



TAURON



EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A.
Capital Group
for the first half of 2022

September 2022

TAURON.PL

Selected consolidated financial data of TAURON Polska Energia S.A. Capital Group

	in PLN m		in EUR m	
	2022 from 01.01.2022 to 30.06.2022	2021 from 01.01.2021 to 30.06.2021	2022 from 01.01.2022 to 30.06.2022	2021 from 01.01.2021 to 30.06.2021
Sales revenue	18 124	11 866	3 904	2 610
Operating profit	1 166	731	251	161
Pre-tax profit	862	597	186	131
Net profit	629	382	135	84
Net profit attributable to shareholders of the parent company	627	356	135	78
Net profit (loss) attributable to non-controlling shares	2	26	0	6
Other total net income	351	147	76	32
Total comprehensive income	980	529	211	116
Total comprehensive income attributable to shareholders of the parent company	978	503	211	110
Total comprehensive income attributable to non-controlling shares	2	26	0	6
Profit per share (in PLN/EUR) (basic and diluted)	0,36	0,20	0,08	0,04
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	2 064	2 570	445	565
Net cash flows from investing activities	(1 841)	(1 596)	(397)	(351)
Net cash flows from financing activities	(168)	(1 333)	(36)	(293)
Increase/(decrease) in net cash and equivalents	55	(359)	12	(79)
	As of 30.06.2022	As of 31.12.2021	As of 30.06.2022	As of 31.12.2021
Fixed assets	35 198	33 855	7 520	7 361
Current assets	7 478	6 220	1 598	1 352
Total assets	42676	40 075	9 118	8 713
Share capital	8 763	8 763	1 872	1 905
Equity attributable to shareholders of the parent company	17 471	16 491	3 733	3 586
Equity attributable to non-controlling shares	32	33	6	7
Total equity	17 503	16 524	3 739	3 593
Long term liabilities	15 521	13 634	3 316	2 964
Short term liabilities	9 652	9 917	2 063	2 156
Total liabilities	25 173	23 551	5 379	5 120

Selected standalone financial data of TAURON Polska Energia S.A.

	in PLN m		in EUR m	
	2022 from 01.01.2022 to 30.06.2022	2021 from 01.01.2021 to 30.06.2021	2022 from 01.01.2022 to 30.06.2022	2021 from 01.01.2021 to 30.06.2021
Sales revenue	14 671	7 476	3 160	1 644
Operating profit (loss)	38	(51)	8	(11)
Pre-tax profit (loss)	1 578	602	340	132
Net profit (loss)	1 653	569	356	125
Other total net income	270	118	58	26
Total comprehensive income	1 923	687	414	151
Profit (loss) per share (in PLN/EUR) (basic and diluted)	0,94	0,32	0,20	0,07
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	498	654	107	144
Net cash flows from investing activities	(958)	839	(206)	185
Net cash flows from financing activities	964	(1 307)	208	(288)
Increase/(decrease) in net cash and equivalents	504	186	109	41
	As of 30.06.2022	As of 31.12.2021	As of 30.06.2022	As of 31.12.2021
Fixed assets	27 365	27 087	5 846	5 889
Current assets	5 307	4 393	1 134	955
Total assets	32 672	31 480	6 980	6 844
Share capital	8 763	8 763	1 872	1 905
Equity	14 024	12 101	2 996	2 631
Long term liabilities	11 311	10 245	2 416	2 227
Short term liabilities	7 337	9 134	1 568	1 986
Total liabilities	18 648	19 379	3 984	4 213

The above financial data was converted into EUR according to the following principles:

- individual items of the statement of financial position - at the average NBP exchange rate announced on June 30, 2022 - PLN/EUR 4.6806 (as of December 31, 2021 - PLN/EUR 4.5994),
- 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, 2022, to June 30, 2022 - PLN/EUR 4.6427 (for the period from January 1, 2021, to June 30, 2021: PLN/EUR 4.5472).



**STATEMENT
OF THE MANAGEMENT BOARD**

of TAURON Polska Energia S.A.



STATEMENT

of the Management Board of TAURON Polska Energia S.A. on the compliance of the interim condensed consolidated financial statement of TAURON Capital Group and the interim Management Board's report on the operations of TAURON Capital Group

The Management Board of TAURON Polska Energia S.A., represents that, to its best knowledge, the interim condensed consolidated financial statement of TAURON Capital Group and comparable figures were prepared in accordance with applicable accounting rules and give the true and fair picture of the assets, financial standing and performance of TAURON Polska Energia S.A. and TAURON Capital Group.

The Management Board of TAURON Polska Energia S.A., also certifies that the interim Management Board's report on the operations of TAURON Capital Group gives the true picture of the development, achievements and situation of TAURON Capital Group, including the description of key risks and threats.

Management Board Members:

1. Paweł Szczeszek - President of the Management Board
2. Patryk Demski - Vice President of the Management Board
3. Krzysztof Surma - Vice President of the Management Board
4. Tomasz Szczegieliński - Vice President of the Management Board
5. Artur Warzocha - Vice President of the Management Board

6 September 2022
Date



INDEPENDENT AUDITOR'S REPORT ON REVIEW

of interim condensed
consolidated financial statements
of TAURON Polska Energia S.A.
Capital Group
for the first half of 2022



The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the General Meeting and Supervisory Board of TAURON Polska Energia S.A.

Introduction

We have reviewed the interim condensed consolidated financial statements of TAURON Polska Energia S.A. Group (the 'Group'), for which the holding company is TAURON Polska Energia S.A. (the 'Company') located in Katowice at Ks. Piotra Ściegiennego 3, containing: the consolidated statement of comprehensive income for the period from 1 January 2022 to 30 June 2022, the consolidated statement of financial position as at 30 June 2022, the consolidated statement of changes in equity, the consolidated statement of cash flows for the period from 1 January 2022 to 30 June 2022 and other explanatory notes (the 'interim condensed consolidated financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the National Council of Statutory Auditors. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion



Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 6 September 2022

Key certified auditor

Artur Żwak

Certified auditor

no in the register: 9894

on behalf of

Ernst & Young Audyt Polska

spółka z ograniczoną odpowiedzialnością sp.k.

Rondo ONZ 1, 00-124 Warsaw

no on audit firms list: 130



**CONDENSED INTERIM
CONSOLIDATED
FINANCIAL
STATEMENTS**

prepared in accordance with the
International Financial
Reporting Standards, as
endorsed by the
European Union for the 6-month
period ended 30 June 2022

TAURON Polska Energia S.A. Capital Group

**Interim condensed consolidated financial statements
compliant with the International Financial Reporting Standards
approved by the European Union
for the 6-month period ended 30 June 2022**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued	6
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
INFORMATION ON THE CAPITAL GROUP AND THE BASIS FOR THE PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	9
1. General information about the TAURON Polska Energia S.A. Capital Group and its parent company	9
2. Composition of TAURON Group and joint ventures	10
3. Statement of compliance	12
4. Going concern	12
5. Functional and presentation currency	13
6. Material values based on professional judgement and estimates	13
7. Standards published and amendments to standards which are not yet effective	15
8. Changes in the accounting principles applied	16
9. Seasonality of activities	16
BUSINESS SEGMENTS.....	17
10. Information on operating segments	17
EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	21
11. Sales revenue	21
12. Costs by type.....	23
13. Financial revenues and costs	24
14. Tax expense in the statement of comprehensive income	24
EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	25
15. Property, plant and equipment	25
16. Right-of-use assets.....	27
17. Goodwill.....	28
18. Energy certificates and CO ₂ emission allowances.....	28
18.1. Long-term energy certificates and CO ₂ emission allowances.....	28
18.2. Short-term energy certificates and CO ₂ emission allowances.....	28
19. Other intangible assets	29
20. Shares in joint ventures	29
21. Loans to joint ventures	31
22. Derivatives and hedge accounting	31
23. Other financial assets	32
24. Other non-financial assets.....	32
24.1. Other non-current non-financial assets	32
24.2. Other current non-financial assets	32
25. Deferred income tax	33
26. Inventories.....	34
27. Receivables from buyers	34
28. Receivables arising from other taxes and charges.....	34
29. Cash and cash equivalents	35
30. Equity	35
30.1. Issued capital	35
30.2. Shareholder rights.....	35
30.3. Reserve capital	36
30.4. Revaluation reserve from the measurement of hedging instruments	36
30.5. Retained earnings and restrictions on dividends.....	36
30.6. Non-controlling interest	36
30.7. Dividends paid and proposed for disbursement	36
31. Debt liabilities	37
31.1. Bonds issued.....	37
31.2. Loans and borrowings.....	37
31.3. Debt agreement covenants	39
31.4. Lease liability.....	39
32. Provisions for employee benefits.....	39
33. Provisions for dismantling fixed assets, restoration of land and other provisions	40
33.1. Provision for mine decommissioning costs.....	40
33.2. Provision for restoration of land and dismantling and removal of fixed assets	40
34. Provisions for liabilities due to energy certificates of origin and CO ₂ emission allowances	41
35. Other provisions	41
35.1. Provision for the non-contractual use of real estate	41
35.2. Provisions for onerous contracts	41

35.3. Provisions for counterparty claims, court disputes and other provisions	42
36. Accruals, deferred incomes and government grants	43
36.1. Deferred income and government grants	43
36.2. Accruals of costs	43
37. Liabilities to suppliers	43
38. Liabilities due to acquisition of non-controlling shares	43
39. Investment liabilities	44
40. Settlements due to income tax	44
41. Liabilities arising from other taxes and charges	45
42. Other financial liabilities	45
43. Other current non-financial liabilities	45
EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	46
44. Significant items of the interim condensed consolidated statement of cash flows	46
44.1. Cash flows from operating activities	46
44.2. Cash flows from investment activities	47
44.3. Cash flows from financial activities	47
FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	48
45. Financial instrument	48
46. Objectives and principles of financial risk management	50
47. Finance and capital management	50
OTHER INFORMATION	50
48. Contingent liabilities	50
49. Collaterals for repayment of liabilities	53
50. Related party disclosures	54
50.1. Transactions with joint ventures	54
50.2. Transactions with State Treasury companies	55
50.3. Remuneration of the executives	56
51. Other material information	56
52. Events after the balance sheet date	59

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended	6-month period ended	3-month period ended	6-month period ended
		30 June 2022	30 June 2022	30 June 2021	30 June 2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	11	8 311	18 124	5 421	11 866
Cost of sales	12	(8 255)	(16 369)	(5 647)	(10 649)
Profit on sale (loss)		56	1 755	(226)	1 217
Selling and distribution expenses	12	(174)	(312)	(132)	(249)
Administrative expenses	12	(154)	(324)	(157)	(306)
Other operating income and expenses		(2)	(2)	31	47
Share in profit/(loss) of joint ventures	20	22	49	3	22
Operating profit (loss)		(252)	1 166	(481)	731
Interest expense on debt	13	(145)	(256)	(95)	(186)
Finance income and other finance costs	13	(13)	(48)	76	52
Profit (loss) before tax		(410)	862	(500)	597
Income tax expense	14	138	(233)	31	(215)
Net profit (loss)		(272)	629	(469)	382
Measurement of hedging instruments	30.4	173	332	13	132
Foreign exchange differences from translation of foreign entity		(2)	7	(2)	3
Income tax	14	(33)	(63)	(2)	(25)
Other comprehensive income to be reclassified in the financial result		138	276	9	110
Actuarial gains	32	92	93	40	45
Income tax	14	(18)	(18)	(7)	(8)
Other comprehensive income not to be reclassified in the financial result		74	75	33	37
Other comprehensive income, net of tax		212	351	42	147
Total comprehensive income		(60)	980	(427)	529
Net profit (loss):					
Attributable to equity holders of the Parent		(273)	627	(483)	356
Attributable to non-controlling interests		1	2	14	26
Total comprehensive income:					
Attributable to equity holders of the Parent		(61)	978	(441)	503
Attributable to non-controlling interests		1	2	14	26
Basic and diluted earnings per share (in PLN):		(0.16)	0.36	(0.28)	0.20

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	15	29 272	29 174
Right-of-use assets	16	1 999	1 946
Goodwill	17	26	26
Energy certificates and CO ₂ emission allowances for surrender	18.1	-	444
Other intangible assets	19	644	540
Investments in joint ventures	20	652	597
Loans granted to joint ventures	21	199	99
Derivative instruments	22	690	532
Other financial assets	23	232	215
Other non-financial assets	24.1	272	159
Deferred tax assets	25	1 212	123
		35 198	33 855
Current assets			
Energy certificates and CO ₂ emission allowances for surrender	18.2	576	157
Inventories	26	577	543
Receivables from buyers	27	3 519	3 322
Income tax receivables	40	158	415
Receivables arising from other taxes and charges	28	578	292
Derivative instruments	22	943	465
Other financial assets	23	121	89
Other non-financial assets	24.2	124	112
Cash and cash equivalents	29	874	815
Assets classified as held for sale		8	10
		7 478	6 220
TOTAL ASSETS		42 676	40 075

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Note	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	30.1	8 763	8 763
Reserve capital	30.3	3 009	2 749
Revaluation reserve from valuation of hedging instruments	30.4	568	299
Foreign exchange differences from translation of foreign entities		50	43
Retained earnings/(Accumulated losses)	30.5	5 081	4 637
		17 471	16 491
Non-controlling interests	30.6	32	33
Total equity		17 503	16 524
Non-current liabilities			
Debt	31	12 252	10 947
Provisions for employee benefits	32	662	789
Provisions for disassembly of fixed assets, land restoration and other provisions	33	290	436
Accruals, deferred income and government grants	36	570	568
Deferred tax liabilities	25	1 564	741
Derivative instruments	22	83	116
Other financial liabilities	42	99	33
Other non-financial liabilities		1	4
		15 521	13 634
Current liabilities			
Debt	31	2 161	2 143
Liabilities to suppliers	37	1 359	1 242
Liabilities due to the acquisition of non-controlling interests	38	-	1 061
Capital commitments	39	399	616
Provisions for employee benefits	32	116	104
Provisions for liabilities due to energy certificates and CO ₂ emission allowances	34	1 697	1 890
Other provisions	35	1 219	619
Accruals, deferred income and government grants	36	335	177
Income tax liabilities	40	75	4
Liabilities arising from other taxes and charges	41	330	629
Derivative instruments	22	648	379
Other financial liabilities	42	605	483
Other non-financial liabilities	43	708	570
		9 652	9 917
Total liabilities		25 173	23 551
TOTAL EQUITY AND LIABILITIES		42 676	40 075

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

Grupa Kapitałowa TAURON Polska Energia S.A.
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

6-MONTH PERIOD ENDED 30 JUNE 2022 (unaudited)

	Note	Equity attributable to the equity holders of the Parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)			
As at 1 January 2022		8 763	2 749	299	43	4 637	16 491	33	16 524
Prior year profits' distribution	30.7	-	260	-	-	(260)	-	-	-
Dividend and other		-	-	-	-	2	2	(3)	(1)
Transactions with shareholders		-	260	-	-	(258)	2	(3)	(1)
Net profit		-	-	-	-	627	627	2	629
Other comprehensive income		-	-	269	7	75	351	-	351
Total comprehensive income		-	-	269	7	702	978	2	980
As at 30 June 2022 (unaudited)		8 763	3 009	568	50	5 081	17 471	32	17 503

6-MONTH PERIOD ENDED 30 JUNE 2021 (unaudited)

		Equity attributable to the equity holders of the Parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)			
As at 1 January 2021		8 763	6 339	(68)	27	773	15 834	893	16 727
Coverage of prior years loss		-	(3 590)	-	-	3 590	-	-	-
Dividend		-	-	-	-	-	-	(3)	(3)
Transactions with shareholders		-	(3 590)	-	-	3 590	-	(3)	(3)
Net profit		-	-	-	-	356	356	26	382
Other comprehensive income		-	-	107	3	37	147	-	147
Total comprehensive income		-	-	107	3	393	503	26	529
As at 30 June 2021 (unaudited)		8 763	2 749	39	30	4 756	16 337	916	17 253

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Profit before taxation		862	597
Share in (profit)/loss of joint ventures		(49)	(22)
Depreciation and amortization		1 099	1 057
Impairment losses on non-financial non-current assets		85	1 115
Impairment losses on loans granted		20	(2)
Exchange differences		67	(79)
Interest and commissions		258	180
Other adjustments of profit before tax		(26)	146
Change in working capital	44.1	(10)	(24)
Income tax paid	44.1	(242)	(398)
Net cash from operating activities		2 064	2 570
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	44.2	(1 715)	(1 674)
Loan granted to joint venture	44.2	(120)	(1)
Purchase of financial assets		(22)	(10)
Total payments		(1 857)	(1 685)
Proceeds from sale of property, plant and equipment and intangible assets		14	23
Sale of shares		-	53
Other proceeds		2	13
Total proceeds		16	89
Net cash used in investing activities		(1 841)	(1 596)
Cash flows from financing activities			
Repayment of loans and borrowings	44.3	(3 109)	(1 808)
Acquisition of non-controlling shares	44.3	(1 061)	-
Interest paid	44.3	(114)	(91)
Repayment of lease liabilities		(91)	(83)
Other payments		(9)	(10)
Total payments		(4 384)	(1 992)
Proceeds from contracted loans and borrowings	44.3	4 196	603
Subsidies received		20	56
Total proceeds		4 216	659
Net cash from financing activities		(168)	(1 333)
Net increase/(decrease) in cash and cash equivalents		55	(359)
Net foreign exchange difference		1	(2)
Cash and cash equivalents at the beginning of the period	29	791	895
Cash and cash equivalents at the end of the period, of which :	29	846	536
restricted cash	29	267	231

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

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

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

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

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

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

The interim condensed consolidated financial statements of the Group cover the 6-month period ended 30 June 2022 and contain comparative figures for the 6-month period ended 30 June 2021 and as at 31 December 2021. The data included in these interim condensed consolidated financial statements for the 6-month period ended 30 June 2022 and the comparative figures for the 6-month period ended 30 June 2021 have been reviewed by the statutory auditor. The comparative figures as at 31 December 2021 were subject to the audit by the statutory auditor. The interim condensed consolidated statement of comprehensive income comprising the data for the 3-month period ended 30 June 2022 and the comparative figures for the 3-month period ended 30 June 2021 have not been audited or reviewed by the statutory auditor.

These interim condensed consolidated financial statements for the 6-month period ended 30 June 2022 were approved for publication on 6 September 2022.

Composition of the Management Board

As at 1 January 2022, the composition of the Management Board was as follows:

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

During the 6-month period ended 30 June 2022, the Supervisory Board of the Company appointed:

- as of 21 January 2022 - Mr Artur Warzocha as a member of the Management Board of the Company and nominated him to the position of Vice-President for Corporate Affairs;
- as of 11 April 2022 - Mr Paweł Szczeszek as a member of the Management Board of the Company and nominated him to the position of President of the Management Board.

After the balance sheet date, on 12 August 2022, the Supervisory Board dismissed, with effect as at the end of the day on 12 August 2022:

- Mr Artur Michałowski - Vice-President of the Management Board for Trade,
- Mr Jerzy Topolski - Vice-President of the Management Board for Asset Management.

After the balance sheet date, on 5 September 2022, the Supervisory Board appointed, following members of the Management Board:

- as of 6 September 2022 - Mr Tomasz Szczegieliński nominated to the position of Vice-President of the Management Board for Trade;

- as of 9 September 2022 - Mr Bogusław Rybacki nominated to the position of Vice-President of the Management Board for Asset Management.

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

- Paweł Szczeszek - President of the Management Board,
- Patryk Demski - Vice-President of the Management Board,
- Krzysztof Surma - Vice-President of the Management Board,
- Tomasz Szegielniak - Vice-President of the Management Board,
- Artur Warzocha - Vice-President of the Management Board.

2. Composition of TAURON Group and joint ventures

As at 30 June 2022, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

Item	Company name of subsidiary	Registered office	Interest in the share capital by TAURON Polska Energia S.A.	Company holding direct equity interests / general partner
MINING				
1	TAURON Wydobycie S.A.	Jaworzno	100.00%	TAURON Polska Energia S.A.
GENERATION				
2	TAURON Wytwarzanie S.A.*	Jaworzno	100.00%	TAURON Polska Energia S.A.
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	100.00%	TAURON Polska Energia S.A.
4	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
5	TAURON Serwis Sp. z o.o.	Jaworzno	95.61%	TAURON Wytwarzanie S.A.
6	Łagisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
RENEWABLE ENERGY SOURCES				
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
8	Marselwind Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
21	WIND T1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
22	AVAL-1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
23	Polpower Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
24	"MEGAWATT S.C." Sp. z o.o.	Szczecin	100.00%	TAURON Zielona Energia Sp. z o.o.
DISTRIBUTION				
25	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
26	TAURON Dystrybucja Pomiary Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
27	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
28	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
29	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	100.00%	TAURON Polska Energia S.A.
30	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
31	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
32	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	100.00%	TAURON Polska Energia S.A.
33	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	100.00%	TAURON Polska Energia S.A.
34	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
35	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
36	Wsparcie Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.

* On 1 July 2022, was registered in the National Court Register the division of TAURON Wytwarzanie S.A. and establishment of TAURON Inwestycje Sp. z o.o..

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

As at 30 June 2022, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in the Generation segment:

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

Changes in the composition of TAURON Group

- Establishment of TAURON Inwestycje Sp. z o.o. by way of the division of TAURON Wytwarzanie S.A.

On 18 May 2022, a resolution was adopted to divide the TAURON Wytwarzanie S.A. company by separating and transferring the separated assets to the newly established company, TAURON Inwestycje Sp. z o.o. in organisation, After the balance sheet date, on 1 July 2022, the division of TAURON Wytwarzanie S.A. and the establishment of TAURON Inwestycje Sp. z o.o. was registered. As a result of the division, the capital of TAURON Wytwarzanie S.A. was reduced by PLN 75 million.

The above transaction is a part of the Group's reorganisation changes related to implementation of the government programme of the transformation of the polish electricity sector, as further discussed in Note 51 to these interim condensed consolidated financial statements.

- Purchase of shares in "MEGAWATT S.C." Sp. z o.o.

On 9 June 2022, the subsidiary, TAURON Zielona Energia Sp. z o.o. acquired 100% of the shares of "MEGAWATT S.C." Sp. z o.o. holding the rights to a wind farm project with a capacity of approximately 60 MW located in north-western Poland, currently in the construction-ready phase.

In the opinion of the Company, taking into account in particular the preliminary stage of the project implementation and the lack of operating activities related to the operation of wind farms at the time of acquisition, the transaction does not constitute a business acquisition within the meaning of IFRS 3 *Business Combinations* and therefore the transaction has been settled as the acquisition of assets that do not constitute a business.

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

On 24 June 2022, a decrease in the share capital of the subsidiary, TAURON Dystrybucja S.A. was registered in connection with the statutory redemption of shares acquired by the company from shareholders representing no more than 5% of the share capital. As at the balance sheet day, the share of the Company in the capital and in the governing body amounted to 99.77% (as at 31 December 2021 - 99.76%).

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

3. Statement of compliance

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

The interim condensed consolidated financial statements do not comprise all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with the IFRS for the year ended 31 December 2021.

4. Going concern

These interim condensed consolidated financial statements have been prepared with the assumption of continuation of activities by the Group companies as a going concern in the foreseeable future, i.e. in the period not shorter than one year following the balance sheet day. As at the date of approval of these interim condensed consolidated financial

statements for publication, no circumstances are identified which would indicate a risk to the capacity of the Group to continue as a going concern.

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

In the area of liquidity, financing and securing the continuity of operational activities, the Management Board, having analysed the financial position of the Company and the Group, does not identify any risk to the continuity of operations in the foreseeable future, i.e. within a period of not shorter than 1 year from the balance sheet day, taking into account the impact of the aggression of the Russian Federation against Ukraine and the COVID-19 outbreak on the Group's operations, as further discussed in Note 51 to these interim condensed consolidated financial statements.

5. Functional and presentation currency

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

These interim condensed consolidated financial statements are presented in the Polish zloty ("PLN") while all figures are provided in PLN million ("PLN million"), unless indicated otherwise.

6. Material values based on professional judgement and estimates

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

Items of the interim condensed consolidated financial statements involving a material risk of significant adjustment to the carrying amounts of assets and liabilities are presented below.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

Item	Note	Estimates and assumptions
Property, plant and equipment	Note 15	<p>As at each balance sheet date the Group assesses whether objective indication of impairment occurred in relation to tangible fixed assets. Where relevant indications exist, the Group is required to perform impairment tests of tangible fixed assets. Within the impairment tests the Group estimates the recoverable amount of an asset or the cash-generating unit ("CGU") to which the specific asset belongs. The recoverable value of an asset or CGU corresponds to the higher of the fair value less costs of sales or the value in use. Estimation of the value in use of cash generating units is based on their future cash flows discounted to the current value with a discount rate.</p> <p>As a result of the analysis of the prerequisites for impairment performed as at 30 June 2022, the need for impairment testing of non-financial assets of the Mining CGU was identified, resulting in the Group recognising impairment write-downs of PLN 84 million, as further discussed in note 15 of these interim condensed consolidated financial statements.</p> <p>The Group verifies, at least at the end of each financial year, the economic useful lives of tangible fixed assets while any adjustments to depreciation write-downs are performed with the effect from the beginning of the reporting period in which the verification 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 marginal interest rate. 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> <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>
Loans granted to joint ventures	Note 21	<p>The Group performs appropriate classification and measurement of its loans and estimates the allowance for expected credit losses in case of loans classified as assets measured at amortised cost.</p> <p>As at the balance sheet date, loans granted to the joint venture, Elektrociepłownia Stalowa Wola S.A., with a total carrying amount of PLN 175 million, were classified as financial assets measured at a fair value through profit or loss. The Group has estimated the fair value accordingly taking into account the credit risk. Other loans with the total carrying amount of PLN 24 million are measured at an amortised cost and at each balance sheet date the Group estimates expected credit losses. Analyses of the credit risk of loans granted to the joint venture carried out as at the balance sheet date include, among other things, an estimate of the company future cash flows.</p>
Derivative instruments	Note 22	<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>
Deferred tax assets	Note 25	<p>The Group assesses the enforceability of deferred tax assets at each balance sheet date. As at 30 June 2022, the Group has not recognised a deferred tax asset of PLN 508 million as a result of conducted feasibility assessment.</p>
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 specifying a repayment date at the end of the interest period, where the financing available under the agreement is revolving and the availability period exceeds 1 year, the Group classifies the tranches according to the intention and ability to maintain the financing under the agreement, i.e. as a non-current or current liability.</p> <p>The lease liabilities are measured at the present value of the lease fees outstanding, discounted using the specified lease interest rate in the contract (if its determination is possible) or the marginal interest rate.</p>
Provisions (including provision for onerous contracts)	Note 32 Note 33 Note 34 Note 35	<p>The Group estimates the amount of provisions created based on the assumptions, methodology and calculations appropriate for a given type of provisions, evaluating the probability of spending funds that incorporate economic benefits and determining the reliable level of funds necessary to perform the obligation. Provisions are created by the Group if the probability of spending funds that incorporate economic benefits is higher than 50%.</p> <p>As at each balance sheet date, the Group assesses whether it is a party to onerous contracts, i.e. contracts under which the unavoidable costs of fulfilling the obligation outweigh the benefits expected to be received under the contract and, if it is determined that it is a party to such contracts, the present obligation under such contracts is recognised and measured as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding to the costs of fulfilment of the lower of contract fulfilment costs and costs of any compensations or penalties arising for the failure to fulfil the contract. Within contract fulfilment costs, the Group estimates costs directly related to the contract including incremental contract fulfilment costs as well as the allocation of other costs that relate directly to contract fulfilment. As at the balance sheet date, the Group recognised provisions for onerous contracts related to concluded energy sales contracts in the amount of PLN 1 013 million.</p> <p>As at the balance sheet date, the Group revised its estimate of the level of the discount rate used to measure long-term provisions, which is described in more detail in the individual notes to these interim condensed consolidated financial statements.</p>

Besides the foregoing, the Group makes significant estimates as regards the contingent liabilities recognised, in particular as regards legal proceedings where the Group companies are parties. Contingent liabilities are presented in detail in Note 48 to these interim condensed consolidated financial statements.

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

The Group did not choose earlier application of any standards or amendments to standards, which were published but have not entered into force by 30 June 2022.

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

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

Standard	Effective in the EU as of (annual periods beginning on or after the date provided)
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</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
Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

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

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

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

As at the balance sheet day, the Company has a revolving credit agreement under which the drawing period of the credit tranches may be shorter than one year, while the period of availability of funding exceeds 12 months from the balance sheet day and the Company has the right to defer the settlement of the liability by at least 12 months from the end of the reporting period to the date of termination of the agreement. In the case of this credit agreement, the Company classifies the tranches as either a non-current liability or a current liability in accordance with the expectation regarding the repayment of the liability. As at 30 June 2022, under this agreement, the Company has a liability of PLN 160 million classified as non-current liabilities, taking into account the intentions of the Company. Under the agreement, the Company has the right to defer the settlement of the liability for a period exceeding 12 months, thus in accordance with the amendments to IAS 1 *Presentation of Financial Statements* the said liability would be classified as a non-current liability.

IFRS 14 *Regulatory Deferral Accounts* (Date of entry into force according to the standard: 1 January 2016 - The European Commission decided to refrain from launching the process of endorsement of this interim standard for use in the territory of the EU until the publication of the final version of standard.

The Group is monitoring the work carried out by the International Accounting Standards Board regarding the final version of the standard on regulatory assets and liabilities in terms of materiality of the impact on TAURON Group, particularly in the Distribution segment. The final version of the standard has not been issued as at the date of authorisation of these interim condensed consolidated financial statements for publication. The Group will assess the impact of the standard on the financial performance and financial position of the Group once the International Accounting Standards Board has issued the final version of the standard.

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

Standard	Effective date specified in the Standard, not endorsed by the EU (annual periods beginning on or after the date provided)
Amendments 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 17 <i>Insurance contracts: Initial Application of IFRS 17 Insurance contracts and IFRS 9 Financial Instruments - Comparative Information</i>	1 January 2023

8. Changes in the accounting principles applied

The accounting principles (policy) adopted for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2021, except for the application of the amendments to the standards specified below.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - costs of fulfilling contractual obligations*

From the 1 January 2022 entered into force the amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts—Cost of Fulfilling a Contract*, which clarifies that in the case of onerous contracts, the costs of fulfilling the contract include both the incremental costs of fulfilling the contract, e.g. labour and materials, as well as the allocation of other costs that relate directly to fulfilling the contracts (for example, the allocation of depreciation charges to an item of tangible fixed assets used, among others, to fulfil this contract). At the same time, in accordance with the transitional regulations, the aforementioned amendments to the standard apply to contracts for which the entity has not yet fulfilled all the obligations, at the beginning of the annual reporting period in which it applies the amendments for the first time. The entity does not restate comparative figures - the cumulative effect of the first application of the amendments is recognised as an adjustment to the opening balance of retained earnings at the date of first application.

As at the balance sheet date of 30 June 2022, the Group calculated the provisions for onerous contracts in accordance with the revised wording of the standard. At the same time, the Group has assessed that the above amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* has no impact on the figures as at 1 January 2022 and does not require that the impact should be recognised in Group equity.

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

Standard	Effective date in the EU (annual periods beginning on or after the date provided)
Amendments to IFRS 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
Changes to various standards: <i>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

9. Seasonality of activities

The Group's business is characterised by seasonality.

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

BUSINESS SEGMENTS

10. Information on operating segments

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

The organisation and management of the Group is carried out on a segment basis, taking into account the type of products and services offered. Each segment constitutes a strategic business entity offering different products and operating on different markets.

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

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

Segment assets, in terms of financial assets, include receivables from buyers and other financial receivables, assets relating to gain on measurement of commodity financial derivative instruments as well as cash and cash equivalents. Segment assets do not include deferred income tax and current income tax assets and receivables.

Segment liabilities, in terms of financial liabilities, include liabilities to suppliers, capital commitments, payroll liabilities as well as liabilities relating to loss on measurement of commodity derivative instruments. Segment liabilities do not include current and deferred income tax liabilities.

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

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

The Management Board separately monitors operating results of the segments in order to take decisions concerning allocation of the resources, to assess the effects of the allocation and to evaluate performance. The evaluation of performance is based on EBITDA and operating profit or loss. The Group defines EBITDA as EBIT increased by depreciation, amortisation and write-offs for non-financial assets. TAURON Group recognises write-downs on non-financial assets of entities consolidated using the full method and share in write-downs on non-financial assets of entities measured using the equity method as write-downs on non-financial assets. EBIT is defined by the Group as the profit/(loss) on continuing operations before tax, financial income and costs, i.e. operating profit/(loss).

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

Operating segments	Core business	TAURON Group companies, including 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.</i>	TAURON Wytwarzanie S.A. ¹ Nowe Jaworzno Grupa TAURON Sp. z o.o. TAURON Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Łagisza Grupa TAURON Sp. z o.o.
	<i>Generation, distribution and sales of heat</i>	TAMEH HOLDING Sp. z o.o. ² TAMEH POLSKA Sp. z o.o. ² TAMEH Czech s.r.o. ² Elektrociepłownia Stalowa Wola S.A. ²
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. TAURON Zielona Energia Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k. WIND T1 Sp. z o.o. AVAL-1 Sp. z o.o. Polpower Sp. z o.o. "MEGAWATT S.C." Sp. z o.o. TAURON Wytwarzanie S.A. ³
Distribution		
	<i>Distribution of electricity</i>	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiarów 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 On 1 July 2022, was registered the division of TAURON Wytwarzanie S.A. and establishment of TAURON Inwestycje Sp. z o.o.

² Entities recognized with the equity method.

³ TAURON Wytwarzanie S.A. classifies activity related to photovoltaic power generation in the Renewable Energy Sources segment.

In addition to the key operating segments listed above, the TAURON Group also conducts operations in quarrying stone (including limestone) for the power industry, metallurgy, construction and highway engineering industry as well as in the area of production of sorbents for use in wet desulphurisation installations and fluidised bed boilers (Kopalnia Wapienia Czatkowice Sp. z o.o.). The operations of TAURON Obsługa Klienta Sp. z o.o., Finanse Grupa TAURON Sp. z o.o.,

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

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.

6-month period ended 30 June 2022 or as at 30 June 2022 (unaudited)

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	588	1 743	111	1 820	13 725	137	-	18 124
Inter-segment sales	607	3 676	457	2 099	4 532	568	(11 939)	-
Total segment revenue	1 195	5 419	568	3 919	18 257	705	(11 939)	18 124
Profit/(loss) of the segment	138	(301)	222	1 092	19	59	(65)	1 164
Share in profit/(loss) of joint ventures	-	49	-	-	-	-	-	49
Unallocated expenses	-	-	-	-	-	-	(47)	(47)
EBIT	138	(252)	222	1 092	19	59	(112)	1 166
Finance income (costs)	-	-	-	-	-	-	(304)	(304)
Profit/(loss) before income tax	138	(252)	222	1 092	19	59	(416)	862
Income tax expense	-	-	-	-	-	-	(233)	(233)
Net profit/(loss) for the period	138	(252)	222	1 092	19	59	(649)	629
Assets and liabilities								
Segment assets	766	7 788	2 590	21 485	5 667	1 023	-	39 319
Investments in joint ventures	-	652	-	-	-	-	-	652
Unallocated assets	-	-	-	-	-	-	2 705	2 705
Total assets	766	8 440	2 590	21 485	5 667	1 023	2 705	42 676
Segment liabilities	716	2 839	152	1 915	2 383	622	-	8 627
Unallocated liabilities	-	-	-	-	-	-	16 546	16 546
Total liabilities	716	2 839	152	1 915	2 383	622	16 546	25 173
EBIT	138	(252)	222	1 092	19	59	(112)	1 166
Depreciation/amortization	(100)	(222)	(74)	(616)	(22)	(67)	2	(1 099)
Impairment	(86)	-	-	(1)	-	1	-	(86)
EBITDA	324	(30)	296	1 709	41	125	(114)	2 351
Other segment information								
Capital expenditure *	167	117	93	878	36	190	-	1 481

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

6-month period ended 30 June 2021 (unaudited) or as at 31 December 2021

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	225	1 684	60	1 710	8 112	75	-	11 866
Inter-segment sales	355	2 375	249	1 809	2 613	484	(7 885)	-
Total segment revenue	580	4 059	309	3 519	10 725	559	(7 885)	11 866
Profit/(loss) of the segment	(321)	(181)	89	924	217	52	(27)	753
Share in profit/(loss) of joint ventures	-	22	-	-	-	-	-	22
Unallocated expenses	-	-	-	-	-	-	(44)	(44)
EBIT	(321)	(159)	89	924	217	52	(71)	731
Finance income (costs)	-	-	-	-	-	-	(134)	(134)
Profit/(loss) before income tax	(321)	(159)	89	924	217	52	(205)	597
Income tax expense	-	-	-	-	-	-	(215)	(215)
Net profit/(loss) for the period	(321)	(159)	89	924	217	52	(420)	382
Assets and liabilities								
Segment assets	899	8 252	2 470	21 117	4 508	891	-	38 137
Investments in joint ventures	-	597	-	-	-	-	-	597
Unallocated assets	-	-	-	-	-	-	1 341	1 341
Total assets	899	8 849	2 470	21 117	4 508	891	1 341	40 075
Segment liabilities	857	2 713	195	2 038	2 015	591	-	8 409
Unallocated liabilities	-	-	-	-	-	-	15 142	15 142
Total liabilities	857	2 713	195	2 038	2 015	591	15 142	23 551
EBIT	(321)	(159)	89	924	217	52	(71)	731
Depreciation/amortization	(74)	(237)	(77)	(595)	(20)	(55)	1	(1 057)
Impairment	(201)	(930)	(1)	-	-	-	-	(1 132)
EBITDA	(46)	1 008	167	1 519	237	107	(72)	2 920
Other segment information								
Capital expenditure *	122	114	20	922	27	81	-	1 286

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

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

3-month period ended 30 June 2022 (unaudited)

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	314	713	35	888	6 292	69	-	8 311
Inter-segment sales	323	1 650	219	1 008	1 378	277	(4 855)	-
Total segment revenue	637	2 363	254	1 896	7 670	346	(4 855)	8 311
Profit/(loss) of the segment	73	(1 060)	68	531	132	30	(24)	(250)
Share in profit/(loss) of joint ventures	-	22	-	-	-	-	-	22
Unallocated expenses	-	-	-	-	-	-	(24)	(24)
EBIT	73	(1 038)	68	531	132	30	(48)	(252)
Finance income (costs)	-	-	-	-	-	-	(158)	(158)
Profit/(loss) before income tax	73	(1 038)	68	531	132	30	(206)	(410)
Income tax expense	-	-	-	-	-	-	138	138
Net profit/(loss) for the period	73	(1 038)	68	531	132	30	(68)	(272)
EBIT	73	(1 038)	68	531	132	30	(48)	(252)
Depreciation/amortization	(48)	(113)	(42)	(313)	(12)	(36)	2	(562)
Impairment	(86)	-	-	(1)	-	1	-	(86)
EBITDA	207	(925)	110	845	144	65	(50)	396
Other segment information								
Capital expenditure *	98	53	72	472	22	154	-	871

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

3-month period ended 30 June 2021 (unaudited)

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	125	591	28	817	3 821	39	-	5 421
Inter-segment sales	152	1 160	125	896	824	233	(3 390)	-
Total segment revenue	277	1 751	153	1 713	4 645	272	(3 390)	5 421
Profit/(loss) of the segment	(271)	(732)	44	479	(7)	28	(3)	(462)
Share in profit/(loss) of joint ventures	-	3	-	-	-	-	-	3
Unallocated expenses	-	-	-	-	-	-	(22)	(22)
EBIT	(271)	(729)	44	479	(7)	28	(25)	(481)
Finance income (costs)	-	-	-	-	-	-	(19)	(19)
Profit/(loss) before income tax	(271)	(729)	44	479	(7)	28	(44)	(500)
Income tax expense	-	-	-	-	-	-	31	31
Net profit/(loss) for the period	(271)	(729)	44	479	(7)	28	(13)	(469)
EBIT	(271)	(729)	44	479	(7)	28	(25)	(481)
Depreciation/amortization	(38)	(122)	(39)	(299)	(10)	(29)	1	(536)
Impairment	(201)	(929)	-	-	-	-	-	(1 130)
EBITDA	(32)	322	83	778	3	57	(26)	1 185
Other segment information								
Capital expenditure *	55	56	15	465	12	45	-	648

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

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	(unaudited)	(unaudited)
Sale of goods for resale, finished goods and materials without elimination of excise	14 106	7 708
Excise	(27)	(54)
Sale of goods for resale, finished goods and materials	14 079	7 654
Electricity	11 698	6 446
CO ₂ emission allowances	604	154
Coal	538	202
Gas	482	220
Heat energy	430	424
Energy certificates and similar	168	93
Other goods for resale, finished goods and materials	159	115
Rendering of services	4 011	3 872
Distribution and trade services	3 513	3 362
Capacity Market	320	339
Maintenance of road lighting	64	60
Connection fees	43	39
Other services	71	72
Other revenue	34	36
Total revenue from contracts with customers	18 124	11 562
Restructuration in the portfolio of CO ₂ emission allowances	-	304
Total sales revenue	18 124	11 866

In the 6-month period ended 30 June 2022, sales revenue increased significantly in relation to the comparable period and the main changes were related to the revenue on sales of the following products, goods and services:

- Electricity - the increase is the result of higher electricity prices obtained and a slightly higher volume of electricity sales. The increase in energy prices is a result of an upward market trend and price increases in G tariffs approved by the ERO President;
- CO₂ emission allowances - the increase results from the recognition of the effects of measures aimed at managing surplus CO₂ emission allowances arising from the delayed commissioning of the 910 MW unit in Jaworzno and the subsequent failure of the unit.

In connection with the failure of the 910 MW unit at Jaworzno continuing from mid-2021 until April 2022 and the resulting surplus of allowances acquired over the redemption needs for 2021, a part of the resulting surplus in the amount of 1 717 000 EUAs was allocated for redemption purposes of another Group installation for 2022. Considering the rationality of matching the deadline for the delivery of allowances and the cash expenditure, in the first quarter of 2022, the Group decided to sell the possessed aforementioned volume of allowances and simultaneously buy back this volume in the EUA MAR'23 forward product for the purpose of redemption of allowances for 2022. Revenues from contracts with customers for the sale of the aforementioned allowances amounted to PLN 604 million while the result of the Group amounted to PLN 405 million. At the same time, the repurchase of the volume in the EUA MAR'23 forward product at prices higher than the average price of resold allowances will increase the cost of the Group's provision created for CO₂ emission liabilities for 2022. As a result of the foregoing, the Group estimates that the cumulative impact of the measures described on its operating profit will not be significant. The transaction is one-off and incidental in nature and it is a direct result of an unplanned, one-off event such as the failure of the 910 MW unit. According to the Company judgement, the transaction is subject to exemption from the scope of IFRS 9 *Financial Instruments*.

In the comparative period, i.e. the 6-month period ended 30 June 2021, as part of its efforts to manage the surplus allowances for 2020, due to the delayed commissioning of the 910 MW unit and the consequent lower production, the Group sold a volume of 691 000 CO₂ emission allowances to the market, resulting in the recognition of the revenue from customer contracts in the amount of PLN 135 million.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

As part of the restructuring of the portfolio of CO₂ emission allowances, in the comparable period, in the first quarter of 2021, with respect to the volume of 3 258 000 CO₂ emission allowances with the delivery date in March 2021, their roll-over was performed by concluding new contracts with the delivery dates in March 2022, 2023 and 2024. The Group recognised the result from the settlement of instruments in accordance with IFRS 9 *Financial Instruments*, thereby increasing sales revenue and the operating result in the amount of PLN 304 million.

- Coal - the increase results from the sale of higher volumes and the achievement of higher prices in connection with the observed growth in the domestic and global markets;
- Gas - the increase is mainly driven by a significant rise in prices due to the observed growth in the domestic and global markets;

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

6-month period ended 30 June 2022 (unaudited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	572	1 383	106	1	11 896	121	14 079
Electricity	-	899	1	-	10 756	42	11 698
CO ₂ emission allowances	-	-	-	-	604	-	604
Coal	538	-	-	-	-	-	538
Gas	-	-	-	-	482	-	482
Heat energy	-	430	-	-	-	-	430
Energy certificates and similar	1	54	105	-	1	7	168
Other goods for resale, finished goods and materials	33	-	-	1	53	72	159
Rendering of services	15	353	5	1 802	1 826	10	4 011
Distribution and trade services	-	132	-	1 732	1 649	-	3 513
Capacity Market	-	217	5	-	98	-	320
Maintenance of road lighting	-	-	-	-	64	-	64
Connection fees	-	-	-	43	-	-	43
Other services	15	4	-	27	15	10	71
Other revenue	1	7	-	17	3	6	34
Total revenues from contracts with customers	588	1 743	111	1 820	13 725	137	18 124
Total sales revenue	588	1 743	111	1 820	13 725	137	18 124

6-month period ended 30 June 2021 (unaudited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	215	1 002	58	1	6 316	62	7 654
Electricity	-	544	1	-	5 892	9	6 446
CO ₂ emission allowances	-	-	-	-	154	-	154
Coal	202	-	-	-	-	-	202
Gas	-	-	-	-	220	-	220
Heat energy	-	424	-	-	-	-	424
Energy certificates and similar	-	32	57	-	1	3	93
Other goods for resale, finished goods and materials	13	2	-	1	49	50	115
Rendering of services	9	372	2	1 690	1 793	6	3 872
Distribution and trade services	-	130	-	1 606	1 626	-	3 362
Capacity Market	-	238	2	-	99	-	339
Maintenance of road lighting	-	-	-	-	60	-	60
Connection fees	-	-	-	39	-	-	39
Other services	9	4	-	45	8	6	72
Other revenue	1	6	-	19	3	7	36
Total revenues from contracts with customers	225	1 380	60	1 710	8 112	75	11 562
Restructuration in the portfolio of CO ₂ emission allowances	-	304	-	-	-	-	304
Total sales revenue	225	1 684	60	1 710	8 112	75	11 866

Revenue from sales of electricity broken down by customer groups is presented in the table below.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue from sales of electricity	11 698	6 446
Retail sale	7 070	4 443
Business clients	3 488	2 034
Mass clients - Group G	1 812	1 524
Strategic clients	857	450
Mass clients - SME	798	450
Other	142	39
Excise duty	(27)	(54)
Wholesale	4 350	1 713
Other	278	290

12. Costs by type

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Depreciation and amortization	(1 099)	(1 057)
Impairment of non-financial assets	(85)	(1 115)
Materials and energy	(976)	(704)
Maintenance and repair services	(138)	(114)
Distribution services	(771)	(754)
Other external services	(498)	(413)
Cost of obligation to remit the CO ₂ emission allowances	(1 148)	(698)
Other taxes and charges	(410)	(381)
Employee benefits expense	(1 664)	(1 485)
Creating the provision for onerous contracts	(943)	-
Other	(67)	(79)
Total costs by type	(7 799)	(6 800)
Change in inventories, prepayments, accruals and deferred income	(69)	39
Cost of goods produced for internal purposes	465	359
Selling expenses	312	249
Administrative expenses	324	306
Cost of goods for resale and materials sold	(9 602)	(4 802)
Cost of sales	(16 369)	(10 649)

In the 6-month period ended 30 June 2022 in relation to the comparative period, the main changes in the cost of goods, products, materials and services sold referred to:

- the recognition in the current period of a lower impairment write-down for non-financial fixed assets compared to the corresponding period as a result of the impairment tests carried out at the respective balance sheet dates;
- an increase in the cost of material and energy consumption, which is related mainly to the rise in the price of materials used in the process of reinforcing walls and preparing thermal coal production and the higher cost of coal fuel, fuel oil and biomass consumed for production purposes, mainly as a result of increases in market prices,
- 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;
- an increase in the cost of employee benefits, which results from recognising the effects of agreements reached in the second half of 2021 and in the first quarter of 2022 with the social party and the rise of the minimum wage in 2022 in the costs of the current period;
- costs of recognition of the provision for onerous contracts as at 30 June 2022 in the amount of PLN 943 million, which is discussed in more detail in Note 35.2 to these interim condensed consolidated financial statements;
- an increase in the value of goods and materials sold relating to the cost of electricity sold as a result of the higher volume of energy purchased from the market, with a corresponding increase in the purchase price in relation to the comparable period. The higher purchase volume results primarily from the need to purchase electricity to replace the

electricity which was not produced by the 910 MW unit due to its shutdown, while the rise in prices is a consequence of a significant increase in the price of electricity purchased on the domestic market.

13. Financial revenues and costs

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Income and costs from financial instruments	(296)	(128)
Interest costs	(256)	(186)
Exchange differences	(83)	87
Remeasurement of loans granted	(20)	2
Commission relating to borrowings and debt securities	(13)	(12)
Gain/loss on derivative instruments	69	(50)
Interest income	28	10
Other	(21)	21
Other finance income and costs	(8)	(6)
Interest on employee benefits	(14)	(5)
Interest on discount of other provisions	(7)	(4)
Other finance income	18	6
Other finance costs	(5)	(3)
Total, including recognized in the statement of comprehensive income:	(304)	(134)
Interest expense on debt	(256)	(186)
Finance income and other finance costs	(48)	52

The increase in interest expenses in the 6-month period ended 30 June 2022 in relation to the comparable period results from the level of use of borrowing and the volatility of base rates. The change in base rates is partially offset by the concluded IRS hedging instruments described in more detail in note 22 of these interim condensed consolidated financial statements.

14. Tax expense in the statement of comprehensive income

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Current income tax	(569)	(302)
Current income tax expense	(580)	(296)
Adjustments to current income tax from previous years	11	(6)
Deferred tax	336	87
Income tax expense in profit/(loss)	(233)	(215)
Income tax expense relating to other comprehensive income, including:	(81)	(33)
reclassified to profit or loss	(63)	(25)
not reclassified to profit or loss	(18)	(8)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. Property, plant and equipment

6-month period ended 30 June 2022 (unaudited)

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	144	31 221	25 948	280	978	1 773	60 344
Direct purchase	-	-	-	-	-	1 085	1 085
Borrowing costs	-	-	-	-	-	12	12
Transfer of assets under construction	1	626	324	-	12	(963)	-
Sale	-	(1)	(60)	-	(6)	-	(67)
Liquidation	-	(30)	(43)	(88)	(4)	-	(165)
Received free of charge	-	8	-	-	-	-	8
Overhaul expenses	-	-	-	-	-	26	26
Items generated internally	-	-	-	126	-	25	151
Cost of disassembly of wind farms and decommissioning of mines	-	(118)	(19)	-	-	3	(134)
Other movements	-	1	5	-	3	(1)	8
Closing balance	145	31 707	26 155	318	983	1 960	61 268
ACCUMULATED DEPRECIATION							
Opening balance	-	(14 276)	(15 840)	(105)	(728)	(221)	(31 170)
Depreciation for the period	-	(443)	(430)	(68)	(29)	-	(970)
Impairment	-	(12)	(23)	(32)	-	(13)	(80)
Sale	-	-	59	-	6	-	65
Liquidation	-	28	39	88	4	-	159
Closing balance	-	(14 703)	(16 195)	(117)	(747)	(234)	(31 996)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	144	16 945	10 108	175	250	1 552	29 174
NET CARRYING AMOUNT AT THE END OF THE PERIOD	145	17 004	9 960	201	236	1 726	29 272
<i>of which operating segments:</i>							
Mining	3	80	151	197	3	126	560
Generation	42	2 482	3 546	-	18	136	6 224
Renewable Energy Sources	-	767	1 106	-	2	153	2 028
Distribution	82	13 086	4 982	-	180	1 097	19 427
Other segments and other operations	18	589	175	4	33	214	1 033

6-month period ended 30 June 2021 (unaudited)

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	143	29 748	25 206	258	976	1 888	58 219
Direct purchase	-	-	-	1	-	1 091	1 092
Borrowing costs	-	-	-	-	-	7	7
Transfer of assets under construction	-	711	461	-	12	(1 184)	-
Sale	(1)	(2)	(47)	-	(4)	(3)	(57)
Liquidation	-	(22)	(65)	(76)	(9)	-	(172)
Received free of charge	-	22	-	-	-	-	22
Overhaul expenses	-	-	-	-	-	52	52
Items generated internally	-	-	-	70	-	24	94
Cost of disassembly of wind farms and decommissioning of mines	-	(44)	(2)	-	-	-	(46)
Other movements	-	-	6	-	(11)	-	(5)
Closing balance	142	30 413	25 559	253	964	1 875	59 206
ACCUMULATED DEPRECIATION							
Opening balance	-	(13 010)	(14 570)	(138)	(704)	(292)	(28 714)
Depreciation for the period	-	(442)	(430)	(43)	(32)	-	(947)
Impairment	-	(397)	(652)	(33)	(2)	(26)	(1 110)
Sale	-	1	46	-	3	3	53
Liquidation	-	20	63	76	9	-	168
Other movements	-	-	3	-	11	-	14
Closing balance	-	(13 828)	(15 540)	(138)	(715)	(315)	(30 536)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	143	16 738	10 636	120	272	1 596	29 505
NET CARRYING AMOUNT AT THE END OF THE PERIOD	142	16 585	10 019	115	249	1 560	28 670
<i>of which operating segments:</i>							
Mining	3	212	163	110	3	154	645
Generation	43	2 559	3 661	-	14	140	6 417
Renewable Energy Sources	1	860	1 221	-	1	31	2 114
Distribution	80	12 428	4 827	-	202	1 065	18 602
Other segments and other operations	15	526	147	5	29	170	892

In the 6-month period ended 30 June 2022, the Group purchased property, plant and equipment (including capitalised borrowing costs) in the amount of PLN 1 097 million. The major purchases were made in connection with investments in the following operating segments:

Operating segment	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Distribution	859	903
Renewable Energy Sources	57	16
Generation	51	47
Sales	35	25

Impairment tests

As at 30 June 2022, an analysis of the premises which might indicate the impairment of non-financial assets was carried out. Russia's aggression against Ukraine in February 2022 is the major factor in the macroeconomic developments and has caused definite changes in the energy and energy commodity markets. Poland stopped buying Russian coal as one of the first European countries. As part of the sanctions imposed on the Russian economy, the European Union countries decided to ban the import of Russian coal as of 10 August 2022. The embargo for purchase of energetic commodities from Russia, imposed by the European countries has resulted among others in turbulence in the global coal markets, leading to a sharp rise in prices of fuels in the first half of 2022. The level of prices of coal to be contracted and consumed in the Polish power industry depends to a large extent on the price of imported coal due to the construction of the system of subsidies in the mining sector.

As part of the analysis of the prerequisites of impairment, the analysis of the events and factors of the first half of 2022 affecting the assessment of impairment risk was carried out. The following factors were considered within the companies in the Generation and Sales segments:

- significant increase in fuel prices, in particular for gas fuel and hard coal;
- the entry into force of a ban on the import into and transit coal and coke originating in Russia and Belarus across Poland;
- the publication by the European Commission of the "RePowerEU" plan to rapidly accelerate the production of energy from renewable sources and to ensure that the European Union becomes independent of raw material supplies from Russia as soon as possible (independence from raw material supplies from Russia will be facilitated by the restructuring of the electricity generation subsector, which is aimed at changing Poland's energy mix towards low- and zero-emission sources);
- an increase in risk-free rate;
- observed leading economic indicators (industrial production, retail sales, financial activity) indicating a possibility of the economic slowdown;
- the increase in electricity prices on the forward market and high prices on the spot market increasing the profitability of electricity generation;
- the observed level of electricity prices on the forward market over the next three years fully transmitting the increase in the unit variable costs of generation;
- the unfavourable power balance in Europe, associated with the systematic shutdown of available generation capacity and the problems of nuclear power sector in France;
- the medium-term outlook of a further reduction in gas supplies to Europe from eastern directions.

According to the assessment of the Group, the observed increases in electricity prices on both the spot and on the forward market offset the impact of negative factors resulting from coal price increases and the unfavourable capacity balance, as well as the observed reduction in gas supplies from Russia.

Based on the analyses of impairment prerequisites, it has been concluded that no prerequisites of impairment occurred, including those requiring the performance of impairment tests, with the exception of the Mining segment, as discussed below.

In the case of companies in the Distribution segment, no prerequisites of impairment were identified, bearing in mind that the revenues of the segment are regulated revenues, where the regulatory rate of return takes into account the free rate.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

In scope of Mining segment, as at 30 June 2022, the Group recognised the impairment loss of PLN 84 million on non-financial assets within this segment. The reason for recognising the write-downs of the Mining CGU was the increase in the carrying amount of net assets of this CGU in the first half of 2022, while maintaining the recoverable amount of these assets at a level of PLN zero. The impairment losses charged mainly own cost of sales.

CGU	Discount rate (after tax) assumed in tests as at:			Recoverable amount	Impairment loss recognized
	30 June 2022 (unaudited)	31 December 2021	30 June 2021 (unaudited)	As at 30 June 2022 (unaudited)	6-month period ended 30 June 2022 (unaudited)
Mining	17.14%	14.19%	13.98%	-	(84)

In the forecast period, i.e. up till 2049, in view of the planned capacity reduction, the support system will be likely to necessarily ensure the liquidity of the Mining segment. The mechanism of subsidies and the period of operation of production units of mining enterprises was presented in the Social Agreement document of 28 May 2021 in the Act of 17 December 2021 amending the Act on the Operation of Coal Mining and the Regulation on subsidies for capacity reduction of mining enterprises of 3 February 2022 (the "Regulation"). The level of the subsidies is determined at a level which would allow to cover the gap between the eligible costs and the eligible revenues associated with the operation of the enterprises subject to the support scheme, pursuant to the provisions of the Regulation.

The estimated changes in impairment losses on mining assets as at 30 June 2022 as a result of absence of subsidy.

Parameter	Change	Impact on impairment loss	
		Mining assets	
		Increase of impairment loss (net)	Decrease of impairment loss (net)
Absence of subsidy to coal mining from 2032*	-100%	561	-

* Write-down on non-current assets to the carrying amount of land and perpetual usufruct of land corresponding to the fair value. Article 2 of the Act of 17 December 2021 amending the Act on the functioning of the coal mining industry indicates the maximum limit of expenditure from the state budget earmarked for subsidies in the years 2022-2031 and a sensitivity analysis was carried out for the absence of subsidies from 2032 onwards (assuming that the probability of absence of the subsidies from 2032 is low, due to the regulations in force).

16. Right-of-use assets

6-month period ended 30 June 2022 (unaudited)

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	618	1 200	212	112	11	150	6	2 309
Direct purchase	31	-	-	-	-	-	6	37
Transfer of right-of-use assets in progress	-	-	-	-	-	6	(6)	-
Increase due to a new lease contract	26	-	5	12	1	-	-	44
Increase(decrease) due to lease changes	4	(5)	3	4	-	-	-	6
Liquidation	(3)	-	-	(20)	-	-	-	(23)
Acquisition of a subsidiary	30	-	-	-	-	2	-	32
Other movements	-	-	-	-	-	6	-	6
Closing balance	706	1 195	220	108	12	164	6	2 411
ACCUMULATED DEPRECIATION								
Opening balance	(71)	(134)	(51)	(66)	(4)	(37)	-	(363)
Depreciation for the period	(16)	(20)	(10)	(15)	-	(3)	-	(64)
Impairment	-	-	-	(5)	-	-	-	(5)
Liquidation	-	-	-	20	-	-	-	20
Closing balance	(87)	(154)	(61)	(66)	(4)	(40)	-	(412)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	547	1 066	161	46	7	113	6	1 946
NET CARRYING AMOUNT AT THE END OF THE PERIOD	619	1 041	159	42	8	124	6	1 999

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

6-month period ended 30 June 2021 (unaudited)

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets, total
COST								
Opening balance	548	1 162	197	88	8	133	6	2 142
Increase due to a new lease contract	29	-	9	8	-	-	-	46
Increase/(decrease) due to lease changes	4	1	3	2	-	-	-	10
Transfer from assets held for sale	-	17	-	-	-	-	-	17
Other movements	4	(1)	-	(3)	-	7	1	8
Closing balance	585	1 179	209	95	8	140	7	2 223
ACCUMULATED DEPRECIATION								
Opening balance	(45)	(92)	(32)	(62)	(6)	(29)	-	(266)
Depreciation for the period	(14)	(18)	(9)	(9)	(1)	(3)	-	(54)
Impairment	-	2	-	(4)	-	(1)	-	(3)
Transfer from assets held for sale	-	(9)	-	-	-	-	-	(9)
Other movements	-	-	-	3	-	-	-	3
Closing balance	(59)	(117)	(41)	(72)	(7)	(33)	-	(329)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	503	1 070	165	26	2	104	6	1 876
NET CARRYING AMOUNT AT THE END OF THE PERIOD	526	1 062	168	23	1	107	7	1 894

17. Goodwill

Operating segment	As at 30 June 2022 (unaudited)	As at 31 December 2021
Distribution	26	26
Total	26	26

18. Energy certificates and CO₂ emission allowances

18.1. Long-term energy certificates and CO₂ emission allowances

	6-month period ended 30 June 2022 (unaudited)			6-month period ended 30 June 2021 (unaudited)		
	Energy certificates	CO ₂ emission allowances	Total	Energy certificates	CO ₂ emission allowances	Total
Opening balance	200	244	444	234	267	501
Direct purchase	-	-	-	40	-	40
Reclassification	(200)	(244)	(444)	(234)	(222)	(456)
Closing balance	-	-	-	40	45	85

18.2. Short-term energy certificates and CO₂ emission allowances

	6-month period ended 30 June 2022 (unaudited)			6-month period ended 30 June 2021 (unaudited)		
	Energy certificates	CO ₂ emission allowances	Total	Energy certificates	CO ₂ emission allowances	Total
Opening balance	151	6	157	705	334	1 039
Direct purchase	243	1 500	1 743	197	672	869
Generated internally	155	-	155	87	-	87
Surrendered	(227)	(1 494)	(1 721)	(756)	(986)	(1 742)
Reclassification	197	45	242	234	146	380
Closing balance	519	57	576	467	166	633

Reclassification of CO₂ emission allowances comprises:

- reclassification of allowances with the value of PLN 244 million acquired in previous years and allocated for redemption for 2022 from long-term to short-term CO₂ emission allowances,
- reclassification of part of the above-mentioned allowances with the value of PLN 199 million from short-term CO₂ emission allowances to inventories. The reclassification relates to allowances disposed of by the Group in connection with the surplus of allowances for 2021 in the portfolio of Nowe Jaworzno Grupa TAURON Sp. z o.o. as a result of the failure of the 910 MW Unit, as further described in Note 11 to these interim condensed consolidated financial statements.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

19. Other intangible assets

6-month period ended 30 June 2022 (unaudited)

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	17	1 045	223	71	1 356
Direct purchase	-	-	-	169	169
Transfer of intangible assets not made available for use	1	43	33	(77)	-
Sale/Liquidation	-	(10)	-	-	(10)
Closing balance	18	1 078	256	163	1 515
ACCUMULATED AMORTIZATION					
Opening balance	(8)	(686)	(122)	-	(816)
Amortization for the period	(1)	(59)	(5)	-	(65)
Sale/Liquidation	-	10	-	-	10
Closing balance	(9)	(735)	(127)	-	(871)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	9	359	101	71	540
NET CARRYING AMOUNT AT THE END OF THE PERIOD	9	343	129	163	644

6-month period ended 30 June 2021 (unaudited)

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	12	945	219	120	1 296
Direct purchase	-	-	-	38	38
Transfer of intangible assets not made available for use	4	98	2	(104)	-
Sale/Liquidation	-	(42)	-	-	(42)
Other movements	-	-	(1)	1	-
Closing balance	16	1 001	220	55	1 292
ACCUMULATED AMORTIZATION					
Opening balance	(7)	(624)	(113)	-	(744)
Amortization for the period	(1)	(50)	(5)	-	(56)
Impairment	-	-	(2)	-	(2)
Sale/Liquidation	-	42	-	-	42
Closing balance	(8)	(632)	(120)	-	(760)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	5	321	106	120	552
NET CARRYING AMOUNT AT THE END OF THE PERIOD	8	369	100	55	532

20. Shares in joint ventures

	As at 30 June 2022 (unaudited) or for the 6-month period ended 30 June 2022 (unaudited)			As at 31 December 2021 or for the 6-month period ended 30 June 2021 (unaudited)		
	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. ²	Total	Elektrociepłownia Stalowa Wola S.A. ¹	TAMEH HOLDING Sp. z o.o. ²	Total
Non-current assets	1 749	1 950	3 699	1 772	2 033	3 805
Current assets, including:	554	1 309	1 863	571	1 428	1 999
cash and cash equivalents	6	216	222	24	251	275
Non-current liabilities (-), including:	(2 154)	(568)	(2 722)	(1 866)	(672)	(2 538)
debt	(2 074)	(489)	(2 563)	(1 797)	(577)	(2 374)
Current liabilities (-), including:	(783)	(1 305)	(2 088)	(1 047)	(1 514)	(2 561)
debt	(52)	(192)	(244)	(108)	(185)	(293)
Total net assets	(634)	1 386	752	(570)	1 275	705
Share in net assets (50%)	(317)	693	376	(285)	638	353
Investment in joint ventures	-	652	652	-	597	597
Net profit (loss), including:	(63)	98	35	(76)	45	(31)
Sales revenue	1 176	2 158	3 334	424	1 203	1 627
Depreciation	(31)	(99)	(130)	(33)	(97)	(130)
Interest income	-	1	1	-	2	2
Interest expenses	(60)	(26)	(86)	(54)	(11)	(65)
Income tax	-	(23)	(23)	-	(11)	(11)
Share in profit/(loss) of joint ventures	-	49	49	-	22	22

¹ The figures as at 31 December 2021 in line with financial statement of the company for 2021 prepared after the date of approval for publication the TAURON Group consolidated financial statements for the year ended 31 December 2021.

² The information presented relate to 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 Group.

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle established in 2010 at the initiative of TAURON Polska Energia S.A. and PGNiG S.A., through which the partners implemented an investment consisting in the construction of CCGT unit in Stalowa Wola with the gross electrical capacity of 450 MWe and the net heat capacity of 240 MWt. On 30 September 2020, Elektrociepłownia Stalowa Wola was commissioned.

TAURON Polska Energia S.A. has an indirect shareholding of 50% in the capital of the company and in the governing body, exercised through TAURON Wytwarzanie S.A. Due to the fact that in 2015 the accumulated share of losses of the joint venture and the adjustment to “top-down” transactions between the Group companies and the joint venture exceeded the value of the interest in the joint venture, the Company discontinued to recognise its share of any further losses of the joint venture.

In addition, the Company has receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. in the carrying amount of PLN 199 million, as further discussed in Note 21 to these interim condensed consolidated financial statements.

Conclusion of a settlement between Abener Energia S.A. and Elektrociepłownia Stalowa Wola S.A.

Due to the withdrawal from the contract concluded for the construction of a CCGT unit in Stalowa Wola (“the Contract”), court and arbitration disputes were ongoing between Abener Energia S.A. (general contractor) (“Abener”) and Elektrociepłownia Stalowa Wola S.A. (contracting authority) (“ECSW”), as further described in Note 24 to the consolidated financial statements of the Group for the year ended 31 December 2021.

On 31 December 2021, ECSW and Abener (the “Parties”) signed a settlement agreement to set out the terms on which ECSW and Abener will perform mutual settlements arising out of any litigation or arbitration pending between the Parties and arising out of the Contract. Pursuant to the settlement, ECSW paid to Abener the amount of EUR 93 million (based on the judgement of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw of 25 April 2019 in the case brought by Abener against ECSW and other settlements), of which the amount of EUR 32 million was settled in the form of release of funds previously deposited in the escrow account due to the lawsuit won by ECSW in 2017 with the performance guarantor of the Abener contract. Upon the entry into force of the terms provided for in the settlement agreement, the Parties agree to discontinue all pending litigation and arbitration proceedings between them and acknowledge the absence of any further or future claims arising from the Contract. The conditions of the settlement have been fulfilled, accordingly, all court and arbitration proceedings between ECSW and Abener were first suspended at the concerted request of the Parties, and subsequently, on 9 and 10 March 2022, the Parties filed motions to resume the suspended proceedings, to withdraw the actions and the cassation complaint and to discontinue all proceedings. Consequently, on 14 March 2022, the Court of Arbitration at the Polish Chamber of Commerce issued a decision to discontinue the proceedings in the action of Abener against ECSW and on 21 March 2022 - a decision to discontinue the proceedings in the action of ECSW against Abener. By the order of 2 June 2022, the Supreme Court discontinued the cassation proceedings relating to the cassation appeal filed by ECSW in 2020.

The contract concluded between ECSW and Abener does not contain any provisions obliging the Company to pay any form of the remuneration to Abener 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 in the area of industrial energy. The Agreement was concluded for a period of 15 years, with a possibility of its extension. The two capital groups hold a 50% interest in TAMEH HOLDING Sp. z o.o. each.

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

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

21. Loans to joint ventures

	As at 30 June 2022 (unaudited)				As at 31 December 2021				Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Gross value	Impairment loss	Carrying amount	Repayable principal amount and interest contractually accrued	Gross value	Impairment loss	Carrying amount		
Loans measured at fair value	545	175	n.a.	175	409	74	n.a.	74	30.06.2033	fixed
Loans measured at amortized cost	119	29	(5)	24	116	28	(3)	25		
Total, of which:	664	204	(5)	199	525	102	(3)	99		
Non-current		204	(5)	199		102	(3)	99		

On 2 March 2022, the Company concluded a loan agreement with Elektrociepłownia Stalowa Wola S.A. up to the amount of PLN 120 million, for the purpose of settlement by Elektrociepłownia Stalowa Wola S.A. of the liability resulting from the settlement agreement with Abener Energia S.A. concluded on 31 December 2021. On 8 March 2022, the Company paid the full amount of the loan to the borrower.

22. Derivatives and hedge accounting

Instrument	Methodology of determining fair value	As at 30 June 2022 (unaudited)
Derivative instruments subject to hedge accounting		
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.	<p>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:</p> <ul style="list-style-type: none"> interest on a loan with a nominal value of PLN 750 million, for periods commencing respectively from July 2020 and expiring in December 2024; interest on bonds and a loan with a total nominal value of PLN 3 090 million, for periods beginning in December 2019 and expiring successively from 2023 to 2029. <p>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.</p>
Derivative instruments measured at a fair value through the profit and loss other than subject to hedge accounting		
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.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on a total nominal amount of EUR 500 million. 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	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.	Derivative instruments (future, forward) comprise forward transactions for the purchase and sale of CO ₂ emission allowances and other commodities.
Currency forward	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.	FX forward derivative instruments aimed at hedging currency flows generated due to the activities conducted.

The measurement of derivatives as at the respective balance sheet dates is presented in the table below.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

	As at 30 June 2022 (unaudited)				As at 31 December 2021			
	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	20	703	723	-	-	371	371	-
Derivatives measured at fair value through profit or loss								
CCIRS	36	-	37	(1)	25	-	26	(1)
Commodity forwards/futures	(21)	-	709	(730)	(9)	-	485	(494)
Currency forwards	164	-	164	-	115	-	115	-
Total			1 633	(731)			997	(495)
Non-current			690	(83)			532	(116)
Current			943	(648)			465	(379)

23. Other financial assets

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Shares	146	141
Deposits and term deposits for Mining Decommissioning Fund	61	56
Other financial receivables, <i>including</i> :	146	107
Bid bonds, deposits and collateral transferred	84	65
Initial and variation margin deposits arising from stock exchange transactions	54	32
Other	8	10
Total	353	304
Non-current	232	215
Current	121	89

24. Other non-financial assets

24.1. Other non-current non-financial assets

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Prepayments for assets under construction and intangible assets, <i>including</i> :	234	115
<i>related to the construction of wind farms</i>	214	102
Contract acquisition costs and costs of discounts	8	8
Prepayments for debt charges	3	5
Property and tort insurance	3	3
Other	24	28
Total	272	159

24.2. Other current non-financial assets

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Costs settled over time	68	101
Property and tort insurance	22	54
IT and telecom services	14	22
Contract acquisition costs and costs of discounts	14	15
Prepayments for debt charges	4	8
Other	14	2
Other current non-financial assets	56	11
Transfers made to the Social Benefit Fund	39	-
Other	17	11
Total	124	112

25. Deferred income tax

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Deferred tax liabilities		
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	1 887	1 858
different timing of recognition of sales revenue for tax purposes	304	399
difference between tax base and carrying amount of financial assets	472	297
difference between tax base and carrying amount of energy certificates	18	25
other	93	80
Total	2 774	2 659
Deferred tax assets		
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	855	892
difference between tax base and carrying amount of financial assets and financial liabilities	708	547
provisions and accruals	802	537
different timing of recognition of sales revenue and cost of sales for tax purposes	368	367
tax losses	164	16
power infrastructure received free of charge and received connection fees	6	6
other	27	28
Total	2 930	2 393
Unrecognized deferred tax assets	(508)	(352)
Recognized deferred tax assets	2 422	2 041
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	1 212	123
Deferred tax liability	(1 564)	(741)

As at the 30 June 2022, the deferred tax assets and deferred tax liabilities of the companies forming the Tax Capital Group in 2021 have not been offset, since these companies will not file a joint tax return for 2022 due to the expiry as of 31 December 2021 of the decision on registration of the agreement on the formation of the PGK for 2021-2023, as further described in Note 40 to these interim condensed consolidated financial statements.

The increase in deferred tax assets from the recognition of a deferred tax asset on the provision for onerous contracts in the Generation segment, as further described in note 35 of these interim condensed consolidated financial statements and on tax losses of companies in the Generation and Mining segments.

The Group assesses the enforceability of deferred tax assets at each balance sheet date. As a result of the assessment carried out as at the balance sheet date, deferred tax assets in the amount of PLN 508 million were not recognised, mainly with regard to companies in the Mining and Generation segments.

26. Inventories

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Gross value		
Coal, of which:	220	338
<i>Raw materials</i>	95	166
<i>Semi-finished goods and work-in-progress</i>	121	171
CO ₂ emission allowances	93	-
Other inventories	270	216
Total	583	554
Measurement to fair value		
CO ₂ emission allowances	6	-
Measurement to net realisable value		
Coal	(2)	-
Other inventories	(10)	(11)
Total	(6)	(11)
Fair value		
CO ₂ emission allowances	99	-
Net realisable value		
Coal, of which:	218	338
<i>Raw materials</i>	95	166
<i>Semi-finished goods and work-in-progress</i>	121	171
Other inventories	260	205
Total	577	543

27. Receivables from buyers

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Gross value		
Receivables from buyers, of which:	3 552	3 363
<i>Additional assessment of revenue from sales</i> <i>of electricity and distribution services</i>	1 410	1 094
Receivables claimed at court	225	217
Total	3 777	3 580
Allowance/write-down		
Receivables from buyers	(57)	(65)
Receivables claimed at court	(201)	(193)
Total	(258)	(258)
Net value		
Receivables from buyers	3 495	3 298
Receivables claimed at court	24	24
Total, of which:	3 519	3 322
Current	3 519	3 322

28. Receivables arising from other taxes and charges

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
VAT receivables	571	285
Excise duty receivables	3	1
Other	4	6
Total	578	292

29. Cash and cash equivalents

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Cash at bank and in hand	868	811
Other	6	4
Total cash and cash equivalents presented in the statement of financial position, of which :	874	815
restricted cash, including:	267	314
<i>collateral of settlements with Izba Rozliczeniowa Gield Towarowych S.A.</i>	162	168
<i>cash on VAT bank accounts (split payment)</i>	95	102
<i>bank accounts related to subsidies received</i>	9	43
Cash pool	(27)	(24)
Foreign exchange	(1)	-
Total cash and cash equivalents presented in the statement of cash flows	846	791

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

30. Equity

30.1. Issued capital

Issued capital as at 30 June 2022 *(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	cash/in-kind contribution
BB	registered shares	163 110 632	5	816	in-kind contribution
Total		1 752 549 394		8 763	

Shareholding structure as at 30 June 2022 and as at 31 December 2021 *(to the best of the Company knowledge)*

Shareholder	Number of shares	Nominal value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634	30.06%	30.06%
KGHM Polska Miedz S.A.	182 110 566	911	10.39%	10.39%
Nationale - Nederlanden Otworthy Fundusz Emerytalny	88 742 929	444	5.06%	5.06%
Other shareholders	954 847 515	4 774	54.49%	54.49%
Total	1 752 549 394	8 763	100%	100%

As at 30 June 2022, to the best of the Company knowledge, the value of share capital, the number of shares, the nominal value of shares and the shareholding structure, have not changed as compared to the status as at 31 December 2021.

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 authorised to exercise the right to more than 10% of votes in the Company at the General Meeting. The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company authorising to at least 25% of the total votes in the Company.

30.3. Reserve capital

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Amounts from distribution of prior years profits	3 009	2 749
Total reserve capital	3 009	2 749

The reserve capital of the Company up to the level of one-third of the Company issued capital, i.e. PLN 2 921 million, may be used only to cover losses.

30.4. Revaluation reserve from the measurement of hedging instruments

	6-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2021 (unaudited)
Opening balance	299	(68)
Remeasurement of hedging instruments	312	129
Remeasurement of hedging instruments charged to profit or loss	20	3
Deferred income tax	(63)	(25)
Closing balance	568	39

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 22 to these interim condensed consolidated financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 30 June 2022, the Group recognised the amount of PLN 568 million of the revaluation reserve from the measurement of hedging instruments. This amount represents an asset on account of the measurement of IRS instruments as at the balance sheet day in the amount of PLN 723 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

The increase in the hedging instruments revaluation reserve during the 6-month period ended 30 June 2022 results from the increase in the positive measurement of IRS instruments, which is mainly associated with the rise in the level of market interest rates.

30.5. Retained earnings and restrictions on dividends

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

As at 30 June 2022 and as at the date these interim condensed consolidated financial statements were authorised for publications, there are no other restrictions concerning the payment of dividends.

30.6. Non-controlling interest

As at the balance sheet date, non-controlling interests amount to PLN 32 million and relate mainly to TAURON Dystrybucja S.A.

30.7. Dividends paid and proposed for disbursement

In the 6-month period ended 30 June 2022 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

On 29 March 2022, the Management Board of the Company decided to recommend that no dividend should be paid from the net profit for 2021 to the Company shareholders and that the entire net profit in the amount of PLN 260 million should be allocated to the reserve capital of the Company. On 24 May 2022 the Ordinary General Meeting of the Company adopted the resolution in compliance with the recommendation of the Management Board.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

31. Debt liabilities

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Unsubordinated bonds	5 456	5 348
Subordinated bonds	2 023	1 972
Loans and borrowings	5 680	4 535
Lease liabilities	1 254	1 235
Total	14 413	13 090
Non-current	12 252	10 947
Current	2 161	2 143

31.1. Bonds issued

Issuer	Investor	Interest rate	Curren- cy	Bonds issued at nominal value in currency	Maturity date	Carrying amount	
						As at 30 June 2022 (unaudited)	As at 31 December 2021
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	700	2022-2028	700	700
	A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	560	2022-2029	560	560
		fixed	EUR	1 000	2025	1 012	1 002
	Eurobonds	fixed	EUR	500	2027	2 387	2 316
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168	2029	797	770
Unsubordinated bonds						5 456	5 348
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 ²	400	401
	European Investment Bank	fixed ¹	EUR	190	2034 ²	877	847
			PLN	400	2030 ²	398	386
			PLN	350	2030 ²	348	338
Subordinated bonds						2 023	1 972
Total bonds						7 479	7 320

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

² In the case of subordinated bonds, the maturity date shall take into account two financing periods. 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.

31.2. Loans and borrowings

Loans and borrowings drawn as at 30 June 2022 (unaudited)

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	4 392	4 392	1 582	3	3	1 035	400	1 369
	fixed	1 227	1 227	35	75	110	561	110	336
Total PLN		5 619	5 619	1 617	78	113	1 596	510	1 705
Total			5 619	1 617	78	113	1 596	510	1 705
Interest increasing carrying amount			61						
Total			5 680						

Loans and borrowings drawn as at 31 December 2021

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	3 646	3 646	1 726	5	3	850	363	699
	fixed	880	880	35	75	109	89	557	15
Total PLN		4 526	4 526	1 761	80	112	939	920	714
Total			4 526	1 761	80	112	939	920	714
Interest increasing carrying amount			9						
Total			4 535						

Specification of loans and borrowings drawn as at 30 June 2022 and as at 31 December 2021

Borrowing institution	Interest rate	Currency	Maturity date	As at	As at
				30 June 2022 (unaudited)	31 December 2021
Consortium of banks I ¹	floating	PLN	2022	1 571	1 700
Bank Gospodarstwa Krajowego	floating	PLN	2033	1 000	999
			2024	183	222
European Investment Bank	fixed	PLN	2027	147	162
			2040	404	-
	floating		2040	812	-
Intesa Sanpaolo S.p.A.	floating	PLN	2024	761	752
SMBC BANK EU AG	fixed	PLN	2025	499	499
Consortium of banks II ²	floating	PLN	2022 ³	163	161
Erste Group Bank AG	floating	PLN	2026	97	-
Regional Fund			2022	2	4
for Environmental Protection and Water Management	floating	PLN	2025	10	12
Other loans and borrowings				31	24
Total				5 680	4 535

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. 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 A tranche classified as non-current liability.

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 possibility to maintain financing under the aforementioned agreement for a period exceeding 12 months from the balance sheet day, the drawdown used in the amount of PLN 160 million is classified as a non-current liability as at the balance sheet date.

In the 6-month period ended 30 June 2022, the Group performed the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

Lender	Description	6-month period ended 30 June 2022 (unaudited)	
		Drawdown	Repayment
Erste Group Bank AG	Under the agreement for PLN 500 million the Company drew the tranche of PLN 96 million.	96	-
European Investment Bank	As part of the loan agreement for the amount of PLN 2 800 million, the Company made the following drawdowns:	800	-
	- in the amount of PLN 800 million;	400	-
	- in the amount of PLN 400 million.		
	Repayment of capital instalments according to schedule	-	(56)
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to agreement deadline	7 100	(7 250)
Consortium of banks II	Drawdown of new tranches and repayment of tranches according to agreement deadline	160	(160)
Other borrowings		-	(3)
Total, including:		8 556	(7 469)
Cash flows		4 196	(3 109)
Net settlement (without cash flow)		4 360	(4 360)

After the balance sheet date the Company:

- performed drawdowns under available loans in the total amount of PLN 1 450 million and repaid tranches in the total amount of PLN 500 million;
- on 15 July 2022, signed a syndicated loan agreement, as further discussed in Note 52 to these interim condensed consolidated financial statements.

31.3. Debt agreement covenants

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

As at 30 June 2022, the net debt/EBITDA ratio amounted to 2.9, therefore the covenant was not exceeded.

31.4. Lease liability

The lease liability primarily relates to the perpetual usufruct of land, contracts for occupation of the road lane, land lease and rental agreements, transmission easements, rental agreements of mining machinery and the lease of office and warehouse premises.

Ageing of the lease liability

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Within 1 year	140	136
Within 1 to 5 years	349	355
Within 5 to 10 years	370	367
Within 10 to 20 years	655	650
More than 20 years	760	907
Gross lease liabilities	2 274	2 415
Discount	(1 020)	(1 180)
Present value of lease payments	1 254	1 235
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 254	1 235

32. Provisions for employee benefits

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Provision for post-employment benefits and jubilee bonuses	757	874
Provision for employment termination benefits and other provisions for employee benefits	21	19
Total	778	893
Non-current	662	789
Current	116	104

Provisions for post-employment benefits and jubilee bonuses

	6-month period ended 30 June 2022 <i>(unaudited)</i>				6-month period ended 30 June 2021 <i>(unaudited)</i>			
	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total
Opening balance	352	118	404	874	403	172	459	1 034
Current service costs	11	2	16	29	15	3	17	35
Actuarial gains and losses	(56)	(37)	(42)	(135)	(30)	(15)	(25)	(70)
Benefits paid	(10)	(2)	(13)	(25)	(9)	(2)	(15)	(26)
Interest expense	4	2	8	14	2	1	2	5
Closing balance	301	83	373	757	381	159	438	978
Non-current	254	75	322	651	354	154	394	902
Current	47	8	51	106	27	5	44	76

Revaluation of provision for employees' benefits

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

The main assumptions adopted by the actuary as at 30 June 2022 and as at 31 December 2021 for calculation of the liability amount are as follows:

	30 June 2022	31 December 2021
Discount rate (%)	6.90%	3.60%
Estimated long-term inflation rate (%)	2.50%	2.50%
Employee rotation rate (%)	0.98% - 8.80%	0.99% - 8.60%
Estimated salary increase rate (%)	7.20% in 2023, 5.00% in 2024 and 2025, 2.5% in the following years	5.8% in 2022, 3.6% in 2023, 2.5% in the following years
Estimated increase rate for contribution to the Social Fund (%)	3.50%	3.50%
Remaining average employment period	11.72 - 23.65	11.93 - 20.92

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

	6-month period ended 30 June 2022 <i>(unaudited)</i>			6-month period ended 30 June 2021 <i>(unaudited)</i>		
	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	257	145	402	375	208	583
Unwinding of the discount	5	2	7	2	1	3
Discount rate adjustment	(113)	(34)	(147)	(40)	(12)	(52)
Recognition/(reversal), net	-	5	5	-	4	4
Utilisation	-	(1)	(1)	-	(2)	(2)
Closing balance	149	117	266	337	199	536
Non-current	149	97	246	337	193	530
Current	-	20	20	-	6	6
Other provisions, long-term portion			44			80
Total			290			610

The change in the balance of the aforementioned provisions is mainly related to the revaluation of the provision due to a change in the discount rate adopted to calculate long-term provisions - an increase in the discount rate from 3.6% to 6.9%.

33.1. Provision for mine decommissioning costs

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

As at 30 June 2022, the balance of the provision amounted to PLN 149 million.

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

Within the provision for reclamation and dismantling costs and decommissioning of fixed assets, the Group recognises the following provisions created by companies in the Generation and Renewable energy sources segments the balance of which as at 30 June 2022 amounted to:

- provision for costs related to the dismantling of wind farms - PLN 81 million;
- provision for costs of liquidation of fixed assets - PLN 20 million;
- provision for costs related to reclamation of ash dumps - PLN 16 million.

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

	6-month period ended 30 June 2022 (unaudited)			6-month period ended 30 June 2021 (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	1 493	397	1 890	981	769	1 750
Recognition	1 156	494	1 650	699	418	1 117
Reversal	(8)	(5)	(13)	(1)	(10)	(11)
Utilisation	(1 494)	(336)	(1 830)	(986)	(757)	(1 743)
Closing balance	1 147	550	1 697	693	420	1 113

35. Other provisions

	6-month period ended 30 June 2022 (unaudited)				6-month period ended 30 June 2021 (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	74	416	163	653	77	85	228	390
Recognition	2	945	11	958	2	-	4	6
Reversal	(2)	(43)	(4)	(49)	(3)	-	(16)	(19)
Utilisation	-	(305)	(14)	(319)	(2)	(28)	(9)	(39)
Closing balance	74	1 013	156	1 243	74	57	207	338
Non-current	-	6	38	44	-	15	65	80
Current	74	1 007	118	1 199	74	42	142	258
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				20				6
Total				1 219				264

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

The Group companies create provisions for all claims filed by owners of properties on which distribution networks and heat installations are located. As at 30 June 2022, the provision on this account amounted to PLN 74 million and was related to the segments:

- Generation - PLN 36 million;
- Distribution - PLN 34 million;
- Renewable energy sources - PLN 4 million.

In 2012, the third party applied to TAURON Ciepło S.A. (currently TAURON Ciepło Sp. z o.o.) demanding the settlement of the legal status of the transmission equipment located on its property. The company has questioned both the legitimacy of the claims and of the grounds for offsetting their amounts against the current liabilities to the company arising from heat supplies. Consequently, the company took legal action to enforce its current claims against the debtor. The amount of the potential claims of the aforementioned entity in respect of clarification of the legal status of the company transmission equipment will be reviewed in the course of the proceedings. With regard to the pending dispute, in light of the adopted accounting policy, a provision has been recognised for the estimated cost of the above claim. Bearing in mind the pending litigation, having regard to the provisions of IAS 37.92, the Group does not disclose all information regarding the above issue as required by IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

35.2. Provisions for onerous contracts

As at the balance sheet date of 30 June 2022, the Group recognises, the provision for an onerous contracts in the amount of PLN 1 013 million in the Generation and Sales segments, relating to the sale of electricity where the sales revenue generated does not fully cover the costs incurred in connection with the need to produce or purchase the electricity required to perform these contracts.

- Within the Generation segment, at the balance sheet date, the Group recognised the provisions for onerous contracts in the amount of PLN 943 million, created in connection with contracts for the sale of electricity on the forward market concluded to June 2022, with the maturity date by 31 December 2022. The provision created was calculated based on the sales duty that the Generation segment of the company will sell a volume of 3.04 TWh of electricity on the forward market during the second half of 2022. The calculation of the provision was based on the price difference between the contracted sales price under the concluded forward market

transactions and the estimated cost of performing the contracts, which includes the cost of necessary fuel amount used to produce electricity, CO₂ emission allowances in accordance with the contracts concluded for their purchase and other costs incurred in connection with the production of electricity, including depreciation of property, plant and equipment used to perform the contracts.

- Within the Sales segment, at the balance sheet date, the Group recognised the provisions for onerous contracts in the amount of PLN 70 million (as at the 31 December 2021 the provision was amounted to PLN 127 million). relating in particular to sales contracts to the following groups of customers: customers benefiting from the prices of the ERO tariff G, customers benefiting from the product price lists offered by the companies and business customers with individually negotiated contracts who, in the first half of 2022, benefited from the possibility of settlement according to the prices resulting from the companies' tariffs. In the 6-month period ended 30 June 2022, the Group partially utilised the provision in the amount of PLN 59 million created as at 31 December 2021.

Moreover, in the 6-month period ended 30 June 2022, the Group recognised the effects of utilisation and updating of the provision created in connection with the shutdown of the 910 MW unit in Jaworzno. The provision created as at 31 December 2021 in the amount of PLN 289 million was calculated based on the assumption that in the period of the estimated shutdown of the unit, i.e. by 29 April 2022, the Group will purchase the volume of 1.7 TWh of electricity which was not supposed to be produced within own production due to the shutdown of the 910 MW unit. Due to the shutdown of the 910 MW unit and the need to fulfil contracted supplies to customers, the Group purchased electricity on the wholesale market at current prices and then resold it through the companies of the Sales segment to the end customer. In particular, in the 6-month period ended 30 June 2022, the Group used the provision of PLN 246 million in connection with the execution of transactions for the purchase of electricity on the wholesale market at current prices and its resale to the end customer, and performed a partial release as at 30 June 2022 of the remaining part of the provision in the net amount of PLN 43 million.

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

Material provisions recognised within other provisions are described below:

Operating segment	Description	As at 30 June 2022 (unaudited)	As at 31 December 2021
Provision for real estate tax			
Distribution	Provision for the economic risk in the scope of real estate tax relating to power grid assets.	39	39
Renewable Energy Sources	The provision relates to the risk of the effects of the Constitutional Court judgement of 22 July 2020 on imposing the real estate tax on wind power plants in 2018.	17	17
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, Katowice and Kraków in connection with a change in the status of land from forest land to land associated with business activities.	31	33

36. Accruals, deferred incomes and government grants

36.1. Deferred income and government grants

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Deferred income	42	41
Donations, subsidies received for the purchase or fixed assets received free-of-charge	33	36
Other	9	5
Government grants	562	561
Subsidies obtained from EU funds	489	485
Measurement of preferential loans	28	29
Forgiven loans from environmental funds	23	24
Other	22	23
Total	604	602
Non-current	569	567
Current	35	35

36.2. Accruals of costs

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Bonuses	178	60
Unused holidays	81	35
Environmental protection charges	21	26
Other accrued expenses	21	22
Total	301	143
Non-current	1	1
Current	300	142

37. Liabilities to suppliers

Short-term liabilities to suppliers in individual segments as at 30 June 2022 and as at 31 December 2021 are presented in the table below.

Operating segment	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Mining	176	164
Generation	214	168
Renevable Energy Sources	13	14
Distribution, <i>including:</i>	415	409
<i>liability to Polskie Sieci Elektroenergetyczne S.A.</i>	347	331
Sales	456	389
Other	85	98
Total	1 359	1 242

38. Liabilities due to acquisition of non-controlling shares

On 22 March 2022, the Company performed a timely repayment of the entire liability to Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN (“PFR Fund”) for the acquisition of shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., in the amount of PLN 1 061 million.

The liability stemmed from the agreement concluded on 22 December 2021 between the Company and the PFR Fund, pursuant to which the Company acquired 176 000 shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. representing 13.71% of the total number of votes at the shareholders' meeting of Nowe Jaworzno Grupa TAURON Sp. z o.o. for the amount of PLN 1 061 million. The transfer of title to the shares took place upon the conclusion of the

agreement. Following the transaction, the Company holds 100% of the votes at the general meeting of shareholders of Nowe Jaworzno Grupa TAURON Sp. z o.o.

Upon payment of the price, the shareholders' agreement and the investment agreement concluded in 2018 between the Company, Nowe Jaworzno Grupa TAURON Sp. z o.o. and the PFR Fund, determining the terms and conditions of the PFR Fund capital investment in Nowe Jaworzno Grupa TAURON Sp. z o.o., was terminated.

39. Investment liabilities

Operating segment	As at 30 June 2022 (<i>unaudited</i>)	As at 31 December 2021
Mining	16	30
Generation	81	110
Renevle Energy Sources	5	19
Distribution	162	345
Sales and Other	135	112
Total	399	616

Commitments to incur capital expenditure

As at 30 June 2022 and as at 31 December 2021, the Group committed to incur expenditure of PLN 4 005 million and PLN 2 844 million, respectively, on property, plant and equipment and intangible assets, the key items of which are shown in the table below.

Operating segment	Agreement/investment project	As at 30 June 2022 (<i>unaudited</i>)	As at 31 December 2021
Distribution	Construction of new electrical connections	1 745	1 342
	Modernization and reconstruction of existing networks	775	556
Renewable Energy Sources	Construction of wind farms	355	82
	Construction of the photovoltaic farm	123	-
Generation	Expansion of heat sources in new capacities	119	141
	Construction of 910 MW Power Unit in Jaworzno	106	166
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	96	96
Other	Construction of a broadband Internet network under the Operational Programme Digital Poland	21	62

40. Settlements due to income tax

The Group's income tax receivables in the amount of PLN 158 million relate to income tax settlements of the Group companies for the 6-month period ended 30 June 2022, mainly of the following companies: TAURON Polska Energia S.A., TAURON Ciepło Sp. z o.o. and Nowe Jaworzno Grupa TAURON Sp. z o.o.

The Group's income tax liabilities in the amount of PLN 75 million relate to income tax settlements of the Group companies for the 6-month period ended 30 June 2022, mainly of the following companies: TAURON Wytwarzanie S.A. and TAURON Dystrybucja S.A.

TAURON Polska Energia S.A. and selected subsidiaries settled income tax for 2021 within the Tax Capital Group registered on 14 December 2020. On 24 May 2022, the Head of the First Tax Office for the Mazowieckie Province in Warsaw issued a decision on the expiry of the decision on registration of the agreement on the establishment of the Tax Capital Group for 2021-2023 on 31 December 2021. The reason for issuing the above decision was the PGK's failure to meet the legally required condition of a minimum profitability of 2% for PGK for 2021. As a result of the above decision, since 1 January 2022, the Group companies earlier belonging to the Tax Capital Group have been accounting for income tax individually.

41. Liabilities arising from other taxes and charges

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Social security	147	231
VAT	141	263
Personal Income Tax	31	69
Other	11	66
Total	330	629

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 consolidated financial statements may change in the future.

42. Other financial liabilities

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Margin deposits arising from stock exchange	198	102
Wages, salaries	145	220
Bid bonds, deposits and collateral received	79	64
Security margin deposits from bank settlements	68	-
Liability on account of compensation to trading companies	62	-
Other	152	130
Total	704	516
Non-current	99	33
Current	605	483

The value of variation margins due to exchange settlements is related mostly to futures transactions in CO₂ emission allowances concluded on foreign regulated markets. The change in the value of margins in relation to the comparable period results mainly from a significant increase in the price of allowances, while taking into account the number of exchange contracts open as at the balance sheet date. The variation margins represented funds received by the Company in connection with the change in the valuation of the concluded futures contracts open as at the balance sheet date.

Security margin deposits from bank settlements represented funds received by the Company, in connection with a significant increase in the positive valuation of the derivative instruments: IRS, CCIRS and currency forward, concluded with the bank.

43. Other current non-financial liabilities

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Payments from customers relating to future periods	696	568
Amounts overpaid by customers	435	392
Prepayments for connection fees	173	107
Other	88	69
Other current non-financial liabilities	12	2
Net liabilities of the Company's Social Benefits Fund	10	-
Other	2	2
Total	708	570

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

44.1. Cash flows from operating activities

Changes in working capital

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Change in receivables	(228)	(84)
Change in receivables from buyers in statement of financial position	(197)	(59)
Change in other financial receivables	(39)	(17)
Other adjustments	8	(8)
Change in inventories	(41)	(278)
Change in inventories in statement of financial position	(34)	(266)
Adjustment related to transfer of inventories to/from property, plant and equipment	(7)	(12)
Change in payables excluding loans and borrowings	26	83
Change in liabilities to suppliers in statement of financial position	117	(36)
Change in payroll, social security and other financial liabilities	128	179
Change in non-financial liabilities in statement of financial position	135	74
Change in liabilities arising from taxes excluding income tax	(299)	(69)
Adjustment of VAT change related to capital commitments	(31)	(72)
Adjustment of other financial liabilities for guarantee valuation	(9)	11
Other adjustments	(15)	(4)
Change in other non-current and current assets	(269)	848
Change in other current and non-current non-financial assets in statement of financial position	(125)	(128)
Change in receivables arising from taxes excluding income tax	(286)	122
Change in non-current and current CO ₂ emission allowances	193	390
Change in non-current and current energy certificates	(168)	431
Change in advance payments for property, plant and equipment and intangible assets	119	32
Other adjustments	(2)	1
Change in deferred income, government grants and accruals	128	99
Change in deferred income, government grants and accruals in statement of financial position	160	179
Adjustment related to property, plant and equipment, intangible assets and right-of-use assets received free of charge	(11)	(23)
Adjustment related to subsidies received and refunded	(21)	(57)
Change in provisions	374	(692)
Change of short term and long term provisions in statement of financial position	146	(792)
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	93	45
Adjustment for change in provisions recognised with non-financial fixed assets	134	46
Other adjustments	1	9
Total	(10)	(24)

Income tax paid

In the 6-month period ended 30 June 2022, income tax paid by the Group companies on account of income tax settlement for the first half of 2022 amounted to PLN 616 million. At the same time, the Group received a tax refund from the Tax Capital Group settlement for 2021 in the amount of PLN 374 million.

In the 6-month period ended 30 June 2021, income tax paid amounted to PLN 398 million, of which the Tax Capital Group paid income tax in the amount of PLN 362 million on account of advances for income tax for the month of December 2020 and the first quarter of 2021.

Since 1 January 2022, the companies previously belonging to the Tax Capital Group have been calculating and paying income tax individually, as further described in Note 40 to these interim condensed consolidated financial statements.

44.2. Cash flows from investment activities

Purchase of property, plant and equipment and intangible assets

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Purchase of property, plant and equipment	(1 089)	(1 104)
Purchase of intangible assets	(169)	(38)
Change in the balance of capital commitments (VAT-adjusted)	(126)	(350)
Change in the balance of advance payments	(119)	(33)
Costs of overhaul and internal manufacturing	(177)	(146)
Other	(35)	(3)
Total	(1 715)	(1 674)

Granting a loan to the joint venture

The expenses related to granting the loan to the joint venture arise from the loan agreement concluded by the Company on 2 March 2022 with Elektrociepłownia Stalowa Wola S.A. up to PLN 120 million, as further described in Note 21 to these interim condensed consolidated financial statements. On 8 March 2022, the Company paid the full amount of the loan to the borrower.

44.3. Cash flows from financial activities

Repayment of loans/borrowings

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Repayment by the Company of tranches of loans to the Consortium of banks I	(3 050)	(1 750)
Repayment by the Company of the loan installments to the European Investment Bank	(56)	(56)
Other	(3)	(2)
Total	(3 109)	(1 808)

Purchase of non-controlling shares

Expenses for the acquisition of non-controlling shares in the amount of PLN 1 061 million result from the timely repayment on 22 March 2022 of liabilities to Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN for the acquisition of shares in the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o., as further described in Note 38 to these interim condensed consolidated financial statements.

Interest paid

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Interest paid in relation to debt securities	(68)	(35)
Interest paid in relation to loans	(41)	(50)
Interest paid in relation to the lease and other	(5)	(6)
Total financial expenditure	(114)	(91)

Loans drawn

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
The launch of loan tranches of financing by the Company under loan agreements:		
Banks Consortium I	2 900	600
European Investment Bank	1 200	-
Erste Group Bank AG	96	-
Other	-	3
Total	4 196	603

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

45. Financial instrument

Categories and classes of financial assets	As at 30 June 2022 (unaudited)		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	3 681		3 440	
Receivables from buyers	3 519	3 519	3 322	3 322
Deposits	61	61	56	56
Loans granted	24	24	25	25
Other financial receivables	77	77	37	37
2 Financial assets measured at fair value through profit or loss (FVTPL)	2 174		1 726	
Derivative instruments	910	910	626	626
Shares	146	146	141	141
Loans granted	175	175	74	74
Other financial receivables	69	69	70	70
Cash and cash equivalents	874	874	815	815
3 Derivative hedging instruments	723	723	371	371
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	652		597	
Investments in joint ventures	652		597	
Total financial assets, of which in the statement of financial position:	7 230		6 134	
Non-current assets	1 773		1 443	
Investments in joint ventures	652		597	
Loans granted to joint ventures	199		99	
Derivative instruments	690		532	
Other financial assets	232		215	
Current assets	5 457		4 691	
Receivables from buyers	3 519		3 322	
Derivative instruments	943		465	
Other financial assets	121		89	
Cash and cash equivalents	874		815	

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

Categories and classes of financial liabilities	As at 30 June 2022 (unaudited)		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	15 621		15 290	
Preferential loans and borrowings	12	12	15	15
Arm's length loans and borrowings	5 668	5 557	4 520	4 471
Bonds issued	7 479	7 246	7 320	7 500
Liabilities to suppliers	1 359	1 359	1 242	1 242
Other financial liabilities	491	491	250	250
Liabilities due to the acquisition of non-controlling interests	-	-	1 061	1 061
Capital commitments	459	459	616	616
Salaries and wages	145	145	220	220
Insurance contracts	8	8	46	46
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	731		495	
Derivative instruments	731	731	495	495
3 Financial liabilities excluded from the scope of IFRS 9	1 254		1 235	
<i>Financial Instruments</i>				
Liabilities under leases	1 254		1 235	
Total financial liabilities, of which in the statement of financial position:	17 606		17 020	
Non-current liabilities	12 434		11 096	
Debt	12 252		10 947	
Derivative instruments	83		116	
Other financial liabilities	99		33	
Current liabilities	5 172		5 924	
Debt	2 161		2 143	
Liabilities to suppliers	1 359		1 242	
Liabilities due to the acquisition of non-controlling interests	-		1 061	
Capital commitments	399		616	
Derivative instruments	648		379	
Other financial liabilities	605		483	

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 hierarchy 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 22 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	2	The fair value measurement was carried out based on the present value of future cash flows discounted using a current interest rate.
	3	Fair value measurement of the loan had the form of the present 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 currently applicable to given bonds or loans, i.e. applying market interest rates.

The fair value of other financial instruments as at 30 June 2022 and 31 December 2021 (except from those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for the following reasons:

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

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

46. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to 31 December 2021.

As at 30 June 2022, the parent company had hedging transactions covered by the financial risk management policy concluded with the purpose of hedging the interest flows associated with debt. For the transactions concluded, the parent company applies hedge accounting. The accounting recognition of the hedging transactions described above is further described in Note 22 to these interim condensed consolidated financial statements.

47. Finance and capital management

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

OTHER INFORMATION

48. Contingent liabilities

Claims related to termination of long-term contracts

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

In 2015, companies belonging to the Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising claims for damages and contractual penalty claims related to contract termination.

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 116 million (including Amon Sp. z o.o. - PLN 70 million, Talia Sp. z o.o. - PLN 46 million); Wind Invest group companies - PLN 493 million.

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. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgements. The judgement in the Amon Sp. z o.o. case is not final. In the case brought by Talia Sp. z o.o., on 20 December 2021 the Court of Appeals in Gdańsk announced a judgement dismissing the appeals of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The judgement of the Court of Appeals and consequently the preliminary and partial judgements and the supplementary judgement indicated above are final, however, it is possible to apply for the judicial review. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimant, i.e. Talia Sp. z o.o. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has received a justification of the judgement of the Court of Appeals and will file a cassation appeal within the required deadline.

The above-mentioned final, partial and preliminary judgements in the Talia Sp. z o.o. lawsuit do not change the Group's assessment that the chances of ultimately losing the case for damages in favour of Talia Sp. z o.o. are not higher than the chances of winning it, and therefore no provision is created for the related costs. The partial and preliminary judgement in the Amon Sp. z o.o. lawsuit does not change the Group's assessment that the chances of losing the case are not higher than the chances of winning it and therefore no provision is created for the related costs.

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.

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

court).

Taking into account the current status of the lawsuits and the circumstances surrounding them, the Group believes that the chances of losing the remaining lawsuits related to both declarations of ineffectiveness of termination of agreements and claims for damages are not higher than the chances of winning the lawsuits in question, and therefore it does not recognise a provision for related costs.

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

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

As at the date of approval of these interim condensed consolidated financial statements for publication, the damages claimed in the lawsuits amount to: Polenergia Group companies - PLN 131 million, Wind Invest group companies - PLN 272 million.

Moreover, in their claims, the plaintiff companies indicate the following values of estimated damages that may arise in the future: Polenergia Group companies - PLN 265 million, Wind Invest Group companies - PLN 1 119 million.

The District Court in Katowice has jurisdiction to hear the lawsuits. All cases are held before the first instance courts. The proceedings 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 Group 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.

Claim towards Polskie Elektrownie Jądrowe Sp. z o.o. (formerly: PGE EJ 1 Sp. z o.o.)

TAURON Polska Energia S.A. as a former shareholder holding 10% of shares in the issued capital of Polskie Elektrownie Jądrowe Sp. z o.o. until the date of sale, i.e. 26 March 2021, jointly with the other former shareholders of the company (PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A.), is a party to the agreement with Polskie Elektrownie Jądrowe Sp. z o.o. regulating the issues of potential liabilities and benefits of the parties resulting from the settlement of the dispute between Polskie Elektrownie Jądrowe Sp. z o.o. and the consortium composed of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter: "WorleyParsons consortium").

In 2015, the WorleyParsons consortium, which is the research contractor for the investment process related to the construction of a nuclear power plant by Polskie Elektrownie Jądrowe Sp. z o.o., submitted claims against Polskie Elektrownie Jądrowe Sp. z o.o. for the total amount of PLN 92 million in a call for payment and then filed a lawsuit for approximately PLN 59 million, extended in 2017 and 2019 to the amount of approximately PLN 128 million.

In accordance with the agreement, the shareholders in proportion to their previously held number of shares in Polskie Elektrownie Jądrowe Sp. z o.o. are responsible for liabilities or proportionally entitled to benefits potentially arising as a result of the settlement of the dispute with the WorleyParsons consortium up to the maximum level of claims including interest set as at 26 March 2021, amounting respectively to PLN 140 million for claims asserted by the WorleyParsons consortium against Polskie Elektrownie Jądrowe Sp. z o.o. and PLN 71 million for claims asserted by Polskie Elektrownie Jądrowe Sp. z o.o. against the WorleyParsons consortium.

According to the best knowledge of the Group, Polskie Elektrownie Jądrowe Sp. z o.o. has not acknowledged the claims filed against it and considers potential adjudication by the court to be unlikely. No provision was recognised in relation to the above events by the Group.

Claims filed by Huta Łaziska S.A.

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

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 million including interest accrued 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 ERO President of 12 October 2001 concerning the 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. Huta lodged an appeal (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company. By the judgement of 9 February 2022, the appeal lodged by Huta was dismissed and the Company was awarded, among others, the costs of the appeal proceedings. The judgement is legally binding.

Based on a legal analysis of claims, as well as taking into account the said judgement, the Group believes that they are unjustified and the risk that they must be satisfied is remote. Consequently, no provision has been recognised by the Company for costs associated with those claims.

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016 and currently heard by the Appeal Court in Katowice, refers to the payment of the amount of PLN 17 million including the statutory interest accrued 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 million, including the statutory interest, was lodged 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. ENEA has filed an appeal against the above ruling. Until the date these interim condensed consolidated financial statements were authorised for publication, the Company had not been served with a notice setting a date for an appeal hearing.

The Company did not recognize any provision as, in the opinion of the Company, the risk of losing the case is below 50%. Provisions for costs were created by subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. In the 2021, the provisions were fully released due to the position of the companies and the assessment of the chances of positive outcome of the proceedings that ended with a non-final judgement favourable to the companies.

Proceedings initiated by the President of the Office of Competition and Consumer Protection and the President of the Energy Regulatory Office

Administrative and explanatory proceedings are pending against companies in the Sales segment. The Companies provide clarifications in the respective cases on an ongoing basis and undertakes remedying actions.

In the scope of proceedings concerning the imposition of fines initiated against a company in the Sales segment for which the ERO President issued decisions imposing fines, the company established provisions for pending proceedings in the total amount of PLN 3 million.

With regard to the proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the companies in the Sales segment for declaring the provisions of the standard agreement as prohibited in connection with the mechanism used by the companies for automatically extending the period of settlement of charges for the sale of electricity according to the price list, the companies established the provisions in the total amount of PLN 8 million for the potential refund of one-off fees charged to customers for early termination of price lists and for potential costs of servicing the implementation of the provisions within the framework of binding decisions.

Except above mentioned proceedings the Companies do not create provisions for potential penalties related to initiated proceedings, since in the opinion of the Management Boards of the companies the risk of unfavourable resolution of cases and imposition of a penalty is low.

Non-contractual use of the real estate

The companies belonging to Group do not hold legal titles to all plots of land on which the distribution grids 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 by owners of land of unregulated status due to the lack of detailed record of unregulated land and the resulting inability to reliably estimate the amount of potential claims. However, considering the record of the reported claims and the costs incurred in this respect in previous years, the risk of the necessity to incur significant costs due to such claims can be considered as remote.

As at the balance sheet date, provisions in the amount of PLN 74 million were created for reported court disputes, which are recognised in the statement of financial position under other provisions (Note 35.1).

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

In December 2017, the subsidiary, TAURON Wydobycie S.A. received a claim from Galeria Galena Sp. z o.o., with its registered office in Gliwice, for payment of the amount of PLN 23 million 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. 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 the first instance District Court in Katowice. In the course of the proceedings, opinions were prepared by court experts. As a result of further factual doubts and requests by the parties, the court instructed the expert witnesses to prepare another supplementary opinion. After the balance sheet day, on 22 August 2022, the company received opinion in question, which currently is analysed by the company for preparation of position in a case. Deadline for furnish of further possible comments and charges for opinion in question expires on 19 September 2022.

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.

Claim for amendment to the agreement for the construction of the Grzegorz Shaft in TAURON Wydobycie S.A.

In January 2020, 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." declared the suspension of 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 in February 2020, it 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.

In February 2021, the company filed a request for mediation with the Court of Arbitration at the General Counsel to the Republic of Poland. On 17 March 2021, the first mediation meeting was held as a starting point of the mediation process continuing to date.

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.

49. Collaterals for repayment of liabilities

As part of its operations, the Group uses a number of instruments to hedge its own liabilities and liabilities of joint ventures under the concluded agreements and transactions. The major types of collaterals are presented below.

Collateral	Collateral amount as at	
	30 June 2022 (unaudited)	31 December 2021
Declarations of submission to enforcement*	18 377	19 189
Corporate and bank guarantees	1 776	1 526
Bank account mandates	600	600
Blank promissory notes	581	499
Pledges on shares	416	1 796
Other	180	62

*As at 30 June 2022, the item comprises collaterals relating to agreements for which, as at the balance sheet day, the liabilities were repaid in the total amount of PLN 240 million.

The decline in the value of the collaterals in the form of declarations of submission to enforcement and pledges on shares results mainly from the expiry of the collaterals established under the agreement of 22 December 2021 towards Fundusz Inwestycji Infrastrukturalnych–Kapitałowy Fundusz Inwestycyjny Aktywów Niepublicznych (the "Fund"), in connection with the timely repayment on 22 March 2022 of the liabilities for the acquisition of non-controlling interests in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. to the Fund, as described in more detail in Note 38 to these interim condensed consolidated financial statements. As part of these collaterals:

- the declaration on submission to enforcement up to the amount of PLN 1 380 million expired, with the execution period until 22 September 2023. The Company received a declaration from the Fund of 4 April 2022 that the security had expired and that the declaration of submission to enforcement had not been exercised;
- pledges expired on 176 000 shares in the share capital of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., i.e. a registered pledge with the first priority of satisfying on the shares up to the maximum amount of security of PLN 1 380 million and an ordinary pledge with the first priority of satisfying equal to the priority of the registered pledge. The pledges remained in force until the date of full satisfaction of the secured claims, i.e. by 22 March 2022.

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

- on 1 July 2022, a bank guarantee in the amount of PLN 25 million for the liabilities of Nowe Jaworzno Grupa TAURON Sp. z o.o. to Polskie Sieci Elektroenergetyczne S.A. was granted at the Company request, with a term of validity until 31 October 2022;
- on 25 August 2022, the Company signed a declaration of submission to enforcement up to the total maximum amount of PLN 4 800 million with the effective term of 30 November 2030, in connection with the conclusion of a syndicated loan agreement on 15 July 2022 in the amount of PLN 4 000 million, as described in more detail in note 52 of these interim condensed consolidated financial statements, and a declaration of submission to enforcement up to the maximum amount of PLN 300 million with the effective term of 30 August 2025, in connection with signing of the annex to the overdraft agreement with Bank Gospodarstwa Krajowego regarding the extension of the validity period of the agreement by 30 August 2023;
- on 30 August 2022, bank guarantees were issued to the Polskie Sieci Elektroenergetyczne S.A. as security for the Company liabilities in total amount of PLN 60 million, with the expiry date of 15 February 2023.

Carrying amount of assets pledged as a collateral for the repayment of the Group's liabilities

The carrying amounts of assets pledged as a collateral for the repayment of liabilities at each balance sheet date have been presented in the table below.

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Other financial receivables	53	29
Real estate	6	4
Cash	1	1
Total	60	34

The main item consists of collaterals of forward transactions - derivative financial instruments concluded by the Company on foreign stock exchange markets. As at 30 June 2022 and as at 31 December 2021, the related collaterals amounted to PLN 53 million and PLN 29 million, respectively.

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

- Bank guarantees

The Company secures transactions concluded on the Polish Power Exchange [Towarowa Gielda Energii S.A.], among others, in the form of bank guarantees issued to Izby Rozliczeniowej Gield Towarowych S.A. ('IRGiT'). As at 30 June 2022 and 31 December 2021, bank guarantees totalling PLN 50 million and PLN 70 million, respectively, were in force.

After the balance sheet date, bank guarantees were issued to the IRGiT as security for the Company liabilities. As at the date of approval of these interim condensed consolidated financial statements for publication, the guarantees in the total amount of PLN 187 million are in force, with the expiry dates of 21 September 2022, 24 September 2022 and 11 October 2022 and 1 November 2022.

- TAURON Group Margin Offsetting Agreement

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

- Assignment of CO₂ emission allowances to the IRGiT by the subsidiary, TAURON Wytwarzanie S.A.

In order to secure its liabilities for the due to margin payments, result form transactions concluded on the Polish Power Exchange S.A. by its subsidiary TAURON Wytwarzanie S.A., on 30 June 2022 the company concluded the agreement with the IRGiT for the assignment of CO₂ emission allowances.

After the balance sheet date, on 4 July 2022, the subsidiary, TAURON Wytwarzanie S.A. Deposited CO₂ emission allowances owned by it in a total amount of 266 086 tonnes in the IRGiT account. Until the date of approval of these interim condensed consolidated financial statements for publication, no allowances have been returned to the company account.

Provision of funds to cover future decommissioning costs

In order to secure funds to cover future decommissioning costs, the Group's subsidiaries, i.e. TAURON Wydobywanie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o. constitute the Mine Decommissioning Fund.

50. Related party disclosures

50.1. 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.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 6-month period ended 30 June 2022
compliant with the IFRS approved by the EU
(in PLN million)

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Revenue	497	162
Costs	(222)	(225)

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

The Company provided also collaterals to joint ventures in the form of pledges on shares in TAMEH HOLDING Sp. z o.o. and a bank guarantee commissioned by the Company to secure loan liabilities of Elektrociepłownia Stalowa Wola S.A.

50.2. Transactions with State Treasury companies

The main shareholder of the Group is the State Treasury of the Republic of Poland, therefore the State Treasury companies are treated as related parties.

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

Revenues and costs

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Revenue	1 863	1 417
Costs	(2 372)	(2 405)

Receivables and liabilities

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Receivables*	341	573
Payables	603	506

**As at 30 June 2022 and as at 31 December 2021, the receivables item in the table above comprises advance payments for the purchase of fixed assets in the amount of PLN 3 million and PLN 2 million, respectively.*

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Capital Group in the 6-month period ended 30 June 2022 and in the comparable period included: KGHM Polska Miedź S.A., PSE S.A. and Polska Grupa Górnicza S.A. The Group concluded the largest purchase transactions in both periods from PSE S.A. and Polska Grupa Górnicza S.A.

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

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

The above tables do not include transactions with banks under the control of the State Treasury, which, in accordance with IAS 24 *Related Party Disclosures*, as providers of finance, are not treated as related parties.

Transactions with the State Treasury

On 22 March 2021, an agreement was concluded between the State Treasury represented by the Minister of State Assets and the Company, under which the Company is authorised to receive reimbursement of the costs incurred in connection with the implementation of the activities commissioned to it pursuant to the decision of the Prime Minister of 29 October 2020 in the scope of counteracting COVID-19, consisting in organising and establishing a temporary hospital in Krynica - Zdrój and maintaining the operation of this hospital. The total costs incurred for this task amounted to PLN 10 million, and by the balance sheet date the Company had received reimbursement of the costs incurred in the total amount of PLN 7 million. In the 6-month period ended 30 June 2022, the costs incurred amounted to PLN 1 million. In principle, the settlement of the task has no impact on the financial results of the Company due to the entitlement of the Company to receive reimbursement of the reasonable costs incurred.

50.3. Remuneration of the executives

The level of remuneration and other benefits of members of the Management Board and other top management staff of the parent company and the subsidiaries paid and due in the 6-month period ended 30 June 2022 and in the comparative period is presented in the table below.

	6-month period ended 30 June 2022 <i>(unaudited)</i>		6-month period ended 30 June 2021 <i>(unaudited)</i>	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	4	9	2	8
Short-term benefits (with surcharges)	4	9	2	8
Supervisory Board	-	1	-	1
Short-term employee benefits (salaries and surcharges)	-	1	-	1
Other key management personnel	8	28	9	24
Short-term employee benefits (salaries and surcharges)	7	27	8	23
Other	1	1	1	1
Total	12	38	11	33

In addition, in accordance with the accounting policy adopted, the Group creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on account of termination of their employment, which may be paid or payable in subsequent reporting periods. The table above takes into account the amounts paid and to be paid by 30 June 2022.

51. Other material information

Restructuring of the hard coal mining sector in Poland

On 3 February 2022, the Act of 17 December 2021 amending the Act on the functioning of the hard coal mining industry (the "Act") entered into force, establishing a system of public aid for hard coal mining. The Act stipulates the value of subsidies in the amount of over PLN 28.8 billion for the years 2022-2031, while values of subsidies for subsequent years have not been specified. The Act clarifies, among others, the rules for granting public aid in the form of subsidies to reduce the production capacity of coal mines, stipulates the suspension of the repayment and ultimate redemption of a part of the mining companies' liabilities towards the Social Insurance Institution (ZUS) and defines the possibility of increasing their capital by issuing Treasury securities. On 4 February 2022, the Regulation of the Minister of State Assets on capacity reduction subsidies for mining companies entered into force, setting out the detailed conditions of the support system regarding capacity reduction subsidies. The support system adopted in the Act constitutes state aid and is subject to notification to the European Commission. As at the date of approval of these interim condensed consolidated financial statements for publication, the aid scheme has not been notified.

Accession of TAURON Wydobycie S.A. to the subsidy scheme required the preparation of documents in the form of an operating programme up till 2049 and a technical and economic plan as well as the application for granting a subsidy. The operating programme and the application for granting the subsidy required the approval by the Minister of State Assets. On 15 March 2022, the Minister of State Assets approved the directions of the operating programme submitted by TAURON Wydobycie S.A. On 8 April 2022, TAURON Wydobycie S.A. received information on the acceptance by the Minister of State Assets of the application for granting public aid in the form of subsidies to TAURON Wydobycie S.A. to reduce its production capacity for 2022. The subsidies will be granted in the form of Treasury securities allocated to the capital increase of TAURON Wydobycie S.A. Subsidies for TAURON Wydobycie S.A. will be provided under Article 5f of the Act of 7 September 2007 on the operation of the hard coal mining industry and the Regulation of the Minister of State Assets of 3 February 2022 on subsidies to reduce the production capacity of mining companies.

The originally estimated value of subsidies for TAURON Wydobycie S.A. for 2022 was determined at a level of approximately 1 150 million. However, given the situation on the coal market (limited supply resulting in higher coal prices), this amount will be reduced. Detailed conditions for the granting, settlement and control of the subsidies will be set out in a funding agreement which, in accordance with the provisions of the aforementioned Regulation, should be concluded between the Ministry of State Assets and TAURON Wydobycie S.A. The conclusion of the agreement and the transfer of the Treasury securities should take place immediately prior to the occurrence of the demand for subsidy funds. Until the date of approval of these interim condensed consolidated financial statements for publication, the agreement has not been concluded.

Implementation of the Government Programme of the Transformation of the Polish Electricity Sector

In April 2021, the government programme of the transformation of the Polish electricity sector (the "Programme") was initiated by the Ministry of State Assets (MAP). The Programme aims to separate coal assets from state-owned energy companies under the terms and conditions set out by the MAP in the document entitled "*The transformation of the electricity sector in Poland. Separation of coal generation assets from the companies with the State Treasury shareholding*". On 1 March 2022, the Council of Ministers passed the resolution adopting the aforementioned document.

The Programme stipulates the acquisition of all assets related to the generation of energy in coal and lignite-fired power plants, including service companies providing services to them by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. The State Treasury will integrate the acquired assets into a single entity. The acquisition will be preceded by an internal reorganisation of the energy corporations.

In connection with the Programme, in the 6-month period ended 30 June 2022, work was carried out in the Group in order to perform the reorganisation changes necessary for the execution of the transaction, aimed at integrating the assets to be separated into a single entity, which is Tauron Wytwarzanie S.A in TAURON Group. In particular, as part of the work performed:

- On 18 May 2022, a resolution was adopted to divide the TAURON Wytwarzanie S.A. company by separating and transferring the separated assets to the newly established company, TAURON Inwestycje Sp. z o.o. in organisation. The division of TAURON Wytwarzanie S.A. and the incorporation of TAURON Inwestycje Sp. z o.o. were registered after the balance sheet date, on 1 July 2022,
- on 31 May 2022, the Company transferred the ownership of 100% of shares in the share capital of Bioeko Grupa TAURON Sp. z o.o. and 95.61% of shares in the share capital of TAURON Serwis Sp. z o.o. to TAURON Wytwarzanie S.A. under an agreement.

After the balance sheet date, on 29 July 2022, an agreement was concluded for the sale of 100% of the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. held by the Company to TAURON Wytwarzanie S.A. for the price of PLN 4 815 million.

As at 30 June 2022, the Group believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the Group's assets and liabilities of the manufacturing and service companies included in the Programme as a disposable group classified as held for sale.

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

The first half of 2022 was a period of continued COVID-19 pandemic status (5th wave), which saw sustained high levels of SARS-CoV-2 infections, which gradually subsided in March this year. Some restrictions still applied in the country with the aim to contain the spread of the pandemic which were gradually eased as the number of recorded cases of infection decreased. This situation continued to cause some disturbances in the economic and administrative system in Poland and worldwide, affecting especially the performance of companies from sectors such as tourism, trade or transport. Consequently, in the medium and long term, it should be expected - taking into account the continuing level of infections and the high probability of emergence of new waves of increased infections - that the COVID-19 pandemic will continue to affect, although to a lesser extent than before, the national, European and global economic situation, exerting a negative impact on macroeconomic factors, i.e. on the economic growth in Poland in the current year and in subsequent years, as well as on inflation. Significant issues relating to the impact of the pandemic on TAURON Group in the 6-month period ended 30 June 2022 are presented below:

- despite the restrictions in force, a relatively high level of demand for electricity from TAURON Group customers is observed, which translates into the profitability of the Distribution Area and the Sales Area,
- no significant changes and sustained trends have been observed in the level of overdue receivables and volatility in prices of electricity and related products resulting from the COVID-19 pandemic,
- the situation related to the COVID-19 pandemic continued to affect the operations of individual Business Areas of TAURON Group through increased employee absenteeism and the growth of operating costs resulting from the need to meet epidemiological conditions.

In accordance with the Regulation of the Council of Ministers, the state of epidemics was abolished on 16 May 2022 and the state of epidemic emergency came into force. TAURON Group, being aware of the risks associated with the epidemiological situation, continued and adapted its activities adequately to the level of risks and the development of the epidemiological situation in the analysed period. In connection with the foregoing, the Management Board of the Company continues to monitor the pandemic situation and takes any feasible steps to mitigate the negative impact of the pandemic on TAURON Group.

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

In February this year, armed conflict started on territory of Ukraine. The aggression of the Russian Federation against Ukraine has triggered geopolitical tensions both in Europe and worldwide. In response to the situation, the European Union has been introducing successive packages of sanctions against the Russian Federation, which take a wide and varied range of forms, including diplomatic and financial measures, individual sanctions as well as restrictions on economic relations.

The Group believes that the key consequences of the war in Ukraine and the resulting potential risks that have and might have further impact on TAURON Group are as follows:

- crisis in the energy fuels market resulting from the reduction in trade exchange with the Russian Federation, causing supply disruptions in fossil fuels and consequently affecting spikes in the volatility and price levels of raw materials quoted on commodity markets (including oil, gas and coal);
- possible limitations of coal supply concerning contracts concluded with external suppliers, i.e. over the production volume of TAURON Wydobycie S.A., which may affect the statutory levels of coal inventories, and in extreme scenarios, potentially cause limitations in the production of generation units;
- significant increase in electricity prices and their volatility in all market segments both in Poland and on European markets, resulting in a rise in electricity prices and, consequently, an increase in market risk related to securing the commercial needs of individual areas of TAURON Group. In particular, an increase in the costs of securing (including profiling and trade balancing) end-customer demand in the Sales Area is observed, with limited possibilities of passing it on to the end-customer, which particularly refers to the ERO regulated tariff;
- changes in the EU energy balance and, as a consequence, the increased performance of the generating units of TAURON Group, which may lead to a reduction in their availability in the future, as well as potential risks resulting from capacity obligations imposed on some of them;
- rising inflation in Poland, as a consequence of which the Monetary Policy Council regularly raises the NBP reference rate. The volatility of interest rates will affect the cost of servicing financing in the TAURON Group as well as affect the amount of capital employed in the Distribution Area in the long term. The observed increase in inflation escalates wage claims and potential social unrest within TAURON Group. Increased exchange rate volatility and a depreciation of the zloty have also been recorded as a result of the economic disruption;
- in the case of deterioration of the economic situation in the country, it may affect the level of domestic demand for electricity, which may affect the profitability of the Distribution Area and the Sales Area,
- introduction of alert level indicating an increased risk related to the possibility of terrorist events.

In other areas, TAURON Group has currently not identified any direct effects of the aggression on its own operating and business activities, while the continuity of business processes is not at risk. TAURON Group does not have any assets located in Ukraine, Russia or Belarus and no significant transactions related to sales or deliveries in these directions took place. In particular, the Group does not identify the impact of the aggression of the Russian Federation on the escalation of liquidity and funding risks.

The aforementioned risks represent the effects of the situation observed, identified as at the date of preparation of the these interim condensed consolidated financial statements, which may affect the operations of TAURON Group in the future and therefore do not constitute an exhaustive catalogue. Potential risks that may have an additional impact on TAURON Group in the future include:

- continuing volatility in prices of raw materials and prices of electricity and related products which may translate into the profitability of ongoing and planned investment processes,
- potential impact on the disruption of supply chains for goods and services, which may affect, among others, potential delays in ongoing investment and restructuring processes,
- logistics-related disruptions to coal transport can cause delays in replenishing coal stocks at individual generating units,
- economic disturbances may trigger financial difficulties for some customers and counterparties of TAURON Group and an increase in credit risk,
- threats in the scope of security and cyber security and potential restrictions in the access to IT/ OT infrastructure, the internet and GSM networks, may cause disruptions to operational processes and business continuity.

The situation regarding the aggression the troops of the Russian Federation against Ukraine is highly volatile and its future consequences are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the aggression as well as the impact on the condition of the Polish and global economies. The impact on TAURON Group

will also depend on the scope of sanctions targeted at the Russian Federation and their impact on local and global political and economic relations.

Recognising the scale of the risks associated with the current situation, TAURON Group monitors the impact of the war in Ukraine on an on-going basis and takes measures to mitigate the potential effects of risk materialisation in TAURON Group as well as to maintain the continuity of critical infrastructure operations. The coordination of the works related to the identification of effects and response to risks is managed by dedicated Crisis Teams established both at a level of the Company and at a level of individual TAURON Group subsidiaries.

Conclusion of a letter of intent on cooperation in the area of generation sources in the Small Modular Reactor (SMR) technology

On 20 April 2022, the Company concluded a letter of intent with KGHM Polska Miedź S.A., in which the parties consider strategic cooperation related to research and development and future investment projects in the scope of construction of generation sources in the Small Modular Reactor (SMR) technology, i.e. nuclear power reactors with the capacity of 5 to 300 MWe. The purpose of the cooperation between the parties to the Letter of Intent is to identify the possibility, nature and details of potential joint involvement in the implementation of investment projects in the scope of SMR. The subject of the cooperation will cover, among others, the analysis of available technologies and the possibility of installing a generating installation in the vicinity of the receiving infrastructure and the possibility of using the existing infrastructure of existing power units as well as identification of the possibility of acquiring an optimal technology, investing in another way or establishing other forms of cooperation with third parties already implementing or planning to implement investment projects in the field of SMR.

The letter of intent is an expression of the parties' intention to cooperate, while the provisions of the letter of intent are not binding on the parties. The letter of intent shall remain in force until the date on which one of the parties expresses its willingness to renounce further cooperation.

52. Events after the balance sheet date

Signing the syndicated loan agreement

After the balance sheet date, on 15 July 2022, an agreement was signed between the Company as the borrower and Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., CaixaBank S.A. (Spółka Akcyjna) Branch in Poland, Bank Handlowy w Warszawie S.A., Erste Group Bank AG, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Santander Bank Polska S.A. and China Construction Bank (Europe) S.A. Branch in Poland as lenders, for a syndicated loan in the amount of PLN 4 000 million. The funds of the syndicated loan will be used to refinance the existing exposure, including the syndicated loan of 19 June 2019 (Consortium of Banks I), to finance the TAURON Group's capital expenditure (excluding the financing of any projects related to coal assets) and to finance the TAURON Group's corporate-wide expenditure (excluding expenditure related to coal assets). Under the agreement, the Company will be able to make multiple drawdowns of tranches of the loan over the 5-year availability period of the financing, which can be extended to a maximum of 7 years. The interest rate will be calculated on the basis of a floating interest rate, adequate to the interest period in question, increased by a margin which depends on the fulfilment of substantial development indicators, i.e. reduction of emissions and increasing the share of renewable energy sources in the generation structure of TAURON Group.

Standby of the 910 MW unit in Jaworzno

On 5 August 2022, the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., RAFAKO S.A., Mostostal Warszawa S.A. and E003B7 Sp. z o.o. (a subsidiary of RAFAKO S.A.) signed a mediation agreement under which a request for mediation will be filed to the Court of Arbitration at the General Counsel to the Republic of Poland. The intention to conduct mediation results from the need to amend the terms of the settlement agreement concluded on 2 December 2021, in particular regarding the transition period (i.e. the period during which optimisation and tuning works, including tests, trials and measurements, are carried out) for the 910 MW unit in Jaworzno, which was originally due to be completed by 30 October 2022. The disputable issue that has arisen between the parties at the current final stage of the contract relates to the determination of the reasons that caused delays in the implementation of the work schedule carried out on the 910 MW unit in Jaworzno and the consequences resulting from the situation.

On 13 August 2022, the Company received information from its subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. that in the course of the ongoing work to clean the boiler and slag trap at the 910 MW unit in Jaworzno, the need for additional work to repair the boiler hopper was identified, which will result in the standby of the 910MW until 29 August 2022. The standby deadline was subsequently extended to 2 September 2022. On 2 September 2022, the 910 MW Unit was synchronized with the national power grid and produced electricity again. The Group recognises the aforementioned event as a post-balance sheet event with no impact on the balance sheet figures.

These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the 6-month period ended 30 June 2022 in compliance with the International Accounting Standard No 34 comprise 61 pages.

Katowice, 6 September 2022

Paweł Szczeszek – President of the Management Board

Patryk Demski - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board

Tomasz Szczegielniak – Vice President of the Management Board

Artur Warzocha - Vice President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



INDEPENDENT AUDITOR'S REPORT ON REVIEW

of interim condensed
financial statements
of TAURON Polska Energia S.A.
for the first half of 2022



The Polish original should be referred to in matters of interpretation.

Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the General Meeting and Supervisory Board of TAURON Polska Energia S.A.

Introduction

We have reviewed the interim condensed financial statements of TAURON Polska Energia S.A. (the 'Company') located in Katowice at Ks. Piotra Ściegiennego 3, containing: the statement of comprehensive income for the period from 1 January 2022 to 30 June 2022, the statement of financial position as at 30 June 2022, the statement of changes in equity, the statement of cash flows for the period from 1 January 2022 to 30 June 2022 and other explanatory notes (the 'interim condensed financial statements').

The Company's Management is responsible for the preparation and presentation of the interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the National Council of Statutory Auditors. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the National Council of Statutory Auditors and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Warsaw, 6 September 2022

Key certified auditor

Artur Żwak
Certified auditor
no in the register: 9894

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp.k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130



CONDENSED INTERIM FINANCIAL STATEMENTS

prepared in accordance with the
International Financial
Reporting Standards, as
endorsed by the
European Union for the 6-month
period ended 30 June 2022

TAURON Polska Energia S.A.

Interim condensed financial statements

compliant with the International Financial Reporting Standards

approved by the European Union

for the 6-month period ended 30 June 2022

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	4
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION	5
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY	6
INTERIM CONDENSED STATEMENT OF CASH FLOWS	7
INFORMATION ON TAURON POLSKA ENERGIA S.A. AND BASIS OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS	8
1. General Information about TAURON Polska Energia S.A.	8
2. Shares in related parties.....	9
3. Statement of compliance	11
4. Going concern	11
5. Functional and presentation currency.....	12
6. Material values based on professional judgement and estimates	12
7. Standards published and amendments to standards which are not yet effective	13
8. Changes in the accounting principles applied	14
9. Seasonality of activities	14
10. Information on operating segments	14
EXPLANATORY NOTE TO THE INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME	15
11. Sales revenue	15
12. Costs by type.....	16
13. Financial revenues and costs	17
14. Tax expense in the statement of comprehensive income.....	17
EXPLANATORY NOTE TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION.....	18
15. Investment property.....	18
16. Right-of-use assets.....	18
17. Shares	19
17.1. Change in the status of shares.....	19
17.2. Impairment tests.....	20
18. Originated loans	21
18.1. Loans granted to subsidiaries	21
18.2. Loans to joint ventures	22
18.3. Loans granted under the cash pool service.....	22
19. Derivatives and hedge accounting	23
20. Other financial assets.....	23
21. Other non-financial assets.....	24
22. Inventories.....	24
23. Receivables from buyers	24
24. Dividend receivables	24
25. Receivables due to income tax.....	24
26. Cash and cash equivalents	25
27. Equity	25
27.1. Share capital	25
27.2. Major Shareholders.....	25
27.3. Supplementary capital.....	26
27.4. Revaluation reserve from the measurement of hedging instruments	26
27.5. Retained earnings/ (Accumulated losses) and dividend limitation.....	26
27.6. Dividends paid and proposed for disbursement	26
28. Debt liabilities	27
28.1. Bonds issued.....	27
28.2. Bank loans	27
28.3. Debt agreement covenants	28
28.4. Loan from subsidiary	28
28.5. Loans received under the cash pool service	28
28.6. Lease liabilities.....	29
29. Other financial liabilities.....	29
30. Liabilities to suppliers	29
31. Liabilities due to acquisition of shares in the subsidiary	29
32. Other non-financial liabilities.....	30
33. Deferred income tax	30
34. Provision for onerous contract.....	31
35. Other provisions, accruals and governmental subsidies.....	31
EXPLANATORY NOTE TO THE INTERIM CONDENSED STATEMENT OF CASH FLOWS	32
36. Significant items of the statement of cash flows	32
36.1. Cash flows from operating activities.....	32
36.2. Cash flows from investment activities.....	32
36.3. Cash flows from financial activities.....	32

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT.....	33
37. Financial instruments.....	33
38. Objectives and principles of financial risk management	35
39. Finance and capital management	35
OTHER INFORMATION	35
40. Contingent liabilities.....	35
41. Collaterals for repayment of liabilities	38
42. Investment liabilities	39
43. Related party disclosures	39
43.1. Transactions with related parties and State Treasury companies	39
43.2. Remuneration of the executives.....	41
44. Other material information	41
45. Events after the balance sheet date	44

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2022 <i>(unaudited)</i>	3-month period ended 30 June 2021 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Sales revenue	11	5 818	14 671	3 028	7 476
Cost of sales	12	(5 805)	(14 560)	(3 107)	(7 469)
Profit on sale (loss)		13	111	(79)	7
Selling and distribution expenses	12	(10)	(17)	(6)	(11)
Administrative expenses	12	(27)	(54)	(24)	(46)
Other operating income and expenses		-	(2)	(1)	(1)
Operating profit (loss)		(24)	38	(110)	(51)
Dividend income	13	1 646	1 646	1 713	1 713
Interest income on loans	13	68	136	59	115
Interest expense on debt	13	(156)	(271)	(84)	(165)
Revaluation of shares		-	-	(748)	(759)
Revaluation of loans	13	39	21	(47)	(287)
Other finance income and costs	13	49	8	68	36
Profit before tax		1 622	1 578	851	602
Income tax expense	14	42	75	4	(33)
Net profit		1 664	1 653	855	569
Measurement of hedging instruments	27.4	173	332	13	132
Income tax expense	14	(33)	(63)	(3)	(14)
Other comprehensive income subject to reclassification to profit or loss		140	269	10	118
Actuarial gains		1	1	-	-
Other comprehensive income not subject to reclassification to profit or loss		1	1	-	-
Other comprehensive income, net of tax		141	270	10	118
Total comprehensive income		1 805	1 923	865	687
Profit per share (in PLN):					
- basic and diluted, for net profit		0.95	0.94	0.48	0.32

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2022 (unaudited)	As at 31 December 2021
ASSETS			
Non-current assets			
Investment property	15	21	24
Right-of-use assets	16	17	22
Shares	17	20 572	20 559
Loans granted	18	6 055	5 936
Derivative instruments	19	690	532
Other non-financial assets	21	10	14
		27 365	27 087
Current assets			
Inventories	22	121	51
Receivables from buyers	23	1 484	2 495
Dividend receivables	24	1 503	-
Income tax receivables	25	40	373
Loans granted	18	675	445
Derivative instruments	19	943	465
Other financial assets	20	69	70
Other non-financial assets	21	8	54
Cash and cash equivalents	26	464	440
		5 307	4 393
TOTAL ASSETS		32 672	31 480
EQUITY AND LIABILITIES			
Equity			
Issued capital	27.1	8 763	8 763
Reserve capital	27.3	3 009	2 749
Revaluation reserve from valuation of hedging instruments	27.4	568	299
Retained earnings / (Accumulated losses)	27.5	1 684	290
		14 024	12 101
Non-current liabilities			
Debt	28	11 093	9 801
Derivative instruments	19	83	116
Other financial liabilities	29	8	11
Other non-financial liabilities	32	86	113
Deferred tax liabilities	33	6	45
Provision for the onerous contract	34	31	154
Other provisions, accruals, deferred income and government grants	35	4	5
		11 311	10 245
Current liabilities			
Debt	28	4 372	4 669
Liabilities to suppliers	30	745	1 745
Liabilities due to acquisition of shares in the subsidiary	31	-	1 061
Derivative instruments	19	648	379
Other financial liabilities	29	363	493
Other non-financial liabilities	32	959	701
Provision for the onerous contract	34	233	68
Other provisions, accruals, deferred income and government grants	35	17	18
		7 337	9 134
Total liabilities		18 648	19 379
TOTAL EQUITY AND LIABILITIES		32 672	31 480

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

6-MONTH PERIOD ENDED 30 JUNE 2022 (unaudited)

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2022		8 763	2 749	299	290	12 101
Prior year profits' distribution	27.6	-	260	-	(260)	-
Transactions with shareholders		-	260	-	(260)	-
Net profit		-	-	-	1 653	1 653
Other comprehensive income		-	-	269	1	270
Total comprehensive income		-	-	269	1 654	1 923
As at 30 June 2022 (unaudited)		8 763	3 009	568	1 684	14 024

6-MONTH PERIOD ENDED 30 JUNE 2021 (unaudited)

		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2021		8 763	6 339	(79)	(3 561)	11 462
Coverage of prior years loss		-	(3 590)	-	3 590	-
Transactions with shareholders		-	(3 590)	-	3 590	-
Net profit		-	-	-	569	569
Other comprehensive income		-	-	118	-	118
Total comprehensive income		-	-	118	569	687
As at 30 June 2021 (unaudited)		8 763	2 749	39	598	12 149

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Profit before tax		1 578	602
Depreciation and amortization		8	8
Interest and dividends		(1 529)	(1 648)
Impairment losses on shares		-	759
Impairment losses on loans		(21)	287
Exchange differences		69	(79)
Other adjustments of profit before tax		(91)	153
Change in working capital	36.1	510	622
Income tax paid		(26)	(50)
Net cash from operating activities		498	654
Cash flows from investing activities			
Purchase of shares in the subsidiary	36.2	(1 061)	-
Loans granted	36.2	(164)	(811)
Purchase of other shares		(15)	(16)
Other		(1)	-
Total payments		(1 241)	(827)
Dividends received		143	1 466
Interest received from loans granted		137	133
Repayment of loans granted		3	14
Sale of shares		-	53
Total proceeds		283	1 666
Net cash from investing activities		(958)	839
Cash flows from financing activities			
Repayment of loans	36.3	(3 106)	(1 806)
Interest paid	36.3	(112)	(88)
Commission paid		(9)	(8)
Payment of lease liabilities		(5)	(5)
Total payments		(3 232)	(1 907)
Contracted loans	36.3	4 196	600
Total proceeds		4 196	600
Net cash from financing activities		964	(1 307)
Net increase / (decrease) in cash and cash equivalents		504	186
Net foreign exchange difference		3	(2)
Cash and cash equivalents at the beginning of the period	26	(2 163)	(743)
Cash and cash equivalents at the end of the period, of which:	26	(1 659)	(557)
restricted cash	26	141	143

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

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

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

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

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

The entity was assigned the statistical number, REGON 240524697 and the tax identification number, NIP 9542583988.

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

The core business of TAURON Polska Energia S.A. focuses on:

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

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

The Company has prepared interim condensed financial statements covering the 6-month period ended 30 June 2022 and containing comparative figures for the 6-month period ended 30 June 2021 and as at 31 December 2021. The data included in these interim condensed financial statements for the 6-month period ended 30 June 2022 and the comparative figures for the 6-month period ended 30 June 2021 have been reviewed by the statutory auditor. The comparative figures as at 31 December 2021 were subject to the audit by the statutory auditor. The data included in these interim condensed financial statements for the 3-month period ended 30 June 2022 and the comparative figures for the 3-month period ended 30 June 2021 have not been audited or reviewed by the statutory auditor.

These interim condensed financial statements were approved for publication by the Management Board on 6 September 2022.

The Company has also prepared the interim condensed consolidated financial statements for the 6-month period ended 30 June 2022 which were approved for publication by the Management Board on 6 September 2022.

Composition of the Management Board

As at 1 January 2022, the composition of the Management Board was as follows:

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

During the 6-month period ended 30 June 2022, the Supervisory Board of the Company appointed:

- as of 21 January 2022 - Mr Artur Warzocha as a member of the Management Board of the Company and nominated him to the position of Vice-President for Corporate Affairs;
- as of 11 April 2022 - Mr Paweł Szczeszek as a member of the Management Board of the Company and nominated him to the position of President of the Management Board.

After the balance sheet date, on 12 August 2022, the Supervisory Board dismissed, with effect as at the end of the day on 12 August 2022:

- Mr Artur Michałowski - Vice-President of the Management Board for Trade,
- Mr Jerzy Topolski - Vice-President of the Management Board for Asset Management.

After the balance sheet date, on 5 September 2022, the Supervisory Board appointed, following members of the Management Board:

- as of 6 September 2022 - Mr Tomasz Szczegielniak nominated to the position of Vice-President of the Management Board for Trade;
- as of 9 September 2022 - Mr Bogusław Rybacki nominated to the position of Vice-President of the Management Board for Asset Management.

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

- Paweł Szczeszek - President of the Management Board,
- Patryk Demski - Vice-President of the Management Board,
- Krzysztof Surma - Vice-President of the Management Board,
- Tomasz Szczegielniak – Vice-President of the Management Board,
- Artur Warzocha - Vice-President of the Management Board.

2. Shares in related parties

As at 30 June 2022, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

Item	Company name of subsidiary	Registered office	Interest in the share capital by TAURON Polska Energia S.A.	Company holding direct equity interests / general partner
MINING				
1	TAURON Wydobycie S.A.	Jaworzno	100.00%	TAURON Polska Energia S.A.
GENERATION				
2	TAURON Wytwarzanie S.A.*	Jaworzno	100.00%	TAURON Polska Energia S.A.
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	Jaworzno	100.00%	TAURON Polska Energia S.A.
4	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
5	TAURON Serwis Sp. z o.o.	Jaworzno	95.61%	TAURON Wytwarzanie S.A.
6	Łągisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
RENEWABLE ENERGY SOURCES				
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
8	Marselwind Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
21	WIND T1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
22	AVAL-1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
23	Polpower Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
24	"MEGAWATT S.C." Sp. z o.o.	Szczecin	100.00%	TAURON Zielona Energia Sp. z o.o.
DISTRIBUTION				
25	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
26	TAURON Dystrybucja Pomiarów Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
27	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
28	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
29	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	100.00%	TAURON Polska Energia S.A.
30	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
31	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
32	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzyszowice	100.00%	TAURON Polska Energia S.A.
33	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	100.00%	TAURON Polska Energia S.A.
34	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
35	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
36	Wsparcie Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.

* On 1 July 2022, was registered in the National Court Register the division of TAURON Wytwarzanie S.A. and establishment of TAURON Inwestycje Sp. z o.o..

Establishment of TAURON Inwestycje Sp. z o.o. by way of the division of TAURON Wytwarzanie S.A.

On 18 May 2022, a resolution was adopted to divide the TAURON Wytwarzanie S.A. company by separating and transferring the separated assets to the newly established company, TAURON Inwestycje Sp. z o.o. in organisation. After the balance sheet date, on 1 July 2022, the division of TAURON Wytwarzanie S.A. and the establishment of TAURON Inwestycje Sp. z o.o. was registered. As a result of the division, the capital of TAURON Wytwarzanie S.A. will be reduced by PLN 75 million.

The above transaction is a part of the Group's reorganisation changes related to the planned separation of coal assets from energy groups and their integration within the National Energy Security Agency.

Purchase of shares in “MEGAWATT S.C.” Sp. z o.o.

On 9 June 2022, the subsidiary, TAURON Zielona Energia Sp. z o.o. acquired 100% of the shares of “MEGAWATT S.C.” Sp. z o.o. holding the rights to a wind farm project with a capacity of approximately 60 MW located in north-western Poland, currently in the construction-ready phase. Consequently, TAURON Polska Energia S.A. holds an indirect share of 100% in “MEGAWATT S.C.” Sp. z o.o.

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

On 24 June 2022, a decrease in the share capital of the subsidiary, TAURON Dystrybucja S.A. was registered in connection with the statutory redemption of shares acquired by the company from shareholders representing no more than 5% of the share capital. As at the balance sheet day, the share of the Company in the capital and in the governing body amounted to 99.77% (as at 31 December 2021 - 99.76%).

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

As at 30 June 2022, the share of TAURON Polska Energia S.A. in the capital and in the governing body of the remaining key subsidiaries and jointly-controlled companies has not changed since 31 December 2021.

As at 30 June 2022, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in Generation segment:

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

3. Statement of compliance

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

The interim condensed financial statements do not comprise all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company prepared in accordance with the IFRS for the year ended 31 December 2021.

4. Going concern

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

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

In the area of liquidity, financing and securing the continuity of operational activities, the Management Board, having analysed the financial position of the Company has not identified any risk to the continuity of operations in the foreseeable future, i.e. within a period of not shorter than 1 year from the balance sheet day, taking into account the impact of the aggression of the Russian Federation against Ukraine and the COVID-19 outbreak on the Group's operations, as further discussed in Note 44 to these interim condensed financial statements.

5. Functional and presentation currency

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

6. Material values based on professional judgement and estimates

When applying the accounting policy, the professional judgement of the management, along with accounting estimates, have been of key importance, affecting the figures disclosed in these financial statements and in the additional explanatory notes. The assumptions underlying the estimates are based on the Management Board's best knowledge and awareness of current and future actions and events in individual areas. In the period covered by these interim condensed financial statements, no significant changes occurred in the estimates or estimation methods applied, which could affect the current or future periods, other than those described hereinafter in these interim condensed financial statements.

Items of the interim condensed financial statements involving a material risk of significant adjustment to the carrying amounts of assets and liabilities are presented below.

Item	Note	Estimates and assumptions
Shares	Note 17	As at each balance sheet date, the Company examines the existence of prerequisites for the impairment of shares and interests. As at 30 June 2022, the Company performed the analysis of prerequisites. Based on the analysis performed, no impairment testing of shares and interests was deemed necessary.
Loans granted	Note 18	The Company makes appropriate classification and valuation of the loans granted. Loans granted with a maturity period of less than one year, for which an extension of the repayment period is planned, are classified as long-term instruments. In accordance with the requirements of IFRS 9 <i>Financial Instruments</i> for loans measured at an amortised cost, the Company estimates the amount of the allowance for expected credit losses. As at the balance sheet date, the Company also holds borrowings recognised at the initial point as impaired financial assets 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. As at the balance sheet date, the Company also holds loans classified as financial assets measured at a fair value through profit or loss. A portion of the loans granted to the joint venture and loans granted to subsidiaries developing RES projects within special purpose vehicles, where the loans represent the only source of financing for the purchase of a non-financial asset (the borrower's equity is immaterial at the time the loan is granted), are classified in this category. The Company assesses that the characteristics of the resulting cash flows under the agreement do not correspond only to the repayment of the principal and interest on the outstanding principal and measures such loans at a fair value through profit or loss. The Group has estimated the fair value accordingly.
Derivative instruments	Note 19	As at each balance sheet date, the Company measures derivative financial instruments up to the fair value. The methods of determining the fair value is presented in Note 19 to these interim condensed financial statements. Derivatives purchased and held to secure their own needs are not subject to valuation as at the balance sheet date.
Debt	Note 28	When measuring liabilities at amortized cost using the effective interest rate method, the Company estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. In the case of a loan agreement defining the repayment term 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.
Deferred tax assets	Note 33	The Company assesses the feasibility and legitimacy of recognition of deferred tax assets at each balance sheet date. 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 assesses that with regard to the negative temporary differences associated with the recognition of impairment losses on shares and interests in subsidiaries in the amount of PLN 12 274 million, the aforementioned conditions for the recognition of a deferred tax asset are not met.
Provision for the onerous contract	Note 34	The Company creates the provision for an onerous contracts since it is a party to the agreement under which unavoidable costs of fulfilling the obligation outweigh the benefits to be obtained thereunder. The Company recognises and measures the current obligation under such agreement as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding to the costs of fulfilment of the lower of contract fulfilment costs and costs of any compensations or penalties arising for the failure to fulfil the contract. Within contract fulfilment costs, the Company estimates costs directly related to the contract including incremental contract fulfilment costs as well as the allocation of other costs that relate directly to contract fulfilment.

In addition to the foregoing, the Company makes significant estimates as regards the contingent liabilities recognised, in particular in the scope of litigation the Company is a party to. Contingent liabilities are presented in detail in Note 40 to these interim condensed financial statements.

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

The Company did not choose earlier application of any standards or amendments to standards which were published, however, have not entered into force by 30 June 2022.

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

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

Standard	Effective in the EU as of (annual periods beginning on or after the date provided)
Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</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
Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

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

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

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

As at the balance sheet day, the Company has a revolving credit agreement under which the drawing period of the credit tranches may be shorter than one year, while the period of availability of funding exceeds 12 months from the balance sheet day and the Company has the right to defer the settlement of the liability by at least 12 months from the end of the reporting period to the date of termination of the agreement. In the case of this credit agreement, the Company classifies the tranches as either a non-current liability or a current liability in accordance with the expectation regarding the repayment of the liability. As at 30 June 2022, under this agreement, the Company had a liability of PLN 160 million classified as non-current liabilities, taking into account the intentions of the Company. Under the agreement, the Company has the right to defer the settlement of the liability for a period exceeding 12 months, thus in accordance with the amendments to IAS 1 *Presentation of Financial Statements* the said liability would be classified as a non-current liability.

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

Standard	Effective date specified in the Standard, not endorsed by the EU (annual periods beginning on or after the date provided)
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016*
Amendments 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 17 <i>Insurance contracts: Initial Application of IFRS 17 Insurance contracts</i> and IFRS 9 <i>Financial Instruments - Comparative Information</i>	1 January 2023

* The European Commission decided to refrain from launching the process of endorsement of this interim standard for use in the territory of the EU until the publication of the final version of IFRS 14 *Regulatory Deferral Accounts*.

8. Changes in the accounting principles applied

The accounting principles (policy) adopted for the preparation of these interim condensed financial statements are consistent with those used for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2021, except for the application of the amendments to the standards mentioned below.

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

Standard	Effective date in the EU (annual periods beginning on or after the date provided)
Amendments to IFRS 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: Cost of fulfilling a contractual obligations</i>	1 January 2022
Changes to various standards: <i>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

9. Seasonality of activities

The activities of the Company associated with electricity trading are not of seasonal nature, therefore in this respect, the reported results of the Company do not experience significant fluctuations over the year. Due to its holding activities, the Company may recognise significant financial income from dividends recognised on the dates on which resolutions on payment of dividends are adopted, unless the resolutions indicate other dates of determining the right to dividend. In the 6-month period ended 30 June 2022, the Company recognised the dividend income of PLN 1 646 million (in the comparable period - PLN 1 713 million).

10. Information on operating segments

In accordance with IFRS 8 *Operating Segment*, taking into account the fact that the Company also prepares interim condensed consolidated financial statements for the 6-month period ended 30 June 2022, the Company presents information on operating segments in relation to the Group's operations in the interim condensed consolidated financial statements.

As part of the adopted classification of the Group's operations into operating segments, the activities of the Company are classified in the Sales segment, excluding the general and administrative expenses of the Company incurred for the Group as a whole, which cannot be directly attributed to a single operating segment and are classified within unallocated expenses, as further described in note 10 of the interim condensed consolidated financial statements of the Group for the 6-month period ended 30 June 2022.

EXPLANATORY NOTE TO THE INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	(unaudited)	(unaudited)
Revenue from sales of goods for resale and materials	14 492	6 990
Electricity	11 798	5 759
CO ₂ emission allowances	2 099	1 012
Gas	588	212
Other	7	7
Rendering of services	179	182
Capacity market	99	100
Trade services	67	65
Other	13	17
Total revenue from contracts with customers	14 671	7 172
Restructuration in the portfolio of CO ₂ emission allowances	-	304
Total sales revenue	14 671	7 476

In the 6-month period ended 30 June 2022, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following goods:

- Electricity - the increase in revenue by the amount of PLN 6 039 million is mainly attributable to sales contracted in the forward market of electricity and sales in the SPOT market in a 7% higher volume at a price simultaneously higher, on average, by 91%. The increase in the volume is the result of sales of a higher volume of electricity to generation companies of the Group in order to secure the performance of contracts concluded by them, including as a consequence of electricity repurchases, mainly on the SPOT market, due to the failure of the 910 MW unit at Nowe Jaworzno Grupa TAURON Sp. z o.o. Higher selling prices stem from market conditions and a sharp increase in prices at the end of 2021 and in 2022.
- CO₂ emission allowances - the increase in the revenue from contracts with customers in the scope of CO₂ emission allowances in the current period in relation to the comparable period by the amount of PLN 1 087 million results mainly from the following events:
 - sales to subsidiaries in the Generation segment of CO₂ emission allowances for redemption purposes in connection with the emission for both 2021 and 2022 in the total amount of PLN 1 495 million. In the comparable period, revenue from sales of CO₂ emission allowances for redemption purposes for 2020 amounted to PLN 858 million;
 - in connection with the failure of the 910 MW unit at Jaworzno continuing from mid-2021 till April 2022 and the resulting surplus of allowances acquired over the redemption needs for 2021, a part of the resulting surplus in the amount of 1 717 000 EUAs was allocated for redemption purposes of another Group installation for 2022. Considering the rationality of matching the maturity of the delivery of allowances and the cash expenditure, in the first quarter of 2022, the Company decided to sell the possessed aforementioned volume of allowances and simultaneously buy back this volume in the EUA MAR'23 forward product for the purpose of redemption of 2022 allowances. Revenues from contracts with customers for the sale of the aforementioned allowances amounted to PLN 604 million and profit on transaction was amounted to PLN 121 million. The transaction is one-off and incidental in nature and it is a direct result of an unplanned, one-off event such as the failure of the 910 MW unit. According to the Company judgement, the transaction is subject to exclusion from the scope of IFRS 9 *Financial Instruments*;
 - in the comparative period, as part of its efforts to manage the surplus allowances for 2020, due to the delayed commissioning of the 910 MW unit and the consequent lower production, the Company sold a volume of 691 000 CO₂ emission allowances to the market, resulting in the recognition of the revenue from customer contracts in the amount of PLN 135 million.

Under the restructuring of the portfolio of CO₂ emission allowances in the first quarter of 2021, with respect to the volume of 3 258 000 CO₂ emission allowances with the delivery date in March 2021, their roll-over was performed by concluding new contracts with the delivery dates in March 2022, 2023 and 2024. The Company recognised the

result from the settlement of instruments in accordance with IFRS 9 *Financial Instruments*, thereby increasing revenue on sales and the operating result in the amount of PLN 304 million.

- Gas - an increase in the revenue by the amount of PLN 376 million is mainly attributable to the sales of a volume lower by an average of 8% while prices increased by an average of 210%. Higher selling prices stem from market conditions and a sharp increase in prices at the end of 2021 and in 2022.

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside TAURON Group and from the Group, whereas the sale is targeted at related companies. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the 6-month period ended 30 June 2022, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 940 million. The Company recognised revenue of PLN 19 million on account of the agency service.

12. Costs by type

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(8)	(8)
Capacity Market	(98)	(99)
Other external services	(25)	(20)
Employee benefits expense	(51)	(46)
Allowance for expected credit losses on receivables from buyers	-	5
Advertising expenses	(10)	(7)
Other costs by type	(5)	(3)
Total costs by type	(197)	(178)
Selling and distribution expenses	17	11
Administrative expenses	54	46
Value of goods and materials sold	(14 434)	(7 348)
Cost of sales	(14 560)	(7 469)

In the 6-month period ended 30 June 2022, in relation to the comparative period, the value of goods and materials sold increased by PLN 7 086 million, which was mainly affected by:

- an increase in the cost of electricity purchase by PLN 5 754 million, which results from the purchase of the 7% higher volume of electricity at 82% higher average electricity purchase prices. The rise in the volume of electricity purchased by the Company is related to the failure of the 910 MW unit owned by Nowe Jaworzno Grupa TAURON Sp. z o.o. and the lack of electricity production by this unit. In order to secure the Group's needs and to fulfil the contracts concluded by Nowe Jaworzno Grupa TAURON Sp. z o.o., the purchase of electricity was carried out from counterparties outside the Group, on the forward and SPOT markets, at higher prices due to market conditions and rapid price changes continuing since the end of 2021;
- in connection with higher revenue from the sale of CO₂ emission allowances, in the current period, a higher value of resold CO₂ emission allowances was recognised in the amount of PLN 1 938 million, including the utilisation of the provision in connection with the sale at a level of PLN 74 million, which is described in more detail in Note 34 of these interim condensed financial statements (in the comparable period, the value of resold CO₂ emission allowances amounted to PLN 1 011 million);
- in the current period, the costs of creating provisions for onerous contracts were recognised at a level of PLN 113 million, which mainly results from restructuring of CO₂ emission allowances in the portfolio of the subsidiary company, Nowe Jaworzno Grupa TAURON Sp. z o.o. (PLN 208 million in the comparative period), as described in more detail in Note 34 of these interim condensed financial statements.

13. Financial revenues and costs

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Dividend income	1 646	1 713
Interest income on loans	136	115
Interest expense	(271)	(165)
Revaluation of shares	-	(759)
Revaluation of loans	21	(287)
Other finance income and costs, of which:	8	36
Gain/(loss) on derivative instruments	69	(50)
The earnings on the transfer ownership of shares in subsidiaries	56	-
Commissions due to external financing	(13)	(12)
Exchange differences	(89)	86
Other finance income	19	14
Other finance costs	(34)	(2)
Total, of which:	1 540	653
Income and costs from financial instruments	1 539	651
Other finance income and costs	1	2

The increase in interest expenses in the 6-month period ended 30 June 2022 in relation to the comparable period results from the level of external borrowing and the volatility of base rates. The change in base rates is partially offset by the concluded IRS hedging instruments described in more detail in note 19 of these interim condensed financial statements.

The earnings on the transfer ownership of shares in subsidiaries results from the *datio in solutum* agreement concluded on 31 May 2022 between TAURON Polska Energia S.A. and the subsidiary, TAURON Wytwarzanie S.A., which is described in more detail in Note 17 of these interim condensed financial statements.

14. Tax expense in the statement of comprehensive income

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Current income tax expense	(28)	(47)
Deferred tax	103	14
Income tax expense in profit or loss	75	(33)
Income tax expense in other comprehensive income	(63)	(14)

EXPLANATORY NOTE TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

15. Investment property

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
COST		
Opening balance	54	54
Direct purchase	-	-
Closing balance	54	54
ACCUMULATED DEPRECIATION		
Opening balance	(30)	(26)
Depreciation for the period	(3)	(2)
Closing balance	(33)	(28)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	24	28
NET CARRYING AMOUNT AT THE END OF THE PERIOD, of which:	21	26
Buildings and other tangible assets	14	19
Perpetual usufruct of land	7	7

The investment property is composed of the perpetual usufruct right to land and buildings located in Katowice Szopienice, at ul. Lwowska 23. The rental revenue in the 6-month period ended 30 June 2022 amounted to PLN 4 million.

16. Right-of-use assets

	6-month period ended 30 June 2022 <i>(unaudited)</i>			6-month period ended 30 June 2021 <i>(unaudited)</i>		
	Buildings and premises	Motor vehicles	Total right-of-use assets	Buildings and premises	Motor vehicles	Total right-of-use assets
COST						
Opening balance	44	2	46	43	2	45
Increase/(decrease) due to lease changes	(1)	-	(1)	-	-	-
Closing balance	43	2	45	43	2	45
ACCUMULATED DEPRECIATION						
Opening balance	(22)	(2)	(24)	(15)	(2)	(17)
Depreciation for the period	(4)	-	(4)	(4)	-	(4)
Closing balance	(26)	(2)	(28)	(19)	(2)	(21)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PER	22	-	22	28	-	28
NET CARRYING AMOUNT AT THE END OF THE PERIOD	17	-	17	24	-	24

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

17. Shares

17.1. Change in the status of shares

Change in the status of shares in the 6-month period ended 30 June 2022 (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
Consolidated subsidiaries									
1	TAURON Wydobycie S.A.	1 342	-	1 342	(1 342)	-	(1 342)	-	-
2	TAURON Wytwarzanie S.A.	7 866	-	7 866	(7 830)	-	(7 830)	36	36
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	6 578	-	6 578	(1 764)	-	(1 764)	4 814	4 814
4	TAURON Ciepło Sp. z o.o.	1 928	-	1 928	(1 224)	-	(1 224)	704	704
5	TAURON Ekoenergia Sp. z o.o.	1 940	-	1 940	-	-	-	1 940	1 940
6	TAURON Zielona Energia Sp. z o.o.	600	-	600	-	-	-	600	600
7	TAURON Dystrybucja S.A.	10 512	-	10 512	-	-	-	10 512	10 512
8	TAURON Nowe Technologie S.A.	650	-	650	-	-	-	650	650
9	TAURON Sprzedaż Sp. z o.o.	614	-	614	-	-	-	614	614
10	TAURON Sprzedaż GZE Sp. z o.o.	130	-	130	-	-	-	130	130
11	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	-	41	-	-	-	41	41
12	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	-	90	(90)	-	(90)	-	-
13	TAURON Obsługa Klienta Sp. z o.o.	40	-	40	-	-	-	40	40
14	Finanse Grupa TAURON Sp. z o.o.	28	-	28	(24)	-	(24)	4	4
15	Bioeko Grupa TAURON Sp. z o.o.	1	(1)	-	-	-	-	-	-
16	TAURON Serwis Sp. z o.o.	1	(1)	-	-	-	-	-	-
17	Pozostale	5	-	5	-	-	-	7	5
Joint ventures									
18	TAMEH HOLDING Sp. z o.o.	416	-	416	-	-	-	416	416
Entities measured at fair value									
19	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna	4	-	4	-	-	-	4	4
20	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna	37	15	52	-	-	-	37	52
21	Pozostale	10	-	10	-	-	-	10	10
Total		32 833	13	32 846	(12 274)	-	(12 274)	20 559	20 572

Transfer of ownership of shares in the companies TAURON Serwis Sp. z o.o. and Bioeko Grupa TAURON Sp. z o.o.

On 31 May 2022, a *datio in solutum* agreement was concluded between the Company as the debtor and the subsidiary, TAURON Wytwarzanie S.A. as the creditor, under which the Company transferred the ownership of the following shares to TAURON Wytwarzanie S.A. in order to discharge its liability to TAURON Wytwarzanie S.A. in the market value of PLN 58 million:

- 87 897 shares in TAURON Serwis Sp. z o.o., representing 95.61% of the share in the share capital of the company,
- 180 000 shares in Bioeko Grupa TAURON Sp. z o.o., constituting 100% of the share in the share capital of the company

The previous carrying value of the shares transferred at the purchase price amounted to PLN 2 million, consequently, the Company generated a profit of PLN 56 million on the transaction.

Increase of the share capital in EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna

In the 6-month period ended 30 June 2022, the General Meeting of EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna adopted resolutions on increasing the company share capital, in which TAURON Polska Energia S.A. took up a total of 153 148 shares for the total amount of PLN 15 million.

After the balance sheet date, on 29 July 2022, an agreement was concluded for the sale of 100% of the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. held by TAURON Polska Energia S.A. to TAURON Wytwarzanie S.A., as discussed in more detail in Note 45 of these interim condensed financial statements.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

Change in the status of shares in the 6-month period ended 30 June 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
Consolidated subsidiaries									
1	TAURON Wydobycie S.A.	1 342	-	1 342	(1 342)	-	(1 342)	-	-
2	TAURON Wytwarzanie S.A.	7 866	-	7 866	(7 830)	-	(7 830)	36	36
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	5 506	-	5 506	-	(748)	(748)	5 506	4 758
4	TAURON Ciepło Sp. z o.o.	1 928	-	1 928	(1 224)	-	(1 224)	704	704
5	TAURON Ekoenergia Sp. z o.o.	1 940	-	1 940	(376)	-	(376)	1 564	1 564
6	TAURON Zielona Energia Sp. z o.o.	600	-	600	-	-	-	600	600
7	TAURON Dystrybucja S.A.	10 512	-	10 512	-	-	-	10 512	10 512
8	TAURON Nowe Technologie S.A.	650	-	650	-	-	-	650	650
9	TAURON Sprzedaż Sp. z o.o.	614	-	614	-	-	-	614	614
10	TAURON Sprzedaż GZE Sp. z o.o.	130	-	130	-	-	-	130	130
11	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	-	41	-	-	-	41	41
12	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	79	11	90	(79)	(11)	(90)	-	-
13	TAURON Obsługa Klienta Sp. z o.o.	40	-	40	-	-	-	40	40
14	Finanse Grupa TAURON Sp. z o.o.	28	-	28	(24)	-	(24)	4	4
15	Bioeko Grupa TAURON Sp. z o.o.	1	-	1	-	-	-	1	1
16	TAURON Serwis Sp. z o.o.	1	-	1	-	-	-	1	1
17	Pozostałe	5	-	5	-	-	-	5	5
Joint ventures									
18	TAMEH HOLDING Sp. z o.o.	416	-	416	-	-	-	416	416
Entities measured at fair value									
19	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna	2	1	3	-	-	-	2	3
20	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna	19	5	24	-	-	-	19	24
21	Pozostałe	11	-	11	-	-	-	11	11
Total		31 731	17	31 748	(10 875)	(759)	(11 634)	20 856	20 114

17.2. Impairment tests

As at 30 June 2022 impairment tests of shares in subsidiaries and the analyses in the scope of valuation of intragroup loans were conducted.

Russia's aggression against Ukraine in February 2022 is the major factor in the macroeconomic developments and has caused definite changes in the energy and energy commodity markets. Poland stopped buying Russian coal as one of the first European countries. As part of the sanctions imposed on the Russian economy, the European Union countries decided to ban the import of Russian coal as of 10 August 2022. The embargo for purchase of energetic commodities from Russia, imposed by the European countries has resulted among others in turbulence in the global coal markets, leading to a sharp rise in prices of fuels in the first half of 2022. The level of prices of coal to be contracted and consumed in the Polish power industry depends to a large extent on the price of imported coal due to the construction of the system of subsidies in the mining sector.

As part of the analysis of the prerequisites of impairment, the analysis of the events and factors of the first half of 2022 affecting the assessment of impairment risk was carried out. The following factors were considered within the companies in the Generation and Sales segments:

- significant increase in fuel prices, in particular for gas fuel and hard coal;
- the entry into force of a ban on the import into and transit coal and coke originating in Russia and Belarus across Poland;
- the publication by the European Commission of the "RePowerEU" plan to rapidly accelerate the production of energy from renewable sources and to ensure that the European Union becomes independent of raw material supplies from Russia as soon as possible (independence from raw material supplies from Russia will be facilitated by the restructuring of the electricity generation subsector, which is aimed at changing Poland's energy mix towards low- and zero-emission sources);
- an increase in risk-free rate;
- observed leading economic indicators (industrial production, retail sales, financial activity) indicating a possibility of the economic slowdown
- the increase in electricity prices on the forward market and high prices on the spot market increasing the profitability of electricity generation;
- the observed level of electricity prices on the forward market over the next three years fully transmitting the increase in the unit variable costs of generation;

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

- the unfavourable power balance in Europe, associated with the systematic shutdown of available generation capacity and the problems of nuclear power sector in France;
- the medium-term outlook of a further reduction in gas supplies to Europe from eastern directions.

According to the assessment of the Company, the observed increases in electricity prices on both the spot and on the forward market offset the impact of negative factors resulting from coal price increases and the unfavourable capacity balance, as well as the observed reduction in gas supplies from Russia.

Based on the analyses of impairment prerequisites, it has been concluded that no prerequisites of impairment occurred, including those requiring the performance of impairment tests.

In the case of companies in the Distribution segment, no prerequisites of impairment were identified, bearing in mind that the revenues of the segment are regulated revenues, where the regulatory rate of return takes into account the free rate.

18. Originated loans

Balances of loans granted by the Company as at 30 June 2022 and 31 December 2021 are presented in the table below.

	As at 30 June 2022 (unaudited)			As at 31 December 2021		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	6 424	(126)	6 298	6 238	(86)	6 152
Loans granted to subsidiaries	6 185	(116)	6 069	6 180	(83)	6 097
Loans granted to EC Stalowa Wola S.A.	29	(5)	24	28	(3)	25
Loans granted under cash pool agreement	210	(5)	205	30	-	30
Loans measured at fair value	432	n.a.	432	229	n.a.	229
Loans granted to subsidiaries	257	n.a.	257	155	n.a.	155
Loans granted to EC Stalowa Wola S.A.	175	n.a.	175	74	n.a.	74
Total	6 856	(126)	6 730	6 467	(86)	6 381
Non-current	6 170	(115)	6 055	6 015	(79)	5 936
Current	686	(11)	675	452	(7)	445

18.1. Loans granted to subsidiaries

Company	As at 30 June 2022 (unaudited)				As at 31 December 2021			
	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	10 055	6 185	(116)	6 069	9 868	6 180	(83)	6 097
TAURON Dystrybucja S.A.	4 105	4 087	(14)	4 073	4 125	4 105	(10)	4 095
TAURON Wydobywanie S.A.	3 847	-	-	-	3 663	-	-	-
TAURON Ciepło Sp. z o.o.	981	980	(11)	969	981	981	(6)	975
TAURON Wytwarzanie S.A.	905	905	(90)	815	905	905	(66)	839
TAURON Ekoenergia Sp. z o.o.	160	156	(1)	155	160	155	(1)	154
Other	57	57	-	57	34	34	-	34
Loans measured at fair value	257	257	n.a.	257	155	155	n.a.	155
WIND T1 Sp. z o.o.	200	200	n.a.	200	131	131	n.a.	131
Polpower Sp. z o.o.	38	38	n.a.	38	8	8	n.a.	8
Aval-1 Sp. z o.o.	19	19	n.a.	19	16	16	n.a.	16
Total	10 312	6 442	(116)	6 326	10 023	6 335	(83)	6 252
Non-current		5 966	(110)	5 856		5 913	(76)	5 837
Current		476	(6)	470		422	(7)	415

After the balance sheet date, the Company granted a loan to its subsidiary:

- TAURON Wytwarzanie S.A. in the amount of PLN 4 863 million, as further discussed in Note 45 of these interim condensed financial statements and
- TAURON Dystrybucja S.A. and TAURON Obsługa Klienta Sp. z o.o. in amount of PLN 800 million and PLN 95 million, respectively.

18.2. Loans to joint ventures

Loans granted to the Elektrociepłownia Stalowa Wola S.A. joint venture as at 30 June 2022 and as at 31 December 2021 are presented in the table below.

	As at 30 June 2022 (unaudited)				As at 31 December 2021				Maturity date	Interest rate
	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount		
Loans measured at fair value	545	175	n.a.	175	409	74	n.a.	74	30.06.2033	fixed
Loans measured at amortized cost	119	29	(5)	24	116	28	(3)	25		
Total, of which:	664	204	(5)	199	525	102	(3)	99		
Non-current		204	(5)	199		102	(3)	99		

On 2 March 2022, the Company concluded a loan agreement with Elektrociepłownia Stalowa Wola S.A. up to the amount of PLN 120 million, for the purpose of settlement by Elektrociepłownia Stalowa Wola S.A. of the liability resulting from the settlement agreement with Abener Energia S.A. concluded on 31 December 2021. On 8 March 2022, the Company paid the full amount of the loan to the borrower.

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 implemented under the agreement concluded with the bank for the operation of a cash management system for a group of accounts, with the effective term until 31 December 2023. As a result of the cash pool mechanism, cash is transferred between the accounts of the service participants and the pool leader's account whose function is performed by TAURON Polska Energia S.A.

The balance of receivables arising as a result of cash pooling as at 30 June 2022 and 31 December 2021 is presented in the table below.

	As at 30 June 2022 (unaudited)			As at 31 December 2021	
	Gross value	Impairment loss	Carrying amount	Gross value	Carrying amount
Receivables from cash pool transactions	208	(5)	203	30	30
Interest receivable from cash pool transactions	2	-	2	-	-
Total, of which:	210	(5)	205	30	30
Current	210	(5)	205	30	30

Information concerning liabilities due to the cash pool service is presented in Note 28.5 of these interim condensed financial statements.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

19. Derivatives and hedge accounting

Instrument	Methodology of determining fair value	As at 30 June 2022 (unaudited)
Derivative instruments subject to hedge accounting		
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.	<p>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:</p> <ul style="list-style-type: none"> • interest on a loan with a nominal value of PLN 750 million, for periods commencing respectively from July 2020 and expiring in December 2024; • interest on bonds and a loan with a total nominal value of PLN 3 090 million, for periods commencing in December 2019 and expiring successively from 2023 to 2029. <p>In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.</p>
Derivative instruments measured at a fair value through the profit and loss other than subject to hedge accounting		
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.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on a total notional amount of EUR 500 million. The transaction matures in July 2027. In accordance with 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	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.	Derivative instruments (future, forward) comprise forward transactions for the purchase and sale of CO ₂ emission allowances and other commodities.
FX forward	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.	FX forward derivative instruments aimed at hedging currency flows generated due to the activities conducted.

The valuation of derivatives as at the respective balance sheet dates is presented in the table below:

	As at 30 June 2022 (unaudited)				As at 31 December 2021			
	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	20	703	723	-	-	371	371	-
Derivative instruments measured at fair value through profit or loss								
CCIRS	36	-	37	(1)	25	-	26	(1)
Commodity future/forward	(21)	-	709	(730)	(9)	-	485	(494)
Currency forward	164	-	164	-	115	-	115	-
Total			1 633	(731)			997	(495)
Non-current			690	(83)			532	(116)
Current			943	(648)			465	(379)

20. Other financial assets

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Initial and variation margin deposits arising from stock exchange transactions	54	32
Bid bonds, deposits, collateral transferred	15	38
Total, of which:	69	70
Current	69	70

21. Other non-financial assets

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Prepaid fee on debt	7	13
VAT receivables	-	43
Other	11	12
Total	18	68
Non-current	10	14
Current	8	54

22. Inventories

	As at 30 June 2022 (unaudited)			As at 31 December 2021	
	Gross Value	Estimation to fair value	Carrying amount	Gross Value	Carrying amount
CO ₂ emission allowances	115	6	121	51	51

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 buyers

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Gross Value		
Receivables from buyers	1 490	2 501
Receivables claimed at court	1	1
Total	1 491	2 502
Allowance/write-down		
Receivables from buyers	(6)	(6)
Receivables claimed at court	(1)	(1)
Total	(7)	(7)
Net Value		
Receivables from buyers	1 484	2 495
Total	1 484	2 495

As at 30 June 2022 and 31 December 2021, receivables from the subsidiary, TAURON Sprzedaż Sp. z o.o. constituted the highest balance of receivables from buyers amounting to PLN 734 million and PLN 1 513 million, respectively.

24. Dividend receivables

Dividend receivables of PLN 1 503 million result from the recognition of dividend income from Group companies for which the dividend payment date fell after the balance sheet date. By the date of approval of these interim condensed financial statements for publication, the companies had repaid timely the receivables in the amount of PLN 1 498 million.

25. Receivables due to income tax

As at 30 June 2022, the Company had income tax receivables in the amount of PLN 40 million, which mainly comprise the surplus of advances paid by the Company for the period of five months of 2022 in the amount of PLN 68 million over the tax due for a period the first half of 2022 in the amount of PLN 28 million.

Until 31 December 2021, the Company accounted for income tax within the Tax Capital Group ("TCG") whose agreement was registered by the Head of the First Silesian Tax Office in Sosnowiec for the years 2021-2023. On 24 May 2022, the Head of the First Mazovian Tax Office in Warsaw issued a decision on the expiry of the agreement on the establishment of the TCG for 2021-2023 on 31 December 2021. The reason for the above decision was the TCG's failure to meet the legally required condition of maintaining a minimum profitability of 2% for TCG for 2021. As a result of the above decision, since 1 January 2022, the Company has been accounting for income tax individually.

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 financial statements may change in the future.

26. Cash and cash equivalents

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Cash at bank and in hand	464	440
Total cash and cash equivalents presented in the statement of financial position, including:	464	440
restricted cash, including:	141	159
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	140	156
cash on VAT bank accounts (split payment)	1	3
Cash pool	(2 120)	(2 603)
Foreign exchange	(3)	-
Total cash and cash equivalents presented in the statement of cash flows	(1 659)	(2 163)

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

Information on balances arising from the cash pool agreement is presented in Notes 18.3 and 28.5 of these interim condensed financial statements.

27. Equity

27.1. Share capital

Share capital as at 30 June 2022 (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	cash/in-kind contribution
BB	registered shares	163 110 632	5	816	in-kind contribution
Total		1 752 549 394		8 763	

As at 30 June 2022, the value of issued capital, the number of shares and the nominal value of the shares has not changed since 31 December 2021.

27.2. Major Shareholders

Shareholding structure as at 30 June 2022 and as at 31 December 2021 (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	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	911	10.39%	10.39%
Nationale - Nederlanden Otworthy Fundusz Emerytalny	88 742 929	444	5.06%	5.06%
Other shareholders	954 847 515	4 774	54.49%	54.49%
Total	1 752 549 394	8 763	100%	100%

*The voting rights of the shareholders holding more than 10% of the total votes in the Company have been limited in such a manner that none of them is entitled to exercise the right to more than 10% of votes at the General Shareholders' Meeting of the Company. The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company authorising to at least 25% of the total votes in the Company.

To the best of the Company knowledge, the shareholding structure as at 30 June 2022 has not changed compared to the structure as at 31 December 2021.

27.3. Supplementary capital

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Amounts from distribution of prior years profits	3 009	2 749
Total reserve capital	3 009	2 749

The supplementary capital of the Company up to the level of one-third of the Company share capital, i.e. PLN 2 921 million, may be used only to cover losses.

27.4. Revaluation reserve from the measurement of hedging instruments

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Opening balance	299	(79)
Remeasurement of hedging instruments	312	129
Remeasurement of hedging instruments charged to profit or loss	20	3
Deferred income tax	(63)	(25)
Write-off of deferred tax assets	-	11
Closing balance	568	39

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 the hedging transactions concluded, the Company applies hedge accounting.

As at 30 June 2022, the Company recognised the amount of PLN 568 million of the revaluation reserve from the measurement of hedging instruments. This amount represents an asset on account of the measurement of IRS instruments as at the balance sheet day in the amount of PLN 723 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

The increase in the hedging instruments revaluation reserve in the 6-month period ended 30 June 2022 results from the increase in the positive valuation of IRS instruments, which is mainly related to the increase in the level of market interest rates.

27.5. Retained earnings/ (Accumulated losses) and dividend limitation

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Financial result for the 6-month period ended 30 June 2022	1 653	-
Financial result for the year ended 31 December 2021	-	260
Restated profit/(loss) for the year ended 31 December 2020	338	338
Effects of implementing IFRS 9 <i>Financial Instruments</i>	(388)	(388)
Settlement of mergers with subsidiaries	81	81
Actuarial gains and losses on provisions for post-employment benefits	-	(1)
Total retained earnings/ (accumulated losses)	1 684	290

27.6. Dividends paid and proposed for disbursement

In the 6-month period ended 30 June 2022 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

On 29 March 2022, the Management Board of the Company decided to recommend that no dividend should be paid from the net profit for 2021 to the Company shareholders and that the entire net profit in the amount of PLN 260 million should be allocated to the reserve capital of the Company. On 24 May 2022 the Ordinary General Meeting of the Company adopted the resolution in compliance with the recommendation of the Management Board.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

28. Debt liabilities

	As at 30 June 2022 (unaudited)			As at 31 December 2021		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Unsubordinated bonds	4 418	241	4 659	4 377	201	4 578
Subordinated bonds	1 969	54	2 023	1 967	5	1 972
Bank loans	3 915	1 722	5 637	2 676	1 819	4 495
Loan from the subsidiary	779	17	796	766	2	768
Cash pool loans received	-	2 330	2 330	-	2 632	2 632
Lease	12	8	20	15	10	25
Total	11 093	4 372	15 465	9 801	4 669	14 470

28.1. Bonds issued

Investor	Interest rate	Currency	Bonds issued at nominal value in currency	Maturity date	Carrying amount	
					As at 30 June 2022 (unaudited)	As at 31 December 2021
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	700	2022-2028	700	700
			560	2022-2029	560	560
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 012	1 002
Eurobonds	fixed	EUR	500	2027	2 387	2 316
Unsubordinated bonds					4 659	4 578
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 ²	400	401
			190	2034 ²	877	847
European Investment Bank	fixed ¹	PLN	400	2030 ²	398	386
		PLN	350	2030 ²	348	338
Subordinated bonds					2 023	1 972
Total bonds					6 682	6 550

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. 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.

28.2. Bank loans

Lender	Interest rate	Currency	Maturity date	As at 30 June 2022 (unaudited)	As at 31 December 2021
Consortium of banks I ¹	floating	PLN	2022	1 571	1 700
Bank Gospodarstwa Krajowego	floating	PLN	2033	1 000	999
European Investment Bank	fixed	PLN	2024	183	222
			2027	147	162
	floating	PLN	2040	404	-
			2040	812	-
Intesa Sanpaolo S.p.A.	floating	PLN	2024	761	752
SMBC BANK EU AG	fixed	PLN	2025	499	499
Consortium of banks II ²	floating	PLN	2022 ³	163	161
Erste Group Bank AG	floating	PLN	2026	97	-
Total				5 637	4 495

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. 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 A tranche classified as non-current liability.

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 possibility to maintain financing under the aforementioned agreement for a period exceeding 12 months from the

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

balance sheet day, the drawdown used in the amount of PLN 160 million is classified as a non-current liability as at the balance sheet date.

In the 6-month period ended 30 June 2022, the Company performed the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Description	6-month period ended 30 June 2022 (unaudited)	
		Drawdown	Repayment
Erste Group Bank AG	Under the loan agreement for PLN 500 million the Company drew down PLN 96 million.	96	-
European Investment Bank	The Company performed drawdowns under the loan agreement for PLN 2 800 million:	800	-
	- in the amount of PLN 800 million;	400	-
	- in the amount of PLN 400 million.		
	Repayment of capital instalments according to schedule	-	(56)
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to maturity date	7 100	(7 250)
Consortium of banks II	Drawdown of new tranches and repayment of tranches according to maturity date	160	(160)
Total, including:		8 556	(7 466)
Cash flows		4 196	(3 106)
Net settlement (without cash flow)		4 360	(4 360)

After the balance-sheet date the Company:

- performed drawdowns under available loans in the total amount of PLN 1 450 million and repaid tranches in the total amount of PLN 500 million;
- on 15 July 2022, signed a syndicated loan agreement as further discussed in Note 45 of these condensed interim financial statements.

28.3. Debt agreement covenants

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

As at 30 June 2022, the net debt/EBITDA ratio amounted to 2.9, therefore the covenant was not exceeded.

28.4. Loan from subsidiary

The liability of the Company amounting to PLN 796 million (EUR 170 million) as at 30 June 2022 relates to the long-term loan received from the subsidiary, Finanse Grupa TAURON Sp. z o.o. under the agreement concluded between TAURON Polska Energia S.A. and the subsidiary, Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ)). The loan agreement was concluded in 2014 and bears interest at a fixed rate while the interest is paid annually, in December each year, until the full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

28.5. Loans received under the cash pool service

As at 30 June 2022 and as at 31 December 2021, the Company had current liabilities due to cash pool transactions amounting to PLN 2 330 million and PLN 2 632 million, respectively.

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

28.6. Lease liabilities

Lease liability relates to the right of perpetual usufruct of land, lease of office premises and warehouses, parking spaces and cars.

Ageing of the lease liability

Maturity within <i>(after the balance sheet date)</i>	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Within 1 year	10	10
Within 1 to 5 years	8	14
More than 5 years	7	5
Gross lease liabilities	25	29
Discount	(5)	(4)
Present value of lease payments	20	25

29. Other financial liabilities

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Variation margin deposits arising from stock exchange transactions	198	102
Security margin deposits arising from bank settlements	68	-
Bid bonds, deposits and collateral received	39	24
Measurement of financial guarantee	45	16
Commissions related to borrowings	6	8
Wages and salaries as well as other employee related liabilities	4	7
Liabilities arising from income tax settlements of the TCG companies	-	331
Other	11	16
Total	371	504
Non-current	8	11
Current	363	493

The value of variation margins due to exchange settlements is related mostly to futures transactions in CO₂ emission allowances concluded on foreign regulated markets. The change in the value of margins in relation to the comparable period results mainly from a significant increase in the price of allowances, while taking into account the number of exchange contracts open as at the balance sheet date. The variation margins represented funds received by the Company in connection with the change in the valuation of the concluded futures contracts open as at the balance sheet date.

Security margin deposits from bank settlements represented funds received by the Company, in connection with a significant increase in the positive valuation of the derivative instruments: IRS, CCIRS, currency forward, concluded with the bank.

30. Liabilities to suppliers

	As at 30 June 2022 <i>(unaudited)</i>	As at 31 December 2021
Liabilities to subsidiaries, <i>including</i> :	520	1 547
Nowe Jaworzno Grupa TAURON Sp. z o.o.	145	602
TAURON Wytwarzanie S.A.	144	135
TAURON Sprzedaż Sp. z o.o.	63	638
TAURON Wydobycie S.A.	61	50
Other subsidiaries	107	122
Liabilities to other suppliers	225	198
Total	745	1 745

31. Liabilities due to acquisition of shares in the subsidiary

On 22 March 2022, the Company performed a timely repayment of the entire liability to Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN (“PFR Fund”) for the acquisition of shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., in the amount of PLN 1 061 million.

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

The liability stemmed from the agreement concluded on 22 December 2021 between the Company and the PFR Fund, pursuant to which the Company acquired 176 000 shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. representing 13.71% of the total number of votes at the shareholders' meeting of Nowe Jaworzno Grupa TAURON Sp. z o.o. for the amount of PLN 1 061 million. The transfer of title to the shares took place upon the conclusion of the agreement. Following the transaction, the Company holds 100% of the votes at the general meeting of shareholders of Nowe Jaworzno Grupa TAURON Sp. z o.o.

Upon payment of the price, the shareholders' agreement and the investment agreement concluded in 2018 between the Company, Nowe Jaworzno Grupa TAURON Sp. z o.o. and the PFR Fund, determining the terms and conditions of the PFR Fund capital investment in Nowe Jaworzno Grupa TAURON Sp. z o.o., was terminated.

32. Other non-financial liabilities

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Advances received for deliveries	1 005	704
VAT	34	89
Tax on civil law transactions	-	11
Other	6	10
Total	1 045	814
Non-current	86	113
Current	959	701

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.

33. Deferred income tax

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Deferred tax liabilities		
measurement of derivative instruments	173	119
valuation of hedging instruments	137	71
difference between tax base and carrying amount of other financial assets	10	12
other	9	6
Total	329	208
Deferred tax assets		
measurement of derivative instruments	139	94
accrued interest and the valuation of debt	95	52
provisions, accruals, deferred income and government grants	53	32
different timing of recognition of revenue and cost of sales for tax purposes	18	19
difference between tax base and carrying amount of other financial liabilities	12	9
other	6	5
Total	323	211
Unrecognized deferred tax assets	-	(48)
Recognized deferred tax assets/(liabilities), net	(6)	(45)

34. Provision for onerous contract

	6-month period ended 30 June 2022 (unaudited)		6-month period ended 30 June 2021 (unaudited)		
	Provision for an onerous contract		Provision for an onerous contract		
	Agreements for the sale of CO ₂ emission allowances	Total	Multi-annual agreement for electricity purchase	Agreements for the sale of CO ₂ emission allowances	Total
Opening balance	222	222	1 110	-	1 110
Unwinding of discount	3	3	1	-	1
Recognition/(Reversal) net	113	113	64	208	272
Utilisation	(74)	(74)	(165)	-	(165)
Closing balance	264	264	1 010	208	1 218
Non-current	31	31	528	144	672
Current	233	233	482	64	546

Provision for agreements for the sale of CO₂ emission allowances

As at 30 June 2022, the Company recognised the provision for onerous contracts in the amount of PLN 264 million since, based on the transaction agreements concluded with the subsidiaries, the estimated unavoidable costs of fulfilment of the obligation to deliver CO₂ emission allowances outweigh the benefits to be received under these agreements. The provision was calculated as a difference between concluded transaction agreements for sales to subsidiaries and concluded contracts for the purchase of CO₂ emission allowances from the market measured at the current exchange rate.

The provision is mainly a consequence of performed transactions involving the surplus of CO₂ emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. resulting from the failure and shutdown of the 910 MW unit:

- in the first quarter of 2022, the Company sold its surplus of CO₂ emission allowances in excess of the redemption needs of Nowe Jaworzno Grupa TAURON Sp. z o.o. in the amount of 1 717 000 EUAs with a simultaneous repurchase of this volume in the EUA MAR'23 forward product for the purpose of redeeming the allowances for 2022. The repurchase of the volume in the EUA MAR'23 forward product took place at prices higher than the average price of the allowances sold, consequently, the cost of purchasing these CO₂ allowances exceeds the expected revenue of the Company from their sale to the subsidiary. As a result of the foregoing, as at the balance sheet date, the Company recognised a provision for onerous contracts in the amount of PLN 87 million;
- in the first quarter of 2021, the Company rolled over contracts with delivery dates in March 2021 while concluding new contracts with delivery dates in March 2022, 2023 and 2024. New transactions with delivery dates in 2022-2024 were performed at prices higher than the purchase originally contracted, consequently, the costs of purchasing these CO₂ emission allowances exceed the expected revenue of the Company on account of their sales to the subsidiary. As a result of the foregoing, the Company recognised the provision for onerous contracts which amounted to PLN 222 million as at 31 December 2021 and PLN 163 million as at 30 June 2022. In the 6-month period ended 30 June 2022, the Company partially used the provision of PLN 74 million in connection with the settle of contracts with the delivery date in March 2022 and the realisation of a loss on the resale of allowances to the subsidiary and performed the revaluation of the provision to operating expenses in the amount of PLN 12 million.

35. Other provisions, accruals and governmental subsidies

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Accruals and governmental subsidies, including:		
<i>Accruals due to premium</i>	14	15
Provision for post-employment employee benefits	7	8
Other provisions	3	4
Total	21	23
Non-current	4	5
Current	17	18

EXPLANATORY NOTE TO THE INTERIM CONDENSED STATEMENT OF CASH FLOWS

36. Significant items of the statement of cash flows

36.1. Cash flows from operating activities

Changes in working capital

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Change in receivables	1 013	350
Change in inventories	(70)	(2)
Change in payables excluding loans	(515)	177
Change in other non-current and current assets	41	(11)
Change in deferred income, government grants and accruals	(1)	1
Change in provisions	42	107
Change in working capital	510	622

36.2. Cash flows from investment activities

Purchase of shares in subsidiary

Expenses for the purchase of shares in the subsidiary in the amount of PLN 1 061 million result from the timely repayment on 22 March 2022 of the total liability to Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN for the purchase of shares in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., as further described in Note 31 to these interim condensed financial statements.

Loans granted

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Loans granted to companies:		
Elektrociepłownia Stalowa Wola S.A.	(120)	-
Wind T1 Sp. z o.o.	(66)	(6)
Polpower Sp. z o.o.	(29)	-
TAURON Nowe Technologie S.A	(23)	-
Aval-1 Sp. z o.o.	(3)	-
TAURON Wytwarzanie S.A.	-	(600)
TAURON Wydobycie S.A.	-	(250)
Change in the balance of loans granted to subsidiaries under the long-term exposure cash pool agreement	77	45
Total	(164)	(811)

36.3. Cash flows from financial activities

Repayment of loans

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Repayment tranches of loans to the Consortium of banks I	(3 050)	(1 750)
Repayment of the loan installments to the European Investment Bank	(56)	(56)
Total	(3 106)	(1 806)

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

Interest paid

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest paid in relation to loans and borrowings	(71)	(53)
Interest paid in relation to debt securities	(41)	(35)
Total	(112)	(88)

Contracted loans

	6-month period ended 30 June 2022	6-month period ended 30 June 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
The launch of financing under loan agreements:		
Banks Consortium I	2 900	600
European Investment Bank	1 200	-
Erste Group Bank AG	96	-
Total	4 196	600

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

37. Financial instruments

Categories and classes of financial assets	As at 30 June 2022 <i>(unaudited)</i>		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	9 285	9 365	8 647	8 734
Receivables from buyers	1 484	1 484	2 495	2 495
Dividend receivables	1 503	1 503	-	-
Loans granted to subsidiaries and jointly-controlled entities	6 093	6 173	6 122	6 209
Loans granted under cash pool agreement	205	205	30	30
2 Financial assets measured at fair value through profit or loss (FVTPL)	1 941	1 941	1 416	1 416
Derivative instruments	910	910	626	626
Long-term shares	66	66	51	51
Loans granted to subsidiaries and jointly-controlled entities	432	432	229	229
Other financial assets	69	69	70	70
Cash and cash equivalents	464	464	440	440
3 Derivative hedging instruments	723	723	371	371
4 Financial assets excluded from the scope of IFRS 9				
Financial Instruments	20 506		20 508	
Shares in subsidiaries	20 090		20 092	
Shares in jointly-controlled entities	416		416	
Total financial assets, of which in the statement of financial position:	32 455		30 942	
Non-current assets	27 317		27 027	
Shares	20 572		20 559	
Loans granted	6 055		5 936	
Derivative instruments	690		532	
Current assets	5 138		3 915	
Receivables from buyers	1 484		2 495	
Dividend receivables	1 503		-	
Loans granted	675		445	
Derivative instruments	943		465	
Other financial assets	69		70	
Cash and cash equivalents	464		440	

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

Categories and classes of financial liabilities	As at 30 June 2022 (unaudited)		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	16 561	16 214	17 755	17 880
Arm's length loans, of which:				
Bank loans	8 763	8 622	7 895	7 910
Liability under the cash pool loan	5 637	5 526	4 495	4 446
Loans from the subsidiary	2 330	2 330	2 632	2 632
Bonds issued	796	766	768	832
Liabilities to suppliers	6 682	6 476	6 550	6 660
Liabilities due to acquisition of shares in the subsidiary	745	745	1 745	1 745
Other financial liabilities	-	-	1 061	1 061
	371	371	504	504
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	731	731	495	495
Derivative instruments	731	731	495	495
3 Financial liabilities excluded from the scope of IFRS 9 Financial Instruments	20		25	
Liabilities under leases	20		25	
Total financial liabilities, of which in the statement of financial position:	17 312		18 275	
Non-current liabilities	11 184		9 928	
Debt	11 093		9 801	
Derivative instruments	83		116	
Other financial liabilities	8		11	
Current liabilities	6 128		8 347	
Debt	4 372		4 669	
Liabilities to suppliers	745		1 745	
Liabilities due to acquisition of shares in the subsidiary	-		1 061	
Derivative instruments	648		379	
Other financial liabilities	363		493	

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

Financial asset/liabilities classes	Fair value measurement level	Fair value measurement methodology
Financial assets/liabilities measured at fair value		
<i>Derivatives, including:</i>		
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 to subsidiaries and jointly controlled entities	2	The fair value measurement of loans granted to subsidiaries and jointly controlled entities classified as measured at a fair value was performed as the present value of future cash flows discounted at the current interest rate.
Loan granted to a joint venture	3	The measurement of the fair value of the loan was performed as the present value of future cash flows taking into account the credit risk of the borrower.
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.
Loans granted to subsidiaries and jointly controlled entities	2	The fair value measurement of loans granted to subsidiaries and jointly controlled entities classified as measured at an amortised cost was performed as the present value of future cash flows discounted at the current interest rate in force.

The fair value of other financial instruments as at 30 June 2022 and 31 December 2021 (except from those excluded from the scope of IFRS 9 *Financial instruments*) did not differ considerably from the figures presented in the financial statements for the following reasons:

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

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

38. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to 31 December 2021.

As at 30 June 2022, the Company had hedging transactions covered by the financial risk management policy concluded with the purpose of hedging the interest flows associated with debt. For the transactions concluded, the parent company applies hedge accounting. The accounting recognition of the hedging transactions described above is further described in Note 19 to these interim condensed financial statements.

39. Finance and capital management

Finance and capital management is carried out at a level of TAURON Polska Energia S.A. Capital Group. In the period covered by these interim condensed financial statements, no significant changes in the objectives, principles and procedures of capital and finance management occurred.

OTHER INFORMATION

40. Contingent liabilities

As at 30 June 2022 and as at 31 December 2021, the contingent liabilities of the Company mainly resulted from the collaterals and guarantees granted to related parties and included:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	Validity	As at 30 June 2022 (unaudited)	As at 31 December 2021
	Finanse Grupa TAURON Sp. z o.o.	Private placement investors	3.12.2029	786	773
Corporate guarantees	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	-	-	7
	TAURON Czech Energy s.r.o.	ČEZ a.s.	31.01.2024	14	-
Liability arising from a bank guarantee issued to a joint subsidiary	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11.10.2022	518	518
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*	416	416
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	40
Surety contracts	various subsidiaries and Elektrociepłownia Stalowa Wola S.A.	various entities	30.04.2023- indefinite	41	43
Comfort letter	TAURON Czech Energy s.r.o.	PKO BP S.A., Czech Branch	31.01.2024	34	-
Liabilities arising from bank guarantees issued to subsidiaries	various subsidiaries	various entities	30.06.2022- 28.07.2029	26	38

*The registered pledges apply in the collateral period, i.e. until the full repayment of hedged receivables or until the release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until release by the pledgee, not later than on 31 December 2028.

The most significant items of contingent liabilities include:

- The corporate guarantee granted in 2014 to secure the bonds of Finanse Grupa TAURON Sp. z o.o. (the so-called NSV). The guarantee shall be effective until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 million (PLN 786 million), while the beneficiaries of the guarantee are the private placement investors who purchased the bonds issued. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which amounted to PLN 20 million as at 30 June 2022.
- The liability arising from the issuance of a bank guarantee at the request of the Company up to the amount of PLN 518 million as a collateral for the receivables of Bank Gospodarstwa Krajowego ("BGK") resulting from the loan agreement concluded on 8 March 2018 between the borrower, Elektrociepłownia Stalowa Wola S.A. and BGK and PGNiG S.A. The collateral of bank receivables against the Company is the declaration on submission to enforcement up to the amount of PLN 621 million. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which amounted to PLN 25 million as at 30 June 2022 (PLN 16 million as at 31 December 2021).
- The registered pledge and the financial pledge established under the agreement concluded in 2015 on the shares held, representing 50% of the shares in the share capital of TAMEH HOLDING Sp. z o.o., in favour of RAIFFEISEN BANK INTERNATIONAL AG. The registered pledges are pledges with the highest priority of satisfaction on shares up to the highest amount of security in the amount of CZK 3 950 million and PLN 1 370 million, respectively. 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.

After the balance sheet date, on 1 July 2022, a bank guarantee in the amount of PLN 25 million for the liabilities of Nowe Jaworzno Grupa TAURON Sp. z o.o. to Polskie Sieci Elektroenergetyczne S.A. was granted at the Company request, with a term of validity until 31 October 2022.

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

Claims related to termination of long-term contracts

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

In 2015, companies belonging to the Polenergia and Wind Invest groups filed a case against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to declare notices of termination of agreements submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. with regard to power purchase and property rights concluded with these companies ineffective. In the course of court proceedings, plaintiffs extend their scope raising claims for damages and contractual penalty claims related to contract termination.

As at the date of approval of these interim condensed financial statements for publication, the amount of damages claimed in the lawsuits amounts to: Polenergia Group companies - PLN 116 million (including Amon Sp. z o.o. - PLN 70 million, Talia Sp. z o.o. - PLN 46 million); Wind Invest group companies - PLN 493 million.

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. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgements. The judgement in the Amon Sp. z o.o. case is not final. In the case brought by Talia Sp. z o.o., on 20 December 2021 the Court of Appeals in Gdańsk announced a judgement dismissing the appeals of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The judgement of the Court of Appeals and consequently the preliminary and partial judgements and the supplementary judgement indicated above are final, however, it is possible to apply for the judicial review. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimant, i.e. Talia Sp. z o.o. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has received a justification of the judgement of the Court of Appeals and will file a cassation appeal within the required deadline.

The above-mentioned final, partial and preliminary judgements in the Talia Sp. z o.o. lawsuit do not change the Group's assessment that the chances of ultimately losing the case for damages in favour of Talia Sp. z o.o. are not higher than the chances of winning it, and therefore no provision is created for the related costs. The partial and preliminary judgement in the Amon Sp. z o.o. lawsuit does not change the Group's assessment that the chances of losing the case are not higher than the chances of winning it and therefore no provision is created for the related costs.

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

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

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.

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

Taking into account the current status of the lawsuits and the circumstances surrounding them, the Group believes that the chances of losing the remaining lawsuits related to both declarations of ineffectiveness of termination of agreements and claims for damages are not higher than the chances of winning the lawsuits in question, and therefore it does not recognise a provision for related costs.

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

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

As at the date of approval of these interim condensed financial statements for publication, the damages claimed in the lawsuits amount to: Polenergia Group companies - PLN 131 million, Wind Invest group companies - PLN 272 million.

Moreover, in their claims, the plaintiff companies indicate the following values of estimated damages that may arise in the future: Polenergia Group companies - PLN 265 million, Wind Invest Group companies - PLN 1 119 million.

The District Court in Katowice has jurisdiction to hear the lawsuits. All cases are held before the first instance courts. The proceedings 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.

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

TAURON Polska Energia S.A. as a former shareholder holding 10% of shares in the share capital of Polskie Elektrownie Jądrowe Sp. z o.o. until the date of sale, i.e. 26 March 2021, jointly with the other former shareholders of the company (PGE Polska Grupa Energetyczna S.A, KGHM Polska Miedź S.A. and ENEA S.A.), is a party to the agreement with Polskie Elektrownie Jądrowe Sp. z o.o. regulating the issues of potential liabilities and benefits of the parties resulting from the settlement of the dispute between Polskie Elektrownie Jądrowe Sp. z o.o. and the consortium composed of WorleyParsons Nuclear Services JSC, WorleyParsons International Inc, WorleyParsons Group Inc (hereinafter: "WorleyParsons consortium").

In 2015, the WorleyParsons consortium, which is the research contractor for the investment process related to the construction of a nuclear power plant by Polskie Elektrownie Jądrowe Sp. z o.o., submitted claims against Polskie Elektrownie Jądrowe Sp. z o.o. for the total amount of PLN 92 million in a call for payment and then filed a lawsuit for approximately PLN 59 million, extended in 2017 and 2019 to the amount of approximately PLN 128 million.

In accordance with the agreement, the shareholders in proportion to their previously held number of shares in Polskie Elektrownie Jądrowe Sp. z o.o. are responsible for liabilities or proportionally entitled to benefits potentially arising as a result of the settlement of the dispute with the WorleyParsons consortium up to the maximum level of claims including interest set as at 26 March 2021, amounting respectively to PLN 140 million for claims asserted by the WorleyParsons consortium against Polskie Elektrownie Jądrowe Sp. z o.o. and PLN 71 million for claims asserted by Polskie Elektrownie Jądrowe Sp. z o.o. against the WorleyParsons consortium.

According to the best knowledge of the Company, Polskie Elektrownie Jądrowe Sp. z o.o. has not acknowledged the claims filed against it and considers potential adjudication by the court to be unlikely. 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 Górnośląski Zakład Elektroenergetyczny S.A. (GZE), TAURON Polska Energia S.A. became the party to the court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the President of the ERO.

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 million including interest accrued 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 ERO President of 12 October 2001 concerning the 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. Huta lodged an appeal (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company. By the judgement of 9 February 2022, the appeal lodged by Huta was dismissed and the Company was awarded, among others, the costs of the appeal proceedings. The judgement is legally binding.

Based on a legal analysis of claims, as well as taking into account the said judgement, the Company believes that they are unjustified and the risk that they must be satisfied is remote. Consequently, no provision has been recognised by the Company for any costs associated with those claims.

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, currently hear by the Appeal Court in Katowice, refers to the payment of the amount of PLN 17 million including the statutory interest accrued from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in

TAURON Polska Energia S.A.
Interim condensed financial statements for the 6-month period ended 30 June 2022
compliant with IFRS approved by the EU
(in PLN million)

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 million, including the statutory interest, was lodged 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. ENEA has filed an appeal against the above ruling. Until the date of these interim condensed financial statements were authorised for publication, the Company had not been served with a notice setting a date for an appeal hearing.

The Company did not recognize any provision as, in the opinion of the Company, the risk of losing the case is below 50%. Provisions for costs were created by the subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. In the 2021, the provisions were fully released due to the position of the companies and the assessment of the chances of positive outcome of the proceedings that ended with a non-final judgement favourable to the companies.

41. Collaterals for repayment of liabilities

As part of its operations, the Company uses a number of instruments to hedge its own liabilities under the concluded agreements and transactions. The major types of collaterals are presented below.

Collateral	Collateral amount as at	
	30 June 2022 (unaudited)	31 December 2021
Declarations of submission to enforcement*	18 375	19 185
Pledges on shares in a subsidiary	-	1 380
Bank account mandates	600	600
Bank guarantees	79	90
Blank promissory notes	4	4

*As at 30 June 2022, the item comprises collaterals relating to agreements for which, as at the balance sheet day, the liabilities were repaid in the total amount of PLN 240 million.

The decline in the value of the collaterals in the form of declarations of submission to enforcement and pledges on shares results mainly from the expiry of the collaterals established under the agreement of 22 December 2021 towards Fundusz Inwestycji Infrastrukturalnych–Kapitałowy Fundusz Inwestycyjny Aktywów Niepublicznych (the "Fund"), in connection with the timely repayment on 22 March 2022 of the liabilities for the acquisition of non-controlling interests in the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. to the Fund, as described in more detail in Note 31 to these interim condensed financial statements. As part of these collaterals:

- the declaration on submission to enforcement up to the amount of PLN 1 380 million expired, with the execution period until 22 September 2023. The Company received a declaration from the Fund of 4 April 2022 that the security had expired and that the declaration of submission to enforcement had not been exercised;
- pledges expired on 176 000 shares in the share capital of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., i.e. a registered pledge with the first priority of satisfying on the shares up to the maximum amount of security of PLN 1 380 million and an ordinary pledge with the first priority of satisfying equal to the priority of the registered pledge. The pledges remained in force until the date of full satisfaction of the secured claims, i.e. by 22 March 2022.

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

- on 25 August 2022, the Company signed a declaration of submission to enforcement up to the total maximum amount of PLN 4 800 million with the effective term of 30 November 2030, in connection with the conclusion of a syndicated loan agreement on 15 July 2022 in the amount of PLN 4 000 million, as described in more detail in note 45 of these interim condensed financial statements, and a declaration of submission to enforcement up to the maximum amount of PLN 300 million with the effective term of 30 August 2025, in connection with signing of the annex to the overdraft agreement with Bank Gospodarstwa Krajowego regarding the extension of the validity period of the agreement by 30 August 2023;
- on 30 August 2022, bank guarantees were issued to the Polskie Sieci Elektroenergetyczne S.A. as security for the Company liabilities in amount of PLN 60 million, with the expiry date of 15 February 2023.

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

- Bank guarantees

The Company secures transactions concluded on the Polish Power Exchange [Towarowa Gielda Energii S.A.], among others, in the form of bank guarantees issued to Izba Rozliczeniowa Gield Towarowych S.A. ("IRGiT"). As at 30 June 2022 and 31 December 2021, bank guarantees totalling PLN 50 million and PLN 70 million, respectively, were in force.

After the balance sheet date, bank guarantees were issued to the IRGiT as security for the Company liabilities. As at the date of approval of these interim condensed financial statements for publication, the guarantees in the total amount of PLN 187 million are in force, with the expiry dates of 21 September 2022, 24 September 2022, 11 October 2022 and 1 November 2022.

- Agreement of setting off the margins in TAURON Group

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

42. Investment liabilities

As at 30 June 2022 and as at 31 December 2021 the Company did not have any material investment liabilities.

43. Related party disclosures

43.1. 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

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Revenue from subsidiaries	13 655	8 439
Revenue from operating activities	11 629	6 441
Dividend income	1 646	1 706
Other finance income	380	292
Revenue from jointly-controlled entities	479	123
Revenue from State Treasury companies	372	227
Costs from subsidiaries	(5 016)	(3 009)
Costs of operating activities	(4 965)	(2 995)
Finance costs	(51)	(14)
Costs incurred with relation to transactions with jointly-controlled entities	(200)	(202)
Costs from State Treasury companies	(333)	(422)

Receivables and liabilities

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Loans granted to subsidiaries and receivables from subsidiaries	13 234	12 447
Receivables from buyers	1 236	2 338
Dividend receivables	1 503	-
Loans granted to subsidiaries	10 289	9 998
Loans granted under cash pool agreement	205	109
Other non-financial assets	1	2
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	842	606
Receivables from State Treasury companies	52	87
Liabilities to subsidiaries	4 644	5 980
Liabilities to suppliers	520	1 547
Loans received under cash pool services	2 300	2 608
Loans from the subsidiary	796	768
Liabilities arising from the TCG	-	330
Other financial liabilities	23	23
Other non-financial liabilities	1 005	704
Liabilities to jointly-controlled entities	42	74
Liabilities to State Treasury companies	94	64

The receivables and loans presented in the table above represent values before allowances for expected credit losses or the measurement to the fair value.

Revenues from subsidiaries presented in the table include revenues from the sale of coal to TAURON Wytwarzanie S.A., TAURON Ciepło Sp. z o.o. and Nowe Jaworzno Grupa TAURON Sp. z o.o., which are presented in the statement of comprehensive income, net of acquisition costs, at the surplus value representing intermediation fees, as described in Note 11 of these interim condensed financial statements.

In the 6-month period ended 30 June 2022, 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 connection with transactions with the State Treasury companies in the 6-month period ended 30 June 2022, the largest counterparties of TAURON Polska Energia S.A. included Polska Grupa Górnicza S.A., Polskie Sieci Elektroenergetyczne S.A. and Jastrzębska Spółka Węglowa S.A. Costs in transactions with these counterparties accounted for 95% of the total costs incurred in purchase transactions with the State Treasury companies.

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

The above tables do not include transactions with banks under the control of the State Treasury, which, in accordance with IAS 24 *Related Party Disclosures*, as providers of finance, are not treated as related parties.

Transactions with the State Treasury

On 22 March 2021, an agreement was concluded between the State Treasury represented by the Minister of State Assets and the Company, under which the Company is authorised to receive reimbursement of the costs incurred in connection with the implementation of the activities commissioned to it pursuant to the decision of the Prime Minister of 29 October 2020 in the scope of counteracting COVID-19, consisting in organising and establishing a temporary hospital in Krynica - Zdrój and maintaining the operation of this hospital. The total costs incurred for this task amounted to PLN 10 million, and by the balance sheet date the Company had received reimbursement of the costs incurred in the total amount of PLN 7 million. In the 6-month period ended 30 June 2022, the costs incurred amounted to PLN 1 million. In principle, the settlement of the task has no impact on the financial results of the Company due to the entitlement of the Company to receive reimbursement of the reasonable costs incurred.

43.2. 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 6-month period ended 30 June 2022 and in the comparative period has been presented in the table below.

	6-month period ended 30 June 2022 <i>(unaudited)</i>	6-month period ended 30 June 2021 <i>(unaudited)</i>
Management Board	4	2
Short-term benefits (with surcharges)	4	2
Supervisory Board	-	-
Other members of key management personnel	8	9
Short-term employee benefits (salaries and surcharges)	7	8
Other	1	1
Total	12	11

The table above takes into account the amounts paid and to be paid by 30 June 2022. In accordance with the accounting policy adopted, the Group recognises the 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 Social Benefits Fund (ZFŚS) granted to members of the Management Board, members of the Supervisory Board and other members of the key management staff.

44. Other material information

Conclusion of a settlement between Abener Energia S.A. and Elektrociepłownia Stalowa Wola S.A.

Due to the withdrawal from the contract concluded for the construction of a CCGT unit in Stalowa Wola ("the Contract"), court and arbitration disputes were ongoing between Abener Energia S.A. (general contractor) ("Abener") and Elektrociepłownia Stalowa Wola S.A. (contracting authority) ("ECSW"), as further described in Note 50 to the financial statements of the Company for the year ended 31 December 2021.

On 31 December 2021, ECSW and Abener (the "Parties") signed a settlement agreement to set out the terms on which ECSW and Abener will perform mutual settlements arising out of any litigation or arbitration pending between the Parties and arising out of the Contract. Pursuant to the settlement, ECSW paid Abener the amount of EUR 93 million (based on the judgement of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw of 25 April 2019 in the case brought by Abener against ECSW and other settlements), of which the amount of EUR 32 million was settled in the form of release of funds previously deposited in the escrow account due to the lawsuit won by ECSW in 2017 with the performance guarantor of the Abener contract. Upon the entry into force of the terms provided for in the settlement agreement, the Parties agree to discontinue all pending litigation and arbitration proceedings between them and acknowledge the absence of any further or future claims arising from the Contract. The conditions of the settlement have been fulfilled, accordingly, all court and arbitration proceedings between ECSW and Abener were first suspended at the concerted request of the Parties, and subsequently, on 9 and 10 March 2022, the Parties filed motions to resume the suspended proceedings, to withdraw the actions and the cassation complaint and to discontinue all proceedings. Consequently, on 14 March 2022, the Court of Arbitration at the Polish Chamber of Commerce issued a decision to discontinue the proceedings in the action of Abener against ECSW and on 21 March 2022 - a decision to discontinue the proceedings in the action of ECSW against Abener. By the order of 2 June 2022, the Supreme Court discontinued the cassation proceedings relating to the cassation appeal filed by ECSW in 2020.

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

Implementation of the Government Programme of the Transformation of the Polish Electricity Sector

In April 2021, the government programme of the transformation of the Polish electricity sector (the "Programme") was initiated by the Ministry of State Assets (MAP). The programme aims to separate coal assets from state-owned energy companies under the terms and conditions set out by the MAP in the document entitled "*The transformation of the electricity sector in Poland. Separation of coal generation assets from the companies with the State Treasury shareholding*". On 1 March 2022, the Council of Ministers passed the resolution adopting the aforementioned document.

The programme stipulates the acquisition of all assets related to the generation of energy in coal and lignite-fired power plants, including service companies providing services to them by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. The State Treasury will integrate the acquired assets into a single entity. The acquisition will be preceded by an internal reorganisation of the energy corporations.

In connection with the Programme, in the 6-month period ended 30 June 2022, work was carried out in the Group in order to perform the reorganisation changes necessary for the execution of the transaction, aimed at integrating the assets to be separated into a single entity, which is Tauron Wytwarzanie S.A. in TAURON Group. In particular, as part of the work performed:

- on 18 May 2022, a resolution was adopted to divide the TAURON Wytwarzanie S.A. company by separating and transferring the separated assets to the newly established company, TAURON Inwestycje Sp. z o.o. in organisation. The division of TAURON Wytwarzanie S.A. and the incorporation of TAURON Inwestycje Sp. z o.o. were registered after the balance sheet date, on 1 July 2022,
- on 31 May 2022, the Company transferred the ownership of shares in the share capital of Bioeko Grupa TAURON Sp. z o.o. and TAURON Serwis Sp. z o.o. to TAURON Wytwarzanie S.A. under an agreement, which is described in more detail in Note 17 of these interim condensed financial statements.

After the balance sheet date, on 29 July 2022, an agreement was concluded for the sale of 100% of the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. held by the Company to TAURON Wytwarzanie S.A., which is described in more detail in Note 45 of these interim condensed financial statements.

As at 30 June 2022, the Company believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of shares possessed by the companies included in the Programme as a disposable group classified as held for sale.

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

The first half of 2022 was a period of continued COVID-19 pandemic status (5th wave), which saw sustained high levels of SARS-CoV-2 infections, which gradually subsided in March this year. Some restrictions still applied in the country with the aim to contain the spread of the pandemic which were gradually eased as the number of recorded cases of infection decreased. This situation continued to cause some disturbances in the economic and administrative system in Poland and worldwide, affecting especially the performance of companies from sectors such as tourism, trade or transport. Consequently, in the medium and long term, it should be expected - taking into account the continuing level of infections and the high probability of emergence of new waves of increased infections - that the COVID-19 pandemic will continue to affect, although to a lesser extent than before, the national, European and global economic situation, exerting a negative impact on macroeconomic factors, i.e. on the economic growth in Poland in the current year and in subsequent years, as well as on inflation. Significant issues relating to the impact of the pandemic on TAURON Group in the 6-month period ended 30 June 2022 are presented below:

- despite the restrictions in force, a relatively high level of demand for electricity from TAURON Group customers is observed, which translates into the profitability of the Distribution Area and the Sales Area;
- no significant changes and sustained trends have been observed in the level of overdue receivables and volatility in prices of electricity and related products resulting from the COVID-19 pandemic;
- the situation related to the COVID-19 pandemic continued to affect the operations of individual Business Areas of TAURON Group through increased employee absenteeism and the growth of operating costs resulting from the need to meet epidemiological conditions.

In accordance with the Regulation of the Council of Ministers, the state of epidemics was abolished on 16 May 2022 and the state of epidemic emergency came into force. TAURON Group, being aware of the risks associated with the epidemiological situation, continued and adapted its activities adequately to the level of risks and the development of the epidemiological situation in the analysed period. In connection with the foregoing, the Management Board of the Company continues to monitor the pandemic situation and takes any feasible steps to mitigate the negative impact of the pandemic on TAURON Group.

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

In February this year, armed conflict started on territory of Ukraine. The aggression of the Russian Federation against Ukraine has triggered geopolitical tensions both in Europe and worldwide. In response to the situation, the European Union has been introducing successive packages of sanctions against the Russian Federation, which take a wide and varied range of forms, including diplomatic and financial measures, individual sanctions as well as restrictions on economic relations.

The Group believes that the key consequences of the war in Ukraine and the resulting potential risks that have and might have further impact on TAURON Group are as follows:

- crisis in the energy fuels market resulting from the reduction in trade exchange with the Russian Federation, causing supply disruptions in fossil fuels and consequently affecting spikes in the volatility and price levels of raw materials quoted on commodity markets (including oil, gas and coal);
- possible limitations of coal supply concerning contracts concluded with external suppliers, i.e. over the production volume of TAURON Wydobycie S.A., which may affect the statutory levels of coal inventories, and in extreme scenarios, potentially cause limitations in the production of generation units;
- significant increase in electricity prices and their volatility in all market segments both in Poland and on European markets, resulting in a rise in electricity prices and, consequently, an increase in market risk related to securing the commercial needs of individual areas of TAURON Group. In particular, an increase in the costs of securing (including profiling and trade balancing) end-customer demand in the Sales Area is observed, with limited possibilities of passing it on to the end-customer, which particularly refers to the ERO regulated tariff;
- changes in the EU energy balance and, as a consequence, the increased performance of the generating units of TAURON Group, which may lead to a reduction in their availability in the future, as well as potential risks resulting from capacity obligations imposed on some of them;
- rising inflation in Poland, as a consequence of which the Monetary Policy Council regularly raises the NBP reference rate. The volatility of interest rates will affect the cost of servicing financing in the TAURON Group as well as affect the amount of capital employed in the Distribution Area in the long term. The observed increase in inflation escalates wage claims and potential social unrest within TAURON Group. Increased exchange rate volatility and a depreciation of the zloty have also been recorded as a result of the economic disruption;
- in the case of deterioration of the economic situation in the country, it may affect the level of domestic demand for electricity, which may affect the profitability of the Distribution Area and the Sales Area,
- introduction of the alert level indicating an increased risk related to the possibility of terrorist events.

In other areas, TAURON Group has currently not identified any direct effects of the aggression on its own operating and business activities, while the continuity of business processes is not at risk. TAURON Group does not have any assets located in Ukraine, Russia or Belarus and no significant transactions related to sales or deliveries in these directions took place. In particular, the Group does not identify the impact of the aggression of the Russian Federation on the escalation of liquidity and funding risks.

The aforementioned risks represent the effects of the situation observed, identified as at the date of preparation of the these interim condensed financial statements, which may affect the operations of TAURON Group in the future and therefore do not constitute an exhaustive catalogue. Potential risks that may have an additional impact on TAURON Group in the future include:

- continuing volatility in prices of raw materials and prices of electricity and related products which may translate into the profitability of ongoing and planned investment processes,
- potential impact on the disruption of supply chains for goods and services, which may affect, among others, potential delays in ongoing investment and restructuring processes,
- logistics-related disruptions to coal transport can cause delays in replenishing coal stocks at individual generating units,
- economic disturbances may trigger financial difficulties for some customers and counterparties of TAURON Group and an increase in credit risk,
- threats in the scope of security and cyber security and potential restrictions in the access to IT/ OT infrastructure, the internet and GSM networks, may cause disruptions to operational processes and business continuity.

The situation regarding the aggression of the troops of the Russian Federation against Ukraine is highly volatile and its future consequences are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the aggression as well as the impact on the condition of the Polish and global economies. The impact on TAURON Group will

also depend on the scope of sanctions targeted at the Russian Federation and their impact on local and global political and economic relations.

Recognising the scale of the risks associated with the current situation, TAURON Group monitors the impact of the war in Ukraine on an on-going basis and takes measures to mitigate the potential effects of risk materialisation in TAURON Group as well as to maintain the continuity of critical infrastructure operations. The coordination of the works related to the identification of effects and response to risks is managed by dedicated Crisis Teams established both at a level of the Company and at a level of individual TAURON Group subsidiaries.

Conclusion of a letter of intent on cooperation in the area of generation sources in the Small Modular Reactor (SMR) technology

On 20 April 2022, the Company concluded a letter of intent with KGHM Polska Miedź S.A., in which the parties consider strategic cooperation related to research and development and future investment projects in the scope of construction of generation sources in the Small Modular Reactor (SMR) technology, i.e. nuclear power reactors with the capacity of 5 to 300 MWe. The purpose of the cooperation between the parties to the Letter of Intent is to identify the possibility, nature and details of potential joint involvement in the implementation of investment projects in the scope of SMR. The subject of the cooperation will cover, among others, the analysis of available technologies and the possibility of installing a generating installation in the vicinity of the receiving infrastructure and the possibility of using the existing infrastructure of existing power units as well as identification of the possibility of acquiring an optimal technology, investing in another way or establishing other forms of cooperation with third parties already implementing or planning to implement investment projects in the field of SMR.

The letter of intent is an expression of the parties' intention to cooperate, while the provisions of the letter of intent are not binding on the parties. The letter of intent shall remain in force until the date on which one of the parties expresses its willingness to renounce further cooperation.

45. Events after the balance sheet date

Signing the syndicated loan agreement

After the balance sheet date, on 15 July 2022, an agreement was signed between the Company as the borrower and Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., CaixaBank S.A. (Spółka Akcyjna) Branch in Poland, Bank Handlowy w Warszawie S.A., Erste Group Bank AG, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Santander Bank Polska S.A. and China Construction Bank (Europe) S.A. Branch in Poland as lenders, for a syndicated loan in the amount of PLN 4 000 million. The funds of the syndicated loan will be used to refinance the existing exposure, including the syndicated loan of 19 June 2019 (Consortium of Banks I), to finance the TAURON Group's capital expenditure (excluding the financing of any projects related to coal assets) and to finance the TAURON Group's corporate-wide expenditure (excluding expenditure related to coal assets). Under the agreement, the Company will be able to make multiple drawdowns of tranches of the loan over the 5-year availability period of the financing, which can be extended to a maximum of 7 years. The interest rate will be calculated on the basis of a floating interest rate, adequate to the interest period in question, increased by a margin which depends on the fulfilment of substantial development indicators, i.e. reduction of emissions and increasing the share of renewable energy sources in the generation structure of TAURON Group.

Granting of a loan to TAURON Wytwarzanie S.A. and disposal of shares in the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o.

In fulfilment of the assumptions of the Programme for the separation of TAURON Group's generation assets to the the National Energy Security Agency, on 29 July 2022:

- the loan agreement was concluded between the Company as the lender and TAURON Wytwarzanie S.A. as the borrower, for the amount of PLN 4 863 million, to be used for the purchase by TAURON Wytwarzanie S.A. of shares in the company Nowe Jaworzno Grupa TAURON Sp. z o.o., including the acquisition costs;
- an agreement was concluded for the sale of 100% of the shares in Nowe Jaworzno Grupa TAURON Sp. z o.o. held by TAURON Polska Energia S.A. to TAURON Wytwarzanie S.A. for price of 4 815 mln PLN.

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 6-month period ended 30 June 2022 in compliance with the International Accounting Standard no. 34 comprise 45 pages.

Katowice, 6 September 2022

Paweł Szczeszek – President of the Management Board

Patryk Demski - Vice-President of the Management Board

Krzysztof Surma - Vice-President of the Management Board

Tomasz Szczegielniak – Vice-President of the Management Board

Artur Warzocha - Vice-President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



**REPORT OF THE
MANAGEMENT BOARD**
on the operations of TAURON
Polska Energgia S.A. Capital
Group in the first half of 2022

TABLE OF CONTENTS

1.	TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP	3
1.1.	Basic information	3
1.2.	Segments of operations (lines of business)	3
1.3.	TAURON Capital Group's structure	5
1.4.	Management Board and Supervisory Board of TAURON Polska Energia S.A.	8
2.	OPERATIONS OF TAURON POLSKA ENERGIA S.A. AND TAURON CAPITAL GROUP	10
2.1.	Subject of the operations.....	10
2.2.	Implementation of the strategic investment (CAPEX) projects	12
2.3.	Material accomplishments and failures as well as the most important events related to TAURON Capital Group in the first half of 2022 and after the balance sheet date.....	16
2.4.	Factors and non-typical (one-off) events that have a significant impact on the abbreviated consolidated financial statements of TAURON Capital Group	21
	Macroeconomic environment.....	21
	Market environment	22
	Regulatory environment	28
	Competitive environment (landscape).....	32
2.5.	Factors that will have an impact on the results achieved over at least the next quarter	36
2.6.	Headcount at TAURON Polska Energia S.A. and at TAURON Capital Group.....	37
3.	TAURON CAPITAL GROUP'S OPERATIONS' RISK	39
3.1.	Risk management strategy	39
3.2.	Risks in the individual operating Segments	41
3.3.	Description of the most material risk categories and their mitigation examples	43
3.4.	The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first half of 2022.....	50
3.5.	The impact of the Russian Federation's aggression against Ukraine on the current and future operations of TAURON Capital Group.....	50
4.	ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP	53
4.1.	Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.	53
4.2.	Key operating data of TAURON Capital Group	54
4.3.	Sales structure by the Segments of Operations (Lines of Business).....	55
4.4.	TAURON Capital Group's financial position after H1 2022	56
4.5.	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	73
4.6.	Principles of drawing up the interim abbreviated consolidated financial statements of TAURON Capital Group.....	73
5.	SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.....	74
5.1.	Shareholding structure	74
5.2.	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.	74
6.	OTHER MATERIAL INFORMATION AND EVENTS	76
6.1.	Material proceedings pending before the court, competent arbitration authority or public administration authority.....	76
6.2.	Transactions with related entities on terms other than at arm's length.....	79
6.3.	Credit or loan sureties (co-signings) granted and guarantees granted	79
6.4.	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.....	80
	Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS	81
	Appendix B: INDEX OF TABLES AND FIGURES.....	84

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

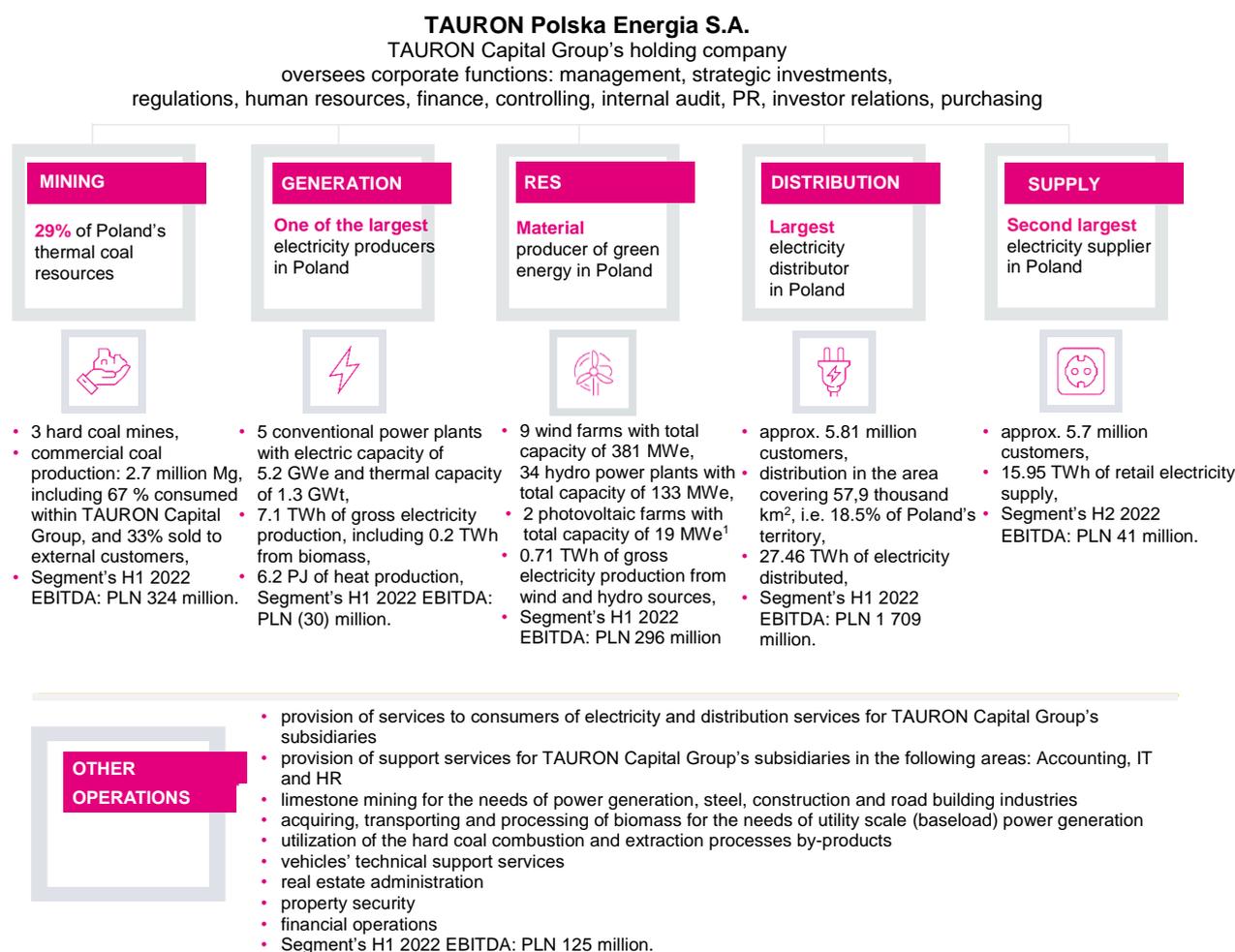
1.1. Basic information

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



¹as of June 30, 2022, the 8 MW Choszczno II PV farm was erected but not commissioned, works under way to connect the farm to the grid

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: the Corporate Center, the Lines of Business (Segments) (Trading, Mining, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply) and the Shared Services Centers (Centra Usług Wspólnych - CUW).

For the purpose of reporting TAURON Capital Group's results the operations of TAURON Capital Group are divided into the following 5 main Segments (Operating Segments), hereinafter also referred to as the Lines of Business:



Mining Segment, comprising mainly hard coal mining, cleaning (upgrading) and sales in Poland.



Generation Segment, comprising mainly electricity generation using conventional sources, including co-generation, as well as electricity generation from biomass burning. This Segment also includes heat generation and supply as well as the generation equipment's overhaul operations.



Renewable Energy Sources (RES) Segment, comprising electricity generation from renewable energy sources: hydroelectric power plants, as well as wind and solar farms. The RES segment also includes assets related to electricity generation from photovoltaic sources.



Distribution Segment, comprising distribution of electricity using the distribution grids located on the territory of the following voivodeships (regions, provinces): Małopolska, Lower Silesia, Opole, Silesia, partly: Świętokrzyskie, Podkarpackie, Łódź, Wielkopolska and Lubuskie. By integrating the line of business's structures and processes, the Distribution Segment is seeking to maintain its leadership position on the Polish market with respect to the grid security, safety and efficiency, as well as to prepare the grid infrastructure and organization for the development of the distributed (dispersed) power generation sources. The Segment also includes the operations that cover the technical support services related to the electricity metering systems and the metering data acquisition.

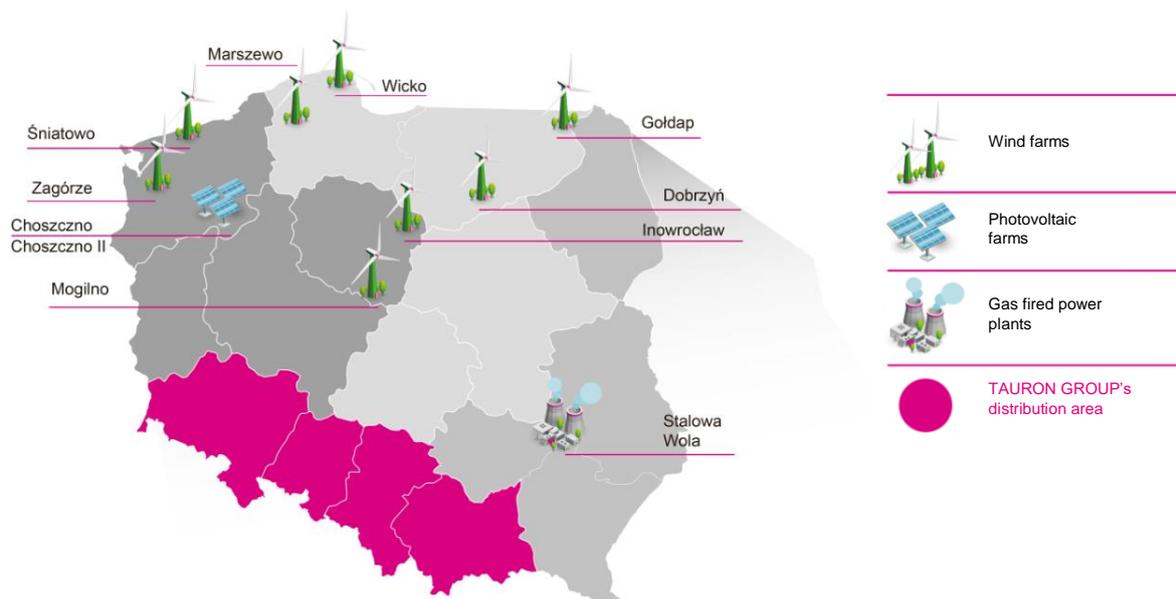


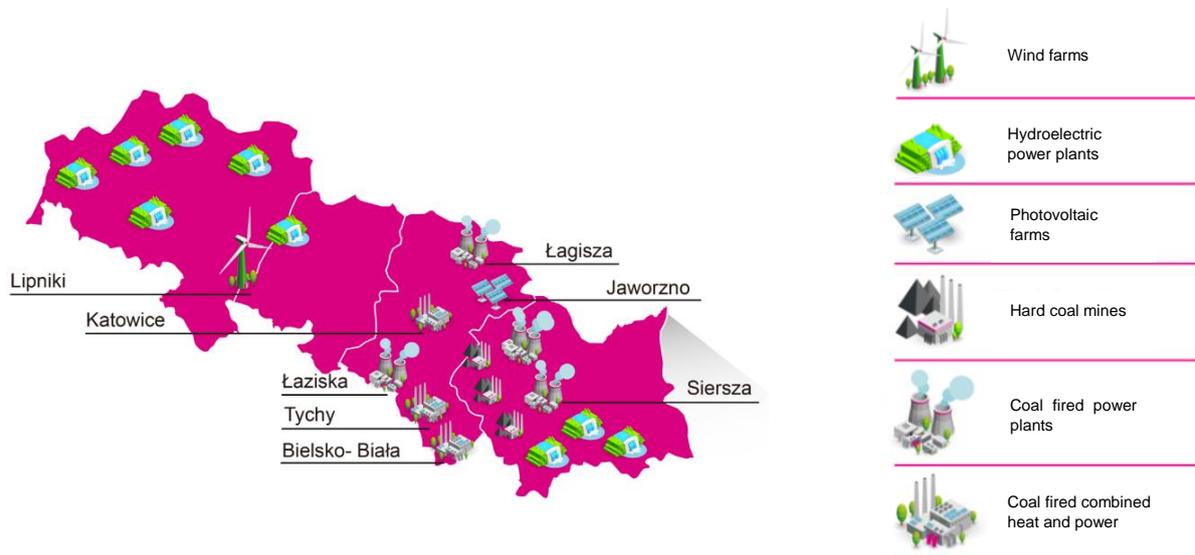
Supply Segment, comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO₂ emission allowances, property rights arising from the Guarantees of Origin (GOs) of energy (energy certificates) that confirm electricity generation from the renewable energy sources, in cogeneration and the property rights arising from the energy efficiency certificates, as well as fuels and the lighting services. The Segment's operations also include providing services for the business and individual customers with respect to, among others, innovative products and services related to the management and maintenance of the street lighting (including modern led lighting systems), smart city products, 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, the customer service for TAURON Capital Group's customers, the provision of the support services for TAURON Capital Group's subsidiaries with respect to accounting, human resources (HR) management, information and communications technology (ICT), 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. The Other Operations also include the financial operations, utilization (management) of the hard coal combustion and extraction processes' by-products, biomass acquisition, transportation and processing, real estate administration, property security, as well as the technical support services for the vehicles.

The below figure presents the location of TAURON Capital Group's key assets, as well as the distribution area where TAURON Dystrybucja S.A. (TAURON Dystrybucja) is conducting its operations as the Distribution System Operator (DSO).

Figure no. 2. Location of TAURON Capital Group's key assets





1.3. TAURON Capital Group's structure

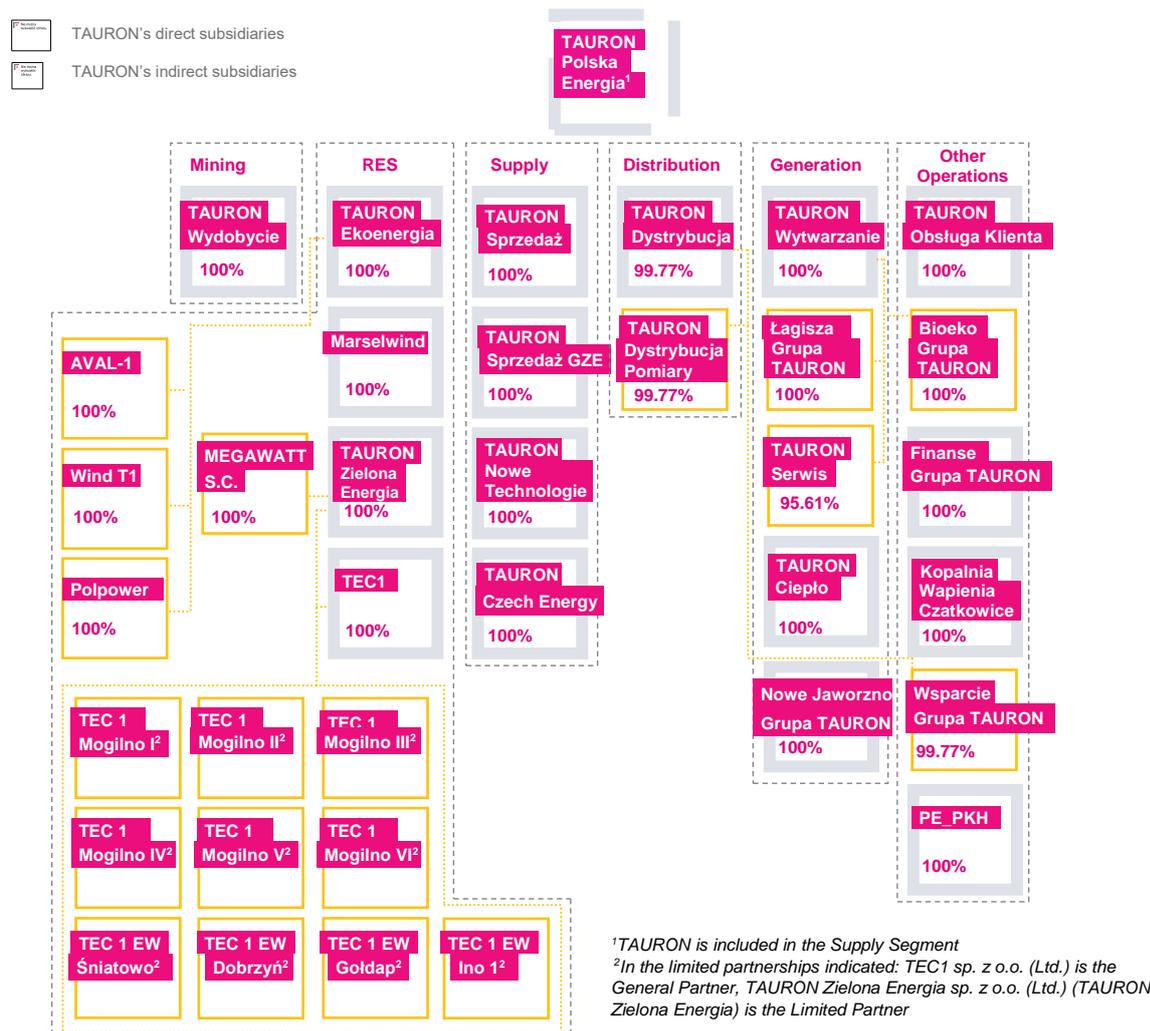
As of June 30, 2022, and as of the date of drawing up this report, TAURON Capital Group's key subsidiaries, besides TAURON parent company, included 36 subsidiaries subject to consolidation, that are listed below.

In addition, as of June 30, 2022, and as of the date of drawing up this report, 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 June 30, 2022.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of June 30, 2022



¹TAURON is included in the Supply Segment

²In the limited partnerships indicated: TEC1 sp. z o.o. (Ltd.) is the General Partner, TAURON Zielona Energia sp. z o.o. (Ltd.) (TAURON Zielona Energia) is the Limited Partner

Changes to the organization

The following changes to the organization of TAURON Capital Group had taken place in the first half of 2022 and by the date of drawing up this report:

Changes in the organization related to the implementation of the program to spin off TAURON Group's coal based generation assets and transfer them to the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE)

In the first half of 2022, TAURON Capital Group was carrying out the *Program to spin off TAURON Group's coal based generation assets and transfer them to the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE)* in order to implement the assumptions of the document entitled the "Transformation of the power sector in Poland. The spinning off of the coal based generation assets from the companies with the State Treasury shareholding" (The NABE Government Concept), adopted by the Council of Ministers by way of the Resolution No. 44/2022 of March 1, 2022. The NABE Government Concept assumes the acquisition by the State Treasury (directly or indirectly) of the shares of the companies from the energy groups around which the assets related to the generation of electricity from coal will be integrated, including, inter alia, the contributed shares of the support services companies, and it assumes ensuring the self-sufficiency of the companies integrating the assets, while at the same time keeping within the energy groups those assets that provide the potential for investments in the new capacity, including the real estate to be used for the construction of the new generation sources.

The goal of the transformation defined in the NABE Government Concept is to ensure the socially acceptable costs of the electricity purchases, with the uninterrupted supply thereof, which will not be possible in the current regulatory and market environment without a fundamental change in the structure of the country's energy mix.

As part of the preparation of the coal based generation assets of TAURON Capital Group for the sale to the State Treasury in accordance with the assumptions of the NABE Government Concept, the following activities and changes in the organization had been implemented in the first half of 2022 and by the date of drawing up this report:

1. as part of an internal reorganization aimed at integrating TAURON Group's coal based generation assets:
 - 1) on May 31, 2022, the ownership of 87 897 shares in TAURON Serwis sp. z o.o. (Ltd.) (TAURON Serwis), constituting 95.61% of the shares in the share capital of the company, and 180 000 shares in Bioeko Grupa TAURON sp. z o.o. (Ltd.) (Bioeko Grupa TAURON), constituting 100% of the shares in the share capital of the company, was transferred from TAURON to TAURON Wytwarzanie S.A. (TAURON Wytwarzanie S.A.). As a consequence of the above, TAURON is no longer a direct shareholder of the above mentioned companies.

Thus, a capital group made up of the spun-off companies with the leading role of TAURON Wytwarzanie was set up, as part of which TAURON Serwis and Bioeko Grupa TAURON will be performing the support services and the operational support functions for the generation units spun off to NABE,

- 2) on June 1, 2022, a transfer of the processes, along with the employees, was made from TAURON Obsługa Klienta sp. z o.o. (Ltd.) to TAURON Wytwarzanie, and the accounting and financial services as well as the Human Resources and payroll services for the entities of TAURON Capital Group, planned to be included in the sale transaction to the State Treasury, were organized,
- 3) on July 1, 2022, the District Court Katowice-Wschód in Katowice, the 8th Commercial Division of the National Court Register, registered the split of TAURON Wytwarzanie and the establishment of the company TAURON Inwestycje sp. z o.o. (Ltd.) (TAURON Inwestycje). The split was carried out pursuant to Art. 529, §1, clause 4 of the Commercial Companies Code by spinning off and transferring the spun-off assets, i.e. the Investment Division (Arm), to the newly established company - TAURON Inwestycje. As a result of the split, the share capital of TAURON Wytwarzanie was reduced by the amount of PLN 77 986 600, corresponding to the net value of the assets of the organized part of TAURON Wytwarzanie - the Investment Division (Arm), i.e. from PLN 106 236 230 to PLN 28 249 630. The share capital of TAURON Inwestycje amounts to PLN 779 800 and is divided into 7 798 shares with a nominal value of PLN 100 each, while the surplus, arising in connection with the acquisition of the company's shares at a value higher than their nominal value, i.e. PLN 77 206 800, was contributed to the supplementary capital of this company. All of the shares in the share capital of TAURON Inwestycje have been awarded to the current shareholder of TAURON Wytwarzanie, i.e. TAURON.

Thus, the assumption of keeping within TAURON Capital Group those assets that provide the potential for investments in the new capacity, including the real estate to be used for the construction of the new generation sources, was enacted. TAURON Inwestycje is conducting investment, research and development activities and is also operating a photovoltaic farm located in Jaworzno. As part of the organized part of the operations, the shares in the following companies: Elektrociepłownia Stalowa Wola S.A. (EC Stalowa Wola) - 50% of shares in the share capital, Energopomiar sp. z o.o. (Ltd.) - 22.53% of shares in the share capital, have additionally been spun off and allocated to TAURON Inwestycje.

The assets spun off from TAURON Wytwarzanie to TAURON Inwestycje were responsible for generating EBITDA in the amount of PLN -13.8 million in the first half of 2022.

- 4) in order to achieve the self-sufficiency of the spun-off companies, the appropriate annexes to the applicable SLAs have been concluded, ensuring the continuity of the services provided,
- 5) on July 29, 2022, the ownership of 1 284 020 shares in Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) (Nowe Jaworzno Grupa TAURON) was transferred from TAURON to TAURON Wytwarzanie.

Thus, all of the assets of TAURON Capital Group to be spun off to NABE were concentrated within the TAURON Wytwarzanie capital group.

2. as part of the preparation for the sale transaction to the State Treasury, the contractors have been selected and the due diligence process of the generation companies being the subject of the transaction has been commenced, i.e. TAURON Wytwarzanie and Nowe Jaworzno Grupa TAURON.

In accordance with the assumptions of the NABE Government Concept, the sale of the coal based generation assets to the State Treasury is planned for the fourth quarter of 2022.

Other changes in the organization

Acquisition by TAURON Zielona Energia of the shares in the company "MEGAWATT S.C." sp. z o.o. (Ltd.)

On June 9, 2022, TAURON Zielona Energia acquired 100% of the shares in the share capital of MEGAWATT S.C. sp. z o.o. (Ltd.), a company holding the right to the Mierzyn wind farm construction project with a capacity of 58.5 MW located in the north-western part of Poland. On the date of purchase, the wind farm construction project was in the ready-for-construction phase, and in accordance with the adopted assumptions, the company is to complete the project by the end of 2024.

Merger of the company KOMFORT Zarządzanie Aktywami sp. z o.o. (Ltd.) with the company TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.)

On August 12, 2022, the Extraordinary General Meetings of the Shareholders of TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.) (TAURON Dystrybucja Pomiary) and KOMFORT Zarządzanie Aktywami, during which the resolutions on the merger of KOMFORT Zarządzanie Aktywami (the Acquired Company) with TAURON Dystrybucja Pomiary (the Acquiring Company) were adopted.

The merger will take place pursuant to Art. 492, § 1, clause 1) of the Commercial Companies Code, i.e. by transferring all of the assets of KOMFORT Zarządzanie Aktywami to TAURON Dystrybucja Pomiary (merger by acquisition) and consenting to the Merger Plan. Due to the capital structure of the companies participating in the merger (the Acquiring Company owns 100% of the shares in the capital of the Acquired Company), the merger will take place pursuant to the provisions allowing for the so-called simplified procedure for merging companies (Art. 516, § 6 of the Commercial Companies Code), and as a consequence, the merger will take place without increasing the share capital of the Acquiring Company and without changing the Acquiring Company's Shareholders' Agreement, according to the rules provided for in the Merger Plan.

The merger of the companies will take place on the date the merger is entered into the register by the Registry Court competent for the registered office of TAURON Dystrybucja Pomiary.

Organizational or equity ties with other entities

Apart from the equity ties with the companies presented on *Figure no. 3 in this report*, the organizational or equity ties are applicable to the material joint subsidiaries (co-subsidiaries) in which the Company held, directly or indirectly, shares, and which, as of June 30, 2022, include the companies listed in the below table.

Table no. 1. List of material joint subsidiaries (co-subsidiaries) as of June 30, 2022

Company name	Registered office	TAURON's share in the company's capital and in the parent company	Subsidiary holding directly shares in the company
1. Elektrociepłownia Stalowa Wola S.A. (EC Stalowa Wola)	Stalowa Wola	50.00%	TAURON Wytwarzanie ¹
2. TAMEH HOLDING sp. z o.o. (Ltd.) (TAMEH HOLDING)	Dąbrowa Górnicza	50.00%	TAURON
3. TAMEH POLSKA sp. z o.o. (Ltd.)	Dąbrowa Górnicza	50.00%	TAMEH HOLDING
4. TAMEH Czech s.r.o.	Ostrava, Czech Republic	50.00%	TAMEH HOLDING

¹from July 1, 2022, TAURON Inwestycje (the ownership of the shares transferred as part of the split of TAURON Wytwarzanie by spinning off an organized part to the newly established company TAURON Inwestycje in order to keep the assets within TAURON Capital Group.

1.4. 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 Company's Articles of Association the common term of office shall last 3 full financial years.

The composition of the Company's Management Board as of June 30, 2022

1. Paweł Szczeszek - President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Artur Michałowski - Vice President of the Management Board for Trading,
4. Krzysztof Surma - Vice President of the Management Board for Finance (CFO),
5. Jerzy Topolski - Vice President of the Management Board for Asset Management,
6. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

The composition of the Company's Management Board as of the date of drawing up this report

1. Paweł Szczeszek - President of the Management Board,
2. Patryk Demski - Vice President of the Management Board for Strategy and Development,
3. Krzysztof Surma - Vice President of the Management Board for Finance (CFO),
4. Tomasz Szczegieliński - Vice President of the Management Board for Trade,
5. Artur Warzocha - Vice President of the Management Board for Corporate Affairs.

The changes to the composition of the Company's Management Board in the first half of 2022 and by the date of drawing up this report

As of January 1, 2022, the Company's Management Board was composed of the following persons: Artur Michałowski (Vice President of the Management Board for Trading and acting as the President of the Management Board), Patryk Demski (Vice President of the Management Board for Strategy and Development), Krzysztof Surma (Vice President of the Management Board for Finance) and Jerzy Topolski (Vice President of the Management Board for Asset Management).

On January 20, 2022, the Company's Supervisory Board appointed Artur Warzocha to be a member of the Company's Management Board, effective as of January 21, 2022, entrusting him with the function of the Vice President of the Management Board for Corporate Affairs.

On April 8, 2022, the Company's Supervisory Board appointed Paweł Szczeszek to be a member of the Company's Management Board, effective as of April 11, 2022, entrusting him with the function of the President of the Company's Management Board.

On August 12, 2022, the Company's Supervisory Board dismissed Artur Michałowski and Jerzy Topolski from the Company's Management Board, effective as of the end of the day on August 12, 2022.

On September 5, 2022 the Company's Supervisory Board appointed Tomasz Szczegieliński to be a member of the Company's Management Board, effective as of September 6, 2022, entrusting him with the function of the Vice President of the Management Board for Trade. On the same day, the Company's Supervisory Board appointed Bogusław Rybacki to be a member of the Company's Management Board, effective as of September 9, 2022, entrusting him with the function of the Vice President of the Management Board for Asset Management.

There had been no other changes to the composition of the Company's Management Board by the date of drawing up this report.

Supervisory Board of TAURON Polska Energia S.A.

The current, sixth term of office of the Company's Supervisory Board, began its run on July 15, 2020. In accordance with the Company's Articles of Association it is a common term of office and it shall last 3 full financial years.

The composition of the Company's Supervisory Board as of June 30, 2022, and as of the date of drawing up this report

1. Piotr Tutak - Chair of the Supervisory Board,
2. Teresa Famulska - Vice Chair of the Supervisory Board,
3. Marcin Wawrzyniak - Secretary of the Supervisory Board,
4. Stanisław Borkowski - Member of the Supervisory Board,
5. Marcin Chłudziński - Member of the Supervisory Board,
6. Dariusz Hryniów - Member of the Supervisory Board,
7. Leszek Koziorowski - Member of the Supervisory Board,
8. Ryszard Madziar - Member of the Supervisory Board,
9. Grzegorz Peczkis - Member of the Supervisory Board.

The changes to the composition of the Company's Supervisory Board in the first half of 2022 and by the date of drawing up this report

As of January 1, 2022, the Company's Supervisory Board was composed of the following members: Piotr Tutak (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Katarzyna Taczanowska (Secretary of the Supervisory Board), Stanisław Borkowski (Member of the Supervisory Board), Leszek Kozirowski (Member of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board) and Marcin Wawrzyniak (Member of the Supervisory Board).

On January 26, 2022, the Minister of State Assets, acting pursuant to § 23, section 1, clause 3) of the Company's Articles of Association, appointed Dariusz Hryniów to be a Member of the Company's Supervisory Board.

On May 23, 2022, Katarzyna Taczanowska submitted a statement on her resignation, as of May 24, 2022, from the membership of the Company's Supervisory Board, and thus from holding the position of the Secretary of the Supervisory Board of the Company.

On May 24, 2022, the Ordinary General Meeting of the Company adopted a resolution to appoint Marcin Chludziński to be a member of the Supervisory Board of the Company as of May 25, 2022.

On June 10, 2022, the Supervisory Board of the Company elected Marcin Wawrzyniak to be the Secretary of the Supervisory Board of the Company.

No other changes to the composition of the Company's Supervisory Board had taken place by the date of drawing up this report.

Information on the independence of the Members of the Company's Supervisory Board

Pursuant to the Best Practices of WSE Listed Companies 2021, all of the Members of the Company's Supervisory Board meet the criteria of independence listed in the *Act of May 11, 2017, on certified (statutory) auditors, audit firms and public oversight* as of the date of drawing up this report.

In addition, all of the Members of the Supervisory Board of the Company, with the exception of Marcin Chludziński, have no actual and material connections with a shareholder holding at least 5% of the total number of votes at the General Meeting of the Company.

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

2.1. Subject of the operations

Subject of the operations of TAURON Polska Energia S.A.

As the parent entity of TAURON Capital Group, TAURON performs the consolidating and management function at TAURON Capital Group. As a result of implementing the Business Model and centralizing of the functions, TAURON concentrated many competences related to the functioning of TAURON Capital Group's subsidiaries and is currently carrying out operations, among others, in the following areas:

1. wholesale trading in electricity, gas and the 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 the Guarantees of Origin (GOs) of energy (energy certificates),
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 model in place,
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 core operations of the Company, apart from managing TAURON Capital Group, include the wholesale electricity trading on the territory of the Republic of Poland, based on the license for trading in electricity issued by the President of the ERO (Energy Regulatory Office) for the period from June 1, 2008, until December 31, 2030.

The Company is focusing on purchasing and selling electricity for the purpose of securing (hedging) the buy and sell positions of TAURON Capital Group's entities as well as on the wholesale electricity trading. The Company purchased and sold 24.3 TWh of electricity in the first half of 2022. Electricity sales carried out by TAURON during that period were mainly addressed to the following subsidiaries: TAURON Sprzedaż sp. z o.o. (Ltd.) (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.) (TAURON Sprzedaż GZE), with 63.9% of the electricity purchased sold thereto. The above mentioned subsidiaries are carrying out the retail electricity supply to the final consumers, and therefore TAURON is not dependent on any single electricity consumer. In addition, the Company sold electricity to Nowe Jaworzno Grupa TAURON, carrying out buybacks of electricity for this subsidiary, which accounted for 8.0% of the sales, to TAURON Wytwarzanie 1.5% of the sales, and to TAURON Capital Group's other subsidiaries, including TAURON Ciepło sp. z o.o. (Ltd.) (TAURON Ciepło), TAURON Ekoenergia sp. z o.o. (Ltd.) (TAURON Ekoenergia), TAURON Czech Energy s.r.o. (TAURON Czech Energy) and EC Stalowa Wola, representing in total 3.8% of the sales. The other consumers (the electricity trading companies from outside TAURON Capital Group, the exchanges) accounted for 22.9% of the revenue, with 20.6% of electricity sold to the Exchange Clearing House (Izba Rozliczeniowa Giełda) and 2% to Polskie Sieci Elektroenergetyczne S.A. (PSE - TSO).

With respect to the wholesale electricity trading, as of the end of 2019, the Company took over electricity trading from the TAURON Wytwarzanie generation subsidiary, in April 2020, from TAURON Ciepło, and in April 2022 from Nowe Jaworzno Grupa TAURON and centralized these operations at the TAURON level. The principles of cooperation were defined in the SLA service provision agreements with respect to the trading operations conducted by TAURON for TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON. Pursuant to those contracts 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 its own behalf for the benefit of TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON, fulfilling the exchange obligation for those subsidiaries.

The Company's additional operations include the wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in the gas fuels issued by the President of the ERO on April 27, 2012. The original effective term of the license commenced on May 4, 2012 and ended on May 4, 2022. On March 11, 2021, the President of the ERO made a decision to change the effective term of the license and extend it until June 30, 2035. In the first half of 2022 the Company purchased and sold 2.3 TWh of the gas fuel. The Company is focusing on selling natural gas for the supply needs of TAURON Sprzedaż, with 64.1% of the purchased gas fuel sold thereto.

On September 29, 2020, the President of the ERO granted TAURON a license to conduct business operations involving trading in the natural gas with the foreign entities (counterparties). Thanks to the license obtained it is currently possible to pursue various strategies related to importing the natural gas from the neighboring markets and the potential exporting thereof to the markets that Poland is connected with via the gas transportation (pipeline)

system. The main goal is to increase the attractiveness of the Group's offering for the final consumers. In 2021, TAURON concluded a test gas import transaction on the EEX Exchange, which was related to the simultaneous fulfillment of the obligation to store gas coming from the import completed. To this end, TAURON has signed a relevant ticketing service contract with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG).

The competences of the Company also include management, for the needs of TAURON Capital Group, of the property rights related to the Guarantees of Origin (GOs) of energy (energy certificates), constituting the confirmation of electricity generation from the renewable sources (including the sources that use the agricultural biogas), as well as the property rights related to the electricity efficiency certificates. The principles of the 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 management of the portfolio of the property rights and the Guarantees of Origin (GOs) of energy (energy certificates) (TAURON Ekoenergia, EW Dobrzyń, EW Śniatowo, EW Inowrocław, EW Goldap, EW Mogilno).

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 the trading in the emissions, a synergy effect was achieved, involving optimizing of the costs of utilizing the resources of TAURON Capital Group's entities. In the pursuit of the above mentioned objectives with respect to the CO₂ emission allowances trading, the Company is actively taking part in the trading on the ICE ENDEX exchange, the EEX exchange and on the OTC market. In connection with the centralizing of this function, TAURON is responsible for the settlements (clearing) of the subsidiaries' CO₂ emission allowances, securing (hedging) the subsidiaries' emission needs taking into account the allowances allocated.

TAURON is also acting as the Market Operator and the entity responsible for the trade balancing for TAURON Capital Group's subsidiaries and for the external customers. These functions are carried out under the transmission agreement concluded with the Transmission System Operator (TSO) and other regulations in this respect (Terms and Conditions for the Balancing and the Transmission Grid Code).

The Company currently holds exclusive control over the generation capacity with respect to the trading and technical capabilities related thereto, it is responsible for optimizing the generation, i.e. the selection of the generation units to be used for the production, 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 the various time frames. As part of the services provided for the Generation Segment the Company is taking part in preparing the overhaul plans, plans of the available (dispatchable) capacity, as well as the production plans for the generation units, over the various time frames, as well as in agreeing them with the relevant grid (network, system) operator. TAURON is also developing its competences with respect to the Market Operator function for the gas under the transmission agreement with GAZ-SYSTEM S.A. (GAZ-SYSTEM). Since July 2015, TAURON, as one of the first entities in Poland, has been providing services for a balancing group for the entities carrying out the trading transactions on the gas market and is currently conducting the balancing of the trading for two of TAURON Capital Group's entities as well as 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, the existing and the planned ones, as part of the capacity market. Thanks to this, the statutory obligation imposed on the owners of the generating units was fulfilled, and the physical generating units and the controllable loads (demand reduction units) were able to take part in the certification for the main auction for the delivery year 2027 and for the additional auctions for the individual quarters of the delivery year 2024. In addition, TAURON completed the certification for the additional auctions for the delivery year 2023.

In accordance with the information, the closing price of the auction for the first quarter came in at 333.68 PLN/kW/year, for the second and third quarter at 190.00 PLN/kW/year and 212.40 PLN/kW/year, respectively, and for the fourth quarter at 364.00 PLN/kW/year. TAURON Capital Group's subsidiaries concluded the capacity contracts with the volume between 53.86 and 186.11 MW. The total revenue of TAURON Capital Group, stemming from the performance of the capacity contracts concluded as a result of the additional auctions will reach PLN 41.9 million in 2023. The value of the capacity contracts concluded as a result of the additional auctions for the year 2022 that are currently under way, clocked in at PLN 25.2 million.

On December 16, 2021, PSE conducted the main auction for the delivery period falling or starting in 2026. On January 7, 2022, the President of the ERO published information on the final results of the main auction in the Public Information Bulletin (Biuletyn Informacji Publicznej). According to the information, the closing price of the auction stood at 400.39 PLN/kW/year. TAURON Capital Group's subsidiaries concluded one year capacity contracts with the total volume of 45.50 MW. The implementation of the contracts concluded will allow for obtaining revenues in the amount of PLN 18.22 million in 2026.

In the first half of 2022, TAURON was actively taking part in the secondary capacity market, securing the capacity obligation within TAURON Capital Group as well as concluding the transactions with the external contractors (counterparties) on the OTC market.

In the first quarter of 2022 TAURON successfully completed the general certification for the period of electricity supplies from the Łągisza Power Plant's combined cycle (CCGT) power generation unit in 2027. The preparations are under way to take part in the certification and the main auction to be held on December 15, 2022.

As part of the works related to asset management, TAURON is conducting the activities aimed at ensuring consistent and efficient management of the production assets. Priority is given to the activities aimed at ensuring the required level of availability, business continuity and efficiency of the assets. Over the next few years, it is necessary to adjust the production assets to the changes stemming from the energy transition process. It is also important to coordinate the management of the research and development activities as well as to create a framework for the development of innovations and adequate technical and organizational standards.

In accordance with the adopted Business Model the Company is performing the management function with respect to managing the purchasing of the production fuels for the needs of TAURON Capital Group's generation entities and secures (hedges) the fuel position thereof. All of the hard coal for the production needs of TAURON Capital Group is contracted and secured (hedged) by TAURON. In this respect the Company provides the deliveries of the adequate quality and quantity, guaranteeing that the mandatory reserves of coal are stored at all of the generation units of TAURON Capital Group.

Subject of the operations of TAURON Capital Group

TAURON Capital Group is conducting its operations and generating its revenue, first and foremost, from the electricity and heat supply and distribution, electricity and heat production, as well as the hard coal sales.

The detailed information related to the Operating Segments (lines of business) is provided in section 1.2. of this report.

TAURON Capital Group's core products include electricity and heat, as well as hard coal. In addition, TAURON Capital Group is trading in the commodities: electricity and energy market products as well as hard coal and gas, and it is also providing the 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. Implementation of the strategic investment (CAPEX) projects

In response to the challenges arising from the situation prevailing on the market and in the power sector, on June 22, 2022, TAURON adopted *TAURON Group's Strategy for 2022-2030 with an outlook until 2050 (Strategy)*, which was an extension of the Green Turn of TAURON implemented so far. The Strategy presents the optimal path of sustainable development which will ensure the financial stability of TAURON Capital Group and the growth perspective, while at the same time taking into account the involvement and management of activities as part of the ESG (Environmental, Social and Governance) agenda and the support for ensuring the stability of the power system in Poland.

Key strategic investment (CAPEX) projects underway

The below table presents the activities carried out by TAURON Capital Group in the first half of 2022 and by the date of drawing up this report in connection with the implementation of the key strategic investment (CAPEX) projects.

Table no. 2. Key strategic investment (CAPEX) projects' work progress in the half of 2022 and by the date of drawing up this report

Investment project	Investment project's work progress
<p>1. <i>Construction of a new 910 MWe supercritical parameters power generation unit in Jaworzno</i></p> <p>Contractor: Consortium of RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. (RAFAKO – MOSTOSTAL)</p> <p>Planned project / transition period completion date: Q4 2022</p> <p>Work progress: 99%</p> <p>Expenditures incurred: PLN 6 125.37 million <i>(the amount increased by, among others, training, fast wearing parts)</i></p>	<p>The unit was handed over (commissioned) for operation on November 13, 2020. On November 18, 2020, the President of the Energy Regulatory Office (ERO) granted a license for generating electricity for the period from November 20, 2020, until December 31, 2030.</p> <p>After the fire incident on June 11, 2021, the unit was placed into an emergency shutdown. As a result of the inspections carried out during the shutdown of the unit, the need to carry out the works on some elements of the unit was identified.</p> <p>On April 14, 2022, following the fixing of the defects and malfunctions, the 910 MW unit was re-synchronized with the National Power System (Krajowy System Elektroenergetyczny - KSE). In the second quarter of 2022 the 910 MW unit was operated for the needs of the National Power System (KSE) as required.</p> <p>The General Contractor is continuing the program of trials and tests planned to be carried out during the transition period.</p>
<p>2. <i>Construction of the "Grzegorz" shaft, including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings).</i></p>	<p>The implementation of the investment project has been halted by the General Contractor since February 2020. The mediation proceedings with the General Contractor with the participation of the Legal Counsel of the Republic of Poland was</p>

Investment project	Investment project's work progress
<p>Contractor: Consortium of Przedsiębiorstwo Budowy Szybów S.A., PEMUG sp. z o.o. (Ltd.) under restructuring proceedings (main task – Stage I), LINTER S.A. – contract terminated, the works in this respect have been halted.</p> <p>Planned project completion date: 2028</p> <p>Work progress: 42 %</p> <p>Expenditures incurred: PLN 291.7 million</p>	<p>completed in April 2022. A draft settlement was agreed between the parties. Appropriate corporate approvals (clearances) are being obtained in order to be able to reach a settlement agreement and continue the project.</p> <p>The works aimed at ensuring the investment project is protected (secured) are currently carried out (i.e. the passive freezing and draining processes). The contractor has resumed the works related to the shaft sinking (deepening). The current depth of the shaft is 110 m (ultimately 591 m).</p> <p>With respect to the excavation of the workings, the works are continued according to the schedule.</p>
<p>3. <i>Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</i></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: 36 %</p> <p>Expenditures incurred: PLN 33.5 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 half of 2022, the works related to installing the network connections were continued under the network connection agreements concluded and the process of acquiring new customers was continued. Cumulatively, from the beginning of the Program's implementation, the agreements have been concluded for the total volume of 23.05 MWT - the program's target was achieved in terms of the contracted capacity (22 MWT).</p>
<p>4. <i>TAURON Internet (POPC) – implementation of the project in the selected areas awarded (7 projects on the territory of the following areas: Rybnik, Katowice-Tychy, Oświęcim, Kraków, Wałbrzych A, Wałbrzych B, Sosnowiec)</i></p> <p>Contractor: Atem Polska sp. z o.o. (Ltd.) (Katowice-Tychy), MZUM sp. z o.o. (Ltd.) (Sosnowiec), Atem Polska sp. z o.o. (Ltd.) (Wałbrzych A), Mediamo Sp. z o.o. (Ltd.) (Oświęcim), MX3 sp. z o.o. (Ltd.) (Rybnik), MZUM sp. z o.o. (Ltd.) (Wałbrzych B), ZICOM sp. z o.o. (Ltd.) (Kraków-Tarnów)</p> <p>Planned project completion date: Q4 2022</p> <p>Work progress: 92%</p> <p>Expenditures incurred: PLN 236.5 million</p>	<p>The Digital Poland Operational Program (POPC - Program Operacyjny Polska Cyfrowa) involves deploying 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 half of 2022. The works related to switching over of the education facilities from the temporary subscriber lines to the optical fiber were completed. The deployment of the fiber optic network in the areas covered by the project is currently continued.</p> <p>The works in the Katowice, Tychy, Kraków, Tarnów area have been completed.</p>
<p>5. <i>Construction of the 30 MW Piotrków wind farm.</i></p> <p>Contractor: Consortium of MEGA S.A. and P&Q sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q3 2022</p> <p>Work progress: 92%</p> <p>Expenditures incurred: PLN 83.7 million</p>	<p>In the first half of 2022, the construction works with respect to the wind farm's foundations were completed, the access roads and the assembly (erection) sites were prepared, the supplies of the wind turbines and their pre-installing works were commenced.</p> <p>The mechanical assembly (erection) has also been completed, including the installation of all fifteen turbines. The tests and the process of obtaining a permit for the operation have been commenced.</p>
<p>6. <i>Construction of the 6 MW Majewo wind farm.</i></p> <p>Contractor: HIUB Wróbel sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q3 2022</p> <p>Work progress: 96%</p> <p>Expenditures incurred: PLN 17.5 million</p>	<p>The erection (installation) of all of the wind turbines was completed in the first half of 2022. Works related to the optical fiber blowing (installation) have been completed.</p> <p>The contractor has completed the works on the main power supply substation (GPZ), the protection systems tests have been carried out, a declaration of the readiness to supply power (energize) has been submitted. An acceptance committee has been appointed on the part of the DSO. The measurements of the MV station at the investment project's site have been completed. An IT system supervising the progress of the technological process (SCADA) has been installed and launched. The configuration works have been completed.</p>
<p>7. <i>Construction of the 58.5 MW Mierzyn wind farm.</i></p> <p>Contractor: Consortium EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p>Planned project completion date: Q4 2024</p> <p>Work progress: 1%</p> <p>Expenditures incurred: PLN 0 million</p>	<p>The construction of the Mierzyn wind farm with a capacity of 58.5 MW was commenced in the second quarter of 2022. The notice to proceed with the works was issued to the Contractors involved in the project implementation.</p>
<p>8. <i>Construction of the 140 MWt gas fired boiler at ZW Katowice (Katowice Generation Plant) for the district heating market needs</i></p> <p>Contractor: Mostostal Warszawa S.A.</p> <p>Planned project completion date: Q2 2024</p> <p>Work progress: 42%</p>	<p>In the first half of 2022, the demolition (tear down) works were carried out at the construction site, the basic engineering and the alternate construction engineering design were completed and the building permit was obtained for the alternate construction engineering design. The earthworks were carried out. The piling of the area under the electric nave was started, some of the foundations intended for further use were cleaned, and the ground for some of the new foundations of the boiler was replaced. The prefabrication of the boiler components is in progress.</p>

Investment project	Investment project's work progress
Expenditures incurred: PLN 12.4 million	
9. <i>Construction of the peaking and backup boiler house at ZW Bielsko Biala EC 2 (Bielsko Biala Generation Plant Combined Heat and Power Plant 2)</i>	The construction works were commenced in the first half of 2022. The design and engineering works aimed at completing the gas network connection are under way. An application has been submitted for a decision on the environmental conditions. The foundation works in the vicinity of the boiler house and the electrical building have been completed.
Contractor: Erbud Industry sp. z o.o. (Ltd.)	
Planned project completion date: 2023	
Work progress: 31%	
Expenditures incurred: PLN 17.6 million	

Other investment projects

Investment projects in the RES line of business

Photovoltaic (PV) farms

TAURON PV Program

As part of the investments in the renewable energy sources (RES) line of business, the program of building the photovoltaic (PV) farms on TAURON Capital Group's land that was not utilized for business purposes (*TAURON PV Program*) is being continued in 2022. The Program provides for the construction of the photovoltaic (PV) farms at several locations (sites), with the total capacity of up to 150 MWp.

As of the date of drawing up this report the most advanced project carried out as part of the *TAURON PV Program* is the construction of a photovoltaic farm in Mysłowice with an estimated capacity of approx. 40 MW. On December 31, 2021, TAURON Wytwarzanie and the National Fund for Environment Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej - NFOŚiGW) signed an agreement on the co-financing of the photovoltaic farm construction project in Mysłowice. The financing amount stands at PLN 82.5 million in the form of a loan, with an option to redeem up to 20% of the eligible funds. In the first half of 2022, a contract was signed with TAURON Serwis for the construction of the farm. The works related to the site preparation have been commenced. The planned commissioning of the farm falls in the second quarter of 2023.

At the other locations (sites), the works include obtaining the required approvals (consents, permits) and administrative decisions, with the final decisions on their implementation to be made in the event there is a business justification (business case). Work is also under way on changing the scope of the *TAURON PV Program* in connection with the possibility of extending the program to cover the new locations (sites).

PV Choszczno Project

The 2nd stage of the investment project aimed at increasing the farm's capacity by adding another 8 MW is carried out as part of an extension of the PV Choszczno project - a complex of 1 MW photovoltaic farms. The works related to connecting the farm to the distribution grid were carried out in the first half of 2022. After completing the grid connection installation works the farm's total capacity reached 14 MWp. The project's 2nd stage budget stands at PLN 20.8 million. The farm was commissioned on July 31, 2022.

In addition, within TAURON Capital Group, based on its in-house competences, the development of the photovoltaic farm construction projects is carried out. Apart from developing its in-house projects, TAURON Capital Group is actively looking for the opportunities to acquire advanced RES projects and the existing (operating) photovoltaic farm assets on the market.

Onshore wind farms

TAURON Capital Group is looking for the opportunities to acquire advanced wind farm projects ready for the construction and the existing (operating) onshore wind farm assets on the market. As part of such efforts, the internal analyses and due diligence studies of further potential acquisition projects had been carried out in cooperation with the developers in the first half of 2022.

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

On October 15, 2021, TAURON and PGE Polska Grupa Energetyczna S.A. (PGE) concluded a letter of intent to undertake the bilateral cooperation in the development of the offshore wind energy in Poland, and then signed a contingent agreement for the sale of the shares in a project company whose task would be to obtain siting permits for the construction of the offshore farms in the Polish Exclusive Economic Zone of the Baltic Sea. The consent (approval, clearance) of the Office of Competition and Consumer Protection (UOKiK) was a condition precedent for the preliminary agreement. The application to the President of UOKiK for PGE's concentration with TAURON was submitted on October 28, 2021, and on January 10, 2022, the consent (approval, clearance) of the President of

UOKiK was obtained. In January and February of 2022, the Minister of Infrastructure disclosed the information on the possibility of submitting further applications for issuing permits for the construction or use of the artificial islands, structures and devices in the Polish maritime areas. In April 2022, the applications were submitted to obtain the above mentioned permits in the areas near Ławica Odrzana, marked as 14.E.1, 14.E.2, 14.E.3, 14.E.4.

413 MWe CCGT unit construction project including an approx. 250 MWt heat generation unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie)

In September 2016, in accordance with *TAURON Group's Strategy for the years 2016-2025*, as part of the priority of ensuring TAURON Capital Group's financial stability, the 413 MWe CCGT unit construction project including a heat production unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie) was halted due to the loss of its business justification (business case). On March 22, 2022, the Management Board of the Company approved the contract award procedure to be conducted by TAURON Wytwarzanie, the planned effect of which was supposed to be the obtaining of the final price offers from the potential contractors of the combined cycle (CCGT) power generating unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Elektrownia Łagisza in Będzin). The procuring of the bids was supposed to enable - after taking into account the other premises of the investment process, including the precondition of the favorable outcome of the capacity market auction scheduled for December 2022, as well as the market conditions mentioned below - the completion of the analyses of the project in terms of the long term profitability thereof. As part of the organized procedure, the Terms of Reference were sent to the potential contractors. Subsequently, in the course of the works of the Tender Committee, the questions from the potential contractors were answered and the deadline for the submission of the bids was postponed twice. In spite of this, no bids have been received by the company. The lack of the bids for the construction of the unit makes it impossible to participate in the capacity market auction, therefore further decisions regarding the project are required (the continuation of the project, change of its scope, resignation from the implementation). The decisions will be made taking into account the market conditions, including the demand for electricity and heat and, inter alia, the situation with respect to the conditions of a long-term contract for the supply of the gas fuel and its availability, and such conditions should guarantee the project the expected level of profitability and the objective possibility of completing the implementation of the project. As of the date of drawing up this report, the analytical works are under way on further project implementation scenarios.

Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures came in at PLN 1 481 million in the first half of 2022 and they were 15% higher than the investment outlays incurred in the first half of 2021 when they stood at PLN 1 286 million. This is primarily due to the increase of the capital spending in the RES Segment, the Supply Segment, the Other Operations Segment, the Mining Segment and the Generation Segment, as well as the decrease of the investment outlays in the Distribution Segment.

The below table presents the selected, highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first half of 2022.

Table no. 3. The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first half of 2022

Item	Capital expenditures (PLN m)
Distribution	
1. Installation of the new grid connections	451
2. Existing grid assets' upgrades (refurbishments) and replacements	381
Generation	
3. CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	22
4. Construction of a 910 MWe super critical parameters generation unit in Jaworzno	37
5. Construction of the peaking and back-up boiler houses	21
6. Connecting of the new facilities to the grid	14
7. Investment projects related to the development (expansion) and maintenance of the district heating networks	7
RES	
8. Construction of the 30 MW Piotrków wind farm	13
9. Construction of the 6 MW Majewo wind farm	5

Item	Capital expenditures (PLN m)
10. Construction of the 58.5 MW Mierzyn wind farm	56
11. Construction of the approx. 40 MW Majewo photovoltaic farm	5
Mining	
12. Preparation of the future production	126
13. Construction of the "Grzegorz" shaft at the Sobieski Coal Mine (ZG Sobieski)	6
14. Refurbishment and replacement tasks at the Coal Mines (ZG)	32
Supply and Other Operations	
15. Construction of the broadband Internet access network as part of the Digital Poland Operational Program III (Program Operacyjny Polska Cyfrowa III - POPC III) project and CUB	47
16. Maintenance and development of the street lighting	34
17. IT related investment projects at TOK	139

2.3. Material accomplishments and failures as well as the most important events related to TAURON Capital Group in the first half of 2022 and after the balance sheet date

Material events that had occurred in the first half of 2022, as well as the ones that had taken place by the date of drawing up this report are listed below.

Major business events

Update of the information on the project to build a combined cycle (CCGT) power generating unit at the Łagisza Power Plant

On March 22, 2022, TAURON disclosed the information on the approval of the contract award procedure to be conducted by TAURON Wytwarzanie, the planned effect of which would be obtaining of the final price offers from the potential contractors of the combined cycle (CCGT) power generating unit with the high efficiency co-generation, with the expected capacity between 400 MWe and 500 MWe as well as 250 MWt at the Łagisza Power Plant.

The detailed information related to the above topic is provided in section 2.2 of this report.

TAURON disclosed the information on the above event, in reference to the regulatory filing (current report) no. 34/2016 of September 2, 2016, in the regulatory filing (current report) no. 8/2022 of March 22, 2022.

Taking of the decision to purchase a special purpose vehicle with the rights to the wind farm construction project

On June 7, 2022, TAURON disclosed the information on the Management Board of the Company's approval of the purchase by the TAURON Zielona Energia subsidiary of 100 percent of the shares in the special purpose vehicle holding the rights to the project for the construction of an approx. 60 MW wind farm located in the north-west of Poland. TAURON informed that the wind farm construction project was in a ready-to-build stage and the special purpose vehicle (SPV), in accordance with the adopted assumptions, would complete the construction of the wind farm by the end of 2024. The total capital spending related to the purchase and the implementation of the investment project will reach PLN 500 million.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 24/2022 of June 7, 2022.

Adoption of TAURON Group's Strategy for 2022-2030 with an outlook until 2050

On June 22, 2022, TAURON disclosed the information on the adoption of *TAURON Group's Strategy for 2022-2030 with an outlook until 2050*. The new Strategy is a response to the challenges arising from the current and forecast situation on the power market and in the energy sector, related in particular to the transition of the power sector and the new solutions supporting this transition. As part of the process of developing the Strategy a thorough analysis of the macroeconomic, market and regulatory environment as well as that of the forecasts and directions of the sector's development was completed, including the translation thereof into the opportunities and risks for TAURON Capital Group in the time frame extending until 2030, with an outlook to achieve climate neutrality by 2050.

Strategy implementation metrics:

1. EBITDA of PLN 4.5 billion in 2025 and more than PLN 6.5 billion in 2030,
2. maintaining the net debt to EBITDA ratio at a safe level
3. increase of the installed capacity in RES to 1.6 GW in 2025 and to 3.7 GW in 2030,
4. reduction of the emissions to 200 kg CO₂/MWh in 2025 and below 160 kg CO₂/MWh in 2030,
5. implementation of the smart metering – 100% of the smart meters by 2030,
6. new connections of the consumers to the district heating network – approx. 450 MWt by 2030,
7. maintaining the high standards of the customer service – the FTR (First Time Resolution) indicator > 90% in 2030.

It is estimated that the implementation of the Strategy will require incurring of the capital expenditures in the amount of approx. PLN 48 billion in the years 2022-2030. The two main areas of the financial outlays include the electricity distribution (approx. 50 percent) and the increasing of the capacity in the renewable energy sources (approx. 35 percent). The accomplishment of all of the investment goals assumed in the Strategy and related to the energy sources will allow for achieving of 4.8 GW of installed capacity in 2030, with an approx. 80 percent share of the renewable sources, which will allow for reducing the emissions factor from approx. 750 kgCO₂/MWh in 2021 to below 160 kgCO₂/MWh in 2030.

As part of Strategy the dividend policy was also adopted, assuming the payout of the dividend in the amount of minimum 40 percent of the consolidated net profit. Within the time frame of the Strategy, i.e. until 2030, due to the high level of the planned capital expenditures related to the implementation of the strategic projects, the dividend policy assumes that the Company's Management Board will not be recommending to the General Meeting a dividend payout as long as in the opinion of the Management Board such retaining of the funds by TAURON Group should help increase the value of its assets. The decision related to the payout of the dividend will be taken by the Company's General Meeting following obtaining of the recommendation of the Management Board, which will take into account the circumstances specified in the dividend policy when determining the recommended level of the dividend.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 27/2022 of June 22, 2022.

Update of the information on the 910 MW generation unit in Jaworzno – the resynchronization of the unit with the grid

On April 14, 2022, TAURON disclosed the information on the completion of the synchronization of the 910 MW generating unit in Jaworzno with the grid and the resumption of the unit's operation in the Polish power system.

TAURON disclosed the information on the above event, in reference to the regulatory filing (current report) no. 43/2021 of November 4, 2021, in the regulatory filing (current report) no. 12/2022 of April 14, 2022.

Signing of the letter of intent with respect to the cooperation in the field of the Small Modular Reactor (SMR) power generation technology

On April 20, 2022, TAURON disclosed the information on the signing of the letter of intent with KGHM Polska Miedź S.A. (KGHM Polska Miedź) in which the parties consider the strategic cooperation related to the research and development works and the future investment projects with respect to the construction of the small and micro nuclear reactors (Small Modular Reactor - SMR) i.e. power nuclear reactors with the capacity of 5 to 300 MWe.

The purpose of the cooperation between the parties to the letter of intent is to define the possibilities (options), nature and details of the potential joint involvement in the implementation of the SMR investment projects. The subject of the cooperation will be, inter alia, the analysis of the available technologies and possibilities (options) of siting the generation units in the vicinity of the electricity transmission infrastructure as well as the possibilities (options) of using the existing infrastructure of the power generation units and identifying the possibilities (options) of procuring the optimum technology, investing in a different way or engaging in other forms of the cooperation with third parties already implementing or planning to implement the SMR investment projects.

The letter of intent is an expression of the intention of the parties to establish the cooperation, while the terms and conditions thereof shall not be binding. The letter of intent shall be in force until the date either party declares the will to step back from the further cooperation.

TAURON sees a significant potential and the possibility of achieving synergy in undertaking joint efforts with KGHM with the purpose of investing in the field of the SMR technology. These actions constitute an implementation of the climate related goal and are in line with the assumptions of the European Green Deal, and are also aimed at increasing the share of the low and zero emission energy sources in the energy mix of TAURON Capital Group, and as such contribute to the implementation of TAURON Group's Strategy.

TAURON disclosed the information on the above event, in reference to the regulatory filing (current report) no. 23/2010 of May 27, 2019, in the regulatory filing (current report) no. 13/2022 of April 20, 2022.

Implementation of the Program to spin off TAURON Group's coal assets and transfer them to the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE)

The detailed information related to the above topic is provided in section 1.3 of this Report.

Major corporate events

Changes to the composition of the Management Board of TAURON

There had been changes to the composition of the Company's Management Board in the first half of 2022 and by the date of drawing up this information, which are presented in section 1.4. of this information.

TAURON disclosed the information on the above events in the regulatory filing (current report): no. 1/2022 of January 20, 2022, no. 10/2022 of April 8, 2022, and no. 34/2022 of August 12, 2022 (supplemented on August 24, 2022) and 38/2022 of September 5, 2022.

Changes to the composition of the Supervisory Board of TAURON

There had been changes to the composition of the Company's Supervisory Board in the first half of 2022 and by the date of drawing up this information, which are presented in section 1.4. of this information.

TAURON disclosed the information on the above events in the regulatory filing (current report): no. 2/2022 of January 27, 2022, no. 19/2022 of May 23, 2022, and no. 20/2022 of May 24, 2022.

Recommendation of the Management Board of TAURON Polska Energia S.A. on not paying out a dividend from the 2021 profit

On March 29, 2022, the Company's Management Board made the decision to recommend to the shareholders of the Company not to pay out the dividend from the 2021 net profit and allocate the entire net profit in the amount of PLN 259 887 168.39 to the Company's supplementary (spare) capital.

The decision is in line with the applicable dividend policy of the Company, and when making such a decision the Management Board of the Company took into account, first of all, the current market situation and the capex program of the Issuer's Capital Group, which assumed incurring significant capital expenditures in the following years, in particular in the Distribution Line of Business and in the Renewable Energy Sources Line of Business.

The allocation of the net profit generated in 2021 to the implementation of TAURON Capital Group's investment projects will contribute to reducing the demand for the financing to be obtained from the financial institutions and thus will have a positive impact on the level of the debt (leverage) ratio.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 9/2022 of March 29, 2022.

Ordinary General Meeting of TAURON

The Ordinary General Meeting of the Company was held on May 24, 2022, and it adopted the resolutions related to, inter alia: the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2021, 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, 2021, 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 2021*, the distribution of the profit for the financial year 2021, the approval of the *Report on the activities of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2021*, 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 year 2021*, the change of the *Policy of the Compensation of the Members of the Management Board and the Supervisory Board at TAURON Polska Energia S.A.*, the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board and Supervisory Board, 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 convening of the Ordinary General Meeting (GM) of the Company, on the content of the draft resolutions and on the changes to the agenda in the regulatory filings (current reports) no. 14/2022 of April 25, 2022, no. 15/2022 and no. 16/2022 of April 27, 2022, and no. 17/2022 of April 29, 2022.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Ordinary General Meeting (GM) of the Company in the regulatory filing (current report): no. 21/2022 of May 24, 2022.

Other major events

Conclusion and implementation of the settlement agreement between EC Stalowa Wola and Abener Energia

In the first half of 2022, EC Stalowa Wola and Abener Energia S.A. with its registered office in Campus Palmas Altas, Sevilla, proceeded to implement the settlement agreement concluded on December 31, 2021, whose goal was to define the principles according to which EC Stalowa Wola and Abener Energia were to make mutual settlements resulting from all of the court and arbitration disputes pending between the parties and arising from the contract concluded for the construction of a combined cycle (CCGT) power generating unit with the heat production unit at EC Stalowa Wola.

On February 28, 2022, the parties signed an annex to the settlement agreement which, first and foremost, postponed the deadline for the fulfillment of some of the obligations of Abener Energia. In March of 2022, the conditions of the settlement agreement were fulfilled and the parties proceeded to implement the settlement agreement.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 52/2021 of December 31, 2021, no. 4/2022 of February 28, 2022, and no. 6/2022 of March 8, 2022.

TAURON disclosed the information on the disputes between EC Stalowa Wola and Abener Energia in the regulatory filings (current reports): no. 16/2019 of May 2, 2019, no. 29/2019 of August 8, 2019, no. 59/2019 of December 20, 2019, no. 43/2020 of September 22, 2020, and no. 48/2020 of October 19, 2020.

Information regarding the planned public aid for TAURON Wydobycie S.A.

On April 8, 2022, TAURON disclosed the information on TAURON Wydobycie S.A. (TAURON Wydobycie) having received the information on the approval by the Minister of the State Assets of the Republic of Poland of the application for granting of the public aid in the form of awarding the company the subsidies for the reduction of the production capacity for 2022. The subsidies will be granted in the form of the State Treasury securities dedicated to increase the share capital of TAURON Wydobycie.

The subsidies for TAURON Wydobycie will be provided pursuant to Article 5f of the *Act of September 7, 2007, on the functioning of the hard coal mining and the Regulation of the Minister of the State Assets of February 3, 2022, on the subsidies to reduce the production capacity of the mining enterprises*.

Pursuant to the above mentioned act, TAURON Wydobycie has been covered by the aid (support) system to gradually phase out its mining operations. In accordance with the assumptions of the aid (support) system, the subsidies will be provided until the last coal mine of TAURON Wydobycie has been closed.

The estimated amount of the subsidies for TAURON Wydobycie for 2022 was set at the level of approx. PLN 1.15 billion, however, taking into account the situation on the coal market (a limited supply resulting in an increase in the hard coal prices), this amount is subject to a reduction. In addition, the support system constitutes state aid and is subject to the notification to the European Commission.

The detailed conditions for granting, settling and control (auditing) of the subsidies will be specified in the financing agreement, which - in accordance with the provisions of the above mentioned regulation - should be concluded between the Ministry of the State Assets and TAURON Wydobycie.

As of the date of drawing up this report, the aid (support) had not been paid out.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 11/2022 of April 8, 2022.

Major events after June 30, 2022

Extraordinary General Meeting of TAURON

The Extraordinary General Meeting of the Company was held on July 13, 2022, and it adopted the resolutions related to, inter alia: the amending of the Articles of Association of TAURON Polska Energia S.A. and the acknowledgement of the fulfillment of duties by certain Members of the Company's Management Board for the years 2019 and 2020.

TAURON disclosed the information on the convening of the Extraordinary General Meeting (GM) of the Company and on the content of the draft resolutions in the regulatory filings (current reports) no. 25/2022 and no. 26/2022 of June 17, 2022.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Extraordinary General Meeting (GM) of the Company in the regulatory filing (current report): no. 28/2022 of July 13, 2022.

Signing a syndicated loan agreement

On July 15, 2022, TAURON disclosed the information that the Company signed a PLN 4 billion syndicated loan agreement with a consortium of the banks: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa

Opieki S.A., CaixaBank S.A. (Spółka Akcyjna) Oddział w Polsce, Bank Handlowy w Warszawie S.A., Erste Group Bank AG, Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce, Santander Bank Polska S.A. and China Construction Bank (Europe) S.A. Oddział w Polsce. The funds from the syndicated loan may be used to refinance the existing financing of June 19, 2019, up to the amount of PLN 6.07 billion, to finance the capital expenditures of TAURON Group (excluding the financing of any hard coal assets related projects) and to finance the corporate expenses of TAURON Group (excluding the financing of the expenses related to the hard coal related assets).

Under the loan agreement TAURON will be able to draw down multiple tranches of the loan during the five year long loan availability period that could be extended up to 7 years at the most, after the suspending (precedent) conditions that are standard for this type of financing have been met.

The interest rate on the funds coming from the loan agreement will be calculated based on the floating interest rate relevant for the given interest rate period, increased by a margin dependent on the fulfillment of the sustainable development indicators (metrics), i.e. the emission reduction factor and a rate of increase of the renewable energy sources' (RES) share in TAURON Group's generation portfolio. The calculation of the sustainable development indicators (metrics) will be verified by an independent auditor.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 30/2022 of July 15, 2022.

Registration of the amendments to the Articles of Association of TAURON Polska Energia S.A.

On July 18, 2022, the Katowice-Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register, registered the amendments to the Articles of Association of the Company, adopted by the Extraordinary General Meeting of the Company on July 13, 2022, into the Register of Entrepreneurs of the National Court Register.

On July 29, 2022, the Supervisory Board of the Company adopted the uniform text of the Company's Articles of Association that included the amendments adopted by Extraordinary General Meeting of the Company on July 13, 2022.

TAURON disclosed the information on the above events in the regulatory filings (current reports): no. 31/2022 of July 19, 2022, and no. 32/2022 of July 29, 2022.

Update of the information related to the 910 MW generation unit in Jaworzno. Signing of an agreement on conducting a mediation process

On August 5, 2022, Nowe Jaworzno Grupa TAURON, RAFAKO S.A., Mostostal Warszawa S.A. and E003B7 sp. z o.o. (Ltd.), signed a mediation agreement under which, subsequently, on August 8, 2022, a petition for a mediation to be conducted before the Court of Arbitration at the General Counsel to the Republic of Poland was submitted.

The intention behind conducting the mediation process stems from the need to change the terms of the settlement agreement concluded on December 2, 2021, in particular those concerning the transition period (i.e. the period during which the optimization and tune-up works are carried out, including the tests, trials and measurements) for the 910 MW generation unit in Jaworzno, which was originally supposed to end by October 30, 2022. The contentious issue that has arisen between the parties at the current, final stage of the contract implementation is related to the identification of the reasons that had caused the delays in the implementation of the schedule of works conducted on the 910 MW unit in Jaworzno and the fallout from the situation arisen.

TAURON disclosed the information on the above event, in reference to the regulatory filing (current report) no. 47/2021 of December 2, 2021, in the regulatory filing (current report) no. 33/2022 of August 5, 2022.

Information related to the 910 MW generation unit in Jaworzno

On August 13, 2022, TAURON received the information from the company Nowe Jaworzno Grupa TAURON indicating that during the works conducted in order to clean the boiler and the slag trap of the 910 MW unit in Jaworzno it turned out that the additional works were required with respect to the slag hopper repair, which would lead to the unit's shutdown until August 29, 2022. In connection with the above the Company estimated that as a result of the unit's shutdown from August 6, 2022 until August 29, 2022, the first degree contribution margin generated by the unit will be lower by approx. PLN 130 million.

Then, on August 27, 2022 TAURON informed that to the best knowledge of the Company, estimated period of the unit's shutdown will be extended by 5 days and the estimated first degree contribution margin generated by the unit will be lower by approx. PLN 285 million as a result of the unit's shutdown from August 6, 2022 to September 2, 2022. The difference versus previous estimates results primarily from a significant increase of wholesale electricity prices, at which electricity for the purposes of the unit is purchased.

TAURON disclosed the information on the above events in the regulatory filing (current report): no. 35/2022 of August 13, 2022 and no. 37/2022 of August 27, 2022.

2.4. Factors and non-typical (one-off) 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 half of 2022 were impacted by the following internal factors:

Table no. 4. Internal factors impacting the operations and the earnings of the Company and TAURON Capital Group in the first half of 2022

#	Description of the factor
1.	actions with respect to optimizing the processes taken by TAURON Capital Group's subsidiaries,
2.	decisions with respect to the implementation of the key investment projects and intense activities with respect to searching for new energy sources,
3.	loyalty building measures aimed at retaining the existing customers and marketing activities with respect to acquiring new customers,
4.	TAURON Capital Group's centralized financial management area, supported by the use of such tools as: corporate model of financing, financial liquidity (cash flow) management policy using the <i>cash pool</i> mechanism, risk management policy in the financial area, insurance policy,
5.	TAURON's purchasing processes management, in particular, the management of fuel purchases for the needs of TAURON Capital Group's generation entities,
6.	expectations with regard to the increase of the compensation (wages) at TAURON Capital Group,
7.	geological and mining conditions for the hard coal extraction,
8.	failures of TAURON Capital Group's equipment, installations and grids,
9.	decision on the development of the district heating line of business within TAURON Capital Group,
10.	implementation of the provisions of the letter of intent regarding the potential purchase by the State Treasury of 100% of the shares in TAURON Wydobycie,
11.	implementation of the provisions of the agreement between TAURON, PGE, Enea S.A. (Enea), Energa S.A. (Energa) and the State Treasury on the cooperation with respect to the spinning off of the coal assets and the integration thereof within the National Energy Security Agency (NABE),
12.	works related to the fixing of the failure of the 910 MW power generating unit in Jaworzno and the unit's resynchronization with the grid,
13.	implementation of the provisions of the settlement agreement between EC Stalowa Wola and Abener Energia including the completion of the mutual settlements,
14.	organizing the <i>Program for the implementation of the new Information Exchange Standards at TAURON Group</i> in connection with the launch of the Central Energy Market Information System,
15.	update of <i>TAURON Group's Business Continuity Management Policy</i> establishing the Business Continuity Management System, based on the international standard ISO 22301,
16.	approval by the Minister of State Assets of TAURON Wydobycie S.A.'s application related to the public support (aid),
17.	implementation of the provisions resulting from the conclusion of the letter of intent related to the cooperation with respect to the generation sources based on the small nuclear reactors and micro nuclear reactors (SMR) technology,
18.	acquisition of a special purpose vehicle with the rights to a wind farm construction project with a capacity of 58.5 MW,
19.	adoption and implementation of TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050,
20.	setting up of a provision for onerous contracts in the Generation Segment in the amount of PLN 943 million.

TAURON Capital Group's operations are characterized by seasonality that is applicable, in particular, to the heat production, distribution and supply as well as the electricity distribution and supply.

The detailed information related to the impact of the above mentioned factors on the financial result achieved in the first half of 2022 is provided in section 4 of this report. The effects of such an 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 half of 2022 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 on which TAURON Capital Group takes advantage of the positive trends prevailing thereupon, as well as feels the effects of the changes thereof. The macroeconomic situation, both in the individual sectors of the economy, as well as on the financial markets, is a significant factor impacting the earnings generated by TAURON Capital Group.

Poland's Gross Domestic Product (GDP) grew by 5.3% in the second quarter of 2022, year on year. The registered unemployment rate clocked in at 4.9% in the second quarter of 2022, while the inflation rate rose to reach 15.5% year on year.

According to its July projection, the National Bank of Poland (NBP) forecasts the economic growth rate in 2022 to come in at the level of 4.7%, and in the subsequent years a slowdown to 1.4% in 2023 and 2.2% in 2024. The domestic economy downturn is a consequence of a negative supply shock resulting from the aggression of the Russian Federation against Ukraine and an increase in the energy commodity prices on the world markets and in the prices of the CO₂ emission allowances. In the longer term, the economic growth will be limited by the delayed impact of the interest rate increases, the expected economic slowdown abroad and a decline in the inflow of the European funds.

According to the July projection of the National Bank of Poland (NBP), the projected inflation rate will come in at 14.2% at the end of 2022. In 2023 the inflation rate is to clock in at 12.3%, while the inflation rate is estimated to stand at 4.1% in 2024. The level of the inflation rate is, first and foremost, impacted by an increase in the domestic fuel prices and the higher gas and electricity bills for the households, which is a consequence of the rising prices on the world markets. An increase in the food production costs and the limited supply of the raw materials and agricultural products, as well as the persistent supply constraints and the disruptions in the international transport resulting from the fallout from the armed aggression of the Russian Federation against Ukraine and the number of the COVID-19 infection cases, are further factors impacting the level of the inflation rate.

Market environment

Electricity

The below table presents the volumes of Poland's electricity consumption, production and the balance of the cross-border interconnection electricity exchange as well as the average electricity prices on the SPOT market, both in Poland as well as in the neighboring countries in the first half of 2021 and in the first half of 2022.

Table no. 5. Volumes of Poland's electricity consumption, production and imports as well as the average electricity prices on the SPOT market in Poland and in the neighboring countries in the first half of 2021 and in the first half of 2022

Volume	Unit	H1 2021	H1 2022	Increase / Decrease
1. Electricity consumption	GWh	86 365	87 409	1 044 (+1.2%)
2. Electricity production by domestic power plants	GWh	83 092	89 117	6 025 (+7.3%)
3. Electricity production by power plants fired with:				
1) hard coal ¹	GWh	44 696	43 176	-1 520 (-3.4%)
2) lignite	GWh	21 210	23 667	2 457 (+11.6%)
3) gas	GWh	6 437	5 621	-816 (-12.7%)
4. Electricity production by wind farms	GWh	6 762	10 449	3 687 (+54.5%)
5. Cross-border exchange balance ²	GWh	3 272	-1 708	-4 980 (-152.2%)
6. Average electricity price on the SPOT market in:				
1) Poland	PLN/MWh	283.72	659.39	375.67 (+132.4%)
	EUR/MWh	62.51	142.13	79.62 (+127.4%)
2) Neighboring countries (on the example of Germany)	EUR/MWh	54.95	185.8	130.85 (+238.1%)

¹Including the industrial power plants.

²A positive value of the balance denotes imports, while a negative value of the balance denotes exports

The wholesale electricity price on the Day Ahead Market (RDN) of the Polish Power Exchange (Towarowa Gielda Energii S.A. - TGE) reached 659.39 PLN/MWh in the first half of 2022 and it was higher by 375.67 PLN/MWh (+132.4%) as compared to the first half of 2021. The average settlement price on the Balancing Market (RB) came in at 647.44 PLN/MWh in the first half of 2022 and it was higher by 369.91 PLN/MWh (+133.3%) as compared to the first half of 2021.

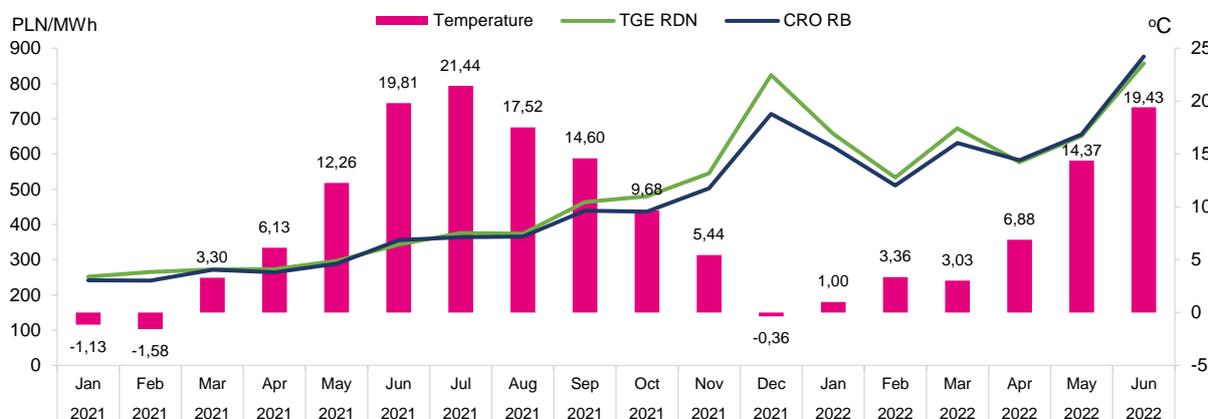
The factors behind the rising prices on the Day Ahead Market (RDN) and on the Balancing Market (RB) included: the high prices of the raw materials, in particular the prices of the thermal (steam) coal and gas, as well as the continued high prices of the CO₂ emission allowances. The high SPOT prices were also reported in the countries in the Western and Southern Europe, which led to Poland being a net exporter of electricity to the neighboring countries in the first half of 2022.

The continued rise in the demand for electricity and Poland's exports' positive balance in the cross-border exchange of electricity led to the higher electricity production by the lignite fired power generation sources in Poland. The hard coal fired power plants as well as the gas fired power generation units logged production declines due to the continued high prices of gas and the problems with the insufficient inventory levels of the thermal (steam) coal. The high electricity prices on the SPOT market were recorded in June 2022 due to the persistent heat wave observed

at the end of the month and the lower inventory levels of the thermal (steam) coal. This also led to the decline of the exports of electricity to the neighboring countries in June.

The below figure presents the average monthly electricity prices on the SPOT and RB markets, as well as the average temperatures in 2021 and in the first half of 2022.

Figure no. 4. Average monthly electricity prices on the SPOT and RB markets, as well as the average temperatures in 2021 and in the first half of 2022



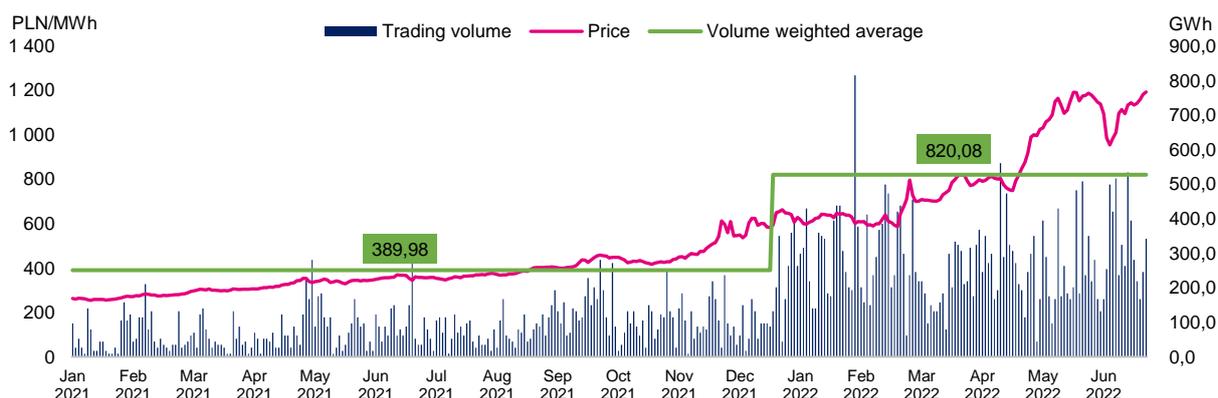
The reference (benchmark) base load contract with the delivery in 2023 (BASE_Y-23) was in an upward trend on the futures market in the first half of 2022. The price changes were in line with the changes in the commodity prices, in particular the prices of the thermal (steam) coal at the ARA ports, as well as the rising prices of gas in Europe and in Poland. In addition to the high prices of the raw materials (commodities) and the CO₂ emission allowances, such rapid increases were brought about due to the problems with the balancing of Poland's power system due to the persistent low supply of the thermal (steam) coal, in particular at the beginning of the year, as well as the very high prices in the neighboring countries, both on the futures market as well as on the SPOT market.

The volume weighted average price of the BASE_Y-23 contract recorded in the first half of 2022 came in at a level of 820.08 PLN/MWh, and it was higher by 507.32 PLN/MWh (an increase by 162.2%) as compared to the average price of such a contract logged in the same period of 2021.

The PEAK5_Y-23 contract price displayed similar volatility patterns, with its trading volume weighted average price reaching 1 009.41 PLN/MWh in the first half of 2022, and it was higher by 674.66 PLN/MWh (an increase by 201.5%) as compared to the average price of such a contract logged in the same period of 2021.

The below figure presents the trading volume and price performance of the BASE Y-23 contract in 2021 and in the first half of 2022.

Figure no. 5. BASE Y-23 contract trading volume and price performance in 2021 and in the first half of 2022



Crude oil

The average price of the Brent crude oil on the ICE exchange stood at 104.94 USD/bbl in the first half of 2022 and it was higher by 39.71 USD/bbl as compared to the first half of 2021 (an increase by 60.9%). The lowest closing price of the Brent crude oil, i.e. 78.98 USD/bbl, was recorded in January of 2022, while the highest price was observed in March of 2022 (127.98 USD/bbl), when the average monthly prices clocked in at 85.57 USD/bbl and 112.46 USD/bbl, respectively. The total Brent crude oil trading volume on the ICE exchange came in at approx. 30.4 billion barrels in the first half of 2022, while it stood at approx. 32.2 billion barrels a year ago (a drop by 5.6% year on year).

The crude oil prices reached a seven year high in the first half of 2022. The global events directly related to the effects of the aggression of the Russian Federation against Ukraine were the main factors that had an impact on the demand and supply on the oil markets. The growing geopolitical tensions followed by Russia's invasion against Ukraine led to the imposition of the sanctions on the country's fuel exports. This event significantly shook the global crude oil market and caused the demand for this commodity to grow faster than the supply. The price of Brent crude oil started in 2022 at around 77 USD/barrel and soared to a high of 139 USD/barrel at the beginning of March of 2022, before subsequently falling in the last days of the first half of 2022 to a level of around 114 USD/barrel.

The beginning of 2022 saw the global oil inventories drop well below the pre-COVID-19 pandemic levels. The supply disruptions and production shortages at some of the OPEC+ member countries curtailed the planned production growth. The unstable situation in some Arab countries gave rise to the concerns on the market. Despite the progress in Iran's negotiations with the US on the nuclear deal, the talks did not result in concrete agreements, so those developments did not have such a strong impact on the oil prices as expected. At the beginning of the first half of 2022, the COVID-19 pandemic continued to generate a record number of new infections in some parts of the world, but the surge had a more muted impact on the oil consumption this time around.

Hard coal

The average price of the continued annual coal contract at the ARA ports stood at 7.58 USD/GJ in the first half of 2022 and it was higher by 4.65 USD/GJ as compared to the average price of such a contract in the first half of 2021 (an increase by 158.7% year on year). The price trends on the Polish market were similar, but the pace of the price increases was much slower. The average value of PSCMI1 (the index of the steam coal market prices on the Polish market published by Agencja Rozwoju Przemysłu S.A.) in the first half of 2022 came in at 14.26 PLN/GJ and it was higher than the value of this index in the first half of 2021 by 2.82 PLN/GJ (an increase of 24.6%). In the second quarter of 2022 it came in at 14.99 PLN/GJ and it was higher than the value of this index in the second quarter of 2021 by 3.66 PLN/GJ (an increase of 32.4%).

The year 2022 on the international coal market began with the suspension of the exports by Indonesia for the month of January. The growing tension between Russia and Ukraine since the beginning of 2022, and the subsequent aggression of the Russian Federation against Ukraine led to the unrest on the markets, resulting in the soaring coal prices at all of the major transshipment ports around the world. A number of countries have imposed the economic sanctions on Russia. The EU countries decided to introduce a ban on the purchase of Russian coal starting from August 10 this year. The coal from Russia, which so far has satisfied the needs of both the Asia-Pacific as well as the Atlantic customers, has been largely pushed out of the market. As a consequence of this situation, the customers from China and India increased their purchases of the Russian coal, which was due to the reduction in the prices of the fuel coming from this direction.

The world's major producers tried to increase the supply of the raw material, which was prompted by the growing demand and the persistently high prices. There was a stratification of the coal prices in the various quality classes (grades). The prices of the thermal (steam) coal, with a calorific value of 5500-6000 kcal/kg, with its prices being quoted, among others, at the ARA ports serving the Western European countries, were rising the fastest. The coal with the lower calorific values, used mainly by India and China, was offered at much lower prices. There were also no such significant price increases on the coking coal market.

The inventory levels at the major coal trading hubs went up as compared to the levels observed in the first quarter and remained close to the average stock levels. On the other hand, the inventory levels at the ARA ports were rising with each successive week, to reach the level not recorded since November 2019 (6.6 million tons) at the end of June.

In the first half of 2022, the changes were observed in the flows (routes) of the coal by sea. The coal producers from Indonesia and Australia increased the share of the sales to Europe, while reducing the supplies to their traditionally served customers in Asia. The rapid increase of the supply of the thermal (steam) coal to replace the supplies from Russia is difficult because the trend of reducing the demand for the coal in the recent years has been so strong that a significant part of the coal producers have gone bankrupt or have had to curb their investments in the production capacity.

Natural gas

At the end of February and at the beginning of March of 2022, the European gas markets saw unprecedented price levels for this commodity. The main factor behind the sharp increases in the prices during this period was the launch of the invasion of the Russian Federation against Ukraine. As a consequence a number of countries have imposed the sanctions on the fuels imported from Russia. The EU member countries have suspended the certification of the Nord Stream 2 gas pipeline. The concerns have arisen on the European gas markets regarding the possibility of the complete lack of the gas flows from Russia to the countries of the Old Continent, which led to the elevated the risk of reaching the higher price levels.

During the conflict in Ukraine, the Russian Federation announced that the payments for the gas flowing from that country would be accepted only in rubles. A number of European countries refused to pay in this currency, which as a consequence led to the suspension of the gas flows to these countries. In particular, the supplies to Poland

via the Jamal Gas Pipeline were completely stopped. In spite of the actions taken by Russia, a downward trend could be observed on the European gas markets in the second quarter of 2022 (the effect of this was a temporary return of the prices to the levels from before the outbreak of the war in Ukraine), brought about mainly due to the filling of the demand gap in Europe through the increased volumes of the gas supplies in the liquid form from the US and Qatar, and the rapid filling of the gas storage facilities. However, due to a significant reduction in the gas supplies via Nord Stream 1 and the concerns regarding the transit of this commodity in the winter as well as the forecasts of the impending drought in Europe, at the end of June of 2022, the prices on the European gas markets began to go up again, reaching the same levels as at the beginning of the Ukrainian-Russian conflict.

The Asian countries also faced the demand pressure with respect to the raw materials (commodities), and in particular gas, as one of their primary fuels used for the energy production, which, as a consequence, resulted in the strong increases of the Japan Korea Marker index.

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (TGE) stood at 499.03 PLN/MWh in the first half of 2022 and it was higher by 394.72 PLN/MWh than such a price in the same period of 2021. The lowest price of the contract on the SPOT market was recorded in February of 2022, while the highest price was logged in March of 2022, with the volume weighted average monthly prices coming in at 385.98 PLN/MWh and 716.53 PLN/MWh, respectively.

The highest price on the Intraday Market (IDM - RDB), i.e. 1 418.88 PLN/MWh, was reported on March 7, 2022, while the weighted average gas price on the Intraday Market (IDM - RDB) for March of 2022 clocked in at 656.35 PLN/MWh and it was higher by 563.92 PLN/MWh than such a price in the same period of 2021. The lowest contract price on the Intraday Market (IDM), i.e. 272.84 PLN/MWh, was recorded on January 2, 2022, while the volume weighted average price for that month came in at 383.38 PLN/MWh and it was higher by 281.03 PLN/MWh than such a price in the same period of 2021.

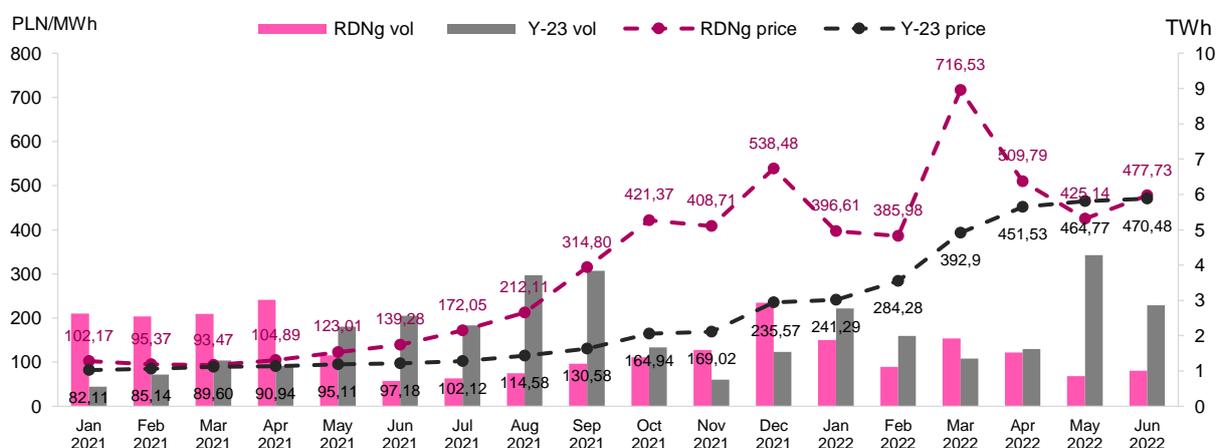
The lowest aggregate trading volume on the futures market was recorded in April of 2022, clocking in at 5.4 TWh, while the highest trading volume was reported in January of 2022, reaching 15.5 TWh. The weighted average price of the reference (benchmark) one year GAS_BASE_Y-23 contract stood at 392.38 PLN/MWh in the first half of 2022. The lowest price of that contract was recorded in January of 2022, while the highest price was observed in June of 2022, coming in at 216.17 PLN/MWh and 595.50 PLN/MWh, respectively.

The aggregate trading volume on the Polish Power Exchange (TGE) clocked in at more than 72.2 TWh in the first half of 2022, as compared to 70.3 TWh in the same period of 2021 (an increase by 2.7% year on year). The futures market had the largest share in the gas trading in the first half of 2022, with a volume generated of more than 61 TWh. On the SPOT market, the total trading volume (turnover) in the day ahead contracts came in at approx. 8.3 TWh (a drop by 35.7% year on year). The decline was also reported on the Intraday Market (IDM) for the gas, where the turnover (trading volume) stood at more than 2.8 TWh, as compared to 3.5 TWh in the same period of 2021 (a drop by 20% year on year).

According to the Gas Infrastructure Europe association's data, as of June 30, 2022, the Polish storage facilities with the total capacity of approx. 3.2 billion m³ were 97.4% filled, while a year earlier they had been 64.9% filled (an increase by 32.5 pp). In Europe, this level, as of the end of the first half of 2022, stood at 58.2%, while a year earlier it had clocked in at 47.5% (an increase by 10.7 pp).

The below figure presents the average monthly SPOT market and BASE_Y-23 contract gas prices on TGE (PPX) a year prior to the physical delivery.

Figure no. 6. Average monthly SPOT market and BASE_Y-23 contract gas prices on TGE (PPX)



CO₂ emission allowances

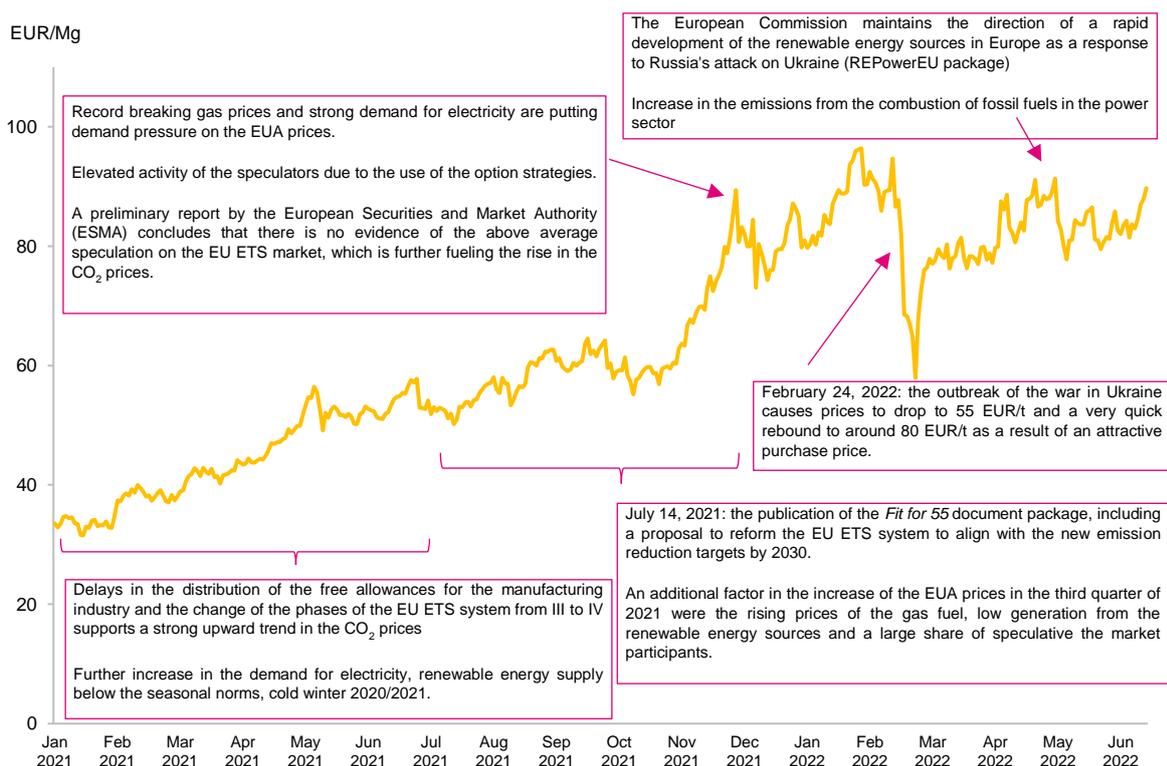
The average price of the CO₂ contracts on the futures market came in at 83.67 EUR/Mg in the first half of 2022, which meant a rise by as much as 39.49 EUR/Mg as compared to the first half of 2021 (an increase by 89.4%). The highest closing price was set on February 8, 2022, at the level of 96.93 EUR/Mg. The maximum price at which a transaction was concluded during the session (intraday) was 98.49 EUR/Mg - it is also the highest price of the reference (benchmark) forward contract in the history of the EU ETS market (the transactions for the contracts with a delivery date in 2025 were concluded at levels slightly exceeding 100 EUR/Mg). The lowest closing price during the half a year under review stood at 58.30 EUR/Mg on March 7, 2022, i.e. exactly during the 7th session since the start of the Russian Federation's invasion against Ukraine on February 24, 2022. Due to a sharp sell-off, the price of CO₂ plummeted temporarily to 55 EUR/Mg on that day.

Excluding the period of the high volatility at the turn of February and March, the prices of the CO₂ emission allowances were relatively stable in the first half of 2022. The high CO₂ prices are discounting the fundamental changes taking place on the market: the limited supply due to the Market Stability Reserve (MSR) mechanism, the strong demand for the EUA units due to the high gas prices and the announced changes aimed at adapting the EU ETS system to the EU's new, more ambitious climate and energy policy under the name *Fit for 55*.

The current geopolitical situation has stopped the strong upward trend that has been taking place since the beginning of 2021. The limited gas supply, the radical increase in the prices of the energy media and the real perspective of the economic slowdown curtail the above average, speculative purchases of the CO₂ emission allowances and, as a consequence, the continuous increase in the prices. The announcement of the REPowerEU package, aimed at making Europe independent of the raw materials from Russia as soon as possible, also led to the short term correction of the CO₂ prices in connection with the proposal to release approx. 200-250 million EUAs from the MSR reserve in order to finance the accelerated energy transition of Europe.

The below figure presents the impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2021 and in the first half of 2022.

Figure no. 7. Impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2021 and in the first half of 2022



The prices on the green certificates market continued their downward trend in the first half of 2022. The TGE_{oza} index reached its maximum price, which stood at 266.85 PLN/MWh, at the beginning of January 2022, while the minimum price for the above mentioned index was recorded at the end of June 2022, at the level of 170.52 PLN/MWh. The weighted average price of PMOZE_A in the first half of 2022 came in at 216.54 PLN/MWh and it was higher by 44.1% than the weighted average price in the corresponding period of 2021 (an increase by 66.32 PLN/MWh).

The volume of the trading was much lower than in the first half of 2021, falling by more than 12%, from 4 112.4 GWh to 3 617.7 GWh. The balance of the PMOZE_A register at the end of June 2022 reached a surplus of 24.83 TWh. Taking into account the certificates that are blocked for the redemption (retirement), this balance drops by 6.72 TWh, to the level of 18.12 TWh (a decrease by 22.6% year on year). The level of the substitution fee set for 2022 is at the level of 239.86 PLN/MWh, while the obligation to present the green certificates for the redemption (retirement) in 2022 stands at 18.5% in accordance with the *Regulation of the Minister of Climate and Environment of August 4, 2021, on changing the quantitative share of the total of electricity resulting from the redeemed guarantees of origin of energy (energy certificates) confirming the production of electricity from renewable energy sources in 2022*.

Invariably, the market of the blue certificates can be considered to be stable. The TGEozebio index has been fluctuating in the region of the substitution fee level, which stands at 300.03 PLN/MWh for 2022. During the period from January to June of 2022 the prices were fluctuating within the range between the minimum price of 301.16 PLN/MWh and the maximum price level of 306.05 PLN/MWh. The weighted average value of the TGEozebio index for the first half of 2022 clocked in at 302.54 PLN/MWh, while the trading volume came in at 187.03 GWh and it was lower by 12.3% as compared to the trading volume logged in the first half of 2021. The PMOZE_BIO register balance came in at 447.65 GWh as of the end of June of 2022. Taking into account the certificates blocked for the redemption (retirement), this balance drops by almost 204.31 GWh, down to the level of 243.34 GWh (an increase by 11.7% as compared to the first half of 2021). The obligation to confirm the production of the electricity from the agricultural biogas stands at 0.5% in 2022, in accordance with the above mentioned regulation.

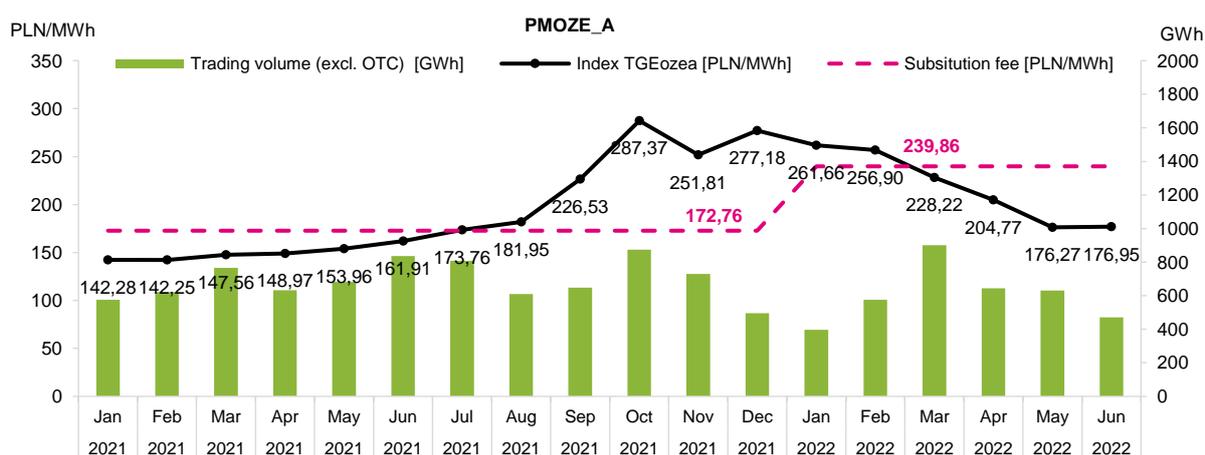
The prices of the PMEF_F white certificates were fluctuating in the first half of 2021 between the minimum level of 2 091.56 PLN/toe reached in the middle of May of 2022 and the maximum price obtained in the middle of January of 2022 at the level of 2 744.26 PLN/toe. The weighted average price for the above mentioned contract in the first half of 2022 came in at 2 445.89 PLN/toe and it was higher by almost 23.2% as compared to the weighted average price in the same period of 2021. On average the prices were clocking in 27.8% above the substitution fee set at the level of 1 914.42 PLN/toe for 2022. The trading volume went up by 36.6% as compared to the same period of 2021, coming in at 51 890 toe (37 975 toe in the first half of 2021).

A similar contract price performance on the market could have been observed for the PMEF-2021 register. The prices were moving within the price range between the minimum of 1 914.43 PLN/toe, reached in June of 2022, and the maximum price at the level of 2 799.00 PLN/toe, obtained in January of 2022. The weighted average price of the PMEF-2021 contract in the first half of 2022 was higher by almost 25.4% as compared to the prices in the same period of 2021 and it came in at the level of 2 400.47 PLN/toe.

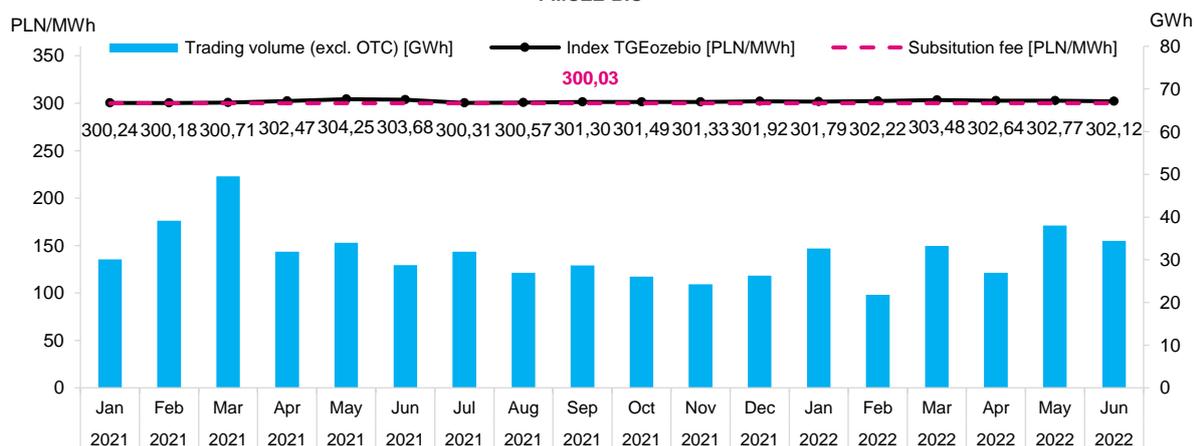
In the second quarter of 2022 (starting from May), the new contract for the PMEF-2022 register was also quoted, where the prices fluctuated between 2 350 PLN/toe and 2 483.06 PLN/toe. The weighted average price for the first half of 2022 was 2 258.39 PLN/toe.

The below figures present the property rights indices, the so-called green and blue certificates.

Figure no. 8. Property rights indices



PMOZE-BIO



Regulatory environment

TAURON Capital Group is monitoring the changes and taking actions in the regulatory area, both on the national, as well as on the European Union (EU) level.

The below table below presents the most important changes in the regulatory environment of TAURON Capital Group in the first half of 2022 with respect to the adopted and published legislative acts that have an impact on TAURON Capital Group.

Table no. 6. Most important changes in the regulatory environment of TAURON Capital Group in the first half of 2022 with respect to the adopted and published legislative acts

Name of the regulation	Description of the regulation	Status as of June 30, 2022	Impact on TAURON Capital Group	Impact on the Segment
<i>Act of December 17, 2021, on the shielding allowance (Journal of Laws of 2022, item 1)</i>	The main elements of the act are: <ol style="list-style-type: none"> introduction of a shielding allowance related to the increase in energy prices for the household consumers, new obligations of the electricity supplier related to the introduction of the shielding allowances (compensation to offset energy price increases), program of support for the vulnerable (sensitive) consumers of the electricity and gas fuels, definition of energy poverty. 	January 4, 2022 – entry into force	The act imposes additional obligations on TAURON Sprzedaż related to: <ol style="list-style-type: none"> the need to send information on the right to submit an application for the payment of the shielding allowance, development and implementation of the support programs for the vulnerable (sensitive) consumers, a change with respect to the options available for suspending the supply. 	
<i>Act of January 26, 2022, on special solutions to protect gas fuel consumers in connection with the situation on the gas market (Journal of Laws of 2022, item 202)</i>	The act introduces a gas price increase compensation mechanism by: <ol style="list-style-type: none"> extending the catalog of entities covered by the tariff protection until December 31, 2023, introducing a compensation mechanism for the natural gas suppliers, confirming and emphasizing in the content of the legal regulations the necessity of the tariff protection for the natural gas consumers in the multi-unit (multi-tenant) buildings. 	January 29, 2022 – entry into force	The act in question: <ol style="list-style-type: none"> generates the risk of losing revenues due to extending the group of the consumers entitled to settle the accounts with the Supplier according to the prices approved by the President of the ERO and freezing the prices for the additional services, introduces a method of calculating the compensation for TAURON Sprzedaż that is less favorable than for PGNiG and will not allow for covering the purchase of the gas fuel for the consumers, generates a number of additional obligations for TAURON Sprzedaż. 	
<i>Act of December 17, 2021, amending the act on the functioning of the hard coal mining sector (Journal of Laws of 2022, item 241)</i>	The act provides for the creation of a support system, which is a public support (aid) mechanism for the hard coal mining sector, adopted in order to gradually phase out hard coal mining operations, including in particular the subsidies from the state budget to reduce the production capacity and cover the costs stemming from the discontinuing of the hard coal mining and the liquidation of the production units, which are not linked to the ongoing production, for the mining enterprises covered thereby.	February 3, 2022 – entry into force	The act creates the possibility of obtaining subsidies to reduce the production capacity of TAURON Wydobycie estimated on the basis of the forecast revenues and eligible (qualified) costs.	
<i>Act of April 13, 2022, on the special solutions with respect to counteracting the support for the aggression against Ukraine and serving</i>	The act introduces the exclusion of contractors related to the aggression against Ukraine (i.e. Russian Federation and Belarus) from the public procurement procedures as well as the initiated and incomplete competitions (tender proceedings) related to the supply of coal. The act prohibits bringing	April 16, 2022 – entry into force	The act may significantly curtail the availability of coal on the Polish market for various categories of consumers (first of all local heating plants), which may contribute to an increase of the prices of this raw material.	

Name of the regulation	Description of the regulation	Status as of June 30, 2022	Impact on TAURON Capital Group	Impact on the Segment
<i>the protection of national security (Journal of Laws of 2022, item 835)</i>	into the territory of Poland and moving across Poland as well as transferring from the territory of an EU Member State to Poland of the coal originating from the Russian Federation or Belarus, it provides for the penalties for breaking this ban and introduces obligations for the coal trading companies with respect to the documentation of the origin thereof.			
<i>Act of June 8, 2022, on amending the act on the assistance for the Ukrainian citizens in connection with an armed conflict in the territory of that country and certain other acts (Journal of Laws of 2022, item 830)</i>	The act adds to the <i>Act of February 20, 2015 on the renewable energy sources</i> (Journal of Laws of 2022, item 1378), art. 184j, excluding the obligation referred to in art. 60a, clauses 2 and 2a related to the minimum weight share of the biomass of the agricultural origin in the total weight share of the biomass for the electricity from the renewable energy sources produced in the period from August 1, 2022 to December 31, 2022.	June 9, 2022 – entry into force	The act reduces the risk of a failure to meet the obligation with respect to the minimum weight share of the biomass of the agricultural origin, the availability of which has been limited due to the interruption of the supply chains from Ukraine and Belarus.	
<i>Regulation of the Minister of Climate and Environment of January 5, 2022, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) in the electricity trading (Journal of Laws of 2022, item 27)</i>	The regulation imposes on the trading companies and the ex officio suppliers the obligation to present, in the settlement document attached to the invoice, the information on the percentage structure of the justified costs of purchasing the electricity, with the following costs constituting the final price of the electricity itemized: <ol style="list-style-type: none"> costs of purchasing the electricity, including the average costs of purchasing the emission allowances, costs of the substitution fee incurred, of the purchase of the electricity from RES, as well as of obtaining and redeeming the guarantees of origin of energy (energy certificates) for RES and the energy efficiency. 	January 8, 2022 – entry into force	The regulation in question: <ol style="list-style-type: none"> imposes on TAURON Sprzedaż the obligation to attach to the invoice the information on the percentage structure of the justified costs of purchasing the electricity, generates the additional costs for TAURON Sprzedaż stemming from the new obligation. 	
<i>Regulation of the Minister of Climate and Environment of December 23, 2021, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply (Journal of Laws of 2022, item 37)</i>	The regulation introduces the following amendments: <ol style="list-style-type: none"> increasing the possible increase of the planned revenues under the simplified tariffs for the heat generated in the cogeneration units, guaranteeing a minimum increase (change) of the planned revenues in the tariffs of the district heating companies, taking into account the increased rate of return by 1 percentage point for each reduction of emissions by 25% in the calculation of the return on capital employed in the operations related to the heat supply, linking the possibility of applying the provisions guaranteeing the limit of the planned revenues in the tariffs for heat and their increasing under the simplified tariffs after December 31, 2025, solely for the energy companies operating in the district heating system. 	January 25, 2022 – entry into force	The regulation in question: <ol style="list-style-type: none"> introduces changes to the tariff setting process for the district heating enterprises, constitutes a challenge for TAURON Ciepło to align the district heating systems, by the required deadline, with the definition of an efficient district heating system. 	
<i>Regulation of the Minister of the State Assets of February 3, 2022, on subsidies to reduce the production capacity of the mining enterprises (Journal of Laws of 2022 item 264)</i>	The regulation defines: <ol style="list-style-type: none"> detailed conditions of the support system with respect to the subsidies, including the method to be used to determine the amount of the subsidies, eligible (qualified) costs and revenues, the method to be used to determine the reference (benchmark) price, principles to be used to monitor, control and verify the support system, detailed conditions and procedure for granting the subsidy, including its form, procedure applied to settle the subsidies, conditions leading to the temporary suspension of the payment of the subsidy granted. 	February 4, 2022 – entry into force	The regulation creates the possibility of obtaining subsidies for the reduction of TAURON Wydobycie's production capacity.	
<i>Regulation of the Minister of Climate and Environment of January 10, 2022, on energy market processes (Journal of Laws of 2022 item 234)</i>	The regulation defines: <ol style="list-style-type: none"> list of the electricity market processes implemented through the central energy market information system, method of implementing the energy market processes, range of the commands sent to the remote readout meter via the central energy market information system and the conditions for sending them, 	February 16, 2022 – entry into force	The regulation in question generates the additional costs and obligations for TAURON Capital Group's entities related to the adaptation of the systems to the central energy market information system.	 

Name of the regulation	Description of the regulation	Status as of June 30, 2022	Impact on TAURON Capital Group	Impact on the Segment
	<p>4. requirements for ensuring the correctness and completeness of the energy market information and the verification thereof,</p> <p>5. indicators of the quality of the energy market information provided by the individual system users and the manner of the publication thereof.</p>			
<i>Regulation of the Minister of Climate and Environment of March 14, 2022, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply (Journal of Laws of 2022, item 597)</i>	The regulation introduces a standardization of the method to be used to calculate the justified annual costs of purchasing the carbon dioxide emission allowances so that the projected increase of the cost of these allowances can be taken into account instead of referring to the historical data.	March 30, 2022 – entry into force	The regulation introduces favorable changes in the tariff process for the district heating enterprises.	
<i>Regulation of the Minister of Climate and Environment of 23 March 2022, on the registration, balancing and sharing of metering data and billing of the energy cooperatives (Journal of Laws of 2022, item 703)</i>	The regulation defines the methods to be used to register, balance and share the metering data and billing of the energy cooperatives.	April 1, 2022 – entry into force	The regulation in question: <ul style="list-style-type: none"> 1. introduces the necessity to adapt the IT systems/meters to the requirements defined in the regulations, 2. imposes the obligation to apply a standardized method to be used to provide the metering data for all of the distribution system operators. 	 

The legislative works at the EU level that will have an impact on the operations of TAURON Capital Group were underway in the first half of 2022,

The below table below presents the most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first half of 2022.

Table no. 7. The most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first half of 2022

Name of the regulation	Description of the regulation	Status as of June 30, 2022	Impact on TAURON Capital Group
<i>Fit for 55</i>	<p>In July of 2021, the European Commission published the <i>Fit for 55</i> regulatory package proposal, including, among others, a revision of the directive on the promotion of energy from renewable sources (REDII), the directive on energy efficiency (EED), the directive on the EU ETS system or the introduction of a price adjustment mechanism at borders accounting for CO₂ (Carbon Border Adjustment Mechanism).</p> <p>The <i>Fit for 55</i> package aims to introduce the legislative mechanisms that will allow for achieving the target of reducing the greenhouse gas emissions by at least 55% by 2030.</p> <p>The indicated regulations include, among others, the proposals for the tightening of the EU ETS system, changing the definition of efficient district heating and cooling systems, increasing the RES target and improving energy efficiency by 2030.</p> <p>In the first half of 2022, the intensive works were carried out in the European Parliament (EP) and the Council on the above mentioned legislative proposals. The result of these works is, among others, the adoption of the EP's negotiating positions on the revision of the ETS directive and the CBAM regulation. On the other hand, the so-called General Approach regarding: the revision of the EED, REDIII, ETS directives and the CBAM regulation, was adopted by the Council. The next step involves the negotiations between the EP and the Council on the final wording of the above mentioned legislative proposals.</p> <p>The process of agreeing on the above-mentioned legislative drafts should be completed this year.</p>	The process of developing the positions of the EU institutions with respect to the legislative drafts as part of <i>Fit for 55</i>	The <i>Fit for 55</i> package can contribute to the development of the low emission technologies, with a particular emphasis on the market of the renewable energy sources. The regulations that are part of the package will introduce a number of the new requirements and changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.

Name of the regulation	Description of the regulation	Status as of June 30, 2022	Impact on TAURON Capital Group
REPowerEU	<p>In May 2022, the European Commission published the REPowerEU communication along with a package of the additional documents. The communication is a response to the situation on the electricity and gas markets in connection with the war in Ukraine. The most important actions indicated in the communication include: energy saving, diversification of the energy media supplies to the EU, substitution of the fossil fuels and the acceleration of Europe's transition to clean energy, the smart investments and strengthening of the readiness to reduce the supply of the energy resources.</p> <p>Along with the communication, a legislative proposal amending the directives: REDII, EED and EPBD was published. As part of the above mentioned proposal, the European Commission proposes:</p> <ol style="list-style-type: none"> 1. increasing the target with respect to the use of the energy from the renewable energy sources (RES) from 40 to 45% (as compared to the proposal included in the Fit for 55 package), 2. introducing the measures aimed at making it easier to invest in the renewable energy sources, 3. raising the 2030 energy consumption reduction target from 9% to 13% as compared to the projections in the 2020 reference (benchmark) scenario, 4. increasing the use of the solar energy in the buildings. <p>In addition, along with the REPowerEU communication, among others, the <i>EU strategy for the solar energy</i>, the recommendations and the guidelines related to accelerating the issuance of the permits for the investments in the renewable energy sources (RES) as well as a draft regulation amending, inter alia, the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility (in order to provide the funding for the actions identified in REPowerEU) were published.</p>	Works on implementing the short and long term measures provided under REPowerEU	The implementation of the REPowerEU plan could increase the EU's energy independence and accelerate the energy transition. The implementation of REPowerEU will introduce a number of changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.
Sustainable financing	<p><i>Regulation of the European Parliament and of the Council 2020/852</i> of June 18, 2020, on the establishment of a framework to facilitate the sustainable investment aims to introduce a classification system for the sustainable economic activities, the so-called European Union's Taxonomy. In 2021, a delegated act to the above mentioned regulation was adopted, specifying the detailed technical criteria for combating climate change or adapting to climate change. The act does not include the criteria for generating energy from natural gas and nuclear energy. In February 2022, the European Commission adopted a complementary Delegated Act to the Taxonomy. It amends the first delegated act to the taxonomy regulation (2021/2139) by adding the new activities and technical eligibility criteria for the investments in the area of nuclear energy and natural gas. In July this year, during the plenary session of the European Parliament, the rejection of the objection to the delegated act of the Commission was voted down. If the Council does not reject the proposal, the delegated act on the EU climate change taxonomy will enter into force and apply starting from January 1, 2023.</p>	Verification procedure for the complementary delegated act by the European Parliament and the Council	The principles of the sustainable financing specified in the Taxonomy may have an impact on the possibilities (options) as well as the terms and conditions of acquiring the capital for the implementation of the investment projects planned by TAURON Capital Group.
Recovery and Resilience Facility	<p>In February 2021, the Council of the European Union and the European Parliament adopted the regulation establishing the Recovery and Resilience Facility (RRF), with the funding of EUR 672.5 billion. The Member States have developed the National Recovery Plans (NRP) that include the reforms and investments aligned with the EU's policy goals until 2026, i.e. a minimum of 37% of the expenditures allocated to the energy transition and a minimum of 20% to be spent on the digital transformation. In June this year, Poland's National Recovery and Resilience Plan has been approved by the European Commission and the EU Council.</p>	Works on the implementation of the National Recovery Plan, the plan approved by the European Commission and the Council	The implementation of the plan may translate into the financial support for the investments related to the transition of the power sector, including, among others, in the field of the renewable energy sources (RES) (in particular offshore), hydrogen, energy efficiency, modernization of the buildings.
Climate, Energy and Environmental Aid Guidelines (CEEAG)	<p>Climate Energy and Environmental Aid Guidelines (CEEAG) will replace the Environmental and Energy Aid Guidelines (EEAG) applicable in 2014-2021. The new CEEAG guidelines define the changed rules for the assessment by the European Commission of the</p>	CEEAG guidelines apply	The new guidelines on the public (state) aid for climate, environmental and energy goals will have an impact on the terms and conditions for acquiring the public capital for the implementation of the investment projects

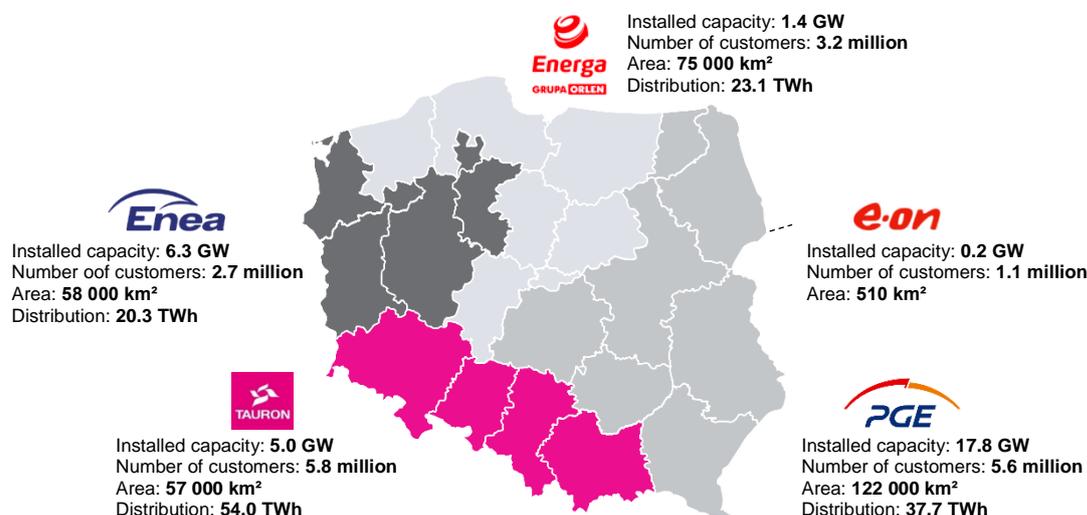
Name of the regulation	Description of the regulation	Status as of June 30, 2022	Impact on TAURON Capital Group
	individual public (state) aid programs or measures for counteracting the climate change and environment protection. The above mentioned principles are also related to energy in the context of the EU's ambitious climate goals and the need to maintain the competitiveness of the economic entities conducting business operations in the European Union. The revised guidelines include the adjustments aimed at aligning the evaluation principles with the strategic priorities of the European Commission, in particular those set out in the European Green Deal and in the <i>Fit for 55</i> package.	from January 2022	planned by TAURON Capital Group. In addition, CEEAG guidelines envisage that the Member States will modify the existing aid programs for the environment protection and the energy related goals in order to bring them into line with the new guidelines by December 31, 2023, at the latest, which may translate into the conditions for obtaining the public support also on the basis of the existing aid programs in place, if such aid were to be granted after December 31, 2023.
Draft amendments to the Commission Regulation (EU) No 651/2014 of June 17, 2014, declaring certain types of aid compatible with the internal market pursuant to Art. 107 and 108 of the Treaty (GBER)	The 2014 General Block Exemption Regulation contains ex ante compliance conditions under which the Member States can implement state (public) aid measures without a prior notification to the European Commission. The revision of the General Block Exemption Regulation aims to ensure that the objectives of the European Green Deal can be met, further clarify the rules for investment aid in the areas related to the energy performance of the buildings as well as the charging and refueling infrastructure for the purpose of clean mobility.	Planned adoption of GBER in 2022	The introduced changes will be particularly important from the perspective of granting state (public) aid under the aid funds implemented in the 2021-2027 financial plan (budget, framework).
Partnership Agreement	The Partnership Agreement is a comprehensive strategy for the use of the European funds agreed upon with the European Commission under the current Multiannual Financial Framework (MFF) for 2021-2027. It constitutes the implementation of the national documents such as the Responsible Development Strategy and the sector based strategies stemming from it. It assumes the continuation of the implementation of the existing national and regional programs.	Completion of the official negotiations of the Partnership Agreement between the European Commission and the Polish government	On June 2, 2022, the Partnership Agreement for 2021-2027 was submitted for the verification to the European Commission. On June 30, 2022, Poland and the European Commission agreed on the content of the document that will regulate the implementation of the cohesion policy in our country under the EU's Multiannual Financial Framework (MFF) for 2021-2027. In the opinion of the Ministry of the Regional Funds and Policy (Ministerstwo Funduszy i Polityki Regionalnej - MFiPR), the decision on launching of the individual programs covered by the Partnership Agreement will be issued by the end of 2022. Successively, as part of the approval of the subsequent programs, the competitions will also be launched, followed by the first payments to the entities that will receive the funding for their projects. In the opinion of the Ministry of the Regional Funds and Policy (Ministerstwo Funduszy i Polityki Regionalnej - MFiPR), this will take place at the beginning of 2023.

Competitive environment (landscape)

Apart from TAURON Capital Group, three large, vertically integrated energy groups are currently operating on the Polish market: PGE, Enea and Energa. In addition, the company E.ON Polska S.A. (E.ON Polska) is conducting its operations in the Warsaw metropolitan area, managing Warsaw's power grid.

The below figure presents TAURON Capital Group's competitive environment (landscape) based on the available data for 2021.

Figure no. 9. TAURON Capital Group's competitive environment (landscape) based on the available data for 2021

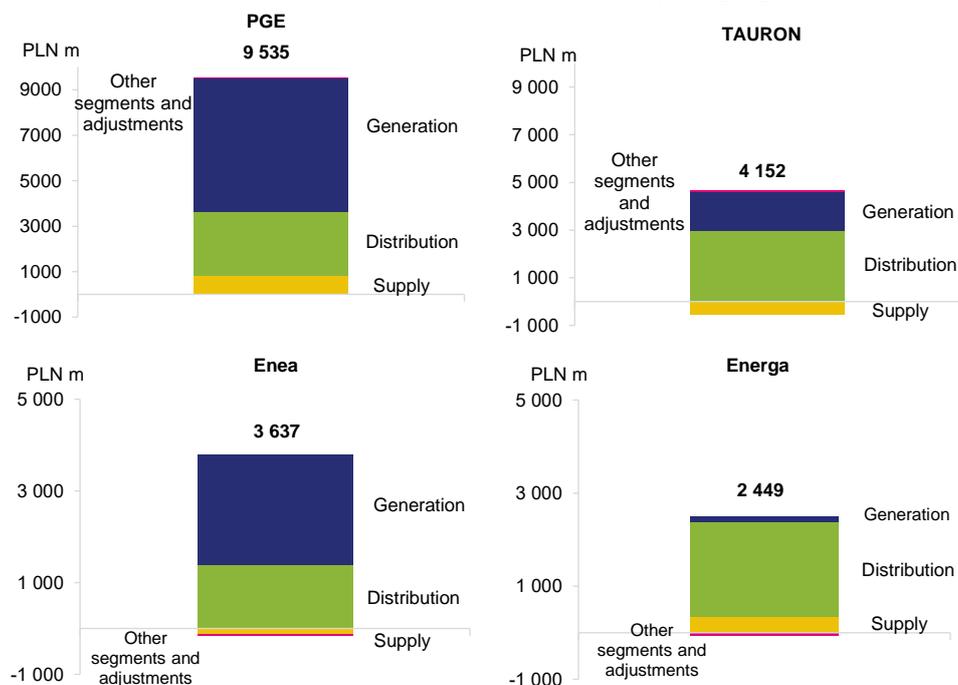


According to the data for 2021, the consolidated energy groups (PGE, TAURON, Enea, Energa) held an approximately 70% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated energy enterprise (electric utility) that takes advantage of the synergies stemming from the size and scope (scale) of the operations conducted. TAURON Capital Group controls the value chain, from the 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 the electricity transmission), i.e. in the hard coal mining, as well as the electricity and heat generation, distribution, supply and trading.

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

Figure no. 10. EBITDA - estimated structure based on the main operating segments in 2021¹



¹In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat.
Source: Companies' interim reports posted on the web sites

Generation

TAURON Capital Group is Poland's key electricity producer

TAURON Capital Group's share in the domestic electricity generation market, measured based on the gross electricity production output, stood at approx. 8% in the first quarter of 2022. 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

88% of TAURON Capital Group's generation assets are, as of the end of the second quarter of 2022, the hard coal fired units, 21% of which are modern high efficiency generating units. TAURON Capital Group's total installed capacity reached almost 5.0 GW as of June 30, 2022, with the renewable energy sources accounting for more than 0.6 GW of that figure. The wind farms' installed capacity represents 8%, while the hydroelectric power plants' installed capacity accounts for 3% and the biomass fired generating units' installed capacity constitutes 2% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 7.8 TWh of electricity in the first half of 2022, with 0.9 TWh coming from RES.

Nationwide, in the first quarter of 2022, TAURON Capital Group's hard coal fired units' installed capacity accounted for approx. 13% of the total installed capacity of all of the hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants, as well as the hydro power plants, the share of TAURON Capital Group came in at approx. 5%, 8% and 14%, respectively.

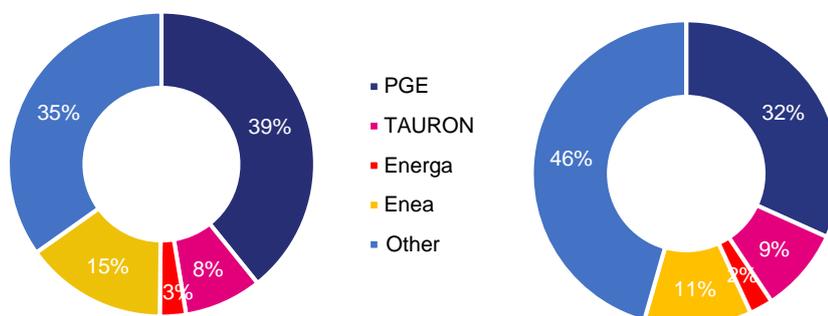
According to the data for the first quarter of 2022, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 39% in the first quarter of 2022, and the installed capacity of 17.8 GW. Enea is the second largest electricity producer in Poland, with a market share coming in at approx. 15% and the installed capacity of 6.3 GW. Energa, on the other hand, has the largest share of electricity

produced from the renewable energy sources (RES) on the Polish market and Energa's total installed capacity stands at approx. 1.4 GW. Energa produced approx. 1.3 TWh of electricity in the first quarter of 2022, with approx. 0.5 TWh (i.e. 38%) coming from RES.

The below figures present the information on the installed capacity and the electricity generated in the first quarter of 2022.

Figure no. 11. Gross electricity production - estimated market shares in the first quarter of 2022

Figure no. 12. Installed capacity - estimated market shares in the first quarter of 2022



Source: Agencja Rynku Energi S.A. (ARE), companies' information posted on the web sites

Distribution

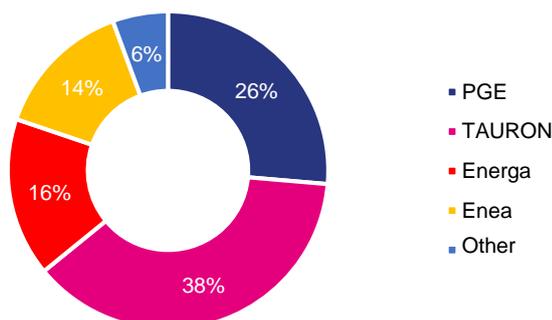
TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed.

TAURON Capital Group is Poland's largest electricity distributor. TAURON Dystrybucja's share in the electricity distribution to the final consumers reached approx. 38% in the first quarter of 2022. TAURON Capital Group's distribution grids cover more than 18% of Poland's territory. The volume of the electricity delivered to the final consumers came in at approx. 27.4 TWh in the first half of 2022. TAURON Capital Group is Poland's largest electricity distributor, also in terms of the 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 more than 5.8 million in the first half of 2022.

The below figure presents the estimated market shares of the individual energy groups in terms of the electricity distribution based on the data for the first quarter of 2022.

Figure no. 13. Electricity distribution - estimated market shares in the first quarter of 2022



Supply

TAURON Capital Group is Poland's second largest electricity supplier

TAURON Capital Group holds a 24% share in the market of the electricity supply to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group came in at 15.95 TWh in the first half of 2022. The number of the customers served by TAURON Capital Group's Supply Segment is 5.7 million.

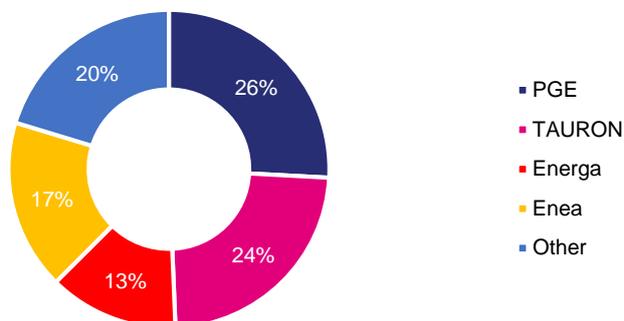
PGE is the largest retail electricity supplier with a 26% market share. The other two groups, Enea and Energa, hold a 17% and a 13% market share, respectively.

In the segment of the electricity supply to the households the individual energy groups are geographically linked, first of all, with the areas in which they are acting as an ex officio electricity supplier. The need to submit household tariffs for approval to the President of the Energy Regulatory Office (ERO) leads to the limited options for the positioning of the prices in the product offerings, and what follows, it impacts the attractiveness thereof 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 the estimated market shares of the individual energy groups in terms of the electricity supply to the final consumers based on the data for the first quarter of 2022.

Figure no. 14. Electricity supply to the final consumers - estimated market shares in the first quarter of 2022



Source: Agencja Rynku Energi S.A. (ARE), companies' information posted on the web sites

The below table presents the information on the installed capacity and the volume of the electricity generation, distribution and supply in the first quarter of 2022, as well as the domestic market shares.

Table no. 8. Installed capacity, generation, distribution and supply of electricity by energy groups in the first quarter of 2022

Group	Installed capacity		Generation ¹		Distribution		Supply	
	Quantity (GW)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)
1. PGE	17.8	31	18.9	39	9.8	26	9.1	26
2. TAURON	5.0	9	3.9	8	14.3	38	8.4	24
3. Energa	1.4	2	1.3	3	6.2	16	4.7	13
4. Enea	6.3	11	7.1	15	5.3	14	6.2	17
5. Other	27.4	47	16.5	35	2.3	6	7.3	20
Total	57.9	100	47.7	100	37.9	100	35.7	100

¹Volume of the gross electricity generated in the first quarter of 2022.

Source: ARE, information from the companies posted on their web sites, in-house estimates in case of the companies publishing the net production output.

The analysis of the largest energy groups operating on the domestic market points to the various sources of the competitiveness in the selected segments of the energy market, depending on the operations conducted thereby. The below table presents the main sources of the competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations).

Table no. 9. Sources of competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations)

Line of Business	Area of initiatives	Sources of competitiveness
Mining Generation	<ol style="list-style-type: none"> 1. Reducing the fuel price and supply risk. 2. Investments in the generating units. 3. Operating expenses. 	<ol style="list-style-type: none"> 1. Concluded capacity market contracts. 2. High efficiency generating units with a competitive unit production cost. 3. Improvement of the operational efficiency.
RES Heat	<ol style="list-style-type: none"> 1. Investments in the renewable energy sources and the low emission thermal energy (heat) sources. 2. Operating expenses. 3. Investments in the district heating networks. 	<ol style="list-style-type: none"> 1. Improvement of the operational efficiency. 2. Development of the low and zero emission generation sources. 3. Expanding the regulated operations.
Distribution	<ol style="list-style-type: none"> 1. Operating expenses 2. Investment project efficiency 3. Improvement of grid reliability indicators 	<ol style="list-style-type: none"> 1. Implementing the ultimate business model. 2. Implemented IT systems, separate processes, clear (transparent) split of responsibilities.
Supply	<ol style="list-style-type: none"> 1. Operating expenses. 2. Maintaining high customer satisfaction indices. 	<ol style="list-style-type: none"> 1. Development of the product and services offering for the customers. 2. Integrated service channels

2.5. Factors that will have an impact on the results achieved over at least the next quarter

The factors presented in the below table will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter.

Table no. 10. Factors that will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter

#	Description of the factor
1.	aggression of the Russian Federation against Ukraine and its impact on the Polish economy and the European Union policy, as well as the impact of the sanctions imposed against Russia and those imposed by Russia, including in particular the availability of the raw materials (commodities) (geopolitical risk),
2.	macroeconomic situation in Poland, at the EU and the global economy level, including the changes of the interest rates, FX rates, etc., impacting the valuation of the assets and the liabilities listed by the Company in the statement of financial position,
3.	market situation in Poland and in the EU, as well as in the global economy, including the changes of the electricity prices, the prices of the CO ₂ emission allowances, the prices of the raw materials (commodities, in particular coal and gas), etc., affecting the revenues and the level of the costs generated,
4.	potential increase of the overdue accounts receivable caused by the deterioration of the financial condition of the counterparties (contractors),
5.	demand for the electricity in the National Power System and the level of the production by the generating units, taking into account the changes due to the seasonality, the weather conditions and the availability of the fuels,
6.	level of the electricity imports/exports and of the available capacity reserve in the power system in Poland and in Europe,
7.	changes to the energy mix and, as a consequence, the adaptation of the demand for hard coal,
8.	stable and failure free operation of the 910 MW unit in Jaworzno,
9.	risk of another escalation of the epidemiological situation related to COVID-19,
10.	political environment in Poland and at the European Union level, including the positions and the decisions of the government administration institutions and offices, for example: Office of Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission (EC),
11.	results of the court proceedings (litigations),
12.	changes to the regulations related to the power sector, and also changes in the legal environment, including: the tax law, the commercial law, the environment protection law,
13.	changes to the regulations governing the operations of the Polish Power Exchange (PPX - TGE), in particular the possibility of lifting the power exchange obligation,
14.	further changes with respect to the policies of the financial institutions,
15.	activities related to obtaining of the debt financing,
16.	possibility of using the external assistance funds, including the European Union funds, to support the transition of the energy sector and mitigate the effects of the social changes, taking into account, in particular, the following limitations: <ol style="list-style-type: none"> 1) entity related (with respect to the support for the large enterprises), 2) with respect to the forms of the support (much more emphasis on the returnable support than before), 3) permissible scope of state (public) aid granted (for example tightening of the rules of the support with regard to the gas fired capacity, indicated in the draft guidelines on the state (public) aid to be used for climate and environment protection and the objectives related to energy (CEEAG), 4) amount of the state (public) aid granted (changes with respect to the maximum aid intensity),
17.	geological and mining factors, as well as the natural hazards that may affect the volume of the fossil fuel extraction output,
18.	further functioning of the generation capabilities compensation mechanism (capacity market), under which the deliveries of the electric capacity will be carried out by TAURON Capital Group subsidiaries' generating units and the demand side reduction units at the operator's request,
19.	support system for the electricity generation from the dedicated sources (<i>color certificates</i>), resulting, on one hand, in the costs of redeeming (retiring) the certificates for the suppliers of the electricity to the final consumers, and on the other hand, in the revenue from the sales of the certificates for the generators of electricity system, the RES support system, the so-called RES auctions,
20.	competitive environment (landscape), including the activities and steps taken by the competition on the energy market,
21.	further tightening of the EU climate policy, in particular, resulting in the energy transition focused on the RES, as well as in an increase of the prices of the CO ₂ emission allowances,
22.	amount of the payments (subsidies) made as part of the support system for the reduction of the production capacity of the coal mines,
23.	further growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation and Mining Lines,
24.	level of the tariff for the electricity and heat supply to the households (tariff group G) approved by the President of the Energy Regulatory Office (ERO),
25.	level of the tariffs for the electricity distribution as well as the heat distribution and production approved by the President of the Energy Regulatory Office (ERO),
26.	environment protection requirements as a consequence of the changes to the <i>Act of April 27, 2001, Environment Protection Law</i> , the so-called anti-smog resolutions,
27.	consequences of the adopted <i>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</i> (the potential impact on the investment projects currently under way and the future ones),
28.	consequences of the adopted <i>Regulation of April 24, 2021, amending the regulation on the detailed rules of shaping and calculating the tariffs as well as billing (settlements) for the heat supply</i> , introducing a provision enabling changing of the tariff for the heat due to the change of the costs of purchasing the CO ₂ emission allowances,
29.	planned changes to the regulations related to the quality requirements for the solid fuels, among others, the <i>Act of August 25, 2006, on the system for monitoring and inspecting fuel quality</i> ,
30.	shaping of the personnel policy, including the results of the negotiations with the Social Council (Board) of TAURON Group,
31.	changes to the schedules, budgets and scopes of the investment projects carried out by TAURON Capital Group,
32.	availability of the assets of TAURON Capital Group,
33.	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,
34.	continuation of the activities related to the implementation at TAURON Capital Group of the assumptions of the Concept of the Transition of the power sector involving the preparation of the coal based generation assets for the spinning off and transferring to NABE (Narodowa Agencja Bezpieczeństwa Energetycznego – National Energy Security Agency),

35. continuation of the implementation of the assumptions regarding the functioning of the hard coal mining industry in Poland based on the *Act on the functioning of the hard coal mining industry*, including those related to granting of the public support (aid) in the form of the subsidies to reduce the production capacity of TAURON Wydobycie.

The detailed information related to the impact of the material factors on the financial result achieved in the first half of 2022 is provided in section 4 of this report. The effects of such impact are visible both in the short term, as well as in the long term outlook.

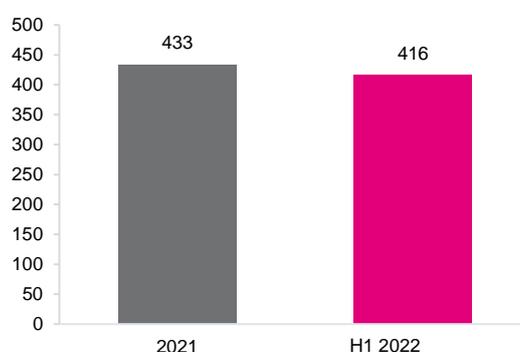
TAURON Capital Group's operations are characterized by seasonality that is applicable, in particular, to heat production, distribution and supply, electricity distribution and supply to the individual consumers, as well as the hard coal sales to the individual consumers for the heating purposes. The 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 the 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.

2.6. Headcount at TAURON Polska Energia S.A. and at TAURON Capital Group

TAURON's average headcount stood at 416 FTEs in the first half of 2022 which meant a decrease by 17 FTEs (3.9%) versus the employment level in 2021, when the average headcount was 433 FTEs.

The below figure presents TAURON's average headcount in FTEs (rounded up to the full FTE) in 2021 and in the first half of 2022.

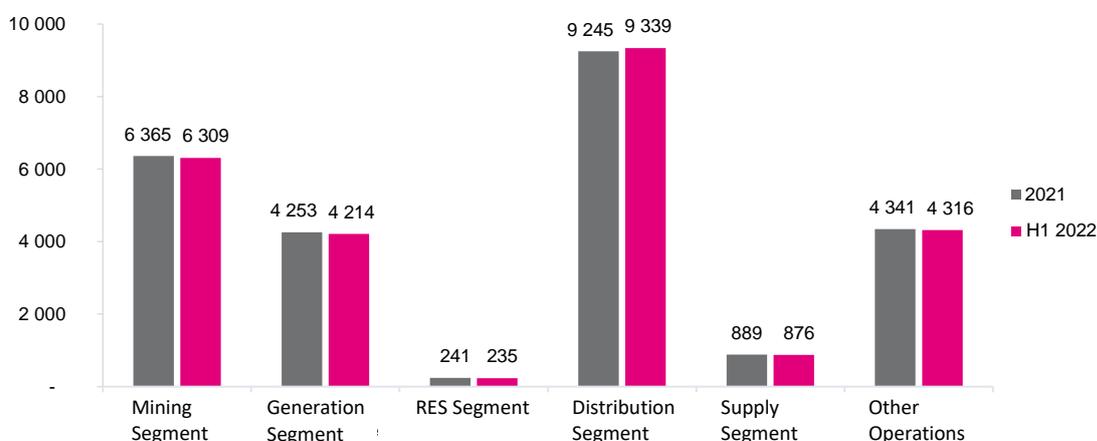
Figure no. 15. TAURON's average headcount in FTEs in 2021 and in the first half of 2022



TAURON Capital Group's average headcount came in at 25 290 FTEs in the first half of 2022, which meant a decrease by 43 FTEs (0.2%) versus the headcount in 2021, when the average employment level was 25 333 FTEs. The decrease in the average employment level is mainly related to the Generation Segment and the Mining Segment, while the headcount in the Distribution Segment has gone up.

The below figure presents TAURON Capital Group's average headcounts in FTEs (rounded up to the full FTE) per Segment of operations in 2021 and in the first half of 2022.

Figure no. 16. TAURON Capital Group's average headcounts in FTEs per Segment of operations in 2021 and in the first half of 2022 based on FTEs



Key employment level (headcount) data

The below table below presents the key data on the employment level (headcount) at TAURON and TAURON Capital Group as of December 31, 2021, and as of June 30, 2022.

Table no. 11. Key data on the employment level (headcount) at TAURON and TAURON Capital Group as of December 31, 2021, and June 30, 2022

#	Key employment data	unit	TAURON		TAURON Capital Group	
			December 31, 2021	June 30, 2022	December 31, 2021	June 30, 2022
1.	Headcount by segment, including:	persons	413	422	25 324	25 421 ¹
	Mining Segment	persons	-	-	6 285	6 299
	Generation Segment	persons	-	-	4 218	4 303
	RES Segment	persons	-	-	212	237
	Distribution Segment	persons	-	-	9 373	9 401
	Supply Segment	persons	413	422	8732	893 ²
	Other Operations	persons	-	-	4 363	4 288
2.	Headcount by education, including:					
	College graduates	%	98	98	36	36
	High school graduates	%	1	2	43	44
	Vocational school graduates	%	0	0	19	19
	Elementary school graduates	%	0	0	2	2
3.	Headcount by age, including:					
	Up to 30 years	%	7	7	9	8
	30 - 40 years	%	34	33	22	22
	40 - 50 years	%	43	42	29	29
	50 - 60 years	%	14	15	32	32
	Above 60 years	%	2	3	8	8
4.	Headcount by gender, including:					
	Women	%	46	45	22	22
	Men	%	54	55	78	78

¹Including 98 people employed under a fixed term labor contract to replace an absent employee

²Figure includes TAURON's headcount

3. TAURON CAPITAL GROUP'S OPERATIONS' RISK

3.1. Risk management strategy

At TAURON Capital Group risk is understood as an uncertain occurrence or a group of occurrences that, in case of materializing, will have an impact on achieving by TAURON Capital Group of its defined strategic goals, both a negative one (threat), as well as a positive one (opportunity).

In line with its Strategy the Company is implementing the process of managing the risk related to the operations of TAURON Capital Group. The primary goals of risk management include ensuring the broadly understood security of TAURON Capital Group's operations. In particular, TAURON Capital Group's risk management is to ensure increased predictability of achieving its strategic goals, sustainable (stable) generation of its financial results, the protection of TAURON Capital Group's current economic value, as well as the support for the decision-making processes.

TAURON Capital Group's risk management:

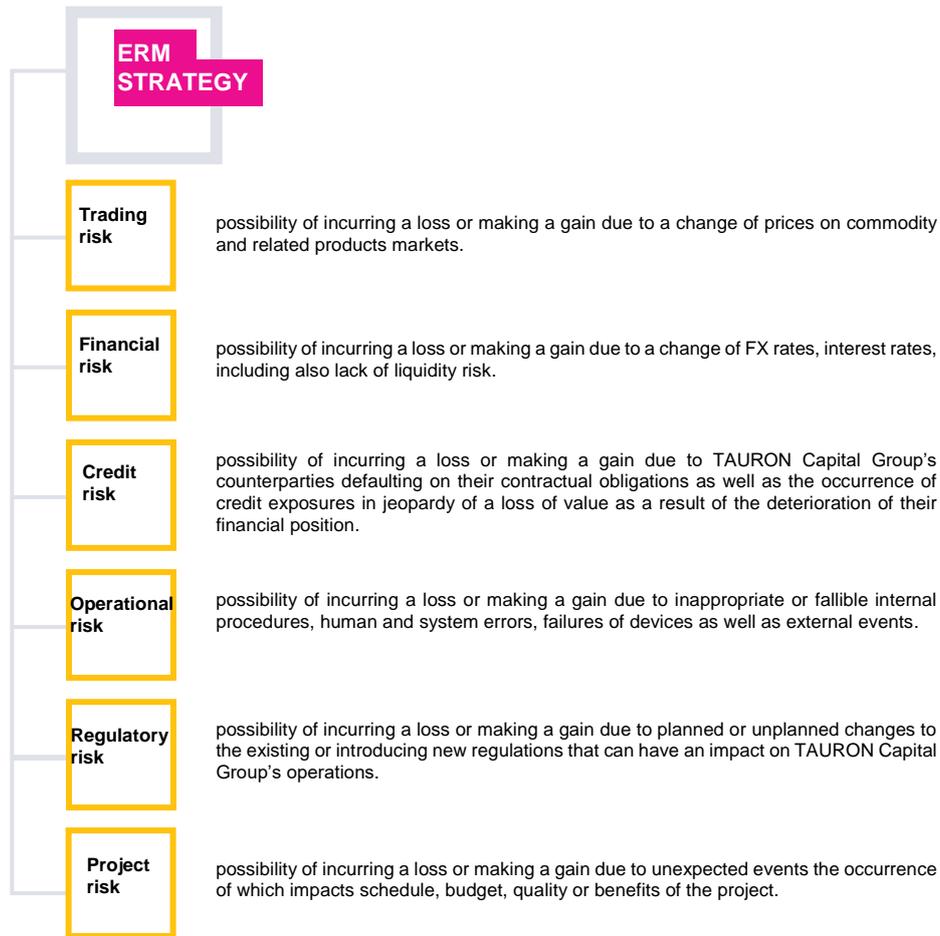
1. is based on the risk management process that provides comprehensive and consistent rules – it is a continuous activity that includes risk identification, risk assessment, planning a response to risk, implementing the adopted response to risk and communications among the process participants,
2. covers all elements of the value chain,
3. provides centralized risk measurement, monitoring and control function, and also the ability to evaluate the full risk profile in the organization and the consistent risk management principles,
4. ensures independence of the risk taking function from its control and monitoring,
5. ensures a clear split of competences and responsibilities, in particular by introducing the risk ownership function,
6. supervises the Risk Committee as an expert team that constantly and continuously initiates, analyzes, monitors, controls and supports the functioning of TAURON Capital Group's risk management system,
7. is a pro-active process, focused on an adequately early identification of threats, allowing for taking preventive measures,
8. is a systematic and continuously improved process which allows for aligning it on an ongoing basis to TAURON Capital Group's specifics and organizational structure, as well as to the changing environment,
9. places a strong emphasis on developing awareness, training and encouraging personnel to use the knowledge of risks in the daily activities,
10. co-creates TAURON Capital Group's internal audit (control) system, constituting, along with the compliance and security management functions, an element of the Three Line Defense Model
11. uses tools that allow for the effective implementation of the process, i.e. risk card, risk register, risk response plan, volatility models, scoring models, risk limits,
12. is based on the risk model defining a coherent classification of risk, enabling its uniform and comprehensive approach at the level of entire TAURON Capital Group.

The Enterprise Risk Management System (ERM System) is governed by *TAURON Group's Enterprise Risk Management Strategy* (ERM Strategy) that defines TAURON Capital Group's enterprise risk management framework and rules at the organization, and its objective is to ensure the consistency of managing the individual risk categories that are detailed in separate regulations, aligned to the specifics of the individual threat (risk) groups.

As part of the ERM System, the following specific risks are identified within TAURON Capital Group, for which separate policies tailored to the nature and specifics of the given group of threats are defined:

The below figure presents the basic classification of the enterprise risk.

Figure no. 17. Basic classification of the enterprise risk

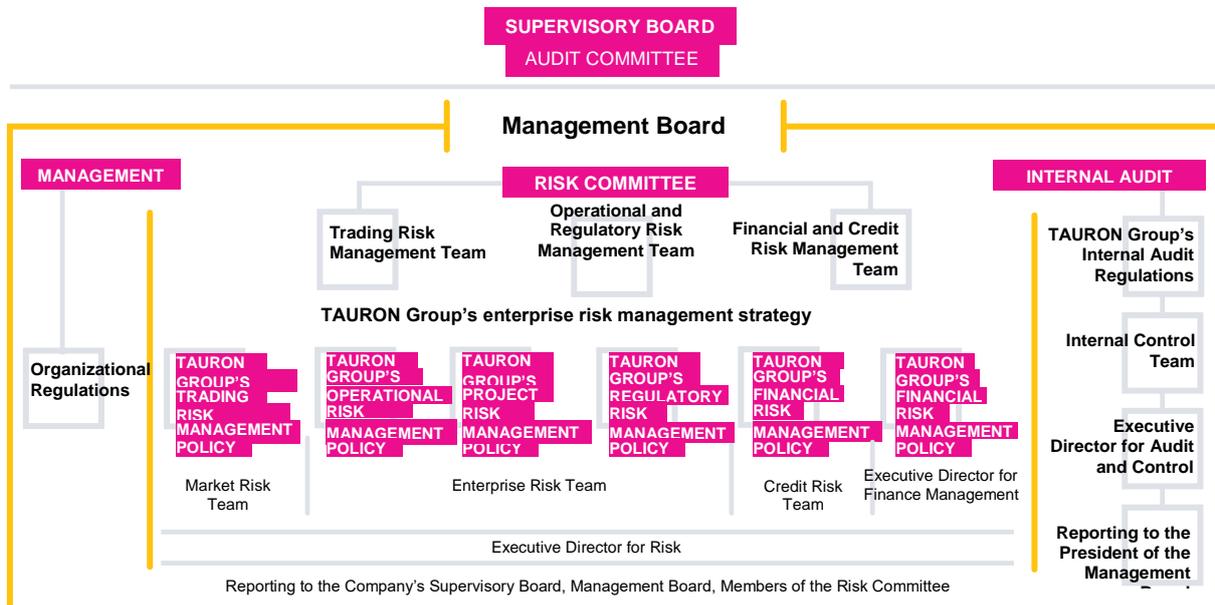


The key assumption of the ERM system is a clear and precise split of tasks and responsibilities, ensuring no conflict of interest arises. In particular, the system guarantees the independence of the risk taking function from the risk control and monitoring. This is achieved through the centralization of the control function at the parent Company level, while maintaining the organizational and functional separation of the risk taking function

Within the ERM System, the roles and responsibilities of all of the participants of TAURON Capital Group's risk management system are defined in detail.

The below figure presents the links between the individual roles and the documents regulating TAURON Capital Group's ERM system in detail.

Figure no. 18. Links between the individual roles in the context of the ERM Strategy and the documents regulating the ERM System



The basic risk control tool is the Risk Appetite, approved by the Company's Management Board and the Risk Tolerance that specifies TAURON Capital Group's maximum permitted risk exposure value. The Risk Tolerance level is expressed in the form of a set of metrics and boundary conditions limiting the risk exposure. The Risk Tolerance is a practical translation of the Risk Appetite, in particular taking into account the division into the key categories of the Specific Risks and the Global Limits related thereto. Based on the adopted Risk Tolerance value as well as the approved Global Limits, the Risk Committee approves the sets of the Operational Limits dedicated to the individual risks or the groups thereof.

TAURON Capital Group's risk management is a process subject to the continuous improvement so as to be able to align it to TAURON Capital Group's specifics and organizational structure, as well as to the fast changing environment. That process is subject to an internal and independent assessment of adequacy and reviews,

3.2. Risks in the individual operating Segments

The below table presents the risks in the individual operating Segments.

Table no. 12. Risks in the individual operating Segments

Segment	Description of the risk
Mining	<p>The Mining Segment is exposed to an impact from a number of risk factors, the materialization of which significantly hinders or temporarily reduces the mining capacity at the individual coal mines. The most material operational risks include:</p> <ol style="list-style-type: none"> 1. risk of adverse geological and mining conditions characterized by, for example unfavorable positioning of the coal deposits in the coal seam, faults, or the excessive presence of the rocks (stone), 2. risk of the lack of the timely commissioning of the coal faces involving the lack of the preparation of the mining fronts (headings) adequately in advance, 3. risk of asset failures leading to the coal mining downtime, due to the occurrence of the machinery and equipment failures, 4. risk of the occurrence of natural geological and mining threats leading to the coal mining downtime, caused by the rock bursts, endogenous fires, presence of methane in the deposit, too much water inflow. <p>The material risks in the Mining Segment also include threats stemming from the regulatory environment, including the gradual introduction of the new environmental requirements tightening the emission standards for the coal fired power plants, which will result in a decline of the demand for the coal.</p> <p>In the subsequent years the Mining Segment will also be materially affected by the climate policy that assumes a departure from the coal based generation technology in order to reduce pollution and achieve climate neutrality in the EU in the long term, which will, in effect, lead to the need to gradually phase out coal production. The withdrawal of the financial institutions from financing of the assets based on the fossil fuels has been intensifying recently, which results in the curtailment of the possibilities of financing the new investment projects in the Mining Segment. In connection with the above and the need to gradually phase out the production, the material risks in the subsequent years will include the effects of both the technological as well as the social restructuring (planned spin-off of the mining assets from TAURON Capital Group).</p> <p>In the first half of 2022, due to the ongoing aggression by the Russian Federation against Ukraine, there is an elevated demand for hard coal and an increase in the prices of this raw material, which has a positive effect on the results of the Mining Line of Business. The observed trend under way is expected to continue, at least in the short term, depending on the future geopolitical and macroeconomic situation in Europe and worldwide.</p>
Generation	<p>The Generation Segment is exposed, in particular, to the market risk, regulatory risk as well as the technical and organizational risks that will have a significant impact on the Segment's results in the coming years.</p> <p>As part of the market risk, the material risk factors currently include: the high volatility of the CDS margin (in the short term) and in the long term the expected curtailing of the CDS margin as a result of the climate policy adopted by the European Union as well as the plans to integrate the European electricity market. In addition, the development of the renewable energy technologies and the ever growing share of RES in meeting the demand for electricity have a material impact on the Generation Line of Business, leading to the pushing of the conventional generating units out of the market. Also, the progressing integration of the European electricity markets and the introduction of the new capacity into the system, with the efficiency much higher than the efficiency of the 200 MW units, means that the use of such generating units in the Generation Segment will be declining. The observed uncertainty with respect to the supply of the hard coal and the significant volatility of its prices affect the margins achieved in this line of business. In addition, the development of the renewable energy technologies and the ever growing share of RES in meeting the demand for electricity have a material impact on the Generation Line of Business, leading to the pushing of the conventional generating units out of the market. and the need to adapt the operation of the conventional generation sources to the unstable (intermittent) production of the RES units.</p> <p>In the first half of 2022, the high demand for electricity is still observed, and what follows, the demand for the electricity generation based on the hard coal continues to be strong, the supply of which, due to the situation of the Polish mining industry and the aggression of the Russian Federation against Ukraine, has been very much curtailed. This situation has resulted in a sharp increase of the coal prices and the difficulties in the sourcing thereof, which in turn leads to an increase of the risk of maintaining the required strategic coal stocks inventory levels in landfills, and in the extreme scenarios, a possible curbing of the energy production</p> <p>With respect to the operational factors, the most material threat is the risk of not achieving the planned availability rate (dispatchability) of the units, which is closely related to the individual units' failure rate, high variability of the units' loads and the higher frequency of start-ups. A material risk is also the progress of the tune-up process of the 910 MW generating unit in Jaworzno in connection with the transition process (period) under way until October this year, and, as a consequence, a limited production volume and the need to balance the trading position.</p> <p>A failure to meet the planned availability rate (dispatchability) of the units may also result in the inability to meet the capacity obligation, which, if it is not possible to reserve the capacity using the internal sources or on the secondary market, may result in the assessing of the penalties on the Generation Segment's subsidiaries for this reason.</p>
RES	<p>The RES segment is exposed, in particular, to the market risks, the risks related to the weather factors affecting the volume of the electricity generation, in particular hydro, wind and solar based, as well as the regulatory risks, the impact of which significantly affects the results of the RES Segment and its expansion opportunities.</p> <p>The volume of electricity produced by the hydro power plants is dependent on the hydrological conditions, including the quantity and frequency of the rainfall both in the winter as well as during the summer period. In the case of the wind and photovoltaic</p>

Segment	Description of the risk
	<p>energy, we are observing the greater predictability of the volume produced, and thus the stability of achieving the planned production volumes. The market risk related to the high volatility of the prices of electricity and the related products has an equally material impact on the results of the RES Segment, which translates into the amount of the margin obtained on the operations conducted.</p> <p>The results of the RES Segment are also materially impacted by the availability (dispatchability) rates of the assets and the risk of their failure related thereto, and as a consequence the potential temporary outages of some of the assets from use.</p> <p>The existing RES Segment's expansion opportunities and its development (growth) strategy, including those stemming from the climate policy, are grappling with the regulatory restrictions related, in particular, to the construction of the new RES sources, as well as the uncertainty with respect to the taxation of the RES assets.</p> <p>The economic disturbances observed in the first half of 2022, including an increase in the inflation rate and the restrictions imposed on the global trade exchange, will affect the future costs of the development (expansion) oriented investment projects and the costs of maintaining the existing assets, which, as a consequence, will impact the profitability of the RES Segment.</p>
Distribution	<p>One of the most important threats to the Distribution Segment is the distribution services sales risk related to the electricity supply volume, and, as a consequence, the fluctuations of the revenue from the provision of the distribution services to the individual groups of consumers. The material reasons behind this risk include both the macroeconomic factors, i.e. a decline of the demand for the electricity due to the economic slowdown, the epidemiological situation, as well as the factors stemming from the climate issues, i.e. an increase in the consumer awareness with respect to reducing the energy consumption intensity and the rapid growth of the prosumer energy.</p> <p>An equally material risk is associated with the occurrence of an unfavorable deviation of the operating expenses related to the costs of the operations, and in particular the operating expenses and the costs of purchasing electricity to cover the balancing difference, not being covered by the tariff during the tariff period.</p> <p>With respect to the operational factors, a material risk for the Distribution Segment is the risk of an asset failure, i.e. the risk related to maintaining the availability of the transmission networks (systems) and the costs related to the fixing of the failures resulting from, among others, the climate changes leading to an increase in the frequency and intensity of the extreme weather occurrences, such as hurricanes, hoar frost, strong winds incidentally accompanied by the tornadoes and lightnings causing failures of the distribution grids. One should also take into account the rapid increase in the renewable energy sources, which has an impact on the stability of the distribution grid.</p> <p>In the medium and long term, the material risks for the Distribution Segment include the regulatory risks, including the ones related to an adverse change in the structure and parameters determining the tariff amount (the factors behind this risk include, among others, the WACC rate, the amount of the capital expenditures, the balancing difference indicators and the amount of the transmission fees), the issues related to the compliance with the distribution's quality indicators that have an impact on the regulated revenue and the change to the distribution tariff model.</p> <p>A threat to the Distribution Segment is also the credit risk, understood as a failure of the contractors (counterparties) to meet their obligations arising from the distribution services. The uncertainty and the fluctuations on the market may lead to an increase of the insolvency rate of TAURON Capital Group's contractors (counterparties).</p> <p>The economic disturbances observed in the first half of 2022, including an increase in the inflation rate and the restrictions imposed on the global trade exchange, affect the costs of the development (expansion) oriented investment projects and the costs of maintaining the existing assets, which, as a consequence, impact the profitability of the Segment.</p>
Supply	<p>A material threat to the accomplishment of the Supply Segment's assumed goals is the volume risk related to the non-achievement of the assumed electricity supply volume. The reasons behind this risk stem from such factors as: the competitive environment, the evolution of the pandemic, as well as the macroeconomic factors, i.e. a drop of the demand for the electricity caused by the economic slowdown and the volatility of the electricity prices. In addition, this risk is fueled by the increased customer awareness, the trend to strengthen consumer rights protection and the regulatory pressure to curb the increases of the electricity and gas prices for the final consumers.</p> <p>At the same time, the market risk due to the high volatility of the electricity, gas and the related products prices is a threat for the Supply Segment, in particular from the moment the Russian Federation began its aggression against Ukraine. Such risk, as a consequence of such material price fluctuations, as well as the observed drop of the liquidity of the electricity market, has an impact on the margin obtained due to the steps required to secure (hedge) the cost of the electricity and gas supply for the purpose of ensuring the sales thereof to the final consumer. In addition, due to the changes in the generation mix structure stemming mainly from the rapid growth of the photovoltaic sources in Poland, material changes in the price profiles of the electricity are observed. This situation leads to the increased costs of the profiling and balancing of the demand from the end customers.</p> <p>A material threat (risk) to the Supply Line of Business (Segment) is also posed by the credit risk understood as a failure of the counterparties (contractors) to meet their obligations arising from the electricity and gas sales. The uncertainty and the fluctuations on the market may lead to a significant increase in the insolvency rate of the counterparties (contractors) of TAURON Capital Group.</p> <p>One of the most important regulatory risks in the Supply Segment is the regulated tariff risk, related to the level of the costs allowed by the President of the ERO to be passed on in the sales price for the given year. The consequence of the materialization of such a risk is the curtailment of the planned revenue, profitability and funds for the development of the Company's potential. Particular attention is paid to the increased significance of this risk in 2023 as well as in the subsequent years due to the observed sharp increase in the electricity and gas prices on the European market. A material regulatory risk is also posed by the introduced and announced changes in the functioning of the balancing market, which may affect the costs of balancing the demand of the customers of the Supply Segment.</p> <p>In the long run, the climate factors, and in particular the further expansion of the prosumer energy, pose a threat to the stability of achieving the Supply Segment's goals. The risk of the prosumer market growth is associated with an increase in the electricity production from the micro installations, resulting in an increase of the costs of serving the prosumers, as well as a loss of the supply volume and the planned margin on the electricity supply.</p>
Other operations	<p>The other organizational units that are a part of TAURON Capital Group are primarily providing the support services for the above mentioned Segments. The main risks that are present in the Other Operations Segment are related to ensuring the availability and security of the IT services, the broadly understood compliance management, personal data protection, as well as the security and protection of property.</p>

Segment	Description of the risk
	<p>At TAURON Capital Group's level, some of the material threats affecting the entire value chain of TAURON Capital Group include the risk of financing resulting from the gradual withdrawal of the financial institutions from financing of the activities based on the fossil fuels, the regulatory and political issues related in particular to the environment and climate protection issues, the risks associated with the human resources management and the workforce expectations with respect to the growth of wages, as well as the pending court litigations against TAURON.</p> <p>With respect to the regulatory risk, the continued trend towards the tightening of the EU climate policy is observed, related to a greater reduction of the CO₂ emissions and the support for the RES investments, which leads to an increase in the volatility in terms of the national sector regulations, and this in turn translates into an increase in the number of the regulatory risks of the strategic importance for TAURON Capital Group.</p>

3.3. Description of the most material risk categories and their mitigation examples

The below table presents the most material risk categories identified for TAURON Capital Group.

Table no. 13. Most material risk categories identified for TAURON Capital Group

Risk name	Risk description	Risk trend and materiality	Reaction to risk
Trading risk			
1. Trading risk	<p>The risk related to:</p> <ol style="list-style-type: none"> an unfavorable change in the prices on the wholesale electricity market and the energy related product markets, including hard coal, gas, crude oil, CO₂ emissions allowances, property rights, which have a negative impact on the financial results, lack of the supply of the above mentioned products on the market and the liquidity of the commodity markets. 	<p>↗</p> <p>■</p>	<ol style="list-style-type: none"> Independent monitoring of the trading positions and of the use (consumption) of the risk limits. Daily control (checking) of the compliance with the limits - Value at Risk. Daily control (checking) of the volume of the open positions, broken down into all of the assets and the aggregate. Applying the Stop Loss limits allowing for protecting (locking in) the generated result. The use of the futures (forward) products allowing for the hedging of the future exposure to the trading risk. Applying tolerances allowing for the flexible reaction to the changing market conditions with a limited level of the risk incurred. Taking advantage of the effects of the diversification between the products and the trading portfolios as well as the use of the internal netting. Centralization of the trading activities at TAURON Capital Group allowing for taking advantage of the synergy effects. Product changes adjusted to the current market situation.
Financial and credit risk			
2. Interest rate risk	Risk related to an unfavorable impact of the interest rates on TAURON Capital Group's financial results.	<p>↗</p> <p>■</p>	<ol style="list-style-type: none"> Ongoing monitoring of the risk exposure in order to minimize the negative impacts of the changes to the interest rates. Transfer of the risk through the use of the derivative instruments.
3. FX rate risk	Risk related to an unfavorable impact of the FX rates on TAURON Capital Group's financial results.	<p>↗</p> <p>■</p>	<ol style="list-style-type: none"> Ongoing monitoring of the risk exposure vulnerable to the FX rate risk. Use of the risk limits for TAURON Capital Group's operational FX position (Value at Risk). Transfer of the FX rate risk through the use of the hedging transactions in accordance with the adopted <i>TAURON Group's Financial Risk Management Policy</i>.
4. Liquidity risk	Risk related to the lack of TAURON Capital Group's ability to pay its liabilities on an ongoing basis and the difficulties in accessing capital, a change in the conditions for obtaining and servicing the financing already contracted and planned (incl. due to the tightening of the EU climate policy).	<p>→</p> <p>■</p>	<ol style="list-style-type: none"> Diversification of the sources of financing including arranging the guaranteed financing programs as well as securing the alternative sources of financing. Analyzing the market and the availability of the sources of financing. Ongoing communications with the financial institutions. Arranging of the financing agreements in advance of the time the funding is needed. Monitoring the financial liquidity and planning the use of the available sources of financing. Introduction of a liquidity control system (spending limits). Taking actions and recommendations regarding the operations of the Financial Management Area, indicated by the Risk Committee or the Management Board of the Company.
5. Financing risk	Risk related to the difficulties in accessing capital, a change in the conditions for obtaining and servicing the financing already	<p>→</p>	<ol style="list-style-type: none"> Diversification of the use of the available sources of financing by using the financing instruments that reduce the risk of breaching the covenant in the

Risk name	Risk description	Risk trend and materiality	Reaction to risk
	contracted and planned (incl. due to the tightening of the EU climate policy).	■	<p>form of the net debt to EBITDA ratio (for example hybrid bonds, factoring).</p> <ol style="list-style-type: none"> The use of the instruments without financial covenants and limiting the number of the conditions that breach such covenants. Ongoing communications with the financial institutions. Pre-emptive activities with respect to obtaining the approvals from the financial institutions to carry out the transactions or activities specified in the financing agreements. Identification of the events that may potentially affect the breach of the financial contracts and taking pre-emptive actions to mitigate the negative impact of the emergence of such an event. Taking actions and recommendations regarding the operations of the Financial Management Area, indicated by the Risk Committee or the Management Board of the Company. Taking actions aimed at reducing the net debt and/or increasing the EBITDA based on the decisions of the Risk Committee or the Management Board of the Company.
6. Tax risk	Risk related to the incorrect or untimely payment of the tax obligations and associated with the implementation of the regulatory changes.	→ ■	<ol style="list-style-type: none"> Activities in accordance with the legal regulations (Corporate Income Tax Act). Issuing opinions (providing feedback) on the economic events by TAURON Capital Group's tax advisors. Jointly agreed upon positions at TAURON level. Applying of the uniform accounting principles for the companies (subsidiaries) within the PGK (Tax Capital Group). Preparation of the tax documentation for the transactions between the PGK companies and the related entities outside PGK, requiring such documentation in accordance with the CIT Act, and auditing other transactions in order to confirm that they are concluded at arm's length.
7. Credit risk	Risk related to a potential occurrence of overdue accounts payable or a conclusion of a contract with a counterparty (business partner, contractor) that may turn out to be insolvent.	↗ ■	<ol style="list-style-type: none"> Applying the assessment of the contractors (assigning of the ratings and the credit limits) at the individual TAURON Group's subsidiaries. The use of the credit collaterals for the customers with an unacceptable risk exposure. Monitoring of the status (level, balance) of the Company's overdue accounts receivable. Clarification (fact finding) and preventive actions in case of exceeding the indicators (ratios, metrics). The use of the continuous monitoring of the financial standing of the counterparties (business partners, contractors). Conducting of the debt collection processes. Identification of the customers particularly exposed to the impact of the trade exchange restrictions and the impact of the conflict in Ukraine, the review of the assessment of the financial condition, and, if necessary, the application of the collaterals for the sales contracts in progress. Avoiding the overly excessive concentration of the exposures in the selected industries particularly exposed to the impact of the deteriorating macroeconomic environment.
Risks relate to the environment (stakeholders)			
8. Reputational risk	Risk related to the current and future impact on the company's revenue and capital (equity) due to the negative public opinion backlash, including the risk related to not following the market trends related to the climate protection.	→ ■	<ol style="list-style-type: none"> Continuous monitoring of the Company's external and internal threats. Media monitoring, developing the contacts and relationships with the media within TAURON Capital Group. Preparing the procedures for the Company's communications with the external and internal environment (stakeholders). Striving to change the business profile to zero and low emission (carbon). Application of: <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination</i>, <i>TAURON Group's Anti-corruption Policy</i>, <i>TAURON Group's Corporate Social Responsibility Code of Conduct</i>, <i>TAURON Group's Diversity Policy</i>, <i>TAURON Group's Respect for Human Rights Policy</i>

Risk name	Risk description	Risk trend and materiality	Reaction to risk
9. License risk	Risk related to the lack of the possibility to conduct operations as a result of a prolonged process of obtaining a license or amending the licenses held, as well as the unfavorable legal changes with respect to the licensed operations.	→ ■	<ol style="list-style-type: none"> 1. Ongoing control (checking) of the correct fulfillment of (compliance with) the licensing obligations. 2. Monitoring the changes to the legal acts with respect to the licensing obligations. 3. Legal support for the license extension and the process of obtaining it.
10. Macroeconomic risk	Risk related to a change in the economic situation of the country, the instability of the financial markets resulting in a decrease of the demand for electricity.	↗ ■	<ol style="list-style-type: none"> 1. Diversification of the revenue sources. 2. Market analysis and the application of the pre-emptive actions for the anticipated crisis (downturn) or a slowdown of the GDP growth rate. 3. Actions taken as part of the response plans with respect to the individual risks at TAURON Group
11. Climate change risk	Risk related to the tightening of the EU climate policy, as well as the environmental requirements resulting from the climate change, activities supporting energy efficiency (expansion of the prosumer development, support for the thermal insulation, construction of the in-house energy and heat sources, departure from coal as fuel), change in the conditions of TAURON Capital Group's operations (the need to adapt the company to the challenges of change resulting from the climate change). The implications of the risk include: difficulties or increase in the cost of raising capital to finance operations based on the fossil fuels, the need to incur additional capital expenditures for adapting the assets to the environmental requirements, an increase of the price of the CO ₂ emission allowances, declining demand for the products offered by TAURON Capital Group's subsidiaries up to now.	↗ ■	<ol style="list-style-type: none"> 1. Application of <i>TAURON Group's Climate Policy</i>. 2. Gradual adaptation of the production assets and the energy mix of TAURON Capital Group to the production of renewable energy as well as the zero and low emission electricity generation technologies. 3. Update of <i>TAURON Group's Strategic Research Agenda</i>. 4. Adaptation of TAURON Group's Investment Strategy to the guidelines stemming from <i>TAURON Group's Climate Policy</i>. 5. Active participation in the works of the teams issuing opinions (providing feedback) on the projects and proposing optimal solutions. 6. Active searching for the technical and organizational solutions that would minimize the impact of TAURON Capital Group's operations on the climate change. 7. Promoting eco-mobility or climate-neutral mobility. 8. Cooperation with the business and social (workforce) partners with respect to the adaptation to the climate change.
Risks related to the technology, infrastructure and security (safety)			
12. Environmental risk	Risk related to the impact of the business operations conducted on the natural environment and the use of its resources, including, in particular, the loss of control over the process that would enable the prevention of the overly excessive pollution, damage, disruption or failures of the installations or equipment that would have a negative impact on the environment.	→ ■	<ol style="list-style-type: none"> 1. Application of <i>TAURON Group's Environmental Policy</i>. 2. Conducting of the business operations that affect the environment in accordance with the principles of the sustainable development. 3. Ongoing supervision over the compliance with the conditions of the environmental decisions. 4. Maintaining the required efficiency of the devices reducing the emissions of pollutants. 5. Frequent evaluation of the compliance of the activities with the legal requirements with respect to environment protection. 6. Implementing investment projects in the environment protection area in order to minimize the adverse impact of the mining and processing operations conducted on the environment and climate. 7. Active searching for the technical and organizational solutions that would minimize the impact of TAURON Capital Group's operations on the climate change.
13. Weather risk	Risk related to the volatile weather conditions, including the more frequent occurrence of the weather anomalies, leading, among others, to a decrease of the volume of electricity and heat supply and distribution, a decline of the production volume.	→ ■	<ol style="list-style-type: none"> 1. Gradual adaptation of the production assets to the consequences of the extreme weather phenomena and the volatility of the weather conditions, in particular in the Lines of Business sensitive to these factors. 2. Monitoring and analysis of the new technological solutions limiting the impact of the unfavorable weather conditions on the volume of electricity produced. 3. Preparing the plans of the overhauls, inspections and maintenance activities with the flexible provisions on the deadlines for completing the works. 4. Continuous monitoring of the wind conditions and icing on the wind farms' blades. 5. Continuous technical oversight over the operation of the individual wind farms. 6. Upgrading (refurbishing) of the hydroelectric structures aimed at optimizing the utilization of the hydro resources.
14. Company asset failure risk	Risk related to the machinery and equipment failures, distribution grid failures (electricity, heat) caused, among others, by the operation thereof, but also by random (fortuitous) events including those related to the extreme weather conditions (storms, floods, hurricane winds,	↗ ■	<ol style="list-style-type: none"> 1. Optimizing the capital expenditures on asset replacements, the ongoing monitoring of the condition of the machines, devices and installations. 2. Insuring the assets against fortuitous events (excluding underground assets).

Risk name	Risk description	Risk trend and materiality	Reaction to risk
	heat waves, fires) as a consequence of, among others, the climate change. The materialization of the risk affects the availability of the assets and results in downtime related to the asset failures, increased costs of the rectification thereof, the deterioration of the quality indicators and the impact on the regulated revenue. In addition, it may also be a failure to meet the capacity obligation, resulting in the need to conclude transactions on the secondary market or the payment of the financial penalties to the TSO (PSE). One of the consequences is also the need to balance the trading position.		<ol style="list-style-type: none"> Raising the professional qualifications and the work culture of the personnel by organizing courses and training. Responding to an emergency situation by the technical personnel and the automatic process safety interlocks (safeguards). Introducing the IT tools with respect to improving the monitoring and managing the failure indicators (rates, ratios). Continuous monitoring of the availability (dispatchability) rate of the generation units and the demand reduction facilities, as well as shifting of the capacity obligations that require reserving to the dedicated intra-group reserve units or the external entities. Updating TAURON Capital Group's maintenance (overhaul) shutdowns (outages) schedules. Gradual adaptation of the production assets to the consequences of the extreme weather phenomena and the variability of the weather conditions, in particular in the Distribution Line of Business. Optimizing of the trading position.
15. IT/OT risk	Risks related to the IT/OT infrastructure security, failures of the IT/OT infrastructure.	↗ ■	<ol style="list-style-type: none"> Developing and maintaining the plans aimed at ensuring the continuity of the IT/OT infrastructure's operation. Periodic identifying and categorizing of the IT/OT resources based on the service restoration targets. Use of the IT/OT solutions with the adequate technical parameters, providing an acceptable level of reliability and performance of the operation (including also the UPS devices, GSM modem, mobile phones). Planning and conducting of the training courses on the IT/OT infrastructure's continuity of the operation and security. Storing and protecting the back-up data.
16. Asset (property) security and protection risk	Risk related to compromising the integrity of the machines / devices and to the security of the information, including its improper processing and unauthorized disclosure.	→ ■	<ol style="list-style-type: none"> Monitoring of the implementation of the developed plans to protect the facilities that are subject to the mandatory protection. Maintaining and updating of the contingency procedures / plans. Oversight over the compliance with the information security rules in force. Regular personnel training with respect to the security procedures in force.
17. Geological risk	Risk related to the impact of the geological factors on the mining operations	→ ■	<ol style="list-style-type: none"> Making of the test drillings for the better intelligence on the positioning of the coal deposits. Continuing to take preventive measures in the areas under threat in order to improve the geological and mining conditions and to provide the protection against the natural threats (including, among others, the long-drilled blasting hole shooting in order to break the rock mass)
Risks related to the workforce and the organizational culture			
18. Social dispute risk	Risk related to the collective disputes, strikes, social conflicts being the consequence of a lack of the personnel's satisfaction with the economic and social situation.	↗ ■	<ol style="list-style-type: none"> Conducting of the public consultations regarding the planned changes. Conducting a policy of dialogue with the social partners (workforce). Preparing and implementing the motivational solutions for the personnel. Standardizing the tasks and the requirements towards the personnel. Developing the organizational culture based on the values. Conducting the active internal communications on the personnel matters
19. Human resources risk	Risk related to the employee issues, including also with respect to ensuring the qualified personnel, the diversity issue, the participation issue, the employment and the labor conditions, the relations with the trade unions and respect for the right to freedom of association, human capital management, career path and recruitment management, training systems, health and safety at work as well as, in the long run, the need to restructure employment due to the climate change, forcing a change in the profile of the business operations.	↗ ■	<ol style="list-style-type: none"> Application of <i>TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy</i> and <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination</i>. Taking care of developing the personnel competences, including through the participation in the training courses Conducting of the consultations with the social (workforce) organizations at TAURON Capital Group Implementation of the human resources policy based on <i>TAURON Group's Competence Model</i> and the applicable compensation and labor law regulations (Compensation Regulations, Company Collective Bargaining Agreement, Labor Regulations).

Risk name	Risk description	Risk trend and materiality	Reaction to risk
			5. Application of <i>TAURON Group's Diversity Policy</i> and <i>TAURON Group's Respect for Human Rights Policy</i> .
20. Risk of the lack of the employees' due diligence	Risk related to the non-compliance with the procedures and the lack of the employees' due diligence in the performance of the official duties.	→ ■	<ol style="list-style-type: none"> 1. Application of <i>TAURON Group's Subsidiaries Employee Recruitment, Selection and Adaptation Policy</i>, 2. Systematic periodic employee training, 3. Analysis of the recurring cases of the errors and mistakes of the employees, taking of the systemic remedial actions. 4. Implementation of the Internal Control (Audit) System and the control (audit) mechanisms for the processes conducted at TAURON Capital Group.
21. Pandemic risk	Risk related to the persistence of the state (condition) of the pandemic, leading to the disruptions of Poland's economic and administration system and causing significant changes in the market environment, impacting the operating conditions of TAURON Capital Group's subsidiaries. The increase in the number of infection cases leads to the curtailment of the economic activity, affecting the level of demand for the products offered by TAURON Capital Group's subsidiaries, including, in particular, the electricity distribution and supply volumes. The additional factor is the inflow of immigrants from Ukraine (armed conflict).	→ ■	<ol style="list-style-type: none"> 1. Monitoring of the state (condition) of the epidemiological threat (risk) at TAURON Capital Group. 2. Collecting the information on the threats and identification of the potential threats to the security and safety of the workforce of TAURON Capital Group's subsidiaries. 3. Developing and recommending of the solutions aimed at reducing the level of threat (hazard) to the resources of TAURON Capital Group. 4. Ongoing monitoring of the risk related to the availability of the employees and services provided by TAURON Capital Group's subsidiaries. 5. Recommending of the solutions aimed at curbing the effects of the materialization of the threat (hazard) to the resources of TAURON Capital Group. 6. Preparing and providing of the opinions (feedback) on the content of the messages to be disseminated at the level of TAURON Capital Group and the Company. 7. Use of the screening tests. 8. Preparing of the contingency plans in the event of the loss of the key employees of TAURON Capital Group. 9. Developing the backup (contingency) business continuity plans.
22. Work Health and Safety (WHS) Risk	Risk related to ensuring the health and safety at work. The materialization of the risk results in an employee injury, a loss of health or the overly excessive exposure of an employee to the factors harmful to health, the compensation paid out for a personal injury.	→ ■	<ol style="list-style-type: none"> 1. Prioritizing of the safety and security of the employees, customers, contractors and stakeholders in the business activities undertaken 2. Application of <i>TAURON Group's WHS Policy</i>, 3. Conducting of the active monitoring of the working conditions and the correctness of the organization thereof, 4. Raising of the employees' qualifications with respect to improving the work (labor) safety, 5. Conducting of the training courses, implementing and improving of the WHS management system
23. Communications risk	Risk related to providing the inaccurate, untrue information or a lack of the information disclosure at a specific time.	→ ■	<ol style="list-style-type: none"> 1. Developing of the Communications Strategy for TAURON Capital Group 2. Building of the relationships with the social partners (workforce) of TAURON Capital Group and the close cooperation with the Social Dialogue Ombudsman. 3. Use and development of the available communications tools to provide the relevant information to the employees of TAURON Capital Group. 4. When providing the relevant information – organizing the direct meetings between the management team and the employees. 5. Ongoing monitoring of the situation and events at TAURON Capital Group's subsidiaries that may cause social discontent. 6. Regular periodic meetings with the representatives of the subsidiaries dealing with the internal communications in order to exchange the information.
Risks related to the lack of compliance			
24. Internal fraud risk	Risk related to the appropriation or use of the Company's assets, its devastation, theft, the use of the official position for personal gain resulting in the financial losses, criminal and administrative sanctions, criminal and civil law liability.	→ ■	<ol style="list-style-type: none"> 1. Educational and training activities for the employees, including the mandatory e-learning training with respect to TAURON Group's Compliance Management System. 2. Effective use of the abuse (fraud) reporting (whistleblowing) system in the organization. 3. Conducting of the investigative probes by the Compliance Officer or the Compliance Coordinators. 4. Building of the organizational culture based on TAURON Capital Group's values and principles.

Risk name	Risk description	Risk trend and materiality	Reaction to risk
25. External fraud (abuse) risk	Risk related to the occurrence of an external fraud (abuse) that affects the operations of TAURON Capital Group through: the disclosure of information to unauthorized persons, loss of information, commercial espionage, terrorist attack and hacker attacks, tax fraud, theft, vandalism, counterfeiting, money laundering, terrorist attack.	→ ■	<ol style="list-style-type: none"> Application of <i>TAURON Group's Anti-Corruption Policy</i>, <i>TAURON Group's Corporate Social Responsibility Code of Conduct</i> and <i>TAURON Group's Rules for accepting and giving gifts</i>. Raising of the employees' awareness through the training and information campaigns related to the existing threats of external fraud (abuse). Application of the <i>Code of Conduct for Contractors (Counterparties) of TAURON Group's Subsidiaries</i>. Application of the anti-corruption clauses to the contracts with the contractors (counterparties). Application of <i>TAURON Group's Anti-Corruption Policy</i>. Effective use of the abuse (fraud) reporting (whistleblowing) system in the organization. Monitoring of the cooperation with the contractors (counterparties) and testing their credibility at TAURON Capital Group in accordance with TAURON Group's Procedure for the Credibility Assessment of the Contractors (Counterparties), including in particular limiting the risk of the participation in the procedure involving tax fraud and Money Laundering or Terrorism Financing. Promoting of the best practices, improving of the procedures, conducting of the training courses and applying <i>TAURON Group's Corporate Social Responsibility Code of Conduct</i> and the functioning of the abuse (fraud) reporting (whistleblowing) system. Building of the organizational culture based on TAURON Capital Group's values and principles.
26. Risk of unethical behavior and mobbing	Risk related to the occurrence of unethical behavior resulting, in particular, in the lack of cooperation, bad atmosphere in the team, mobbing, harassment, insulting, discrimination of the employees.	→ ■	<ol style="list-style-type: none"> Application of <i>TAURON Group's Respect for Human Rights Policy</i>, <i>TAURON Group's Policy of Compliance with the Principles of Ethics and Counteracting Mobbing and Discrimination</i>, <i>TAURON Group's Anti-Corruption Policy</i> and <i>TAURON Group's Rules for accepting and giving gifts</i>. Effective use of the abuse (fraud) reporting (whistleblowing) system in the organization. Conducting of the investigative probes by the Compliance Officer or the Compliance Coordinators with respect to the anonymous reports of the mobbing and discrimination. Reviewing of the reports of mobbing or discrimination by the Ethics Committee. Promoting of the best practices, improving of the procedures, conducting of the training courses and applying <i>TAURON Group's Corporate Social Responsibility Code of Conduct</i> and the functioning of the abuse (fraud) reporting (whistleblowing) system. Building of the organizational culture based on TAURON Capital Group's values and principles.
27. Legal risk	Risk related to the non-compliance with the legal provisions, misinterpretation of the new laws and regulations, the requirements imposed by the regulator and the supervisory authorities. The materialization of the risk may result in the financial penalties, criminal and civil law liability, a loss of the image of TAURON Capital Group.	→ ■	<ol style="list-style-type: none"> Application of <i>TAURON Group's Compliance Policy</i>. Continuous monitoring of the legal environment and the changes to the legal regulations with respect to the non-sector regulations related to the information security or the area of compliance in order to minimize the risk of non-compliance. Monitoring of the implementation process or implementing of the changes to the internal regulations required by the law. Setting up or participating in the working groups tasked with adapting the organizations to the changes stemming from the legal environment. Consultations with the relevant organizational units with respect to the planned key regulations for the area of compliance. Training of the personnel with respect to the changes to the legal regulations and the internal regulations.
28. Risk of a breach of the contractual provisions (default)	Risk related to a breach of the contractual provisions with respect to the contract parameters or a failure to perform the contract (default).	→ ■	<ol style="list-style-type: none"> Updating and adapting of the contract templates to the legal changes. Monitoring of the complaints and proceedings of the Energy Regulatory Office (URE) / Office of Competition and Consumer Protection (UOKIK). Process optimization.
29. Personal data protection risk	Risk related to the inadequate storing and processing of personal data resulting in an undesirable leak or a violation of the rights of the data subjects related to the personal data protection	→ ■	<ol style="list-style-type: none"> Identifying and implementing of the appropriate technical or organizational measures to ensure the adequate level of the security of the personal data. Monitoring of the compliance with the legal regulations related to the personal data protection.

Risk name	Risk description	Risk trend and materiality	Reaction to risk
			<ol style="list-style-type: none"> Raising of the level of awareness of the workforce with respect to the personal data protection, in accordance with the applicable regulations. Defining and implementing of the process of handling the data subjects' requests in accordance with the regulations in force at TAURON Capital Group and the process documentation. Providing of the information and advice on the personal data protection to the employees of the organization.
Risks related to the customers and the counterparties (business partners, contractors)			
30. Customer service risk	Risk related to the non-compliance with the customer service standards leading to the customer dissatisfaction with the service, customer complaints, loss of customers.	→ ■	<ol style="list-style-type: none"> Monitoring and analyzing of the external customer satisfaction indicators (metrics) and the indicators (metrics) related to the complaints. Continuous raising of the customer service standards. Undertaking of the additional measures, for example with respect to the internal regulations, defining the standards of conduct as a result of the analysis of the indicators (metrics). Undertaking of the additional measures, for example introducing of the new internal regulations, in order to improve the customer service standards. Developing of the key account managers' competences and skills.
31. Risk related to the performance of the agreements by the contractors and the subcontractors	Risk related to the improper performance by the contractors and the subcontractors of the works commissioned, the termination of the agreement and delays, changes to the budget and the scope related thereto.	↗ ■	<ol style="list-style-type: none"> Concluding of the agreements with the contractors and the subcontractors in accordance with TAURON Capital Group's standards. Analyzing of the performance of the subject of the agreement, examining the quality of the services provided by the contractors and the subcontractors. Evaluating of the financial standing and credibility of the contractors and the subcontractors.
32. Volume and margin risk	Risk related to the decline in the volume of the sales of the products offered by TAURON Capital Group's subsidiaries, in particular as a result of the macroeconomic situation, development of the energy efficiency solutions, building insulation, prosumer development (growth), the impact of the climate factors causing a significant temperature deviation from the planned values. The implications of the risk include, first of all, the loss of revenue in the individual operating segments of TAURON Capital Group due to the changes in the level of the demand.	↗ ■	<ol style="list-style-type: none"> Ongoing updating of the offering, launching of the sales of the multi-package type products. Conducting of the marketing campaigns, acquiring of the new customers. Activities focused on retaining of the existing customers and acquiring of the new customers (expansion oriented activities).
33. Purchasing process risk	Risk related to the purchasing proceedings conducted, their erroneous implementation, an unplanned increase of the purchase costs, including the methods used to prevent the violations of the human rights by the business partners, counteracting corruption and abuse (fraud) in the purchasing process and compliance with the ethical and moral standards during the implementation thereof. The materialization of the risk results in the unfavorable purchase agreements, the need to cancel the tender procedures, a loss of the image of TAURON Capital Group and its credibility with the stakeholders.	→ ■	<ol style="list-style-type: none"> Application of the <i>Code of Conduct for Contractors (Counterparties) of TAURON Group's subsidiaries</i>. Application of <i>TAURON Group's Anti-Corruption Policy</i> and <i>TAURON Group's Respect for Human Rights Policy</i>. Standardization of the rules of conducting the proceedings in the purchasing process and the transparency thereof. Application of the Procedure for the Credibility Assessment of the Contractors (Counterparties). Building of the lasting relationships with the contractors (counterparties) based on trust and mutual respect. Expecting the contractors (counterparties) to comply with the legal provisions, ethical standards and good commercial practices, including the work health and safety standards, the principles of countering discrimination and unequal treatment, respect for human rights and dignity of the employees, transparent personnel policy, environment protection, fair competition, preventing and combating fraud, as well as information security and protection. Application of the contract forms (templates) and standard clauses in the contracts regarding the compliance with the human rights by the business partners of TAURON Capital Group.
Risks related to the regulations			
34. Regulatory risk	Risk related to the change of the existing regulations or the introduction of the new regulations that affect the operations of TAURON Capital Group and the need to adapt to the regulatory changes, in particular those	↗ ■	<ol style="list-style-type: none"> Ongoing analysis of the draft regulations and acts. Active participation in the works of the teams providing the opinions on the drafts and proposing the optimal solutions.

Risk name	Risk description	Risk trend and materiality	Reaction to risk
	resulting from a significant increase in the requirements of a specific regulation, including the environmental requirements stemming from the climate change, the support for the pro-climate activities (prosumer development, thermal insulation, development of the in-house production sources). The implications of the risk are primarily: the loss of revenues in the individual operating segments of TAURON Capital Group, the increase in the operating expenses as a result of the need to adapt to the legislative changes.		<p>3. Cooperation within the industry associations (trade organizations) with respect to the consultation processes</p> <p>4. Gradual adaptation of the generation assets and the energy mix of TAURON Capital Group to the production of the renewable energy as well as to the zero and low emission electricity generation technologies.</p>
■ Low materiality	■ Moderate materiality	■ Medium materiality	■ High materiality

3.4. The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first half of 2022

The first half of 2022 was a period of the continued COVID-19 pandemic (5th wave), during which the high number of the SARS-CoV-2 infection cases had continued to be observed and then a gradual decline began to take place starting from March of this year. The restrictions continued to be in force in Poland in order to contain the spread of the pandemic. and, as the number of the infection cases was going down, they were gradually lifted. Such a situation continued to cause the disruptions in the economic and administrative system in Poland and worldwide, 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 – taking into account the high probability of the arrivals of the successive waves of elevated infections - that the COVID-19 epidemic will continue to affect, although to a lesser degree than up to now, the condition of the national, the European, as well as the global economy, making a negative impact on the macroeconomic factors, i.e. on the economic growth in Poland in the current year, as well as in the subsequent years, and also on the inflation rate. The material issues related to the impact of the pandemic on TAURON Capital Group are presented below:

1. in spite of the restrictions in force, a sustained relatively high level of the demand for the electricity among TAURON Capital Group's customers has been observed in 2022, which translates into the profitability of the Distribution Line of Business and the Supply Line of Business,
2. neither material changes and permanent trends in the balance of the overdue accounts receivable, nor the volatility of the prices of the electricity and the related products due to the COVID-19 pandemic had been observed in the first half of 2022,
3. the situation related to the COVID-19 pandemic had continued to have an impact upon the operational activities of the individual Lines of Business of TAURON Capital Group in the first half of 2022 due to the heightened employee absenteeism and an increase in the operating costs stemming from the need to ensure the epidemiological safety. The highest number of cases among the workforce was observed in the first quarter of 2022.

TAURON Capital Group, being aware of the threats (risks) related to the epidemiological situation, has continued and adapted the measures undertaken adequately to the level of the threats and the development of the epidemiological situation during the period under review. Pursuant to the Regulation of the Council of Ministers, the state of the epidemic was abolished in Poland on May 16, 2022, and the state of the epidemic emergency (hazard) came into force.

Therefore, the Management Board of the Company is continuing to monitor the pandemic situation and will be taking all possible steps in order to mitigate any negative effects of the pandemic's impact on TAURON Capital Group.

3.5. The impact of the Russian Federation's aggression against Ukraine on the current and future operations of TAURON Capital Group

An armed conflict broke out on the territory of Ukraine in February this year. The aggression of the Russian Federation against Ukraine is causing the geopolitical tensions both in Europe as well as worldwide. In response to the situation that has arisen, the EU is introducing the successive packages of sanctions against the Russian Federation, which take a wide and varied form, including, inter alia, the diplomatic and financial measures, sanctions against the individual persons as well as the restrictions imposed on the economic relations.

In the opinion of TAURON Capital Group, the key consequences of the war in Ukraine and the potential risks (fallout) resulting from it, which have and may have a further impact on TAURON Capital Group, are as follows:

1. the crisis on the energy fuel market resulting from the restrictions imposed on the trade with the Russian Federation causes the supply disruptions with respect to the fossil fuels and, as a consequence, leads to an abrupt increase in the volatility and the levels of the prices of the raw materials listed on the commodity markets (including crude oil, gas and coal),
2. possible limited supply of hard coal under contracts with external suppliers, i.e. to meet the demand exceeding the volume produced by TAURON Wydobycie, which may affect the legally required levels of the hard coal inventories, and in the extreme scenarios, potentially lead to the curtailing of the generating units' production output. In order to mitigate the above threats, measures are taken in order to maximize the coal supply from TAURON Wydobycie and to source additional deliveries of fuel on the domestic and foreign markets.
3. a material increase of the prices of the electricity and their volatility in all of the market segments, both in Poland as well as on the European markets, which leads to an increase of the market risk related to securing (hedging) the trading needs of the individual lines of business of TAURON Capital Group. In particular, a rise in the costs of securing (hedging) (including the profiling and the trading balancing) the demand of the end customers in the Supply Line of Business is observed, with the limited possibilities of passing them on to the end customer, which applies in particular to the tariff regulated by the President of the ERO. In order to mitigate the above mentioned risks, measures are taken in order to minimize the risk exposure by updating the trading strategy on an ongoing basis, as well as by shaping offers and updating the electricity and the gas price lists for the business and the retail (household) customers, including the ones covered by a tariff,
4. changes in the EU energy (electricity) balance and, as a consequence, the elevated load of the generating units of TAURON Capital Group may in the future cause a reduction in their availability rate, as well as the potential risks resulting from the capacity obligations imposed on some of them. In this regard, actions are taken such as the ongoing monitoring of the condition of the assets, the analysis of the causes of failures, taking preventive measures, monitoring the quality of the repair (overhaul) works, optimization of the costs of electricity repurchases,
5. rise of inflation rate in Poland, as a result of which the Monetary Policy Council regularly increases the NBP reference rate. The volatility of the interest rates will affect the costs of servicing the financing at TAURON Group, as well as it will affect the amount of the capital employed in the Distribution Line of Business over a longer time frame. The observed increase of the inflation rate causes an escalation of the wage claims and the potential social unrest at TAURON Capital Group. As a result of the economic disturbances, the increased volatility of the foreign exchange (FX) rates and the weakening of the Polish zloty can also be observed. In terms of the interest rate risk and the currency risk management, TAURON Capital Group uses the financial market instruments to reduce the risk,
6. the observed increase of the inflation rate causes an escalation of the wage claims and the potential social unrest at TAURON Capital Group. With respect to the risk mitigation, among other things, social dialogue is conducted between TAURON's Management Board and the Social Council on the basis of the concluded Agreement on the cooperation as part of the social dialogue at TAURON Group
7. in the event of a deterioration of the economic situation in Poland, an impact on the level of the domestic demand for the electricity can be expected, which may turn out to be a headwind for the profitability of the Distribution Line of Business as well as the Supply Line of Business, and it may also have an impact on the potential worsening of the financial standing of the contractors (counterparties), and what follows, it may lead to a rise in the credit risk. In this regard, certain responses are undertaken, such as an ongoing verification of the financial condition of the counterparties (contractors) and the use of the hedging instruments,
8. the introduction of the alert level indicating an elevated risk related to the possibility of an occurrence of terrorist events. As part of the response, among other things, the activities with respect to the verification of the critical IT systems and the critical OT systems, and aimed at ensuring the continuity of their operation, as well as the development of the business continuity and recovery plans in the event of their unavailability have been undertaken.

With respect to the impact of the aggression of the Russian Federation troops against Ukraine on TAURON Group's Strategy and the adopted long term development (expansion) directions, no significant long term risks are identified. The Group's strategy provides for sustainable development by, among others, decarbonizing the generation segment, intensifying the development of the renewable energy sources and ensuring the security of electricity and heat supplies. The development (expansion, growth) directions adopted in the Strategy are in line with the European regulatory packages setting the goals with respect to the reduction of the greenhouse gas emissions, the share of the renewable energy sources in the final energy consumption and the improvement of the energy efficiency by 2030. In addition, the documents addressing the challenges of the energy sector stemming from the war in Ukraine are being processed at the EU level, including the so-called REPowerEU from 2022, which sets more ambitious goals with respect to the EU's commitment to climate neutrality. The Group's strategy is in line with the above-mentioned directions. At the same time, the current and the potential challenges related to the volatility of the commodity prices, the disruptions in the supply chains of the goods and services, as well as the investment inflation require the flexibility in the implementation of the investment projects and are subject to the detailed analysis and assessment based on the updated knowledge and forecasts before the significant financial resources can be released.

In the other areas, at the moment, TAURON Capital Group does not identify the direct effects of the aggression on its own operating activities and business operations, and the continuity of its business processes is not at risk. TAURON Capital Group does not have any assets located in Ukraine, Russia and Belarus, and there have been no material transactions related to the sales or deliveries to or from these countries.

In particular, TAURON Capital Group does not identify any impact of (fallout from) the aggression of the Russian Federation on the escalation of the liquidity risk and the financing risk. As part of minimizing the financing risk, TAURON is conducting the policy of acquiring the financing for TAURON Capital Group with an adequate lead time, well in advance of the planned date of its use. Such an approach is primarily aimed at ensuring a flexible selection of the financing sources and reducing the risk of the need to take on new liabilities on unfavorable financial conditions.

The above mentioned risks constitute the effects of the observed situation identified as of the date of drawing up this report, which may affect the operations of TAURON Capital Group in the future, and therefore do not constitute an exhaustive list. The potential risks that may have an additional impact on TAURON Capital Group in the future include:

1. persistent volatility of the prices of the raw materials and the prices of the electricity and the related products, which may translate into the profitability of the ongoing and planned investment processes,
2. potential impact on the disruption (interruption) of the supply chains related to the goods and the services, which may affect, inter alia, the potential delays in the investment and restructuring processes under way,
3. disruptions of the logistics with respect to the transportation of the hard coal that may cause the delays in replenishing the hard coal stocks at the individual generating units,
4. economic disruptions that may cause the financial difficulties for some of TAURON Group's customers and business partners (contractors, counterparties) and lead to a rise in the credit risk,
5. threats (risks) with respect to security and cybersecurity as well as the potential restrictions in access to the IT/OT infrastructure systems, internet and the GSM network that may cause the disruptions in the functioning of the operating processes and business continuity.

The situation related to the aggression of the Russian Federation troops against Ukraine is very highly volatile, and its future consequences are difficult to precisely estimate. They will, in particular, depend on the scale and the duration of the aggression, as well as on the impact on the condition of the economy in Poland and worldwide. The impact on TAURON Capital Group will also depend on the scope of sanctions directed against the Russian Federation and their impact on the local and global political and economic relations.

TAURON Capital Group, taking note of the scale of the threats (risks) related to the evolving situation under way, is monitoring the impact of (fallout from) the war in Ukraine on an ongoing basis and is taking steps aimed at minimizing the potential effects for TAURON Capital Group of the risk materializing, as well as at maintaining the continuity of the operations of the critical infrastructure. The coordination of the works related to the identification of the impact and the response to the risk is managed by the dedicated Crisis Management Teams, set up both at the level of the Company as well as at the level of the individual subsidiaries of TAURON Capital Group.

4. ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP

4.1. 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. 14. Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.

Selected financial data	in millions of PLN		in millions of EUR	
	2022, period from 01.01.2022 to 30.06.2022	2021, period from 01.01.2021 to 30.06.2021	2022, period from 01.01.2022 to 30.06.2022	2021, period from 01.01.2021 to 30.06.2021
Sales revenue	18 124	11 866	3 904	2 610
Operating profit	1 166	731	251	161
Pre-tax profit	862	597	186	131
Net profit	629	382	135	84
Net profit attributable to shareholders of the parent company	627	356	135	78
Net profit attributable to non-controlling shares	2	26	0	6
Other net comprehensive income	351	147	76	32
Total comprehensive income	980	529	211	116
Total comprehensive income attributable to shareholders of the parent company	978	503	211	110
Total comprehensive income attributable to non-controlling shares	2	26	0	6
Profit per share (in PLN/EUR) (basic and diluted)	0.36	0.20	0.08	0.04
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	2 064	2 570	445	565
Net cash from investing activities	(1 841)	(1 596)	(397)	(351)
Net cash from financing activities	(168)	(1 333)	(36)	(293)
Increase / (decrease) in net cash and equivalents	55	(359)	12	(79)
	As of 30.06.2022	As of 31.12.2021	As of 30.06.2022	As of 31.12.2021
Fixed assets	35 198	33 855	7 520	7 361
Current assets	7 478	6 220	1 598	1 352
Total assets	42 676	40 075	9 118	8 713
Share capital	8 763	8 763	1 872	1 905
Equity attributable to shareholders of the parent company	17 471	16 491	3 733	3 586
Equity attributable to non-controlling shares	32	33	6	7
Total equity	17 503	16 524	3 739	3 593
Long term liabilities	15 521	13 634	3 316	2 964
Short term liabilities	9 652	9 917	2 063	2 156
Total liabilities	25 173	23 551	5 379	5 120

Selected standalone financial data of TAURON Polska Energia S.A.

Selected financial data	in millions of PLN		in millions of EUR	
	2022, period from 01.01.2022 to 30.06.2022	2021, period from 01.01.2021 to 30.06.2021	2022, period from 01.01.2022 to 30.06.2022	2021, period from 01.01.2021 to 30.06.2021
Sales revenue	14 671	7 476	3 160	1 644
Operating profit (loss)	38	(51)	8	(11)
Pre-tax loss	1 578	602	340	132
Net loss	1 653	569	356	125
Other total net income	270	118	58	26
Total comprehensive income	1 923	687	414	151
Loss per share (in PLN/EUR) (basic and diluted from net loss)	0,94	0,32	0,20	0,07
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	498	654	107	144
Net cash from investing activities	(958)	839	(206)	185
Net cash from financing activities	964	(1 307)	208	(288)
Increase / (decrease) in net cash and equivalents	504	186	109	41
	As of 30.06.2022	As of 31.12.2021	As of 30.06.2022	As of 31.12.2021
Fixed assets	27 365	27 087	5 846	5 889
Current assets	5 307	4 393	1 134	955
Total assets	32 672	31 480	6 980	6 844
Share capital	8 763	8 763	1 872	1 905
Equity	14 024	12 101	2 996	2 631
Long term liabilities	11 311	10 245	2 416	2 227
Short term liabilities	7 337	9 134	1 568	1 986
Total liabilities	18 648	19 379	3 984	4 213

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 June 30, 2022 - PLN/EUR 4.6806 (as of December 31, 2021 - PLN/EUR 4.5994),
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, 2022, to June 30, 2022 - PLN/EUR 4.6427 (for the period from January 1, 2021, to June 30, 2021: PLN/EUR 4.5472).

4.2. Key operating data of TAURON Capital Group

The below table presents the key operating data posted by TAURON Capital Group in the first half of 2021 and in the first half of 2022.

Table no. 15. Key operating data posted by TAURON Capital Group in the first half of 2021 and in the first half of 2022

Item	Unit	H1 2021	H1 2022	Change in % 2022 / 2021
Commercial coal production	Mg m	2.70	2.71	100%
Electricity generation (gross production)	TWh	7.73	7.80	101%
including generation of electricity from renewable sources	TWh	0.89	0.92	104%
<i>Production from biomass</i>	<i>TWh</i>	<i>0.22</i>	<i>0.22</i>	<i>98%</i>
<i>Production by hydroelectric power plants and wind farms</i>	<i>TWh</i>	<i>0.67</i>	<i>0.71</i>	<i>106%</i>

Item	Unit	H1 2021	H1 2022	Change in % 2022 / 2021
Heat generation	PJ	7.22	6.20	86%
Electricity distribution	TWh	26.76	27.46	103%
Electricity supply	TWh	22.52	23.57	105%
<i>retail supply</i>	<i>TWh</i>	<i>16.63</i>	<i>15.96</i>	<i>96%</i>
<i>wholesale</i>	<i>TWh</i>	<i>5.89</i>	<i>7.61</i>	<i>129%</i>
Number of customers - Distribution	'000	5 741	5 806	101%

4.3. 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 the individual Segments of operations (lines of business) in the first half of 2021 and in the first half of 2022.

Table no. 16. TAURON Capital Group's sales volumes and structure broken down into the individual Segments of operations (lines of business) in the first half of 2021 and in the first half of 2022

Item	Unit	H1 2021	H1 2022	Change in % 2022 / 2021
Mining Segment's hard coal sales	Mg m	2.35	2.77	118%
Generation Segment's electricity and heat sales	TWh	8.63	8.84	103%
	PJ	10.11	8.92	88%
RES Segment's electricity sales	TWh	0.67	0.71	106%
Distribution Segment's distribution services sales	TWh	26.76	27.46	103%
Supply Segment's retail electricity supply	TWh	16.62	15.95	96%

Mining Segment

TAURON Capital Group is operating three coal mines: Sobieski Coal Mine (ZG Sobieski), Janina Coal Mine (ZG Janina) and Brzeszcze Coal Mine (ZG Brzeszcze). The above 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 2.77 million Mg in the first half of 2022 which was a better result as compared to the same period of 2021. The hard coal sales within TAURON Capital Group clocked in at 1.85 million Mg which meant that 67% 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 2.71 million Mg in the first half of 2022, i.e. it was slightly higher as compared to the same period of 2021.

Generation Segment

The total achievable capacity of the Generation Segment's generating units reached 13.40 GW of electric capacity and 6.24 GW of thermal capacity as of the end of June 2022.

The Generation Segment produced 7.09 TWh of electricity in the first half of 2022, i.e. a volume comparable to the same period of 2021.

The production output of the biomass burning units came in at 0.22 TWh, i.e. less by 2% as compared to last year (0.2 TWh).

Sales of electricity from the in-house production, along with the electricity purchased for trading, clocked in at 8.84 TWh in the first half of 2022, which meant a 3% rise as compared to the same period of 2021.

The heat supply came in at 8.92 PJ in the first half of 2022, i.e. less by 1% as compared to the same period of 2021, which was a consequence of the lower consumer demand in connection with the higher outdoor temperatures year on year.

66% of the Generation Segment's subsidiaries' demand for the 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 half of 2022. The balance of the demand was covered from the external sources.

RES Segment

Total achievable capacity of the RES Segment's generating units reached 525 MW of electric capacity as of the end of March 2022 (as of June 30, 2022, the 8 MW Choszczno II PV farm built, had not been put into operation, the works on the connection to the grid were in progress).

The RES Segment produced 0.71 TWh of electricity in the first half of 2022, i.e. 6% more as compared to last year (0.67 TWh), which was due to the more favorable wind conditions that occurred mainly in the first quarter of 2022.

Distribution Segment

The Distribution Segment delivered, in total, 27.46 TWh of electricity, including 26.47 TWh to the final consumers, in the first half of 2022. During that period the Distribution Segment provided the distribution services for 5.81 million consumers. In the same period of 2021 the Distribution Segment delivered, in total, 26.76 TWh of electricity to 5.74 million consumers, including 25.94 TWh to the final consumers.

Supply Segment

The Supply Segment subsidiaries supplied, in total, 15.95 TWh of retail electricity in the first half of 2022, i.e. 4% less than in the same period of 2021, to 5.7 million customers, both households, as well as businesses.

Other operations

The sales revenue of the Other Operations Segment subsidiaries came in at PLN 705 million in the first half of 2022, which was higher by 26% than the revenue posted in the same period of 2021, with the main reason being the higher sales of the biomass, electricity, the support services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries as well as the sales of the aggregate.

4.4. TAURON Capital Group's financial position after H1 2022

Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of December 31, 2021, and as of June 30, 2022.

Table no. 17. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2021, and as of June 30, 2022

Consolidated statement of the financial position	As of December 31, 2021	As of June 30, 2022	Change in % 2022 / 2021
ASSETS			
Fixed assets	84.5%	82.5%	98%
Current assets	15.5%	17.5%	113%
TOTAL ASSETS	100.0%	100.0%	-
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	41.2%	40.9%	99%
Non-controlling shares	0.1%	0.1%	91%
Total equity	41.2%	41.0%	99%
Long term liabilities	34.0%	36.4%	107%
Short term liabilities	24.7%	22.6%	91%
Total liabilities	58.8%	59.0%	100%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%	
Financial liabilities	10 944	11 136	102%
Net financial liabilities	10 129	10 260	101%
Net debt/EBITDA ratio	2.4x	2.9x	121%
Current liquidity ratio	0.63	0.77	133%

The fixed assets represent 82.5% of the total assets in the structure of assets, as of June 30, 2022, which represents a decline by 2% as compared to their share as of the end of 2021.

The share of the current assets, as of June 30, 2022, as compared to their share as of the end of 2021, rose by 113%, mainly as a result of an increase in the value of the CO₂ emission allowances in connection with the purchase thereof in the first quarter of 2022.

The liabilities represent 59.0% of the total equity and liabilities in the structure of equity and liabilities, as of June 30, 2022, with the long term liabilities accounting for 36.4% thereof, while the short term liabilities constitute 22.6% of the balance sheet total, which means a change of the debt structure as compared to the end of 2021 when such shares stood at, respectively: 34.0% and 24.7%.

The financial liabilities went up by 2% in the first half of 2022, as compared to the balance sheet date falling on December 31, 2021, while the net debt rose by 1% during the same period, which meant that, taking into account the fact that the rolling EBITDA for the trailing 12 months ended on June 30, 2022, was slightly higher as compared to the EBITDA posted for the financial year 2021, the net debt to EBITDA ratio was higher and it came in at 2.9x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (the net debt to EBITDA ratio) specified in some contracts concluded between the Company and the financial institutions is not less than 3.5x. The exceeding of that level could potentially trigger an immediate repayment of TAURON's obligations.

Consolidated statement of comprehensive income

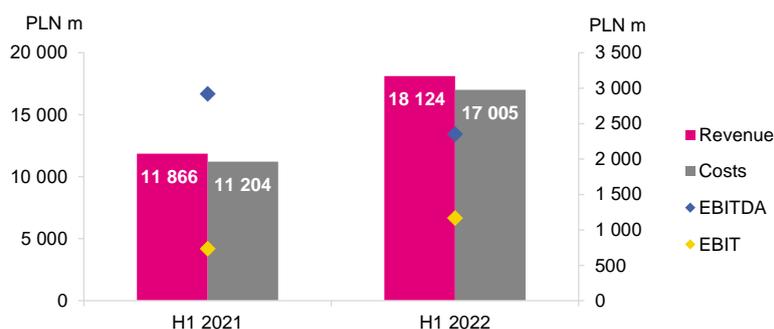
The below table presents the selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 6 months ended on June 30, 2022, as well as the comparable data for the period of 6 months ended on June 30, 2021. Those items are provided in accordance with the *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 6 months ended on June 30, 2022.*

Table no. 18. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first half of 2021 and for the first half of 2022

Item (PLN m)	H1 2021 (unaudited data)	H1 2022 (unaudited data)	Change in % 2022 / 2021
Sales revenue	11 866	18 124	153%
Cost of goods sold	(11 204)	(17 005)	152%
Other operating revenue and costs	47	(2)	-
Share in joint ventures' profits	22	49	223%
Operating profit	731	1 166	160%
<i>Operating profit margin (%)</i>	6.2%	6.4%	104%
Cost of interest on debt	(186)	(256)	138%
Other financial revenue and costs	52	(48)	-
Pre-tax profit	597	862	144%
<i>Pre-tax profit margin (%)</i>	5.0%	4.8%	95%
Income tax	(215)	(233)	108%
Net profit for the period	382	629	165%
<i>Net profit margin (%)</i>	3.2%	3.5%	108%
Total comprehensive income for the period	529	980	185%
Profit attributable to:			
Shareholders of the parent entity	356	627	176%
Non-controlling shares	26	2	8%
EBIT and EBITDA			
EBIT	731	1 166	160%
EBITDA	2 920	2 351	81%

The below figure presents TAURON Capital Group's financial results for the first half of 2021 and for the first half of 2022.

Figure no. 19. TAURON Capital Group's financial results for the first half of 2021 and for the first half of 2022

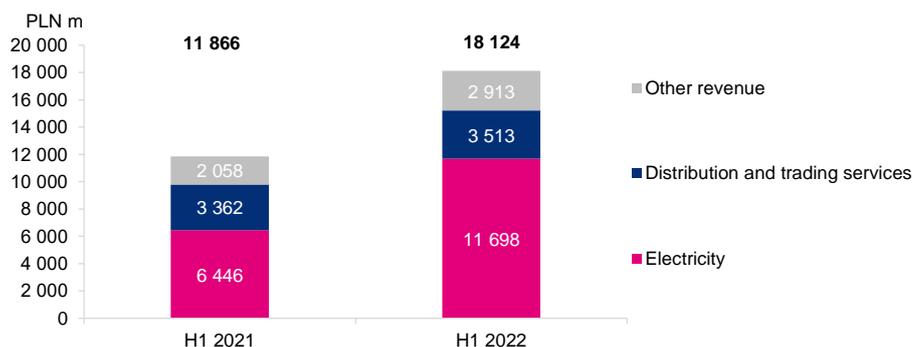


TAURON Capital Group generated revenue in the first half of 2022 that was higher by 53% than the revenue reported in the same period of 2021, which was due to the following factors:

1. higher revenue from the electricity sales which is the result of the higher electricity sales prices obtained and the slightly higher electricity sales volume. The increase in the electricity prices is a consequence of the upward market trend and an increase of the prices under the tariffs approved by the President of the Energy Regulatory Office (ERO) and in the price lists approved by the Management Board of TAURON Sprzedaż and TAURON Sprzedaż GZE,
2. higher revenues from the sale of the CO₂ emission allowances, the reasons for which are described below.
 - 1) Due to the failure of the 910 MW unit in Jaworzno that took place in June 2021 and its shutdown for the remainder of the year, a surplus of the emission allowances, acquired for the purpose of the redemption (retirement) for 2021, was created. A part of the resulting surplus in the quantity of 1 717 000 EUAs was blocked (allocated) for the redemption purposes of another installation of TAURON Capital Group for 2022. Taking into account the need to match the delivery of the emission allowances and the cash expenditure, TAURON Capital Group made a decision to sell the above volume of the emission allowances and, at the same time, buy such a volume in the EUA MAR'23 forward product for the purpose of the redemption of the emission allowances for 2022, thus generating the revenue in the amount of PLN 604 million in the first quarter of 2022.
 - 2) In the first quarter of 2021, due to the delay in the commissioning of the 910 MW unit in Jaworzno in 2020, TAURON Capital Group sold 691 000 Mg of the emission allowances on the market as part of the activities aimed at utilizing the surplus arisen, which resulted in the recognition (booking) of the revenue in that period in the amount of PLN 135 million. In addition, the remaining volume of 3 258 000 emission allowances with the collection date in March of 2021 were rolled over by concluding the new contracts with the delivery dates in March 2022, 2023 and 2024. TAURON Capital Group recognized (booked) the result of the settlement of the instruments in accordance with IFRS 9 *Financial Instruments*, which led to an increase of the sales revenues and the operating result by the amount of PLN 304 million.
3. higher revenues due to the valuation of the property rights, primarily due to the higher volume of the Guarantees of Origin (GOs) of energy (energy certificates) obtained based on the in-house production and the higher prices as a consequence of the increases observed on the markets,
4. higher revenue from the sales of the distribution and trading services as a consequence of an increase of the distribution and transmission service rate along with the simultaneous rise of the distribution service volume,
5. higher revenue from the sales of gas mainly due to the significant rise of the prices year on year in connection with the observed increase both on the domestic as well as on the world markets,
6. higher revenue from the sales of the hard coal which is a result of the sales of the higher volume and obtaining of the higher prices.

The below figure presents the structure of TAURON Capital Group's sales revenue in the first quarter of 2021 and in the first quarter of 2022.

Figure no. 20. TAURON Capital Group's sales revenue in the first half of 2021 and in the first half of 2022



The costs of TAURON Capital Group's operations (operating expenses) came in at PLN 17.0 billion in the first half of 2022, i.e. they were higher by 52% than the costs incurred in the same period of 2021, which is a consequence of the following factors:

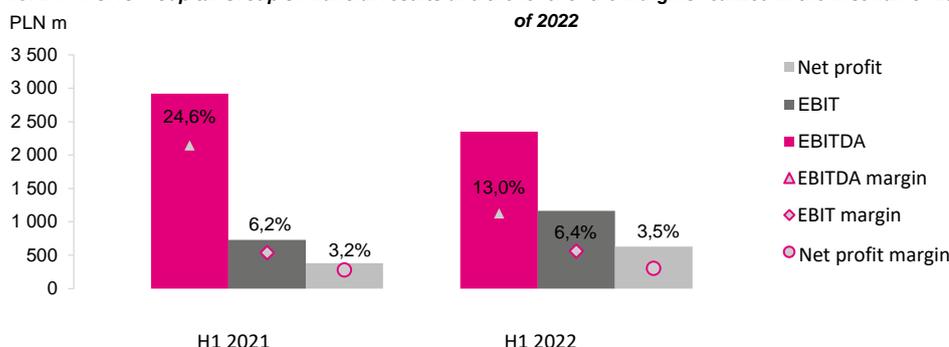
1. higher depreciation costs, mainly as a result of an increase in the value of the assets of TAURON Capital Group,
2. higher costs of the electricity purchased for the purpose of the resale thereof as a result of the higher volume along with a simultaneous increase in the electricity purchase price year on year. The higher volume of the purchase is mainly a consequence of the need to purchase electricity to replace the energy that was not produced by the 910 MW unit in Jaworzno due to its shutdown caused by the failure that had taken place in 2021. However, the increase in the price stems from a significant surge of the prices of the electricity purchased on the domestic market,
3. higher costs of the gas purchased for the purpose of the resale thereof which is the result of an increase in the gas purchase price year on year,
4. higher costs of the greenhouse gas emission allowances, which is the result of an increase in the price of the emission allowances and the lower CO₂ emissions by the generating units due to the lower production of the electricity from the conventional sources, which is mainly a consequence of the shutdown, in the first quarter of 2022, of the 910 MW unit in Jaworzno, while the above mentioned unit was in operation in the first quarter of 2021,
5. higher costs of the materials and energy consumption, mainly as a result of:
 - 1) an increase in the prices of the materials used in the process of the longwall (coal face) reinforcement (retooling) and preparation of the thermal (steam) coal production,
 - 2) the higher costs of the coal fuel consumed for the purpose of the production of the electricity and heat, mainly as a consequence of the rise in the market prices,
 - 3) the higher costs of the heating oil consumed for the purpose of the production of the electricity and heat as well as the biomass, due to the rise in the purchase prices along with the lower volume of the consumption thereof,
6. higher costs of the employee benefits, which is the result of:
 - 1) recognition (booking) in the costs of the first half of 2022 of the effects of the agreements signed with the workforce in the second half of 2021 and in the first quarter of 2022,
 - 2) an increase of the minimum wage in 2022,
 - 3) changes in the discount rate and, as a consequence, changes in the value of the actuarial provisions.
7. higher costs of the distribution services due to an increase of the tariff for the PSE (TSO) distribution services,
8. higher costs of the other external services, mainly as a result of the higher costs of the stone (rock) storage and the repairs of the mining damage,
9. higher costs of the taxes and fees, mainly due to the higher costs of the taxes on the grid assets as a result of a rise in the taxation rates,
10. recognition (booking), in the costs of the first half of 2022, of the costs of the hard coal which, as of the balance sheet date falling on December 31, 2021, had been a part of the inventory held by TAURON Capital Group, as a consequence of the consumption thereof. A reverse situation had taken place in the first half of 2021, when a part of the hard coal produced by TAURON Capital Group's coal mines was allocated to the inventory due to the fact that it had not been used (consumed) in the current period,
11. higher value of the costs of the services provided for the in-house purposes, which is mainly due to the higher value of the materials used for the longwall (coal face) reinforcements (retooling) and preparation of the production at TAURON Capital Group's coal mines, as well as the wider scope of the works performed using the in-house resources on the distribution assets,
12. setting up of the provisions for the onerous contracts, as of the balance sheet date, in connection with the contracts concluded for the sale of electricity on the futures market, with a deadline for the completion until December 31, 2022, which is described in more detail in note 35.2 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 6 months ended on June 30, 2022.*

The EBITDA margin generated in the first half of 2022 came in at 13.0% and it was lower by 11.6 pp than the margin posted in the same period of 2021. The EBIT margin clocked in at 6.4% and it was higher by 0.3 pp than the margin achieved in the same period of 2021, while the net profit margin realized came in at 3.5% and it was lower by 0.3 pp. The lower EBITDA margin posted is a result of a significant increase of the sales revenues, mainly as a consequence of an increase in the electricity and gas prices recorded in the first half of 2022, as compared to the prices realized in the first half of 2021, which had a slight impact on a change of the above mentioned results. On the other hand, the achievement of the EBIT margin and the net profit margin at a level comparable to that generated in the first half of 2021 is a consequence of the fact that in the same reporting period an impairment charge related to the non-financial assets of the selected Segments of TAURON Capital Group was recognized (booked) in the amount significantly higher than in the first half of 2022 as a result of the tests for the impairment of the non-financial assets.

The comprehensive income attributable to the shareholders of the parent company clocked in at PLN 978 million, as compared to PLN 503 million posted a year ago, while the net profit attributable to the shareholders of the parent company came in at PLN 627 million, as compared to PLN 356 million posted in the same period of 2021.

The below figure presents TAURON Capital Group's financial results and the level of the margins realized in the first half of 2021 and in the first half of 2022.

Figure no. 21. TAURON Capital Group's financial results and the level of the margins realized in the first half of 2021 and in the first half of 2022



Financial results by the Segments of operations (lines of business)

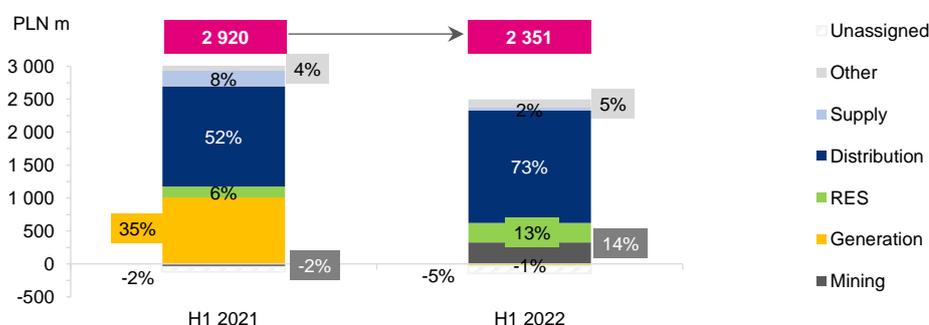
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first half of 2021 and in the first half of 2022. The data for the individual Segments of operations (lines of business) does not include the consolidation related exclusions.

Table no. 19. TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first half of 2021 and in the first half of 2022

EBITDA (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Mining	(46)	324	-
Generation	1 008	(30)	-
RES	167	296	177%
Distribution	1 519	1 709	113%
Supply	237	41	17%
Other operations	107	125	117%
Unassigned items and exclusions	(72)	(114)	158%
Total EBITDA	2 920	2 351	81%

The below figure presents TAURON Capital Group's EBITDA structure in the first half of 2021 and in the first half of 2022.

Figure no. 22. TAURON Capital Group's EBITDA structure in the first half of 2021 and in the first half of 2022



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 half of 2021 and for the first half of 2022.

Table no. 20. Mining Segment's results for the first half of 2021 and for the first half of 2022

Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Sales revenue	580	1 195	206%
<i>hard coal – large and medium size lump coal</i>	129	433	336%
<i>thermal coal</i>	420	689	164%
<i>other products, materials and services</i>	31	73	238%
EBIT	(321)	138	-
Depreciation and impairment charges	275	186	68%
EBITDA	(46)	324	-

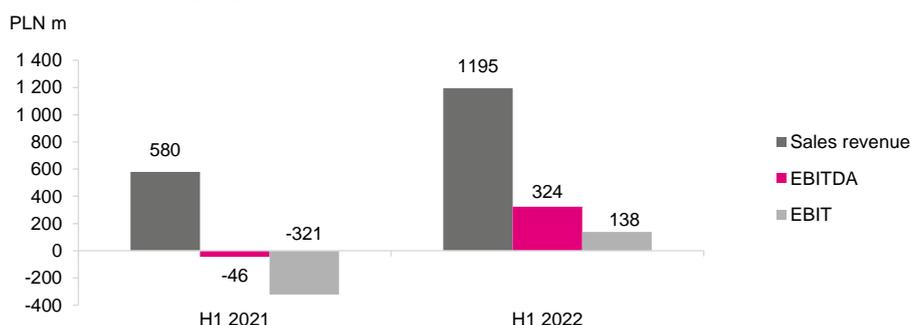
The Mining Segment's EBITDA and EBIT were higher in the first half of 2022 as compared to the same period of 2021. The results posted were impacted by the following factors:

1. an increase of the volume of the coal sales by 18%, mainly due to the stronger demand on the domestic and the world markets, as well as the sales of the hard coal from the storage heaps,
2. an increase of the average coal price by 73% which is impacted by the strong demand for the coal and a change of the product structure (types) of the coal sold,
3. other - mainly related to an increase in the operating expenses in relation to the comparable period.

In addition, the higher EBIT was brought about due to the higher depreciation than in the same period of 2021.

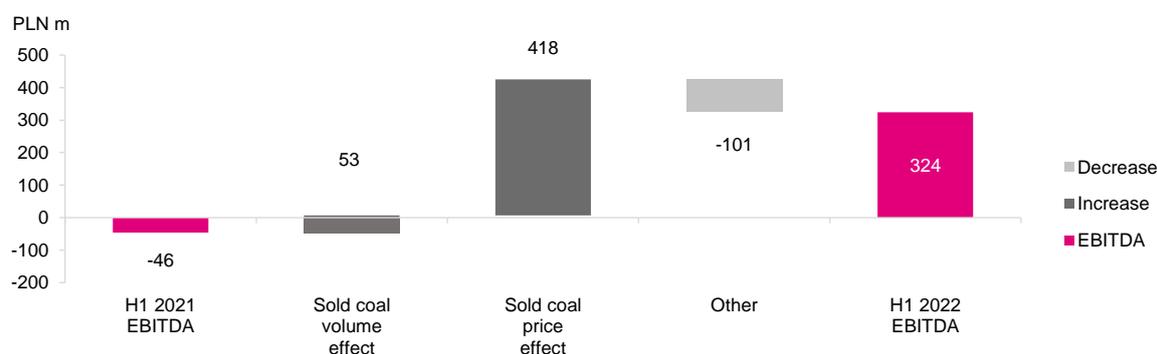
The below figure presents the Mining Segment's financial data for the first half of 2021 and for the first half of 2022.

Figure no. 23. Mining Segment's financial data for the first half of 2021 and for the first half of 2022



The below figure presents the Mining Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 24. 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 half of 2021 and for the first half of 2022.

Table no. 21. Generation Segment's results for the first half of 2021 and for the first half of 2022

Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Sales revenue	4 059	5 419	134%
<i>electricity</i>	2 620	3 958	151%
<i>heat</i>	556	563	101%
<i>property rights related to guarantees of origin of electricity (energy certificates)</i>	90	54	60%
<i>services – capacity market</i>	331	310	93%
<i>greenhouse gas emission allowances</i>	439	483	110%
<i>other</i>	23	52	226%
EBIT	(159)	(252)	158%
Depreciation and impairment charges	1 167	222	19%
EBITDA	1 008	(30)	-

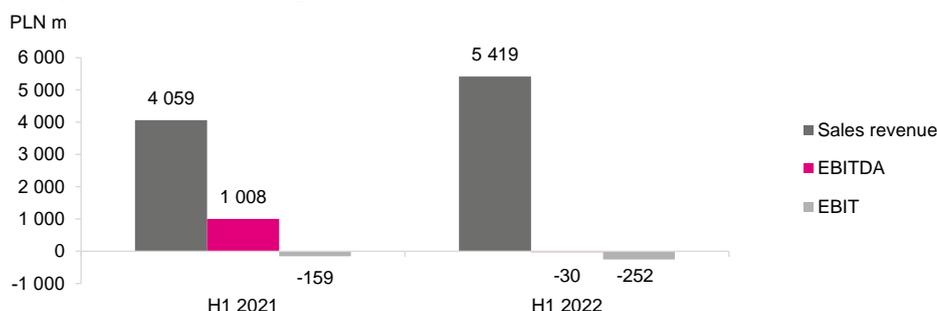
The Generation Segment's sales revenue in the first half of 2022 was higher by 34% as compared to the same period of 2021, mainly due to the higher revenues from the sales of the electricity as a consequence of the higher sales prices.

The Generation segment's EBITDA and EBIT were lower in the first half of 2022 than in the same period of 2021. The results posted were affected by the following factors:

1. a lower margin on the sales of electricity as a result of a higher margin on the sales of electricity from the in-house production, the higher costs of the electricity buybacks as a consequence of the shutdown of the 910 MW unit in Jaworzno in the first quarter of 2022 and setting up of the provision for the onerous contracts in the second half of 2022. The setting up of the provision is related to the negative result on the sales of electricity on the futures market, which is a consequence of the adopted hedging (collaterals) policy and the applied principles regarding the order of booking the cost of the CO₂ emission allowances (FIFO method) and the growing prices of the hard coal used for the electricity production,
2. a lower margin on the heat sales as a consequence of an increase in the costs of the fuels and the CO₂ emission allowances partially offset by the higher heat sales prices,
3. completion of the transactions related to the CO₂ emission allowances:
 - 1) due to the delay of the commissioning of the 910 MW unit in Jaworzno and, as a consequence thereof, the lower production output, a significant surplus of the allowances contracted for the purpose of fulfilling the redemption obligation for 2020 above the actual requirement arose in Nowe Jaworzno Group TAURON's portfolio. As a consequence, in March 2021, TAURON Capital Group carried out the following transactions:
 - 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 of 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 for 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,
 - 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 in Jaworzno.
 - 2) As a consequence of a failure of the unit that had taken place in June 2021, which led to its shutdown in the subsequent periods, a surplus of the emission allowances arose in the company's portfolio for the redemption (retirement) obligation in 2021. Taking into account the need to match the delivery of the emission allowances and the cash expenditure, TAURON Capital Group made a decision to sell the CO₂ emission allowances in the quantity of 1 717 000 EUAs.

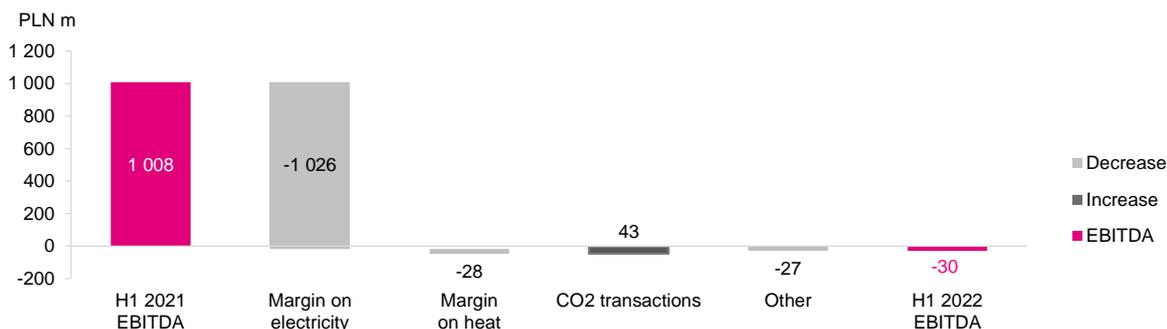
The below figure presents the Generation Segment's financial data for the first half of 2021 and for the first half of 2022.

Figure no. 25. Generation Segment's financial data for the first half of 2021 and for the first half of 2022



The below figure presents the Generation Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 26. 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 half of 2021 and for the first half of 2022.

Table no. 22. RES Segment's results for the first half of 2021 and for the first half of 2022

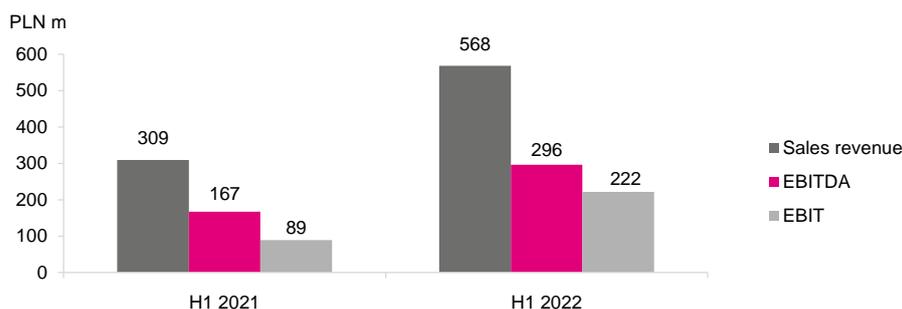
Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Sales revenue	309	568	184%
Electricity	170	307	181%
Guarantees of origin of electricity (energy certificates)	129	248	192%
Other	10	12	120%
EBIT	89	222	249%
Depreciation and impairment charges	78	74	95%
EBITDA	167	296	177%

The RES segment's EBITDA and EBIT were higher in the first half of 2022 as compared to the same period of 2021. The results posted were primarily affected by the following factors:

1. higher revenue from the electricity sales, mainly due to the higher prices of the electricity sold and the electricity production output by the wind farms having been higher by 22%, along with the production output by the hydro power plants having been lower by 21%,
2. higher revenue from the guarantees of origin of electricity (energy certificates), which is a consequence of the higher prices of the property rights and the volume of the property rights acquired by the wind farms having been higher by 22%.

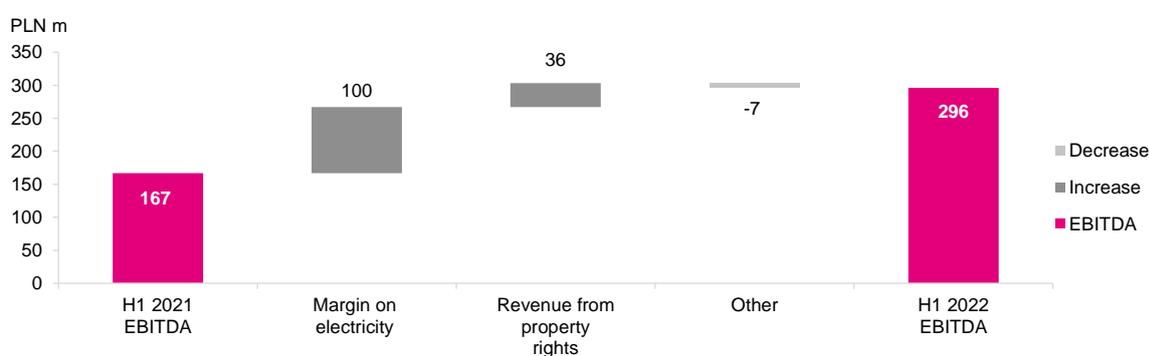
The below figure presents the RES Segment's financial data for the first half of 2021 and for the first half of 2022.

Figure no. 27. RES Segment's financial data for the first half of 2021 and for the first half of 2022



The below figure presents the RES Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 28. 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 half of 2021 and for the first half of 2022.

Table no. 23. Distribution Segment's results for the first half of 2021 and for the first half of 2022

Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Sales revenue	3 519	3 919	111%
<i>distribution services</i>	3 361	3 775	112%
<i>grid connection fees</i>	39	43	111%
<i>power line collisions</i>	36	17	48%
<i>other revenue</i>	83	84	101%
EBIT	924	1 092	118%
Depreciation and impairment charges	595	617	104%
EBITDA	1 519	1 709	113%

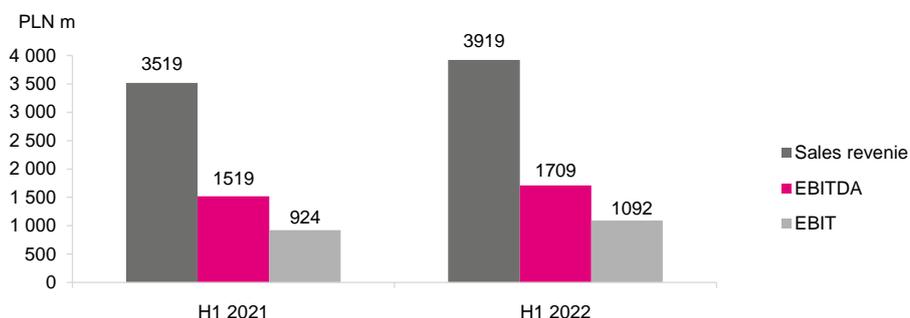
The Distribution Segment reported an increase of the sales revenue by 11% in the first half of 2022, as compared to the same period of 2021, as well as the increases of EBIT and EBITDA by, respectively, 18% and 123% The results posted were affected by the following factors:

1. an increase of the average rate for the distribution service sales to the final consumers,
2. an increase of the total electricity delivery by 699 GWh, including a rise in the distribution to the final consumers by 530 GWh, first of all in the A and C tariff groups, as a result of an upturn of the economy and the lack of the restrictions imposed on the commerce and services operations as well as the transitory increases of the steel industry manufacturing output and the hard coal extraction output,
3. a decrease of the costs of purchasing electricity to cover the balancing difference as a result of the lower volume, the higher purchase price and a balance of the upward adjustment,

4. a rise of the fixed costs (among others the labor costs as a result of the wages agreements signed with the workforce, the costs of the taxes on the grid assets) due to the increase of the value of the assets as a result of the investment projects conducted and the costs of the external (outsourced) services.

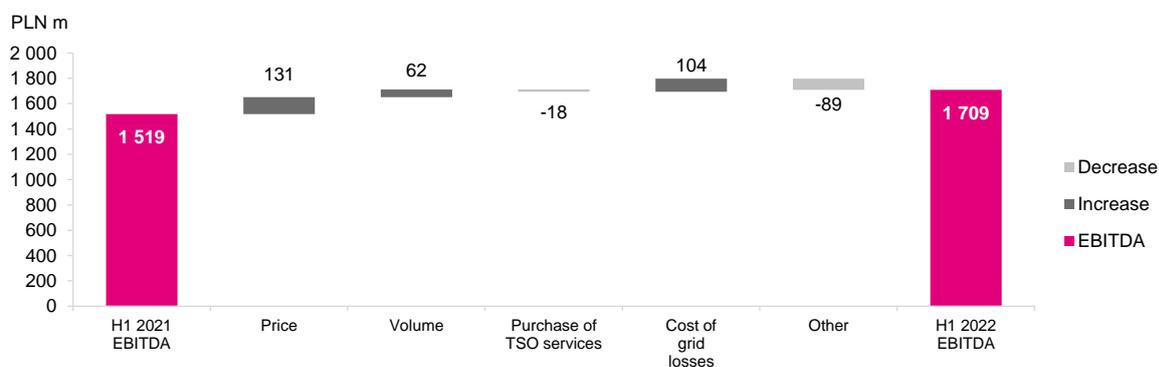
The below figure presents the Distribution Segment's financial data for the first half of 2021 and for the first half of 2022.

Figure no. 29. Distribution Segment's financial data for the first half of 2021 and for the first half of 2022



The below figure presents the Distribution Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 30. Distribution Segment's EBITDA, including the material factors impacting the change year on year



Supply Segment

The below table presents the Supply Segment's results for the first half of 2021 and for the first half of 2022.

Table no. 24. Supply Segment's results for the first half of 2021 and for the first half of 2022

Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Supply			
Sales revenue	10 725	18 257	170%
<i>electricity, including:</i>	6 833	12 774	187%
<i>retail electricity supply revenue</i>	4 911	7 698	157%
<i>greenhouse gas emission allowances</i>	1 013	2 099	207%
<i>fuels</i>	978	1 438	147%
<i>distribution service (passed on)</i>	1 681	1 708	102%
<i>other services, incl. trading services</i>	220	239	109%
EBIT	217	19	-
Depreciation and impairment charges	20	22	110%
EBITDA	237	41	-

The Supply Segment's sales revenue in the first half of 2022 was higher by 70% as compared to the same period of 2021, as a consequence of the higher revenue from the sales of the electricity, the CO₂ emission allowances

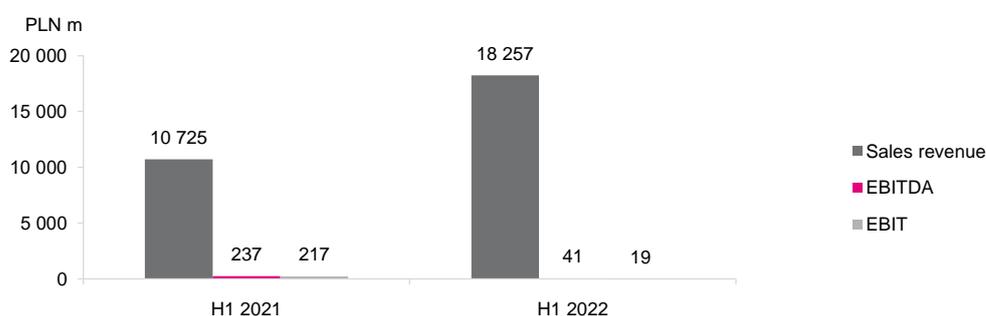
that took place in the first quarter of 2022, mainly in order to meet the redemption needs of the Generation Subsidiaries as well as the higher revenue from the sales of gas. The change of the revenues from the sales of the above mentioned commodities was mainly a consequence of a rise in the market prices.

The Supply Segment's EBITDA and EBIT were lower in the first half of 2022 than in the same period of 2021. The results posted were affected by the following factors:

1. a lower margin earned on the electricity sales as a consequence of an increase of the electricity purchase prices partly passed on in the sales prices charged to the Segment's customers, while obtaining the higher revenue from the trading fees,
2. a lower margin on the sales of gas as a result of obtaining a lower unit margin on the sales of gas as a consequence of a significant increase of the gas purchase price that was observed in the first half of 2022,
3. booking in the first half of 2021 of the reversal of the impairment charge (write-down) as a consequence of the better financial position of the customers than the one assumed in 2020,
4. other, including the lower margin on the sales of the CO₂ emission allowances.

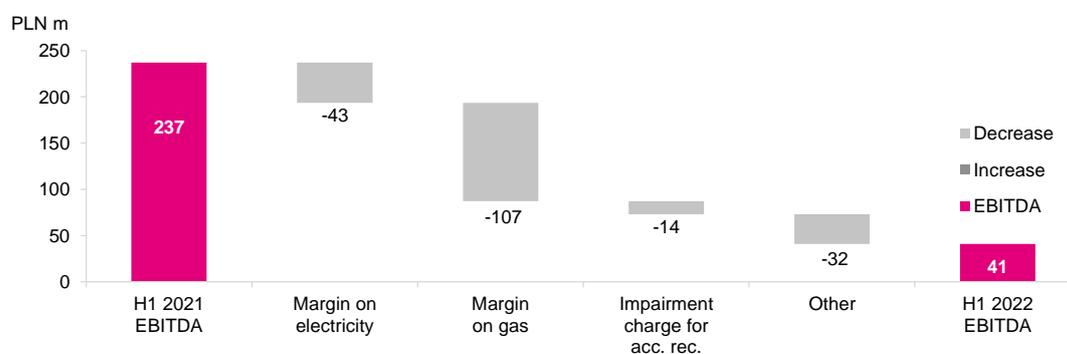
The below figure presents the Supply Segment's financial data for the first half of 2021 and for the first half of 2022.

Figure no. 31. Supply Segment's financial data for the first half of 2021 and for the first half of 2022



The below figure presents the Supply Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 32. 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 half of 2021 and for the first half of 2022.

Table no. 25. Other Operations Segment's results for the first half of 2021 and for the first half of 2022

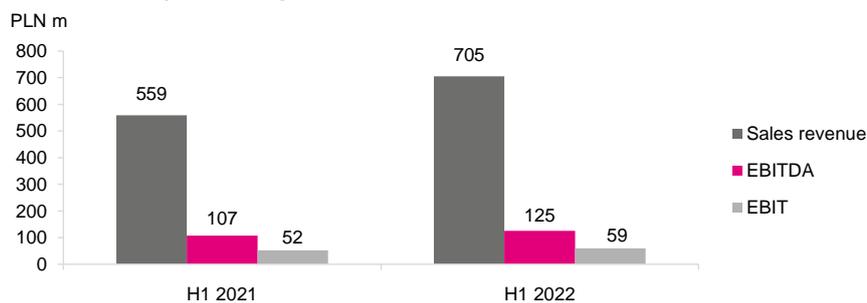
Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
Sales revenue	559	705	126%
customer service	125	141	113%
support services	271	291	107%
aggregates	53	70	132%
electricity	17	47	270%

Item (PLN m)	H1 2021	H1 2022	Change in % 2022 / 2021
biomass	51	101	198%
other revenue	42	56	133%
EBIT	52	59	113%
Depreciation and impairment charges	55	66	120%
EBITDA	107	125	117%

Other Operations Segment subsidiaries' sales revenue in the first half of 2022 was higher by 26% as compared to the revenue posted in the same period of 2021, which was primarily due to the higher sales of the biomass, the electricity, the support services provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries and the sales of the aggregate.

The below figure presents the Other Operations Segment's financial data for the first half of 2021 and for the first half of 2022.

Figure no. 33. Other Operations Segment's financial data for the first half of 2021 and for the first half of 2022



Assets

The below table presents the consolidated statement of financial position – the assets as of December 31, 2021 and as of June 30, 2022.

Table no. 26. Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2021 and as of June 30, 2022

Statement of financial position (PLN m)	As of December 31, 2021	As of June 30, 2022 (unaudited data)	Change in % (2022 / 2021)
ASSETS			
Fixed assets	33 855	35 198	104%
Tangible fixed assets	29 174	29 272	100%
Current assets	6 220	7 478	120%
Cash and equivalents	815	874	107%
Fixed assets and the group's assets for disposal, classified as held for trade	10	8	80%
TOTAL ASSETS	40 075	42 676	106%

As of June 30, 2022, TAURON Capital Group's statement of financial position shows the balance sheet total that is higher by 6% as compared to the balance sheet total as of December 31, 2021.

The below figures present the change in assets and current assets as of December 31, 2021, and as of June 30, 2022.

Figure no. 34. Change in assets as of December 31, 2021, and as of June 30, 2022

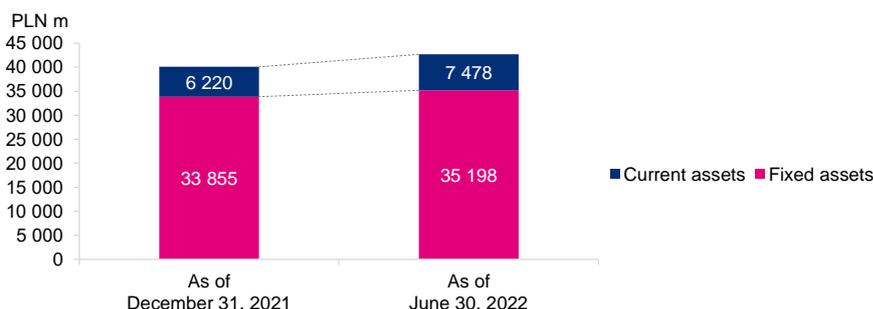
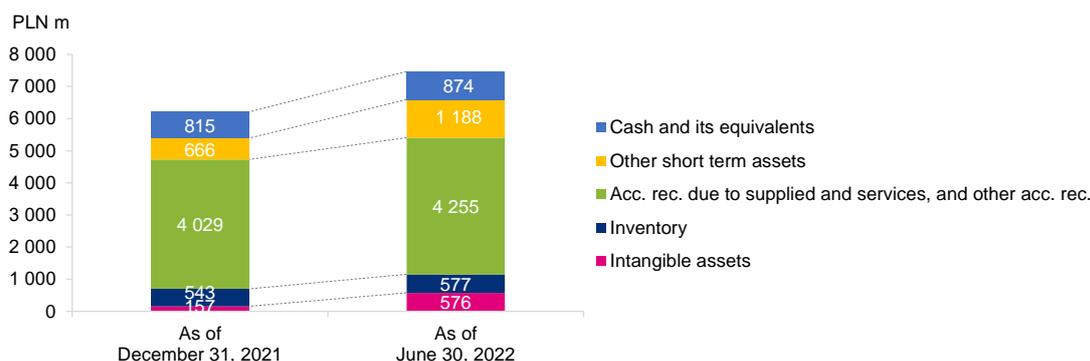


Figure no. 35. Change in current assets as of December 31, 2021, and as of June 30, 2022



The fixed assets represent the biggest item of the assets as of the end of June 2022, accounting for 82.5% of the balance sheet total. As compared to the end of 2021, the value of the fixed assets is higher by PLN 1 343 million (4%), which was due to the following factors:

1. an increase of the value of the tangible fixed assets by 0.3% which is a result of the investment projects implemented by TAURON Capital Group's subsidiaries and the recognized (booked) depreciation write-offs,
2. an increase in the value of the rights to use the shares by 2.7%,
3. a decrease of the value of the guarantees of origin of electricity (energy certificates) and the greenhouse gas emission allowances to be redeemed (retired) due to the reclassifying of the guarantees of origin of electricity (energy certificates) and the CO₂ emission allowances as the current assets held in order to fulfill the obligation related to the redemption (retirement) of the above mentioned assets,
4. an increase of the value of the loans for the joint ventures by 101%, which is related to the granting of a loan to EC Stalowa Wola in March 2022 in order to settle by the company of the liability stemming from the settlement agreement with Abener Energia, concluded on December 31, 2021,
5. an increase of the deferred tax assets by 885%, which is related to the lack of compensation for the assets and liabilities due to deferred tax of the companies (subsidiaries) forming the Tax Capital Group (PGK) in 2021, as in the Group's opinion these companies (subsidiaries) will not be filing a joint tax declaration (return) for 2022 due to an expiration, as of December 31, 2021, of the decision on the registration of the agreement to set up PGK for the years 2021-2023, which is described in more detail in note 40 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 6 months ended on June 30, 2022.*

The following factors had an impact on the rise in the value of the current assets by PLN 1 258 million (20%):

1. an increase of the balance of cash on hand and equivalents by 7% (*the detailed information on the reasons for the change is provided below as part of the description of the Cash Flows*),
2. an increase of the value of the guarantees of origin of electricity (energy certificates) and the CO₂ emission allowances to be redeemed (retired) by 267%, which is the result of:
 - 1) a purchase of the CO₂ emission allowances in the first half of 2022 for the redemption (retirement) obligation for the year 2021,
 - 2) a purchase in the first half of 2022 or the recognition (booking) of the guarantees of origin of electricity (energy certificates) produced in-house for the fulfillment of the obligation to redeem (retire) the property rights,
 - 3) reclassifying as the short term assets of a part of the property rights and the CO₂ emission allowances held, originally classified as the long term assets, which were reclassified due to their allocation for the purpose of the ongoing fulfilling of the obligation to redeem (retire) the above mentioned assets,
3. an increase of the value of the inventory by 6%,
4. an increase of the value of the accounts receivable from the consumers by 6%, which is mainly a consequence of the higher electricity and gas prices,
5. a decrease of the value of the accounts receivable due to the income tax by 24%, which is a consequence of the inflow of the refund of the tax due to the settlement of the Tax Capital Group for 2021 in the amount of PLN 374 million,
6. an increase of the value of the accounts receivable due to the other taxes and fees by 98% mainly as a consequence of an increase of the accounts receivable due to VAT,
7. an increase of the value of the derivative instruments by 103%,
8. an increase of the value of the other financial assets by 36%, mainly as a result of a rise in the value of the initial deposits related to the exchange settlements (clearing) along with the decrease of the value of the costs settled over time, related to the assets and tort insurance as well as the IT and telecommunications services,
9. an increase of the value of the other non-financial assets by 11%, as a result of the posting of the write-offs for the Company Social Benefit Fund.

The below table presents the consolidated statement of financial position – equity and liabilities as of December 31, 2021 and as of June 30, 2022.

Table no. 27. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2021 and as of June 30, 2022

Statement of financial position (PLN m)	As of December 31, 2021	As of June 30, 2022 (unaudited data)	Change in % (2022 / 2021)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	16 491	17 471	106%
Non-controlling shares	33	32	97%
Total equity	16 524	17 503	106%
Long term liabilities	13 634	15 521	114%
Liabilities due to debt	10 947	12 252	112%
Short term liabilities	9 917	9 652	97%
Liabilities due to debt	2 143	2 161	101%
Total liabilities	23 551	25 173	107%
TOTAL EQUITY AND LIABILITIES	40 075	42 676	106%

The below figures present the change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of June 30, 2022.

Figure no. 36. Change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of June 30, 2022

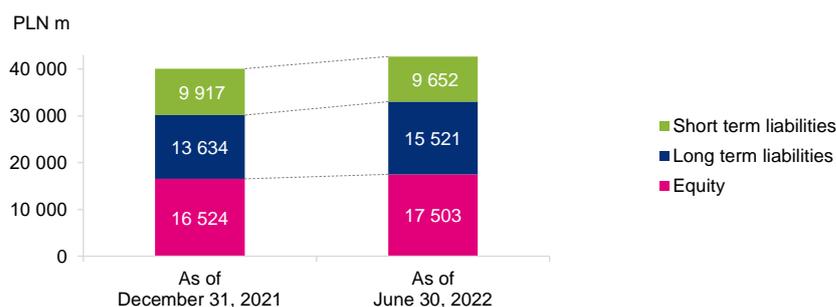
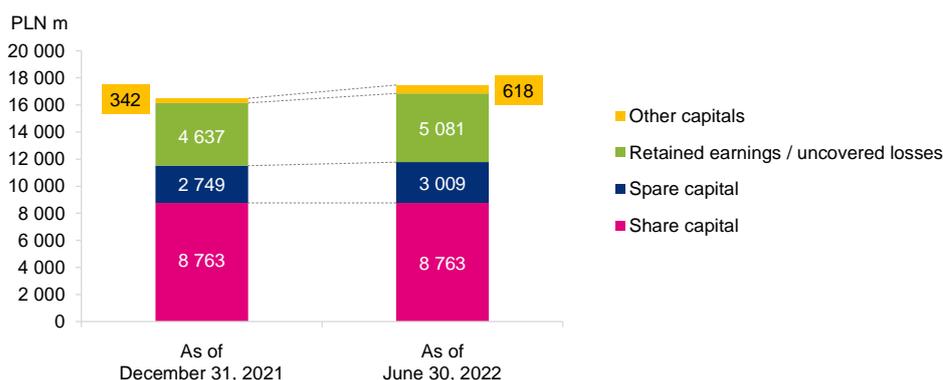
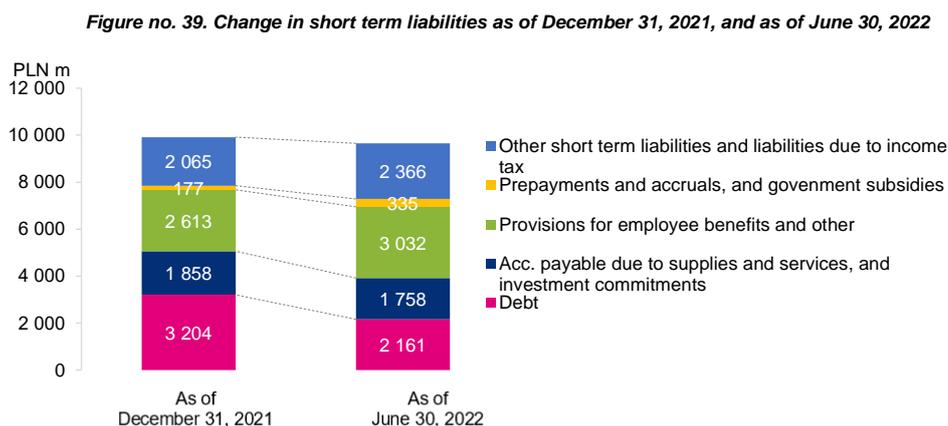
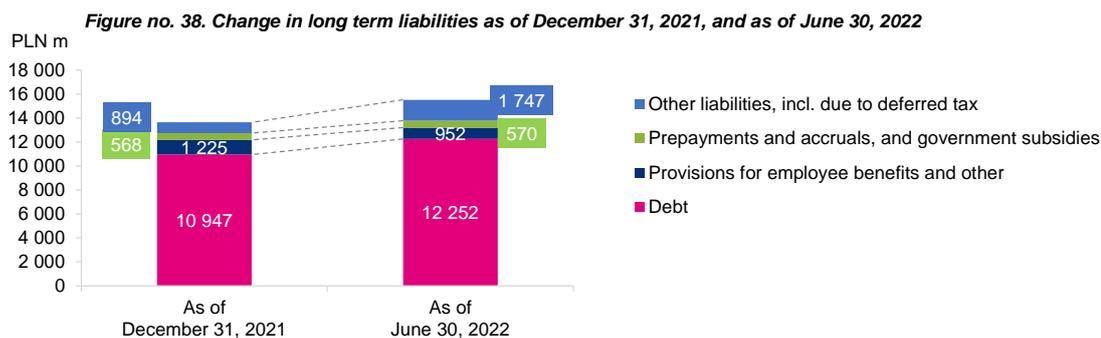


Figure no. 37. Change in equity attributable to majority shareholders as of December 31, 2021 and as of June 30, 2022



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 41.0%.

The below figures present the change in the long term and short term liabilities as of December 31, 2021, and as of June 30, 2022.



The amount of TAURON Capital Group's long term liabilities is higher by PLN 1 887 million (14%) in the first half of 2022, which was mainly a consequence of the following factors:

1. an increase of the value of the liabilities due to debt by 12%, as a result of the inflow due to the taking out of the loans,
2. an increase of the value of the accounts payable due to the deferred income tax by 111% which is related to the lack of the compensation (offsetting) of the assets and liabilities due to deferred tax of the companies (subsidiaries) forming the Tax Capital Group in 2021, as in TAURON Capital Group's opinion these companies will not be filing, starting as of January 1, 2022 r. a joint tax declaration (return) due to a failure to meet the precondition, as required by the legal regulations, for maintaining of the Tax Capital Group,
3. a decrease of the value of the derivative instruments (derivatives) by 28%, in connection with the reclassifying of a part of the liability related to the derivative instruments linked to the commodity related derivative instruments, forward foreign currency (FX) derivatives and the CCIRS instruments as the short term liabilities,
4. a decrease of the value of the provisions for the employee benefits and for the costs of dismantling the fixed assets and land reclamation, as well as others by 22%, mainly due to the updating of the discount rate as a result of the changes in the underlying (base) interest rates,
5. an increase of the value of the other financial liabilities by 200%.

The value of TAURON Capital Group's short term liabilities went down by PLN 265 million (by 3%), which was primarily a consequence of the following factors:

1. an increase of the value of the liabilities due to debt by 1%, which is the result of the inflows due to taking out the new financing and the expenditures due to the repayment of the loans received,
2. an increase of the value of the accounts payable towards the suppliers by 9% and a decrease of the value of the investment related commitments by 35%,
3. repayment of the accounts payable due to the acquisition of the non-controlling stake (interest) in connection with the fulfillment, in the 1st quarter of 2022, of the entire obligation towards the Infrastructure Investments Fund - Equity FIZAN (Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN) (PFR Fund) due to the acquisition of the shares in the subsidiary Nowe Jaworzno Grupa TAURON,
4. an increase of the value of the provisions for the employee benefits by 12%,
5. a decrease of the value of the provisions for the obligations (liabilities) due to the guarantees of origin of electricity (energy certificates) and the CO₂ gas emissions by 10%, which is the result of using up (consuming), in the first half of 2022, of a part of the provision in connection with the fulfillment of the obligation to redeem (retire) the CO₂ gas emission allowances for 2021 and setting up of a provision for the obligations (liabilities) due to the CO₂ gas emissions and the guarantees of origin of electricity (energy certificates) for the first half of 2022,

6. an increase of the value of the other provisions by 97%, which is the result of:
 - 1) the provision, set up as of December 30, 2022, for an onerous contract in the Generation and Supply Segments for the contracts for the sales of electricity, in case of which the generated sales revenues do not fully cover the costs incurred in connection with the need to produce the electricity required to perform these contracts or the purchase thereof,
 - 2) use (consumption) and termination of the provision for onerous contracts, set up as of the balance sheet date falling on December 31, 2021, in connection with the shutdown of the 910 MW unit in Jaworzno,
7. an increase in the prepayments and accruals, as well as the government subsidies by 89%, mainly as a consequence of an increase in the prepayments and accruals due to the bonuses and unused holidays,
8. an increase of the value of the accounts payable due to the income tax by 1 775%. TAURON Capital Group's accounts payable due to the income tax are related to the income tax settlements (returns) of TAURON Capital Group's subsidiaries for the first half of 2022,
9. a decrease of the value of the accounts payable (liabilities) due to the other taxes and fees by 48%, mainly as a consequence of the lower accounts payable due to the social security premiums, VAT and the personal income tax (PIT),
10. an increase of the value of the derivative instruments (derivatives) by 71%, which is a consequence of the change in the valuation of the fair value of the forward or futures type derivative instruments and the foreign currency (FX) derivatives, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,
10. an increase of the value of the other financial liabilities by 25%,
11. an increase of the value of the other non-financial liabilities by 24%, which is primarily a consequence of the higher balance of the accounts payable towards the customers due to the overpayments received, and also the advance payments on account of the grid connection fee, as well as the higher amount of the surplus of the liability over the assets of the Company Social Benefits Fund.

Cash flows

Consolidated cash flow statement

The below table presents the selected information from the interim abbreviated cash flow statement for the first half of 2021 and for the first half of 2022.

Table no. 28. Interim abbreviated cash flow statement for the first half of 2021 and for the first half of 2022

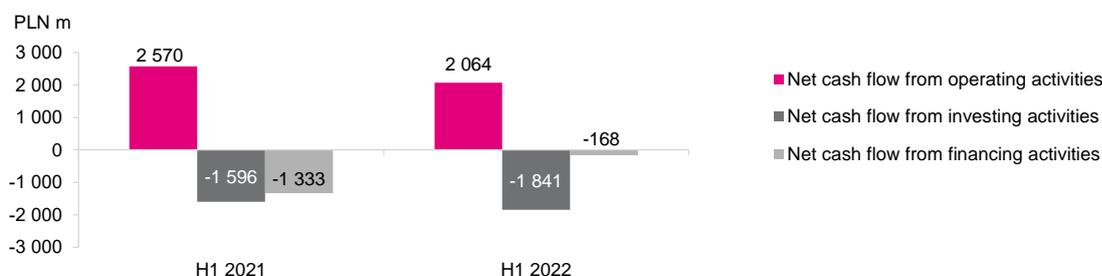
Cash flow statement (PLN m)	H1 2021 (unaudited data)	H1 2022 (unaudited data)	Change in % (2022 / 2021)
CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax profit	597	862	144%
Adjustments	1 973	1 202	61%
Net cash from operating activities	2 570	2 064	80%
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of tangible fixed assets and intangible assets	23	14	61%
Purchase of tangible fixed assets and intangible assets	(1 674)	(1 715)	-102%
Granting of loans	(1)	(120)	-12 000%
Sale of shares and redemption of participation units	53	0	-
Other	3	(20)	-667%
Net cash from investing activities	(1 596)	(1 841)	-115%
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from taking on credits / loans	603	4 196	696%
Repayment of loans/credits	(1 808)	(3 109)	-172%
Interest paid	(91)	(114)	-125%
Purchase of non-controlling stake	0	(1 061)	-
Other	(37)	(80)	-216%
Net cash from financing activities	(1 333)	(168)	13%
Increase / (decrease) in net cash and equivalents	(359)	55	-

Cash flow statement (PLN m)	H1 2021 (unaudited data)	H1 2022 (unaudited data)	Change in % (2022 / 2021)
Cash opening balance	895	791	88%
Cash closing balance	536	846	158%

The total amount of all of the net flows of cash from the operating, investing and financing activities in the first half of 2022 was positive and came in at PLN 55 million.

The below figure presents cash flows in the first half of 2021 and in the first half of 2022.

Figure no. 40. Cash flows in the first half of 2021 and in the first half of 2022



The amount of the cash flows from the operating activities in the first half of 2022 came in at PLN 2 064 million, which was the result of the following factors:

1. generated EBITDA in the amount of PLN 2 351 million,
2. a negative change of the working capital in the amount of PLN 10 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 228 million,
 - 2) a negative change of the inventory level in the amount of PLN 41 million,
 - 3) a positive change of the balance of the accounts payable in the amount of PLN 26 million,
 - 4) a positive change of the other long and short term assets as well as the provisions in the total amount of PLN 105 million,
 - 5) a positive change of the prepayments and accruals as well as the government subsidies in the total amount of PLN 128 million,
 - 6) expenditure in the amount of PLN 242 million in respect of the income tax, which is the result of:
 - the payment by TAURON Capital Group's subsidiaries of the income tax due to the settlement thereof for the period from January to May 2022 in the amount of PLN 616 million.
 - the tax refund received on account of the Tax Capital Group's settlement for 2021 in the amount of PLN 374 million.
3. other factors: PLN -35 million.

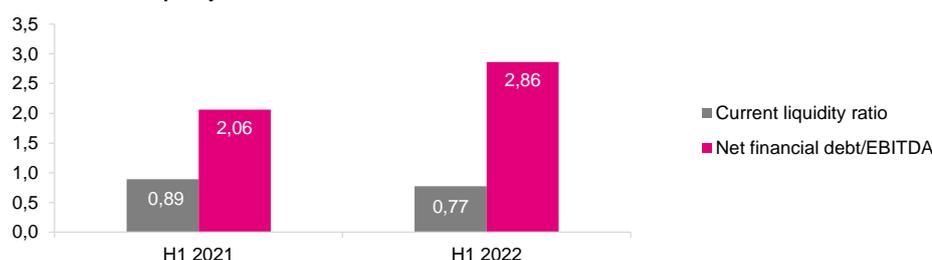
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, which were higher by 2% in the first half of 2022 than the outlays incurred in the same period of 2021. The largest expenditures, in the first half of 2022, were incurred by the Distribution Segment which accounted for 60% of the total capital spending.

The negative value of the cash flow from the financing activities is primarily due to the inflows from the financing obtained being higher than the expenditures incurred in connection with the repayment of the financial obligations. The amount of the credits and loans repaid came in at PLN 3 109 million, while the amount of the proceeds received due to the loans taken out clocked in at PLN 4 196 million. In addition, in the first half of 2021 TAURON Capital Group paid the amount of PLN 114 million due to interest, mainly on the financial obligations, repaid the accounts payable due to the leases in the amount of PLN 91 million, while the amount of the subsidies received stood at PLN 20 million. The timely payment of the liabilities towards the Infrastructure Investments Fund - Equity FIZAN (Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN) due to the acquisition of the shares in the subsidiary Nowe Jaworzno Grupa TAURON had a significant impact on the level of this item of the cash flows from financial activities, which is described in more detail in note 38 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 6 months ended on June 30, 2022.*

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 half of 2021 and in the first half of 2022.

Figure no. 41. Current liquidity ratio and the net financial debt to EBITDA ratio in the first half of 2021 and in the first half of 2022



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 pool* mechanism in order to minimize the potential cash flow disruptions and the risk of the 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 bond issues.

4.5. 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 2022. 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 4.4 of this information.

4.6. Principles of drawing up the interim abbreviated consolidated financial statements of TAURON Capital Group

The interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the period of 6 months ended on June 30, 2022, were drawn up in compliance with the International Accounting Standard 34 *Interim Financial Reporting*, according to the template approved by the European Union (EU).

The interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the period of 6 months ended on June 30, 2022, were drawn up under the assumption of business continuity (going concern) of TAURON Capital Group in the foreseeable future, i.e. over the time frame not shorter than 1 year from the balance sheet date. As of the date of approving the above mentioned financial statements for publication no circumstances are recognized that would indicate any risk to the business continuity (going concern) of TAURON Capital Group.

With respect to the liquidity, financing and securing the continuation of the business operations (going concern), the Management Board, having analyzed the financial position of TAURON Polska Energia S.A. and TAURON Capital Group, does not identify any risk for business continuity (going concern) in the foreseeable future, i.e. over the time frame not shorter than 1 year from the balance sheet date, taking into account the description of the impact of the aggression of the Russian Federation against Ukraine and the COVID-19 pandemic on the operations of TAURON Capital Group, as presented more broadly in note 51 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 6 months ended on June 30, 2022.*

The accounting principles (policy) applied to draw up the interim abbreviated consolidated financial statements are presented in note 8 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 6 months ended on June 30, 2022*, and are in line with the ones applied to draw up the annual *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the year ended on December 31, 2021*, except for the application of the changes to the standards presented in note 8 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 6 months ended on June 30, 2022.*

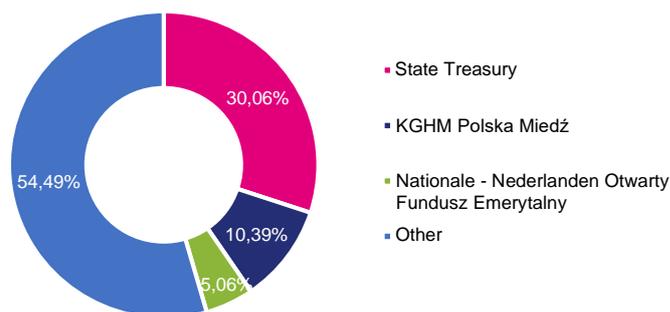
5. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

5.1. Shareholding structure

As of June 30, 2022, and as of the date of drawing up this information the Company's share capital, in accordance with an entry in the National Court Register, stood at PLN 8 762 746 970 and was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 registered ordinary BB series shares.

The below figure presents the shareholding structure as of June 30, 2022 and as of the date of drawing up this report.

Figure no. 42. Shareholding structure as of June 30, 2022 and as of the date of drawing up this report



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 June 30, 2022 and as of the date of drawing up this report.

Table no. 29. 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 June 30, 2022 and as of the date of drawing up this report

Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held ¹	Percentage share in the total number of votes
1. 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%

¹Pursuant 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. from May 25, 2022, until the date of drawing up this report the Company had not received any notifications from its shareholders on any changes in the ownership structure of the substantial blocks of TAURON shares.

5.2. 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.

The below table presents the Company's shares or the rights thereto held by the Members of the Company's Management Board as of the date of drawing up this report.

Table no. 30. Company's shares or the rights thereto held by the Members of the Company's Management Board as of the date of drawing up this report

First name and last name	Date of appointment to the Management Board of the Company	Number of the Company's shares held	Nominal value of the Company's shares held
1. Paweł Szczeszek	11.04.2022	0	0

First name and last name	Date of appointment to the Management Board of the Company	Number of the Company's shares held	Nominal value of the Company's shares held
2. Patryk Demski	05.08.2021	0	0
3. Krzysztof Surma	05.08.2021	10 000	PLN 50 000
4. Tomasz Szczegielniak	06.09.2022	0	0
5. Artur Warzocha	21.01.2022	0	0

As of the date of drawing up this report, the Members of the Supervisory Board of the Company did not hold any TAURON shares or any rights thereto.

From the date of disclosing the previous interim report, i.e. from May 25, 2022, until the date of disclosing this report, there had been no changes in the ownership of TAURON shares or the rights thereto by the Members of the Management Board of the Company and the Members of the Supervisory Board of the Company.

6. OTHER MATERIAL INFORMATION AND EVENTS

6.1. Material proceedings pending before the court, competent arbitration authority or public administration authority

The below table presents the material proceedings pending before the court, competent arbitration authority or the public administration authority in the first half of 2022.

Table no. 31. Summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the first half of 2022

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 (Łaziska Steel Works)</p> <p>Defendants (Respondents): TAURON (as a legal successor to GZE) and State Treasury represented by the President of the Energy Regulatory Office (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 the Energy Regulatory Office (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 lawsuit in whole and ruled that Huta Łaziska shall refund each Defendant (Respondent) the costs of the proceedings. The ruling is not legally binding.</p> <p>Huta Łaziska filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole. Based on the ruling of the Court of Appeal in Warsaw of February 9, 2022, the appeal of Huta Łaziska was dismissed, and also the reimbursement of the costs of the appeal proceedings was adjudicated for the benefit of the Company. The ruling shall be final.</p>
<p>2. Authority conducting the audit: Head of the Mazovian Customs and Tax Office, and after an appeal has been filed – the Director of the Tax Administration Chamber in Katowice and the Director of the Tax Administration Chamber in Warsaw</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. (Ltd.)</p> <p>Value of the object of litigation (deducted VAT amount): with respect to the transaction with Castor Energy sp. z o.o.(Ltd.) – 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. (Ltd.).</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. (Ltd.) 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>The second instance authority upheld both decisions of the first instance authority. The company filed an appeal against the decisions of the second instance authority by way of a complaint lodged to the Provincial Administrative Court.</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). Enea filed an appeal against the said decision.</p>
Lawsuits pertaining to the termination, by Polska Energia Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) (PEPKH) subsidiary, of the agreements related to the sales of electricity and property rights arising from the guarantees of origin (energy certificates)	
<p>4. Plaintiff (Claimant): Dobiesław Wind Invest sp. z o.o. (Ltd.)</p>	<p>Object of litigation: lawsuit for payment of damages and determination of liability for the future.</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
Defendant (Respondent): TAURON	Value of the object of litigation: PLN 72 217 997.00 Initiation of the proceeding: the lawsuit of June 30, 2017 In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff (Claimant), apart from the existing claims, brought new claims: for the payment of PLN 37 471 305.05 or (a potential claim) PLN 35 969 662.07. Company's position: the Company considers the claims covered by the lawsuit as being without merit.
5. Plaintiff (Claimant): Gorzyca Wind Invest sp. z o.o. (Ltd.) Defendant (Respondent): TAURON	Value of the object of litigation: PLN 97 651 840.00 Initiation of the proceeding: the lawsuit of June 29, 2017 Company's position: the Company considers the claims covered by the lawsuit as being without merit. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 57 933 516.55 or (a potential claim) PLN 62 666 188.65. 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.
6. Plaintiff (Claimant): Pękanino Wind Invest sp. z o.o. (Ltd.) Defendant (Respondent): TAURON	Value of the object of litigation: PLN 44 817 060.00 Initiation of the proceeding: the lawsuit of June 29, 2017 Company's position: the Company considers the claims covered by the lawsuit as being without merit. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 16 347 985.20 or (a potential claim) PLN 11 894 096.96. 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.
7. Plaintiff (Claimant): Nowy Jaroslaw Wind Invest sp. z o.o. (Ltd.) Defendant (Respondent): TAURON	Value of the object of litigation: PLN 57 763 340.00 Initiation of the proceeding: the lawsuit of June 29, 2017 Company's position: the Company considers the claims covered by the lawsuit as being without merit. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 30 755 239.47 or (a potential claim) PLN 32 175 239.15. 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.
8. Co-participation on the plaintiff's (claimant's) side: Amon sp. z o.o. (Ltd.) (Amon) and Talia sp. z o.o. (Ltd.) (Talia) Defendant (Respondent): TAURON	Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition. Value of the object of litigation: Amon – PLN 78 205 000; Talia – PLN 53 128 000 Initiation of the proceeding: the lawsuit of April 30, 2018 Company's position: the Company considers the claims covered by the lawsuit as being without merit.
Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates)	
9. Plaintiff (Claimant): Gorzyca Wind Invest sp. z o.o. (Ltd.), Pękanino Wind Invest sp. z o.o. (Ltd.), Dobieslaw Wind Invest sp. z o.o. (Ltd.) Defendant (Respondent): PEPKH	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages. Value of the object of litigation: Gorzyca Wind Invest sp. z o.o.(Ltd.) – PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. (Ltd.) PLN 64 116 908.85 Initiation of the proceeding: Gorzyca Wind Invest sp. z o.o. (Ltd.) – May 18, 2015, Pękanino Wind Invest sp. z o.o. (Ltd.) – May 20, 2018, Dobieslaw Wind Invest sp. z o.o. (Ltd.) – May 18, 2015 Company's position: the Company considers the claims covered by the lawsuit as being without merit. On April 14, 2022, PEPKH's power of attorney representatives received further lawsuits including more demands: 1. Gorzyca Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 80 810 380.04 to be awarded or (an alternative claim) PLN 43 350 973.37, 2. Pękanino Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 11 070 380.21 to be awarded or (an alternative claim) PLN 11 454 266.58.
10. Plaintiff (Claimant): Dobieslaw Wind Invest sp. z o.o. (Ltd.) Defendant (Respondent): PEPKH	Object of litigation: plea to award damages and liquidated damages. Value of the object of litigation: PLN 119 958 191.00 Initiation of the proceeding: the lawsuit of June 14, 2017 Company's position: the Company considers the claims covered by the lawsuit as being without merit.
11. Plaintiff (Claimant): Nowy Jaroslaw Wind Invest sp. z o.o. (Ltd.) Defendant (Respondent): PEPKH	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages. Value of the object of litigation: PLN 105 128 834.11 Initiation of the proceeding: the lawsuit of June 3, 2015 Company's position: the Company considers the claims covered by the lawsuit as being without merit.

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<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 guarantees of origin of electricity (energy certificates) 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 guarantees of origin of electricity (energy certificates) 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, 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>The ruling is not legally binding. PEPKH disagrees with the ruling and filed an appeal complaint on October 25, 2019. Proceedings regarding the procedural issues are ongoing. The case is pending.</p>
<p>13. Plaintiff (Claimant): Amon</p> <p>Defendant (Respondent): PEPKH</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 guarantees of origin of electricity (energy certificates).</p> <p>Value of the object of litigation: PLN 29 009 189.38</p> <p>Initiation of the proceeding: August 20, 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 12 above. The court's decision is 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 guarantees of origin of electricity (energy certificates) 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> <ol style="list-style-type: none"> 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 guarantees of origin of electricity (energy certificates) 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, 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>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> <p>On December 20, 2021, the Court of Appeal in Gdańsk, announced the ruling to dismiss the appeal of PEPKH. The ruling of the Court of Appeal, and as a consequence the above mentioned preliminary and partial ruling as well as the supplementary ruling are final (legally binding), however it is possible to file a cassation appeal. The rulings do not order that PKH should pay any damages to the plaintiff, i.e. Talia sp. z o.o. (Ltd.) PEPKH disagrees in full with the ruling of the Court of Appeal as well as with the rulings of the Court of the first instance. PEPKH has been served the statement of reason for the court judgment and will file a cassation complaint.</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 the electricity trading, on January 8, 2020, TAURON Sprzedaż submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, thus initiating the administrative proceedings.

Due to the particularly complex nature of the case and the COVID-19 pandemic, the deadline for resolving the case was set as July 29, 2020.

By way of the decision of July 8, 2020, the President of the Energy Regulatory Office (ERO) did not approve the above mentioned tariff change.

In the opinion of TAURON Sprzedaż, the decision to approve the tariff was justified by the legitimate interest of the party and the provisions of the applicable law, stipulating that the tariff should ensure that the justified costs of the activities conducted by the Company are covered, while the decision approving the tariff, in the opinion of the Company, did not ensure this.

On July 30, 2020, TAURON Sprzedaż filed an appeal to the Court of Competition and Consumer Protection in Warsaw, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020, motioning for the amendment of the challenged decision in its entirety by approving the electricity tariff in accordance with the application of TAURON Sprzedaż or revoking the decision in its entirety and ruling that the decision was issued in the violation of the law.

The case is pending under the reference file number XVII AmE 242/20.

The Court of Competition and Consumer Protection Company, by way of its decision of July 28, 2022, admitted the evidence from the opinion of a court expert in the field of the energy market and accounting

The disputes between EC Stalowa Wola and Abener Energia

In connection with the settlement agreement concluded on December 31, 2021, all of the court and arbitration proceedings between EC Stalowa Wola and Abener Energia, the information of which was disclosed by the Company in 2021, had been suspended at the joint request (motion) of the parties, and subsequently, on March 9 and 10, 2022, the parties filed the motions to resume the suspended proceedings, to withdraw the lawsuits and the cassation appeal, and to discontinue all of the proceedings. The parties are awaiting the rulings of the Supreme Court and the Court of Arbitration at the Polish Chamber of Commerce in the above cases. As a consequence, the Arbitration Court at the Polish Chamber of Commerce issued: on March 14, 2022, a decision to discontinue the proceedings (claim) brought by Abener Energia against EC Stalowa Wola, reviewed under the reference file number SA 14/19, and on March 21, 2022, the decision to discontinue the proceedings (claim) brought by EC Stalowa Wola against Abener Energia, reviewed under the reference file number SA 167/19. The Supreme Court issued a decision on the discontinuation of the cassation proceedings on the complaint of EC Stalowa Wola with the participation of Abener Energia on June 2, 2022.

6.2. Transactions with related entities on terms other than at arm's length

All of the transactions with the related entities are concluded at arm's length.

The detailed information on the transactions with the related entities is provided in note 50 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union (EU), for the period of 6 months ended on June 30, 2022.*

6.3. Credit or loan sureties (co-signings) granted and guarantees granted

Credit or loan sureties (co-signings) granted

TAURON, as well as its subsidiaries, had not granted any credit or loan sureties in the first half of 2022.

Guarantees granted

In the first half of 2022, the Company granted TAURON Czech Energy a corporate guarantee worth up to EUR 3 million as a security for the performance of the commercial contracts for the benefit of a third party. The corporate guarantee shall be effective until January 31, 2024.

As of June 30, 2022, the total amount of the sureties (co-signings) and corporate guaranties (bonds) granted by the Company stood at PLN 881 million.

In the first half of 2022, TAURON Zielona Energia granted securities for the trade liabilities of MEGAWATT S.C. towards third parties, i.e.:

1. Sureties in the amount of PLN 108 million, effective until 31 December 2024.
2. Corporate guarantee up to the amount of EUR 64 million, effective until 31 December 2024.

In addition, apart from the guarantees extended by the Company, in the first half of 2022 there were corporate guarantees in place provided by TAURON Ekoenergia for the liabilities of Wind T1 sp. z o.o. (Ltd.) and Polpower

stemming from the commercial contracts. As of June 30, 2022, the amount of these guarantees stood at PLN 18 million.

In the first half of 2022, 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 June 30, 2022, the amount of the bank guarantees in force, issued at the instruction of the Company, stood at PLN 622 million.

In addition, the bank guarantees issued at the request of TAURON Czech Energy were in effect in the first half of 2022 and, as of June 30, 2022, they amounted to PLN 34 million in total.

The detailed information on the guarantees (bonds) granted is provided in note 49 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU), for the period of 6 months ended on June 30, 2022.*

6.4. 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 report, no other events had occurred in the first half of 2022 that would be 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, September 6, 2022

Paweł Szczeszek - President of the Management Board (CEO)

Patryk Demski - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board

Tomasz Szczegielniak - Vice President of the Management Board

Artur Warzocha - Vice President of the Management Board

Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS

The glossary of the trade terms and the list of abbreviations and acronyms most commonly used in this report is presented below.

Table no. 32. Explanation of abbreviations and acronyms as well as trade terms

Abbreviation and trade term	Full name / explanation
1. Abener Energia	Abener Energia S.A. (Joint Stock Company) with its registered office in Campus Palmas Altas (Sevilla).
2. Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
3. ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
4. ARE	Agencja Rynku Energii S.A. (Energy Market Agency) with its registered office in Warsaw.
5. AVAL-1	AVAL-1 sp. z o. o. (Ltd.) with its registered office in Szczecin.
6. BASE (BASE contract)	A baseload contract for the supply of electricity at all hours of the period, for example the BASE contract for March 2022 is related to the supply of the same amount of electricity during all hours of the month of March 2022.
7. Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
8. 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.
9. CCIRS	CCIRS - <i>cross-currency interest rate swap</i> – a 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.
10. Color certificates	Property rights based on the guarantees of origin of electricity (energy certificates) generated in the way that is subject to support, the so-called color certificates: green - guarantees of origin of electricity (energy certificates) from RES, blue - guarantees of origin of electricity (energy certificates) generated from agricultural biogas. white - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) yellow - guarantees of origin of electricity (energy certificates) generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, red - guarantees of origin of electricity (energy certificates) from co-generation (CHP certificates - Combined Heat and Power), violet - guarantees of origin of electricity (energy certificates) 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.
11. 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.
12. SSC (CUW)	Shared Services Center (Centrum Usług Wspólnych - CUW) - separate organizational units responsible for providing a specific range of support services (CUW R – accounting services, CUW HR – human resources services, CUW IT – IT services, CUW Insurance, CUW Protection).
13. EBIT	Earnings Before Interest and Taxes.
14. EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
15. 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)).
16. 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.
17. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
18. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
19. EU ETS	European Union Emission Trading System - European Union's System for the Trading of the CO ₂ Emission Allowances.
20. 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>
21. EUR	Euro - a common European currency introduced in some EU member states
22. Finanse Grupa TAURON	Finanse Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
23. FIZAN	Fundusz Inwestycyjny Zamknięty (Closed-end Investment Fund)

Abbreviation and trade term	Full name / explanation
24. WSE (GPW)	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
25. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
26. GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
27. 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.
28. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
29. KGHM Polska Miedź	KGHM Polska Miedź S.A. (Polish Copper Mining Joint Stock Company) with its registered office in Lubin.
30. KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
31. Marselwind	Marselwind sp. z o.o. (Ltd.) with its registered office in Katowice.
32. Mg	Megagram - million gram (1 000 000 g), i.e. ton.
33. IFRS (MSSF)	International Financial Reporting Standards (Międzynarodowe Standardy Sprawozdawczości Finansowej)
34. NABE	National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego)
35. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
36. Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Jaworzno.
37. Line of Business (Segment)	Seven areas (lines of business, segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
38. OPEC	Organization of the Petroleum Exporting Countries with its registered office in Vienna.
39. DSO (OSD)	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD)
40. TSO (OSP)	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
41. OTC (OTC market)	Over The Counter Market – European OTC market.
42. RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
43. PEAK (PEAK contract)	Peak contract for the supply of electricity during business hours (8-22) on business days, for example 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.
44. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
45. PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its registered office in Warsaw.
46. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
47. PGK	Tax Capital Group (Podatkowa Grupa Kapitałowa – PGK).
48. PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Joint Stock Company) with its registered office in Warsaw.
49. GDP (PKB)	Gross Domestic Product (Produkt Krajowy Brutto).
50. PLN	Polish zloty currency symbol – zł (PLN)
51. PMEF	Property rights related to the energy efficiency certificates
52. PMOZE	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES before March 1, 2009.
53. PMOZE_A	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES after March 1, 2009.
54. PMOZE-BIO	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity from agricultural biogas from July 1, 2016
55. PSE	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna.
56. RB	Balancing Market (Rynek Bilansujący) - technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
57. RDB	Intraday Market - a market operating on the POLPX TGE), where trading is carried out in a continuous trading formula, 24 hours a day. Instruments with delivery on the next day are traded, with their trading starting at 14:00 the day before the delivery and gradually exiting the market one hour before the start of the delivery.

Abbreviation and trade term	Full name / explanation
58. RDN	Day Ahead Market - a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
59. RDNg	Day Ahead Gas Market - a market operating on the POLPX (TGE), where trading is carried out every day and is conducted in the continuous trading system.
60. SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
61. 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.
62. SLA	Service Level Agreement -an agreement with a guaranteed quality level of the service provision.
63. 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.
64. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
65. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
66. Strategy	Document entitled TAURON Group's Strategy for 2016-2025 adopted by the Management Board on September 2, 2016, which is supplemented by the Update of Strategic Directions in the TAURON Group's Strategy for 2016-2025, adopted by the TAURON Management Board on May 27, 2019.
67. Talia	Talia sp. z o.o. (Ltd.) with its registered office in Łebcz
68. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
69. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
70. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
71. TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
72. TAURON Dystrybucja Pomiary	TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.) with its registered office in Tarnów.
73. TAURON Ekoenergia	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
74. 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.
75. TAURON Serwis	TAURON Serwis sp. z o.o. (Ltd.) with its registered office in Katowice.
76. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
77. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
78. TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
79. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
80. TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice.
81. TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange – POLPX) with its registered office in Warsaw.
82. TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
83. EU (UE)	European Union (Unia Europejska - UE)
84. UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów – UOKiK)
85. Unbundling	Separation of the operations with respect to transmission or distribution of electricity from the operations that involve the production and delivery (supply) of this electricity to the final consumers.
86. ERO (URE)	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
87. USA	United States of America.
88. USD	United States Dollar - US dollar's international acronym
89. Wind T1	Wind T1 sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
90. Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.
91. GM (WZ/ZW)	General Meeting (GM) / Shareholders' (Partners') Meeting (Walne Zgromadzenie – WZ / Zgromadzenie Wspólników - ZW)

Abbreviation and trade term	Full name / explanation
92. ZG	Coal Mine (Zakład Górniczy - ZG) (Janina Coal Mine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

Appendix B: INDEX OF TABLES AND FIGURES

The list of tables and figures presented in this report is provided below.

Index of tables

Table no. 1.	List of material joint subsidiaries (co-subsidiaries) as of June 30, 2022	7
Table no. 2.	Key strategic investment (CAPEX) projects' work progress in the half of 2022 and by the date of drawing up this report.....	12
Table no. 3.	The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first half of 2022	15
Table no. 4.	Internal factors impacting the operations and the earnings of the Company and TAURON Capital Group in the first half of 2022	21
Table no. 5.	Volumes of Poland's electricity consumption, production and imports as well as the average electricity prices on the SPOT market in Poland and in the neighboring countries in the first half of 2021 and in the first half of 2022	22
Table no. 6.	Most important changes in the regulatory environment of TAURON Capital Group in the first half of 2022 with respect to the adopted and published legislative acts	28
Table no. 7.	The most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first half of 2022	30
Table no. 8.	Installed capacity, generation, distribution and supply of electricity by energy groups in the first quarter of 2022	35
Table no. 9.	Sources of competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations).....	35
Table no. 10.	Factors that will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter	36
Table no. 11.	Key data on the employment level (headcount) at TAURON and TAURON Capital Group as of December 31, 2021, and June 30, 2022	38
Table no. 12.	Risks in the individual operating Segments	41
Table no. 13.	Most material risk categories identified for TAURON Capital Group.....	43
Table no. 14.	Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.	53
Table no. 15.	Key operating data posted by TAURON Capital Group in the first half of 2021 and in the first half of 2022	54
Table no. 16.	TAURON Capital Group's sales volumes and structure broken down into the individual Segments of operations (lines of business) in the first half of 2021 and in the first half of 2022.....	55
Table no. 17.	Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2021, and as of June 30, 2022.....	56
Table no. 18.	TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first half of 2021 and for the first half of 2022.....	57
Table no. 19.	TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first half of 2021 and in the first half of 2022	60
Table no. 20.	Mining Segment's results for the first half of 2021 and for the first half of 2022	61
Table no. 21.	Generation Segment's results for the first half of 2021 and for the first half of 2022	61
Table no. 22.	RES Segment's results for the first half of 2021 and for the first half of 2022.....	63
Table no. 23.	Distribution Segment's results for the first half of 2021 and for the first half of 2022	64
Table no. 24.	Supply Segment's results for the first half of 2021 and for the first half of 2022	65
Table no. 25.	Other Operations Segment's results for the first half of 2021 and for the first half of 2022.....	66
Table no. 26.	Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2021 and as of June 30, 2022.....	67
Table no. 27.	Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2021 and as of June 30, 2022.....	69
Table no. 28.	Interim abbreviated cash flow statement for the first half of 2021 and for the first half of 2022.....	71
Table no. 29.	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 June 30, 2022 and as of the date of drawing up this report	74
Table no. 30.	Company's shares or the rights thereto held by the Members of the Company's Management Board as of the date of drawing up this report	74
Table no. 31.	Summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the first half of 2022	76
Table no. 32.	Explanation of abbreviations and acronyms as well as trade terms	81

Index of figures

Figure no. 1. TAURON Capital Group	3
Figure no. 2. Location of TAURON Capital Group's key assets	4
Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of June 30, 2022	5
Figure no. 4. Average monthly electricity prices on the SPOT and RB markets, as well as the average temperatures in 2021 and in the first half of 2022	23
Figure no. 5. BASE Y-23 contract trading volume and price performance in 2021 and in the first half of 2022	23
Figure no. 6. Average monthly SPOT market and BASE_Y-23 contract gas prices on TGE (PPX)	25
Figure no. 7. Impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2021 and in the first half of 2022.....	26
Figure no. 8. Property rights indices	27
Figure no. 9. TAURON Capital Group's competitive environment (landscape) based on the available data for 2021 ..	32
Figure no. 10. EBITDA - estimated structure based on the main operating segments in 2021 ¹	33
Figure no. 11. Gross electricity production - estimated market shares in the first quarter of 2022	34
Figure no. 12. Installed capacity - estimated market shares in the first quarter of 2022	34
Figure no. 13. Electricity distribution - estimated market shares in the first quarter of 2022	34
Figure no. 14. Electricity supply to the final consumers - estimated market shares in the first quarter of 2022	35
Figure no. 15. TAURON's average headcount in FTEs in 2021 and in the first half of 2022	37
Figure no. 16. TAURON Capital Group's average headcounts in FTEs per Segment of operations in 2021 and in the first half of 2022 based on FTEs.....	37
Figure no. 17. Basic classification of the enterprise risk	40
Figure no. 18. Links between the individual roles in the context of the ERM Strategy and the documents regulating the ERM System.....	40
Figure no. 19. TAURON Capital Group's financial results for the first half of 2021 and for the first half of 2022	58
Figure no. 20. TAURON Capital Group's sales revenue in the first half of 2021 and in the first half of 2022	58
Figure no. 21. TAURON Capital Group's financial results and the level of the margins realized in the first half of 2021 and in the first half of 2022	60
Figure no. 22. TAURON Capital Group's EBITDA structure in the first half of 2021 and in the first half of 2022.....	60
Figure no. 23. Mining Segment's financial data for the first half of 2021 and for the first half of 2022	61
Figure no. 24. Mining Segment's EBITDA, including the material factors impacting the change year on year	61
Figure no. 25. Generation Segment's financial data for the first half of 2021 and for the first half of 2022	63
Figure no. 26. Generation Segment's EBITDA, including the material factors impacting the change year on year	63
Figure no. 27. RES Segment's financial data for the first half of 2021 and for the first half of 2022	64
Figure no. 28. RES Segment's EBITDA, including the material factors impacting the change year on year	64
Figure no. 29. Distribution Segment's financial data for the first half of 2021 and for the first half of 2022	65
Figure no. 30. Distribution Segment's EBITDA, including the material factors impacting the change year on year	65
Figure no. 31. Supply Segment's financial data for the first half of 2021 and for the first half of 2022	66
Figure no. 32. Supply Segment's EBITDA, including the material factors impacting the change year on year	66
Figure no. 33. Other Operations Segment's financial data for the first half of 2021 and for the first half of 2022	67
Figure no. 34. Change in assets as of December 31, 2021, and as of June 30, 2022.....	67
Figure no. 35. Change in current assets as of December 31, 2021, and as of June 30, 2022.....	68
Figure no. 36. Change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of June 30, 2022	69
Figure no. 37. Change in equity attributable to majority shareholders as of December 31, 2021 and as of June 30, 2022	69
Figure no. 38. Change in long term liabilities as of December 31, 2021, and as of June 30, 2022.....	70
Figure no. 39. Change in short term liabilities as of December 31, 2021, and as of June 30, 2022.....	70
Figure no. 40. Cash flows in the first half of 2021 and in the first half of 2022	72
Figure no. 41. Current liquidity ratio and the net financial debt to EBITDA ratio in the first half of 2021 and in the first half of 2022.....	73
Figure no. 42. Shareholding structure as of June 30, 2022 and as of the date of drawing up this report.....	74