurement of hedging instruments	199 949	(107 550)
Remeasurement of hedging instruments charged to profit or loss	(3 191)	(14 160)
Deferred income tax	(37 384)	23 125
Write-off of deferred tax assets	10 968	-
Closing balance	**91 471**	**(82 919)**

The revaluation reserve from measurement of hedging instruments results from the measurement of Interest Rate Swap (IRS) instruments hedging the interest rate risk due to debt, which is 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 2021, the Company recognised the amount of PLN 91 471 thousand of revaluation reserve from the measurement of hedging instruments. This amount represents an asset arising from the measurement of IRS instruments as at the balance sheet date in the amount of PLN 129 391 thousand and the liability arising from the measurement of IRS instruments as at the balance sheet date in the amount of PLN 25 885 thousand, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet date, including the deferred tax. The Company assessed that as at the balance sheet date there is no reason to recognise a valuation allowance for deferred tax asset in correspondence with the revaluation capital reserve for hedging instruments and consequently reversed the allowance for the above assets in the amount of PLN 10 968 thousand recognised with capital.

(in PLN thousand)

26.5. Retained earnings and restrictions on dividends

Due to the fact that the reserve capital of the Company does not exceed one-third of the share capital, the Company is obliged to transfer at least 8% of the net profit for a given financial year to the reserve capital until this capital reaches at least one-third of the share capital.

On 29 March 2021 the Management Board of TAURON Polska Energia S.A. adopted the resolution concerning the submission of the motion to the Ordinary General Meeting of TAURON Polska Energia S.A. requesting covering the net loss of the Company for financial year 2020 in the amount of PLN 3 589 655 thousand from the reserve capital of the Company. On 24 May 2021 the Ordinary General Meeting of the Company adopted the resolution in compliance with the recommendation of the Management Board.

26.6. Dividends paid and proposed for disbursement

In the 9-month period ended 30 September 2021 and in the comparable period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

27. Debt liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Long-term portion of debt		
Unsubordinated bonds	4 561 713	4 550 767
Subordinated bonds	1 980 299	1 993 876
Bank loans	2 696 007	4 782 363
Loans from the subsidiary	771 234	768 185
Lease	16 476	22 103
Total	**10 025 729**	**12 117 294**
Short-term portion of debt		
Cash pool loans received	2 032 366	1 386 443
Unsubordinated bonds	196 735	200 518
Subordinated bonds	80 983	4 491
Bank loans	1 118 720	1 169 924
Loans from the subsidiary	24 136	2 309
Lease	8 766	8 654
Total	**3 461 706**	**2 772 339**

27.1. Bonds issued

Bonds as at 30 September 2021 *(unaudited)*

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	802 981	3 840	799 141	99 989	99 948	299 681	299 523
			630 000	2021-2029	632 740	2 934	629 806	69 998	69 989	209 939	279 880
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 004 446	6 710	997 736	-	-	997 736	-
Eurobonds	fixed	EUR	500 000	5.07.2027	2 318 281	13 264	2 305 017	-	-	-	2 305 017
Unsubordinated bonds					**4 758 448**	**26 748**	**4 731 700**	**169 987**	**169 937**	**1 507 356**	**2 884 420**
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[2]	404 312	4 797	399 515	-	-	399 515	-
European Investment Bank	fixed[1]	EUR	190 000	16.12.2034[2]	887 978	32 033	855 945	-	-	855 945	-
		PLN	400 000	17.12.2030[2]	410 445	23 861	386 584	-	-	386 584	-
		PLN	350 000	19.12.2030[2]	358 547	20 292	338 255	-	-	338 255	-
Subordinated bonds					**2 061 282**	**80 983**	**1 980 299**	**-**	**-**	**1 980 299**	**-**
Total bonds					**6 819 730**	**107 731**	**6 711 999**	**169 987**	**169 937**	**3 487 655**	**2 884 420**

[1] In the case of bonds covered by the European Investment Bank (hybrid, subordinated financing), 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.
[2] In the case of subordinated bonds, the maturity date shall take into account two financing periods, as referred to below. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the reporting period, includes earlier redemption, intention of bonds redemption is after end of first period of financing. Ageing takes into account estimation of redemption after first period of financing.

(in PLN thousand)

Bonds as at 31 December 2020

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	799 393	448	798 945	99 953	99 917	299 607	299 468
			630 000	2021-2029	630 105	342	629 763	69 990	69 983	209 924	279 866
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 000 115	2 760	997 355	-	-	997 355	-
Eurobonds	fixed	EUR	500 000	5.07.2027	2 321 672	27 025	2 294 647	-	-	-	2 294 647
Unsubordinated bonds					**4 751 285**	**30 575**	**4 720 710**	**169 943**	**169 900**	**1 506 886**	**2 873 981**
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[2]	400 026	559	399 467	-	-	-	399 467
European Investment Bank	fixed[1]	EUR	190 000	16.12.2034[2]	864 530	1 767	862 763	-	-	862 763	-
		PLN	400 000	17.12.2030[2]	391 458	1 243	390 215	-	-	390 215	-
		PLN	350 000	19.12.2030[2]	342 353	922	341 431	-	-	341 431	-
Subordinated bonds					**1 998 367**	**4 491**	**1 993 876**	**-**	**-**	**1 594 409**	**399 467**
Total bonds					**6 749 652**	**35 066**	**6 714 586**	**169 943**	**169 900**	**3 101 295**	**3 273 448**

[1] In the case of bonds covered by the European Investment Bank (hybrid subordinated financing), 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.
[2] In the case of subordinated bonds, the maturity date shall take into account two financing periods, as referred to below. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the reporting period, includes earlier redemption, intention of bonds redemption is after end of first period of financing. Ageing takes into account estimation of redemption after first period of financing.

The bonds issued by the Company are unsecured coupon bonds. The bonds were issued at the par value, except for Eurobonds with the issue price accounting for 99.44% of the par value. The Eurobonds have been admitted to trading on the regulated market of the London Stock Exchange, while the TPE1025 bonds are listed in the Catalyst alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Series A bonds (TPE1025) with a nominal value of PLN 1 000 000 thousand were issued under the Scheme Agreement of 6 February 2020 concluded between TAURON Polska Energia S.A. and Santander Bank Polska S.A., under which the Bond Issue Scheme up to PLN 2 000 000 thousand was established. Funds from the bond issue support the implementation of the energy transformation of the Group. The terms and conditions of the bond issue include sustainability indicators in the form of the CO_2 emission reduction rate and a RES capacity expansion rate, the achievement of which determined the level of the bond margin.

Subordinated hybrid bonds

Bonds subscribed by the European Investment Bank ("EIB") are subordinated, which means that they will have a priority of satisfaction only before the amounts due to the Company shareholders in the event of its bankruptcy or liquidation. This in turn positively affects Company's financial stability, since the bonds are excluded from the net debt / EBITDA ratio calculation, a covenant in national 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.

There are two financing periods for bonds subscribed for by the EIB. 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). In this period, the interest rate is fixed, while after the non-call period, it is floating and is linked to the underlying rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) increased by an agreed 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, with the first financing period defined as 7 years and the next one as 5 years in accordance with the characteristics of hybrid financing. In the case of bonds issued in EUR, the maturity date is set at 18 years from the issue date, i.e 16 December 2034, with the first financing period defined as 8 years and the next one as 10 years in accordance with the characteristics of hybrid financing.

The bonds issued under the agreement of 6 September 2017 concluded with Bank Gospodarstwa Krajowego with a par value of PLN 400 000 thousand are also of a subordinated nature. For these bonds, two periods are also distinguished. The Company cannot early buy-back the bonds in the first 7-year (non-call) period, nor can BGK early sell them to third parties (in both cases except for cases indicated in the documentation). The interest rate is variable based on WIBOR 6M increased by a fixed margin, with the margin being further increased after a 7-year financing period.

(in PLN thousand)

New subordinated bond issue scheme

On 11 March 2021, TAURON Polska Energia S.A. concluded the agreement with Bank Gospodarstwa Krajowego on the subordinated bond issue scheme up to PLN 450 000 thousand.

The subordinated bond issue scheme provides for a possibility to conduct the issue within a period of two years from the moment of signing the documentation. The financing period is 12 years from the date of issue. During the first seven years after the issue, no early redemption of the bonds by the Company is possible and no earlier sale of the bonds by Bank Gospodarstwa Krajowego to third parties is possible. The interest rate is variable based on WIBOR 6M increased by a fixed margin, with the margin being further increased after a 7-year financing period. If issued, the bonds will be subscribed by Bank Gospodarstwa Krajowego on the primary market. Funds from the issue may be used to finance the Group's current and investment needs, including projects related to Green Turn of TAURON.

Until the date of approval of these interim condensed financial statements for publication, no bonds had been issued.

Change in the balance of bonds excluding interest which increases their carrying amount

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Opening balance	**6 714 586**	**5 513 468**
Redemption	-	(3 100)
Measurement change	(2 587)	208 490
Closing balance	**6 711 999**	**5 718 858**

**Costs of issue have been included.*

(in PLN thousand)

27.2. Bank loans

Borrowing institution	Purpose	Interest rate	Maturity date	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Consortium of banks I[1]	Redemption of bonds, investment and Group's general expenditures	floating	14.04.2021 [3]	-	601 673
			30.04.2021 [3]	-	200 429
			29.06.2021 [3]	-	1 099 541
			10.09.2021 [3]	-	100 366
			25.01.2021	-	300 100
			28.01.2021	-	600 089
			29.01.2021	-	100 007
			14.10.2021	300 860	-
			20.10.2021	300 788	-
			29.10.2021	350 026	-
Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	floating	20.12.2033	1 001 651	998 232
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	20 980	20 354
	Construction and start-up of a co-generation unit at EC Bielsko Biała	fixed	15.12.2021	29 978	29 105
	Modernization and extension of power grid	fixed	15.06.2024	120 086	137 682
		fixed	15.09.2024	53 800	72 151
		fixed	15.09.2024	67 415	90 440
	Modernization and extension of power grid and improvement of hydropower plants	fixed	15.03.2027	160 414	190 532
Intesa Sanpaolo S.P.A.	Group's investment expenditure, except for financing or refinancing projects related to coal assets	floating	19.12.2024	250 011	250 832
				249 949	250 758
				249 701	250 526
SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	fixed	23.03.2025	499 065	498 860
Consortium of banks II [2]	Group's general corporate expenses, excluding financing of any new coal assets-related projects	floating	10.03.2022 [3]	160 001	160 610
Overdraft				2	-
Total				**3 814 727**	**5 952 287**

[1] The consortium of banks I consists of: Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Joint-Stock Company) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A.
[2] Consortium of banks II consists of: 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,
[3] A tranche classified as non-current liability.

Pursuant to the provisions of the loan agreement of 19 June 2019 concluded with the consortium of banks (Consortium of Banks I), the maximum period for drawing individual loan tranches is 12 months. However, the financing available under the agreement is renewable and the deadline for its availability falls at the end of 2022. The tranches drawn down are classified as non-current where the Company has the ability and intention to hold them for more than 12 months since the balance sheet date. As at 30 September 2021, all tranches with an aggregate nominal value of PLN 950 000 thousand are classified as current liabilities.

Likewise, the syndicated loan taken out under the agreement of 25 March 2020 (Consortium of Banks II) is of revolving nature. The Company may raise financing against available financing with a selected interest period. Under the agreement, the repayment occurs at the end of the interest period, whereas the Company has the option to re-borrow. 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 drawdown used in the amount of PLN 160 000 thousand is classified as a non-current liability as at the balance sheet date.

(in PLN thousand)

Change in the balance of loans excluding interest increasing their carrying amount

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Opening balance	**5 940 446**	**6 996 963**
Movement in bank overdrafts	**(2)**	**(12 510)**
Movement in loans (excluding bank overdrafts):	**(2 134 677)**	**(1 066 778)**
Repaid	(7 540 864)	(7 580 464)
Taken*	5 399 351	6 503 709
Change in valuation	6 836	9 977
Closing balance	**3 805 767**	**5 917 675**
Interest increasing the carrying amount	8 960	28 739
Total bank loans	**3 814 727**	**5 946 414**

** Inclusive of the borrowing costs*

In the 9-month period ended 30 September 2021, the Company performed the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Description	9-month period ended 30 September 2021 *(unaudited)*	
		Drawdown	Repayment
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to maturity date	5 400 000	(7 450 000)
European Investment Bank	Repayment of capital instalments according to schedule	-	(90 864)
Total, *including:*		**5 400 000**	**(7 540 864)**
Cash flows		700 000	(2 840 864)
Net settlement (without cash flow)		4 700 000	(4 700 000)

After the balance sheet date, under the agreement of 19 June 2019 (Consortium of Banks I), the Company had drawn tranches with an aggregate nominal value of PLN 550 000 thousand and repaid tranches in accordance with the repayment schedule in the aggregate amount of PLN 950 000 thousand.

Overdrafts

The Company has available financing under an overdraft facility in PLN (up to PLN 250 000 thousand) and in EUR (up to EUR 45 000 thousand) and under an intraday limit.

After the balance sheet day, the Company concluded the agreement with European Investment Bank, which was described in more detail in Note 42 of these interim condensed financial statements.

27.3. Debt agreement covenants

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

As at 30 June 2021 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA covenant was not exceeded and was amounted to 2.06.

27.4. Loans from the subsidiary

As at 30 September 2021, the carrying amount of the liability towards the subsidiary, Finanse Grupa TAURON Sp. z o.o. due to the loan received amounted to PLN 795 370 thousand (EUR 171 679 thousand), including interest accrued as at the balance sheet date of PLN 24 136 thousand (EUR 5 210 thousand). As at 31 December 2020, the carrying amount of the loan was PLN 770 494 thousand (EUR 166 961 thousand), including accrued interest at the balance sheet date in the amount of PLN 2 309 thousand (EUR 500 thousand).

The liability of the Company is a long-term loan granted under an agreement concluded in December 2014 between TAURON Polska Energia S.A. and the subsidiary - Finanse Grupa TAURON Sp. z o.o. The loan bears interest at a fixed rate and interest is paid annually, in December each year - until full repayment of the loan. The loan will be fully repaid on 29 November 2029.

(in PLN thousand)

27.5. Loans received under the cash pool service

As at 30 September 2021 and as at 31 December 2020, the Company had current liabilities due to cash pool transactions amounting to PLN 2 032 366 thousand and PLN 1 386 443 thousand, respectively.

The receivables arising from cash pool transactions are presented in Note 18.3 to these interim condensed financial statements.

The surplus of funds raised by the Company under the cash pool agreement is deposited in bank accounts.

27.6. Lease liability

As at 30 September 2021, the Company had a lease liability of PLN 25 242 thousand. The liability relates to the right of perpetual usufruct of land, lease of offices and warehouses, parking spaces and cars.

Ageing of the lease liability

Maturity within *(after the balance sheet date)*	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Within 1 year	9 436	9 502
Within 1 to 5 years	15 107	21 318
Within 5 to 10 years	455	411
Within 10 to 20 years	910	822
More than 20 years	4 435	4 088
Gross lease liabilities	**30 343**	**36 141**
Discount	(5 101)	(5 384)
Present value of lease payments	**25 242**	**30 757**

28. Other financial liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Liabilities arising from stock exchange transactions	424 890	73 221
Liabilities arising from income tax settlements of the TCG companies	96 703	91 106
Bid bonds, deposits and collateral received	22 371	25 331
Measurement of financial guarantee	15 759	28 184
Commissions related to borrowings	3 342	4 999
Wages and salaries as well as other employee related liabilities	3 446	7 387
Other	48 594	16 961
Total	**615 105**	**247 189**
Non-current	10 242	14 090
Current	604 863	233 099

The value of initial and variation margins is related mostly to futures transactions in CO_2 emission allowances concluded on foreign stock exchanges. The change in the value of margins in relation to the comparable period results mainly from a significant increase in the price of allowances, while taking into account the number of exchange contracts open as at the balance sheet date. The supplementary deposits represented funds received by the Company on account of current exchange clearing, in connection with the change in the valuation of the concluded futures contracts open as at the balance sheet date.

29. Liabilities to suppliers

As at 30 September 2021, the highest balance of liabilities to suppliers included liabilities to subsidiaries, Nowe Jaworzno Grupa TAURON Sp. z o.o. and TAURON Wytwarzanie S.A. which amounted to PLN 333 028 thousand and PLN 95 216 thousand, respectively.

As at 31 December 2020, the highest balance of liabilities to suppliers included the liabilities towards the subsidiaries, Nowe Jaworzno Grupa TAURON Sp. z o.o., TAURON Sprzedaż Sp. z o.o. and TAURON Wydobycie S.A. which amounted to PLN 162 665 thousand, PLN 143 459 thousand and PLN 94 459 thousand, respectively.

(in PLN thousand)

30. Income tax settlements and the Tax Capital Group

The Tax Capital Group Agreement for 2021-2023 was registered on 14 December 2020. Main companies forming the Tax Capital Group since 1 January 2021 include: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., Nowe Jaworzno Grupa TAURON Sp. z o.o., TAURON Dystrybucja S.A., 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., TEC1 Sp. z o.o., TEC3 Sp. z o.o. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 30 September 2021, the Tax Capital Group had income tax liabilities for the 9-months period ended 30 September 2021 in amount of PLN 62 863 thousand constituting the excess of the tax burden of the PGK in the amount of PLN 400 741 thousand over the advances paid in the amount of PLN 337 878 thousand.

At the same time, due to the settlement of the Company as a Representative Company with subsidiaries belonging to the Tax Capital Group, the Company had a liability to these subsidiaries due to overpayment of tax in the amount of PLN 96 703 thousand, which is presented as other financial liabilities and receivables from the subsidiaries forming the Tax Capital Group on account of settlement of the tax in the amount of PLN 167 583 thousand, recognised in other financial assets.

Tax settlements and other areas of activity may be subject to inspection by authorities entitled to impose high penalties and any additional tax liabilities resulting from final decisions of tax inspection authorities must be paid including interest. Consequently, the amounts presented and disclosed in these interim condensed financial statements may change in the future.

31. Other non-financial liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Advances received for deliveries	708 423	355 403
VAT	34 813	7 655
Social security	2 680	5 341
Personal Income Tax	1 794	1 856
Other	79	46
Total	**747 789**	**370 301**
Non-current	141 285	23 830
Current	606 504	346 471

Under the advances received for supplies, the Company presents advances received from a subsidiary, TAURON Wytwarzanie S.A. for the delivery of CO2 emission allowances resulting from transaction agreements concluded.

32. Provision for onerous contracts

The change in the status of provisions for onerous contracts in the 9-month period ended 30 September 2021 is shown in the table below.

	Provision for an onerous contract		
	Multi-annual agreement for electricity purchase	Agreements for the sale of CO_2 emission allowances	Total
Opening balance	**1 109 897**	**-**	**1 109 897**
Unwinding of discount	867	1 583	**2 450**
Recognision/(Reversal) net	64 541	228 765	**293 306**
Utilisation	(417 338)	-	**(417 338)**
Closing balance	**757 967**	**230 348**	**988 315**
Non-current	465 610	161 232	**626 842**
Current	292 357	69 116	**361 473**

Provision for the multi-annual agreement for the purchase of electricity from the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o.

The provision was created for the effects of a multi-annual agreement for the purchase of the total volume of electricity generated in the 910 MW unit in Jaworzno by the Company from its subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. (hereafter referred to as: the “Agreement”) The Agreement concluded in 2018 constitutes an element of transaction documentation related to the investment of Fundusz Inwestycyjny Zamknięty managed by Polski Fundusz Rozwoju S.A. in Nowe Jaworzno Grupa TAURON Sp. z o.o. (at the time of signing, implementing a project of construction of the 910 MW power unit in Jaworzno). The Company and Nowe Jaworzno Grupa TAURON Sp. z o.o. concluded an advance pricing agreement (the so-called APA) with the tax authority regarding the principles adopted in the Agreement for determining prices of electricity generated by the 910 MW unit and sold to the Company, which was approved in 2018 by the decision of the Head of the National Revenue Administration. On 13 November 2020, the 910 MW unit was commissioned. As at 31 December 2020, the aforementioned provision amounted to PLN 1 109 897 thousand. As at 30 September 2021, the Company estimated the provision in the period up to the end of 2026, in the context of its analysis of the contractual provisions performed as at the balance sheet date and its assessment that the Company exercises control over the ability to renegotiate the Agreement and terminate it. The Company initiated activities aimed at repurchasing the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. from funds managed by the Polish Development Fund [Polski Fundusz Rozwoju S.A.], as described in more detail in Note 41 to these interim condensed financial statements.

The provision created in accordance with IAS 37 *Provisions, contingent liabilities and contingent assets* was calculated assuming the purchase by the Company from Nowe Jaworzno Grupa TAURON sp. z o.o. of the volume of electricity generated by the 910 MW unit at prices estimated in accordance with the provisions of the Agreement by the end of 2026. The calculation of the provision was based on the difference between the purchase price of electricity purchased from Nowe Jaworzno Grupa TAURON Sp. z o.o. in the cost-plus formula enabling the company Nowe Jaworzno Grupa TAURON Sp. z o.o. to achieve the determined return on assets and the selling price of electricity to the subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The average annual volume of electricity purchased from Nowe Jaworzno Grupa TAURON Sp. z o.o. was estimated at a level of approximately 7 TWh.

The sales price was calculated on the basis of the the following detailed assumptions:

- the calculation of the price for 2021-2023 was based on the prices projected for 2021 and planned for 2022-2023,
- the volume for the above three years is profiled on an hourly basis and measured based on, among others, BASE and PEAK price, SPOT market, profile risk, imbalancing risk, trading costs, implied spread and other portfolio assumptions to the best of the Company knowledge,
- the open position price for 2021 was calculated based on medium-term energy price paths,
- the price for the 2022 and 2023 open position was calculated based on sectoral energy price paths,
- the price for 2024-2026 takes into account the profiling but is treated entirely as an open position.

The purchase price was estimated on the basis of the estimated costs of electricity generation by the 910 MW unit, appropriately adjusted to achieve the profitability of the assets of the company Nowe Jaworzno Grupa TAURON sp. z o.o. determined in the Agreement. The assumptions underlying the determination of the cost of electricity generation in terms of CO2 emission allowance prices, coal prices and capacity market are consistent with those adopted for the asset impairment tests carried out as at 30 June 2021 as described in more detail in Note 17.2 to these interim condensed financial statements.

(in PLN thousand)

Provision for agreements for the sale of CO_2 emission allowances

In March 2021, the Company performed the restructuring of the portfolio of CO_2 emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., as further described in Note 11 to these interim condensed financial statements.

As a result of the delayed commissioning of the 910 MW unit and the consequent lower production, a significant surplus of allowances contracted for the purpose of meeting the redemption obligation for 2020 over the actual demand (contracts with the delivery date in March 2021) was generated in the portfolio of the company. The Company decided to roll them over with the conclusion of new contracts with delivery dates in March 2022, 2023 and 2024. New contracted transactions with delivery dates in 2022-2024 were performed at prices higher than the purchase originally contracted, implying higher costs of purchasing CO_2 emission allowances for the purpose of resale to the subsidiary. The value of the new contracts for the purchase of CO_2 emission allowances concluded into in connection with the roll-over of contracts with an exercise date in March 2021 exceeds the expected revenue of the Company from the sale of allowances to the subsidiary. At the same time, in the 9-month period ended 30 September 2021, the Company recognised the provision for onerous contracts since, based on the transaction agreements concluded with the subsidiary, the unavoidable costs of fulfilment of the obligation to deliver CO_2 emission allowances outweigh the benefits to be received under these agreements.

33. Other provisions

As at 30 September 2021, the balance of other provisions in the amount of PLN 4 111 thousand relates to the provision for recourse claims of the subsidiary TAURON Ciepło Sp. z o.o. against the Company, in respect of proceedings of an external entity (former minority shareholder of TAURON Ciepło S.A.) against TAURON Ciepło Sp. z o.o. with respect to setting the share repurchase price.

As at 31 December 2020, other provisions in the amount of PLN 4 909 thousand included also the provision for tax risk in connection with the control proceedings initiated in 2016 by the Director of the Tax Control Office in Warsaw in the scope of value added tax. As regards the proceedings in question, on 15 January 2021 the Head of the Tax and Customs Control Office for the Mazowieckie Province in Warsaw issued a decision closing these proceedings, while on 3 February 2021 the Company paid the amount of the liability subject to the decision including the interest in the amount of PLN 798 thousand. The Company appealed against the decision to the second instance authority. The new deadline for closing the appeal proceedings was scheduled on 6 December 2021. Moreover, the control proceedings concerning value added tax initiated in 2014 was conducted against the Company, closed with the decision issued by the Head of the Tax and Customs Control Office for the Mazowieckie Province in Warsaw on 17 September 2020. The Company settled the liability arising from the decision in the amount of PLN 54 734 thousand in October 2020, simultaneously lodging an appeal against the decision to the second instance authority. The new deadline for closing the appeal proceedings was scheduled on 17 January 2022.

EXPLANATORY 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

Changes in working capital

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Change in receivables	64 468	753 920
Change in inventories	(106 993)	(20 990)
Change in payables excluding loans	678 561	(216 386)
Change in other non-current and current assets	4 989	159
Change in deferred income, government grants and accruals	984	450
Change in provisions	(121 903)	(78 915)
Change in working capital	**520 106**	**438 238**

(in PLN thousand)

34.2. Cash flows from investment activities

Loans granting

Granting of loans in the amount of PLN 1 422 113 thousand included:

- granting a loan to the subsidiary, TAURON Dystrybucja S.A. in the amount of PLN 800 000 thousand;
- granting a loan to the subsidiary, TAURON Wytwarzanie S.A. in the amount of PLN 600 000 thousand;
- granting a loan to the subsidiary, TAURON Wydobycie S.A. in the amount of PLN 250 000 thousand;
- granting a loan to the subsidiary, WIND T1 Sp. z o.o in the amount of PLN 40 100 thousand;
- change in the balance of loans granted to subsidiaries under the long-term exposure cash pool agreement in the amount of PLN (267 987) thousand.

Purchase of shares

Expenditure on the acquisition of shares in the amount of PLN 16 919 thousand is related to the transfer of funds by the Company to increase the capital of EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna in the amount of PLN 4 800 thousand, EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna in the amount of PLN 1 319 thousand and the contribution to the capital of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. in the amount of PLN 10 800 thousand.

Sale of shares

Proceeds from sale of shares in the amount of PLN 52 605 thousand relate to sale of shares in PGE EJ1 Sp. z o.o. (currently: Polskie Elektrownie Jądrowe Sp. z o.o.), as further described in Note 25 to these interim condensed financial statements.

Interest received

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Interest received in relation to loans granted	167 194	67 360
Total	**167 194**	**67 360**

34.3. Cash flows from financial activities

Loans repaid

Loan repayment expenses were related to the repayment of the following loans by the Company in the 9-month period ended 30 September 2021:

- tranches of loans to the Consortium of Banks I in the amount of PLN 2 750 000 thousand;
- loan instalments to the European Investment Bank in the amount of PLN 90 864 thousand.

Interest paid

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Interest paid in relation to loans	(75 086)	(123 937)
Interest paid in relation to debt securities	(89 120)	(46 866)
Other interest	(239)	(232)
Total	**(164 445)**	**(171 035)**

Contracted loans

Proceeds from contracted loans drawn in the 9-month period ended 30 September 2021 were related to the drawdown of tranches of the loan under the agreement concluded with the Consortium of Banks I in the amount of PLN 700 000 thousand.

(in PLN thousand)

OTHER INFORMATION

35. Financial instruments

Categories and classes of financial assets	As at 30 September 2021 *(unaudited)*		As at 31 December 2020 *(restated figures)*	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**7 747 273**	**7 747 273**	**6 632 136**	**6 632 136**
Receivables from buyers	1 244 009	1 244 009	1 301 409	1 301 409
Loans granted to subsidiaries and jointly-controlled entities	6 327 916	6 327 916	5 029 713	5 029 713
Loans granted under cash pool agreement	7 329	7 329	278 715	278 715
Other financial assets	168 019	168 019	22 299	22 299
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 287 622**	**1 287 622**	**1 027 536**	**1 027 536**
Derivative instruments	909 606	909 606	158 846	158 846
Long-term shares	38 471	38 471	32 352	32 352
Shares classified as non-current assets held for sale	-	-	53 136	53 136
Loans granted jointly-controlled entities	74 345	74 345	72 523	72 523
Other financial assets	60 470	60 470	67 545	67 545
Cash and cash equivalents	204 730	204 730	643 134	643 134
3 Derivative hedging instruments	**129 391**	**129 391**	**-**	**-**
4 Financial assets excluded from the scope of IFRS 9 *Finanical Instruments*	**20 076 393**		**20 824 610**	
Shares in subsidiaries	19 660 541		20 408 758	
Shares in jointly-controlled entities	415 852		415 852	
Total financial assets, *of which in the statement of financial position:*	**29 240 679**		**28 484 282**	
Non-current assets	**26 691 311**		**25 129 145**	
Shares	20 114 864		20 856 962	
Loans granted	6 297 725		4 233 601	
Derivative instruments	278 256		36 041	
Other financial assets	466		2 541	
Current assets	**2 549 368**		**3 355 137**	
Receivables from buyers	1 244 009		1 301 409	
Loans granted	111 865		1 147 350	
Derivative instruments	760 741		122 805	
Other financial assets	228 023		87 303	
Cash and cash equivalents	204 730		643 134	
Non-current assets classified as held for sale	-		53 136	

(in PLN thousand)

Categories and classes of financial liabilities	As at 30 September 2021 *(unaudited)*		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**14 766 333**	**15 037 978**	**15 870 161**	**16 312 262**
Arm's length loans, *of which:*	6 642 463	6 719 512	8 109 224	8 244 276
Liability under the cash pool loan	2 032 366	2 032 366	1 386 443	1 386 443
Bank loans	3 814 727	3 817 251	5 952 287	5 984 104
Loans from the subsidiary	795 370	869 895	770 494	873 729
Bonds issued	6 819 730	7 014 326	6 749 652	7 056 701
Liabilities to suppliers	689 035	689 035	764 096	764 096
Other financial liabilities	614 785	614 785	246 661	246 661
Liabilities due to purchases of fixed and intangible assets	320	320	528	528
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**928 498**	**928 498**	**85 523**	**85 523**
Derivative instruments	928 498	928 498	85 523	85 523
3 Derivative hedging instruments	**25 885**	**25 885**	**90 061**	**90 061**
4 Financial liabilities excluded from the scope of IFRS 9 *Finanical Instruments*	**25 242**		**30 757**	
Liabilities under leases	25 242		30 757	
Total financial liabilities, *of which in the statement of financial position:*	**15 745 958**		**16 076 502**	
Non-current liabilities	**10 130 884**		**12 205 123**	
Debt	10 025 729		12 117 294	
Other financial liabilities	10 242		14 090	
Derivative instruments	94 913		73 739	
Current liabilities	**5 615 074**		**3 871 379**	
Debt	3 461 706		2 772 339	
Liabilities to suppliers	689 035		764 096	
Derivative instruments	859 470		101 845	
Other financial liabilities	604 863		233 099	

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 2021 and 31 December 2020 (except from those excluded from the scope of IFRS 9 Financial instruments) did not differ considerably from the figures presented in the financial statements for the following reasons:

- the potential discounting effect relating to short-term instruments is not significant;

(in PLN thousand)

- the instruments are related to arm's length transactions.

Shares in subsidiaries and jointly-controlled entities excluded from the scope of IFRS 9 Financial Instruments are measured at cost less any impairment allowances.

The Company classifies a loan granted to Elektrociepłownia Stalowa Wola S.A. under the agreement of 28 February 2018 to assets measured at fair value though profit or loss, as discussed in detail in Note 18.2 to these interim condensed financial statements.

36. Finance and financial risk management

36.1. Financial risk management

The TAURON Group has in place the *Financial Risk Management Policy in TAURON Group*, which determines the strategy of interest rate risk and currency risk management. Simultaneously, the policy implements hedge accounting principles which determine the rules and types of hedge accounting policy as well as the booking approach to recognising of hedging instruments and items hedged under the hedge accounting, in compliance with the IFRS. The financial risk management policy and the hedge accounting principles relate to the cash flow risk.

Hedge accounting

As at 30 September 2021, the Company had hedging transactions subject to its financial risk management policy and subject to hedge accounting. The Company hedges part of the interest rate risk on account of its debt, as further discussed in Note 19 of 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. Capital Group. In the period covered by these financial statements, no significant changes in the objectives, principles and procedures of capital and finance management occurred.

37. Contingent liabilities

As at 30 September 2021 and as at 31 December 2020, the contingent liabilities of the Company mainly resulted from the collaterals and guarantees granted to related parties and included:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	As at 30 September 2021 *(unaudited)*				As at 31 December 2020	
			Validity	Currency		PLN	Currency	PLN
corporate guarantee	Finanse Grupa TAURON Sp. z o.o.	Private placement investors	3.12.2029	EUR	168 000	778 327	168 000	775 286
corporate guarantee	Elektrociepłownia Stalowa Wola S.A.	Economic operators and customers who concluded agreements with ECSW S.A. under the license for electricity trading granted by the ERO President	15.02.2022			6 750		-
liability towards MUFG Bank, Ltd. under guarantees issued by the bank for jointly-controlled entity	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11.04.2022			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[2]	TAURON Sprzedaż Sp. z o.o.	Polska Spółka Gazownictwa Sp. z o.o.	30.04.2022			30 000		20 000
	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	-			-		9 959
			24.04.2022	USD	1 329	5 304	1 329	4 993
	TAURON Wytwarzanie S.A.	Polskie Sieci Elektroenergetyczne S.A.	indefinite			5 000		5 000
	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Fund Advisors	28.09.2025			2 500		2 500
	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków	31.12.2023			293		293
liability towards CaixaBank S.A. being result of guarantees issued by the bank for subsidiaries	various subsidiaries	various entities	30.09.2021-28.07.2029			30 803		32 808

[1] The registered pledges are valid in the collateral period, i.e. until the total repayment of hedged receivables or until the 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] The surety granted to Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 9 959 thousand expired on 30 January 2021.

After the balance sheet date, bank guarantees issued by CaixaBank S.A. to secure liabilities and transactions of TAURON Polska Energia S.A. subsidiaries for the total amount of PLN 4 597 thousand, with validity dates from 30 January 2023 to 26 May 2023 entered into force.

The most significant items of contingent liabilities relate to:

- Corporate guarantee for the amount of EUR 168 000 thousand

  The corporate guarantee was granted in 2014 to secure the bonds (so-called NSV) of Finanse Grupa TAURON Sp. z o.o. The guarantee is valid until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 000 thousand (PLN 778 327 thousand), while the beneficiaries of the guarantee are the private placement investors who purchased the bonds issued.

- Liability towards MUFG Bank, Ltd.

  At the Company request, MUFG Bank, Ltd. issued a bank guarantee as security for the receivables of Bank Gospodarstwa Krajowego, resulting from 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.

  On 2 February 2021, a guarantee limit agreement was concluded under which an annex was issued to a bank guarantee of up to the amount of PLN 517 500 thousand with a validity period until 11 April 2022. The receivables of MUFG Bank, Ltd. against the Company are secured by a declaration on submission to enforcement up to the amount of PLN 621 000 thousand with a validity period until 31 October 2022.

  In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses which as at 30 September 2021 amounted to PLN 15 759 thousand (PLN 28 184 thousand as at 31 December 2020).

- Registered and financial pledges on shares

  Pursuant to 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 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 highest priority of satisfaction on the shares up to the highest amount of security in the amount of CZK 3 950 000 thousand and a registered pledge with highest priority of satisfaction on the shares up to the highest amount of security in the amount of 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 for the establishment of registered pledges and financial pledges was concluded in order to secure the transaction involving the agreement for term and working capital loans, which was concluded between TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as the original borrowers, TAMEH HOLDING Sp. z o.o. as the parent company and guarantor and RAIFFEISEN BANK INTERNATIONAL AG as the agent and 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 the shares in TAMEH HOLDING Sp. z o.o. as at 30 September 2021 was PLN 415 852 thousand.

- Blank promissory notes with a promissory notes declarations

  The Company issued two blank promissory notes with promissory note declarations with a total value of PLN 70 000 thousand to secure loan agreements received by its subsidiaries from the Regional Fund for Environmental Protection and Water Management (WFOŚiGW) in Katowice. The collateral in the form of promissory notes is valid until all liabilities to the lender are paid by the subsidiaries. Blank promissory notes are valid until 15 December 2022. As at the balance sheet date, the outstanding amount of loans secured with the promissory notes was PLN 5 000 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 belonging to the Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising claims for damages and contractual penalty claims related to contract termination.

As at the date of approval of these interim condensed financial statements for publication, the amount of damages claimed in the lawsuits amounts to: 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 filed by Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued (judgement of 25 July 2019 in the Amon Sp. z o.o. lawsuit and judgement of 6 March 2020, supplemented by the court on 8 September 2020 in the Talia Sp. o.o. lawsuit), in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term agreements concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and those 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 resulting from certificates of origin are ineffective and do not produce legal effect in the form of termination of both agreements, as a result of which the agreements after the notice period, i.e. after 30 April 2015, remain in force in respect of all provisions and are binding on the parties. Moreover, the courts also recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages justified as to the merits, without, however, prejudging the amount of potential damages. The judgements are not final. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgements.

These partial and preliminary judgements, do not change the Group's assessment that the chances of losing the case are not higher than the chances of winning it.

In the case filed by Pękanino Wind Invest Sp. z o.o. for the provision of security for claims for determining that the terminations of long-term contracts submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are ineffective, the Court of Appeasl in Warsaw on 6 November 2019 partially granted the application for security by ordering Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform the provisions of the contracts in their entirety on the existing terms and conditions, in accordance with their content, until the proceedings from the suit of Pękanino Wind Invest Sp. z o.o. are legally concluded against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the Regional Court in Warsaw. The decision regarding the security is binding. This decision does not prejudge the merits of the action, which can only take place in a binding judgement, but only temporarily regulates the parties' relations for the duration of the proceedings. In view of the need to realise the security provision referred to above, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. created a provision for onerous contracts, the value of which as at the balance sheet date amounts to PLN 5 095 thousand.

Other cases are held at first instance courts (including one remanded for re-examination to the first- instance court by a second-instance court).

In the light of the current status of the court proceedings and the related circumstances, the Group assesses that the probability of losing other court cases related to the claims both as regards the declaration of ineffectiveness of the termination notices of agreements and the claims for compensation is not higher than the chances of winning the said cases, accordingly, no provision for the related costs has been recognized.

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

In 2017 and 2018, companies belonging to the Polenergia and Wind Invest groups filed actions against TAURON Polska Energia S.A. regarding payment of damages and determining 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 Sp. z o.o. regarding long-term contracts for the purchase of power and property rights 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 the lawsuits amounts to: Polenergia Group companies - PLN 131 333 thousand, Wind Invest group companies - PLN 272 450 thousand.

Moreover, in their claims, the plaintiffs indicate 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 District Court in Katowice has jurisdiction to hear the lawsuits. All cases are held before the first instance courts. Those filed by Wind Invest group companies with except of openness. As at the date of approval of these interim condensed financial statements for publication, the Company chances of obtaining a favourable resolution of the disputes should be assessed positively, i.e. the chances of losing are not higher than the chances of winning.

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

In 2018, the subsidiary TAURON Sprzedaż Sp. z o.o. received notices in cases from motions filed by two Polenergia group companies against TAURON Sprzedaż Sp. z o.o. for a settlement attempt as to a total amount of PLN 78 855 thousand as compensation for alleged damage caused to Polenergia group companies as a result of the unjustified termination of the long-term contract concluded between these companies and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The companies have indicated in their motions that the Company, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and the liquidators of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. had caused and continue to cause damage to Polenergia Group companies, while TAURON Sprzedaż Sp. z o.o. has knowingly benefited from this damage and - according to Polenergia Group companies - is liable for it. TAURON Sprzedaż Sp. z o.o. considered the demands of the Polenergia group companies as unjustified, and therefore no settlement was concluded. 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 to create a provision for the above case. The case is not subject to legal proceedings.

Claim against PGE EJ 1 Sp. z o.o. (currently Polskie Elektrownie Jądrowe Sp. z o.o.)

On 13 March 2015, a consortium of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter referred to as the "WorleyParsons consortium"), which is a research contractor within the investment process related to the construction of a nuclear power plant by PGE EJ 1 Sp. z o.o. (hereafter: "the Agreement"), reported in connection with the Agreement - in a call for payment to the PGE EJ 1 Sp. z o.o. - claims for the 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 contemporary other shareholders (i.e. PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.) that regulated mutual relations of the parties to the agreement as regards the claims, including principles of providing additional funds (if any) to PGE EJ 1 Sp. z o.o. by its shareholders.

In November 2015, the District Court in Warsaw served PGE EJ 1 Sp. z o.o. with the claim made by the WorleyParsons consortium for the amount approximating PLN 59 million, in 2017 and 2019 to approx. PLN 128 million.

On 26 March 2021, the Company and other entities holding shares in PGE EJ 1 Sp. z o.o. signed an agreement with the State Treasury for the sale of shares in PGE EJ 1 Sp. z o.o., which is described in more detail in Note 25 of these interim condensed financial statements. Moreover, the Company and PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A. concluded an annex to the WorleyParsons agreement of 15 April 2015 with PGE EJ 1 Sp. z o.o., regulating the issues of the parties' potential liabilities and benefits resulting from the settlement of the dispute with the WorleyParsons consortium following the sale of the shares in PGE EJ 1 Sp. z o.o. In accordance with the annex, the shareholders in proportion to their previously held number of shares in PGE EJ 1 Sp. z o.o. are liable for liabilities or proportionally entitled to benefits potentially arising as a result of the settlement of the dispute with the WorleyParsons consortium up to the maximum level of claims with interest set as at 26 March 2021, amounting respectively to PLN 140 million for claims raised by the WorleyParsons consortium against PGE EJ 1 Sp. z o.o. and PLN 71 million for claims raised by PGE EJ 1 Sp. z o.o. against the WorleyParsons consortium.

PGE EJ 1 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 provision was recognised in relation to the above events.

On 15 June 2021 an amendment to the articles of association of PGE EJ 1 Sp. z o.o. was registered which, among others, changed the name of the company (following the conclusion of the share purchase agreement described above) to Polskie Elektrownie Jądrowe Sp. z o.o.

Claims filed by Huta Łaziska S.A.

In connection with the merger of the Company with Górnośląski Zakład Elektroenergetyczny S.A. (GZE), TAURON Polska Energia S.A. became the party to the court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the President of the ERO. Currently, the proceedings are pending before the Court of Appeals in Warsaw.

By the statement of claim of 12 March 2007 Huta demands from GZE and the State Treasury - the President of the Energy Regulatory Office (in solidum) to adjudicate the amount of PLN 182 060 thousand with interest from the date of filing the statement of claim to the date of payment as compensation for the alleged damage caused by the failure of GZE to implement the decision of the President of the Energy Regulatory Office of 12 October 2001 concerning resumption of deliveries of electricity to Huta.

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. 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 defendant for the costs of the proceedings. The judgement is not legally binding. Huta lodged an appeal (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 ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, 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 a legal analysis of claims, as well as taking into account the said judgement, the Company believes that they are unjustified and the risk that they must be satisfied is remote. Consequently, no provision has been recognised by the Company for any costs associated with those claims.

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, refers to the payment of the amount 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 the aggregated measurement and settlement data by ENEA Operator Sp. z o.o. constituting the basis for settlements between ENEA and the Company and Polskie Sieci Elektroenergetyczne S.A. on account of imbalance on the Balancing Market in the period from January to December 2012. In the course of the proceedings at the request of ENEA additional sellers were summoned, for whom TAURON Polska Energia S.A. acted as an entity responsible for trade balancing, including the Company's subsidiaries, i.e. TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The claim for payment by the above subsidiaries amounting in total to PLN 8 414 thousand, together with statutory interest, was submitted by the claimant in the event the action against TAURON Polska Energia S.A. is dismissed.

On 22 March 2021, the Regional Court in Katowice dismissed the claim of ENEA in its entriety and ruled on ENEA's obligation to reimburse the costs of the proceedings to the Company. The judgement is not legally binding. ENEA has filed an appeal against the above ruling.

The Company did not recognize 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 6 061 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 308 thousand in case of TAURON Sprzedaż GZE Sp. z o.o.

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

The investment agreement signed by the Company with Closed Investment Funds (the "Funds") managed by Polish Development Fund provides for a number of situations the occurrence of which constitutes a material breach of the agreement on the part of the Company. A potential material breach of the agreement on the part of the Group's companies may lead to a potential need to include in the financial statements an obligation 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 an agreed return and a premium for material breach and reduced by the distribution of funds by Nowe Jaworzno Grupa TAURON Sp. z o.o. to the Funds. The Company believes that no material breach of agreement took place on the part of the Company up to the balance sheet date.

(in PLN thousand)

In addition, as at the balance sheet date, the Group is in the process of preparing for the implementation of planned structural changes in the electricity sector in Poland related to the establishment of the National Energy Security Agency. In this context, actions have been initiated by the Group and the Funds with the aim to repurchase shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. by the Company from the Funds, which is described in more detail in note 41 of these interim condensed financial statements.

As at the balance sheet date, given that in the opinion of the Company no material breach of the agreement on the part of the Company took place and taking into account that there have been no contractual arrangements as a consequence of actions aimed to repurchase the shares held by the Funds, in the context of the requirements of IAS 32 *Financial Instruments: presentation*, the Company does not identify a contractual need to recognise a liability to the Funds.

38. Security for liabilities

The most significant types of collaterals securing the liabilities of the Company as at 30 September 2021 are presented in the table below.

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 I 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
			675 000	31.12.2038	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 11 March 2021
			621 000	31.10.2021	Bank guarantee agreement with MUFG Bank, Ltd. of 28 January 2020 [1]
			621 000	31.10.2022	Bank guarantee agreement with MUFG Bank, Ltd. of 2 February 2021 [1]
			600 000	30.06.2034	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 6 September 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 II of 25 March 2020
			300 000	14.03.2024	Agreement concluded with Bank Gospodarstwa Krajowego for bank guarantees of 13 March 2020
			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
			300 000	30.08.2024	Agreement concluded with BGK on the open overdraft of 30 August 2021
			384 000	31.12.2027	Agreement concluded with Santander Bank Polska S.A. on intra-day credit in the Intra Day auxiliary account of 8 December 2020
			240 000	31.12.2023	Bond Issue Scheme of 24 November 2015 [2]
			180 000	25.05.2024	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	111 190	31.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 December 2015 [2]
		50 000	231 645		
		67 500	312 721	31.12.2022	
			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			250 000	30.08.2022	Agreement concluded with BGK on the open overdraft of 30 August 2021
			250 000	13.03.2023	Framework bank guarantee agreements with Bank Gospodarstwa Krajowego of 13 March 2020
	EUR	45 000	208 481	30.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 December 2015
			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
Bank guarantees			40 000	26.10.2021	Bank guarantee issued by Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Towarowa Giełda Energii S.A.
			10 000	31.12.2021	Bank guarantee issued by CaixaBank S.A. to PSE S.A. as performance security for the power transmission service agreement and to GAZ-SYSTEM S.A. as transmission contract performance security
			1 500		
Blank promissory notes to secure the payment of the Company's liabilities			4 443	-	Security for adequate performance of obligations under the concluded grants agreements

[1] The collateral in the form of a declaration of submission to enforcement submitted to the Agreement of 28 January 2020 for a guarantee limit concluded with MUFG Bank, Ltd. relates to the bank guarantee for the benefit of BGK, the expiry date of which was 11 April 2021, while the collateral in the form of a declaration of submission to enforcement submitted to the Agreement of 2 February 2021 for a guarantee limit concluded with MUFG Bank, Ltd. relates to the annex to the aforementioned bank guarantee which extends its expiry date to 11 April 2022.
[2] The collateral relates to an agreement for which, as at the balance sheet date, the liabilities have expired, have been repaid or have been replaced by others (in the case of the overdraft agreement with BGK of 30 December 2015, it relates to declarations of submission to enforcement in the amount of EUR 24 000 thousand and EUR 50 000 thousand).

(in PLN thousand)

After the balance sheet date, the following events took place:

- under the agreement concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland, on 15 October 2021 a bank guarantee was issued in favour of IRGiT as a collateral for the Company liabilities in the amount of PLN 40 000 thousand, with the validity period to 25 November 2021;
- as of 20 October 2021, under the annex signed, the amount of the bank guarantee issued by CaixaBank S.A. Branch in Poland in favour of GAZ-SYSTEM S.A. was increased to the amount of PLN 9 000 thousand and its term was extended until 30 April 2022.

Collateral for transactions concluded on the Polish Power Exchange [Towarowa Giełda Energii S.A.]

- Assignment of CO_2 emission allowances in favour of Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT")

In order to secure the liabilities arising from the transactions concluded by the Company at Towarowa Giełda Energii S.A. in 2019 and 2020, agreements for the assignment of CO2 emission allowances for the benefit of IRGiT were concluded.

As at 31 December 2020, the ownership of CO2 emission allowances in the total amount of 3 021 799 tonnes was transferred to the IRGiT. In the 9-month period ended 30 September 2021, all allowances were returned and they are no longer the subject of the transfer of ownership.

- TAURON Group Margin Offsetting Agreement

Pursuant to the Agreement defining the principles for the establishment of financial collateral for the energy Group concluded with the IRGiT, TAURON Group applies a mechanism for setting off the margins. In terms of the transactions performed, the margins required by the IRGiT are calculated against the positions offset within the Group, which translates into the reduction in the funds involved on a Group-wide basis in maintaining the collateral required by the IRGiT.

39. Investment liabilities

As at 30 September 2021 and as at 31 December 2020 the Company did not have any material investment liabilities.

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.

Revenues and expenses

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Revenue from subsidiaries	**12 164 015**	**9 110 486**
Revenue from operating activities	9 903 834	7 839 198
Dividend income	1 807 035	972 724
Other finance income	453 146	298 564
Revenue from jointly-controlled entities	**239 525**	**84 970**
Revenue from State Treasury companies	**357 150**	**149 823**
Costs from subsidiaries	**(5 072 102)**	**(1 886 930)**
Costs of operating activities	(5 050 537)	(1 862 270)
Finance costs	(21 565)	(24 660)
Costs incurred with relation to transactions with jointly-controlled entities	**(304 603)**	**(2 837)**
Costs from State Treasury companies	**(506 266)**	**(378 114)**

(in PLN thousand)

Receivables and liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Loans granted to subsidiaries and receivables from subsidiaries	**11 340 034**	**9 752 655**
Receivables from buyers	1 147 705	1 283 880
Loans granted to subsidiaries	9 973 951	8 130 671
Loans granted under cash pool agreement with interest accrued	48 723	312 756
Receivables arising from the TCG	166 926	21 371
Other financial assets	92	89
Other non-financial assets	2 637	3 888
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	**531 942**	**495 496**
Receivables from State Treasury companies	**50 531**	**18 893**
Liabilities to subsidiaries	**4 219 177**	**3 152 699**
Liabilities to suppliers	582 693	545 363
Loans received under cash pool agreement with interest accrued	2 013 575	1 365 579
Loans from the subsidiary	795 370	770 494
Liabilities arising from the TCG	96 703	91 106
Other financial liabilities	21 604	24 025
Other non-financial liabilities	709 232	356 132
Liabilities to jointly-controlled entities	**37 537**	**40 991**
Liabilities to State Treasury companies	**40 156**	**85 389**

Receivables and loans presented in above table are measured in value before impairment loss or measurement in fair value.

Revenues from subsidiaries presented in the table 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 are presented in the statement of comprehensive income, net of acquisition costs, at the surplus value representing intermediation fees, as described in Note 11 of these interim condensed financial statements.

In the 9-month period ended 30 September 2021, the revenues from the State Treasury companies result from transactions executed by the Company with Polskie Sieci Elektroenergetyczne S.A.

In the scope of costs incurred in connection with the transactions with the State Treasury companies in the 9-month period ended 30 September 2021, the largest counterparties of TAURON Polska Energia S.A. included Polska Grupa Górnicza S.A., Jastrzębska Spółka Węglowa S.A. and Polskie Sieci Elektroenergetyczne S.A. Costs in transactions with these counterparties accounted for 91% of the total costs incurred in purchase transactions with the State Treasury companies.

The Company conducts material transactions on the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. Due to the fact that this entity only arranges stock exchange trading, the purchase and sale transactions performed through it are not treated as related party transactions.

Transactions with the State Treasury

On 22 March 2021, an agreement was concluded between the State Treasury represented by the Minister of State Assets and the Company, under which the Company is authorised to receive reimbursement of the costs incurred in connection with the implementation of the activities commissioned to it pursuant to the decision of the Prime Minister of 29 October 2020 in the scope of counteracting COVID-19, consisting in organising and establishing a temporary hospital in Krynica - Zdrój and maintaining the operation of this hospital. Total costs incurred for this task was equal to PLN 9 006 thousand, and until balance sheet date, the Company received reimbursement of the costs in total amount of PLN 6 871 thousand. In the 9-month period ended 30 September 2021 costs incurred were equal to PLN 4 004 thousand. Payoff of this task has no impact on profit (loss) of the Company, due to fact that The Company has a privilege to reimbursement of incurred, justified costs.

On 26 March 2021, the Company signed the agreement with the State Treasury concerning the sale of the shares in PGE EJ 1 Sp. z o.o. (currently: Polskie Elektrownie Jądrowe Sp. z o.o.), as further described in Note 25 to these interim condensed financial statements.

(in PLN thousand)

40.2. Remuneration of the executives

The amount of compensation and other benefits paid or payable to the Management Board, the Supervisory Board and other key executives of the Company in the 9-month period ended 30 September 2021 and in the comparable period is presented in the table below.

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Management Board	**3 140**	**3 841**
Short-term benefits (with surcharges)	2 811	3 081
Temination benefits	238	628
Other	91	132
Supervisory Board	**472**	**539**
Short-term employee benefits (salaries and surcharges)	472	539
Other members of key management personnel	**11 530**	**13 901**
Short-term employee benefits (salaries and surcharges)	10 381	12 347
Post employment benefits	308	-
Temination benefits	129	765
Other	712	789
Total	**15 142**	**18 281**

The table above takes into account the amounts paid and payable until 30 September 2021. In addition, in accordance with the accounting policy adopted, the Company creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on account of termination of their employment, which may be paid or payable in subsequent reporting periods.

There are no transactions in the Company in respect of loans from the Company Social Benefits Fund (ZFŚS) granted to members of the Management Board, members of the Supervisory Board and other members of the key management staff.

41. Other material information

Judgement of the Court of Arbitration at the Polish Chamber of Commerce concerning the claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A. and the 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 was issued in the case filed by Abener Energia S.A. ("Abener") against Elektrociepłownia Stalowa Wola S.A. ("ECSW"), which is a joint venture of TAURON Group.

The case pending before the Court of Arbitration referred to the 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. Pursuant to the Judgement, ECSW was obligated to pay to Abener the amount of PLN 333 793 thousand along with statutory interest for delay and costs of the arbitration proceedings. On 22 September 2020, the Court of Appeals in Rzeszów dismissed the appeal of ECSW to repeal the Judgment, while on 20 November 2020 it issued a decision suspending the execution of the Judgment until the completion of the cassation proceedings or the expiry of the time limit for filing the cassation appeal. As a consequence, on 21 December 2020, ECSW filed a complaint in cassation. In the 9-month period ended 30 September 2021, no material legal events occurred in the scope of the above proceedings. To the best of the Company knowledge, Elektrociepłownia Stalowa Wola S.A. recognised the liability for the effects of the above Judgement in the last financial statements for 2020.

On 20 December 2019, ECSW received another statement of claim lodged by Abener with the Arbitration Court. The subject of the lawsuit is the payment by ECSW to Abener of the total amount of PLN 156 447 thousand and EUR 537 thousand including statutory interest for the delay as compensation for damages resulting from ECSW requesting and obtaining payment from the performance bond at Abener's expense or, alternatively, reimbursement of illegitimate enrichment obtained by ECSW at Abener's expense in connection with obtaining payment from the performance bond. The guarantee was granted to ECSW by Abener in accordance with the contract between the parties for the construction of a CCGT unit in Stalowa Wola. A response to the claim was filed by ECSW on 20 March 2020. An assessment of the claim and its justification shows that they are unfounded. The arbitration proceedings are ongoing.

On 19 October 2020, ECSW lodged a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against Abener for payment by Abener to ECSW as compensation for damages corresponding to the costs of rectifying the defects, faults and deficiencies in the works, deliveries and services performed by Abener during the performance of the aforementioned contract. The current value of dispute is equal to PLN 188 402 thousand and EUR 461 thousand. The proceedings are pending.

The contract for the construction of the CCGT unit concluded between ECSW and Abener does not contain provisions obliging the Company to pay any form of remuneration to Abener for ECSW. On 30 September 2020, Elektrociepłownia Stalowa Wola was commissioned.

Signing the agreement concerning the cooperation in the field of separation of coal assets

On 23 July 2021, the Company, PGE Polska Grupa Energetyczna S.A., ENEA S.A., Energa S.A. (collectively, the “Energy Companies”) and the State Treasury concluded the agreement on cooperation in the scope of separation of coal assets and their integration into the National Energy Security Agency (the “Agreement”). The conclusion of the Agreement is related to the document published by the Ministry of State Assets “Transformation of the Electricity Sector in Poland. Separation of coal assets from the companies with State Treasury shareholding”. The above document presents the concept of separation of assets related to generation of electricity in conventional coal units from capital groups of individual Energy Companies, which stipulates, among others, integration of the aforementioned assets within a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. - a subsidiary of PGE Polska Grupa Energetyczna S.A., which will ultimately operate under the name of National Energy Security Agency. Taking into account the foregoing and recognising the need to coordinate the cooperation in the planned process of unbundling coal assets, the parties declared the mutual exchange of necessary information under the Agreement, which will allow for the efficient and effective implementation of the process aimed at creating the National Energy Security Agency.

Signing the Letter of Intent concerning Elektrociepłownia Stalowa Wola S.A.

On 2 August 2021, the Company, a subsidiary TAURON Wytwarzanie S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. (“PGNiG”) and PGNiG TERMIKA S.A. signed a letter of intent concerning the potential transaction of sale by TAURON Wytwarzanie S.A. to PGNiG Group of its equity interest in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. by TAURON Polska Energia S.A. Signing of the letter of intent does not imply a commitment by the parties to conclude the above-mentioned potential transaction. The decision to proceed with the transaction will depend on the outcome of negotiations in this regard and the fulfilment of other conditions stipulated by law or in corporate documents. The potential sale of shares in Elektrociepłownia Stalowa Wola S.A. is in line with the strategic directions announced by TAURON Polska Energia S.A. on 27 May 2019.

Shutdown of the 910 MW unit in Jaworzno

On 2 August 2021, TAURON Polska Energia S.A. received a letter from its subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. indicating that E003B7 Sp. z o.o. (a subsidiary of RAFAKO S.A.) submitted to Nowe Jaworzno Grupa TAURON Sp. z o.o. the schedule of works to be conducted on the 910 MW unit in Jaworzno (the “Unit”). The schedule results from the need to carry out work on some of the elements of the Unit that were identified by the internal inspection of the equipment during the standstill of the Unit. On the basis of the schedule received, Nowe Jaworzno Grupa TAURON Sp. z o.o. initially estimated that the date indicated by E003B7 sp. z o.o. for re-synchronisation of the Unit with the grid, i.e. 25 February 2022, is feasible.

On 8 September 2021, RAFAKO S.A., which is one of the members of the consortium RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A., which performs the execution works related to the Unit, provided the Company with a statement that the condition to ensure efficient continuation of works on the Unit is the capital exposure by the Company in RAFAKO S.A. On the same day, Nowe Jaworzno Grupa TAURON Sp. z o.o. received a call from RAFAKO S.A. to immediately clarify the causes of the fire incidents that occurred at the Unit on 7 January 2021 and 11 June 2021, respectively. RAFAKO S.A. stated that it intended to suspend all ongoing and planned works at the Unit until it receives information from Nowe Jaworzno Grupa TAURON S.A. that there is no risk to the life and health of personnel, as well as called for clarification of the reasons regarding the fire incidents that had occurred by 15 September 2021, under the pain of withdrawal from the agreement concluded on 17 April 2014 for the construction of the Unit.

In the opinion of the Company, any activities undertaken by Nowe Jaworzno Grupa TAURON Sp. z o.o., including in the framework of the execution of the investment and the operation of the Unit, including those related to the fire incidents mentioned above, were and are compliant with the highest standards and legal regulations, including fire protection regulations as well as with the operating documentation prepared by RAFAKO S.A. under the agreement for the construction of the Unit. Moreover, Nowe Jaworzno Grupa TAURON Sp. z o.o. appointed, together with RAFAKO S.A., an emergency commission to clarify the causes relating to the fire incident that occurred on 11 June 2021 which. The

Company has not taken any decisions or actions to acquire a block of RAFAKO S.A. shares, including any negotiations with RAFAKO S.A. on this matter. At the same time, the Company undertakes active measures in order to restore the operation of the Unit in the shortest time possible.

After the balance sheet date, the Company was notified by its subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. of the new date declared by RAFAKO S.A. for re-synchronisation with the Unit with the grid, as further described in note 42 of these interim condensed financial statements.

Commencement of activities aimed at the repurchase of shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. from funds managed by the Polish Development Fund

On 25 August 2021, the Company Management Board decided to launch actions, including initiating negotiations aimed at repurchasing from Fundusz Inwestycji Infrastrukturalnych - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycyjny Zamknięty, with a part of their investment portfolio managed by Polski Fundusz Rozwoju S.A., the total of 176 000 shares representing 14.12% of the total number of votes at the meetings of shareholders of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. The intention of the Company to repurchase the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. is linked in particular with the preparation of TAURON Group for the implementation of the planned structural changes in the electricity sector in Poland which were presented by the Ministry of State Assets. This concept assumes separation of assets associated with the generation of electricity in conventional coal units from capital groups of individual energy companies and integration of the aforementioned assets within a single entity, i.e. the National Energy Security Agency. The conclusion of the potential repurchase transaction is subject to a positive outcome of the negotiations.

Signing of the letter of intent concerning the sale of shares in the subsidiary TAURON Wydobycie S.A.

On 15 September 2021, the Company signed a letter of intent with the State Treasury concerning the potencial acquisition of 100% of the shares in TAURON Wydobycie S.A. by the State Treasury. The Company and the State Treasury have unanimously declared that they will undertake any measures necessary to prepare and execute the transaction and will in good faith conduct discussions, negotiations and take actions related to the Transaction, including taking actions related to the selection of an appraiser for the valuation of TAURON Wydobycie S.A. The aforementioned letter of intent does not imply a commitment to conclude the transaction. The decision to proceed with the transaction will depend on the outcome of the negotiations in this regard and the fulfilment of other conditions stipulated by law or corporate documents.

Impact of the COVID-19 pandemic on the operations of the Company and TAURON Group

The 9-month period ended 30 September 2021 was the period of continued COVID-19 pandemic conditions, which saw an initial increase in cases resulting in record levels of recorded SARS-CoV-2 infections (wave 3) followed by the gradual decline during the second and third quarter of 2021. In connection with the foregoing, restrictions were in place in the country aimed at containing the spread of the pandemic. This situation resulted in the continuation of turbulences in the economic and administrative system in Poland and worldwide. As a consequence, the pandemic continued to restrict the economic activity, affecting in particular the performance of companies in sectors such as tourism, trade and transport. Consequently, in the medium and long term, it should be expected that, taking into account that the consecutive growth in infections appeared after the balance sheet date (wave 4), the COVID-19 pandemic will continue to affect domestic, European as well as global economic conditions, negatively affecting the economic growth in Poland in 2021 and in the subsequent years. Material issues relating to the impact of the pandemic on the TAURON Group are set out below. Bearing in mind that the Company is the parent company of the Group which coordinates selected aspects of activities of the subsidiaries, the areas of the impact of the pandemic on the Group presented below are significant from the Company point of view as potentially affecting its financial position.

- Despite the applicable restrictions, no volume declines were seen in the Distribution and Sales Segments in the 9-month period ended 30 September 2021. Compared to the corresponding period in 2020, an 8.1% increase in electricity demand was recorded (10.6% in Tariff Group A; 8.3% in Tariff Group B; 5% in Tariff Group C2; 5.3% in Tariff Group C1 and 6.5% in Tariff Group G, respectively). The restrictions maintained throughout the year have changed the structure of consumption by individual tariff groups, resulting in an increase in consumption for households (tariff group G) due to, among others, work and education carried out in the remote mode. In the case of small businesses and institutions (tariff groups C1), consumption increased in the 9-month period ended 30 September 2021 compared to the corresponding period in 2020, whereas for this group the lower growth rate of the demand was a direct consequence of the restrictions on business premises or recreational facilities in the first half of 2021.
- Disturbances in economic activity in Poland triggered financial difficulties for customers and contractors of TAURON Group. The situation was mitigated by regulatory measures in the introduction of successive anti-crisis shields, which were aimed at maintaining liquidity and protecting jobs at Polish entrepreneurs. No significant changes or

sustained trends in the level of past due receivables were observed during the 9-month period ended 30 September 2021. In order to mitigate the potential credit losses, extended credit risk management criteria were consistently applied, accompanied by the monitoring of receivables and debt collection activities. The macroeconomic environment and industries, including those with the highest growth in insolvencies in 2021 were also monitored. The COVID-19 pandemic has further affected the need for additional allowances for expected credit losses of financial instruments and the change of the measurement of loans granted to the fair value. This increased the Company operating expenses by PLN 1 910 thousand and financial expenses by PLN 4 435 thousand, as described in more detail in Note 6 to these interim condensed financial statements.

- In terms of the market environment, increased volatility in prices of commodity instruments was observed at the end of the 9-month period ended 30 September 2021, but it was mainly driven by the increase in the prices of CO_2 emission allowances, media reports on further tightening of EU climate policy targets and sharp increases in gas prices in Europe.
- With regard to financial instruments, the persistence of the depreciation of the zloty and the low level of interest rates were observed. Changes in exchange rates affect the costs incurred to purchase CO_2 emission allowances, as well as the measurement of the Company debt denominated in foreign currencies. On the other hand, changes in interest rates may affect the costs resulting from the concluded financing agreements based on a floating interest rate as well as the regulated income in the Distribution area in the subsequent reporting periods.
- The persistent state of COVID-19 pandemic resulted in some difficulties in the implementation of certain TAURON Group's strategic investment projects. In the case of construction of the 910 MW unit in Jaworzno, the consortium acting as the General Contractor of the unit identified the impact of the pandemic on the execution of the contract, of which the Contracting Authority, i.e. Nowe Jaworzno Grupa TAURON Sp. z o.o., was informed in the relevant note submitted by the General Contractor. The content of the above note indicated that the COVID-19 pandemic resulted in both the unavailability of key personnel of E003B7 Sp. z o.o. essential for the works performed as well as key subcontractors where part of the reinforcement and optimisation work, in the opinion of the General Contractor, could not have been performed due to the constraints caused by the pandemic. As at the date of this interim condensed financial statements, the Contracting Authority, at the request of the General Contractor, entered into mediation of the disputed circumstances between the Parties, including the circumstances affecting the implementation of the project and resulting from the continuing state of the COVID-19 pandemic. Indirect difficulties were also observed in relation to the implementation of other investment projects, including investment in the area of RES, affected, among others, by disruptions in the supply of materials and equipment and by the occurring problems related to the access to public administration, which had an impact on the extension of the duration of administrative proceedings. In order to mitigate the consequences of project disruptions, all contractors implementing the investment projects cooperate closely and on an ongoing basis with TAURON Group companies responsible for the investment projects which monitor the situation in the projects and respond appropriately to the situation using available tools.
- The situation related to the COVID-19 pandemic continued to affect the operations of individual Business Areas of TAURON Group through increased employee absenteeism and the growth of operating costs resulting from the need to meet epidemiological conditions. In this regard, TAURON Group has been continuously undertaking a number of preventive measures in organisational and material terms aimed at protecting employees of individual companies of TAURON Group and maintaining the continuity of critical infrastructure operations. Dedicated Crisis Teams at the level of the Company as well as individual companies of TAURON Group coordinate the works associated with ensuring the security related to the threat of COVID-19 infection.

TAURON Group, being aware of the risks related to the epidemiological situation, continued to undertake active measures to mitigate the impact of the current and expected economic situation as well as to protect against extreme events. It should be stressed that the COVID-19 pandemic situation is highly volatile and the future impact and scale of the pandemic are currently difficult to estimate precisely. The duration of the pandemic, its severity and range, the availability and speed of vaccination as well as its impact on Polish economic growth in the short, medium and long term will be significant. The Management Board of the Company, being aware of the threats resulting from the pandemic, monitors the impact on an ongoing basis and will take all possible steps to mitigate any negative effects of the COVID-19 pandemic on TAURON Group.

42. Events after the balance sheet date

Signing a letter of intent by the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o.

After the balance sheet date, on 6 October 2021, the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. signed, as a passive participant, a letter of intent concerning the willingness to undertake the work related to the determination of legal and factual possibilities and conditions for the establishment of the consortium in order to acquire RAFAKO S.A. shares. Nowe Jaworzno Grupa TAURON Sp. z o.o. is not interested in acquiring RAFAKO S.A. shares but wishes to support the works related to the potential transaction and will be a passive participant of the potential consortium. The other parties to the letter of intent, i.e. Polimex Mostostal S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych are interested in considering a possibility of purchasing RAFAKO S.A. shares.

Signing of the facility agreement with the European Investment Bank

After the balance sheet date, on 29 October 2021, the Company concluded a loan agreement with the European Investment Bank for the amount of PLN 2 800 000 thousand, to be used to cover the capital expenditure of TAURON Group related to the modernisation and expansion of the electricity distribution network scheduled for 2022-2026. In accordance with the agreement, the Company will be able to use the funds within three years from the date of its conclusion. The loan will be repaid within eighteen years from the date of disbursement of funds. Depending on the decision of the Company, the interest rate will be based on a fixed interest rate or a variable interest rate (plus the bank's margin) and will be determined at the date of drawdown. The loan will be disbursed upon the fulfilment of the standard conditions precedent for this type of financing.

Updating the deadline for re-synchronisation of the 910 MW Unit with the grid

After the balance sheet date, on 3 November 2021, the Company was notified by its subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. of a new date declared by RAFAKO S.A. for re-synchronisation of the Unit with the grid, scheduled for 29 April 2022.

A new date for re-synchronisation of the Unit with the grid was indicated in the minutes of the mediation of 3 November 2021, conducted with the participation of the Mediators of the Court of Arbitration at the General Counsel to the Republic of Poland. In the course of the mediation meeting, the parties, i.e. Nowe Jaworzno Grupa TAURON Sp. z o.o., RAFAKO S.A. and E003B7 Sp. z o.o., initialled a draft settlement agreement which also included the planned commissioning of the provision of additional services to RAFAKO S.A., which would benefit Nowe Jaworzno Grupa TAURON Sp. z o.o. and result, among others, in the reduction of costs of future operation of the Unit. In addition, Nowe Jaworzno Grupa TAURON Sp. z o.o. and RAFAKO S.A. predict that if RAFAKO S.A. timely performs all the obligations it will be bound to perform by 30 October 2022, i.e. by the transition period end date scheduled in the settlement, Nowe Jaworzno Grupa TAURON Sp. z o.o. will not pursue claims on account of contractual penalties for the failure to meet the currently applicable transition period end date.

As at the date of approval of these interim condensed financial statements for publication, no settlement has been concluded while its entry into force will depend, among others, on the submission by RAFAKO S.A. of the extended or new performance bond and the new or extended guarantees for the repayment of the advance payment. Moreover, if the settlement is reached, it will be referred to the competent common court with a request for its approval by the court. Upon final approval by the court, the settlement shall acquire legal force of a court settlement. The Company does not exclude the necessity to modify the provisions of the draft settlement in view of the need to obtain the approval of TAURON Group corporate bodies for its conclusion.

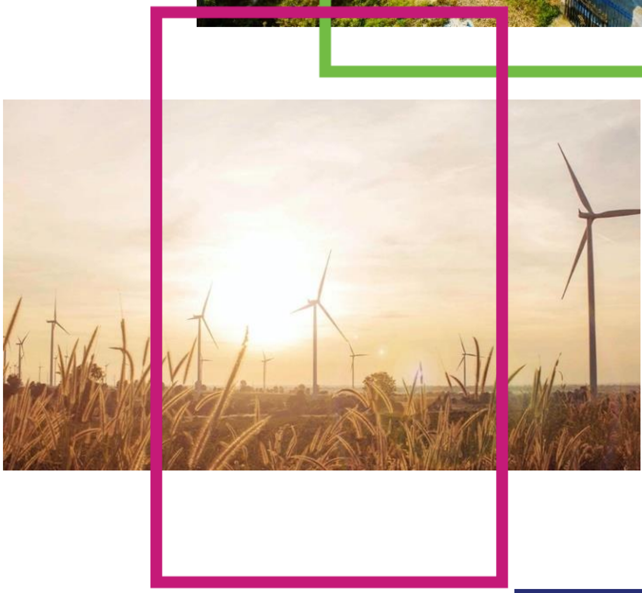
These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 9-month period ended 30 September 2021 in compliance with the International Accounting Standard 34 comprise 65 pages.

Katowice, 16 November 2021

Artur Michałowski - Acting President of the Management Board, Vice-President of the Management Board

Krzysztof Surma - Vice-President of the Management Board,

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



TAURON

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 2021

TAURON Polska Energia S.A. Capital Group

Interim condensed consolidated financial statements

compliant with the International Financial Reporting Standards

approved by the European Union

for the 9-month period ended 30 September 2021

This is a translation of the document originally issued and signed in Polish

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2021 *(unaudited)*	3-month period ended 30 September 2020 *(unaudited restated figures)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Sales revenue	11	5 997 216	17 863 597	5 034 171	15 220 949
Recompensation revenue		(7 375)	(7 375)	66 448	66 448
Cost of sales	12	(5 454 451)	(16 104 202)	(4 309 102)	(13 733 041)
Profit on sale		**535 390**	**1 752 020**	**791 517**	**1 554 356**
Selling and distribution expenses	12	(145 461)	(394 804)	(129 712)	(341 438)
Administrative expenses	12	(157 301)	(463 749)	(146 972)	(439 310)
Other operating income and expenses		42 792	90 233	29 524	327 520
Share in profit/(loss) of joint ventures	20	18 859	41 159	(35 157)	5 757
Operating profit		**294 279**	**1 024 859**	**509 200**	**1 106 885**
Interest expense on debt	13	(92 814)	(278 410)	(63 106)	(208 715)
Finance income and other finance costs	13	(10 321)	41 383	23 699	(75 902)
Profit before tax		**191 144**	**787 832**	**469 793**	**822 268**
Income tax expense	14	(76 575)	(291 298)	(101 560)	(426 989)
Net profit		**114 569**	**496 534**	**368 233**	**395 279**
Measurement of hedging instruments	30.4	64 600	196 758	10 035	(121 710)
Foreign exchange differences from translation of foreign entity		7 465	10 723	286	(1 528)
Income tax	14	(12 274)	(37 384)	(1 907)	23 125
Other comprehensive income to be reclassified in the financial result		**59 791**	**170 097**	**8 414**	**(100 113)**
Actuarial gains (losses)	32.1	9	44 667	252	(101 708)
Income tax	14	(1)	(8 485)	(48)	19 324
Share in other comprehensive income of joint ventures	20	(46)	238	(5)	355
Other comprehensive income not to be reclassified in the financial result		**(38)**	**36 420**	**199**	**(82 029)**
Other comprehensive income, net of tax		**59 753**	**206 517**	**8 613**	**(182 142)**
Total comprehensive income		**174 322**	**703 051**	**376 846**	**213 137**
Net profit (loss):					
Attributable to equity holders of the Parent		100 971	456 930	367 994	396 076
Attributable to non-controlling interests		13 598	39 604	239	(797)
Total comprehensive income:					
Attributable to equity holders of the Parent		160 713	663 348	376 607	214 079
Attributable to non-controlling interests		13 609	39 703	239	(942)
Basic and diluted earnings per share (in PLN):		0.06	0.26	0.21	0.23

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
ASSETS			
Non-current assets			
Property, plant and equipment	**15**	28 870 936	29 504 667
Right-of-use assets	**16**	1 897 124	1 875 970
Goodwill	**17**	26 183	26 183
Energy certificates and CO_2 emission allowances for surrender	**18.1**	130 032	500 936
Other intangible assets	**19**	521 367	551 692
Investments in joint ventures	**20**	601 002	586 559
Loans granted to joint ventures	**21**	98 713	96 293
Other financial assets	**22**	498 185	246 246
Other non-financial assets	**23.1**	95 494	64 093
Deferred tax assets	**24**	114 494	132 320
		32 853 530	**33 584 959**
Current assets			
Energy certificates and CO_2 emission allowances for surrender	**18.2**	158 177	1 039 629
Inventories	**25**	1 203 705	874 426
Receivables from buyers	**26**	2 632 006	2 473 416
Income tax receivables	**39**	35 078	83 655
Receivables arising from other taxes and charges	**27**	184 116	295 166
Loans granted to joint ventures	**21**	-	2 420
Other financial assets	**22**	913 097	266 521
Other non-financial assets	**23.2**	133 263	80 232
Cash and cash equivalents	**28**	499 418	921 345
Assets classified as held for sale	**29**	8 868	74 442
		5 767 728	**6 111 252**
TOTAL ASSETS		**38 621 258**	**39 696 211**

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

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Note	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	**30.1**	8 762 747	8 762 747
Reserve capital	**30.3**	2 749 099	6 338 754
Revaluation reserve from valuation of hedging instruments	**30.4**	91 471	(67 903)
Foreign exchange differences from translation of foreign entities		37 733	27 010
Retained earnings/(Accumulated losses)	**30.5**	4 855 613	772 915
		16 496 663	**15 833 523**
Non-controlling interests	**30.6**	**929 596**	**893 623**
Total equity		**17 426 259**	**16 727 146**
Non-current liabilities			
Debt	**31**	11 103 373	13 171 200
Provisions for employee benefits	**32**	909 467	951 612
Provisions for disassembly of fixed assets, land restoration and other provisions	**33**	601 563	669 295
Accruals, deferred income and government grants	**36**	550 966	494 923
Deferred tax liabilities	**24**	341 194	433 738
Other financial liabilities	**41**	144 239	137 563
Other non-financial liabilities		3 444	7 546
		13 654 246	**15 865 877**
Current liabilities			
Debt	**31**	1 527 407	1 480 672
Liabilities to suppliers	**37**	954 853	1 020 668
Capital commitments	**38**	384 961	857 389
Provisions for employee benefits	**32**	86 683	103 975
Provisions for liabilities due to energy certificates and CO_2 emission allowances	**34**	1 346 502	1 750 923
Other provisions	**35**	253 055	303 739
Accruals, deferred income and government grants	**36**	346 332	181 528
Income tax liabilities	**39**	66 433	3 142
Liabilities arising from other taxes and charges	**40**	428 036	409 787
Other financial liabilities	**41**	1 596 891	559 503
Other non-financial liabilities	**42**	549 008	423 298
Liabilities directly related to assets classified as held for sale		592	8 564
		7 540 753	**7 103 188**
Total liabilities		**21 194 999**	**22 969 065**
TOTAL EQUITY AND LIABILITIES		**38 621 258**	**39 696 211**

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

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9-MONTH PERIOD ENDED 30 September 2021 *(unaudited)*

	Note	Equity attributable to the equity holders of the Parent						Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total		
As at 1 January 2021		**8 762 747**	**6 338 754**	**(67 903)**	**27 010**	**772 915**	**15 833 523**	**893 623**	**16 727 146**
Coverage of prior years loss	**30.5**	-	(3 589 655)	-	-	3 589 655	**-**	-	**-**
Dividends		-	-	-	-	-	**-**	(3 421)	**(3 421)**
Transactions with non-controlling shareholders		-	-	-	-	(208)	**(208)**	(309)	**(517)**
Transactions with shareholders		**-**	**(3 589 655)**	**-**	**-**	**3 589 447**	**(208)**	**(3 730)**	**(3 938)**
Net profit		-	-	-	-	456 930	**456 930**	39 604	**496 534**
Other comprehensive income		-	-	159 374	10 723	36 321	**206 418**	99	**206 517**
Total comprehensive income		**-**	**-**	**159 374**	**10 723**	**493 251**	**663 348**	**39 703**	**703 051**
As at 30 September 2021 *(unaudited)*		**8 762 747**	**2 749 099**	**91 471**	**37 733**	**4 855 613**	**16 496 663**	**929 596**	**17 426 259**

9-MONTH PERIOD ENDED 30 September 2020 *(restated unaudited data)*

	Equity attributable to the equity holders of the Parent						Non-controlling interests	Total equity
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total		
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 profit (loss)	-	-	-	-	396 076	**396 076**	(797)	**395 279**
Other comprehensive income	-	-	(98 585)	(1 524)	(81 888)	**(181 997)**	(145)	**(182 142)**
Total comprehensive income	**-**	**-**	**(98 585)**	**(1 524)**	**314 188**	**214 079**	**(942)**	**213 137**
As at 30 September 2020 *(unaudited restated figures)*	**8 762 747**	**6 338 754**	**(82 919)**	**12 997**	**3 374 745**	**18 406 324**	**897 087**	**19 303 411**

(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Cash flows from operating activities			
Profit before taxation		**787 832**	**822 268**
Share in (profit)/loss of joint ventures		(41 159)	(5 757)
Depreciation and amortization		1 567 700	1 493 943
Impairment losses on non-financial non-current assets		1 111 948	814 479
Exchange differences		15 736	187 492
Interest and commissions		275 501	190 846
Other adjustments of profit before tax		40 867	73 622
Change in working capital	**43.1**	742 678	(135 801)
Income tax paid	**43.1**	(300 034)	27 336
Net cash from operating activities		**4 201 069**	**3 468 428**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**43.2**	(2 391 841)	(3 034 183)
Loans granted		(654)	(85 575)
Purchase of financial assets		(14 614)	(28 751)
Total payments		**(2 407 109)**	**(3 148 509)**
Proceeds from sale of property, plant and equipment and intangible assets		25 408	14 317
Dividends received		46 489	5 626
Sale of shares	**43.2**	52 605	-
Repayment of loans granted		2 450	10 803
Redemption of share units		-	26 747
Other proceeds		1 903	2 291
Total proceeds		**128 855**	**59 784**
Net cash used in investing activities		**(2 278 254)**	**(3 088 725)**
Cash flows from financing activities			
Redemption of debt securities		-	(3 100)
Repayment of loans and borrowings	**43.3**	(2 843 908)	(3 433 646)
Interest paid	**43.3**	(165 219)	(38 926)
Repayment of lease liabilities		(99 941)	(85 629)
Other payments		(18 729)	(22 041)
Total payments		**(3 127 797)**	**(3 583 342)**
Proceeds from contracted loans and borrowings	**43.3**	702 772	2 360 346
Subsidies received	**43.3**	86 927	39 269
Total proceeds		**789 699**	**2 399 615**
Net cash from financing activities		**(2 338 098)**	**(1 183 727)**
Net increase/(decrease) in cash and cash equivalents		**(415 283)**	**(804 024)**
Net foreign exchange difference		(1 688)	(62)
Cash and cash equivalents at the beginning of the period	**28**	**895 377**	**1 203 601**
Cash and cash equivalents at the end of the period, *of which*:	**28**	**480 094**	**399 577**
restricted cash	**28**	199 147	245 097

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

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

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

The Parent Company is entered in the register of entrepreneurs of the National Court Register maintained by the District Court for Katowice-Wschód, Commercial Department of the National Court Register under KRS number: 0000271562.

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

The TAURON Group's core business is reflected in the breakdown into segments: Mining, Generation (the segment comprising generation of electricity from conventional sources and heat generation), Renewable Energy Sources (the segment comprising generation of electricity from renewable sources), Distribution, Sales and other operations, including customer service, which is discussed in more detail in Note 10 to these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements of the Group cover the 9-month period ended 30 September 2021 and contain comparative figures for the 9-month period ended 30 September 2020 and as at 31 December 2020. The data included in these interim condensed consolidated financial statements for the 9-month period ended 30 September 2021 and the comparative data for the 9-month period ended 30 September 2020 have not been audited or reviewed by the statutory auditor. The comparative figures as at 31 December 2020 were subject to the audit by the statutory auditor. The interim condensed consolidated statement of comprehensive income comprising the data for the 3-month period ended 30 September 2021 and the comparative figures for the 3-month period ended 30 September 2020 have not been audited or reviewed by the statutory auditor.

These interim condensed consolidated financial statements for the 9-month period ended 30 September 2021 were approved for publication on 16 November 2021.

Composition of the Management Board

As at 1 January 2021, 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 19 February 2021, Mr Wojciech Ignacok resigned from his function of the President of the Management Board, with effect as of 28 February 2021. On 24 February 2021, the Supervisory Board of the Company adopted a resolution concerning the assignment of the duties of the President of the Management Board of the Company to Mr Marek Wadowski from 1 March 2021 until the date of the appointment of the President of the Management Board of the Company.

On 1 April 2021, the Supervisory Board of the Company appointed Mr Paweł Strączyński to the Company Management Board and nominated him to the position of the President of the Management Board.

On 13 May 2021, the Company received the resignation of Mr Marek Wadowski from his membership in the Management Board of the Company and therefore from the position of Vice-President of the Management Board for Financial Affairs, effective as of the end of the day on 17 May 2021.

On 2 July 2021, the Company received the resignation of Mr Paweł Strączyński from his position of the President of the Management Board of the Company, effective as of the end of the day on 21 July 2021. On 19 and 27 July 2021, the Company accepted the declaration of Mr Paweł Strączyński on the amendment of his declaration of resignation from the position of the President of the Management Board as of which his resignation from the position of the President of the Management Board took effect on 4 August 2021.

On 4 August 2021, the Supervisory Board of the Company appointed the following members of the Management Board with effect as of 5 August 2021:

- Mr Artur Michałowski for the position of Vice-President of the Management Board for Trade,
- Mr Patryk Demski for the position of Vice-President of the Management Board for Strategy and Development,
- Mr Krzysztof Surma for the position of Vice-President of the Management Board for Finance.

At the same time, the Supervisory Board of the Company adopted a resolution concerning the assignment of the duties of the President of the Management Board of the Company to Mr Artur Michałowski as of 5 August 2021 until the date of appointment of the President of the Management Board of the Company.

On the balance sheet date and as at the date of approval of these interim condensed consolidated financial statements for publication, the Management Board consisted of:

- Artur Michałowski – Acting President of the Management Board, Vice-President of the Management Board,
- Patryk Demski – Vice-President of the Management Board,
- Krzysztof Surma – Vice-President of the Management Board,
- Jerzy Topolski – Vice-President of the Management Board.

2. Composition of TAURON Group and joint ventures

As at 30 September 2021, TAURON Polska Energia S.A. held, directly and indirectly, interest in the following key subsidiaries:

(in PLN thousand)

Item	Company name	Registered office	Operating segment	Interest in the decision-making body held by TAURON Polska Energia S.A.	Company with direct equity interests / general partner
1	TAURON Wydobycie S.A.	Jaworzno	Mining	100,00%	TAURON Polska Energia S.A.
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation	100,00%	TAURON Polska Energia S.A.
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno		86,29%	TAURON Polska Energia S.A.
4	TAURON Ciepło Sp. z o.o.	Katowice		100,00%	TAURON Polska Energia S.A.
5	TAURON Serwis Sp. z o.o.	Katowice		95,61%	TAURON Polska Energia S.A.
6	Łagisza Grupa TAURON Sp. z o.o.	Katowice		100,00%	TAURON Wytwarzanie S.A.
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Renewable Energy Sources	100,00%	TAURON Polska Energia S.A.
8	Marselwind Sp. z o.o.	Katowice		100,00%	TAURON Polska Energia S.A.
9	TEC1 Sp. z o.o.	Katowice		100,00%	TAURON Polska Energia S.A.
10	TAURON Zielona Energia Sp. z o.o.[1]	Katowice		100,00%	TAURON Polska Energia S.A.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
20	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice		100,00%	TEC1 Sp. z o.o.
21	WIND T1 Sp. z o.o.	Jelenia Góra		100,00%	TAURON Ekoenergia Sp. z o.o.
22	AVAL-1 Sp. z o.o.	Jelenia Góra		100,00%	TAURON Ekoenergia Sp. z o.o.
23	Polpower Sp. z o.o.	Połczyn-Zdrój		100,00%	TAURON Ekoenergia Sp. z o.o.
24	TAURON Dystrybucja S.A.	Kraków	Distribution	99,76%	TAURON Polska Energia S.A.
25	TAURON Dystrybucja Pomiary Sp. z o.o.[2]	Tarnów		99,76%	TAURON Dystrybucja S.A.
26	TAURON Sprzedaż Sp. z o.o.	Kraków	Sales	100,00%	TAURON Polska Energia S.A.
27	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice		100,00%	TAURON Polska Energia S.A.
28	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic		100,00%	TAURON Polska Energia S.A.
29	TAURON Nowe Technologie S.A.	Wrocław		100,00%	TAURON Polska Energia S.A.
30	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Other	100,00%	TAURON Polska Energia S.A.
31	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice		100,00%	TAURON Polska Energia S.A.
32	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa		100,00%	TAURON Polska Energia S.A.
33	Finanse Grupa TAURON Sp. z o.o.	Katowice		100,00%	TAURON Polska Energia S.A.
34	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola		100,00%	TAURON Polska Energia S.A.
35	Wsparcie Grupa TAURON Sp. z o.o.	Tarnów		99,76%	TAURON Dystrybucja S.A.

[1] On 1 July 2021 the merger of companies: TEC3 Sp. z o.o. (the acquiring company) with the company TEC2 Sp. z o.o. (the acquired company) took place by acquisition pursuant to Article 492(1)(1) of the Code of Commercial Companies. On 8 October 2021, the name of the company was changed from the current TEC3 Sp. z o.o. for TAURON Zielona Energia Sp. z o.o.
[2] TAURON Polska Energia S.A. is the user of shares in TAURON Dystrybucja Pomiary Sp. z o.o.

As at 30 September 2021, 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		50.00%
3	TAMEH POLSKA Sp. z o.o. [2]	Dąbrowa Górnicza		50.00%
4	TAMEH Czech s.r.o. [2]	Ostrawa, Czech Republic		50.00%

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

Changes in the composition of TAURON Group

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

On 3 December 2020, the Extraordinary Meeting of Shareholders of Nowe Jaworzno Grupa TAURON sp. z o.o. company adopted the resolution on increasing the share capital of the company by the amount of PLN 1 900 thousand. All shares were acquired by the Company for the total amount of PLN 190 000 thousand. On 7 December 2020, the Company transferred the funds for the capital increase. As a result of this transaction, the Company shareholding in the capital and the governing body increased from 85.88% to 86.29%. On 13 January 2021, the capital increase was registered.

- Surcharges to the capitals of the company Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.

On 17 March 2021, the Extraordinary Meeting of Shareholders of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o adopted the resolution on contribution of surcharges to the capitals of the company in the amount PLN 10 800 thousand. Funds on account of surcharges were contributed by the Company on 24 March 2021.

- Decrease in the share capital of TAURON Dystrybucja S.A.

On 21 May 2021, a decrease in the share capital of the subsidiary, TAURON Dystrybucja S.A. was registered in connection with the statutory redemption of shares acquired by the company from shareholders representing no more than 5% of the share capital. As at 30 September 2021, the share of the Company in the capital and in the governing body reached 99.76% (as at 31 December 2020 - 99.75%).

As a result of the change in the Company share in TAURON Dystrybucja S.A., the share in subsidiaries held indirectly through TAURON Dystrybucja S.A., i.e. in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o., also changed.

- Acquisition of shares in Polpower Sp. z o.o.

On 10 June 2021, TAURON Ekoenergia Sp. z o.o. acquired 100% of the shares of Polpower Sp. z o.o. Consequently, TAURON Polska Energia S.A. holds an indirect share of 100% in the company Polpower Sp. z o.o. In the opinion of the Company, the acquired company does not constitute a business within the meaning of IFRS 3 *Business Combinations*, therefore the transaction was settled as the acquisition of assets other than assets constituting a business.

As at 30 September 2021, the share of TAURON Polska Energia S.A. in the capital and in the governing body of the remaining key subsidiaries and jointly-controlled entities has not changed since 31 December 2020.

3. Statement of compliance

These interim condensed consolidated financial statements were complied in accordance with the International Accounting Standard no. 34 *Interim Financial Reporting* (“IAS 34”) according to the template approved by the European Union (the “EU”).

The interim condensed consolidated financial statements do not comprise all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Company prepared in accordance with the IFRS for the year ended 31 December 2020.

4. Going concern

These interim condensed consolidated financial statements have been prepared with the assumption of continuation of activities by the Group companies as a going concern in the foreseeable future, i.e. in the period not shorter than one year following the balance sheet day. As at the date of approval of these interim condensed consolidated financial statements for publication, no circumstances had been identified which would indicate a risk to the ability of the Company to continue as a going concern.

The Group identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Group has the full capacity to settle its liabilities as they become due and payable. As at the balance sheet date, the Group has financing available under financing arrangements.

The Management Board analysed the financial situation of the Company and the Group and it does not currently identify any risks for the continuity of the operations as a going concern in the foreseeable future, i.e. in the period shorter than 1 year from the balance sheet date in the areas of liquidity, financing and securing the continuity of operating activities, taking into account the description of the impact of the COVID-19 pandemic on the Group's activities, as further discussed in Note 50 to these interim condensed consolidated financial statements.

5. Functional and presentation currency

The functional currency of the parent entity and its subsidiaries, except for TAURON Czech Energy s.r.o., covered by these interim condensed consolidated financial statements and the presentation currency of these interim condensed consolidated financial statements is the Polish zloty. The functional currency of TAURON Czech Energy s.r.o. is the Czech koruna (“CZK”). Items in the financial statements of TAURON Czech Energy s.r.o. are translated into the TAURON Group's presentation currency using the relevant exchange rates.

These interim condensed consolidated financial statements are presented in the Polish zloty (“PLN”) and all figures are provided in PLN thousand, unless indicated otherwise.

6. Material values based on professional judgement and estimates

In the process of applying the accounting policy in relation to the issues provided below, besides accounting estimates, the professional judgement of the management has been of key importance, affecting the figures disclosed in these interim condensed consolidated financial statements, including in the additional explanatory notes. The assumptions underlying these estimates are based on the best knowledge of the Management Board related to the current and future actions and events in individual areas. In the period covered by these interim condensed consolidated financial statements, no significant changes occurred in the estimates or estimation methods applied, which could affect the current or future periods, other than those described below and hereinafter 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 respect to receivables from customers, the Group estimates the amount of the allowance for expected credit losses based on the probability-weighted credit loss that may be incurred if any of the following events occur:

- a considerable (significant) delay in payment,
- a debtor goes into liquidation or bankruptcy or restructuring,
- the receivables are submitted to administrative enforcement, legal proceedings or enforcement at court.

The Group has allocated a portfolio of strategic counterparties and a portfolio of other counterparties for receivables from customers.

The default risk of strategic counterparties is assessed based on the ratings granted to counterparties using an internal scoring model, adequately restated to the probability of default, taking into account estimates of potential recoveries from the collaterals submitted.

In case of receivables from other counterparties, the adjusted historical repayment figures may reflect the credit risk that will be incurred in future periods. The expected credit losses for this group of counterparties were estimated using the receivables ageing matrix and the percentage ratios assigned to the various ranges and groups (including receivables claimed at court, receivables from counterparties in bankruptcy) allowing to estimate the value of receivables from customers expected to be outstanding.

Impact of COVID-19 on the methodology of estimates and assumptions

The economic effects of COVID-19 may affect both the quality of the financial asset portfolio of the Group companies and the level of repayment of receivables from customers. The forecast impact varies depending on the economic sector in which a particular counterparty operates. Due to the uncertainty surrounding further development of the COVID-19 pandemic and the expected impact of aid programmes, the ability to accurately estimate the future repayment of receivables from customers is limited.

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

- it has updated the parameters for the model of expected credit loss in the scope of relevant coefficients and recovery rate,
- it has taken into consideration the forward-looking approach.

Impact of COVID-19 on the level of the estimates prepared

Estimates taking into account uncertainties mainly related to the effect of COVID-19 on expected credit losses on receivables from customers were calculated based on the difference in the estimate of the amount of expected credit losses resulting from the model updated to this extent and the model based on pre-pandemic parameters and amounted to PLN 10 288 thousand. The total expected credit loss as at 30 September 2021 calculated for receivables from customers (excluding receivables claimed at court) was estimated at a level of PLN 51 182 thousand.

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

Estimates and assumptions

For loans classified as assets measured at amortised cost, the Group estimates the amount of their impairment losses. The risk of insolvency of borrowers is estimated based on the ratings assigned to counterparties using an internal scoring model, adequately converted into a probability of default, taking into account the time value of money.

The valuation of a loan classified as an asset measured at a fair value is estimated as the current value of future cash flows taking into account the credit risk of the borrower.

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

Impact of COVID-19 on the methodology of estimates and assumptions

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

Impact of COVID-19 on the level of the estimates prepared

In order to take into account the impact of the COVID-19 pandemic on expected credit losses on loans granted and guarantees issued, the Group calculates the difference in the amount of expected credit losses determined based on current quotations of Credit Default Swap (CDS) instruments and the amount of expected credit losses determined based on quotations of CDS instruments in the period preceding the COVID-19 pandemic. The effect of recognising the impact of COVID-19 on the estimation methodology for financial instruments, for which the Group was able to perform the relevant calculations, resulted in an increase in expected credit losses on the off-balance sheet liability under the guarantee issued by the bank at the Company request in favour of the jointly controlled entity, affecting in total the Group's financial result in the 9-month period ended 30 September 2021 in the amount of PLN 2 072 thousand.

Bearing in mind that the measurement of the loans granted to joint ventures (Elektrociepłownia Stalowa Wola S.A.) was based on the analysis of its future cash flows and the Company does not hold figures enabling it to estimate the impact of COVID-19 on each of the elements of the calculation of the future cash flows of joint ventures, the Company assessed that it is unable to reliably determine the impact of COVID-19 on the reduction in the carrying amount of the loans granted to joint ventures.

6.2. Other material values based on professional judgement and estimates

Other items of the interim condensed consolidated financial statements with a material risk of 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 15	The Group assesses as at each balance sheet date whether there is any objective indication that an item of property, plant and equipment may be impaired. If any such indication exists, the Group is required to test the property, plant and equipment for impairment. As part of the impairment test, the Group estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU corresponds to the higher of fair value less costs to sell or 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. As a result of the impairment tests of non-financial assets carried out as at 30 June 2021, the Group recognised impairment losses in the amount of PLN 1 122 507 thousand, which is discussed in more detail in Note 15 of these interim condensed consolidated financial statements. The Group verifies, at least at the end of each financial year, the economic useful lives of property, plant and equipment and any adjustments to depreciation are made with effect from the beginning of the reporting period in which the verification is completed.
Right-of-use assets	Note 16	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.
Loans granted to joint ventures	Note 21	The Group performs appropriate classification and measurement of its loans granted and estimates the allowance for expected credit losses in case of loans classified as assets measured at amortised cost. As at the balance sheet date, the loan granted under the debt consolidation agreement, due to the fact that the cash flows do not correspond solely to the payment of principal and interest, was classified as a financial asset measures at a fair value through profit or loss. The Group has estimated the fair value accordingly taking into account the credit risk. Other loans are measured at amortised cost and at each balance sheet date the Group estimates expected credit losses. Analyses of the credit risk of loans granted to the joint venture carried out as at the balance sheet date include, among other things, an estimate of the company future cash flows.
Deferred tax assets	Note 24	At the end of each reporting period, the Group verifies whether or not the deferred tax assets may be realized.
Debt	Note 31	When measuring liabilities at amortized cost using the effective interest rate method, the Group estimates expected 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 32 Note 33 Note 34 Note 35	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%. In the period of 9 months ended 30 September 2021, the Group changed the estimate of the level of the discount rate adopted for the valuation of long-term provisions, which is further described in individual notes to these interim condensed consolidated financial statements.
Derivative instruments	Note 11 Note 44.2	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 31 December 2020, the Group has a significant surplus of CO_2 emission allowances contracted to be acquired to be redeemed by the subsidiary in connection with the 2020 issue. In the first quarter of 2021, as a result of the analysis of new premises and circumstances that emerged after 31 December 2020, the Group changed its intention regarding the aforementioned CO_2 emission allowances and decided to roll them over with the conclusion of new contracts with delivery dates in March 2022, 2023, 2024.

(in PLN thousand)

Besides the foregoing, the Group makes significant estimates as regards the contingent liabilities recognised, in particular as regards legal proceedings where the Group companies are parties. Contingent liabilities are presented in detail in Note 47 to these interim condensed consolidated financial statements.

As at 30 September 2021, the Group assessed that in relation to the assets and liabilities of TAURON Ciepło Sp. z o.o. recognised as at 31 December 2020 as a disposable group held for sale, the conditions of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* for the classification of the above assets as a disposal group held for sale are not met. In order to ensure comparability of the data in the interim condensed consolidated financial statements for the 9-month period ended 30 September 2021, the Group restated the comparative data accordingly in terms of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o. for the 9-month period ended 30 September 2020 and as at 31 December 2020, as described in more detail in Note 8.2 of these interim condensed consolidated financial statements.

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

The Group did not choose earlier application of any standards or amendments to standards which were published but have not entered into force by 30 September 2021.

- **Amendments to standards issued by the International Accounting Standards Board which were approved by the European Union but have not yet entered into force**

According to the Management Board, the following amendments to standards will not materially affect the accounting policy applied so far:

Standard	Effective in the EU as of *(annual periods beginning on or after the date provided)*
Amendments to IFRS 3 *Business Combinations: Changes to references to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment: Revenues earned before putting into use*	1 January 2022
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Costs of fulfilling a contract*	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

- **Standards and amendments to standards issued by the International Accounting Standards Board which have not been endorsed by the European Union and have not entered into force yet**

Amendments to IAS 1 *Presentation of Financial Statements: Classification of financial liabilities as current or non-current* to enter into force on 1 January 2023

In accordance with the amendments to IAS 1 *Presentation of Financial Statements*, liabilities are classified as non-current if the entity has a significant right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The expectations of the entity do not affect the classification.

As at the balance sheet day, the Company has revolving credit agreements under which the drawing period of the credit tranches is equal to or less than 1 year, while the period of availability of funding exceeds 12 months from the balance sheet date and the Company has the right to defer the liability by at least 12 months from the end of the reporting period. In the case of these credit agreements, the Company classifies the tranches as either a non-current liability or a current liability in accordance with the expectation regarding the repayment of the liability. As at 30 September 2021, taking into account the intentions of the Company, tranches with an aggregate nominal value of PLN 950 000 thousand are classified as current liabilities. Under the agreement, the Company has the right to defer the settlement of a liability for a period exceeding 12 months, thus in accordance with the amendments to IAS 1 *Presentation of Financial Statements* the said liability would be classified as a non-current liability.

According to the Management Board, the following standards and amendments to standards will not materially affect the accounting policies applied so far:

(in PLN thousand)

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*
Amendments 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 IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	1 January 2023
IFRS 17 *Insurance contracts*	1 January 2023

**The European Commission decided to suspend 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 accounting policies used and restatement of comparable data

The accounting principles (policy) applied for the preparation of these interim condensed consolidated financial statements are consistent with those applied for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020 except for the application of the amendments to standards listed below. The Group also made a restatement of comparable data, as described below.

8.1. Application of amendments to standards

According to the Management Board, the following standards and changes to standards have not materially affected the accounting policy applied so far:

Standard	Effective date in the EU *(annual periods beginning on or after the date provided)*
Amendments to IFRS 4 *Insurance Contracts*	1 January 2021
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 16 *Leases: Covid-19-Related Rent Concessions beyond 30 June 2021* (apply for financial years which starts at the latest on 1 January 2021 and later)	1 April 2021

8.2. Restatement of comparable data

Change in the plan concerning the sale of shares in TAURON Ciepło Sp. z o.o.

As at 30 September 2021, 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* are no longer met in the scope of classification of the aforementioned assets as a group held for sale. In particular, the active programme to find a purchaser is not continued and the sale of shares in TAURON Ciepło Sp. z o.o. was not completed within one year from the date of recognition of assets and liabilities of TAURON Ciepło Sp. z o.o. as, respectively, assets classified as held for sale and liabilities related to assets classified as held for sale, i.e. as of 30 June 2020. In the framework of the project aimed at market verification of the possibility to sell shares of the subsidiary, TAURON Ciepło Sp. z o.o. and the potential continuation of the sales process, the Company conducted negotiations on an exclusivity basis with Polskie Górnictwo Naftowe i Gazownictwo S.A. On 29 January 2021, Polskie Górnictwo Naftowe i Gazownictwo S.A. expressed its intention to abandon the continuation of the negotiations aimed at acquiring shares in TAURON Ciepło Sp. z o.o.

As at 30 June 2020 the Group estimated 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* have been fulfilled in the scope of classification of the aforementioned assets as held for sale, accordingly, as at 30 June 2020, the Group reclassified the assets and liabilities of TAURON Ciepło Sp. z o.o. as a disposable group of assets classified as held for sale and liabilities related to assets classified as held for sale, respectively. The measurement of assets and liabilities of TAURON Ciepło Sp. z o.o. (net assets) as at 30 June 2020 to the fair value conducted by the Group based on the information gathered in the course of the conducted market sale process of shares in TAURON Ciepło Sp. z o.o. amounted to PLN 1 343 000 thousand. As at 30 September 2020 and 31 December 2020 the estimation of the recoverable amount has not significantly changed and amounted to PLN 1 342 000 thousand.

Based on paragraph 28 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations,* in view of the fact that the disposable group for which the sale plan was changed was the subsidiary, the Group assesses that it is necessary to restate the comparable data in these interim condensed consolidated financial statements accordingly. The comparable data were restated as if the assets and liabilities of TAURON Ciepło Sp. z o.o. in the previous reporting periods had not been classified as a disposable group held for sale and had not been measured to the fair value.

In order to ensure comparability of the data in the interim condensed consolidated financial statements for the 9-month period ended 30 September 2021, the Company restated the comparative data accordingly in terms of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o. for the 9-month period ended 30 September 2020 and as at 31 December 2020. Assets and liabilities of TAURON Ciepło Sp. z o.o. after restatement are presented in relevant items of the interim condensed consolidated statement of financial position. The value of assets and liabilities was based on the recoverable value of individual cash-generating units of TAURON Ciepło Sp. z o.o. ("CGU"), which is the value in use of the aforementioned CGU as at 31 December 2020, as estimated within the impairment tests performed by the Group as at 31 December 2020. The key assumptions of the tests performed, in particular with regard to the adopted price paths for coal, electricity and CO_2 emission allowances, are described in Note 11 of the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020. Moreover, the feed-in tariff revenue of heat companies has been assumed, ensuring the coverage of justified costs and gaining a reasonable level of return on the capital employed. For the individual CGUs related to heat and electricity generation, the lifetime of the generating units was assumed until 2049. For the CGU related to heat transmission, a detailed forecast over a 10-year period was adopted including the residual value.

- **The restatement of comparable data as at 31 December 2020**

The restatement of comparable data in the scope of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o. resulted in an increase of the net financial result for 2020 and, consequently, the Group's retained earnings as at 31 December 2020 by the amount of PLN 314 881 thousand. The aforementioned increase arises from:

- lack of the necessity to recognise under the restated financial result a write-down of net assets of TAURON Ciepło Sp. z o.o. to the fair value in the amount of PLN 825 708 thousand,
- charge to the net financial result for 2020 with the amount of PLN 462 291 thousand as a result of the necessity to recognise an impairment loss on TAURON Ciepło Sp. z o.o. assets in the total amount of PLN 570 730 thousand, based on the recoverable amount estimated in the framework of the impairment tests performed as at 31 December 2020,
- charge to the net financial result with the amount of PLN 48 536 thousand as a result of the recognition of depreciation and other changes in non-financial non-current assets for the second half of 2020.

The tables below present the impact of the change described above on the consolidated statement of financial position as at 31 December 2020:

(in PLN thousand)

	As at 31 December 2020 *(approved figures)*	Change of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o.	As at 31 December 2020 *(restated figures)*
ASSETS			
Non-current assets			
Property, plant and equipment	27 926 615	1 578 052	29 504 667
Right-of-use assets	1 738 926	137 044	1 875 970
Goodwill	26 183	-	26 183
Energy certificates and CO_2 emission allowances for surrender	500 936	-	500 936
Other intangible assets	549 074	2 618	551 692
Investments in joint ventures	586 559	-	586 559
Loans granted to joint ventures	96 293	-	96 293
Other financial assets	208 063	38 183	246 246
Other non-financial assets	64 064	29	64 093
Deferred tax assets	39 678	92 642	132 320
	31 736 391	**1 848 568**	**33 584 959**
Current assets			
Energy certificates and CO_2 emission allowances for surrender	1 008 208	31 421	1 039 629
Inventories	777 215	97 211	874 426
Receivables from buyers	2 363 085	110 331	2 473 416
Income tax receivables	83 655	-	83 655
Receivables arising from other taxes and charges	282 673	12 493	295 166
Loans granted to joint ventures	2 420	-	2 420
Other financial assets	266 431	90	266 521
Other non-financial assets	78 457	1 775	80 232
Cash and cash equivalents	909 453	11 892	921 345
Assets classified as held for sale	1 903 076	(1 828 634)	74 442
	7 674 673	**(1 563 421)**	**6 111 252**
TOTAL ASSETS	**39 411 064**	**285 147**	**39 696 211**

	As at 31 December 2020 *(approved figures)*	Change of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o.	As at 31 December 2020 *(restated figures)*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	8 762 747	-	8 762 747
Reserve capital	6 338 754	-	6 338 754
Revaluation reserve from valuation of hedging instruments	(67 903)	-	(67 903)
Foreign exchange differences from translation of foreign entities	27 010	-	27 010
Retained earnings/(Accumulated losses)	458 034	314 881	772 915
	15 518 642	**314 881**	**15 833 523**
Non-controlling interests	**893 623**	**-**	**893 623**
Total equity	**16 412 265**	**314 881**	**16 727 146**
Non-current liabilities			
Debt	13 108 449	62 751	13 171 200
Provisions for employee benefits	931 954	19 658	951 612
Provisions for disassembly of fixed assets, land restoration and other provisions	669 206	89	669 295
Accruals, deferred income and government grants	399 628	95 295	494 923
Deferred tax liabilities	433 738	-	433 738
Other financial liabilities	136 855	708	137 563
Other non-financial liabilities	7 546	-	7 546
	15 687 376	**178 501**	**15 865 877**
Current liabilities			
Debt	1 478 550	2 122	1 480 672
Liabilities to suppliers	965 106	55 562	1 020 668
Capital commitments	838 486	18 903	857 389
Provisions for employee benefits	101 325	2 650	103 975
Provisions for liabilities due to energy certificates and CO_2 emission allowances	1 623 453	127 470	1 750 923
Other provisions	273 608	30 131	303 739
Accruals, deferred income and government grants	166 149	15 379	181 528
Income tax liabilities	3 142	-	3 142
Liabilities arising from other taxes and charges	392 856	16 931	409 787
Other financial liabilities	549 671	9 832	559 503
Other non-financial liabilities	423 091	207	423 298
Liabilities directly related to assets classified as held for sale	495 986	(487 422)	8 564
	7 311 423	**(208 235)**	**7 103 188**
Total liabilities	**22 998 799**	**(29 734)**	**22 969 065**
TOTAL EQUITY AND LIABILITIES	**39 411 064**	**285 147**	**39 696 211**

(in PLN thousand)

The recoverable amount of individual CGU, the total carrying amount of this CGU's (after impairment allowance in accordance with IAS 36 *Impairment of assets*) and amount of impairment loss recognised within the restated figures as at 31 December 2020 are presented in the table below:

CGU	Company	Discount rate (before tax) assumed in tests as at:	Recoverable amount	Carrying amount taking into account in restated figures	Impairment loss
		31 December 2020	As at 31 December 2020	As at 31 December 2020	Year ended 31 December 2020
CGU ZW Katowice	TAURON Ciepło Sp. z o.o.	10.29%	405 290	351 632	-
CGU ZW Bielsko-Biała		9.44%	133 923	133 923	(249 854)
CGU ZW Tychy		10.03%	328 108	328 108	(310 187)
CGU ZW OCL		11.34%	28 706	28 706	(10 689)
CGU Transmission		7.73%	737 603	684 819	-
Total			**1 633 630**	**1 527 188**	**(570 730)**

- **Restatement of comparable data for the 9-month period ended 30 September 2020**

The restatement of comparable data in the scope of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o. resulted in an increase of the net financial result for the 9-month period ended 30 September 2020 by the amount of PLN 335 479 thousand. The aforementioned increase arises from:

- lack of the necessity to recognise under the restated financial result a write-down of net assets of TAURON Ciepło Sp. z o.o. to the fair value in the amount of PLN 822 009 thousand,
- charge to the net financial result for the 9-month period ended on 30 September 2020 in the amount of PLN 462 291 thousand as a result of the necessity to recognise an impairment loss on TAURON Ciepło Sp. z o.o. assets in the total amount of PLN 570 730 thousand, based on the recoverable amount estimated in the framework of the impairment tests performed as at 31 December 2020,
- charge to the net financial result with the amount of PLN 24 239 thousand as a result of the recognition of depreciation and other changes in non-financial non-current assets for the 3-month period ended 30 September 2020.

The impact of the change described above on the interim condensed consolidated statement of comprehensive income for the 9-month period ended 30 September 2020 is shown in the table below:

(in PLN thousand)

	9-month period ended 30 September 2020 *(unaudited approved figures)*	Change of presentation and measurement of assets and liabilities of TAURON Ciepło Sp. z o.o.	9-month period ended 30 September 2020 *(unaudited restated figures)*
Sales revenue	14 876 828	344 121	15 220 949
Recompensation revenue	66 448	-	66 448
Cost of sales	(12 821 408)	(911 633)	(13 733 041)
Profit on sale (loss)	**2 121 868**	**(567 512)**	**1 554 356**
Selling and distribution expenses	(338 068)	(3 370)	(341 438)
Administrative expenses	(422 261)	(17 049)	(439 310)
Other operating income and expenses	311 579	15 941	327 520
Share in profit/(loss) of joint ventures	5 757	-	5 757
Operating profit (loss)	**1 678 875**	**(571 990)**	**1 106 885**
Interest expense on debt	(206 834)	(1 881)	(208 715)
Finance income and other finance costs	(76 178)	276	(75 902)
Profit before tax (loss)	**1 395 863**	**(573 595)**	**822 268**
Income tax expense	(539 497)	112 508	(426 989)
Net profit on continuing operations (loss)	**856 366**	**(461 087)**	**395 279**
Net profit on discontinued operations (loss)	**(796 566)**	**796 566**	**-**
Net profit	**59 800**	**335 479**	**395 279**
Measurement of hedging instruments	(121 710)	-	(121 710)
Foreign exchange differences from translation of foreign entity	(1 528)	-	(1 528)
Income tax	23 125	-	23 125
Other comprehensive income on continuing operations to be reclassified in the financial result	**(100 113)**	**-**	**(100 113)**
Actuarial losses	(100 148)	(1 560)	(101 708)
Income tax	19 028	296	19 324
Share in other comprehensive income of joint ventures	355	-	355
Other comprehensive income on continuing operations not to be reclassified in the financial result	**(80 765)**	**(1 264)**	**(82 029)**
Other comprehensive income on discontinued operations	**(1 264)**	**1 264**	**-**
Other comprehensive income, net of tax	**(182 142)**	**-**	**(182 142)**
Total comprehensive income	**(122 342)**	**335 479**	**213 137**
Net profit (loss):			
Attributable to equity holders of the Parent	60 597	335 479	396 076
Attributable to non-controlling interests	(797)	-	(797)
Total comprehensive income:			
Attributable to equity holders of the Parent	(121 400)	335 479	214 079
Attributable to non-controlling interests	(942)	-	(942)
Profit per share (loss) (in PLN):			
basic and diluted net profit (loss) for the period attributable to shareholders of the parent company	0.03	0.20	0.23
basic and diluted net profit (loss) from continuing operations for the period attributable to shareholders of the parent company	0.49	(0.26)	0.23

9. Seasonality of activities

The Group's business is characterised by seasonality.

Sales of heat depends on the atmospheric conditions, in particular, on air temperature, and it is higher in the autumn and winter season for individual customers. The level of electricity sales to individual consumers depends on the length of a day, which usually makes electricity sales in this group of consumers lower in the spring and summer season and higher in the autumn and winter season. Sales of coal to individual consumers is higher in the autumn and winter season. The seasonality of the remaining areas of the Group operations is limited.

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 organised and managed by segment, taking into account 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 principles (policy) to all operating segments. The Group accounts for transactions between segments as if they referred to 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 Company are presented under unallocated expenses. General and administrative expenses of the Parent Company are incurred for the benefit of the entire Group and cannot be directly attributed to the 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 financial 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 financial revenue 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 in order to take decisions concerning allocation of the resources, to assess the effects of the allocation and to evaluate performance. The evaluation of performance is based on EBITDA and operating profit or loss. The Group defines EBITDA as EBIT increased by depreciation, amortisation and write-offs for non-financial assets. TAURON Group recognises write-downs on non-financial assets of entities consolidated using the full method and share in write-downs on non-financial assets of entities measured using the equity method as write-downs on non-financial assets. EBIT is defined by the Group as the profit/(loss) on continuing operations before tax, financial income and costs, i.e. operating profit/(loss).

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 Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Łagisza Grupa TAURON 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. TAURON Zielona Energia 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. WIND T1 Sp. z o.o. AVAL-1 Sp. z o.o. Polpower Sp. z o.o. TAURON Wytwarzanie S.A [2]
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.

[1] *Entities recognized with the equity method.*
[2] *TAURON Wytwarzanie S.A. classifies activity related to photovoltaic power generation in the Renewable Energy Sources segment.*

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 desulphurisation installations and fluidised bed boilers (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)

In connection with the discontinuation of the classification of assets and liabilities of the subsidiary company, TAURON Ciepło Sp. z o.o. as a disposable group, as described in more detail in Note 8.2 of these interim condensed consolidated financial statements, the data as at 31 December 2020 and for the 9-month and 3-month period ended 30 September 2020 were restated accordingly.

10.1. Operating segments

9-month period ended 30 September 2021 or as at 30 September 2021 *(unaudited)*

	Operating segments					Other	Unallocated items / Eliminations	Total continuing operations
	Mining	Generation	Renewable Energy Sources	Distribution	Sales			
Revenue								
Sales to external customers	411 459	2 394 887	88 182	2 547 486	12 301 880	119 703	-	**17 863 597**
Inter-segment sales	578 590	4 023 225	355 926	2 714 420	4 036 412	719 462	(12 428 035)	**-**
Total segment revenue	**990 049**	**6 418 112**	**444 108**	**5 261 906**	**16 338 292**	**839 165**	**(12 428 035)**	**17 863 597**
Recompensation revenue	**-**	**-**	**-**	**-**	**(7 375)**	**-**	**-**	**(7 375)**
Profit/(loss) of the segment	**(459 650)**	**4 264**	**133 549**	**1 357 289**	**(53 848)**	**68 338**	**(1 224)**	**1 048 718**
Share in profit/(loss) of joint ventures	-	41 159	-	-	-	-	-	**41 159**
Unallocated expenses	-	-	-	-	-	-	(65 018)	**(65 018)**
EBIT	**(459 650)**	**45 423**	**133 549**	**1 357 289**	**(53 848)**	**68 338**	**(66 242)**	**1 024 859**
Net finance income (costs)	-	-	-	-	-	-	(237 027)	**(237 027)**
Profit/(loss) before income tax	**(459 650)**	**45 423**	**133 549**	**1 357 289**	**(53 848)**	**68 338**	**(303 269)**	**787 832**
Income tax expense	-	-	-	-	-	**-**	(291 298)	**(291 298)**
Net profit/(loss) for the period	**(459 650)**	**45 423**	**133 549**	**1 357 289**	**(53 848)**	**68 338**	**(594 567)**	**496 534**
Assets and liabilities								
Segment assets	913 954	8 142 261	2 397 206	20 704 377	4 393 222	814 436	-	**37 365 456**
Investments in joint ventures	-	601 002	-	-	-	-	-	**601 002**
Unallocated assets	-	-	-	-	-	-	654 800	**654 800**
Total assets	**913 954**	**8 743 263**	**2 397 206**	**20 704 377**	**4 393 222**	**814 436**	**654 800**	**38 621 258**
Segment liabilities	933 288	1 879 570	252 347	1 973 311	1 990 474	512 036	-	**7 541 026**
Unallocated liabilities	-	-	-	-	-	-	13 653 973	**13 653 973**
Total liabilities	**933 288**	**1 879 570**	**252 347**	**1 973 311**	**1 990 474**	**512 036**	**13 653 973**	**21 194 999**
EBIT	**(459 650)**	**45 423**	**133 549**	**1 357 289**	**(53 848)**	**68 338**	**(66 242)**	**1 024 859**
Depreciation/amortization	**(100 668)**	**(343 637)**	**(115 618)**	**(896 811)**	**(30 764)**	**(81 991)**	**977**	**(1 568 512)**
Impairment	**(184 690)**	**(929 115)**	**(940)**	**3 092**	**-**	**142**	**(346)**	**(1 111 857)**
EBITDA	**(174 292)**	**1 318 175**	**250 107**	**2 251 008**	**(23 084)**	**150 187**	**(66 873)**	**3 705 228**
Other segment information								
Capital expenditure *	192 615	191 623	48 583	1 362 247	49 314	118 760	-	**1 963 142**

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

9-month period ended 30 September 2020 *(restated unaudited data)* or as at 31 December 2020 *(restated data)*

	Operating segments					Other	Unallocated items / Eliminations	Total continuing operations
	Mining	Generation	Renewable Energy Sources	Distribution	Sales			
Revenue								
Sales to external customers	273 824	2 143 571	112 392	2 438 246	10 149 329	103 587	-	**15 220 949**
Inter-segment sales	514 900	872 458	345 608	2 640 531	2 001 265	718 455	(7 093 217)	**-**
Total segment revenue	**788 724**	**3 016 029**	**458 000**	**5 078 777**	**12 150 594**	**822 042**	**(7 093 217)**	**15 220 949**
Recompensation revenue	**-**	**-**	**-**	**-**	**66 448**	**-**	**-**	**66 448**
Profit/(loss) of the segment	**(347 746)**	**(780 293)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(104 811)**	**1 173 158**
Share in profit/(loss) of joint ventures	-	5 757	-	-	-	-	-	**5 757**
Unallocated expenses	-	-	-	-	-	-	(72 030)	**(72 030)**
EBIT	**(347 746)**	**(774 536)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(176 841)**	**1 106 885**
Net finance income (costs)	-	-	-	-	-	-	(284 617)	**(284 617)**
Profit/(loss) before income tax	**(347 746)**	**(774 536)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(461 458)**	**822 268**
Income tax expense	-	-	-	-	-	-	(426 989)	**(426 989)**
Net profit/(loss) for the period	**(347 746)**	**(774 536)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(888 447)**	**395 279**
Assets and liabilities								
Segment assets	1 115 883	9 468 023	2 438 924	20 079 215	4 614 093	775 856	-	**38 491 994**
Investments in joint ventures	-	586 559	-	-	-	-	-	**586 559**
Unallocated assets	-	-	-	-	-	-	617 658	**617 658**
Total assets	**1 115 883**	**10 054 582**	**2 438 924**	**20 079 215**	**4 614 093**	**775 856**	**617 658**	**39 696 211**
Segment liabilities	1 048 140	2 101 919	238 633	1 813 796	1 781 168	559 237	-	**7 542 893**
Unallocated liabilities	-	-	-	-	-	-	15 426 172	**15 426 172**
Total liabilities	**1 048 140**	**2 101 919**	**238 633**	**1 813 796**	**1 781 168**	**559 237**	**15 426 172**	**22 969 065**
EBIT	**(347 746)**	**(774 536)**	**104 475**	**1 551 496**	**607 401**	**142 636**	**(176 841)**	**1 106 885**
Depreciation/amortization	**(135 909)**	**(274 619)**	**(112 887)**	**(868 257)**	**(33 086)**	**(69 185)**	**-**	**(1 493 943)**
Impairment	**(179 431)**	**(637 860)**	**-**	**2 877**	**(56)**	**377**	**-**	**(814 093)**
EBITDA	**(32 406)**	**137 943**	**217 362**	**2 416 876**	**640 543**	**211 444**	**(176 841)**	**3 414 921**
Other segment information								
Capital expenditure *	226 800	1 022 194	7 061	1 315 971	31 249	124 328	-	**2 727 603**

** Capital expenditure includes expenditures for property, plant, equipment, intangible assets and right-of-use assets, excluding acquisition of CO2 emission allowances and energy certificates.*

(in PLN thousand)

3-month period ended 30 September 2021 *(unaudited)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue								
Sales to external customers	186 216	710 453	28 596	837 141	4 190 131	44 679	-	**5 997 216**
Inter-segment sales	223 830	1 648 690	107 137	905 520	1 423 215	234 985	(4 543 377)	**-**
Total Segment revenue	**410 046**	**2 359 143**	**135 733**	**1 742 661**	**5 613 346**	**279 664**	**(4 543 377)**	**5 997 216**
Recompensation revenue	**-**	**-**	**-**	**-**	**(7 375)**	**-**	**-**	**(7 375)**
Profit/(loss) of the segment	**(138 814)**	**185 563**	**44 592**	**433 296**	**(270 528)**	**15 730**	**26 202**	**296 041**
Share in profit/(loss) of joint ventures	-	18 859	-	-	-	-	-	**18 859**
Unallocated expenses	-	-	-	-	-	-	(20 621)	**(20 621)**
EBIT	**(138 814)**	**204 422**	**44 592**	**433 296**	**(270 528)**	**15 730**	**5 581**	**294 279**
Net finance income (costs)	-	-	-	-	-	-	(103 135)	**(103 135)**
Profit/(loss) before income tax	**(138 814)**	**204 422**	**44 592**	**433 296**	**(270 528)**	**15 730**	**(97 554)**	**191 144**
Income tax expense	-	-	-	-	-	**-**	(76 575)	**(76 575)**
Net profit/(loss) for the period	**(138 814)**	**204 422**	**44 592**	**433 296**	**(270 528)**	**15 730**	**(174 129)**	**114 569**
EBIT	**(138 814)**	**204 422**	**44 592**	**433 296**	**(270 528)**	**15 730**	**5 581**	**294 279**
Depreciation/amortization	**(26 252)**	**(106 302)**	**(38 498)**	**(301 767)**	**(10 915)**	**(28 880)**	**456**	**(512 158)**
Impairment	**16 303**	**773**	**-**	**2 846**	**-**	**101**	**(164)**	**19 859**
EBITDA	**(128 865)**	**309 951**	**83 090**	**732 217**	**(259 613)**	**44 509**	**5 289**	**786 578**
Other segment information								
Capital expenditure *	70 897	77 813	28 480	440 616	21 859	36 345	-	**676 010**

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

3-month period ended 30 September 2020 *(restated unaudited data)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Unallocated items / Eliminations	Total
Revenue								
Sales to external customers	100 756	508 291	25 998	825 049	3 534 508	39 569	-	**5 034 171**
Inter-segment sales	184 997	428 580	82 980	895 174	601 585	246 522	(2 439 838)	**-**
Total Segment revenue	**285 753**	**936 871**	**108 978**	**1 720 223**	**4 136 093**	**286 091**	**(2 439 838)**	**5 034 171**
Recompensation revenue	**-**	**-**	**-**	**-**	**66 448**	**-**	**-**	**66 448**
Profit/(loss) of the segment	**(76 441)**	**(42 084)**	**16 392**	**436 050**	**228 215**	**24 446**	**(20 569)**	**566 009**
Share in profit/(loss) of joint ventures	-	(35 157)	-	-	-	-	-	**(35 157)**
Unallocated expenses	-	-	-	-	-	-	(21 652)	**(21 652)**
EBIT	**(76 441)**	**(77 241)**	**16 392**	**436 050**	**228 215**	**24 446**	**(42 221)**	**509 200**
Net finance income (costs)	-	-	-	-	-	-	(39 407)	**(39 407)**
Profit/(loss) before income tax	**(76 441)**	**(77 241)**	**16 392**	**436 050**	**228 215**	**24 446**	**(81 628)**	**469 793**
Income tax expense	-	-	-	-	-	-	(101 560)	**(101 560)**
Net profit/(loss) for the period	**(76 441)**	**(77 241)**	**16 392**	**436 050**	**228 215**	**24 446**	**(183 188)**	**368 233**
EBIT	**(76 441)**	**(77 241)**	**16 392**	**436 050**	**228 215**	**24 446**	**(42 221)**	**509 200**
Depreciation/amortization	**(37 545)**	**(93 547)**	**(37 405)**	**(292 164)**	**(9 368)**	**(24 628)**	**-**	**(494 657)**
Impairment	**289**	**(3 615)**	**-**	**39**	**(56)**	**6**	**-**	**(3 337)**
EBITDA	**(39 185)**	**19 921**	**53 797**	**728 175**	**237 639**	**49 068**	**(42 221)**	**1 007 194**
Other segment information								
Capital expenditure *	108 716	328 982	1 520	407 696	9 866	58 542	-	**915 322**

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

The increase in EBITDA of the Generation segment in relation to the comparable period results mainly from the effects of the restructuring of the portfolio of CO_2 emission allowances and the commencement of the Capacity Market from 1 January 2021 (with the simultaneous failure to include in the catalogue of system services from 2021 of the Operational Power Reserve and Intervention Cold Reserve services, the revenues of which were earned in 2020), as described in more detail in note 11 of these interim condensed consolidated financial statements as well as the achievement of margins on energy sales in the current reporting period, including on account of the electricity agreement between Nowe Jaworzno Grupa TAURON Sp. z o.o. and the Company.

The decline in EBITDA of the Sales segment in relation to the comparative period results mainly from the lower margin obtained on the sales of electricity, which is a result of higher electricity purchase costs, including under the execution of the contract for the purchase of electricity from the 910 MW unit in Jaworzno at a higher electricity sales price, higher volume and higher revenue from fixed commercial charges.

(in PLN thousand)

The most significant reason for the increase in sales revenues between segments achieved by the Generation segment in relation to the comparable period is the performance of electricity sales by the Nowe Jaworzno Grupa TAURON Sp. z o.o. company to the parent company under the long-term electricity sales agreement concluded between the above-mentioned entities.

In 2020, works commenced on transforming the coal mining industry in Poland. The works are led by the Secretary of State, Government Plenipotentiary for the Transformation of Energy Companies and Coal Mining. As agreed between representatives of the Government and representatives of TAURON Wydobycie S.A., this company participated in negotiations on the preparation of the social agreement concerning the transformation of the hard coal mining sector and selected transformation processes in the Silesian Voivodeship ("Social Agreement"). The Social Agreement covers, among others, a schedule for the liquidation of the mines belonging to Polish mining companies, a financing mechanism for companies in the coal mining sector as well as employment guarantees and a social protection package for mine workers. On 28 April 2021, the content of the agreement was finally agreed and initialled by the governmental party and trade union representatives. The initialling of the negotiated text of the agreement enabled the launch of the currently ongoing process of its pre-notification and subsequently the notification to the European Commission. On 28 May 2021, the Social Agreement for the mining sector was signed. On 28 June 2021, the social party submitted to the Prime Minister a draft Act of law on the Silesia Transformation Fund, the establishment of which had been enshrined in the Social Agreement. The Silesia Transformation Fund will aim to undertake investment, organisational and financial activities related to the transformation of the Upper Silesia and the Dąbrowa Basin regions and to rebuild the region's economic potential. As at the date of approval of these interim condensed consolidated financial statements for publication, work is in progress related to the preparation of the final version of the draft law by the governmental party.

The above events may materially affect the shape and financial data of the Mining segment in future reporting periods.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Sale of goods for resale, finished goods and materials without elimination of excise	**11 880 832**	**10 226 709**
Excise	(80 301)	(77 427)
Sale of goods for resale, finished goods and materials	**11 800 531**	**10 149 282**
Electricity	10 138 368	8 897 970
Heat energy	518 541	446 466
Gas	304 369	231 388
Coal	372 355	245 435
CO_2 emission allowances	160 931	6 160
Energy certificates and similar	131 644	171 641
Other goods for resale, finished goods and materials	174 323	150 222
Rendering of services	**5 706 703**	**5 019 218**
Distribution and trade services	4 954 063	4 788 495
Capacity Market	496 107	-
Maintenance of road lighting	90 956	88 870
Connection fees	59 113	59 048
Other services	106 464	82 805
Other revenue	**52 418**	**52 449**
Total revenue from contracts with customers	**17 559 652**	**15 220 949**
Restructuration in the portfolio of CO_2 emission allowances	303 945	-
Total sales revenue	**17 863 597**	**15 220 949**

Revenues in compliance with IFRS 15 "Revenue from contracts with customers"

In the 9-month period ended 30 September 2021, sales revenue increased in relation to the comparable period while the main changes were related to the revenue from sales of the following products, goods and services:

- Electricity – the increase results mainly from higher retail electricity sales volumes (both in the business and mass segment), higher electricity sales prices mainly on the balancing and stock market and higher revenues from trade fees,
- Heat – the increase results from sales of a higher volume (affected by lower temperatures in the current period compared to the corresponding period) and achieving higher heat sales prices,
- Gas – the increase mainly due to the sale of a higher volume at higher prices due to lower temperatures compared to the comparable period and the acquisition of new customers,
- Coal – the increase in revenue from coal sales results from the sale of a higher volume simultaneously achieving lower sales prices,
- CO_2 emission allowances – in connection with the delayed commissioning of the 910 MW unit and the resulting lower production, a significant surplus of allowances contracted for the purpose of meeting the redemption obligation for 2020 over the actual demand was generated in the portfolio of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. In consequence, the Group took twofold activities which the goal was to manage of a surplus. One of activity was to resold CO_2 emission allowances in the amount of 691 000 EUAs, which carrying amount was PLN 76 489 thousand. The revenues gained from this activity amounted to PLN 134 738 thousand. As a second activity, the Group made a restructuration of CO_2 emission allowances portfolio, in scope of forward contracts, as described below,
- Capacity Market – from 1 January 2021, pursuant to the *Act of 8 December 2017 on the Capacity Market*, which introduced a new service – the capacity obligation, consisting in keeping the preparedness of the capacity market unit to supply electrical capacity to the system and the obligation to supply a certain capacity to the system during a period of emergency, the Capacity Market started operating. In connection with the foregoing, the Group recognises the revenue related to the fulfilment of the capacity obligation performed by the Capacity Market units of the Group by the Group companies operating as suppliers of capacity to PSE S.A. In the 9-month period ended 30 September 2021, the revenue from the above title amounted to PLN 496 107 thousand.

Restructuring of the portfolio of CO_2 emission allowances

In March 2021, the Group restructured portfolio of CO_2 emission allowances, of subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o., with respect to the volume of 3 258 000 CO_2 emission allowances, concluded under forward contracts with the acceptance date in March 2021. As a result of the analysis of new premises and circumstances, the Company changed its intention regarding the above-mentioned CO_2 emission allowances and decided to perform their rollover including the conclusion of new contracts with delivery dates in March 2022, 2023 and 2024. In connection with the fact that the original contracts were not settled by physical delivery, the Company recognised the contracts in accordance with IFRS 9 *Financial Instruments* at a fair value under the date of the change in the judgement, i.e. in March 2021 and subsequently recognised the result from the settlement of instruments, which resulted in an increase in the sales revenue and the operating profit in the amount of PLN 303 945 thousand (i.e. EUR 65 893 thousand). New contracted transactions with delivery dates between 2022 and 2024 were concluded and are held in accordance with the Group's expected redemption requirements and will be settled by physical delivery and are therefore excluded from the scope of IFRS 9 *Financial Instruments* and are not measured at a fair value. At the same time, these transactions were performed at prices higher than the purchase originally contracted and will therefore increase the cost of creating the provision for CO_2 emission liabilities for 2021 and for subsequent financial years. As a result of the foregoing, the Group estimates that the cumulative impact of the restructuring on its operating profit in 2021-2023 will not be significant.

Sales revenue by operating segment is shown in the tables below.

(in PLN thousand)

9-month period ended 30 September 2021 *(unaudited)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**393 369**	**1 872 271**	**83 110**	**1 672**	**9 652 018**	**102 036**	**12 104 476**
Electricity	-	1 003 953	590	-	9 119 328	14 497	**10 138 368**
Heat energy	38	518 503	-	-	-	-	**518 541**
Gas	-	-	-	-	304 369	-	**304 369**
Coal	372 355	-	-	-	-	-	**372 355**
CO_2 emission allowances	-	303 945	-	-	160 931	-	**464 876**
Energy certificates and similar	192	42 332	82 150	-	1 236	5 734	**131 644**
Other goods for resale, finished goods and materials	20 784	3 538	370	1 672	66 154	81 805	**174 323**
Rendering of services	**17 047**	**511 542**	**4 644**	**2 517 685**	**2 646 837**	**8 948**	**5 706 703**
Distribution and trade services	-	166 271	-	2 402 301	2 385 491	-	**4 954 063**
Capacity Market	-	338 666	4 114	-	153 327	-	**496 107**
Maintenance of road lighting	-	-	-	33	90 923	-	**90 956**
Connection fees	-	42	-	59 069	-	2	**59 113**
Other services	17 047	6 563	530	56 282	17 096	8 946	**106 464**
Other revenue	**1 043**	**11 074**	**428**	**28 129**	**3 025**	**8 719**	**52 418**
Total	**411 459**	**2 394 887**	**88 182**	**2 547 486**	**12 301 880**	**119 703**	**17 863 597**

9-month period ended 30 September 2020 *(restated unaudited data)*

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**261 827**	**1 978 458**	**110 944**	**2 624**	**7 706 836**	**88 593**	**10 149 282**
Electricity	-	1 470 300	4 258	-	7 412 906	10 506	**8 897 970**
Heat energy	27	446 439	-	-	-	-	**446 466**
Gas	-	-	-	-	231 388	-	**231 388**
Coal	245 330	-	-	-	105	-	**245 435**
CO_2 emission allowances	-	-	-	-	6 160	-	**6 160**
Energy certificates and similar	57	57 363	106 686	-	815	6 720	**171 641**
Other goods for resale, finished goods and materials	16 413	4 356	-	2 624	55 462	71 367	**150 222**
Rendering of services	**10 830**	**152 904**	**1 050**	**2 408 747**	**2 439 706**	**5 981**	**5 019 218**
Distribution and trade services	-	146 028	-	2 306 830	2 335 637	-	**4 788 495**
Maintenance of road lighting	-	-	-	8	88 862	-	**88 870**
Connection fees	-	307	-	58 702	-	39	**59 048**
Other services	10 830	6 569	1 050	43 207	15 207	5 942	**82 805**
Other revenue	**1 167**	**12 209**	**398**	**26 875**	**2 787**	**9 013**	**52 449**
Total	**273 824**	**2 143 571**	**112 392**	**2 438 246**	**10 149 329**	**103 587**	**15 220 949**

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

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Revenue from sales of electricity	**10 138 368**	**8 897 970**
Retail sale	**6 707 812**	**6 143 575**
Strategic clients	708 008	717 609
Business clients	3 144 313	2 893 893
Mass clients - Group G	2 220 385	1 997 206
Mass clients - SME	656 446	574 336
Other	58 961	37 958
Excise duty	(80 301)	(77 427)
Wholesale	**3 047 809**	**2 148 853**
Operational capacity reserve	**-**	**139 388**
Other	**382 747**	**466 154**

(in PLN thousand)

12. Costs by type

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Depreciation and amortization	(1 568 512)	(1 493 943)
Impairment of non-financial assets	(1 111 948)	(814 479)
Materials and energy	(1 035 725)	(981 425)
Maitenance and repair services	(167 375)	(137 214)
Distribution services	(1 127 773)	(1 196 006)
Other external services	(643 506)	(574 018)
Cost of obligation to remit the CO_2 emission allowances	(1 268 132)	(640 235)
Other taxes and charges	(566 251)	(553 263)
Employee benefits expense	(2 312 357)	(1 935 158)
Allowance for trade receivables expected credit losses	(12 276)	(40 010)
Other	(94 749)	(56 850)
Total costs by type	**(9 908 604)**	**(8 422 601)**
Change in inventories, prepayments, accruals and deferred income	(78 282)	104 878
Cost of goods produced for internal purposes	576 014	676 685
Selling and distribution expenses	394 804	341 438
Administrative expenses	463 749	439 310
Cost of goods for resale and materials sold	(7 551 883)	(6 872 751)
Cost of sales	**(16 104 202)**	**(13 733 041)**

In the 9-month period ended 30 September 2021 in relation to the comparative period, the main changes in the cost of sales referred to:

- higher cost of impairment losses on non-financial non-current assets, which in the current period results mainly from the recognition of impairment losses as a consequence of effects of impairment tests performed as at 30 June 2021 in the amount of PLN 1 122 507 thousand;
- an increase in the cost of the obligation to redeem CO_2 emission allowances, which mainly results from the increase in the price of CO_2 emission allowances included in the calculation of the provision and the increase in emission due to higher electricity production from conventional sources, including the redemption obligation generated in the current period by the power unit commissioned in November 2020;
- an increase in the cost of employee benefits, which is mainly related to the recognition in the comparative period of the effects of the release by the Group companies of actuarial provisions for the employee tariff in the part for current employees as future pensioners in the amount of PLN 299 408 thousand.

In the current period, the Group recognised a higher cost of electricity sold, mainly as a result of an increase in the purchase price of electricity in relation to the comparable period. In addition, in the comparative period, the value of goods and materials sold in the Group was charged with the amount of PLN 126 255 thousand as a result of a change in the strategy for securing the depreciation needs for CO_2 emission allowances of the Generation area.

(in PLN thousand)

13. Financial revenues and costs

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Income and costs from financial instruments	**(224 569)**	**(281 822)**
Interest costs	(278 410)	(208 715)
Exchange differences	(13 382)	(180 117)
Remeasurement of loans granted	973	10 016
Gain/loss on derivative instruments	45 384	79 855
Interest income	17 154	24 100
Dividend income	9 488	5 627
Commission relating to borrowings and debt securities	(18 312)	(12 247)
Other	12 536	(341)
Other finance income and costs	**(12 458)**	**(2 795)**
Interest on employee benefits	(8 478)	(17 094)
Interest on discount of other provisions	(6 080)	(7 963)
Other finance income	6 634	31 203
Other finance costs	(4 534)	(8 941)
Total, *including recognized in the statement of comprehensive income:*	**(237 027)**	**(284 617)**
Interest expense on debt	(278 410)	(208 715)
Finance income and other finance costs	41 383	(75 902)

In the 9-month period ended 30 September 2021 in relation to the corresponding period, the main changes in the financial revenues and costs referred to:

- an increase in interest expenses by PLN 69 695 thousand, which mainly results from the decline in the amount of interest capitalised in the value of investment tasks. In the 9-month period ended 30 September 2021, interest expenses in the amount of PLN 10 088 thousand were capitalised and in the comparative period - in the amount of PLN 138 189 thousand. The decrease mainly results from the commissioning of the 910 MW unit in Jaworzno in November 2020. At the same time, interest expense decreased due to changes in the use of financing instruments and changes in interest rates,
- the surplus of exchange rate losses over gains in the amount of PLN 13 382 thousand (in the comparable period PLN 180 117 thousand). The exchange differences mainly relate to exchange differences associated with the liabilities on account of debt in EUR,

14. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Current income tax	**(411 887)**	**(333 119)**
Current income tax expense	(406 361)	(325 880)
Adjustments to current income tax from previous years	(5 526)	(7 239)
Deferred tax	**120 589**	**(93 870)**
Income tax expense in profit/(loss)	**(291 298)**	**(426 989)**
Income tax expense relating to other comprehensive income, *including:*	**(45 869)**	**42 449**
reclassified to profit or loss	(37 384)	23 125
not reclassified to profit or loss	(8 485)	19 324

A higher current income tax burden on the financial result of the Group in the 9-month period ended 30 September 2021 is largely related to the changed composition of the Tax Capital Group for 2021-2023 compared to the previous PGK (in particular, the lack of inclusion in the composition of the current PGK of a company from the Mining segment incurring losses) and a higher taxable amount resulting from higher sale results generated by Group companies mainly from the Generation and Distribution segments.

(in PLN thousand)

EXPLANATORY NOTE TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. Property, plant and equipment

9-month period ended 30 September 2021 *(unaudited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**143 427**	**29 748 419**	**25 206 317**	**258 092**	**975 255**	**1 887 395**	**58 218 905**
Direct purchase	-	-	-	1 024	-	1 644 715	**1 645 739**
Borrowing costs	-	-	-	-	-	11 950	**11 950**
Transfer of assets under construction	1 352	1 047 964	679 813	-	21 707	(1 750 836)	**-**
Sale	(870)	(37 038)	(112 178)	-	(4 638)	(2 620)	**(157 344)**
Liquidation	(7)	(29 032)	(105 281)	(102 645)	(13 953)	(24)	**(250 942)**
Received free of charge	-	23 834	55	-	-	-	**23 889**
Overhaul expenses	-	-	-	-	-	86 636	**86 636**
Items generated internally	-	-	-	120 627	-	34 050	**154 677**
Cost of disassembly of wind farms and decommissioning of mines	(3)	(44 215)	(1 929)	-	-	-	**(46 147)**
Other movements	(111)	(679)	6 016	-	(11 271)	(204)	**(6 249)**
Foreign exchange differences from translation of foreign entity	-	-	16	-	15	-	**31**
Closing balance	**143 788**	**30 709 253**	**25 672 829**	**277 098**	**967 115**	**1 911 062**	**59 681 145**
ACCUMULATED DEPRECIATION							
Opening balance	**(188)**	**(13 008 668)**	**(14 571 267)**	**(137 889)**	**(704 299)**	**(291 927)**	**(28 714 238)**
Depreciation for the period	-	(661 187)	(637 979)	(55 700)	(46 860)	-	**(1 401 726)**
Increase of impairment	(10)	(397 900)	(654 214)	(32 594)	(1 915)	(39 706)	**(1 126 339)**
Decrease of impairment	-	355	2 292	-	-	16 553	**19 200**
Sale	-	35 684	110 574	-	4 395	2 615	**153 268**
Liquidation	-	25 923	102 575	102 645	13 860	-	**245 003**
Other movements	-	647	2 862	-	11 162	(27)	**14 644**
Foreign exchange differences from translation of foreign entity	-	-	(11)	-	(10)	-	**(21)**
Closing balance	**(198)**	**(14 005 146)**	**(15 645 168)**	**(123 538)**	**(723 667)**	**(312 492)**	**(30 810 209)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**143 239**	**16 739 751**	**10 635 050**	**120 203**	**270 956**	**1 595 468**	**29 504 667**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**143 590**	**16 704 107**	**10 027 661**	**153 560**	**243 448**	**1 598 570**	**28 870 936**
of which operating segments:							
Mining	**3 144**	**211 811**	**163 793**	**148 502**	**3 146**	**164 598**	**694 994**
Generation	**42 163**	**2 542 159**	**3 655 986**	**-**	**15 011**	**138 744**	**6 394 063**
Renewable Energy Sources	**793**	**848 262**	**1 198 694**	**-**	**934**	**57 302**	**2 105 985**
Distribution	**80 631**	**12 539 099**	**4 846 901**	**-**	**196 057**	**1 093 172**	**18 755 860**
Other segments and other operations	**16 859**	**562 776**	**162 287**	**5 058**	**28 300**	**144 754**	**920 034**

(in PLN thousand)

9-month period ended 30 September 2020 *(restated unaudited 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	**140 554**	**25 480 506**	**20 297 298**	**265 001**	**957 959**	**7 777 093**	**54 918 411**
Direct purchase	-	-	-	1 074	-	2 154 803	**2 155 877**
Borrowing costs	-	-	-	-	-	183 312	**183 312**
Transfer of assets under construction	844	1 672 064	1 152 679	-	26 883	(2 852 470)	**-**
Sale	(327)	(6 330)	(97 239)	-	(3 783)	-	**(107 679)**
Liquidation	(8)	(43 614)	(217 766)	(126 932)	(10 646)	-	**(398 966)**
Received free of charge	700	6 773	-	-	-	-	**7 473**
Transfers to/from assets held for sale	-	(6 024)	(145)	-	(236)	-	**(6 405)**
Overhaul expenses	-	-	-	-	-	158 679	**158 679**
Items generated internally	-	-	-	95 908	-	155 626	**251 534**
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	**142 480**	**27 184 371**	**21 146 942**	**235 051**	**967 548**	**7 511 297**	**57 187 689**
ACCUMULATED DEPRECIATION							
Opening balance	**(341)**	**(10 756 599)**	**(12 008 192)**	**(116 238)**	**(655 060)**	**(282 910)**	**(23 819 340)**
Depreciation for the period	-	(635 198)	(586 722)	(78 617)	(49 661)	(65)	**(1 350 263)**
Increase of impairment	(15)	(302 667)	(445 670)	(20 942)	(1 847)	(67 158)	**(838 299)**
Decrease of impairment	-	2 746	586	-	70	26 633	**30 035**
Sale	168	5 569	95 732	-	3 654	-	**105 123**
Liquidation	-	37 413	212 160	126 932	10 638	-	**387 143**
Transfers to/from assets held for sale	-	3 486	103	-	151	-	**3 740**
Other movements	-	29	(1 336)	-	1 940	(8 778)	**(8 145)**
Foreign exchange differences from translation of foreign entity	-	-	2	-	2	-	**4**
Closing balance	**(188)**	**(11 645 221)**	**(12 733 337)**	**(88 865)**	**(690 113)**	**(332 278)**	**(25 490 002)**
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	**142 292**	**15 539 150**	**8 413 605**	**146 186**	**277 435**	**7 179 019**	**31 697 687**
of which operating segments:							
Mining	**3 146**	**383 641**	**231 001**	**141 405**	**5 301**	**341 356**	**1 105 850**
Generation	**42 528**	**1 883 492**	**2 112 784**	**-**	**23 533**	**5 650 537**	**9 712 874**
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 the 9-month period ended 30 September 2021, the Group purchased property, plant and equipment (including capitalised external financing costs) in the amount of PLN 1 657 689 thousand. The major purchases were made in connection with investments in the following operating segments:

Operating segment	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Distribution	1 334 093	1 284 079
Generation	83 187	798 416
Mining	62 374	119 378

Impairment tests

As at the balance sheet date, the analysis was performed of changes in the prices of electricity, raw materials and CO_2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests.

The analysis performed indicated an increase in the prices of electricity, raw materials and CO_2 emission allowances in the 3-month period ended 30 September 2021 compared to the average prices of the aforementioned products in the first half of 2021. In particular:

- the quotations of CO_2 emission allowances increase averaged 30.4% in relation to the average price in the first half of 2021. The growth in the price of CO_2 emission allowances results, inter alia, from the rapid recovery of the demand for electricity with simultaneous restrictions in their supply resulting from the operation of the Market Stability Reserve mechanism. Moreover, the low production of electricity from Renewable Energy Sources determines the need for a large share of electricity production in conventional sources, which is the additional driver of the demand for allowances,

(in PLN thousand)

- the volume-weighted average price of the reference annual natural gas contract listed on TGE S.A. in the third quarter of 2021 was 64.4% higher than the price in the first half of 2021. Gas prices in the third quarter of 2021 were mainly driven by the increase in demand and the low supply on the part of commodity producers, which resulted in increases in natural gas prices on both the European market and the global market,
- the average price of coal on the EEX exchange for the annual continuation contract was 47.1% higher compared to the average price of this contract in the first half of 2021. Like in the case of natural gas, high coal prices were affected by the supply and demand situation, additionally supported by the situation on the gas market, which increased coal consumption leading to a decrease in stocks at ARA ports. However, the situation on the international market did not trigger a significant increase in steam coal prices in Poland,
- average price of electricity in Poland increase of approximately 42.2% compared to the first half of 2021. This change was driven by both an increase in prices of CO_2 emission allowances and an increase in the demand for electricity due to economic recovery, weather factors and high electricity prices in neighbouring countries. Due to favourable price relations in the third quarter of 2021, a negative balance of cross-border exchange was recorded, which was the result of PSE S.A. making capacity available for export and the price competitiveness of electricity produced in Poland. Similar price trends occurred in the forward market.

Despite the above significant changes in market factors, having analysed the observed market and regulatory developments, it was found that they are short-term in nature and thus do not require changes to the long-term forecasts, relative to the information available as at 30 June 2021. Therefore, the results of the most recent impairment tests on non-financial non-current assets carried out as at 30 June 2021 are valid.

The recoverable value of this group of assets corresponds to their useful value. The impairment losses charged mainly own cost of sales.

The impairment loss recognised in the result of the tests performed as at 30 June 2021 refers to the following cash generating units:

CGU	Company	Discount rate (before tax) assumed in tests as at:		Recoverable amount	Impairment loss recognized
		30 June 2021 *(unaudited)*	31 December 2020	As at 30 June 2021 *(unaudited)*	9-month period ended 30 September 2021 *(unaudited)*
Mining	TAURON Wydobycie S.A.	13.98%	14.85%	1 679	(184 976)
Generation - Coal	TAURON Wytwarzanie S.A. / Nowe Jaworzno Grupa TAURON Sp. z o.o.	9.96%	9.75%	5 148 712	(923 756)
Generation - Biomass		8.23%	8.55%	55 386	-
Generation - Photovoltaics		7.03%	6.98%	20 587	-
CGU ZW Katowice	TAURON Ciepło Sp. z o.o.	10.04%	10.29%	489 161	-
CGU ZW Bielsko-Biała		9.72%	9.44%	135 093	-
CGU ZW Tychy		10.81%	10.03%	458 518	-
CGU ZW OCL		13.43%	11.34%	13 830	(13 775)
CGU Transmission		7.39%	7.73%	829 523	-
Distribution	TAURON Dystrybucja S.A.	6.02%	6.10%	23 186 671	-
Total					**(1 122 507)**

The amount of the allowance recognised was mainly charged to property, plant and equipment in the amount of PLN 1 108 884 thousand. The remaining part decreased the value of rights to use assets in the amount of PLN 11 334 thousand and intangible assets in the amount of PLN 2 289 thousand.

As at 30 June 2021, impairment tests were performed on property, plant and equipment, taking into account the following indications:

- the Company's capitalization remaining below the net asset carrying amount for a long period;
- changes in global energy commodity and electricity prices;
- the dynamic growth in prices of CO_2 emission allowances significantly exceeding long-term market forecasts reduces the margins of conventional power generation;
- high volatility of energy prices on the forward market (including the persistent low liquidity) and persistently high prices on the spot market;
- recovery of domestic electricity consumption to levels recorded before the COVID-19 pandemic;
- work on the "Ready for 55" package to guide the European Union towards ambitious net emission reductions by 2030 and becoming the first climate-neutral continent by 2050;

- results of the RES auctions to date and a very dynamic development of the prosumer sub-sector in connection with the aid programmes launched;
- results of introducing winter package provisions, including the emission standard, adversely affecting the capability of coal-fired units to participate in the Capacity Market after 1 July 2025;
- tightening of emission standards persisting unfavourable market conditions for the conventional power industry;
- increased risks in commercial coal production;
- a decline in the risk-free rate;
- adoption by the Council of Ministers of the Polish Energy Policy up to 2040, determining the directions for the transformation of the energy sector.

The tests conducted as at 30 June 2021 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 a level of individual companies, except for:

- TAURON Wytwarzanie S.A. and Nowe Jaworzno Grupa TAURON Sp. z o.o., where cash-generating units ("CGUs") were identified at a different level, identifying a cash-generating unit CGU Generation-Coal in the area of electricity generation from conventional sources (hard coal) of Nowe Jaworzno Grupa TAURON sp. z o.o. and partially in the area of operations of TAURON Wytwarzanie S.A. Within other areas of activity of TAURON Wytwarzanie S.A., the following cash generating units were identified: CGU Generation-Biomass and CGU Generation-Photovoltaics. The key premises justifying the inclusion of coal-fired generating units within CGU Generation-Coal included: the publication of provisions regarding the new Capacity Market mechanism in 2018, launching a new product - the capacity obligation; the strategy of joining the Capacity Market consisting in the portfolio approach, where maximising the total revenue from the Capacity Market is significant, as well as capacity allocation to suppliers, determining the level of capacity constituting reserve sources for the remaining capacity contracted at the capacity market and high dependence of cash proceeds among generators;
- TAURON Ekoenergia Sp. z o.o., TEC 1 Sp. z o.o. Mogilno I Sp. Komandytowa, TEC 1 Sp. z o.o. Mogilno II Sp. Komandytowa, TEC 1 Sp. z o.o. Mogilno III Sp. Komandytowa, TEC1 Sp. z o.o. Mogilno IV Sp. Komandytowa, TEC 1 Sp. z o.o. Mogilno V Sp. Komandytowa, TEC 1 Sp. z o.o. Mogilno VI Sp. Komandytowa, TEC 1 Sp. z o.o. EW Śniatowo Sp. Komandytowa, TEC 1 Sp. z o.o. EW Dobrzyń Sp. Komandytowa, TEC 1 Sp. z o.o. EW Gołdap Sp. Komandytowa, TEC 1 Sp. z o.o. Ino 1 Sp. Komandytowa, where the test was carried out separately for activities related to electricity generation in hydroelectric power plants within TAURON Ekoenergia Sp. z o.o. - CGU Hydroelectric Power Plants and for the combined activity associated with electricity generation from wind farms within TAURON Ekoenergia Sp. z o.o. and other companies - CGU Wind Farms. Consolidation of wind farms in one CGU resulted mainly from the specific features and nature of the underlying service agreements and technical management of individual wind farms 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 power in wind technology is important, rather than a single operation of wind farms. It is also important for the purpose of integrated management of the portfolio of produced volume originating from wind farms and sales of electricity and property rights within the TAURON Group;
- TAURON Nowe Technologie S.A., where activities related to lighting and provision of solutions associated with modern technologies were separated.

Relevant tests were conducted based on the current value of projected cash flows from CGU operations by reference to detailed projections until 2030 and the estimated residual value, excluding power generating and mining units for which detailed projections cover the entire period of their operation.

The assumptions concerning the life of the generation and mining units are consistent with those adopted for the impairment tests carried out as at 31 December 2020, including in particular:

- the operation of TAURON Wytwarzanie S.A. generation units was assumed until 2035, including: the unit in Jaworzno III Branch until 2025; two units in Jaworzno III Branch until 2028; two units in Jaworzno II Branch until 2030; the unit in Łagisza Branch until 2035. The operation of the Nowe Jaworzno Grupa TAURON Sp. z o.o. generation unit was assumed until 2060.
- the forecast for hydroelectric power plants covers the period up to 2066 while for wind farms - up to 2040;
- the operation of the mining units was assumed until 2049, including ZG Sobieski and ZG Janina until 2049 and ZG Brzeszcze until 2040.

(in PLN thousand)

The 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-oriented assumptions underlying the projections are updated as frequently as any indications for their modification are observed on the market. The projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions in the scope of tests performed as at 30 June 2021

Category	Description
Coal	Coal prices for the assumptions adopted as at 30 June 2021 have not changed in relation to the previous assumptions as at 31 December 2020 over the entire forecast horizon. Coal prices show a slight upward trend in the nearest three years due to the observed sustained upward trend in the scope of domestic cost of mining. However, in the long term (2025-2040), coal prices will continue to fall due to the accelerated implementation of the decarbonisation policy promoted by the European Union, aimed at reaching the climate neutrality in Europe by 2050. Its manifestation is the gradual reduction of the share of coal in the energy mix of individual countries (including Germany, the Czech Republic and Poland), which is associated with an increase in the share of energy from RES in the energy balance of the European Union Member States. After 2025, the price of coal in Poland will begin to fall, as a result of decreased electricity generation with the use of this raw material as well as an expected increase in import volumes in view of high levels of mining cost in the country. In the years 2021-2024, a 5.4% real increase in steam coal prices relative to 2021 was assumed, while in the years 2025-2040, a 5.8% real decline in steam coal prices relative to 2024 was assumed. In May this year, the Social Agreement concerning the transformation of the hard coal mining sector and selected transformation processes in the Silesian Voivodeship was concluded. The Agreement was concluded between the government party, the trade union party, mining municipalities and the management boards of mining companies, including the management of TAURON Wydobycie S.A. The Agreement defines, among others, a support system for production units (coal mines) as part of a plan to phase out production capacity. The financial projection, prepared for the purpose of impairment tests is based on assumptions consistent with the Social Agreement concluded, including the life time of the Company mines and subsidies for production capacity reduction. The capacity reduction subsidies were included in the impairment tests from 2022 to 2049 and calculated based on the difference between the eligible coal production costs and the coal sales revenue calculated in accordance with the support scheme rules. The impact of the support system on the tests is shown in the framework of the sensitivity analysis.
Electricity	The adopted forecast of wholesale electricity prices for the period 2021-2040 has been updated and adjusted in the first three years (2021-2023) to current levels recorded in the market. In 2024-2040, the wholesale electricity price (in constant prices) will increase by approx. 4.5%. The forecast of wholesale electricity prices is affected by the current and expected balancing situation in the national power system, forecasts of fuel prices and the costs of purchasing CO_2 emission allowances. In 2022, a significant increase in energy prices of around 23% compared to 2021 has been assumed, which results, among others, from a sharp rise in the prices of CO_2 emission allowances. The observed change in the structure of electricity generation and the increase in the share of renewable energy sources in the energy mix reduces the level of margins gained on the sale of electricity from coal-fired sources. The effect of the decline in production volumes and margins for conventional sources is partially offset by assuming a significant impact of the *Scarcity Pricing* mechanism on electricity prices. In accordance with the obligations arising from the Decision of the European Commission notifying the Capacity Market in Poland, the implementation of this mechanism was scheduled by 1 January 2021. As a result of delays in the implementation of the mechanism, it was assumed that it would start operating at the beginning of 2023. Due to the structure of the capacity balance, the operation of the mechanism will be reflected in wholesale electricity prices from 2025. Full implementation of the *Scarcity Pricing* mechanism in the model generates appropriate price signals depending on the capacity balance in the KSE, resulting in higher wholesale electricity prices. The increase in prices by 2035 results from the growth in prices of CO_2 emission allowances and planned shutdowns of coal-fired and nuclear units in Germany directly affecting the level of the interconnection exchange balance. 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 redeem energy certificates of origin as well as the expected level of margin.
CO_2	CO_2 emission limits for heat generation have been adopted 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 has been adopted throughout the forecasting horizon. In 2022, a 65.5% higher price of CO_2 emission allowances was assumed compared to the average price in 2021. In the period 2023-2030, a price increase to the level of approx. 60 EUR/Mg in constant prices (approx. 70 EUR/Mg in current prices) has been assumed due to the assumption of an increase in the Linear Reduction Factor (LRF) to the level of 4.2% proposed by the European Commission (from the current 2.2%). The projected CO_2 price in 2030 compared to the average price in 2020 will be c.a. 140.8% higher. A further increase in the price of CO_2 emission allowances is assumed in the years 2031-2040, compared to 2030, which stems from the assumed increase in the decarbonisation rate of the economy and the target of achieving climate neutrality of Europe in 2050. The price of CO_2 projected for 2040 amounts to approx. 68 EUR/Mg (approx. 100 EUR/Mg in current prices).

(in PLN thousand)

Category	Description
Certificates of energy origin	The price path for certificates of energy origin and the obligatory redemption in the subsequent years have been adopted based on the provisions of the RES Act and the system balance forecast.
Capacity market	Revenues for the performance of capacity contracts concluded by the Group in the auctions held between 2018 and 2020 are included. With regard to coal-fired units which, in accordance with the provisions of EU regulations, are subject to limitations in the use of support from capacity mechanisms as of 1 July 2025 (the so-called EPS 550), revenues obtained in full amount resulting from the contracts concluded were assumed until 2035 with regard to the unit belonging to Nowe Jaworzno Grupa TAURON Sp. z o.o. and until 2028 with regard to the remaining companies. The reason is that coal units belonging to the Group benefit from the so-called protection of acquired rights, therefore they are not subject to emission restrictions until the completion of the contracts concluded.
RES	For green energy, limited support periods were included, in line with the provisions of the RES Act defining new mechanisms for granting the support for electricity generated from this type of sources. The support period was limited to 15 years counted from the moment of first injection to the grid of electricity eligible to receive the energy origin certificate to the grid.
Natural gas	Natural gas prices for the assumptions adopted as at 30 June 2021 were raised in relation to the previous assumptions as at 31 December 2020 over the entire forecast horizon. The exception is 2021 due to the execution of an annual contract with the delivery in 2021. The main reason for the projected increases in gas prices were the significantly higher estimates concerning the forecast of the demand for natural gas presented by GAZ-SYSTEM S.A. in the horizon up to 2040. The period of 2021-2025 will see a large increase in the demand for natural gas in Poland, determined by an increase in the number of natural gas-fired sources. An additional factor of the projected price increase is the decline in gas production in Europe, with a simultaneous increase in gas consumption. In Poland, we assume the commissioning of the *Baltic Pipe*, the expansion of the LNG terminal in Świnoujście, the Poland-Lithuania Interconnector (GIPL) as well as the commissioning of the floating LNG terminal in the Gulf of Gdańsk and the gas units in the Dolna Odra Power Plant by 2028 at the latest. After 2024, a decline in raw material extraction from the Norwegian Continental Shelf is assumed. In the years 2026-2030, further growth in the number of natural gas-fired sources in Poland is assumed, which is determined by the continued growth in demand. Beyond 2030, the demand for gas in Europe and Asia will grow more slowly than in the previous 10-year period. The share of gas in global energy production has been growing more slowly, which is also evident in the forecasts of external agencies that do not assume a significant increase in real gas prices over this period.
WACC	The weighted average cost of capital (WACC) during the projection period for individual CGUs has been adopted in the range of 5.7%-13.98% in nominal terms before tax, taking into account the risk-free rate corresponding to the yield on 10-year Treasury bonds (at a level of 1.39%) and the risk premium for operations relevant for the power industry (6.75%). The growth rate used for extrapolation of projected cash flows going beyond the detailed planning period has been adopted at a level of 2.5% and corresponds to the estimated long-term inflation rate. The level of WACC as at 30 June 2021 compared to the level as at 30 June 2020 increased in the Mining segment mainly due to the inclusion of the additional specific risk. In the remaining segments, it has decreased primarily due to the decline in the risk-free rate.
Regulated revenue	Regulated revenue of distribution companies has been assumed, ensuring the coverage of justified costs and a reasonable level of return on capital. The return on capital depends on the Regulatory Asset Value. In the years 2021-2030, an increase in electricity supply by 1.15% year-on-year has been assumed.
Sales volume and production capacity	The volume of sales to customers of the Company was assumed taking into account the GDP growth, the competitive situation in the market, growth of financial costs (trade credit costs) incurred by sales companies and the development of the prosumer market in the area of TAURON Dystrybucja. As a result of taking these factors into account, volumes are lower in the first years, with a gradual recovery of lost volume planned from 2024 onwards. The economic useful lives of fixed assets and the maintenance of production capacity as a result of replacement investments were taken into account.

On 14 March 2019, Tempus Energy Germany GmbH and T Energy Sweden AB companies filed a complaint with the Court of Justice of the European Union ("CJEU") against the aid decision of the European Commission concerning the Polish Capacity Market. The complaint aimed to revoke the decision on the waiver of objections concerning the Polish Capacity Market. The complainants' allegations refer to the European Commission's failure to initiate a formal investigation procedure and the allegedly discriminatory treatment of demand management units within the Polish Capacity Market. After the balance sheet date, on 6 October 2021, the European Union Court within CJEU dismissed the appeal of Tempus Energy Germany GmbH and T Energy Sweden AB against the decision of the European Commission approving the Polish capacity market mechanism.

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

The need to write down the assets of CGU Generation-Coal and CGU ZW Area of Local Heating Plants resulted in particular from the following factors:

- an increase in the prices of CO_2 emission allowances resulting from more stringent climate policy of the European Union strongly targeted at accelerating the pace of decarbonisation in pursuit of the climate neutrality of Europe,

- a change in the energy mix in Poland towards low- and zero-emission sources, resulting in lower electricity production volumes from conventional sources, in particular coal-fired power plants,
- a projected decline in market margins in the medium- and long-term perspective as a result of an increase in the variable costs of production from conventional sources, mainly due to the increase in the price of CO_2 emission allowances and the growth in the share of renewable energy sources and new natural gas-fired sources.

The need to write down the assets of the CGU Mining resulted in particular from the reduced projected demand for steam coal as a result of the proceeding decarbonisation in Europe.

Sensitivity analysis for mining and generation assets

The estimated changes in impairment losses on mining and generation assets as at 30 June 2021 and the impact on the Group's assets as a result of changes in the key assumptions, are presented below.

Parameter	Change	Impact on impairment loss *(in PLN million)*				Assets of the Group Impact on impairment loss *(in PLN million)*	
		Mining assets		Generation assets			
		Increase of impairment loss (net)	Decrease of impairment loss (net)	Increase of impairment loss (net)	Decrease of impairment loss (net)	Increase of impairment loss (net)	Decrease of impairment loss (net)
Change of electricity prices in the forecast period	+1%	2	-	-	262	-	260
	-1%	-	9	262	-	253	-
Change of heat prices in the forecast period	+1%	-	-	-	5	-	5
	-1%	-	-	5	-	5	-
Change of CO_2 emission allowances prices in the forecast period	+1%	-	-	153	-	153	-
	-1%	-	-	-	153	-	153
Change of WACC (net)	+0.1 p.p.	-	-	30	-	30	-
	-0.1 p.p.	-	-	-	30	-	30
Change of coal prices in the forecast period	+1%	-	54	75	-	21	-
	-1%	2	-	-	75	-	73
No subsidy for coal mine[1]	-100%	664	-	-	-	664	-
No revenue from the Capacity Market	-100%	-	-	3 284	-	3 284	-
No scarcity pricing mechanism [2]	-	-	-	2 290	-	2 290	-

[1] *Write-down of non-current assets to the carrying amount of land and perpetual usufruct of land corresponding to fair value.*
[2] *In accordance with the obligations related to the Capacity Market notification process and in accordance with Article 16(e) of decision of the European Commission "State aid No. SA.46100 (2017/N) – Poland – planned Polish capacity mechanism", by 1 January 2021, Poland should introduce an administrative scarcity pricing mechanism as referred to in Article 44(3) of the Electricity Balancing Guideline. In the first quarter of 2021, PSE S.A. presented a rescheduling plan to be included in the new Implementation Plan, in which the deadline for implementing the mechanism was postponed to 2023. The failure to include the scarcity pricing mechanism in the above analysis means lower revenues from sales of energy from own production throughout the period analysed by PLN 7.4 billion in nominal terms. Details of the scarcity pricing mechanism are described in the key assumptions adopted in the tests as at 30 June 2021.*

Sensitivity analysis for the Distribution segment

The sensitivity analysis was performed 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 estimated impacts on the recoverable value of assets of the Distribution segment as at 30 June 2021 are presented below.

Parameter	Change	Recoverable amount *(in PLN milion)*	Impact on increase of impairment loss *(in PLN million)*	
			Increase	Decrease
Change of WACC (net)	+0.1 p.p.	23 187	-	1 054
	-0.1 p.p.		1 141	-
Change in the WACC adopted for the calculation of regulated income in 2022-2030 and in the residual period	+0,1 p.p.		721	-
	-0,1 p.p.		-	721

(in PLN thousand)

16. Right-of-use assets

9-month period ended 30 September 2021 *(unaudited)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	**547 971**	**1 162 432**	**196 523**	**88 579**	**7 668**	**133 269**	**5 764**	**2 142 206**
Increase due to a new lease contract	40 234	34	9 378	17 230	2 836	89	-	**69 801**
Increase(decrease) due to lease changes	4 625	482	4 472	7 319	(105)	42	-	**16 835**
Transfer from assets held for sale	-	17 484	-	-	-	-	-	**17 484**
Other movements	3 304	(6 787)	(354)	(9 925)	(252)	11 554	88	**(2 372)**
Closing balance	**596 134**	**1 173 645**	**210 019**	**103 203**	**10 147**	**144 954**	**5 852**	**2 243 954**
ACCUMULATED DEPRECIATION								
Opening balance	**(44 735)**	**(92 485)**	**(31 781)**	**(62 305)**	**(5 507)**	**(29 423)**	**-**	**(266 236)**
Depreciation for the period	(20 876)	(25 971)	(14 096)	(13 667)	(1 983)	(4 772)	-	**(81 365)**
Increase of impairment	-	(6 519)	(6)	(4 286)	(11)	(531)	-	**(11 353)**
Decrease of impairment	-	8 832	-	-	-	-	-	**8 832**
Transfer from assets held for sale	-	(8 771)	-	-	-	-	-	**(8 771)**
Other movements	244	1 339	27	9 878	502	73	-	**12 063**
Closing balance	**(65 367)**	**(123 575)**	**(45 856)**	**(70 380)**	**(6 999)**	**(34 653)**	**-**	**(346 830)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**503 236**	**1 069 947**	**164 742**	**26 274**	**2 161**	**103 846**	**5 764**	**1 875 970**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**530 767**	**1 050 070**	**164 163**	**32 823**	**3 148**	**110 301**	**5 852**	**1 897 124**

9-month period ended 30 September 2020 *(restated unaudited data)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	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	37 813	59	5 970	16 997	38	211	-	**61 088**
Increase/(decrease) due to lease changes	(3 001)	8 117	6 266	(1 946)	(8)	29	-	**9 457**
Transfer of assets held for sale	-	(2 265)	-	-	-	-	-	**(2 265)**
Other movements	(589)	(1 561)	460	(4 314)	1 034	7 271	(405)	**1 896**
Closing balance	**510 086**	**1 080 435**	**189 120**	**75 526**	**7 635**	**128 655**	**5 851**	**1 997 308**
ACCUMULATED DEPRECIATION								
Opening balance	**(20 176)**	**(60 097)**	**(15 341)**	**(34 713)**	**(2 210)**	**(21 097)**	**-**	**(153 634)**
Depreciation for the period	(18 439)	(24 363)	(12 461)	(13 846)	(2 188)	(4 408)	-	**(75 705)**
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	-	68	-	-	-	-	-	**68**
Other movements	177	848	162	4 260	(341)	9	-	**5 115**
Closing balance	**(38 438)**	**(83 486)**	**(27 647)**	**(48 539)**	**(4 759)**	**(25 499)**	**-**	**(228 368)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**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	**471 648**	**996 949**	**161 473**	**26 987**	**2 876**	**103 156**	**5 851**	**1 768 940**

17. Goodwill

Operating segment	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Distribution	25 602	25 602
Other	581	581
Total	**26 183**	**26 183**

Impairment tests

Having analysed the observed market and regulatory developments, it was found that, in the expected perspective, they did not cumulatively represent material factors, the impact of which makes it reasonable to change the long-term forecasts, relative to the information available as at 30 June 2021. Therefore, it was recognised that the results of the recent impairment tests carried out as at 30 June 2021 were valid.

The impairment test performed as at 30 June 2021 did not indicate impairment of the carrying amount of goodwill.

The test was performed for the net assets increased by goodwill in each operating segment. The recoverable amount in each company was determined based on the value in use.

The test was performed based on the current value of projected cash flows from operations. The calculations were based on detailed projections up to 2030 and an estimated residual value. The reliance on projections covering a period longer than 5 years results mainly from the long-lasting investment processes in the power industry. The macroeconomic and sector-oriented assumptions underlying the projections are updated as frequently as any indications for their modification are observed on the market. The projections also take into account changes in the regulatory environment known as at the date of the test.

(in PLN thousand)

The weighted average cost of capital (WACC) during the projection period as used in the calculations, amounts to 6.02% in nominal terms before tax, taking into account the risk free rate determined by reference to the yield on 10-year Treasury bonds (at a level of 1.39%) and the risk premium for operations relevant for the power industry (6.75%). The growth rate used for extrapolation of projected cash flows going beyond the detailed planning period has been adopted at a level of 2.5% and corresponds to the estimated long-term inflation rate. The level of WACC as at 30 June 2021 compared to the level as at 30 June 2020 decreased, mainly due to a decline in the risk-free rate.

Operating segment	Key assumptions	Discount rate (before tax) assumed in tests as at:	
		30 June 2021 *(unaudited)*	31 December 2020
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.	6.02%	6.10%

18. Energy certificates and CO_2 emission rights

18.1. Long-term energy certificates and CO_2 emission rights

	9-month period ended 30 September 2021 *(unaudited)*			9-month period ended 30 September 2020 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**233 526**	**267 410**	**500 936**	**306 221**	**161 976**	**468 197**
Direct purchase	84 942	-	**84 942**	126 389	-	**126 389**
Reclassification	(233 526)	(222 320)	**(455 846)**	(289 137)	(112 335)	**(401 472)**
Closing balance	**84 942**	**45 090**	**130 032**	**143 473**	**49 641**	**193 114**

18.2. Short-term energy certificates and CO_2 emission rights

	9-month period ended 30 September 2021 *(unaudited)*			9-month period ended 30 September 2020 *(unaudited restated figures)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**705 641**	**333 988**	**1 039 629**	**594 968**	**690 225**	**1 285 193**
Direct purchase	242 302	672 376	**914 678**	155 784	168 532	**324 316**
Generated internally	124 782	-	**124 782**	162 903	-	**162 903**
Surrendered	(1 148 186)	(1 152 083)	**(2 300 269)**	(595 541)	(776 602)	**(1 372 143)**
Reclassification	233 526	145 831	**379 357**	289 137	112 335	**401 472**
Closing balance	**158 065**	**112**	**158 177**	**607 251**	**194 490**	**801 741**

In the 9-month period ended 30 September 2021, CO_2 emission allowances worth PLN 222 320 thousand originally intended for redemption in 2021 were reclassified to short-term CO_2 emission allowances. Subsequently, due to a change in the intention to use allowances with the value of PLN 76 489 thousand held by the subsidiary company, Nowe Jaworzno Grupa TAURON Sp. z o.o. and representing a surplus over the redemption needs for 2020, the Group reclassified the above-mentioned CO_2 emission allowances to inventory and resold them, which is described in more detail in Note 11 to these interim condensed consolidated financial statements. The revenues gained from this activity amounted to PLN 134 738 thousand.

(in PLN thousand)

19. Other intangible assets

9-month period ended 30 September 2021 *(unaudited)*

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	**12 248**	**943 967**	**219 384**	**119 997**	**1 295 596**
Direct purchase	-	-	-	55 939	**55 939**
Transfer of intangible assets not made available for use	4 368	118 122	2 154	(124 644)	**-**
Sale/Liquidation	-	(42 908)	(97)	-	**(43 005)**
Other movements	-	44	264	1 188	**1 496**
Foreign exchange differences from translation of foreign entity	-	47	-	-	**47**
Closing balance	**16 616**	**1 019 272**	**221 705**	**52 480**	**1 310 073**
ACCUMULATED AMORTIZATION					
Opening balance	**(6 705)**	**(623 760)**	**(113 394)**	**(45)**	**(743 904)**
Amortization for the period	(1 508)	(76 090)	(7 823)	-	**(85 421)**
Impairment	(73)	(456)	(1 761)	-	**(2 290)**
Sale/Liquidation	-	42 866	81	-	**42 947**
Other movements	-	-	(29)	38	**9**
Foreign exchange differences from translation of foreign entity	-	(47)	-	-	**(47)**
Closing balance	**(8 286)**	**(657 487)**	**(122 926)**	**(7)**	**(788 706)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**5 543**	**320 207**	**105 990**	**119 952**	**551 692**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**8 330**	**361 785**	**98 779**	**52 473**	**521 367**

9-month period ended 30 September 2020 *(restated unaudited data)*

	Development expenses	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**	**822 069**	**199 572**	**114 253**	**1 144 840**
Direct purchase	-	-	-	68 316	**68 316**
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)**
Other movements	3	(46)	129	883	**969**
Foreign exchange differences from translation of foreign entities	-	(7)	-	-	**(7)**
Closing balance	**10 335**	**891 053**	**200 588**	**91 784**	**1 193 760**
ACCUMULATED AMORTIZATION					
Opening balance	**(6 250)**	**(562 534)**	**(97 765)**	**(30)**	**(666 579)**
Amortization for the period	(778)	(59 123)	(8 074)	-	**(67 975)**
Impairment	(315)	(1 457)	(9)	(5)	**(1 786)**
Sale/Liquidation	1 306	18 914	99	-	**20 319**
Foreign exchange differences from translation of foreign entities	-	7	-	-	**7**
Closing balance	**(6 037)**	**(604 193)**	**(105 749)**	**(35)**	**(716 014)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**2 696**	**259 535**	**101 807**	**114 223**	**478 261**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**4 298**	**286 860**	**94 839**	**91 749**	**477 746**

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

(in PLN thousand)

20. Investments in joint ventures

	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 30 September 2021 or for the 9-month period ended 30 September 2021 *(unaudited)*	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 31 December 2020 or for the 9-month period ended 30 September 2020 *(unaudited)*
Non-current assets	963 675	2 065 359	**3 029 034**	1 822 021	2 117 521	**3 939 542**
Current assets, *including:*	350 510	1 239 693	**1 590 203**	166 157	651 735	**817 892**
cash and cash equivalents	*30 325*	*238 808*	***269 133***	*2 242*	*158 680*	***160 922***
Non-current liabilities (-), *including:*	(1 960 945)	(713 787)	**(2 674 732)**	(2 028 065)	(839 590)	**(2 867 655)**
debt	*(1 891 966)*	*(615 806)*	***(2 507 772)***	*(1 964 830)*	*(743 421)*	***(2 708 251)***
Current liabilities (-), *including:*	(946 912)	(1 307 660)	**(2 254 572)**	(754 866)	(675 067)	**(1 429 933)**
debt	*(4 541)*	*(182 661)*	***(187 202)***	*(5 662)*	*(184 206)*	***(189 868)***
Total net assets	(1 593 672)	1 283 605	**(310 067)**	(794 753)	1 254 599	**459 846**
Share in net assets	(796 836)	641 803	**(155 033)**	(304 412)	604 520	**300 108**
Investment in joint ventures	**-**	**601 002**	**601 002**	**-**	**586 559**	**586 559**
Share in revenue of joint ventures	322 094	961 682	**1 283 776**	1 300	466 486	**467 786**
Share in profit/(loss) of joint ventures	**-**	**41 159**	**41 159**	**-**	**5 757**	**5 757**
Share in other comprehensive income of joint ventures	**-**	**238**	**238**	**-**	**355**	**355**

** The data presented concern the TAMEH HOLDING Sp. z o.o. 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 Group.*

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle established in 2010 at the initiative of TAURON Polska Energia S.A. and PGNiG S.A., through which the partners implemented an investment consisting in the construction of CCGT unit in Stalowa Wola heated with natural gas with the gross electrical capacity of 450 MWe and the net heat capacity of 240 MWt.

TAURON Polska Energia S.A. has an indirect shareholding of 50% in the capital of the company and in the governing body, exercised through 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 recognise its share of any further losses of the joint venture.

In addition, the Company holds receivables from loans granted to Elektrociepłownia Stalowa Wola S.A. with the carrying amount of PLN 98 713 thousand, as further discussed in Note 21 to these interim condensed consolidated financial statements.

Judgement of the Court of Arbitration at the Polish Chamber of Commerce concerning the claims of Abener Energia S.A. against Elektrociepłownia Stalowa Wola S.A. and the 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 was issued in the case filed by Abener Energia S.A. ("Abener") against Elektrociepłownia Stalowa Wola S.A. ("ECSW").

The case pending before the Court of Arbitration referred to the 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. Pursuant to the Judgement, ECSW was obligated to pay to Abener the amount of PLN 333 793 thousand along with statutory interest for delay and costs of the arbitration proceedings. On 22 September 2020, the Court of Appeals in Rzeszów dismissed the appeal of ECSW to repeal the Judgment, while on 20 November 2020 it issued a decision suspending the execution of the Judgment until the completion of the cassation proceedings or the expiry of the time limit for filing the cassation appeal. As a consequence, on 21 December 2020, ECSW filed a complaint in cassation. In the 9-month period ended 30 September 2021, no material legal events occurred in the scope of the above proceedings. To the best of the Company knowledge, Elektrociepłownia Stalowa Wola S.A. recognised the liability for the effects of the above Judgement in the last financial statements for 2020.

On 20 December 2019, ECSW received another statement of claim lodged by Abener with the Arbitration Court. The subject matter of the lawsuit is the payment by ECSW to Abener of the total amount of PLN 156 447 thousand and EUR 537 thousand plus statutory interest for the delay as compensation for damages resulting from ECSW requesting and obtaining payment from the performance bond at Abener's expense or, alternatively, reimbursement of illegitimate enrichment obtained by ECSW at Abener's expense in connection with obtaining payment from the performance bond.

(in PLN thousand)

The guarantee was granted to ECSW by Abener in accordance with the contract between the parties for the construction of a CCGT unit in Stalowa Wola. A response to the claim was filed by ECSW on 20 March 2020. An assessment of the claim and its justification shows that they are unfounded. The arbitration proceedings are ongoing.

On 19 October 2020, ECSW lodged a statement of claim with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against Abener for payment by Abener to ECSW, as compensation for damages corresponding to the costs of rectifying the defects, faults and deficiencies in the works, deliveries and services performed by Abener during the performance of the aforementioned contract. The current value of dispute is equal to PLN 188 402 thousand and EUR 421 thousand. The proceedings are pending.

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

Signing the Letter of Intent concerning Elektrociepłownia Stalowa Wola S.A.

On 2 August 2021, the Company, a subsidiary of TAURON Wytwarzanie S.A., Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") and PGNiG TERMIKA S.A. signed a letter of intent concerning the potential transaction of sale by TAURON Wytwarzanie S.A. to PGNiG Group of its equity interest in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. by TAURON Polska Energia S.A. Signing of the letter of intent does not imply a commitment by the parties to conclude the above-mentioned potential transaction. The decision to proceed with the transaction will depend on the outcome of negotiations in this regard and the fulfilment of other conditions stipulated by law or in corporate documents. The potential sale of shares in Elektrociepłownia Stalowa Wola S.A. is in line with the strategic directions announced by TAURON Polska Energia S.A. on 27 May 2019.

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 in the area of industrial energy. The Agreement was concluded for a period of 15 years, with a possibility of its extension. The two capital groups hold a 50% interest in TAMEH HOLDING Sp. z o.o. each.

TAMEH HOLDING Sp. z o.o. is the owner of 100% of the shares in TAMEH POLSKA Sp. z o.o., formed by a contribution in kind by the TAURON Group: Zakład Wytwarzania Nowa and Elektrownia Blachownia, as well as Combined Heat and Power Plant in Kraków contributed by the ArcelorMittal Group. In addition, TAMEH HOLDING Sp. z o.o. holds 100% of TAMEH Czech s.r.o. shares, which consists of the Ostrava Combined Heat and Power Plant.

21. Loans granted to joint ventures

	Loan amount	As at 30 September 2021 *(unaudited)*			As at 31 December 2020			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	74 345	n.a.	**74 345**	72 523	n.a.	**72 523**	30.06.2033	fixed
Loans measured at amortized cost									
VAT loan	15 000	-	-	**-**	2 453	(33)	**2 420**	-	WIBOR 1M +mark-up
Other loans	7 290	2 135	(461)	**1 674**	1 986	(353)	**1 633**	30.06.2033	fixed
	9 500	2 468	(427)	**2 041**	2 295	(304)	**1 991**		
	5 175	1 478	(240)	**1 238**	1 372	(165)	**1 207**		
	59 175	15 576	(1 423)	**14 153**	14 404	(598)	**13 806**		
	35 000	5 525	(263)	**5 262**	5 160	(27)	**5 133**		
Total		**101 527**	**(2 814)**	**98 713**	**100 193**	**(1 480)**	**98 713**		
Non-current		101 527	(2 814)	**98 713**	97 740	(1 447)	**96 293**		
Current		-	-	**-**	2 453	(33)	**2 420**		

Pursuant to the borrower's debt consolidation agreement 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 arising from loans granted and unpaid until 28 February 2018 were renewed. As at the balance sheet date, the nominal amount of the loan is PLN 310 851 thousand (the principal in the amount of PLN 299 100 thousand was repaid on 30 April 2018). The debt in question constitutes subordinated debt, measured at a fair value of PLN 74 345 thousand as at the balance sheet date.

On 31 March 2021, Elektrociepłownia Stalowa Wola S.A. repaid in full the principal and interest on account of the VAT loan agreement.

(in PLN thousand)

22. Other financial assets

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Derivative instruments	1 038 997	158 846
Shares	131 316	123 549
Deposits and term deposits for Mining Decommissioning Fund	56 161	53 448
Loans granted	1 172	-
Other financial receivables, *including:*	183 636	176 924
Bid bonds, deposits and collateral transferred	60 269	55 969
Receivables due to sale of fixed and intangible assets	54 396	8 124
Initial deposits arising from stock exchange transactions	49 980	48 663
Receivables due to financial compensation for traiding companies	-	61 357
Other	18 991	2 811
Total	**1 411 282**	**512 767**
Non-current	498 185	246 246
Current	913 097	266 521

As at 30 September 2021, assets from the positive measurement of derivative instruments relate to commodity derivatives, foreign exchange forward derivatives as well as IRS and CCIRS instruments. The increase in assets on account of measurement of the aforementioned derivatives in relation to the comparative period mainly relates to forward instruments due to transactions for which CO_2 emission allowances represent the underlying commodity and results mainly from the significant increase in the price of allowances, while taking into account the number of exchange contracts open as at the balance sheet date. Derivatives are described in more detail in Note 44.2 to these interim condensed consolidated financial statements.

As at 30 September 2021, the shares and stocks held mainly comprise shares in the following companies:

- SCE Jaworzno III Sp. z o.o. with the value of PLN 29 476 thousand;
- EEC Magenta Sp. z o.o. 2 ASI SKA with the value of PLN 23 916 thousand;
- PEC Tychy Sp. z o.o. with the value of PLN 23 802 thousand;
- Energetyka Cieszyńska Sp. z o.o. with the value of PLN 12 703 thousand;
- ElectroMobility Poland S.A. with the value of PLN 11 026 thousand.

The value of deposits, bonds, collaterals relates mainly to the collaterals provided by the subsidiary from the Generation segment in favour of PSE S.A. on account of securing due performance of the agreement for the provision of electricity transmission services and the collaterals provided by the Company under the clearing guarantee system with Izba Rozliczeniowa Giełd Towarowych S.A. As at 30 September 2021 and 31 December 2020, the collaterals under the above titles amounted to the total of PLN 30 991 thousand and PLN 36 209 thousand, respectively.

The value of initial deposits is related mostly to futures transactions in CO_2 emission allowances concluded on foreign regulated markets.

23. Other non-financial assets

23.1. Other non-current non-financial assets

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Prepayments for assets under construction and intangible assets, *including:*	51 509	15 374
related to the construction of wind farms	*40 697*	-
Contract acquisition costs and costs of discounts	9 920	7 084
Prepayments for debt charges	3 276	7 770
Property and tort insurance	2 926	3 263
Other prepayments	27 863	30 602
Total	**95 494**	**64 093**

(in PLN thousand)

23.2. Other current non-financial assets

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Costs settled over time	**98 805**	**71 247**
Property and tort insurance	54 752	25 258
Contract acquisition costs and costs of discounts	15 975	12 911
IT and telecom services	11 130	23 844
Prepayments for debt charges	7 830	5 937
Other prepayments	9 118	3 297
Other current non-financial assets	**34 458**	**8 985**
Transfers made to the Social Benefit Fund	17 983	-
Advance payments for deliveries	4 961	2 552
Surplus of assets over liabilities of the Social Benefit Fund	4 499	802
Other current assets	7 015	5 631
Total	**133 263**	**80 232**

24. Deferred income tax

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	1 449 936	1 578 486
difference between tax base and carrying amount of financial assets	287 782	41 976
different timing of recognition of sales revenue for tax purposes	299 792	326 801
difference between tax base and carrying amount of energy certificates	16 940	21 962
other	62 796	75 423
Deferred tax liabilities	**2 117 246**	**2 044 648**
provisions and accruals	657 156	731 185
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	639 157	602 640
power infrastructure received free of charge and received connection fees	6 500	7 073
difference between tax base and carrying amount of financial assets and financial liabilities	626 820	389 143
different timing of recognition of sales revenue and cost of sales for tax purposes	286 836	270 157
tax losses	12 254	8 747
other	25 036	27 150
Deferred tax assets	**2 253 759**	**2 036 095**
Impairment of deferred tax assets	(363 213)	(292 865)
Deferred tax assets after impairment	**1 890 546**	**1 743 230**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**114 494**	**132 320**
Deferred tax liability	**(341 194)**	**(433 738)**

The deferred tax assets and deferred tax liabilities of the companies forming the Tax Capital Group (“PGK”) as at 30 September 2021 and 31 December 2020 have been offset due to the fact that these companies file a joint tax return pursuant to PGK agreements signed.

As at 30 September 2021, the revaluation allowance due to deferred tax assets related to assets and liabilities of the Mining segment company and amounted to PLN 363 213 thousand. The recognition of the aforementioned allowance results from analyses of the recoverability of the deferred tax asset of the company in the Mining segment, which is not included in the Tax Capital Group for 2021-2023.

(in PLN thousand)

25. Inventories

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Gross value		
Coal, *of which:*	542 342	658 323
Raw materials	*301 476*	*277 509*
Semi-finished goods and work-in-progress	*235 676*	*377 689*
CO_2 emission allowances	413 037	18 436
Other inventories	216 945	208 975
Total	**1 172 324**	**885 734**
Measurement to fair value		
CO_2 emission allowances	42 598	-
Measurement to net realisable value		
Coal	-	(285)
Other inventories	(11 217)	(11 023)
Total	**31 381**	**(11 308)**
Fair value		
CO_2 emission allowances	455 635	-
Net realisable value		
Coal, *of which:*	542 342	658 038
Raw materials	*301 476*	*277 509*
Semi-finished goods and work-in-progress	*235 676*	*377 689*
CO_2 emission allowances	-	18 436
Other inventories	205 728	197 952
Total	**1 203 705**	**874 426**

26. Receivables from customers

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Value of items before allowance/write-down		
Receivables from buyers, *of which:*	2 659 080	2 511 793
Additional assessment of revenue from sales of electricity and distribution services	*761 219*	*814 235*
Receivables claimed at court	223 425	222 128
Total	**2 882 505**	**2 733 921**
Allowance/write-down		
Receivables from buyers	(51 182)	(62 570)
Receivables claimed at court	(199 232)	(197 935)
Total	**(250 414)**	**(260 505)**
Value of item net of allowance (carrying amount)		
Receivables from buyers	2 607 898	2 449 223
Receivables claimed at court	24 193	24 193
Total, *of which:*	**2 632 091**	**2 473 416**
Current	2 632 006	2 473 416

27. Receivables arising from other taxes and charges

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
VAT receivables	167 094	271 086
Excise duty receivables	7 955	12 467
Other	9 067	11 613
Total	**184 116**	**295 166**

(in PLN thousand)

28. Cash and cash equivalents

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Cash at bank and in hand	497 044	668 285
Short-term deposits (up to 3 months)	-	250 006
Other	2 374	3 054
Total cash and cash equivalents presented in the statement of financial position, *of which*:	**499 418**	**921 345**
restricted cash, *including:*	199 147	213 405
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*100 868*	*120 981*
cash on VAT bank accounts (split payment)	*63 007*	*51 855*
bank accounts related to subsidies received	*35 058*	*31 899*
Bank overdraft	(2)	(2 261)
Cash pool	(18 167)	(20 864)
Foreign exchange	(1 155)	(2 843)
Total cash and cash equivalents presented in the statement of cash flows	**480 094**	**895 377**

The difference between the balance of cash presented in the statement of financial position and 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 accounts in foreign currency.

29. Assets classified as held for sale

On 26 March 2021 the Company, pursuant to the concluded agreement, sold to the State Treasury all its shares in PGE EJ 1 Sp. z o.o., classified as assets held for sale. Pursuant to the Agreement, the Company sold 532 523 shares of PGE EJ 1 Sp. z o.o. constituting 10% of the share capital and representing 10% of votes at the Meeting of Shareholders of PGE EJ 1 Sp. z o.o. for the selling price of PLN 52 605 thousand is assigned to the Company. The agreement was concluded by the State Treasury with all entities holding shares in PGE EJ 1 Sp. z o.o., i.e. PGE Polska Grupa Energetyczna S.A., Enea S.A. and KGHM Polska Miedź S.A., and the total sale price for 100% of the shares was PLN 526 050 thousand.

Moreover, on 26 March 2021, the Partners concluded the annex to the agreement of 15 April 2015 concerning the case of WorleyParsons with PGE EJ 1 Sp. z o.o., regulating the principles of Partners' liability for potentially arising liabilities or benefits due as a result of the settlement of dispute between PGE EJ 1 Sp. z o.o. and WorleyParsons, which is described in more detail in Note 47 to these interim condensed consolidated financial statements.

On 15 June 2021 an amendment to the articles of association of PGE EJ 1 Sp. z o.o. was registered which, inter alia, changed the name of the company (following the conclusion of the share sale agreement described above) to Polskie Elektrownie Jądrowe Sp. z o.o.

30. Equity

30.1. Issued capital

Issued capital as at 30 September 2021 *(unaudited)*

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**	

(in PLN thousand)

Shareholding structure as at 30 September 2021 and as at 31 December 2020 *(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%**

As at 30 September 2021, to the best of the Company's knowledge, the value of issued capital, the number of shares, the nominal value of shares and the shareholding structure, have not changed as compared to the status as at 31 December 2020.

30.2. 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 Meeting. 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 authorising to at least 25% of the total votes in the Company.

30.3. Reserve capital

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Amounts from distribution of prior years profits	2 749 099	4 886 520
Decrease in the value of issued capital	-	1 217 354
Settlement of mergers with subsidiaries	-	234 880
Total reserve capital	**2 749 099**	**6 338 754**

The decrease in the value of reserve capital in the 9-month period ended 30 September 2021 results from the coverage of the Company net loss for the financial year 2020 in the amount of PLN 3 589 655 thousand.

The reserve capital of the Company does not exceed the level of one-third of the Company share capital, i.e. PLN 2 920 916 thousand, therefore, it may be used only to cover losses.

30.4. Revaluation reserve from measurement of hedging instruments

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Opening balance	**(67 903)**	**15 666**
Remeasurement of hedging instruments	199 949	(107 550)
Remeasurement of hedging instruments charged to profit or loss	(3 191)	(14 160)
Deferred income tax	(37 384)	23 125
Closing balance	**91 471**	**(82 919)**

The revaluation reserve from measurement of hedging instruments results from the measurement of Interest Rate Swap (IRS) instruments hedging the interest rate risk due to debt, which is discussed in more detail in Note 44.2 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 2021, the Company recognised the amount of PLN 91 471 thousand of revaluation reserve from the measurement of hedging instruments. This amount represents an asset arising from the measurement of IRS instruments as at the balance sheet date in the amount of PLN 129 391 thousand and the liability arising from the measurement of IRS instruments as at the balance sheet date in the amount of PLN 25 885 thousand, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet date, including the deferred tax.

(in PLN thousand)

30.5. Retained earnings and accumulated losses and restrictions on dividends

The amounts of retained earnings arising from the settlement of mergers with subsidiaries as well as actuarial gains and losses on post-employment benefit provisions recognised through other comprehensive income are not distributed.

Due to the fact that the reserve capital of the Company does not exceed one-third of the issued capital, the Company is obliged to transfer at least 8% of the net profit for a given financial year to the reserve capital until this capital reaches at least one-third of the issued capital.

As at 30 September 2021 and as at the date these interim condensed consolidated financial statements were authorised for publications, there are no other restrictions concerning the payment of dividends.

On 29 March 2021 the Management Board of TAURON Polska Energia S.A. adopted the resolution concerning the submission of the motion to the Ordinary General Meeting of TAURON Polska Energia S.A. requesting covering the net loss of the Company for financial year 2020 in the amount of PLN 3 589 655 from the reserve capital of the Company. On 24 May 2021 the Ordinary General Meeting of the Company adopted the resolution in compliance with the recommendation of the Management Board.

30.6. Non-controlling interests

Non-controlling interests relate mainly to the shares acquired by Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investment Fund - Capital Closed-End Investment Fund of Non-Public Assets) and PFR Inwestycje Fundusz Inwestycji Zamkniętych (PFR Investments Closed-End Investment Fund) in the share capital of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. for the total amount of PLN 880 000 thousand.

30.7. Dividends paid and proposed for disbursement

In the 9-month period ended 30 September 2021 and in the comparable period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

31. Debt liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Unsubordinated bonds	5 554 616	5 523 842
Subordinated bonds	2 061 282	1 998 367
Loans and borrowings	3 849 964	5 992 133
Lease liabilities	1 164 918	1 137 530
Total	**12 630 780**	**14 651 872**
Non-current	11 103 373	13 171 200
Current	1 527 407	1 480 672

31.1. Bonds issued

Bonds issued as at 30 September 2021 *(unaudited)*

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	802 981	3 840	799 141	99 989	99 948	299 681	299 523
				630 000	2021-2029	632 740	2 934	629 806	69 998	69 989	209 939	279 880
	A series bonds (TPE1025)	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 004 446	6 710	997 736	-	-	997 736	-
	Eurobonds	fixed	EUR	500 000	5.07.2027	2 318 281	13 264	2 305 017	-	-	-	2 305 017
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168 000	3.12.2029	796 168	22 602	773 566	-	-	-	773 566
Unsubordinated bonds						**5 554 616**	**49 350**	**5 505 266**	**169 987**	**169 937**	**1 507 356**	**3 657 986**
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[2]	404 312	4 797	399 515	-	-	399 515	-
	European Investment Bank	fixed[1]	EUR	190 000	16.12.2034[2]	887 978	32 033	855 945	-	-	855 945	-
			PLN	400 000	17.12.2030[2]	410 445	23 861	386 584	-	-	386 584	-
			PLN	350 000	19.12.2030[2]	358 547	20 292	338 255	-	-	338 255	-
Subordinated bonds						**2 061 282**	**80 983**	**1 980 299**	**-**	**-**	**1 980 299**	**-**
Total bonds issued						**7 615 898**	**130 333**	**7 485 565**	**169 987**	**169 937**	**3 487 655**	**3 657 986**

(in PLN thousand)

[1]In the case of bonds covered by the European Investment Bank (hybrid subordinated financing), 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.
[2] In the case of subordinated bonds, the maturity date shall take into account two financing periods, as referred to below. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the reporting period, includes earlier redemption, intention of bonds redemption is after end of first period of financing. Ageing takes into account estimation of redemption after first period of financing.

Bonds issued as at 31 December 2020

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	799 393	448	798 945	99 953	99 917	299 607	299 468
				630 000	2021-2029	630 105	342	629 763	69 990	69 983	209 924	279 866
	A series bonds (TPE1025)	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 000 115	2 760	997 355	-	-	997 355	-
	Eurobonds	fixed	EUR	500 000	5.07.2027	2 321 672	27 025	2 294 647	-	-	-	2 294 647
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168 000	3.12.2029	772 557	699	771 858	-	-	-	771 858
Unsubordinated bonds						**5 523 842**	**31 274**	**5 492 568**	**169 943**	**169 900**	**1 506 886**	**3 645 839**
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031[2]	400 026	559	399 467	-	-	-	399 467
	European Investment Bank	fixed[1]	EUR	190 000	16.12.2034[2]	864 530	1 767	862 763	-	-	862 763	-
			PLN	400 000	17.12.2030[2]	391 458	1 243	390 215	-	-	390 215	-
			PLN	350 000	19.12.2030[2]	342 353	922	341 431	-	-	341 431	-
Subordinated bonds						**1 998 367**	**4 491**	**1 993 876**	**-**	**-**	**1 594 409**	**399 467**
Total bonds issued				**-**		**7 522 209**	**35 765**	**7 486 444**	**169 943**	**169 900**	**3 101 295**	**4 045 306**

[1]In the case of bonds covered by the European Investment Bank (hybrid subordinated financing), 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.
[2] In the case of subordinated bonds, the maturity date shall take into account two financing periods, as referred to below. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the reporting period, includes earlier redemption, intention of bonds redemption is after end of first period of financing. Ageing takes into account estimation of redemption after first period of financing.

The bonds issued by the Company are unsecured coupon bonds. The bonds were issued at the par value, except for Eurobonds with the issue price accounting for 99.44% of the par value. The Eurobonds have been admitted to trading on the regulated market of the London Stock Exchange, while the TPE1025 bonds are listed in the Catalyst alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Series A bonds (TPE1025) with a nominal value of PLN 1 000 000 thousand were issued under the Scheme Agreement of 6 February 2020 concluded between TAURON Polska Energia S.A. and Santander Bank Polska S.A., under which the Bond Issue Scheme up to PLN 2 000 000 thousand was established. Funds from the bond issue support the implementation of the energy transformation of the Group. The terms and conditions of the bond issue include sustainability indicators in the form of the CO_2 emission reduction rate and a RES capacity expansion rate, the achievement of which determined the level of the bond margin.

Subordinated hybrid bonds

Bonds subscribed by the European Investment Bank ("EIB") are subordinated, which means that they will have a priority of satisfaction only before the amounts due to the Company shareholders in the event of its bankruptcy or liquidation. This in turn positively affects Company's financial stability, since the bonds are excluded from the net debt / EBITDA ratio calculation, a covenant in the contractual 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.

There are two financing periods for bonds subscribed for by the EIB. 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). In this period, the interest rate is fixed, while after the non-call period, it is floating and is linked to the underlying rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) increased by an agreed 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, with the first financing period defined as 7 years and the next one as 5 years in accordance with the characteristics of hybrid financing. In the case of bonds issued in EUR, the maturity date is set at 18 years from the issue date, i.e. 16 December 2034, with the first financing period defined as 8 years and the next one as 10 years in accordance with the characteristics of hybrid financing.

The bonds issued under the agreement of 6 September 2017 concluded with Bank Gospodarstwa Krajowego with a par value of PLN 400 000 thousand are also of a subordinated nature. For these bonds, two periods are also distinguished. The Company cannot early buy-back the bonds in the first (non-call) period, nor can BGK early sell them to third parties (in both cases except for cases indicated in the documentation). The interest rate is variable based on WIBOR 6M increased by a fixed margin, with the margin being further increased after a 7-year financing period.

(in PLN thousand)

New subordinated bond issue scheme

On 11 March 2021, TAURON Polska Energia S.A. concluded the agreement with Bank Gospodarstwa Krajowego on the subordinated bond issue scheme up to PLN 450 000 thousand.

The subordinated bond issue scheme provides for a possibility to conduct the issue within a period of two years from the moment of signing the documentation. The financing period is 12 years from the date of issue. During the first seven years after the issue, no early redemption of the bonds by the Company is possible and no earlier sale of the bonds by Bank Gospodarstwa Krajowego to third parties is possible. The interest rate is variable based on WIBOR 6M increased by a fixed margin, with the margin being further increased after a 7-year financing period. If issued, the bonds will be subscribed by Bank Gospodarstwa Krajowego on the primary market. Funds from the issue may be used to finance the Group's current and investment needs, including projects related to Green Turn of TAURON.

Until the date of approval of these interim condensed consolidated financial statements for publication, no bonds had been issued.

Change in the balance of bonds excluding interest which increases their carrying amount

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Opening balance	**7 486 444**	**6 223 892**
Redemption	-	(3 100)
Change in valuation	(879)	255 013
Closing balance	**7 485 565**	**6 475 805**

31.2. Credits and loans

Loans and borrowings drawn as at 30 September 2021 *(unaudited)*

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	2 891 179	2 891 179	969 983	4 932	6 723	2 842	1 108 316	798 383
	fixed	949 825	949 825	70 482	89 330	109 170	109 170	557 104	14 569
Total PLN		**3 841 004**	**3 841 004**	**1 040 465**	**94 262**	**115 893**	**112 012**	**1 665 420**	**812 952**
Total			**3 841 004**	**1 040 465**	**94 262**	**115 893**	**112 012**	**1 665 420**	**812 952**
Interest increasing carrying amount			8 960						
Total			**3 849 964**						

Loans and borrowings as at 31 December 2020

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	4 942 213	4 942 213	1 021 891	3 222	2 007 473	2 191	1 109 192	798 244
	fixed	1 035 830	1 035 830	34 694	123 390	108 673	108 673	616 735	43 665
Total PLN		**5 978 043**	**5 978 043**	**1 056 585**	**126 612**	**2 116 146**	**110 864**	**1 725 927**	**841 909**
EUR	floating	487	2 249	2 249	-	-	-	-	-
Total EUR		**487**	**2 249**	**2 249**	**-**	**-**	**-**	**-**	**-**
Total			**5 980 292**	**1 058 834**	**126 612**	**2 116 146**	**110 864**	**1 725 927**	**841 909**
Interest increasing carrying amount			11 841						
Total			**5 992 133**						

(in PLN thousand)

Main liabilities due to loans and borrowings are shown in the table below.

Loans/ borrowings	Borrowing institution	Purpose	Interest rate	Maturity date	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Loans	Consortium of banks I [1]	Redemption of bonds, investment expenditures and general expenses of the Group	Floating	14.04.2021 [3]	-	601 673
				30.04.2021 [3]	-	200 429
				29.06.2021 [3]	-	1 099 541
				10.09.2021 [3]	-	100 366
				25.01.2021	-	300 100
				28.01.2021	-	600 089
				29.01.2021	-	100 007
				14.10.2021	300 860	-
				20.10.2021	300 788	-
				29.10.2021	350 026	-
Loans	Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	Floating	20.12.2033	1 001 651	998 232
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	20 980	20 354
		Construction and start-up of a co-generation unit at EC Bielsko Biała	Fixed	15.12.2021	29 978	29 105
		Modernization and extension of power grid	Fixed	15.06.2024	120 086	137 682
			Fixed	15.09.2024	53 800	72 151
			Fixed	15.09.2024	67 415	90 440
		Modernization and extension of power grid and improvement of hydropower plants	Fixed	15.03.2027	160 414	190 532
Loans	Intesa Sanpaolo S.p.A.	Group's investment expenditure, except for financing or refinancing projects related to coal assets	Floating	19.12.2024	250 011	250 832
					249 949	250 758
					249 701	250 526
Loans	SMBC BANK EU AG	Group's general corporate expenses, excluding financing or refinancing of coal-fired power plants	Fixed	23.03.2025	499 065	498 860
Loans	Consortium of banks II [2]	Group's general corporate expenses, excluding financing of any new coal assets-related projects	Floating	10.03.2022 [3]	160 001	160 610
Borrowings	Regional Fund for Environmental Protection and Water Management	Construction of renewable power unit at Jaworzno III Power Plant	Floating	15.12.2022	5 000	8 000
Borrowings	Regional Fund for Environmental Protection and Water Management	Construction of the photovoltaic farm	Floating	30.11.2025	11 318	8 547
Other loans and borrowings					18 921	23 299
Total					**3 849 964**	**5 992 133**

[1] The consortium of banks I consists of: Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Joint-Stock Company) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A.
[2] The consortium of banks II consists of: 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,
[3] Tranche classified as non-current liability.

Pursuant to the provisions of the loan agreement of 19 June 2019 concluded with the consortium of banks (Consortium of banks I), the maximum period for drawing individual loan tranches is 12 months. However, the financing available under the agreement is renewable and the deadline for its availability falls at the end of 2022. The tranches drawn down are classified as non-current where the Company has the ability and intention to hold them for more than 12 months since the balance sheet date. As at 30 September 2021, all tranches with an aggregate nominal value of PLN 950 000 thousand are classified as current liabilities.

Likewise, the syndicated loan taken out under the agreement of 25 March 2020 (Consortium of banks II) is of revolving nature. The Company may raise financing against available financing with a selected interest period. Under the agreement, the repayment occurs at the end of the interest period, whereas the Company has the option to re-borrow. 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 drawdown used in the amount of PLN 160 000 thousand is classified as a non-current liability as at the balance sheet date.

(in PLN thousand)

Change in the balance of loans and borrowings excluding interest increasing their carrying amount

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Opening balance	**5 980 292**	**7 027 775**
Movement in bank overdrafts and cash pool loans received	**(4 332)**	**(14 510)**
Movement in other loans and borrowings:	**(2 134 956)**	**(1 069 600)**
Repaid	(7 543 908)	(7 583 646)
Taken*	5 402 123	6 504 055
Change in valuation	6 829	9 991
Closing balance	**3 841 004**	**5 943 665**

** The cost of borrowing has been taken into account.*

In the 9-month period ended 30 September 2021, the Group performed the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

Lender	Description	9-month period ended 30 September 2021 *(unaudited)* Drawdown	Repayment
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to credit agreement deadline	5 400 000	(7 450 000)
European Investment Bank	Repayment of capital instalments according to schedule	-	(90 864)
Other borrowings		2 772	(3 044)
Total, *including:*		**5 402 772**	**(7 543 908)**
Cash flows		702 772	(2 843 908)
Net settlement (without cash flow)		4 700 000	(4 700 000)

After the balance sheet date, under the agreement of 19 June 2019 (Consortium of banks I), the Company had drawn tranches with an aggregate nominal value of PLN 550 000 thousand and repaid tranches in accordance with the repayment schedule in the aggregate amount of PLN 950 000 thousand.

Overdrafts

The Company has available financing under an overdraft facility in PLN (up to PLN 250 000 thousand) and in EUR (up to EUR 45 000 thousand) and under an intraday limit.

After the balance sheet date, the Company concluded a loan agreement with the European Investment Bank, as further described in Note 51 to these interim condensed consolidated financial statements.

31.3. Debt agreement covenants

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

As at 30 June 2021 (i.e. the last reporting period for which the Company was required to calculate the covenant), the covenant net debt/EBITDA ratio was not exceeded and amounted to 2.06.

31.4. Lease liability

As at 30 September 2021, the Group had a lease liability in the amount of PLN 1 164 918 thousand. The liability primarily relates to the perpetual usufruct of land, contracts for occupation of the road lane, land lease and rental agreements, transmission easements and the lease of office and warehouse premises.

(in PLN thousand)

Ageing of the lease liability

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Within 1 year	131 854	125 462
Within 1 to 5 years	338 786	329 963
Within 5 to 10 years	350 251	337 397
Within 10 to 20 years	611 868	577 762
More than 20 years	843 502	861 935
Gross lease liabilities	**2 276 261**	**2 232 519**
Discount	(1 111 343)	(1 094 989)
Present value of lease payments	**1 164 918**	**1 137 530**
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 164 918	1 137 530

32. Provisions for employee benefits

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Provision for post-employment benefits and jubilee bonuses	977 064	1 033 193
Provision for employment termination benefits and other provisions for employee benefits	19 086	22 394
Total	**996 150**	**1 055 587**
Non-current	909 467	951 612
Current	86 683	103 975

32.1. Provisions for post-employment benefits and jubilee bonuses

9-month period ended 30 September 2021 *(unaudited)*

	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total
Opening balance	**402 095**	**171 915**	**459 183**	**1 033 193**
Current service costs	21 925	5 225	26 078	**53 228**
Actuarial gains and losses	(29 998)	(14 669)	(15 212)	**(59 879)**
Benefits paid	(18 974)	(3 216)	(35 766)	**(57 956)**
Interest expense	3 253	1 508	3 717	**8 478**
Closing balance	**378 301**	**160 763**	**438 000**	**977 064**
Non-current	352 730	155 709	393 836	**902 275**
Current	25 571	5 054	44 164	**74 789**

9-month period ended 30 September 2020 *(restated unaudited data)*

	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	20 696	6 063	3 442	29 254	**59 455**
Actuarial gains and losses	8 645	79 488	13 575	20 267	**121 975**
Benefits paid	(17 360)	(5 970)	(3 102)	(34 823)	**(61 255)**
Past-service costs	-	(533 319)	-	-	**(533 319)**
Interest expense	5 329	3 584	1 826	6 355	**17 094**
Closing balance	**395 733**	**-**	**135 151**	**470 555**	**1 001 439**
Non-current	368 334	-	131 051	423 437	**922 822**
Current	27 399	-	4 100	47 118	**78 617**

(in PLN thousand)

Revaluation of provision for employees' benefits

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

The valuation of provisions for employee benefits as at 30 September 2021 was prepared based on actuarial projections with the use of the sensitivity analysis in relation to the level of the discount rate. The assumptions used by the actuary to prepare the 2021 forecast were the same as those used to measure the provisions as at 31 December 2020. However, given the increase in the level of long-term market interest rates, the Group decided to apply a higher discount rate of 1.7% (as at 31 December 2020, the level of the discount rate was 1.2%). Other main assumptions adopted by the actuary as at 31 December 2020 for calculation of the liability amount presented below have not changed:

	31 December 2020
Estimated inflation rate (%)	2.50%
Employee rotation rate (%)	0.95% - 8.79%
Estimated salary increase rate (%)	2.50%
Estimated increase rate for contribution to the Social Fund (%)	3.50%
Remaining average employment period	12.06 – 21.62

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

	9-month period ended 30 September 2021 *(unaudited)*			9-month period ended 30 September 2020 *(unaudited restated figures)*		
	Voluntary redundancy schemes	Other provisions	Total	Voluntary redundancy schemes	Other provisions	Total
Opening balance	**14 404**	**7 990**	**22 394**	**21 032**	**13 377**	**34 409**
Recognition	914	1 078	**1 992**	2 851	7 985	**10 836**
Reversal	-	(933)	**(933)**	(2 423)	-	**(2 423)**
Utilization	(2 793)	(1 574)	**(4 367)**	(2 986)	(1 795)	**(4 781)**
Closing balance	**12 525**	**6 561**	**19 086**	**18 474**	**19 567**	**38 041**
Non-current	7 192	-	**7 192**	7 470	5 943	**13 413**
Current	5 333	6 561	**11 894**	11 004	13 624	**24 628**

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

	9-month period ended 30 September 2021 *(unaudited)*			9-month period ended 30 September 2020 *(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	**374 814**	**208 244**	**583 058**	**305 885**	**194 082**	**499 967**
Unwinding of the discount	3 662	2 111	**5 773**	4 667	2 822	**7 489**
Discount rate adjustment	(41 249)	(12 234)	**(53 483)**	77 045	15 252	**92 297**
Recognition/(reversal), net	233	3 813	**4 046**	196	(12 852)	**(12 656)**
Utilisation	-	(3 861)	**(3 861)**	-	(1 586)	**(1 586)**
Closing balance	**337 460**	**198 073**	**535 533**	**387 793**	**197 718**	**585 511**
Non-current	337 460	193 946	**531 406**	387 394	187 175	**574 569**
Current	-	4 127	**4 127**	399	10 543	**10 942**
Other provisions, long-term portion			**70 157**			**101 570**
Total			**601 563**			**676 139**

33.1. Provision for mine decommissioning costs

The provision is created for mines included in the Group based on estimated costs of liquidating facilities and reclaiming land to the original condition after the 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. The financial assets of the MDF are presented in the statement of financial position under non-current and current financial assets, while the balance of the MDF is recognised under the provision for future costs of mine decommissioning.

(in PLN thousand)

As at 30 September 2021, the balance of the provision amounted to PLN 337 460 thousand while the change in the balance is mainly related to the revaluation of the provision due to a change in the discount rate adopted to calculate the provision - an increase in the discount rate from 1.2% to 1.7% (in the comparative period - a decrease in the discount rate from 2.1% to 1.5%).

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

Within the provision for restoration and dismantling costs and decommissioning of fixed assets, the Group recognises the following provisions created by companies in the Generation and Renewable energy sources segment:

- provision for costs related to restoration of ash dumps, the balance of which as at 30 September 2021 amounted to PLN 19 731 thousand (as at 31 December 2020 - PLN 20 089 thousand);
- provision for costs related to dismantling of wind farms, the balance of which as at 30 September 2021 amounted to PLN 152 917 thousand (as at 31 December 2020 - PLN 158 448 thousand);
- provision for decommissioning costs of fixed assets related mainly to the decommissioning of the stack in Elektrownia Jaworzno, the unit in Elektrownia Łagisza, the cooling tower in Elektrownia Siersza and the decommissioning of 120 MW class units, the balance of which amounted to PLN 25 425 thousand as at 30 September 2021 (PLN 29 707 thousand as at 31 December 2020).

34. Provisions for liabilities due to energy certificates of origin and CO_2 emission allowances

	9-month period ended 30 September 2021 *(unaudited)*			9-month period ended 30 September 2020 *(unaudited restated figures)*		
	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	**981 549**	**769 374**	**1 750 923**	**772 299**	**605 934**	**1 378 233**
Recognition	1 269 199	639 261	**1 908 460**	640 235	543 283	**1 183 518**
Reversal	(1 067)	(9 913)	**(10 980)**	-	(3 098)	**(3 098)**
Utilisation	(1 152 083)	(1 149 818)	**(2 301 901)**	(776 602)	(595 707)	**(1 372 309)**
Closing balance	**1 097 598**	**248 904**	**1 346 502**	**635 932**	**550 412**	**1 186 344**

The increase in the cost of creating the provision for CO_2 emission liabilities in the 9-month period ended 30 September 2021 in relation to the comparative period is described in Note 12 to these interim condensed consolidated financial statements.

35. Other provisions

	9-month period ended 30 September 2021 *(unaudited)*				9-month period ended 30 September 2020 *(unaudited restated figures)*			
	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	**76 679**	**84 691**	**228 606**	**389 976**	**88 070**	**241 796**	**397 050**	**726 916**
Unwinding of discount and change of discount rate	-	45	64	**109**	-	75	61	**136**
Recognition/(reversal), net	447	-	(11 289)	**(10 842)**	(2 666)	4 916	(41 951)	**(39 701)**
Utilisation	(2 293)	(42 646)	(15 219)	**(60 158)**	(215)	(145 704)	(60 112)	**(206 031)**
Other movements	-	-	-	**-**	-	-	(12 488)	**(12 488)**
Closing balance	**74 833**	**42 090**	**202 162**	**319 085**	**85 189**	**101 083**	**282 560**	**468 832**
Non-current	-	8 198	61 959	**70 157**	-	25 022	76 548	**101 570**
Current	74 833	33 892	140 203	**248 928**	85 189	76 061	206 012	**367 262**
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				**4 127**				**10 942**
Total				**253 055**				**378 204**

35.1. Provision for the non-contractual use of real estate

The Group companies create provisions for all claims filed by owners of properties on which distribution networks and heat installations are located. As at 30 September 2021, this provision amounted to PLN 74 833 thousand and was related to the segments:

- Generation - PLN 34 911 thousand;

(in PLN thousand)

- Distribution - PLN 34 067 thousand;
- Renewable energy sources - PLN 5 855 thousand.

In 2012, the third party applied to TAURON Ciepło S.A. (currently TAURON Ciepło Sp. z o.o.) demanding the settlement 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 grounds for offsetting their amounts against the current liabilities to the company arising from heat supplies. Consequently, the company took legal action to enforce its current claims against the debtor. The amount of the potential claims of the aforementioned entity in respect of clarification of the legal status of the company transmission equipment will be reviewed in the course of the proceedings. With regard to the pending dispute, in light of the adopted accounting policy, a provision has been recognised for the estimated cost of the above claim. Bearing in mind the pending litigation, having regard to the provisions of 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.*

35.2. Provisions for onerous contracts

Provisions for onerous contracts in the companies of the Sales segment

As at 31 December 2020, companies of the Sales segment estimated the provisions for onerous contracts to PLN 76 394 thousand. These provisions related primarily to individual customers who took advantage of the product price lists offered by the Company ("GD price lists"). The need to maintain the aforementioned provisions results from the growth of wholesale electricity purchase prices in 2018 and maintaining fixed sales prices in some contracts with GD price lists. The provisions were created for contracts covered by GD price lists for a 3-year period, still in force in 2021. In the 9-month period ended 30 September 2021, as a result of the application of the aforementioned price lists, the companies generated a loss on the sale of electricity to customers, therefore, they partially used the provisions for onerous contracts described above in the amount of PLN 39 399 thousand.

At the same time, the Group assesses that it is not necessary to create provisions for onerous contracts in the scope of households, including customers using tariff prices approved by the President of the Energy Regulatory Office ("G tariff"). Based on the TAURON Sprzedaż Sp. z o.o. household tariff for 2021 approved by the President of the ERO in December 2020, the revenues generated from the sale of electricity fully cover the justified costs of operating in this area.

Other provisions for onerous contracts

The Group creates a provision for onerous contracts in connection with the partial granting by the Court of Appeals in Warsaw of a motion for security through an order to the subsidiary Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform in full the provisions of the agreements on the existing terms and conditions, in accordance with their content, until the proceedings in the suit brought by Pękanino Wind Invest Sp. z o.o. against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are legally concluded, which amounted to PLN 5 095 thousand as at 30 September 2021, as further described in Note 47 to these interim condensed consolidated financial statements.

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

Material provisions recognised within other provisions are described below:

Operating segment	Description	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Provision for the increase in remuneration for transmission easements			
Distribution	The provision relates to the risk of increased periodic charges for transmission easements for energy infrastructure located in the territory of forest districts subordinated to the Regional Directorate of State Forests in Wrocław in connection with a change in the nature of land from forest land to land associated with business activities. In the 9-month period ended 30 September 2021, the company from the Distribution segment used the provision of PLN 9 690 thousand.	49 363	59 053
Provision for real estate tax			
Distribution	Provision for the economic risk in the scope of real estate tax relating to power grid assets.	39 356	39 356
Renewable Energy Sources	The provision relates to the risk of the effects of the Constitutional Court judgement of 22 July 2020 on imposing the real estate tax on wind power plants in 2018.	16 776	16 776

(in PLN thousand)

36. Accruals, deferred income and government subsidies

36.1. Deferred income and government grants

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Deferred income	**43 855**	**44 923**
Donations, subsidies received for the purchase or fixed assets received free-of-charge	36 544	39 905
Other	7 311	5 018
Government grants	**542 523**	**478 736**
Subsidies obtained from EU funds	463 165	393 686
Forgiven loans from environmental funds	26 405	28 747
Measurement of preferential loans	29 523	31 102
Other	23 430	25 201
Total	**586 378**	**523 659**
Non-current	550 463	493 916
Current	35 915	29 743

36.2. Accrued expenses

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Bonuses	230 518	62 456
Unused holidays	36 356	50 227
Environmental protection charges	17 240	21 953
Other accrued expenses	26 806	18 156
Total	**310 920**	**152 792**
Non-current	503	1 007
Current	310 417	151 785

37. Liabilities to suppliers

Short-term liabilities to suppliers as at 30 September 2021 and as at 31 December 2020 are presented in the table below:

Operating segment	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Mining	139 187	138 064
Generation	91 834	162 219
Renevable Energy Sources	9 355	13 288
Distribution, *including:*	408 958	242 050
liability to Polskie Sieci Elektroenergetyczne S.A.	*353 475*	*182 555*
Sales	244 391	372 207
Other	61 128	92 840
Total	**954 853**	**1 020 668**

(in PLN thousand)

38. Investment liabilities

Short-term investment liabilities as at 30 September 2021 and as at 31 December 2020 are presented in the table below:

Operating segment	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Mining	22 195	101 901
Generation	110 693	372 363
Renevable Energy Sources	26 280	4 283
Distribution	166 423	253 711
Sales and Other	59 370	125 131
Total	**384 961**	**857 389**

Long-term investment liabilities were presented in the consolidated statement of financial position under other financial liabilities. As at 30 September 2021, the related liability amounted to PLN 21 814 thousand (as at 31 December 2020 – PLN 22 983 thousand).

Commitments to incur capital expenditure

As at 30 September 2021 and 31 December 2020, the Group committed to incur expenditure of PLN 3 041 324 thousand and PLN 3 308 941 thousand, respectively, on property, plant and equipment and intangible assets, the key items of which are shown in the table below.

Operating segment	Agreement/investment project	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Distribution	Construction of new electrical connections	1 304 076	1 425 541
	Modernization and reconstruction of existing networks	644 144	708 659
Renewable Energy Sources	Construction of wind farms	172 413	201 665
Generation	Expansion of heat sources in new capacities	143 870	2 322
	Construction of 910 MW Power Unit in Jaworzno	135 334	232 160
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	126 303	126 202
Other	Construction of a broadband Internet network under the Operational Programme Digital Poland	86 631	153 896

39. Settlements due to income tax

Income tax receivables relate mainly to TAURON Ciepło Sp. z o.o., which is not a part of the current Tax Capital Group.

Income tax liabilities mainly relate to the Tax Capital Group.

As at 30 September 2021, the Tax Capital Group had income tax liabilities in the amount of PLN 62 863 thousand representing the surplus of the tax burden of the TCL in the amount of PLN 400 741 thousand over the advances paid in the amount of PLN 337 878 thousand.

The Tax Capital Group Agreement for 2021-2023 was registered on 14 December 2020. Main companies forming the Tax Capital Group since 1 January 2021 include: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., Nowe Jaworzno Grupa TAURON Sp. z o.o., TAURON Dystrybucja S.A., 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., TEC1 Sp. z o.o., TEC3 Sp. z o.o. (currently: TAURON Zielona Energia Sp. z o.o.) and Kopalnia Wapienia Czatkowice Sp. z o.o.

(in PLN thousand)

40. Liabilities arising from other taxes and charges

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
VAT	214 990	97 060
Social security	151 224	230 034
Personal Income Tax	43 113	61 320
Excise	11 495	12 798
Other	7 214	8 575
Total	**428 036**	**409 787**

Tax settlements and other areas of activity may be subject to inspection by authorities entitled to impose penalties and any additional tax liabilities resulting from final decisions of tax inspection authorities must be paid including interest. Consequently, the amounts presented and disclosed in these interim condensed consolidated financial statements may change in the future.

41. Other financial liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Derivative instruments	954 383	175 584
Margin deposits arising from stock exchange transactions	424 890	73 221
Wages, salaries	129 913	232 274
Bid bonds, deposits and collateral received	53 587	86 289
Other	178 357	129 698
Total	**1 741 130**	**697 066**
Non-current	144 239	137 563
Current	1 596 891	559 503

As at 30 September 2021, liabilities due to negative valuation of derivatives relate to commodity derivatives (including, to a large extent, forward instruments on account of transactions for which CO_2 emission allowances are the underlying commodity) and IRS and CCIRS instruments. Derivatives are described in more detail in Note 44.2 to these interim condensed consolidated financial statements.

The value of initial and variation margins is related mostly to futures transactions in CO_2 emission allowances concluded on foreign regulated markets. The change in the value of margins in relation to the comparable period results mainly from a significant increase in the price of allowances, while taking into account the number of exchange contracts open as at the balance sheet date. The supplementary deposits represented funds received by the Company on account of current exchange clearing, in connection with the change in the valuation of the concluded futures contracts open as at the balance sheet date.

42. Other current non-financial liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020 *(restated figures)*
Payments from customers relating to future periods	**546 755**	**421 800**
Amounts overpaid by customers	376 436	336 608
Prepayments for connection fees	94 683	43 964
Other	75 636	41 228
Other current non-financial liabilities	**2 253**	**1 498**
Total	**549 008**	**423 298**

(in PLN thousand)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

43.1. Cash flows from operating activities

Changes in working capital

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited restated figures)*
Change in receivables	**(129 220)**	**187 751**
Change in receivables from buyers in statement of financial position	(158 590)	(27 388)
Change in other financial receivables	(6 627)	212 287
Adjustment due to change in receivables due to disposal of property, plant and equipment and financial assets	46 272	(1 297)
Other adjustments	(10 275)	4 149
Change in inventories	**(341 808)**	**(66 960)**
Change in inventories in statement of financial position	(329 279)	(61 299)
Adjustment related to transfer of invetories to/from property, plant and equipment	(12 529)	(5 661)
Change in payables excluding loans and borrowings	**271 602**	**(486 195)**
Change in liabilities to suppliers in statement of financial position	(65 815)	(94 488)
Change in payroll, social security and other financial liabilities	266 435	(198 963)
Change in non-financial liabilities in statement of financial position	121 608	53 913
Change in liabilities arising from taxes excluding income tax	18 249	(179 506)
Adjustment of VAT change related to capital commitments	(82 891)	(72 821)
Adjustment of other financial liabilities for guarantee valuation	12 425	4 301
Other adjustments	1 591	1 369
Change in other non-current and current assets	**1 314 131**	**1 023 934**
Change in other current and non-current non-financial assets in statement of financial position	(84 432)	10 627
Change in receivables arising from taxes excluding income tax	111 050	256 458
Change in non-current and current CO_2 emission allowances	556 196	608 070
Change in non-current and current energy certificates	696 160	150 465
Change in advance payments for property, plant and equipment and intangible assets	36 164	(1 264)
Other adjustments	(1 007)	(422)
Change in deferred income, government grants and accruals	**109 544**	**127 053**
Change in deferred income, government grants and accruals in statement of financial positior	220 847	174 850
Adjustmet related to property, plant and equipment, intangible assets and right-of-use assets received free of charge	(26 416)	(7 513)
Adjustment related to subsidies received and refunded	(84 887)	(38 047)
Other adjustments	-	(2 237)
Change in provisions	**(481 571)**	**(921 384)**
Change of short term and long term provisions in statement of financial position	(582 274)	(756 847)
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	44 667	(101 708)
Adjustement related to provisions recognized in correspondence with property, plant and equipment and other non-financial assets	56 055	(62 276)
Other adjustments	(19)	(553)
Total	**742 678**	**(135 801)**

Income tax paid

In the 9-month period ended 30 September 2021, income tax paid amounted to PLN 300 034 thousand, of which PLN 260 529 thousand related to the Tax Capital Group. The Tax Capital Group paid income tax in the amount of PLN 364 041 thousand on account of advance income tax payments for the month of December 2020 and for the first two quarters of 2021 and received a refund of the surplus of income tax for 2020 in the amount of PLN 103 512 thousand. The remaining amount of income tax paid relates primarily to TAURON Ciepło Sp. z o.o., which is not included in the composition of the Tax Capital Group for 2021-2023.

(in PLN thousand)

In the comparative 9-month period ended 30 September 2020, the Group recognised net income tax effect of PLN 27 336 thousand, which results primarily from the settlements of the Tax Capital Group in the amount of PLN 39 076 thousand, comprising:

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

In 2021, the Tax Capital Group makes quarterly advance payments for income tax, whereas in 2020 the Tax Capital Group made fixed monthly advance payments assessed on the simplified basis of the tax return for 2018.

43.2. Cash flows from investment activities

Purchase of tangible fixed assets and intangible assets

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Purchase of property, plant and equipment	(1 662 792)	(2 261 571)
Purchase of intangible assets	(55 939)	(68 121)
Change in the balance of VAT-adjusted capital commitments	(391 900)	(321 325)
Change in the balance of advance payments	(36 164)	1 264
Costs of overhaul and internal manufacturing	(238 857)	(392 601)
Other	(6 189)	8 171
Total	**(2 391 841)**	**(3 034 183)**

Sale of shares

Proceeds from sale of shares in the amount of PLN 52 605 thousand relate to sale of shares in PGE EJ1 Sp. z o.o. (currently: Polskie Elektrownie Jądrowe Sp. z o.o.), as further described in Note 29 of these interim condensed consolidated financial statements.

43.3. Cash flows from financial activities

Repayment of loans/borrowings

Expenditure on account of repayment of loans and borrowings in the amount of PLN 2 843 908 thousand is mainly attributable to the repayment by the parent company in the 9-month period ended 30 September 2021 of:

- tranches of loans to the Consortium of banks I in the amount of PLN 2 750 000 thousand;
- loan instalments to the European Investment Bank in the amount of PLN 90 864 thousand.

Interest paid

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Interest paid in relation to debt securities	(85 408)	(8 949)
Interest paid in relation to loans	(72 913)	(24 096)
Interest paid in relation to the lease and other	(6 898)	(5 881)
Total	**(165 219)**	**(38 926)**

The Group presents costs of external financing incurred activated in the current period on assets as expenditures for acquisition of property, plant and equipment and intangible assets in cash flows from investment activities. In the 9-month period ended 30 September 2021, paid interest representing external financing costs subject to capitalisation in the value of fixed assets and intangible assets amounted to PLN 6 840 thousand, whereas in the comparable period, it amounted to PLN 138 189 thousand. The decline in capitalised external financing costs results mainly from the commissioning of the 910 MW unit in Jaworzno in November 2020.

(in PLN thousand)

Borrowings

Inflows on account of loans and borrowings drawn in the 9-month period ended 30 September 2021 in the amount of PLN 702 772 thousand, related primarily to the drawdown of tranches of a loan under the agreement concluded with the Consortium of banks I in the amount of PLN 700 000 thousand, which is described in more detail in Note 31.2 to these interim condensed consolidated financial statements.

Subsidies received

Subsidies received in the 9-month period ended 30 September 2021 in the amount of PLN 86 927 thousand result mainly from the receipt by TAURON Obsługa Klienta Sp. z o.o. of instalments of the grant awarded by the European Regional Development Fund in the framework of the "Digital Poland" competition in the amount of PLN 53 581 thousand.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

44. Financial instruments

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

Categories and classes of financial assets	As at 30 September 2021 *(unaudited)*		As at 31 December 2020 *(restated figures)*	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**2 836 775**		**2 662 298**	
Receivables from buyers	2 632 091	2 632 091	2 473 416	2 473 416
Deposits	56 161	56 161	53 448	53 448
Loans granted	25 540	25 540	26 190	26 190
Other financial receivables	122 983	122 983	109 244	109 244
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 675 253**		**1 397 079**	
Derivative instruments	909 606	909 606	158 846	158 846
Shares	131 316	131 316	123 549	123 549
Shares classified as fixed sasets held for sale	-	-	53 136	53 136
Loans granted	74 345	74 345	72 523	72 523
Other financial receivables	60 568	60 568	67 680	67 680
Cash and cash equivalents	499 418	499 418	921 345	921 345
3 Derivative hedging instruments	**129 391**	**129 391**	**-**	**-**
4 Financial assets excluded from the scope of IFRS 9 *Finanical Instruments*	**601 002**		**586 559**	
Investments in joint ventures	601 002		586 559	
Total financial assets, *of which in the statement of financial position:*	**5 242 421**		**4 645 936**	
Non-current assets	**1 197 900**		**929 098**	
Investments in joint ventures	601 002		586 559	
Loans granted to joint ventures	98 713		96 293	
Other financial assets	498 185		246 246	
Current assets	**4 044 521**		**3 716 838**	
Receivables from buyers	2 632 006		2 473 416	
Loans granted to joint ventures	-		2 420	
Other financial assets	913 097		266 521	
Cash and cash equivalents	499 418		921 345	
Assets classified as held for sale	-		53 136	

(in PLN thousand)

Categories and classes of financial liabilities	As at 30 September 2021 *(unaudited)*		As at 31 December 2020 *(restated figures)*	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**13 592 423**		**15 913 881**	
Preferential loans and borrowings	16 445	16 445	16 717	16 717
Arm's length loans and borrowings	3 833 517	3 836 043	5 973 155	6 004 972
Bank overdrafts	2	2	2 261	2 261
Bonds issued	7 615 898	7 890 817	7 522 209	7 939 153
Liabilities to suppliers	955 549	955 549	1 021 364	1 021 364
Other financial liabilities	588 461	588 461	245 621	245 621
Capital commitments	406 775	406 775	880 373	880 373
Salaries and wages	129 913	129 913	232 274	232 274
Insurance contracts	45 863	45 863	19 907	19 907
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**928 498**		**85 523**	
Derivative instruments	928 498	928 498	85 523	85 523
3 Derivative hedging instruments	**25 885**	**25 885**	**90 061**	**90 061**
4 Financial liabilities excluded from the scope of IFRS 9 *Finanical Instruments*	**1 165 510**		**1 146 094**	
Liabilities under leases	1 165 510		1 146 094	
Total financial liabilities, *of which in the statement of financial position:*	**15 712 316**		**17 235 559**	
Non-current liabilities	**11 247 612**		**13 308 763**	
Debt	11 103 373		13 171 200	
Other financial liabilities	144 239		137 563	
Current liabilities	**4 464 704**		**3 926 796**	
Debt	1 527 407		1 480 672	
Liabilities to suppliers	954 853		1 020 668	
Capital commitments	384 961		857 389	
Other financial liabilities	1 596 891		559 503	
Liabilities associated with assets classified as held for sale	592		8 564	

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/liability 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 44.2 hereto.
IRS and CCIRS	2	
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.

(in PLN thousand)

The fair value of other financial instruments as at 30 September 2021 and 31 December 2020 (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 individual periods and the following reasons:

- the potential discounting effect relating to short-term instruments is not material;
- these 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.

44.2. Derivatives and hedge accounting

	As at 30 September 2021 *(unaudited)*				As at 31 December 2020			
	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	(9 421)	112 927	**129 391**	**(25 885)**	(6 230)	(83 831)	**-**	**(90 061)**
Derivatives measured at fair value through profit or loss								
CCIRS	11 518	-	**12 761**	**(1 243)**	3 268	-	**5 023**	**(1 755)**
Commodity forwards/futures	(106 029)	-	**821 226**	**(927 255)**	2 321	-	**86 089**	**(83 768)**
Currency forwards	75 619	-	**75 619**	**-**	67 734	-	**67 734**	**-**
Total			**1 038 997**	**(954 383)**			**158 846**	**(175 584)**
Non-current			278 256	(94 913)			36 041	(73 739)
Current			760 741	(859 470)			122 805	(101 845)

As at 30 September 2021, the Group holds the following derivative instruments:

Instrument	Description
Derivatives subject to hedge accounting	
IRS	IRS (Interest Rate Swap) instruments are used to hedge a portion of interest rate risk in relation to cash flows associated with exposure to WIBOR 6M determined under a dynamic risk management strategy, i.e: • interest on a loan with a nominal value of PLN 750 000 thousand, for periods commencing respectively from July 2020, expiring in December 2024; • interest on bonds with a total nominal value of PLN 3 090 000 thousand, for periods commencing in December 2019, expiring successively from 2023 to 2029. Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN, while receiving payments at a variable interest rate in PLN.
Derivatives at fair value through profit or loss not subject to hedge accounting	
CCIRS	The CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivative consists of an exchange of interest payments on a total notional amount of EUR 500 000 thousand. The transaction matures in July 2027. Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN while receiving payments at a fixed interest rate in euro. CCIRS derivatives to hedge currency flows generated by interest payments on issued Eurobonds.
Forward/futures commodities	Commodity derivatives (futures, forwards) include forward transactions for the purchase and sale of CO_2 emission allowances and other commodities.
Currency forwards	Currency forward derivatives to hedge currency flows generated from operations.

The fair value in relation to individual derivative financial instruments is determined in the following way:

Derivative instrument	Methodology of determining fair value
IRS	The difference between discounted floating-rate interest cash flows and those based on fixed interest rates. Refinitiv interest rate curve is the input data.
CCIRS	The difference between discounted interest cash flows relating to payments and receipts, in two various currencies, expressed in the valuation currency. Interest rate curves, basis spreads and NBP fixing for the relevant currencies from Refinitiv 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 Refinitiv 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 fair value hierarchy for derivative financial instruments was as follows:

	As at 30 September 2021 *(unaudited)*		As at 31 December 2020	
	Level 1	Level 2	Level 1	Level 2
Assets				
Derivative instruments - commodity	821 226	-	86 089	-
Derivative instruments - currency	-	75 619	-	67 734
Derivative instruments-IRS	-	129 391	-	-
Derivative instruments-CCIRS	-	12 761	-	5 023
Total	**821 226**	**217 771**	**86 089**	**72 757**
Liabilities				
Derivative instruments - commodity	927 255	-	83 768	-
Derivative instruments - currency	-	-	-	-
Derivative instruments-IRS	-	25 885	-	90 061
Derivative instruments-CCIRS	-	1 243	-	1 755
Total	**927 255**	**27 128**	**83 768**	**91 816**

45. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to 31 December 2020.

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

As at 30 September 2021, the parent company had hedging transactions covered by the financial risk management policy concluded with the purpose of hedging the interest flows associated with debt. For the transactions concluded, the parent company applies hedge accounting. The accounting recognition of the hedging transactions described above is further described in Note 44.2 to these interim condensed consolidated financial statements.

46. Finance and capital management

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

OTHER INFORMATION

47. 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 belonging to the Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising claims for damages and contractual penalty claims related to contract termination or submit separate claims for compensation.

As at the date of approval of these interim condensed consolidated financial statements for publication, the amount of compensations claimed in the lawsuits amounts to: 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 filed by Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued (judgement of 25 July 2019 in the Amon Sp. z o.o. lawsuit and judgement of 6 March 2020, supplemented by the court on 8 September 2020 in the Talia Sp. o.o. lawsuit), in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term agreements concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and those 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 resulting from certificates of origin are ineffective and do not produce legal effect in the form of termination of both agreements, as a result of which the agreements after the notice period, i.e. after 30 April 2015, remain in force in respect of all provisions and are binding on the parties. Moreover, the courts also recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages justified as to the merits, without, however, prejudging the amount of potential damages. The judgements are not final. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgements.

These partial and preliminary judgements, do not change the Group's assessment that the chances of losing the case are not higher than the chances of winning it.

In the case filed by Pękanino Wind Invest Sp. z o.o. for the provision of security for claims for determining that the terminations of long-term contracts submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are ineffective, the Court of Appeals in Warsaw on 6 November 2019 partially granted the application for security by ordering Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform the provisions of the contracts in their entirety on the existing terms and conditions, in accordance with their content, until the proceedings from the suit of Pękanino Wind Invest Sp. z o.o. are legally concluded against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the Regional Court in Warsaw. The decision regarding the security is binding. This decision does not prejudge the merits of the action, which can only take place in a binding judgement, but only temporarily regulates the parties' relations for the duration of the proceedings. In view of the need to implement the security provision referred to above, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. created a provision for onerous contracts, the value of which as at the balance sheet date amounts to PLN 5 095 thousand.

Other cases are held at first instance courts (including one remanded for re-examination to the first- instance court by a second-instance court).

In the light of the current status of the court proceedings and the related circumstances, the Group assesses that the probability of losing other court cases related to the claims both as regards the declaration of ineffectiveness of the termination of the agreements and the claims for compensation is not higher than the chances of winning the said cases, accordingly, no provision for the related costs has been created.

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

In 2017 and 2018, companies belonging to the Polenergia and Wind Invest groups filed actions against TAURON Polska Energia S.A. regarding payment of damages and determining 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 Sp. z o.o. regarding long-term contracts for the purchase of power and property rights 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 the lawsuits amounts to: Polenergia Group companies - PLN 131 333 thousand, Wind Invest group companies - PLN 272 450 thousand.

Moreover, in their claims, the plaintiffs indicate 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 District Court in Katowice has jurisdiction to hear the lawsuits. All cases are held before the first instance courts. Those filed by Wind Invest group companies are not open to the public. As at the date of approval of these interim condensed consolidated financial statements for publication, the Company's chances of obtaining a favourable resolution of the disputes should be assessed positively, i.e. the chances of losing are not higher than the chances of winning.

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

In 2018, the subsidiary TAURON Sprzedaż Sp. z o.o. received notices in cases from motions filed by two Polenergia group companies against TAURON Sprzedaż Sp. z o.o. for a settlement attempt as to a total amount of PLN 78 855 thousand as compensation for alleged damage caused to Polenergia group companies as a result of the unjustified termination of the long-term contract concluded between these companies and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The companies indicated in their motions that the Company, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and the liquidators of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. had caused and continue to cause damage to Polenergia Group companies, while TAURON Sprzedaż Sp. z o.o. has knowingly benefited from this damage and - according to Polenergia Group companies - is liable for it. TAURON Sprzedaż Sp. z o.o. considered the demands of the Polenergia group companies as unjustified, and therefore no settlement was concluded. 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 to create a provision for the above case. The case is not subject to legal proceedings.

Claim against PGE EJ 1 Sp. z o.o. (currently Polskie Elektrownie Jądrowe Sp. z o.o.)

On 13 March 2015, a consortium of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter referred to as the "WorleyParsons consortium"), which is a research contractor within the investment process related to the construction of a nuclear power plant by PGE EJ 1 Sp. z o.o. (hereafter: "the Agreement"), reported in connection with the Agreement - in a call for payment to the PGE EJ 1 Sp. z o.o. - claims for the 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 of the parties to the agreement as regards the claims, including principles of providing additional funds (if any) to PGE EJ 1 Sp. z o.o. by its shareholders.

In November 2015, the District Court in Warsaw served PGE EJ 1 Sp. z o.o. with the claim made by the WorleyParsons consortium for the amount approximating PLN 59 million, in 2017 and 2019 to approx. PLN 128 million.

On 26 March 2021, the Company and other entities holding shares in PGE EJ 1 Sp. z o.o. signed an agreement with the State Treasury for the sale of shares in PGE EJ 1 Sp. z o.o., which is described in more detail in Note 29 of these interim condensed consolidated financial statements. Moreover, the Company and PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A. concluded an annex to the WorleyParsons agreement of 15 April 2015 with PGE EJ 1 Sp. z o.o., regulating the issues of the parties' potential liabilities and benefits resulting from the settlement of the dispute with the WorleyParsons consortium following the sale of the shares in PGE EJ 1 Sp. z o.o. In accordance with the annex, the shareholders in proportion to their previously held number of shares in PGE EJ 1 Sp. z o.o. are liable for liabilities or proportionally entitled to benefits potentially arising as a result of the settlement of the dispute with the WorleyParsons consortium up to the maximum level of claims with interest set as at 26 March 2021, amounting respectively to PLN 140 million for claims raised by the WorleyParsons consortium against PGE EJ 1 Sp. z o.o. and PLN 71 million for claims raised by PGE EJ 1 Sp. z o.o. against the WorleyParsons consortium.

PGE EJ 1 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 provision was recognised in relation to the above events.

On 15 June 2021 an amendment to the articles of association of PGE EJ 1 Sp. z o.o. was registered which, among others, changed the name of the company (following the conclusion of the share purchase agreement described above) to Polskie Elektrownie Jądrowe Sp. z o.o.

Claims filed by Huta Łaziska S.A.

In connection with the merger of the Company with Górnośląski Zakład Elektroenergetyczny S.A. (GZE), TAURON Polska Energia S.A. became the party to the court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the President of the ERO. Currently, the proceedings are pending before the Court of Appeals in Warsaw.

By the statement of claim of 12 March 2007 Huta demands from GZE and the State Treasury - the President of the Energy Regulatory Office (in solidum) to adjudicate the amount of PLN 182 060 thousand with interest from the date of filing the statement of claim to the date of payment as compensation for the alleged damage caused by the failure of GZE to implement the decision of the President of the Energy Regulatory Office of 12 October 2001 concerning resumption of deliveries of electricity to Huta.

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. 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 defendant for the costs of the proceedings. The judgement is not legally binding. Huta lodged an appeal (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 ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, 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 a legal analysis of claims, as well as taking into account the said judgement, the Company believes that they are unjustified and the risk that they must be satisfied is remote. Consequently, no provision has been recognised by the Company for any costs associated with those claims.

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, and currently heard by Court of Appeals in Katowice, refers to the payment of the amount 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 the aggregated measurement and settlement data by ENEA Operator Sp. z o.o. constituting the basis for settlements between ENEA and the Company and Polskie Sieci Elektroenergetyczne S.A. on account of imbalance on the Balancing Market in the period from January to December 2012. In the course of the proceedings at the request of ENEA additional sellers were summoned, for whom TAURON Polska Energia S.A. acted as an entity responsible for trade balancing, including the Company's subsidiaries, i.e. TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The claim for payment by the above subsidiaries amounting in total to PLN 8 414 thousand, together with statutory interest, was submitted by the claimant in the event the action against TAURON Polska Energia S.A. is dismissed.

On 22 March 2021, the Regional Court in Katowice dismissed the claim of ENEA in its entriety and ruled on ENEA's obligation to reimburse the costs of the proceedings to the Company. The judgement is not legally binding. ENEA has filed an appeal against the above ruling.

The Company did not recognize 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 6 061 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 308 thousand in case of TAURON Sprzedaż GZE Sp. z o.o.

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

Administrative proceedings initiated by the President of the ERO are pending against companies in the Sales segment. The Companies provide clarifications in the respective cases on an ongoing basis. The companies do not create provisions for potential penalties related to initiated proceedings, since in the opinion of the Management Boards of the companies the risk of unfavourable resolution of cases and imposition of a penalty is low.

With regard to proceedings concerning the imposition of fines initiated against a company in the Distribution segment and a company in the Sales segment for which the ERO President issued decisions imposing fines, the companies established provisions for pending proceedings in the amounts of PLN 351 thousand and 2 934 thousand, respectively. The companies appealed to the SOKiK against the ERO President's decision to impose the penalty. With regard to the proceedings initiated against the company in the Distribution segment, in October 2020 the Court conducting the first instance proceedings announced its judgement and revoked the decision of the ERO President on the imposition of the fine. The judgement is not final. The judgement was appealed by the ERO President and the case was referred to the court of second instance.

Administrative proceedings initiated by the President of the Office for Competition and Consumer Protection ("UOKiK")

Administrative and explanatory proceedings initiated by the UOKiK President are pending against companies in the Sales segment. The Companies provide clarifications in the respective cases on an ongoing basis and undertake remedying actions. The companies do not create provisions for potential penalties related to initiated proceedings, since in the opinion of the Management Boards of the companies the risk of unfavourable resolution of cases and imposition of a penalty is low.

Non-contractual use of the real estate

The companies belonging to Group do not hold legal titles to all plots of land on which the distribution grids, the heating installations and the related equipment are situated. In the future, the Group may be required to incur costs for the use of real estate without the underlying contracts; however, it must be emphasised that the risk of loss of assets is minor. The Group creates the provision for all court disputes filed in this respect. The provision is not established for unreported potential claims by owners of land of unregulated status due to the lack of detailed record of unregulated land and the resulting inability to reliably estimate the amount of potential claims. However, considering the record of the reported claims and the costs incurred in this respect in previous years, the risk of the necessity to incur significant costs due to such claims can be considered as remote.

As at the balance sheet date, provisions in the amount of PLN 74 833 thousand were created for reported court disputes, which are recognised in the statement of financial position under other provisions (Note 35.1).

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

In December 2017, the subsidiary, TAURON Wydobycie S.A. received a claim from Galeria Galena Sp. z o.o., with its registered office in Gliwice, for payment of the amount of PLN 22 785 thousand as reimbursement of expenses for securing the facility located in Jaworzno against the effects of mining exploitation. In addition, on 5 April 2018, the company received a claim for payment filed by Galeria Galena Sp. z o.o. against the legal successors of Kompania Węglowa S.A. together with an application for merging this case for joint consideration with the case against TAURON Wydobycie S.A. 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, opinions were prepared by court experts, against which objections were raised. A supplementary opinion was requested in February 2020. As a result of further factual doubts and requests by the parties, the Court, by its letter of 1 July 2021, commissioned the experts to prepare another supplementary opinion with a deadline of 6 months. The case is currently pending.

Due to the extension of the claim to additional defendants represented by legal successors of the former Kompania Węglowa S.A. and doubts of factual and legal nature preventing an unambiguous determination of the direction of the Court's adjudication of the case as well as the amount of the adjudicated claim, the Company does not create a provision for the above event.

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

The investment agreement signed by the Company with Fundusze Inwestycji Zamkniętych (the "Funds") managed by Polski Fundusz Rozwoju provides for a number of situations the occurrence of which constitutes a material breach of the agreement on the part of the Company. A potential material breach of the agreement on the part of the Group's companies may lead to the initiation of a procedure, the effect of which may be a demand (exercise of option) by Fundusze Inwestycji Zamkniętych to repurchase of shares in the company of Nowe Jaworzno Grupa TAURON Sp. z o.o in the amount invested by the Funds in the shares, increased by an agreed return and a premium for material breach and reduced by the distribution of funds by Nowe Jaworzno Grupa TAURON Sp. z o.o. to the Funds. In the opinion of the Company, by the balance sheet date, there was no material breach of the agreement by the Company.

Moreover, as at the balance sheet date, the Group is in the process of preparing for the implementation of planned structural changes in the power sector in Poland related to the establishment of the National Energy Security Agency. In this context the Group and the Funds initiated activities aimed at the repurchase the shares in the company Nowe Jaworzno Grupa TAURON Sp. z o.o. by the Company from the Funds, which is described in more detail in Note 50 of these interim condensed consolidated financial statements.

As at the balance sheet date, bearing in mind that, in the Company's opinion, there was no significant breach of the agreement by the Company, as well as the fact that no contractual arrangements were made as a consequence of actions aimed at the repurchase of shares held by the Funds, in the context of the provisions of IAS 32 *Financial instruments: presentation* the Group does not identify the contractual liabilities towards the Funds and therefore classifies their involvement in Nowe Jaworzno Grupa TAURON Sp. z o.o. as non-controlling interests.

Claim for amendment to the agreement for the construction of the Grzegorz Shaft in TAURON Wydobycie S.A.

The general contractor for TAURON Wydobycie S.A. investment project entitled "Construction works performed by the General Contractor for Stage I of the construction of the Grzegorz Shaft along with the construction of surface infrastructure for TAURON Wydobycie S.A." suspended the works, indicating as the reason the risk to safety caused by the disclosure of changes in hydrogeological conditions in the area of the works and applied to the company for an amendment to the underlying agreement, including changes in the scope of the amount of the remuneration. TAURON Wydobycie S.A., having analysed materials related to claims for amendments to the agreement by the contractor and having obtained an expert opinion on the correctness of execution of hydrogeological and geological and engineering documentation for the needs of the sinking of the Grzegorz Shaft, which did not confirm the thesis of the General Contractor, as well as on the basis of an expert opinion which indicated significant errors in the design of the shaft enclosure making it impossible to continue execution of the agreement with the General Contractor, requested the designer of the design documentation to remove significant defects in the technical design of the shaft enclosure of the Grzegorz Shaft. In the opinion of the company, in order to execute the investment in a manner consistent with the agreement concluded with the General Contractor, it is necessary to improve the design of the shaft enclosure and remove design errors.

In response to the contractor's request for a guarantee of payment for the construction works, TAURON Wydobycie S.A. granted the contractor a guarantee of payment in the form of a bank letter of credit valid until 18 January 2021. The bank letter of credit has not been extended.

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

In February 2021, the company filed a request for mediation with the Court of Arbitration at the General Counsel to the Republic of Poland. On 17 March 2021, the first mediation meeting was held as a starting point of the mediation process continuing to date.

48. Security for liabilities

Among the collateral established and in force as at 30 September 2021 for the repayment of the Group's liabilities, the most significant items, set out in the table below, are the collaterals for contracts entered into by the parent company.

(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 I 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
			675 000	31.12.2038	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 11 March 2021
			621 000	31.10.2021	Bank guarantee agreement with MUFG Bank, Ltd. of 28 January 2020 [1]
			621 000	31.10.2022	Bank guarantee agreement with MUFG Bank, Ltd. of 2 February 2021 [1]
			600 000	30.06.2034	Subordinated Bond Issue Scheme in Bank Gospodarstwa Krajowego of 6 September 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 II of 25 March 2020
			300 000	14.03.2024	Framework bank guarantee agreement with Bank Gospodarstwa Krajowego of 13 March 2020
			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
			300 000	30.08.2024	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 August 2021
			384 000	31.12.2027	Agreement concluded with Santander Bank Polska S.A. on intra-day credit in the Intra Day auxiliary account of 8 December 2020
			240 000	31.12.2023	Bond Issue Scheme of 24 November 2015 [2]
			180 000	25.05.2024	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	111 190	31.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 December 2015 [2]
		50 000	231 645		
		67 500	312 721	31.12.2022	
			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			250 000	30.08.2022	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 August 2021
			250 000	13.03.2023	Framework bank guarantee agreement with Bank Gospodarstwa Krajowego of 13 March 2020
	EUR	45 000	208 481	30.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 December 2015
			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
Bank guarantees			40 000	26.10.2021	Bank guarantee issued by Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland to Izba Rozliczeniowa Giełd Towarowych S.A. as a collateral of transactions concluded on Towarowa Giełda Energii S.A.
			10 000	31.12.2021	Bank guarantee issued by CaixaBank S.A. to PSE S.A. as performance security for the power transmission service agreement and to GAZ-SYSTEM S.A. as transmission contract performance security
			1 500		

[1] The collateral in the form of a declaration of submission to enforcement submitted to the Agreement of 28 January 2020 for a guarantee limit concluded with MUFG Bank, Ltd. relates to the bank guarantee for the benefit of BGK, the expiry date of which was 11 April 2021, while the collateral in the form of a declaration of submission to enforcement submitted to the Agreement of 2 February 2021 for a guarantee limit concluded with MUFG Bank, Ltd. relates to the annex to the aforementioned bank guarantee which extends its expiry date to 11 April 2022.
[2] The collateral relates to an agreement for which, as at the balance sheet date, the liabilities have expired, have been repaid or have been replaced by others (in the case of the overdraft agreement with BGK of 30 December 2015, it relates to declarations of submission to enforcement in the amount of EUR 24 000 thousand and EUR 50 000 thousand).

After the balance sheet date, the following events took place:

- under the agreement concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland, on 15 October 2021 a bank guarantee was issued in favour of IRGiT as a collateral for the Company liabilities in the amount of PLN 40 000 thousand, with the validity period to 25 November 2021;
- as of 20 October 2021, under the annex signed, the amount of the bank guarantee issued by CaixaBank S.A. Branch in Poland in favour of GAZ-SYSTEM S.A. was increased to the amount of PLN 9,000 thousand and its term was extended until 30 April 2022.

Carrying amount of assets pledged as a collateral for the repayment of the Group's liabilities

The carrying amounts of assets pledged as a collateral for the repayment of liabilities at each balance sheet date have been presented in the table below.

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Other financial receivables	49 980	48 663
Real estate	4 108	7 935
Cash	9	8 363
Total	**54 097**	**64 961**

Interim condensed consolidated financial statements for the 9-month period ended 30 September 2021 compliant with the IFRS approved by the EU (in PLN thousand)

The main item consists of collaterals of forward transactions – derivative financial instruments concluded by the Company on foreign stock exchange markets. As at 30 September 2021 and as at 31 December 2020, the related collaterals amounted to PLN 49 980 thousand and PLN 48 663 thousand, respectively.

Collateral for transactions concluded on the Polish Power Exchange (Towarowa Giełda Energii S.A.)

- Assignment of CO_2 emission allowances in favour of Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT")

In order to secure the liabilities arising from the transactions concluded by the Company at Towarowa Giełda Energii S.A. in 2019 and 2020, agreements for the assignment of CO_2 emission allowances for the benefit of IRGiT were concluded.

As at 31 December 2020, the ownership of CO_2 emission allowances in the total amount of 3 021 799 tonnes was transferred to the IRGiT. In the 9-month period ended 30 September 2021, all allowances were returned and they are no longer the subject of the transfer of ownership.

- TAURON Group Margin Offsetting Agreement

Pursuant to the Agreement defining the principles for the establishment of financial collateral for the energy Group concluded with the IRGiT, TAURON Group applies a mechanism for setting off the margins. In terms of the transactions performed, the margins required by the IRGiT are calculated against the positions offset within the Group, which translates into the reduction in the funds involved on a Group-wide basis in maintaining the collateral required by the IRGiT.

Other collaterals for the repayment of liabilities of the Group and joint ventures

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

Under the agreement of 15 May 2015, the parent company established a financial pledge on its shares in the share capital of TAMEH HOLDING Sp. z o.o, with a total nominal value of PLN 329 340 thousand, representing approximately 50% of the shares in the share capital, a registered pledge with highest priority of satisfaction on the shares up to the highest amount of security in the amount of CZK 3 950 000 thousand and a registered pledge with highest priority of satisfaction on the shares up to the highest level of security in the amount of 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 the new shares. 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 Group companies 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 2021, the carrying amount of the investment in joint venture accounted for using the equity method in the TAMEH HOLDING Sp. z o.o. group was PLN 601 002 thousand.

- Blank promissory notes

Agreement/transaction secured by blank promissory notes	Issuer of a blank promissory note	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Agreements concerning borrowings 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 borrowings 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.	159 786	200 167
Performance bond and reimbursement security under the co-funding agreements concluded with the National Fund for Environmental Protection and Water Management in Warsaw and the Regional Fund for Environmental Protection and Water Management in Katowice.	TAURON Ciepło Sp. z o.o.	109 851	109 851
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 borrowing and an agreement with the National Centre for Research and Development in Warsaw for the funding of a project.	TAURON Wytwarzanie S.A.	51 457	63 708

** As at 30 September 2021, the outstanding amount of borrowings secured with the promissory notes is PLN 5 000 thousand.*

(in PLN thousand)

- Bank and corporate guarantees and sureties
  - Corporate guarantee granted by the Company

The corporate guarantee was granted in 2014 to secure the bonds (so-called NSV) of Finanse Grupa TAURON Sp. z o.o. The guarantee is valid until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 000 thousand (PLN 778 327 thousand), while the beneficiaries of the guarantee are the private placement investors who purchased the bonds issued.

- Corporate guarantee granted in the Renewable Energy Sources segment

On 15 December 2020, TAURON Ekoenergia Sp. z o.o. granted a corporate guarantee for the liabilities of WIND T1 Sp. z o.o. whereas on 14 June 2021, the guarantee was granted to a third person for liabilities of Polpower Sp. z o.o. The value of the liabilities secured as at 30 September 2021 amounts to EUR 24 206 thousand (PLN 112 146 thousand) and EUR 4 868 thousand (PLN 22 555 thousand), respectively. The guarantees shall remain in force until the date of performance of all the obligations under the contracts concluded.

On 16 February 2021, TAURON Ekoenergia Sp. z o.o. granted a surety for the liabilities of WIND T1 Sp. z o.o in favour of third parties. As at the balance sheet date, the value of the surety amounts to PLN 52 068 thousand.

- Liability towards MUFG Bank, Ltd.

At the Company request, MUFG Bank, Ltd. issued a bank guarantee as security for the receivables of Bank Gospodarstwa Krajowego, resulting from 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.

As at the balance sheet date, the amount of security granted is PLN 517 500 thousand, with a term to 11 April 2022. The guarantee was issued on the basis of a guarantee limit agreement concluded on 2 February 2021 with MUFG Bank, Ltd. while the collateral for MUFG Bank, Ltd.'s claims against the Company is a declaration on submission to execution up to the amount of PLN 621 000 thousand with the validity until 31 October 2022.

In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which as at 30 September 2021 amounted to PLN 15 759 thousand (PLN 28 184 thousand as at 31 December 2020).

In order to secure funds to cover future decommissioning costs, the Group's subsidiaries TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. create the Mine Decommissioning Fund.

49. Related party disclosures

49.1. 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 are further described in Note 20 to these interim condensed consolidated financial statements.

The total value of transactions with jointly controlled companies is presented in the table below.

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Revenue	292 197	101 239
Costs	(332 249)	(48 114)

The main item of settlements with jointly-controlled entities are the loans granted to Elektrociepłownia Stalowa Wola S.A., as discussed in more detail in Note 21 to these interim condensed consolidated financial statements.

The Company also provided collaterals to joint ventures in the form of pledges on shares in TAMEH HOLDING Sp. z o.o. and a bank guarantee commissioned by the Company to secure the loan liability of Elektrociepłownia Stalowa Wola S.A., as described in detail in Note 48 to these interim condensed consolidated financial statements.

(in PLN thousand)

49.2. Transactions with State Treasury companies

The main shareholder of the Group is the State Treasury of the Republic of Poland, therefore the State Treasury companies are treated as related parties.

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

Revenues and costs

	9-month period ended 30 September 2021 *(unaudited)*	9-month period ended 30 September 2020 *(unaudited)*
Revenue	2 321 436	1 664 451
Costs	(3 429 420)	(1 803 972)

Receivables and liabilities

	As at 30 September 2021 *(unaudited)*	As at 31 December 2020
Receivables*	424 609	319 612
Payables	492 366	387 636

* *As at 30 September 2021 and as at 31 December 2020, the receivables item in the table above comprises advance payments for the purchase of fixed assets in the amount of PLN 2 439 thousand and PLN 2 996 thousand, respectively*.

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Capital Group in the 9-month period ended 30 September 2021 included KGHM Polska Miedź S.A., Polskie Sieci Elektroenergetyczne S.A. and Polska Group Górnicza S.A. In total, sales to the above-mentioned counterparties amounted to 85% of the volume of revenues generated in transactions with State Treasury companies. The largest purchase transactions were performed by the Group with Polskie Sieci Elektroenergetyczne S.A. and Polska Grupa Górnicza S.A. Purchases from the above counterparties accounted for 90% of the value of purchases from the State Treasury companies in the 9-month period ended 30 September 2021.

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Group in the 9-month period ended 30 September 2020 included KGHM Polska Miedź S.A., PSE S.A., Polska Grupa Górnicza S.A. and Spółka Restrukturyzacji Kopalń S.A. In total, sales to the above-mentioned counterparties amounted to 88% of the volume of revenues generated in transactions with State Treasury companies. The largest purchase transaction was performed by the Group with Polskie Sieci Elektroenergetyczne S.A., Polska Grupa Górnicza S.A. and Węglokoks S.A. Purchases from the above counterparties accounted for 87% of the value of purchases from the State Treasury companies in the 9-month period ended 30 September 2020.

Costs from State Treasury companies include the costs of fees payable to Polskie Sieci Elektroenergetyczne S.A., which are ultimately collected by the Group from electricity recipients and for which the Group acts as an intermediary, reducing the revenue from recipients in the consolidated statement of comprehensive income by the costs incurred for Polskie Sieci Elektroenergetyczne S.A.costs. The increase in costs in the current period compared to the comparable period results mainly from the start of the Capacity Market operation from 1 January 2021 and the related cost of purchasing the power fee from Polskie Sieci Elektroenergetyczne S.A.

The Capital Group conducts material transactions on the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. Due to the fact that this entity only arranges stock exchange trading, the purchase and sale transactions performed through it are not treated as related party transactions.

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

Transactions with the State Treasury

On 22 March 2021, an agreement was concluded between the State Treasury represented by the Minister of State Assets and the Company, under which the Company is authorised to receive reimbursement of the costs incurred in connection with the implementation of the activities commissioned to it pursuant to the decision of the Prime Minister of 29 October 2020 in the scope of counteracting COVID-19, consisting in organising and establishing a temporary hospital in Krynica - Zdrój and maintaining the operation of this hospital. The total costs incurred for this task amounted to PLN 9 006 thousand, and by the balance sheet date the Company received reimbursement of costs incurred in the total amount of PLN 6 871 thousand. In the 9-month period ended 30 September 2021, incurred costs amounted to PLN 4 004 thousand. As a rule, the settlement of the task does not affect the financial results of the Company, due to the Company's right to reimbursement of incurred justified costs.

(in PLN thousand)

On 26 March 2021, the Company signed the agreement with the State Treasury concerning the sale of the shares in PGE EJ 1 Sp. z o.o. (currently: Polskie Elektrownie Jądrowe Sp. z o.o.), as further described in Note 29 of these interim condensed consolidated financial statements.

49.3. Remuneration of the executives

The level of remuneration and other benefits paid and/or due members of the Management Board, Supervisory Boards and other key management personnel of the parent company and the subsidiaries paid and due in the 9-month period ended 30 September 2021 and in the comparative period is presented in the table below.

	9-month period ended 30 September 2021 *(unaudited)*		9-month period ended 30 September 2020 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	**3 140**	**16 446**	**3 841**	**16 248**
Short-term benefits (with surcharges)	2 811	15 188	3 081	15 844
Employment termination benefits	238	1 246	628	396
Other	91	12	132	8
Supervisory Board	**472**	**1 161**	**539**	**977**
Short-term employee benefits (salaries and surcharges)	472	1 076	539	905
Other	-	85	-	72
Other key management personnel	**11 530**	**37 655**	**13 901**	**35 519**
Short-term employee benefits (salaries and surcharges)	10 381	36 134	12 347	34 272
Post employment benefits	308	-	-	-
Jubilee bonuses	-	-	-	109
Employment termination benefits	129	321	765	110
Other	712	1 200	789	1 028
Total	**15 142**	**55 262**	**18 281**	**52 744**

In addition, in accordance with the accounting policy adopted, the Group creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on account of termination of their employment, which may be paid or payable in subsequent reporting periods. The table above takes into account the amounts paid and due to be paid until 30 September 2021.

50. Other material information

Signing the agreement concerning the cooperation in the field of unbundling of coal assets

On 23 July 2021, the Company, PGE Polska Grupa Energetyczna S.A., ENEA S.A., Energa S.A. (collectively, the "Energy Companies") and the State Treasury concluded the agreement on cooperation in the scope of separation of coal assets and their integration into the National Energy Security Agency (the "Agreement"). The conclusion of the Agreement is related to the document published by the Ministry of State Assets “Transformation of the Electricity Sector in Poland. Separation of coal assets from the companies with State Treasury shareholding”. The above document presents the concept of separation of assets related to generation of electricity in conventional coal units from capital groups of individual Energy Companies, which stipulates, among others, integration of the aforementioned assets within a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. - a subsidiary of PGE Polska Grupa Energetyczna S.A., which will ultimately operate under the name of National Energy Security Agency. Taking into account the foregoing and recognising the need to coordinate the cooperation in the planned process of separation coal assets, the parties declared the mutual exchange of necessary information under the Agreement, which will allow for the efficient and effective implementation of the process aimed at creating the National Energy Security Agency.

Shutdown of the 910 MW unit in Jaworzno

On 2 August 2021, TAURON Polska Energia S.A. received a letter from its subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. indicating that E003B7 Sp. z o.o. (a subsidiary of RAFAKO S.A.) submitted to Nowe Jaworzno Grupa TAURON Sp. z o.o. the schedule of works to be conducted on the 910 MW unit in Jaworzno (the "Unit"). The schedule results from the need to carry out work on some of the elements of the Unit that were identified by the internal inspection of the equipment during the standstill of the Unit. On the basis of the schedule received, Nowe Jaworzno Grupa TAURON Sp. z o.o. initially estimated that the date indicated by E003B7 sp. z o.o. for re-synchronisation of the Unit with the grid, i.e. 25 February 2022, is feasible.

On September 8 2021, RAFAKO S.A., which is one of the members of the consortium RAFAKO S.A. - MOSTOSTAL WARSZAWA S.A., which performs the execution works related to the Unit, provided the Company with a statement that the condition to ensure efficient continuation of works on the Unit is the capital exposure by the Company in RAFAKO S.A. On the same day, Nowe Jaworzno Grupa TAURON Sp. z o.o. received a call from RAFAKO S.A. to immediately clarify the causes of the fire incidents that occurred at the Unit on 7 January 2021 and 11 June 2021, respectively. RAFAKO S.A. stated that it intended to suspend all ongoing and planned works at the Unit until it receives information from Nowe Jaworzno Grupa TAURON S.A. that there was no risk to the life and health of personnel, as well as called for clarification of the reasons regarding the fire incidents that had occurred by 15 September 2021, on pain of withdrawal from the agreement concluded on 17 April 2014 for the construction of the Unit.

The Group believes that all actions taken by Nowe Jaworzno Grupa TAURON Sp. z o.o. in the framework of the execution of the investment and the operation of the Unit, including those related to the fire incidents mentioned above, were and are in compliance with the highest standards and legal regulations, including fire protection regulations, as well as with the operating documentation prepared by RAFAKO S.A. under the agreement for the construction of the Unit. Moreover, Nowe Jaworzno Grupa TAURON Sp. z o.o. appointed, together with RAFAKO S.A., an emergency commission to clarify the causes relating to the fire incident that occurred on 11 June 2021. The Group has not taken any decisions or actions to acquire a block of RAFAKO S.A. shares, including any negotiations with RAFAKO S.A. on this matter. At the same time, the Group undertakes active measures to restore the operation of the Unit in the shortest time possible.

After the balance sheet date, the Group was informed about the new date of re-synchronization with Unit's network, declared by RAFAKO S.A., which is described in detail in Note 51 to these interim condensed consolidated financial statements.

Commencement of activities aimed at the repurchase of shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. from funds managed by the Polish Development Fund

On 25 August 2021, the Company Management Board decided to launch actions, including initiating negotiations aimed at repurchasing from Fundusz Inwestycji Infrastrukturalnych - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycyjny Zamknięty, with a part of their investment portfolio managed by Polski Fundusz Rozwoju S.A., the total of 176 000 shares representing 14.12% of the total number of votes at the meetings of shareholders of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. The intention of the Company to repurchase the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. is linked in particular with the preparation of TAURON Group for the implementation of the planned structural changes in the electricity sector in Poland which were presented by the Ministry of State Assets. This concept assumes separation of assets associated with the generation of electricity in conventional coal units from capital groups of individual energy companies and integration of the aforementioned assets within a single entity, i.e. the National Energy Security Agency. The conclusion of the potential repurchase transaction is subject to a positive outcome of the negotiations.

Signing of the letter of intent concerning the sale of shares in the subsidiary, TAURON Wydobycie S.A.

On 15 September 2021, the Company signed a letter of intent with the State Treasury concerning the acquisition of 100% of the shares in TAURON Wydobycie S.A. by the State Treasury. The Company and the State Treasury have unanimously declared that they will undertake any measures necessary to prepare and execute the transaction and will in good faith conduct discussions, negotiations and take actions related to the transaction, including taking actions related to the selection of an appraiser for the valuation of TAURON Wydobycie S.A. The aforementioned letter of intent does not entail a commitment to conclude the transaction. The decision to proceed with the transaction will depend on the outcome of negotiations in this regard and the fulfilment of other conditions stipulated by law or corporate documents.

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

The 9-month period ended 30 September 2021 was the period of continued COVID-19 pandemic conditions, which saw an initial increase in cases resulting in record levels of recorded SARS-CoV-2 infections (wave 3) followed by the gradual decline during the second and third quarter of 2021. In connection with the foregoing, restrictions were in place in the country aimed at containing the spread of the pandemic. This situation resulted in the continuation of turbulences in the economic and administrative system in Poland and worldwide. As a consequence, the pandemic continued to restrict the economic activity, affecting in particular the performance of companies in sectors such as tourism, trade and transport. Consequently, in the medium and long term, it should be expected that, taking into account that the consecutive growth in infections appeared after the balance sheet date (wave 4), the COVID-19 pandemic will continue to affect domestic, European as well as global economic conditions, negatively affecting the economic growth in Poland in the current year and in the subsequent years. Material issues relating to the impact of the pandemic on the TAURON Group are set out below.

- Despite the applicable restrictions, no volume declines were seen in the Distribution and Sales Segments in the 9-month period ended 30 September 2021. Compared to the corresponding period in 2020, an 8.1% increase in electricity demand was recorded (10.6% in Tariff Group A; 8.3% in Tariff Group B; 5% in Tariff Group C2; 5.3% in Tariff Group C1 and 6.5% in Tariff Group G, respectively). The restrictions maintained have changed the structure of consumption by individual tariff groups, resulting in an increase in consumption for households (Tariff group G) due to, among others, work and education carried out in the remote mode. In the case of small businesses and institutions (Tariff groups C1), consumption increased in the 9-month period ended 30 September 2021 compared to the corresponding period of 2020, whereas for this group the lower growth rate of the demand was a direct consequence of applicable restrictions affecting business premises or recreational facilities in the first half of 2021.
- Disturbances in the economic activity in Poland triggered financial difficulties for customers and contractors of TAURON Group. The situation was mitigated by regulatory measures in the introduction of successive anti-crisis shields, which were aimed at maintaining liquidity and protecting jobs at Polish entrepreneurs. No significant changes or sustained trends in the level of past due receivables were observed during the 9-month period ended 30 September 2021. In order to mitigate the potential credit losses, extended credit risk management criteria were consistently applied, accompanied by the monitoring of receivables and debt collection activities. The macroeconomic environment and industries, including those with the highest growth in insolvencies in 2021 were also monitored. The COVID-19 pandemic has affected the need to create additional allowances for expected credit losses of financial instruments. It affected an increase of the Group's operating expenses by PLN 10 288 thousand and financial expenses by PLN 2 072 thousand, as described in more detail in Note 6 to these interim condensed consolidated financial statements.
- In terms of the market environment, increased volatility in prices of commodity instruments was observed at the end of the 9-month period ended 30 September 2021, but it was mainly driven by the increase in the prices of CO_2 emission allowances, media reports concerning further tightening of EU climate policy targets and sharp increases in gas prices in Europe.
- With regard to financial instruments, the persistence of the depreciation of the zloty and the low level of interest rates were observed. Changes in the exchange rates affect the costs incurred to purchase CO_2 emission allowances as well as the measurement of the Company debt denominated in foreign currencies. On the other hand, changes in interest rates may affect the costs resulting from the concluded financing agreements based on a floating interest rate as well as the regulated income in the Distribution area in the subsequent reporting periods.
- The persistent state of the COVID-19 pandemic triggered some difficulties in the implementation of certain TAURON Capital Group's strategic investment projects. In the case of construction of the 910 MW unit in Jaworzno, the consortium acting as the General Contractor of the unit identified the impact of the pandemic on the execution of the contract, of which the contracting authority, i.e. Nowe Jaworzno Grupa TAURON Sp. z o.o., was informed in the relevant note submitted by the General Contractor. The content of the aforementioned note indicated that the COVID-19 pandemic resulted in both the unavailability of key personnel of E003B7 Sp. z o.o. essential for the works performed as well as key subcontractors where part of the reinforcement and optimisation work, in the opinion of the General Contractor, could not have been performed due to the constraints caused by the pandemic. As at the date of these interim condensed consolidated financial statements, the contracting authority, at the request of the General Contractor, entered into mediation of the disputed circumstances between the parties, including the circumstances affecting the implementation of the project and resulting from the continuing state of the COVID-19 pandemic. Indirect difficulties were also observed in relation to the implementation of other investment projects, including investment in the area of RES, affected, among others, by disruptions in the supply of materials and equipment and by the occurring problems related to the access to public administration, which had an impact on the extension of the duration of administrative proceedings. In order to mitigate the consequences of project disruptions, all contractors implementing the projects cooperate closely and on an ongoing basis with TAURON Group companies responsible

for the investments, which monitor the situation in the projects and respond appropriately to the situation using available tools.

- The situation related to the COVID-19 pandemic continued to affect the operations of individual business areas of TAURON Group through increased employee absenteeism and the growth of operating costs resulting from the need to meet epidemiological conditions. In this regard, TAURON Group has been continuously undertaking a number of preventive measures in organisational and material terms aimed at protecting employees of individual companies of TAURON Group and maintaining the continuity of critical infrastructure operations. Dedicated Crisis Teams have been established at the level of the Company as well as individual companies of TAURON Group in order to coordinate the works associated with ensuring the security related to the threat of COVID-19.

TAURON Group, being aware of the risks related to the epidemiological situation, continued to undertake active measures to mitigate the impact of the current and expected economic situation as well as to protect against extreme events. It should be stressed that the COVID-19 pandemic situation is highly volatile while the future impact and scale of the pandemic are currently difficult to estimate precisely. The duration of the pandemic, its severity and range, the availability and speed of vaccination as well as its impact on the Polish economic growth in the short, medium and long term will be significant. The Company Management Board, being aware of the threats resulting from the pandemic, monitors the impact on an ongoing basis and will take all possible steps to mitigate any negative effects of the COVID-19 pandemic on TAURON Group.

51. Events after the balance sheet date

Signing a letter of intent by the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o.

After the balance sheet date, on 6 October 2021, the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. signed, as a passive participant, a letter of intent concerning the willingness to undertake the work related to the determination of legal and factual possibilities and conditions for the establishment of the consortium in order to acquire RAFAKO S.A. shares. Nowe Jaworzno Grupa TAURON Sp. z o.o. is not interested in acquiring RAFAKO S.A. shares, but wishes to support the works related to the potential transaction and will be a passive participant of the potential consortium. The other parties to the letter of intent, i.e. Polimex Mostostal S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych are interested in considering a possibility of purchasing RAFAKO S.A. shares.

Signing a loan agreement with the European Investment Bank

After the balance sheet date, on 29 October 2021, the Company concluded a loan agreement with the European Investment Bank for the amount of PLN 2 800 000 thousand, to be used to cover the capital expenditure of TAURON Group related to the modernisation and expansion of the electricity distribution network scheduled for 2022-2026. In accordance with the agreement, the Company will be able to use the funds within three years from the date of its conclusion. The loan will be repaid within eighteen years from the date of disbursement of funds.
Depending on the decision of the Company, the interest rate will be based on a fixed interest rate or a variable interest rate (plus the bank's margin) and will be determined at the date of drawdown. The loan will be disbursed upon the fulfilment of the standard conditions precedent for this type of financing.

Updating the deadline for re-synchronisation of the 910 MW Unit with the grid

After the balance sheet date, on 3 November 2021, the Group was notified of the new deadline declared by RAFAKO S.A. for the re-synchronisation the 910 MW unit with the grid (hereafter referred to as the “Unit”) which was scheduled for 29 April 2022.

A new date for re-synchronisation of the Unit with the grid was indicated in the minutes of the mediation of 3 November 2021, conducted with the participation of the Mediators of the Court of Arbitration at the General Counsel to the Republic of Poland. In the course of the mediation meeting, the parties, i.e. Nowe Jaworzno Grupa TAURON Sp. z o.o., RAFAKO S.A. and E003B7 Sp. z o.o., initialled a draft settlement agreement which also included the planned commissioning of the provision of additional services to RAFAKO S.A., which would benefit Nowe Jaworzno Grupa TAURON Sp. z o.o. and result, among others, in the reduction of costs of future operation of the Unit. In addition, Nowe Jaworzno Grupa TAURON Sp. z o.o. and RAFAKO S.A. predict that if RAFAKO S.A. timely performs all the obligations it will be bound to perform by 30 October 2022, i.e. by the transition period end date scheduled in the settlement, Nowe Jaworzno Grupa TAURON Sp. z o.o. will not pursue claims on account of contractual penalties for the failure to meet the currently applicable transition period end date.

As at the date of approval of these interim condensed consolidated financial statements for publication, no settlement has been concluded while its entry into force will depend, among others, on the submission by RAFAKO S.A. of the extended or new performance bond and the new or extended guarantees for the repayment of the advance payment.

Moreover, if the settlement is reached, it will be referred to the competent common court with a request for its approval by the court. Upon final approval by the court, the settlement shall acquire legal force of a court settlement. The Group does not exclude the necessity to modify the provisions of the draft settlement in view of the need to obtain the approval of TAURON Group corporate bodies for its conclusion.

In connection with the foregoing, the Group reassessed the financial impact of the Unit stoppage, taking into account the current situation on the electricity market in Poland and the latest forecasts of electricity prices on wholesale markets. The estimation shows that during the stoppage period of the Unit, i.e. from 11 June 2021 to 29 April 2022, the first level margin generated by the Unit will be lower by approximately PLN 390 million.

These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the 9-month period ended 30 September 2021 in compliance with the International Accounting Standard No. 34 comprise 78 pages.

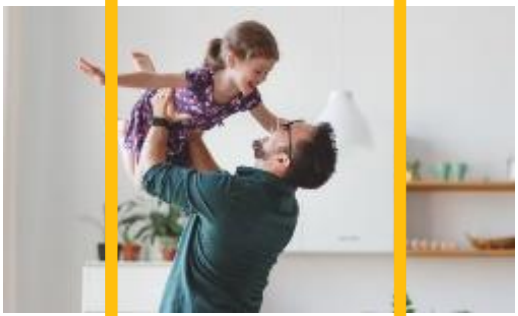
Katowice, 16 November 2021

Artur Michałowski – Acting President of the Management Board, Vice-President of the Management Board

Krzysztof Surma – Vice-President of the Management Board

Oliwia Tokarczyk – Executive Director for Accounting and Taxes

TAURON



ADDITIONAL INFORMATION

to TAURON Polska Energia S.A. Capital Group's extended consolidated Q3 2021 report

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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 *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

TAURON Polska Energia S.A.
TAURON Capital Group's holding company
oversees corporate functions: management, strategic investments,
regulations, human resources, finance, controlling, internal audit, PR, investor relations, purchasing

MINING

29% of Poland's thermal coal resources

- 3 hard coal mines,
- commercial coal production: 3.70 million Mg, including 72% consumed within TAURON Capital Group, and 28% sold to external customers,
- Segment's Q1-3 2021 EBITDA: PLN (174) million.

GENERATION

One of the largest electricity producers in Poland

- 9 conventional power plants and combined heat and power plants with electric capacity of 4.5 GWe and thermal capacity of 2.1 GWt
- 10,4 TWh of gross electricity production, including 0.3 TWh from biomass,
- 8.0 PJ of heat production,
- Segment's Q1-3 2021 EBITDA: PLN 1 318 million.

RES

Material producer of green energy in Poland

- 9 wind farms with total capacity 381 MWe,
- 34 hydro power plants with total capacity of 133 MWe,
- 2 photovoltaic farms with total capacity of 11 MWe
- 0,9 TWh of gross electricity production from wind, hydro and photovoltaic sources
- Segment's Q1-3 2021 EBITDA: PLN 250 million.

DISTRIBUTION

Largest electricity distributor in Poland

- approx. 5.8 million customers,
- distribution in the area covering 57,9 thousand km^2, i.e. 18.5% of Poland's territory,
- 40.1 TWh of electricity distributed,
- Segment's Q1-3 2021 EBITDA: PLN 2 251 million.

SUPPLY

Second largest electricity supplier in Poland

- approx. 5.6 million customers,
- 24,51 TWh of retail electricity supply,
- Segment's Q1-3 2021 EBITDA: (PLN (23) million.

OTHER OPERATIONS

- provision of services to consumers of electricity and distribution services for TAURON Capital Group's subsidiaries
- provision of support services for TAURON Capital Group's subsidiaries in the following areas: Accounting, IT and HR
- limestone mining for the needs of power generation, steel, construction and road building industries
- acquiring, transporting and processing of biomass for the needs of utility scale power generation
- utilization of the hard coal combustion and extraction processes by-products
- vehicles' technical support services
- real estate administration
- property security
- financial operations
- Segment's Q1-3 2021 EBITDA: PLN 150 million

1.2. Segments of operations (lines of business)

In accordance with the updated *TAURON Group's Business and Operational Model*, adopted on February 23, 2021, TAURON Capital Group's business operations are conducted by the units defined as: Corporate Center, the Lines of Business (Segments) (Trading, Mining, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply) and the Shared Services Centers (Centra Usług Wspólnych - CUW).

For the needs of reporting TAURON Capital Group's results the operations of TAURON Capital Group are divided into the following 5 main Segments (Operating Segments), hereinafter also referred to as the 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, supply and distribution. 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) as well as TAURON Ciepło sp. z o.o. (TAURON Ciepło). This Segment also includes TAURON Serwis sp. z o.o. (TAURON Serwis) subsidiary, dealing primarily with the generation equipment's overhauls.

RES Segment comprising electricity generation from renewable energy sources: hydroelectric power plants, as well as wind and solar 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.[1] (TEC2) and TAURON Zielona Energia sp. z o.o. (TAURON Zielona Energia, formerly: TEC3 sp. z o.o.) 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). In addition, starting from the financial statements for the year ended December 31, 2020, the companies AVAL-1 Sp. z o.o. (AVAL-1) and Wind T1 Sp. z o.o. (Wind T1) have been assigned to the RES Segment The RES segment also includes assets related to electricity generation from TAURON Wytwarzanie's photovoltaic sources. In connection with the acquisition on June 10, 2021, by TAURON EKOENERGIA of the shares in Polpower sp. z o. o. (Polpower), starting from the report for the period ended on June 30, 2021, the acquired assets are also assigned to the RES Segment.

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. The Segment's operations are conducted by TAURON Dystrybucja S.A. (TAURON Dystrybucja). TAURON Dystrybucja 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. In order to ensure the achievement of the strategic goals, TAURON Dystrybucja is actively looking for innovative solutions, participating in the research and development (R&D) works, as well as implementing new technologies, with a particular emphasis placed on the smart grid technology. In addition, it is seeking 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 (safety) and efficiency, as well as preparing the grid infrastructure and organization for the development of the distributed (dispersed) power generation sources. The Segment also includes TAURON Dystrybucja Pomiary sp. z o.o. (TAURON Dystrybucja Pomiary) subsidiary, dealing mainly with the technical support services related to the electricity metering systems and metering data acquisition.

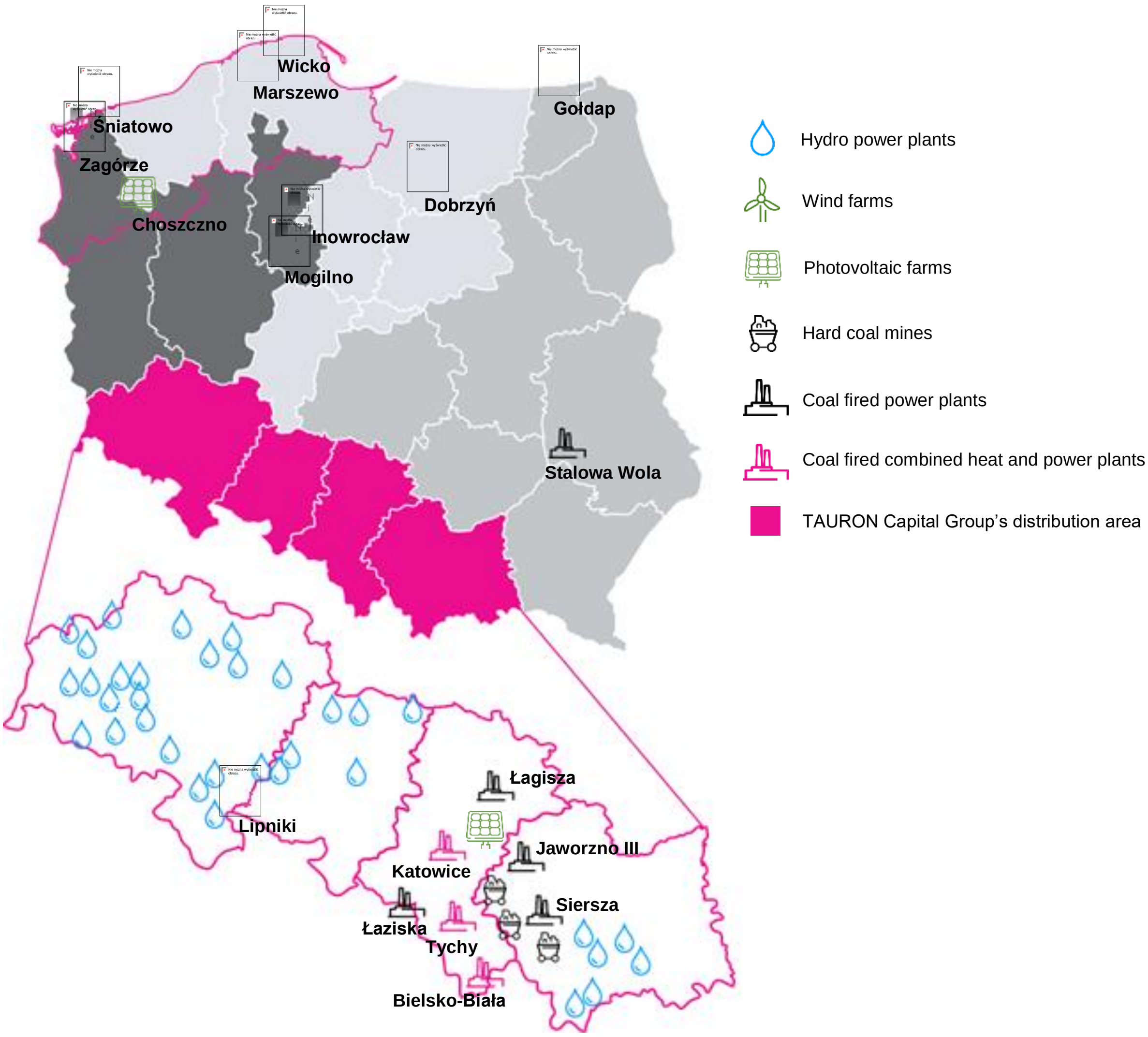
Supply Segment comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO_2 emission allowances, property rights arising from the certificates of origin that confirm electricity generation from the renewable sources, in cogeneration and the property rights arising from the energy efficiency certificates, as well as fuels, and, as of January 2019, also the lighting services sales. The 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. providing services for the business and individual customers with respect to, among others, innovative products and services related to the modern Led lighting systems, smart city, e-mobility products, as well as energy efficiency, operating the MV/LV grids, the construction of electric vehicle charging stations.

[1]On July 1, 2021, the Katowice-Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register registered the merger of TEC3 (the Acquiring Company) and TEC2 (the Acquired Company).

Apart from the main Segments of operations, TAURON Capital Group is also conducting the operations presented as part of the **Other Operations** that comprise, 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 the use in fluidized bed boilers, carried out by Kopalnia Wapienia "Czatkowice" sp. z o.o. (KW Czatkowice) subsidiary. The Other Operations also include 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 (management) of the hard coal combustion and extraction processes' by-products, biomass acquisition, transportation and processing, Wsparcie Grupa TAURON sp. z o.o. (Wsparcie Grupa TAURON) dealing primarily with the 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. Management Board and Supervisory Board of TAURON Polska Energia S.A.

Management Board of TAURON Polska Energia S.A.

The current 6th term of office of the Company's Management Board began its run on July 15, 2020.

In accordance with the *Articles of Association of TAURON Polska Energia S.A.* (the Company's Articles of Association) it is the common term of office and it shall last 3 years.

The composition (membership) of the Company's Management Board as of September 30, 2021, and as of the date of drawing up this information

1. Artur Michałowski - Vice President of the Management Board for Trading and acting as the President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Krzysztof Surma - Vice President of the Management Board for Finance,
4. Jerzy Topolski - Vice President of the Management Board for Asset Management.

The changes to the composition (membership) of the Company's Management Board in the first three quarters of 2021 and by the date of drawing up this information

As of January 1, 2021, the Company's Management Board was composed of the following persons: Wojciech Ignacok (President of the Management Board), Jerzy Topolski (Vice President of the Management Board for Asset Management) and Marek Wadowski (Vice President of the Management Board for Finance).

On February 19, 2021, Wojciech Ignacok submitted a statement of resignation, effective as of February 28, 2021, from the position of the President of the Company's Management Board of the 6th common term of office for health reasons.

On February 24, 2021, the Company's Supervisory Board entrusted Marek Wadowski with the duties of the President of the Company's Management Board from March 1, 2021, until the date the President of the Company's Management Board is appointed.

On April 1, 2021, the Company's Supervisory Board appointed Paweł Strączyński to be a member of the Company's Management Board of the 6th common term of office, entrusting him with the function of the President of the Management Board.

On May 13, 2021, Marek Wadowski submitted a statement of resignation, effective as of the end of the day on May 17, 2021, from the membership of the Company's Management Board and thus from the position of the Vice President of the Company's Management Board for Finance.

On July 2, 2021, Paweł Strączyński submitted a statement of resignation from the position of the President of the Company's Management Board, effective as of the end of the day on July 21, 2021. On July 19, 2021, and on July 27, 2021, the Company received the statements of Paweł Strączyński on the amendment of the statement on the resignation from the position of the President of the Management Board as a result of which the resignation from the position of the President of the Management Board took place as of the end of the day on August 4, 2021

On August 4, 2021, the Supervisory Board of the Company appointed Artur Michałowski, Patryk Demski and Krzysztof Surma to the Management Board of the Company, effective as of August 5, 2021. On the same day, the Supervisory Board of the Company appointed Artur Michałowski to be acting as the President of the Management Board of the Company from August 5, 2021, until the date the President of the Management Board of the Company is appointed.

There had been no other changes to the composition (membership) of the Company's Management Board by the date of drawing up this information.

Experience and competences of the Members of the Company's Management Board who continue to hold their positions in the Company's Management Board as of the date of drawing up this information

Artur Michałowski - Vice President of the Management Board for Trading and acting President of the Management Board

A graduate of the University of Occupational Safety Management in Katowice (Wyższa Szkoła Zarządzania Ochroną Pracy w Katowicach - WSZOP) with the major in management and production engineering, as well as postgraduate studies at the University of Economics in Katowice (Uniwersytet Ekonomiczny w Katowicach) - Master of Corporate Governance and Executive Master of Business Administration studies at Collegium Humanum at the Warsaw Management University (Szkoła Główna Menedżerska w Warszawie).

From 2016 to August 4, 2021, he had been the Vice President of the Management Board for Technical Affairs at PGNiG Termika Energetyka Przemysłowa S.A.

He began his professional career in 1979 at EC "Zofiówka" (Zofiówka CHP - Combined Heat and Power Plant), which was a part of KWK "Zofiówka" (Zofiówka Hard Coal Mine). During his professional career, he was holding, among others, the following positions: Operations Engineer on Duty, Deputy Operations Manager for Optimization of Production and Key Management Staff, Operations Manager at EC "Zofiówka" (Zofiówka CHP - Combined Heat and Power Plant), Deputy Director of EC "Pniówek" (Pniówek CHP - Combined Heat and Power Plant), Director of EC "Zofiówka" (Zofiówka CHP - Combined Heat and Power Plant) and Director of the Production Office.

Patryk Demski - Vice President of the Management Board for Strategy and Development

A graduate of the Faculty of Law at the Nicolaus Copernicus University (Uniwersytet Mikołaja Kopernika) in Toruń, Executive Master of Business Administration studies at the University of Commerce and Services (Wyższa Szkoła Handlu i Usług) in Poznań and postgraduate studies in Tax Law at the Nicolaus Copernicus University (Uniwersytet Mikołaja Kopernika) in Toruń.

In the years 2020-2021 he was a Member of the Management Board of Centralny Port Komunikacyjny Sp. z o.o., and from February 2020 to April 2020 he had been the Chair of the Supervisory Board of Centralny Port Komunikacyjny Sp. z o.o. In 2018-2019, he had held the position of the Vice President of the Management Board for Investments and Innovation of Grupa Lotos S.A. He had also been the Mayor of the City and Municipality of Pelplin (2014-2018), Deputy Director of the Branch / acting Branch Director / Chief Specialist at the Agricultural Real Estate Agency (Agencja Nieruchomości Rolnych) in Gdańsk (2006-2014). In 2006, he had been the Deputy Director of the Cabinet of the Pomeranian Province Governor.

Krzysztof Surma - Vice President of the Management Board for Finance

A graduate of the Cracow University of Economics (Akademia Ekonomiczna w Krakowie), with the major in finance and banking, specialization: corporate finance. He also completed the Master of Business Administration studies for Financiers at Kozminski University (Akademia Leona Koźmińskiego), postgraduate studies in the Practical Application of International Financial Reporting Standards at the Warsaw School of Economics (Szkoła Główna Handlowa w Warszawie) and the Manager Development Program organized by the ICAN Institute. He is also a member of the Association of Chartered Certified Accountants (ACCA).

He has been associated with TAURON Polska Energia S.A. since 2009, holding the position of the Executive Director for Finance Management, and from May 2021 to August 4, 2021, he had been the Director of the Finance Division. While performing the above functions within the Issuer's Group, he was holding, among others, the following positions: Vice President of the Management Board of TEC1, TEC2, TEC3 (2019), President of the Management Board of Finanse Grupa TAURON (2019), President of the Management Board of PKE Broker Sp. z o.o. (2008-2009), General Director of TAURON Sweden Energy AB (2014-2019).

In the years 2001-2009 he had worked at Południowy Koncern Energetyczny S.A., including, among others, as the Head of the Risk and Insurance Department (2005-2009).

Jerzy Topolski - Vice President of the Management Board for Asset Management

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. (TAURON'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 the years 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 the years 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 the years 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.

The diagram presenting the division of responsibilities among the Members of the Management Board of the Company is posted on the Company's website at: https://www.tauron.pl.

Supervisory Board of TAURON Polska Energia S.A.

The current, 6th term of office of the Company's Supervisory Board, began on July 15, 2020, i.e. on the day of holding the Ordinary General Meeting of the Company approving the financial statements for the last full financial year of the tenure of the Members of the Company's 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.

The composition (membership) of the Company's Supervisory Board as of September 30, 2021, 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. Stanisław Borkowski - Member of the Supervisory Board,
5. Leszek Koziorowski - Member of the Supervisory Board,
6. Ryszard Madziar - Member of the Supervisory Board,
7. Grzegorz Peczkis - Member of the Supervisory Board,
8. Marcin Wawrzyniak - Member of the Supervisory Board.

The changes to the composition (membership) of the Company's Supervisory Board in the first three quarters of 2021 and by the date of drawing up this information

As of January 1, 2021, the Company's Supervisory Board of the 6th common term of office was composed of the following members: Andrzej Kania (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Katarzyna Taczanowska (Secretary of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board) and Barbara Piontek (Member of the Supervisory Board).

On February 12, 2021, Barbara Piontek submitted a statement on her resignation, as of February 28, 2021, from the membership of the Company's Supervisory Board, in connection with assuming the position of the President of the Management Board of Jastrzębska Spółka Węglowa S.A. from 1 March 2021.

On April 6, 2021, the Minister of State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, appointed Marcin Wawrzyniak to be a Member of the Company's Supervisory Board as of the same day.

On May 24, 2021, the Ordinary General Meeting of the Company adopted resolutions to appoint Stanisław Borkowski and Leszek Koziorowski to be the members of the Supervisory Board of the Company.

No other changes to the composition of the Company's Supervisory Board had taken place by the date of drawing up this information.

Information on the independence of the Members of the Company's Supervisory Board

Based on the *Best Practice of WSE Listed Companies 2021,* the independence criteria listed in Art. 129, section 3 of the *Act of May 11, 2017, on statutory (certified) auditors, audit firms and public supervision* (consolidated text, Journal of Laws 2020, item 1415), are met, as of the date of drawing up this report, by Andrzej Kania, Teresa Famulska, Stanisław Borkowski, Leszek Koziorowski, Grzegorz Peczkis and Marcin Wawrzyniak.

Experience and competences of the Members of the Company's Supervisory Board who continue to hold their seats on 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 positions 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 has also served as a Member of the Supervisory Board at six companies operating in the energy and infrastructure sector. He had been a Member of the Supervisory Board of Polimex Mostostal S.A. from November 30, 2017, until March 15, 2020.

He was holding the position of the Director of the Department of Security and Crisis Management at the Ministry of State Assets.

Since May 22, 2020, he has been a Member of the Supervisory Board of the Company in which he is holding the position of the Chair of the Company's Supervisory Board, the Head of the Nominations and Compensation Committee of the Company's Supervisory Board and is a Member of the Strategy Committee of the Company's 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.

In the period from May 29, 2017, until July 14, 2020, she had been a member of the Supervisory Board of TAURON Polska Energia S.A., holding the position of the Vice Chair of the Supervisory Board and the Head of the Audit Committee of the Supervisory Board.

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.

Since August 3, 2020, she has been a Member of the Supervisory Board of the Company in which she is holding the position of the Vice Chair of the Company's Supervisory Board and the Head of the Audit Committee of the Company's 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 had 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.

Since May 8, 2019, she has been a Member of the Supervisory Board of the Company in which she is holding the position of the Secretary of the Company's Supervisory Board and is a Member of the Audit Committee of the Company's Supervisory Board.

Stanisław Borkowski - Member of the Supervisory Board

A graduate of the Executive MBA studies at the University of Quebec in Montreal and a graduate of the Master of Business Administration studies at the Warsaw School of Economics (Szkoła Główna Handlowa w Warszawie). In addition, a graduate of the Faculty of Medicine at the University of Oslo.

He gained professional experience in the insurance sector, holding the position of the director of the health insurance department and a member of the management board at insurance companies, including, among others, at PZU S.A., Allianz Bank Polska S.A., Credit Agricole Ubezpieczenia, in the years 2001-2015. He had been a partner at Mangograss Sp. z o.o., responsible for consulting and investments, in the years 2015-2017. He had also been the President of the Management Board of Uzdrowisko Konstancin Zdrój S.A. and the Medical Institution (Zakład Leczniczy) Uzdrowisko Nałęczów S.A. in the years 2016-2017.

Currently, since 2017, he has been the President of the Management Board of Colbird Sp. z o.o. (Ltd), and he has been acting as the financial director at Voico Inc. in Laval (Canada) since 2020.

He was a member of the supervisory boards of joint stock companies, where he was the chair of the supervisory board, as well as the head of the audit committees. Currently, he is a Member of the Supervisory Board and at the same time the Head of the Audit Committee of UNUM Polska S.A., as well as the Head of the Audit Committee at the Polish-Canadian Chamber of Commerce.

Decorated with the Golden Cross of Merit.

Since May 24, 2021, he has been a Member of the Supervisory Board of the Company in which he is a Member of the Audit Committee of the Company's Supervisory Board. and a Member of the Strategy Committee of the Company's Supervisory Board.

Leszek Koziorowski - Member of the Supervisory Board

A graduate of the Faculty of Law and Administration of the University of Warsaw (Uniwersytet Warszawski), Registered on the list of attorneys-at-law of the Warsaw Bar Association (Okręgowa Izba Radców Prawnych w Warszawie).

From the beginning of his professional career, he has been associated with the capital market. In the years 1994-1999 at the Securities Commission (Komisja Papierów Wartościowych - KPW), initially at the Office of Brokerage Houses and Trust Funds (Biuro Domów Maklerskich i Funduszy Powierniczych), subsequently as an advisor to the Chair of the Securities Commission (KPW). During his work at the Securities Commission (KPW), he had also been holding the position of the Deputy Chairman of the Examination Committee for Investment Advisors.

Currently at GESSEL, KOZIOROWSKI Kancelaria Radców Prawnych i Adwokatów sp. p., where he has created and manages the capital market law department - employed since 1999, a partner since 2002.

He was an arbitrator at the Stock Exchange Court at the Warsaw Stock Exchange (Sąd Giełdowy przy Giełdzie Papierów Wartościowych w Warszawie).

Since 2015, he has been a member of the Corporate Governance Committee at the Warsaw Stock Exchange (Komitet Ładu Korporacyjnego przy Giełdzie Papierów Wartościowych w Warszawie), where he was a co-author of the Best Practices of WSE Listed Companies 2016 and of the latest: Best Practices of WSE Listed Companies 2021.

He had been holding the position of the chair and a member of the Supervisory Boards at a number of private and public joint stock companies, for example, IGLOTEX S.A. (the chair of the Supervisory Board), ESALIENS TFI S.A. (the chair of the Supervisory Board), Zakłady Odzieżowe BYTOM S.A., TETA S.A. (the chair of the Supervisory Board), TAURON Polska Energia S.A. (in 2010-2017).

An author of numerous publications in the field of the capital market law.

Since May 24, 2021, he has been a Member of the Supervisory Board of the Company in which he is a Member of the Audit Committee of the Company's Supervisory Board. and a Member of the Nominations and Compensation Committee of the Company's Supervisory Board.

Ryszard Madziar - Member of the Supervisory Board

A graduate of the faculty of political science of the University of Warsaw. He holds the following titles: Executive Master of Business Administration (EMBA) and Doctor of Business Administration (DBA). He completed a course for candidates for Members of Supervisory Boards of State Treasury Companies in 2015.

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 of the Vice Chair of the Council of Ministers (Deputy Prime Minister) in the Chancellery of the Prime Minister.

Since July 15, 2020, he has been a Member of the Company's Supervisory Board in which he is a Member of the Nominations and Compensation Committee of the Company's Supervisory Board and a Member of the Strategy Committee of the Company's 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.

Since December 6, 2019, he has been a Member of the Company's Supervisory Board in which he is holding the position of the Head of the Strategy Committee of the Company's Supervisory Board and a Member of the Audit Committee of the Company's Supervisory Board.

Marcin Wawrzyniak - Member of the Supervisory Board

A graduate of the Faculty of Law and Administration of the Cardinal Stefan Wyszyński University in Warsaw (Uniwersytet Kardynała Stefana Wyszyńskiego w Warszawie). Entered on the list of legal counsels (attorneys-at-law) at the District Chamber of the Legal Counsels (Attorneys-at-law) in Warsaw (Warsaw Bar Association). An attorney-at-law (barrister), a member of the Warsaw Bar Association. A Member of the Tribunal of State.

He has had many years of professional experience with respect to providing legal services and consultancy for business entities, including the energy sector companies. A legal advisor to the central and local government administration bodies with respect to investment processes. A partner at the law firm Wawrzyniak i Partnerzy Radcowie Prawni sp. p. (Wawrzyniak and Partners Legal Counsels Limited Liability Partnership - LLP). He was a member of the supervisory boards and the management boards of public and private sector companies. An author of several dozen publications in the field of business law, including books and comments to an act of law.

Since April 21, 2021, he has been a Member of the Supervisory Board of the Company's Supervisory Board in which he is a Member of the Nominations and Compensation Committee of the Company's Supervisory Board and a Member of the Strategy Committee of the Company's Supervisory Board.

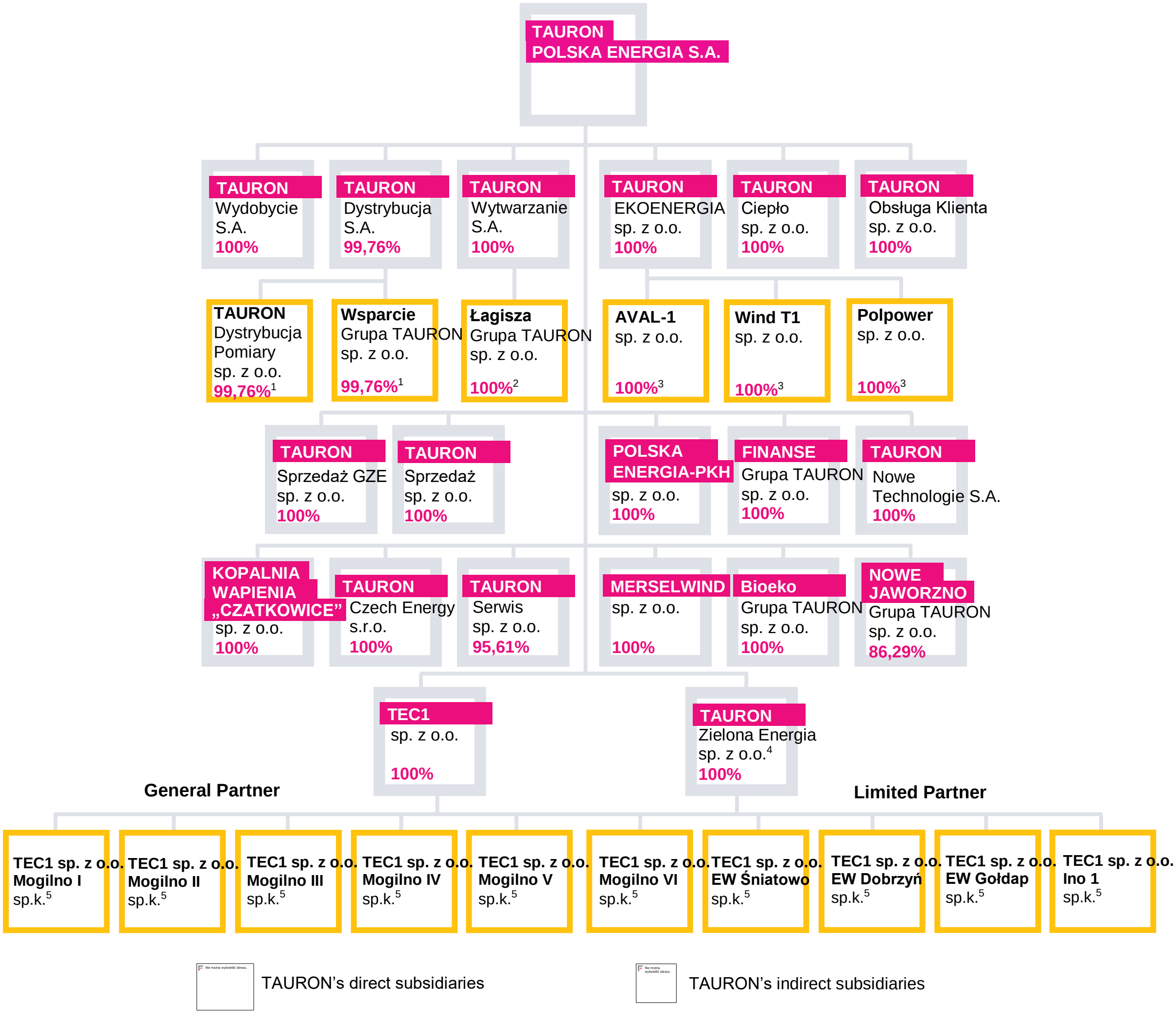
1.4. Organization of TAURON Capital Group and the changes thereof, as well as the entities subject to consolidation

Organization of TAURON Capital Group and entities subject to consolidation

As of September 30, 2021, and as of the date of drawing up this information TAURON Capital Group's key subsidiaries, besides TAURON parent company, included 35 subsidiaries subject to consolidation, that are listed below. In addition, as of the same date the Company held, directly or indirectly, shares in the other 36 companies.

The below figure presents TAURON Capital Group's structure, taking into account the subsidiaries subject to consolidation, as of September 30, 2021.

Figure no. 3. TAURON Capital Group's structure, taking into account the subsidiaries subject to consolidation, as of September 30, 2021



[1]The shares in TAURON Dystrybucja Pomiary and Wsparcie Grupa TAURON are held by TAURON Polska Energia S.A. indirectly via TAURON Dystrybucja subsidiary, The Company is a user of the shares of TAURON Dystrybucja Pomiary.
[2]The shares in Łagisza Grupa TAURON are held by TAURON indirectly via TAURON Wytwarzanie subsidiary
[3]The shares in AVAL-1, Wind T1 and Polpower are held by TAURON indirectly via TAURON EKOENERGIA subsidiary.
[4]Formerly: TEC3 sp. z o.o.
[5]In the limited partnerships indicated: TEC1 is the General Partner, TAURON Zielona Energia is the Limited Partner.

Changes to the organization of TAURON Capital Group

The following changes to the organization of TAURON Capital Group had taken place in the first three quarters of 2021 and by the date of drawing up this report:

Sale by TAURON of its shares in PGE EJ1 sp. z o.o. (PGE EJ 1)

On March 26, 2021, TAURON signed with the State Treasury the agreement for the sale of the shares in PGE EJ 1, the company responsible for the preparation and implementation of the investment project involving the construction and operation of Poland's first nuclear power plant.

In accordance with the provisions of the above Agreement, TAURON sold to the State Treasury all 532 523 shares in PGE EJ 1, held by the Company, constituting 10% of the share capital and representing 10% of votes at the at the General Meeting of the shareholders (partners) of PGE EJ 1.

The sale price of the above shares amounted to PLN 53 136 200. The payment for the shares in PGE EJ 1 took place on March 31, 2021. After closing the transaction, TAURON does not hold any shares in PGE EJ 1.

The agreement to sell 100% of the shares in PGE EJ 1 to the State Treasury was signed by all of the entities holding shares in PGE EJ 1, i.e. TAURON, PGE Polska Grupa Energetyczna S.A. (PGE), Enea S.A. (Enea) and KGHM Polska Miedź S.A. (KGHM Polska Miedź). The sale price for 100% of the shares amounted to PLN 531 362 000

The sale of the shares in PGE EJ 1 constitutes the implementation of one of the strategic directions announced by TAURON on May 27, 2019.

Repurchase of own shares

In the first quarter of 2021, TAURON Dystrybucja purchased a total of 670 269 of own shares for the purpose of the redemption thereof, with the total nominal value of PLN 13 405.38. The shares were purchased at a gross price of PLN 0.45 per share, which resulted in the total remuneration of PLN 301 621.05.

On March 30, 2021, the Management Board of TAURON Dystrybucja carried out the statutory redemption of TAURON Dystrybucja's own 4 309 300 shares, out of which 3 639 031 shares were purchased from the minority shareholders pursuant to Art. 418^1, § 4 of the Commercial Companies Code in the years 2019-2020. In connection with the above mentioned redemption of the shares, the share capital of TAURON Dystrybucja will be lowered from the amount of PLN 560 575 920.50 by the amount of PLN 86 186.00, i.e. to the amount of PLN 560 489 734.52. The share capital of TAURON Dystrybucja, after the lowering, will be divided into 28 024 486 726 shares with a nominal value of PLN 0.02 per share.

On May 21, 2020, the District Court for Kraków-Śródmieście in Cracow, the 11th Commercial Department of the National Court Register registered the lowering of TAURON Dystrybucja's share capital.

Acquisition by TAURON EKOENERGIA of 100% of the shares in Polpower

On June 10, 2021, TAURON EKOENERGIA acquired 100% shares in Polpower sp. z o. o. with its registered office in Połczyn-Zdrój, i.e. 1 520 shares with a nominal value of PLN 500 each and the total nominal value of PLN 760 000.

Polpower is implementing the Majewo wind farm construction project located in the municipality of Milejewo in the Elbląg county in the Warmian-Mazurian Province.

The detailed information on the implementation of the Majewo wind farm construction project is provided in section 1.7 of this information.

Merger of TAURON Zielona Energia (formerly: TEC3) and TEC2

On July 1, 2021, the Katowice-Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register registered the merger of TEC3 (the Acquiring Company) and TEC2 (the Acquired Company).

The above event was the result of adopting, on June 21, 2021, of the resolutions related to the merger of the above mentioned companies by the Extraordinary General Meeting (GM) of the above mentioned companies.

As a result of the merger the share capital of TEC3 was raised from the amount of PLN 6 025 000 to the amount of PLN 6 025 050, by way of establishing (issuing) 1 indivisible share with the nominal value of PLN 50.

The merger of TEC3 and TEC2 is an element of the implementation of the *TAURON Group Structure Optimization Program Concept* adopted by the Management Board on December 10, 2020.

On September 15, 2021, the Extraordinary General Meeting (GM) of the Shareholders of TEC3 sp. z o.o. (Ltd.) adopted the resolution regarding the change of the company's name to TAURON Zielona Energia sp. z o.o. (TAURON Zielona Energia).

On October 8, 2021, the Katowice-Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register registered the change of the name of the company TEC3 spółka z ograniczoną odpowiedzialnością (Limited Liability Company) to TAURON Zielona Energia spółka z ograniczoną odpowiedzialnością (Limited Liability Company).

Lowering of the share capital of TAURON Wytwarzanie

On October 21, 2021, as part of the Ordinary General Meeting of TAURON Wytwarzanie, a resolution was adopted on the lowering of the share capital by way of an amendment to the Company's Articles of Association by redeeming some of the shares owned by the sole shareholder of TAURON Polska Energia S.A.

The share capital of TAURON Wytwarzanie (following the registration by the National Court Register - KRS) will be reduced by the amount of PLN 1 396 023 080.00, i.e. from PLN 1 502 259 310.00 to PLN 106 236 230.00, by amending the Company's Articles of Association, by way of redeeming some of the shares owned by TAURON Polska Energia SA, in order to cover the net loss for the financial year 2020 and the net loss from the previous years in the total amount of PLN 1 396 023 076.75, the remaining amount of PLN 3.25 will be transferred to the reserve capital.

1.5. Organizational or equity ties with other entities

Apart from the equity ties with the companies presented in section 1.4. of this information, the organizational or equity ties are applicable to the material joint subsidiaries (co-subsidiaries) in which the Company held, directly or indirectly, shares, and which, as of September 30, 2021, include the companies listed in the below table.

The below tables presents the list of material joint subsidiaries (co-subsidiaries) as of September 30, 2021.

Table no. 1. List of material joint subsidiaries (co-subsidiaries) as of September 30, 2021

	Company name	Registered office	Core subject of operations	TAURON's share in the company's capital and in the parent company
1.	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Electricity generation	50.00%
2.	TAMEH HOLDING sp. z o.o.[2]	Dąbrowa Górnicza	Central (head office) companies and holding operations	50.00%
3.	TAMEH POLSKA sp. z o.o.[2]	Dąbrowa Górnicza	Electricity and heat generation, transmission, distribution and trading	50.00%
4.	TAMEH Czech s.r.o.[2]	Ostrava, Czech Republic	Production, trading and services	50.00%

[1]The stake in Elektrociepłownia (Combined Heat and Power Plant) Stalowa Wola S.A. (EC Stalowa Wola – Stalowa Wola CHP) is held by TAURON indirectly via TAURON Wytwarzanie subsidiary
[2]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., 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.

1.6. Major domestic and foreign investments, as well as equity investments

The major domestic and foreign investments, as well as equity investments made in the first three quarters of 2021 and by the date of drawing up this information are listed below.

Taking up or acquiring share securities in TAURON Capital Group companies

Neither taking up, nor acquiring of share securities in TAURON Capital Group companies had taken place in the first three quarters of 2021 and by the date of drawing up this information.

Making additional contributions to the capital of PEPKH

As part of the implementation of the resolution of the Extraordinary General Meeting (GM) of PEPKH of March 17, 2021, regarding the imposition on TAURON, as the sole shareholder, of the obligation to make additional contributions to the capital, on March 24, 2021, TAURON made additional contributions to the share capital of the above mentioned company in the total amount of PLN 10 800 000.

The purpose of the above mentioned contributions was to meet the requirements of the President of the Energy Regulatory Office (ERO) with respect to PEPKH having certain financial resources sufficient to properly carry out the licensed operations in the field of trading in electricity.

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 2021 and by the date of drawing up this information.

Table no. 2. Summary of equity increases in the other companies in which TAURON holds an equity stake in the first three quarters of 2021 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 General Meeting of the Partners (Shareholders)	Structure of the share capital following the increase
1. EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo - akcyjna (EEC Magenta limited liability company 2 ASI limited joint stock partnership)	**PLN 99 970**	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership)	PLN 2 950	07.04.2021	EEC Ventures 2 2.94%
	PLN 4 900 000	PFR NCBR CVC FIZAN	PLN 49 000		PFR NCBR CVC FIZAN 49.03%
	PLN 4 800 100	TAURON	PLN 48 001		TAURON 48.03%
2. EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo – akcyjna (EEC Magenta limited liability company ASI limited joint stock partnership)	**PLN 138 000**	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership)	PLN 1 380	17.06.2021	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership) 3%
	PLN 3 316 600	PFR Starter FIZ	PLN 33 166		PFR Starter FIZ 72.1%
	PLN 1 145 400	TAURON	PLN 11 454		TAURON 24.9%
3. EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo – akcyjna (EEC Magenta limited liability company ASI limited joint stock partnership)	**PLN 106 000**	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership)	PLN 1 060	13.10.2021	EEC Ventures spółka z ograniczoną odpowiedzialnością spółka komandytowa (EEC Ventures limited liability company limited partnership) 3%
	PLN 2 549 200	PFR Starter FIZ	PLN 25 492		PFR Starter FIZ 72.1%
	PLN 880 400	TAURON	PLN 8 804		TAURON 24.9%
4. EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo – akcyjna (EEC Magenta limited liability company 2 ASI limited joint stock partnership)	**PLN 271 320**	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership)	PLN 7 980	13.10.2021	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership) 2.94%
	PLN 13 300 000	PFR NCBR CVC FIZAN	PLN 133 000		PFR NCBR CVC FIZAN 49.03%
	PLN 13 028 700	TAURON	PLN 130 287		TAURON 48.03%

The other most significant equity investments in the financial assets as of September 30, 2021, 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 limited liability company 2 ASI limited joint stock partnership with the balance sheet value of PLN 23 916 000
3. Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. (limited liability company) with the balance sheet value of PLN 23 802 000,
4. Energetyka Cieszyńska Sp. z o.o. (limited liability company) with the balance sheet value of PLN 12 703 000,
5. ElectroMobility Poland S.A. (joint stock company) with the balance sheet value of PLN 11 026 000.

Increase of the share capital of Huta Łaziska S.A. in arrangement bankruptcy with the registered office in Łaziska Górne (Huta Łaziska)

By way of the decision of the Katowice-Wschód District Court in Katowice of April 12, 2021, an arrangement concluded by the debtor Huta Łaziska with creditors was approved, under which, on September 14, 2021, the share capital of Huta Łaziska was increased by converting the liabilities covered by the arrangement. As a result of the above, in exchange for the receivables in the total amount of PLN 208 543 477.59, TAURON is entitled to 20 854 347 preferred (in terms of the dividend payout) silent (without the voting right) shares with a nominal value of PLN 10 each.

Investments in the financial assets

TAURON and TAURON Capital Group's subsidiaries did not make any investments in the financial assets in the first three quarters of 2021.

TAURON continued the financing of EC (CHP) Stalowa Wola in the form of loans, which, as of September 30, 2021, amounted to the nominal value of PLN 412 736 000.

Investments in the financial assets were financed using the in-house funds and the funds obtained as part of the financing model in place at TAURON Capital Group.

1.7. 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 2021 and by the date of drawing up this information in connection with the implementation of the key strategic investment (CAPEX) projects.

Table no. 3. Key strategic investment (CAPEX) projects' work progress in the first half of 2021 and by the date of drawing up this information

Investment project	Investment project's work progress
1. Construction of a new 910 MWe supercritical parameters power generation unit in Jaworzno **Contractor:** Consortium of RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. (RAFAKO – MOSTOSTAL) **Planned project completion / transition period date**: Q4 2021 **Work progress:** 99% **Expenditures incurred:** PLN 6 094.8 million[1]	The unit was handed over (commissioned) for operation on November 13, 2020. On November 18, 2020, the President of the Energy Regulatory Office (ERO) granted a license for generating electricity for the period from November 20, 2020, until December 31, 2030. As part of the contract, the General Contractor is currently implementing the transition period. A program of trials and tests planned to be performed in the transition period was carried out in the first three quarters of 2021, including additional optimizations and tests on the operating facility in order for the unit to meet the changed and new guaranteed technical parameters, as well as the tests stemming from the requirements of the Transmission Grid Code. As a result of the inspections conducted during the unit's outage the need to conduct works on some of the unit's components was identified. The decision of the Regional Court in Katowice of December 17, 2020, on the approval of the settlement concluded by Nowe Jaworzno Grupa TAURON, E003B7 sp. z o.o. and the Consortium, related to the resolution by the parties of the other mutual relations and accounts (claims), had become final (legally binding) on January 5, 2021. The settlement entered into force on February 6, 2021. The settlement regulates, in particular, the following issues: 1. waiver by the parties of 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. performance by the Consortium of the additional services for Nowe Jaworzno Grupa TAURON, including completing 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 6 months (to 36 months), with respect to which Nowe Jaworzno Grupa TAURON will receive an additional security (bond) issued by the warranty providers. On January 13, 2021, the District Court in Gliwice issued the decision approving the administration arrangement of RAFAKO as part of the simplified restructuring proceedings underway, pursuant to art. 223, clause 1 of the *Act of May 15, 2015, Restructuring Law* (consolidated text Journal of Laws of 2021, item 1588). On February 23, 2021, the notification of the decision of the District Court in Gliwice was published in Court and Business Monitor (Monitor Sądowy i Gospodarczy). On June 29, 2021, the Regional Court in Gliwice dismissed the appeal against the decision of the District Court in Gliwice of January 13, 2021, on the approval of the arrangement adopted in the restructuring proceedings of RAFAKO and thus the said decision became legally binding. Due to the non-completion, by the General Contractor, of the full scope of the works planned for the transition period, by the contractual deadline of April 23, 2021, Nowe Jaworzno Grupa TAURON served the General Contractor with the summons to complete the obligations that have not been met by the Contractor. On May 14, 2021, the Company received a letter from the General Counsel to the Republic of Poland (Prokuratoria Generalna Rzeczypospolitej Polskiej) on taking the position with respect to the proceeding to the mediation as a result of the request for mediation of the companies RAFAKO - MOSTOSTAL and E003B7. Following the confirmation by the requesting party that the subject of the mediation will cover all of the circumstances of the dispute between the parties, on June 14, 2021, the Management Board of Nowe Jaworzno Grupa TAURON signed an agreement on the mediation that was sent to the General Counsel to the Republic of Poland (Prokuratoria Generalna Rzeczypospolitej Polskiej). The first mediation meeting was

Investment project		Investment project’s work progress
		held on June 24, 2021. On September 28, 2021, RAFAKO submitted a statement of its will to end the mediation, however, on October 13, 2021, the above mentioned statement was withdrawn by RAFAKO, to which Nowe Jaworzno Grupa TAURON agreed. On October 6, 2021, Nowa Jaworzno Grupa TAURON, Polimex Mostostal S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw (Polish Enterprises Investment Fund) FIZAN signed a letter of intent, in which the signatories expressed their will to start work in order to determine: 1) legal and factual options, as well as the conditions for establishing a consortium for a potential acquisition of the RAFAKO shares by Polimex Mostostal S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw (Polish Enterprises Investment Fund) FIZAN, , with the support of Nowy Jaworzna Grupa TAURON as an entity not interested in the acquisition of the RAFAKO shares, 2) the terms of a potential acquisition of the RAFAKO shares by Polimex Mostostal S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw (Polish Enterprises Investment Fund) FIZAN as part of the consortium, 3) the conditions of conducting the due diligence of RAFAKO and the rules for a potential disclosure of the results of the RAFAKO due diligence to Nowe Jaworzno Grupa TAURON, as well as 4) the conditions of the cooperation with RAFAKO's stakeholders, including the financing banks and others creditors. On November 3, 2021, Nowe Jaworzno Grupa TAURON disclosed the notification by RAFAKO of the declared new date of the re-synchronization with the grid of the 910 MW unit in Jaworzno, which was scheduled for April 29, 2022 (a shift from February 25, 2022). The new date for the re-synchronization of the unit with the grid was indicated in the protocol of mediation conducted with the participation of the Mediators of the Arbitration Court at the Legal Counsel of the Republic of Poland. During the mediation meeting, Nowe Jaworzno, TAURON Group, RAFAKO and E003B7 initialed a draft settlement agreement, which also includes the planned entrusting of additional services to RAFAKO, for the benefit of Nowe Jaworzno Grupa TAURON, that will result, among others, in the lowering of the costs of the future operation of the unit. In addition, Nowe Jaworzno Grupa TAURON and RAFAKO anticipate that in a situation where RAFAKO has met all of its obligations that it has committed to perform in a timely manner by October 30, 2022, i.e. by the date of the end of the transition period projected in the settlement agreement, Nowe Jaworzno Grupa TAURON will not be pursuing claims for liquidated damages due to a failure to meet the current deadline for the completion of the transition period. As of the date of drawing up this information, no settlement agreement had been concluded, and its entry into force will depend, inter alia, on: the submission by RAFAKO of the extended or new guarantees (bonds) securing the performance of the contract and the new or extended advance payment refund guarantees (bonds). In addition, in the event a settlement agreement has been concluded, it will be referred to the competent common court along with a request for its approval by the court. Following the legally binding approval by the court, the settlement agreement will become a legally binding court approved settlement agreement. During the implementation of the unit construction project, the impact of the COVID-19 pandemic on the contract performance was identified, of which Nowe Jaworzno Grupa TAURON was informed in a relevant note provided by the General Contractor. In the content of the note, the General Contractor indicated that the COVID-19 pandemic resulted in both the unavailability of the E003B7 staff members who were key for the work to be carried out, as well as the unavailability of the key subcontractors, indicating some of the tune-up and optimization works, which, in the opinion of the General Contractor, could not have been performed due to the restrictions caused by the pandemic. The additional information on the General Contractor of the 910 MW unit implementation is provided in section 2.4 of this information.
2.	Construction of the ”Grzegorz” shaft (TAURON Wydobycie), including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings). **Contractor:** Consortium of KOPEX 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. – contract terminated, the works in this respect have been halted. **Planned project completion date:** 2023 **Work progress**: 51 % **Expenditures incurred**: PLN 281.0 million	At the construction site of the "Grzegorz" Shaft, the construction of the infrastructure required to sink the shaft was completed and more than 80 m of the shaft was bored in the so-called ultimate mine shaft enclosure (casing). TAURON Wydobycie and the General Contractor are continuing their cooperation. Mediation talks are held in order to determine the detailed conditions of the further conducting of the investment project. The freezing process is maintained at the construction site. The site continues to be ready for the continuation of the investment project works.
3.	Construction of the 800 m level at the Janina Coal Mine (ZG Janina) (TAURON Wydobycie). **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 drilling)	The boring of the Route Diversion II workings was continued and the alteration of the shaft sump at the level of 800 m was completed in the third quarter of 2021 The installation of equipment in the shaft adjacent basements at the level of 800 m was continued. In the first three quarters of 2021, a trial (test) operation of the mining shaft hoist was conducted to test the transportation of people and materials. The preparation of the tender for the boring of water passageways is underway and it is planned to be announced in 2021. The consent of the Director of the Specialist Mining Office (Specjalistyczny Urząd Górniczy) for the commissioning of the Shaft Mine Elevator at

	Investment project	Investment project's work progress
	Planned project completion date: Q3 2021 **Work progress**: 88 % **Expenditures incurred:** PLN 455.9 million	Janina VI shaft was obtained in August 2021 and the test (trial) run has been completed. In the third quarter of 2021, the Operations Manager of the Janina Coal Mine (Zakład Górniczy Janina) issued a permit to use the shaft hoist.
4.	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 **Planned project completion date:** 2023 **Work progress**: 29 % **Expenditures incurred**: PLN 28.5 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. In the first three quarters of 2021, the works related to installing the network connections were continued under the network connection agreements concluded and the process of acquiring new customers was continued. Cumulatively, from the beginning of the Program's implementation, agreements have been concluded for the total volume of 16.00 MWt and the network connection conditions have been issued for 3.6 MWt.
5.	TAURON Internet (POPC) – implementation of the project in the areas awarded (7 projects on the territory of the following areas: Rybnik, Katowice-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:** 2022 **Work progress**: 59% **Expenditures incurred:** PLN 175.8 million	The Digital Poland Operational Program (POPC - Program Operacyjny Polska Cyfrowa) 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. All of the contractors had been conducting the works related to the deployment of the fiber optic network in the first three quarters of 2021. The works related to switching over of the education facilities from the temporary subscriber lines to the optical fiber were carried out. The deployment of the fiber optic network in the areas covered by the project is currently underway. The contractors from the areas of Wałbrzych A, Wałbrzych B and Oświęcim petitioned for a 3 month extension of the contract due to the ongoing epidemic, the corporate approvals for the concluding of the amendments have been obtained, the processing of the amendments with CPPC is underway. In the next period, the works related to the further expansion of the optical fiber network will be carried out.
6.	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:** Q4 2021 **Work progress:** 99% **Expenditures incurred:** PLN 295.7 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) installations. The implementation of the project was halted in the second quarter of 2020 due to the obtained derogations from the *BAT Conclusions*, which allowed for further operation of the units. The parties had prepared the documents that enabled the termination of the contract and the mutual settlements. The project closing report has been compiled. 2. Jaworzno III Power Plant, units no. 1, 3, 5 – the construction of the selective catalytic reduction (SCR). installations. In the first three quarters of 2021, the guaranteed performance tests (measurements) of the installation for unit no. 5 were completed. The final acceptance protocols of the selective catalytic reduction (SCR). installation for units no. 1, 3 and 5 were signed. The preparation of the project closing report has been commenced. 3. Łaziska Power Plant, units no. 9, 10, 11, 12 – the refurbishment and the construction of the selective catalytic reduction (SCR) installations. The date of the final acceptance of the selective catalytic reduction (SCR) installation for unit no. 10 was agreed upon. The guaranteed performance tests (measurements) of the installation for units no. 11 and 12 were conducted. The installations for units no. 9, 11, 12 were accepted. The guaranteed performance tests (measurements) of the installation for unit no. 10 were conducted in the third quarter of 2021. 4. Łaziska Power Plant, units no. 9, 10, 11 and 12 – the refurbishment of the flue gas desulfurization (FGD) installations. In the first three quarters of 2021, the guaranteed performance tests (measurements) of the installations for units no. 9 and 10 were conducted. The documentation for the purpose of the final acceptance has been assembled and the malfunctions covered by the warranty have been fixed. The preparation of the project closing report has been commenced. 5. Łaziska Power Plant – the refurbishment of the sewage treatment plant. In the third quarter of 2021, the field works in accordance with the reduced scope of the refurbishment (upgrade) works carried out as part of the ongoing overhauls (maintenance) were completed. The project closing report has been compiled. 6. Siersza Power Plant - the adaptation of the existing flue gas desulfurization (FGD) installations. The implementation of the project was suspended due to the obtained derogations from the *BAT Conclusions*. The project closing report has been compiled. 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*. The project closing report has been compiled. 8. Monitoring Project – in the first three quarters of 2021, as part of the first stage (the works required to be performed at the power plants), the final acceptance protocols for the Łaziska Power Plant, the Jaworzno Power Plant, the Siersza Power Plant and the Łagisza Power Plant were signed. The preparation of the project closing report has been commenced.

	Investment project	Investment project's work progress
7.	Construction of the 30 MW Piotrków wind farm. **Contractor:** Consortium of MEGA S.A. and P&Q sp. z o.o. **Planned project completion date:** Q3 2022 **Work progress:** 25% **Expenditures incurred:** PLN 51.6 million	The Piotrków wind farm project was acquired by TAURON EKOENERGIA on December 15, 2020, through the acquisition of 100% of the shares in the Wind T1 SPV. The project was acquired at the construction ready stage. In the first three quarters of 2021, the construction works with respect to: the GPO station, internal roads, assembly sites, were carried out following the handover of the construction site to the Contractor on March 31, 2021, and the foundations for the wind turbines were laid down. The contractor also carried out the works on the evacuation of electricity from the wind farms to the substation (GPZ). The contracting for the supply of the key equipment has also been completed. On September 13, 2021, the Mayor of Piotrków Trybunalski changed the terms of the building permit decision and approved a replacement (alternate) construction project for the GPO station. In addition, the arrangements with the external stakeholders of the project were continued in the field of the logistics related to the deliveries to the construction site. On June 25, 2021, the President of the Energy Regulatory Office announced the results of the auction for the sale of electricity from RES. The submitted offer for the supply of electricity from the Piotrków wind farm over the period of 15 years won the RES auction.
8.	Construction of the 6 MW Majewo wind farm. **Contractor**: HIUB Wróbel **Planned project completion date**: Q2 2022 **Work progress**: 12% **Expenditures incurred**: PLN 7.2 million	The Majewo wind farm project was acquired by TAURON EKOENERGIA on June 10, 2021, through the acquisition of 100% of the shares in the Polpower SPV. The project was acquired at the construction ready stage. In the third quarter of 2021, a contract for the supply and erection of the wind turbines as well as the contract for the construction of the technical infrastructure were concluded as part of the project. The construction site was handed over to the Contractor on July 28, 2021. The construction works with respect to: the GPO station, internal roads, assembly sites, were carried out and the foundations for the wind turbines were laid down as part of the project. In addition, the arrangements with the external stakeholders of the project were continued in the field of the logistics related to the deliveries to the construction site.
9.	Construction of the 140MWt gas fired boiler at ZW Katowice for the heat market needs **Contractor: Mostostal Warszawa** **Planned project completion date:** Q2 2024 **Work progress:** 32% **Expenditures incurred:** PLN 4.4 million	The construction of a gas boiler at ZW Katowice has been commenced. On July 26, 2021, an agreement was concluded with the General Contractor. The General Contractor provided a detailed implementation schedule. On September 27, 2021, the General Contractor formally took over the construction site. The preparatory works for the construction site facilities and the design works are currently underway
10.	Construction of the peaking and backup boiler house at ZW Bielsko-Biała EC 2 **Contractor:** Erbud Industry **Planned project completion date:** 2023 **Work progress:** 19% **Expenditures incurred: PLN** 0.9 million	The construction of the peaking and backup boiler house at ZW Bielsko-Biała EC 2 has been commenced. On July 8, 2021, an agreement was concluded with the General Contractor. The General Contractor provided and agreed with the Company the Works Organization Plan as well as the Control and Quality Assurance Plan. The basic design is being developed, and geodetic (land surveyor) works have been commenced at the ZW Bielsko Biała EC 2 site.

[1]The amount increased by, among others, training, fast wearing parts

Other investment projects

Investment projects in the RES line of business

Photovoltaic (PV) farms

As part of the investments in the renewable energy sources (RES) line of business, the program of building photovoltaic (PV) farms on TAURON Capital Group's land that was not utilized for business purposes (*TAURON PV Program*) was continued in the first three quarters of 2021. The Program envisages the construction of the photovoltaic (PV) farms at several locations (sites), with the total capacity of up to 150 MWp.

As of the date of drawing up this information the most advanced project is the construction of a photovoltaic farm in Mysłowice with an estimated capacity of approx. 40 MW. In March of 2021, the farm power grid connection construction design contractor was selected. In the third quarter of 2021, the permit for the building of the farm was obtained and the design works related to the power grid connection and cable line in order to obtain the permit for the construction of the farm power grid connection were commenced. On September 3, 2021, the project team received a letter from the National Fund for Environment Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej - NFOŚiGW) with the information on the positive assessment of the application for the financing submitted as part of the 6th edition of the Infrastructure and Environment Operational Program, in the amount of PLN 82 500 000, with an option to redeem up to 20% of the eligible funds. In response to the above letter the Management Board of TAURON Wytwarzanie sent the confirmation of the acceptance of the financing to NFOŚiGW. The project team is awaiting the receipt of the draft of the conditional agreement from NFOŚiGW.

At the other locations (sites) the works currently underway include obtaining the required administrative (zoning) approvals (clearances) and decisions, however the final decisions on their implementation will be taken in the event that the business case (justification) turns out positive. The works are also underway on changing the scope of the *TAURON PV Program* in connection with an option to extend the program to include the new locations (sites).

The 2nd stage of the investment project aimed at increasing the farm's capacity by adding another 8 MW is carried out as part of an extension of the PV Choszczno project – a complex of 1 MW photovoltaic farms with the total capacity of 14 MW. In the third quarter of 2021, the erection of the support structures was completed and approx. 5 MWp photovoltaic modules were assembled. The planned date of commissioning the 2nd stage of the investment project is the 4th quarter of 2021. At that time the farm will achieve the ultimate capacity of 14 MWp. The project's 2nd stage budget is PLN 22.8 million.

In addition, apart from developing its in-house projects, TAURON Capital Group is actively looking for the opportunities to acquire advanced RES projects ready for construction and the existing photovoltaic farm assets on the market. As part of such efforts, the internal analyses of further acquisition projects were carried out in the first three quarters of 2021.

Onshore wind farms

TAURON Capital Group is looking for the opportunities to acquire advanced RES projects and the existing onshore wind farm assets on the market. As part of such efforts, the internal analyses and due diligence studies of further acquisition projects were carried out in the first three quarters of 2021. All of the investment decisions will be made after the detailed analyses of the technical, legal and business risks have been completed, after the positive financial results of the individual projects have been obtained and after the final terms of the deals have been agreed upon with the sellers.

As a result of the above mentioned works, on June 10, 2021, TAURON EKOENERGIA acquired 100% of the shares in the Polpower SPV, the entity that holds the rights to build a 6 MW Majewo wind farm.

Offshore wind farms (in the Polish Exclusive Economic Zone of the Baltic Sea)

On January 18, 2021, PGE, Enea and TAURON signed a Letter of Intent, in which they expressed their will to commence strategic cooperation related to the future offshore wind energy investment projects in the Polish Exclusive Economic Zone of the Baltic Sea. The goal of the parties to the above letter is to define, as part of the future cooperation, the options, nature and details of the potential joint involvement in the implementation of investment projects with the above mentioned scope. Due to the lack of consensus between PGE and TAURON regarding the future areas on which offshore wind farms could be located, for which joint applications for permits for the erection and use of artificial islands, structures and devices in the Polish sea zones (PSZW) were to be submitted, resulting from TAURON'S inability to submit, jointly with other entities (for example, PGE or ENEA), the applications with respect to some areas, the parties decided to abandon the trilogue talks on the joint implementation of the projects.

TAURON, seeing significant potential and an opportunity to achieve synergy when undertaking activities aimed at implementing investment projects in the field of offshore wind energy, jointly with another entity, with experience in the preparation of offshore wind farm construction projects, submitted to PGE a request for the implementation of a joint venture in the areas other than those proposed for the cooperation with Enea. The joint activities would constitute the implementation of the climate goal and would be in line with the assumptions of the so-called green deal and contribute to increasing the share of renewable energy sources in Poland's energy mix. The potential cooperation would be an expression of the responsibility of the Parties as the entities operating in the energy sector actively contributing to the energy transition process. Currently, the parties are negotiating the terms of the agreement for the purchase of shares in special purpose vehicles that would carry out a joint offshore wind energy investment project. As of the date of drawing up this information, the location and the ultimate generation capacity of the potential joint investment project, as well as the scope of tasks and responsibilities of the individual entities to be carried out as part of these projects, are not known yet.

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 the years 2016-2025*, 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 (business case). TAURON Capital Group is currently conducting analyses that would enable a potential resumption of the project and other similar projects at TAURON Capital Group subsidiaries' locations. Smaller units or batteries of gas fired engines operating in high efficiency cogeneration are also considered. The fuel under consideration is natural gas with a much lower emission level than coal, as a transition fuel on the path to the low emission generation. 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 option of involving an equity partner in the implementation of the projects cannot be excluded.

Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures came in at PLN 1 963 million in the first three quarters of 2021 and they were 28% lower than the expenditures incurred in the same period of 2020 that stood at PLN 2 728 million (excluding equity investments). This is primarily due to the decrease of the outlays in the Generation Segment.

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 2021.

Table no. 4. The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first three quarters of 2021

Item		Capital expenditures (PLN m}
Distribution		
1.	Installation of new grid connections	701
2.	Existing grid assets' upgrades (refurbishments) and replacements	568
3.	Dispatcher Communications System	32
Generation		
4.	CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	97
5.	Construction of a 910 MWe super critical parameters generation unit in Jaworzno	25
6.	Adaptation of TAURON Wytwarzanie generation units to the *BAT Conclusions*	14
7.	Connecting of the new facilities to the grid	13
8.	Investment projects related to the development (expansion) and maintenance of the district heating networks	15
RES		
9.	Construction of the 30 MW Piotrków wind farm	32
10.	Construction of the 6 MW Majewo wind farm	3
11.	Construction of the Choszczno I and II PV farm	7
Mining		
12.	Preparation of the future production	121
13.	Construction of the "Grzegorz" shaft at the Sobieski Coal Mine (ZG Sobieski)	5
14.	Construction of the 800 m level at the Janina Coal Mine (ZG Janina)	6
Supply and Other Operations		
15.	Construction of the broadband Internet access network as part of the Digital Poland Operational Program III (POPC III) project	70
16.	Maintenance and development of the street lighting	26
17.	Gas fired engines	20

2. OPERATIONS OF TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

2.1. The subject of the operations of TAURON Polska Energia S.A. and TAURON Capital Group

The subject of the operations of TAURON Polska Energia S.A.

As the parent entity of TAURON Capital Group, TAURON is performing the consolidating and management function at TAURON Capital Group. As a result of implementing the Business Model and centralizing of the functions, TAURON has concentrated a number of 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. management of the portfolio of electricity, CO_2 emission allowances and Property Rights,
3. purchasing management,
4. finance management,
5. asset management,
6. corporate risk management,
7. managing the IT functioning model,
8. coordinating the research and development (R&D) activities carried out within TAURON Capital Group,
9. advisory services with respect to accounting and taxes,
10. legal support (services),
11. audit.

The above functions are gradually curtailed 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 purpose of hedging the buy and sell positions of TAURON Capital Group's entities and on wholesale electricity trading. The Company bought and sold 34.7 TWh of electricity in the first three quarters of 2021. The electricity sales carried out by TAURON during that period were mainly addressed to the following subsidiaries: TAURON Sprzedaż and TAURON Sprzedaż GZE, with 68.6% 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, the exchanges) accounted for 19.3%. A decision was made in the third quarter of 2020 to discontinue the trading activities with respect to the intersystem exchange. This was due to the situation regarding the restriction of the importing options (transmission capacity available), which had been prevailing since the beginning of 2020, the Company's trading strategy, as well as the planned changes with respect to the system for allocating of the transmission capacity for the intersystem exchange at the level of the Community electricity market (the planned introduction of the Market Coupling mechanism for the Day-ahead market). In connection with the above, the documents terminating the transmission contracts were submitted to the TSO in Germany (50Hertz Transmission GmbH, TenneT TSO GmbH, Amprion GmbH) in September 2020.

With regard to wholesale electricity trading, as of the end of 2019, the Company took over the activities with respect to the fulfillment of the exchange obligation (in accordance with art. 49a of the Energy Law) and with respect to the optimization of the operation of the generating units from the TAURON Wytwarzanie subsidiary, and as of April 2020, from TAURON Ciepło, and centralized such activities at TAURON level. The principles of cooperation with respect to the trading operations conducted by TAURON for TAURON Wytwarzanie and TAURON Ciepło were defined in the SLA service provision agreements. Pursuant to those agreements the Company is providing, among others, the electricity and Property Rights portfolio management service, as well as the *market access* service, as part of which it is operating on the Polish Power Exchange (Towarowa Giełda Energii S.A. – TGE) on behalf of TAURON Capital Group for the benefit of TAURON Wytwarzanie and TAURON Ciepło, carrying out the electricity sales for the purpose of fulfilling the exchange obligation.

The Company's additional operations include wholesale trading in natural gas on the territory of the Republic of Poland (carried out based on the license for trading in gas fuels issued by the President of the Energy Regulatory Office on April 27, 2012) and trading in natural gas with foreign counterparties (carried out based on the license issued by the President of the Energy Regulatory Office on September 29, 2020). In the first three quarters of 2021, the Company purchased and sold 3.3 TWh of the gas fuel. The Company is focusing on selling natural gas for the supply needs of TAURON Sprzedaż, with 87.0% of the purchased fuel gas sold thereto.

In the first quarter of 2021, based on the decision of the President of the Energy Regulatory Office of March 11, 2021, TAURON obtained an extension of the granted licenses for the conducting of business operations involving trading in natural gas on the territory of Poland and with foreign entities (counterparties) until June 30, 2035. The obtaining of the above mentioned license is necessary in order to maintain the existing competences with respect to the conducted trading operations related to natural gas trading on the territory of the Republic of Poland and bringing (importing) natural gas from the neighboring markets and the dispatching (exporting) thereof 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, that constitute the confirmation of electricity generation from the renewable sources (including the sources that use agricultural biogas), as well as the property rights related to the electricity efficiency certificates. The principles of cooperation are 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 the trading services with respect to the property rights and guarantees of origin portfolio management (TAURON EKOENERGIA, EW Dobrzyń, EW Śniatowo, EW Inowrocław, EW Gołdap, EW Mogilno). The Company did not carry out trading in the property rights in 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. In connection with the amendments to the *Act of September 11, 2019, Public Procurement Act*, introduced in 2020, resulting in the need to purchase property rights for the purpose of selling them to the end customers (in order to fulfill the obligation to redeem them) by way of a tender, and for the purpose of their further resale, without a tender, starting from 2021, TAURON is a party to the transaction involving a purchase of the property rights stemming from the certificates of origin of electricity, which constitute the confirmation of electricity generation from the renewable sources (PMOZE_A) for the purpose of their further resale to TAURON Sprzedaż and TAURON Sprzedaż GZE.

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 the emissions, a synergy effect has been 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 the trading on the ICE exchange, the EEX exchange and on the OTC market. In connection with the centralizing of that function, TAURON is responsible for the settlements (clearing) of the subsidiaries' CO_2 emission allowances, hedging the subsidiaries' emission needs taking into account the allowances allocated.

TAURON is also performing the function of the Market Operator and of the entity responsible for trade balancing for TAURON Capital Group's subsidiaries and for the external customers. Those functions are carried out pursuant to the transmission agreement concluded with the Transmission System Operator (TSO) – Polskie Sieci Elektroenergetyczne S.A. (PSE) and other regulations in this respect (Terms and Conditions for Balancing and the Transmission Grid Code).

The Company is currently holding 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 adequate distribution of the 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 is participating 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 (network) operator. TAURON is also developing its competences with respect to the Market Operator function for gas pursuant to the transmission agreement with GAZ-SYSTEM S.A. In July 2015, TAURON, as one of the first entities in Poland, launched a balancing group for the entities carrying out trading transactions on the gas market and is currently conducting the balancing of the trading for two of TAURON Capital Group's entities, as well as for the external entities.

On September 9, 2021, TAURON commenced the certification for the main auctions for 2026, on behalf of TAURON Capital Group's subsidiaries, for the physical generation units and the demand side management (controllable load, demand reduction) units that have successfully passed the general certification. The units that will obtain the JRM (Capacity Market Units – CMU) certificate will be able to participate in the capacity market auction for 2026 or participate in the secondary market. On March 16, 2021, PSE conducted 4 additional auctions for the individual quarters of the delivery year 2022.

On April 6, 2021, the President of the Energy Regulatory Office (ERO) published the information on the final results of the additional auctions in the Public Information Bulletin (Biuletyn Informacji Publicznej). In accordance with the information, the closing price of the auctions was determined at the level of: 186.70 PLN/kW/year for the auction for the 1st quarter, 320.00 PLN/kW/year for the auction for the 2nd quarter, 320.00 PLN/kW/year for the auction for the 3rd quarter, and 240.02 PLN/kW/year for the auction for the 4th quarter. TAURON Capital Group's subsidiaries concluded capacity contracts with the volume of:

- 157.1 MW in the additional auction for the 1st quarter of 2022,
- 82.1 MW in the additional auction for the 2nd quarter of 2022,
- 24.9 MW in the additional auction for the 3rd quarter of 2022,
- 155.1 MW in the additional auction for the 4th quarter of 2022.

The total revenue of TAURON Capital Group stemming from the performance of the capacity contracts concluded as a result of the additional auctions for the individual quarters of the delivery year 2022 will reach PLN 25.01 million.

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 hedging the fuel position thereof. All of the hard coal for the production needs of TAURON Capital Group is contracted and hedged 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.

The subject of the operations of 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.

The detailed information related to the Operating Segments (lines of business) is provided in section 1.2. of this report.

TAURON Capital Group's core products include electricity and heat, as well as hard coal. In addition, TAURON Capital Group is trading in commodities: electricity and energy market products as well as hard coal and gas, and it is also providing electricity distribution and supply services, including to the final consumers, heat distribution and transmission, as well as other services related to the operations conducted thereby.

2.2. Factors and events, including the non-typical ones that have a significant impact on the abbreviated consolidated financial statements of TAURON Capital Group

Internal factors

The operations and earnings of the Company and TAURON Capital Group in the first three quarters of 2021 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 the 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 curbing the operating expenses,
5. implementing the *Strategic Asset Management Plan for the years 2018-2025* – one of the fundamental documents that constitute the core of the integrated asset management system at TAURON Capital Group,
6. loyalty building measures aimed at retaining the existing customers and marketing activities with respect to acquiring new customers,
7. centralized TAURON Capital Group's financial management area, supported by the use of such tools as: central corporate wide model of financing, financial liquidity (cash flow) management policy using the *cash pool* mechanism, risk management policy in the financial area, insurance policy,
8. Tax Capital Group's (Podatkowa Grupa Kapitałowa – PGK) operations, first and foremost aimed at optimizing the performance of the obligations associated with the payment of the corporate income tax by TAURON Capital Group's key subsidiaries,
9. TAURON's purchasing processes management, in particular, the management of fuel purchases for the needs of TAURON Capital Group's generation entities
10. geological and mining conditions of hard coal extraction,
11. failures of TAURON Capital Group's equipment, installations and grids. In particular, the emergency shutdown of the 910 MWe unit in Jaworzno and the related optimization of the commercial activities (buy-backs),
12. implementation of *TAURON Wydobycie (Mining) Turnaround Program for the years 2020-2029*,
13. completion of the negotiations in the process of the sale of the shares in TAURON Ciepło,
14. signing of the agreement for the sale of the shares in PGE EJ 1 to the State Treasury,
15. decommissioning of the 120 MW units in Stalowa Wola (February 2021),

16. signing of a letter of intent regarding the potential purchase by the State Treasury of 100% of the shares in TAURON Wydobycie S.A.,
17. signing of a letter of intent regarding a potential sale by the Issuer's Group to PGNiG Group of its equity involvement in Elektrociepłownia Stalowa Wola S.A. (Stalowa Wola Combined Heat and Power Plant),
18. conclusion of an agreement by TAURON, PGE, ENEA, Energa and the State Treasury on the cooperation with respect to the spinning off of the coal assets and their integration within the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego – NABE),
19. adoption of *TAURON Group's Business Continuity Policy*.

The detailed information related to the impact of the material factors on the financial result achieved in the first three quarters of 2021 is provided in section 3 of this report. The effects of such impact are visible both in the short term, as well as in the long term outlook.

External factors

The results of the operations of TAURON and TAURON Capital Group in the first three quarters of 2021 were impacted by the following external factors:

1. macroeconomic environment,
2. market environment,
3. regulatory environment,
4. competitive environment (landscape).

Macroeconomic environment

TAURON Capital Group's core business operations are conducted on the Polish market and therefore the macroeconomic situation, both in the individual sectors of the economy, as well as on the financial markets, is a material factor impacting the earnings generated by TAURON Capital Group.

The COVID-19 pandemic has been the greatest challenge facing all of the world's economies since 2020. The introduced restrictions aimed at curtailing the increase in the number of infection cases had an impact upon the functioning of the world's economies and, as a consequence, the slowdown (contraction) thereof by 3.3% was observed in 2020. The outbreak of the COVID-19 pandemic, the restrictions imposed and the persistent high uncertainty about how the situation will evolve in the future contributed to a reduction in the economic activity in Poland.

Following the pandemic the recovery of the economic activity is currently diversified in the individual countries. The European economy is expected to grow faster than forecast. According to the September forecasts of the European Central Bank (ECB), the euro area economy will record a 5% GDP growth rate in 2021 (as compared to 4.6% expected in June 2021) and a 4.6% growth rate in 2022. A strong economic recovery is expected in the medium term. It is expected that the economic growth will, in particular, be impacted by the adaptation of the companies and the households to the functioning in the pandemic conditions and the large fiscal packages.

According to the analyses of the National Bank of Poland (Narodowy Bank Polski – NBP) as of July 2021, as the epidemic situation is improving and the restrictions are lifted, an increase in the consumer demand and in private consumption is expected, as well as a gradual return of the level of capital expenditures to the value before the crisis. In 2020, investment outlays on fixed assets decreased by 9.6% year on year. In 2021, they are forecast to increase by 8.2%, and in 2022 and 2023 by 10.5% and 10.2%, respectively. GDP is also expected to grow by 5.0% in 2021, and by 5.4% and 5.3% in 2022 and 2023, respectively.

At the same time, inflation is rising. The forecasts of the National Bank of Poland, as of July 2021, indicated that the inflation rate in Poland in 2021 would come in at 4.2%. The forecasts for 2022 and 2023 fluctuate within the range between 3.3% and 3.4%. Those projections also assume an increase in the electricity prices for households due to a rise in the prices of the CO_2 emission allowances, the wholesale electricity prices and the capacity payment.

Meanwhile, according to Statistics Poland (Poland's Central Statistics Office – GUS) data for September, the inflation rate clocked in at 5.9% and was the highest since 2001. The latest economists' forecasts indicate the inflation rate level of around 6% at the turn of 2021-2022.

The registered unemployment rate in Poland at the end of August 2021 was at the level of approx. 5.9% and according to the estimates it will come in at approx. 5.8% as of the end of 2021.

Market environment

Electricity

The below table presents the volumes of Poland's electricity consumption, production and imports, as well as 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 2021.

Table no. 5. Volumes of Poland's electricity consumption, production and imports, as well as 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 2021

Volume	Unit	Q3 2020	Q3 2021	Increase / Decrease
Electricity consumption	GWh	40 229	42 217	1 988 (+4.9%)
Electricity production by domestic power plants	GWh	36 500	43 237	6 737 (+18.5%)
Electricity production by power plants fired with:				
hard coal	GWh	17 607	23 254	5 647 (+32.1%)
lignite	GWh	9 863	12 029	2 166 (+22.0%)
gas	GWh	3 236	3 076	-160 (-4.9%)
Electricity production by wind farms	GWh	2 222	2 499	277 (+12.5%)
Electricity imports	GWh	3 728	-1 019	-4 747 (-127.3%)
Average electricity price on the SPOT market in:				
Poland	PLN/MWh	231.27	403.56	+172.29
	EUR/MWh	52.06	88.37	+36.31
Neighboring countries (on the example of Germany)	EUR/MWh	36.12	97.14	+61.02

The average price of electricity on the SPOT market in Poland rose in the third quarter of 2021 as compared to the corresponding period of 2020 by more than 171 PLN/MWh and it came in at 403.56 PLN/MWh. This change was caused primarily by the growing demand, declining temperature, as well as the high prices in the neighboring countries. The price increases on the SPOT market abroad was a consequence of surging prices of natural gas, thermal coal and CO_2. The high SPOT prices in the neighboring countries significantly reduced electricity imports. In the third quarter of 2021, a negative balance of the cross border exchange was recorded, which was the result of PSE's provision of export capacity.

In 2020, the lower prices on the SPOT market were a consequence of a decrease in the demand for electricity in connection with the introduced restrictions caused by the COVID-19 pandemic. In 2021, the pandemic situation stabilized, which contributed to the increase in prices.

The prices of the forward contracts showed a clear upward trend in the third quarter of 2021, similar as during the entire first half of 2021. The reasons for the increase in prices remained unchanged, a further rise of the demand for electricity was recorded, while the generation from renewable energy sources came in below the season standards. The costs of the raw materials (commodities) and the CO_2 emission allowances that were rising throughout the third quarter of 2021 provided an additional support for the increase in electricity prices on the futures market. The futures benchmark BASE_Y-22 contract price (clearing price) came in, on average, at the level of 371.26 PLN/MWh, with the low of 338.53 PLN/MWh recorded on July 23, 2021, and the high of 432.70 PLN/MWh reported on September 28, 2021. The average price of this contract in the third quarter of 2021 was higher by 136.96 PLN/MWh (58.5%) than the average price in the corresponding period of the previous year.

Despite an increase in the prices of the BASE and PEAK products, the degradation of the PEAK/BASE ratio can still be observed due to the increasing share of the generation from the photovoltaics. This ratio decreased from the average level of 1.17 in the third quarter of 2020 to 1.11 in the third quarter of 2021.

The average futures benchmark PEAK_Y-22 contract price (clearing price) went up in the third quarter of 2021 by 50.0% as compared to the same period of the previous year and it stood at 412.75 PLN/MWh.

Crude oil

The volume weighted average price of Brent crude on the ICE exchange in the third quarter of 2021 came in at 73.22 USD/barrel and it was higher by 29.87 USD/barrel, i.e. by 68.9% as compared to the volume weighted average price of Brent crude reported in the same period of 2020.

The total trading volume came in at approx. 16.5 billion barrels in the third quarter of 2021, while in the year ago period the total trading volume had stood at 12 billion barrels (an increase by 36.7%).

The main factors that had an impact on the demand and supply situation on the oil markets in the third quarter of 2021 were the global events affecting the fuel industry. The global oil markets remained under the strong impact of the situation related to the COVID-19 pandemic.

Among the weather events with a significant impact on the price of a barrel, Hurricane Ida, which hit a key oil producing region in the Gulf of Mexico in late August, was by far the most serious development. This force of nature caused significant supply problems in the US and on the global markets. The installations on the sea and the refineries took a long time to return to the normal operation. Such down times led to the lower supply and the depressed local demand reported by some of the refineries that did not operate at full capacity. In addition, the interruption of the production resulted in the further sharp drops in the inventory levels. The data for the US, Europe and Japan clearly demonstrated a downward trend in the oil inventory levels in the third quarter of 2021.

In connection with the above, the US and China were considering the use of their strategic petroleum reserves. For the first time in history, China intends to sell the oil stored in the state owned tanks in order to lower the domestic prices, as well as ease the inflationary pressures. On the other hand, the US has ultimately failed to implement the above mentioned measures, while continuing to monitor the global situation on the oil market. The US did not ban oil exports, which was also a measure taken into account in order to protect the domestic supply.

OPEC + has decided not to change its schedule for a coordinated program to ease production cuts. The output limitation agreement assumed a cumulative reduction of 9.7 million barrels a day in April 2020 and was revised to 5 million barrels a day from September 2021. The agreement is expected to end in October 2022, when the cuts are completely eased.

Hard coal

The hard coal average CIF ARA price on the EEX exchange for an annual continued contract was 108.25 USD/t in the third quarter of 2021, and it was higher by 50.24 USD/t (an increase by 86.6%) as compared to the average price of such a contract in the same period of 2020.

The international hard coal market has been in an upward price rally for several months, which it has not experienced in more than a decade.

In China, the pressure on domestic suppliers and the release of stocks did not bring the expected results. The inventory levels at the key hard coal transshipment ports have dropped to a multi month minimum, fueling market opinions that the supply shortage may continue to worsen.

In addition, the continuation of Beijing's activities aimed at increasing the safety level in the Chinese coal mines limited the domestic production and led to the need for increased imports from such markets as Indonesia, Russia and Mongolia. The domestic supply constraints, combined with the strong demand, continued to support the price increases. The unofficial ban on importing the hard coal from Australia, introduced by China at the end of 2020, contributed to an increase in the supply constraints due to the fact that the imports from the US, Canada and Russia were not able to replace the Australian coal in terms of quantity and quality. The situation was worsened by the closing of the border with Mongolia on August 23, 2021. Consequently, China has lost its two largest suppliers of the commodity.

The problems with increasing the domestic production in India, where the inventories at the domestic power plants were at a critical level, led to the ever bolder offers to purchase the Australian raw material. However, due to the increase in the commodity prices, the imports of larger quantities of coal were beyond the financial capacity of the Indian buyers, which resulted in episodic power cuts in the country.

The situation was also worsened by the supply shortages, such as the supply disruptions caused by the weather anomalies in Indonesia, which is a key producer of the commodity in the Asia region. Due to the approaching winter season in the Northern Hemisphere, the need to increase the inventory levels kept the price rally going. The high freight rates, the limitation in the US supplies caused by Hurricane Ida or the strikes in Colombia provided a strong support for the already very high global hard coal prices. This has led to tremendous anxiety and purchasing panic among the electricity producers around the world.

Uncompetitively high gas prices, caused by a storage deficit and the weak imports of this raw material, supported margins for the coal based energy sector, especially in Germany. The high coal consumption caused a decrease in the inventory levels at the ARA transshipment hub, which at the end of September 2021 were approximately 28% lower than in the previous year.

The increasingly tense situation on the international hard coal market in September 2021 led to a further increase in the prices. The significantly curtailed supply of all types of the commodity, both in Europe as well as in Asia, did not keep up with the demand, which was growing not only due to the economic growth caused by the rebound of the economies after the COVID-19 pandemic, but also due to the seasonal factors.

Natural gas

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (Towarowa Giełda Energii S.A. – TGE) stood at 240.72 PLN/MWh in the third quarter of 2021 and it was higher by 201.40 PLN/MWh (an increase by as much as 512.3%) as compared to the volume weighted average price in the same period of 2020.

The prices of gas in the third quarter of 2021 were the result of the weakening of the COVID-19 pandemic, the recovery of the demand for energy related commodities and the tense supply situation. In Europe, the increase in natural gas prices was mainly due to the low filling levels of the storage facilities in 2021, as compared to the previous years, the rapidly recovering demand following the COVID-19 pandemic, the very high CO_2 prices, the rising hard coal prices (ARA, Australia, South Africa, China/India, Pacific), the rising prices of the Brent crude oil, as well as the rising prices of the natural gas in Asia (Japan Korea Marker) significantly affecting the valuation of the futures contracts in the Western European gas hubs. The downward trend in the natural gas supplies to Europe since April 2021, as well as the meteorological factors, such as the long winter and cold spring, as well as the high summer temperatures in Europe, also contributed to the increase of the natural gas prices in Europe. In addition, the price increase was impacted by: the lower generation from the wind sources in the summer in Europe, no bids for booking additional natural gas transmission capacities from Russia through Ukraine and further on to Slovakia, the lower expected flows on the Yamal gas pipeline starting from October 2021, the uncertain situation regarding the possibility of the commercial launch of the Nord Stream II gas pipeline in 2021 and Hurricane Ida, which hit the coast of the Gulf of Mexico in August 2021, stopping the operation of the oil and gas installations, which translated into the lower supply in the US and the lower natural gas exports from the US to Europe.

The lowest monthly average volume weighted price of the day ahead delivery contract, clocking in at 172.05 PLN/MWh, was recorded in July 2021, while the highest monthly average volume weighted price of 314.80 PLN/MWh was reported in September 2021. The volume of trading on the above contract came in at 2 944 GWh in the third quarter of 2021 and it was 14.8% higher as compared to the volume of trading on that contract in the same period of 2020, when it stood at 2 564 GWh.

The average volume weighted price of the annual benchmark contract on the futures market came in at 166.28 PLN/MWh in the third quarter of 2021 and it was higher by more than 99 PLN/MWh (an increase by 148.1%), as compared to the average volume weighted price of the annual benchmark contract in the same period of 2020. The lowest monthly average volume weighted price of that contract was recorded in July 2021, when it stood at 129.20 PLN/MWh, while the highest price was reported in September 2021, when it clocked in at 211.03 PLN/MWh. The volume of trading on that contract came in at 12 465 GWh in the third quarter of 2021 and it was higher by 108.7% as compared to the volume of trading on this contract in the same period of 2020, when it stood at 5 974 GWh.

According to the Gas Infrastructure Europe association's data, as of September 30, 2021, the Polish storage facilities with the total capacity of approx. 3.2 billion m^3 were 96.3% filled and a year earlier they had been 98.6% filled (a decrease by 2.3 pp). In Europe, this level, as of September 30, 2021, stood at 74.6%, while a year earlier it had been at 94.7% (-20.1 pp).

CO_2 emission allowances

The average price of the CO_2 emission allowances for the benchmark EUA-DEC21 contract on the ICE Endex exchange stood at 57.12 EUR/MgCO_2 in the third quarter of 2021, and it was the highest quarterly average reported in the entire history of the EU ETS system operation. The recorded increase in relation to the average price in the third quarter of 2020 came in at as much as 108.5%.

In accordance with the fundamental data, the increase in the CO_2 prices is mainly due to the fast recovery of the demand for electricity and the limited supply of the allowances due to the functioning of the Market Stabilization Reserve (MSR) mechanism. The low generation from the renewable energy sources and the high gas fuel prices determine the contracting of electricity produced from the fuels emitting more carbon dioxide: hard coal and lignite, which is an additional factor stimulating the demand for the allowances.

In addition to the short term factors, the *Fit for 55* regulatory package was published in the third quarter of 2021. The detailed information on the *Fit for 55* package is presented below in the section on the *Regulatory environment*.

The upward trend in the prices of the CO_2 emission allowances continued in each of the three months of the third quarter of 2021. Already on July 1, 2021, the prices reached a new historical high of 58.64 EUR/Mg. This level was topped in August 2021, when the price at the session on August 30, 2021, exceeded the level of 60.00 EUR/Mg. The fast accelerating energy related commodities price crisis supported the CO_2 prices also in September. The price of the CO_2 emission allowances reached another all time high on September 27, 2021, at the level of 65.77 EUR/Mg.

Property rights

The prices on the green certificates market were in an upward trend in the third quarter of 2021. The minimum price of the TGEozea index was reported at the beginning of August 2021, clocking in at 158.85 PLN/MWh, while the maximum price of the above mentioned index was recorded at the end of September 2021, coming in at 269.64 PLN/MWh. The weighted average price of PMOZE_A stood at 192.73 PLN/MWh in the quarter under review and it was higher by 41.21% than the weighted average price in the same period of 2020.

The trading volume fell by 20% in the third quarter of 2021, as compared to the same period of 2020, i.e. from 2 581.2 GWh to 2 064.9 GWh. The balance of the PMOZE_A register reached a surplus of 26.86 TWh at the end of September 2021. Taking into account the certificates blocked for redemption (retirement), that balance decreases by 6.71 TWh, i.e. to the level of 20.15 TWh (a decrease by 22.26% year on year). The amount of the substitution fee set for 2021 stands at 172.76 PLN/MWh. The obligation to submit the green certificates for redemption stands at 19.5% in 2021 in accordance with the *Regulation of the Minister of Climate and Environment of August 27, 2020,* *on the change in the quantitative share of the total electricity, resulting from the redeemed certificates of origin confirming the production of electricity from the renewable energy sources in 2021.*

The prices on the blue certificates market were invariably very stable in the third quarter of 2021. In the July to September 2021 time frame the prices of the TGEozebio index were fluctuating between 300.07 PLN/MWh and 301.80 PLN/MWh, i.e. close to the substitution fee level set at 300.03 PLN/MWh for 2021. The weighted average price of that index came in at 300.42 PLN/MWh in the third quarter of 2021, while the volume of trading stood at 87.50 GWh and it was lower by 23.1% as compared to the level of volume achieved in the same period of 2020. The balance of the PMOZE-BIO register reached 310.20 GWh at the end of June 2021. Taking into account the certificates that are blocked for retirement (cancellation), that balance decreases by 51.76 GWh, i.e. to the level of 258.44 GWh (a drop by 3.56%). The obligation confirming the production of electricity from agricultural biogas stands at 0.5% in 2021 in accordance with the above mentioned regulation.

The prices of the PMEF_F white certificates in the third quarter of 2021 were fluctuating between 2 218.91 PLN/toe in July 2021 and 4 813.13 PLN/toe in September 2021. The weighted average price for the above mentioned contract came in at 2 502.69 PLN/toe in the quarter under review and it was higher by 39.16% as compared to the weighted average price in the same period of 2020. On average, the prices were 37.26% above the substitution fee set for 2021 at the level of 1 823.26 PLN/toe. The trading volume went up by 6.67% as compared to the same period of 2020 and it clocked in at 18 172 toe (17 036 toe in the third quarter of 2020).

The weighted average price of the PMEF - 2020 contract came in at 2 566.66 PLN/toe in the third quarter of 2021.

Regulatory environment

TAURON Capital Group is monitoring changes and taking actions in the regulatory area, both on the national, as well as on the European Union (EU) level.

The material changes that took place in the regulatory environment of TAURON Capital Group in the first three quarters of 2021 and by the date of drawing up this information with respect to the scope of the adopted and published legislative acts as well as the legislative acts undergoing legislative work are listed below.

Fit for 55 **package**

On October 19, 2020, the European Commission adopted a work program for 2021, including the *Fit for 55* regulatory package, which aims to ensure that the European Union accelerates the pace of both the transition towards a climate neutral economy as well as towards the digital transformation. The main goal of the *Fit for 55* package is to reduce emissions by at least 55% by 2030 (as compared to the 1990 level). All of the relevant European Union regulations must be adapted to the above mentioned greenhouse gas emissions reduction target. This is why the European Commission reviewed the selected regulations relating to the energy sector, including, among others:

1. Energy Tax Directive (ETD),
2. Directive on the promotion of the use of energy from renewable sources (Revision to the Renewable Energy Directive – RED II),
3. Energy Efficiency Directive (EED),
4. Directive establishing the EU ETS scheme (EU ETS Directive).

The drafts of thirteen legislative proposals of the European Commission with respect to the revisions of the legal acts already in force, including the above mentioned regulations and the presentation of the new legislative proposals, among others the ones related to the Carbon Border Adjustment Mechanism (CBAM), were published on July 14, 2021.

The purpose of the amendments to the Energy Tax Directive is to revise and limit the exemptions and breaks (credits) in energy taxation, which are intended to incentivize the consumption of fossil fuels. The proposed changes are intended to support green transformation through incentives for the low emission energy sources and promoting energy efficiency and the absorption of cleaner fuels.

The draft amendment to the directive on the promotion of the use of energy from renewable sources (Revision to the Renewable Energy Directive – RED II) assumes an increase in the European Union by 2030 of the share of electricity generated from RES from the currently assumed level of 32% to the level of 40%. In addition, it is assumed that sub targets will be set to increase the share of renewable energy, biofuels, biogas and biomass in such sectors as the heating and cooling systems, transportation, manufacturing industry and the construction sector. The proposals also provide for a number of instruments stimulating the development of the RES sector, including investments, such as:

1. green hydrogen sub targets and certification mechanisms,
2. instruments making it easier to conclude contracts for the purchase of energy from renewable sources (Power Purchase Agreements - PPA),
3. procedures making it easier to issue permits for the renewable energy projects,
4. promoting the cross border cooperation, including through the RES financing mechanisms.

The proposed amendment to the Energy Efficiency Directive envisages almost doubling of the Member States' obligations to reduce overall energy consumption (from the current level of 17-17.4% to the proposed binding level of 36-39%). In addition, the Member States are to be obligated to achieve annual end use energy savings of up to 1.5% by 2030, as compared to the current level of 0.8%.

The reform of the EU Emissions Trading System (EU ETS) assumes a further reduction in the number of the greenhouse gas emission allowances (increasing the annual rate of their reduction), while at the same time extending the scope of the EU ETS to include the maritime transportation and withdrawing the free emission allowances for the aviation sector. The draft also provides for the introduction of a "mini-ETS", created in a similar manner as the EU ETS, for the newly included sectors of the economy, i.e. the construction and land transportation sectors. The reform also assumes that the Member States should continue to allocate the newly generated revenues from the emissions trading to the climate and energy related projects.

The Commission also presented a draft regulation establishing the so-called Carbon Border Adjustment Mechanism (CBAM) at the borders. It is intended to counteract the transfer of the high emission production outside Europe, i.e. the "carbon leakage". This goal is to be achieved by imposing the additional obligations on certain products imported to the European Union, the production of which generates a significant level of the greenhouse gas emissions. In the first stage, the CBAM is to cover products most exposed to carbon leakage, i.e. electricity. The proposed date of entry into force of the mechanism is January 1, 2023. In the initial - transitional - phase, the CBAM is to operate in a simplified form, assuming the obligation for the importers to submit the quarterly CBAM Reports, containing the information on, inter alia, the quantity of the products imported in the given quarter and the quantity of emissions related to such imports. Ultimately, from 2026, the paid CBAM certificates will be introduced, the price of which will depend on the prices of the CO_2 emission allowances. The CBAM certificates will be subject to the redemption (amortization) in the amount corresponding to the amount of the direct CO_2 emissions contained in the imported products. The CBAM certificates are to function independently of the CO_2 emission allowances.

In accordance with the statements of the Minister of Climate and Environment, the period of consultation with respect to the above mentioned legislative drafts may take several months.

European Climate Law

In December 2020, the European Council approved a binding target assuming the reduction of the net greenhouse gas emissions in the European Union by at least 55%, as compared to the 1990 levels, by 2030. On April 21, 2021, as part of the three party negotiations of the European Union institutions, an agreement on the European Climate Law was reached, and subsequently, on June 24 and June 28, 2021, the European Parliament and the Council of the European Union, respectively, formally adopted the text of this agreement. The document (in the form of Regulation (EU) 2021/1119 of the European Parliament and of the Council of June 30, 2021, establishing a framework for achieving climate neutrality and amending Regulations (EC) No. 401/2009 and (EU) 2018/1999 (European Climate Law)) entered into force on July 29, 2021.

The European Climate Law introduces, in particular, a new target for the greenhouse gas emissions reduction by at least 55% by 2030, the greenhouse gas emissions reduction trajectory for 2030-2050 and the climate neutrality target by 2050 at the European Union level. In addition, the so-called carbon budget for the entire European Union for the years 2030 – 2050, defining the amount of the greenhouse gases that the European Union may emit under the obligations stemming from the Paris Accord, is to be established.

Just Transition Fund

On May 19, 2021, the European Parliament adopted an agreement establishing the Just Transition Fund, which is to help the coal mining regions transition to the so-called green economy. Out of the amount of more than EUR 17.5 billion Poland may receive EUR 3.5 billion in subsidies for the years 2021-2027. The key assumption of the Just Transition Fund is to mitigate the effects of transition in the coal mining regions. The initially selected regions in Poland that will receive support from the Just Transition Fund include: Katowice, Bielsko-Biała, Tychy, Rybnik, Gliwice and Sosnowiec in the Silesia province, Konin in Wielkopolska (Greater Poland) province and Wałbrzych in the Lower Silesia province. The talks are underway with the European Commission on the inclusion of the coal mining regions in the Małopolska (Smaller Poland), Lublin and Łódź provinces. In order to benefit from the Just Transition Fund resources, the coal mining regions should adopt the Territorial Just Transition Plans and subsequently obtain the approval of the European Commission.

Taxonomy

The *Regulation of the European Parliament and of the Council 2020/852 of June 18, 2020, on the establishment of a framework to facilitate sustainable investment aims to introduce a classification system, the so-called European Union Taxonomy*, i.e. a classification system for sustainable economic activities. On April 21, 2021, the European Commission initially adopted a delegated act to the above mentioned regulation which specifies the detailed technical criteria for assessing whether the given economic activity is carried out in an environmentally sustainable manner. The act does not include the criteria for generating electricity from natural gas. The publishing of the proposed delegated act specifying the technical criteria for the assessment of an economic activity consisting in generating electricity from natural gas was planned by the European Commission by the end of 2021. The above mentioned act will have an impact on the availability and cost of the financial instruments required for investments in the units generating electricity from the natural gas.

Recovery and Resilience Facility

On February 11, 2021, the Council of the European Union adopted a regulation establishing the Recovery and Resilience Facility (RRF), which controls funds in the amount of EUR 672.5 billion, of which Poland is to receive approximately EUR 58 billion in the form of a grant (subsidy) or loan. The Member States have developed the National Recovery Plans that include reforms and investment projects aligned with the EU policy objectives until 2026, i.e. a minimum of 37% of the expenditures to be spent on the energy transition and a minimum of 20% to be spent on the digital transformation. Approximately EUR 5.7 billion of grants and approx. EUR 8.6 billion in loans will be available as part of the *Green Energy and energy intensity reduction* component.

On April 2, 2021, the public consultations of the National Recovery Plan, which is the basis for the use of the Recovery and Resilience Facility (RRF), were completed in Poland. On April 30, 2021, the National Recovery Plan was approved at the meeting of the Council of Ministers, and on May 3, 2021, it was submitted for approval to the European Commission.

As of the date of drawing up this report, the National Recovery Plan is awaiting the approval of the European Commission.

Draft new Commission Delegated Regulation supplementing MiFID II (2014/65/EU) by specifying the criteria for determining when an activity should be considered ancillary to the main activity at the group level

On July 14, 2021, the European Commission adopted a Delegated Regulation (C (2021) 5115 final) supplementing MiFID II (2014/65/EU) by specifying the criteria for determining when an activity should be considered ancillary to the main activity at the group level. The said act was adopted on the basis of the authorization granted to the European Commission under the MIFID II Directive (on the markets in financial instruments) in order to specify the criteria for the non-financial entities to take advantage of the exemption from the obligation to obtain a license to conduct brokerage activities. In the new act, the so-called OMT(Overall Market Threshold) test (market size or market share) test was foregone and a new *de minimis* threshold test was introduced, however, no changes were made to the MBT (Main Business Test) tests (trading test and capital employed test), except for the threshold entitling to take advantage of the exemption.

Proceedings in the Tempus case

In 2019, the TEMPUS group companies: Tempus Energy Germany GmbH and T Energy Sweden AB, filed an appeal against the decision of the European Commission on not raising objections to the Polish Capacity Market. The purpose of the appeal filed was to seek to nullify the said decision of the European Commission.

On October 6, 2021 (an event taking place after the balance sheet date), the Court of first instance, being a judicial body of the Court of Justice of the European Union, issued a judgment in which it dismissed the complaint of the companies from the TEMPUS group. The above mentioned judgment may be appealed against by the complaint filing party within two months.

Draft of the new guidelines on state aid for climate and environment protection as well as the energy related objectives (CEEAG – Climate, Energy and Environmental Aid Guidelines)

On June 7, 2021, the European Commission presented for public consultation a draft of the new guidelines on state aid for climate and environmental protection as well as energy related objectives (CEEAG). CEEAG is to replace the 2014 - 2021 guidelines on state aid for environmental protection and energy related objectives (EEAG - Energy and Environmental Aid Guidelines). The draft of the new guidelines defines the amended rules for the assessment by the European Commission of the state aid programs or individual measures for climate and environmental protection as well as the energy related objectives and the internal market in the context of the EU's ambitious climate goals and the need to maintain the competitiveness of the economic entities operating in the European Union.

Poland's Energy Policy until 2040

By way of the resolution of the Council of Ministers of February 2, 2021, *Poland's Energy Policy until 2040* was adopted, constituting a strategic document setting the framework and outlining the directions of Poland's energy transition. The above mentioned Policy replaced *Poland's Energy Policy until 2030* adopted in 2009.

The objectives of *Poland's Energy Policy until 2040* are based on three pillars:

1. just transition,
2. zero emission energy system,
3. good air quality.

In order to achieve the objectives set, eight specific goals have been defined in the form of:

1. optimal use of in-house energy resources,
2. expansion of electricity generation and grid infrastructure,
3. diversification of the supplies and the expansion of the network infrastructure related to natural gas, crude oil and liquid fuels,
4. development of the energy market,
5. implementation of the nuclear energy,
6. development of the renewable energy sources,
7. development of the district heating and cogeneration,
8. improving energy efficiency.

The significance of the adopted document is based on the setting of the long term goals for the public administration authorities and the tools provided for their proper achievement.

The Act of December 17, 2020, on promoting electricity generation in offshore wind farms

The *Act of December 17, 2020, on promoting electricity generation in offshore wind farms* entered into force on February 18, 2021.

The goal of the act is to create a dedicated support system for the generation of electricity in the offshore wind farms and to facilitate applying for the documents required in the course of the investment related works conducted for the offshore wind farms.

Act of March 30, 2021, on amending the act on the provision of information on the environment and the protection thereof, the public participation in the environment protection and on the environmental impact assessments and certain other acts

The *Act of March 30, 2021, on amending the act on the provision of information on the environment and the protection thereof, the public participation in the environment protection and on the environmental impact assessments and certain other acts* entered into force on May 13, 2021.

The amendment extended the powers of the environmental (ecological) organizations to interfere with the investment process, and the solutions introduced by the act are related to:

1. an option to file a petition (motion) to the appeal authority (body) for the suspension of the immediate enforcement of the environmental decision and an option to submit a complaint against the decision of the appeal authority (body),
2. introducing the premise on the basis of which the administrative court may halt (suspend) the execution (enforcement) of the final environmental decision,
3. introducing the mandatory suspension of the investment project permit procedure in the event the execution (enforcement) of the environmental decision is halted (suspended),
4. an option for the parties to the proceedings on the environmental decision and the environmental (ecological) organizations to file an appeal against the investment project permit with respect to the compliance thereof with the environmental decision and an option to submit a complaint to the administrative court in this regard,
5. an option to petition in a complaint for the halting (suspension) of the investment project permit,
6. introducing the obligation to publish the content of the investment project permit and the decision on the environmental conditions in the Public Information Bulletin (Biuletyn Informacji Publicznej).

Act of April 20, 2021, on amending the act on energy efficiency and certain other acts

The *Act of April 20, 2021, on amending the act on energy efficiency and certain other acts* entered into force on May 22, 2021.

The amendment adjusts the provisions related to energy efficiency to the solutions in force in the European Union (the implementation of the *Directive of the European Parliament and of the Council (EU) 2018/2002 of December 11, 2018, amending Directive 2012/27/EU on energy efficiency (Journal of Laws of the EU L 328 of December 21, 2018, p. 210)* and introduces an option to comply with the energy efficiency obligation in the form of programs for co-financing the replacement of the heating devices at the final consumers' as an additional measure - apart from the energy efficiency certificates - aimed at achieving the final energy savings target set by the European Union regulations for the end of 2030.

Act of April 15, 2021, on amending the act on the greenhouse gas emission allowance trading system and certain other acts

The *Act of April 15, 2021, on amending the act on the greenhouse gas emission allowance trading system and certain other acts* entered into force on June 25, 2021.

The amendment enables domestic entities to take advantage of the Modernization Fund, i.e. a pool of money from the sales of the CO_2 emission allowances to be used for the modernization of the energy system and the energy efficiency improvement in the European Union. The amendment provides for the procedure of applying for support from the Modernization Fund, based on the competitions.

The National Fund for Environment Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej - NFOŚGW) is the operator of the Modernization Fund in Poland, while the supervision over the performance of the tasks of the Fund's Operator is carried out by the Minister competent for the climate affairs.

Act of May 20, 2021, on amending the act – the Energy law and certain other acts

The *Act of May 20, 2021, on amending the act – the Energy law and certain other acts* entered into force on July 3, 2021.

The amendment assumes, among others, setting up of a central energy market information system and introducing a schedule for installing the remote readout meters (the so-called smart meters) that the energy enterprises will have to equip their consumers with. In accordance with the amendment, by the end of 2028, at least 80% of the customers are to be equipped with the smart meters. The data retrieved from the meters will allow for setting up of a central energy market information system, whose operator will be the electricity transmission system operator (TSO), i.e. PSE.

As a result of the amendment, the provisions on the potential establishment of security (collateral, bond) on the property in order to obtain the relevant licenses have also been expanded and clarified. Also, the new provisions related to the energy storage facilities were introduced, according to which the energy storage have been exempted from the tariff obligations and the energy storage facilities with the capacity of up to 10 MW do not require obtaining a license. The double collection of the distribution and transmission fees - for the electricity drawn from the grid to the energy storage facility and fed back from the energy storage facility into the grid - has also been eliminated.

In addition, the amendment introduces amendments to the act on promoting electricity generation in offshore wind farms, making the obligation to provide the security (collateral, bond) more flexible by enabling the so-called rollover of the guarantee (bond) and a change of the form of the security (collateral, bond) during the period required by the act.

Act of July 23, 2021, on amending the act on the capacity market and certain other acts

The *Act of July 23, 2021, on amending the act on the capacity market and certain other acts* entered into force on September 1, 2021.

The amendment adapts the provisions 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 electricity market* and is aimed at, among others:

1. limiting the participation in the capacity mechanisms for the units that do not comply with the emissions limit, including largely the exclusion of the participation thereof in the secondary trading (however, admitting them to the reallocation transaction and the transactions related to the capacity obligation arising no later than on December 31, 2021),
2. changing the provisions related to the penalties resulting from the termination of the capacity contract and a delay in the performance of the obligation,
3. introducing an option to transfer the capacity obligation and make a minor capacity adjustment,
4. excluding the application of the provisions of the *Act of September 11, 2019 - Public Procurement Law* in relation to the transactions on the secondary market,
5. reparameterization of the capacity payment, taking into account the consumption profile criterion, ensuring lower payments for the consumers with the lower daily fluctuations in electricity consumption.

Act of August 11, 2021, on amending the act on the fuel quality monitoring and inspection system and certain other acts

The *Act of August 11, 2021, on amending the act on the fuel quality monitoring and inspection system and certain other acts* entered into force on September 22, 2021.

The amendment is due to the need to introduce changes to the provisions with respect to:

1. National Reduction Target, i.e. the minimum value of the greenhouse gas emissions limit (cap) in the life cycle of the liquid fuels, liquid biofuels, liquefied gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG) or inland waterway engine oil used for the transportation and the electricity used in the motor vehicles, per unit of energy
2. covering the monitoring and inspections of the quality of the hydrogen fuels used to propel motor vehicles with the system,
3. definition of the light heating oil and heavy heating fuel oil

In addition, the act extends the current definition of the "fuel" to include hydrogen and introduces a new definition of a "hydrogen sample", which is a consequence of the introduction of a separate control (inspection) system for the hydrogen. It introduces the possibility of achieving the National Reduction Target by paying a substitution fee for the entities that have achieved the National Reduction Target at the specified minimum level. It also amends the rules for submitting the reports to the President of the Energy Regulatory Office related to the imported fuels and the fuels brought in as part of an intra-Community purchase.

Regulation of the Minister of Climate and Environment of March 30, 2021, on the maximum price for electricity generated in an offshore wind farm and fed into the grid in PLN per 1 MWh, which is the basis for the settlement of the right to cover the negative balance

The *Regulation of the Minister of Climate and Environment of March 30, 2021, on the maximum price for electricity generated in an offshore wind farm and fed into the grid in PLN per 1 MWh, which is the basis for the settlement of the right to cover the negative balance* entered into force on March 31, 2021.

The regulation is the implementation of the statutory delegation under art. 25, clause 2 of the *Act of December 17, 2020, on promoting electricity generation in offshore wind farms*. The maximum price for the electricity generated in an offshore wind farm and fed into the grid, which is the basis for the settlement of the right to cover the negative balance, was set at 319.6 PLN/MWh.

Regulation of the Minister of Climate and Environment of April 16, 2021, on the benchmark price of electricity from renewable energy sources in 2021 and the periods applicable to the producers who won auctions in 2021

The *Regulation of the Minister of Climate and Environment of April 16, 2021, on the benchmark price of electricity from renewable energy sources in 2021 and the periods applicable to the producers who won auctions in 2021* entered into force on April 20, 2021.

The regulation is to implement the statutory delegation under art. 77, clause 3 of the *Act of February 20, 2015, on renewable energy sources*, specifying:

1. maximum price in PLN per 1 MWh for which electricity from renewable energy sources can be sold by the electricity generators by way of an auction in 2021,
2. support period applicable to the electricity generators winning auctions for the support of the generation of electricity from RES in 2021.

The maximum benchmark price depends on the type of the generation source, as well as the installed capacity level. The individual generation sources are competing based on the technology in five auction baskets. While the support period was set as 15 years.

With respect to the benchmark prices set for the previous year, the regulation provides for a reduction of the prices for the installations with the total installed electric capacity of more than 1 MW using only onshore wind energy to generate electricity, as well as for the installations with the total installed electric capacity of not more than 1 MW and the total installed electric capacity of more than 1 MW using only solar radiation energy to generate electricity. The benchmark prices for the refurbished installations have not been changed.

Regulation of the Minister of Climate and Environment of April 24, 2021, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply

The *Regulation of the Minister of Climate and Environment of April 24, 2021, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply* entered into force on April 29, 2021.

The regulation introduces a provision providing for the possibility of changing the tariff for heat due to a change in the costs of the CO_2 emission allowances. The amendment to the regulation was dictated by a material increase in the prices of the CO_2 emission allowances. The costs planned by the enterprises under the currently applicable heat tariffs did not take into account the full cost related to the purchasing of the CO_2 emission allowances for objective reasons that were beyond the control of such enterprises, and thus the justified costs of the business operations of the heat producers were not covered.

Regulation of the Council of Ministers of April 14, 2021, on the adoption of the spatial development plan for internal sea waters, the territorial sea and the exclusive economic zone on a scale of 1: 200 000

The *Regulation of the Council of Ministers of April 14, 2021, on the adoption of the spatial development plan for internal sea waters, the territorial sea and the exclusive economic zone on a scale of 1: 200 000* entered into force on May 22, 2021.

The regulation is aimed at the effective use of their features, resources and properties for various social and economic purposes, including also the development of offshore wind energy. The adoption of the regulation will enable investors to apply for areas for which no permits have been issued for the construction and use of the artificial islands.

Regulation of the Minister of Climate and Environment of August 4, 2021, on the change in the quantitative share of the total electricity stemming from the redeemed certificates of origin confirming the production of electricity from renewable energy sources in 2022.

The *Regulation of the Minister of Climate and Environment of August 4, 2021, on the change in the quantitative share of the total electricity stemming from the redeemed certificates of origin confirming the production of electricity from renewable energy sources in 2022* entered into force on August 27, 2021.

The regulation specifies the share of electricity from the renewable energy sources in electricity supply at 18.5%, while for electricity coming from the agricultural biogas produced starting from January 1, 2016, this level is to be 0.5%.

The draft act on amending the act – Energy law and the act on renewable energy sources

The *Draft act on amending the act – Energy law and the act on renewable energy sources* was presented on January 26, 2021.

The amendment provides for the lifting of the obligation to sell electricity by the electricity generators on the power exchange (the so-called power exchange obligation). The existing regulations assume that all of the generated electricity, with the exemptions from this obligation in situations exhaustively specified in the act, must be traded on the exchange in order to ensure market transparency. Along with the lifting of the *power exchange obligation*, the draft also provides for the increasing of liability (based on the administrative law and criminal law) for violating the bans of the manipulation on the electricity market and the use of inside information stemming from *Regulation (EU) No 1227/2011 of the European Parliament and of the Council of October 25, 2011, on wholesale energy market integrity and transparency*.

As of the date of drawing up this information, the legislative process related to the draft act is underway.

Act of September 17, 2021, on amending the act on renewable energy sources and certain other acts

The text of the *Act on amending the act on renewable energy sources and certain other acts* was published in the Journal of Laws of the Republic of Poland (Dziennik Ustaw RP) on October 15, 2021 (an event taking place after the balance sheet date).

The goals of the amendment include, among others:

1. reduction of the license obligations for entrepreneurs (businesses) dealing with small installations,
2. statutory confirmation of the practice related to the method of determining the total installed electric capacity of the RES installations,
3. changes to the register of the small installations,
4. extension of the existing RES support systems until June 30, 2047.

The act entered into force on October 29, 2021 (an event taking place after the balance sheet date).

The draft act on amending the act on investments in wind farms and certain other acts

The *Draft act on amending the act on investments in wind farms and certain other acts* was presented on May 4, 2021. The goal of the amendment is to liberalize the regulations regarding the minimum distance of wind farms from certain forms of development, the so-called 10H rule. This liberalization is to be based mainly on the possibility for the municipalities to ease the 10H rule regarding the location of wind farms in Local Spatial Development (Land Use, Zoning) Plans. The absolute minimum distance of the wind farm location from the buildings, which will have to be maintained, is to be 500 m. The amendment also provides for additional obligations of the commune related to the process of conducting public consultations with the participation of interested residents on the Local Spatial Development (Land Use, Zoning) Plans which provide or will provide for wind farms.

As of the date of drawing up this information, the legislative process related to the draft act is underway.

The draft act on amending the act – Energy law and the act on renewable energy sources

The *Draft act on amending the act – Energy law and the act on renewable energy sources* was presented on June 2, 2021. The amendment, to a large extent, implements the *Directive (EU) 2019/944 of the European Parliament and of the Council of June 5, 2019, on common rules for the internal market in electricity and amending Directive 2012/27 / EU*.

The goals of the amendment include, among others:

1. introduction of the changes to the rules of concluding and terminating electricity supply contracts, including the so-called technical change of the supplier within 24 hours,
2. introduction of the regulations allowing for the emergence of the new entities on the energy market: civic energy communities, active consumers and the energy market aggregators,
3. enabling the conclusion of the contracts with a changing (variable, floating) price,
4. extension of the competences of the President of the Energy Regulatory Office (ERO),
5. expansion of the scope of the unbundling,
6. change of the prosumers' billing (settlement) model,
7. introduction of the provisions related to the system services and flexibility services,
8. introduction of the changes to the regulations related to the balancing,
9. introduction of the regulations related to the mechanism to be used for the non-market related curtailment of the production at the RES installations,
10. increasing the fees for the connection to the gas transmission network,

11. changes with respect to the direct lines.

As of the date of drawing up this information, the legislative process related to the draft act is underway.

The Members of Parliament's draft act on amending the act on renewable energy sources and certain other acts

On July 2, 2021, the *Members of Parliament's draft act on amending the act on renewable energy sources and certain other acts* was submitted to the Parliament (Sejm), modifying the prosumer support system. Due to the changes introduced to the draft by the Parliamentary Committee on Energy, Climate and Environment, on October 28, 2021 (an event taking place after the balance sheet date), it was withdrawn and replaced with a new Members of Parliament's draft act with an almost identical wording assuming:

1. introduction of the so-called net billing (prosumers will use self-consumption, while the surplus electricity will be sold without taxation),
2. introduction of the fees for the prosumers for the electricity consumed, similar to the other final consumers,
3. extension of the introduction of the discount model until June 30, 2022 (those connected to the grid between April 1 and June 30, after this period has elapsed, they will automatically switch over to the net billing system),
4. introduction of the billing based on a 12-month cycle (the prosumer will have a "deposit" at his disposal, which shall not exceed 20% of the value of the electricity fed into the grid).

As of the date of drawing up this information, the legislative process related to the act is underway.

Draft act on amending the act on electromobility and alternative fuels as well as certain other acts

On October 28, 2021 (an event taking place after the balance sheet date), the second reading of the *Draft Act amending the Act on electromobility and alternative fuels as well as certain other acts* took place at the session of the Parliament (Sejm). The need for the legal changes stems from the obligation to implement the EU regulations. One of the main elements to be changed is the lifting of the DSO's obligation to build public charging stations and the obligation of a trading company to act as an operator of a public charging station and a charging service provider.

As of the date of drawing up this information, the legislative process related to the draft act is underway.

Draft act on amending the act on the greenhouse gas emission allowance trading system and the act - Environment Protection Law

On October 14, 2021 (an event taking place after the balance sheet date), the draft *act amending the act on the greenhouse gas emission allowance trading system and the act – Environment Protection Law* was presented for public consultation. The goal of the proposed changes is to use the income from the sale of 40% of the pool of the CO_2 emission allowances to support the modernization of the energy sector. The draft envisages the establishment of a state owned earmarked fund under the name of the "Energy Transition Fund", supporting the projects aimed at modernization, diversification or sustainable transition of the energy sector (FTE). The projects that will be able to benefit from the support from the FTE funds include, in particular, the investments in the field of:

1. nuclear energy,
2. renewable energy sources,
3. transmission and distribution grids,
4. high efficiency cogeneration and efficient heating systems,
5. gas fired generating units,
6. energy storage facilities,
7. innovative technologies,
8. improving Energy efficiency,
9. just transition,
10. carbon dioxide capture and storage.

However, the projects related to the use of the solid fossil fuels will be excluded from the FTE financing. The co-financing is to be in the form of loans and subsidies. The proposed solution provides for two financing methods as part of the FTE programs: based on competitions and continuous.

The FTE will be operating from 2022. The function of the managing body of the FTE is to be performed by the National Fund for Environment Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej – NFOŚGW). The function of the advisory body is to be performed by the FTE Consulting Council, composed of the representatives of the Prime Minister, the ministers indicated in the draft, and the Government Plenipotentiary for the Strategic Energy Infrastructure.

As of the date of drawing up this information, the legislative process related to the draft act is underway.

The draft regulations of the Minister of Climate and Environment to the Energy Law

The following draft regulations of the Minister of Climate and Environment to the Energy Law, pursuant to the *Draft Act of May 20, 2021, on amending the act – Energy law and certain other,* were presented on June 24, 2021:

1. *Draft regulation on energy market processes* which defines the list of processes, the method of the implementation thereof, the scope of the commands to be sent to the remote readout meter, the requirements for the information and the indicator of the quality thereof, the template for impact assessment with respect to the protection of the metering data,
2. *Draft regulation on the metering system* which specifies the requirements, standards and the method of the operation of the metering systems,
3. *The draft regulation on the registers (logs) of electricity storage facilities* which includes the template of the registers (logs) of electricity storage facilities, the template (sample) of the information that the register (log) should contain, as well as the format of the data thereof.

As of the date of drawing up this report, the legislative process related to the draft act is underway.

The draft regulation of the Minister of Infrastructure on the assessment of applications in the adjudication proceedings

On August 17, 2021 (an event taking place after the balance sheet date), a new *Draft Regulation of the Minister of Infrastructure on the assessment of applications in the adjudication proceedings* was presented, which is of key importance for the implementation of the investment projects related to offshore wind energy. The provisions presented in the draft regulation contain the criteria that determine the scoring to be granted to the individual investors filing applications for a permit to build and use artificial islands in relation to the same area. These criteria are divided into various categories relating to, inter alia, the method of financing the investment projects, the experience in implementing energy related investment projects and the contribution to the implementation of Poland's energy policy.

As of the date of drawing up this report, the legislative process related to the draft act is underway.

Regulation of the Minister of Climate and Environment on the parameters of the main auction for the 2026 delivery year and the parameters of the additional auctions for the 2023 delivery year

On August 14, 2021, the *Regulation of the Minister of Climate and Environment on the parameters of the main auction for the 2026 delivery year and the parameters of the additional auctions for the 2023 delivery year* entered into force. This regulation is a legal act which, in accordance with Art. 34, section 2 of the Act of December 8, 2017, on the capacity market is issued periodically, not later than 18 weeks prior to the start of the main auction. It specifies the parameters of the main auction for the 2026 delivery year, which will be carried out in 2021, and the parameters of the additional auctions for the 2023 delivery year, which will be carried out in 2022.

Draft regulation of the Minister of Climate and Environment on the benchmark values of the final energy savings for the projects aimed at improving energy efficiency and the method of calculating such values

On July 29, 2021, a new *draft regulation of the Minister of Climate and Environment on the benchmark values of the final energy savings for the projects aimed at improving energy efficiency and the method of calculating such values* was presented. The proposed regulation is to enable the obliged entities (within the meaning of the provisions of the Act of May 20, 2016 on energy efficiency) to fulfill a part of the obligation to save energy in the form of the implementation of the funding programs for the replacement of the heating devices at the final consumers (the indicated additional method of the fulfillment of the so-called efficiency obligation was introduced in the above mentioned act of April 20, 2021, on amending the act on energy efficiency and certain other acts).

As of the date of drawing up this information, the legislative process related to the draft regulation is underway.

Draft regulation of the Minister of Climate and Environment on the detailed conditions for the operation of the National Power System

On August 4, 2021, a new *draft regulation of the Minister of Climate and Environment on the detailed conditions for the operation of the National Power System* was presented. The provisions of the proposed regulation are aimed at implementing the second stage of the Balancing Market reform as defined in the Polish Implementation Plan. The key changes envisaged by the draft include the introduction of:

1. a balancing services provider role that is separate from the entity responsible for the commercial balancing,
2. principles of the integration of the Polish balancing market with the European platforms for the exchange of the balancing energy, including the determination of the impact of the principles of translating this integration into the processes of the domestic balancing market,
3. market principles of obtaining balancing capacity,
4. amended billing (settlement) rules in the case of electricity generation or take-off in connection with the management of the system constraints (a supplementary correction (adjustment) mechanism instead of a separate settlement (billing) of the forced electricity generation),
5. operating reserve settlement (billing) mechanism, which is a mechanism for valuating (pricing) the capacity shortage (scarcity) in the system (*scarcity pricing*),
6. updated planning and settlement (billing) rules for the balancing service providers in order to increase the efficiency of the operation of the new balancing market rules (work program (schedule) submission mechanism).

In addition, the draft updates the technical requirements for the installations, devices and networks (grids) connected to the National Power System, as well as the requirements for the quality of the electricity fed into the grid due to the increasing presence of the devices that are not connected synchronously.

As of the date of drawing up this information, the legislative process related to the draft regulation is underway.

Draft regulation of the Minister of Climate and Environment amending the regulation on the detailed rules for the determination and calculation of the tariffs and settlements (billing) for the heat supply

On August 6, 2021, a new *draft regulation of the Minister of Climate and Environment amending the regulation on the detailed rules for the determination and calculation of the tariffs and settlements (billing) for the heat supply* was presented. The goal of the regulation is to enable the improvement of the financial condition of the heating industry in order to enable the implementation of the investment projects and the transition. In order to achieve such goals, the following was proposed:

1. raising of the possible increase of the planned revenue in the simplified tariffs for the heat generated by the cogeneration units by 1 percentage point,
2. guaranteeing a minimum increase of the planned revenue in the tariffs of the energy enterprises conducting business operations involving heat transmission and distribution,
3. guaranteeing a minimum increase of the planned justified revenue in the tariffs of the energy enterprises conducting business operations involving heat generation, which do not apply a simplified method of determining tariffs for the heat,
4. taking into account, in the calculation of the return on capital employed in the operations involving heat delivery, of the rate of return increased by 1 percentage point for each reduction of the emissions by 25%, which stems from the completed investment projects in the new or significantly modernized generating units, in the heat sources, the district heating networks or in the infrastructure on the final consumer's side,
5. tying the possibility of applying the provisions guaranteeing a limit of the planned revenues in the tariffs for the heat and their increase in the simplified tariffs following December 31, 2025, solely for the energy enterprises operating in the heating system for which the following conditions are jointly met:
   - heating system is energy efficient within the meaning of Art. 7b, section 4 of the act - *Energy Law*,
   - non-renewable primary energy input rate for the given district heating network included in the heating system in question, determined in accordance with the methodology provided in the regulations issued under Art. 29 of the *Act of May 20, 2016, on energy efficiency* (Journal of Laws of 2021, item 468, as subsequently amended) is lower than 0.65.

As of the date of drawing up this information, the legislative process related to the draft regulation is underway.

Draft regulation of the Minister of Climate and Environment on the quality requirements for the solid fuels

On September 20, 2021, a new *draft regulation of the Minister of Climate and Environment on the quality requirements for the solid fuels* was presented.

The draft regulation was prepared as part of the periodic review of the fuel quality requirements provided for by the provisions of the act of August 25, 2006, *on the fuel quality monitoring and inspection system*. The authors of the draft act proposed, among others, the tightening of, inter alia, the parameters related to the sulfur and ash content for the solid fuels, the adapting of the selected types of the hard coal to the EU standards, as well as the replacing of the thus far used names of the "eco-pea coal" and "eco-coal" assortments (product names) with other trade names, not suggesting the ecological nature of such a fuel.

As of the date of drawing up this information, the legislative process related to the draft regulation is underway.

Draft regulations of the Minister of Climate and Environment provided for in the act on the promotion of electricity from high efficiency cogeneration

On September 28, 2021, two draft regulations of the Minister of Climate and Environment were presented for the public consultation:

1. a draft regulation on the maximum amount and value of the electricity from the high efficiency cogeneration covered by the support mechanism and the unit amounts of the guaranteed premium (bonus) in 2022, and
2. a draft regulation on the benchmark values for the new and significantly modernized cogeneration units in 2022 (the act is necessary to announce and conclude in 2022 an auction for a cogeneration bonus (premium) for the cogeneration units with an installed electric capacity of 1-50 MWe).

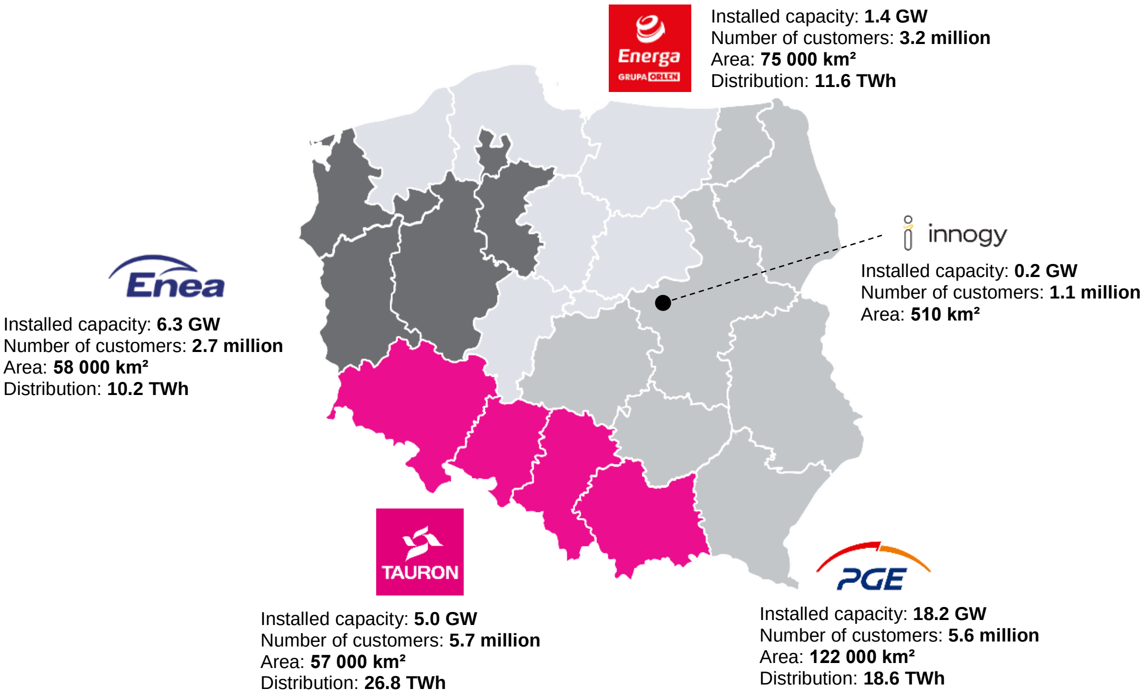
As of the date of drawing up this information, the legislative process related to the drafts of the above mentioned regulations is underway.

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). In addition, the company innogy Polska is conducting its operations in the Warsaw metropolitan area, managing Warsaw's power grid.

The below figure presents TAURON Capital Group's competitive environment (landscape) based on the H1 2021 data.

Figure no. 4. TAURON Capital Group's competitive environment (landscape) based on the H1 2021 data



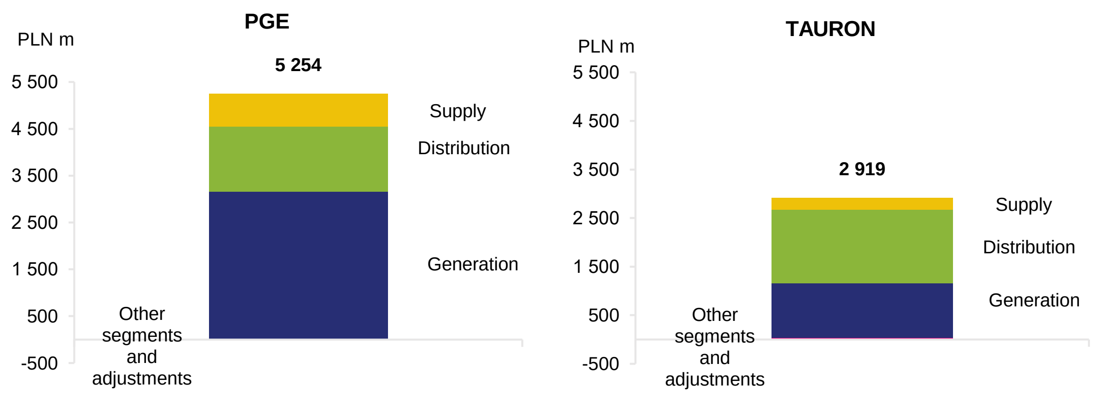
According to the H1 2021 data, the consolidated energy groups (PGE, TAURON, Enea, Energa) held a 70% market share in the electricity generation sub-sector.

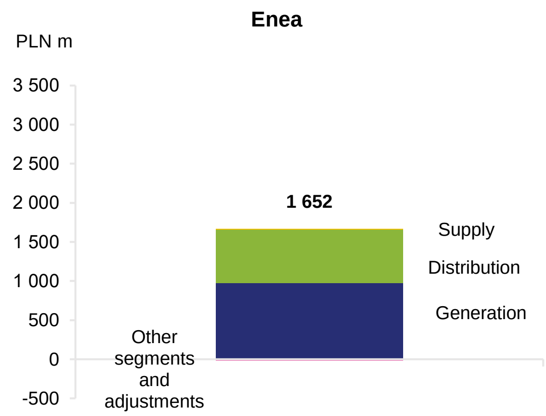
TAURON Capital Group is a fully vertically integrated energy enterprise (electric utility) that takes advantage of the synergies stemming from the size and scope (scale) of the operations conducted.

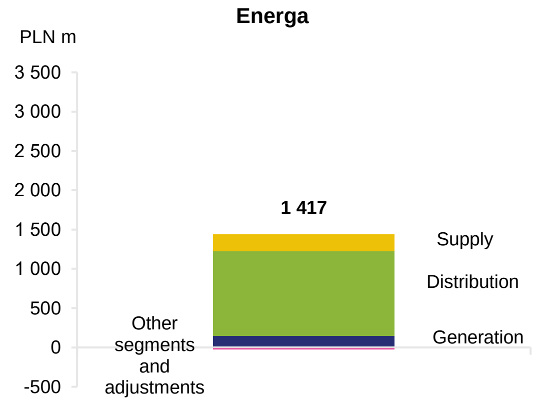
TAURON Capital Group controls the value chain, from hard coal mining up to the delivery of electricity to the final consumers. TAURON Capital Group is conducting its operations in all of the key segments of the energy market (excluding electricity transmission), i.e. in the hard coal mining, as well as electricity and heat generation, distribution, supply and trading.

The below figure presents information on the structure of EBITDA based on the main operating segments.

Figure no. 5. EBITDA - estimated structure based on the main operating segments in after 6 months of 2021[1]







[1] In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat.
Source: Companies' interim reports posted on the web sites

Generation

TAURON Capital Group is Poland's key electricity producer

TAURON Capital Group's share in the domestic electricity generation market, based on the gross electricity production output, stood at approx. 9% in the first half of 2021. 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. The deposits of the hard coal used to fire TAURON Capital Group's power plants and combined heat and power plants are also located in that region. The location of the generating assets in the vicinity of the hard coal deposits allows for the optimization of the costs related to the transportation of that raw material

87% of TAURON Capital Group's generation assets are, as of the end of the first half of 2021, hard coal fired units, 31% of which are modern high efficiency generating units. TAURON Capital Group's total installed capacity reached approx. 5 GW as of September 30, 2021, with the renewable energy sources accounting for 0.6 GW of that figure. TAURON Group's wind farms' installed capacity represents 7.6% of the total electric capacity, while the hydroelectric power plants' installed capacity accounts for 2.6% and the biomass fired generating units' installed capacity constitutes 2.9% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 11.4 TWh of electricity in the first three quarters of 2021, with 1.2 TWh coming from RES.

Nationwide, in the first half of 2021, TAURON Capital Group's hard coal fired units' installed capacity accounted for approx. 13% of the total installed capacity of all of the 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 the hydro power plants, the share of TAURON Capital Group came in at approx. 6%, 12% and 14%, respectively.

According to the first half of 2021 data, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 42%, and the installed capacity of 18.2 GW. Enea is the second largest electricity producer in Poland, with a market share of approx. 16% and the installed capacity of 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's total installed capacity stands at approx. 1.4 GW. Energa produced approx. 1.9 TWh of electricity in the first half of 2021, with approx. 0.84 TWh (i.e. 42%) coming from RES.

The below figures present information on the installed capacity and the electricity generated in the first half of 2021.

Figure no. 6. Gross electricity production - estimated market shares in the first half of 2021

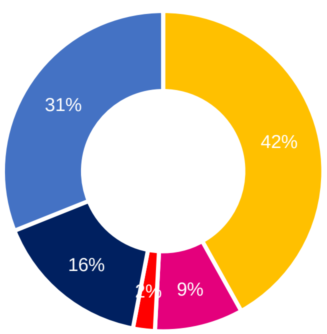
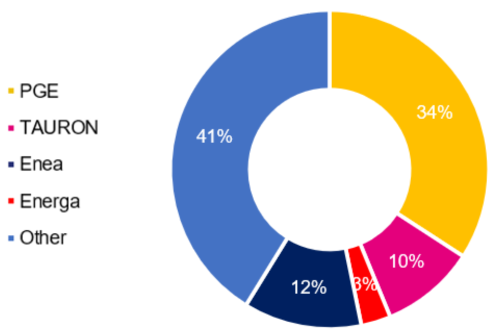


Figure no. 7. Installed capacity - estimated market shares in the first half of 2021



Source: Agencja Rynku Energii S.A. (ARE), information from the companies posted on their web sites

Distribution

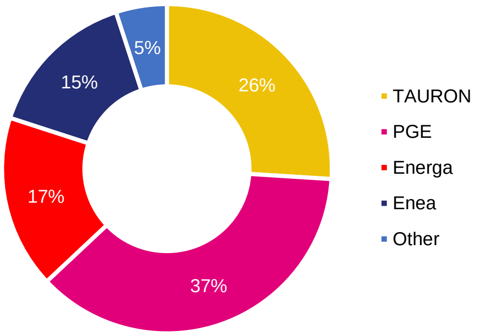
TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed.

TAURON Capital Group is Poland's largest electricity distributor. TAURON Dystrybucja's share in electricity distribution to the final consumers reached approx. 37% in the first half of 2021. 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. 38.7 TWh in the first three quarters of 2021. TAURON Capital Group is Poland's largest electricity distributor, also in terms of revenue from the distribution operations.

TAURON Capital Group's distribution operations, due to the natural monopoly in the designated area, are a source of a stable and predictable revenue, accounting for a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution's geographical area on which the Distribution Segment's and the Supply Segment's 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 approx. 5.8 million at the end of the third quarter of 2021.

The below figure presents estimated market shares of the individual energy groups in terms of electricity distribution based on the H1 2021 data.

Figure no. 8. Electricity distribution - estimated market shares in the first half of 2021



Source: Agencja Rynku Energii S.A. (ARE), information from the companies posted on their web sites

Supply

TAURON Capital Group is Poland's second largest electricity supplier

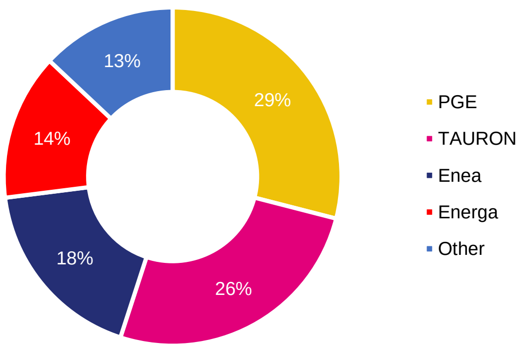
TAURON Capital Group holds a 26% share in the electricity supply market to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group came in at 24.5 TWh in the first 9 months of 2021. The number of the customers served by TAURON Capital Group's Supply Segment is 5.6 million.

PGE is the largest retail electricity supplier with a 29% market share. The other two groups, Enea and Energa, hold an 18% and a 14% market share, respectively.

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 (ERO) leads to limited options for positioning prices in the product offerings, and what follows, it impacts their attractiveness for the customers. Such restrictions do not apply to the business and institutional customers. A broader and more open competition exists in those 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 2021 data.

Figure no. 9. Electricity supply to the final consumers - estimated market shares in the first half of 2021



Source: Agencja Rynku Energii S.A. (ARE), information from the companies posted on their web sites

The below table presents information on the installed capacity and the volume of electricity generation, distribution and supply in the first half of 2021, as well as the domestic market shares.

Table no. 6. Installed capacity, generation, distribution and supply of electricity by energy groups in the first half of 2021

Group		Installed capacity		Generation[1]		Distribution		Supply	
		Quantity (GW)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)
1.	PGE	18.2	34%	36.1	42%	18.6	26%	18.7	29%
2.	TAURON	5.0	10%	7.7	9%	25.9	37%	16.6	26%
3.	Energa	1.4	3%	1.9	2%	11.6	17%	9.3	14%
4.	Enea	6.3	12%	13.3	16%	10.2	15%	11.3	18%
5.	Other	21.8	41%	26.8	31%	3.8	5%	8.2	13%
	Total	**52.7**	**100%**	**85.8**	**100%**	**70.13**	**100%**	**64.1**	**100%**

[1]Volume of gross electricity generated.
Source: ARE, information from the companies posted on their web sites, in-house estimates in case of the companies publishing the net production output.

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 in selected Lines of Business (Segments of Operations).

Table no. 7. Sources of competitiveness of TAURON Capital Group in selected Lines of Business (Segments of Operations)

Line of Business	Initiatives	Sources of competitiveness
1. Mining 2. Generation	1. Reducing the fuel price and supply risk. 2. Investments in generating units. 3. Operating expenses.	1. Concluded capacity market contracts. 2. High efficiency generating units with a competitive unit production cost. 3. Improvement of operational efficiency.
3. RES 4. Heat	1. Investments in renewable energy sources. 2. Operating expenses. 3. Investments in district heating networks.	1. Improvement of operational efficiency. 2. Development of low and zero emission generation sources – *Green Turn of TAURON*. 3. Expanding regulated operations.
5. Distribution	1. Operating expenses 2. Investment project efficiency 3. Improvement of grid reliability indicators	1. Implementing the ultimate business model. 2. Implemented IT systems, separate processes, clear (transparent) split of responsibilities.
6. Supply	1. Operating expenses. 2. Maintaining high customer satisfaction indices.	1. Development of the product and services offering for the customers. 2. Integrated service channels.

2.3. Factors that will have an impact on the results achieved over at least the next quarter

The following factors will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter:

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. Material increase of the prices of materials and services.
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. possibility of changes to the restrictions and constraints introduced in connection with the COVID-19 pandemic cases and resulting from the need to adapt to the ongoing epidemiologic situation,
4. potential increase of the overdue accounts receivable caused by the deterioration of the financial condition of the counterparties (contractors),
5. demand for electricity in the National Power System and the level of production by the generating units, taking into account the changes due to the seasonality and weather conditions.
6. level of electricity imports/exports,

7. changes to the energy mix and, as a consequence, adaptation of the demand for hard coal
8. extraordinary preventive measures implemented at TAURON Capital Group's subsidiaries due to the state of the COVID-19 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,
9. political environment in Poland and at the European Union level, including the positions and decisions of the state administration institutions and offices, e.g.: Office of Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission (EC),
10. dismissal by the EU Court, on October 6, 2021, of a complaint submitted by TEMPUS Energy against the European Commission regarding the decision of the European Commission (EC), deeming the Polish capacity market mechanism to be in line with the internal market, and revoking, on September 2, 2021, by the CJEU of the EU Court's decision of November 15, 2018, declaring the EC's decision to approve the British capacity market as null and void,
11. results of the court proceedings,
12. changes to the regulations related to the power sector, and also changes in the legal environment, including: tax law, commercial law, environment protection law,
13. changes to the regulations governing the operations of the PPX (TGE), in particular the possibility of lifting the power exchange obligation,
14. tightening of the policies of the financial institutions with respect to the financing of coal fired electricity generation,
15. possibility of using the external assistance funds, including the European funds, to support the transition of the energy sector and mitigate the effects of the social changes, taking into account, in particular, the following limitations:
    1) entity related (associated with the support of large enterprises),
    2) with respect to the forms of support (much more emphasis on the returnable support than before),
    3) permissible scope of state (public) aid granted (for example tightening of the rules of support with regard to gas fired capacity, indicated in the draft guidelines on state aid to be used for climate and environment protection and the objectives related to energy (CEEAG),
    4) amount of state (public) aid granted (changes to the scope of the maximum aid intensity, indicated, among others, in the draft amendments to the GBER regulation),
    5) protracted procedures of approval of the support mechanisms financed with the EU funds, which translate into their delayed activation,
16. geological and mining factors, as well as the natural hazards that may affect the volume of fossil fuel extraction, also the market demand for the fossil fuels,
17. further functioning of the generation capabilities compensation mechanism (capacity market), under which the deliveries of electric capacity will be carried out by TAURON Capital Group subsidiaries' generating units and demand side reduction units. The deliveries will be carried out under capacity contracts concluded during the main and additional auctions for the years 2021-2025. The launch of the capacity market results in a simultaneous expiration of the operational capacity reserve and the cold intervention reserve
18. 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, and on the other hand, in revenue from the sales of certificates for the generators of electricity,
19. RES support system, the so-called RES auctions,
20. competitive environment (landscape), including the activities and steps taken by the competition on the energy market,
21. further tightening of the EU climate policy (Fit for 55), 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,
22. ongoing works on the government's solution with respect to the shape of the mining and coal based energy sector in Poland. The potential spinning off of the coal assets to the external entities (mining and generation),
23. growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation and Mining Lines of Business and the potential changes to the prosumer billing (settlement) system,
24. level of tariff for the electricity and heat supply to the households (tariff group G) approved by the President of the Energy Regulatory Office (ERO),
25. levels of tariff for the electricity distribution as well as the heat distribution and production approved by the President of the Energy Regulatory Office (ERO),
26. environment protection requirements as a consequence of the changes to the *Act of April 27, 2001, Environment Protection Law*, the so-called anti-smog resolutions,
27. consequences of the adopted amendment to the *Act of March 30, 2021, on amending the act on disclosing information on the environment and the protection thereof, the participation of the public in the protection of the environment and the*

environmental impact assessment, and certain other acts (the potential impact on the current and future investment projects)

28. consequences of the adopted *Regulation of April 24, 2021, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply*, introducing a provision enabling changing of the tariff for the heat due to the change of the costs of purchasing the CO_2 emission allowances,
29. planned changes to the regulations related to the *Act of August 25, 2006, on the system for monitoring and inspecting fuel quality*, among others, with respect to the quality requirements for the solid fuels,
30. science (research) and technical progress,
31. shaping of the personnel policy, including the results of the negotiations with the Social Council of TAURON Group,
32. changes to the schedules, budgets and scopes of the investment projects carried out by TAURON Capital Group,
33. availability of the assets of TAURON Capital Group,
34. impact of the weather conditions (factors), including those 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,
35. working out of an agreement with RAFAKO and completing the Jaworzno 910 MW unit construction investment project, which has a significant impact on the earnings (buy-backs, revenue from the capacity market),
36. cybersecurity threats.

The detailed information related to the impact of the material factors on the financial result achieved in the first three quarters of 2021 is provided in section 3 of this information. The effects of such impact are visible both in the short term, 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 the hard coal sales to the individual consumers for the heating purposes. Heat supply depends on the weather conditions, in particular on the 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. The 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.

The conditions for conducting business operations in Poland are subject to considerable volatility. In addition, the constantly tightening climate regulations at the European and national level constitute an important premise when analyzing the current and future situation of TAURON Capital Group. In connection with the above, the Company is conducting intensive analytical works with respect to assessing the impact of the ongoing and planned changes in the economic and regulatory environment on TAURON Capital Group's finances, assets and personnel situation. The works are underway on the update of the current Strategy, which will take into account the changes in the market and the regulatory environment and, in particular, will define the further shape of TAURON Capital Group's Mining, Generation, Heat and RES Segments. The Company is planning to publish the update of the Strategy by the end of 2021.

2.4. Material accomplishments and failures as well as the most important events related to TAURON Capital Group in the first three quarters of 2021 and after the balance sheet date

Material events that had occurred in the first three quarters of 2021, as well as the ones that had taken place by the date of drawing up this report are listed below.

Major business events

Signing of the Letter of Intent with respect to the cooperation in the field of offshore wind energy in the area of the Polish Exclusive Economic Zone of the Baltic Sea

On January 18, 2021, PGE, TAURON and Enea signed an agreement on the cooperation with respect to the implementation of the offshore wind farm projects

The detailed information related to the signing of the above Letter of Intent is provided in section 1.7 of this report.

Completion of the negotiations in the process of selling the shares in TAURON Ciepło and the analyses related to the participation in the acquisition of the selected assets of ČEZ Group

In 2019 the Company launched a project aimed at performing the market verification of an option of selling the shares in TAURON Ciepło and the potential continuation of the sale process.

In 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. The negotiations were aimed at defining the terms of the potential transaction of the sale by the Company of the entire stake held in TAURON Ciepło (i.e. 100% of the shares in that company).

On January 29, 2021, PGNiG expressed, in writing, the wish not to continue the negotiations aimed at the acquisition of the shares in TAURON Ciepło. As the transaction did not materialize, the Company's Management Board made a decision to commence the analyses related to the Heat Line of Business, taking into consideration the forecast changes in the external environment, including the regulatory and the market environment, as well as taking into account the prospects for the Polish heat sector, that may have an impact upon further decisions regarding the sale of the shares in TAURON Ciepło or keeping TAURON Ciepło within TAURON Capital Group.

On March 10, 2021, the Company's Management Board took a decision to extend the analyses related to the Heat Line of Business to include the option of a potential acquisition of the selected assets of ČEZ Group in Poland, in particular taking into account ČEZ Chorzów.

On July 1, 2021 (an event taking place after the balance sheet date), TAURON disclosed the information that the analyses related the Heat Line of Business with regard to the acquisition of selected assets of CEZ Group in Poland, carried out within TAURON Capital Group, had been completed. On the same day, the Management Board of the Company decided that TAURON Capital Group would not continue its participation in the process of acquiring selected assets of CEZ Group in Poland, including ČEZ Chorzów.

The detailed information is provided in note 8.2 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union (EU) for the 6 month period ended on June 30, 2021*.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 2/2021 of January 29, 2021, no. 7/2021 of March 10, 2021, and no. 25/2021 of July 1, 2021.

Sale by TAURON of the shares held in PGE EJ 1

On March 26, 2021, the Company signed an agreement with the State Treasury for the sale of all of its shares in PGE EJ 1.

The detailed information on the signing of the agreement for the sale of the shares in PGE EJ 1 is provided in section 1.4. of this report.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 10/2021 of March 26, 2021.

Expiration of the cooperation agreement with respect to the implementation of the offshore wind farm projects

On December 29, 2020, TAURON concluded a two year cooperation agreement OW OFFSHORE with respect to the development of offshore wind farm construction projects in the Polish Exclusive Economic Zone on the Baltic Sea.

On June 29, 2020, TAURON served OW OFFSHORE with a notice on the expiration of the obligations under the above mentioned agreement and hence the expiration thereof.

TAURON disclosed the information on the above events in the regulatory filing (current report) no. 24/2021 of June 29, 2021.

Signing by TAURON Ciepło of the agreement with the General Contractor for the construction of a modern gas and oil fired boiler house in Czechowice-Dziedzice

On July 8, 2021, an agreement was concluded with the consortium of ERBUD INDUSTRY sp.z o.o. and ERBUD S.A. for the construction of a modern gas and oil fired boiler house in Czechowice-Dziedzice. The commencement of the construction works is scheduled to take place in the first quarter of 2022, while the heat supply to the residents from the new boiler house is scheduled to be launched in 2023. The goal of the planned investment project at the combined heat and power plant in Czechowice-Dziedzice is to restore heat capacity of the peaking and back up boilers in order to ensure the security of heat supply for the residents. The modern peaking and back up boiler house equipped with the high efficiency gas and oil fired water boilers will replace the existing peaking and back up boiler house at TAURON Ciepło's combined heat and power (CHP) plant in Czechowice. The commissioning of the new boiler house will significantly reduce pollution into the atmosphere. As the gas fuel will be used for the operation of the boiler house, the pollution will be reduced: sulfur dioxide up to 91%, nitrogen oxides up to 78% and carbon dioxide up to 28%. The modern boiler house composed of two water boilers with the total capacity of 76 MW will provide heat to the residents of Czechowice-Dziedzice and Bielsko-Biała.

Signing of the general agreement within TAURON Group

On July 15, 2021, the general agreement was concluded between TAURON and 26 of TAURON Group's subsidiaries aimed at ensuring the implementation of TAURON Group's strategy by all entities forming a part thereof.

The above agreement is related to the optimization of the strategic decision making and ensuring efficient and safe flow of information within TAURON Group as well as the restrictions on the internal competition. In addition, the agreement defines the principles of the cooperation within TAURON Group anew, which will contribute to the improvement of the management processes, as well as to facilitating and shortening the decision making process.

Signing of the agreement related to the cooperation with respect to the spinning off of the coal assets

On July 23, 2021, TAURON, PGE, Enea and Energa as well as the State Treasury concluded the agreement related to the cooperation with respect to the spinning off of the coal assets and the integration thereof within the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego).

In the document under the title *The transition of the power sector in Poland. The spinning off of the coal assets from the companies with the State Treasury shareholding*, compiled and published by the Ministry of State Assets, the concept of spinning off, from the capital groups of the above mentioned energy companies (electric utilities), of the assets related to the generation of electricity in the conventional coal units was presented. The assumptions of the above document provide for, inter alia, the integration of the coal assets within a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. (a subsidiary of PGE), which will ultimately be operating under the name of the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego).

As part of the above mentioned agreement, the parties declared the mutual exchange of the required information, including the organizational structures, the processes implemented and the assumptions for the direction of the transition, which will allow for an efficient and effective implementation of the process aimed at establishing the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego).

TAURON disclosed the information on the above event in the regulatory filing (current report): no. 28/2021 of July 23, 2021.

Signing of the letter of intent with respect to EC (Combined Heat and Power Plant) Stalowa Wola

On August 2, 2021, the letter of intent was signed by TAURON, TAURON Wytwarzanie, PGNiG and PGNiG TERMIKA S.A. with respect to the potential sale by TAURON Capital Group to PGNiG Group of its equity stake in EC (Combined Heat and Power Plant) Stalowa Wola and the accounts receivable due to the loans extended to EC (Combined Heat and Power Plant) Stalowa Wola by TAURON.

The above letter of intent does not entail any obligation of the parties to conclude a potential transaction. The decision on going ahead with the potential transaction 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.

The possible sale of EC (Combined Heat and Power Plant) Stalowa Wola shares is in line with the strategic directions announced by TAURON on May 27, 2019.

TAURON Capital Group and PGNiG Group each hold 50% of the shares in EC (Combined Heat and Power Plant) Stalowa Wola and the same number of votes at the general meeting of EC (Combined Heat and Power Plant) Stalowa Wola.

TAURON disclosed the information on the above event in the regulatory filing (current report): no. 30/2021 of August 2, 2021.

Information on the 910 MW power generating unit in Jaworzno and the general contractor

On August 2, 2021, TAURON received a letter from Nowe Jaworzno Grupa TAURON stating that E003B7 sp. z o.o. (a subsidiary of RAFAKO S.A.) provided Nowe Jaworzno Grupa TAURON with the schedule of the works to be carried out on the 910 MW unit in Jaworzno. The said schedule stems from the need to carry out works on some elements of the unit that have been identified as part of the inspection of the internal devices during the unit's shutdown and it was subjected to the analysis and the technical verification by Nowe Jaworzno Grupa TAURON as a result of which, on August 2, 2021, Nowe Jaworzno Grupa TAURON initially estimated that the date of the unit's resynchronization with the grid indicated by E003B7, i.e. February 25, 2022, was possible to be fulfilled.

On September 8, 2021, RAFAKO provided TAURON with a statement that the prerequisite for ensuring the smooth continuation of the works on the unit is the Company's equity involvement in RAFAKO. Taking the above into account, as of the date of drawing up this information, the Company is not able to determine how the RAFAKO - MOSTOSTAL Consortium will be implementing the agreement concluded on April 17, 2014, for the construction of the unit. As a consequence, the previously communicated work schedule for the unit, which assumed the date of the re-synchronization of the unit with the grid on February 25, 2022, may turn out to be out of date.

The company has not taken any decisions or actions aimed at acquiring the RAFAKO shares, and it is not conducting the negotiations on the said matter with RAFAKO. On the other hand, active measures are being taken to restore the unit's operation as soon as possible.

On October 6, 2021, Nowe Jaworzno, TAURON Group, as a passive participant, signed a letter of intent regarding the will to take over the works related to determining the legal and factual possibilities and the conditions for setting up a consortium to acquire the RAFAKO shares.

Nowe Jaworzno TAURON Group will be a passive participant of a potential consortium. The other parties to the letter of intent, i.e. Polimex Mostostal S.A. and Fundusz Inwestycji Polskich Przedsiębiorstw (Polish Enterprises Investment Fund) are interested in considering the option of acquiring the RAFAKO shares. Nowe Jaworzno TAURON Group is not interested in acquiring the RAFAKO shares, it only expresses its will to support the works related to a potential transaction.

The parties to the letter of intent also expressed their will to establish the principles of a potential disclosure to Nowe Jaworzno Grupa TAURON of the results of RAFAKO's due diligence to the extent necessary to assess if RAFAKO's resources are sufficient to fulfill their obligations under the contract for the construction of the 910 MW unit in Jaworzno and of the cooperation with RAFAKO's stakeholders, including the financing banks and other creditors.

On November 3, 2021, Nowe Jaworzno Grupa TAURON disclosed the notification by RAFAKO of the declared new date for the re-synchronization of the 910 MW unit in Jaworzno with the grid, which was planned for April 29, 2022 (a shift from February 25, 2022). The new date for the re-synchronization of the unit with the grid was indicated in the minutes of the mediation conducted with the participation of the Mediators of the Arbitration Court at the Legal Counsel of the Republic of Poland. During the mediation meeting, Nowe Jaworzno, TAURON Group, RAFAKO and E003B7 initialed a draft settlement agreement, which also included the planned entrusting of the additional services to RAFAKO, beneficial for Nowe Jaworzno Grupa TAURON, which will result in, among others, the lowering of the costs of the future operation of the unit.

In addition, Nowe Jaworzno Grupa TAURON and RAFAKO anticipate that in a situation where RAFAKO has met all of its obligations that it has committed to perform in a timely manner by October 30, 2022, i.e. by the date of the end of the transition period projected in the settlement agreement, Nowe Jaworzno Grupa TAURON will not be pursuing claims for liquidated damages due to a failure to meet the current deadline for the completion of the transition period.

As of the date of drawing up this information, no settlement agreement had been concluded, and its entry into force will depend, inter alia, on: the submission by RAFAKO of the extended or new guarantees (bonds) securing the performance of the contract and the new or the extended advance payment refund guarantees (bonds). In addition, in the event a settlement agreement has been concluded, it will be referred to the competent common court along with a request for its approval by the court. Following the legally binding approval by the court, the settlement agreement will become a legally binding court approved settlement agreement.

TAURON disclosed the information on the above event in the regulatory filings (current reports): no. 31/2021 of August 2, 2021, no. 37/2021 of September 8, 2021, no. 40/2021 of October 6, 2021, and no. 43/2021 of November 4, 2021.

The position of the Management Board of the Company regarding the call for an explanation with respect to the 910 MW unit in Jaworzno

On September 8, 2021, Nowe Jaworzno Grupa TAURON received from RAFAKO a call to immediately explain the causes of the fire events that took place on the unit on January 7, 2021, and on June 11, 2021, respectively.

The contractor declared that it intended to suspend all of the ongoing and planned works on the unit until it has received the information from Nowe Jaworzno Grupa TAURON that there is no threat to the life and health of the personnel, and also called for an explanation of the reasons for the fire incidents by September 15, 2021, under pain of the withdrawal from the agreement concluded on April 17, 2014, for the construction of the unit.

Nowe Jaworzno Grupa TAURON, jointly with the Contractor, appointed an emergency fact finding committee in order to explain the causes of the fire incident that had occurred on June 11, 2021, which, as of the date of drawing up this information, had not completed its works and had not formulated the final conclusions in the said case.

The Management Board of the Company declares that, to the best of its knowledge, all of the activities undertaken by Nowe Jaworzno Grupa TAUON as part of the implementation of the investment project and the operation of the unit, including those related to the events that had taken place on the Unit on January 7, 2021 and on June 11, 2021, were and are in line with the highest standards and the legal regulations, including the regulations with respect to the fire protection, as well as with the operational documentation prepared by the Contractor responsible for the construction of the unit under the Agreement.

The detailed information on the 910 MW unit in Jaworzno is provided in section 1.7. of this information.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 38/2021 of September 8, 2021.

Commencement of the activities aimed at the repurchase of the shares in Nowe Jaworzno Grupa TAURON from the funds managed by Polski Fundusz Rozwoju S.A. (Polish Development Fund – PFR)

On August 25, 2021, the Management Board of the Company decided to launch the efforts, including the initiation of the negotiations aimed at repurchasing of 176 000 shares in total, from the Infrastructure Investments Fund – Non-Public Assets Equity Closed-end Investment Fund (Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) and the PFR Investments Closed-end Investment Fund (PFR Inwestycje Fundusz Inwestycyjny Zamknięty), whose part of the investment portfolio is managed by PFR. The remaining shares in Nowe Jaworzno Grupa TAURON are owned by TAURON (1 108 020 shares).

The intention to buy back shares in Nowe Jaworzno Grupa TAURON is related in particular to TAURON Capital Group's preparation for the implementation of the planned structural changes in the power sector in Poland, which have been presented by the Ministry of State Assets. This concept assumes the spinning off of the assets related to electricity generation in conventional coal fired units from the capital groups of the individual energy companies (electric utilities) and the integration of these assets within a single entity, i.e. the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego).

The conclusion of the potential transaction is dependent on a positive outcome of the negotiations.

TAURON disclosed the information on the above event in the regulatory filing (current report): no. 34/2021 of August 25, 2021.

Signing of a letter of intent regarding the sale of the shares in TAURON Wydobycie

On September 15, 2021, TAURON signed a letter of intent with the State Treasury regarding the potential purchase by the State Treasury of 100 percent of the shares in TAURON Wydobycie.

TAURON and the State Treasury have unanimously declared that they will take all actions necessary to prepare and complete the above mentioned transaction and they will be conducting talks, negotiations and taking actions related to the transaction in good faith, including the activities related to the selection of the advisor to deal with the valuation of the TAURON Wydobycie subsidiary.

The letter of intent in question does not entail any obligation to complete the above mentioned transaction. The decision to complete the deal will depend on the results of the negotiations in this regard and the fulfillment of other conditions specified in the legal regulations or the corporate documents.

The effective date of the letter of intent has not been specified.

TAURON disclosed the information on the above event in the regulatory filing (current report): no. 39/2021 of September 15, 2021.

Major corporate events

Changes to the composition (membership) of the Company’s Management Board

There had been changes to the composition (membership) of the Company's Management Board in the first three quarters of 2021 and by the date of drawing up this report, which are presented in section 1.3. of this information.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 4/2021 of February 19, 2021, no. 6/2021 of February 24, 2021, no. 12/2021 of April 1, 2021, no. 17/2021 of May 13, 2021, no. 26/2021 of July 2, 2021, no. 27/2021 of July 19, 2021, no. 29/2021 of July 27, 2021, and no. 32/2021 of August 4, 2021.

Changes to the composition (membership) of the Company’s Supervisory Board

There had been changes to the composition (membership) of the Company's Supervisory Board in the first three quarters of 2021 and by the date of drawing up this information, which are presented in section 1.3. of this information.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 3/2021 of February 12, 2020, no. 13/2021 of April 6, 2021, and no. 20/2021 of May 24, 2021.

Recommendation of the Company’s Management Board on covering the net loss for 2020 from the supplementary capital and not paying out a dividend from the supplementary capital

On March 29, 2021, the Company’s Management Board made the decision to recommend to the Ordinary General Meeting (GM) of the Company to cover the Company’s net loss of PLN 3 589 655 351.89 for the financial year 2020 from the Company’s supplementary capital.

The Company’s Management Board has also taken the decision that it will not recommend to the Ordinary General Meeting (GM) of the Company the payout of the dividend in 2021 from the Company’s supplementary capital.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 11/2021 of March 29, 2021.

Ordinary General Meeting of the Company

On April 27, 2021, the Management Board of the Company, acting pursuant to Art. 395, art. 399, § 1 and art. 402[1] of the Code of Commercial Companies and § 30, section 1 of the Company's Articles of Association, convened the Ordinary General Meetings of the Company on May 24, 2021, and made public the content of the draft resolutions to be the subject of discussions at the Ordinary General Meeting of the Company.

On May 21, 2021, the Company received from the State Treasury, i.e. a shareholder representing at least 1/20 of TAURON's share capital, a draft resolution of the Ordinary General Meeting of the Company convened on May 24, 2021, regarding item 15 of the agenda of the Ordinary General Meeting of the Company, i.e. *Adoption of a resolution on amendments to the "Articles of Association of TAURON Polska Energia S.A.".*

In accordance with the received justification for the above mentioned draft resolution, the proposed amendment to the Articles of Association was aimed at clarifying the requirements for a member of the company's management board in the light of art. 22 of the *Act of December 16, 2016, on the principles of state property management*.

The Ordinary General Meeting of the Company was held on May 24, 2021, 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, 2020, in accordance with the International Financial Reporting Standards approved by the European Union,* the approval of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2020, in accordance with the International Financial Reporting Standards approved by the European Union,* the approval of the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020,* the covering of the net loss for the financial year 2020, the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board and Supervisory Board, the amending of the Company's Articles of Association, the amending of the *By-laws of the General Meeting of TAURON Polska Energia S.A.*, the providing of the opinion on the *Report on the compensation of the Members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. for the years 2019-2020,* the establishing of the number of the Members of the Company's Supervisory Board and the appointing of a Member of the Company's Supervisory Board of the 6th common term of office

The decision was taken to cover the Company's net loss for the financial year 2020 in the amount of PLN 3 589 655 351.89 from the Company's spare (supplementary) capital, in accordance with the recommendation of the Management Board of the Company of March 29, 2021.

TAURON disclosed the information on convening of the Ordinary General Meeting (GM) of the Company and on the content of the draft resolutions in the regulatory filings (current reports) no. 14/2021 and no. 15/2021 of April 27, 2021, as well as no. 18/2021 of May 21, 2020.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Ordinary General Meeting (GM) of the Company in the regulatory filing (current report): no. 19/2021 of May 24, 2021.

Registration of the amendments and the adoption of the consolidated text of the Company's Articles of Association

On June 7, 2021, the Katowice-Wschód District Court in Katowice, the 8th Commercial Department of the National Court Register, entered the amendments to the Company's Articles of Association adopted by the Ordinary General Meeting (GM) of the Company on May 24, 2021, into the Register of Entrepreneurs (Businesses) of the National Court Register.

On June 14, 2021, 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 May 24, 2021.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 22/2021 of June 7, 2021, and no. 23/2021 of June 14, 2021.

Other major events

Signing of the subordinated bond issue program agreements with Bank Gospodarstwa Krajowego (BGK)

On March 11, 2021, the documentation of the program of the subordinated bond issue up to the amount of PLN 450 000 000 was signed between the Company and Bank Gospodarstwa Krajowego (BGK).

The issue of the subordinated bonds may be carried out by the Company in several series, within 24 months from the date of signing the documentation. The period of financing is 12 years from the issue date, and in accordance with the characteristics of the hybrid financing, the first period of financing was defined as 7 years (the so-called non-call period), during which TAURON will not be able to redeem the subordinated bonds early and Bank Gospodarstwa Krajowego (BGK) will not be able to sell them earlier to third parties (in both cases subject to the exceptions specified in the documentation). The agreement also provides for an option to defer the payment of interest on the bonds, until the date of the redemption thereof at the latest. Due to the subordinated nature of the hybrid bonds, in the event of bankruptcy or liquidation of TAURON, the liabilities under the bonds will have priority to be satisfied only over the liabilities of TAURON shareholders. A potential issue of the subordinated bonds will have a positive impact on TAURON's financial stability, as they are excluded from the calculation of the leverage ratio, which is a covenant used in some of TAURON's financing programs.

The Company had not issued any bonds as part of this program by the date of drawing up this information.

Major events after September 30, 2021

Signing of a loan agreement with the European Investment Bank

On October 29, 2021, a loan agreement was concluded between the Company and the European Investment Bank for the amount of PLN 2 800 000 000. The funds from the loan will be used to cover the Capital Group's capital expenditures related to the modernization and expansion of the electricity distribution grid planned for the years 2022 - 2026.

Pursuant to the agreement concluded, the funds may be used within three years from the conclusion thereof, and the loan will be repaid within up to eighteen years from the date of the disbursement of the funds. Depending on the decision of the Company, the interest rate will be based on a fixed or variable interest rate and will be determined as of the date the funds are drawn. The loan will be disbursed after the standard conditions precedent for this type of financing have been met.

By the date of drawing up this information, the Company has not drawn the funds under this loan.

TAURON disclosed the information on the above event in the regulatory filing (current report): no. 42/2021 of October 29, 2021.

3. ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON POLSKA ENERGIA S.A.

3.1. Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.

The below table presents the selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.

Table no. 8. Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.

Selected consolidated financial data of TAURON Capital Group				
Selected financial data	in PLN '000		in EUR '000	
	2021 period from 01.01.2021 to 30.09.2021	2020 period from 01.01.2020 to 30.09.2020 (adjusted data)	2021 period from 01.01.2021 to 30.09.2021	2020 period from 01.01.2020 to 30.09.2020 (adjusted data)
Sales revenue	17 863 597	15 220 949	3 918 745	3 426 598
Compensation payments	(7 375)	66 448	(1 618)	14 959
Operating profit	1 024 859	1 106 885	224 824	249 186
Pre-tax profit	787 832	822 268	172 827	185 112
Net profit	496 534	395 279	108 925	88 987
Net profit attributable to shareholders of the parent company	456 930	396 076	100 237	89 166
Net profit (loss) attributable to non-controlling shares	39 604	(797)	8 688	(179)
Other total net income	206 517	(182 142)	45 304	(41 005)
Total comprehensive income	703 051	213 137	154 229	47 982
Total comprehensive income attributable to shareholders of the parent company	663 348	214 079	145 519	48 194
Total comprehensive income attributable to non-controlling shares	39 703	(942)	8 710	(212)
Profit per share (in PLN/EUR) (basic and diluted)	0.26	0.23	0.06	0.05
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	4 201 069	3 468 428	921 590	780 826
Net cash flows from investing activities	(2 278 254)	(3 088 725)	(499 782)	(695 346)
Net cash flows from financing activities	(2 338 098)	(1 183 727)	(512 909)	(266 485)
Increase/(decrease) in net cash and equivalents	(415 283)	(804 024)	(91 101)	(181 005)
	As of 30.09.2021	As of 31.12.2020 (adjusted data)	As of 30.09.2021	As of 31.12.2020 (adjusted data)
Fixed assets	32 853 530	33 584 959	7 091 353	7 277 663
Current assets	5 767 728	6 111 252	1 244 950	1 324 272
Total assets	38 621 258	39 696 211	8 336 303	8 601 935
Share capital	8 762 747	8 762 747	1 891 417	1 898 836
Equity attributable to shareholders of the parent company	16 496 663	15 833 523	3 560 764	3 431 031
Equity attributable to non-controlling shares	929 596	893 623	200 651	193 643
Total equity	17 426 259	16 727 146	3 761 415	3 624 674
Long term liabilities	13 654 246	15 865 877	2 947 235	3 438 042
Short term liabilities	7 540 753	7 103 188	1 627 653	1 539 219
Total liabilities	21 194 999	22 969 065	4 574 888	4 977 261

Selected standalone financial data of TAURON Polska Energia S.A.				
Selected financial data	in PLN '000		in EUR '000	
	2021 period from 01.01.2021 to 30.09.2021	2020 period from 01.01.2020 to 30.09.2020 (adjusted data)	2021 period from 01.01.2021 to 30.09.2021	2020 period from 01.01.2020 to 30.09.2020 (adjusted data)
Sales revenue	11 542 627	7 915 766	2 532 111	1 782 027
Operating profit (loss)	(155 278)	204 952	(34 063)	46 140
Pre-tax profit (loss)	617 757	(856 273)	135 518	(192 767)
Net profit (loss)	604 076	(826 268)	132 516	(186 013)
Other total net income	170 532	(99 301)	37 410	(22 355)
Total comprehensive income	774 608	(925 569)	169 926	(208 368)
Profit (loss) per share (in PLN/EUR) (basic and diluted)	0.34	(0.47)	0.07	(0.11)
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	494 409	857 880	108 459	193 129
Net cash flows from investing activities	753 758	(328 600)	165 352	(73 976)
Net cash flows from financing activities	(2 326 240)	(1 271 810)	(510 308)	(286 314)
Increase/(decrease) in net cash and equivalents	(1 078 073)	(742 530)	(236 497)	(167 161)
	As of 30.09.2021	As of 31.12.2020 (adjusted data)	As of 30.09.2021	As of 31.12.2020 (adjusted data)
Fixed assets	26 748 713	25 202 812	5 773 643	5 461 301
Current assets	3 061 284	3 843 923	660 771	832 956
Total assets	29 809 997	29 046 735	6 434 414	6 294 257
Share capital	8 762 747	8 762 747	1 891 417	1 898 836
Equity	12 236 356	11 461 748	2 641 187	2 483 694
Long term liabilities	10 904 249	13 074 803	2 353 655	2 833 233
Short term liabilities	6 669 392	4 510 184	1 439 572	977 330
Total liabilities	17 573 641	17 584 987	3 793 227	3 810 563

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 on September 30, 2021 - PLN/EUR 4.6329 (as of December 31, 2020 - PLN/EUR 4.6148),
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, 2021, to September 30, 2021 - PLN/EUR 4.5585 (for the period from January 1, 2020, to September 30, 2020: PLN/EUR 4.4420).

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 2021, as compared to the same periods in 2020.

Table no. 9. Key operating data posted by TAURON Capital Group in the first three quarters of 2020 and in the third quarter of 2021, as compared to the same periods in 2020

Item	Unit	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020	Q3 2020	Q3 2021	Change in % 2021 / 2020
Commercial coal production	Mg m	3.59	3.70	103%	1.10	1.00	91%
Electricity generation (gross production)	TWh	8.71	11.38	131%	2.85	3.64	128%
including generation of electricity from renewable sources	TWh	1.39	1.23	88%	0.40	0.34	85%
including production from biomass	*TWh*	*0.40*	*0.29*	73%	*0.15*	*0.07*	47%

Item	Unit	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020	Q3 2020	Q3 2021	Change in % 2021 / 2020
production of hydroelectric power plants and wind farms	*TWh*	*0.99*	*0.93*	94%	*0.24*	*0.26*	108%
Heat generation	PJ	7.51	8.01	107%	0.82	0.79	96%
Electricity distribution	TWh	36.94	40.06	108%	12.34	13.30	108%
Electricity supply	TWh	32.17	34.14	106%	10.47	11.62	111%
retail supply	*TWh*	23.71	24.52	103%	7.72	7.89	102%
wholesale	*TWh*	8.46	9.62	114%	2.75	3.73	136%
Number of customers - Distribution	'000	5 713	5 757	101%	5 713	5 757	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) in the first three quarters of 2020 and in the third quarter of 2021, as compared to the same periods in 2020.

Table no. 10. TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) in the first three quarters of 2020 and in the third quarter of 2021, as compared to the same periods in 2020

Item	Unit	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020	Q3 2020	Q3 2021	Change in % 2021 / 2020
Mining Segment's hard coal sales	Mg m	2.97	3.99	134%	1.09	1.64	150%
Generation Segment's electricity and heat sales	TWh	7.78	13.61	175%	2.55	4.99	196%
	PJ	9.15	9.94	109%	0.74	0.81	109%
RES Segment's electricity sales	TWh	0.96	0.91	95%	0.23	0.26	113%
Distribution Segment's distribution services sales to the final consumers	TWh	35.76	38.67	108%	11.91	12.73	107%
Supply Segment's retail electricity supply	TWh	23.69	24.51	103%	7.71	7.89	102%

Mining Segment

The core business operations conducted by TAURON Capital Group's Mining segment comprise mining, separation (cleaning) and sales of hard coal, as well as the sales of methane as accompanying fossil from the Brzeszcze deposit.

TAURON Capital Group is operating three 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.

The hard coal sales volume reached 3.99 million Mg in the first three quarters of 2021, which was higher than in the same period of 2020. Coal sales within TAURON Capital Group came in at 2.78 million Mg, which meant that 72% of the 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 3.70 million Mg in the first three quarters of 2021, i.e. it was 3% higher than in the same period of 2020. The higher output is the result of the higher coal production thanks to the more favorable configuration of the longwalls at the Sobieski Coal Mine (ZG Sobieski) and the Janina Coal Mine (ZG Janina), as well as the smaller number of coal extraction faces (longwalls) at the Brzeszcze Coal Mine (ZG Brzeszcze).

Generation Segment

The core operations conducted by TAURON Capital Group's Generation Segment comprise electricity and heat generation by the hard coal and biomass fired power plants.

Total achievable capacity of the Generation Segment's generating units reached 4.5 GW of electric capacity and 2.1 GW of thermal capacity as of the end of September 2021.

In the first three quarters of 2021 the Generation Segment produced 10.4 TWh of electricity, i.e. 35% more than last year (7.7 TWh), which was mainly due to the operation of the 910 MW unit in Jaworzno, commissioned in November 2020.

The production of the biomass burning units came in at 0.29 TWh, i.e. 28% less than last year (0.40 TWh).

Supply of electricity from in-house production plus electricity purchased for trading clocked in at 13.6 TWh in the first three quarters of 2021, which meant a 75% rise in relation to the same period of 2020 (the effect of the sales of electricity produced by the 910 MW unit in Jaworzno).

Heat sales reached 9.9 PJ in the first three quarters of 2021, i.e. 9% more as compared to the same period of 2020, which was a consequence of the higher demand from the consumers due to the lower outdoor temperature year on year.

58% of the Generation Segment's 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 own coal mines in the first three quarters of 2021. 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 as well as the wind and photovoltaic (solar) farms.

Total achievable capacity of the RES Segment's generating units reached 0.5 W of electric capacity as of the end of September 2021 and it was 11 MW higher than in the same period of 2020. The above mentioned increase is a consequence of the commissioning of the photovoltaic (solar) farms in Jaworzno and Choszczno.

The RES Segment produced 0.94 TWh of electricity in the first three quarters of 2021, i.e. 6% less as compared to last year (0.99 TWh), which was due to the favorable wind conditions that prevailed in the first quarter of 2020.

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, 40.06 TWh of electricity, including 38.67 TWh to the final consumers, in the first three quarters of 2021. During this period the Distribution Segment provided the distribution services for 5.76 million consumers. In the same period of 2020 the Distribution Segment delivered, in total, 36.94 TWh of electricity to 5.71 million consumers, including 35.76 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. Additionally, the Supply Segment supplies electricity to the TAURON Dystrybucja subsidiary to cover grid losses related to electricity distribution.

In the first three quarters of 2021 the Supply Segment subsidiaries supplied, in total, 24.51 TWh of retail electricity, i.e. 3% more than in the same period of 2020, to 5.6 million customers, both households, as well as businesses.

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 KW (Kopalnia Wapienia – Limestone Mine) 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 839 million in the first three quarters of 2021, which was higher by 2% than the revenue posted in the same period of 2020, with the main reason being the higher sales of the by-products of the combustion and extraction processes as well as the support services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries and the lower sales of biomass.

3.4. TAURON Capital Group's financial position after the first three quarters of 2021

Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of December 31, 2020, and as of September 30, 2021.

Table no. 11. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2020, and as of September 30, 2021

Consolidated statement of the financial position	As of December 31, 2020	As of September 30, 2020	Change in % 2021 / 2020
ASSETS			
Fixed assets	84.6%	85.1%	101%
Current assets	15.4%	14.9%	97%
TOTAL ASSETS	**100.0%**	**100.0%**	**-**
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	**39.9%**	**42.7%**	**107%**
Non-controlling shares	2.3%	2.4%	107%
Total equity	**42.1%**	**45.1%**	**107%**
Long term liabilities	40.0%	35.4%	88%
Short term liabilities	17.9%	19.5%	109%
Total liabilities	**57.9%**	**54.9%**	**95%**
TOTAL EQUITY AND LIABILITIES	**100.0%**	**100.0%**	**-**
Financial liabilities	11 515 975	9 404 580	64%
Net financial liabilities	10 567 908	8 905 054	65%
Net debt/EBITDA ratio	2.5x	1.97x	79%
Current liquidity ratio	0.86	0.67	78%

The fixed assets represent 85.1% of total assets in the structure of assets, as of September 30, 2021, which means a 1% rise as compared to their share as of the end of 2020.

The share of the current assets, as of September 30, 2021, as compared to their share as of the end of 2020, went down by 3%.

The liabilities represent 54.9% of total equity and liabilities in the structure of equity and liabilities, as of September 30, 2021, with the long term liabilities accounting for 35.4% and the short term liabilities constituting 19.5% of the balance sheet total, which means a change of the debt structure versus the end of 2020, when such shares were, respectively: 40.0% and 17.9%.

The net financial liabilities declined by 36% in the first three quarters of 2021 as compared to the balance sheet date of December 31, 2020, while the net debt dropped by 35% over the same period, which translated into the net debt to EBITDA ratio dropping (by 0.53x) and standing at 1.97x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (the net debt to EBITDA ratio) 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 2020, TAURON undertook a number of initiatives in the same year, aimed at reducing the risk of exceeding the ratio limit, including, among others, introducing of the caps (limits) on the capital expenditures for TAURON Capital Group's individual subsidiaries and identifying the options that could have a positive impact on EBITDA. One of the factors that had a positive impact on the rolling 2021 EBITDA was a transaction that was a consequence of the restructuring of the CO_2 emissions allowances in the Nowe Jaworzno Grupa TAURON's portfolio and the resale of the allowances purchased in December 2020 for the purpose of the redemption thereof, constituting the surplus in connection with the delay in the commissioning of the 910 MW unit.

Consolidated statement of comprehensive income

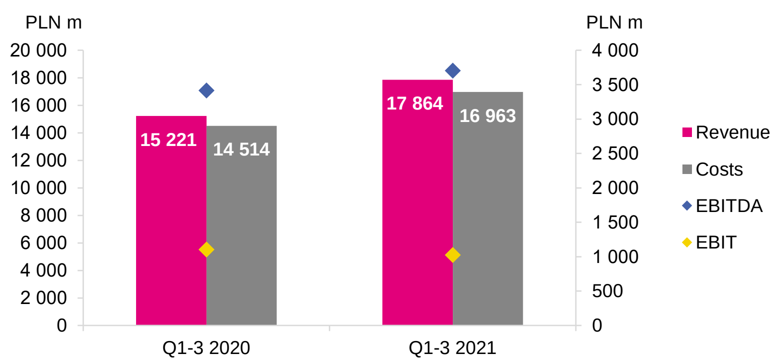
The below table presents selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 9 months ended on September 30, 2021, as well as the comparable data for the period of 9 months ended on September 30, 2020. These items are provided in accordance with the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. 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, 2021.*

Table no. 12. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first three quarters of 2021 and for the first three quarters of 2020.

Item (PLN '000)	Q1-3 2020 (adjusted data, unaudited data)	Q1-3 2021 (unaudited data)	Change in % 2021 / 2020
Sales revenue	15 220 949	17 863 597	117%
Compensation payments	66 448	(7 375)	-
Cost of goods sold	(14 513 789)	(16 962 755)	117%
Other operating revenue and costs	327 520	90 233	28%
Share in joint ventures' profits	5 757	41 159	715%
Operating profit	**1 106 885**	**1 024 859**	**93%**
Operating profit margin (%)	*7.3%*	*5.7%*	*78%*
Cost of interest on debt	(208 715)	(278 408)	133%
Other financial revenue and costs	(75 902)	41 381	-
Pre-tax profit	**822 268**	**787 832**	**96%**
Pre-tax profit margin (%)	*5.4%*	*4.4%*	82%
Income tax	(426 989)	(291 298)	68%
Net profit for the period	**395 279**	**496 534**	**126%**
Net profit margin (%)	*2.6%*	*2.8%*	107%
Total comprehensive income for the period	**213 137**	**703 051**	**330%**
Profit attributable to:			
Shareholders of the parent entity	396 076	456 930	115%
Non-controlling shares	(797)	39 604	-4 969%
EBIT and EBITDA			
EBIT	**1 106 885**	**1 024 859**	**93%**
EBITDA	**3 414 921**	**3 705 228**	**109%**

The below figure presents TAURON Capital Group's financial results for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 10. TAURON Capital Group's financial results for the first three quarters of 2020 and for the first three quarters of 2021



TAURON Capital Group generated 17% higher revenue in the first three quarters of 2021 than the revenue reported in the same period of 2020, which was a consequence of the impact of the following factors:

1. higher electricity sales revenue, which is a consequence of the higher retail supply volume (both in the business segment as well as in the mass customer segment), the higher electricity prices obtained mainly on the balancing and power exchange market, as well as the higher revenue generated from the trading fees.

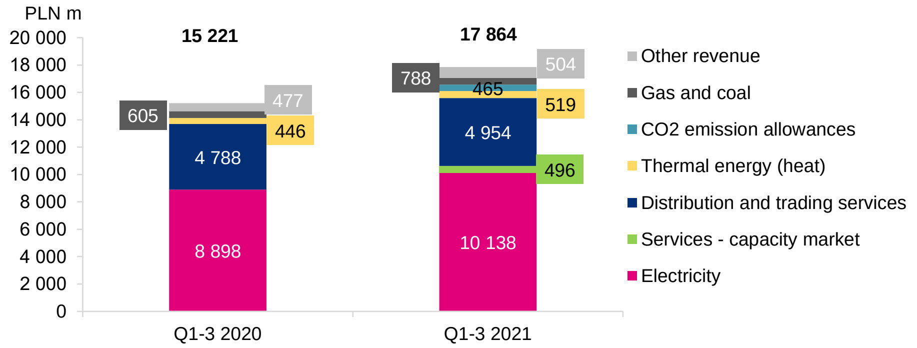
2. revenue obtained from the capacity market service - in connection with the performance, by TAURON Capital Group's subsidiaries, that are the providers of capacity for PSE, of the capacity obligation performed by the Capacity Market units that are a part of TAURON Capital Group,
3. higher distribution and trading services sales revenue as a consequence of the higher distribution service volume and the decline of the tariff for the year 2021,
4. higher thermal energy (heat) sales revenue in connection with the sales of the higher volume, as a consequence of the lower temperatures year on year and the higher thermal energy (heat) sales prices obtained,
5. higher gas sales revenue mainly due to the higher gas sales prices and the sales of the higher volume as a consequence of the lower temperatures year on year and acquiring of the new customers,
6. higher hard coal sales revenue which is the result of the sales of the higher volume and obtaining of the lower sales prices.

In addition, in the first quarter of 2021, TAURON Capital Group obtained revenues from the sale of the CO_2 emission allowances, which is a consequence of:

1. completed restructuring of the CO_2 emission allowances in the amount of 3 258 000 EUAs in Nowe Jaworzno Grupa TAURON's portfolio. As a result of the completed analysis of the new premises and circumstances, the Company changed its intentions regarding the above mentioned CO_2 emission allowances and decided to roll them over along with the conclusion of the new contracts with the delivery dates in March 2022, 2023 and 2024. In connection with the fact that the original contracts were not settled (cleared) based on the physical delivery and therefore the Company recognized (booked) the contracts in accordance with *IFRS 9 Financial Instruments* at fair value at the date of the change of judgment, i.e. in March 2021, and then recognized (booked) the result of the settlement (clearing) of the instruments, which led to an increase of the sales revenue and the operating result in the amount of PLN 303 945 000 (i.e. EUR 65 893 000). New contracted transactions with an execution date in the years 2022-2024 are excluded from the scope of IFRS 9 *Financial Instruments* and are not marked at fair value. At the same time, these transactions were made at prices higher than the originally contracted purchase, which will lead to an increase of the costs,
2. market sale of the CO_2 emission allowances in the quantity of 691 000 EUAs that constituted a surplus above the redemption needs of the company for 2020 due to the delay of the commissioning of the 910 MW unit.

The below figure presents TAURON Capital Group's revenue structure for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 11. TAURON Capital Group's revenue structure for the first three quarters of 2020 and for the first three quarters of 2021



The costs of TAURON Capital Group's operations (operating expenses) came in at PLN 17.0 billion in the first three quarters of 2021, i.e. they were 17% higher than the costs incurred in the same period of 2020, 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 of TAURON Capital Group as a consequence of commissioning the 910 MW unit in Jaworzno at the end of 2020 and the other investment projects related to the assets of TAURON Capital Group underway, mainly in the distribution line of business,
2. higher value of the impairment charges (write-downs) related to the non-financial fixed assets, which is the result of the asset impairment tests carried out as of June 30, 2021, which demonstrated the legitimacy of recognizing (booking) the write-downs in an amount higher than in the same period of 2020,
3. lower costs of the materials and energy consumption, mainly as a result of the higher costs of the heating oil consumption and the other variable production costs due to the higher electricity and heat production and the higher price of the raw material (commodity) price,
4. higher costs of the repair (overhauls) and maintenance services due to the greater scope of works to be performed with respect to the mining, heating and renewable energy assets and the higher rates for the services provided,
5. lower costs of the distribution services, which is due to a decrease of the tariff for the distribution services for PSE (TSO), which is primarily related to the drop of the quality based fee,
6. higher costs of the other external services, mainly as a result of an increase of the costs of waste management and the transportation services as well as an increase in the number of the longwall mining, headings (workings)

maintenance, longwall headings (coal faces) liquidation services and more subcontracting services due to the increased demand for the services related to meter replacements, their re-legalization, the illegal electricity consumption control (inspection) services, as well as the services related to electricity supply interruption and restart. In addition, the increase in the cost position is due to the increased scope of the external services provided in connection with the commissioning of the 910 MW unit in Jaworzno at the end of 2020,

7. higher costs of the greenhouse gas emission allowances, which is the result of an increase in the price of the allowances and the higher CO_2 emissions by the generating units due to the higher production of electricity from the conventional sources,
8. higher costs of the employee benefits, which is the result of:
    1) recognition in the costs of the first half of 2020 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 acquired the rights to the tariff upon retirement or upon receiving a disability pension and other entitled persons,
    2) reduction of the working time in accordance with the signed agreement with the workforce, as a consequence of the COVID-19 pandemic,
    3) change in the discount rate from 1.5% to 1.7% in 2021, which led to the change of the costs of the actuarial provisions with respect to the years of the service anniversary related bonuses for the employees,
    4) increase of the minimum wage in 2021,
    5) 1% lower headcount at TAURON Capital Group's subsidiaries,
9. lower costs of the impairment charges (write-downs) related to the accounts receivable, which is a consequence of the recognition (booking) of the elevated impairment charges (write-downs) in 2020 due to the uncertainty with respect to the financial standing of TAURON Capital Group's counterparties in connection with the restrictions introduced as a consequence of the COVID-19 pandemic,
10. higher costs by type related to the insurance of the 910 MW unit in Jaworzno whose costs were recognized (booked) as a capital expenditure related to the investment project underway in the three quarters of 2020,
11. lower value of the costs of services for the in-house needs, which is mainly due to the recognition (booking) in the first three quarters of 2020 of a part of the operating costs (opex) of the 910 MW unit in Jaworzno as a capital expenditure (capex) in connection with its start-up,
12. higher costs of electricity sold, mainly due to the increase in the electricity purchase price year on year. In addition, in the first three quarters of 2020, this reporting item included the effect of a one off transaction involving a swap of the power exchange contracts with the delivery date in December 2020 for the OTC contracts with the delivery date in March 2021. The decision on the change of the strategy was made taking into account the current market circumstances, difficult to predict at the time of the conclusion of the transaction. Such circumstances include, in particular, the growing costs of maintaining a position (exposure) on the power exchange, which was related to, inter alia, the need to make ongoing contributions to the power exchange deposits (margin payment calls), a change in the legal and market circumstances with respect to the trading in the CO_2 emission allowances related to Brexit and the COVID-19 pandemic. Implementing the above change in the strategy, the Company resold the futures position (exposure) with the delivery date in December 2020 held on the power exchange (it entered into an opposite transaction on the power exchange), while at the same time purchasing the same volume in the contracts with the delivery date in March 2021 from the counterparties on the OTC market.

In addition, the increase in the costs of TAURON Group's operations results from charging the earnings of the current period with the value of the inventories allocated from the production from the previous periods, while in the corresponding period of the previous year the opposite situation was observed, i.e. the allocation of a part of the costs of the period to the Group's balance sheet. Such changes in the inventory allocations and, as a consequence, the increase in the costs year on year are a consequence of:

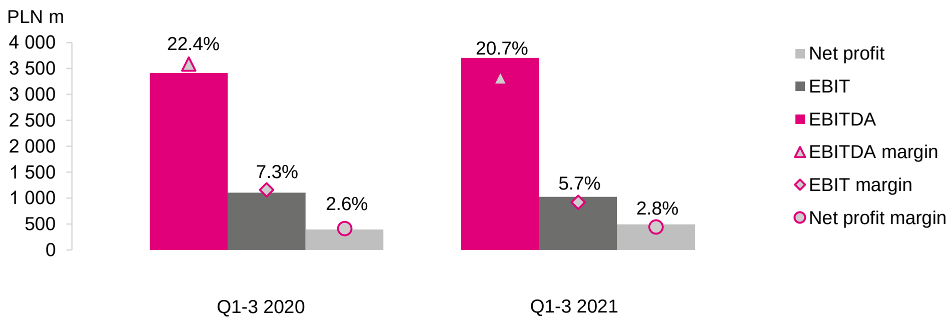
1. a higher volume of electricity, the production of which uses more coal from the in-house resources,
2. 81% higher coal sales volume outside the Group,
3. 2% lower unit cost of producing coal from the in-house resources,
4. higher by 3% commercial coal production by the Group's coal mines.

The EBITDA margin on the continued and discontinued operations generated in the first three quarters of 2021 came in at 20.7% and it was lower than the margin posted in the same period of 2020 by 1.7 pp. The EBIT margin clocked in at 5.7% and it was lower by 1.5 pp than the margin achieved in the same period of 2020, while the net profit margin stood at 2.8% and it was higher by 0.2 pp. The changes of the EBITDA and EBIT margins is a consequence of the changes of the above results that are, accordingly, higher by 9% and lower by 7% along with the simultaneous significant increase of the revenue by 17%, the causes of which are described above.

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 703 million in the first three quarters of 2021, as compared to PLN 213 million generated in the same period of 2020. The total income attributable to the shareholders of the parent company came in at PLN 663 million, as compared to PLN 214 million posted a year ago, while the net profit attributable to the shareholders of the parent company stood at PLN 457 million, as compared to PLN 396 million posted in the same period of 2020.

The below figure presents TAURON Capital Group's financial results and the margins generated in the first three quarters of 2020 and in the first three quarters of 2021.

Figure no. 12. TAURON Capital Group's financial results and the margins generated in the first three quarters of 2020 and in the first three quarters of 2021



Financial results by the Segments of operations (lines of business)

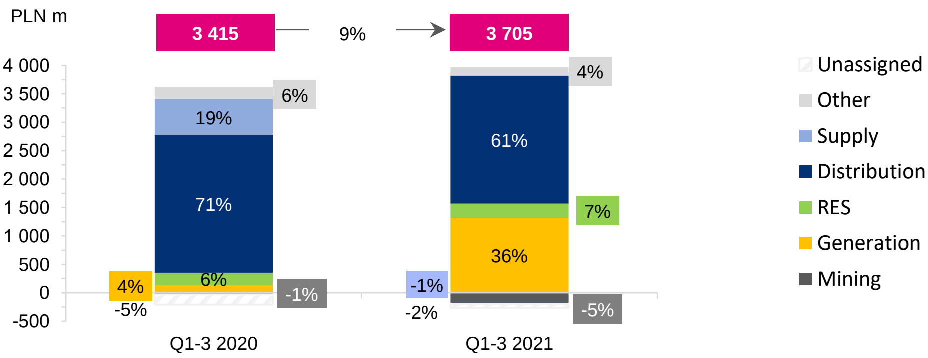
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2021 and in the third quarter of 2021 as compared to the same periods of 2020. The data for the individual Segments of operations do not include the consolidation related exclusions.

Table no. 13. TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2021 and in the third quarter of 2021 as compared to the same periods of 2020

EBITDA (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020	Q3 2020	Q3 2021	Change in % 2021 / 2020
Mining	(32 406)	(174 292)	538%	(39 185)	(128 865)	-
Generation	137 943	1 318 175	956%	19 921	309 951	6%
RES	217 362	250 107	115%	53 797	83 090	65%
Distribution	2 416 876	2 251 008	93%	728 175	732 217	99%
Supply	640 543	(23 084)	-	237 639	(259 613)	-
Other operations	211 444	150 187	71%	49 068	44 509	110%
Unassigned items and exclusions	(176 841)	(66 873)	38%	(42 221)	5 289	-
Total EBITDA	**3 414 921**	**3 705 228**	**109%**	**1 007 194**	**786 578**	**128%**

The below figure presents TAURON Capital Group's EBITDA structure in the first three quarters of 2020 and in the first three quarters of 2021.

Figure no. 13. TAURON Capital Group's EBITDA structure in the first three quarters of 2020 and in the first three quarters of 2021



The Distribution Segment and the Generation Segment make the biggest contributions to TAURON Capital Group's EBITDA in the first three quarters of 2021.

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 2021.

Table no. 14. Mining Segment's results for the first three quarters of 2020 and for the first three quarters of 2021

Item (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021/2020
Sales revenue	**788 724**	**990 049**	**126%**
hard coal – large and medium size lump coal	*197 986*	*235 858*	*119%*
thermal coal	*553 328*	*709 305*	*128%*
other products, materials and services	*37 410*	*44 886*	*120%*
EBIT	**-347 746**	**-459 650**	**-**
Depreciation and impairment charges	315 340	285 358	90%
EBITDA	**-32 406**	**-174 292**	**-**

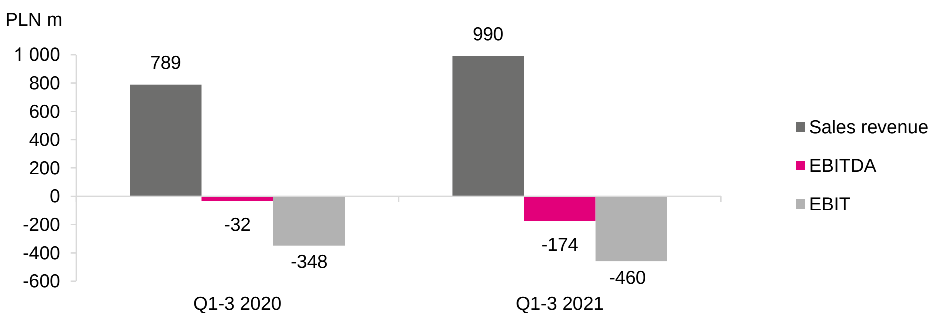
The Mining Segment's EBITDA and EBIT were lower in the first three quarters of 2021 than in the same period of 2020, which was a consequence of the following factors:

1. an increase in the volume of the hard coal sales by 34%, caused, among others, by the strong nationwide demand for this commodity in the third quarter of 2021,
2. a decrease of the average hard coal price by 6%, which is due to the difficult situation on the market caused by price turmoil stemming from the reduction of the prices on the domestic market (mainly in the first half of 2021),
3. receipt of the financing aid as part of the government anti-crisis shield package program – the 2020 effect,
4. other - mainly the re-allocation of the costs from the balance sheet to the earnings, due to the sales of the hard coal surpluses from the heaps.

In addition, the EBIT result was affected by the lower depreciation than in the same period of 2020 and the higher impairment charge (write-down). In the first half of 2021, TAURON Capital Group recognized (booked) in its earnings the setting up of the impairment charges (write-downs) due to the impairment of the carrying amount of the cash generating units (CGUs) that are a part of the Mining Segment, whose total impact on the Segment's operating profit was PLN 185 million.

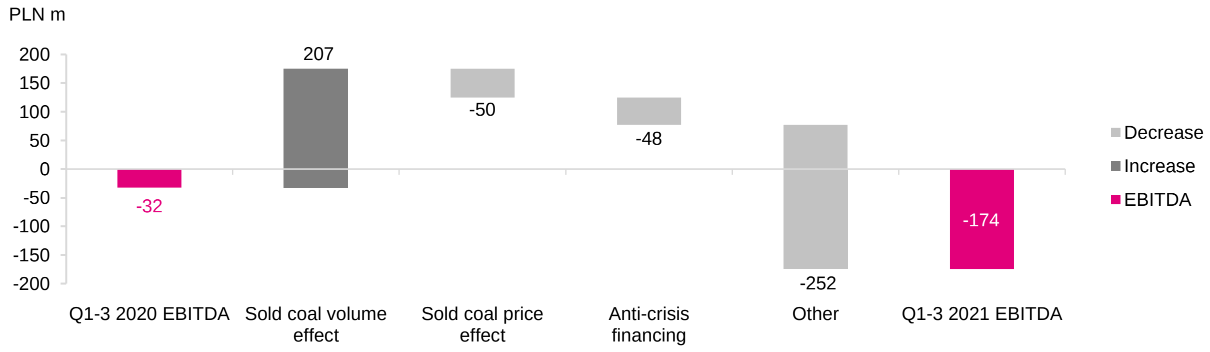
The below figure presents the Mining Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 14. Mining Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021



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



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 2021.

Table no. 15. Generation Segment's results for the first three quarters of 2020 and for the first three quarters of 2021.

Item (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020
Sales revenue	**3 016 029**	**6 418 112**	**213%**
electricity	2 293 223	4 672 206	204%
heat	592 944	685 326	116%
property rights related to certificates of origin of electricity	92 810	100 892	109%
services – capacity market	-	488 395	-
greenhouse gas emission allowances	-	438 647	-
other	37 052	32 646	*88%*
EBIT	**-774 536**	**45 423**	**-**
Depreciation and impairment charges	912 479	1 272 752	139%
EBITDA	**137 943**	**1 318 175**	**956%**

The Generation Segment's sales revenue in the first three quarters of 2021 was higher by 113% as compared to the same period of 2020, mainly due to the higher electricity sales revenue (the higher sales volume and the higher sales price), the higher heat sales revenue, as well as obtaining of the revenue from the capacity market and from the sale of the CO_2 emission allowances.

The Generation segment's EBITDA and EBIT results were higher in the first three quarters of 2021 than in the same period of 2020. The results posted were affected by the following factors:

1. commencement of the Capacity Market's operations starting from January 1, 2021,
2. Operational Capacity Reserve and Cold Intervention Reserve, that were the sources of revenue for TAURON Wytwarzanie in 2020, not included in the catalog of the system services starting from 2021,
3. commissioning of the 910 MW unit in Jaworzno in November 2020 (margin generated on the electricity sales in the first half of 2021),
4. completion of the transactions related to the CO_2 emission allowances:
   1) due to the delay of the commissioning of the 910 MW unit in Jaworzno and, as a consequence thereof, the lower production output, a significant surplus of the allowances contracted for the purpose of fulfilling the redemption obligation for 2020 above the actual requirement arose in Nowe Jaworzno Group TAURON's portfolio. As a consequence, TAURON Capital Group carried out the following transactions in March 2021:
      a) restructuring of the above mentioned portfolio of the CO_2 emission allowances with respect to the volume of 3 258 000 of the EUAs with the collection date in March 2021. As a result of the completed analysis of the new premises and circumstances, the Company changed its intentions regarding the above mentioned CO_2 emission allowances and took the decision to roll them over along with the conclusion of the new contracts with the delivery dates in March 2022, 2023 and 2024. At the same time, those transactions were completed at the prices that were higher than the originally contracted purchase, and as a consequence they will lead to an increase of the costs of setting up a provision by TAURON Capital Group for the liabilities related to the CO_2 emissions for 2021 and the subsequent financial years. As a result of the above TAURON Capital Group estimates that the total impact of the restructuring on the operating results thereof in the years 2021-2023 will not be significant,
      b) resale of the CO_2 emission allowances held in the quantity of 691 000 EUAs that also constituted a surplus above the redemption needs of the subsidiary for 2020 due to the delay of the commissioning of the 910 MW unit,
   2) in the first quarter of 2020 TAURON Capital Group made a decision to change the hedging strategy related to securing the Generation Segment's redemption needs, involving a one off swap of the exchange traded contracts with the delivery date in December 2020 to the OTC contracts with the delivery date in March 2021. The decision to change the strategy was made taking into account the current market circumstances, difficult to predict at the time of concluding the transaction. Such circumstances included in particular the rising costs of maintaining a position (exposure) on the power exchange, which was related to, among others, 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 pandemic. Implementing the above

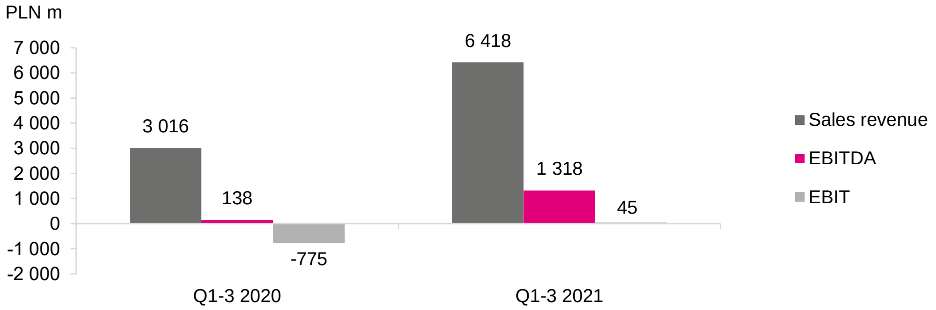
mentioned strategy change, the Company resold the futures position (exposure) with the delivery date in December 2020 held on the power exchange (it entered into an opposite transaction on the power exchange), while at the same time purchasing the same volume in the contracts with the delivery date in March 2021 from the counterparties on the OTC market.

In addition, the EBIT result was affected by the booking of the impairment charges (write-downs).

In the first three quarters of 2021, TAURON Capital Group recognized (booked) in its earnings the setting up of the impairment charges (write-downs) due to the impairment of the carrying amount of the cash generating units (CGUs) that are a part of the Generation Segment, whose total impact on the Segment's operating profit was PLN 938 million.

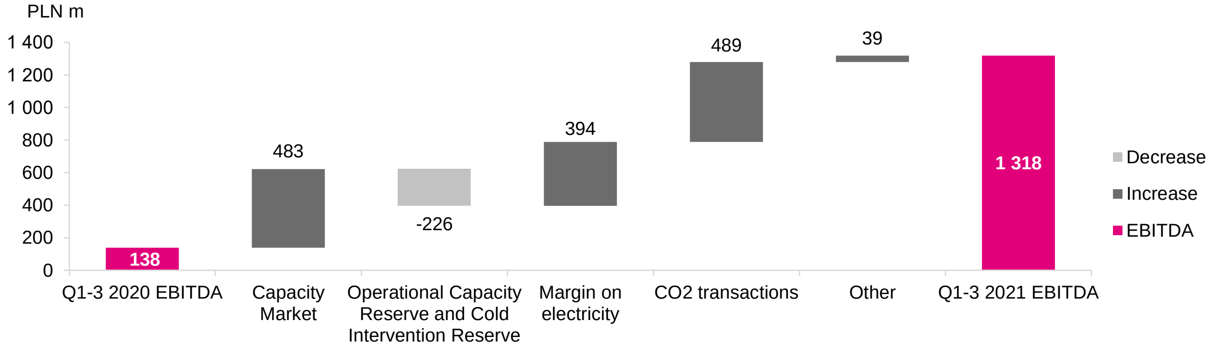
The below figure presents the Generation Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 16. Generation Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021



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



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 2021.

Table no. 16. RES Segment's results for the first three quarters of 2020 and for the first three quarters of 2021

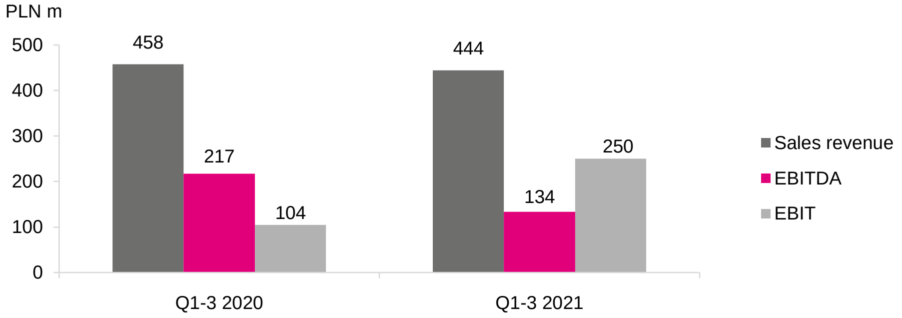
Item (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020
Sales revenue	**458 000**	**444 108**	**97%**
Electricity	*214 611*	*254 938*	*119%*
Certificates of origin of electricity	*241 214*	*174 087*	*72%*
Other	*2 175*	*15 083*	*693%*
EBIT	**104 475**	**133 549**	**128%**
Depreciation and impairment charges	112 887	116 558	103%
EBITDA	**217 362**	**250 107**	**115%**

The RES segment's EBITDA and EBIT results were higher in the first three quarters of 2021 as compared to the same period of 2020. The results posted were affected by the following factors:

1. a higher margin on electricity sales, mainly due to the higher electricity sales price, the higher production output by the hydroelectric power plants which was partly offset by the lower production output by the wind farms,
2. lower revenue from the certificates of origin of electricity, which is a consequence of the lack of the support in 2021 for the hydroelectric power plants and the Zagórze wind farm in accordance with the provisions of the energy law, the lower production volume by the other wind farms as compared to the production outputs achieved in the first three quarters of 2020. The above mentioned factors were partially offset by obtaining of the higher revenues due to the increase in the price of the property rights, which took place in the second quarter and in the third quarter of 2021,
3. commencement of the Capacity Market's operations starting from 2021 and obtaining of the revenue from it,
4. lower fixed costs as a result of booking (including) as a part of the fixed costs, 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.

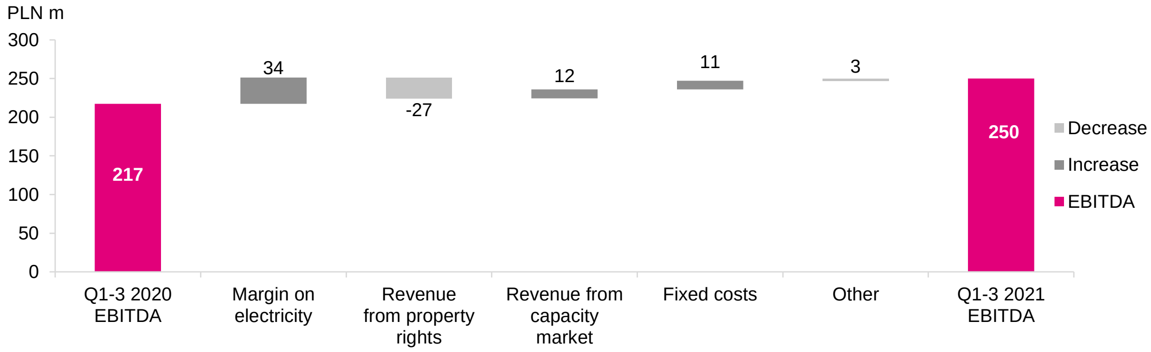
The below figure presents the RES Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 18. RES Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021



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



Distribution Segment

The below figure presents the Distribution Segment's results for the first three quarters of 2020 and for the first three quarters of 2021.

Table no. 17. Distribution Segment's results for the first three quarters of 2020 and for the first three quarters of 2021

Item (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020
Sales revenue	**5 078 777**	**5 261 906**	104%
distribution services	*4 868 743*	*5 036 056*	*103%*
grid connection fees	*58 790*	*59 243*	*101%*
power line collisions	*29 468*	*39 409*	*134%*
road lighting services	*34 897*	*37 205*	*107%*
other revenue	*86 879*	*89 993*	*104%*

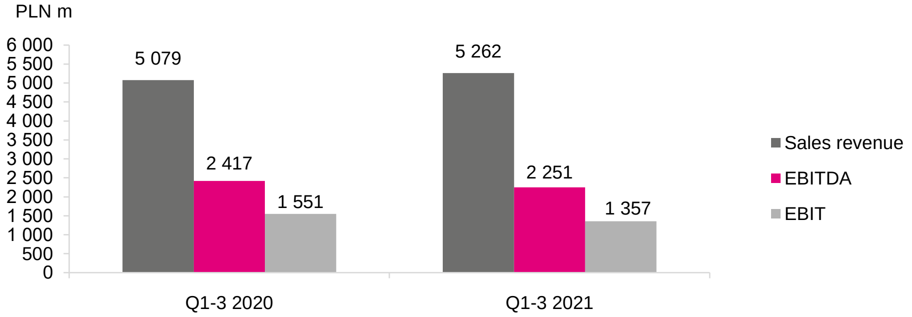
EBIT	**1 551 496**	**1 357 289**	**87%**
Depreciation and impairment charges	865 380	893 719	103%
EBITDA	**2 416 876**	**2 251 086**	**93%**

The Distribution Segment reported a 4% sales revenue increase, while EBIT and EBITDA went down by, respectively, 13% and 7% in the first three quarters of 2021, as compared to the same period of 2020. The results posted were affected by the following factors:

1. a decrease of the average rate for the distribution service sales to the final consumers,
2. an increase of the total electricity delivery by 3.1 TWh, including to the final consumers by 2.9 TWh, first of all in the A and B as well as G tariff groups, as a result of the increase of the production of the goods in all of the sectors of the economy as compared to the year ago, the launching of the successive technological processes as well as the periodic outages of the generating units at the key consumers'.
3. lower costs of purchasing the transmission services as a consequence of the lower variable grid fee and the quality based fee rates,
4. an increase of the other distribution revenue, mainly due to the excessive passive energy consumption, the power line collisions and excessive (above the contracted value) power consumption,
5. a decrease of the costs of purchasing electricity to cover the balancing difference as a result of the lower volume, the lower purchase price and an increase of the upward adjustment value,
6. dissolution (release), in 2020, of the provision for the payment of the equivalent for electricity.

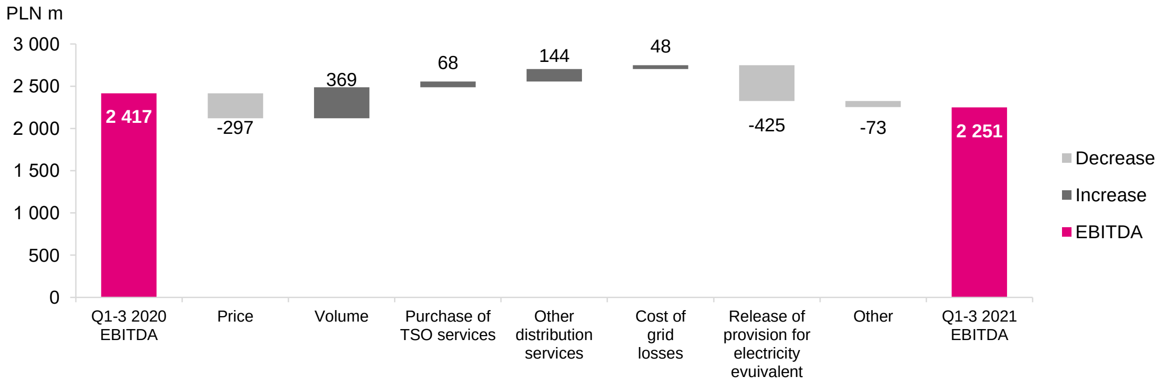
The below figure presents the Distribution Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 20. Distribution Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021



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



Supply Segment

The below figure presents the Supply Segment's results for the first three quarters of 2020 and for the first three quarters of 2021.

Table no. 18. Supply Segment's results for the first three quarters of 2020 and for the first three quarters of 2021

Item (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020
Supply			
Sales revenue	**12 150 594**	**16 338 292**	**134%**
electricity, including:	*8 362 774*	*10 999 022*	*132%*
retail electricity supply revenue	*6 967 948*	*7 380 874*	*106%*
greenhouse gas emission allowances	*171 436*	*876 756*	*511%*
fuels	*1 122 673*	*1 358 000*	*121%*
distribution service (passed on)	*2 396 519*	*2 459 234*	*103%*
other services, incl. trading services	*97 191*	*645 279*	*664%*
EBIT	**607 401**	**(53 848)**	**-**
Depreciation and impairment charges	33 142	30 764	93%
EBITDA	**640 543**	**(23 084)**	**-**

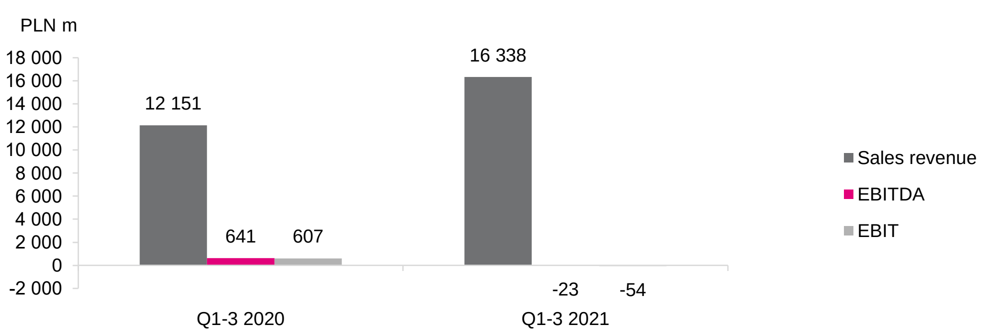
The Supply Segment's sales revenue in the first three quarters of 2021 was higher by 34% as compared to the same period of 2020, mainly as a consequence of the higher electricity sales revenue (the higher electricity sales price and the higher electricity sales volume) as well as the sale of the CO_2 emission allowances that took place in the first three quarters of 2021, primarily in order to meet the redemption needs of the Generation Subsidiaries.

The Supply Segment's EBITDA and EBIT results were lower in the first three quarters of 2021 than in the same period of 2020. The results posted were affected by the following factors:

1. lower margin on electricity sales earned, which is the result of the higher costs of purchasing electricity, including as part of the performance of the contract for the purchase of electricity from the 910 MW unit in Jaworzno while obtaining the higher electricity sales price, the higher volume of electricity sold and the higher revenue from the fixed trading fees,
2. higher costs of the property rights, mainly as a result of the higher *green certificates (PMOZE)* purchase price and the higher volume due to the increase in electricity sales, including to the final consumers,
3. higher margin on the gas sales as a result of obtaining the higher unit margin on the gas sales, along with the higher volume,
4. higher margin on the sale of the CO_2 emission allowances,
5. lower value of the recognized (booked) impairment charges (write-downs) related to the accounts receivable mainly as a consequence of the recognition (booking) of the elevated impairment charges (write-downs) in the first half of 2020 as a result of the introduced restrictions and the uncertainty with respect to the financial standing of the Supply segment subsidiaries' counterparties,
6. other – the recognized (booked) result on the sales of the other market (commercial) products.

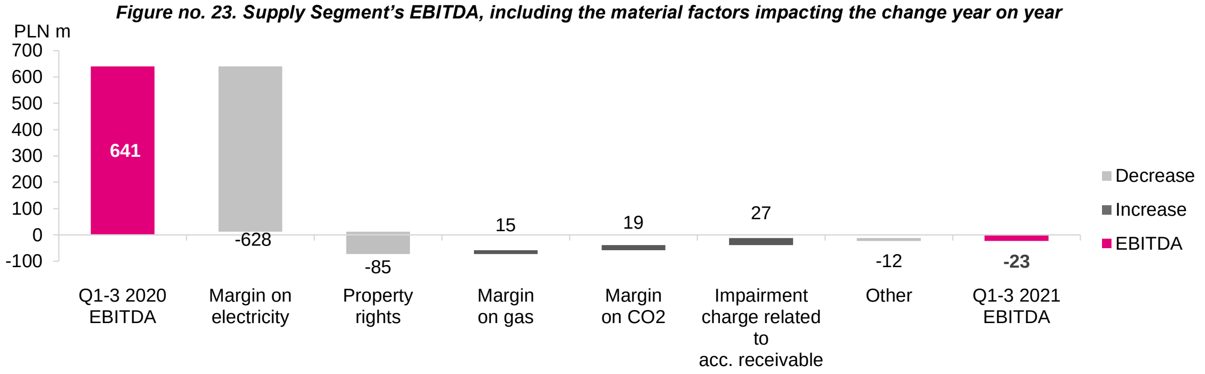
The below figure presents the Supply Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 22. Supply Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021



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



Other Operations

The below figure presents the Other Operations Segment's results for the first three quarters of 2020 and for the first three quarters of 2021.

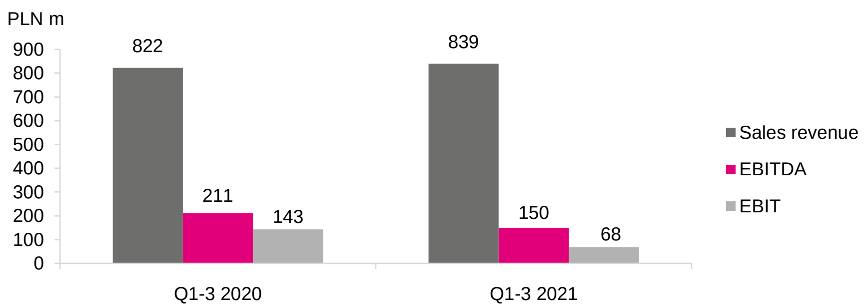
Table no. 19. Other Operations Segment's results for the first three quarters of 2020 and for the first three quarters of 2021

Item (PLN '000)	Q1-3 2020	Q1-3 2021	Change in % 2021 / 2020
Sales revenue	**822 042**	**839 165**	**102%**
customer service	*179 881*	*188 848*	*105%*
support services	*366 993*	*407 160*	*111%*
aggregates	*75 440*	*84 240*	*112%*
biomass	*112 553*	*67 502*	*60%*
other revenue	*87 175*	*91 414*	*105%*
EBIT	**142 636**	**68 338**	**48%**
Depreciation and impairment charges	68 808	81 849	119%
EBITDA	**211 444**	**150 187**	**71%**

Other Operations Segment subsidiaries' sales revenue in the first three quarters of 2021 was higher by 2% as compared to the revenue posted in the same period of 2020, which was primarily due to the higher sales of the support services provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries and the lower sales of the biomass.

The below figure presents the Other Operations Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021.

Figure no. 24. Other Operations Segment's financial data for the first three quarters of 2020 and for the first three quarters of 2021



Assets

The below table presents the consolidated statement of financial position – the assets as of December 31, 2020, and as of September 30, 2021.

Table no. 20. Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2020, and as of September 30, 2021

Statement of financial position (PLN '000)	As of December 31, 2020 (adjusted data)	As of September 30, 2021 (unaudited data)	Change in % (2021 / 2020)
ASSETS			
Fixed assets	**33 584 959**	**32 853 530**	**98%**
Tangible fixed assets	29 504 667	28 870 936	98%
Current assets	**6 111 252**	**5 767 728**	**94%**
Cash and equivalents	921 345	499 418	54%
Fixed assets and the group's assets for disposal, classified as held for trade	74 442	8 868	12%
TOTAL ASSETS	**39 696 211**	**38 621 258**	**97%**

As of September 30, 2021, TAURON Capital Group's statement of financial position shows the balance sheet total that is lower by 3% as compared to the balance sheet total as of December 31, 2020. The decrease in the value of the fixed assets is a consequence of the recognizing (booking) of the impairment charge (write-down) related to the non-financial fixed assets as a result of the impairment tests carried out as of June 30, 2021. The amount of the impairment charge (write-down) was mainly charged to the tangible fixed assets in the amount of PLN 1 109 107 000. The remaining part decreased the value of the right to use the assets in the amount of PLN 11 110 000 and the intangible assets in the amount of PLN 2 290 000. The information related to the reasons for the booking of the above mentioned impairment charges (write-downs) is provided in note 15 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union (EU) for the 9 month period ended on September 30, 2021*.

The below figures present the change in the assets and the current assets as of December 31, 2020, and as of September 30, 2021.

Figure no. 25. Change in assets as of December 31, 2020, and as of September 30, 2021

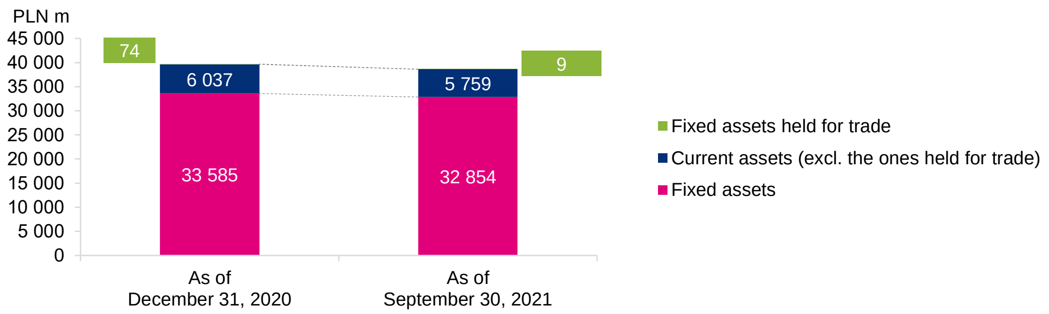
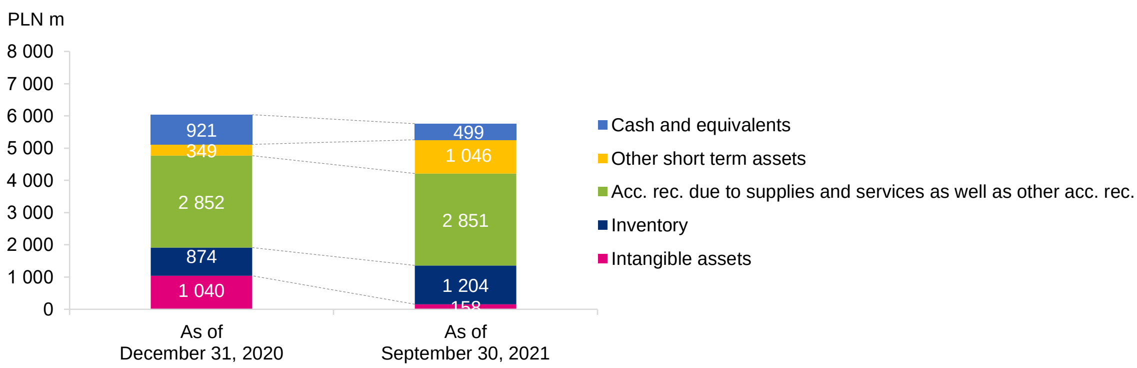


Figure no. 26. Change in current assets[1] as of December 31, 2020, and as of September 30, 2021.



[1]*Excluding the assets classified as held for trade*

The fixed assets represent the biggest item of the assets as of the end of September 2021, accounting for 85.1% of the balance sheet total. As compared to the end of 2020, the value of the fixed assets is lower by PLN 731 million (2%), which was due to the following factors:

1. tangible fixed assets – a decrease by 2% is a result of the recognized (booked) impairment charge (write-down) related to the non-financial fixed assets as a result of the impairment tests carried out as of June 30, 2021, and the increase in the value of the tangible fixed assets as a result of the investment projects implemented by TAURON Capital Group's subsidiaries,
2. certificates of origin of electricity and the gas emission allowances to be redeemed – a decline by 74% due to the reclassifying of the certificates of origin of electricity and the CO_2 emission allowances as the current assets held in order to fulfill the obligation related to the redemption of the above mentioned assets and the purchase of the certificates of origin of electricity for the obligation for the following years,
3. other financial assets – an increase by 102%, mainly as a result of the positive valuation of the derivative instruments related to the commodity derivative instruments, the forward currency derivative instruments, as well as the IRS and CCIRS instruments. The increase in the assets due to the valuation of the above mentioned derivative instruments in relation to the comparable period is mainly applicable to the forward instruments related to the transactions for which the CO_2 emission allowances are the underlying product (commodity) and is a consequence, mainly, of a substantial increase in the prices of the allowances, while at the same time taking into account the number of the exchange traded contracts open as of the balance sheet date.
4. other non-financial assets – an increase by 49%, as a result of the advance payment made towards the fixed assets under construction and the intangible assets, including the ones related to the construction of a 30 MW wind farm.

The following factors had an impact on the decline in the value of the current assets by PLN 344 million (6%):

1. balance of cash on hand and equivalents – a decrease by 46%. The information on the reasons for the change is provided below in the further section of this report, in the paragraph titled *Cash flows*,
2. certificates of origin of electricity and the CO_2 emission allowances to be redeemed – a decline by 85%, is the result of:
   1) purchase of the CO_2 emission allowances in the first half of 2021 for the redemption obligation for 2020,
   2) purchase or the recognition (booking) of the certificates of origin of electricity produced in-house in the first three quarters of 2021 for the fulfillment of the obligation to redeem the property rights for the year 2020 or 2021,
   3) reclassifying as the short term assets of a part of the property rights and the CO_2 emission allowances held, originally classified as the long term assets, that were reclassified due to their allocation for the purpose of the ongoing fulfilling of the obligation to redeem the above mentioned assets,
   4) redemption of the property rights and the CO_2 emission allowances in connection with the obligation for 2020 stemming from the provisions of the energy law,
   5) redemption for the year 2021 of a part of the property rights and the CO_2 emission allowances in connection with the obligation stemming from the provisions of the energy law
3. inventory levels – an increase by 38% mainly due to the reclassifying, from the fixed assets to the inventory, of a part of the CO_2 emission allowances which will be resold as part of the performance of the CO_2 portfolio restructuring transaction, along with the lower hard coal inventory level due to the higher demand as a result of the higher electricity production in the first three quarters of 2021,
4. accounts receivable from the consumers – an increase by 6%,
5. accounts receivable due to the income tax – a decrease by 58%,
6. accounts receivable due to the other taxes and fees – a drop by 38%, mainly due to VAT,
7. other financial assets – an increase by 243%, mainly as a result of the positive valuation of the derivative instruments related to the commodity derivative instruments, the forward currency derivative instruments, as well as the IRS and CCIRS instruments. The increase in the assets due to the valuation of the above mentioned derivative instruments in relation to the comparable period is mainly applicable to the forward instruments related to the transactions for which the CO_2 emission allowances are the underlying product (commodity) and is a consequence, mainly, of a substantial increase in the prices of the allowances, while at the same time taking into account the number of the exchange traded contracts open as of the balance sheet date,
8. other non-financial assets – an increase by 66%, mainly as a result of the higher costs depreciated (accounted for) over time due to the property and tort insurance as well as the setting up (booking) of the write-offs for the Company Social Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych).

The below table presents the consolidated statement of financial position – equity and liabilities as of December 31, 2020, and as of September 30, 2021.

Table no. 21. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2020, and as of September 30, 2021

Statement of financial position (PLN '000)	As of December 31, 2020 (adjusted data)	As of September 30, 2021 (unaudited data)	Change in % (2021 / 2020)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	**15 833 523**	**16 496 663**	**104%**

Statement of financial position (PLN '000)	As of December 31, 2020 (adjusted data)	As of September 30, 2021 (unaudited data)	Change in % (2021 / 2020)
Non-controlling shares	893 623	929 596	104%
Total equity	**16 727 146**	**17 426 259**	**104%**
Long term liabilities	**15 865 877**	**13 654 246**	**86%**
Liabilities due to debt	13 171 200	11 103 373	84%
Short term liabilities	**7 103 188**	**7 540 753**	**106%**
Liabilities due to debt	1 480 672	1 527 407	103%
Total liabilities	**22 969 065**	**21 194 999**	**92%**
TOTAL EQUITY AND LIABILITIES	**39 696 211**	**38 621 258**	**97%**

The below figures present the change in the equity and liabilities, as well the equity attributable to the majority shareholders as of December 31, 2020, and as of September 30, 2021.

Figure no. 27. Change in the equity and liabilities as of December 31, 2020, and as of September 30, 2021

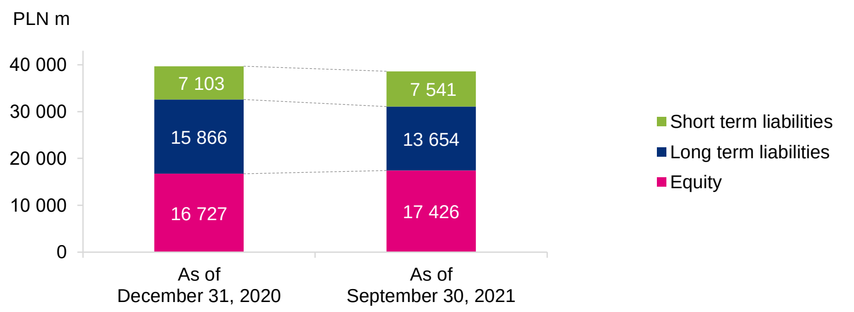
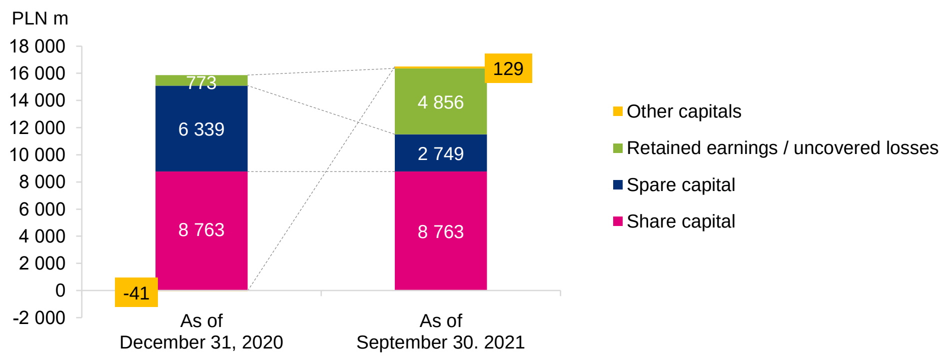


Figure no. 28. Change in the equity attributable to the majority shareholders as of December 31, 2020, and as of September 30, 2021



Similar as in the previous years, the equity continues to be a material source of financing the assets and its share in the balance sheet total stands at 45.1%.

The below figures present the change in the long term and the short term liabilities as of December 31, 2020, and as of September 30, 2021.

Figure no. 29. Change in the long term liabilities as of December 31, 2020, and as of September 30, 2021

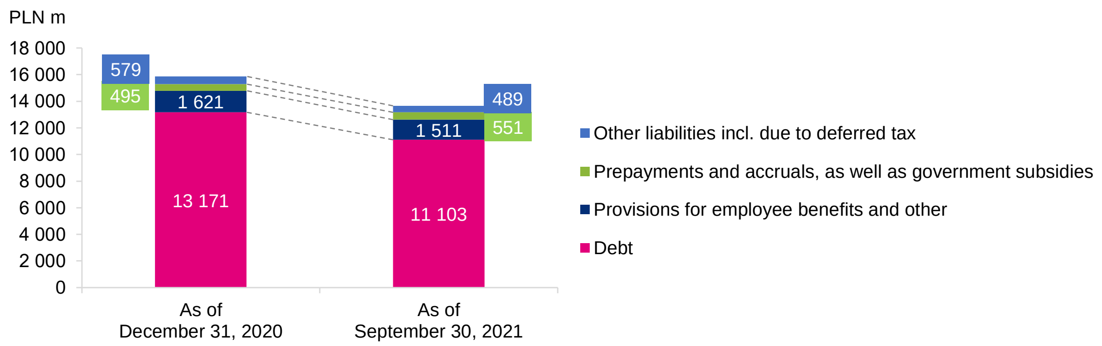
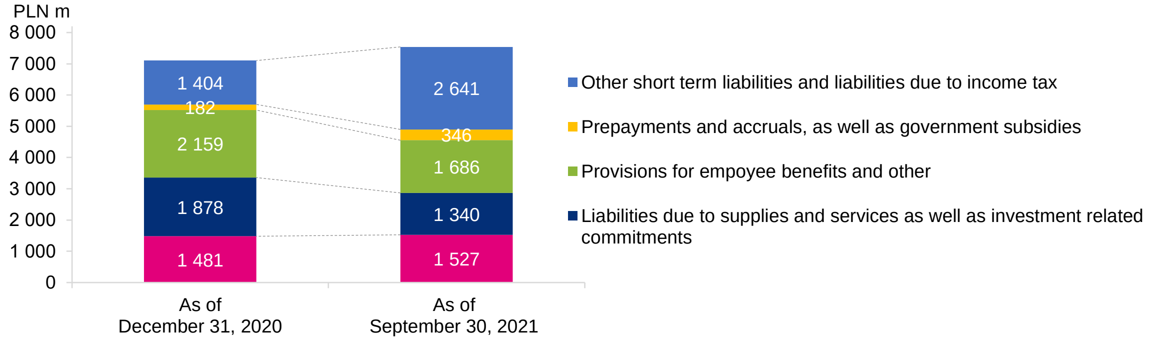


Figure no. 30. Change in the short term liabilities as of December 31, 2020, and as of September 30, 2021



The amount of TAURON Capital Group's long term liabilities was lower by PLN 2 212 million (14%) in the first three quarters of 2021, which was mainly a consequence of the following factors:

1. liabilities due to debt – a decrease by 16%,
2. other financial liabilities – a decline by 5% which is mainly a consequence of the valuation of the derivative instruments, including, to the large extent, the forward instruments related to the transactions for which the CO_2 emission allowances are the underlying product (commodity),
3. liabilities due to the deferred income tax – a decline by 21%,
4. provisions for the employee benefits – a drop by 4% mainly as a consequence of an increase of the discount rate by 0.5 pp,
5. provisions related to the costs of dismantling the fixed assets and land reclamation as well as other costs - a decrease by 10%,
6. prepayments and accruals, as well as the government subsidies – an increase by 11%.

The amount of TAURON Capital Group's short term liabilities went up by PLN 438 million (by 6%), which was primarily a consequence of the following factors:

1. liabilities due to debt – a drop by 3%, which is a result of the reclassifying of a part of the long term liabilities and the repayment that took place in the reported period,
2. accounts payable towards the suppliers – a decrease by 6% and the investment related commitments – a drop by 55%,
3. provisions for the employee benefits – a decrease by 17%, mainly as a result of the increase of the discount rate by 0.5 pp,
4. provisions for the liabilities due to the certificates of origin of electricity related to the CO_2 gas emissions – a drop by 23%, in connection with the using up (consuming) of the provision set up due to the obligation to redeem the property rights related to the origin of energy and the CO_2 emission allowances for 2020 and in part for 2021. In addition, the amount of the described provision was increased in connection with the setting up of a provision for the liabilities related to the CO_2 gas emissions and the certificates of origin of electricity for the first three quarters of 2021,
5. other provisions – a decrease by 17%,
6. prepayments and accruals, as well as the government subsidies – an increase by 91%, primarily a consequence of the increase of the prepayments and accruals due to bonuses,
7. accounts payable due to the income tax – an increase by 2 014%,
8. liabilities due to other taxes and fees - an increase by 4%, which is the result of an increase of the accounts payable due to VAT, along with the simultaneous decline of the accounts payable due to the social security, personal income tax as well as the excise tax,
9. other financial liabilities – an increase by 185% which is mainly the result of the rise of the value of the variation margins due to the settlements (clearing) of the exchange transactions and of the derivative instruments as a consequence of the negative valuation of the derivative instruments, including, to the large extent, the forward instruments related to the transactions for which the CO_2 emission allowances are the underlying product (commodity), and the lower amount of the accounts payable due to the wages as well as the bid (tender) deposits, bonds and securities (collaterals) received,
10. other non-financial liabilities – an increase by 30%, primarily as a consequence of the higher balance of the accounts payable towards the customers due to the overpayments received, and also the advance payments on account of the grid connection fee (charge).

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 2021.

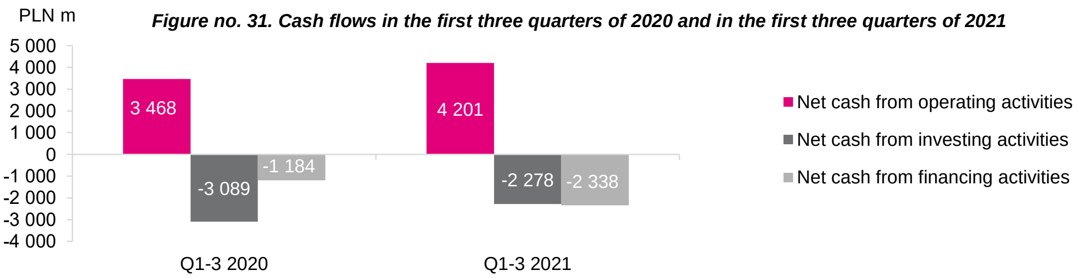
Table no. 22. Interim abbreviated cash flow statement for the first three quarters of 2020 and for the first three quarters of 2021

Cash flow statement (PLN '000)	Period of 9 months ended on September 30, 2020 (adjusted data unaudited data)	Period of 9 months ended on September 30, 2021 (unaudited data)	Change in % (2021 / 2020)
CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax profit	822 268	787 832	96%
Adjustments	2 646 160	3 413 237	129%
Net cash from operating activities	**3 468 428**	**4 201 069**	**121%**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of tangible fixed assets and intangible assets	14 317	25 408	177%
Purchase of tangible fixed assets and intangible assets	(3 034 183)	(2 391 841)	79%
Repayment of loans granted	10 803	2 450	23%
Granting of loans	(85 575)	(654)	1%
Sale of shares and redemption of participation units	0	52 605	-
Other	5 913	33 778	571%
Net cash from investing activities	**(3 088 725)**	**(2 278 254)**	**74%**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt securities	2 360 346	702 772	30%
Redemption of debt securities	(3 100)	0	0%
Repayment of loans/credits	(3 433 646)	(2 843 908)	83%
Interest paid	(38 926)	(165 219)	424%
Other	(68 401)	(31 743)	46%
Net cash from financing activities	**(1 183 727)**	**(2 338 098)**	**198%**
Increase / (decrease) in net cash and equivalents	**(804 024)**	**(415 268)**	**52%**
Cash opening balance	**1 203 601**	**895 377**	**74%**
Cash closing balance	**399 577**	**480 094**	**120%**

The total amount of all of the net flows of cash from operating, investing and financing activities in the first three quarters of 2021 was negative and came in at PLN 415 million.

The below figure presents cash flows in the first three quarters of 2020 and in the first three quarters of 2021.

Figure no. 31. Cash flows in the first three quarters of 2020 and in the first three quarters of 2021



The amount of cash flows from operating activities in the first three quarters of 2021 came in at PLN 4 201 million, which was the result of the following factors:

1. generated EBITDA in the amount of PLN 3 705 million,
2. a positive change of the working capital in the amount of PLN 743 million, which is the result of:
    1) a negative change of the balance of the accounts receivable, mainly from the consumers, in the amount of PLN 129 million,
    2) a negative change of the inventory level, in the amount of PLN 342 million, mainly due to the CO_2 emission allowances held for trade,

3) a positive change of the balance of the accounts payable in the amount of PLN 272 million, mainly as a result of an increase of the accounts payable towards the suppliers, the overpayments received and the advance payments on account of the services provided,
4) a positive change of the other long and short term assets as well as the provisions in the total amount of PLN 833 million,
5) a positive change of the prepayments and accruals as well as the government subsidies in the amount of PLN 110 million,

3. income tax paid in the amount of PLN 300 million, which is, to the large extent, due to the Tax Capital Group (PGK) settlements that include:
   1) income tax paid by the Tax Capital Group (PGK) in the amount of PLN 364 million as the advance payment on account of the income tax for December 2020 and for the first two quarters of 2021,
   2) refund of the income tax overpayment for 2020 in the amount of PLN 104 million,
   3) income tax paid by the companies that are not part of the Tax Capital Group (PGK) for the years 2021 - 2023, mainly TAURON Ciepło.
4. other factors: PLN +52 million.

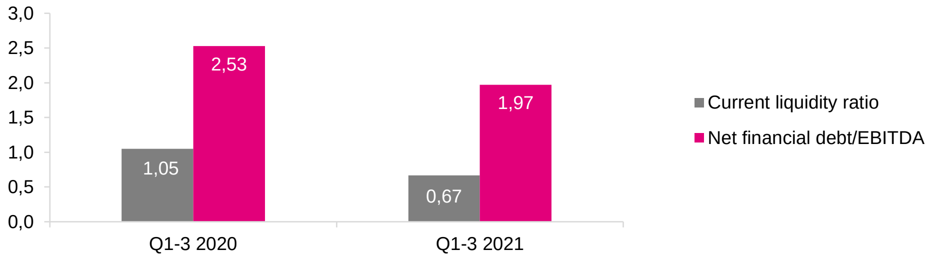
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flows from the investing activities and they were lower in the first three quarters of 2021 by 21% than the outlays incurred in the same period of 2020.

The negative value of the cash flows from the financing activities is primarily due to the amount of the expenditures made in connection with the repayment of the financial obligations being higher than the inflows generated as a result of the financing obtained. The amount of the credits and loans repaid came in at PLN 2 844 million, while at the same time the debt securities in the amount of PLN 703 million were issued. In addition, TAURON Capital Group paid the amount of PLN 165 million due to interest, mainly on the financial obligations, repaid the accounts payable due to leases in the amount of PLN 99 million and received the subsidies in the amount of PLN 87 million in the first three quarters of 2021.

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 2020 and in the first three quarters of 2021.

Figure no. 32. Current liquidity ratio and the net financial debt to EBITDA ratio in the first three quarters of 2020 and in the first three quarters of 2021



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, including the subordinated bonds.

3.5. Position of the Management Board of TAURON Polska Energia S.A. with respect to the 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 2021. 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.

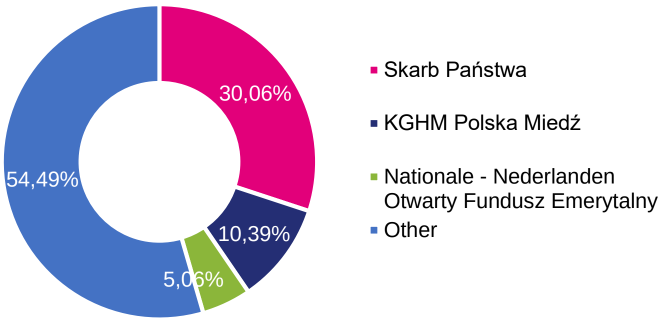
4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

4.1. TAURON Polska Energia S.A. shareholder structure

As of September 30, 2021 and as of the date of drawing up this information 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 which, as of March 1, 2021, were dematerialized under the *Act of August 30, 2019, on amending the Act – Code of Commercial Companies and certain other.*

The below figure presents the shareholding structure as of September 30. 2021, and as of the date of drawing up this information.

Figure no. 33. Shareholding structure as of September 30. 2021, and as of the date of drawing up this information



4.2. 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, 2021, and as of the date of drawing up this information.

Table no. 23. 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, 2021, 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[1]	Percentage share in the total number of votes[1]
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%

[1]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 September 15, 2021, 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 the 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.

The below table presents the Company's shares or rights thereto held by the Members of the Company's Management Board as of the date of disclosing this information.

Table no. 24. Company's shares or rights thereto held by the Members of the Company's Management Board as of the date of disclosing this information

	First name and last name	Date of appointment to the Management Board of the Company	Number of the Company's shares held	Nominal value of the Company's shares held
1.	Artur Michałowski	05.08.2021	0	0
2.	Patryk Demski	05.08.2021	0	0
3.	Krzysztof Surma	05.08.2021	10 000	PLN 50 000
4.	Jerzy Topolski	15.07.2020	0	0

As of the date of disclosing this report 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 September 15, 2021, 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 INFORMATION AND EVENTS

5.1. Material proceedings pending before the court, competent arbitration authority or public administration authority

The below table presents a summary of the material proceedings pending before the court, competent arbitration authority or public administration authority in the first three quarters of 2021.

Table no. 25. Summary of the material proceedings pending before the court, competent arbitration authority or public administration authority in the first three quarters of 2021

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 (Claimant):** Huta Łaziska **Defendants (Respondents):** TAURON (as a legal successor to GZE) and State Treasury represented by the President of the Energy Regulatory Office (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 the Energy Regulatory Office (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 lawsuit in whole and ruled that Huta Łaziska shall refund each Defendant (Respondent) the costs of the proceedings. The ruling is not legally binding. Huta Łaziska filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole.
2. **Authority conducting the audit:** Head of the Mazovian Customs and Tax Office, and after an appeal has been filed – the Director of the Tax Administration Chamber in Katowice and the Director of the Tax Administration Chamber in Warsaw **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 two investigations (audits) are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from Castor Energy sp. z o.o. **Value of the object of litigation (deducted VAT amount):** with respect to the transaction with Castor Energy sp. z o.o.– PLN 52 494 672. **Date of initiating the proceeding**: October 2014, August 2016 **Company's position:** in the Company's opinion during the verification of the counterparty (business partner, contractor), the due diligence was actually adhered to, and the Company acted in good faith, so there are no grounds for refusing the Company the right to deduct the tax assessed on the invoices documenting the electricity purchase from Castor Energy sp. z o.o. On October 7, 2020, the Company received the decision of the Head of the Mazovian Customs and Tax Office, ending 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 resulted in the obligation for the Company to pay additional VAT due to the transaction with Castor Energy sp. z o.o, in the total amount of PLN 51 818 857, along with the interest on the tax arrears. The Company filed an appeal against the decision on October 20, 2020. On January 15, 2021, as part of the second audit proceedings, a decision was issued the Head of the Mazovian Customs and Tax Office in which the Authority stated that the Company had not been eligible to deduct the VAT assessed from the invoice issued by Castor Energia Sp. z o.o. in April 2014, and thus the Company overstated the amount of VAT assessed recognized in the tax statement filing for the second quarter of 2014 by the amount of PLN 677 815.39. On February 12, 2021, the Company filed an appeal against the decision.
3. **Plaintiff (Claimant):** Enea **Defendant (Respondent):** TAURON	**Object of litigation**: a lawsuit for the payment due to the Company's alleged unjust enrichment (benefit) in connection with the settlements related to the imbalance 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. On March 22, 2021, the Regional Court in Katowice dismissed Enea's lawsuit in full and ruled on Enea's obligation to reimburse the Company for the costs of the proceedings. The ruling is not final (legally binding). Enea filed an appeal against the said decision.
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 (Claimant):** Dobiesław Wind Invest sp. z o.o. **Defendant (Respondent):** TAURON	**Object of litigation**: lawsuit for payment of damages and determination of liability for the future. **Value of the object of litigation**: PLN 72 217 997.00 **Initiation of the proceeding**: the lawsuit of June 30, 2017

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff (Claimant), apart from the existing claims, brought new claims: for the payment of PLN 37 471 305.05 or (a potential claim) PLN 35 969 662.07. **Company's position:** the Company considers the claims covered by the lawsuit as being without merit.
5. **Plaintiff (Claimant):** Gorzyca Wind Invest sp. z o.o. **Defendant (Respondent):** 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 97 651 840.00 **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. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 57 933 516.55 or (a potential claim) PLN 62 666 188.65.
6. **Plaintiff (Claimant):** Pękanino Wind Invest sp. z o.o. **Defendant (Respondent):** 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 44 817 060.00 **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. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 16 347 985.20 or (a potential claim) PLN 11 894 096.96.
7. **Plaintiff (Claimant):** Nowy Jarosław Wind Invest sp. z o.o. **Defendant (Respondent):** 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 57 763 340.00 **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. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 30 755 239.47 or (a potential claim) PLN 32 175 239.15.
8. **Co-participation on the plaintiff's side:** Amon sp. o.o. (Amon) and Talia **Defendant (Respondent):** 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 – PLN 78 205 000; Talia – PLN 53 128 000 **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	
9. **Plaintiff (Claimant):** Gorzyca Wind Invest sp. z o.o., Pękanino Wind Invest sp. z o.o., Dobiesław Wind Invest sp. z o.o. **Defendant (Respondent):** 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.
10. **Plaintiff (Claimant):** Dobiesław Wind Invest sp. z o.o. **Defendant (Respondent):** 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.
11. **Plaintiff (Claimant):** Nowy Jarosław Wind Invest sp. z o.o. **Defendant (Respondent):** 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.
12. **Plaintiff (Claimant):** Amon **Defendant (Respondent):** 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:

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	1. determined that PEPKH's statements on the termination of long term agreements, concluded between PKH and Amon, 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 Amon'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.
13. **Plaintiff (Claimant):** Amon **Defendant (Respondent):** 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**: August 20, 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 Regional Court in Gdańsk has reviewed an appeal against the judgment in the lawsuit brought by Amon against PEPKH, referred to in item 12 above. The court's decision is not legally binding (final).
14. **Plaintiff (Claimant):** Talia **Defendant (Respondent):** 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, supplemented by the court on September 8, 2020, in the case in which the Court: 1. determined that PKH's statements on the termination of long term agreements, concluded between PEPKH and 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, and on March 8, 2021, PEPKH filed an appeal against the ruling (the preliminary one and the supplemented one) with the court.

Other proceedings

Petitions 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, on January 8, 2020, TAURON Sprzedaż submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, thus initiating the 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.

In the opinion of TAURON Sprzedaż, the decision to approve the tariff was justified by the legitimate interest of the party and the provisions of the applicable law, stipulating that the tariff should cover the justified costs of the activities conducted by the Company, while the decision approving the tariff, in the opinion of the Company, did not ensure this.

On July 30, 2020, TAURON Sprzedaż filed an appeal to the Court of Competition and Consumer Protection in Warsaw, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020, motioning for the amendment of the challenged decision in its entirety by approving the electricity tariff in accordance with the application of TAURON Sprzedaż or revoking the decision in its entirety and ruling that the decision was issued in the violation of the law.

On December 31, 2020, TAURON Sprzedaż received the information of the filing, by the President of the Energy Regulatory Office (ERO), of a motion to the Court of Competition and Consumer Protection in Warsaw to dismiss the above appeal.

As of the date of drawing up this information, TAURON Sprzedaż is waiting for the date of the hearing to be set.

The lawsuit of Abener Energia S.A. (Abener Energia) 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, petitioning that the claim be dismissed.

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.

As of the date of drawing up this information, the proceedings are pending.

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.

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 reviewed.

On November 20, 2020, the Court of Appeal in Rzeszów issued a decision to suspend the enforcement of the ruling until the cassation appeal is reviewed or the deadline for the filing of the cessation appeal has expired.

On December 21, 2020, EC Stalowa Wola filed a cassation appeal.

The lawsuit of EC Stalowa Wola against Abener Energia

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 188 401 706.86 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 the defects, faults, malfunctions and shortcomings of the works, the deliveries and services performed by Abener Energia during the performance of the above mentioned contract.

As of the date of drawing up this information, the proceedings are pending.

5.2. Transactions with related entities on terms other than at arm's length

All of the transactions with the related entities are concluded at arm's length.

The detailed information on the transactions with the related entities is provided in note 49 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, 2021.*

5.3. Credit or loan sureties (co-signings) granted and guarantees granted

Credit or loan sureties (co-signings) granted

TAURON, as well as its subsidiaries, did not grant any credit or loan sureties in the first three quarters of 2021.

Guarantees granted

In the first three quarters of 2021, a guarantee agreement was concluded by the Company, PGNiG and EC Stalowa Wola, under which the Company granted a corporate guarantee of up to PLN 6 750 000 for the liabilities of EC Stalowa Wola under the contracts for the sale of electricity, the provision of the electricity transmission and distribution services. The guarantee is effective until February 15, 2022.

In addition, TAURON EKOENERGIA granted:

1. a surety (co-signing) for the trade liabilities of the Wind T1 company towards a third party in the amount of PLN 71 445 000, effective until February 2023,
2. a corporate guarantee (bond) for Polpower's trade liabilities towards a third party in the amount of EUR 6 086 000, effective until the end of July 2022.

As of September 30, 2021, the total amount of the sureties (co-signings) and corporate guaranties (bonds) granted by the Company stood at PLN 898 174 000.

The amount of the guaranties (bonds) and sureties granted by TAURON EKOENERGIA for the liabilities of Wind T1 and Polpower as of September 30, 2021, stood at PLN 186 769 000.

In the first three quarters of 2021, as part of the framework (master) agreements in force, the bank guarantees were issued at the instruction of the Company for the liabilities of TAURON Capital Group's subsidiaries and the related companies. As of September 30, 2021, the amount of the bank guarantees in force, issued at the instruction of the Company, stood at PLN 599 803 000.

The detailed information on the sureties and guarantees (bonds) granted is provided in note 48 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, 2021.*

5.4. The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first three quarters of 2021

The time frame from January to September 2021 was a period of the continued COVID-19 pandemic, during which an increase in the number of infection cases was observed, leading to the record breaking levels of the SARS-CoV-2 infection cases, and subsequently a gradual decline took place in the second and the third quarter of 2021. In connection with the above, the numerous restrictions were in force in Poland in order to contain the spread of the pandemic, which initially, as the number of infection cases was going up, were additionally tightened and then, in the subsequent quarters of 2021, were gradually lifted. Such a situation led to the disruptions in the economic and administrative system in Poland and worldwide. As a result, the epidemic continued to curb the economic activity (primarily in the first and the second quarter of 2021), affecting, in particular, the operations of the companies operating in such industries as, among others, tourism, retail stores or transportation. As a consequence, in the medium and long term it should be expected that the COVID-19 epidemic will continue to affect the condition of the national, the European, as well as the global economy, making a negative impact on the economic growth in Poland in the current year, as well as in the subsequent years.

In spite of the restrictions in force, no declines in the volumes in the Distribution and the Supply Segments had been observed in the reported period. As compared to the same period of 2020, there was an increase in the demand for electricity by 8.1% (respectively, 10.6% in the tariff group A; 8.3% in the tariff group B; 5% in the tariff group C2; 5.3% in the tariff group C1 and 6.5% in the tariff group G). The continued, in particular in the first half of 2021, restrictions altered the structure of the consumption broken down into the individual tariff groups, leading to an increase of the consumption by the households (the G tariff groups), among others due to the remote work and education. In the case of the small businesses and institutions (the C1 tariff groups) an increase of the consumption was observed in the first three quarters of 2021, as compared to the same period of 2020, however in the case of this group, the slower pace of the demand growth was a direct consequence of the government's actions that involved applying, in the first half of 2021, the restrictions affecting the commercial (services) premises (space) or the recreational facilities.

The disruptions in the economic activity in Poland brought about financial difficulties for the customers and contractors (counterparties, business partners) of TAURON Capital Group. The situation was mitigated by the regulatory actions taken with respect to the introduction of the successive anti-crisis shields, which were aimed at maintaining liquidity and protecting jobs at the Polish businesses. In the period from January to September 2021, no material changes and permanent trends in the balance of the overdue accounts had been observed. In order to limit the potential credit losses, the extended credit risk management criteria and the intensified monitoring of the accounts receivables as well as the debt collection activities were consistently applied. The macroeconomic environment and the individual industries, including those that experienced the highest increase in bankruptcies in 2021, were also monitored.

In terms of the market environment, elevated volatility of the prices of the commodity related financial instruments was observed at the end of the third quarter of 2021, however, the main causes thereof included mainly an increase of the prices of the CO_2 emission allowances, the media reports related to the further tightening of the EU climate policy targets, as well as the strong surges of the natural gas prices in Europe. With respect to the financial instruments, a continued weakening of the Polish zloty and the low level of the interest rates were observed. The change in the FX rates affects the incurred costs of purchasing the CO_2 emission allowances, as well as the valuation of the Company's debt denominated in the foreign currencies. On the other hand, the changes in the interest rates may affect the costs stemming from the financing agreements concluded based on the floating (variable) interest rate as well as the regulated revenue in the Distribution Line of Business (Segment).

The persistent COVID-19 pandemic in the period from January to September 2021 brought about certain difficulties in the implementation of some of the strategic investment projects carried out by TAURON Capital Group. In the case of the 910 MW power generating unit construction project in Jaworzno the consortium acting as the General Contractor of the unit identified the impact of the pandemic on the contract performance. The detailed information is provided in section 1.7 of this information.

Indirect difficulties were also observed with respect to the implementation of other investment projects, including the RES investment projects, which was caused by, inter alia, the disruptions in the supply of materials and equipment. There were problems with access to the public administration authorities, which resulted in the extension of the duration of the administrative proceedings. In order to minimize the consequences of the disruptions that have occurred, all of the contractors implementing the investment projects have been cooperating, closely and on an ongoing basis, with TAURON Capital Group's subsidiaries responsible for the investment projects that are monitoring the status of the individual projects and reacting adequately to the situation, using the tools available.

The situation related to the COVID-19 pandemic has continued to have an impact upon the operational activities of the individual Lines of Business of TAURON Capital Group due to the heightened employee absenteeism and an increase in the operating costs resulting from the need to meet the epidemiological conditions. In this regard, TAURON Capital Group has continuously been taking a number of preventive measures with respect to the organizational and material (tangible) solutions aimed at providing the protection for the employees of TAURON Capital Group's individual subsidiaries and maintaining the continuity of the operations of the critical infrastructure. The coordination of the efforts associated with ensuring safety related to the risk (threat) of falling ill with COVID-19 is carried out by the dedicated Crisis Teams set up at the level of both the Company as well as that of the individual subsidiaries of TAURON Capital Group.

TAURON Capital Group, being aware of the threats (risks) related to the epidemiological situation, has continued to undertake the active measures aimed at minimizing the impact of the current and the expected economic situation, as well as providing the protection against the extreme events. It should be emphasized that that the situation related to the COVID-19 pandemic is highly volatile and the future effects as well as the scale of the pandemic are, as of the present moment, difficult to precisely estimate. The duration of the pandemic, its severity and scope, the availability, the pace and the widespread use of the vaccination, as well as its impact on the economic growth in Poland in the short, medium and long term will be important.

The Management Board of the Company, being aware of the threats stemming from the COVID-19 pandemic, is monitoring the impact thereof on an ongoing basis and will be taking all possible steps in order to mitigate any negative effects of the pandemic's impact on TAURON Capital Group.

5.5. Other information that could be material for the evaluation of TAURON Capital Group's personnel, assets, financial position, financial result and the changes thereof, as well as the information that could be material for the evaluation of the ability of TAURON Capital Group to meet its obligations

Apart from the events indicated in this information, no other events occurred in the first three quarters of 2021 that were material for the evaluation of the personnel, assets, financial position and the financial result of TAURON Capital Group and the changes thereof, as well as for the evaluation of the ability of TAURON Capital Group to meet its obligations.

Katowice, November 16, 2021

Artur Michałowski - Vice President of the Management Board and acting President of the Management Board

Krzysztof Surma - 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 information is presented below.

Table no. 26. Explanation of abbreviations and acronyms as well as trade terms

	Abbreviation and trade term	Full name / explanation
1.	Abener Energia	Abener Energia S.A. (Joint Stock Company) with its registered office in Campus Palmas Altas (Sevilla).
2.	Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
3.	ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
4.	AVAL-1	AVAL-1 sp. z o. o. (Ltd.) with its registered office in Szczecin.
5.	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.
6.	Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
7.	Cash pool	True real time (online) *cash pool* structure, implemented under the cash management agreement, is based on the daily limits. As a result of the implementation of the *cash pool* mechanism, cash transfers are made between the accounts of the service participants and the Pool Leader's account.
8.	CEEAG	Energy and Environmental Aid Guidelines – the guidelines on the state aid for climate and environment protection as well as energy objectives
9.	Shared Services Centers	Shared Services Centers (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, CUW Insurance, CUW Protection).
10.	CIF	Cost, Insurance, Freight
11.	CIRS	Currency Interest Rate Swap - transaction involving an exchange of the interest payments between the counterparties, accrued on the amounts denominated in various currencies and determined according to various interest rates.
12.	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.
13.	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.
14.	Best Practices 2016	Document entitled *Best Practices of WSE Listed Companies 2016*, adopted by the Supervisory Board of the Warsaw Stock Exchange S.A. on October 13, 2015, effective as of January 1, 2016, replaced by the *Best Practices of WSE Listed Companies 2021*, adopted by the Supervisory Board of the Warsaw Stock Exchange S.A. on March 29, 2021, effective as of July 1, 2021.
15.	Best Practices 2021	Document entitled *Best Practices of WSE Listed Companies 2021*, adopted by the Supervisory Board of the Warsaw Stock Exchange S.A. on March 29, 2021, effective as of July 1, 2021. The document replaced the *Best Practices of WSE Listed Companies 2016* in force before, adopted by the Supervisory Board of the Warsaw Stock Exchange S.A. on October 13, 2015.
16.	EBIT	Earnings Before Interest and Taxes.
17.	EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
18.	EC Stalowa Wola	Elektrociepłownia Stalowa Wola S.A. (Joint Stock Company) with its registered office in Stalowa Wola (Stalowa Wola Combined Heat and Power Plant (CHP)).
19.	EEX (EEX exchange)	European Energy Exchange – the European energy exchange in Leipzig, where the contracts and derivatives for electricity for various European countries are traded, as well as the primary auctions of the CO_2 emission allowances are conducted.
20.	Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
21.	Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
22.	EU ETS	European Union Emission Trading System) – the European system for trading the CO_2 emission allowances.
23.	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*
24.	EUR	Euro – a common European currency introduced in some EU member states

Abbreviation and trade term		Full name / explanation
25.	Finanse Grupa TAURON	Finanse Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
26.	FIZ	Fundusz Inwestycyjny Zamknięty (Closed-end Investment Fund)
27.	FIZAN	Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Closed-end Private Equity Investment Fund)
28.	GPW	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
29.	TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
30.	GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
31.	ICE (ICE exchange)	InterContinental Exchange – the commodity and financial exchange, where, among others, the contracts for oil, coal, natural gas and the CO_2 emission allowances are traded.
32.	IRS	Interest Rate Swap – interest payment swap contract, one of the main derivatives that is traded on the interbank market
33.	KGHM Polska Miedź	KGHM Polska Miedź S.A. (Polish Copper Mining Joint Stock Company) with its registered office in Lubin.
34.	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. 2017/1442 of July 31, 2017
35.	KW Czatkowice	Kopalnia Wapienia (Limestone Mine) ”Czatkowice” sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
36.	LNG	Liquefied Natural Gas.
37.	Łagisza Grupa TAURON	Łagisza Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
38.	Marselwind	Marselwind sp. z o.o. (Ltd.) with its registered office in Katowice.
39.	Mg	Megagram – million gram (1 000 000 g), i.e. ton.
40.	IFRS (MSSF)	International Financial Reporting Standards.
41.	NCBR	National Research and Development Center (Narodowe Centrum Badań i Rozwoju) with its registered office in Warsaw.
42.	Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Jaworzno.
43.	NFOŚiGW	National Fund for Environment Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej).
44.	Line of Business (Segment)	7 areas (segments) of TAURON Capital Group’s core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
45.	OTC (OTC market)	Over The Counter Market – European OTC market.
46.	OW OFFSHORE	OW OFFSHORE S.L. with its registered office in Madrid, Spain – a joint venture in which EDP Renovaveis S.A. with its registered office in Lisbon, Portugal, and ENGIE SA based in Paris, France, each hold 50% of the shares.
47.	OZE (RES)	Renewable Energy Sources (Odnawialne Źródła Energii – OZE)
48.	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 amount of electricity on all business days in March 2020 between 8 and 22.
49.	PEPKH	Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
50.	PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its registered office in Warsaw.
51.	PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
52.	PGE EJ 1	PGE EJ 1 sp. z o.o. (Ltd.) with its registered office in Warsaw.
53.	PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Joint Stock Company) with its registered office in Warsaw.
54.	PKB (GDP)	Gross Domestic Product (Produkt Krajowy Brutto).
55.	PLN	Polish zloty currency symbol – zł (PLN)
56.	PMEF	Property rights related to the energy efficiency certificates
57.	PMOZE	Property rights related to the certificates of origin confirming generation of electricity in RES before March 1, 2009.
58.	PMOZE_A	Property rights related to the certificates of origin confirming generation of electricity in RES after March 1, 2009.

Abbreviation and trade term		Full name / explanation
59.	PMOZE-BIO	Property rights related to the certificates of origin confirming generation of electricity from agricultural biogas from July 1, 2016
60.	Polpower	Polpower sp. z o. o. z siedzibą w Połczyn-Zdrój.
61.	Paris Accord	The first universal and legally binding global climate agreement adopted under the United Nations Framework Convention on Climate Change, signed on April 22, 2016, ratified by the European Union on October 5, 2016.
62.	PSE (TSO)	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna.
63.	Balancing Market (Rynek Bilansujący – RB)	Balancing Market (Rynek Bilansujący) – technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
64.	Day Ahead Market	Day Ahead Market – a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
65.	SARS-CoV-2	Severe Acute Respiratory Syndrome – virus that causes the COVID-19 disease.
66.	SCE Jaworzno III	Spółka Ciepłowniczo Energetyczna Jaworzno III sp. z o.o. (Ltd.) with its registered office in Jaworzno.
67.	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 5 main Segments: Mining, Generation, RES, Distribution and Supply, as well as, additionally, Other Operations.
68.	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.
69.	Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
70.	Company's Articles of Association	Document entitled *Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)*
71.	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.
72.	TAMEH HOLDING	TAMEH HOLDING sp. z o.o. (Ltd.) with its registered office in Dąbrowa Górnicza.
73.	TAMEH POLSKA	TAMEH POLSKA sp. z o.o. (Ltd.) with its registered office in Dąbrowa Górnicza.
74.	TAMEH Czech	TAMEH Czech s.r.o. with its registered office in Ostrava (Czech Republic).
75.	TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
76.	TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
77.	TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
78.	TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
79.	TAURON Dystrybucja Pomiary	TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.) with its registered office in Tarnów.
80.	TAURON EKOENERGIA	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
81.	TAURON Nowe Technologie	TAURON Nowe Technologie S.A. (Joint Stock Company) (formerly: TAURON Dystrybucja Serwis S.A. (Joint Stock Company)) with its registered office in Wrocław.
82.	TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. (Ltd.) with its registered office in Wrocław.
83.	TAURON Serwis	TAURON Serwis sp. z o.o. (Ltd.) with its registered office in Katowice.
84.	TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
85.	TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
86.	TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
87.	TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
88.	TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice
89.	TEC1	TEC1 sp. z o.o. (Ltd.) with its registered office in Katowice.
90.	TEC2	TEC2 sp. z o.o. (Ltd.) with its registered office in Katowice.
91.	TEC3	TEC3 sp. z o.o. (Ltd.) with its registered office in Katowice.
92.	TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.

Abbreviation and trade term		Full name / explanation
93.	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.
94.	USA	United States of America.
95.	USD	United States Dollar – US dollar's international acronym
96.	VaR	Value at Risk – a measure of risk that determines the maximum possible change in the value of the Portfolio with the given probability and within a specified time frame.
97.	WACC	Weighted Average Cost of Capital – the weighted average cost of capital of the company, weighted respectively by the share of debt and equity in the company's capital structure.
98.	Wind T1	Wind T1 sp. z o.o. with its registered office in Jelenia Góra.
99.	Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.
100.	S-P Result	Sales minus Purchase – the amount of the current and future cash flows generated in a given financial year related to the trading activities on the energy and related products markets. The amount is the sum of the first degree margin on the closed position and the first degree margin on the open position based on the fair value valuation (MtM – mark to market value adjustment) taking into account the transaction costs incurred.
101.	ZG	Coal Mine (Zakład Górniczy – ZG) (Janina Coal Mine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

Appendix B: INDEX OF TABLES AND FIGURES

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