



TAURON

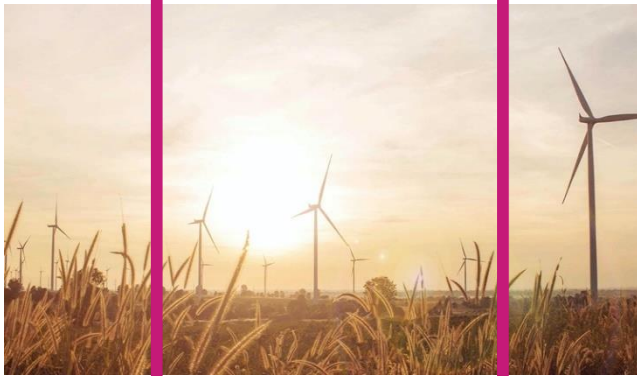
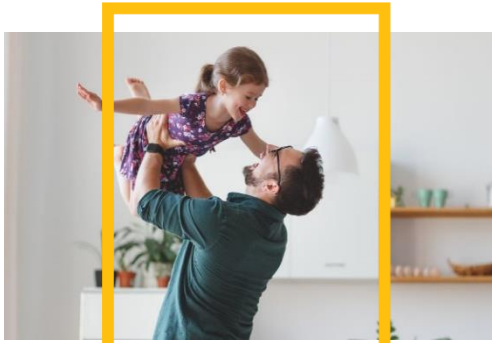


EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A.
Capital Group for Q1 2021

May 2021

TAURON.PL



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 3-month period ended 31 March 2021

TAURON Polska Energia S.A. Capital Group

**Interim condensed consolidated financial statements
in accordance with the International Financial Reporting Standards,
as endorsed by the European Union
for the 3-month period ended 31 March 2021**

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TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Sales revenue	11	6 444 513	5 467 766
Cost of sales	12	(5 001 871)	(4 746 631)
Profit on sale		1 442 642	721 135
Selling and distribution expenses	12	(117 132)	(128 732)
Administrative expenses	12	(149 240)	(157 476)
Other operating income and expenses		16 766	5 165
Share in profit/(loss) of joint ventures	20	19 455	33 959
Operating profit		1 212 491	474 051
Interest expense on debt	13	(91 126)	(72 329)
Finance income and other finance costs	13	(23 985)	(170 314)
Profit before tax		1 097 380	231 408
Income tax expense	14	(246 579)	(69 933)
Net profit		850 801	161 475
Measurement of hedging instruments	30.4	119 019	(90 190)
Foreign exchange differences from translation of foreign entity		4 913	(2 024)
Income tax	14	(22 614)	17 136
Other comprehensive income to be reclassified in the financial result		101 318	(75 078)
Actuarial losses	32.1	5 106	4 915
Income tax	14	(970)	(931)
Share in other comprehensive income of joint ventures	20	79	162
Other comprehensive income not to be reclassified in the financial result		4 215	4 146
Other comprehensive income, net of tax		105 533	(70 932)
Total comprehensive income		956 334	90 543
Net profit:			
Attributable to equity holders of the Parent		839 016	162 066
Attributable to non-controlling interests		11 785	(591)
Total comprehensive income:			
Attributable to equity holders of the Parent		944 535	91 120
Attributable to non-controlling interests		11 799	(577)
Basic and diluted earnings per share (in PLN):		0.48	0.09

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	15	29 675 132	29 504 667
Right-of-use assets	16	1 876 081	1 875 970
Goodwill	17	26 183	26 183
Energy certificates and CO ₂ emission allowances for surrender	18.1	56 227	500 936
Other intangible assets	19	543 381	551 692
Investments in joint ventures	20	610 703	586 559
Loans granted to joint ventures	21	98 713	96 293
Other financial assets	22	315 571	246 246
Other non-financial assets	23.1	84 298	64 093
Deferred tax assets	24	151 462	132 320
		33 437 751	33 584 959
Current assets			
Energy certificates and CO ₂ emission allowances for surrender	18.2	2 146 162	1 039 629
Inventories	25	1 077 399	874 426
Receivables from buyers	26	2 764 204	2 473 416
Income tax receivables	39	104 102	83 655
Receivables arising from other taxes and charges	27	240 736	295 166
Loans granted to joint ventures	21	-	2 420
Other financial assets	22	320 646	266 521
Other non-financial assets	23.2	125 883	80 232
Cash and cash equivalents	28	1 364 466	921 345
Assets classified as held for sale	29	17 899	74 442
		8 161 497	6 111 252
TOTAL ASSETS		41 599 248	39 696 211

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – continued

	Note	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
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	6 338 754	6 338 754
Revaluation reserve from valuation of hedging instruments	30.4	28 502	(67 903)
Foreign exchange differences from translation of foreign entities		31 923	27 010
Retained earnings/(Accumulated losses)	30.5	1 616 140	772 915
		16 778 066	15 833 523
Non-controlling interests	30.6	905 112	893 623
Total equity		17 683 178	16 727 146
Non-current liabilities			
Debt	31	13 137 967	13 171 200
Provisions for employee benefits	32	961 151	951 612
Provisions for disassembly of fixed assets, land restoration and other provisions	33	662 233	669 295
Accruals, deferred income and government grants	36	528 998	494 923
Deferred tax liabilities	24	350 817	433 738
Other financial liabilities	41	73 008	137 563
Other non-financial liabilities		3 516	7 546
		15 717 690	15 865 877
Current liabilities			
Debt	31	1 161 761	1 480 672
Liabilities to suppliers	37	1 627 359	1 020 668
Capital commitments	38	495 466	857 389
Provisions for employee benefits	32	91 366	103 975
Provisions for liabilities due to energy certificates and CO ₂ emission allowances	34	2 258 797	1 750 923
Other provisions	35	284 630	303 739
Accruals, deferred income and government grants	36	262 250	181 528
Income tax liabilities	39	351 194	3 142
Liabilities arising from other taxes and charges	40	438 600	409 787
Other financial liabilities	41	668 229	559 503
Other non-financial liabilities	42	550 993	423 298
Liabilities directly related to assets classified as held for sale	29	7 735	8 564
		8 198 380	7 103 188
Total liabilities		23 916 070	22 969 065
TOTAL EQUITY AND LIABILITIES		41 599 248	39 696 211

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

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

3-MONTH PERIOD ENDED 31 MARCH 2021 (unaudited)

	Equity attributable to the equity holders of the Parent					Total	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)			
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
Transactions with non-controlling shareholders	-	-	-	-	8	8	(310)	(302)
Transactions with shareholders	-	-	-	-	8	8	(310)	(302)
Net profit	-	-	-	-	839 016	839 016	11 785	850 801
Other comprehensive income	-	-	96 405	4 913	4 201	105 519	14	105 533
Total comprehensive income	-	-	96 405	4 913	843 217	944 535	11 799	956 334
As at 31 March 2021 (unaudited)	8 762 747	6 338 754	28 502	31 923	1 616 140	16 778 066	905 112	17 683 178

3-month period ended 31 March 2020 (unaudited)

	Equity attributable to the equity holders of the Parent					Total	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)			
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
Transactions with non-controlling shareholders	-	-	-	-	(871)	(871)	770	(101)
Transactions with shareholders	-	-	-	-	(871)	(871)	770	(101)
Net profit	-	-	-	-	162 066	162 066	(591)	161 475
Other comprehensive income	-	-	(73 054)	(2 024)	4 132	(70 946)	14	(70 932)
Total comprehensive income	-	-	(73 054)	(2 024)	166 198	91 120	(577)	90 543
As at 31 March 2020 (unaudited)	8 762 747	6 801 584	(57 388)	12 497	2 763 035	18 282 475	900 627	19 183 102

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Cash flows from operating activities			
Profit before taxation		1 097 380	231 408
Share in (profit)/loss of joint ventures		(19 455)	(33 959)
Depreciation and amortization		521 375	485 085
Exchange differences		38 011	239 422
Interest and commissions		92 262	72 345
Other adjustments of profit before tax		44 976	34 843
Change in working capital	43.1	86 467	(228 060)
Income tax paid	43.1	(45 101)	(61 326)
Net cash from operating activities		1 815 915	739 758
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	43.2	(967 337)	(1 131 882)
Loans granted		-	(19 300)
Purchase of financial assets		(4 659)	(9 586)
Total payments		(971 996)	(1 160 768)
Proceeds from sale of property, plant and equipment and intangible assets		18 082	3 998
Sale of shares	43.2	53 136	-
Repayment of loans granted		2 450	4 866
Redemption of share units		-	26 747
Other proceeds		883	731
Total proceeds		74 551	36 342
Net cash used in investing activities		(897 445)	(1 124 426)
Cash flows from financing activities			
Redemption of debt securities		-	(3 100)
Repayment of loans and borrowings	43.3	(736 220)	(1 086 265)
Interest paid	43.3	(21 734)	(16 551)
Repayment of lease liabilities		(60 810)	(49 683)
Other payments		(7 418)	(9 176)
Total payments		(826 182)	(1 164 775)
Proceeds from contracted loans and borrowings	43.3	302 772	2 000 000
Subsidies received	43.3	42 103	10 701
Total proceeds		344 875	2 010 701
Net cash from financing activities		(481 307)	845 926
Net increase/(decrease) in cash and cash equivalents		437 163	461 258
Net foreign exchange difference		511	312
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	1 332 540	1 664 859
restricted cash	28	330 158	1 066 586

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

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

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

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

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

The interim condensed consolidated financial statements of the Group cover the 3-month period ended 31 March 2021 and contain comparative data for the 3-month period ended 31 March 2020 and as figures as at 31 December 2020. The data for the 3-month period ended 31 March 2021 and the comparative data for the 3-month period ended 31 March 2020 have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2020 were audited by a certified auditor.

These interim condensed consolidated financial statements for the 3-month period ended 31 March 2021 were approved for publication on 18 May 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.

After the balance sheet date, 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 membership of the Company's Management Board, and thus from the position of the Company's Vice President for Finance, effective as of the end of day on 17 May 2021.

As at the date of approval of these interim condensed consolidated financial statements for publication, the Management Board consists of:

- Paweł Strączyński – President of the Management Board,
- Jerzy Topolski – Vice-President of the Management Board.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for a period the 3-month period ended 31 March 2021
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(in PLN thousand)

2. Composition of TAURON Group and joint ventures

As at 31 March 2021, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

Item	Company name	Registered office	Operating segment	Interest in the share capital by TAURON Polska Energia S.A.	Interest in the decision-making body held by TAURON Polska Energia S.A.
1	TAURON Wydobywanie S.A.	Jaworzno	Mining	100.00%	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno		100.00%	100.00%
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation	86.29%	86.29%
4	TAURON Ciepło Sp. z o.o.	Katowice		100.00%	100.00%
5	TAURON Serwis Sp. z o.o.	Katowice		95.61%	95.61%
6	Łągisza Grupa TAURON Sp. z o.o. ¹	Katowice		100.00%	100.00%
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra		100.00%	100.00%
8	Marselwind Sp. z o.o.	Katowice		100.00%	100.00%
9	TEC1 Sp. z o.o.	Katowice		100.00%	100.00%
10	TEC2 Sp. z o.o.	Katowice		100.00%	100.00%
11	TEC3 Sp. z o.o.	Katowice		100.00%	100.00%
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Renewable Energy Sources	n/a	100.00%
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice		n/a	100.00%
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice		n/a	100.00%
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice		n/a	100.00%
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice		n/a	100.00%
17	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice		n/a	100.00%
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice		n/a	100.00%
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice		n/a	100.00%
20	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice		n/a	100.00%
21	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice		n/a	100.00%
22	WIND T1 Sp. z o.o. ²	Pieńkowo		100.00%	100.00%
23	AVAL-1 Sp. z o.o. ²	Jelenia Góra		100.00%	100.00%
24	TAURON Dystrybucja S.A.	Kraków	Distribution	99.76%	99.76%
25	TAURON Dystrybucja Pomiarów Sp. z o.o. ³	Tarnów		99.76%	99.76%
26	TAURON Sprzedaż Sp. z o.o.	Kraków		100.00%	100.00%
27	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice		100.00%	100.00%
28	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sales	100.00%	100.00%
29	TAURON Nowe Technologie S.A.	Wrocław		100.00%	100.00%
30	TAURON Obsługa Klienta Sp. z o.o.	Wrocław		100.00%	100.00%
31	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzyszowice		100.00%	100.00%
32	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Other	100.00%	100.00%
33	Finanse Grupa TAURON Sp. z o.o.	Katowice		100.00%	100.00%
34	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola		100.00%	100.00%
35	Wsparcie Grupa TAURON Sp. z o.o. ³	Tarnów		99.76%	99.76%

¹ TAURON Polska Energia S.A. holds indirect interest in Łągisza Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Wytwarzanie S.A.

² TAURON Polska Energia S.A. holds indirect interest in WIND T1 Sp. z o.o. and AVAL-1 Sp. z o.o. through its subsidiary, TAURON Ekoenergia Sp. z o.o..

³ TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Pomiarów Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Dystrybucja S.A. TAURON Polska Energia S.A. is a usufructuary of TAURON Dystrybucja Pomiarów Sp. z o.o. shares.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for a period the 3-month period ended 31 March 2021
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(in PLN thousand)

As at 31 March 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		50.00%
2	TAMEH HOLDING Sp. z o.o. ²	Dąbrowa Górnicza		50.00%
3	TAMEH POLSKA Sp. z o.o. ²	Dąbrowa Górnicza	Generation	50.00%
4	TAMEH Czech s.r.o. ²	Ostrawa, Czech Republic		50.00%

¹ TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. through a subsidiary, TAURON Wytwarzanie S.A.

² TAURON Polska Energia S.A. holds 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 the TAURON Group

- Changes in the share of TAURON Polska Energia S.A. in the share 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 in 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 share capital of TAURON Dystrybucja S.A.

During the 3-month period ended 31 March 2021, the share capital of the subsidiary, TAURON Dystrybucja S.A. was reduced due to the statutory redemption of shares acquired by the company from shareholders representing no more than 5% of the share capital. As at 31 March 2021, the share of the Company in the capital and in the governing body was 99.76% (as at 31 December 2020 - 99.75%).

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

As at 31 March 2021, the share of TAURON Polska Energia S.A. in the issued 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 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as endorsed by the European Union ("EU").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read together with the Group's consolidated financial statements prepared in accordance with IFRS for the year ended 31 December 2020.

4. Going concern

The interim condensed consolidated financial statements have been prepared in accordance with the going concern principle regarding the Group companies in the foreseeable future, i.e. in the period not shorter than 1 year from the balance sheet date. As at the date of approving these interim condensed consolidated financial statements no circumstances have been detected that could put the going concern operation of the Group's companies at risk.

The Group identifies and actively manages liquidity risk understood as a possible loss or restriction of its ability to settle current expenses. The Group has retained full ability to pay its liabilities when due. At the balance sheet date, the Group has available financing under financial agreements.

Last year, an pandemic of COVID-19 appeared in the area of the Group's operations, causing disruption to the economic and administrative system in Poland and causing significant changes in the market environment, which may affect the financial situation of the Group and the Company. At the moment, the Management Board has analysed the situation in the context of COVID-19 and, based on the scenarios under consideration, in the area of liquidity, financing and securing the continuation of operations does not identify any risk for the continuation of operations in the foreseeable future, i.e. in the period not shorter than 1 year from the balance sheet date, including the description of the impact of the COVID-19 pandemic on the Group's operations, as further detailed in Note 50 to these interim condensed consolidated financial statements.

5. Functional and presentation currency

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

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

6. Material values based on professional judgement and estimates

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

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

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

Estimates and assumptions

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

- there will be a significant (material) delay in payment;
- the debtor will be put into liquidation or bankruptcy or restructuring;
- the claims will be submitted to administrative enforcement, court proceedings or judicial execution.

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

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

COVID-19 impact on the methodology of estimates and assumptions

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

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

Group has made:

- updating of the expected credit loss model parameters with respect to the terms of appropriate factors and recovery rate,
- includes a forecasting approach (forward-looking rate).

COVID-19 impact on the level of estimates made

The estimates taking into account the uncertainties related to the effect of COVID-19 on the expected credit losses with regard to receivables from buyers was PLN 12 773 thousand. The total expected credit loss as at 31 March 2021 calculated for receivables from customers ((except for receivables claimed in court) was estimated at PLN 53 667 thousand.

The Group assumes that the volume of data available for analysis in future periods will grow and will allow for extending the scope of analysis for expected credit losses for the needs of the next interim condensed consolidated financial statements.

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

Estimates and assumptions

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

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

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

COVID-19 impact on the methodology of estimates and assumptions

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

COVID-19 impact on the level of estimates made

The effect of considering the impact of COVID-19 on the estimation methodology for financial Instruments for which the Group was able to make appropriate calculations, resulted in the growth of expected credit losses on off-balance sheet liability due to the guarantee issued by the bank at request of the Company to a jointly controlled entity, charging the financial result of the Group in the 3-month period ended 31 March 2021 in the total amount of PLN 8 890 thousand.

As at the balance sheet date, in the context of the analyses and the valuation of the loans granted, the Group assessed that it was unable to reliably determine the impact of COVID-19 on the reduction of the carrying amount of the loans granted.

The Group assumes that the volume of data available for analysis in future periods will grow and allow for extending the scope of analysis for expected credit losses for the needs of the next interim condensed consolidated financial statements.

6.2. Other material values based on professional judgement and estimates

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

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Item	Note	Estimates and assumptions
Property, plant and equipment	Note 15	<p>As at the end of each reporting period, the Group estimates whether there are objective indications of impairment of a given item of property, plant and equipment. If such indications occur, the Group is obliged to test the property, plant and equipment for impairment. Impairment tests include estimation of the recoverable amount of an asset or the cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU is the higher of the fair value less cost to sell and the value in use. The value in use of CGUs is estimated based on their future cash flows discounted subsequently to the present value using a discount rate.</p> <p>In the first quarter of the current year, an analysis of the effects of changes in the market situation that could affect the change of long-term market assumptions concerning the energy sector was carried out. After analyzing the observed market and regulatory phenomena, it was concluded that, in the expected perspective, they do not represent significant factors, the impact of which makes it reasonable to change the long-term forecasts, in relation to the information available as at 31 December 2020. For this reason, the results of the latest impairment tests on non-financial non-current assets carried out as at 31 December 2020 are deemed valid.</p> <p>The Group reviews, at least as at the end of every financial year, the economic useful life of property, plant and equipment and any adjustments to the depreciation are effective as of the beginning of the reporting period in which the review was completed.</p>
Right-of-use assets	Note 16	<p>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.</p> <p>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.</p> <p>To determine the leasing period for lease agreements without termination date, the Group makes estimates.</p>
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	<p>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.</p> <p>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.</p> <p>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.</p>
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%.
Derivative instruments	Note 11 Note 44.2	<p>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.</p> <p>Due to the delay in commissioning the power unit in Jaworzno, as at the balance sheet date, the Group has a significant surplus of CO₂ emission allowances contracted to be acquired to be redeemed by the subsidiary in connection with the 2020 issue. In the 3-month period ended 31 March 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 CO₂ emission allowances and decided to roll them over with the conclusion of new contracts with delivery dates in March 2022, 2023, 2024.</p>

Additionally, the Group's material estimates include contingent liabilities recognized, in particular, in relation to legal proceedings to which the Group companies are parties. Contingent liabilities have been presented in detail in Note 47 hereto.

As at 31 March 2021, the Group assessed that in relation to the assets and liabilities of TAURON Ciepło Sp. z o.o. recognized 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. As a consequence, the Group appropriately restated the comparable data in terms of presentation and

measurement of assets and liabilities of TAURON Ciepło Sp. z o.o. as at 31 December 2020, which is described in more detail in Note 8.2 of these interim condensed consolidated financial statements.

7. Standards and amendments to standards which have been published but 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 31 March 2021.

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

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, which are 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 31 March 2021, taking into account the intentions of the Company, tranches with an aggregate nominal value of PLN 600 000 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 line 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 impact the accounting policies applied thus far:

Standard	Effective date specified in the Standard, not endorsed by the EU (annual periods beginning on or after the date provided)
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016*
Revised IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture</i> with subsequent amendments	the effective date has been postponed
Amendments to IFRS 16 <i>Leases: Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to IFRS 3 <i>Business Combinations: Changes to references to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment: Revenues earned before putting into use</i>	1 January 2022
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets: Costs of fulfilling contractual obligations</i>	1 January 2022
<i>Annual Improvements to IFRS (Cycle 2018-2020):</i>	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	1 January 2022
IFRS 9 <i>Financial Instruments</i>	1 January 2022
IAS 41 <i>Agriculture</i>	1 January 2022
Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Estimates</i>	1 January 2023
Amendments to IAS 8 <i>Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	1 January 2023
IFRS 17 <i>Insurance contracts</i>	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 the accounting policies

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 and the changes in accounting policies and presentation applied by the Group, as described below.

8.1. Application of amendments to standards

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

Standard	Effective date in the EU (<i>annual periods beginning on or after the date provided</i>)
Amendments to IFRS 4 <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases: Interest Rate Benchmark Reform</i>	1 January 2021

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

Amendment to the plan for sale of shares in the TAURON Ciepło Sp. z o.o.

As at 31 March 2021, the Group assessed that in relation to the assets and liabilities of TAURON Ciepło Sp. z o.o. the conditions under 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 of finding a buyer is not continued and it is estimated that the sale of shares in TAURON Ciepło Sp. z o.o. will not be completed within one year from the date of recognition of assets and liabilities of TAURON Ciepło Sp. z o.o. as assets classified as held for sale and liabilities related to assets classified as held for sale, respectively, i.e. from 30 June 2020. As part of the project aimed at the market verification of the possibility of selling shares of the subsidiary TAURON Ciepło Sp. z o.o. and the potential continuation of the sales process, the Company conducted negotiations on exclusivity basis with Polskie Górnictwo Naftowe i Gazownictwo S.A. On 29 January 2021, Polskie Górnictwo Naftowe i Gazownictwo S.A. expressed the will not to continue negotiations aimed at acquiring shares in TAURON Ciepło Sp. z o.o. Currently, analyses concerning the Heat Area are carried out in the Company, taking into account the projected changes in the external environment, including regulatory and market developments as well as taking into account prospects of the Polish heating sector, which may affect further decisions regarding the sale of shares in TAURON Ciepło Sp. z o.o. or keeping the Company in the Group.

As at 30 June 2020, the Group assessed that in relation to the assets and liabilities of TAURON Ciepło Sp. z o.o. the conditions under 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 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 valuation of assets and liabilities of TAURON Ciepło Sp. z o.o. as at 31 December 2020 to the fair value, carried out 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 1 342 000 thousand. The Group recognised the assets and liabilities of TAURON Ciepło Sp. z o.o. in the above fair value in the consolidated financial statements for the year ended 31 December 2020, which resulted in recognition of the revaluation write-off to the fair value in the amount of PLN 825 708 thousand charged to the Group's operating expenses.

Pursuant to paragraph 28 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, taking into account 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 a 3-month period ended 31 March 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. 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 is 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 recent impairment tests carried out by the Group as at 31 December 2020. The key assumptions of the tests carried out, in particular in scope of coal, electric and CO₂ emission allowances price path have been described in more detail in Note 11 of consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020. Moreover, the tariff revenue of heating companies was assumed to ensure coverage of reasonable costs and a reasonable return on capital employed. For individual CGUs related to the generation of heat and electricity, the period of operation of the generating units was assumed until 2049. For the CGU related to heat transmission, a detailed forecast over a period of 10 years was adopted, taking into account the residual value.

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The recoverable amount of individual cash-generating units and the carrying amount of these units included in the restated data 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
		31 December 2020	As at 31 December 2020	As at 31 December 2020
CGU ZW Katowice		10.29%	405 290	351 632
CGU ZW BB		9.44%	133 923	133 923
CGU ZW Tychy	TAURON Ciepło Sp. z o.o.	10.03%	328 108	328 108
CGU ZW OCL		11.34%	28 706	28 706
CGU Transmission		7.73%	737 603	684 819
Total			1 633 630	1 527 188

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 Group's retained earnings by PLN 314 881 thousand.

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

	As at 31 December 2020 <i>(approved figures)</i>	Change of presentation and measurement of shares in TAURON Ciepło Sp. z o.o.	As at 31 December 2020 <i>(restated figures)</i>
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

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	As at 31 December 2020 <i>(approved figures)</i>	Change of presentation and measurement of shares in TAURON Ciepło Sp. z o.o.	As at 31 December 2020 <i>(restated figures)</i>
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

9. Seasonality of activities

The Group's operations are seasonal.

Sales of heat depend on atmospheric conditions, in particular air temperature, and are higher in autumn and winter. Sales of electricity to individual customers depend on the length of the day, i.e. it is usually lower in spring and summer and higher in autumn and winter. Sales of coal to individual customers is higher in autumn and winter. The seasonality of other areas of the Group's operations is insignificant.

BUSINESS SEGMENTS

10. Information on operating segments

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

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

The Group applies the same accounting principles (policy) to all operating segments. The Group accounts for transactions between segments as if they were made between unrelated parties, i.e. using current market prices. Revenue from transactions between segments is eliminated in the consolidation process.

After elimination of costs arising from intragroup transactions, general and administrative expenses of the Parent are presented under unallocated expenses. General and administrative expenses of the Parent are incurred for the Group as a whole and are not directly attributable to a specific operating segment.

Segment assets do not include deferred tax, income tax receivables or financial assets, except for receivables from buyers and other financial receivables, assets relating to gain on measurement of commodity derivatives 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 the loss on measurement of commodity derivatives, which represent segment liabilities.

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

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

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

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Operating segments	Core business	Subsidiaries/ Entities recognized with the equity method
Mining		
	<i>Hard coal mining</i>	TAURON Wydobycie S.A.
Generation		
 	<i>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.</i>	TAURON Wytwarzanie S.A. Nowe Jaworzno Grupa TAURON Sp. z o.o. TAURON Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Łągisza 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		
	<i>Generation of electricity using renewable sources</i>	TAURON Ekoenergia Sp. z o.o. Marselwind Sp. z o.o. TEC1 Sp. z o.o. TEC2 Sp. z o.o. TEC3 Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k. WIND T1 Sp. z o.o. AVAL-1 Sp. z o.o. TAURON Wytwarzanie S.A. ²
Distribution		
	<i>Distribution of electricity</i>	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiarowa Sp. z o.o.
Sales		
	<i>Wholesale trading in electricity, trading in CO₂ emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity</i>	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 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 desulphurization installations and fluidized bed combustors (Kopalnia Wapienia Czatkowice Sp. z o.o.). The operations of TAURON Obsługa Klienta Sp. z o.o., Finanse Grupa TAURON Sp. z o.o., Bioeko Grupa TAURON Sp. z o.o., Wsparcie Grupa TAURON Sp. z o.o. and Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. are also treated as other operations of the Group.

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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 were restated accordingly.

10.1. Operating segments

3-month period ended 31 March 2021 or as at 31 March 2021 (not audited)

	Operating segments						Unallocated items / Eliminations	Total continuing operations
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	99 719	1 093 248	31 589	892 296	4 291 456	36 205	-	6 444 513
Inter-segment sales	202 875	1 214 762	124 539	913 460	1 788 735	250 703	(4 495 074)	-
Total Segment revenue	302 594	2 308 010	156 128	1 805 756	6 080 191	286 908	(4 495 074)	6 444 513
Profit/(loss) of the segment	(49 856)	550 849	44 513	445 576	224 483	24 029	(24 166)	1 215 428
Share in profit/(loss) of joint ventures	-	19 455	-	-	-	-	-	19 455
Unallocated expenses	-	-	-	-	-	-	(22 392)	(22 392)
EBIT	(49 856)	570 304	44 513	445 576	224 483	24 029	(46 558)	1 212 491
Net finance income (costs)	-	-	-	-	-	-	(115 111)	(115 111)
Profit/(loss) before income tax	(49 856)	570 304	44 513	445 576	224 483	24 029	(161 669)	1 097 380
Income tax expense	-	-	-	-	-	-	(246 579)	(246 579)
Net profit/(loss) for the period	(49 856)	570 304	44 513	445 576	224 483	24 029	(408 248)	850 801
Assets and liabilities								
Segment assets	1 170 623	10 186 908	2 404 403	20 446 819	5 326 016	813 988	-	40 348 757
Investments in joint ventures	-	610 703	-	-	-	-	-	610 703
Unallocated assets	-	-	-	-	-	-	639 788	639 788
Total assets	1 170 623	10 797 611	2 404 403	20 446 819	5 326 016	813 988	639 788	41 599 248
Segment liabilities	930 310	2 318 175	234 084	2 007 780	2 507 342	520 268	-	8 517 959
Unallocated liabilities	-	-	-	-	-	-	15 398 111	15 398 111
Total liabilities	930 310	2 318 175	234 084	2 007 780	2 507 342	520 268	15 398 111	23 916 070
EBIT	(49 856)	570 304	44 513	445 576	224 483	24 029	(46 558)	1 212 491
Depreciation/amortization	(36 518)	(114 774)	(38 267)	(296 539)	(9 637)	(25 901)	261	(521 375)
Impairment	284	(1 266)	(940)	257	(1)	165	(35)	(1 536)
EBITDA	(13 622)	686 344	83 720	741 858	234 121	49 765	(46 784)	1 735 402
Other segment information								
Capital expenditure *	67 310	58 408	4 686	456 946	15 239	36 359	-	638 948

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

3-month period ended 31 March 2020 (not audited) or as at 31 December 2020 (restated)

	Operating segments						Unallocated items / Eliminations	Total continuing operations
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	66 931	958 928	57 641	858 881	3 496 098	29 287	-	5 467 766
Inter-segment sales	169 493	196 030	141 526	930 144	734 744	233 182	(2 405 119)	-
Total Segment revenue	236 424	1 154 958	199 167	1 789 025	4 230 842	262 469	(2 405 119)	5 467 766
Profit/(loss) of the segment	(83 891)	(46 682)	83 282	400 435	170 771	17 730	(75 363)	466 282
Share in profit/(loss) of joint ventures	-	33 959	-	-	-	-	-	33 959
Unallocated expenses	-	-	-	-	-	-	(26 190)	(26 190)
EBIT	(83 891)	(12 723)	83 282	400 435	170 771	17 730	(101 553)	474 051
Net finance income (costs)	-	-	-	-	-	-	(242 643)	(242 643)
Profit/(loss) before income tax	(83 891)	(12 723)	83 282	400 435	170 771	17 730	(344 196)	231 408
Income tax expense	-	-	-	-	-	-	(69 933)	(69 933)
Net profit/(loss) for the period	(83 891)	(12 723)	83 282	400 435	170 771	17 730	(414 129)	161 475
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	(83 891)	(12 723)	83 282	400 435	170 771	17 730	(101 553)	474 051
Depreciation/amortization	(46 006)	(82 647)	(37 788)	(285 573)	(11 660)	(21 411)	-	(485 085)
Impairment	(1 530)	440	-	2 465	(1)	361	-	1 735
EBITDA	(36 355)	69 484	121 070	683 543	182 432	38 780	(101 553)	957 401
Other segment information								
Capital expenditure *	55 281	361 425	1 171	485 336	11 456	25 173	-	939 842

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

In 2020, work began on the transformation of the hard coal mining industry in Poland. The works are conducted under the leadership of the Secretary of State, Government Plenipotentiary for Transformation of Energy Companies and Coal Mining. In accordance with the arrangements between the representatives of the Government and representatives of TAURON Wydobycie S.A., this company participates in negotiations on the preparation of a social agreement regarding the transformation of the hard coal mining sector and selected transformation processes of the Silesia District ("Social Agreement"). The social contract is to cover, inter alia, timetable for the liquidation of mines belonging to Polish mining companies, a financing mechanism for companies in the hard coal mining sector as well as employment guarantees and package of social protection for mine employees. After the balance sheet date, 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 allows the process of its pre-notification and later notification to the European Commission.

The above events may significantly translate into the shape and financial data of the Mining segment in subsequent reporting periods.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	3-month period ended 31 March 2021	3-month period ended 31 March 2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
Sale of goods for resale, finished goods and materials without elimination of excise	4 428 433	3 697 905
Excise	(28 360)	(29 172)
Sale of goods for resale, finished goods and materials	4 400 073	3 668 733
Electricity	3 330 909	3 133 549
Heat energy	278 987	237 017
Gas	130 143	116 149
Coal	88 524	55 725
CO ₂ emission allowances	458 771	1 403
Energy certificates and similar	52 351	73 228
Other goods for resale, finished goods and materials	60 388	51 662
Rendering of services	2 026 749	1 781 703
Distribution and trade services	1 762 539	1 710 099
Capacity Market	170 123	-
Maintenance of road lighting	29 863	29 688
Connection fees	18 245	19 808
Other services	45 979	22 108
Other revenue	17 691	17 330
Total	6 444 513	5 467 766

In the 3-month period ended 31 March 2021, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following products, goods and services:

- electricity – the increase results from a higher volume of electricity sales at slightly lower electricity prices, mainly due to an increase in the share of electricity sold on the wholesale market;
- heat energy - the increase results from higher sales volume and achieving higher selling prices of heat;
- coal - the increase in revenue from coal sales results from higher volume while simultaneously achieving lower selling prices;
- CO₂ emission allowances - the increase arises mainly from performing transactions resulting from a surplus in the portfolio of CO₂ emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. 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. Consequently, in March 2021 the Group performed the following transactions:

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- restructuring of the aforementioned portfolio of CO₂ emission allowances with respect to the volume of 3 258 000 CO₂ emission allowances 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 CO₂ 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 in 2022-2024, are 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 creation of the provision for CO₂ 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,
- the resale of its CO₂ emission allowances held in the amount of 691 000 EUA with the carrying amount of PLN 76 489 thousand, which also represented a surplus over the redemption needs of the subsidiary for 2020 due to the delay in commissioning of the unit. The revenues gained from this activity amounted to PLN 134 738 thousand.
- Capacity Market - in connection with the launch of the Capacity Market as of 1 January 2021, the Group recognised revenue in the amount of PLN 170 123 thousand. The revenue generated is 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.

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

3-month period ended 31 March 2021 (not audited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	95 120	885 238	30 453	833	3 358 051	30 378	4 400 073
Electricity	-	281 463	288	-	3 044 934	4 224	3 330 909
Heat energy	9	278 978	-	-	-	-	278 987
Gas	-	-	-	-	130 143	-	130 143
Coal	88 524	-	-	-	-	-	88 524
CO ₂ emission allowances	-	303 945	-	-	154 826	-	458 771
Energy certificates and similar	-	19 852	30 009	-	212	2 278	52 351
Other goods for resale, finished goods and materials	6 587	1 000	156	833	27 936	23 876	60 388
Rendering of services	4 296	204 228	1 017	881 917	932 428	2 863	2 026 749
Distribution and trade services	-	81 897	-	830 264	850 378	-	1 762 539
Capacity Market	-	120 940	861	-	48 322	-	170 123
Maintenance of road lighting	-	-	-	4	29 859	-	29 863
Connection fees	-	7	-	18 237	-	1	18 245
Other services	4 296	1 384	156	33 412	3 869	2 862	45 979
Other revenue	303	3 782	119	9 546	977	2 964	17 691
Total	99 719	1 093 248	31 589	892 296	4 291 456	36 205	6 444 513

3-month period ended 31 March 2020 (not audited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	63 302	880 196	57 165	626	2 643 074	24 370	3 668 733
Electricity	-	625 750	1 650	-	2 502 558	3 591	3 133 549
Heat energy	4	237 013	-	-	-	-	237 017
Gas	-	-	-	-	116 149	-	116 149
Coal	55 725	-	-	-	-	-	55 725
CO ₂ emission allowances	-	-	-	-	1 403	-	1 403
Energy certificates and similar	572	16 898	55 515	-	243	-	73 228
Other goods for resale, finished goods and materials	7 001	535	-	626	22 721	20 779	51 662
Rendering of services	3 192	74 620	368	849 583	852 120	1 820	1 781 703
Distribution and trade services	-	70 674	-	819 281	820 144	-	1 710 099
Maintenance of road lighting	-	-	-	-	29 688	-	29 688
Connection fees	-	-	-	19 795	-	13	19 808
Other services	3 192	3 946	368	10 507	2 288	1 807	22 108
Other revenue	437	4 112	108	8 672	904	3 097	17 330
Total	66 931	958 928	57 641	858 881	3 496 098	29 287	5 467 766

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

	3-month period ended 31 March 2021	3-month period ended 31 March 2020
	(unaudited)	(unaudited)
Revenue from sales of electricity	3 330 909	3 133 549
Retail sale	2 299 451	2 304 423
Strategic clients	217 433	272 096
Business clients	1 046 751	1 111 613
Mass clients, <i>including</i> :	1 043 315	929 956
G group	794 020	699 803
Other	20 312	19 930
Excise duty	(28 360)	(29 172)
Wholesale	860 658	693 768
Operational capacity reserve	-	42 635
Other	170 800	92 723

12. Expenses by type

	3-month period ended 31 March 2021	3-month period ended 31 March 2020
	(unaudited)	(unaudited)
Depreciation and amortization	(521 375)	(485 085)
Impairment of non-financial assets	(999)	2 801
Materials and energy	(396 738)	(412 186)
Maintenance and repair services	(44 017)	(39 646)
Distribution services	(381 889)	(415 773)
Other external services	(212 724)	(197 582)
Cost of obligation to remit the CO ₂ emission allowances	(396 143)	(185 629)
Other taxes and charges	(187 992)	(174 771)
Employee benefits expense	(757 341)	(761 970)
Allowance for trade receivables expected credit losses	(105)	(16 497)
Other	(30 549)	(20 198)
Total costs by type	(2 929 872)	(2 706 536)
Change in inventories, prepayments, accruals and deferred income	32 327	73 726
Cost of goods produced for internal purposes	167 722	208 547
Selling and distribution expenses	117 132	128 732
Administrative expenses	149 240	157 476
Cost of goods for resale and materials sold	(2 538 420)	(2 608 576)
Cost of sales	(5 001 871)	(4 746 631)

In the 3-month period ended 31 March 2021 in relation to the comparative period, the main changes in the cost of goods, products, materials and services sold in comparison with the comparable period were related to:

- an increase in the depreciation and amortization, mainly due to the commissioning of the 910 MW unit in Jaworzno at the end of 2020;
- an increase in the cost of the obligation to redeem CO₂ emission allowances, which mainly results from the increase in the price of CO₂ emission allowances included in the calculation of the provision and the increase in emissions due to higher electricity production from conventional sources, including the redemption obligation generated in the current period by the power unit commissioned operation in November 2020;

In the comparative period, the Group's cost of goods for resale and materials sold was debited with the amount of PLN 126 966 thousand as a result of a change in the strategy for securing the redemption needs for CO₂ emission allowances of the Generation area.

13. Finance income and costs

	3-month period ended 31 March 2021	3-month period ended 31 March 2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
Income and costs from financial instruments	(110 997)	(233 016)
Interest costs	(91 126)	(72 329)
Exchange differences	(34 224)	(228 724)
Remeasurement of loans granted	1 979	(10 711)
Gain/loss on derivative instruments	5 278	107 232
Interest income	5 053	9 326
Commission relating to borrowings and debt securities	(5 270)	(1 988)
Other	7 313	(35 822)
Other finance income and costs	(4 114)	(9 627)
Interest on employee benefits	(2 824)	(6 797)
Interest on discount of other provisions	(1 849)	(2 656)
Other finance income	2 243	2 215
Other finance costs	(1 684)	(2 389)
Total, including recognized in the statement of comprehensive income:	(115 111)	(242 643)
Interest expense on debt	(91 126)	(72 329)
Finance income and other finance costs	(23 985)	(170 314)

In the 3-month period ended 31 March 2021 in relation to the comparable period, the main changes in financial income and expenses were as follows:

- an increase in interest expenses by PLN 18 797 thousand, which mainly results from the decrease in the amount of interest capitalised in the value of investment tasks. Interest expenses in amount of PLN 3 462 thousand were capitalised in the 3-month period ended 31 March 2021 and PLN 47 386 thousand in the comparable period. The decrease mainly results from the commissioning of the 910 MW unit in Jaworzno in November 2020. At the same time, interest expense decreased mainly due to changes in the use of financing instruments and changes in interest rates.
- surplus of negative exchange rate differences over positive ones in the amount of 34 224 thousand (in the comparable period PLN 228 724 thousand). The exchange rate differences relate mainly to exchange rate differences related to the Company's obligations in relation to debt in EUR;
- a decrease in other financial income and costs of financial instruments is mainly related to the change in the valuation of the guarantee issued. In the 3-month period ended 31 March 2021, the Group recognised income on this account in the amount of PLN 5 607 thousand, and in the comparative period costs in the amount of PLN 33 898 thousand.

14. Tax expense in the statement of comprehensive income

	3-month period ended 31 March 2021	3-month period ended 31 March 2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	(372 226)	(195 417)
Current income tax expense	(367 234)	(189 349)
Adjustments to current income tax from previous years	(4 992)	(6 068)
Deferred tax	125 647	125 484
Income tax expense in profit/(loss)	(246 579)	(69 933)
Income tax expense relating to other comprehensive income, including:	(23 584)	16 205
reclassified to profit or loss	(22 614)	17 136
not reclassified to profit or loss	(970)	(931)

The higher current income tax burden on the Group's financial result in the 3-month period ended 31 March 2021 is significantly related to the changed composition of the Tax Capital Group for 2021-2023 compared to the previous TCG (in particular, the lack of inclusion in the composition of the current TCG 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, Sales and Distribution segments).

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. Property, plant and equipment

3-month period ended 31 March 2021 (not audited)

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	143 427	29 748 419	25 206 317	258 092	975 255	1 887 395	58 218 905
Direct purchase	-	-	-	196	-	546 262	546 458
Borrowing costs	-	-	-	-	-	4 728	4 728
Transfer of assets under construction	73	369 590	275 851	-	4 554	(650 068)	-
Sale	(415)	(1 012)	(26 707)	-	(1 110)	(7)	(29 251)
Liquidation	(4)	(10 652)	(35 058)	(37 799)	(3 262)	(24)	(86 799)
Received free of charge	-	18 882	55	-	-	-	18 937
Overhaul expenses	-	-	-	-	-	21 385	21 385
Items generated internally	-	-	-	33 463	-	11 828	45 291
Other movements	3	274	6 058	-	25	(705)	5 655
Foreign exchange differences from translation of foreign entity	-	-	8	-	7	-	15
Closing balance	143 084	30 125 501	25 426 524	253 952	975 469	1 820 794	58 745 324
ACCUMULATED DEPRECIATION							
Opening balance	(188)	(13 008 668)	(14 571 267)	(137 889)	(704 299)	(291 927)	(28 714 238)
Depreciation for the period	-	(219 316)	(211 128)	(20 568)	(16 035)	-	(467 047)
Increase of impairment	(2)	(14)	(13 156)	-	(1)	(436)	(13 609)
Decrease of impairment	-	230	163	-	-	12 194	12 587
Sale	-	551	26 118	-	1 074	-	27 743
Liquidation	-	9 331	33 993	37 799	3 260	-	84 383
Other movements	-	(80)	104	-	(24)	-	-
Foreign exchange differences from translation of foreign entity	-	-	(5)	-	(6)	-	(11)
Closing balance	(190)	(13 217 966)	(14 735 178)	(120 658)	(716 031)	(280 169)	(29 070 192)
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	142 894	16 907 535	10 691 346	133 294	259 438	1 540 625	29 675 132
<i>of which operating segments:</i>							
Mining	3 144	312 936	212 781	128 598	3 447	183 627	844 533
Generation	42 526	2 907 220	4 305 654	-	15 161	132 756	7 403 317
Renewable Energy Sources	796	877 604	1 245 094	-	1 099	17 555	2 142 148
Distribution	79 569	12 287 042	4 776 819	-	211 053	1 063 154	18 417 637
Other segments and other operations	16 859	522 733	150 998	4 696	28 678	143 533	867 497

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	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	-	-	-	178	-	760 348	760 526
Borrowing costs	-	-	-	-	-	62 660	62 660
Transfer of assets under construction	678	1 126 008	646 086	-	14 318	(1 787 090)	-
Sale	(239)	(2 645)	(17 413)	-	(1 574)	-	(21 871)
Liquidation	-	(12 001)	(35 996)	(42 457)	(3 355)	-	(93 809)
Received free of charge	637	2 304	-	-	-	-	2 941
Transfers to/from assets held for sale	-	(4 491)	(44)	-	(236)	-	(4 771)
Overhaul expenses	-	-	-	-	-	30 777	30 777
Items generated internally	-	-	-	21 446	-	58 275	79 721
Other movements	73	(2 796)	6 627	-	(2 323)	3 681	5 262
Foreign exchange differences from translation of foreign entity	-	-	(3)	-	(3)	-	(6)
Closing balance	141 703	26 586 885	20 896 555	244 168	964 786	6 905 744	55 739 841
ACCUMULATED DEPRECIATION							
Opening balance	(341)	(10 756 599)	(12 008 192)	(116 238)	(655 060)	(282 910)	(23 819 340)
Depreciation for the period	-	(206 539)	(189 543)	(26 535)	(16 960)	(65)	(439 642)
Increase of impairment	(15)	(12 290)	(10 000)	-	(99)	-	(22 404)
Decrease of impairment	-	2 447	98	-	65	21 749	24 359
Sale	168	2 430	17 102	-	1 520	-	21 220
Liquidation	-	10 177	33 789	42 457	3 354	-	89 777
Transfers to/from assets held for sale	-	2 038	44	-	151	-	2 233
Other movements	-	-	(1 648)	-	1 579	(8 747)	(8 816)
Foreign exchange differences from translation of foreign entity	-	-	1	-	2	-	3
Closing balance	(188)	(10 958 336)	(12 158 349)	(100 316)	(665 448)	(269 973)	(24 152 610)
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	141 515	15 628 549	8 738 206	143 852	299 338	6 635 771	31 587 231
<i>of which operating segments:</i>							
Mining	3 146	386 249	286 509	139 672	6 818	294 922	1 117 316
Generation	42 536	2 106 219	2 393 173	-	25 391	5 303 617	9 870 936
Renewable Energy Sources	765	905 027	1 304 672	-	1 416	1 795	2 213 675
Distribution	78 210	11 732 376	4 634 335	-	244 882	991 606	17 681 409
Other segments and other operations	16 858	498 678	119 517	4 180	20 831	43 831	703 895

In the 3-month period ended 31 March 2021, the Group acquired property, plant and equipment of PLN 551 186 thousand (including capitalized borrowing costs). The major purchases were made in connection with investments in the following operating segments:

Operating segment	3-month period ended 31 March 2021 (unaudited)	3-month period ended 31 March 2020 (unaudited)
Distribution	444 887	470 016
Generation	31 137	296 006
Mining	29 381	30 175

Impairment tests

In view of current developments in the prices of electricity, raw materials and CO₂ emission allowances, and bearing in mind the market situation associated with the COVID-19 pandemic, an analysis of the effects of changes in the market situation in the first quarter of this year was performed.

During the analysed period, quotations of CO₂ emission allowances set the average price at a level of 37.48 EUR/MgCO₂. Compared to last year's average price, prices increased by EUR 12.71 EUR/MgCO₂ under the influence of both fundamental factors and the situation on the financial markets. From the point of view of fundamental factors, the price increases were affected by the delays in the allocation of free allowances and the change in phase of the EU ETS from III to IV. Moreover, the free allocation of Phase IV allowances cannot be used to redeem the obligation arising in Phase III, which had an impact on limiting the possibility to buy units on the secondary market. Weather conditions constituted a significant factor triggering the increase in the demand for allowances which had an impact on the growth in electricity consumption and the decline in production of energy from renewable sources. In addition, the fundamental factors were supported by the increase in activity of hedge funds. The high correlation of CO₂ prices with stock market indices and the ongoing boom on the stock exchanges effectively supported the increases in allowance prices.

The first quarter of this year also saw price increases in the fuel market. Increases in the crude oil market are strongly correlated with the global supply and demand developments, which is the result of the growth in demand associated with the recovery of the global economy after the collapse in 2020 caused by the COVID-19 pandemic. Similar factors also affected the increases in coal and natural gas prices, which translated into increases in electricity prices. Annual BASE

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contracts became more expensive in the first quarter of 2021 by nearly PLN 35/MWh compared to the same period of the previous year. Much higher increases in electricity prices occurred on the SPOT market where, on an annual basis, prices in the first quarter of this year rose by an average of over PLN 86/MWh.

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 31 December 2020.

Therefore, the results of the most recent impairment tests on non-financial non-current assets carried out as at 31 December 2020 were recognised as valid.

The impairment tests carried out as at 31 December 2020, including the key assumptions adopted in the scope of tests are described in Note 11 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020.

The tests carried out as at 31 December 2020 required estimating the value in use of cash generating units, based on their future cash flows discounted subsequently to the present value using a discount rate.

As at 31 December 2020, the Group recognised impairment loss related to non-financial non-current assets as a result of impairment tests of assets carried out as at 31 December 2020.

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

The impairment loss recognised as a result of the tests carried out in 2020 concerns the following entities generating cash flows:

CGU	Company	Discount rate (before tax) assumed in tests as at:			Recoverable amount	Impairment loss recognized
		31 December 2020	30 June 2020 (unaudited)	31 December 2019		
Mining	TAURON Wydobycie S.A.	14.85%	14.99%	14.01%	-	(559 638)
Generation - Coal	TAURON Wytwarzanie S.A. / Nowe Jaworzno Grupa TAURON	9.75%	9.34%	8.60%	5 581 640	(2 604 430)
Generation - Biomass	Sp. z o.o.	8.55%	8.04%	8.60%	28 127	(6 248)
Generation - Photovoltaics		6.98%	-	-	18 419	-
Hydroelectric power	TAURON Ekoenergia Sp. z o.o. / limited partnerships TEC 1	8.03%	8.27%	8.90%	577 185	-
Wind farms		8.40%	8.65%	8.94%	1 882 005	-
Distribution	TAURON Dystrybucja S.A.	6.10%	6.44%	7.02%	22 250 205	-
Total						(3 170 316)

16. Right-of-use assets

3-month period ended 31 March 2021 (not audited)

	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	12 947	4	5 803	986	32	-	-	19 772
Increase(decrease) due to lease changes	2 984	501	1 860	(51)	310	23	-	5 627
Other movements	(672)	(432)	(302)	-	(135)	2 710	329	1 498
Closing balance	563 230	1 162 505	203 884	89 514	7 875	136 002	6 093	2 169 103
ACCUMULATED DEPRECIATION								
Opening balance	(44 735)	(92 485)	(31 781)	(62 305)	(5 507)	(29 423)	-	(266 236)
Depreciation for the period	(6 548)	(8 481)	(4 601)	(5 069)	(694)	(1 550)	-	(26 943)
Increase of impairment	-	(5)	-	-	-	-	-	(5)
Decrease of impairment	-	37	-	-	-	-	-	37
Other movements	(50)	21	27	-	127	-	-	125
Closing balance	(51 333)	(100 913)	(36 355)	(67 374)	(6 074)	(30 973)	-	(293 022)
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	511 897	1 061 592	167 529	22 140	1 801	105 029	6 093	1 876 081

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	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	13 948	3	957	6 284	38	161	-	21 391
Increase/(decrease) due to lease changes	(3 294)	5 283	3 237	(1 352)	28	16	-	3 918
Other movements	21	(2 104)	931	(1 228)	1 057	2 600	320	1 597
Closing balance	486 538	1 079 267	181 549	68 493	7 694	123 921	6 576	1 954 038
ACCUMULATED DEPRECIATION								
Opening balance	(20 176)	(60 097)	(15 341)	(34 713)	(2 210)	(21 097)	-	(153 634)
Depreciation for the period	(5 980)	(8 118)	(3 997)	(4 480)	(734)	(1 442)	-	(24 751)
Increase of impairment	-	(152)	-	-	-	-	-	(152)
Decrease of impairment	-	1 001	-	-	-	-	-	1 001
Other movements	15	44	(71)	1 228	(369)	6	-	853
Closing balance	(26 141)	(67 322)	(19 409)	(37 965)	(3 313)	(22 533)	-	(176 683)
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	460 397	1 011 945	162 140	30 528	4 381	101 388	6 576	1 777 355

17. Goodwill

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

Impairment tests

Based on the analysis of the effects of changes in market conditions in the first quarter of the current year performed by the Group, as further described in Note 15 of these interim condensed consolidated financial statements, the results of the most recent goodwill impairment tests carried out as at 31 December 2020 were recognised as valid.

The test was performed in respect of net assets plus goodwill in the Distribution segment and in respect of other operations. The recoverable amount in each company was determined based on the value in use.

The impairment tests carried out as at 31 December 2020, including the key assumptions adopted in the scope of tests are described in Note 11 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020.

The impairment test performed as at 31 December 2020 did not indicate impairment of the carrying amount of goodwill.

18. Energy certificates and CO₂ emission allowances

18.1. Long-term energy certificates and CO₂ emission allowances

	3-month period ended 31 March 2021 (unaudited)			3-month period ended 31 March 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	11 137	-	11 137	2 549	-	2 549
Reclassification	(233 526)	(222 320)	(455 846)	(289 137)	(112 335)	(401 472)
Closing balance	11 137	45 090	56 227	19 633	49 641	69 274

18.2. Short-term energy certificates and CO₂ emission allowances

	3-month period ended 31 March 2021 (unaudited)			3-month period ended 31 March 2020 (unaudited)		
	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	106 488	672 375	778 863	86 194	-	86 194
Generated internally	50 323	-	50 323	73 306	-	73 306
Surrendered	(102 010)	-	(102 010)	(304 942)	(311 927)	(616 869)
Reclassification	233 526	145 831	379 357	289 137	112 335	401 472
Closing balance	993 968	1 152 194	2 146 162	738 663	490 633	1 229 296

Reclassification of CO₂ emission allowances includes a reclassification from long-term CO₂ emission allowances in the amount of PLN 222 320 thousand and reclassification to inventories of CO₂ emission allowances held by a subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. with a value of PLN 76 489 thousand, in connection with the change of intentions regarding use of these allowances. The Group sold the aforementioned CO₂ emission allowances, representing a surplus of over redemption needs of the subsidiary for 2020 as described in more detail in Note 11 to this interim condensed consolidated financial statements. Revenue on this account amounted to PLN 134 738 thousand.

19. Other intangible assets

3-month period ended 31 March 2021 (not audited)

	Development expenses	Perpetual usufruct right	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST						
Opening balance	12 248	15 605	943 967	203 779	119 997	1 295 596
Direct purchase	-	-	-	-	18 376	18 376
Transfer of intangible assets not made available for use	2 705	-	70 803	353	(73 861)	-
Sale/Liquidation	-	-	(41 834)	(67)	-	(41 901)
Other movements	-	-	-	7	723	730
Foreign exchange differences from translation of foreign entity	-	-	22	-	-	22
Closing balance	14 953	15 605	972 958	204 072	65 235	1 272 823
ACCUMULATED AMORTIZATION						
Opening balance	(6 705)	-	(623 760)	(113 394)	(45)	(743 904)
Amortization for the period	(410)	-	(24 334)	(2 641)	-	(27 385)
Impairment	-	-	-	(1)	-	(1)
Sale/Liquidation	-	-	41 819	51	-	41 870
Foreign exchange differences from translation of foreign entity	-	-	(22)	-	-	(22)
Closing balance	(7 115)	-	(606 297)	(115 985)	(45)	(729 442)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	5 543	15 605	320 207	90 385	119 952	551 692
NET CARRYING AMOUNT AT THE END OF THE PERIOD	7 838	15 605	366 661	88 087	65 190	543 381

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3-month period ended 31 March 2020 (not audited)

	Development expenses	Perpetual usufruct right	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST						
Opening balance	8 946	15 605	822 069	183 967	114 253	1 144 840
Direct purchase	-	-	-	-	26 552	26 552
Transfer of intangible assets not made available for use	400	-	19 180	444	(20 024)	-
Sale/Liquidation	(1 306)	-	(17 936)	(2)	(36)	(19 280)
Other movements	-	-	30	14	1 183	1 227
Foreign exchange differences from translation of foreign entities	-	-	(8)	-	-	(8)
Closing balance	8 040	15 605	823 335	184 423	121 928	1 153 331
ACCUMULATED AMORTIZATION						
Opening balance	(6 250)	-	(562 534)	(97 765)	(30)	(666 579)
Amortization for the period	(204)	-	(17 695)	(2 793)	-	(20 692)
Impairment	-	-	-	(1)	-	(1)
Sale/Liquidation	1 306	-	17 936	2	-	19 244
Foreign exchange differences from translation of foreign entities	-	-	8	-	-	8
Closing balance	(5 148)	-	(562 285)	(100 557)	(30)	(668 020)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	2 696	15 605	259 535	86 202	114 223	478 261
NET CARRYING AMOUNT AT THE END OF THE PERIOD	2 892	15 605	261 050	83 866	121 898	485 311

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

20. Investments in joint ventures

	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 31 March 2021 or for the 3-month period ended 31 March 2021 (unaudited)	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	As at 31 December 2020 or for the 3-month period ended 31 March 2020 (unaudited)
Non-current assets	1 789 886	2 094 537	3 884 423	1 822 021	2 117 521	3 939 542
Current assets, including: cash and cash equivalents	290 076 6 760	824 185 234 121	1 114 261 240 881	166 157 2 242	651 735 158 680	817 892 160 922
Non-current liabilities (-), including: debt	(2 029 268) (1 980 549)	(799 434) (705 358)	(2 828 702) (2 685 907)	(2 028 065) (1 964 830)	(839 590) (743 421)	(2 867 655) (2 708 251)
Current liabilities (-), including: debt	(891 200) (3 805)	(815 966) (180 534)	(1 707 166) (184 339)	(754 866) (5 662)	(675 067) (184 206)	(1 429 933) (189 868)
Total net assets	(840 506)	1 303 322	462 816	(794 753)	1 254 599	459 846
Share in net assets	(420 253)	651 661	231 408	(397 377)	627 300	229 923
Investment in joint ventures	-	610 703	610 703	-	586 559	586 559
Share in revenue of joint ventures	107 908	297 385	405 293	86	247 390	247 476
Share in profit/(loss) of joint ventures	-	19 455	19 455	-	33 959	33 959
Share in other comprehensive income of joint ventures	-	79	79	-	162	162

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

Elektrociepłownia Stalowa Wola S.A.

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

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

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

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

On 25 April 2019, a judgement of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw ("Judgment") was issued in the case brought by Abener Energia S.A. ("Abener") against Elektrociepłownia Stalowa Wola S.A. ("ECSW").

The proceedings before the Court of Arbitration concerned a claim for payment, for establishing the legal relationship and for the obligation to submit a declaration of intent in connection with the terminated contract concluded between Abener (general contractor) and ECSW (contracting authority) for the construction of a CCGT unit in Stalowa Wola. Under the Judgement, ECSW was obligated to pay to Abener the amount of PLN 333 793 thousand together with statutory interest for delay and costs of the arbitration proceedings. On 22 September 2020, the Court of Appeals in Rzeszów, by its judgement, dismissed the complaint of ECSW to repeal the Judgement, and on 20 November 2020, issued a decision to suspend the execution of the Judgement until the conclusion of the cassation proceedings or the expiry of the time limit for filing a cassation appeal. As a result of the dispute, on 21 December 2020, ECSW filed a complaint in cassation. In the 3-month period ended 31 March 2021 there were no significant legal events in the above-mentioned proceedings. To the best knowledge of the Company, Elektrociepłownia Stalowa Wola S.A. has recognised in the recent approved financial statement the provision for the effects of the above Judgement.

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

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

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

TAMEH HOLDING Sp. z o.o. and subsidiaries

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

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

21. Loans granted to joint ventures

	Loan amount	As at 31 March 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
	7 290	2 068	(394)	1 674	1 986	(353)	1 633		
	9 500	2 391	(350)	2 041	2 295	(304)	1 991		
Other loans	5 175	1 430	(192)	1 238	1 372	(165)	1 207	30.06.2033	fixed
	59 175	15 034	(881)	14 153	14 404	(598)	13 806		
	35 000	5 367	(105)	5 262	5 160	(27)	5 133		
Total		100 635	(1 922)	98 713	100 193	(1 480)	98 713		
Non-current		100 635	(1 922)	98 713	97 740	(1 447)	96 293		
Current		-	-	-	2 453	(33)	2 420		

Under the agreement consolidating the borrower's debt of 28 February 2018 for the total amount of PLN 609 951 thousand, all existing liabilities of Elektrociepłownia Stalowa Wola S.A. towards the Company resulting from the loans granted and not repaid by 28 February 2018 were renewed. As at the balance sheet date, the nominal amount of the loan is PLN 310 851 thousand (the capital of PLN 299 100 thousand was repaid on 30 April 2018). The debt in question is subordinated debt, valued as at the balance sheet date at fair value of PLN 74 345 thousand.

On 31 March 2021, Elektrociepłownia Stalowa Wola S.A. repaid in full the capital and interest under the VAT loan agreement.

22. Other financial assets

	As at 31 March 2021 (unaudited)	As at 31 December 2020 (restated figures)
Derivative instruments	276 170	158 846
Shares	125 344	123 549
Receivables due to financial compensation for trading companies	61 357	61 357
Bid bonds, deposits and collateral transferred	59 396	55 969
Deposits and term deposits for Mining Decommissioning Fund	57 074	53 448
Initial deposits arising from stock exchange transactions	50 750	48 663
Variation margin deposits arising from stock exchange transactions	260	-
Other	5 866	10 935
Total	636 217	512 767
Non-current	315 571	246 246
Current	320 646	266 521

As at 31 March 2021, assets on account of positive valuation of derivative instruments refer to commodity derivatives, currency forward as well as IRS and CCIRS instruments. The increase in assets due to valuation of the above derivatives compared to the comparative period mainly relates to forward instruments due to transactions for which CO₂ 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 have been presented in detail in Note 44.2 hereto.

As at 31 March 2021, the shares held by the Group are mainly shares in the following entities:

- SCE Jaworzno III Sp. z o.o. in the amount of PLN 29 476 thousand;
- PEC Tychy Sp. z o.o. in the amount of PLN 23 802 thousand;
- EEC Magenta Sp. z o.o. 2 ASI SKA in the amount of PLN 19 116 thousand;
- Energetyka Cieszyńska Sp. z o.o. in the amount of PLN 12 703 thousand;
- ElectroMobility Poland S.A. in the amount of PLN 11 026 thousand.

Compensation receivables for trading companies in the amount of PLN PLN 61 357 result from the request filed in September 2020 by TAURON Sprzedaż Sp. z o.o. to correct the amount of the price difference and financial compensation for the entire year 2019, resulting from the Act amending the Excise Duty Act and certain other acts and its implementing legislation, being the basis for the compensation due to trading companies, in connection with the need to apply in 2019 gross prices and fee rates not higher than those contained in the tariff or the price list of electricity effective as at 30 June 2018.

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 31 March 2021 and 31 December 2020, the collaterals under the above titles amounted to the total of PLN 43 117 thousand and PLN 36 209 thousand, respectively.

The value of initial deposits is related mainly with forward transactions for CO₂ emission allowances concluded on foreign stock markets.

23. Other non-financial assets

23.1. Other non-current non-financial assets

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Prepayments for assets under construction and intangible assets, <i>including:</i>		
<i>related to the construction of 30 MW capacity wind farm</i>	35 152	15 374
Prepayments for debt charges	28 055	-
Contract acquisition costs and costs of discounts	7 059	7 770
Other prepayments	8 310	7 084
Total	33 777	33 865
	84 298	64 093

23.2. Other current non-financial assets

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Costs settled over time	59 286	71 247
IT, telecom and postal services	19 348	23 844
Property and tort insurance	10 596	25 258
Contract acquisition costs and costs of discounts	13 496	12 911
Prepayments for debt charges	7 465	5 937
Other prepayments	8 381	3 297
Other current non-financial assets	66 597	8 985
Transfers made to the Social Benefit Fund	54 043	-
Advance payments for deliveries	2 665	2 552
Other current assets	9 889	6 433
Total	125 883	80 232

24. Deferred income tax

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	1 576 379	1 578 486
difference between tax base and carrying amount of financial assets	115 151	41 976
different timing of recognition of sales revenue for tax purposes	301 293	326 801
difference between tax base and carrying amount of energy certificates	21 745	21 962
other	77 405	75 423
Deferred tax liabilities	2 091 973	2 044 648
provisions and accruals	849 992	731 185
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	592 117	602 640
power infrastructure received free of charge and received connection fees	6 878	7 073
difference between tax base and carrying amount of financial assets and financial liabilities	447 182	389 143
different timing of recognition of sales revenue and cost of sales for tax purposes	258 939	270 157
tax losses	12 589	8 747
other	32 644	27 150
Deferred tax assets	2 200 341	2 036 095
Impairment of deferred tax assets	(307 723)	(292 865)
Deferred tax assets after impairment	1 892 618	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	151 462	132 320
Deferred tax liability	(350 817)	(433 738)

As at 31 March 2021 and 31 December 2020, the deferred tax assets was set off against deferred tax liability of companies from the Tax Group of Companies ("TGC") due to the fact that the said companies had filed a combined tax return under the agreements Tax Group of Companies.

As at 31 March 2021, the impairment loss on deferred tax assets related to assets and liabilities of the Mining segment company and amounted to PLN 307 723 thousand. The recognition of the above write-down results from the analysis of recoverability of the deferred tax asset of the Tax Capital Group for the years 2021-2023.

25. Inventories

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Gross value		
Coal, of which:	719 403	658 323
<i>Raw materials</i>	366 376	277 509
<i>Semi-finished goods and work-in-progress</i>	343 388	377 689
CO ₂ emission allowances	162 621	18 436
Other inventories	198 125	208 975
Total	1 080 149	885 734
Measurement to fair value		
CO ₂ emission allowances	9 095	-
Measurement to net realisable value		
Coal	(1)	(285)
Other inventories	(11 844)	(11 023)
Total	(2 750)	(11 308)
Fair value		
CO ₂ emission allowances	171 716	-
Net realisable value		
Coal, of which:	719 402	658 038
<i>Raw materials</i>	366 376	277 509
<i>Semi-finished goods and work-in-progress</i>	343 388	377 689
CO ₂ emission allowances	-	18 436
Other inventories	186 281	197 952
Total	1 077 399	874 426

26. Receivables from buyers

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Value of items before allowance/write-down		
Receivables from buyers, of which:	2 793 678	2 511 793
<i>Additional assessment of revenue from sales of electricity and distribution services</i>	889 345	814 235
Receivables claimed at court	222 796	222 128
Total	3 016 474	2 733 921
Allowance/write-down		
Receivables from buyers	(53 667)	(62 570)
Receivables claimed at court	(198 603)	(197 935)
Total	(252 270)	(260 505)
Value of item net of allowance (carrying amount)		
Receivables from buyers	2 740 011	2 449 223
Receivables claimed at court	24 193	24 193
Total, of which:	2 764 204	2 473 416
Current	2 764 204	2 473 416

27. Receivables arising from other taxes and charges

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
VAT receivables	206 711	271 086
Excise duty receivables	23 075	12 467
Other	10 950	11 613
Total	240 736	295 166

28. Cash and cash equivalents

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Cash at bank and in hand	1 363 796	668 285
Short-term deposits (up to 3 months)	-	250 006
Other	670	3 054
Total cash and cash equivalents presented in the statement of financial position, of which :	1 364 466	921 345
restricted cash, including:	330 158	213 405
<i>cash on VAT bank accounts (split payment)</i>	142 243	51 855
<i>collateral of settlements with Izba Rozliczeniowa Gield Towarowych S.A.</i>	135 300	120 981
<i>bank accounts related to subsidies received</i>	52 391	31 899
Bank overdraft	-	(2 261)
Cash pool	(28 572)	(20 864)
Foreign exchange	(3 354)	(2 843)
Total cash and cash equivalents presented in the statement of cash flows	1 332 540	895 377

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

29. Assets classified as held for sale

The decrease in assets classified as held for sale is mainly related to signing of an agreement for the sale of shares in PGE EJ 1 Sp. z o.o. by the Company with the State Treasury on 26 March 2021 (the "Agreement"). The Agreement was signed by all entities holding shares in PGE EJ 1 Sp. z o.o. In addition to the Company, these are: PGE Polska Grupa Energetyczna S.A., Enea S.A. and KGHM Polska Miedz S.A., jointly (the "Shareholders"). The company PGE EJ 1 Sp. z o.o. is responsible for the preparation and implementation of the investment consisting in the construction and operation of the first Polish nuclear power plant.

Pursuant to the Agreement, the Company sold to the State Treasury 532 523 shares of PGE EJ 1 Sp. z o.o. representing 10% of the share capital and representing 10% of votes at the shareholders' meeting of PGE EJ 1 Sp. z o.o. After closing the transaction, the Company does not hold any shares in PGE EJ 1 Sp. z o.o. The selling price for 100% of the shares amounted to PLN 531 362 thousand, of which PLN 53 136 thousand is attributable to the Company. The selling price will be subject to adjustment based on the valuation of PGE EJ 1 Sp. z o.o. updated as of the closing date of the transaction. In the opinion of the Company, any possible adjustment will not have a significant impact on the final sale price. The fair value of the assets sold did not differ from the selling price.

Moreover, the Shareholders concluded with PGE EJ 1 Sp. z o.o. an annex to the agreement of 15 April 2015 in the case of WorleyParsons, regulating the rules governing the liability of Shareholders for potential liabilities or obligations resulting from the settlement of the dispute PGE EJ 1 Sp. z o.o. of WorleyParsons, as further described in note 47 hereto.

30. Equity

30.1. Issued capital

Issued capital as at 31 March 2021 (not audited)

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

Shareholding structure as at 31 March 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 Otworthy 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 31 March 2021, to the best of the Company's knowledge, the value of issued capital, the number of shares and the par value of shares had not changed as compared to 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 Shareholders' Meeting of the Company. This limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company entitling to not less 25% of the total votes in the Company.

30.3. Reserve capital

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Amounts subject to distribution	4 886 520	4 886 520
Amounts from distribution of prior years profits	4 886 520	4 886 520
Non-distributable amounts	1 452 234	1 452 234
Decrease in the value of issued capital	1 217 354	1 217 354
Settlement of mergers with subsidiaries	234 880	234 880
Total reserve capital	6 338 754	6 338 754

30.4. Revaluation reserve from valuation of hedging instruments

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Opening balance	(67 903)	15 666
Remeasurement of hedging instruments	121 801	(91 038)
Remeasurement of hedging instruments charged to profit or loss	(2 782)	848
Deferred income tax	(22 614)	17 136
Closing balance	28 502	(57 388)

The revaluation reserve from valuation of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from debt, which has been discussed in more detail in Note 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 31 March 2021, the Company recognised the amount of PLN 28 502 thousand of revaluation reserve from valuation of hedging instruments. This amount represents the asset arising from the valuation of IRS instruments as at the balance sheet date in the amount of PLN 57 615 thousand and the liability arising from the valuation of IRS instruments as at the balance sheet date in the amount of PLN 31 439 thousand, adjusted by the portion of the valuation relating to debt interest accrued at the balance sheet date, including deferred tax.

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

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

As at 31 March 2021 and as at the date of approving these interim condensed consolidated financial statements for publication no other dividend restriction occurred.

As at 29 March 2021, the Management Board of TAURON Polska Energia S.A. decided to recommend to the Ordinary General Meeting of the Company to cover the Company's net loss for the financial year 2020 from the Company's reserve capital.

30.6. Non-controlling interest

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

30.7. Dividends paid and proposed

In the 3-month period ended 31 March 2021 and in the comparative period, the Company did not propose to pay or pay any dividends to its shareholders.

31. Debt

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Unsubordinated bonds	5 585 338	5 523 842
Subordinated bonds	2 029 104	1 998 367
Loans and borrowings	5 571 667	5 992 133
Lease liabilities	1 113 619	1 137 530
Total	14 299 728	14 651 872
Non-current	13 137 967	13 171 200
Current	1 161 761	1 480 672

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31.1. Bonds issued

Bonds issued as at 31 March 2021 (not audited)

Issuer	Investor	Interest	Currency	Bonds at nominal value in currency	Maturity date	As at balance sheet date			of which maturing within (after the balance sheet date):			
						Total carrying amount	Interest accrued	Principal at amortised cost	up to 1 year	1-2 years	2-5 years	Over 5 years
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	800 000	2021-2028	802 811	3 800	799 011	99 965	99 928	299 631	299 487
				630 000	2021-2029	632 684	2 907	629 777	69 993	69 985	209 929	279 870
	A series bonds (TPE1025)	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 004 186	6 710	997 476	-	-	997 476	-
		Eurobonds	fixed	EUR	5.07.2027	2 358 659	40 937	2 317 722	-	-	-	2 317 722
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168 000	3.12.2029	786 998	9 061	777 937	-	-	-	777 937
Unsubordinated bonds						5 585 338	63 415	5 521 923	169 958	169 913	1 507 036	3 675 016
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031 ²	404 222	4 751	399 471	-	-	399 471	-
	European Investment Bank	fixed ¹	EUR	190 000	16.12.2034 ²	879 654	11 818	867 836	-	-	867 836	-
			PLN	400 000	17.12.2030 ²	397 618	8 699	388 919	-	-	388 919	-
		PLN	350 000	19.12.2030 ²	347 610	7 308	340 302	-	-	340 302	-	
Subordinated bonds						2 029 104	32 576	1 996 528	-	-	1 996 528	-
Total bonds issued						7 614 442	95 991	7 518 451	169 958	169 913	3 503 564	3 675 016

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

² In the case of subordinated bonds, the maturity shall take into account the two financing periods referred to below. The redemption dates presented in the table above are the final contractual redemption dates after two financing periods. The valuation of bonds as at the balance sheet date takes into account the earlier redemption, due to the intention to redeem the bonds after the first financing period. The ageing takes into account the repayment estimate after the first financing period.

Bonds issued as at 31 December 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
	BNP Paribas Bank Polska S.A. ¹	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 000 115	2 760	997 355	-	-	997 355	-
		Eurobonds	fixed	EUR	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	-	-	1 994 409	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 hybrid (subordinated) financing - bonds covered by the European Investment Bank, two periods are distinguished. In the first period the interest rate is fixed, while in the second period the interest rate is variable based on the base rate (EURIBOR/WIBOR) plus a fixed margin.

² In the case of subordinated bonds, the maturity shall take into account the two financing periods referred to below. The redemption dates presented in the table above are the final contractual redemption dates after two financing periods. The valuation of bonds as at the balance sheet date takes into account the earlier redemption, due to the intention to redeem the bonds after the first financing period. The ageing takes into account the repayment estimate after the first financing period.

The Company has issued unsecured coupon bonds priced at the nominal value, except for Eurobonds with the issue price accounting for 99.44% of the nominal value. The eurobonds have been admitted to trading on the London Stock Exchange, 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 will support the implementation of the Group's energy transformation. The bond issue terms and conditions include sustainable development indicators in the form of the CO₂ emission reduction index and the RES power increase index, the level of implementation of which has an impact on the bond margin level.

Subordinated hybrid bonds

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

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-period (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.

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 carry out the issue within a period of two years from signing of the documentation. The financing period is 12 years from the date of issue. In the period of the first seven years following the issue, earlier redemption of the bonds by the Company is not possible and the earlier sale of bonds by BGK to third parties is not possible. The interest rate is variable based on WIBOR 6M increased by a fixed margin, and after the 7-year financing period, the margin is additionally increased. 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 have been issued.

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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Opening balance	7 486 444	6 223 892
Redemption	-	(3 100)
Change in valuation	32 007	244 210
Closing balance	7 518 451	6 465 002

31.2. Loans and loans

Loans and borrowings taken out as at 31 March 2021 *(not audited)*

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within <i>(after the balance sheet date)</i> :					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	4 552 180	4 552 180	629 557	3 742	2 008 292	2 871	1 109 430	798 288
	fixed	1 002 304	1 002 304	19 742	138 943	108 870	108 870	596 770	29 109
Total PLN		5 554 484	5 554 484	649 299	142 685	2 117 162	111 741	1 706 200	827 397
Total			5 554 484	649 299	142 685	2 117 162	111 741	1 706 200	827 397
Interest increasing carrying amount			17 183						
Total			5 571 667						

Loans and borrowings taken out as at 31 December 2020

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within <i>(after the balance sheet date)</i> :					
		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						

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

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Loans/ borrowings	Borrowing institution	Purpose	Interest rate	Maturity date	As at 31 March 2021 (unaudited)	As at 31 December 2020
				14.04.2021 ³	603 849	601 673
				30.04.2021 ³	201 154	200 429
				29.06.2021 ³	1 103 602	1 099 541
				10.09.2021 ³	100 035	100 366
Loans	Consortium of banks I ¹	Redemption of bonds, investment expenditures and general expenses of the Group	Floating	25.01.2021	-	300 100
				28.01.2021	-	600 089
				29.01.2021	-	100 007
				29.04.2021	250 548	-
				26.04.2021	200 044	-
				30.04.2021	150 011	-
Loans	Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	Floating	20.12.2033	1 001 493	998 232
		Construction of a boiler fired with biomass at Jaworzno III Power Plant and renovation of a steam turbine	Fixed	15.12.2021	20 635	20 354
		Construction and start-up of a co-generation unit at EC Bielsko Biala	Fixed	15.12.2021	29 500	29 105
Loans	European Investment Bank	Modernization and extension of power grid	Fixed	15.06.2024	139 429	137 682
			Fixed	15.09.2024	62 641	72 151
			Fixed	15.09.2024	78 520	90 440
		Modernization and extension of power grid and improvement of hydropower plants	Fixed	15.03.2027	174 837	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	249 909	250 832
					249 836	250 758
					249 628	250 526
Loans	SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	Fixed	23.03.2025	498 937	498 860
Loans	Consortium of banks II ²	Group's general corporate expenses, excluding financing of any new coal assets-related projects	floating	10.09.2021 ³	160 008	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	7 000	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					28 733	23 299
Total					5 571 667	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 revolving, and its availability period is the end of 2022. Due to the intention and ability to maintain financing under the said agreement for a period exceeding 12 months from the balance sheet date with respect to credit tranches with a 12-month repayment date, tranches with a total nominal value of PLN 2 000 000 thousand are presented as a long-term liability. As at 31 March 2021, tranches with a total nominal value of PLN 600 000 thousand are presented as a short-term liability.

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

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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Opening balance	5 980 292	7 027 775
Movement in bank overdrafts and cash pool loans received	5 447	39 697
Movement in other loans and borrowings:	(431 255)	912 521
Repaid	(2 336 220)	(3 086 265)
Taken*	1 902 710	3 995 575
Change in valuation	2 255	3 211
Closing balance	5 554 484	7 979 993

* Inclusive of the borrowing costs

In the 3-month period ended 31 March 2021, the Group carried out the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

Lender	Description	3-month period ended 31 March 2021 <i>(unaudited)</i>	
		Drawdown	Repayment
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to credit agreement deadline	1 900 000	(2 300 000)
European Investment Bank	Repayment of capital instalments according to schedule	-	(35 205)
Other borrowings		2 772	(1 015)
Total, including:		1 902 772	(2 336 220)
Cash flows		302 772	(736 220)
Net settlement (without cash flow)		1 600 000	(1 600 000)

After the balance sheet date, under the agreement of 19 June 2019 (Consortium of Banks I), the Company has drawn tranches with an aggregate total nominal value of PLN 1 300 000 thousand and repaid tranches in accordance with the repayment schedule in the aggregate amount of PLN 1 400 000 thousand.

Overdrafts

The Company has available financing under current account overdraft facilities. As at 31 March 2021, the Company had no liabilities on account of overdraft facilities payable (PLN 2 261 thousand as at 31 December 2020).

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/EBITDA ratio (for long-term loans agreements and domestic bond issue schemes) which determines the debt less cash in relation to generated EBITDA. The net debt/EBITDA covenant for banks is calculated on the basis of consolidated data as at 30 June and 31 December while its permissible limit value is 3.5.

As at 31 December 2020 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.51 and therefore the covenant was not exceeded.

31.4. Lease liabilities

As at 31 March 2021, the Company had a lease liability in the amount of PLN 1 113 619 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.

Ageing of the lease liability

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Within 1 year	131 698	125 462
Within 1 to 5 years	328 134	329 963
Within 5 to 10 years	336 943	337 397
Within 10 to 20 years	543 901	577 762
More than 20 years	821 923	861 935
Gross lease liabilities	2 162 599	2 232 519
Discount	(1 048 980)	(1 094 989)
Present value of lease payments	1 113 619	1 137 530
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 113 619	1 137 530

32. Provisions for employee benefits

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Provision for post-employment benefits and jubilee bonuses	1 030 888	1 033 193
Provision for employment termination benefits and other provisions for employee benefits	21 629	22 394
Total	1 052 517	1 055 587
Non-current	961 151	951 612
Current	91 366	103 975

32.1. Provisions for post-employment benefits and jubilee bonuses

3-month period ended 31 March 2021 *(not audited)*

	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	7 310	1 742	8 670	17 722
Actuarial gains and losses	(5 097)	(9)	(4 787)	(9 893)
Benefits paid	(5 115)	(1 074)	(6 769)	(12 958)
Interest expense	1 084	503	1 237	2 824
Closing balance	400 277	173 077	457 534	1 030 888
Non-current	371 602	168 033	413 096	952 731
Current	28 675	5 044	44 438	78 157

3-month period ended 31 March 2020 *(not audited)*

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	378 423	450 154	119 410	449 502	1 397 489
Current service costs	6 906	3 880	1 148	9 742	21 676
Actuarial gains and losses	(5 076)	-	161	(4 449)	(9 364)
Benefits paid	(4 925)	(6)	(1 032)	(7 104)	(13 067)
Interest expense	1 778	2 293	608	2 118	6 797
Other movements	40	-	-	-	40
Closing balance	377 146	456 321	120 295	449 809	1 403 571
Non-current	347 146	441 075	116 262	403 312	1 307 795
Current	30 000	15 246	4 033	46 497	95 776

Valuation of provisions for employment benefits

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

The valuation of provisions for employment benefits as at 31 March 2021 was prepared based on actuarial projections. The assumptions used by the actuary to prepare the forecast for 2021 were the same as those adopted for the valuation of provisions as at 31 December 2020. The key assumptions adopted by the actuary as at 31 December 2020 to calculate the liability amount are as follows:

	31 December 2020
Discount rate (%)	1.20%
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

	3-month period ended 31 March 2021 (unaudited)			3-month period ended 31 March 2020 (unaudited)		
	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	41	1 049	1 090	110	330	440
Reversal	-	(933)	(933)	-	-	-
Utilization	(377)	(545)	(922)	(979)	(503)	(1 482)
Closing balance	14 068	7 561	21 629	20 163	13 204	33 367
Non-current	8 420	-	8 420	11 478	5 838	17 316
Current	5 648	7 561	13 209	8 685	7 366	16 051

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

	3-month period ended 31 March 2021 (unaudited)			3-month period ended 31 March 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	1 124	622	1 746	1 606	1 016	2 622
Recognition/(reversal), net	20	(315)	(295)	66	(116)	(50)
Utilisation	-	(377)	(377)	-	(954)	(954)
Other changes	-	-	-	-	240	240
Closing balance	375 958	208 174	584 132	307 557	194 268	501 825
Non-current	375 958	196 449	572 407	307 163	165 211	472 374
Current	-	11 725	11 725	394	29 057	29 451
Other provisions, long-term portion			89 826			184 047
Total			662 233			656 421

33.1. Provision for mine decommissioning costs

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

As at 31 March 2021, the balance of the provision amounted to PLN 375 958 thousand, and the change is primarily related to the reversal of the discount amounting to PLN 1 124 thousand.

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

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

- provision for ash pile reclamation costs, which totalled PLN 20 185 thousand as at 31 March 2021 (versus PLN 20 089 thousand as at 31 December 2020);
- provision for windfarm dismantling costs, which totalled PLN 158 924 thousand as at 31 March 2021 (versus PLN 158 448 thousand as at 31 December 2020);
- provision for costs of liquidation of fixed assets related mainly to the decommissioning of the chimney in Elektrownia Jaworzno, the unit in Elektrownia Łagisza, the cooling tower in Elektrownia Siersza and preparation for the decommissioning of 120 MW class units, the balance of which amounted to PLN 29 065 thousand as at 31 March 2021 (PLN 29 707 thousand as at 31 December 2020).

34. Provisions for liabilities due to CO₂ emission and energy certificates

	3-month period ended 31 March 2021 (unaudited)			3-month period ended 31 March 2020 (unaudited)		
	Provisions for liabilities due to CO ₂ emission allowances	Provision for obligation to submit energy certificates	Provisions total	Provisions for liabilities due to CO ₂ emission allowances	Provision for obligation to submit energy certificates	Provisions total
Opening balance	981 549	769 374	1 750 923	772 299	605 934	1 378 233
Recognition	396 143	213 903	610 046	185 629	209 295	394 924
Reversal	-	(162)	(162)	-	(2 716)	(2 716)
Utilisation	-	(102 010)	(102 010)	(311 927)	(304 942)	(616 869)
Closing balance	1 377 692	881 105	2 258 797	646 001	507 571	1 153 572

The increase in the cost of creating a provision for CO₂ emission liabilities in the 3-month period ended 31 March 2021 as compared to the comparable period is described in Note 12 to these interim condensed consolidated financial statements.

35. Other provisions

	3-month period ended 31 March 2021 (unaudited)				3-month period ended 31 March 2020 (unaudited)			
	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other provisions	Provisions total	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other provisions	Provisions, total
Opening balance	76 679	84 691	228 606	389 976	88 070	241 796	397 050	726 916
Unwinding of discount	-	24	21	45	-	14	20	34
Recognition/(reversal), net	(528)	-	(6 047)	(6 575)	(2 096)	(112)	(8 032)	(10 240)
Utilisation	(2 100)	(14 215)	(4 400)	(20 715)	(122)	(48 441)	(1 339)	(49 902)
Other movements	-	-	-	-	-	-	(12 872)	(12 872)
Closing balance	74 051	70 500	218 180	362 731	85 852	193 257	374 827	653 936
Non-current	-	21 314	68 512	89 826	-	39 940	144 107	184 047
Current	74 051	49 186	149 668	272 905	85 852	153 317	230 720	469 889
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				11 725				29 451
Total				284 630				499 340

35.1. Provision for use of real estate without contract

The Group companies recognize provisions for all claims filed by owners of the real estate on which distribution systems and generation assets are located. As at 31 March 2021, this provision amounted to PLN 74 051 thousand and was related to the segments:

- Generation - PLN 34 828 thousand;
- Distribution - PLN 33 748 thousand;
- Renewable Energy Sources - PLN 5 475 thousand.

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

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 in the amount of PLN 76 394 thousand. These provisions related primarily to individual customers who have used the Company's product price lists ("GD price lists"). The need to create the above provisions resulted from the increase in wholesale electricity purchase prices in 2018 and the maintenance of fixed sales prices in part of the contracts with GD price lists. Provisions were created for contracts covered by GD price lists for a 3-year period, still in force in 2021. In the 3-month period ended 31 March 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 13 133 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 full variable costs of the business in this area.

Other provisions for onerous contracts

As at 31 March 2021, a provision was created for onerous contracts in the amount of PLN 7 239 thousand in connection with the partial acceptance by the Court of Appeal in Warsaw of the request for security by ordering the subsidiary Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. to execute in full the provisions of the contracts under the existing terms and conditions, in accordance with their contents, until the legal conclusion of the proceedings in the action brought by Pękanino Wind Invest Sp. z o.o. against Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. as further described in Note 47 hereto.

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

Material provisions recognised within other provisions have been discussed below:

Operating segment	Description	Status as at 31 March 2021 (unaudited)	Status 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 3-month period ended 31 March 2021, the company of the Distribution segment used the provision in the amount of PLN 2 333 thousand.	56 720	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 Source	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

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(in PLN thousand)

Operating segment	Description	Status as at 31 March 2021 (<i>unaudited</i>)	Status as at 31 December 2020
Generation	Provision for ongoing tax proceedings in the scope of real estate tax. In the 3-month period ended 31 March 2021, the Company of the Generation segment created a provision on this account in the total amount of PLN 4 218 thousand, including mainly for proceedings related to Jaworzno II and III railway infrastructure in the amount of PLN 3 647 thousand.	4 365	147

36. Accruals, deferred income and government grants

36.1. Deferred income and government grants

	As at 31 March 2021 (<i>unaudited</i>)	As at 31 December 2020 (<i>restated figures</i>)
Deferred income	48 924	44 923
Donations, subsidies received for the purchase or fixed assets received free-of-charge	38 761	39 905
Other	10 163	5 018
Government grants	514 261	478 736
Subsidies obtained from EU funds	431 045	393 686
Forgiven loans from environmental funds	27 745	28 747
Measurement of preferential loans	30 576	31 102
Other	24 895	25 201
Total	563 185	523 659
Non-current	527 512	493 916
Current	35 673	29 743

36.2. Accrued expenses

	As at 31 March 2021 (<i>unaudited</i>)	As at 31 December 2020 (<i>restated figures</i>)
Bonuses	105 366	62 456
Unused holidays	74 283	50 227
Environmental protection charges	14 027	21 953
Other accrued expenses	34 387	18 156
Total	228 063	152 792
Non-current	1 486	1 007
Current	226 577	151 785

37. Liabilities to suppliers

Current liabilities to suppliers as at 31 March 2021 and as at 31 December 2020 are presented in the table below:

Operating segment	As at 31 March 2021 (<i>unaudited</i>)	As at 31 December 2020 (<i>restated figures</i>)
Mining	123 758	138 064
Generation	164 888	162 219
Renevable Energy Sources	8 222	13 288
Distribution, <i>including:</i>	417 269	242 050
<i>liability to Polskie Sieci Elektroenergetyczne S.A.</i>	368 874	182 555
Sales	842 744	372 207
Other	70 478	92 840
Total	1 627 359	1 020 668

The increase in liabilities to suppliers in the Sales segment results mainly from the increase in liabilities of the parent company due to the acquisition of CO₂ emission allowances from counterparties on the OTC market in the amount of PLN 565 969 thousand.

38. Capital commitments

Short-term capital commitments as at 31 March 2021 and as at 31 December 2020 are presented in the table below:

Operating segment	As at 31 March 2021 (unaudited)	As at 31 December 2020 (restated figures)
Mining	35 288	101 901
Generation	225 003	372 363
Renewable Energy Sources	3 087	4 283
Distribution	174 594	253 711
Sales and Other	57 494	125 131
Total	495 466	857 389

Long-term capital commitments were presented in the interim condensed consolidated statement of financial position with other financial liabilities. As at 31 March 2021, the liability amounted to PLN 23 031 thousand (as at 31 December 2020 – PLN 22 983 thousand).

Commitments to incur capital expenditure

As at 31 March 2021 and 31 December 2020, the Group committed to incur expenditure on property, plant and equipment and intangible assets of PLN 3 147 216 thousand and PLN 3 308 941 thousand, respectively, with the key items presented in the table below:

Operating segment	Agreement/investment project	As at 31 March 2021 (unaudited)	As at 31 December 2020 (restated figures)
Distribution	Construction of new electrical connections	1 380 467	1 425 541
	Modernization and reconstruction of existing networks	690 593	708 659
Generation	Construction of 910 MW Power Unit in Jaworzno	231 697	232 160
Renewable Energy Sources	Construction of 30 MW capacity wind farm	175 131	201 665
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	126 227	126 202
Other	Construction of a broadband Internet network under the Operational Programme Digital Poland	132 178	153 896

39. Income tax settlements

Income tax receivables and income tax liabilities mainly relate to the Tax Capital Group. At 31 March 2021, the Tax Capital Group has both a receivable and a liability due to income tax.

Income tax receivables of the Tax Capital Group for the year ended 31 December 2020 in the amount of PLN 103 530 thousand represents a surplus of advance payments paid in the amount of PLN 313 464 thousand over the tax burden of the TCG in the amount of PLN 209 934 thousand.

Income tax liability of the Tax Capital Group in the amount of PLN 334 012 thousand relates to the 3-month period ended 31 March 2021.

The Agreement of Tax Group of Companies for 2018-2020 was registered on 14 December 2020. The main companies forming the Tax Group of Companies have been operating 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., TEC2 Sp. z o.o., TEC3 Sp. z o.o. i Kopalnia Wapienia Czatkowice Sp. z o.o.

40. Liabilities arising from other taxes and charges

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
VAT	210 587	97 060
Social security	171 591	230 034
Personal Income Tax	35 786	61 320
Excise	13 605	12 798
Other	7 031	8 575
Total	438 600	409 787

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

41. Other financial liabilities

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Derivative instruments	229 330	175 584
Margin deposits arising from stock exchange transactions	227 587	73 221
Wages, salaries	122 112	232 274
Bid bonds, deposits and collateral received	62 256	86 289
Other	99 952	129 698
Total	741 237	697 066
Non-current	73 008	137 563
Current	668 229	559 503

As at 31 March 2021, the liability on account of negative valuation of derivatives refers to commodity derivatives (including a significant part of forwards on account of transactions for which the underlying commodity are CO₂ emission allowances) and IRS and CCIRS instruments. Derivatives have been presented in detail in Note 44.2 to these interim condensed consolidated financial statements.

The value of variation margins is related mostly to futures transactions in CO₂ emissions allowances concluded on foreign regulated markets. The change in the value of margins compared to the comparable period 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. The margin 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 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
Payments from customers relating to future periods	473 931	418 565
Amounts overpaid by customers	352 228	336 608
Prepayments for connection fees	61 075	43 964
Other	60 628	37 993
Other current non-financial liabilities	77 062	4 733
Net liabilities of the Company's Social Benefits Fund	71 441	-
Other	5 621	4 733
Total	550 993	423 298

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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Change in receivables	(299 024)	(134 698)
Change in receivables from buyers in statement of financial position	(290 788)	(247 608)
Change in other financial receivables	(705)	113 528
Adjustment due to change in receivables due to disposal of property, plant and equipment and financial assets	(7 991)	(1 241)
Other adjustments	460	623
Change in inventories	(211 333)	318
Change in inventories in statement of financial position	(202 973)	1 774
Adjustment related to transfer of inventories to/from property, plant and equipment	(8 360)	(1 456)
Change in payables excluding loans and borrowings	700 055	(404 929)
Change in liabilities to suppliers in statement of financial position	606 691	(86 990)
Change in payroll, social security and other financial liabilities	(9 622)	(141 290)
Change in non-financial liabilities in statement of financial position	123 665	113 117
Change in liabilities arising from taxes excluding income tax	28 813	(200 345)
Adjustment of VAT change related to capital commitments	(61 051)	(63 054)
Adjustment of other financial liabilities for guarantee valuation	5 607	(33 898)
Other adjustments	5 952	7 531
Change in other non-current and current assets	(650 961)	545 240
Change in other current and non-current non-financial assets in statement of financial position	(65 856)	(131 089)
Change in receivables arising from taxes excluding income tax	54 430	220 181
Change in non-current and current CO ₂ emission allowances	(595 886)	311 927
Change in non-current and current energy certificates	(65 938)	142 893
Change in advance payments for property, plant and equipment and intangible assets	19 807	(1 348)
Other adjustments	2 482	2 676
Change in deferred income, government grants and accruals	53 426	42 723
Change in deferred income, government grants and accruals in statement of financial position	114 797	57 052
Adjustment related to property, plant and equipment and intangible assets received free of charge	(18 944)	(2 962)
Adjustment related to subsidies received and refunded	(42 071)	(10 412)
Other adjustments	(356)	(955)
Change in provisions	494 304	(276 714)
Change of short term and long term provisions in statement of financial position	478 633	(290 743)
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	5 106	4 915
Adjustment related to provisions recognized in correspondence with property, plant and equipment	10 536	9 275
Other adjustments	29	(161)
Total	86 467	(228 060)

Income tax paid

In the 3-month period ended 31 March 2021, income tax paid amounted to PLN 45 101 thousand, of which the Tax Capital Group paid income tax in the amount of PLN 26 164 thousand on account of advance income tax for the month of December 2020. 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 the comparable 3-month period ended 31 March 2020, income tax paid amounted to PLN 61 326 thousand. The Tax Capital Group paid income tax in the amount of PLN 52 214 thousand, which results mainly from the payment of advance income tax contributions for 2020 in the amount of PLN 52 123 thousand.

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

43.2. Cash flows from investment activities

Purchase of tangible fixed assets and intangible assets

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Purchase of property, plant and equipment	(557 696)	(770 918)
Purchase of intangible assets	(18 376)	(26 552)
Change in the balance of capital commitments (VAT-adjusted)	(302 018)	(229 972)
Change in the balance of advance payments	(21 276)	1 348
Costs of overhaul and internal manufacturing	(66 954)	(110 498)
Other	(1 017)	4 710
Total	(967 337)	(1 131 882)

Expenditure incurred on the purchase of fixed assets and intangible assets by operating segments:

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Distribution Segment	(518 195)	(480 683)
Generation Segment	(194 752)	(488 587)
Mining Segment	(120 074)	(76 711)
Renewable Energy Sources Segment	(34 562)	(2 509)
Sales Segment	(20 030)	(9 748)
Other activity	(79 724)	(73 644)
Total	(967 337)	(1 131 882)

Sale of shares

Proceeds from the sale of shares in the amount of PLN 53 136 thousand refer to the sale of shares in PGE EJ1 Sp. z o.o., which is described in more detail in Note 29 to these interim condensed consolidated financial statements.

43.3. Cash flows from financial activities

Repayment of loans/borrowings

Expenditure on repayment of borrowings and loans disclosed in the consolidated statement of cash flows in the amount of PLN 736 220 thousand is mainly attributable to repayment by the parent company in the 3-month period ended 31 March 2021 of:

- tranches of loans to the Consortium of banks I in the amount of PLN 700 000 thousand;
- loan instalments to the European Investment Bank in the amount of PLN 35 205 thousand.

Interest paid

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Interest paid in relation to debt securities	-	(45)
Interest paid in relation to loans and borrowings	(18 442)	(13 723)
Interest paid in relation to the finance lease	(3 292)	(2 783)
Total	(21 734)	(16 551)

In the consolidated statements of cash flows, 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 3-month period ended 31 March 2021, interest representing external financing costs subject to capitalisation in the value of property, plant and equipment and intangible assets amounted to PLN 910 thousand.

Loans drawn

Proceeds from loans and borrowings drawn in the amount of PLN 302 772 thousand, as described in more detail in Note 31.2 of these interim condensed consolidated financial statements were related to the drawdown of tranches of the loan under an agreement concluded with the Consortium of banks I in the amount of PLN 300 000 thousand.

Subsidies received

Subsidies received in the amount of PLN 42 103 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 32 711 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 31 March 2021 (unaudited)		As at 31 December 2020 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	2 950 551		2 662 298	
Receivables from buyers	2 764 204	2 764 204	2 473 416	2 473 416
Deposits	57 074	57 074	53 448	53 448
Loans granted	24 368	24 368	26 190	26 190
Other financial receivables	104 905	104 905	109 244	109 244
2 Financial assets measured at fair value through profit or loss (FVTPL)	1 855 434		1 397 079	
Derivative instruments	218 555	218 555	158 846	158 846
Shares	125 344	125 344	123 549	123 549
Shares classified as fixed assets held for sale	-	-	53 136	53 136
Loans granted	74 345	74 345	72 523	72 523
Other financial receivables	72 724	72 724	67 680	67 680
Cash and cash equivalents	1 364 466	1 364 466	921 345	921 345
3 Derivative hedging instruments	57 615	57 615	-	-
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	610 703		586 559	
Investments in joint ventures	610 703		586 559	
Total financial assets, of which in the statement of financial position:	5 474 303		4 645 936	
Non-current assets	1 024 987		929 098	
Investments in joint ventures	610 703		586 559	
Loans granted to joint ventures	98 713		96 293	
Other financial assets	315 571		246 246	
Current assets	4 449 316		3 716 838	
Receivables from buyers	2 764 204		2 473 416	
Loans granted to joint ventures	-		2 420	
Other financial assets	320 646		266 521	
Cash and cash equivalents	1 364 466		921 345	
Assets classified as held for sale	-		53 136	

Based on the analysis performed, the collaterals transferred whose value as at 31 March 2021 amounted to PLN 72 724 thousand, were classified as other financial receivables measured at a fair value through profit or loss due to the fact that this classification provides the best reflection of the nature of these financial assets. The remaining other financial receivables are classified as measured at amortised cost.

The Group classifies the loan granted to Elektrociepłownia Stalowa Wola S.A. under an agreement of 28 February 2018 as an asset measured at a fair value through profit or loss, as discussed in detail in Note 21 to these interim condensed consolidated financial statements.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for a period the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

Categories and classes of financial liabilities	As at 31 March 2021 (unaudited)		As at 31 December 2020 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
	1 Financial liabilities measured at amortized cost	15 820 841		15 913 881
Preferential loans and borrowings	18 475	18 475	16 717	16 717
Am's length loans and borrowings	5 553 192	5 570 972	5 973 155	6 004 972
Bank overdrafts	-	-	2 261	2 261
Bonds issued	7 614 442	7 949 437	7 522 209	7 939 153
Liabilities to suppliers	1 628 055	1 628 055	1 021 364	1 021 364
Other financial liabilities	363 603	363 603	245 621	245 621
Capital commitments	518 497	518 497	880 373	880 373
Salaries and wages	122 112	122 112	232 274	232 274
Insurance contracts	2 465	2 465	19 907	19 907
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	197 891		85 523	
Derivative instruments	197 891	197 891	85 523	85 523
3 Derivative hedging instruments	31 439	31 439	90 061	90 061
4 Financial liabilities excluded from the scope of IFRS 9				
Financial Instruments	1 121 354		1 146 094	
Liabilities under leases	1 121 354		1 146 094	
Total financial liabilities, of which in the statement of financial position:	17 171 525		17 235 559	
Non-current liabilities	13 210 975		13 308 763	
Debt	13 137 967		13 171 200	
Other financial liabilities	73 008		137 563	
Current liabilities	3 960 550		3 926 796	
Debt	1 161 761		1 480 672	
Liabilities to suppliers	1 627 359		1 020 668	
Capital commitments	495 466		857 389	
Other financial liabilities	668 229		559 503	
Liabilities associated with assets classified as held for sale	7 735		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/liability measured at fair value		
Derivatives, including:		
IRS and CCIRS	2	Derivatives have been measured in line with the methodology presented in Note 44.2 hereto.
Currency forwards	2	
Commodity forwards and futures	1	
Shares	3	The Group estimated the fair value of shares held in not listed companies using the adjusted net assets method, considering its share in the net assets and adjusting the value by relevant factors affecting the measurement, such as the non-controlling interest discount and the discount for the limited liquidity of the above instruments or using a mixed approach. As the key factors affecting the value of the assumed shares had not changed at a given end of the reporting period compared to the initial recognition, in the case of other instruments the Group assumes that the historical cost is an acceptable approximation of the fair value.
Loans granted	3	Fair value measurement of the loan had the form of the current value of future cash flows, including borrower's credit risk.
Financial liabilities whose fair value is disclosed		
Loans, borrowings and bonds issued	2	Liabilities arising from fixed interest debt are measured at fair value. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate applicable to given bonds or borrowings, i.e. applying market interest rates.

The fair value of other financial instruments as at 31 March 2021 and 31 December 2020 (except for those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for the individual periods for 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 instruments and hedge accounting

	As at 31 March 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	(9 012)	35 188	57 615	(31 439)	(6 230)	(83 831)	-	(90 061)
Derivatives measured at fair value through profit or loss								
CCIRS	10 259	-	11 593	(1 334)	3 268	-	5 023	(1 755)
Commodity forwards/futures	(23 369)	-	173 188	(196 557)	2 321	-	86 089	(83 768)
Currency forwards	33 774	-	33 774	-	67 734	-	67 734	-
Total			276 170	(229 330)			158 846	(175 584)
Non-current			101 375	(21 838)			36 041	(73 739)
Current			174 795	(207 492)			122 805	(101 845)

As at 31 March 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.: <ul style="list-style-type: none"> • 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.

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

	As at 31 March 2021 (unaudited)		As at 31 December 2020	
	Level 1	Level 2	Level 1	Level 2
Assets				
Derivative instruments - commodity	173 188	-	86 089	-
Derivative instruments - currency	-	33 774	-	67 734
Derivative instruments-IRS	-	57 615	-	-
Derivative instruments-CCIRS	-	11 593	-	5 023
Total	173 188	102 982	86 089	72 757
Liabilities				
Derivative instruments - commodity	196 557	-	83 768	-
Derivative instruments-IRS	-	31 439	-	90 061
Derivative instruments-CCIRS	-	1 334	-	1 755
Total	196 557	32 773	83 768	91 816

45. Principles and objectives 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, credit risk activities in the TAURON Group are focused on early identification of potential counterparties exposed to increased credit risk. These measures include, among others, tightening the rules for assessing the financial standing of counterparties, constant monitoring of receivables, monitoring of industry information and the macroeconomic environment.

As at 30 September 2020, the Parent held hedging transactions covered by the financial risk management policy, concluded in order to hedge interest cash flows related to debt. For transactions concluded, the parent company applies hedge accounting. The accounting treatment of the hedging transactions described above is described in more detail in Note 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, there were no significant changes in the objectives, principles and procedures of finance and capital management.

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 of the following capital groups: in.ventus, Polenergia and Wind Invest 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 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 judgments.

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 prejudice 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 7 239 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 proceedings and the related circumstances, the Group believes that the probability of losing other cases related to the claims both as regards declaration of ineffectiveness of the termination notices and securing non-monetary claims and the claims for compensation is less than 50%. Therefore, no provision for the related costs has been recognised (except provision which have been made for cases filed by Pękanino Wind Invest Sp. z o.o., which have been discussed above).

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

In 2017 and 2018 companies of the following capital groups: in.ventus, Polenergia and Wind Invest filed cases against TAURON Polska Energia S.A. regarding damages and liability for potential future losses resulting from tort, including unfair competition. According to the plaintiffs' notices of termination submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. regarding long-term contracts for the purchase of electricity 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 78 855 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 held in camera. As at the date of approval of these interim condensed consolidated 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 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, and TAURON Sprzedaż Sp. z o.o. has deliberately taken advantage of 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.

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 prior 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 contemporary 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 extended 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 with PGE EJ 1 Sp. z o.o. an annex to the agreement of 15 April 2015 regarding WorleyParsons, which regulates potential liabilities and provisions of the parties resulting from the settlement of the dispute with a consortium WorleyParsons after sale of shares in PGE EJ 1 Sp. z o.o. Pursuant to signed 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 a 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 by the Company.

Claims filed by Huta Łaziska S.A.

In connection with the merger of the Company with Górnosiłski 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 ERO (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 ERO 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 appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and 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. As a result, 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, regards the payment of PLN 17 086 thousand with statutory interest from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in connection with possible errors in the determination of 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 entirety and ruled on ENEA's obligation to reimburse the costs of the proceedings to the Company. The judgement is not legally binding.

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 5 972 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 245 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 a penalty in the cases. With regard to the proceedings initiated against the company in the Distribution segment, in October 2020 the Court announced its judgement and revoked the decision of the President of the ERO on imposition of the fine. The judgement is not final. The judgement has been appealed by the President of the ERO.

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 undertakes 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.

Use of real estate without a contract

The companies belonging to Group do not hold legal titles to all plots of land on which the distribution grids and the related equipment and installations 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 from 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 history of the reported claims and the costs incurred in this respect in previous years, the risk of incurring significant costs due to such claims can be considered as remote.

As at the balance sheet date, provisions in the amount of PLN 74 051 thousand were created for reported legal 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 protecting 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. Currently, the case has been combined for joint examination against the defendants by Galeria Galena Sp. z o.o., i.e. against the State Treasury - Director of the Regional Mining Office in Katowice and legal successors of Kompania Węglowa S.A. in Katowice. The parties have been providing explanations and serving pleadings on an ongoing basis. The case is pending before District Court in Katowice (the first instance). In the course of the proceedings, an expert opinion was drawn up by a court expert, to which objections were raised. A supplementary opinion was requested in February 2020.

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.

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

The investment agreement signed by the Company with the Closed-End Investment Funds (the "Funds") managed by the 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. The above situations, some of which are beyond the direct control of the Company, include, among others, the occurrence of events of a legal nature, events relating to the financial situation of the TAURON Group, decisions of an investment and operational nature taken by the Group with respect to the financing and construction of the 910 MW unit, as well as events relating to the future operation of the unit. 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.

As at the date these interim condensed consolidated financial statements were authorised for publication, the Company does not identify on its side any risk of material breach of agreement beyond the Company's direct control and takes the view that there is no realistic possibility, including in the future, of such breaches occurring. Accordingly, the Group, having regard to the provisions of IAS 32 *Financial Instruments: presentation*, does not recognise the Funds' involvement as a liability but as a non-controlling interest.

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

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 Polish Attorney General's Office. On 17 March 2021, the first mediation meeting was held as a starting point of the mediation process.

48. Security for liabilities

Among the collateral established and in force as at 31 March 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.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for a period the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

Collateral	Collateral amount		Due date	Agreement/transaction	
	Currency	PLN			
Declarations of submission to enforcement		7 284 000	31.12.2025	Loan arrangement with a consortium of banks of 19 June 2019	
		2 550 000	20.12.2032	Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego of 31 July 2013	
		1 500 000	31.12.2036	Overdraft agreement with Bank Gospodarstwa Krajowego of 19 December 2018	
		900 000	31.12.2027	Credit agreements with Intesa Sanpaolo S.p.A. of 19 December 2019	
		621 000	31.10.2021	Bank guarantee agreement dated 28 January 2020 with MUFG Bank, Ltd. ¹	
		621 000	31.10.2022	Bank guarantee agreement dated 2 February 2020 with MUFG Bank, Ltd. 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 of 25 March 2020	
		600 000	31.03.2021	Membership agreement in the Exchange Clearing Chamber operated by Izba Rozliczeniowa Gield Towarowych S.A. ²	
		300 000	14.03.2024	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Gield Towarowych S.A. 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 Gield Towarowych S.A. of 24 April 2020	
		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	Contingent agreement concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland for bank guarantees for the benefit of Izba Rozliczeniowa Gield Towarowych S.A. of 25 May 2020	
		24 000	111 847	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 December 2015 ²	
	EUR	50 000	233 015		
		67 500	314 570		
			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	13.03.2023	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Gield Towarowych S.A. of 13 March 2020	
	EUR	45 000	209 714	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		50 000	16.04.2021	Bank guarantees issued by Intesa Sanpaolo S.p.A. Spółka Akcyjna Oddział w Polsce and BGK to Izba Rozliczeniowa Gield Towarowych S.A. as a collateral of transactions concluded on Towarowa Gielda Energii S.A.	
		30 000	18.06.2021	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	
		10 000	30.06.2021		
		1 500	31.12.2021		

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:

- on 13 April 2021, a declaration of submission to enforcement was signed up to the maximum amount of PLN 675 000 thousand with expiry date of 31 December 2038, in connection with the conclusion of the subordinated bond issue scheme up to the amount of PLN 450 000 thousand by the Company with Bank Gospodarstwa Krajowego on 11 March 2021, as further described in Note 31.1 to these interim condensed consolidated financial statements;
- on 10 May 2021, behalf of IRGiT a bank guarantee was issued, which states collateral of the Company's liabilities in amount of PLN 10 000 thousand and apply from 17 May to 16 June 2021.

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 31 March 2021 (unaudited)	As at 31 December 2020
Other financial receivables	50 750	48 663
Real estate	4 342	7 935
Cash	8	8 363
Total	55 100	64 961

The main item consists of collaterals of forward transactions - derivative financial instruments concluded by the Company on foreign stock exchange markets. As at 31 March 2021 and 31 December 2020, the related collaterals amounted to PLN 50 750 thousand and PLN 48 663 thousand, respectively.

Assignment of CO₂ emission allowances in favour of Izba Rozliczeniowa Gield Towarowych S.A.

In order to secure the liabilities arising from the transactions concluded by the Company at Towarowa Gielda Energii S.A. in 2019 and 2020, agreements for the assignment of CO₂ emission allowances for the benefit of Izba Rozliczeniowa Gield Towarowych S.A. ("IRGiT") were concluded.

As at 31 December 2020, CO₂ emission allowances in the total amount of 3 021 799 tonnes, including allowances owned by the Company in the total amount of 2 205 000 tonnes and those owned by the subsidiary TAURON Wytwarzanie S.A. in the total amount of 816 799 tonnes, were assigned to the IRGiT.

In connection with the Group's redemption needs, on 16 February 2021 all allowances owned by the subsidiary were returned to the account of TAURON Wytwarzanie S.A., while on 17 March 2021 a part of the allowances in the amount of 1 660 000 tonnes was returned to the Company.

As at 31 March 2021, the subject matter of the collateral comprises CO₂ emission allowances owned by the Company in the amount of 545 000 tonnes.

Other collaterals for the repayment of liabilities of the Group and joint ventures

Other material collaterals for the repayment of the Group's liabilities and joint ventures as at 31 March 2021 are described below.

- 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 financial pledge, 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 31 March 2021, the carrying amount of the investment in joint venture accounted for using the equity method in the TAMEH HOLDING Sp. z o.o. capital group amounted to PLN 610 703 thousand.

- Blank promissory notes

Agreement/transaction secured by blank promissory notes	Issuer of a blank promissory note	As at 31 March 2021 (niebadane)
Agreements concerning loans granted to subsidiary TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o. by Regional Fund for Environmental Protection and Water Management in Katowice. The companies have provided declarations of submission to enforcement as collateral for the loans in question.	TAURON Polska Energia S.A.	70 000*
Performance bonds under contracts and agreements concluded by the company, including co-funding of engagements being carried out.	TAURON Dystrybucja S.A.	173 691
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
Performance bonds under the co-funding agreements concluded with Centrum Projektów Polska Cyfrowa in Warsaw.	TAURON Obsługa Klienta Sp. z o.o.	187 841
An agreement with PSE S.A. to provide electricity supply services, an agreement with the National Fund for Environmental Protection and Water Management in Warsaw concerning partial cancellation of a loan and an agreement with the National Centre for Research and Development in Warsaw for the funding of a project.	TAURON Wytwarzanie S.A.	63 708

* As at the balance sheet date, the outstanding amount of loans secured with the promissory notes was PLN 7 000 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 782 930 thousand), and the beneficiaries of the guarantee are the bondholders who purchased the issued bonds.

- 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. in favour of a third party. The guarantee is valid until the date of performance by WIND T1 Sp. z o.o. of all obligations under the concluded agreement, and the value of the secured obligations as at 31 March 2021 amounts to EUR 24 206 thousand (PLN 112 809 thousand).

On 16 February 2021, TAURON Ekoenergia Sp. z o.o. granted a surety for the liabilities of WIND T1 Sp. z o.o. to third parties up to PLN 71 445 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 2021. The guarantee was issued on the basis of a guarantee limit agreement concluded in January 2020 with MUFG Bank, Ltd. and 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 term of validity until 31 October 2021.

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 31 March 2021 amounted to PLN 22 577 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 entities is presented in the table below.

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Revenue	55 247	41 891
Costs	(105 645)	(16 965)

The main item of settlements with jointly-controlled entities are the loans granted to Elektrociepłownia Stalowa Wola S.A., which is discussed in more detail in Note 21 to these interim condensed consolidated financial statements.

The Company provided collateral 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 loan liability of Elektrociepłownia Stalowa Wola S.A., as described in detail in Note 48 to these interim condensed consolidated financial statements.

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 expenses

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Revenue	721 953	566 140
Costs	(1 119 715)	(672 773)

Receivables and liabilities

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020
Receivables	331 545	319 612
Payables	477 678	387 636

As at 31 March 2021 and as at 31 December 2020, the receivables item in the table above includes advance payments for the purchase of fixed assets in the amount of PLN 2 689 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 3-month period ended 31 March 2021 included KGHM Polska Miedź S.A., PSE S.A., Polska Grupa Górnicza S.A. and Polska Spółka Górnicza S.A. In total, sales to the above-mentioned counterparties amounted to 84% of the volume of revenues generated in transactions with State Treasury companies. The largest purchase transaction was performed by the Group with PSE S.A. and Polska Grupa Górnicza S.A. Purchases from the above counterparties accounted for 89% of the value of purchases from State Treasury companies in the year ended 31 March 2021.

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Capital Group in the 3-month period ended 31 March 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 87% of the volume of revenues generated in transactions with State Treasury companies. The largest purchase transactions were performed by the Group with PSE S.A., Polska Grupa Górnicza S.A. and Węgłokoks S.A. Purchases from the above

counterparties accounted for 86% of the value of purchases from State Treasury companies in the year ended 31 March 2020.

The Capital Group conducts material transactions on the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. As it is only responsible for organisation of commodities exchange trading, it has been decided to abandon classification of purchase and sale transactions made through this entity as related-party transactions.

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

Transactions with the State Treasury

On 22 March 2021, an agreement with the State Treasury represented by the Ministry of State Assets and the Company was signed, under which the Company was authorized to reimbursement of cost incurred in connection with implementation activities delegated by the President of the Council of Ministry dated 29 November 2020 in scope of counteracting of COVID-19, which consist of organize, build and maintenance a temporary hospital in Krynica- Zdrój. As at 31 March 2021, the Company has receivables from State Treasury due to build, equipment and maintenance of this hospital in amount of PLN 6 811 thousand, including PLN 3 580 thousand which was paid until the date of approval of these interim condensed consolidated financial statements for publication. Taking into account, that part of revenues result form above agreement in amount of PLN 5 002 thousand was recognized as a estimated revenue in year 2020 and in the 3-month period ended 31 March 2021 the Company recognized revenue due to above agreement in amount of PLN 1 118 thousand.

On 26 March 2021, the Company 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.

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 3-month period ended 31 March 2021 and in the comparative period is presented in the table below.

	3-month period ended 31 March 2021 (unaudited)		3-month period ended 31 March 2020 (unaudited)	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	657	4 611	723	8 033
Short-term benefits (with surcharges)	572	4 355	590	8 014
Employment termination benefits	67	256	111	19
Other	18	-	22	-
Supervisory Board	128	326	243	321
Short-term employee benefits (salaries and surcharges)	128	296	243	296
Other	-	30	-	25
Other key management personnel	2 816	11 244	3 376	10 797
Short-term employee benefits (salaries and surcharges)	2 545	10 921	3 013	10 568
Jubilee bonuses	-	-	-	22
Employment termination benefits	75	-	141	48
Other	196	323	222	159
Total	3 601	16 181	4 342	19 151

In accordance with the accounting policy adopted, the Group recognises provisions for benefits on account of termination of management contracts due to members of the Management Board and other key management personnel that may be paid or due in subsequent reporting periods. The table above takes into account the amounts paid and due to be paid until 31 March 2021.

50. Other material information

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

The 3-month period ended 31 March 2021 continues to be a persistent state of the COVID-19 pandemic with an increase in incidence observed during this period resulting in record levels of recorded cases of infection (wave III). Consequently, numerous restrictions remained in place in the country to contain the spread of the SARS-CoV-2 virus causing COVID-19 disease, which were further tightened as cases of infection increased. This situation continued to cause disruption to the economic and administrative system in Poland and worldwide. As a result, the pandemic significantly restricted economic activity, affecting in particular the work of companies in sectors such as tourism, trade and transport. Consequently, in the medium and long term, it is expected that the pandemic will continue to affect national, European as well as global economic conditions, posing an adverse impact on the economic growth in Poland in the current year and beyond. Material issues relating to the impact of the pandemic on the TAURON Group are set out below.

- Despite the restrictions introduced, no volume declines were observed in the Distribution and Sales Segments. Comparing the 3-month period ended 31 March 2021 with the comparable period, a 4.1% increase in electricity demand was recorded, with the continued restrictions changing the structure of consumption by tariff group resulting in an increase in consumption for households (Tariff Group G) of 9.6% compared to the corresponding period in 2020. In this group, remote work and education played a decisive role in the level of consumption. The reported decreases in consumption referred to small businesses and institutions (Tariff Group C1) and amounted to 3.1% in relation to the first quarter of 2020. For this group, the drop in demand is a direct result of government action to apply restrictions affecting business premises or leisure facilities.
- 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. In the 3-month period ended 31 March 2021, changes in the level of overdue receivables were basically stable. In order to limit potential credit losses, extended credit risk management criteria are consistently applied, monitoring of receivables and debt collection activities have been intensified. The COVID-19 pandemic has further affected the need for additional allowances for expected credit losses of financial instruments and the remeasurement to fair value of loans granted. This increased the Company operating expenses by PLN 12 773 thousand and financial expenses by PLN 8 890 thousand.
- In the scope of market environment, no increased volatility in the prices of commodity instruments was observed as a result of the epidemic situation.
- In the scope of financial instruments, further depreciation of the zloty and persistent low level of interest rates were observed. Changes in exchange rates affect the costs incurred to purchase CO₂ emission allowances, as well as the valuation of the Company's 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 variable interest rate.
- The persistent state of COVID-19 pandemic resulted in some difficulties in the implementation of TAURON Group's strategic investment projects. In the case of the construction of the 910 MW unit in Jaworzno, the consortium acting as General Contractor of the unit identified the impact of the SARS-CoV-2 virus on the execution of the contract, of which the employer, i.e. Nowe Jaworzno TAURON Group, was informed in a relevant note submitted by the General Contractor. As at the date of approval of these interim condensed consolidated financial statements for publication, Nowe Jaworzno Grupa TAURON Sp. z o.o. was in the process of analysing the documentation provided by the General Contractor. In the case of other ongoing projects, difficulties were noted related to their implementation, to which the absenteeism of a significant number of employed persons contributed (quarantine or illness due to the SARS-CoV-2 virus). As a consequence, delays in the schedule appeared and, in some cases, annexes are currently processed to postpone the achievement of milestones. 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 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 taking 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 Parent Company as well as individual Subsidiaries in order to coordinate the security work related to the threat of COVID-19.

In conclusion, 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, as well as its impact on 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.

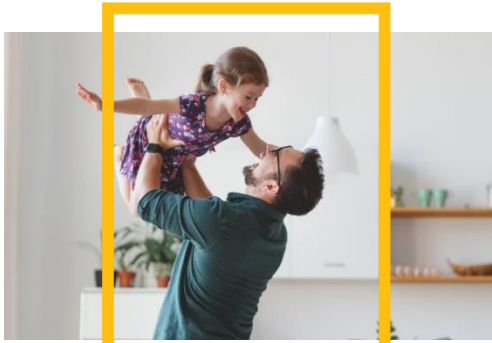
These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the 3-month period ended 31 March 2021 in compliance with International Accounting Standard No. 34 comprise 68 pages.

Katowice, 18 May 2021

Paweł Strączyński – President of the Management Board

Jerzy Topolski – Vice-President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



CONDENSED INTERIM FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 3-month period ended 31 March 2021

TAURON Polska Energia S.A.

Interim condensed financial statements

in accordance with the International Financial Reporting Standards

as endorsed by the European Union

for the 3-month period ended 31 March 2021

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TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Sales revenue	11	4 448 332	2 621 243
Cost of sales	12	(4 362 632)	(2 648 748)
Profit (loss) on sale		85 700	(27 505)
Selling and distribution expenses	12	(4 557)	(5 008)
Administrative expenses	12	(21 665)	(31 418)
Other operating income and expenses		(251)	(3 087)
Operating profit (loss)		59 227	(67 018)
Interest income on loans	13	56 217	66 054
Interest expense on debt	13	(81 436)	(110 739)
Revaluation of loans	13	(240 323)	(494 672)
Other finance income and costs	13	(42 788)	(167 316)
Loss before tax		(249 103)	(773 691)
Income tax expense	14	(36 455)	52 668
Net loss		(285 558)	(721 023)
Measurement of hedging instruments	26.4	119 019	(90 190)
Income tax expense	14	(11 646)	17 136
Other comprehensive income subject to reclassification to profit or loss		107 373	(73 054)
Actuarial gains		31	70
Income tax expense	14	(6)	(13)
Other comprehensive income not subject to reclassification to profit or loss		25	57
Other comprehensive income, net of tax		107 398	(72 997)
Total comprehensive income		(178 160)	(794 020)
Loss per share (in PLN):			
- basic and diluted, for loss net		(0.16)	(0.41)

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

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2021 (unaudited)	As at 31 December 2020 (restated figures)
ASSETS			
Non-current assets			
Investment property	15	27 394	28 388
Right-of-use assets	16	26 115	28 012
Shares	17	20 857 136	20 856 962
Loans granted	18	5 404 469	4 233 601
Derivative instruments	19	101 375	36 041
Other financial assets	20	469	2 541
Other non-financial assets	21	15 670	17 267
		26 432 628	25 202 812
Current assets			
Inventories	22	361 832	394 031
Receivables from buyers	23	1 164 177	1 301 409
Income tax receivables	30	103 530	82 464
Loans granted	18	403 092	1 147 350
Derivative instruments	19	174 795	122 805
Other financial assets	20	269 969	87 303
Other non-financial assets	21	11 034	12 291
Cash and cash equivalents	24	1 013 326	643 134
Non-current assets classified as held for sale	25	-	53 136
		3 501 755	3 843 923
TOTAL ASSETS		29 934 383	29 046 735

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

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Note	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
EQUITY AND LIABILITIES			
Equity			
Issued capital	26.1	8 762 747	8 762 747
Reserve capital	26.3	6 338 754	6 338 754
Revaluation reserve from valuation of hedging instruments	26.4	28 502	(78 871)
Retained earnings / (Accumulated losses)	26.5	(3 846 415)	(3 560 882)
		11 283 588	11 461 748
Non-current liabilities			
Debt	27	12 115 477	12 117 294
Other financial liabilities	28	10 242	14 090
Derivative instruments	19	21 838	73 739
Other non-financial liabilities	31	39 197	23 830
Provisions for employee benefits		4 456	4 208
Provision for an onerous contract	32	967 132	840 458
Accruals, deferred income and government grants		1 212	1 184
		13 159 554	13 074 803
Current liabilities			
Debt	27	2 876 828	2 772 339
Liabilities to suppliers	29	1 207 862	764 096
Income tax liabilities	30	334 012	-
Other financial liabilities	28	311 585	233 099
Derivative instruments	19	207 492	101 845
Other non-financial liabilities	31	225 682	346 471
Provisions for employee benefits		358	426
Provision for an onerous contract	32	300 897	269 439
Other provisions	33	4 111	4 909
Accruals, deferred income and government grants		22 414	17 560
		5 491 241	4 510 184
Total liabilities		18 650 795	17 584 987
TOTAL EQUITY AND LIABILITIES		29 934 383	29 046 735

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2021 (unaudited)

	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
Net loss	-	-	-	(285 558)	(285 558)
Other comprehensive income	-	-	107 373	25	107 398
Total comprehensive income	-	-	107 373	(285 533)	(178 160)
As at 31 March 2021 (unaudited)	8 762 747	6 338 754	28 502	(3 846 415)	11 283 588

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2020 (unaudited)

	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
Net loss	-	-	-	(721 023)	(721 023)
Other comprehensive income	-	-	(73 054)	57	(72 997)
Total comprehensive income	-	-	(73 054)	(720 966)	(794 020)
As at 31 March 2020 (unaudited)	8 762 747	6 801 584	(57 388)	(1 492 786)	14 014 157

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

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Cash flows from operating activities			
Loss before tax		(249 103)	(773 691)
Depreciation and amortization		3 905	3 469
Interest net		34 490	56 610
Impairment losses on bonds and loans		240 323	494 672
Exchange differences		39 212	253 507
Impairment losses on shares		10 800	-
Other adjustments of profit before tax		49 581	28 271
Change in working capital	34.1	842 856	242 913
Income tax paid		(1 804)	(7 108)
Net cash from operating activities		970 260	298 643
Cash flows from investing activities			
Loans granted	34.2	(637 863)	(679 115)
Purchase of shares	34.2	(10 974)	(463 259)
Other		(261)	(619)
Total payments		(649 098)	(1 142 993)
Investment fund units alienation		-	26 747
Sale of shares	34.2	53 136	-
Repayment of loans granted		10 804	3 700
Interest received	34.2	28 730	16 314
Other		7	18
Total proceeds		92 677	46 779
Net cash from investing activities		(556 421)	(1 096 214)
Cash flows from financing activities			
Repayment of loans	34.3	(735 205)	(1 085 205)
Redemption of debt securities		-	(3 100)
Payment of lease liabilities		(2 372)	(2 330)
Interest paid	34.3	(19 135)	(24 389)
Commission paid		(7 417)	(9 064)
Total payments		(764 129)	(1 124 088)
Contracted loans	34.3	300 000	2 000 000
Total proceeds		300 000	2 000 000
Net cash from financing activities		(464 129)	875 912
Net increase / (decrease) in cash and cash equivalents		(50 290)	78 341
Net foreign exchange difference		511	307
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	(793 234)	29 261
restricted cash	24	147 622	865 306

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

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

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

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

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

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

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

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

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

The Company has prepared interim condensed financial statements covering the 3-month period ended 31 March 2021 and containing comparative data for the 3-month period ended 31 March 2020 and as at 31 December 2020. The data included in these interim condensed financial statements for the 3-month period ended 31 March 2021 and the comparative data for the 3-month period ended 31 March 2020 have not been audited or reviewed by a certified auditor. The comparative data as at 31 December 2020 were audited by a certified auditor.

These interim condensed financial statements for the 3-month period ended 31 March 2021 were approved for publication on 18 May 2021.

The Company has also prepared the interim condensed consolidated financial statements for the 3-month period ended 31 March 2021, which were approved for publication by the Management Board on 18 May 2021.

These interim condensed financial statements are part of the consolidated report which also includes the interim condensed consolidated financial statements for the 3-month period ended 31 March 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 position 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.

After the balance sheet day, 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 membership of the Company's Management Board, and thus from the position of the Company's Vice President for Finance, effective as of the end of day on 17 May 2021.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

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

- Paweł Strączyński – President of the Management Board,
- Jerzy Topolski – Vice-President of the Management Board.

2. Shares in related parties

As at 31 March 2021, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

Item	Company name	Registered office	Core business	Share of TAURON Polska Energia S.A. in the entity's capital	Share of TAURON Polska Energia S.A. in the governing body
1	TAURON Wydobywanie S.A.	Jaworzno	Hard coal mining	100.00%	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation, transmission and distribution of electricity and heat	100.00%	100.00%
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	Generation of electricity	86.29%	86.29%
4	TAURON Ciepło Sp. z o.o.	Katowice	Production and distribution of heat	100.00%	100.00%
5	TAURON Serwis Sp. z o.o.	Katowice	Services	95.61%	95.61%
6	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation of electricity	100.00%	100.00%
7	Marselwind Sp. z o.o.	Katowice	Generation of electricity	100.00%	100.00%
8	TEC1 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
9	TEC2 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
10	TEC3 Sp. z o.o.	Katowice	Head office and holding operations	100.00%	100.00%
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	Generation of electricity	n/a	100.00%
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	Generation of electricity	n/a	100.00%
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	Generation of electricity	n/a	100.00%
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	Generation of electricity	n/a	100.00%
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	Generation of electricity	n/a	100.00%
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	Generation of electricity	n/a	100.00%
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	Generation of electricity	n/a	100.00%
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	Generation of electricity	n/a	100.00%
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Goldap sp.k.	Katowice	Generation of electricity	n/a	100.00%
20	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	Generation of electricity	n/a	100.00%
21	WIND T1 Sp. z o.o. ¹	Pieńkowo	Generation of electricity	100.00%	100.00%
22	AVAL-1 Sp. z o.o. ¹	Jelenia Góra	Generation of electricity	100.00%	100.00%
23	Łągisza Grupa TAURON Sp. z o.o. ²	Katowice	Generation of electricity	100.00%	100.00%
24	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99.76%	99.76%
25	TAURON Dystrybucja Pomiary Sp. z o.o. ³	Tarnów	Services	99.76%	99.76%
26	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100.00%	100.00%
27	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100.00%	100.00%
28	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	Sale of electricity	100.00%	100.00%
29	TAURON Nowe Technologie S.A.	Wrocław	Services	100.00%	100.00%
30	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100.00%	100.00%
31	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzyszowice	Limestone quarrying and stone quarrying	100.00%	100.00%
32	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	Sale of electricity	100.00%	100.00%
33	Finanse Grupa TAURON Sp. z o.o.	Katowice	Services	100.00%	100.00%
34	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	Wholesale of fuel and derivative products	100.00%	100.00%
35	Wsparcie Grupa TAURON Sp. z o.o. ³	Tarnów	Services	99.76%	99.76%

¹ TAURON Polska Energia S.A. holds indirect interest in WIND T1 Sp. z o.o. and AVAL-1 Sp. z o.o. through its subsidiary, TAURON Ekoenergia Sp. z o.o..

² TAURON Polska Energia S.A. holds indirect interest in Łągisza Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Wytwarzanie S.A.

³ TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Pomiary Sp. z o.o. and Wsparcie Grupa TAURON Sp. z o.o. through its subsidiary, TAURON Dystrybucja S.A. TAURON Polska Energia S.A. is a usufructuary of TAURON Dystrybucja Pomiary Sp. z o.o. shares

Changes in the share of TAURON Polska Energia S.A. in the issued 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 issued capital of TAURON Dystrybucja S.A.

During the 3-month period ended 31 March 2021, the share capital of the subsidiary, TAURON Dystrybucja S.A. was reduced due to the statutory redemption of shares acquired by the company from shareholders representing no more than 5% of the share capital. As at 31 March 2021, the share of the Company in the capital and in the governing body was 99.76% (as at 31 December 2020 - 99.75%).

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

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

As at 31 March 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 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 issued 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 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as approved by the European Union ("EU").

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

4. Going concern

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

Last year, a pandemic of COVID-19 appeared in the area of the Group's operations, causing disruption to the economic and administrative system in Poland and causing significant changes in the market environment, which may affect the financial situation of the Group and the Company. At the moment, the Management Board has analysed the situation in the context of COVID-19 and, based on the scenarios under consideration, in the area of liquidity, financing and securing the continuation of operations does not identify any risk for the continuation of operations in the foreseeable future, i.e. in the period not shorter than 1 year from the balance sheet date, including the description of the impact of the COVID-19 pandemic on the Group's operations, as further detailed in Note 41 of these interim condensed financial statements.

5. Functional and presentation currency

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

6. Material values based on professional judgement and estimates

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

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

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

Estimates and assumptions

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

- there will be a significant (material) delay in payment;
- the debtor will be put into liquidation or bankruptcy or restructuring;
- the claims will be submitted to administrative enforcement, court proceedings or judicial execution.

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

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

COVID-19 impact on the methodology of estimates and assumptions

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

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

- updating of the expected credit loss model parameters with respect to the terms of appropriate factors and recovery rate,
- includes a forecasting approach (forward-looking rate).

COVID-19 impact on the level of estimates made

The estimates taking into account the uncertainties related to the effect of COVID-19 on the expected credit losses with regard to receivables from buyers was PLN 2 999 thousand. The total expected credit loss as at 31 March 2021 calculated for receivables from customers (except for receivables claimed in court) was estimated at PLN 3 911 thousand

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

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

Estimates and assumptions

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

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

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

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 made adjustments to the probability of expected credit losses based on Credit Default Swap (CDS) quotations, diversified according to the internal counterparty rating.

Impact of COVID-19 on the level of estimates prepared

The effect of considering the impact of COVID-19 on the estimation methodology for financial instruments where the Company was able to perform appropriate calculations resulted in the following changes affecting jointly the financial expenses of the Company in the 3-month period ended 31 March 2021 in the amount of PLN 17 220 thousand:

- an increase in expected credit losses calculated for loans granted to subsidiaries by the amount of PLN 8 330 thousand,
- an increase in expected credit losses calculated for contingent liabilities under the guarantee issued by bank on disposal of the Company for the benefit of jointly-controlled entity by the amount of PLN 8 890 thousand.

As at the balance sheet date, in the context of the analyses and the valuation of the loans granted to Elektrociepłownia Stalowa Wola S.A., the Company assessed that it was unable to reliably determine the impact of COVID-19 on the reduction of the carrying amount of the loans granted to Elektrociepłowni Stalowa Wola S.A.

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

6.2. Other material values based on professional judgement and estimates

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

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Item	Note	Estimates and assumptions
Deferred tax assets	Note 14	As at each balance sheet date, the Company assesses the feasibility and verifies unrecognised deferred tax assets. In connection with the analyses performed indicating uncertainty as to the possibility of 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	<p>Due to the existence of objective premises indicating the impairment of the item of shares and stocks 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 and inter-group loans as at 31 December 2020. The result of the tests performed as at 31 December 2020 indicated the necessity to recognise impairment losses on TAURON Wytwarzanie S.A. shares and TAURON Ekoenergia Sp. z o.o. shares.</p> <p>In the first quarter of the current year the analysis of the effects of changes in the market situation that may affect long-term market assumptions concerning the energy sector was performed. After conducting the analyses of the observed phenomena of market and regulatory nature, it was found that in the expected perspective they do not constitute material factors the impact of which makes it justified to change the long-term forecasts, in relation to the information available as at 31 December 2020. For this reason, the results of the most recent impairment tests of the shares and stocks recognised in non-current assets performed as at 31 December 2020 were recognised as valid.</p>
Loans granted	Note 18	<p>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.</p> <p>In accordance with the requirements of IFRS 9 <i>Financial Instruments</i> 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.</p>
Derivative instruments	Note 11 Note 19	<p>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.</p> <p>Due to the delayed commissioning of the Jaworzno power unit, as at 31 December 2020, the Company had a significant surplus of CO₂ emission allowances contracted to be purchased for redemption by a subsidiary in connection with the 2020 issue. In the 3-month period ended 31 March 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 CO₂ emission allowances and decided to roll them over with the conclusion of new contracts with delivery dates in March 2022, 2023, 2024.</p>
Debt	Note 27	<p>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.</p> <p>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.</p>
Provisions	Note 32 Note 33	<p>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.</p> <p>The Company creates the provisions when the probability of spending the funds containing economic benefits is higher than 50%.</p> <p>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 - 2060, the Company adopts a number of assumptions concerning the development of achievable electricity sales prices, using, inter alia, the BASE electricity market price path, and the cost of electricity generation by the 910 MW unit in the aforementioned years.</p>

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

As at 31 March 2021, the Company assessed that in relation to the shares in TAURON Ciepło Sp. z o.o. recognised as non-current assets classified as held for sale as at 31 December 2020, the conditions resulting from IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are no longer met. As a consequence, the Company appropriately restated the comparable data in terms of presentation and measurement of shares in TAURON Ciepło Sp. z o.o. as at 31 December 2020, which is described in more detail in Note 8.2 of these interim condensed financial statements.

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

The Company has not decided to apply any standard or amendment to a standard that has been published but has not yet entered into force by 31 March 2021.

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

Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*, which are 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 31 March 2021, taking into account the intentions of the Company, tranches with an aggregate nominal value of PLN 600 000 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 line 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 impact the accounting policies applied thus far:

Standard	Effective date specified in the Standard, not endorsed by the EU (annual periods beginning on or after the date provided)
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016*
Revised IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture</i> with subsequent amendments	the effective date has been postponed
Amendments to IFRS 16 <i>Leases: Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to IFRS 3 <i>Business Combinations: Changes to references to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment: Revenues earned before putting into use</i>	1 January 2022
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2022
<i>Annual Improvements to IFRS (Cycle 2018-2020):</i>	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	1 January 2022
IFRS 9 <i>Financial Instruments</i>	1 January 2022
IAS 41 <i>Agriculture</i>	1 January 2022
Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Estimates</i>	1 January 2023
Amendments to IAS 8 <i>Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i>	1 January 2023
IFRS 17 <i>Insurance contracts</i>	1 January 2023

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

8. Changes in the accounting policies

The accounting principles (policy) applied for the preparation of these interim condensed financial statements are consistent with those applied for the preparation of the annual financial statements of the Company for the year ended 31 December 2020, except for the application of changes to the standards listed below and changes in accounting policies and presentation applied by the Company, as described below.

8.1. Application of amendments to standards

According to the Management Board, the introduction of the following amendments to standards has not materially impacted 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 <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> , IFRS 7 <i>Financial Instruments: Disclosures</i> , IFRS 4 <i>Insurance Contracts</i> and IFRS 16 <i>Leases: Interest Rate Benchmark Reform</i>	1 January 2021

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

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

As at 31 March 2021 the Company estimated 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 fulfilled in the scope of classification of the aforementioned assets as held for sale, in particular the active programme aimed at finding a buyer is not continued and it is estimated that the sale of shares in TAURON Ciepło Sp. z o.o. will not be completed within one year from the date of recognition of the shares in TAURON Ciepło Sp. z o.o. as non-current assets classified as held for sale, i.e. from 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 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 a result of the foregoing, the Company has been conducting analyses concerning the Heat Area, taking into account the projected changes in the external environment, including regulatory and market changes as well as taking into account the outlook of the Polish heat sector, which may affect further decisions on the sale of shares in TAURON Ciepło Sp. z o.o. or keeping the company in TAURON Group.

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 valuation of the fair value of the exposure to shares and loans granted to this company, carried out by the Company 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 1 342 000 thousand. Taking into account that the carrying amount of the loans granted to TAURON Ciepło Sp. z o.o. as at 31 December 2020 amounted to PLN 976 264 thousand, the Company measured non-current assets classified as held for sale in the form of shares in TAURON Ciepło Sp. z o.o. in the fair value of PLN 365 736 thousand and recognised financial costs due to revaluation of shares to the fair value in the amount of PLN 1 394 167 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 data in these interim condensed financial statements accordingly. The comparable data 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 a 3-month period ended 31 March 2021, the Company restated the comparative data accordingly in terms of presentation and measurement of the shares in TAURON Ciepło Sp. z o.o. as at 31 December 2020. After the restatement, these shares are presented in the item 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 PLN 1 680 593 thousand. The key assumptions of the tests carried out, in

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particular in scope of coal, electric and CO₂ emission allowances price path have been described in more detail in Note 10 of financial statements of TAURON Polska Energia S.A. for year ended 31 December 2020.

The recoverable amount of involvement in TAURON Ciepło Sp. z o.o. in form of shares and loans granted and carrying amount of these involvement included in 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 and loans	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.	7.73% - 10.02%	1 680 593	1 680 593

Considering that the carrying amount of the loans granted amounted to PLN 976 264 thousand as at 31 December 2020, the Company measured the shares held in the amount of PLN 704 329 thousand. The restatement of comparable data in the scope of presentation and measurement of the shares in TAURON Ciepło Sp. z o.o. resulted in an increase of the Company retained earnings by PLN 338 593 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 <i>(authorised figures)</i>	Change of presentation and measurement of shares in TAURON Ciepło Sp. z o.o.	As at 31 December 2020 <i>(restated figures)</i>
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

9. Seasonality of activities

The Company's activity related to electricity trading is not seasonal in nature, therefore in this respect the presented results of the Company do not record significant fluctuations during the year. Due to the holding activity, the Company may show significant financial revenues from dividends recognised in the dates of resolutions on the payment of dividends, unless these resolutions indicate other dates for determining the right to dividend. In the 3-month period ended 31 March 2021 and in the comparative period, the Company did not recognise any dividend income.

BUSINESS SEGMENTS

10. Information on operating segments

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

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

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

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

The liabilities of the “Holding activity” segment are:

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

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

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

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

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

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

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3-month period ended on 31 March 2021 or as at 31 March 2021 (unaudited)

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	1 129 905	-	-	1 129 905
Sales within the Group	3 318 422	5	-	3 318 427
Segment revenue	4 448 327	5	-	4 448 332
Profit/(loss) of the segment	80 887	5	-	80 892
Unallocated expenses	-	-	(21 665)	(21 665)
EBIT	80 887	5	(21 665)	59 227
Revaluation of loans	-	(240 323)	-	(240 323)
Net finance income/(costs)	-	(76 938)	8 931	(68 007)
Profit/(loss) before income tax	80 887	(317 256)	(12 734)	(249 103)
Income tax expense	-	-	(36 455)	(36 455)
Net profit/(loss) for the period	80 887	(317 256)	(49 189)	(285 558)
Assets and liabilities				
Segment assets	2 865 704	26 919 786	-	29 785 490
Unallocated assets	-	-	148 893	148 893
Total assets	2 865 704	26 919 786	148 893	29 934 383
Segment liabilities	2 969 376	14 968 599	-	17 937 975
Unallocated liabilities	-	-	712 820	712 820
Total liabilities	2 969 376	14 968 599	712 820	18 650 795
EBIT	80 887	5	(21 665)	59 227
Depreciation/amortization	(1 959)	-	(1 946)	(3 905)
Impairment	(65)	-	-	(65)
EBITDA	82 911	5	(19 719)	63 197
Other segment information				
Capital expenditure *	84	-	-	84

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

3-month period ended on 31 March 2020 (unaudited) or as at 31 December 2020 (restated figures)

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	189 860	-	-	189 860
Sales within the Group	2 431 378	5	-	2 431 383
Segment revenue	2 621 238	5	-	2 621 243
Profit/(loss) of the segment	(35 605)	5	-	(35 600)
Unallocated expenses	-	-	(31 418)	(31 418)
EBIT	(35 605)	5	(31 418)	(67 018)
Revaluation of loans	-	(494 672)	-	(494 672)
Net finance income (costs)	-	(290 131)	78 130	(212 001)
Profit/(loss) before income tax	(35 605)	(784 798)	46 712	(773 691)
Income tax expense	-	-	52 668	52 668
Net profit/(loss) for the period	(35 605)	(784 798)	99 380	(721 023)
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	(35 605)	5	(31 418)	(67 018)
Depreciation/amortization	(3 469)	-	-	(3 469)
Impairment	(12)	-	-	(12)
EBITDA	(32 124)	5	(31 418)	(63 537)
Other segment information				
Capital expenditure *	1 048	-	-	1 048

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

The increase in the value of revenues from sales outside the Group results mainly from the increase in revenues from energy sales and the completion of transactions resulting from a surplus in the portfolio of CO₂ emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. The increase in the value of sales revenue in the Group is mainly due to the sale in the period of three months ended 31 March 2021 of the majority of CO₂ emission allowances to the Group's generating companies for the purpose of redemption in connection with the issue for 2020, whereas in the comparable period, CO₂ emission allowances for redemption purposes in connection with the issue for 2019 were mostly sold as early as in December 2019. The aforementioned issues are described in detail in Note 11 to these interim condensed financial statements.

In the 3-month period ended 31 March 2021, revenue from sales to two major clients from the TAURON Group accounted for 43% and 18% of the Company's total revenue in the "Sales" segment and amounted to PLN 1 926 432 thousand and PLN 813 991 thousand, respectively. In the 3-month period ended 31 March 2020, revenue from sales to two major clients from the TAURON Group accounted for 78% and 11% of the Company's total revenue in the "Sales" segment and amounted to PLN 2 050 846 thousand and PLN 283 452 thousand, respectively.

EXPLANATORY NOTES TO THE INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Revenue from sales of goods for resale and materials	4 354 350	2 583 914
Electricity	2 907 850	2 465 279
Gas	126 289	114 123
CO ₂ emission allowances	1 316 877	1 403
Other	3 334	3 109
Rendering of services	93 982	37 329
Trading income	36 578	28 540
Capacity market	48 520	-
Other	8 884	8 789
Total	4 448 332	2 621 243

In the 3-month period ended 31 March 2021, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following products, goods and services:

- Electricity - the increase in revenue by PLN 442 571 thousand is mainly attributable to sales contracted in the forward market of electricity and sales in the SPOT market in a 19% higher volume at a price simultaneously lower, on average by 1%. 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 and a decline in the volume to companies of the Sales segment as a result of lower demand.
- CO₂ emission allowances - the increase in the revenue from sale of CO₂ emission allowances in the current period in relation to the comparable period by the amount of PLN 1 315 474 thousand results mainly from the following transactions:
 - sales to subsidiaries of the Generation segment of emission allowances in the total amount of PLN 858 106 thousand. The majority of CO₂ 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, CO₂ emission allowances for redemption purposes in connection with the 2019 emission were mostly sold as early as December 2019,
 - transactions resulting from a restructuring in the portfolio of CO₂ emission allowances of the subsidiary company, Nowe Jaworzno Grupa TAURON Sp. z o.o. As part of its management of the portfolio of CO₂ emission allowances of its subsidiaries, the Company purchases allowances for redemption purposes of the Group's generation companies. 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 was generated in the portfolio of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. In consequence, in March 2021, the Company restructured the aforementioned portfolio of CO₂ emission allowances, with respect to the volume of 3 258 000 CO₂ emission

allowances 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 CO₂ 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 these contracts in accordance with IFRS 9 *Financial Instruments* at a fair value under the date of the change in judgement, i.e. in March 2021, which subsequently resulted in an increase in the sales revenue and operating profit in the amount of PLN 303 945 thousand (EUR 65 893 thousand). New contracted transactions with delivery dates in 2022-2024, are 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 CO₂ emission allowances for the purpose of resale to the subsidiary. Accordingly, the Company recognised a provision for onerous contracts in amount of PLN 234 718 thousand, as at the balance sheet date, as further discussed in Note 32 to these interim condensed financial statements.

- the Company bought back from the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o. and then sold CO₂ on the market emission allowances in the amount of 691 000 EUAs, which also represented a surplus over the redemption needs of the company for 2020 due to the delay in commissioning the unit. The revenues gained from this activity amounted to PLN 134 738 thousand.
- the Capacity Market - in connection with the launch of functioning of the Capacity Market as of 1 January 2021, the Company recognises revenue from transactions relating to the Capacity Market which amounted to PLN 48 520 thousand in the 3-month period ended 31 March 2021. 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 it does not own. In addition, the Company recognises revenue from remuneration for organising the operation of TAURON Group companies on the Capacity Market.

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 revenue from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services.

In the 3-month period ended 31 March 2021, the value of raw materials purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 438 787 thousand. The Company recognised revenue of PLN 9 882 thousand on account of the agency service.

12. Costs by type

	3-month period ended 31 March 2021	3-month period ended 31 March 2020
	<i>(unaudited)</i>	<i>(unaudited)</i>
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(3 905)	(3 469)
Materials and energy	(218)	(239)
Capacity market	(48 321)	-
External services	(10 017)	(11 543)
Taxes and charges	(249)	(825)
Employee benefits expense	(23 314)	(25 449)
Advertising expenses	(2 365)	(3 949)
Write-down for expected credit losses related to receivables from customers	4 538	(1 788)
Other	(295)	(419)
Total costs by type	(84 146)	(47 681)
Costs of performances intended for internal purposes	84	44
Selling and distribution expenses	4 557	5 008
Administrative expenses	21 665	31 418
Cost of goods for resale and materials sold	(4 304 792)	(2 637 537)
Cost of sales	(4 362 632)	(2 648 748)

In the 3-month period ended 31 March 2021 in relation to the comparative period, the main changes in the cost of goods, products, materials and services sold referred to:

- 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 48 321 thousand, in connection with the commencement of operation of the Capacity Market from 1 January 2021;
- an increase in the value of goods and materials sold in the amount of PLN 1 667 255 thousand, which is mainly related to:
 - an increase in the cost of electricity purchase by PLN 618 830 thousand, which results from the purchase of a higher volume of electricity by 20% at 5% higher average electricity purchase prices. The increase in the volume of electricity purchased results from the purchase of a higher volume for the needs of companies in the Generation segment in order to secure the performance of the electricity sales contracts concluded by them. 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 partial use of the provision for an onerous contract in the amount of PLN 95 981 thousand, which is discussed in more detail in Note 32 of these interim condensed financial statements.
 - recognition of the value of resold CO₂ emission allowances in the amount of PLN 1 011 006 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,
 - recognition of the cost of creation of the provisioning for onerous contracts in the amount of PLN 234 718 thousand, in connection with the restructuring of CO₂ 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,
 - in the comparative period, the Company's cost of goods for resale and materials sold was debited with the amount of PLN 126 966 thousand as a result of a change in the strategy for securing the redemption needs for CO₂ emission allowances of the Generation area.

Moreover, in the 3-month period ended 31 March 2021, a decrease in the level of general and administrative expenses by PLN 9 753 thousand occurred, which was mainly affected by the reversal of impairment losses on receivables.

13. Financial revenues and costs

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Income and costs from financial instruments	(306 246)	(707 087)
Interest income on loans	56 217	66 054
Other interest income	11	3 599
Interest expense	(81 436)	(110 739)
Revaluation of loans	(240 323)	(494 672)
Revaluation of shares	(10 800)	-
Gain/(loss) on derivative instruments	5 278	107 232
Commissions due to external financing	(5 282)	(2 000)
Exchange differences	(35 504)	(242 784)
Other	5 593	(33 777)
Other finance income and costs	(2 084)	414
Total, including recognized in the statement of comprehensive income:	(308 330)	(706 673)
Interest income on loans	56 217	66 054
Interest expense on debt	(81 436)	(110 739)
Revaluation of loans	(240 323)	(494 672)
Other finance income and costs	(42 788)	(167 316)

Significant changes in items of financial revenues and expenses in the 3-month period ended 31 March 2021 resulted mainly from the recognition of:

- lower interest expenses by PLN 29 303 thousand in relation to the comparative period, which mainly results from the change in the use of financing instruments and changes in interest rates;

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- net cost on account of revaluation of loans in the amount of PLN 240 323 thousand, including mainly a write-down in the amount of PLN 220 000 thousand of a loan granted in the current period to the subsidiary in the Mining segment, which was initially recognised as an impaired financial asset;
- surplus of exchange rate losses over gains in the amount of PLN 35 504 thousand (in the comparable period - PLN 242 784 thousand). The exchange differences mainly relate to exchange differences related to the liabilities of the Company on account of debt in EUR (PLN 39 724 thousand).

14. Tax expense in the statement of comprehensive income

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Current income tax	(48 107)	(21 689)
Current income tax expense	(48 061)	(21 599)
Adjustments of current income tax from prior years	(46)	(90)
Deferred tax	11 652	74 357
Income tax expense in profit or loss	(36 455)	52 668
Income tax expense in other comprehensive income	(11 652)	17 123

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 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020 <i>(restated figures)</i>
difference between tax base and carrying amount of financial assets	53 834	39 326
difference between tax base and carrying amount of property, plant and equipment and intangible assets and right-of-use assets	5 499	5 810
valuation of hedging instruments	10 947	-
difference between tax base and carrying amount of financial liabilities	5	326
other	15 773	1 159
Deferred tax liabilities	86 058	46 621
difference between tax base and carrying amount of financial assets	2 176	2 874
difference between tax base and carrying amount of financial liabilities	120 001	85 159
valuation of hedging instruments	5 973	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	31 276	30 961
provisions and accruals	3 628	3 306
difference between tax base and carrying amount of fixed and intangible assets	2 477	2 319
other	1 802	995
Deferred tax assets	167 333	146 034
Write-off of deferred tax assets in correspondence with the financial result	(81 275)	(88 445)
Write-off of deferred tax assets in correspondence with other comprehensive income	-	(10 968)
Deferred tax assets/(liabilities), net	-	-

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 the negative temporary differences associated with the recognition of impairment losses on shares in subsidiaries in the amount of PLN 10 884 565 thousand will not be reversed in the foreseeable future due to the lack of intention to sell the above investments and therefore it does not recognise a deferred tax asset.

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 NOTE TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

15. Investment real estate

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
COST		
Opening balance	54 365	41 513
Increase/(decrease) due to lease changes	258	-
Closing balance	54 623	41 513
ACCUMULATED DEPRECIATION		
Opening balance	(25 977)	(21 776)
Depreciation for the period	(1 252)	(923)
Closing balance	(27 229)	(22 699)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	28 388	19 737
NET CARRYING AMOUNT AT THE END OF THE PERIOD, of which:	27 394	18 814
Buildings, structures and other tangible fixed assets	20 527	13 564
Perpetual usufruct of land	6 867	5 250

The investment property is composed of a 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 3-month period ended 31 March 2021 amounted to PLN 1 825 thousand.

In investment real estate the Company presents the assets on account of the right to use assets meeting the definition of investment property, which relate to the rights to perpetual usufruct of land.

16. Right-of-use assets

3-month period ended 31 March 2021 (*unaudited*)

	Perpetual usufruct right	Buildings, premises and civil engineering structures	Motor vehicles	Total right-of-use assets
COST				
Opening balance	45	42 833	1 783	44 661
Increase/(decrease) due to lease changes	-	277	72	349
Liquidation	-	-	(102)	(102)
Closing balance	45	43 110	1 753	44 908
ACCUMULATED DEPRECIATION				
Opening balance	-	(15 280)	(1 369)	(16 649)
Depreciation for the period	-	(2 075)	(163)	(2 238)
Liquidation	-	-	94	94
Closing balance	-	(17 355)	(1 438)	(18 793)
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	25 755	315	26 115

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3-month period ended 31 March 2020 (unaudited)

	Buildings, premises and civil engineering structures	Motor vehicles	Total right-of-use assets
COST			
Opening balance	40 262	1 817	42 079
Increase/(decrease) due to lease changes	600	-	600
Liquidation	-	(34)	(34)
Closing balance	40 862	1 783	42 645
ACCUMULATED DEPRECIATION			
Opening balance	(7 226)	(676)	(7 902)
Depreciation for the period	(1 914)	(177)	(2 091)
Liquidation	-	15	15
Closing balance	(9 140)	(838)	(9 978)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	33 036	1 141	34 177
NET CARRYING AMOUNT AT THE END OF THE PERIOD	31 722	945	32 667

17. Shares

17.1. Change in share balance

Change in the shares balance in the period from 1 January 2021 to 31 March 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 Wytwarzanie 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	-	-	-	5 506 126	5 506 126
8	TAURON Dystrybucja S.A.	10 511 628	-	10 511 628	-	-	-	10 511 628	10 511 628
9	TAURON Nowe Technologie S.A. ¹	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. ²	11 026	-	11 026	-	-	-	11 026	11 026
20	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna ²	1 831	174	2 005	-	-	-	1 831	2 005
21	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna ²	19 116	-	19 116	-	-	-	19 116	19 116
22	TEC1 Sp. z o.o.	725	-	725	-	-	-	725	725
23	TEC2 Sp. z o.o.	225	-	225	-	-	-	225	225
24	TEC3 Sp. z o.o.	600 025	-	600 025	-	-	-	600 025	600 025
25	Other ²	379	-	379	-	-	-	379	379
	Razem	31 730 727	10 974	31 741 701	(10 873 765)	(10 800)	(10 884 565)	20 856 962	20 857 136

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.

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

Due to the failure to fulfil the premises for the classification of shares held in the subsidiary TAURON Ciepło Sp. z o.o. as held for sale as at 31 March 2021, the Company, in accordance with paragraph 28 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, restated the comparative data 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 of 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 day, the Company recognized a write offs in total amount of surcharges to the capitals.

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Change in share balance in the period from 1 January 2020 to 31 March 2020 (unaudited)

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 Wytwarzanie S.A.	1 341 755	-	1 341 755	(1 341 755)	-	(1 341 755)	-	-
2	TAURON Wytwarzanie S.A.	7 865 701	-	7 865 701	(7 635 126)	-	(7 635 126)	230 575	230 575
3	TAURON Ciepło Sp. z o.o.	1 928 043	-	1 928 043	(168 140)	-	(168 140)	1 759 903	1 759 903
4	TAURON Ekoenergia Sp. z o.o.	1 939 765	-	1 939 765	-	-	-	1 939 765	1 939 765
5	Marselwind Sp. z o.o.	307	-	307	-	-	-	307	307
6	TAURON Serwis Sp. z o.o.	1 268	-	1 268	-	-	-	1 268	1 268
7	Nowe Jaworzno Grupa TAURON Sp. z o.o.	4 861 026	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 Dystrybucja Serwis S.A.	640 362	9 500	649 862	-	-	-	640 362	649 862
10	TAURON Sprzedaż Sp. z o.o.	613 505	-	613 505	-	-	-	613 505	613 505
11	TAURON Sprzedaż GZE Sp. z o.o.	129 823	-	129 823	-	-	-	129 823	129 823
12	TAURON Czech Energy s.r.o.	4 223	-	4 223	-	-	-	4 223	4 223
13	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	-	41 178	-	-	-	41 178	41 178
14	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	61 056	8 016	69 072	(61 056)	-	(61 056)	-	8 016
15	Bioeko Grupa TAURON Sp. z o.o.	1 269	-	1 269	-	-	-	1 269	1 269
16	TAURON Obsługa Klienta Sp. z o.o.	39 831	-	39 831	-	-	-	39 831	39 831
17	Finanse Grupa TAURON Sp. z o.o.	28 482	-	28 482	(23 925)	-	(23 925)	4 557	4 557
18	TAMEH HOLDING Sp. z o.o.	415 852	-	415 852	-	-	-	415 852	415 852
19	PGE EJ 1 Sp. z o.o.*	14 402	-	14 402	-	-	-	14 402	14 402
20	Magenta Grupa TAURON Sp. z o.o.	9 500	(9 500)	-	-	-	-	9 500	-
21	ElectroMobility Poland S.A.*	11 847	-	11 847	-	-	-	11 847	11 847
22	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna*	1 058	143	1 201	-	-	-	1 058	1 201
23	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna*	10 950	-	10 950	-	-	-	10 950	10 950
24	TEC1 Sp. z o.o.	725	-	725	-	-	-	725	725
25	TEC2 Sp. z o.o.	225	-	225	-	-	-	225	225
26	TEC3 Sp. z o.o.	600 025	-	600 025	-	-	-	600 025	600 025
27	Other*	379	-	379	-	-	-	379	379
	Total	31 074 185	463 259	31 537 444	(9 230 002)	-	(9 230 002)	21 844 183	22 307 442

*Companies measured at a fair value.

17.2. Impairment tests

In view of current developments in the prices of electricity, raw materials and CO₂ emission allowances, and bearing in mind the market situation associated with the COVID-19 pandemic, an analysis of the effects of changes in the market situation in the first quarter of this year was performed.

During the analysed period, quotations of CO₂ emission allowances set the average price at a level of 37.48 EUR/MgCO₂. Compared to last year's average price, prices increased by EUR 12.71 EUR/MgCO₂ under the influence of both fundamental factors and the situation on the financial markets. From the point of view of fundamental factors, the price increases were affected by the delays in the allocation of free allowances and the change in phase of the EU ETS from III to IV. Moreover, the free allocation of Phase IV allowances cannot be used to redeem the obligation arising in Phase III, which had an impact on limiting the possibility to buy units on the secondary market. Weather conditions constituted a significant factor triggering the increase in the demand for allowances which had an impact on the growth in electricity consumption and the decline in production of energy from renewable sources. In addition, the fundamental factors were supported by the increase in activity of hedge funds. The high correlation of CO₂ prices with stock market indices and the ongoing boom on the stock exchanges effectively supported the increases in allowance prices.

The first quarter of this year also saw price increases in the fuel market. Increases in the crude oil market are strongly correlated with the global supply and demand developments, which is the result of the growth in demand associated with the recovery of the global economy after the collapse in 2020 caused by the COVID-19 pandemic. Similar factors also affected the increases in coal and natural gas prices, which translated into increases in electricity prices. Annual BASE contracts became more expensive in the first quarter of 2021 by nearly PLN 35/MWh compared to the same period of the previous year and shows further increase tendency. Much higher increases in electricity prices occurred on the SPOT market where, on an annual basis, prices in the first quarter of this year rose by an average of over PLN 86/MWh.

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 necessary to change the long-term forecasts, relative to the information available as at 31 December 2020.

For this reason, the results of the most recent impairment tests of shares in subsidiaries and analyses in the scope of valuation of intra-group loans conducted as at 31 December 2020 were deemed valid.

The recoverable amount is the value in use.

In addition, an impairment test of fixed assets was carried out. To this end, the relevant assumptions described in the scope of the impairment test for shares were used.

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The impairment tests carried out as at 31 December 2020, including the key assumptions adopted in the scope of tests are described in Note 10 to the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020.

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

The impairment tests conducted in compliance with IAS 36 *Impairment of Assets* as at 31 December 2020 indicated impairment of the carrying amount of shares and stocks of TAURON Wytwarzanie S.A. and TAURON Ekoenergia Sp. z o.o. Moreover, the analyses performed have shown the legitimacy of reducing the carrying amount of the loans granted by the Company to TAURON Wydobywanie S.A. and to Elektrociepłownia Stalowa Wola S.A. To the value amounting to PLN zero and PLN 98 713 thousand, respectively.

Company	WACC* assumed in tests as at			Recoverable amount of shares, intra-group loans	The amount of the recognized impairment losses on shares	The amount of the reduction in the carrying amount of the loans
	31 December 2020	30 June 2020 (unaudited)	31 December 2019			
				As at 31 December 2020	Year ended 31 December 2020	
TAURON Wydobywanie S.A.	14.85%	14.99%	14.01%	(11 936)	-	(312 312)
TAURON Wytwarzanie S.A.	9.47%	9.49%	8.60%	762 611	(194 467)	-
TAURON Ekoenergia Sp. z o.o.	8.00%	8.31%	8.76%	1 716 440	(376 106)	-
Elektrociepłownia Stalowa Wola S.A.	10.06%	8.78%	8.58%	98 713	-	(235 714)
Total					(570 573)	(548 026)

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

18. Loans granted

Balances of loans granted by the Company as at 31 March 2021 and 31 December 2020 are presented in the table below.

	As at 31 March 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	5 694 696	(120 783)	5 573 913	5 074 636	(71 113)	5 003 523
Loans granted to EC Stalowa Wola S.A.	26 290	(1 922)	24 368	27 670	(1 480)	26 190
Granted cash pool loans including	149 962	(15 027)	134 935	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	5 945 293	(137 732)	5 807 561	5 487 585	(106 634)	5 380 951
Non-current	5 532 889	(128 420)	5 404 469	4 336 528	(102 927)	4 233 601
Current	412 404	(9 312)	403 092	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 to subsidiaries as at 31 March 2021 and 31 December 2020, broken down by individual companies.

Company	As at 31 March 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.	3 250 000	3 301 472	(9 794)	3 291 678	3 250 000	3 284 433	(10 781)	3 273 652
TAURON Wytwarzanie S.A.	1 100 000	1 105 203	(99 454)	1 005 749	500 000	504 226	(53 784)	450 442
TAURON Ciepło Sp. z o.o.	975 000	978 989	(7 217)	971 772	975 000	977 318	(1 054)	976 264
TAURON Wydobywanie S.A.	3 080 000	-	-	-	2 868 354	-	-	-
TAURON Ekoenergia Sp. z o.o.	160 000	154 431	(1 144)	153 287	160 000	154 121	(1 340)	152 781
TAURON Sprzedaż Sp. z o.o.	100 000	100 311	(951)	99 360	100 000	100 330	(1 856)	98 474
Other	53 992	54 290	(2 223)	52 067	53 992	54 208	(2 298)	51 910
Total	8 718 992	5 694 696	(120 783)	5 573 913	7 907 346	5 074 636	(71 113)	5 003 523
Non-current		5 304 837	(112 714)	5 192 123		3 929 234	(67 516)	3 861 718
Current		389 859	(8 069)	381 790		1 145 402	(3 597)	1 141 805

As at 31 March 2021, the nominal value of loans with a repayment term 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 2 120 000 thousand.

In the 3-month period ended 31 March 2021, the most significant transaction as part of the intra-group financing were regarding to:

- granting a loan to the subsidiary, TAURON Wytwarzanie S.A. in the nominal amount of PLN 600 000 thousand,
- 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,
- granted a loan with a nominal value of PLN 220 000 thousand to the subsidiary TAURON Wydobywanie S.A., under a loan agreement up to the amount of PLN 250 000 thousand, which was recognised at initial recognition as a financial asset impaired 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 performed as at 31 December 2020. The analyses of credit risk of the loans granted to TAURON Wydobywanie 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 220 000 thousand reduced the gross value of the loan and charged the financial result of the Company.

Recognising in the calculation of expected credit losses of the impact of the epidemiological situation related to COVID-19, resulted in an increase in the allowance for loans granted to subsidiaries by the amount of PLN 8 263 thousand, as further discussed in Note 6.1 to these interim condensed financial statements.

After the balance sheet date, the Company drew down the remaining PLN 30 000 thousand for TAURON Wydobywanie S.A. under the above-mentioned loan agreement and granted a loan of PLN 6 000 thousand to Wind T1 Sp. z o.o. under the loan agreement up to PLN 29 300 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 31 March 2021 and as at 31 December 2020 are presented in the table below.

	Loan amount	As at 31 March 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
	7 290	2 068	(394)	1 674	1 986	(353)	1 633		
	9 500	2 391	(350)	2 041	2 295	(304)	1 991		
Other loans	5 175	1 430	(192)	1 238	1 372	(165)	1 207	30.06.2033	fixed
	59 175	15 034	(881)	14 153	14 404	(598)	13 806		
	35 000	5 367	(105)	5 262	5 160	(27)	5 133		
Total		100 635	(1 922)	98 713	100 193	(1 480)	98 713		
Non-current		100 635	(1 922)	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 under 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 31 March 2021 and 31 December 2020 is presented in the table below.

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	As at 31 March 2021 (unaudited)			As at 31 December 2020		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool transactions	147 463	(15 027)	132 436	312 216	(34 041)	278 175
Interest receivable from cash pool transactions	2 499	-	2 499	540	-	540
Total	149 962	(15 027)	134 935	312 756	(34 041)	278 715
Non-current	127 417	(13 784)	113 633	309 554	(33 964)	275 590
Current	22 545	(1 243)	21 302	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 31 March 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	(9 012)	35 188	57 615	(31 439)	(6 230)	(83 831)	-	(90 061)
Derivative instruments measured at fair value through profit or loss								
CCIRS	10 259	-	11 593	(1 334)	3 268	-	5 023	(1 755)
Commodity future/forward	(23 369)	-	173 188	(196 557)	2 321	-	86 089	(83 768)
Currency forward	33 774	-	33 774	-	67 734	-	67 734	-
Total			276 170	(229 330)			158 846	(175 584)
Non-current			101 375	(21 838)			36 041	(73 739)
Current			174 795	(207 492)			122 805	(101 845)

As at 31 March 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: <ul style="list-style-type: none"> 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.

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

	As at 31 March 2021 (unaudited)		As at 31 December 2020	
	1 level	2 level	1 level	2 level
Assets				
Derivative instruments - commodity	173 188	-	86 089	-
Derivative instruments - currency	-	33 774	-	67 734
Derivative instruments - IRS	-	57 615	-	-
Derivative instruments - CCIRS	-	11 593	-	5 023
Total	173 188	102 982	86 089	72 757
Liabilities				
Derivative instruments - commodity	196 557	-	83 768	-
Derivative instruments - IRS	-	31 439	-	90 061
Derivative instruments - CCIRS	-	1 334	-	1 755
Total	196 557	32 773	83 768	91 816

20. Other financial assets

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Receivables arising from income tax settlements of the TCG companies	197 405	21 869
Initial deposits arising from stock exchange transactions	50 750	48 663
Bid bonds, deposits, collateral transferred	21 899	19 161
Variation margin deposits arising from stock exchange transactions	260	-
Other	124	151
Total	270 438	89 844
Non-current	469	2 541
Current	269 969	87 303

The value of initial and variation margins is related mostly to futures transactions in CO₂ emission allowances concluded on foreign regulated markets.

The value of deposits, performance bonds and collaterals transferred relates mainly to the collaterals provided in the framework of the clearing guarantee system with Izba Rozliczeniowa Gield Towarowych S.A. As at 31 March 2021, the related collaterals amounted to PLN 17 250 thousand while as at 31 December 2020 - PLN 12 443 thousand.

21. Other non-financial assets

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Prepaid expenses, including:	16 276	14 076
Prepaid fee on debt	14 524	13 707
VAT receivables	-	4 316
Advance payments for deliveries	3 481	3 888
Other	6 947	7 278
Total	26 704	29 558
Non-current	15 670	17 267
Current	11 034	12 291

22. Inventories

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Gross Value		
CO ₂ emission allowances	353 502	394 810
Energy certificates	250	250
Materials	79	-
Total	353 831	395 060
Measurement to net realisable value		
CO ₂ emission allowances	(1 061)	(987)
Energy certificates	(33)	(42)
Measurement to fair value		
CO ₂ emission allowances	9 095	-
Total	8 001	(1 029)
Net value		
CO ₂ emission allowances	189 820	393 823
Energy certificates	217	208
Materials	79	-
Fair value		
CO ₂ emission allowances	171 716	-
Total	361 832	394 031

Inventories are measured at the net achievable value, with the exception of the inventory of CO₂ 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 31 March 2021 (unaudited)	As at 31 December 2020
Gross Value		
Receivables from buyers	1 168 088	1 309 852
Receivables claimed at court	1 046	1 039
Total	1 169 134	1 310 891
Allowance/write-down		
Receivables from buyers	(3 911)	(8 443)
Receivables claimed at court	(1 046)	(1 039)
Total	(4 957)	(9 482)
Net Value		
Receivables from buyers	1 164 177	1 301 409
Receivables claimed at court	-	-
Total	1 164 177	1 301 409

As at 31 March 2021 and 31 December 2020, receivables from the subsidiary, TAURON Sprzedaż Sp. z o.o. represented the highest balance of receivables from customers amounting to PLN 533 761 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.

24. Cash and equivalents

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Cash at bank and in hand	1 013 326	393 129
Short-term deposits (up to 3 months)	-	250 005
Total cash and cash equivalents presented in the statement of financial position, including:	1 013 326	643 134
restricted cash, including:	147 622	119 240
collateral of settlements with Izba Rozliczeniowa Gield Towarowych S.A.	123 236	108 917
Cash pool	(1 803 212)	(1 383 241)
Foreign exchange	(3 348)	(2 837)
Total cash and cash equivalents presented in the statement of cash flows	(793 234)	(742 944)

The balances of short-term loans granted and borrowings incurred under cash pool transactions do not represent cash flows from investment or financing activities in Group, 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

The decline in assets classified as held for sale in the amount of PLN 53 136 thousand is mainly related to signing of an agreement for the sale of shares in PGE EJ 1 Sp. z o.o. by the Company with the State Treasury on 26 March 2021 (the "Agreement"). The Agreement was signed by all entities holding shares in PGE EJ 1 Sp. z o.o. In addition to the Company, they include: PGE Polska Grupa Energetyczna S.A., Enea S.A. and KGHM Polska Miedź S.A., jointly (the "Partners"). PGE EJ 1 Sp. z o.o. is responsible for the preparation and execution of the investment project consisting in the construction and operation of the first Polish nuclear power plant.

Pursuant to the Agreement, the Company sold to the State Treasury 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. Following the closure of the transaction, the Company does not hold any shares in PGE EJ 1 Sp. z o.o. The selling price for 100% of the shares amounted to PLN 531 362 thousand, of which PLN 53 136 thousand is assigned to the Company. The selling price will be subject to adjustment on the basis of the PGE EJ 1 Sp. z o.o. valuation updated as at the transaction closing date. According to the assessment of the Company, the potential adjustment will not have a significant impact on the final selling price. The fair value of the assets disposed of did not differ from the selling price.

Moreover, 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.

26. Equity

26.1. Issued capital

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

26.2. Major Shareholders

Shareholding structure as at 31 March 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 31 March 2021 (unaudited)	As at 31 December 2020
Amounts subject to distribution	4 886 520	4 886 520
Amounts from distribution of prior years profits	4 886 520	4 886 520
Non-distributable amounts	1 452 234	1 452 234
Decrease in the value of issued capital	1 217 354	1 217 354
Settlement of mergers with subsidiaries	234 880	234 880
Total reserve capital	6 338 754	6 338 754

26.4. Revaluation reserve from valuation of hedging instruments

	3-month period ended 31 March 2021 (unaudited)	3-month period ended 31 March 2020 (unaudited)
Opening balance	(78 871)	15 666
Remeasurement of hedging instruments	121 801	(91 038)
Remeasurement of hedging instruments charged to profit or loss	(2 782)	848
Deferred income tax	(22 614)	17 136
Write-off of deferred tax assets	10 968	-
Closing balance	28 502	(57 388)

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 31 March 2021, the Company recognised the amount of PLN 28 502 thousand of revaluation reserve from the measurement of hedging instruments. This amount represents the asset arising from the measurement of IRS instruments as at the balance sheet date in the amount of PLN 57 615 thousand and the liability arising from the measurement of IRS instruments as at the balance sheet date in the amount of PLN 31 439 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 above Allowance in the amount of PLN 10 968 thousand recognised with capital.

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26.5. Retained earnings and restrictions on 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 supplementary capital of the Company.

26.6. Dividends paid and proposed for disbursement

In the 3-month period ended 31 March 2021 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

27. Debt

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Long-term portion of debt		
Unsubordinated bonds	4 574 028	4 550 767
Subordinated bonds	1 996 528	1 993 876
Bank loans	4 748 780	4 782 363
Loans from the subsidiary	775 771	768 185
Lease	20 370	22 103
Total	12 115 477	12 117 294
Short-term portion of debt		
Unsubordinated bonds	224 312	200 518
Subordinated bonds	32 576	4 491
Bank loans	775 836	1 169 924
Loans from the subsidiary	9 567	2 309
Cash pool loans received	1 825 756	1 386 443
Lease	8 781	8 654
Total	2 876 828	2 772 339

27.1. Bonds issued

Bonds as at 31 March 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	802 811	3 800	799 011	99 965	99 928	299 631	299 487
			630 000	2021-2029	632 684	2 907	629 777	69 993	69 985	209 929	279 870
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000 000	30.10.2025	1 004 186	6 710	997 476	-	-	997 476	-
Eurobonds	fixed	EUR	500 000	5.07.2027	2 358 659	40 937	2 317 722	-	-	-	2 317 722
Unsubordinated bonds					4 798 340	54 354	4 743 986	169 958	169 913	1 507 036	2 897 079
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400 000	29.03.2031 ²	404 222	4 751	399 471	-	-	399 471	-
European Investment Bank	fixed ¹	EUR	190 000	16.12.2034 ²	879 654	11 818	867 836	-	-	867 836	-
		PLN	400 000	17.12.2030 ²	397 618	8 699	388 919	-	-	388 919	-
		PLN	350 000	19.12.2030 ²	347 610	7 308	340 302	-	-	340 302	-
Subordinated hybrid bonds					2 029 104	32 576	1 996 528	-	-	1 996 528	-
Total bonds					6 827 444	86 930	6 740 514	169 958	169 913	3 503 564	2 897 079

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

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.

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

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 balance sheet day, 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 will support the implementation of the Group's energy transformation. The terms and conditions of the bond issue include sustainability indicators in the form of the CO₂ 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 have priority of satisfaction only before the amounts due to the Company's shareholders in the event of its bankruptcy or liquidation. This in turn 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 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.

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 have been issued.

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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Opening balance	6 714 586	5 513 468
Redemption	-	(3 100)
Measurement change	25 928	193 622
Closing balance	6 740 514	5 703 990

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27.2. Bank loans

Borrowing institution	Purpose	Interest rate	Maturity date	As at 31 March 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	603 849	601 673
			30.04.2021 ³	201 154	200 429
			29.06.2021 ³	1 103 602	1 099 541
			10.09.2021 ³	100 035	100 366
			25.01.2021	-	300 100
			28.01.2021	-	600 089
			29.01.2021	-	100 007
			29.04.2021	250 548	-
			26.04.2021	200 044	-
			30.04.2021	150 011	-
Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	floating	20.12.2033	1 001 493	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	20 635	20 354
				29 500	29 105
	Modernization and extension of power grid	fixed	15.12.2021	139 429	137 682
				62 641	72 151
				78 520	90 440
Modernization and extension of power grid and improvement of hydropower plants	fixed	15.03.2027	174 837	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	249 909	250 832
				249 836	250 758
				249 628	250 526
SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	fixed	23.03.2025	498 937	498 860
Consortium of banks II ²	Group's general corporate expenses, excluding financing of any new coal assets-related projects	floating	10.09.2021 ³	160 008	160 610
Total				5 524 616	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 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 is end 2022. Due to the intention and ability to maintain financing under the said agreement for a period exceeding 12 months from the balance sheet date tranches with the total nominal value of PLN 2 000 000 thousand are presented as a non-current liability as at the balance sheet date. Tranches with a total nominal value of PLN 600 000 thousand are classified as current liabilities as at 31 March 2021.

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 amount of PLN 160 000 thousand is classified as a non-current liability as of the balance sheet date.

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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Opening balance	5 940 446	6 996 963
Movement in bank overdrafts	-	40 494
Movement in loans (excluding bank overdrafts):	(433 008)	913 584
Repaid	(2 335 205)	(3 085 205)
Taken*	1 899 938	3 995 575
Change in valuation	2 259	3 214
Closing balance	5 507 438	7 951 041
Interest increasing the carrying amount	17 178	52 512
Total bank loans	5 524 616	8 003 553

* Inclusive of the borrowing costs

In the 3-month period ended 31 March 2021, the Company performed the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Description	3-month period ended 31 March 2021 <i>(unaudited)</i>	
		Drawdown	Repayment
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to maturity date	1 900 000	(2 300 000)
European Investment Bank	Repayment of capital instalments according to schedule	-	(35 205)
Total, including:		1 900 000	(2 335 205)
Cash flows		300 000	(735 205)
Net settlement (without cash flow)		1 600 000	(1 600 000)

After the balance sheet date, under the agreement of 19 June 2019 (Consortium of Banks I), the Company has drawn tranches with an aggregate nominal value of PLN 1 300 000 thousand and repaid tranches in accordance with the repayment schedule in the total amount of PLN 1 400 000 thousand.

Overdrafts

The Company has available financing under current account overdraft facilities in EUR currency and intraday loan. As at 31 March 2021 and as at 31 December 2020, the Company did not report any liabilities due to overdrafts.

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 31 December 2020 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.51, accordingly, the covenant was not exceeded.

27.4. Loans from the subsidiary

As at 31 March 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 785 338 thousand (EUR 168 517 thousand), including interest accrued as at the balance sheet date of PLN 9 567 thousand (EUR 2 053 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 - TAURON Sweden Energy AB (publ) (currently Finanse Grupa TAURON Sp. z o.o.). The loan bears interest at a fixed rate and interest is paid annually, in December - until full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

27.5. Loans received under the cash pool service

As at 31 March 2021 and as at 31 December 2020, the Company had current liabilities due to cash pool transactions amounting to PLN 1 825 756 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 31 March 2021, the Company had a lease liability in the amount of PLN 29 151 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 <i>(after the balance sheet date)</i>	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020
Within 1 year	9 575	9 502
Within 1 to 5 years	19 286	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	34 661	36 141
Discount	(5 510)	(5 384)
Present value of lease payments	29 151	30 757

28. Other financial liabilities

	As at 31 March 2021 <i>(unaudited)</i>	As at 31 December 2020
Liabilities arising from stock exchange transactions	227 587	73 221
Bid bonds, deposits and collateral received	50 266	25 331
Measurement of financial guarantee	22 577	28 184
Wages and salaries as well as other employee related liabilities	3 417	7 387
Commissions related to borrowings	2 421	4 999
Liabilities arising from income tax settlements of the TCG companies	-	91 106
Other	15 559	16 961
Total	321 827	247 189
Non-current	10 242	14 090
Current	311 585	233 099

The value of initial and variation margins is related mostly to futures transactions in CO₂ emission allowances concluded on foreign regulated markets. The change in the value of margins compared to the comparable period 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. 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 31 March 2021 and 31 December 2020, the liabilities to suppliers amounted to PLN 1 207 862 thousand and PLN 764 096 thousand, respectively. The increase in the balance of liabilities to suppliers in relation to the comparable period in the total amount of PLN 443 766 thousand refers mainly to the Company liabilities associated with the delivery in March this year of CO₂ emission allowances purchased from counterparties in the OTC market. As at 31 March 2021, liabilities on this account amounted to the total of PLN 600 157 thousand.

30. Income tax settlement and Tax Capital Group

The Tax Group Agreement for 2021-2023 was registered on 14 December 2020. Main companies forming the Tax 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., TEC2 Sp. z o.o., TEC3 Sp. z o.o. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 31 March 2021, the Tax Capital Group consists of:

- the receivable for the year ended 31 December 2020 in the amount of PLN 103 530 thousand representing the surplus of advance payments paid in the amount of PLN 313 464 thousand over the tax burden of the PGK in the amount of PLN 209 934 thousand;
- a liability for the 3-month period ended 31 March 2021 in the amount of PLN 334 012 thousand representing a tax charge to PGK.

At the same time, due to the settlements of the Company as a Representative Company with the subsidiaries belonging to the Tax Capital Group, the Company had a receivables from the subsidiaries forming the Tax Capital Group on account of settlement of tax in the amount of PLN 197 405 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 31 March 2021 (unaudited)	As at 31 December 2020
Advances received for deliveries	220 914	355 403
VAT	36 152	7 655
Social security	5 369	5 341
Personal Income Tax	1 350	1 856
Net liabilities of the Company's Social Benefits Fund	707	-
Real estate tax	341	-
Other	46	46
Total	264 879	370 301
Non-current	39 197	23 830
Current	225 682	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 3-month period ended 31 March 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	3 267	-	3 267
Recognition	16 128	234 718	250 846
Utilisation	(95 981)	-	(95 981)
Closing balance	1 033 311	234 718	1 268 029
Non-current	802 377	164 755	967 132
Current	230 934	69 963	300 897

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

The provision for the onerous contract as at 31 March 2021 amounted to PLN 1 033 311 thousand. Provision for 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 constituting an element of transaction documentation related to the investment of Closed-End Investment Funds managed by Polski Fundusz Rozwoju S.A. in company 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), was concluded in 2018. 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 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.

The provision created in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* was calculated assuming the purchase by the Company from the company Nowe Jaworzno Grupa TAURON sp. z o.o. of the volume of electricity generated by the 910 MW at prices specified in the Agreement. 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 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, unbalancing 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 2024-2030 takes into account the profiling but is treated entirely as an open position,
- the price for 2031-2060 has been calculated based on the market price path of BASE electricity adjusted for the average profiling level of BASE and PEAK customers of 2021-2030.

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 31 December 2020 and are described in Note 10 to the financial statements of TAURON Polska Energia S.A. financial statements for the year ended 31 December 2020.

The provision was calculated over the term of the contract effectiveness, i.e. 40 years, covering the years 2021-2060.

Agreements for sale of CO₂ emission allowances

In March 2021, the Company performed the restructuring of the portfolio of CO₂ 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 CO₂ emission allowances for the purpose of resale to the subsidiary. The value of the new contracts for the purchase of CO₂ 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. As at the balance sheet date, 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 CO₂ emission allowances outweigh the benefits to be received under these agreements.

Accordingly, as at 31 March 2021, the Company recognised the provision of PLN 234 718 thousand which was charged to the operating expenses of the Company.

33. Other provisions

As at 31 March 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 the scope of the proceedings of an external entity (former minority shareholder of TAURON Ciepło S.A.) against TAURON Ciepło Sp. z o.o. in the case related to setting the share repurchase price.

As at 31 December 2020, other provisions included, in addition to the aforementioned provision, 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.

In the scope of control proceedings concerning value added tax initiated in 2014, the decision closing these proceedings was 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 filing an appeal against the decision. The appeal, accompanied by the case file was forwarded to the second instance authority, i.e. the Director of the Revenue Administration Regional Office in Katowice. After the balance sheet date, on 9 April 2021, the Director of the Revenue Administration Regional Office in Katowice issued a decision determining a new deadline for the closing the appeal proceedings – on 15 October 2021.

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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Change in receivables	132 174	596 913
Change in inventories	32 199	(10 195)
Change in payables excluding loans	512 703	(293 038)
Change in other non-current and current assets	3 353	(53 088)
Change in deferred income, government grants and accruals	4 882	876
Change in provisions	157 545	1 445
Change in working capital	842 856	242 913

34.2. Cash flows from investment activities

Loans granting

Granting of the loans in the amount of PLN 637 863 thousand included:

- 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 Wydobywanie S.A. in the amount of PLN 220 000 thousand;
- change in the balance of loans granted to subsidiaries under the long-term exposure cash pool agreement in the amount of PLN (182 137) thousand.

Purchase of shares

Expenditure on the acquisition of shares in the amount of PLN 10 974 thousand is related to the transfer of funds by the Company to increase the capital of EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna in the amount of PLN 174 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 the sale of shares in the amount of PLN 53 136 thousand refer to the sale of shares in PGE EJ1 Sp. z o.o., which is described in more detail in Note 25 to these interim condensed financial statements.

Interest received

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Interest received in relation to loans granted	28 730	16 314
Total	28 730	16 314

34.3. Cash flows from financial activities

Loans and borrowings repaid

Loan repayment expenses were related to the repayment of the following loans by the Company in the 3-month period ended 31 March 2021:

- tranches of loans to the Consortium of banks in the amount of PLN 700 000 thousand;
- loan instalments to the European Investment Bank in the amount of PLN 35 205 thousand.

Interest paid

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Interest paid in relation to loans	(19 055)	(24 319)
Interest paid in relation to debt securities	-	(45)
Other interest	(80)	(25)
Total	(19 135)	(24 389)

Loans drawn

Proceeds from loans drawn in the 3-month period ended 31 March 2021 were related to the drawdown of tranches of a loan under an agreement concluded with the Consortium of banks I in the amount of PLN 300 000 thousand.

OTHER INFORMATION

35. Financial instruments

Categories and classes of financial assets	As at 31 March 2021 (unaudited)		As at 31 December 2020 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	7 095 206	7 095 206	6 632 136	6 632 136
Receivables from buyers	1 164 177	1 164 177	1 301 409	1 301 409
Loans granted under cash pool agreement	134 935	134 935	278 715	278 715
Other loans granted	5 598 281	5 598 281	5 029 713	5 029 713
Other financial receivables	197 813	197 813	22 299	22 299
2 Financial assets measured at fair value through profit or loss (FVTPL)	1 411 377	1 411 377	1 027 536	1 027 536
Derivative instruments	218 555	218 555	158 846	158 846
Long-term shares	32 526	32 526	32 352	32 352
Shares classified as non-current assets held for sale	-	-	53 136	53 136
Loans granted	74 345	74 345	72 523	72 523
Other financial receivables	72 625	72 625	67 545	67 545
Cash and cash equivalents	1 013 326	1 013 326	643 134	643 134
3 Derivative hedging instruments	57 615	57 615	-	-
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	20 824 610		20 824 610	
Shares in subsidiaries	20 408 758		20 408 758	
Shares in jointly-controlled entities	415 852		415 852	
Total financial assets, of which in the statement of financial position:	29 388 808		28 484 282	
Non-current assets	26 363 449		25 129 145	
Shares	20 857 136		20 856 962	
Loans granted	5 404 469		4 233 601	
Derivative instruments	101 375		36 041	
Other financial assets	469		2 541	
Current assets	3 025 359		3 355 137	
Receivables from buyers	1 164 177		1 301 409	
Loans granted	403 092		1 147 350	
Derivative instruments	174 795		122 805	
Other financial assets	269 969		87 303	
Cash and cash equivalents	1 013 326		643 134	
Non-current assets classified as held for sale	-		53 136	

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Categories and classes of financial liabilities	As at 31 March 2021 (unaudited)		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	16 492 843	16 839 438	15 870 161	16 312 262
Arm's length loans, of which:	8 135 710	8 236 957	8 109 224	8 244 276
Liability under the cash pool loan	1 825 756	1 825 756	1 386 443	1 386 443
Bank loans	5 524 616	5 542 400	5 952 287	5 984 104
Loans from the subsidiary	785 338	868 801	770 494	873 729
Bonds issued	6 827 444	7 072 792	6 749 652	7 056 701
Liabilities to suppliers	1 207 862	1 207 862	764 096	764 096
Other financial liabilities	321 508	321 508	246 661	246 661
Liabilities due to purchases of fixed and intangible assets	319	319	528	528
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	197 891	197 891	85 523	85 523
Derivative instruments	197 891	197 891	85 523	85 523
3 Derivative hedging instruments	31 439	31 439	90 061	90 061
4 Financial liabilities excluded from the scope of IFRS 9				
Financial Instruments	29 151		30 757	
Liabilities under leases	29 151		30 757	
Total financial liabilities, of which in the statement of financial position:	16 751 324		16 076 502	
Non-current liabilities	12 147 557		12 205 123	
Debt	12 115 477		12 117 294	
Other financial liabilities	10 242		14 090	
Derivative instruments	21 838		73 739	
Current liabilities	4 603 767		3 871 379	
Debt	2 876 828		2 772 339	
Liabilities to suppliers	1 207 862		764 096	
Derivative instruments	207 492		101 845	
Other financial liabilities	311 585		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:		
IRS and CCIRS	2	Derivatives have been measured in line with the methodology presented in Note 19 hereto.
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 31 March 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 the following reasons:

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

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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 an agreement of 28 February 2018 to assets measured at fair value through 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 IFRS. The financial risk management policy and the hedge accounting principles relate to the cash flow risk.

Hedge accounting

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

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	Validity	As at 31 March 2021 (unaudited)		As at 31 December 2020		
				Currency	PLN	Currency	PLN	
corporate guarantee	Finanse Grupa TAURON Sp. z o.o.	Private placement investors	3.12.2029	EUR	168 000	782 930	168 000	775 286
	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	11.04.2021			517 500		517 500
registered pledges and financial pledge of shares in TAMEH HOLDING Sp. z o.o.	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG	31.12.2028 ¹			415 852		415 852
blank promissory note with a promissory note declaration	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice	15.12.2022			40 000		40 000
	TAURON Ciepło Sp. z o.o.					30 000		30 000
	TAURON Sprzedaż Sp. z o.o.	Polska Spółka Gazownictwa Sp. z o.o.	30.11.2021			20 000		20 000
surety contract ²	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	24.04.2022	USD	1 329	5 271	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	30.04.2021-28.07.2029			54 972		32 808

¹ The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until release by the pledgee, not later than on 31 December 2028.

² 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:

- as at 28 April 2021, by virtue of the annex signed, the amount of the surety granted to Polska Spółka Gazownictwa Sp. z o.o. was increased to the amount of PLN 30 000 thousand and its effective term was extended to 30 April 2022;
- 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 802 thousand 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 782 930 thousand), and the beneficiaries of the guarantee are the private placement investors, who purchased the issued bonds.

- 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 31 March 2021 amounted to PLN 22 577 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 31 March 2021 was PLN 415 852 thousand.

- Blank promissory notes with a promissory note 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 7 000 thousand.

Significant items of the Company's contingent liabilities due to court proceedings and concluded agreements:

Claims related to termination of long-term contracts

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

In 2015 companies of the following capital groups: in.ventus, Polenergia and Wind Invest 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 judgments.

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 Appeal 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 prejudice 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 7 239 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 proceedings and the related circumstances, the Group believes that the probability of losing other cases related to the claims both as regards declaration of ineffectiveness of the termination notices and securing non-monetary claims and the claims for compensation is less than 50%. Therefore, no provision for the related costs has been recognised (except provision which have been made for cases filed by Pękanino Wind Invest Sp. z o.o., which have been discussed above).

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

In 2017 and 2018 companies of the following capital groups: in.ventus, Polenergia and Wind Invest filed cases against TAURON Polska Energia S.A. regarding damages and liability for potential future losses resulting from tort, including unfair competition. According to the plaintiffs notices of termination submitted by Polska-Energia Pierwsza Kompania Handlowa 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 78 855 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 held in camera. 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 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, and TAURON Sprzedaż Sp. z o.o. has deliberately taken advantage of 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.

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 prior 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 contemporary 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 extended 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 with PGE EJ 1 Sp. z o.o. an annex to the agreement of 15 April 2015 regarding WorleyParsons, which regulates potential liabilities and provisions of the parties resulting from the settlement of the dispute with a consortium WorleyParsons after sale of shares in PGE EJ 1 Sp. z o.o. Pursuant to signed 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 a 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.

Claims filed by Huta Łaziska S.A.

In connection with the merger of the Company with Górnśląski 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 appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and 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. As a result, no provision has been recognized 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, regards the payment of PLN 17 086 thousand with statutory interest from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in connection with possible errors in the determination of 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 entirety and ruled on ENEA's obligation to reimburse the costs of the proceedings to the Company. The judgement is not legally binding.

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 recognized by the subsidiaries of TAURON Polska Energia S.A. in the total amount of PLN 5 972 thousand (TAURON Sprzedaż Sp. z o.o.) and in the total amount of PLN 4 245 thousand in case of TAURON Sprzedaż GZE Sp. z o.o.

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-End 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. The above situations, some of which are beyond the direct control of the Company, include, among others, the occurrence of events of a legal nature, events relating to the financial situation of the TAURON Group, decisions of an investment and operational nature taken by the Group with respect to the financing and construction of the 910 MW unit, as well as events relating to the future operation of the unit. 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

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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.

As at the date of approval of these interim condensed financial statements for publication, the Company does not identify on its side any risk of material breach of agreement beyond the Company's direct control and takes the view that there is no realistic possibility, including in the future, of such breaches occurring.

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

38. Security for liabilities

The most significant types of collaterals securing the liabilities of the Company as at 31 March 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 of 19 June 2019	
		2 550 000	20.12.2032	Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego of 31 July 2013	
		1 500 000	31.12.2036	Overdraft agreement with Bank Gospodarstwa Krajowego of 19 December 2018	
		900 000	31.12.2027	Credit agreements with Intesa Sanpaolo S.p.A. of 19 December 2019	
		621 000	31.10.2021	Bank guarantee agreement dated 28 January 2020 with MUFG Bank, Ltd. ¹	
		621 000	31.10.2022	Bank guarantee agreement dated 2 February 2021 with MUFG Bank, Ltd. 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 of 25 March 2020	
		600 000	31.03.2021	Membership agreement in the Exchange Clearing Chamber operated by Izba Rozliczeniowa Gield Towarowych S.A. ²	
		300 000	14.03.2024	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Gield Towarowych S.A. 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 Gield Towarowych S.A. of 24 April 2020	
		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	Contingent agreement concluded with Intesa Sanpaolo S.p.A. Spółka Akcyjna Branch in Poland for bank guarantees for the benefit of Izba Rozliczeniowa Gield Towarowych S.A. of 25 May 2020	
		24 000	111 847	31.12.2021	Overdraft agreement with Bank Gospodarstwa Krajowego of 30 December 2015 ²
	EUR	50 000	233 015		
		67 500	314 570		
			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	13.03.2023	Agreement concluded with BGK for bank guarantees in favour of Izba Rozliczeniowa Gield Towarowych S.A. of 13 March 2020	
	EUR	45 000	209 714	30.12.2021	
			80 000	26.05.2023	Framework bank guarantee agreements with CaixaBank S.A. of 27 May 2019
			20 000	26.05.2028	
Bank guarantees		50 000	16.04.2021	Bank guarantees issued by Intesa Sanpaolo S.p.A. Spółka Akcyjna Oddział w Polsce and BGK to Izba Rozliczeniowa Gield Towarowych S.A. as a collateral of transactions concluded on Towarowa Gielda Energii S.A.	
		30 000	18.06.2021		
		10 000	30.06.2021	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	31.12.2021		
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).

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

- on 13 April 2021, a declaration of submission to enforcement was signed up to the maximum amount of PLN 675 000 thousand with expiry date of 31 December 2038, in connection with the conclusion of the subordinated bond issue scheme up to the amount of PLN 450 000 thousand by the Company with Bank Gospodarstwa Krajowego on 11 March 2021, as further described in Note 27.1 to these interim condensed financial statements.

- on 10 May 2021, behalf of IRGiT a bank guarantee was issued, which states collateral of the Company's liabilities in amount of PLN 10 000 thousand and apply from 17 May to 16 June 2021.

Assignment of CO₂ emission allowances in favour of Izba Rozliczeniowa Giełd Towarowych S.A.

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 Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") were concluded.

As at 31 December 2020, CO₂ emission allowances in the total amount of 3 021 799 tonnes, including allowances owned by the Company in the total amount of 2 205 000 tonnes and those owned by the subsidiary TAURON Wytwarzanie S.A. in the total amount of 816 799 tonnes, were assigned to the IRGiT.

In connection with the Group's redemption needs, on 16 February 2021 all allowances owned by the subsidiary were returned to the account of TAURON Wytwarzanie S.A., while on 17 March 2021 a part of the allowances in the amount of 1 660 000 tonnes was returned to the Company.

As at 31 March 2021, the subject matter of the collateral comprises CO₂ emission allowances owned by the Company in the amount of 545 000 tonnes.

39. Investment liabilities

As at 31 March 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

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Revenue from subsidiaries	3 900 505	2 825 446
Revenue from operating activities	3 759 656	2 776 186
Finance income	140 849	49 260
Revenue from jointly-controlled entities	44 666	38 943
Revenue from State Treasury companies	112 944	68 061
Costs from subsidiaries	(1 570 359)	(543 213)
Costs of operating activities	(1 563 188)	(533 737)
Finance costs	(7 171)	(9 476)
Costs incurred with relation to transactions with jointly-controlled entities	(91 003)	(2 496)
Costs from State Treasury companies	(241 971)	(174 379)

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(in PLN thousand)

Receivables and liabilities

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Loans granted to subsidiaries and receivables from subsidiaries	10 462 996	9 752 655
Receivables from buyers	1 066 107	1 283 880
Loans granted under cash pool agreement with interest accrued	149 962	312 756
Other loans granted	9 047 138	8 130 671
Receivables arising from the TCG	196 253	21 371
Other financial receivables	65	89
Other non-financial receivables	3 471	3 888
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	541 554	495 496
Receivables from State Treasury companies	49 058	18 893
Liabilities to subsidiaries	3 344 695	3 152 699
Liabilities to suppliers	490 863	545 363
Loans received under cash pool agreement with interest accrued	1 797 184	1 365 579
Other loans received	785 338	770 494
Liabilities arising from the TCG	-	91 106
Other financial liabilities	50 149	24 025
Other non-financial liabilities	221 161	356 132
Liabilities to jointly-controlled entities	33 239	40 991
Liabilities to State Treasury companies	45 124	85 389

Presented in table revenues from subsidiaries include revenues from the sales 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 to these interim condensed financial statements.

In the 3-month period ended 31 March 2021, the revenues from State Treasury companies result from transactions executed by the Company with Polskie Sieci Elektroenergetyczne S.A.

In the scope of costs incurred in transactions in connection with transactions with State Treasury companies in the 3-month period ended 31 March 2021, the largest counterparties of TAURON Polska Energia S.A. included Polska Grupa Górnicza S.A., Węglkokoks S.A. and Jastrzębska Spółka Węglowa S.A. Costs in transactions with these counterparties accounted for 94% of the total costs incurred in purchase transactions with State Treasury companies.

The Company conducts material transactions on the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. As this entity only organises stock exchange trading, the Company does not treat the purchase and sale transactions made through it as related party transactions.

Transactions with the State Treasury

On 22 March 2021, an agreement with the State Treasury represented by the Ministry of State Assets and the Company was signed, under which the Company was authorized to reimbursement of cost incurred in connection with implementation activities delegated by the President of the Council of Ministry dated 29 November 2020 in scope of counteracting of COVID-19, which consist of organize, build and maintenance a temporary hospital in Krynica-Zdrój. As at 31 March 2021, the Company has receivables from State Treasury due to build, equipment and maintenance of this hospital in amount of PLN 6 811 thousand, including PLN 3 580 thousand which was paid until the date of approval of these interim condensed financial statements for publication. Taking into account, that part of revenues result from above agreement in amount of PLN 5 002 thousand was recognized as a estimated revenue in year 2020 and in the 3-month period ended 31 March 2021 the Company recognized revenue due to above agreement in amount of PLN 1 118 thousand.

On 26 March 2021, the Company 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 to these interim condensed financial statements.

40.2. Remuneration of the executives

The amount of compensation and other benefits paid or payable to the Management Board, Supervisory Board and other key executives of the Company in the 3-month period ended 31 March 2021 and in the comparative period is presented in the table below.

	3-month period ended 31 March 2021 <i>(unaudited)</i>	3-month period ended 31 March 2020 <i>(unaudited)</i>
Management Board	657	723
Short-term benefits (with surcharges)	572	590
Termination benefits	67	111
Other	18	22
Supervisory Board	128	243
Short-term employee benefits (salaries and surcharges)	128	243
Other members of key management personnel	2 816	3 376
Short-term employee benefits (salaries and surcharges)	2 545	3 013
Termination benefits	75	141
Other	196	222
Total	3 601	4 342

The above table takes into account the amounts paid and due to be paid until 31 March 2021. In addition, in accordance with the accounting policy adopted, the Company recognises provisions for benefits on account of termination of management contracts due to members of the Management Board and other key management personnel that may be paid or due in subsequent reporting periods.

There are no transactions in the Company in respect of loans from the Company's Social Fund granted to members of the Management Board, members of the Supervisory Board and other members of the main management.

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 ("The Judgement") 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 the TAURON Group.

The case pending at the Court of Arbitration concerned a claim for payment, for establishing the legal relationship and for the obligation to submit a declaration of intent in connection with the contract concluded Abener (general contractor) and ECSW (contracting authority) for the construction of a CCGT unit in Stalowa Wola, which was abandoned. 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, by its judgement, dismissed the complaint of ECSW to repeal the Judgement, and on 20 November 2020, issued a decision, which hold an execution of the Judgment till the end of cassation proceeding term or expiration of a complaint in cassation term. As a consequence of the pending dispute, on 21 December 2020, ECSW filed a complaint in cassation. In the 3-month period ended 31 March 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 provision for the effects of the above Judgement in the last approved financial statements.

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 receiving the 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 of PLN 198 664 thousand and EUR 461

thousand, including interest, 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 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.

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

The 3-month period ended 31 March 2021 continues to be a persistent state of the COVID-19 pandemic with an increase in incidence observed during this period resulting in record levels of recorded cases of infection (wave III). Consequently, numerous restrictions remained in place in the country to contain the spread of the SARS-CoV-2 virus causing COVID-19 disease, which were further tightened as cases of infection increased. This situation continued to cause disruption to the economic and administrative system in Poland and worldwide. As a result, the pandemic significantly restricted economic activity, affecting in particular the work of companies in sectors such as tourism, trade and transport. Consequently, in the medium and long term, it is expected that the pandemic will continue to affect national, European as well as global economic conditions, posing an adverse impact on the economic growth in Poland in the current year and beyond. 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 restrictions introduced, no volume declines were observed in the Distribution and Sales Segments. Comparing the 3-month period ended 31 March 2021 with the comparable period, a 4.1% increase in electricity demand was recorded, with the continued restrictions changing the structure of consumption by tariff group resulting in an increase in consumption for households (Tariff Group G) of 9.6% compared to the corresponding period in 2020. In this group, remote work and education played a decisive role in the level of consumption. The reported decreases in consumption referred to small businesses and institutions (Tariff Group C1) and amounted to 3.1% in relation to the first quarter of 2020. For this group, the drop in demand is a direct result of government action to apply restrictions affecting business premises or leisure facilities.
- 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. In the 3-month period ended 31 March 2021, changes in the level of overdue receivables were basically stable. In order to limit potential credit losses, extended credit risk management criteria are consistently applied, monitoring of receivables and debt collection activities have been intensified. The COVID-19 pandemic has further affected the need for additional allowances for expected credit losses of financial instruments and the remeasurement to fair value of loans granted. This increased the Company's operating expenses by PLN 2 999 thousand and financial expenses by PLN 17 220 thousand.
- In the scope of market environment, no increased volatility in the prices of commodity instruments was observed as a result of the epidemic situation.
- In the scope of financial instruments, further depreciation of the zloty and persistent low level of interest rates were observed. Changes in exchange rates affect the costs incurred to purchase CO₂ emission allowances, as well as the valuation of the Company's 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 variable interest rate.
- The persistent state of COVID-19 pandemic resulted in some difficulties in the implementation of TAURON Group's strategic investment projects. In the case of the construction of the 910 MW unit in Jaworzno, the consortium acting as General Contractor of the unit identified the impact of the SARS-CoV2 virus on the execution of the contract, of which the employer, i.e. Nowe Jaworzno TAURON Group Sp. z o.o., was informed in a relevant note submitted by the General Contractor. As at the date of approval of these interim condensed financial statements for publication, Nowe Jaworzno Grupa TAURON Sp. z o.o. was in the process of analysing the documentation provided by the General Contractor. In the case of other ongoing projects, difficulties were noted related to their implementation, to which the absenteeism of a significant number of employed persons contributed (quarantine or illness due to the SARS-CoV2 virus). As a consequence, delays in the schedule appeared and, in some cases, annexes are currently processed to postpone the achievement of milestones. In order to mitigate the consequences of project disruptions, all contractors implementing the investment projects cooperate closely and on an ongoing basis with TAURON Capital 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 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 taking 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 Parent Company as well as individual Subsidiaries in order to coordinate the security work 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 and the future impact and scale of the pandemic are currently difficult to estimate precisely. The duration of the pandemic, its severity and range as well as its impact on 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.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 3-month period ended 31 March 2021
prepared in accordance with the IFRS as endorsed by the EU
(in PLN thousand)

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 3-month period ended 31 March 2021 in compliance with International Accounting Standard 34 comprise 56 pages.

Katowice, 18 May 2021

Paweł Strączyński – President of the Management Board

Jerzy Topolski – Vice-President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



ADDITIONAL INFORMATION

to TAURON Polska Energia S.A. Capital
Group's extended consolidated Q1 2021
report

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1. TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

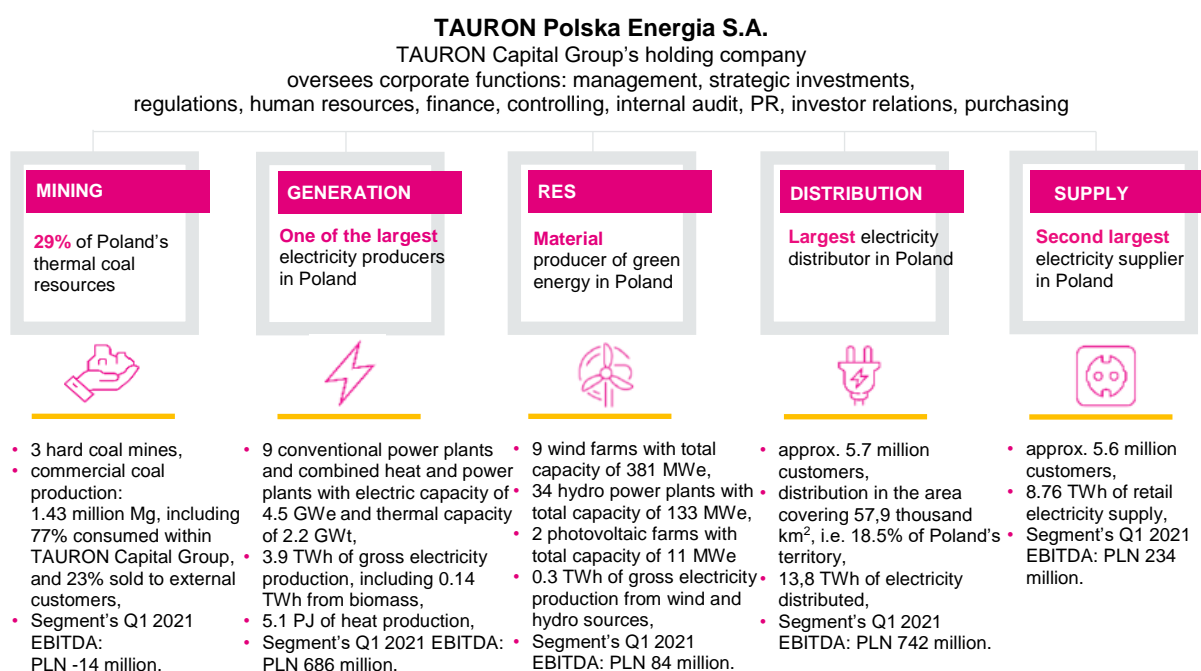
1.1. Basic information on TAURON Polska Energia S.A. and TAURON Capital Group

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



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 2021 EBITDA: PLN 50 million.

1.2. Segments of operations (lines of business)

In accordance with the updated *TAURON Group's Business and Operational Model* (Business 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 (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 (separating) and sales in Poland. The Segment's operations are conducted by TAURON Wydobycie S.A. (TAURON Wydobycie).



Generation Segment comprising mainly electricity generation using conventional sources, including in co-generation, as well as electricity generation from biomass burning. The Segment also includes heat generation, supply and distribution. The 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). The Segment also includes TAURON Serwis sp. z o.o. 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. The Segment's operations are conducted by TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA), Marselwind sp. z o.o., TEC1 sp. z o.o., TEC2 sp. z o.o. and 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.



Distribution Segment comprising distribution of electricity using the distribution grids located on the territory of the following voivodships (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, it 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 Pomiarów sp. z o.o. (TAURON Dystrybucja Pomiarów) subsidiary, dealing mainly with the technical support services related to the electricity metering systems and metering data acquisition.



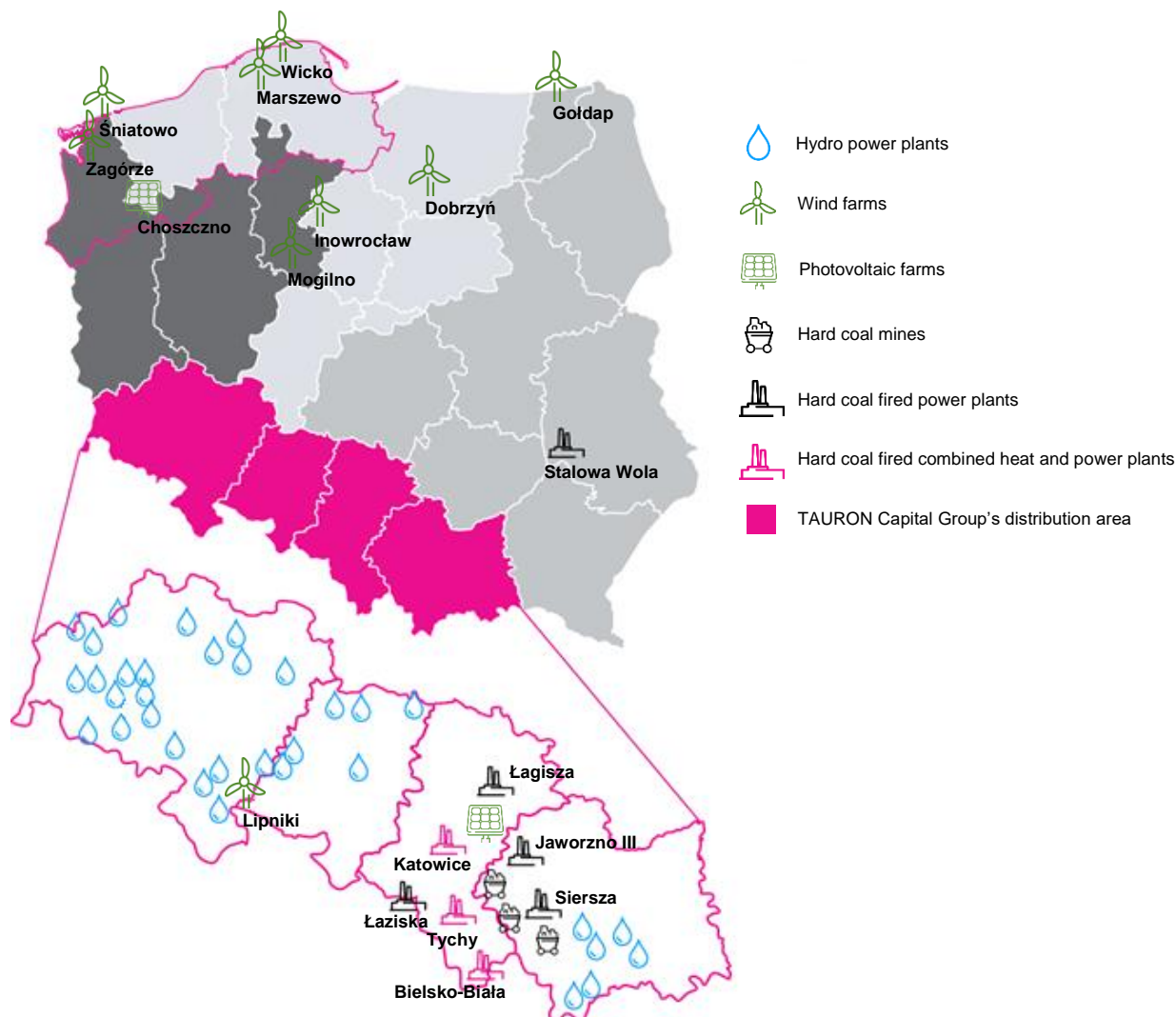
Supply Segment comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO₂ emission allowances, property rights arising from the certificates of origin that confirm electricity 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.

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) the common term of office shall last 3 years.

The composition (membership) of the Company's Management Board as of March 31, 2021

1. Marek Wadowski - acting as the President of the Management Board / Vice President of the Management Board for Finance,
2. Jerzy Topolski - Vice President of the Management Board for Asset Management.

The composition (membership) of the Company's Management Board as of the date of drawing up this information

1. Paweł Strączyński - President of the Management Board,
2. 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 quarter of 2021 and by the date of drawing up this information

As of January 1, 2021, the Management Board of the 6th common term of office 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).

As of February 19, 2021, Wojciech Ignacok submitted a statement of resignation, 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 appointment of the Company's President of the Management Board.

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 from membership of the Company's Management Board and thus from the position of the Company's Vice President for Finance effective as of the end of day on May 17, 2021.

There had been no other changes to the composition 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

Paweł Strączyński - President of the Management Board



A graduate of the Wrocław University of Economics and Business, the Faculty of National Economy, major: finance and banking, and he also completed the Master of Business Administration - Executive MBA studies, specializing in business management.

From February 2020 until the end of March 2021, he had held the position of the Vice President of the Management Board for Finance at PGE Polska Grupa Energetyczna S.A. From November 2018 until February 2020, he had been the Vice President of the Management Board of Zespół Elektrociepłowni Wrocławskich KOGENERACJA S.A. (a subsidiary of the PGE Energia Ciepła S.A. group). From April 2018 until January 2019, he had held the position of the Vice President of the Management Board of ZOWER Sp. z o.o. (a subsidiary of the PGE Energia Ciepła S.A. group). From February 2017 until April 2018, he had been a Member of the Management Board of PGNiG Termika Energetyka Przemysłowa S.A., and from May 2016 until September 2017, he had held the position of a Member of the Management Board of Przedsiębiorstwo Energetyki Ciepłej S.A. in Jastrzębie-Zdrój.

From July 2014 until May 2016, he had been a Member of the Management Board for Finance at Polska Grupa Biogazowa S.A. From February 2010 until December 2012, he had held the position of a Member of the Management Board, the Administrative and Financial Director at PROTEKTOR S.A. In the years 2005-2010, he had held the position of the Financial Director and the Proxy at the Steinpol Group, and from December 2002 until July 2005, he had been the Chief Accountant at ASP Polska sp.z o.o.

Jerzy Topolski - Vice President of the Management Board



A graduate of the Faculty of Electrical Engineering, Automatics and Electronics of the AGH University of Science and Technology in Cracow. He also completed the postgraduate studies in the field of energy enterprise management and new techniques in power engineering management.

He has professional experience with respect to the operations of the power sector, including management of the development of the distribution grid and the provision of electricity distribution services. He was involved in setting up the organization of the electricity market in Poland.

From the beginning of his professional career, he had been associated with the energy industry and TAURON Group or its legal predecessors, i.e. ENION S.A. and Zakład Energetyczny Kraków S.A.

Since 2016, he was the Vice President of the Management Board for Operator at TAURON Dystrybucja S.A. (Issuer's subsidiary), where he was responsible, among others, for the development of the distribution grid, provision of electricity distribution services, metering and grid operation management.

In addition to the above mentioned position, in 2016 he was the Director of TAURON Dystrybucja S.A. Cracow and Tarnów branches. In 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 of 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 March 31, 2021

- | | |
|--------------------------|--|
| 1. Andrzej Kania | - Chair of the Supervisory Board, |
| 2. Teresa Famulska | - Vice Chair of the Supervisory Board, |
| 3. Katarzyna Taczanowska | - Secretary of the Supervisory Board, |
| 4. Ryszard Madziar | - Member of the Supervisory Board, |
| 5. Grzegorz Peczkis | - Member of the Supervisory Board. |

The composition (membership) of the Company's Supervisory Board as of the date of drawing up this information

- | | |
|--------------------------|--|
| 1. Andrzej Kania | - Chair of the Supervisory Board, |
| 2. Teresa Famulska | - Vice Chair of the Supervisory Board, |
| 3. Katarzyna Taczanowska | - Secretary of the Supervisory Board, |
| 4. Ryszard Madziar | - Member of the Supervisory Board, |
| 5. Grzegorz Peczkis | - Member of the Supervisory Board, |
| 6. Marcin Wawrzyniak | - Member of the Supervisory Board. |

The changes to the composition (membership) of the Company's Supervisory Board in the first quarter 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 of the 6th common term of office, 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, clauses 1) and 3) of the Company's Articles of Association, appointed Marcin Wawrzyniak to be a Member of the Company's Supervisory Board of the 6th common term of office.

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 Supervisory Board

The independence criteria within the meaning of Appendix II to the Recommendation of the European Commission of February 15, 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (2005/162/EC), taking into account the *Best Practices of WSE Listed Companies 2016* are met, as of the date of drawing up this information, by Teresa Famulska, Grzegorz Peczkis and Marcin Wawrzyniak.

Experience and competences of the Members of the 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 also served as a Member of the Supervisory Board at six companies operating in the energy and infrastructure sector. He was a Member of the Supervisory Board of Polimex Mostostal S.A. from November 30, 2017, until March 15, 2020.

He is currently holding the position of the Director of the Department of Security and Crisis Management at the Ministry of State Assets.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since May 22, 2020.

In the Company's Supervisory Board of the 6th common term of office he is the Chair of the Company's Supervisory Board and the Head 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.

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.

She has been a Member of the Supervisory Board of TAURON Polska Energia S.A. of the 6th common term of office since August 3, 2020, 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 many years of professional experience in providing legal services for business entities that she has been offering since 2003. She was a partner at the GWW Woźny and Partners (GWW Woźny i Wspólnicy) law firm, since 2009 until now she has been a partner at the Kudlak, Taczanowska-Wileńska sp.k. law firm. In 2009 - 2012 she had been the Director of the Legal Office at Towarzystwo Funduszy Inwestycyjnych PZU S.A. (PZU S.A. Investment Funds Company). She was a member of the Supervisory Boards of PZU Życie S.A., LOT Aircraft Maintenance Services sp. z o.o. and IDA Management sp. z o.o.

Since July 2018 Katarzyna Taczanowska has been holding the position of the General Director for Corporate and Legal Affairs at KGHM Polska Miedź S.A.

She has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since May 8, 2019.

In the Company's Supervisory Board of the 6th common term of office she is the Secretary of the Company's Supervisory Board and a Member of the Audit Committee of the 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 an MBA degree obtained at the Warsaw Management University (Wyższa Szkoła Menedżerska w Warszawie).

He has an extensive experience in public administration. He has held the following positions: the Mayor of Wołomin, the Head of the Political Cabinet of the Vice Chairman of the Council of Ministers, and prior to that, the Deputy Director of the Mazovian Regional Office of the Agency for Restructuring and Modernization of Agriculture (Agencja Restrukturyzacji i Modernizacji Rolnictwa).

He is a member of the Supervisory Board of, among others, Totalizator Sportowy.

Currently, he is the Head of the Political Cabinet of the Vice Chair of the Council of Ministers (Deputy Prime Minister) in the Chancellery of the Prime Minister.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since July 15, 2020.

In the Company's Supervisory Board of the 6th common term of office 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.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since December 6, 2019.

In the Company's Supervisory Board of the 6th common term of office he is 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 and a Member of the Nominations and Compensation 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 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.

He has been a Member of the Supervisory Board of TAURON Polska Energia S.A. since April 21, 2021.

In the Company's Supervisory Board of the 6th common term of office 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

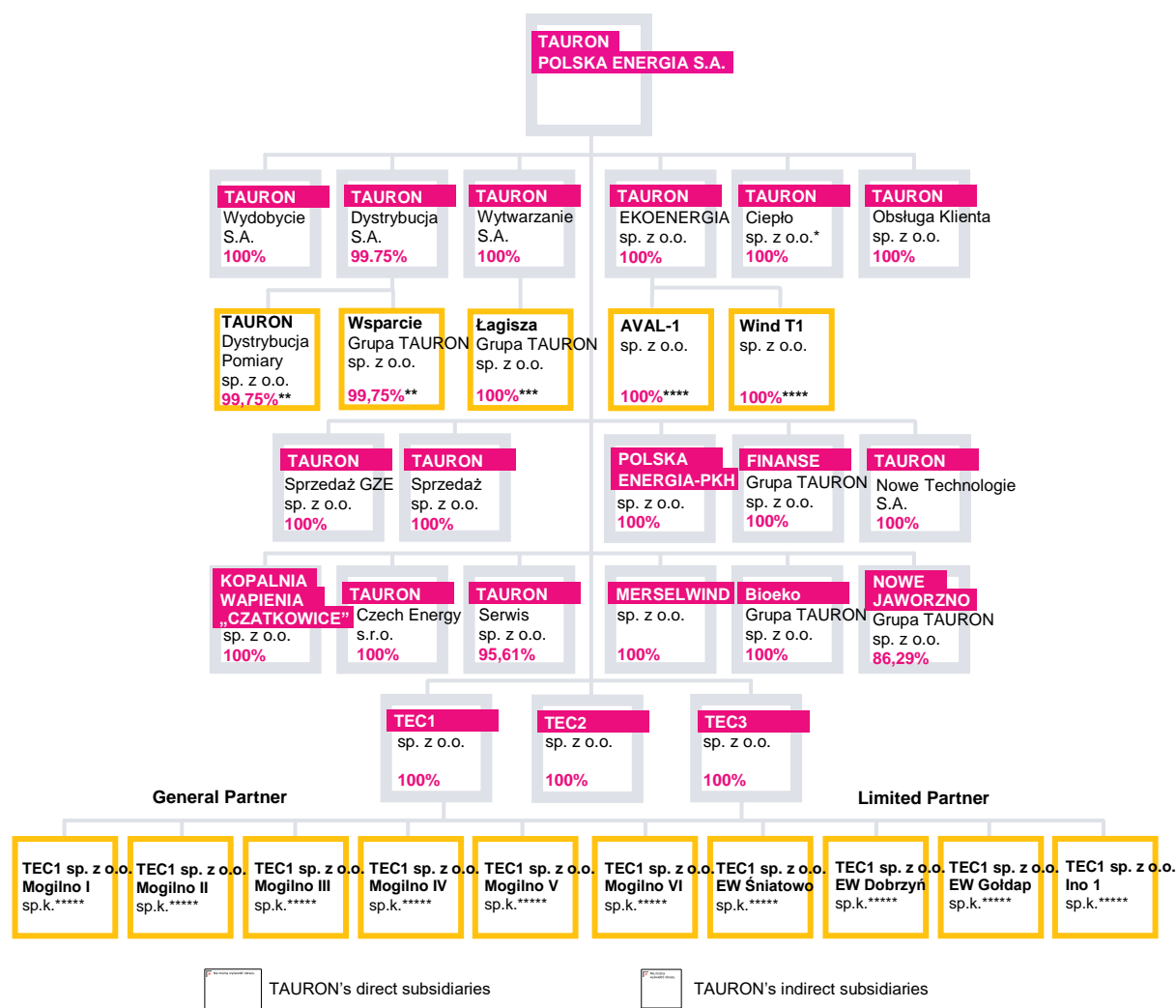
As of March 31, 2021, and as of the date of drawing up this information, TAURON Capital Group's key subsidiaries, besides TAURON parent company, included 35 subsidiaries subject to consolidation, that are listed below.

In addition, as of March 31, 2021, and as of the date of drawing up this information, the Company held, directly or indirectly, shares in the other 37 companies.

Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of March 31, 2021.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of March 31, 2021.



*As of March 31, 2021, TAURON Capital Group assessed that in relation to the net assets of the TAURON Ciepło subsidiary, the conditions for classifying the above assets as a group for disposal, classified as held for sale were no longer met.

**The shares in TAURON Dystrybucja Pomiarzy 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 Pomiarzy.

***The shares in Łagisza Grupa TAURON are held by TAURON indirectly via TAURON Wytwarzanie subsidiary.

****The shares in AVAL-1 and Wind T1 are held by TAURON indirectly via TAURON EKOENERGIA subsidiary Udział w AVAL-1 oraz Wind T1.

*****In the limited partnerships indicated: TEC1 sp. z o.o. is the General Partner, TEC3 sp. z o.o. is the Limited Partner.

Changes to the organization

The following changes to the organization of TAURON Capital Group had taken place in the first quarter of 2021 and by the date of drawing up this information:

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 Dystrybcja 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 Dystrybcja carried out the statutory redemption of TAURON Dystrybcja's own 4 309 300 shares, out of which 3 639 031 shares were purchased from the minority shareholders pursuant to Art. 418¹, § 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 Dystrybcja 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 Dystrybcja, after the lowering, will be divided into 28 024 486 726 shares with a nominal value of PLN 0.02 per share.

As of the date of drawing up this information, the lowering of TAURON Dystrybcja's share capital was not registered by the registration court. It is expected that the registration court's decision on the lowering of the share capital will be issued in May 2021.

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 in which the Company held, directly or indirectly, shares as of March 31, 2021, include the companies listed in the below table.

Table no. 1. List of material joint subsidiaries as of March 31, 2021

Company name	Registered office	Core subject of operations	TAURON's share in the company's capital and in the parent company
Elektrociepłownia Stalowa Wola S.A.*	Stalowa Wola	Electricity generation	50.00%
TAMEH HOLDING sp. z o.o.**	Dąbrowa Górnicza	Central (head office) companies and holding operations	50.00%
TAMEH POLSKA sp. z o.o.**	Dąbrowa Górnicza	Electricity and heat generation, transmission, distribution and trading	50.00%
TAMEH Czech s.r.o.**	Ostrava, Czech Republic	Production, trading and services	50.00%

* The stake in Elektrociepłownia Stalowa Wola S.A. (EC Stalowa Wola) is held by TAURON indirectly via TAURON Wytwarzanie subsidiary.

**Companies form a capital group. TAURON holds a direct stake in the share capital and in the parent company TAMEH HOLDING sp. z o.o., 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 quarter 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 occurred in the first quarter 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 payments, 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 and to enable PEPKH to continue its business operations with respect to its main subject of operations, based on the granted license for 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 quarter 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 quarter 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
EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo - akcyjna (EEC Magenta 2 ASI) (EEC Magenta limited liability company 2 ASI limited joint stock partnership) (EEC Magenta 2 ASI)	PLN 99 970	EEC Ventures spółka z ograniczoną odpowiedzialnością 2 spółka komandytowa (EEC Ventures limited liability company 2 limited partnership) (EEC Ventures 2)	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%

The other most significant equity investments in the financial assets as of March 31, 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. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. with the balance sheet value of PLN 23 802 000,
3. EEC Magenta 2 ASI with the balance sheet value of PLN 19 116 000,
4. Energetyka Cieszyńska Sp. z o.o. with the balance sheet value of PLN 12 703 000,
5. ElectroMobility Poland S.A. with the balance sheet value of PLN 11 026 000.

Investments in the financial assets

TAURON and TAURON Capital Group's subsidiaries did not make any investments in the financial assets in the first quarter of 2021.

TAURON continued the financing of EC Stalowa Wola in the form of loans, which, as of March 31, 2021, amounted to the nominal value of PLN 412 736 000.

Investments in the financial assets were financed using 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 quarter 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 quarter of 2021 and by the date of drawing up this information

Investment project	Investment project's work progress
<p>1. Construction of a new 910 MWe supercritical parameters power generation unit in Jaworzno</p> <p>Contractor: RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. Consortium</p> <p>Planned project completion date: Q4 2021</p> <p>Work progress: 99%</p> <p>Expenditures incurred: PLN 6 087.6 million*</p>	<p>The unit was handed over (commissioned) for operation on November 13, 2020. On November 18, 2020, the President of the ERO granted a license for generating electricity for the period from November 20, 2020 to December 31, 2030. The generating unit is in operation in the Polish power system within the full range of achievable capacity. In addition, under the contract, the General Contractor is currently implementing the transition period.</p> <p>A program of trials and tests planned to be performed in the transition period was carried out in the first quarter 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.</p> <p>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:</p> <ol style="list-style-type: none"> 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 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. <p>On January 13, 2021, the District Court in Gliwice issued the decision approving the administration arrangement of RAFAKO S.A. as part of the simplified restructuring proceedings underway, pursuant to art. 223, clause 1 of the <i>Act of May 15, 2015, Restructuring Law</i>. On February 23, 2021, the notification of the decision of the District Court in Gliwice was published in Court and Business Monitor (<i>Monitor Sądowy i Gospodarczy</i>). As at the date of this information, the said decision is not final (legally binding).</p> <p>In the reporting period, during the implementation of the 910 MW power unit construction project in Jaworzno, the impact of the COVID-19 pandemic on the contract's performance was identified, of which the Ordering Party, i.e. the company 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 lack of availability of the key E003B7 sp. z o.o. staff members for the work being carried out, as well as the key subcontractors, indicating some of the tune-up and optimization works, which, in the General Contractor's opinion, could not have been carried out due to the constraints caused by the pandemic. As of the date of drawing up this information, the Employer is conducting appropriate analyses of the correspondence provided by the General Contractor.</p>
<p>2. Construction of the "Grzegorz" shaft (TAURON Wydobycie), including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings).</p> <p>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.</p> <p>Planned project completion date: 2023</p> <p>Work progress: 50 %</p> <p>Expenditures incurred: PLN 278.8 million</p>	<p>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. Talks are held to determine the detailed conditions of the further conducting of the investment project. The freezing process is maintained at the construction site.</p> <p>The site continues to be ready for the continuation of the investment project works.</p>

Investment project	Investment project's work progress
<p>3. Construction of the 800 m level at the Janina Coal Mine (ZG Janina) (TAURON Wydobyćie).</p> <p>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)</p> <p>Planned project completion date: Q3 2021</p> <p>Work progress: 87.4 %</p> <p>Expenditures incurred: PLN 451.5 million</p>	<p>There were difficulties in the performance of the works due to the COVID-19 pandemic, however, the boring of the Route Diversion II workings and the alteration of the shaft sump at the level of 800 m were carried out in the first quarter of 2021.</p> <p>Concrete pouring works have been completed and the installing of the shaft equipment (furnishings) has been commenced on the shaft bottom (pit) at the 800 m level.</p> <p>In the first quarter of 2021, a trial (test) operation of the mining shaft hoist was continued and the shaft was being prepared for the commencement of the test transportation of the materials. A tender was conducted for the boring of the 800 m level headings. The opening of the bids took place in February 2021. Due to the submission of two bids, one of which did not meet the criteria and the other significantly exceeded the employer's budget, no contractor was selected. In March 2021, the announcement of a new procedure was being prepared, as a result of a request for proposals extended to the potential contractors, estimated bids were received for the purpose of determining the amount of the employer's budget. The tender is planned to be announced in May.</p>
<p>4. Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</p> <p>Contractor: Contractors are being selected to carry out specific work (project) stages.</p> <p>Planned project completion date: 2023</p> <p>Work progress: 23 %</p> <p>Expenditures incurred: PLN 26.2 million</p>	<p>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.</p> <p>In the first quarter 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. As part of the planned target for 2020, more than 7.8 MWt of new customers were acquired under the network connection agreements concluded.</p> <p>Cumulatively, from the beginning of the Program's implementation, agreements have been concluded for the total volume of 9.795 MWt and network connection conditions have been issued for 4.4 MWt.</p>
<p>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)</p> <p>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)</p> <p>Planned project completion date: 2022</p> <p>Work progress: 50%</p> <p>Expenditures incurred: PLN 139.4 million</p>	<p>The POPC program involves implementing an infrastructure to enable high speed internet connections for households (min 30 MB/s). The final product of the project will be the provision of the wholesale services enabling connecting of the end users by the retail operators.</p> <p>All of the contractors had been conducting the works related to the deployment of the fiber optic network in the first quarter of 2021. In February 2021, a significant milestone was achieved as 50% of the works (network deployment and the OLT cabinets) had been completed.</p> <p>In the current period, works related to switching over of the education facilities from the temporary subscriber lines to the optical fiber were carried out.</p> <p>In the first quarter of 2021, there were difficulties related to the COVID-19 pandemic and the weather conditions, which slowed down the pace of the works. 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.</p> <p>In the next period, the works related to the further expansion of the optical fiber network will be carried out.</p>
<p>6. Program aimed at adapting TAURON Wytwarzanie's generating units to comply with the operational conditions in force beyond 2021</p> <p>Contractor: Contractors are being selected to carry out specific projects.</p> <p>Planned project completion date: Q4 2021</p> <p>Work progress: 97%</p> <p>Expenditures incurred: PLN 291.0 million</p>	<p>As part of the program the refurbishment of the following power generating units, in accordance with the following scope of works, is planned:</p> <ol style="list-style-type: none"> 1. Jaworzno II Power Plant, units no. 2 and 3 – the construction of the flue gas desulfurization (FGD) installation. The implementation of the project was halted in the second quarter of 2020 due to the obtained derogations from the <i>BAT Conclusions</i>, which allowed for further operation of the units. The parties had prepared documents that enabled the termination of the contract and the mutual settlements 2. Jaworzno III Power Plant, units no. 1, 3, 5 – the construction of the selective catalytic reduction (SCR) installation. In the first quarter of 2021, the test run was completed and the installation for unit no. 5 was handed over for operation (commissioned). The works related to agreeing upon the date of the final acceptance of unit no. 1 are underway. The final acceptance of the installation for unit no. 3 was completed. 3. Łaziska Power Plant, units no. 9, 10, 11, 12 – the refurbishment of the selective catalytic reduction (SCR) installation. In the first quarter of 2021, the final acceptance of the installation for unit no. 9 was completed. The works related to agreeing upon the date of the final acceptance of unit no. 10 are underway. The guaranteed performance tests (measurements) of the installation for units no. 11 and 12 are underway. 4. Łaziska Power Plant, units no. 9, 10, 11 and 12 – the refurbishment of the flue gas desulfurization (FGD) installation. In the first quarter of 2021, the guaranteed performance tests (measurements) of the installation for units no. 9 and 10 were conducted. The fixing of the malfunctions covered by the warranty is underway. The flue gas channel switching (rerouting) tests have been completed at the connection of units no. 9, 10, 11 and 12. 5. Łaziska Power Plant – the refurbishment of the sewage treatment plant. The field works in line with the reduced scope of the refurbishment works have been commenced, carried out as part of the ongoing overhauls (maintenance). The works are conducted without any impact on the power plant's operation. 6. Siersza Power Plant - the adaptation of the existing flue gas desulfurization (FGD) installations.

	<p>The implementation of the project was suspended due to the obtained derogations from the <i>BAT Conclusions</i>.</p> <p>7. Łągisza Power Plant – the construction of the flue gas desulfurization (FGD) installation was substituted by the completion of the dry additives feeding installation.</p> <p>The tender procedure has been carried out. The project implementation has been halted due to the obtained derogations from the <i>BAT Conclusions</i>.</p> <p>8. Monitoring Project – in the first quarter of 2021, the contractor, as part of the first stage (the works required to be performed at the power plants), completed the verification (test) measurements for the installations of the Łągisza Power Plant and the Jaworzno III Power Plant. The pre-fabrication of the measurement devices for the Łągisza Power Plant is underway. The field works for the Siersza Power Plant and the Jaworzno II Power Plant have been commenced. The detailed engineering designs for all of the facilities (sites) have been agreed upon.</p>
<p>7. Construction of the 300 MW Piotrków wind farm.</p> <p>Contractor: MEGA S.A. and P&Q sp. z o.o. Consortium</p> <p>Planned project completion date: Q2 2022</p> <p>Work progress: 7%</p> <p>Expenditures incurred: PLN 19.9 million</p>	<p>The Piotrków wind farm project was acquired by TAURON EKOENERGI in December 2020 through the acquisition of the shares in Wind T1. The project was acquired at the construction ready stage.</p> <p>In the first quarter of 2021, a contract was concluded for the service of performing the Contract Engineer function, the suspending conditions stemming from the contract with the wind turbine supplier had been met, and on March 31, 2021, the construction site was handed over to the Contractor. In addition, the Contractor carried out the preparatory and design works under the concluded contract.</p>

*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 quarter of 2021. The Program envisages the construction of the PV farms at several locations (sites), with the total capacity of up to 150 MWp.

The first project commissioned in 2020 carried out as part of the above Program was the construction of a 5 MW photovoltaic (PV) farm in Jaworzno.

The next most advanced project is the construction of a farm in Mysłowice with an estimated capacity of approx. 40 MW. The works related to obtaining the decision with respect to the permit for the building of the farm were underway and the works related to the preparation of the materials of the tender for selecting the general contractor for the construction of the photovoltaic farm were continued in the first quarter of 2021. The contractor for the construction design of the power grid connection was selected in March 2021.

As part of the Infrastructure and Environment Operational Program dedicated to the Silesian Voivodeship, the subject matter evaluation by the National Fund for Environmental Protection and Water Management of the submitted application for the project co-financing was continued.

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. Works are also underway on changing the scope of the *TAURON PV Program* in connection with the possibility of extending the program to include the new locations (sites).

Apart from the *TAURON PV Program* the PV Choszczno project is also under construction - a complex of 1 MW photovoltaic farms with the total capacity of 6 MW (the first stage). The investment project is implemented as part of the acquisition of the AVAL-1 shares by TAURON EKOENERGIA on January 2, 2020. The farm was handed over for operation (commissioned) on March 23, 2021. The total budget of the project is PLN 16.6 million. As part of the second stage of the investment project (extending the farm by adding another 8 MW), in the first quarter of 2021, a contract for the construction of the farm was concluded with the General Contractor, who began the project works. The planned date of commissioning the second stage of the investment project is the fourth quarter of 2021. The analyses regarding the project's participation in the RES auction in June 2021 are being carried out.

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 quarter 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 quarter 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 have been agreed upon with the sellers.

Offshore wind farms (in the Polish Exclusive Economic Zone of the Baltic Sea)

As part of the activities related to TAURON's participation in the offshore wind farm projects, the applications were submitted in the fourth quarter of 2020 for a Permit for the construction of artificial islands as a supplement to the previously submitted applications, that are waiting for a review at the Ministry of Maritime Economy and Inland Navigation. Currently, the proceedings regarding the location (siting) permits in the Polish maritime areas are suspended until the spatial development (zoning) plans for these areas are adopted by way of a regulation (planned by March 31, 2021 - has not been adopted yet. Currently, the Ministry of Infrastructure has submitted a draft resolution of the Council of Ministers on the Adoption of the plan to the relevant committees). In addition, the applications for issuing a Permit for laying down and maintaining cables or pipelines in the areas of the internal waters and the territorial sea have been submitted. The proceedings have been initiated for two applications.

On December 29, 2020, TAURON concluded a two year cooperation agreement with OW OFFSHORE S.L. (OW OFFSHORE) on the development of offshore wind farm construction projects in the Polish Exclusive Economic Zone on the Baltic Sea. TAURON's intention is to acquire 50 percent of the shares in the companies whose sole owner is OW OFFSHORE (the agreement is related to the projects that do not have a permit for the erection and use of artificial islands, structures and devices in the Polish Exclusive Economic Zone, issued by the Minister of Maritime Economy and Inland Navigation, provided that OW OFFSHORE is the only applicant for the permits for the areas where the implementation of the projects is planned). On the other hand, the intention of OW OFFSHORE is to acquire 50 percent of the shares in the special purpose vehicles to which TAURON Capital Group will, having acquired the permits, contribute the projects that involve the construction of offshore wind farms (currently TAURON Capital Group does not hold any permits, however, it has filed appropriate applications in order to obtain the permits as a result of the conclusive procedure, i.e. for an area in case of which an application was also filed by another entity / other entities).

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 of 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 in the above mentioned area. The parties see significant potential and an opportunity to achieve synergy when undertaking joint activities aimed at implementing investment projects in the field of offshore wind energy. Such activities will constitute the implementation of the climate goal and are 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 cooperation will be an expression of the responsibility of the Parties as the energy sector's entities actively supporting the energy transition process.

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* (Strategy), as part of the priority of ensuring TAURON Capital Group's financial stability, the 413 MWe CCGT unit construction project including a heat production unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie) was halted due to the loss of its business justification. TAURON Capital Group is currently conducting analyses that would enable a potential resumption of the project 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 than coal, also 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 possibility of involving an equity partner in the implementation of the project cannot be excluded.

Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures came in at PLN 639 million in the first quarter of 2021 and they were 32% lower than the expenditures incurred in the same period of 2020 that stood at approx. PLN 940 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 quarter of 2021.

Table no. 4. The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first quarter of 2021

Item	Capital expenditures (PLN m)}
Distribution	
1. Installation of new grid connections	231
2. Existing grid assets' upgrades (refurbishments) and replacements	192
3. Dispatcher Communications System	15
Generation	
4. Construction of a 910 MWe super critical parameters generation unit in Jaworzno	10
5. Adaptation of TAURON Wytwarzanie generation units to the <i>BAT Conclusions</i>	12
6. CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	23
7. Connecting of new facilities to the grid	5
8. Investment projects related to the development (expansion) and maintenance of the district heating networks	2
RES	
9. Construction of the Choszczno I and II PV farm	2
10. Construction of the 30 MW Piotrków wind farm	1
Mining	
11. Preparation of the future production	33
12. Construction of the "Grzegorz" shaft at the Sobieski Coal Mine (ZG Sobieski)	2
13. Construction of the 800 m level at the Janina Coal Mine (ZG Janina)	1
Supply and Other Operations	
14. Construction of the broadband Internet as part of the POPC III project	22
15. Maintenance and development of the street lighting	7
16. Gas fired engines	8

2. OPERATIONS OF TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP

2.1. Przedmiot działalności TAURON Polska Energia S.A. i Grupy Kapitałowej TAURON

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 many competences related to the functioning of TAURON Capital Group's subsidiaries and is currently carrying out operations, among others, in the following areas:

1. wholesale trading in electricity, gas and related products, in particular, with respect to providing trading (commercial) services for the subsidiaries, securing the requirements with respect to fuel, CO₂ emission allowances and certificates of origin of electricity,
2. management of the portfolio of electricity, CO₂ 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 needs of hedging the buy and sell positions of TAURON Capital Group's entities and on wholesale electricity trading. The Company bought and sold 11.9 TWh of electricity in the first quarter 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 73.7% of the electricity purchased sold thereto. The above subsidiaries are performing 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 18.6%. A decision was made in the third quarter of 2020 to discontinue the trading activities with respect to the intersystem exchange. This is due to the situation regarding the restriction of the importing options (transmission capacity available), which has 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 respect 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 ERO on April 27, 2012) and trading in natural gas with foreign counterparties (carried out based on the license issued by the President of ERO on September 29, 2020). In the first quarter of 2021 the Company purchased and sold 1.6 TWh of gas fuel. The Company is focusing on selling natural gas for the supply needs of TAURON Sprzedaż, with 61.0% of the purchased fuel gas sold thereto.

In the first quarter of 2021, based on the decision of the President of ERO 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 Public Procurement Act, 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 Polska Energia S.A. will be 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 CO₂ 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 CO₂ 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' CO₂ 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. (GAZ-SYSTEM). 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 and for the external entities.

In the first quarter of 2021, TAURON conducted, on behalf of TAURON Capital Group's subsidiaries, the general certification of the physical units, existing and planned as part of the capacity market. As a result, TAURON Capital Group's physical generating units and controllable loads (demand reduction units) will be able to take part in the certification process for the main auctions for the delivery year 2026 and for the additional auctions for the delivery year 2023, and subsequently they will be able to participate in the above mentioned auctions. Also, the certification process for the additional auctions for the individual quarters of the delivery year 2022, that had been started in the fourth quarter of 2021, was completed.

PSE conducted four additional capacity market auctions on March 16, 2021, 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 information.

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 non-typical events 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 quarter 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. implementation of the investment projects with respect to adapting TAURON Capital Group's power plants to the *BAT Conclusions* by reducing, starting from 2021, the emissions of sulfur and nitrogen compounds as well as chlorine and mercury or obtaining of the derogations,
7. acceptance tests of the 910 MWe power generating unit in Jaworzno with PSE,
8. loyalty building measures aimed at retaining the existing customers and marketing activities with respect to acquiring new customers,
9. centralized TAURON Capital Group's financial management area, supported by the use of such tools as: central model of financing, financial liquidity (cash flow) management policy using the *cash pool* mechanism, risk management policy in the financial area, insurance policy,
10. ability to obtain debt financing on the international markets,
11. 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,
12. TAURON's purchasing processes management, in particular, the management of fuel purchases for the needs of TAURON Capital Group's generation entities,
13. geological and mining conditions of hard coal extraction,
14. failures of TAURON Capital Group's equipment, installations and grids,
15. implementation of *TAURON Wydobywanie (Mining) Turnaround Program for the years 2020-2029*,
16. completion of the negotiations in the process of the sale of the shares in TAURON Ciepło,
17. signing of the agreement for the sale of the shares in PGE EJ 1 to the State Treasury,

18. decommissioning of the 120 MW units in Stalowa Wola (February 2021),
19. adoption of *TAURON Group's Business Continuity Policy*.

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 heating purposes. Heat supply depends on the weather conditions, in particular on outdoor temperature, and it is higher in the autumn and winter season. The volume of electricity supply to the individual consumers depends on the length of day which usually makes electricity supply to this group of consumers lower in the spring and summer season and higher in the autumn and winter season. Hard coal sales to the individual consumers are lower in the spring and summer season. The seasonality of TAURON Capital Group's other lines of business is low.

The detailed information related to the impact of the material factors on the financial result achieved in the first quarter 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.

External factors

The operations and earnings of TAURON and TAURON Capital Group in the first quarter 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 significant 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 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. According to the forecasts published by the International Monetary Fund in April 2021, the global GDP growth rate will come in at 6.0% and 4.4% in 2021 and 2022, respectively. The eurozone experienced a recession of 7.5% in 2020. Also in April 2021, the Goldman Sachs investment bank announced that the eurozone economy should accelerate starting from May 2021. According to the bank's latest forecast, the GDP growth rate for the eurozone will top 5% at the end of 2021.

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 economic activity and a slowdown of Poland's economic growth at the level of approx. 2.8% (according to the data of Statistics Poland (GUS)). The National Bank of Poland (Narodowy Bank Polski - NBP) predicts a recovery of the economic growth in the second half of 2021. This will be driven by a gradual increase in private consumption, a moderate improvement of the labor market and the changes in consumer preferences. In its March 2021 forecast the NBP estimated that Poland's GDP growth rate should reach 4.1% in 2021 and 5.4% in 2022. The International Monetary Fund, on the other hand, forecasts that Poland's GDP growth rate will clock in at 3.5% in 2021, and at 4.5% in 2022.

A moderate increase in consumption is forecast over the next two years. Due to the deterioration of the consumers' income situation, private consumption will be characterized by a gradual improvement. The rise of consumption in the public sector will be affected by the increase in the health care expenditures related to the COVID-19 pandemic, while the freezing of wages in the state budget sector in 2021 will have a negative impact.

The inflation rate clocked in at approx. 3.5% in 2020, year over year. The increase of the inflation rate was, first and foremost, the result of the strong growth of the prices of services. The NBP's forecasts assume the inflation rate at the level of 2.7% in 2021 and 2.6% in 2022.

The registered unemployment rate in Poland stood at approx. 6.1% in 2020 (in 2019 it came in at 3%) and will oscillate between 6.5% and 6.7% in 2021 (according to the estimates of the Ministry of Development, Labor and Technology).

The COVID-19 pandemic had a significant impact on the domestic electricity demand and prices on the global coal, electricity and CO₂ markets. The prices of energy related commodities and electricity prices for households are expected to rise faster in 2021.

Market environment

Electricity

The below table presents the volumes of Poland's electricity consumption, production and imports and the average electricity prices on the SPOT market, both in Poland as well as in the neighboring countries in the first quarter of 2020 and in the first quarter of 2021.

Table no. 5. Volumes of Poland's electricity consumption, production and imports and the average electricity prices on the SPOT market, both in Poland as well as in the neighboring countries in the first quarter of 2020 and in the first quarter of 2021

Volume	Unit	Q1 2020	Q1 2021	Increase/Decrease
Electricity consumption	GWh	43 533	45 260	1 727 (+4.0%)
Electricity production by domestic power plants	GWh	40 764	43 138	2 374 (+5.8%)
Electricity production by power plants fired with:				
<i>hard coal</i>	GWh	19 258	24 382	5 124 (+26.6%)
<i>lignite</i>	GWh	9 162	10 318	1 156 (+12.6%)
<i>gas</i>	GWh	3 566	3 416	-150 (-4.2%)
Electricity production by wind farms	GWh	5 160	3 656	-1 504 (-29.1%)
Electricity imports	GWh	2 768	2 122	-646 (-23.3%)
Average electricity price on the SPOT market in:				
<i>Poland</i>	PLN/MWh	176.85	26.,86	-86.01
	EUR/MWh	41.01	57.79	-16.78
<i>Neighboring countries (on the example of Germany)</i>	EUR/MWh	26.58	49.58	-23.00

The average temperature in the first quarter of 2021 clocked in at approx. 0.2 °C, as compared to 3.7 °C in the first quarter of 2020.

The average price of electricity on the SPOT market in Poland in Q1 2021 rose as compared to the corresponding period of 2020 by more than 86 PLN/MWh and it came in at 262.86 PLN/MWh. This change was caused by the colder winter, the effects of which were visible not only in Poland, but also in the neighboring countries, where the price increases on the SPOT market were also recorded.

The lower prices observed on the SPOT market in 2020 were a consequence of the exceptionally warm winter, but also of the higher wind generation and a decrease in the demand for electricity, additionally intensified in March 2020 by the restrictions introduced in connection with the COVID-19 pandemic. The impact of the pandemic on the demand for electricity was offset in 2021 by the colder winter, which led to the higher prices.

The prices of the forward contracts showed a clear upward trend in the first quarter of 2021, mainly due to the strong surges of the CO₂ emission allowances market. The futures benchmark BASE_Y-22 contract (clearing price) came in, on average, at the level of 277.21 PLN/MWh, with the high of 304.03 PLN/MWh recorded on March 18, 2021, and the low of 251.32 PLN/MWh reported on January 18, 2021.

Due to the ever rising generation of the wind sources and the increasing share of the generation from the photovoltaics, as well as the large share of the electricity imports to Poland, the P/B ratio continues to decline from 1.16 at the beginning of 2021 to 1.11 at the end of March 2021 for the annual product. For the quarterly and monthly products, the P/B ratio came in below 1.10.

The futures benchmark PEAK_Y-22 contract (clearing price) went up in Q1 2021 from the low of 291.08 PLN/MWh on January 18, 2021, to the high of 337.10 PLN/MWh recorded on March 18, 2021. The average clearing price at the end of the first quarter of 2021 clocked in at 313.92 PLN/MWh.

Crude oil and coal

The volume weighted average price of Brent crude on the ICE exchange in the first quarter of 2021 came in at 61.32 USD/barrel and it was higher by 10.50 USD/barrel (i.e. by 20.7%) 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 slightly less than 17 billion barrels in the first quarter of 2021, while a year earlier the total trading volume had stood at 18.4 billion barrels (a decrease by 7.9%).

The main factors that had an impact on the demand and supply situation on the oil markets in the first 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.

The speed of the actual demand recovery, based on the vaccination rates against COVID-19 and the extent to which travel and employment conditions were expected to return to the pre-COVID-19 standards, remained a significant uncertainty on the side of the demand for the commodity.

The higher crude oil prices in February and March 2021 were mainly due to the lower crude oil production by the members of the Organization of Petroleum Exporting Countries (OPEC) and the partner countries (OPEC+). In addition, Saudi Arabia announced voluntary additional production volume cuts of approx. 1 million barrels a day during that period.

In February 2021, the unstable, freezing winter weather conditions led to the imbalance in the supply and demand for oil and natural gas in the US. The oil and gas production output went down due to the freezing of the infrastructure in Texas, while the demand for heat and electricity was high.

The average hard coal CIF ARA price on the EEX exchange for an annual contract was 68.52 USD/t in the first quarter of 2021, and it was higher by 11.86 USD/t (an increase by 20.9%) as compared to the average hard coal price in the first quarter of 2020.

The prices of the commodity at the coal terminals both in Europe as well as in the Republic of South Africa (RSA) dropped as greater restrictions were imposed to contain the spread of the COVID-19 pandemic. Nevertheless, in the Republic of South Africa (RSA) the declines were partially offset by the increased demand for energy in the Asia-Pacific region as a result of the ongoing wave of low temperatures and the occurrence of the El Niño weather anomaly.

In Europe, in addition to the new restrictions related to the COVID-19 pandemic, the prices of the commodity were affected by an increase of the supply in the Atlantic Ocean area as a result of the resumption of the operations of the Colombian producer Cerrejón. The factors supporting the prices also included: colder winter as compared to the previous winters, the lower LNG supplies and the low coal inventories at the ARA ports.

Natural gas

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (TGE) stood at 97.03 PLN/MWh in the first quarter of 2021 and it was as much as 44.52 PLN/MWh higher (an increase by 84.80%) as compared to the volume weighted average price in the first quarter of 2020.

The prices of gas in the first quarter of 2021 were the result of the effects of the COVID-19 pandemic, the increases in the prices of the CO₂ emission allowances, the demand and supply situation both in Europe as well as worldwide, and the weather factors.

The prices were supported in the first quarter of 2021 by an increase of the EUA prices, which went up by more than 10 EUR/Mg (i.e. by approx. 31%) in the period under review. In addition, the price increase in January 2021 was impacted by the freezing winter weather conditions in Asia and in Europe. Such a situation translated into the January sharp rise of the LNG SPOT prices, the so-called *Japan-Korea-Marker* in Asia and the very high natural gas prices in Europe. In addition, a similar situation took place in the USA in February 2021, which also triggered an immediate strong price surge at the US Henry Hub.

The lowest monthly average volume weighted price of the day ahead delivery contract in the first quarter of 2021, clocking in at 93.47 PLN/MWh, was recorded in March 2021, while the highest price of 102.17 PLN/MWh was reported in January 2020. The volume of trading on the above contract came in at 7 783 GWh in the first quarter of 2021 and it was 39.2% higher as compared to the volume of trading on that contract in the same period of 2020, when it stood at 5 592 GWh.

The average volume weighted price of the annual benchmark contract on the futures market came in at 89.38 PLN/MWh in the first quarter of 2021 and it was higher by almost 17 PLN/MWh (an increase by 23.2%) as compared to the average volume weighted price of the annual benchmark contract in the first quarter of 2020. The lowest average volume weighted price of that contract was recorded in January 2021, when it stood at 84.69 PLN/MWh, and the highest price was reported in March 2021 when it clocked in at 92.77 PLN/MWh. The volume of trading on that contract came in at 4 179 GWh in the first quarter of 2021 and it was lower by 74.8% as compared to the volume of trading on this contract in the same period of 2020 when it stood at 16 556 GWh.

According to the Gas Infrastructure Europe association's data, as of March 31, 2021, the Polish storage facilities with the total capacity of approx. 3.2 billion m³ were 38.0% filled and a year earlier they had been 46.0% filled (a decrease by 8.0 pp). In Europe, this level, as of March 31, 2021, stood at 30.1%, and a year earlier it had been at 53.8% (-23.7 pp).

CO₂ emission allowances

The CO₂ emission allowances market was characterized by high price volatility and the continued strong upward trend in the first quarter of 2020. The average price of the benchmark EUA-DEC21 contract in the first quarter of 2021 stood at 37.48 EUR/MgCO₂, i.e. it was EUR 14.63 higher than in the first quarter of 2020 (an increase by 64.0%). As compared to the average price of the CO₂ emission allowances in 2020, the prices in the first quarter of

2021 went up by EUR 12.71 (+ 51.3%). The highest price of the CO₂ emission allowances was recorded on March 17, 2021, clocking in at EUR 42.99, and the lowest price was reported on January 18, 2021, coming in at EUR 31.62.

The increase of the prices of the CO₂ emission allowances was impacted by the following material factors:

1. almost complete curtailment of the supply of the CO₂ emission allowances on the primary market that occurred in January 2021,
2. delays in the allocation of the free allowances due to the COVID-19 pandemic, which were usually distributed starting already from mid-December of the preceding year,
3. change of the phase of the EU ETS system from III to IV - free allocation of allowances for phase IV in accordance with the EU ETS Directive cannot be used to cancel the obligation arisen in phase III, which significantly curbed the possibility of purchasing the units on the secondary market,
4. weather conditions - cold January and February 2021 and a smaller volume of electricity from RES additionally stimulated a strong upward trend on the EU ETS market,
5. strong interest among the market participants in the auctions of the allowances and an increase in the activities of the hedge funds,
6. high correlation with the stock indices, in particular with the indices of the US stock exchanges,
7. continued bull market on the stock markets stimulated by the financial packages provided to support the economies in order to ensure their recovery in the context of the COVID-19 pandemic.

Property rights

The prices on the green certificates market were stable in the first quarter of 2021. The minimum price of the TGEozea index was reported at the beginning of February 2021, clocking in at 141.87 PLN/MWh, while the maximum price of the above mentioned index was recorded in March 2021, coming in at 149.99 PLN/MWh. The weighted average price of PMOZE_A stood at 144.33 PLN/MWh in the first quarter of 2021 and it was higher by 2.3% than the weighted average price in the same period of 2020.

The trading volume fell by 24.2% in the first quarter of 2021 as compared to the same period of 2020, i.e. from 2 587.6 GWh to 1 962.7 GWh. The balance of the PMOZE_A register reached a surplus of 31.86 TWh at the end of March 2021. Taking into account the certificates blocked for redemption (retirement), that balance decreased by approx. 4 TWh, to the level of 27.93 TWh (an increase by 6.05%). The amount of the substitution fee set for 2021 stands at 172.76 PLN/MWh. The obligation to submit the green certificates for redemption, in accordance with the regulation, stands at 19.5% in 2021.

The prices on the blue certificates market were very stable in the first quarter of 2021. In the period from January to March 2021 the prices of the TGEozebio index were fluctuating between 300.03 PLN/MWh and 301.50 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 first quarter of 2021, while the volume of trading stood at 118.75 GWh and it was lower by 7.6% as compared to the level of volume achieved in the same period of 2020. The balance of the PMOZE-BIO register reached 499.3 GWh at the end of March 2021. Taking into account the certificates that are blocked for retirement (cancellation), that balance decreased by almost 21.1 GWh, i.e. to the level of 478.2 GWh (a drop by 7.9%). The obligation confirming the production of electricity from agricultural biogas stands at 0.5% in 2021.

The prices of the PMEF white certificates in the first quarter of 2021 were fluctuating between 1 878.44 PLN/toe w March 2021 and 1 989.69 PLN/toe in January 2021. The weighted average price for the above contract came in at 1 902.15 PLN/toe in the period from January to March 2021 and it was higher by 5.6% as compared to the weighted average price in the same period of 2020. On average, the prices were more than 4.3% above the substitution fee set for 2021 at the level of 1 823.26 PLN/toe. The trading volume fell by 75.4% as compared to the same period of 2020 and it clocked in at 7 229 toe (29 382 toe in the first quarter of 2020).

The prices of the PMEF - 2020, PMEF_F and PMEF - 2021 (the contract quoted since March 2021) were at a neutral level in the first quarter of 2021.

The weighted average prices of the PMEF_F and PMEF - 2020 contracts in the first quarter of 2021 were higher by 8.1% and 7.6%, respectively, as compared to the weighted average prices in the same period of 2020 and they came in at 1 910.08 PLN/toe and 1 919.25 PLN/toe, respectively. The weighted average price of the PMEF - 2021 contract clocked in at 1876.19 PLN/toe.

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.

European Green Deal

European Green Deal was published by the European Commission in December 2019 and it is a plan of actions aimed at achieving climate neutrality by the EU states by 2050. The Green Deal consolidates the plans of the

European Commission with respect to the climate actions, the energy transition, the circular economy and the protection of biodiversity. One of the priorities of the Green Deal is to raise the 2030 and 2050 climate change targets. On October 19, 2020, the European Commission adopted a work program for 2021, the so-called *Fit for 55*, which aims to make the European Union accelerate the pace of the long term transition towards a climate neutral economy and the transition to the digital age. All of the relevant European Union regulations must be aligned with the overall goal of reducing the greenhouse gas emissions. The European Commission will review several regulations relating to the energy sector in 2021, including among others:

1. Energy Tax Directive (ETD),
2. Renewable Energy Directive (RED II),
3. Energy Efficiency Directive (EED),
4. directive establishing the EU ETS scheme (EU ETS Directive).

The publishing of the legislative proposals of the European Commission regarding the revision of the above regulations and the presentation of the Carbon Border Adjustment Mechanism (CBAM) proposals are planned for mid-2021.

Recovery of the European Union after the COVID-19 crisis

The European Commission Work Program for 2021 is linked to the European Union (EU) COVID-19 Recovery Plan, including the Recovery and Resilience Facility and the European Union budget for the years 2021-2027. On February 11, 2021, the Council of the European Union adopted a regulation establishing the Recovery and Resilience Facility that would manage funds in the amount of EUR 672.5 billion (Poland is to receive approx. EUR 58 billion, including EUR 23.9 billion in the form of subsidies and EUR 34.2 billion in loans). The Member States are developing the National Recovery Plans that will include reforms and investment projects aligned with the EU's policy goals until 2026, i.e. a minimum of 37% allocated to the energy transition expenditures and a minimum of 20% for the digital transformation. The public consultations of the National Recovery Plan, which will be the basis for the use of the Recovery and Resilience Facility, were completed in Poland on April 2, 2021.

European Climate Law

The draft European Climate Law was published by the European Commission in March 2020 and its goal is to establish the framework for achieving climate neutrality. The draft includes, among others, a proposal of a new target for reducing the greenhouse gas emissions at the European Union (EU) level by 2030 and the introduction of the European Union (EU) level greenhouse gas emissions reduction trajectory for the years 2030 - 2050. In December 2020, the European Council approved a binding target assuming the reduction of the net greenhouse gas emissions in the European Union (EU) by 2030 by at least 55% as compared to the level of 1990 and called on the European Commission, the European Parliament and the European Union (EU) Council to take into account the new target and to swiftly adopt the petition related to the European Climate Law. The adoption of the European Climate Law is planned in 2021.

Just Transition Mechanism

Just Transition Mechanism consists of three pillars:

1. 1st pillar - Just Transition Fund,
2. 2nd pillar - InvestEU Program,
3. 3rd pillar – European Investment Bank loans for the public sector.

In December 2020, the trilogue negotiations among the European Union (EU) institutions were completed, according to which the Just Transition Fund's budget would total EUR 17.5 billion, of which Poland is to receive EUR 3.5 billion. The fund's goal is to bring about the economic diversification of the regions of the European Union (including in the Silesia, Wielkopolska and Lower Silesia voivodeships) affected by the effects of the climate transformation and to alleviate the social costs thereof.

Sustainable Investment Classification System

The goal of the Regulation 2020/852 of the European Parliament and of the Council of June 18, 2020 establishing a framework to facilitate sustainable investment projects in order to introduce a classification system, the so-called *European Union Taxonomy*, i.e. the system for classifying the sustainable economic activities. The European Union (EU), the Member States, the financial market participants offering financial products, the financial and non-financial companies covered by the non-financial reporting will be obligated to apply the *European Union Taxonomy* starting from December 2021.

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 the Poland's energy transition. The above 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 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 draft 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. The support process is to be divided into two stages:

1. 1st stage which will be available for the most advanced projects, which, if the statutory criteria are met, will receive individual support requiring the approval of the European Commission as compliant with the principles of the European Union's internal market. The first stage is scheduled until June 30, 2021,
2. 2nd stage as part of which the support is to be provided in the form of an auction procedure.

The maximum price for electricity generated in an offshore wind farm

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.

The act amending the act on energy efficiency and certain other acts

The act amending the act on energy efficiency was passed on March 17, 2021. It 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). The Act introduces the possibility of fulfilling 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.

The draft act amending the act - Energy Law and the act on RES

The Ministry of Climate and Environment has presented a draft amendment which 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 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*.

The draft act amending the law on emissions trading

On March 3, 2021, the government of the Republic of Poland adopted a draft amendment to the act on emissions trading, which allowed domestic entities to take advantage of the Modernization Fund, i.e. a pool of money from

the sales of the CO₂ 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. The primary procedure will be based on the competitions. The National Fund for Environmental Protection and Water Management will be the operator of the Fund in Poland, while the oversight will be carried out by the Minister of Climate. The amendment was passed by the Parliament of the Republic of Poland on April 15, 2021.

The draft regulation on the benchmark price of electricity from RES in 2021

The draft regulation of the Minister of Climate and Environment on the benchmark price of electricity from RES in 2021 and the periods applicable to the producers who won auctions in 2021 was published on February 26, 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, it 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.

The draft regulation amending the regulation of 23 April 2020 on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply

On March 29, 2021, the regulation of the Minister of Climate and Environment was published, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply.

The draft proposes adding of § 28, clause 1a to the regulation, providing for the possibility of changing the tariff for heat due to a change in the costs of the CO₂ emission allowances. The proposed changes are dictated by a significant increase in the prices of the CO₂ 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 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.

The draft act amending the act – Energy law and certain other acts

On April 15, 2021, the Parliament of the Republic of Poland amended the provisions of the Energy Law that provided for, among others, setting up of a central energy market information system and introducing a schedule for installing the so-called smart meters. In accordance with the amendment the energy enterprises will have to equip consumers with the remote readout electricity meters, the so-called smart meters. By 2028, at least 80% of customers are to be equipped with such 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, i.e. PSE.

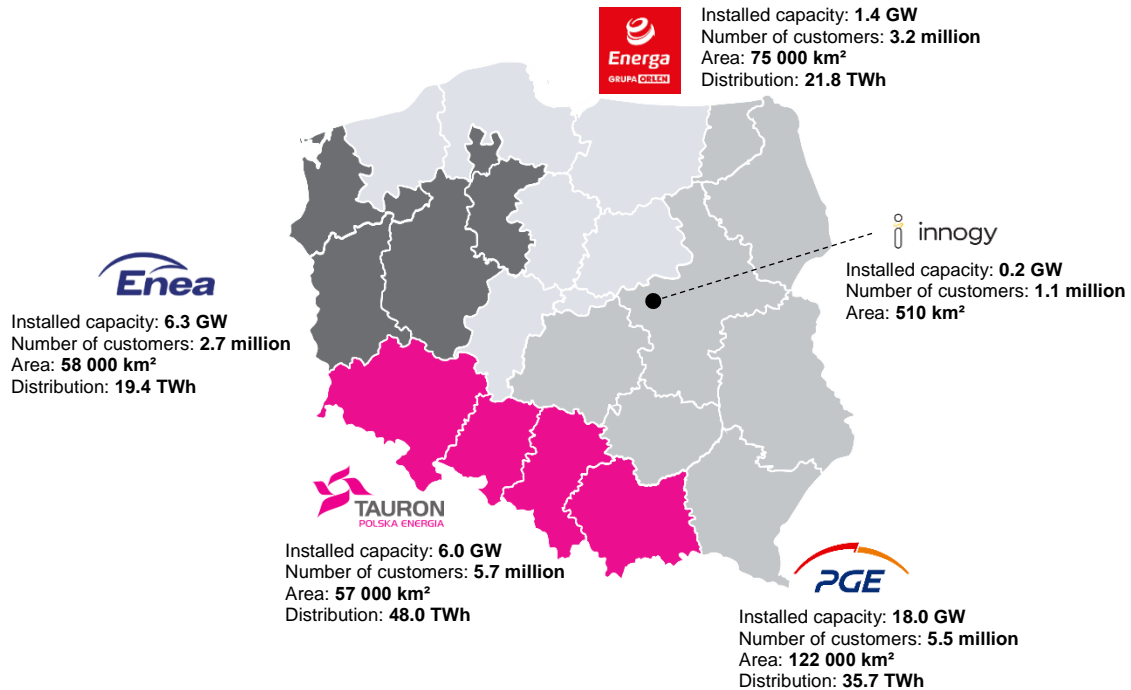
The amendment also includes the new provisions related to energy storage facilities, including the unification of the definitions thereof, which are currently different in various legal acts. The energy storage will be exempt from the tariff obligations and the energy storage facilities with the capacity of up to 10 MW will not require a license. The double collection of the distribution and transmission fees is also eliminated - for the electricity drawn from the grid to the energy storage facility and fed back from the energy storage facility into the grid. The amendment also introduces amendments to the act on promoting electricity generation in offshore wind farms, making the obligation to provide the security (collateral) more flexible by enabling the so-called rollover of the guarantee (bond) and a change of the form of the security (collateral) during the period required by the act.

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 Warsaw, managing Warsaw's power grid.

The below figure presents TAURON Capital Group's competitive environment (landscape) based on the available FY 2020 data.

Figure no. 4. TAURON Capital Group's competitive environment (landscape) based on the FY 2020 data.



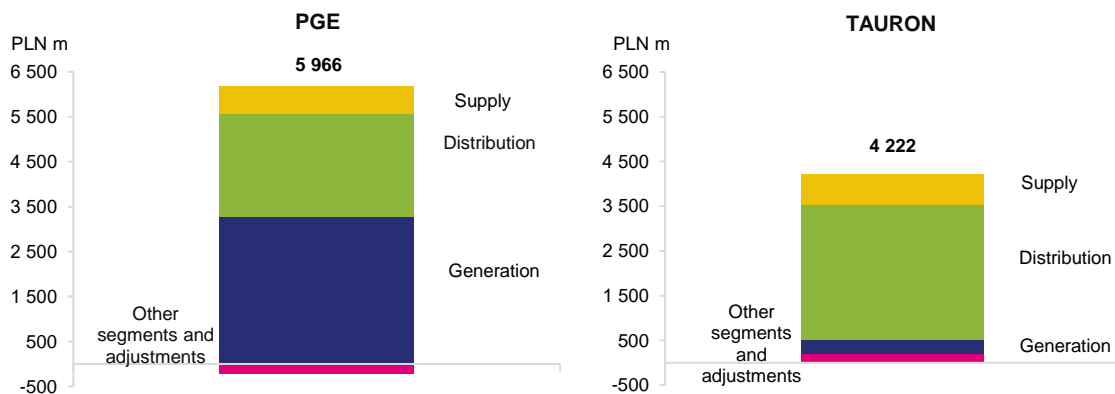
According to the FY 2020 data, the consolidated energy groups (PGE, TAURON, Enea, Energa) held a 66% market share in the electricity generation sub-sector.

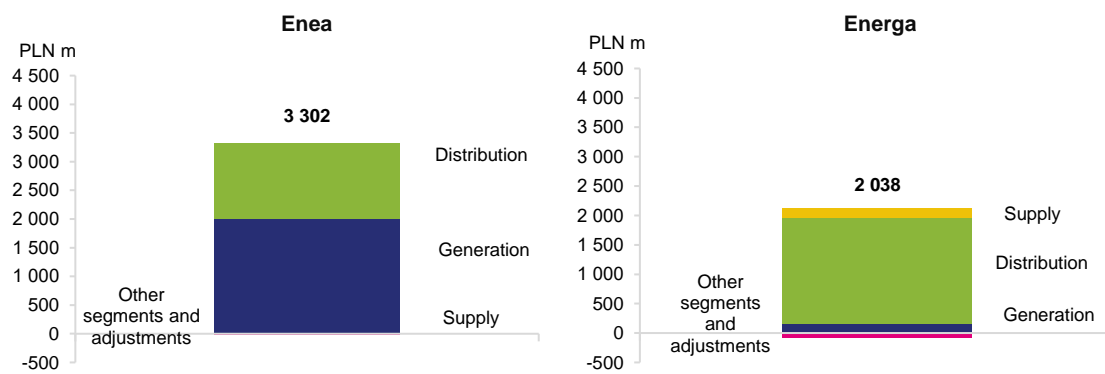
TAURON Capital Group is a fully vertically integrated energy enterprise (electric utility) that takes advantage of the synergies stemming from the size and scope (scale) of the operations conducted.

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 hard coal mining, as well as electricity and heat generation, distribution, supply and trading.

The below figure presents information on the structure of EBITDA based on the main segments.

Figure no. 5. EBITDA - estimated structure based on the main segments in 2020*





* In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat.
Source: Companies' interim reports

Generation

TAURON Capital Group is 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. 8% in 2020. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's generation assets are concentrated in the south of Poland. 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

89% of TAURON Capital Group's generation assets are, as of the end of 2020, hard coal fired units, 25% of which are modern high efficiency generating units. TAURON Capital Group's total installed capacity reached almost 6.1 GW as of December 31, 2020. As a result of the implementation of the Green Turn of TAURON, TAURON Capital Group decommissioned 120 MW power units, 970 MW in total. TAURON Capital Group's total installed capacity reached approx. 5.0 GW as of March 31, 2021, with the renewable energy sources accounting for almost 0.7 GW of that figure. Wind farms' installed capacity represents 7.6%, hydroelectric power plants' installed capacity accounts for 2.6% and biomass fired generating units' installed capacity constitutes 2.9% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 4.2 TWh of electricity in the first quarter of 2021, with 0.5 TWh coming from RES.

Nationwide, in 2020, TAURON Capital Group's hard coal fired units' installed capacity accounted for approx. 14% of the total installed capacity of all hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants, as well as hydro power plants, the share of TAURON Capital Group came in at approx. 6%, 9% and 6%, respectively.

According to the FY 2020 data, PGE Group is the largest electricity generator in Poland, with its share in the domestic electricity production market in 2020 standing at approx. 40%, and the installed capacity of 18 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 3.2 TWh of electricity in 2020, with approx. 1.4 TWh (i.e. 45%) coming from RES.

The below figures present information on installed capacity and electricity generated in 2020.

Figure no. 6. Gross electricity production - estimated market shares in 2020

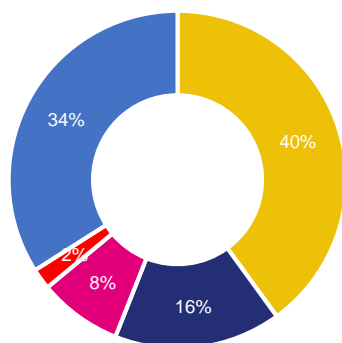
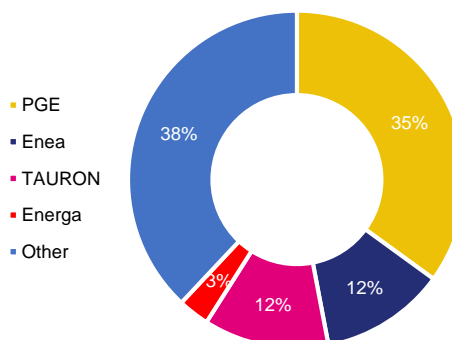


Figure no. 7. Installed capacity - estimated market shares in 2020



Source: Agencja Rynku Energii S.A. (ARE), information from the companies published on their websites

Distribution

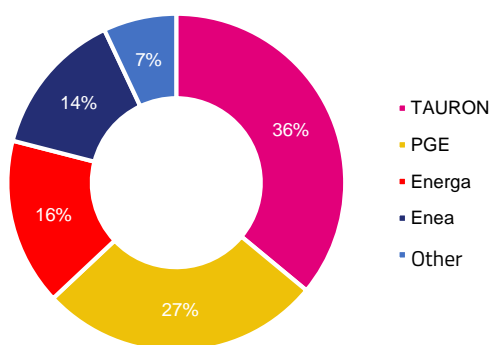
TAURON Capital Group is the Polish market leader in terms of the number of distribution customers and volume of electricity distributed

TAURON Capital Group is Poland's largest electricity distributor. TAURON Dystrybucja's share in electricity distribution to the final consumers reached approx. 36% in 2020. TAURON Capital Group's distribution grids cover more than 18% of Poland's territory. The volume of electricity delivered to the final consumers came in at approx. 13.8 TWh in the first quarter of 2020. 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. 5.7 million in the first quarter of 2021.

The below figure presents estimated market shares of the individual energy groups in terms of electricity distribution based on the FY 2020 data.

Figure no. 8. Electricity distribution - estimated market shares in 2020



Source: ARE, information from the companies published on their websites

Supply

TAURON Capital Group is Poland's second largest electricity supplier

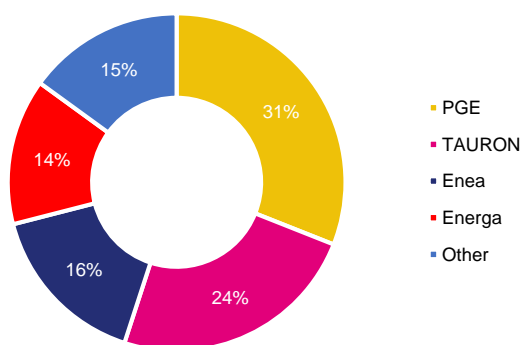
TAURON Capital Group holds a 24% share in the electricity supply market to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group came in at 8.6 TWh in the first quarter of 2021. The number of customers served by TAURON Capital Group's Supply Segment is 5.6 million.

PGE is the largest retail electricity supplier with a 31% market share. The other two groups, Enea and Energa, hold a 16% 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 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 FY 2020 data.

Figure no. 9. Electricity supply to the final consumers - estimated market shares in 2020



Source: ARE, information from the companies published on their websites

The below table presents information on the installed capacity and the volume of electricity generation, distribution and supply in 2020, as well as the domestic market shares.

Table no. 6. Installed capacity, generation, distribution and supply of electricity by energy groups in 2020

Group	Installed capacity		Generation*		Distribution		Supply	
	Quantity (GW)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)
1. PGE	18.0	35%	63.8	40%	35.7	27%	41.2	31%
2. TAURON	6.0	12%	12.5	8%	48.0	36%	32.4	24%
3. Energa	1.4	3%	3.2	2%	21.8	16%	18.8	14%
4. Enea	6.3	12%	24.7	16%	19.4	14%	21.1	16%
5. Other	20.2	38%	53.5	34%	9.1	7%	20.3	15%
Total	51.9	100%	157.7	100%	134.0	100%	133.8	100%

*Volume of gross electricity generated in 2020

Source: ARE, information from the companies published on their websites, own estimates in case of the companies publishing the net production

2020 was characterized by a decrease of the demand for electricity due to the outbreak of the COVID-19 pandemic. The decline of the demand contributed to a decrease of the electricity production in Poland, and thus to a lower level of the distribution and supply volumes.

The analysis of the largest energy groups operating on the domestic market points to various sources of competitiveness in the selected segments of the energy market, depending on the operations conducted thereby.

The below table presents the main sources of competitiveness of TAURON Capital Group 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. Operating expenses 2. Investments in district heating networks	1. Improvement of operational efficiency 2. Development of low and zero emission generation sources – <i>Green Turn of TAURON</i> 3. Expanding regulated operations
1. 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
2. Supply	Operating expenses	Efficiently allocated operating expenses

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,
2. market situation in Poland and in the EU, as well as the global economy, including changes of the electricity prices, prices of the CO₂ emission allowances, prices of the raw materials (commodities), etc., affecting the revenues and the level of the costs generated,
3. introduction of the state of epidemic in Poland, as of March 20, 2020, effective until cancelled due to the COVID-19 virus infections which, as a consequence, may lead to a decrease of the demand for electricity, and thus a decline of the volume of electricity distributed and supplied, as well as a curtailment of electricity production,
4. changes of 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,
5. potential increase of the overdue accounts receivable caused by the deterioration of the financial condition of the counterparties (contractors),
6. demand for electricity in the National Power System and the level of production by the generating units,

7. level of electricity imports,
8. changes to the energy mix and, as a consequence, reduced demand for hard coal,
9. extraordinary preventive measures implemented at TAURON Capital Group's subsidiaries due to the state of epidemic, aimed at ensuring the safety of the employees and customers and ensuring the security of the continuity of the operations of the critical infrastructure,
10. 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), URE (ERO) and the European Commission (EC),
11. result of the Court of Justice of the European Union (CJEU) proceedings conducted in connection with a complaint submitted by TEMPUS against the European Commission regarding the declaring the decision of the European Commission, deeming the Polish capacity market mechanism to be in line with the internal market, as null and void,
12. results of the court disputes,
13. changes to the regulations related to the power sector, and also changes in the legal environment, including: tax law, commercial law, environment protection law,
14. changes to the regulations governing the operation of the PPX (TGE), in particular the possibility of lifting the exchange obligation,
15. tightening of the policies of the financial institutions with respect to the financing of coal fired electricity generation,
16. possibility of using the European funds supporting the transition of the energy sector and mitigating the effects of the social changes,
17. geological and mining factors, as well as the natural hazards that may affect the volume of fossil fuel extraction,
18. start of the functioning, from January 2021, 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,
19. 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,
20. RES support system, the so-called RES auctions,
21. competitive environment (landscape), including the activities and steps taken by the competition on the energy market,
22. further tightening of the EU climate policy, in particular, resulting in the energy transition focused on the RES, as well as in an increase of the prices of the CO₂ emission allowances,
23. ongoing works on the government's solution with respect to the shape of the mining and coal based energy sector in Poland,
24. growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation and Mining Lines of Business and potential changes to the prosumer billing system,
25. level of tariff for the electricity and heat supply to the households (tariff group G) approved by the President of ERO,
26. level of tariff for the electricity distribution approved by the President of ERO,
27. environment protection requirements as a consequence of changes to the *Act of April 27, 2001, Environment Protection Law*, the so-called anti-smog resolutions,
28. 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)
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. projected amendments to the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply, enabling taking into in the tariff of the rising costs of the CO₂ emission allowances,
31. science (research) and technical progress,
32. demand for electricity and the other energy market products, taking into account changes due to seasonality and weather conditions,
33. shaping of the personnel policy, including the results of the negotiations with the Social Council of TAURON Group,
34. changes to the schedules, budgets and scopes of the investment projects implemented by TAURON Capital,
35. 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,

36. results of the ongoing analyses related to the Heat Line of Business, taking into account the forecast changes in the external environment, including the regulatory and the market environment, and taking into account the prospects of the Polish district

heating sector, which may affect further decisions regarding the sale of the shares in TAURON Ciepło or keeping TAURON Ciepło within TAURON Capital Group and the results of the analyses with respect to the options regarding the potential takeover of the selected assets of ČEZ Group in Poland, in particular taking into account ČEZ Chorzów

The detailed information related to the impact of the material factors on the financial result achieved in the first quarter 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.

There is considerable volatility of the conditions for running a business in Poland. 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 update of the current Strategy, which will take into account changes in the market and regulatory environment and will define the further shape of TAURON Capital Group's Mining and Generation Segments is justified. The Company is planning to publish the update of the Strategy in the second half of 2021.

2.4. Material accomplishments and failures as well as the most important events related to TAURON Capital Group in the first quarter of 2021 and after the balance sheet date

Material events that had occurred in the first quarter of 2021, as well as the ones that had taken place by the date of drawing up this information are listed below

Major business events

Verification of an option 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 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.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 2/2021 of January 29, 2021 and no. 7/2021 of March 10, 2021.

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 3 month period ended on March 31, 2021.*

Zbycie przez TAURON posiadanych udziałów 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 above mentioned agreement is provided in section 1.4. of this information.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 10/2021 of March 26, 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 quarter 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. 4/2021 of February 19, 2021, no. 6/2021 of February 24, 2021, no. 12/2021 of April 1, 2021 and no. 17/2021 of May 13, 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 quarter 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 and no. 13/2021 of April 6, 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.

Other major events

Signing of a Letter of Intent on the cooperation with respect to 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 a letter of intent on the cooperation with respect to offshore wind energy in the area of the Polish Exclusive Economic Zone of the Baltic Sea.

The detailed information on the signing of the above mentioned Letter of Intent is provided in section 1.4. of this information.

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 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 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 publishing its earnings.

Major corporate events after March 31, 2021

Convening the Ordinary General Meeting of the Company

On April 27, 2021, the Company's Management Board, acting pursuant to article 395, article 399, § 1 and article 402¹ of the Commercial Companies Code as well as § 30, clause 1 of the Company's Articles of Association convened the Ordinary General Meeting of the Company on May 24, 2021, and published the content of the draft resolutions that will be the subject of the discussion during the Ordinary General Meeting of the Company related to: 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

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 14/2021 and no. 15/2021 of April 27, 2021.

3. ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP

3.1. Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.

The below table presents 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 financial data	in PLN '000		in EUR '000	
	2021, period from 01.01.2021 to 31.03.2021	2020, period from 01.01.2020 to 31.03.2020	2021, period from 01.01.2021 to 31.03.2021	2020, period from 01.01.2020 to 31.03.2020
Sales revenue	6 444 513	5 467 766	1 409 530	1 243 720
Operating profit	1 212 491	474 051	265 193	107 830
Pre-tax profit	1 097 380	231 408	240 017	52 637
Net profit	850 801	161 475	186 085	36 730
Net profit attributable to shareholders of the parent company	839 016	162 066	183 508	36 864
Net profit attributable to non-controlling shares	11 785	(591)	2 577	(134)
Other net comprehensive income	105 533	(70 932)	23 082	(16 134)
Total comprehensive income	956 334	90 543	209 167	20 596
Total comprehensive income attributable to shareholders of the parent company	944 535	91 120	206 586	20 727
Total comprehensive income attributable to non-controlling shares	11 799	(577)	2 581	(131)
Profit per share (in PLN/EUR) (basic and diluted)	0,48	0,09	0,10	0,02
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 from operating activities	1 815 915	739 758	397 173	168 268
Net cash from investing activities	(897 445)	(1 124 426)	(196 287)	(255 766)
Net cash from financing activities	(481 307)	845 926	(105 270)	192 418
Increase / (decrease) in net cash and equivalents	437 163	461 258	95 616	104 920
	As of 31.03.2021	As of 31.12.2020 (adjusted data)	As of 31.03.2021	As of 31.12.2020 (adjusted data)
Fixed assets	33 437 751	33 584 959	7 175 021	7 277 663
Current assets	8 161 497	6 111 252	1 751 282	1 324 272
Total assets	41 599 248	39 696 211	8 926 303	8 601 935
Share capital	8 762 747	8 762 747	1 880 297	1 898 836
Equity attributable to shareholders of the parent company	16 778 066	15 833 523	3 600 212	3 431 031
Equity attributable to non-controlling shares	905 112	893 623	194 217	193 643
Total equity	17 683 178	16 727 146	3 794 429	3 624 674
Long term liabilities	15 717 690	15 865 877	3 372 678	3 438 042
Short term liabilities	8 198 380	7 103 188	1 759 196	1 539 219
Total liabilities	23 916 070	22 969 065	5 131 874	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 31.03.2021	2020, period from 01.01.2020 to 31.03.2020	2021, period from 01.01.2021 to 31.03.2021	2020, period from 01.01.2020 to 31.03.2020
Sales revenue	4 448 332	2 621 243	972 930	596 238
Operating profit (loss)	59 227	(67 018)	12 954	(15 244)
Pre-tax loss	(249 103)	(773 691)	(54 483)	(175 987)
Net loss	(285 558)	(721 023)	(62 457)	(164 007)
Other total net income	107 398	(72 997)	23 490	(16 604)
Total comprehensive income	(178 160)	(794 020)	(38 967)	(180 611)
Loss per share (in PLN/EUR) (basic and diluted from net loss)	(0,16)	(0,41)	(0,03)	(0,09)
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 from operating activities	970 260	298 643	212 213	67 931
Net cash from investing activities	(556 421)	(1 096 214)	(121 699)	(249 349)
Net cash from financing activities	(464 129)	875 912	(101 513)	199 238
Increase / (decrease) in net cash and equivalents	(50 290)	78 341	(10 999)	17 820
	As of 31.03.2021	As of 31.12.2020 (adjusted data)	As of 31.03.2021	As of 31.12.2020 (adjusted data)
Fixed assets	26 432 628	25 202 812	5 671 873	5 461 301
Current assets	3 501 755	3 843 923	751 401	832 956
Total assets	29 934 383	29 046 735	6 423 274	6 294 257
Share capital	8 762 747	8 762 747	1 880 297	1 898 836
Equity	11 283 588	11 461 748	2 421 215	2 483 694
Long term liabilities	13 159 554	13 074 803	2 823 757	2 833 233
Short term liabilities	5 491 241	4 510 184	1 178 302	977 330
Total liabilities	18 650 795	17 584 987	4 002 059	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 March 31, 2021 - PLN/EUR 4.6603 (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 March 31, 2021 - PLN/EUR 4.5721 (for the period from January 1, 2020 to March 31, 2020: PLN/EUR 4.3962).

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 quarter of 2020 and in the first quarter of 2021.

Table no. 9. Key operating data posted by TAURON Capital Group in the first quarter of 2020 and in the first quarter of 2021

Item	Unit	Q1 2020	Q1 2021	Change in % 2021 / 2020
Commercial coal production	Mg m	1.18	1.43	121%
Electricity generation (gross production)	TWh	3.21	4.22	131%
including generation of electricity from renewable sources	TWh	0.57	0.48	84%
<i>Production from biomass</i>	<i>TWh</i>	<i>0.11</i>	<i>0.14</i>	<i>127%</i>
<i>Production by hydroelectric power plants and wind farms</i>	<i>TWh</i>	<i>0.46</i>	<i>0.34</i>	<i>74%</i>

Item	Unit	Q1 2020	Q1 2021	Change in % 2021 / 2020
Heat generation	PJ	4.96	5.15	104%
Electricity distribution	TWh	13.25	13.79	104%
Electricity supply	TWh	11.65	11.91	102%
<i>retail supply</i>	<i>TWh</i>	8.86	8.77	99%
<i>wholesale</i>	<i>TWh</i>	2.79	3.14	113%
Number of customers - Distribution	'000	5 675	5 728	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 quarter of 2020 and in the first quarter of 2021.

Table no. 10. TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) in the first quarter of 2020 and in the first quarter of 2021

Item	Unit	Q1 2020	Q1 2021	Change in % 2021 / 2020
Mining Segment's hard coal sales	Mg m	0.89	1.24	139%
Generation Segment's electricity and heat sales	TWh	2.77	4.51	163%
	PJ	6.31	6.69	106%
RES Segment's electricity sales	TWh	0.45	0.33	73%
Distribution Segment's distribution services sales	TWh	13.25	13.79	104%
Supply Segment's retail electricity supply	TWh	8.85	8.76	99%

Mining Segment

The core business operations conducted by TAURON Capital Group's Mining segment comprise mining, separating (cleaning) and sales of hard coal, as well as the sales of methane as an accompanying fossil from the Brzeszcze deposit.

TAURON Capital Group operates three coal mines: Sobieski Coal Mine (ZG Sobieski), Janina Coal Mine (ZG Janina) and Brzeszcze Coal Mine (ZG Brzeszcze). The above 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 came in at 1.24 million Mg in the first quarter of 2021 which was a better result as compared to the same period of 2020. The hard coal sales within TAURON Group clocked in at 0.96 million Mg which meant that 77% of the hard coal produced had been sold to TAURON Capital Group's subsidiaries, while the balance of the sales had been placed on the external market.

The commercial coal production stood at 1.43 million Mg in the first quarter of 2021, i.e. it was higher by 21% as compared to the same period of 2020. The higher output is a consequence of the higher hard coal production as a result of the more favorable configuration of the longwall fronts at the Sobieski Coal Mine and at the Janina Coal Mine, as well as the smaller number of the coal faces available for extraction at the Brzeszcze Coal Mine.

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.

The total achievable capacity of the Generation Segment's generating units reached 4.5 GW of electric capacity and 2.2 GW of thermal capacity as of the end of March 2021.

The Generation Segment produced 3.9 TWh of electricity in the first quarter of 2021, i.e. more by 41% as compared to last year (2.8 TWh), which was primarily due to the operation of the 910 MW unit in Jaworzno, commissioned in November 2020.

The production output of the biomass burning units came in at 0.14 TWh, i.e. more by 27% as compared to last year (0.11 TWh).

Sales of electricity from the in-house production, along with the electricity purchased for trading, clocked in at 4.5 TWh in the first quarter of 2021, which meant a 63% rise as compared to the same period of 2020 (the effect of the sales of electricity from the 910 MW unit in Jaworzno).

The heat sales came in at 6.7 PJ in the first quarter of 2021, i.e. more by 6% as compared to the same period of 2020, which was a consequence of the higher consumer demand in connection with the lower outdoor temperatures year on year.

48% 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 in-house coal mines in the first quarter 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, wind farms and photovoltaic farms.

Total achievable capacity of the RES Segment's generating units reached 530 MW of electric capacity as of the end of March 2021 and it was higher by 11 MW as compared to the same period of 2020. The above mentioned increase is a consequence of the commissioning of the photovoltaic farm in Jaworzno and Choszczno.

The RES Segment produced 0.34 TWh of electricity in the first quarter of 2021, i.e. 26% less as compared to last year (0.46 TWh), which was due to the favorable wind conditions that occurred 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, 13.79 TWh of electricity, including 13.35 TWh to the final consumers, in the first quarter of 2021. During that period the Distribution Segment provided the distribution services for 5.73 million consumers. In the same period of 2020 the Distribution Segment delivered, in total, 13.25 TWh of electricity to 5.68 million consumers, including 12.83 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, the property rights arising from the certificates of origin of electricity, the CO₂ emission allowances and fuels. The Supply Segment is supplying electricity to the business and mass customer segments, including to the households. In addition, the Supply Segment supplies electricity to the TAURON Dystrybucja subsidiary to cover the grid losses related to the electricity distribution.

In the first quarter of 2021 the Supply Segment subsidiaries supplied, in total, 8.76 TWh of retail electricity, i.e. 1% less than in the same period of 2020, to 5.6 million customers, both households, as well as businesses.

Other operations

The other organizational units that are a part of TAURON Capital Group are providing support services for TAURON Capital Group's subsidiaries with respect to accounting, human resources management and data communications, conducted by TAURON Obsługa Klienta (TAURON Customer Service), as well as the activities related to the extraction of stone (rocks), including limestone, for the needs of the power, steel making, construction and road building sectors, as well as the production of sorbents for wet flue gas desulphurization installations and for use in fluidized bed boilers, conducted by Kopalnia Wapienia (KW) "Czatkowice". This segment also includes: Finanse Grupa TAURON dealing with the financial operations, Bioeko TAURON Group dealing mainly with the management (utilization) of the combustion and coal mining by-products, as well as 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 287 million in the first quarter of 2021, which was higher by 9% than the revenue posted in the same period of 2020, with the main reason being the higher sales of the customer service and support services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries.

3.4. TAURON Capital Group's financial position after Q1 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 March 31, 2021.

Table no. 11. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2020, and March 31, 2021

Consolidated statement of the financial position	As of December 31, 2020	As of March 31, 2021	Change in % 2021 / 2020
ASSETS			
Fixed assets	84.6%	80.4%	95%
Current assets	15.4%	19.6%	127%
TOTAL ASSETS	100.0%	100.0%	
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	39.9%	40.3%	101%
Non-controlling shares	2.3%	2.2%	97%
Total equity	42.1%	42.5%	101%
Long term liabilities	40.0%	37.8%	95%
Short term liabilities	17.9%	19.7%	110%
Total liabilities	57.9%	57.5%	99%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%	
Financial liabilities	11 515 873	11 331 797	98%
Net financial liabilities	10 594 528	9 792 436	92%
Net debt/EBITDA ratio	2.5x	1.96x	70%
Current liquidity ratio	1.05	1.00	116%

The fixed assets represent 80.4% of the total assets in the structure of assets, as of March 31, 2021, i.e. a decline by 5% as compared to their share as of the end of 2020.

The share of the current assets, as of March 31, 2021, as compared to their share as of the end of 2020, rose by 27%, mainly as a result of an increase in the value of the certificates of origin and the CO₂ emission allowances in connection with the purchase thereof in the first quarter of 2021 for the purpose of fulfilling the obligation to redeem (surrender) them for 2020.

The liabilities represent 57.5% of the total equity and liabilities in the structure of equity and liabilities, as of March 31, 2021, with the long term liabilities accounting for 37.8% thereof, while the short term liabilities constitute 19.7% of the balance sheet total, which means a change of the debt structure as compared to the end of 2020 when such shares were, respectively: 40.0% and 17.9%.

The financial liabilities declined by 2% in the first quarter of 2021, as compared to the balance sheet date falling on December 31, 2020, while the net debt dropped by 8% during the same period. Taking into account the fact that the rolled over EBITDA was higher by 51% as compared to the EBITDA reported as of March 31, 2020, the net debt to EBITDA ratio was lower and it came in at 1.96x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (net debt to EBITDA ratio) specified in some contracts concluded between the Company and the financial institutions is not less than 3.5x. The exceeding of that level 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 2020, aimed at reducing the risk of exceeding it, among others, the caps (limits) on the capital expenditures for TAURON Capital Group's individual subsidiaries were introduced and the options that could have a positive impact on EBITDA were identified. In addition, in accordance with the agreement signed between the social partners (workforce) and the management boards of the subsidiaries with respect to the amendments to the provisions of the corporate collective bargaining agreements of the subsidiaries resulting in a change to the rules of the payout of a cash equivalent due to the discount for the consumption of electricity by the retirees, pensioners and other eligible persons who were no longer employees of the above mentioned subsidiaries, the provisions for the employee tariffs were released in the second quarter of 2020. Another factor that had a positive impact on the rolled over EBITDA in 2021 was the transaction that was a consequence of

the restructuring of the CO₂ emission allowances in Nowe Jaworzno Grupa TAURON's portfolio and the resale of the allowances acquired in December 2020 for the purpose of the redemption thereof, constituting a surplus due to the delay in the commissioning of the 910 MW unit. The events described above had a positive impact on the net debt and EBITDA as well as, as a consequence, on the level of the covenant.

Consolidated statement of comprehensive income

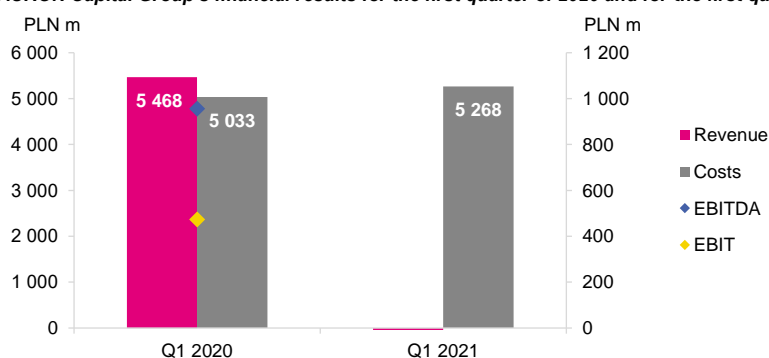
The below table presents the selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 3 months ended on March 31, 2021, as well as the comparable data for the period of 3 months ended on March 31, 2020. Those items are provided in accordance with the *Interim abbreviated consolidated financial statements of TAURON Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 3 months ended on March 31, 2021.*

Table no. 12. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first quarter of 2020 and for the first quarter of 2021

Item (PLN '000)	Q1 2020 (unaudited)	Q1 2021 (adjusted data)	Change in % 2021 / 2020
Sales revenue	5 467 766	6 444 513	118%
Cost of goods sold	(5 032 839)	(5 268 243)	105%
Other operating revenue and costs	5 165	16 766	325%
Share in joint ventures' profits	33 959	19 455	57%
Operating profit	474 051	1 212 491	256%
<i>Operating profit margin (%)</i>	8.7%	18.8%	217%
Cost of interest on debt	(72 329)	(91 126)	126%
Other financial revenue and costs	(170 314)	(23 985)	14%
Pre-tax profit	231 408	1 097 380	474%
<i>Pre-tax profit margin (%)</i>	4.2%	17.0%	402%
Income tax	(69 933)	(246 579)	353%
Net profit for the period	161 475	850 801	527%
<i>Net profit margin (%)</i>	3.0%	13.2%	447%
Total comprehensive income for the period	90 543	956 334	1 056%
Profit attributable to:			
Shareholders of the parent entity	162 066	839 016	518%
Non-controlling shares	(591)	11 785	-
EBIT and EBITDA			
EBIT	474 051	1 212 491	256%
EBITDA	957 401	1 735 402	181%

The below figure presents TAURON Capital Group's financial results for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 10. TAURON Capital Group's financial results for the first quarter of 2020 and for the first quarter of 2021



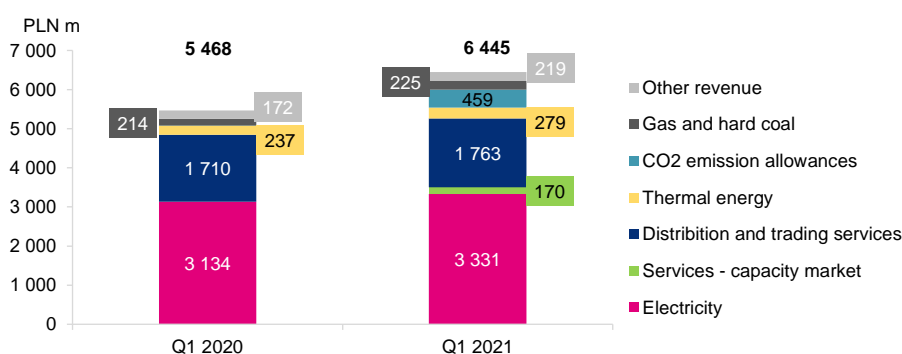
TAURON Capital Group generated revenue in the first quarter of 2021 that was higher by 18% than the revenue reported in the same period of 2020, which was due to the following factors:

1. higher electricity sales revenue which is a consequence of the higher electricity sales volume and, with the slightly lower prices obtained, mainly as a result of increasing the share of the volume of electricity sold on the wholesale market at the lower prices obtained,
2. revenue obtained from the capacity market service - in connection with the performance, by TAURON Capital Group 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 an increase of the distribution and transmission service rate along with the simultaneous increase of the distribution service volume,
4. higher thermal energy (heat) sales revenue in connection with the sales of the higher volume and the higher thermal energy (heat) sales prices obtained,
5. higher gas sales revenue mainly due to the higher volume sales,
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 CO₂ emission allowances which was a consequence of the completed restructuring of the CO₂ emission allowances in the amount of 3 258 000 EUAs in Nowe Jaworzno Grupa TAURON's portfolio and the sale on the market of the CO₂ allowances in the amount of 691 000 EUAs, which constituted a surplus above the company's redemption needs for 2020 due to the delay in the commissioning of the 910 MW unit. As part of the management of the portfolio of the CO₂ emission allowances of its subsidiaries, TAURON Capital Group purchases the allowances for the redemption needs of TAURON Capital Group's generation subsidiaries. Due to the delay of the commissioning of the 910 MW unit 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, in March 2021, the Company completed the restructuring of the above mentioned portfolio of the CO₂ emission allowances. As a result of the completed analysis of the new premises and circumstances, the Company changed its intentions regarding the above mentioned CO₂ 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 above 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 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).

The below figure presents TAURON Capital Group's revenue structure for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 11. TAURON Capital Group's revenue structure for the first quarter of 2020 and for the first quarter of 2021



The costs of TAURON Capital Group's operations (operating expenses) came in at PLN 5.3 billion in the first quarter of 2021, i.e. they were higher by 5% than the costs incurred in the same period of 2020, which is 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,
2. lower costs of electricity sold, as a consequence of the lower volume of electricity purchased on the market, along with the simultaneous increase of the purchase price year on year. The lower purchase volume is due to the commissioning of the 910 MW unit in Jaworzno in November 2020 and, as a consequence, the sales of more electricity from the in-house production,
3. higher costs of the greenhouse gas emission allowances, which is the result of an increase in the price of the allowances and the higher CO₂ emissions by the generating units due to the higher production of electricity from the conventional sources,

4. lower costs of the distribution services, which is due to a decrease of the tariff for the distribution services for PSE, which is primarily related to the drop of the quality based fee,
5. 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,
6. higher costs of taxes and fees, mainly due to the higher costs of the taxes on grid assets and the higher exploitation (extraction) charge due to the larger quantity of the mineral resources,
7. lower costs of the impairment charges (write-down) related to the accounts receivable, which is a consequence of the recognition (booking) of the elevated impairment charges (write-down) in the first quarter of 2020 due to the uncertainty with respect to the financial standing of TAURON Capital Group's counterparties in connection with the introduced restrictions and the beginning of the COVID-19 pandemic,
8. a decrease of the change in the hard coal inventory levels as well as in the prepayments and accruals mainly as a result of a decline of the value of the hard coal inventories at TAURON Wydobycie and the Generation Subsidiaries as an effect of the lower allocation of the costs of the hard coal produced but not consumed to the balance sheet items which is brought about by the higher volume of electricity production and the lower hard coal production unit cost, which is affected by the high level of hard coal production at TAURON Wydobycie's coal mines,
9. lower value of the costs of services for in-house needs, which is mainly due to the recognition (booking) in the first quarter 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.

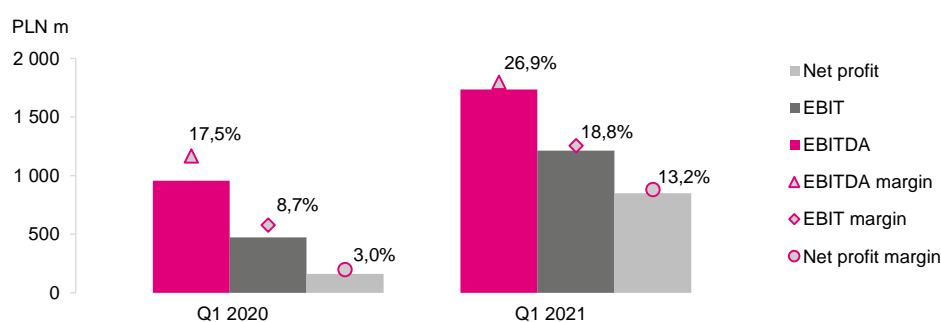
The EBITDA margin on the continued and discontinued operations generated in the first quarter of 2021 came in at 26.9% and it was lower by 9.4 pp than the margin posted in the same period of 2020. The EBIT margin clocked in at 18.8% and it was higher by 10.1 pp than the margin achieved in the same period of 2020, while the net profit margin realized came in at 13.2% and it was higher by 10.2 pp. The higher EBITDA, EBIT and net profit margin posted is mainly the result of carrying out, in the first quarter of 2021, of the transaction of the sale of the CO₂ emission allowances that constituted a surplus above the redemption needs of TAURON Capital Group for 2020 due to the delay in the commissioning of the 910 MW unit in Jaworzno.

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, came in at PLN 956 million in the first quarter of 2021, as compared to PLN 91 million generated in the same period of 2020.

The comprehensive income attributable to the shareholders of the parent company clocked in at PLN 945 million, as compared to PLN 91 million posted a year ago, while the net profit attributable to the shareholders of the parent company came in at PLN 839 million, as compared to PLN 162 million posted in the same period of 2020.

The below figure presents TAURON Capital Group's financial results and the level of the margins realized in the first quarter of 2020 and in the first quarter of 2021.

Figure no. 12. TAURON Capital Group's financial results and the level of the margins realized in the first quarter of 2020 and in the first quarter of 2021



Financial results by the Segments of operations (lines of business)

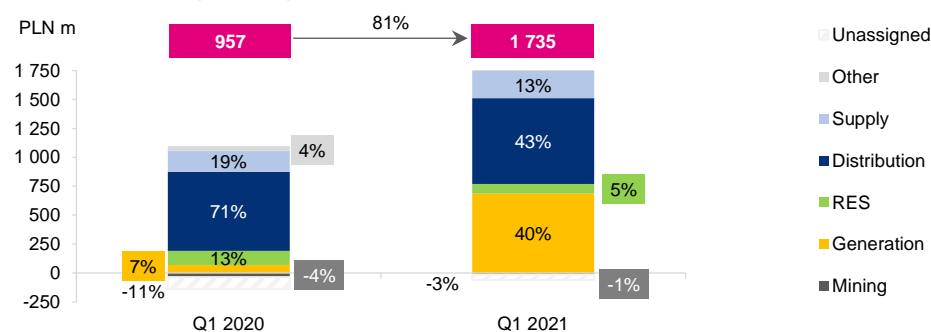
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first quarter of 2020 and in the first quarter of 2021. The data for the individual Segments of operations (lines of business) does not include the consolidation related exclusions.

Table no. 13. TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first quarter of 2020 and in the first quarter of 2021

EBITDA (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Mining	(36 355)	(13 622)	37%
Generation	69 484	686 344	988%
RES	121 070	83 720	69%
Distribution	683 543	741 858	109%
Supply	182 432	234 121	128%
Other operations	38 780	49 765	128%
Unassigned items and exclusions	(101 553)	(46 784)	46%
Total EBITDA	957 401	1 735 402	181%

The below figure presents TAURON Capital Group's EBITDA structure in the first quarter of 2020 and in the first quarter of 2021.

Figure no. 13. TAURON Capital Group's EBITDA structure in the first quarter of 2020 and in the first quarter of 2021



The Distribution Segment and the Supply Segment make the biggest contributions to TAURON Capital Group's EBITDA.

Mining Segment

The below table presents the Mining Segment's results for the first quarter of 2020 and for the first quarter of 2021.

Table no. 14. Mining Segment's results for the first quarter of 2020 and for the first quarter of 2021

Item (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Sales revenue	236 424	302 594	128%
<i>hard coal – large and medium size lump coal</i>	42 221	59 487	141%
<i>thermal coal</i>	179 684	228 538	127%
<i>other products, materials and services</i>	14 519	14 569	100%
EBIT	-83 891	-49 856	59%
Depreciation and impairment charges	47 536	36 234	76%
EBITDA	-36 355	-13 622	47%

The Mining Segment's EBITDA and EBIT were higher in the first quarter of 2021 as compared to the same period of 2020. The results posted were impacted by the following factors:

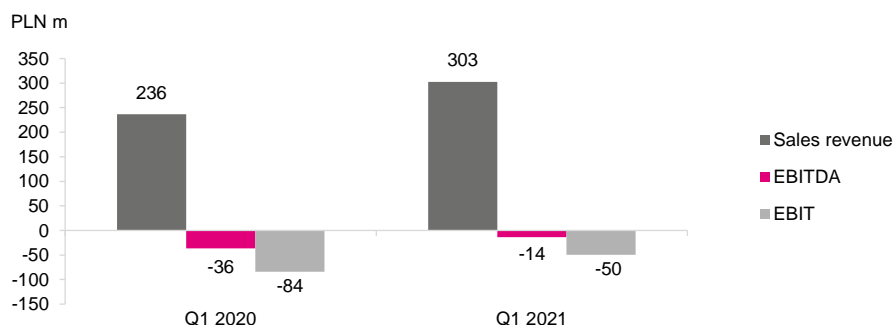
1. an increase of the volume of the coal sales by 39%, mainly due to the higher hard coal production,

2. a decrease of the average coal price by 7%, which is due to the difficult market situation caused by the price turmoil resulting from the reduction of the prices on the domestic market,
3. other - mainly the lower allocation of the costs to the balance sheet than in the previous period due to the placement of the hard coal surpluses on heaps.

In addition, the higher EBIT was brought about by the lower depreciation than in the same period of 2020.

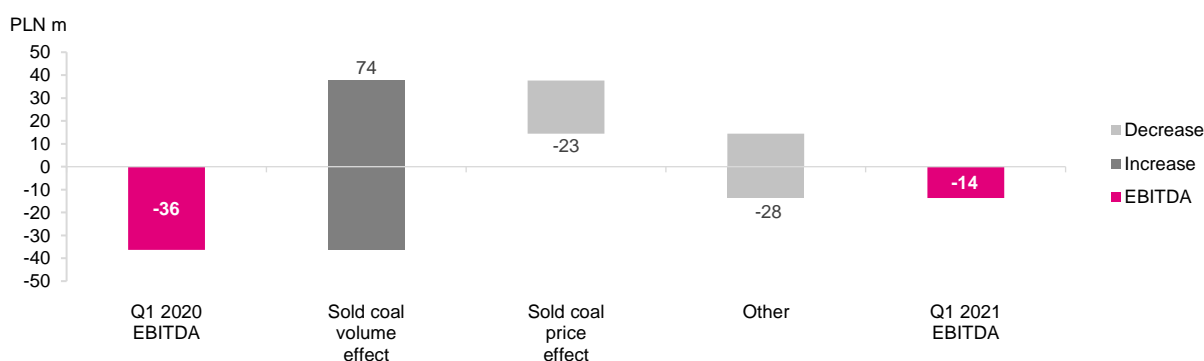
The below figure presents the Mining Segment's financial data for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 14. Mining Segment's financial data for the first quarter of 2020 and for the first quarter 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 quarter of 2020 and for the first quarter of 2021.

Table no. 15. Generation Segment's results for the first quarter of 2020 and for the first quarter of 2021

Item (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Sales revenue	1 154 958	2 308 010	200%
<i>electricity</i>	803 287	1 293 827	161%
<i>heat</i>	307 936	361 171	117%
<i>property rights related to certificates of origin of electricity</i>	30 701	36 619	119%
<i>services – capacity market</i>	-	167 765	-
<i>greenhouse gas emission allowances</i>	-	438 647	-
<i>other</i>	13 034	9 981	77%
EBIT	-12 723	570 304	-
Depreciation and impairment charges	82 207	116 040	141%
EBITDA	69 484	686 344	988%

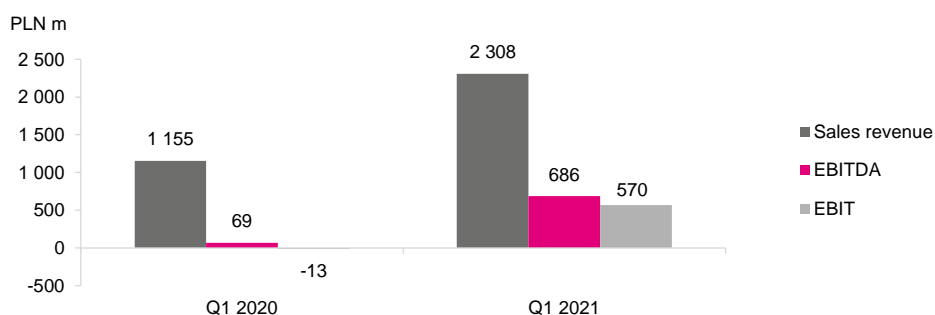
The Generation Segment's sales revenue in the first quarter of 2021 was higher by 100% as compared to the same period of 2020, mainly due to the higher electricity sales revenue (higher sales volume), heat sales revenue, as well as obtaining revenue from the capacity market and from the sales of the CO₂ emission allowances.

The Generation segment's EBITDA and EBIT were higher in the first quarter 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 material revenue for TAURN 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 quarter of 2021),
4. completion of the transactions related to the CO₂ emission allowances:
 - 1) due to the delay of the commissioning of the 910 MW unit 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, in March 2021, TAURON Capital Group carried out the following transactions:
 - a) restructuring of the above mentioned portfolio of the CO₂ emission allowances with respect to the volume of 3 258 000 of the CO₂ emission allowances 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 CO₂ 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. 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 CO₂ 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 CO₂ 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-time swap of the exchange traded contracts with the delivery date in December 2020 to the OTC contracts with the delivery date in March 2021. 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 on the exchange, which was related to, among others, to the need to make ongoing margin payments, a change of the legal and market circumstances in the area of trading in the CO₂ emission allowances related to Brexit and the COVID-19 pandemic. Implementing the above mentioned strategy change, the Company resold the futures position with the delivery date in December 2020 held on the exchange (it entered into an opposite transaction on the 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.

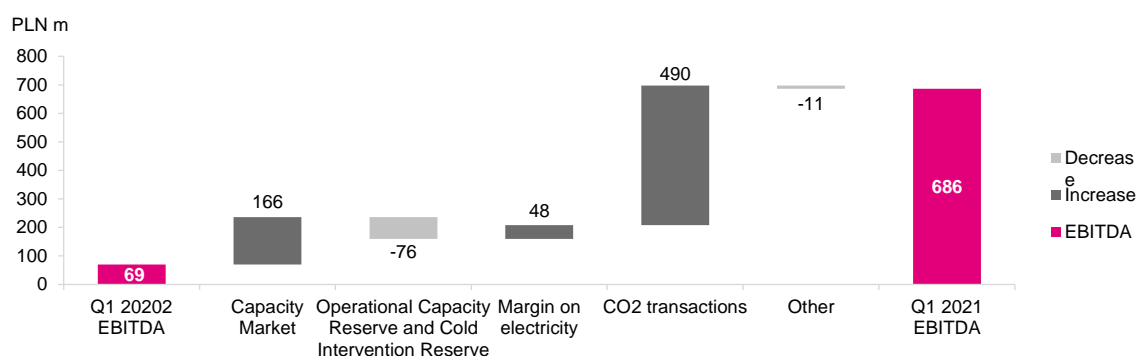
The below figure presents the Generation Segment's financial data for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 16. Generation Segment's financial data for the first quarter of 2020 and for the first quarter 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 quarter of 2021 and for the first quarter of 2020.

Table no. 16. RES Segment's results for the first quarter of 2021 and for the first quarter of 2020

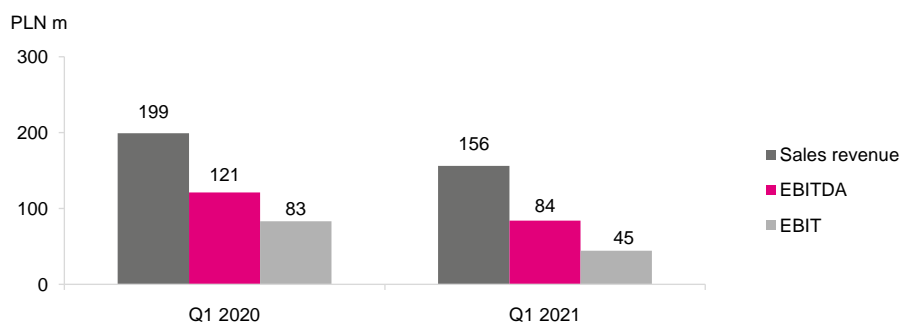
Item (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Sales revenue	199 167	156 128	78%
Electricity	93 184	86 913	93%
Certificates of origin of electricity	105 162	65 140	62%
Other	821	4 075	496%
EBIT	83 282	44 513	53%
Depreciation and impairment charges	37 788	39 207	104%
EBITDA	121 070	83 720	69%

The RES segment's EBITDA and EBIT were lower in the first quarter of 2021 as compared to the same period of 2020. The results posted were affected by the following factors:

1. a lower margin on electricity sales - mainly due to the lower production output by the wind farms which was partly offset by the higher production output by the hydroelectric power plants and the higher electricity sales price,
2. lower revenue from the certificates of origin of electricity, which is a consequence of the lack of 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 and the lower property rights prices as compared to the prices obtained in the first quarter of 2020,
3. commencement of the Capacity Market's operations starting from 2021 and obtaining of the revenue from it.

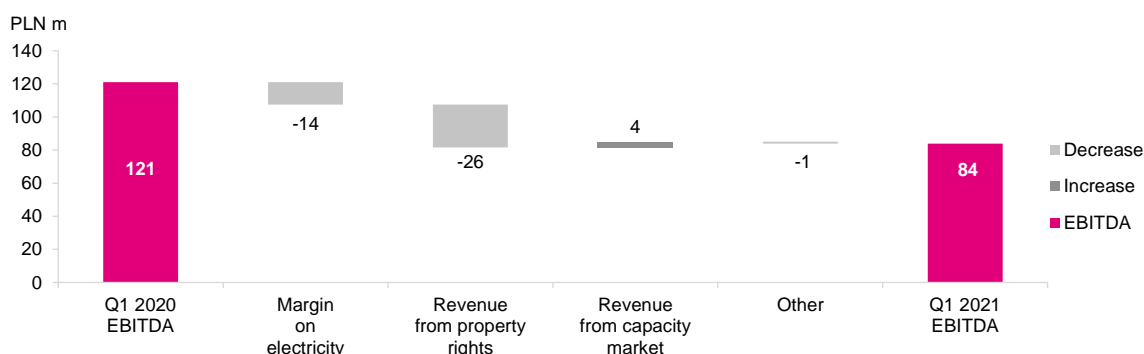
The below figure presents the RES Segment's financial data for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 18. RES Segment's financial data for the first quarter of 2020 and for the first quarter 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 quarter of 2020 and for the first quarter of 2021.

Table no. 17. Distribution Segment's results for the first quarter of 2020 and for the first quarter of 2021

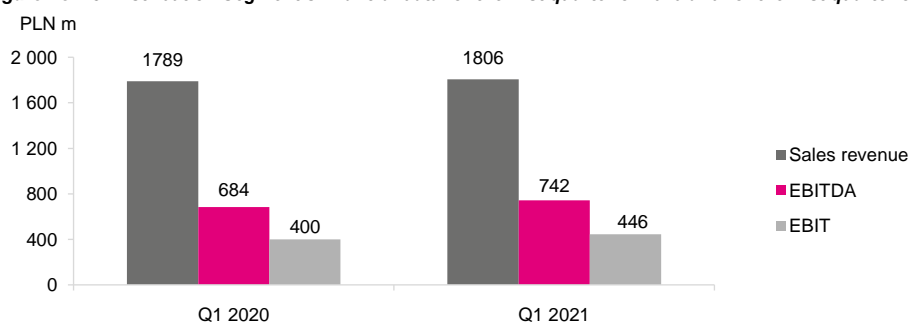
Item (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Sales revenue	1 789 025	1 805 756	101%
<i>distribution services</i>	1 721 450	1 715 582	100%
<i>grid connection fees</i>	19 848	18 261	92%
<i>power line collisions</i>	5 853	28 876	493%
<i>other revenue</i>	41 874	43 037	103%
EBIT	400 435	445 576	111%
Depreciation and impairment charges	283 108	296 282	105%
EBITDA	683 543	741 858	109%

The Distribution Segment reported an increase of the sales revenue by 1% in the first quarter of 2021, as compared to the same period of 2020, as well as the increases of EBIT and EBITDA by, respectively, 11% and 9%. 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 545 GWh, including to the final consumers by 527 GWh, first of all in the G and A tariff groups, as a result of the partial resumption of the production and the switch of the personnel to the remote mode of work from home, as well as the functioning of the education sector based on the use of the conference call tools,
3. lower costs of purchasing the transmission services as a consequence of the variable and fixed grid rates,
4. an increase of the other distribution revenue, mainly due to the excessive passive energy consumption and fixing of the power line collisions,
5. an increase of the costs of purchasing electricity to cover the balancing difference as a result of the higher volume, the lower purchase price and an increase of the upward adjustment value,
6. a decrease of the result (earnings) on the other operating activities, among others as a consequence of the impairment charges, provisions and the disposal of the fixed assets.

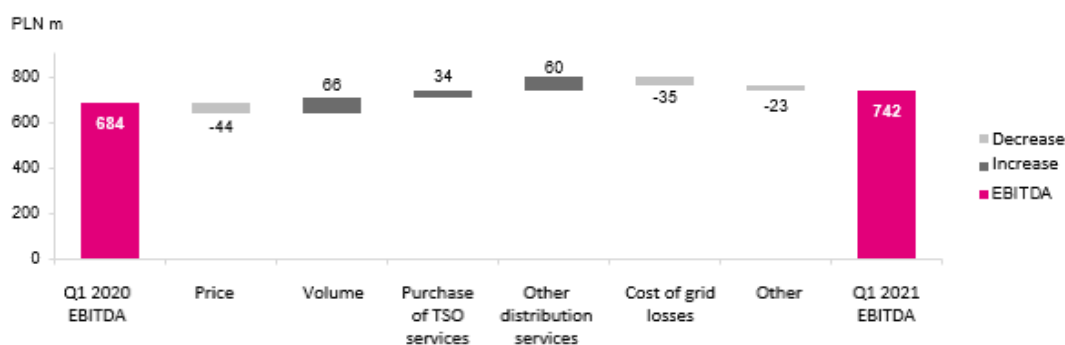
The below figure presents the Distribution Segment's financial data for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 20. Distribution Segment's financial data for the first quarter of 2020 and for the first quarter 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 quarter of 2020 and for the first quarter of 2021.

Table no. 18. Supply Segment's results for the first quarter of 2020 and for the first quarter of 2021

Item (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Supply			
Sales revenue	4 230 842	6 080 191	144%
<i>electricity, including:</i>	2 868 053	3 498 636	122%
<i>retail electricity supply revenue</i>	2 610 336	2 573 063	99%
<i>greenhouse gas emission allowances</i>	1 403	1 012 932	-
<i>fuels</i>	461 315	573 368	124%
<i>distribution service (passed on)</i>	846 138	882 323	104%
<i>other services, incl. trading services</i>	53 933	112 932	209%
EBIT	170 771	224 483	131%
Depreciation and impairment charges	11 661	9 638	83%
EBITDA	182 432	234 121	128%

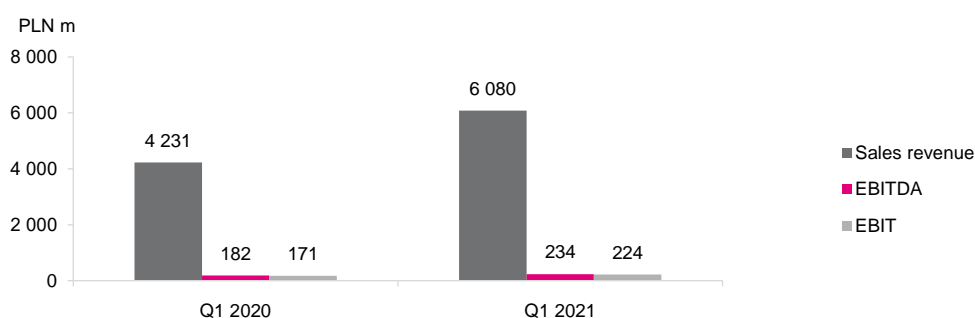
The Supply Segment's sales revenue in the first quarter of 2021 was higher by 44% as compared to the same period of 2020, mainly as a consequence of the higher electricity sales revenue (the higher electricity sales price and the higher electricity sales volume) as well as the sale of the CO₂ emission allowances that took place in the first quarter of 2021, primarily in order to meet the redemption needs of the Generation Subsidiaries.

The Supply Segment's EBITDA and EBIT were higher in the first quarter of 2021 than in the same period of 2020. The results posted were affected by the following factors:

1. higher margin on electricity sales earned, which is the result of the higher electricity sales price, the higher volume of electricity sold, the higher revenue from the fixed trading fees, along with 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,
2. higher costs of the property rights, mainly as a result of the higher *green certificates (PMOZE)* purchase price,
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 CO₂ 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 quarter 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.

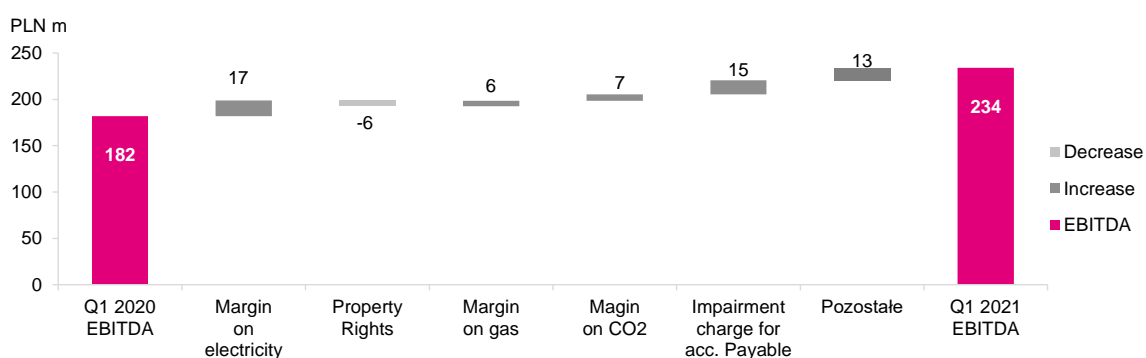
The below figure presents the Supply Segment's financial data for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 22. Supply Segment's financial data for the first quarter of 2020 and for the first quarter 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 quarter of 2020 and for the first quarter of 2021.

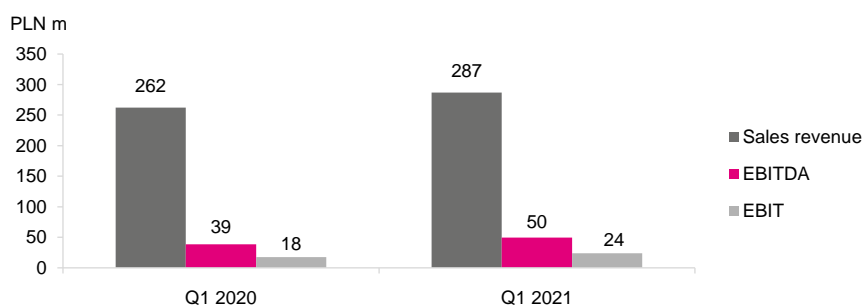
Table no. 19. Other Operations Segment's results for the first quarter of 2020 and for the first quarter of 2021

Item (PLN '000)	Q1 2020	Q1 2021	Change in % 2021 / 2020
Sales revenue	262 469	286 908	109%
customer service	60 035	62 669	104%
support services	126 051	135 028	107%
aggregates	25 110	27 030	108%
biomass	34 145	31 858	93%
other revenue	17 128	30 323	177%
EBIT	17 730	24 029	136%
Depreciation and impairment charges	21 050	25 736	122%
EBITDA	38 780	49 765	128%

Other Operations Segment subsidiaries' sales revenue in the first quarter of 2021 was higher by 9% as compared to the revenue posted in the same period of 2020, which was primarily due to the higher sales of the combustion and mining processes' by-products, as well as the customer service and support services provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries.

The below figure presents the Other Operations Segment's financial data for the first quarter of 2020 and for the first quarter of 2021.

Figure no. 24. Other Operations Segment's financial data for the first quarter of 2020 and for the first quarter of 2021



Assets

The below table presents the consolidated statement of financial position – the assets as of December 31, 2020 and March 31, 2021.

Table no. 20. Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2020 and March 31, 2021

Statement of financial position (PLN '000)	As of December 31, 2020 (unaudited)	As of March 31, 2021 (adjusted data)	Change in % (2021 / 2020)
ASSETS			
Fixed assets	33 584 959	33 437 751	100%
Tangible fixed assets	29 504 667	29 675 132	101%
Current assets	6 111 252	8 161 497	134%
Cash and equivalents	921 345	1 364 466	148%
Fixed assets and the group's assets for disposal, classified as held for trade	74 442	17 899	24%
TOTAL ASSETS	39 696 211	41 599 248	105%

As of March 31, 2021, TAURON Capital Group's statement of financial position shows the balance sheet total that is higher by 5% as compared to the balance sheet total as of December 31, 2020.

The below figures present the change in assets and current assets as of December 31, 2020, and March 31, 2021.

Figure no. 25. Change in assets as of December 31, 2020, and March 31, 2021

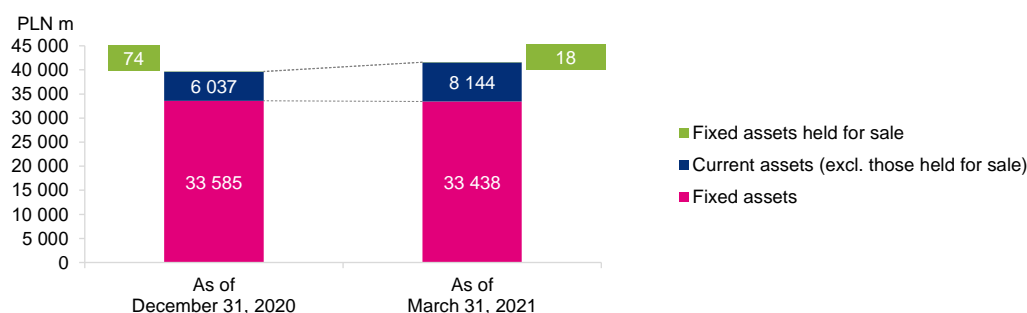
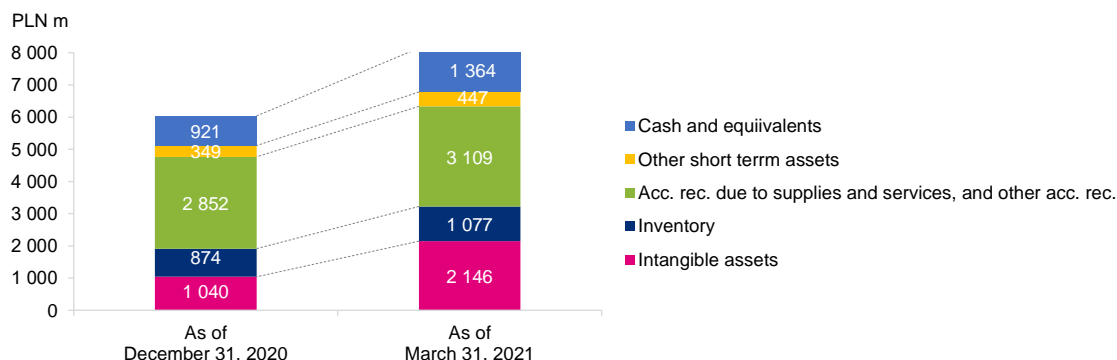


Figure no. 26. Change in current assets as of December 31, 2020, and March 31, 2021



The fixed assets represent the biggest item of the assets as of the end of March 2021, accounting for 80.6% of the balance sheet total. As compared to the end of 2020, the value of the fixed assets is higher by PLN 147 million (0.4%), which was due to the following factors:

1. tangible fixed assets – an increase by 1% is 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 89% due to the reclassifying of the certificates of origin of electricity and the CO₂ emission allowances as current assets held in order to fulfill the obligation related to the redemption of the above mentioned assets,
3. other financial assets – an increase by 28%, mainly as a result of the positive valuation of the derivative instruments related to the commodity derivatives, the forward currency derivatives, as well as the IRS and CCIRS instruments. The increase in the assets due to the valuation of the above mentioned derivatives in relation to the comparable period is mainly applicable to the forward instruments related to the transactions for which the CO₂ 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 32%, as a result of the advance payment towards the fixed assets under construction and the intangible assets, including those related to the construction of a 30 MW wind farm,
5. deferred income tax assets – an increase by 14%.

The following factors had an impact on the rise in the value of the current assets by PLN 2 050 million (34%):

1. balance of cash on hand and equivalents – an increase by 48%. The information on the reasons for the change is provided in the section related to the cash flows,
2. certificates of origin of electricity and the CO₂ emission allowances to be redeemed – an increase by 106% is the result of the following events:
 - a) purchase of the CO₂ emission allowances in the first quarter of 2021 for the redemption obligation for 2020,
 - b) purchase in the first quarter of 2021 or the recognition (booking) of the certificates of origin of electricity produced in-house for the fulfillment of the obligation to redeem the property rights,
 - c) reclassifying as the short term assets a part of the property rights and the CO₂ emission allowances held, originally classified as the long term assets, that were reclassified due to their allocation for the needs of the current fulfilling of the obligation to redeem the above mentioned assets,
3. inventory levels – an increase by 23% mainly due to the reclassifying, from the fixed assets to the inventory, of a part of the CO₂ emission allowances which will be resold in April 2021 as part of the CO₂ portfolio restructuring transaction. In addition, the increase in the inventory levels was affected by the higher value of the hard coal purchased or produced and not used for production in the first quarter of 2021,
4. accounts receivable from the consumers – an increase by 12%,
5. accounts receivable due to the income tax – an increase by 24%,
6. accounts receivable due to the other taxes and fees – a fall by 18%, mainly as a consequence of the decline of the accounts receivable due to VAT,
7. other financial assets – an increase by 20%, mainly as a result of the positive valuation of the derivative instruments related to the commodity derivatives, the forward currency derivatives, as well as the IRS and CCIRS instruments. The increase in the assets due to the valuation of the above mentioned derivatives in relation to the comparable period is mainly applicable to the forward instruments related to the transactions for which the CO₂ 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 57%, as a result of the 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 March 31, 2021.

Table no. 21. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2020 and March 31, 2021

Statement of financial position (PLN '000)	As of December 31, 2020 (unaudited)	As of March 31, 2021 (adjusted data)	Change in % (2021 / 2020)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	15 833 523	16 778 066	106%
Non-controlling shares	893 623	905 112	101%
Total equity	16 727 146	17 683 178	106%
Long term liabilities	15 865 877	15 717 690	99%

Statement of financial position (PLN '000)	As of December 31, 2020 (unaudited)	As of March 31, 2021 (adjusted data)	Change in % (2021 / 2020)
Liabilities due to debt	13 171 200	13 137 967	100%
Short term liabilities	7 103 188	8 198 380	115%
Liabilities due to debt	1 480 672	1 161 761	78%
Total liabilities	22 969 065	23 916 070	104%
TOTAL EQUITY AND LIABILITIES	39 696 211	41 599 248	105%

The below figures present the change in the equity and liabilities and equity attributable to shareholders as of December 31, 2020, and March 31, 2021.

Figure no. 27. Change in equity and liabilities as of December 31, 2020, and March 31, 2021

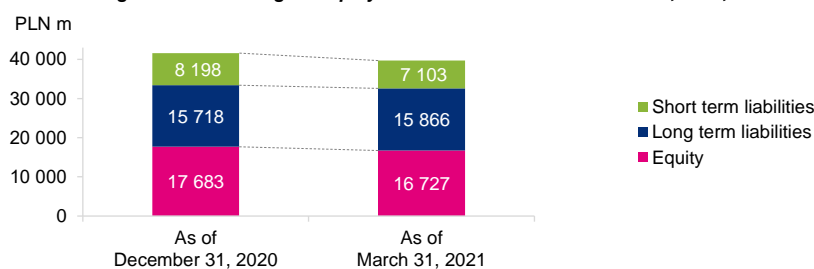
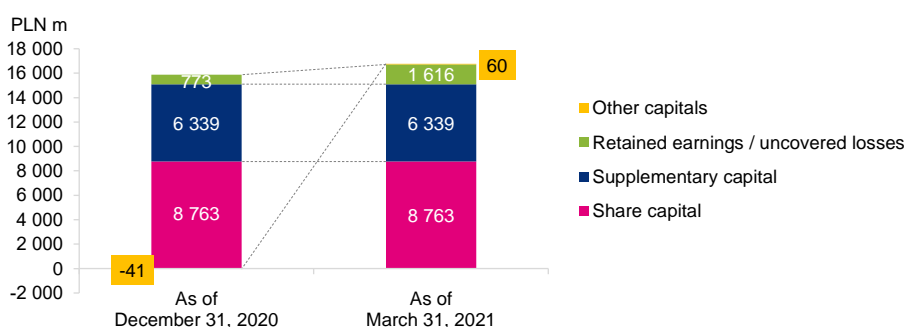


Figure no. 28. Change in equity attributable to majority shareholders as of December 31, 2020, and March 31, 2021



Similar as in the previous years, equity continues to be a material source of financing the assets and its share in the balance sheet total stands at 42.5%.

The below figures present the change in the long term and short term liabilities as of December 31, 2020, and March 31, 2021.

Figure no. 29. Change in long term liabilities as of December 31, 2020, and March 31, 2021

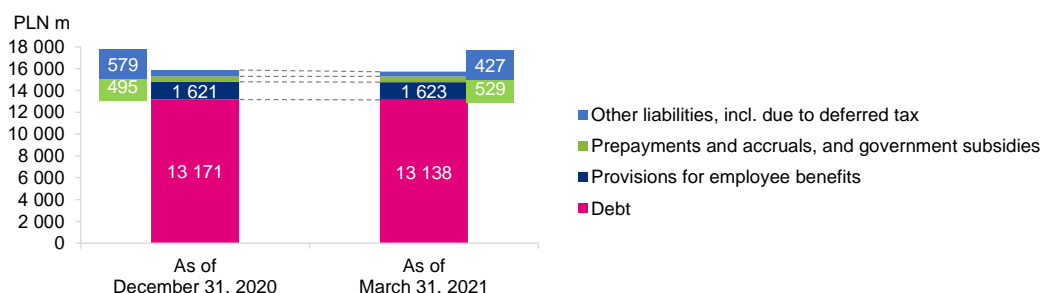
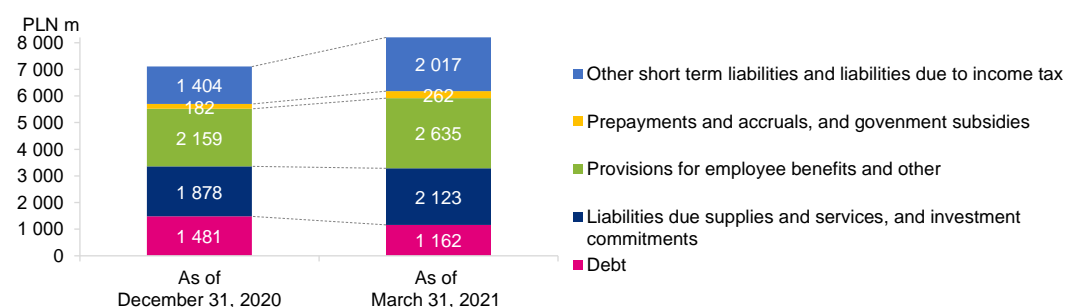


Figure no. 30. Change in short term liabilities as of December 31, 2020, and March 31, 2021



The amount of TAURON Capital Group's long term liabilities is lower by PLN 148 million (1%) in the first quarter of 2021, which was mainly a consequence of the following factors:

1. other financial liabilities – a decline by 47% 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 CO₂ emission allowances are the underlying product (commodity),
2. liabilities due to the deferred income tax – a decline by 19%,
3. prepayments and accruals, as well as the government subsidies – an increase by 7%.

The amount of TAURON Capital Group's short term liabilities went up by PLN 1 095 million (by 15%), which was primarily a consequence of the following factors:

1. liabilities due to debt – a drop by 22%, which is the result of the repayment of the loans taken in the amount of PLN 736 million and the issuing of the debt securities in the amount of PLN 303 million,
2. accounts payable towards the suppliers – an increase by 59% and the investment related commitments – a drop by 42%,
3. provisions for the employee benefits – a decrease by 12%,
4. provisions for the obligations due to the certificates of origin of electricity with the CO₂ gas emissions – a rise by 29%, in connection with the setting up of a provision for the obligations due to the CO₂ gas emissions and the certificates of origin of electricity for the first quarter of 2021. The using up (consuming) of the provision set up due to the obligation to redeem the property rights related to the origin of energy origin and the CO₂ emission allowances for 2020 will take place in the second quarter of 2021,
5. other provisions – a decrease by 6%,
6. prepayments and accruals, as well as the government subsidies – an increase by 44%, primarily a consequence of the increase of the prepayments and accruals due to bonuses and not used leaves (vacations),
7. accounts payable due to the income tax – an increase by 11 077% due to the adopted quarterly TCG (TCG – Tax Capital Group) accounting periods. In connection with the adopted method of settling the liability due to the income tax the first advance for the 1st quarter of 2021 will be paid to the Tax Office on April 20, 2021,
8. other financial liabilities – an increase by 19% which is 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 CO₂ emission allowances are the underlying product (commodity), and the lower value of the liabilities due to wages as well as the bid (tender) deposits, bonds and securities (collaterals) received,
9. other non-financial liabilities – an increase by 30%, primarily as a consequence of the excess of the liabilities over the assets of the Company Social Benefits Fund, as well as 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 quarter of 2020 and for the first quarter of 2021.

Table no. 22. Interim abbreviated cash flow statement for the first quarter of 2020 and for the first quarter of 2021

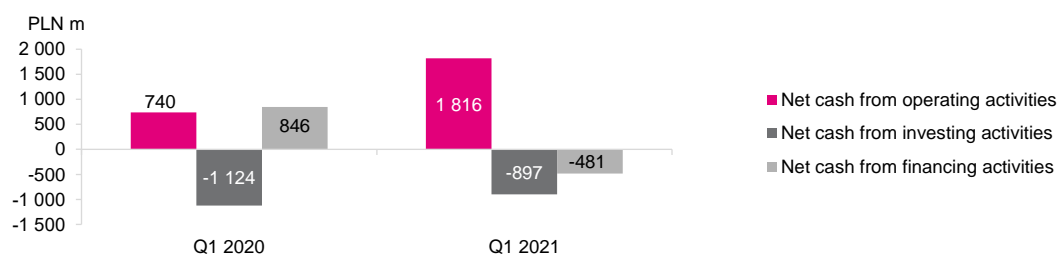
Cash flow statement (PLN '000)	Q1 2020 (unaudited)	Q1 2021 (adjusted data unaudited)	Change in % (2021 / 2020)
CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax profit	231 408	1 097 380	474%
Adjustments	508 350	718 535	141%
Net cash from operating activities	739 758	1 815 915	245%
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of tangible fixed assets and intangible assets	3 998	18 082	452%
Purchase of tangible fixed assets and intangible assets	(1 131 882)	(967 337)	85%
Repayment of loans granted	4 866	2 450	50%
Granting of loans	(19 300)	0	-
Sale of shares and redemption of participation units	26 747	53 136	198%

Cash flow statement (PLN '000)	Q1 2020 (unaudited)	Q1 2021 (adjusted data unaudited)	Change in % (2021 / 2020)
Other	(8 855)	(3 776)	43%
Net cash from investing activities	(1 124 426)	(897 445)	80%
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of debt securities	2 000 000	302 772	15%
Redemption of debt securities	(3 100)	0	-
Repayment of loans/credits	(1 086 265)	(736 220)	68%
Interest paid	(16 551)	(21 734)	131%
Other	(48 158)	(26 125)	54%
Net cash from financing activities	845 926	(481 307)	-57%
Increase / (decrease) in net cash and equivalents	461 258	437 163	95%
Cash opening balance	1 203 601	895 377	74%
Cash closing balance	1 664 859	1 332 540	80%

The total amount of all net flows of cash from operating, investing and financing activities in the first quarter of 2021 was positive and came in at PLN 437 million.

The below figure presents cash flows in the first quarter of 2020 and in the first quarter of 2021.

Figure no. 31. Cash flows in the first quarter of 2020 and in the first quarter of 2021



The amount of cash flows from operating activities in the first quarter of 2021 came in at PLN 1 816 million, which was the result of the following factors:

1. generated EBITDA of PLN 1 735 million,
2. positive change of the working capital in the amount of PLN 86 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 299 million,
 - 2) a negative change of the inventory level, in the amount of PLN 211 million, mainly due to the CO₂ emission allowances held for sale,
 - 3) a positive change of the balance of the accounts payable in the amount of PLN 700 million, mainly as a result of an increase of the accounts payable towards the suppliers, the account payable towards the Company Social Benefits Fund in connection with the annual write-off, the overpayments received and the advance payments on account of the services provided,
 - 4) negative change of the other long and short term assets and the provisions in the total amount of PLN 157 million,
 - 5) positive change of the prepayments and accruals as well as the government subsidies in the amount of PLN 53 million,
3. income tax paid in the amount of PLN 45 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 26 million as the advance payment on account of the income tax for December 2020,
 - 2) 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 +40 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 quarter of 2021 by 15% than the outlays incurred in the same

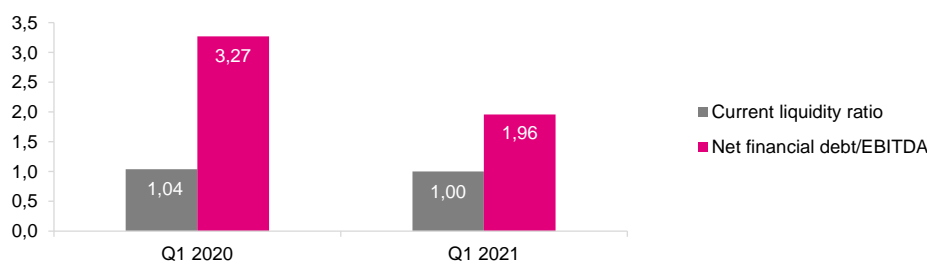
period of 2020. The largest expenditures in the first quarter of 2021 were incurred by the Distribution Segment and the Generation Segment.

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 obtained as a result of the financing obtained. The amount of the credits and loans repaid came in at PLN 736 million, while at the same time the debt securities in the amount of PLN 303 million were issued. In addition, TAURON Capital Group paid the amount of PLN 22 million due to interest, mainly on the financial obligations, repaid the accounts payable due to leases in the amount of PLN 61 million and received subsidies in the amount of PLN 42 million in the first quarter 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 quarter of 2020 and in the first quarter of 2021.

Figure no. 32. Current liquidity ratio and the net financial debt to EBITDA ratio in the first quarter of 2020 and in the first quarter 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.

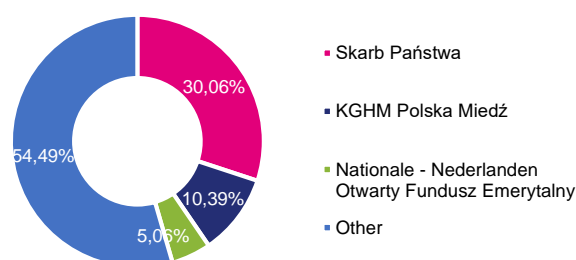
4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

4.1. Structure of TAURON Polska Energia S.A. shareholding

As of March 31, 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 it 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 registered ordinary BB series 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 acts* (Journal of Laws of 2019, item 1798, as amended acc. to Journal of Laws of 2020, item 875).

The below figure presents the shareholding structure as of March 31, 2021 and as of the date of drawing up this information.

Figure no. 33. Shareholding structure as of March 31, 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 of the Company, as of March 31, 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 of the Company, as of March 31, 2020 and as of the date of drawing up this information

Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held*	Percentage share in the total number of votes*
1. State Treasury	526 848 384	30,06%	526 848 384	30.06%
2. KGHM Polska Miedź	182 110 566	10,39%	182 110 566	10.39%
3. Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5,06%	88 742 929	5.06%

*Pursuant to the provisions of the Company's Articles of Association the voting right of the shareholders holding over 10% of total votes in the Company shall be limited so that none of them can exercise more than 10% of the total votes in the Company at the General Meeting of the Shareholders. The cumulative votes belonging to shareholders between whom there is a relationship of dominance or dependence within the meaning of the provisions of the Company's Articles of Association shall be subject to an appropriate reduction. The above mentioned restriction on exercising the voting right shall not apply to the State Treasury and the entities controlled by the State Treasury at the time when the State Treasury, together with the entities controlled by the State Treasury, hold a number of the company's shares that entitle them to exercise at least 25% of the total votes in the Company.

From the date of disclosing the previous interim report, i.e. since March 31, 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 the rights thereto by the Members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A.

As of March 31, 2020 and as of the date of drawing up this information the Members of Company's Management Board and the Members of the Company's Supervisory Board did not hold any TAURON shares or the rights thereto.

From the date of disclosing the previous interim report, i.e. since March 31, 2021, until the date of disclosing this information there had been no changes to the number of TAURON shares or the 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, the competent arbitration authority or the public administration authority

The below table presents a summary of the material proceedings pending before the court, the competent arbitration authority or the public administration authority in the first quarter of 2021.

Table no. 24. Summary of the material proceedings pending before the court, the competent arbitration authority or the public administration authority in the first quarter 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	
<p>1. Plaintiff (Claimant): Huta Łaziska S.A.</p> <p>Defendants (Respondents): TAURON (as a legal successor to GZE) and State Treasury represented by the President of ERO</p>	<p>Object of litigation: a lawsuit for the payment of compensation for alleged damage caused by non-performance by GZE of the decision of the President of ERO of October 12, 2001 related to the resumption of electricity supply to the plaintiff.</p> <p>Value of the object of litigation: PLN 182 060 000.00</p> <p>Initiation of the proceeding: the lawsuit of March 12, 2007</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On May 28, 2019, the Regional Court in Warsaw issued a ruling on the dismissal of Huta Łaziska S.A.'s lawsuit in whole and ruled that Huta Łaziska S.A. shall refund each Defendant (Respondent) the costs of the proceedings. The ruling is not legally binding.</p> <p>Huta Łaziska S.A. filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole.</p>
<p>2. Authority conducting the audit: Head of the Mazovian Customs and Tax Office, and after an appeal has been filed - Director of the Tax Administration Chamber in Katowice</p> <p>Party: TAURON</p>	<p>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.</p> <p>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.</p> <p>Date of initiating the proceeding: October 2014, August 2016</p> <p>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.</p> <p>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.</p> <p>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.</p>
<p>3. Plaintiff (Claimant): Enea</p> <p>Defendant (Respondent): TAURON</p>	<p>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</p> <p>Value of the object of litigation: PLN 17 085 846.49</p> <p>Initiation of the proceeding: the lawsuit of December 10, 2015</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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).</p>
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	
<p>4. Plaintiff (Claimant): Dobiesław Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): TAURON</p>	<p>Object of litigation: lawsuit for payment of damages and determination of liability for the future.</p> <p>Value of the object of litigation: PLN 72 217 997.00</p> <p>Initiation of the proceeding: the lawsuit of June 30, 2017</p> <p>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.</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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.</p>
<p>5. Plaintiff (Claimant): Gorzyca Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): TAURON</p>	<p>Value of the object of litigation: PLN 97 651 840.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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.</p>
<p>6. Plaintiff (Claimant): Pękanino Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): TAURON</p>	<p>Value of the object of litigation: PLN 44 817 060.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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.</p>
<p>7. Plaintiff (Claimant): Nowy Jarosław Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): TAURON</p>	<p>Value of the object of litigation: PLN 57 763 340.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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.</p>
<p>8. Co-participation on the plaintiff's side: Amon sp. o.o. (Amon) and Talia</p> <p>Defendant (Respondent): TAURON</p>	<p>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.</p> <p>Value of the object of litigation: Amon – PLN 47 556 025.51; Talia – PLN 31 299 182.52</p> <p>Initiation of the proceeding: the lawsuit of April 30, 2018</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>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</p>	
<p>9. Plaintiff (Claimant): Gorzyca Wind Invest sp. z o.o., Pękanino Wind Invest sp. z o.o., Dobiesław Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): PEPKH</p>	<p>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.</p> <p>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</p> <p>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</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>10. Plaintiff (Claimant): Dobiesław Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): PEPKH</p>	<p>Object of litigation: plea to award damages and liquidated damages.</p> <p>Value of the object of litigation: PLN 76 559 461.18</p> <p>Initiation of the proceeding: the lawsuit of June 14, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>11. Plaintiff (Claimant): Nowy Jarosław Wind Invest sp. z o.o.</p> <p>Defendant (Respondent): PEPKH</p>	<p>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.</p> <p>Value of the object of litigation: PLN 69 282 649.20</p> <p>Initiation of the proceeding: the lawsuit of June 3, 2015</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>12. Plaintiff (Claimant): Amon</p> <p>Defendant (Respondent): PEPKH</p>	<p>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.</p> <p>Value of the object of litigation: PLN 40 478 983.22</p> <p>Initiation of the proceeding: the lawsuit of May 22, 2015</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On July 25, 2019 the Regional Court in Gdańsk issued a partial and preliminary ruling in the case in which the Court:</p> <ol style="list-style-type: none"> 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

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>13. Plaintiff (Claimant): Amon</p> <p>Defendant (Respondent): PEPKH</p>	<p>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,</p> <p>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.</p> <p>The ruling is not legally binding.</p> <p>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.</p> <p>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</p> <p>Value of the object of litigation: PLN 29 009 189.38</p> <p>Initiation of the proceeding: September 2, 2019</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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 4 above. The court's decision is not legally binding (final).</p>
<p>14. Plaintiff (Claimant): Talia</p> <p>Defendant (Respondent): PEPKH</p>	<p>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.</p> <p>Value of the object of litigation: PLN 46 078 047.43</p> <p>Initiation of the proceeding: the lawsuit of May 21, 2015</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>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:</p> <p>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,</p> <p>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.</p> <p>The ruling is not legally binding (final).</p> <p>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.</p>

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, in a letter of January 7, 2020, it submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, thus initiating administrative proceedings.

Due to the particularly complex nature of the case and the COVID-19 pandemic, the deadline for resolving the case was set as July 29, 2020.

By way of the decision of July 8, 2020, the President of the Energy Regulatory Office (ERO) did not approve the above mentioned tariff change.

On July 30, 2020, TAURON Sprzedaż filed an appeal to the Court of Competition and Consumer Protection in Warsaw, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020.

On December 31, 2020, TAURON Sprzedaż received the information of the filing, by the President of the 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 setting of the date of the hearing.

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.

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.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 43/2020 of September 22, 2020.

On September 25, 2020, EC Stalowa Wola filed with the Court of Appeal in Rzeszów a petition to suspend the enforcement of the ruling until the cassation appeal is examined.

On November 20, 2020, the Court of Appeal in Rzeszów issued a decision to suspend the enforcement of the ruling until the cassation appeal is examined or the deadline for the filing of the cessation appeal has expired.

On December 21, 2020, EC Stalowa Wola filed a cessation appeal.

Filing of a lawsuit against Abener Energia by EC Stalowa Wola

On October 19, 2020, EC Stalowa Wola filed a lawsuit with the Court of Arbitration at the Polish Chamber of Commerce in Warsaw against Abener Energia.

The proceedings before the Court of Arbitration at the Polish Chamber of Commerce will be conducted in connection with the contract concluded between Abener Energia (general contractor) and EC Stalowa Wola (the ordering party) for the construction of a CCGT unit with a heating section in Stalowa Wola which was terminated.

The subject of the claim is the payment by Abener Energia to EC Stalowa Wola of the amount of PLN 198 663 931.86 and EUR 461 207.21 (which is equivalent to PLN 2 098 400.56 according to the NBP's exchange rate as of October 19, 2020) including the interest, as the compensation for the damage corresponding to the costs of fixing defects, faults, malfunctions and shortcomings of the works, deliveries and services performed by Abener Energia during the performance of the above mentioned contract.

The proceedings are pending.

5.3. Transactions with related entities on terms other than at arm's length

All transactions with related entities are concluded at arm's length.

The detailed information on the transactions with 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 3 months ended on March 31, 2021.*

5.4. 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 quarter of 2021.

Guarantees granted

In the first quarter 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, electricity transmission or distribution services. The guarantee is effective until February 15, 2022.

In addition, TAURON Ekoenergia granted 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 the end of 2022.

As of March 31, 2021, the total amount of the sureties (co-signings) and corporate guaranties (bonds) granted by the Company stood at PLN 892 744 000.

The amount of the guaranties (bonds) and sureties granted by TAURON EKOENERGIA for the liabilities of the Wind T1 company as of March 31, 2021, stood at PLN 184 252 000.

In the first quarter 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 March 31, 2021, the amount of the bank guarantees in force, issued at the instruction of the Company, stood at PLN 663 972 000.

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 3 months ended on March 31, 2021.*

5.5. The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first quarter of 2021

The first quarter of 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 levels of the reported cases of the SARS-CoV-2 virus infections (the 3rd wave). In connection with the above, in the first quarter of 2021, the numerous restrictions were still in force in Poland to contain the spread of the pandemic, which, as the number of infection cases was going up, were additionally tightened. Such a situation led to the disruptions in the economic and administrative system in Poland and worldwide. As a result, the epidemic significantly curbed the economic activity, 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 2021 as well as in the subsequent years.

In spite of the restrictions introduced, no declines in the volumes in the Distribution and the Supply Segments had been observed in the first quarter of 2021. As compared to the same period of 2020, there was an increase in the demand for electricity by 4.1%, however the continued restrictions altered the structure of consumption broken down into the individual tariff groups, resulting in an increase by 9.6% of the consumption by the households (the G tariff groups). The remote work and education had a decisive impact on the level of consumption in this group. The observed declines in the consumption were related to the small businesses and institutions (the C1 tariff groups) and came in at 3.1% in relation to the first quarter of 2020. For this group, the drop in demand was a direct consequence of the government's actions that involved applying restrictions affecting the commercial 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 first quarter of 2021, the changes in the balance of the overdue accounts remained basically constant. 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 have been consistently applied.

In terms of the market environment, no elevated volatility of the commodity prices caused by the epidemic had been observed in the first quarter of 2021.

However, with respect to the financial instruments, a further weakening of the Polish zloty and the continued low level of the interest rates had been observed. The change in the FX rates affects the incurred costs of purchasing

the CO₂ 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.

The persistent COVID-19 pandemic brought about certain difficulties in the implementation of the strategic investment projects carried out by TAURON Capital Group. In 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, and the employer, i.e. Nowe Jaworzno Grupa TAURON, was informed in the relevant note provided by the General Contractor. The content of the above note indicated that the COVID-19 pandemic had resulted in both the unavailability of the key E003B7 sp. z o.o. personnel members for the work carried out, as well as the key subcontractors, indicating some of the tune-up and optimization works, which, in the opinion of the General Contractor, could not have been carried out due to the limitations caused by the pandemic. As of the date of drawing up this information, the Employer is conducting the applicable analyses of the correspondence provided by the General Contractor.

In case of other projects underway, the difficulties related to their implementation were reported, which was caused by the absence of a significant portion of the people employed, in particular due to the quarantine or home isolation, as a consequence of the COVID-19 infection. As a result, there were delays in the schedule, and in some cases, the amendments that postpone the achievement of the milestones are currently being processed.

In order to minimize the consequences of the disruptions to the projects 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 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 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 critical infrastructure operations. 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 the individual subsidiaries of TAURON Capital Group.

TAURON Capital Group, being aware of the threats (risks) related to the epidemiological situation, continued to undertake 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 the situation related to the COVID-19 pandemic is highly volatile and the future effects and the scale of the pandemic are currently difficult to precisely estimate. The duration of the pandemic, its severity and scope, the availability and the pace of the vaccination, as well as the 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 pandemic, is monitoring the impact on an ongoing basis and will be taking all possible steps in order to mitigate any negative effects of the COVID-19 pandemic's impact on TAURON Capital Group.

5.6. 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 quarter 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, May 18, 2021

Paweł Strączyński - President of the Management Board

Jerzy Topolski - 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. 25. 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. Update of the Strategic Directions	Document entitled the <i>Update of the Strategic Directions in TAURON Group's Strategy for 2016-2025</i> adopted by TAURON's Management Board on May 27, 2019, constituting a supplement to the document entitled <i>TAURON Group's Strategy for 2016-2025</i> adopted by TAURON's Management Board on September 2, 2016.
3. Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
4. ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
5. ARE	Agencja Rynku Energii S.A. (Energy Market Agency Joint Stock Company) with its registered office in Warsaw.
6. AVAL-1	AVAL-1 sp. z o.o. (Ltd.) with its registered office in Szczecin.
7. BASE (BASE Contract)	A baseload contract for the supply of electricity at all hours of the period, e.g. the BASE contract for March 2020 is related to the supply of the same amount of electricity during all hours of the month of March 2020.
8. BGK	Bank Gospodarstwa Krajowego with its registered office in Warsaw.
9. Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
10. B+R	Research and Development (R&D).
11. Cash pool	True real time (online) <i>cash pool</i> structure, implemented under the cash management agreement, is based on the daily limits. As a result of the implementation of the <i>cash pool</i> mechanism, cash transfers are made between the accounts of the service participants and the Pool Leader's account.
12. Color certificates	Property rights based on the certificates of origin of electricity generated in the way that is subject to support, the so-called color certificates: green - certificates of origin of electricity from RES, blue - certificates of origin of electricity generated from agricultural biogas. white - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) yellow - certificates of origin of electricity generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, red - certificates of origin of electricity from co-generation (CHP certificates - Combined Heat and Power), violet - certificates of origin of electricity generated in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing.
13. CIF	Cost, Insurance, Freight.
14. 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.
15. COVID-19	Coronavirus Disease 2019 - acute respiratory system contagious disease caused by the SARS-CoV-2 virus infection. The disease was first diagnosed and described in November 2019 in central China in the city of Wuhan, Hubei Province.
16. CUW	Shared Services 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).
17. CVC	Corporate Venture Capital - Venture Capital (VC) investments carried out by VC funds with the intention of achieving not only financial goals, but also strategic (industry) goals set by a large company (corporation) which is the capital donor for this fund. VC are capital investments made on the OTC market in business ventures that are in the early stages of development. CVC is a development of VC as a way of investing capital and is to have a positive impact on the industry objectives of TAURON Capital Group.
18. Best Practices 2016	<i>Best Practices of WSE Listed Companies 2016</i> , in force as of January 1, 2016
19. EBIT	Earnings Before Interest and Taxes.
20. EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
21. 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)).
22. EEC Magenta 2 ASI	EEC Magenta limited liability company 2 ASI limited joint stock partnership with its registered office in Warsaw
23. EEC Ventures 2	EEC Ventures limited liability company 2 limited joint stock partnership with its registered office in Warsaw

Abbreviation and trade term	Full name / explanation
24. 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.
25. ElectroMobility Poland	ElectroMobility Poland S.A. (Joint Stock Company) with its registered office in Warsaw.
26. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
27. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
28. EU ETS	European Union Emission Trading System – the European system for trading the CO ₂ emission allowances.
29. EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO ₂) equivalent to the air, within the meaning of Article 2 section 4 of the <i>act of July 17, 2009 on the management system of emissions of greenhouse gases and other substances</i> , which is used for settlements of emission level within the system and which can be managed under the rules provided in the <i>Act of April 28, 2011 on the system of greenhouse gases emission allowances trading</i>
30. EUR	Euro - a common European currency introduced in some EU member states
31. Finanse Grupa TAURON	Finanse Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
32. FIZAN	Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Closed-end private equity investment fund)
33. GAZ-SYSTEM	Transmission Pipelines Operator (Operator Gazociągów Przesyłowych) GAZ-SYSTEM S.A. with its registered office in Warsaw.
34. GPW	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
35. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
36. GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
37. 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.
38. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
39. KGHM Polska Miedź (Polish Copper)	KGHM Polska Miedź S.A. (Polish Copper Mining Joint Stock Company) with its registered office in Lubin.
40. 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 (
41. KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
42. LNG	Liquefied Natural Gas.
43. Łagisza Grupa TAURON	Łagisza Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
44. Marselwind	Marselwind sp. z o.o. (Ltd.) with its registered office in Katowice.
45. MBO	Management By Objectives - a management system by objectives, in which the employee that is subject to evaluation is implementing the assigned objectives in the accounting period and is assessed on the accomplishment thereof. The level of the assessed achievement of the set goals is the basis for making a decision regarding the gaining of the eligibility for the bonus by the Employee that is subject to evaluation.
46. Mg	Mega gram - million grams (1 000 000 g), i.e. a ton.
47. Business Model	Document entitled <i>TAURON Group's Business and Operational Model</i> (which is an update of <i>TAURON Group's Business Model</i> adopted by the Management Board on May 4, 2016).
48. IFRS	International Financial Reporting Standards.
49. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
50. NCBR	National Research and Development Center (Narodowe Centrum Badań i Rozwoju) with its registered office in Warsaw.
51. Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Jaworzno.
52. Line of Business (Segment)	Seven areas (segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
53. OPEC	Organization of the Petroleum Exporting Countries with its registered office in Vienna.
54. TSO (OSP)	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
55. OTC (OTC market)	Over The Counter Market – European OTC market.

Abbreviation and trade term	Full name / explanation
56. OW OFFSHORE	OW OFFSHORE S.L. with its registered office in Madrid, Spain - a joint venture in which EDP Renovaveis SA with its registered office in Lisbon, Portugal, and ENGIE SA based in Paris, France, each hold 50% of the shares.
57. RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
58. P/B ratio	Ratio of the peak forward product prices to the base forward product prices
59. 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.
60. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
61. PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its registered office in Warsaw.
62. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
63. PGE EJ 1	PGE EJ 1 sp. z o.o. (Ltd.) with its registered office in Warsaw.
64. PGK	Tax Capital Group (Podatkowa Grupa Kapitałowa – PGK).
65. PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Joint Stock Company) with its registered office in Warsaw.
66. GDP (PKB)	Gross Domestic Product (Produkt Krajowy Brutto)
67. PLN	Polish zloty currency symbol - zł
68. PMEF	Property rights related to the energy efficiency certificates
69. PMOZE	Property rights related to the certificates of origin confirming generation of electricity in RES before March 1, 2009
70. PMOZE_A	Property rights related to the certificates of origin confirming generation of electricity in RES after March 1, 2009
71. POPC	Digital Poland Operational Program.(Program Operacyjny Polska Cyfrowa – POPC).
72. PSE	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna .
73. 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.
74. 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.
75. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
76. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
77. Strategy	Document entitled <i>TAURON Group's Strategy for 2016-2025</i> adopted by the Management Board on September 2, 2016, which is supplemented by the <i>Update of Strategic Directions in the TAURON Group's Strategy for 2016-2025</i> , adopted by the TAURON Management Board on May 27, 2019.
78. TAMEH HOLDING	TAMEH HOLDING sp. z o.o. (Ltd.) with its registered office in Dąbrowa Górnicza.
79. TAMEH POLSKA	TAMEH POLSKA sp. z o.o. (Ltd.) with its registered office in Dąbrowa Górnicza.
80. TAMEH Czech	TAMEH Czech s.r.o. with its registered office in Ostrava (Czech Republic).
81. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
82. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
83. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
84. TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
85. TAURON Dystrybucja Pomiary	TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.) with its registered office in Tarnów.
86. TAURON EKOENERGIA	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
87. 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.
88. TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. (Ltd.) with its registered office in Wrocław.

Abbreviation and trade term	Full name / explanation
89. TAURON Serwis	TAURON Serwis sp. z o.o. (Ltd.) with its registered office in Katowice.
90. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
91. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
92. TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
93. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
94. TGE (POLPX)	Towarowa Giełda Energii S.A. (Polish Power Exchange (Joint Stock Company) – POLPX) with its registered office in Warsaw.
95. TGEozebno	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
96. EU (UE)	European Union (Unia Europejska - UE)
97. ERO (URE)	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
98. USA	United States of America.
99. USD	United States Dollar - US dollar's international acronym
100. Wind T1	Wind T1 sp. z o. o. . z o.o. with its registered office in Pierzków.
101. Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.
102. ZG	Coal Mine (Zakład Górnictwa - ZG) (Janina Coal Mine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

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