



TAURON

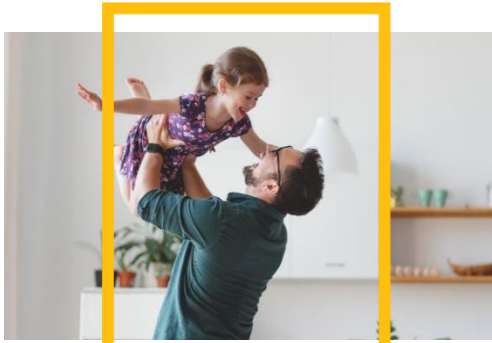


EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A.
Capital Group for Q1 2022

May 2022

TAURON.PL



QUARTERLY FINANCIAL INFORMATION

for the 3-month period
ended 31 March 2022

TAURON Polska Energia S.A.

**Quarterly financial information
for the 3-month period ended 31 March 2022**

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INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Sales revenue	3	8 853	4 448
Cost of sales	4	(8 755)	(4 362)
Profit on sale		98	86
Selling and distribution expenses	4	(7)	(5)
Administrative expenses	4	(27)	(22)
Other operating income and expenses		(2)	-
Operating profit		62	59
Interest income on loans	5	68	56
Interest expense on debt	5	(115)	(81)
Revaluation of loans	5	(18)	(240)
Other finance income and costs	5	(41)	(43)
Loss before tax		(44)	(249)
Income tax expense		33	(37)
Net loss		(11)	(286)
Measurement of hedging instruments		159	119
Income tax expense		(30)	(11)
Other comprehensive income subject to reclassification to profit or loss, net		129	108
Total comprehensive income		118	(178)
Loss per share (in PLN):			
- basic and diluted, for net loss		(0.01)	(0.16)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
ASSETS			
Non-current assets			
Investment property		22	24
Right-of-use assets		18	22
Shares	6	20 566	20 559
Loans granted	7	6 086	5 936
Derivative instruments		554	532
Other non-financial assets		11	14
		27 257	27 087
Current assets			
Inventories		54	51
Receivables from buyers		1 889	2 495
Income tax receivables		436	373
Loans granted	7	787	445
Derivative instruments		628	465
Other financial assets		91	70
Other non-financial assets		9	54
Cash and cash equivalents	8	935	440
		4 829	4 393
TOTAL ASSETS		32 086	31 480
EQUITY AND LIABILITIES			
Equity			
Issued capital		8 763	8 763
Reserve capital		2 749	2 749
Revaluation reserve from valuation of hedging instruments		428	299
Retained earnings / (Accumulated losses)		279	290
		12 219	12 101
Non-current liabilities			
Debt	9	10 698	9 801
Derivative instruments		41	116
Other financial liabilities		8	11
Other non-financial liabilities		85	113
Deferred tax liabilities		37	45
Provision for the onerous contract	11	23	154
Other provisions, accruals, deferred income and government grants		4	5
		10 896	10 245
Current liabilities			
Debt	9	6 055	4 669
Liabilities to suppliers		1 074	1 745
Liabilities due to acquisition of shares in the subsidiary	10	-	1 061
Derivative instruments		449	379
Other financial liabilities		571	493
Other non-financial liabilities		611	701
Provision for the onerous contract	11	191	68
Other provisions, accruals, deferred income and government grants		20	18
		8 971	9 134
Total liabilities		19 867	19 379
TOTAL EQUITY AND LIABILITIES		32 086	31 480

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

3-MONTH PERIOD ENDED 31 MARCH 2022 (unaudited)

	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
Net loss	-	-	-	(11)	(11)
Other comprehensive income	-	-	129	-	129
Total comprehensive income	-	-	129	(11)	118
As at 31 March 2022 (unaudited)	8 763	2 749	428	279	12 219

3-MONTH PERIOD ENDED 31 MARCH 2021 (unaudited)

	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2021	8 763	6 339	(79)	(3 561)	11 462
Net loss	-	-	-	(286)	(286)
Other comprehensive income	-	-	108	-	108
Total comprehensive income	-	-	108	(286)	(178)
As at 31 March 2021 (unaudited)	8 763	6 339	29	(3 847)	11 284

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Loss before tax		(44)	(249)
Depreciation and amortization		4	4
Interest		45	34
Impairment losses on shares		-	11
Impairment losses on loans		18	240
Exchange differences		48	39
Other adjustments of profit before tax		(18)	50
Change in working capital		(85)	843
Income tax paid		(67)	(2)
Net cash from operating activities		(99)	970
Cash flows from investing activities			
Purchase of shares in the subsidiary		(1 061)	-
Loans granted		(169)	(638)
Purchase of shares		(7)	(11)
Other		(1)	-
Total payments		(1 238)	(649)
Interest received from loans granted		36	29
Repayment of loans granted		1	11
Sale of shares		-	53
Total proceeds		37	93
Net cash from investing activities		(1 201)	(556)
Cash flows from financing activities			
Repayment of loans		(1 185)	(735)
Interest paid		(30)	(19)
Commission paid		(8)	(8)
Payment of lease liabilities		(2)	(2)
Total payments		(1 225)	(764)
Contracted loans		3 796	300
Total proceeds		3 796	300
Net cash from financing activities		2 571	(464)
Net increase / (decrease) in cash and cash equivalents		1 271	(50)
Net foreign exchange difference		(2)	1
Cash and cash equivalents at the beginning of the period	8	(2 163)	(743)
Cash and cash equivalents at the end of the period, of which:	8	(892)	(793)
restricted cash	8	214	148

SELECTED EXPLANATORY INFORMATION

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

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

The quarterly financial information was prepared using the same accounting policies as those applied in 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 amendments to the standards which came into force on 1 January 2022 (described in Note 8 to the interim condensed consolidated financial statements for the 3-month period ended 31 March 2022), the introduction of which in the opinion of the Management Board had no material impact on the accounting policies applied by the Company to date.

2. Material values changes based on professional judgement and estimates

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

3. Sales revenue

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Revenue from sales of goods for resale and materials	8 762	4 050
Electricity	6 299	2 908
CO ₂ emission allowances	2 099	1 013
Gas	361	126
Other	3	3
Rendering of services	91	94
Capacity market	53	49
Trade services	31	37
Other	7	8
Total revenue from contracts with customers	8 853	4 144
Restructuration in the portfolio of CO ₂ emission allowances	-	304
Total sales revenue	8 853	4 448

In the 3-month period ended 31 March 2022, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following products, goods and services:

- Electricity - the increase in revenue by the amount of PLN 3 391 million is mainly attributable to sales contracted in the forward market of electricity and sales in the SPOT market in a 11% higher volume at a price simultaneously higher by 95%, on average. The increase in the volume is the result of sales of a higher volume of electricity to generation companies 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 in 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 the first quarter of 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 1 086 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, revenues 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 since mid-2021 and the resulting surplus of allowances acquired over the redemption needs for 2021, a part of the resulting surplus of 1 717 000 EUAs was allocated for the redemption purposes of another Group installation for 2022. Considering the rationality of matching the delivery time of allowances and the cash expenditure, in the 3-month period ended 31 March 2022 the Company made a decision and sold the aforementioned volume of allowances and simultaneously bought back this volume in the EUA MAR'23 forward product for the purpose of redemption of allowances for 2022. The revenue from contracts with customers for the sale of the aforementioned allowances amounted to PLN 604 million. The transaction is one-off and incidental in nature and is a direct result of an unplanned, one-off event such as the failure of the 910 MW unit. In the Company's opinion, the transaction is excluded from the scope of IFRS 9 *Financial Instruments*.
- in the comparable period, i.e. 3-month period ended 31 March 2021, as part of its efforts to manage the surplus of 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, which resulted in the recognition of revenue from contract with customers in the amount of PLN 135 million.

As a part of the restructuring of 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 rolling 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 sales revenue and the operating result in the amount of PLN 304 million.

- Gas - an increase in the revenue by the amount of PLN 235 million is mainly attributable to the sales of a volume lower by an average of 8% while prices increased by an average of 210%.

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 3-month period ended 31 March 2022, the value of fuels purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 408 million. The Company recognised revenue of PLN 9 million on account of the agency service.

4. Costs by type

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Capacity Market	(53)	(48)
Employee benefits expense	(24)	(23)
Other external services	(13)	(10)
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(4)	(4)
Advertising expenses	(5)	(2)
Allowance for expected credit losses on receivables from customers	(1)	5
Other costs by type	-	(1)
Total costs by type	(100)	(83)
Selling and distribution expenses	7	5
Administrative expenses	27	22
Value of goods and materials sold	(8 689)	(4 306)
Cost of sales	(8 755)	(4 362)

In the 3-month period ended 31 March 2022, in relation to the comparative period, the value of goods and materials sold increased, which was mainly affected by:

- an increase in the cost of electricity purchase by PLN 3 297 million, which results from the purchase of the 11% higher volume of electricity at 89% higher average electricity purchase prices. The increase 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 fulfilment of the contracts concluded by Nowe Jaworzno Grupa TAURON Sp. z o.o., the Company purchased electricity for its needs;

TAURON Polska Energia S.A.
Quarterly Financial Information for the 3-month period ended 31 March 2022
(in PLN million)

- in connection with higher revenues 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 the level of PLN 74 million (the resold CO2 emission allowances was amounted to PLN 1 011 million in the comparable period);
- in connection with the restructuring of CO2 emission allowances in the portfolio of the subsidiary Nowe Jaworzno Grupa TAURON Sp. z o.o., in the current period, the costs of creating provisions for onerous contracts were recognised at a level of PLN 64 million (PLN 235 million in the comparative period), as described in more detail in Note 11 to this quarterly financial information.

5. Financial revenues and costs

	3-month period ended 31 March 2022	3-month period ended 31 March 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest income on loans	68	56
Interest expense	(115)	(81)
Revaluation of loans	(18)	(240)
Other finance income and costs, of which:	(41)	(43)
Gain/(loss) on derivative instruments	28	5
Commissions due to external financing	(6)	(5)
Exchange differences	(64)	(36)
Other finance income	6	8
Other finance costs	(5)	(15)
Total, of which:	(106)	(308)
Income and costs from financial instruments	(107)	(306)
Other finance income and costs	1	(2)

6. Shares

No.	Company	As at 31 March 2022 <i>(unaudited)</i>			As at 31 December 2021		
		Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
Consolidated subsidiaries							
1	TAURON Wydobycie S.A.	1 342	(1 342)	-	1 342	(1 342)	-
2	TAURON Wytwarzanie S.A.	7 866	(7 830)	36	7 866	(7 830)	36
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	6 578	(1 764)	4 814	6 578	(1 764)	4 814
4	TAURON Ciepło Sp. z o.o.	1 928	(1 224)	704	1 928	(1 224)	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	(24)	4	28	(24)	4
15	Pozostałe	7	-	7	7	-	7
Joint ventures							
16	TAMEH HOLDING Sp. z o.o.	416	-	416	416	-	416
Entities measured at fair value							
17	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna	4	-	4	4	-	4
18	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna	44	-	44	37	-	37
19	Pozostałe	10	-	10	10	-	10
	Total	32 840	(12 274)	20 566	32 833	(12 274)	20 559

Impairment tests

As at the balance sheet date, the analysis was performed of changes in the prices of electricity, raw materials and CO₂ emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests.

The analysis performed indicated an increase in the prices of electricity, raw materials and CO₂ emission allowances in the 3-month period ended 31 March 2022 compared to the average prices of the aforementioned products in the last quarter of 2021. In particular:

- the price of CO₂ emission allowances increased by approximately 21.4% compared to the average price in the fourth quarter of 2021, which resulted, among others, from the limited supply due to the operation of the Market Stabilisation Reserve (MSR) mechanism, the high demand for EUA units in connection with high gas prices and the announced changes aimed at adapting the EU ETS to the new and more ambitious climate and energy policy of the European Union, known as "Fit for 55". A short-term decline in prices of CO₂ associated with the outbreak of the war in Ukraine did not disrupt the price trend or the work on the EU ETS reform;
- the average price of the reference annual natural gas contract listed on TGE S.A. was 65.4% higher than the price in the fourth quarter of 2021. The main factor behind these sharp increases in the first quarter of 2022 was the invasion of the Russian Federation on the Ukraine. It resulted in the imposition of sanctions on the Russian Federation and concerns about gas flows from the Russian Federation to the European countries which, combined with low storage fill levels, triggered enormous uncertainty in the market and higher price levels;
- the average price of coal on the ARA exchange for the annual continuation contract was 22% higher compared to the average price of this contract in the fourth quarter of 2021. As in the case of natural gas, high coal prices were predominantly influenced by the tensions between the Russian Federation and Ukraine, which created additional supply uncertainty. Following the aggression of the Russian Federation against Ukraine, although Russian coal producers were not included in the sanction list announced in late February 2022 by the USA and despite the failure to impose sanctions by EU member states and the United Kingdom, most buyers were afraid of buying Russian coal regardless of its availability;
- the average price of electricity on the forward market in Poland increased by approximately 34.6% compared to the fourth quarter of 2021. This change was in line with the developments in the prices of raw materials and CO₂ emission allowances. In addition, prices in Poland were supported by high levels of electricity prices in Western and Southern Europe, which maintained electricity exports per balance to the neighbouring countries.

Despite the above-mentioned material changes in market factors, following the analysis of observed market and regulatory developments, it was concluded that they are of a dynamic nature and it is hard to estimate its long-term impact and therefore do not affect the need to change the long-term forecasts relative to, which were concluded in impairment test carried out as at 31 December 2021. For this reason, the results of the most recent impairment tests of shares in subsidiaries and analyses in the scope of valuation of loans conducted as at 31 December 2021 are deemed valid.

The impairment tests carried out as at 31 December 2021, including the key assumptions adopted in the scope of tests are described in Note 10 to the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2021.

Test results

The result of the impairment tests conducted in compliance with IAS 36 *Impairment of Assets* as at 31 December 2021 indicated impairment of the carrying amount of shares of Nowe Jaworzno Grupa and TAURON Sp. z o.o. The analyses conducted also showed the legitimacy of the reversal of the impairment loss on the shares in TAURON Ekoenergia Sp. z o.o.

Company	WACC* assumed in tests as at			Recoverable amount of shares, intra-group loans	The amount of the recognized impairment losses on shares	The amount of the reversed impairment losses on shares
	31 December 2021	30 June 2021 (unaudited)	31 December 2020			
Nowe Jaworzno Grupa TAURON Sp. z o.o.	8.96%	8.23%	8.52%	As at 31 December 2021 4 814	Year ended 31 December 2021 (1 764)	-
TAURON Ekoenergia Sp. z o.o.	6.43%	6.45%	6.58%	2 094	-	376
Total					(1 764)	376

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

7. Loans granted

	As at 31 March 2022 (unaudited)			As at 31 December 2021		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost						
Loans granted to subsidiaries	6 415	(95)	6 320	6 335	(83)	6 252
Loans granted to EC Stalowa Wola S.A.	149	(8)	141	28	(3)	25
Loans granted under cash pool agreement	346	(8)	338	30	-	30
Loans measured at fair value						
Loans granted to EC Stalowa Wola S.A.	74	n.a.	74	74	n.a.	74
Total	6 984	(111)	6 873	6 467	(86)	6 381
Non-current	6 183	(97)	6 086	6 015	(79)	5 936
Current	801	(14)	787	452	(7)	445

Loans granted to subsidiaries

Company	As at 31 March 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
TAURON Dystrybucja S.A.	4 148	4 129	(11)	4 118	4 125	4 105	(10)	4 095
TAURON Wydobycie S.A.	3 754	-	-	-	3 663	-	-	-
TAURON Ciepło Sp. z o.o.	980	979	(6)	973	981	981	(6)	975
TAURON Wytwarzanie S.A.	905	905	(76)	829	905	905	(66)	839
TAURON Ekoenergia Sp. z o.o.	160	156	(1)	155	160	155	(1)	154
WIND T1 Sp. z o.o.	139	139	-	139	131	131	-	131
Other	107	107	(1)	106	58	58	-	58
Total	10 193	6 415	(95)	6 320	10 023	6 335	(83)	6 252
Non-current		5 960	(89)	5 871		5 913	(76)	5 837
Current		455	(6)	449		422	(7)	415

Loans granted to joint ventures

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

	As at 31 March 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	416	74	n.a.	74	409	74	n.a.	74		
Loans measured at amortized cost	237	149	(8)	141	116	28	(3)	25	30.06.2033	fixed
Total, of which:	653	223	(8)	215	525	102	(3)	99		
Non-current		223	(8)	215		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.

8. Cash and cash equivalents

	As at 31 March 2022 (<i>unaudited</i>)	As at 31 December 2021
Cash at bank and in hand	935	440
Total cash and cash equivalents presented in the statement of financial position, including:	935	440
restricted cash, including:	214	159
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	170	156
cash on VAT bank accounts (split payment)	44	3
Cash pool	(1 829)	(2 603)
Foreign exchange	2	-
Total cash and cash equivalents presented in the statement of cash flows	(892)	(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.

9. Debt liabilities

	As at 31 March 2022 (<i>unaudited</i>)			As at 31 December 2021		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Unsubordinated bonds	4 404	236	4 640	4 377	201	4 578
Subordinated bonds	1 971	35	2 006	1 967	5	1 972
Bank loans	3 536	3 590	7 126	2 676	1 819	4 495
Loans from the subsidiary	775	10	785	766	2	768
Cash pool loans received	-	2 175	2 175	-	2 632	2 632
Lease	12	9	21	15	10	25
Total	10 698	6 055	16 753	9 801	4 669	14 470

Bonds issued

Investor	Interest rate	Currency	As at 31 March 2022 (<i>unaudited</i>)			As at 31 December 2021		
			Bonds issued at nominal value in currency	Maturity date	Carrying amount	Bonds issued at nominal value in currency	Maturity date	Carrying amount
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	700	2022-2028	707	700	2022-2028	700
			560	2022-2029	568	560	2022-2029	560
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	30.10.2025	1 008	1 000	30.10.2025	1 002
Eurobonds	fixed	EUR	500	5.07.2027	2 357	500	5.07.2027	2 316
Unsubordinated bonds					4 640			4 578
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	29.03.2031 ²	407	400	29.03.2031 ²	401
European Investment Bank	fixed ¹	EUR	190	16.12.2034 ²	865	190	16.12.2034 ²	847
		PLN	400	17.12.2030 ²	392	400	17.12.2030 ²	386
		PLN	350	19.12.2030 ²	342	350	19.12.2030 ²	338
Subordinated bonds					2 006			1 972
Total bonds					6 646			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.

TAURON Polska Energia S.A.
Quarterly Financial Information for the 3-month period ended 31 March 2022
(in PLN million)

Bank loans

Borrowing institution	Purpose	Interest rate	Currency	Maturity date	As at 31 March 2022 (unaudited)	As at 31 December 2021
				17.01.2022	-	300
				20.01.2022	-	400
				24.01.2022	-	350
				31.01.2022	-	650
Consortium of banks I ¹	Redemption of bonds, investment and Group's general expenditures	floating	PLN	21.04.2022	300	-
				24.05.2022	1 005	-
				30.05.2022	251	-
				03.06.2022	151	-
				22.06.2022	501	-
				22.09.2022	501	-
				26.09.2022	750	-
				Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	floating
European Investment Bank	Modernization and extension of power grid	fixed	PLN	15.06.2024	101	100
				15.09.2024	45	54
				15.09.2024	56	68
				15.03.2027	146	162
	Modernization of power grid	floating	PLN	24.02.2040	803	-
Intesa Sanpaolo S.p.A.	Group's investment expenditure, except for financing or refinancing projects related to coal assets	floating	PLN	19.12.2024	752	752
SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	fixed	PLN	23.03.2025	499	499
Consortium of banks II ²	Group's general corporate expenses, excluding financing of any new coal assets-related projects	floating	PLN	12.09.2022 ³	161	161
Erste Group Bank AG	Financing of investment in renewable energy sources	floating	PLN	15.12.2026	96	-
Total					7 126	4 495

¹ As at the date these quarterly financial information was authorised for publication 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 As at the date these quarterly financial information was authorised for publication 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 period of 3-month ended 31 March 2022, the Company performed the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

TAURON Polska Energia S.A.
Quarterly Financial Information for the 3-month period ended 31 March 2022
(in PLN million)

Lender	Description	3-month period ended 31 March 2022 (unaudited)	
		Drawdown	Repayment
Erste Group Bank AG	Under the loan agreement for PLN 500 million, on 16 February 2022, the Company drew down PLN 96 million.	96	-
European Investment Bank	Under the loan agreement for PLN 2 800 million, on 24 February 2022, the Company drew down PLN 800 million.	800	-
	Repayment of capital instalments according to schedule	-	(35)
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to maturity date	6 800	(5 050)
Consortium of banks II	Drawdown of new tranches and repayment of tranches according to maturity date	160	(160)
Total, including:		7 856	(5 245)
Cash flows		3 796	(1 185)
Net settlement (without cash flow)		4 060	(4 060)

After the balance-sheet date the Company performed drawdowns under available loans in the total amount of PLN 400 million and repaid tranches in the total amount of PLN 300 million.

Loans from the subsidiary

The liability of the Company amounting to PLN 785 million (EUR 169 million) as at 31 March 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.

10. 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.

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.

11. Provision for onerous contract

	3-month period ended 31 March 2022 (unaudited)		3-month period ended 31 March 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	2	2	3	-	3
Recognition/(Reversal) net	64	64	16	235	251
Utilisation	(74)	(74)	(96)	-	(96)
Closing balance	214	214	1 033	235	1 268
Non-current	23	23	802	165	967
Current	191	191	231	70	301

Provision for agreements for the sale of CO₂ emission allowances

As at 31 March 2022, the Company recognised the provisions for onerous contracts in amount of PLN 214 million since, based on the transaction agreements concluded with the subsidiaries, the unavoidable costs of fulfilment of the obligation to deliver CO₂ emission allowances to subsidiaries outweigh the benefits to be received under these agreements. The provision is a consequence of the transactions performed in 2022 and 2021 concerning the surplus in the portfolio of CO₂ emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., in connection with the failure of the 910 MW unit:

- in the 3-month period ended 31 March 2022, the Company sold a surplus of CO₂ emission allowances over the needs for redemption purposes in the amount of 1 717 000 EUAs and simultaneously bought back this volume in the EUA MAR'23 forward product for the purpose of redemption of allowances for 2022. The repurchase of the volume in the EUA MAR'23 forward product was at prices higher than the average price of allowances sold, and as a result, the costs of purchasing these CO₂ emission allowances exceed the Company's expected revenues from their sale to a subsidiary. As a result of the above, the Company recognised a provision for onerous contracts in the amount of PLN 51 million;
- in the 3-month period ended 31 March 2021, the Company rolled over contracts with the delivery date in March 2021 with the simultaneous conclusion of 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, and as a result the costs of purchasing these CO₂ emission allowances exceeds the expected revenue of the Company from their sale to the subsidiary. As a result of above, the Company recognised the provision for onerous contracts which amounted to PLN 222 million as at 31 December 2021. In the 3-month period ended 31 March 2022, the Company partly utilised the provision in amount of PLN 74 million, in connection with the purchase of contracts with the delivery date in March 2022 and the loss generated on the resale of allowances to a subsidiary, and also updated the value of the provision, which as at 31 March 2022 amounted to PLN 163 million, which had impact on charging PLN 13 million to operating expenses.

12. Other material information

Recommendation of the Management Board of TAURON Polska Energia S.A. concerning abstention from payment of the dividend from the profit for 2021

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.

Katowice, 23 May 2022

Paweł Szczeszek - President of the Management Board

Patryk Demski - Vice-President of the Management Board

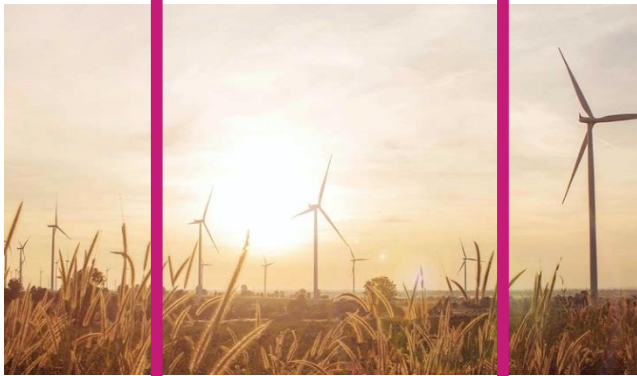
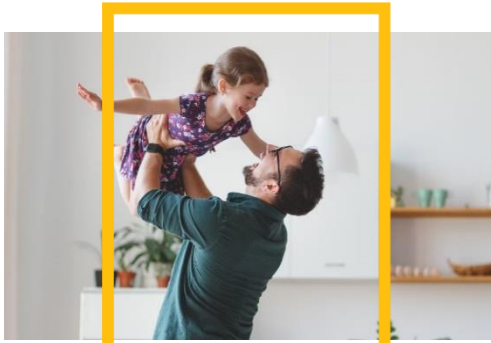
Artur Michałowski - Vice-President of the Management Board

Krzysztof Surma - Vice-President of the Management Board

Jerzy Topolski – Vice-President of the Management Board

Artur Warzocha - Vice-President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

compliant with the
International Financial Reporting Standards
approved by the European Union
for the 3-month period ended 31 March 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 3-month period ended 31 March 2022**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Sales revenue	11	9 813	6 445
Cost of sales	12	(8 114)	(5 002)
Profit on sale		1 699	1 443
Selling and distribution expenses	12	(138)	(117)
Administrative expenses	12	(170)	(149)
Other operating income and expenses		-	16
Share in profit/(loss) of joint ventures	20	27	19
Operating profit		1 418	1 212
Interest expense on debt	13	(111)	(91)
Finance income and other finance costs	13	(35)	(24)
Profit before tax		1 272	1 097
Income tax expense	14	(371)	(246)
Net profit		901	851
Measurement of hedging instruments	30.4	159	119
Foreign exchange differences from translation of foreign entity		9	5
Income tax	14	(30)	(23)
Other comprehensive income to be reclassified in the financial result		138	101
Actuarial gains	32	1	5
Income tax	14	-	(1)
Other comprehensive income not to be reclassified in the financial result		1	4
Other comprehensive income, net of tax		139	105
Total comprehensive income		1 040	956
Net profit:			
Attributable to equity holders of the Parent		900	839
Attributable to non-controlling interests		1	12
Total comprehensive income:			
Attributable to equity holders of the Parent		1 039	944
Attributable to non-controlling interests		1	12
Basic and diluted earnings per share (in PLN):		0.51	0.48

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 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	15	29 265	29 174
Right-of-use assets	16	1 945	1 946
Goodwill	17	26	26
Energy certificates and CO ₂ emission allowances for surrender	18.1	-	444
Other intangible assets	19	551	540
Investments in joint ventures	20	631	597
Loans granted to joint ventures	21	215	99
Derivative instruments	22	554	532
Other financial assets	23	227	215
Other non-financial assets	24.1	173	159
Deferred tax assets	25	858	123
		34 445	33 855
Current assets			
Energy certificates and CO ₂ emission allowances for surrender	18.2	970	157
Inventories	26	524	543
Receivables from buyers	27	3 945	3 322
Income tax receivables	40	515	415
Receivables arising from other taxes and charges	28	576	292
Derivative instruments	22	628	465
Other financial assets	23	112	89
Other non-financial assets	24.2	152	112
Cash and cash equivalents	29	1 272	815
Assets classified as held for sale		9	10
		8 703	6 220
TOTAL ASSETS		43 148	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 31 March 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	2 749	2 749
Revaluation reserve from valuation of hedging instruments	30.4	428	299
Foreign exchange differences from translation of foreign entities		52	43
Retained earnings/(Accumulated losses)	30.5	5 538	4 637
		17 530	16 491
Non-controlling interests			
	30.6	34	33
Total equity		17 564	16 524
Non-current liabilities			
Debt	31	11 810	10 947
Provisions for employee benefits	32	803	789
Provisions for disassembly of fixed assets, land restoration and other provisions	33	425	436
Accruals, deferred income and government grants	36	574	568
Deferred tax liabilities	25	1 488	741
Derivative instruments	22	41	116
Other financial liabilities	42	27	33
Other non-financial liabilities		1	4
		15 169	13 634
Current liabilities			
Debt	31	3 991	2 143
Liabilities to suppliers	37	1 622	1 242
Liabilities due to the acquisition of non-controlling interests	38	-	1 061
Capital commitments	39	308	616
Provisions for employee benefits	32	94	104
Provisions for liabilities due to energy certificates and CO ₂ emission allowances	34	1 515	1 890
Other provisions	35	378	619
Accruals, deferred income and government grants	36	260	177
Income tax liabilities	40	129	4
Liabilities arising from other taxes and charges	41	499	629
Derivative instruments	22	449	379
Other financial liabilities	42	450	483
Other non-financial liabilities	43	720	570
		10 415	9 917
Total liabilities		25 584	23 551
TOTAL EQUITY AND LIABILITIES		43 148	40 075

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

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 3-month period ended 31 March 2022
compliant with the IFRS approved by the EU
(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3-MONTH PERIOD ENDED 31 March 2022 (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 2022	8 763	2 749	299	43	4 637	16 491	33	16 524
Net profit	-	-	-	-	900	900	1	901
Other comprehensive income	-	-	129	9	1	139	-	139
Total comprehensive income	-	-	129	9	901	1 039	1	1 040
As at 31 March 2022 (unaudited)	8 763	2 749	428	52	5 538	17 530	34	17 564

3-MONTH PERIOD ENDED 31 March 2021 (unaudited)

	Equity attributable to the equity holders of the Parent					Total	Non-controlling interests	Total equity
	Issued capital	Reserve capital	Revaluation reserve 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
Net profit	-	-	-	-	839	839	12	851
Other comprehensive income	-	-	96	5	4	105	-	105
Total comprehensive income	-	-	96	5	843	944	12	956
As at 31 March 2021 (unaudited)	8 763	6 339	28	32	1 616	16 778	905	17 683

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Profit before taxation		1 272	1 097
Share in (profit)/loss of joint ventures		(27)	(19)
Depreciation and amortization		537	521
Impairment losses on loans granted		5	(2)
Exchange differences		47	38
Interest and commissions		116	92
Other adjustments of profit before tax		(11)	47
Change in working capital	44.1	(1 569)	87
Income tax paid	44.1	(364)	(45)
Net cash from operating activities		6	1 816
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	44.2	(876)	(967)
Loan granted to joint venture	44.2	(120)	-
Purchase of financial assets		(12)	(5)
Total payments		(1 008)	(972)
Proceeds from sale of property, plant and equipment and intangible assets		5	18
Sale of shares		-	53
Other proceeds		-	4
Total proceeds		5	75
Net cash used in investing activities		(1 003)	(897)
Cash flows from financing activities			
Repayment of loans and borrowings	44.3	(1 187)	(736)
Acquisition of non-controlling shares	44.3	(1 061)	-
Interest paid	44.3	(32)	(22)
Repayment of lease liabilities		(64)	(61)
Other payments		(8)	(7)
Total payments		(2 352)	(826)
Proceeds from contracted loans and borrowings	44.3	3 796	303
Subsidies received		15	42
Total proceeds		3 811	345
Net cash from financing activities		1 459	(481)
Net increase/(decrease) in cash and cash equivalents		462	438
Net foreign exchange difference		(3)	1
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	1 253	1 333
restricted cash	29	301	330

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

Grupa Kapitałowa TAURON Polska Energia S.A. (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 3-month period ended 31 March 2022 and contain comparative figures for the 3-month period ended 31 March 2021 and as at 31 December 2021. The data included in these interim condensed consolidated financial statements for the period of 3 months ended 31 March 2022 and the comparative data for the period of 3 months ended 31 March 2021 have not been audited or reviewed by the statutory auditor. The comparative figures as at 31 December 2021 were subject to the audit by the statutory auditor.

These interim condensed consolidated financial statements for the 3-month period ended 31 March 2022 were approved for publication on 23 May 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.

In the 3-month period ended 31 March 2022, the Supervisory Board of the Company appointed Mr Artur Warzocha to the Management Board of the Company as of 21 January 2022 and nominated him to the position of Vice-President for Corporate Affairs.

After the balance sheet date, on 11 April 2022, the Supervisory Board of the Company appointed Mr Paweł Szczeszek as a member of the Management Board and nominated him to the position of the President of the Management Board.

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

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2. Composition of TAURON Group and joint ventures

As at 31 March 2022, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

Item	Company name	Registered office	Interest in the share capital by TAURON Polska Energia S.A.	Company holding direct equity interests / general partner
MINING				
1	TAURON Wydobywanie 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.	Katowice	95.61%	TAURON Polska Energia 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 Goldap 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.	Polczyn-Zdrój	100.00%	TAURON Ekoenergia Sp. z o.o.
DISTRIBUTION				
24	TAURON Dystrybucja S.A.	Kraków	99.76%	TAURON Polska Energia S.A.
25	TAURON Dystrybucja Pomiarów Sp. z o.o.	Tarnów	99.76%	TAURON Dystrybucja S.A.
SALES				
26	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
27	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
28	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	100.00%	TAURON Polska Energia S.A.
29	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
30	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
31	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzyszowice	100.00%	TAURON Polska Energia S.A.
32	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	100.00%	TAURON Polska Energia S.A.
33	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
34	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Polska Energia S.A.
35	Wsparcie Grupa TAURON Sp. z o.o.	Tarnów	99.76%	TAURON Dystrybucja S.A.

As at 31 March 2022, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in the Generation segment:

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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.

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

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 Company 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 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 description of 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

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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.

Item	Note	Estimates and assumptions
Property, plant and equipment	Note 15	<p>The Group assesses as at each balance sheet date whether there is any objective indication that an item of property, plant and equipment may be impaired. If any such indication exists, the Group is required to test the property, plant and equipment for impairment. As part of the impairment test, the Group estimates the recoverable amount of the asset or cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU corresponds to the higher of fair value less costs to sell or value in use. The value in use of CGUs is estimated based on their future cash flows discounted subsequently to the present value using a discount rate.</p> <p>As at the balance sheet date, an analysis was performed of changes in the prices of electricity, raw materials and CO2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts included in the impairment tests. Despite significant changes in market factors, after performing the analyses of the observed market and regulatory developments, it was concluded that they are of a dynamic nature, it is difficult to estimate their long-term influence and thus do not affect the need to change the long-term forecasts relative to those included in the impairment tests as at 31 December 2021.</p> <p>Therefore, the results of the most recent impairment tests of non-financial non-current assets carried out as at 31 December 2021 were deemed valid.</p> <p>The Group verifies, at least at the end of each financial year, the economic useful lives of property, plant and equipment and any adjustments to depreciation are made with effect from the beginning of the reporting period in which the verification is completed.</p>
Right-of-use assets	Note 16	<p>At the commencement date of the lease, the Group measures the right-of-use assets, inter alia, using the present value of lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate, in line with the adopted method, depending on the ratings of individual companies in the TAURON Group.</p> <p>The Group applies a portfolio approach to leases with similar characteristics (same assets used in a similar way). When accounting for leases under the portfolio approach, the Group uses estimates and assumptions that reflect the size and composition of the portfolio, including estimates of the weighted average lease term.</p> <p>To determine the leasing period for lease agreements without termination date, the Group makes estimates.</p>
Loans granted to joint ventures	Note 21	<p>The Group performs appropriate classification and measurement of its loans granted and estimates the allowance for expected credit losses in case of loans classified as assets measured at amortised cost.</p> <p>As at the balance sheet date, the loan granted to joint venture Elektrociepłownia Stalowa Wola S.A. under the debt consolidation agreement, due to the fact that the cash flows do not correspond solely to the payment of principal and interest, was classified as a financial asset 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 are measured at amortised cost and at each balance sheet date the Group estimates expected credit losses. Analyses of the credit risk of loans granted to the joint venture carried out as at the balance sheet date include, among other things, an estimate of the company future cash flows.</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>At the end of each reporting period, the Group verifies whether or not the deferred tax assets may be realized. As at 31 March 2022, the Group created the allowance for deferred tax assets in the amount of PLN 445 million.</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 marginal interest rate of lease is estimated as a weighted average cost of TAURON Group's debt adjusted for the individual rating of the companies taking into account the division into lease periods.</p>
Provisions	Note 32 Note 33 Note 34 Note 35	<p>The Group estimates the amount of provisions created on the basis of the adopted assumptions, methodology and method of calculation appropriate for a given title of provisions, assessing the probability of disbursement of funds containing economic benefits and determining a reliable level of the amount necessary to meet the obligation. The Group creates provisions when the probability of disbursement of funds containing economic benefits is higher than 50%.</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 31 March 2022.

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

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

- **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 31 March 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.

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 IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
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

* 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 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.

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 (<i>annual periods beginning on or after the date provided</i>)
Amendments to IFRS 3 <i>Business Combinations: Changes to references to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment: Revenues earned before putting into use</i>	1 January 2022
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets: Costs of fulfilling a contract</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. Sales of coal to individual consumers is higher in the autumn and winter season. The seasonality of the remaining areas of the Group operations is limited.

BUSINESS SEGMENTS

10. Information on operating segments

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

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

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

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).

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Operating segments	Core business	Subsidiaries/ Entities recognized with the equity method
Mining		
	<i>Hard coal mining</i>	TAURON Wydobycie S.A.
Generation		
	<i>Generation of electricity using conventional sources, including combined heat.</i>	TAURON Wytwarzanie S.A. Nowe Jaworzno Grupa TAURON Sp. z o.o. TAURON Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Łagisza Grupa TAURON Sp. z o.o. TAMEH HOLDING Sp. z o.o. ¹ TAMEH POLSKA Sp. z o.o. ¹ TAMEH Czech s.r.o. ¹
	<i>Generation, distribution and sales of heat</i>	Elektrociepłownia Stalowa Wola S.A. ¹
Renewable Energy Sources		
	<i>Generation of electricity using renewable sources</i>	TAURON Ekoenergia Sp. z o.o. Marselwind Sp. z o.o. TEC1 Sp. z o.o. TAURON Zielona Energia Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k. WIND T1 Sp. z o.o. AVAL-1 Sp. z o.o. Polpower Sp. z o.o. TAURON Wytwarzanie S.A. ²
Distribution		
	<i>Distribution of electricity</i>	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiaru Sp. z o.o.
Sales		
	<i>Wholesale trading in electricity, trading in CO₂ emission allowances and energy certificates and sale of electricity to domestic end users or entities which further resell electricity</i>	TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o. TAURON Nowe Technologie S.A.

¹ Entities recognized with the equity method.

² TAURON Wytwarzanie S.A. classifies activity related to photovoltaic power generation in the Renewable Energy Sources segment.

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

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	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	274	1 030	76	932	7 433	68	-	9 813
Inter-segment sales	284	2 026	238	1 091	3 154	291	(7 084)	-
Total segment revenue	558	3 056	314	2 023	10 587	359	(7 084)	9 813
Profit/(loss) of the segment	65	759	154	561	(113)	29	(41)	1 414
Share in profit/(loss) of joint ventures	-	27	-	-	-	-	-	27
Unallocated expenses	-	-	-	-	-	-	(23)	(23)
EBIT	65	786	154	561	(113)	29	(64)	1 418
Finance income (costs)	-	-	-	-	-	-	(146)	(146)
Profit/(loss) before income tax	65	786	154	561	(113)	29	(210)	1 272
Income tax expense	-	-	-	-	-	-	(371)	(371)
Net profit/(loss) for the period	65	786	154	561	(113)	29	(581)	901
Assets and liabilities								
Segment assets	915	8 491	2 476	21 339	5 899	895	-	40 015
Investments in joint ventures	-	631	-	-	-	-	-	631
Unallocated assets	-	-	-	-	-	-	2 502	2 502
Total assets	915	9 122	2 476	21 339	5 899	895	2 502	43 148
Segment liabilities	836	1 682	180	2 018	2 572	544	-	7 832
Unallocated liabilities	-	-	-	-	-	-	17 752	17 752
Total liabilities	836	1 682	180	2 018	2 572	544	17 752	25 584
EBIT	65	786	154	561	(113)	29	(64)	1 418
Depreciation/amortization	(52)	(109)	(32)	(303)	(10)	(31)	-	(537)
EBITDA	117	895	186	864	(103)	60	(64)	1 955
Other segment information								
Capital expenditure *	69	64	21	406	14	36	-	610

* 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 31 March 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	100	1 093	32	893	4 291	36	-	6 445
Inter-segment sales	203	1 215	124	913	1 789	251	(4 495)	-
Total segment revenue	303	2 308	156	1 806	6 080	287	(4 495)	6 445
Profit/(loss) of the segment	(50)	551	45	445	224	24	(24)	1 215
Share in profit/(loss) of joint ventures	-	19	-	-	-	-	-	19
Unallocated expenses	-	-	-	-	-	-	(22)	(22)
EBIT	(50)	570	45	445	224	24	(46)	1 212
Finance income (costs)	-	-	-	-	-	-	(115)	(115)
Profit/(loss) before income tax	(50)	570	45	445	224	24	(161)	1 097
Income tax expense	-	-	-	-	-	-	(246)	(246)
Net profit/(loss) for the period	(50)	570	45	445	224	24	(407)	851
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	(50)	570	45	445	224	24	(46)	1 212
Depreciation/amortization	(36)	(115)	(38)	(296)	(10)	(26)	-	(521)
Impairment	-	(1)	(1)	-	-	-	-	(2)
EBITDA	(14)	686	84	741	234	50	(46)	1 735
Other segment information								
Capital expenditure *	67	58	5	457	15	36	-	638

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

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, it has not been notified.

Accession of TAURON Wydobywanie 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. The aforementioned plans and the application for granting the subsidy for 2022 were submitted by the company to the Minister of State Assets on 25 February 2022. On 15 March 2022, the Minister of State Assets approved the directions of the operating programme submitted by TAURON Wydobywanie S.A. After the balance sheet date, on 8 April 2022, TAURON Wydobywanie S.A. received information on the acceptance of the application by the Minister of State Assets for granting public aid in the form of subsidies to TAURON Wydobywanie S.A. to reduce its production capacity for 2022, which is described in more detail in Note 52 to these interim condensed consolidated financial statements.

The inclusion of TAURON Wydobywanie S.A. in the support scheme will have a positive impact on the liquidity of the Mining segment.

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	3-month period ended 31 March 2022	3-month period ended 31 March 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Sale of goods for resale, finished goods and materials without elimination of excise	7 734	4 124
Excise	(13)	(28)
Sale of goods for resale, finished goods and materials	7 721	4 096
Electricity	6 097	3 331
Heat energy	286	279
Gas	289	130
Coal	251	89
CO ₂ emission allowances	604	155
Energy certificates and similar	110	52
Other goods for resale, finished goods and materials	84	60
Rendering of services	2 076	2 027
Distribution and trade services	1 839	1 763
Capacity Market	155	170
Maintenance of road lighting	32	30
Connection fees	20	18
Other services	30	46
Other revenue	16	18
Total revenue from contracts with customers	9 813	6 141
Restructuration in the portfolio of CO ₂ emission allowances	-	304
Total sales revenue	9 813	6 445

In the period of three months ended 31 March 2022, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following products, goods and services:

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- 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;
- Gas - the increase is mainly driven by a significant rise in prices due to the observed growth in the domestic and global markets;
- Coal - the increase results from selling higher volumes and earning higher prices;
- CO₂ emission allowances - the increase results from activities 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 since mid-2021 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 moment of the delivery of allowances and the cash expenditure, in the period of three months ended 31 March 2022 the Company decided to sell and sold the aforementioned volume of allowances and simultaneously bought 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, incidental in nature and is a direct result of an unplanned, one-off event such as the failure of the 910 MW unit. The Group assesses that the transaction is excluded from the scope of IFRS 9 *Financial Instruments*.

In the comparable period, i.e. in the period of three months ended 31 March 2021, as part of its efforts aimed at managing the surplus of 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 which resulted in recognising the revenue on customer contracts in the amount of PLN 135 million.

As a part of restructuring in the portfolio of CO₂ emission allowances, in the period of three months ended 31 March 2021, regarding 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.

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

3-month period ended 31 March 2022 (unaudited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	266	842	74	1	6 477	61	7 721
Electricity	-	519	3	-	5 550	25	6 097
Heat energy	-	286	-	-	-	-	286
Gas	-	-	-	-	289	-	289
Coal	251	-	-	-	-	-	251
CO ₂ emission allowances	-	-	-	-	604	-	604
Energy certificates and similar	-	32	71	-	1	6	110
Other goods for resale, finished goods and materials	15	5	-	1	33	30	84
Rendering of services	8	185	2	922	955	4	2 076
Distribution and trade services	-	84	-	891	864	-	1 839
Capacity Market	-	99	2	-	54	-	155
Maintenance of road lighting	-	-	-	-	32	-	32
Connection fees	-	-	-	20	-	-	20
Other services	8	2	-	11	5	4	30
Other revenue	-	3	-	9	1	3	16
Total revenues from contracts with customers	274	1 030	76	932	7 433	68	9 813
Total sales revenue	274	1 030	76	932	7 433	68	9 813

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3-month period ended 31 March 2021 (unaudited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	96	581	30	1	3 358	30	4 096
Electricity	-	281	-	-	3 046	4	3 331
Heat energy	-	279	-	-	-	-	279
Gas	-	-	-	-	130	-	130
Coal	89	-	-	-	-	-	89
CO ₂ emission allowances	-	-	-	-	155	-	155
Energy certificates and similar	-	20	30	-	-	2	52
Other goods for resale, finished goods and materials	7	1	-	1	27	24	60
Rendering of services	4	204	2	882	932	3	2 027
Distribution and trade services	-	82	-	831	850	-	1 763
Capacity Market	-	121	1	-	48	-	170
Maintenance of road lighting	-	-	-	-	30	-	30
Connection fees	-	-	-	18	-	-	18
Other services	4	1	1	33	4	3	46
Other revenue	-	4	-	10	1	3	18
Total revenues from contracts with customers	100	789	32	893	4 291	36	6 141
Restructuration in the portfolio of CO ₂ emission allowances	-	304	-	-	-	-	304
Total sales revenue	100	1 093	32	893	4 291	36	6 445

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

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Revenue from sales of electricity	6 097	3 331
Retail sale	3 683	2 299
Strategic clients	392	217
Business clients	1 846	1 047
Mass clients - Group G	968	794
Mass clients - SME	410	249
Other	80	20
Excise duty	(13)	(28)
Wholesale	2 119	861
Other	295	171

12. Costs by type

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Depreciation and amortization	(537)	(521)
Materials and energy	(436)	(397)
Maintenance and repair services	(54)	(47)
Distribution services	(394)	(382)
Other external services	(237)	(210)
Cost of obligation to remit the CO ₂ emission allowances	(477)	(396)
Other taxes and charges	(203)	(188)
Employee benefits expense	(855)	(757)
Other	(34)	(32)
Total costs by type	(3 227)	(2 930)
Change in inventories, prepayments, accruals and deferred income	(33)	32
Cost of goods produced for internal purposes	222	168
Selling expenses	138	117
Administrative expenses	170	149
Cost of goods for resale and materials sold	(5 384)	(2 538)
Cost of sales	(8 114)	(5 002)

In the period of three months ended 31 March 2022 in relation to the comparative period, the main changes in the cost of goods, products, materials and services sold referred to:

- the increase in the cost of the obligation to redeem CO₂ emission allowances, which results mainly from a rise in the price of CO₂ emission allowances included in the calculation of the provision at lower CO₂ emission due to reduced electricity production from conventional sources, which mainly results from the shutdown of the 910 MW unit in Jaworzno in the first quarter of 2022 (in the comparable period the unit was operating);
- the 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;
- the change in the value of goods and materials sold relating to the cost of electricity sold. The cost of electricity sold increased as a result of the higher volume of energy purchased from the market, with the simultaneous rise 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

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Income and costs from financial instruments	(149)	(110)
Interest costs	(111)	(91)
Commission relating to borrowings and debt securities	(6)	(5)
Gain/loss on derivative instruments	28	5
Interest income	7	5
Exchange differences	(61)	(34)
Remeasurement of loans granted	(5)	2
Other	(1)	8
Other finance income and costs	3	(5)
Interest on employee benefits	(6)	(3)
Interest on discount of other provisions	(2)	(2)
Other finance income	17	2
Other finance costs	(6)	(2)
Total, including recognized in the statement of comprehensive income:	(146)	(115)
Interest expense on debt	(111)	(91)
Finance income and other finance costs	(35)	(24)

14. Tax expense in the statement of comprehensive income

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Current income tax	(381)	(372)
Current income tax expense	(392)	(367)
Adjustments to current income tax from previous years	11	(5)
Deferred tax	10	126
Income tax expense in profit/(loss)	(371)	(246)
Income tax expense relating to other comprehensive income, including:	(30)	(24)
reclassified to profit or loss	(30)	(23)
not reclassified to profit or loss	-	(1)

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15. Property, plant and equipment

3-month period ended 31 March 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	-	-	-	-	-	491	491
Borrowing costs	-	-	-	-	-	5	5
Transfer of assets under construction	-	291	142	-	5	(438)	-
Sale	-	-	(28)	-	(3)	-	(31)
Liquidation	-	(21)	(25)	(47)	(2)	-	(95)
Received free of charge	-	4	-	-	-	-	4
Overhaul expenses	-	-	-	-	-	8	8
Items generated internally	-	-	-	52	-	11	63
Other movements	-	-	4	-	-	(1)	3
Closing balance	144	31 495	26 041	285	978	1 849	60 792
ACCUMULATED DEPRECIATION							
Opening balance	-	(14 276)	(15 840)	(105)	(728)	(221)	(31 170)
Depreciation for the period	-	(221)	(211)	(35)	(12)	-	(479)
Sale	-	-	26	-	3	-	29
Liquidation	-	20	24	47	2	-	93
Closing balance	-	(14 477)	(16 001)	(93)	(735)	(221)	(31 527)
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	144	17 018	10 040	192	243	1 628	29 265
<i>of which operating segments:</i>							
Mining	3	199	175	187	3	125	692
Generation	42	2 492	3 599	-	20	117	6 270
Renewable Energy Sources	-	784	1 151	-	2	112	2 049
Distribution	81	12 950	4 945	-	191	1 086	19 253
Other segments and other operations	18	593	170	5	27	188	1 001

3-month period ended 31 March 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	-	-	-	-	-	546	546
Borrowing costs	-	-	-	-	-	5	5
Transfer of assets under construction	-	370	276	-	4	(650)	-
Sale	-	(1)	(27)	-	(1)	-	(29)
Liquidation	-	(11)	(35)	(38)	(3)	-	(87)
Received free of charge	-	19	-	-	-	-	19
Overhaul expenses	-	-	-	-	-	21	21
Items generated internally	-	-	-	33	-	12	45
Other movements	-	-	7	-	-	-	7
Closing balance	143	30 125	25 427	253	976	1 822	58 746
ACCUMULATED DEPRECIATION							
Opening balance	-	(13 010)	(14 570)	(138)	(704)	(292)	(28 714)
Depreciation for the period	-	(218)	(211)	(21)	(16)	-	(466)
Impairment	-	-	(13)	-	-	12	(1)
Sale	-	1	26	-	1	-	28
Liquidation	-	9	33	38	3	-	83
Closing balance	-	(13 218)	(14 735)	(121)	(716)	(280)	(29 070)
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	143	16 907	10 692	132	260	1 542	29 676
<i>of which operating segments:</i>							
Mining	3	313	213	127	3	184	843
Generation	43	2 907	4 306	-	15	133	7 404
Renewable Energy Sources	1	878	1 245	-	1	18	2 143
Distribution	80	12 286	4 777	-	212	1 063	18 418
Other segments and other operations	16	523	151	5	29	144	868

In the 3-month period ended 31 March 2022, the Group purchased property, plant and equipment (including capitalised borrowing costs) in the amount of PLN 496 million. The major purchases were made in connection with investments in the following operating segments:

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Operating segment	3-month period ended 31 March 2022 (<i>unaudited</i>)	3-month period ended 31 March 2021 (<i>unaudited</i>)
Distribution	401	445
Generation	22	31
Renewable Energy Sources	17	3

Impairment tests

As at the balance sheet date, the analysis was performed of changes in the prices of electricity, raw materials and CO₂ emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests carried out as at 31 December 2021.

The analysis performed indicated an increase in the prices of electricity, raw materials and CO₂ emission allowances in the 3-month period ended 31 March 2022 compared to the average prices of the aforementioned products in the first quarter of 2021. In particular:

- the price of CO₂ emission allowances increased by approximately 21.4% compared to the average price in the fourth quarter of 2021, which resulted, among others, from the limited supply due to the operation of the Market Stabilisation Reserve (MSR) mechanism, the high demand for EUA units in connection with high gas prices and the announced changes aimed at adapting the EU ETS to the new and more ambitious climate and energy policy of the European Union, known as "Fit for 55". A short-term decline in prices of CO₂ associated with the outbreak of the war in Ukraine did not disrupt the price trend or the work on the EU ETS reform;
- the average price of the reference annual natural gas contract listed on TGE S.A. was 65.4% higher than the price in the fourth quarter of 2021. The main factor behind these sharp increases in the first quarter of 2022 was the military invasion of the Russian Federation against Ukraine. It resulted in the imposition of sanctions on the Russian Federation and concerns about gas flows from the Russian Federation to the European countries which, combined with low storage fill levels, triggered enormous uncertainty in the market and reaching higher price levels;
- the average price of coal on the ARA exchange for the annual continuation contract was 22% higher compared to the average price of this contract in the fourth quarter of 2021. As in the case of natural gas, high coal prices were predominantly influenced by the tensions between the Russian Federation and Ukraine, which created additional supply uncertainty. Following the military aggression of the Russian Federation against Ukraine, although Russian coal producers were not included in the sanction list announced in late February 2022 by the USA and despite the failure to impose sanctions by EU member states and the United Kingdom, most buyers were afraid of buying Russian coal regardless of its availability;
- the average price of electricity on the forward market in Poland increased by approximately 34.6% compared to the fourth quarter of 2021. This change was in line with the developments in the prices of raw materials and CO₂ emission allowances. In addition, prices in Poland were supported by high levels of electricity prices in Western and Southern Europe, which maintained electricity exports *per balance* to the neighbouring countries.

Despite the aforementioned material changes in market factors, following the analysis of observed market and regulatory developments, it has been concluded that they are of a dynamic nature, it is difficult to estimate their long-term influence and therefore do not affect the need to change the long-term forecasts relative to those included in the impairment tests as at 31 December 2021. Therefore, the results of the most recent impairment tests on non-financial non-current assets carried out as at 31 December 2021 are valid.

The impairment tests carried out as at 31 December 2021, including the key assumptions adopted in the scope of tests are described in Note 11 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2021.

In the year ended 31 December 2021, the Group recognised impairment losses related to non-financial fixed assets as a result of impairment tests performed as at 30 June 2021 and 31 December 2021. The recoverable value of this group of assets corresponds to their value in use. Impairment losses were mainly charged to own cost of sales and related to the following cash-generating units:

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CGU	Company	Discount rate (after tax) assumed in tests as at:			Recoverable amount	Impairment loss recognized
		31 December 2021	30 June 2021 (unaudited)	31 December 2020	As at 31 December 2021	Year ended 31 December 2021
Mining	TAURON Wydobywanie S.A.	14.19%	13.98%	13,12%	-	(185)
Generation - Coal	TAURON Wytwarzanie S.A. / Nowe Jaworzno Grupa TAURON	8.96%	8.23%	8.52%	4 996	(924)
Generation - Biomass	Sp. z o.o.				164	-
CGU ZW Katowice					561	-
CGU ZW Bielsko-Biała					182	-
CGU ZW Tychy	TAURON Ciepło Sp. z o.o.	8.96%	8.23%	8.52%	306	(15)
CGU ZW OCL					14	(14)
CGU Transmission		6.89%	6.49%	6.87%	735	-
Distribution	TAURON Dystrybucja S.A.	5.23%	5.03%	5.09%	22 251	-
Total						(1 138)

16. Right-of-use assets

3-month period ended 31 March 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
Increase due to a new lease contract	14	-	1	1	-	-	-	16
Increase/(decrease) due to lease changes	3	5	1	1	-	-	-	10
Liquidation	(3)	-	-	(4)	-	-	-	(7)
Other movements	-	-	-	-	-	5	-	5
Closing balance	632	1 205	214	110	11	155	6	2 333
ACCUMULATED DEPRECIATION								
Opening balance	(71)	(134)	(51)	(66)	(4)	(37)	-	(363)
Depreciation for the period	(7)	(9)	(4)	(7)	-	(2)	-	(29)
Liquidation	-	-	-	4	-	-	-	4
Closing balance	(78)	(143)	(55)	(69)	(4)	(39)	-	(388)
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	554	1 062	159	41	7	116	6	1 945

3-month period ended 31 March 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	13	-	6	1	-	-	-	20
Increase/(decrease) due to lease changes	3	1	2	-	-	-	-	6
Other movements	(1)	-	-	-	-	3	-	2
Closing balance	563	1 163	205	89	8	136	6	2 170
ACCUMULATED DEPRECIATION								
Opening balance	(45)	(92)	(32)	(62)	(6)	(29)	-	(266)
Depreciation for the period	(7)	(8)	(5)	(5)	(1)	(2)	-	(28)
Closing balance	(52)	(100)	(37)	(67)	(7)	(31)	-	(294)
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	511	1 063	168	22	1	105	6	1 876

17. Goodwill

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

Impairment tests

Based on the analysis of the effects of changes in market conditions in the first quarter of the current year performed by the Group, as further described in Note 15 of these interim condensed consolidated financial statements, the results of the most recent impairment tests for the carrying amount of the goodwill carried out as at 31 December 2021 are valid. The impairment test performed as at 31 December 2021 did not indicate impairment of the carrying amount of goodwill.

18. Energy certificates and CO₂ emission rights

18.1. Long-term energy certificates and CO₂ emission rights

	3-month period ended 31 March 2022 (unaudited)			3-month period ended 31 March 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	-	-	-	11	-	11
Reclassification	(200)	(244)	(444)	(234)	(222)	(456)
Closing balance	-	-	-	11	45	56

18.2. Short-term energy certificates and CO₂ emission rights

	3-month period ended 31 March 2022 (unaudited)			3-month period ended 31 March 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	95	1 500	1 595	106	672	778
Generated internally	103	-	103	50	-	50
Surrendered	(52)	(1 075)	(1 127)	(102)	-	(102)
Reclassification	197	45	242	234	146	380
Closing balance	494	476	970	993	1 152	2 145

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 rights 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.

19. Other intangible assets

3-month period ended 31 March 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	-	-	-	40	40
Transfer of intangible assets not made available for use	-	29	32	(61)	-
Sale/Liquidation	-	(1)	-	-	(1)
Closing balance	17	1 073	255	50	1 395
ACCUMULATED AMORTIZATION					
Opening balance	(8)	(686)	(122)	-	(816)
Amortization for the period	-	(27)	(2)	-	(29)
Sale/Liquidation	-	1	-	-	1
Closing balance	(8)	(712)	(124)	-	(844)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	9	359	101	71	540
NET CARRYING AMOUNT AT THE END OF THE PERIOD	9	361	131	50	551

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3-month period ended 31 March 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	-	-	-	18	18
Transfer of intangible assets not made available for use	3	71	-	(74)	-
Sale/Liquidation	-	(42)	-	-	(42)
Other movements	-	-	-	1	1
Closing balance	15	974	219	65	1 273
ACCUMULATED AMORTIZATION					
Opening balance	(7)	(624)	(113)	-	(744)
Amortization for the period	-	(24)	(3)	-	(27)
Sale/Liquidation	-	42	-	-	42
Closing balance	(7)	(606)	(116)	-	(729)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	5	321	106	120	552
NET CARRYING AMOUNT AT THE END OF THE PERIOD	8	368	103	65	544

20. Shares and stocks in joint ventures

	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o.	As at 31 March 2022 or for the 3-month period ended 31 March 2022 (unaudited)	Elektrociepłownia Stalowa Wola S.A. ¹	TAMEH HOLDING Sp. z o.o. ²	As at 31 December 2021 or for the 3-month period ended 31 March 2021 (unaudited)
Non-current assets	973	2 019	2 992	980	2 033	3 013
Current assets, including:	508	1 852	2 360	572	1 428	2 000
cash and cash equivalents	12	141	153	24	251	275
Non-current liabilities (-), including:	(1 971)	(615)	(2 586)	(1 698)	(672)	(2 370)
debt	(1 949)	(536)	(2 485)	(1 693)	(577)	(2 270)
Current liabilities (-), including:	(834)	(1 912)	(2 746)	(1 117)	(1 514)	(2 631)
debt	(117)	(187)	(304)	(108)	(185)	(293)
Total net assets	(1 324)	1 344	20	(1 263)	1 275	12
Share in net assets (50%)	(662)	672	10	(632)	638	6
Investment in joint ventures	-	631	631	-	597	597
Sales revenue	608	1 067	1 675	213	590	803
Net profit (loss), including:	(61)	53	(8)	(45)	39	(6)
Depreciation	(8)	(49)	(57)	(32)	(48)	(80)
Interest income	-	-	-	-	1	1
Interest expenses	(30)	(11)	(41)	(24)	(6)	(30)
Income tax	-	(2)	(2)	-	(10)	(10)
Share in profit/(loss) of joint ventures	-	27	27	-	19	19

¹ The consolidated financial statements for the year ended 31 December 2021 presents unapproved data of Elektrociepłownia Stalowa Wola S.A., available as at the date the consolidated financial statements were authorised for publication.

² The information presented relate to the TAMEH HOLDING Sp. z o.o. 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 215 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 agreed to pay 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 terms of the settlement have been fulfilled and therefore 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. As at the date of approval of these interim condensed consolidated financial statements for publication, the parties are awaiting the decision of the Supreme Court concerning discontinuation of the proceedings of consideration of cassation complaint brought 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.

21. Loans to joint ventures

	As at 31 March 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	416	74	n.a.	74	409	74	n.a.	74		
Loans measured at amortized cost	237	149	(8)	141	116	28	(3)	25	30.06.2033	fixed
Total, of which:	653	223	(8)	215	525	102	(3)	99		
Non-current		223	(8)	215		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.

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22. Derivatives and hedge accounting

Instrument	Methodology of determining fair value	As at 31 March 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 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:

	As at 31 March 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	11	530	541	-	-	371	371	-
Derivatives measured at fair value through profit or loss								
CCIRS	30	-	31	(1)	25	-	26	(1)
Commodity forwards/futures	(12)	-	477	(489)	(9)	-	485	(494)
Currency forwards	133	-	133	-	115	-	115	-
Total			1 182	(490)			997	(495)
Non-current			554	(41)			532	(116)
Current			628	(449)			465	(379)

23. Other financial assets

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Shares	148	141
Deposits and term deposits for Mining Decommissioning Fund	61	56
Other financial receivables, <i>including:</i>	130	107
Initial and variation margin deposits arising from stock exchange transactions	81	32
Bid bonds, deposits and collateral transferred	38	65
Other	11	10
Total	339	304
Non-current	227	215
Current	112	89

24. Other non-financial assets

24.1. Other non-current non-financial assets

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Prepayments for assets under construction and intangible assets, <i>including:</i>	132	115
<i>related to the construction of wind farms</i>	118	102
Contract acquisition costs and costs of discounts	8	8
Prepayments for debt charges	4	5
Property and tort insurance	3	3
Other	26	28
Total	173	159

24.2. Other current non-financial assets

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Costs settled over time	82	101
Property and tort insurance	39	54
IT and telecom services	17	22
Contract acquisition costs and costs of discounts	14	15
Prepayments for debt charges	5	8
Other	7	2
Other current non-financial assets	70	11
Transfers made to the Social Benefit Fund	55	-
Other	15	11
Total	152	112

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25. Deferred income tax

	As at 31 March 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	1 874	1 858
different timing of recognition of sales revenue for tax purposes	325	399
difference between tax base and carrying amount of financial assets	349	297
difference between tax base and carrying amount of energy certificates	31	25
other	90	80
Total	2 669	2 659
Deferred tax assets		
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	835	892
difference between tax base and carrying amount of financial assets and financial liabilities	583	547
provisions and accruals	652	537
different timing of recognition of sales revenue and cost of sales for tax purposes	368	367
tax losses	14	16
power infrastructure received free of charge and received connection fees	6	6
other	26	28
Total	2 484	2 393
Impairment of deferred tax assets	(445)	(352)
Deferred tax assets after impairment	2 039	2 041
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	858	123
Deferred tax liability	(1 488)	(741)

As at the balance sheet date of 31 March 2022, the deferred tax assets and deferred tax liabilities of the companies forming the Tax Capital Group in 2021 have not been offset since, according to the assessment of the Group, these companies will not file a joint tax declaration in 2022 onwards, due to the failure to meet the legally required condition of maintaining the Tax Capital Group, which was described in more detail in Note 40 of these interim condensed consolidated financial statements.

The Group assesses the enforceability of deferred tax assets at each balance sheet date. The write-down of deferred tax assets applied as at 31 March 2022 related mainly to companies from the Mining and Generation segment.

26. Inventories

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Gross value		
Coal, of which:	257	338
<i>Raw materials</i>	97	166
<i>Semi-finished goods and work-in-progress</i>	159	171
CO ₂ emission allowances	33	-
Other inventories	243	216
Total	533	554
Measurement to fair value		
CO ₂ emission allowances	(1)	-
Measurement to net realisable value		
Other inventories	(8)	(11)
Total	(9)	(11)
Fair value		
CO ₂ emission allowances	32	-
Net realisable value		
Coal, of which:	257	338
<i>Raw materials</i>	97	166
<i>Semi-finished goods and work-in-progress</i>	159	171
Other inventories	235	205
Total	524	543

27. Receivables from buyers

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Value of items before allowance/write-down		
Receivables from buyers, <i>of which:</i>	3 980	3 363
<i>Additional assessment of revenue from sales of electricity and distribution services</i>	1 596	1 094
Receivables claimed at court	218	217
Total	4 198	3 580
Allowance/write-down		
Receivables from buyers	(59)	(65)
Receivables claimed at court	(194)	(193)
Total	(253)	(258)
Value of item net of allowance (carrying amount)		
Receivables from buyers	3 921	3 298
Receivables claimed at court	24	24
Total, of which:	3 945	3 322
Current	3 945	3 322

28. Receivables arising from other taxes and charges

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
VAT receivables	569	285
Excise duty receivables	4	1
Other	3	6
Total	576	292

29. Cash and cash equivalents

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Cash at bank and in hand	1 269	811
Other	3	4
Total cash and cash equivalents presented in the statement of financial position, of which:	1 272	815
<i>restricted cash, including:</i>	301	314
<i>collateral of settlements with Izba Rozliczeniowa Gield Towarowych S.A.</i>	182	168
<i>cash on VAT bank accounts (split payment)</i>	89	102
<i>bank accounts related to subsidies received</i>	26	43
Cash pool	(22)	(24)
Foreign exchange	3	-
Total cash and cash equivalents presented in the statement of cash flows	1 253	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 31 March 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 31 March 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 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%

As at 31 March 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 entitled to exercise the right to more than 10% of the total 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 31 March 2022 (<i>unaudited</i>)	As at 31 December 2021
Amounts from distribution of prior years profits	2 749	2 749
Total reserve capital	2 749	2 749

The reserve capital of the Company has not achieved the level of one-third of the Company share capital, i.e. PLN 2 921 million, therefore, it may be used to cover losses only.

30.4. Revaluation reserve from the measurement of hedging instruments

	3-month period ended 31 March 2022 (<i>unaudited</i>)	3-month period ended 31 March 2021 (<i>unaudited</i>)
Opening balance	299	(68)
Remeasurement of hedging instruments	148	122
Remeasurement of hedging instruments charged to profit or loss	11	(3)
Deferred income tax	(30)	(23)
Closing balance	428	28

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 31 March 2022, the Company recognised the amount of PLN 428 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 541 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 3-month period ended 31 March 2022 results from the increase in the positive measurement 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.

Due to the fact that the supplementary capital of the Company has not achieved one-third of the share capital, the Company is obliged to transfer at least 8% of the net profit for a particular financial year to the supplementary capital until this capital reaches at least one-third of the share capital.

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.

As at 31 March 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 shares

As at the balance sheet date, non-controlling interests amount to PLN 34 million and relate mainly to TAURON Dystrybucja S.A.

30.7. Dividends paid and proposed for disbursement

In the period of three months ended 31 March 2022 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

31. Debt liabilities

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Unsubordinated bonds	5 426	5 348
Subordinated bonds	2 006	1 972
Loans and borrowings	7 166	4 535
Lease liabilities	1 203	1 235
Total	15 801	13 090
Non-current	11 810	10 947
Current	3 991	2 143

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31.1. Bonds issued

Issuer	Investor	Interest rate	Currency	As at 31 March 2022 (unaudited)			As at 31 December 2021		
				Bonds issued at nominal value in currency	Maturity date	Carrying amount	Bonds issued at nominal value in currency	Maturity date	Carrying amount
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	700	2022-2028	707	700	2022-2028	700
				560	2022-2029	568	560	2022-2029	560
	A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	30.10.2025	1 008	1 000	30.10.2025	1 002
	Eurobonds	fixed	EUR	500	5.07.2027	2 357	500	5.07.2027	2 316
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168	3.12.2029	786	168	3.12.2029	770
Unsubordinated bonds						5 426	5 348		
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	29.03.2031 ²	407	400	29.03.2031 ²	401
	European Investment Bank	fixed ¹	EUR	190	16.12.2034 ²	865	190	16.12.2034 ²	847
			PLN	400	17.12.2030 ²	392	400	17.12.2030 ²	386
			PLN	350	19.12.2030 ²	342	350	19.12.2030 ²	338
Subordinated bonds						2 006	1 972		
Total bonds						7 432	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, as referred to below. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the reporting period, includes earlier redemption, intention of bonds redemption is after end of first period of financing.

Non-subordinated bonds

The Eurobonds have been admitted to trading on the regulated market of the London Stock Exchange, while the TPE1025 bonds are listed in the Catalyst alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Subordinated bonds

The bonds subscribed by the European Investment Bank ("EIB") with a nominal value of EUR 190 million and PLN 750 million and by Bank Gospodarstwa Krajowego ("BGK") with a nominal value of PLN 400 million are subordinated, which means that in the event of bankruptcy or liquidation of the issuer, the liabilities arising from the bonds will have priority of repayment only over the receivables of the Company shareholders. This, in turn positively affects the financial stability of the Company, since the bonds are excluded from the net debt / EBITDA ratio calculation, a covenant in national financing agreements concluded by the Company. Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a beneficial effect on the rating of the TAURON Group.

In the case of hybrid bonds, two financing periods are distinguished:

- EIB subscribed bonds in PLN - maturity of 12 years from the issue date (17 and 19 December 2030) with two financing periods: 7 and 5 years.
EIB subscribed bonds in EUR - maturity of 18 years from the issue date (16 December 2034) with two financing periods: 8 and 10 years.
In the first period, the interest rate is fixed, while in the second period, it is floating and based on the base rate (WIBOR for bonds issued in PLN and EURIBOR for bonds issued in EUR) increased by an agreed margin.
- Bonds with a nominal value of PLN 400 million subscribed by BGK - maturity of 12 years from the issue date (29 March 2031). In the first 7-year period, the interest rate is variable, based on WIBOR 6M increased by a fixed margin, whereas the margin is further increased in the second 5-year financing period.

In the case of hybrid bonds during the first financing period, early redemption of the bonds by the Company is also not possible and early sale of the bonds by the bank to third parties is not possible either (subject to exceptions specified in the documentation).

On 11 March 2021, TAURON Polska Energia S.A. concluded the agreement with Bank Gospodarstwa Krajowego on the subordinated bond issue scheme up to the amount of PLN 450 million. The scheme provides for a possibility to conduct the issue within a period of two years from the moment of signing the documentation. The financing period is 12 years from the date of issue. In the period of the first 7 years following the issue, the interest rate is floating, based on WIBOR 6M increased by a fixed margin, whereas the margin is further increased after the 7-year financing period. Until the date of approval of these interim condensed consolidated financial statements for publication, no bonds had been issued.

31.2. Loans and borrowings

Loans and borrowings as at 31 March 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	6 292	6 292	2 230	1 253	3	876	560	1 370
	fixed	844	844	20	89	109	69	557	-
Total PLN		7 136	7 136	2 250	1 342	112	945	1 117	1 370
Total			7 136	2 250	1 342	112	945	1 117	1 370
Interest increasing carrying amount			30						
Total			7 166						

Loans and borrowings 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						

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

Borrowing institution	Purpose	Interest rate	Currency	Maturity date	As at	As at
					31 March 2022 (unaudited)	31 December 2021
Consortium of banks I ¹	Redemption of bonds, investment expenditures and general expenses of the Group	floating	PLN	17.01.2022	-	300
				20.01.2022	-	400
				24.01.2022	-	350
				31.01.2022	-	650
				21.04.2022	300	-
				24.05.2022	1 005	-
				30.05.2022	251	-
				03.06.2022	151	-
				22.06.2022	501	-
				22.09.2022	501	-
26.09.2022	750	-				
Bank Gospodarstwa Krajowego	Group's capital expenditures and refinancing of a portion of debt	floating	PLN	20.12.2033	1 008	999
European Investment Bank	Modernization and extension of power grid	fixed	PLN	15.06.2024	101	100
				15.09.2024	45	54
	15.09.2024			56	68	
	15.03.2027			146	162	
	Modernization of power grid	floating	PLN	24.02.2040	803	-
Intesa Sanpaolo S.p.A.	Group's investment expenditure, except for financing or refinancing projects related to coal assets	floating	PLN	19.12.2024	752	752
SMBC BANK EU AG	Group's general corporate expenses, excluding financing and refinancing of coal-fired power plants	fixed	PLN	23.03.2025	499	499
Consortium of banks II ²	Group's general corporate expenses, except for financing or refinancing of any new coal assets-related projects	floating	PLN	12.09.2022 ³	161	161
Erste Group Bank AG	Financing of investments in renewable energy sources	floating	PLN	15.12.2026	96	-
Regional Fund for Environmental Protection and Water Management	Construction of renewable power unit at Jaworzno III Power Plant	floating	PLN	15.12.2022	3	4
	Construction of the photovoltaic farm	floating	PLN	30.11.2025	11	12
Other loans and borrowings					26	24
Total					7 166	4 535

¹ As at the date of approval of these interim condensed consolidated financial statements for publication, the Consortium of banks I is composed 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. Oddział w Polsce, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V. and Powszechna Kasa Oszczędności Bank Polski S.A.

² As at the date of approval of these interim condensed consolidated financial statements for publication, the consortium of banks II consists of: Intesa Sanpaolo S.p.A. acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland and China Construction Bank (Europe) S.A. acting through China Construction Bank (Europe) S.A. (Joint Stock Company) Branch in Poland,

³ Tranche classified as non-current liability.

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 period of three months ended 31 March 2022, the Group performed the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

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Lender	Description	3-month period ended 31 March 2022 (unaudited)	
		Drawdown	Repayment
Erste Group Bank AG	Under the agreement for PLN 500 million on 16 February 2022 the Company drew the tranche of PLN 96 million.	96	-
European Investment Bank	Under the agreement for PLN 2 800 million on 24 February 2022 the Company drew the tranche of PLN 800 million.	800	-
	Repayment of capital instalments according to schedule	-	(35)
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to agreement deadline	6 800	(5 050)
Consortium of banks II	Drawdown of new tranches and repayment of tranches according to agreement deadline	160	(160)
Other borrowings		-	(2)
Total, including:		7 856	(5 247)
Cash flows		3 796	(1 187)
Net settlement (without cash flow)		4 060	(4 060)

After the balance-sheet date the Company performed drawdowns under available loans in the total amount of PLN 400 million and repaid tranches in the total amount of PLN 300 million.

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 31 December 2021 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.44, accordingly, 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 31 March 2022 (unaudited)	As at 31 December 2021
Within 1 year	140	136
Within 1 to 5 years	369	355
Within 5 to 10 years	348	367
Within 10 to 20 years	661	650
More than 20 years	872	907
Gross lease liabilities	2 390	2 415
Discount	(1 187)	(1 180)
Present value of lease payments	1 203	1 235
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 203	1 235

32. Provisions for employee benefits

	As at 31 March 2022 (unaudited)	As at 31 December 2021
Provision for post-employment benefits and jubilee bonuses	872	874
Provision for employment termination benefits and other provisions for employee benefits	25	19
Total	897	893
Non-current	803	789
Current	94	104

Provisions for post-employment benefits and jubilee bonuses

	3-month period ended 31 March 2022 (unaudited)				3-month period ended 31 March 2021 (unaudited)			
	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	6	-	10	16	7	2	9	18
Actuarial gains and losses	(1)	-	(4)	(5)	(5)	-	(5)	(10)
Benefits paid	(9)	(1)	(9)	(19)	(5)	(1)	(7)	(13)
Interest expense	2	-	4	6	1	1	1	3
Closing balance	350	117	405	872	401	174	457	1 032
Non-current	319	111	358	788	372	169	413	954
Current	31	6	47	84	29	5	44	78

Revaluation of provision for employees' benefits

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

The valuation of provisions for employee benefits as at 31 March 2022 was prepared based on actuarial projections. The assumptions used by the actuary to prepare the 2022 forecast were the same as those used to measure the provisions as at 31 December 2021. The main assumptions adopted by the actuary as at 31 December 2021 for calculation of the liability amount are as follows:

	31 December 2021
Discount rate (%)	3.60%
Estimated long-term inflation rate (%)	2.50%
Employee rotation rate (%)	0.99% - 8.60%
Estimated salary increase rate (%)	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%
Remaining average employment period	11.93 - 20.92

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

	3-month period ended 31 March 2022 (unaudited)			3-month period ended 31 March 2021 (unaudited)		
	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total
Opening balance	257	145	402	375	208	583
Unwinding of the discount	2	-	2	1	1	2
Utilisation	-	(1)	(1)	-	-	-
Closing balance	259	144	403	376	209	585
Non-current	259	121	380	376	197	573
Current	-	23	23	-	12	12
Other provisions, long-term portion			45			91
Total			425			664

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, in relation to the exploitation fee, the equivalent of the charge is 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.

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 31 March 2022 amounted to:

- provision for costs related to the dismantling of wind farms - PLN 105 million;
- provision for costs of liquidation of fixed assets - PLN 21 million;
- provision for costs related to reclamation of ash dumps - PLN 18 million.

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

	3-month period ended 31 March 2022 (unaudited)			3-month period ended 31 March 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	485	275	760	396	214	610
Reversal	(8)	-	(8)	-	-	-
Utilisation	(1 075)	(52)	(1 127)	-	(102)	(102)
Closing balance	895	620	1 515	1 377	881	2 258

35. Other provisions

	3-month period ended 31 March 2022 (unaudited)				3-month period ended 31 March 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/(reversal), net	1	(38)	2	(35)	(1)	-	(6)	(7)
Utilisation	-	(213)	(5)	(218)	(2)	(14)	(4)	(20)
Closing balance	75	165	160	400	74	71	218	363
Non-current	-	7	38	45	-	22	69	91
Current	75	158	122	355	74	49	149	272
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				23				12
Total				378				284

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 31 March 2022, the provision on this account amounted to PLN 75 million and was related to the segments:

- Generation - PLN 36 million;
- Distribution - PLN 35 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 31 March 2022 the Group recognises, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision for onerous contracts in the amount of PLN 165 million (of which PLN 97 million in the Sales segment and PLN 68 million in the Generation segment) for contracts concerning the sale of electricity where the sales revenues generated do not fully cover the costs incurred in connection with the need to purchase electricity or produce electricity required to perform these contracts. In the 3-month period ended 31 March 2022 the Group partially utilised and reversed the provision which as at 31 December 2021 amounted to PLN 416 million.

Within the Sales segment, the Group recognised the effects of partial utilisation of the provision of PLN 30 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 quarter of 2022, benefited from the possibility of billing according to the prices resulting from the companies' tariffs. The provision was partially used in connection with the accomplishment of sales to the above customer groups during the 3-month period ended 31 March 2022.

Within the Generation segment, the Group recognised the effects of partial utilisation and updating of the provision created in connection with the shutdown of the 910 MW unit in Jaworzno. The provision 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 will not 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 purchases electricity on the wholesale market at current prices and then resells it through the companies of the Sales segment to the end customer. The calculation of the provision was based on the price difference between the estimated purchase price of electricity by the Group on the wholesale market and the estimated achievable price of electricity sales by the companies of the Sales segment to the end customer taking into account the unit cost of certificates of origin and excise tax per 1 MWh of energy sold. In particular, in the 3-month period ended 31 March 2022, the Group:

- partially used the provision of PLN 183 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 user,
- performed a partial release as at 31 March 2022 of the remaining part of the provision in the net amount of PLN 38 million, in connection with updating of assumptions as at the balance sheet date.

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 31 March 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.	32	33

36. Accruals and governmental subsidies

36.1. Deferred income and government grants

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Deferred income	44	41
Donations, subsidies received for the purchase or fixed assets received free-of-charge	33	36
Other	11	5
Government grants	567	561
Subsidies obtained from EU funds	493	485
Measurement of preferential loans	28	29
Forgiven loans from environmental funds	24	24
Other	22	23
Total	611	602
Non-current	573	567
Current	38	35

36.2. Accrued expenses

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Bonuses	109	60
Unused holidays	72	35
Environmental protection charges	15	26
Other accrued expenses	27	22
Total	223	143
Non-current	1	1
Current	222	142

37. Liabilities to suppliers

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

Operating segment	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Mining	179	164
Generation	132	168
Renevable Energy Sources	8	14
Distribution, <i>including:</i>	442	409
<i>liability to Polskie Sieci Elektroenergetyczne S.A.</i>	368	331
Sales	762	389
Other	99	98
Total	1 622	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. Capital commitments

Operating segment	As at 31 March 2022 (unaudited)	As at 31 December 2021
Mining	13	30
Generation	92	110
Renewable Energy Sources	10	19
Distribution	135	345
Sales and Other	58	112
Total, of which:	308	616
Current	308	616

Commitments to incur capital expenditure

As at 31 March 2022 and as at 31 December 2021, the Group committed to incur expenditure of PLN 3 636 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 31 March 2022 (unaudited)	As at 31 December 2021
Distribution	Construction of new electrical connections	1 770	1 342
	Modernization and reconstruction of existing networks	822	556
Generation	Construction of 910 MW Power Unit in Jaworzno	163	166
	Expansion of heat sources in new capacities	135	141
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	96	96
Renewable Energy Sources	Construction of wind farms	61	82
Other	Construction of a broadband Internet network under the Operational Programme Digital Poland	36	62

40. Settlements due to income tax

Income tax receivables of the Group in the amount of PLN 515 million comprise:

- receivables of the Tax Capital Group ("PGK") for 2021 in the amount of PLN 373 million, representing the surplus of advances paid in the amount of PLN 401 million over the tax burden of the PGK in the amount of PLN 28 million;
- the surplus of advance income tax payments contributed by the Group companies in the 3-month period ended 31 March 2022 over their tax burden, in the amount of PLN 142 million, relating mainly to 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 129 million relate to income tax settlements of the Group companies for the 3-month period ended 31 March 2022, mainly of the following companies: TAURON Wytwarzanie S.A., TAURON Sprzedaż Sp. z o.o. and TAURON Dystrybucja S.A.

The Tax Capital Group Agreement for 2021-2023 was registered on 14 December 2020. According to the agreement, the main companies forming the PGK include: TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., Nowe Jaworzno Grupa TAURON Sp. z o.o., TAURON Dystrybucja S.A., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TEC1 Sp. z o.o., TAURON Zielona Energia Sp. z o.o. (formerly: TEC3 Sp. z o.o.) and Kopalnia Wapienia Czatkowice Sp. z o.o.

On 24 March 2022, the tax return of the PGK for 2021 was filed. In accordance with the return filed, the condition required by law to maintain PGK in the following years, concerning the minimum profitability of PGK for 2021 at a level of 2%, was not fulfilled. In the Group's opinion, failure to meet the minimum profitability ratio of the Tax Capital Group for 2021 results in the loss of Tax Capital Group's taxpayer status with effect from 1 January 2022. Since 1 January 2022, the companies previously belonging to the PGK have been calculating and paying income tax individually, without taking into account the PGK effect.

41. Liabilities arising from other taxes and charges

	As at 31 March 2022 (unaudited)	As at 31 December 2021
VAT	241	263
Social security	193	231
Personal Income Tax	48	69
Other	17	66
Total	499	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 31 March 2022 (unaudited)	As at 31 December 2021
Margin deposits arising from stock exchange and bank transactions	166	102
Wages, salaries	135	220
Bid bonds, deposits and collateral received	75	64
Other	101	130
Total	477	516
Non-current	27	33
Current	450	483

43. Other current non-financial liabilities

	As at 31 March 2022 (unaudited)	As at 31 December 2021
Payments from customers relating to future periods	644	568
Amounts overpaid by customers	421	392
Prepayments for connection fees	132	107
Other	91	69
Other current non-financial liabilities	76	2
Net liabilities of the Company's Social Benefits Fund	76	-
Other	-	2
Total	720	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

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Change in receivables	(640)	(299)
Change in receivables from buyers in statement of financial position	(623)	(291)
Change in other financial receivables	(17)	(1)
Other adjustments	-	(7)
Change in inventories	13	(211)
Change in inventories in statement of financial position	19	(203)
Adjustment related to transfer of inventories to/from property, plant and equipment	(6)	(8)
Change in payables excluding loans and borrowings	307	701
Change in liabilities to suppliers in statement of financial position	380	607
Change in payroll, social security and other financial liabilities	(39)	(10)
Change in non-financial liabilities in statement of financial position	147	124
Change in liabilities arising from taxes excluding income tax	(130)	29
Adjustment of VAT change related to capital commitments	(54)	(61)
Adjustment of other financial liabilities for guarantee valuation	(2)	6
Other adjustments	5	6
Change in other non-current and current assets	(694)	(651)
Change in other current and non-current non-financial assets in statement of financial position	(54)	(66)
Change in receivables arising from taxes excluding income tax	(284)	54
Change in non-current and current CO ₂ emission allowances	(226)	(596)
Change in non-current and current energy certificates	(143)	(66)
Change in advance payments for property, plant and equipment and intangible assets	17	20
Other adjustments	(4)	3
Change in deferred income, government grants and accruals	68	53
Change in deferred income, government grants and accruals in statement of financial position	89	115
Adjustment related to property, plant and equipment, intangible assets and right-of-use assets received free of charge	(6)	(20)
Adjustment related to subsidies received and refunded	(15)	(42)
Change in provisions	(623)	494
Change of short term and long term provisions in statement of financial position	(623)	479
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	1	5
Other adjustments	(1)	10
Total	(1 569)	87

Income tax paid

In the 3-month period ended 31 March 2022, income tax paid by the Group's companies on account of income tax settlement for January and February 2022 amounted to PLN 364 million, of which the most significant amounts were paid by the Company and the subsidiaries, TAURON Wytwarzanie S.A. and TAURON Dystrybucja S.A.

In the 3-month period ended 31 March 2021, the income tax paid amounted to PLN 45 million, of which the Tax Capital Group paid income tax in the amount of PLN 26 million due to the advance payment of income tax for December 2020 while TAURON Ciepło Sp. z o.o., not being part of the Tax Capital Group for 2021-2023, paid income tax in the amount of PLN 17 million.

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 tangible fixed assets and intangible assets

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Purchase of property, plant and equipment	(491)	(558)
Purchase of intangible assets	(40)	(18)
Change in the balance of capital commitments (VAT-adjusted)	(254)	(302)
Change in the balance of advance payments	(17)	(21)
Costs of overhaul and internal manufacturing	(71)	(67)
Other	(3)	(1)
Total	(876)	(967)

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 and borrowings

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Repayment by the Company of tranches of loans to the Consortium of banks I	(1 150)	(700)
The repayment of the loan installments by the Company to the European Investment Bank	(35)	(35)
Other	(2)	(1)
Total	(1 187)	(736)

Acquisition 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

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Interest paid in relation to loans	(29)	(18)
Interest paid in relation to the lease and other	(3)	(4)
Total financial expenditure	(32)	(22)

Proceeds from contracted loans and borrowings

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
The launch of loan tranches of financing by the Company under loan agreements:		
Banks Consortium I	2 900	300
European Investment Bank	800	-
Erste Group Bank AG	96	-
Other	-	3
Total	3 796	303

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

45. Financial instruments

Categories and classes of financial assets	As at 31 March 2022 (unaudited)		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	4 186		3 440	
Receivables from buyers	3 945	3 945	3 322	3 322
Deposits	61	61	56	56
Loans granted	148	148	26	26
Other financial receivables	32	32	36	36
2 Financial assets measured at fair value through profit or loss (FVTPL)	2 226		1 726	
Derivative instruments	641	641	626	626
Shares	148	148	141	141
Loans granted	74	74	74	74
Other financial receivables	91	91	70	70
Cash and cash equivalents	1 272	1 272	815	815
3 Derivative hedging instruments	541	541	371	371
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	631		597	
Investments in joint ventures	631		597	
Total financial assets, of which in the statement of financial position:	7 584		6 134	
Non-current assets	1 627		1 443	
Investments in joint ventures	631		597	
Loans granted to joint ventures	215		99	
Derivative instruments	554		532	
Other financial assets	227		215	
Current assets	5 957		4 691	
Receivables from buyers	3 945		3 322	
Derivative instruments	628		465	
Other financial assets	112		89	
Cash and cash equivalents	1 272		815	

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Categories and classes of financial liabilities	As at 31 March 2022 (unaudited)		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	17 005		15 290	
Preferential loans and borrowings	14	14	15	15
Arm's length loans and borrowings	7 152	7 074	4 520	4 471
Bonds issued	7 432	7 391	7 320	7 500
Liabilities to suppliers	1 622	1 622	1 242	1 242
Other financial liabilities	326	326	250	250
Liabilities due to the acquisition of non-controlling interests	-	-	1 061	1 061
Capital commitments	308	308	616	616
Salaries and wages	135	135	220	220
Insurance contracts	16	16	46	46
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	490		495	
Derivative instruments	490	490	495	495
3 Financial liabilities excluded from the scope of IFRS 9 Financial Instruments	1 203		1 235	
Liabilities under leases	1 203		1 235	
Total financial liabilities, of which in the statement of financial position:	18 698		17 020	
Non-current liabilities	11 878		11 096	
Debt	11 810		10 947	
Derivative instruments	41		116	
Other financial liabilities	27		33	
Current liabilities	6 820		5 924	
Debt	3 991		2 143	
Liabilities to suppliers	1 622		1 242	
Liabilities due to the acquisition of non-controlling interests	-		1 061	
Capital commitments	308		616	
Derivative instruments	449		379	
Other financial liabilities	450		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		
<i>Derivatives, including:</i>		
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	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 31 March 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 31 March 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, or file separate claims for damages.

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.

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. In view of the need to implement the security provision referred to above, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. created a provision for onerous contracts. In 2021, the provision was fully released as a result of forecast profits due to the performance of framework agreements for the purchase of electricity and property rights with Pękanino Wind Invest Sp. z o.o. in the consecutive years.

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 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 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 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.

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 and currently by the Court of Appeals 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.

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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. 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.

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.

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, heat installations 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 75 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 Wydobywanie 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 Wydobywanie 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. The company is currently awaiting a supplementary opinion which is due by 31 May 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 Wydobywanie S.A.

The general contractor for TAURON Wydobywanie 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 Wydobywanie S.A." in January 2020 declared that suspended the works, indicating as the reason the risk to safety caused by the disclosure of changes in hydrogeological conditions in the area of the works and applied to the company in February 2020 for an amendment to the underlying agreement, including changes in the scope of the amount of the remuneration. TAURON Wydobywanie 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 Wydobywanie 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	
	31 March 2022 (unaudited)	31 December 2021
Declarations of submission to enforcement*	18 378	19 189
Corporate and bank guarantees	1 507	1 526
Pledges on shares	416	1 796
Bank account mandates	600	600
Blank promissory notes	509	499
Other	79	62

*As at 31 March 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 the above collaterals, expired:

- pledges 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;
- a declaration on submission to enforcement up to the amount of PLN 1 380 million, with a feasibility period until 22 September 2023. After the balance sheet date, 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.

After the balance sheet date, a bank guarantee in the amount of PLN 40 million was issued in favour of Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT"), constituting a collateral for the Company liabilities, with the term of validity until 24 May 2022.

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

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

	As at 31 March 2022 (unaudited)	As at 31 December 2021
Other financial receivables	70	29
Real estate	5	4
Total	75	33

The main item consists of collaterals of forward transactions - derivative financial instruments concluded by the Company on foreign stock exchange markets. As at 31 March 2022 and as at 31 December 2021, the related collaterals amounted to PLN 70 million and PLN 29 million, respectively.

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

The Company secures transactions concluded on the Polish Power Exchange [Towarowa Giełda Energii S.A.], among others, in the form of bank guarantees issued to IRGiT. As at 31 March 2022 and 31 December 2021, bank guarantees totalling PLN 50 million and PLN 70 million, respectively, were in force.

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.

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 Wydobycie 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.

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Revenue	295	55
Costs	(122)	(106)

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 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

	3-month period ended 31 March 2022 <i>(unaudited)</i>	3-month period ended 31 March 2021 <i>(unaudited)</i>
Revenue	1 036	722
Costs	(1 085)	(1 120)

Receivables and liabilities

	As at 31 March 2022 <i>(unaudited)</i>	As at 31 December 2021
Receivables*	389	573
Payables	522	506

**As at 31 March 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 3-month period ended 31 March 2022 and in the comparative period included KGHM Polska Miedź S.A., PSE S.A. and Polska Grupa Górnicza S.A. The largest purchase transactions in the both periods were performed by the Group with PSE S.A. and Polska Grupa Górnicza S.A.

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

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

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 3-month period ended 31 March 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 paid and/or due to members of the Management Board and other key management personnel of the parent company and the subsidiaries in the 3-month period ended 31 March 2022 and in the comparative period is presented in the table below.

	3-month period ended 31 March 2022 (unaudited)		3-month period ended 31 March 2021 (unaudited)	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	1	4	1	5
Short-term benefits (with surcharges)	1	4	1	5
Other key management personnel	2	11	3	11
Short-term employee benefits (salaries and surcharges)	2	11	3	11
Total	3	15	4	16

In accordance with the accounting policy adopted, the Group creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on account of termination of their employment, which may be paid or payable in subsequent reporting periods. The table above takes into account the amounts paid and due to be paid until 31 March 2022.

51. Other material information

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

The 3-month period ended 31 March 2022 was a period of continued COVID-19 pandemic status (5th wave), which saw sustained high levels of SARS-CoV-2 infections, which then gradually subsided in March this year. Consequently, 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 work 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. Material issues relating to the impact of the pandemic on TAURON Group are set out below:

- despite the restrictions in force, we observe a sustained increase in demand for electricity from TAURON Group customers in 2022,

- in the 3-month period ended 31 March 2022, no significant changes and sustained trends in the level of overdue receivables and volatility in prices of electricity and related products resulting from the COVID-19 pandemic were observed,
- 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 requirement to ensure the epidemiological safety (especially in the months of increased number of infections).

TAURON Group, being aware of the risks related to the epidemiological situation, continued to undertake active measures to mitigate the impact of the current and expected economic situation as well as to protect against extreme events. The COVID-19 pandemic situation is highly volatile and the future impact and scale of the pandemic are currently difficult to estimate precisely. The duration of the pandemic, its severity and range, vaccination rate, development and availability of vaccines (medicines) and the impact on the Polish economic growth in the short, medium and long term will be significant.

The Management Board of the Company, being aware of the threats resulting from the pandemic, monitors the impact on an ongoing basis and will take all possible steps to mitigate any negative effects of the COVID-19 pandemic on TAURON Group.

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

In February 2022, the aggression of the Russian Federation against Ukraine started, triggering geopolitical tensions both in Europe and worldwide. In response to the situation, the European Union is 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 and restrictions on economic relations.

TAURON Group identifies a surge in volatility and price levels of raw materials listed in commodity markets (including oil, gas and coal) as well as prices of electricity and CO₂ emission allowances. In particular, a rise in energy prices and their volatility on the day ahead market (SPOT) and on the balancing market is identified, which may result in an increase in the costs of securing the demand profile of TAURON Group customers. In addition, difficulties are identified in meeting the demand for hard coal due to the increased volume of forced production units and insufficient supply of this raw material on the market.

Major changes have been also recorded in foreign exchange quotations, including a depreciation of the PLN exchange rate against EUR as well as an increase in market interest rates and an intervention increase in the NBP reference rate. Moreover, the third alert level CHARLIE-CRP was introduced on the territory of Poland, indicating an increased risk related to the possibility of terrorist events. There are difficulties in accessing agro biomass, which is mainly imported from Ukrainian territory.

In other areas, at present, TAURON Group has 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. 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.

Potential risks that could be a future consequence of this situation with an elevated risk of materialisation, which may affect TAURON Group, include:

- increased cyber-security risk (potential attacks on IT and OT systems and consequent disruption of operation of the critical infrastructure),
- potential turbulences on the fuel market in the European Union and consequently, further growth in volatility of gas, hard coal and biomass prices, which may translate into the level and volatility of electricity prices as well as the risk of ensuring sufficient supply of energy fuel in TAURON Group,
- persistent increased volatility of electricity prices, prices of CO₂ emission allowances and other related products, which may affect the market risk related to the trading activity of TAURON Group and may also influence the level of trading deposits resulting from transactions concluded on the TGE commodity exchange market,
- changes in the energy balance of the European Union and, as a consequence, the potential of increased operation of units located in the territory of Poland, which may cause disruptions in the operation of the power grid as well as increased load on the generating units in TAURON Group and escalation of the risk of energy fuel supply and the risk of maintaining strategic reserves,

- 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 interruption/disruption of supply chains for goods and services, which may affect, among others, possible delays in ongoing investment and restructuring processes,
- potential disruptions in the availability of liquid fuels may cause difficulties in road transport, which may translate into the lack of UPS and UPW receiving capacity and, consequently, into limitations in the operation of TAURON Group generating units,
- increase in prices of raw materials and goods and services, which may have a negative impact on the condition of the economy, triggering further increase in inflation in Poland and other European Union countries,
- as a result of potential deterioration of the economic situation, further increases in the level of interest rates (impact on the costs of financing based on a floating interest rate and impact on the future level of return on capital employed in the Distribution segment) and fluctuations in the exchange rate of the domestic currency against key foreign currencies can be expected,
- if the economic situation in the country deteriorates, it can be expected to affect the level of domestic demand for electricity, which may have an impact on the profitability of the Distribution segment and the Sales segment,
- as a result of increased immigration of Ukrainian citizens to Poland, rising demand for electricity in the household segment can be expected, which may translate into profitability of the Distribution segment and the Sales segment,
- potential business disruptions and the possibility of reallocating capacity of production plants may translate into the level of domestic electricity demand in the business customer segment, which may translate into profitability of the Distribution segment and the Sales segment,
- due to the potential reduction in trade exchange between Poland and the Russian Federation, as well as the potential economic slowdown, financial difficulties may be expected at some of the TAURON Capital Group's customers and counterparties, which may translate into an increase in credit risk in the Group,
- unfavourable perception of TAURON Group by financial institutions in the context of Poland's geographic location as a neighbouring country to Ukraine,
- potential restrictions in the access to IT infrastructure, internet and GSM networks, which may cause disruptions to operational processes and business continuity.

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.

Recognising the scale of the risks associated with the current situation, TAURON Group continuously monitors the impact of the war in Ukraine 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 Capital Group subsidiaries.

52. Events after the balance sheet date

Information on planned public support for TAURON Wydobyćie S.A.

After the balance sheet date, on 8 April 2022, TAURON Wydobyćie 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 Wydobyćie 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 Wydobyćie S.A. Subsidies for TAURON Wydobyćie 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 estimated value of the subsidies for TAURON Wydobyćie S.A. for 2022 was determined at a level of approx. PLN 1 150 million, however, taking into account the situation on the coal market (limited supply resulting in an increase in coal prices), this amount may 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 Wydobyćie S.A. By the date of approval of these interim condensed consolidated financial statements for publication the agreement had not been signed.

Re-synchronisation of the 910 MW unit with the grid

After the balance sheet date, on 14 April 2022, the 910 MW unit in Jaworzno was synchronised with the grid and the unit restarted its operation in the Polish power system. The re-synchronisation took place before the synchronisation date scheduled on 29 April 2022, previously declared by RAFAKO S.A.

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

After the balance sheet date, 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.

These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the 3-month period ended 31 March 2022 in compliance with the International Accounting Standard No. 34 comprise 56 pages.

Katowice, 23 May 2022

Paweł Szczeszek – President of the Management Board

Patryk Demski – Vice-President of the Management Board

Artur Michałowski – Vice-President of the Management Board

Krzysztof Surma - Vice-President of the Management Board

Jerzy Topolski – Vice-President of the Management Board

Artur Warzocha – Vice-President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



ADDITIONAL INFORMATION

to TAURON Polska Energia S.A. Capital
Group's extended consolidated Q1 2022
report

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

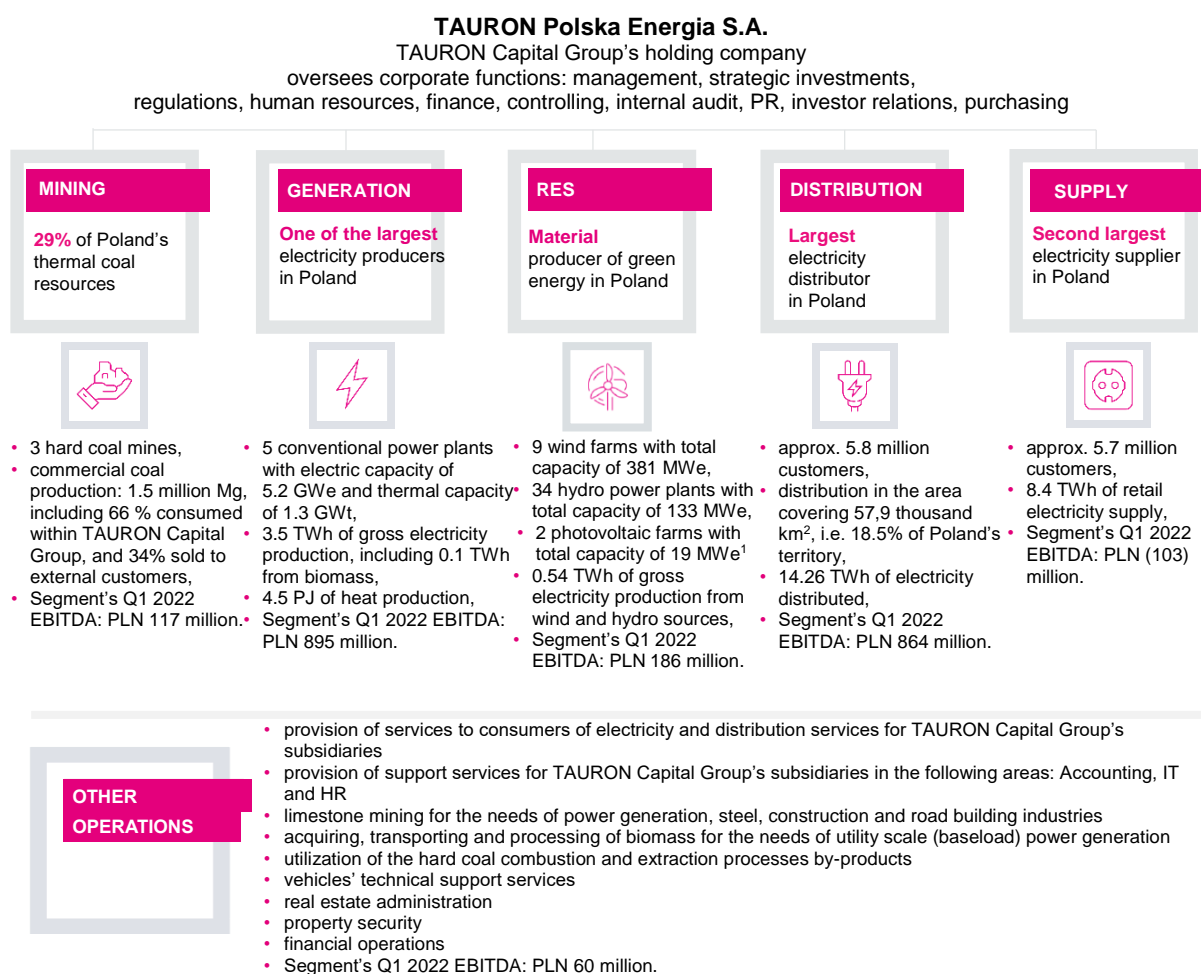
1.1. Basic information

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 March 31, 2022, the 8 MW Choszczno II PV farm 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. This Segment's operations are conducted by TAURON Wydobycie S.A. (TAURON Wydobycie).



Generation Segment, comprising mainly electricity generation using conventional sources, including co-generation, as well as electricity generation from biomass burning. This Segment also includes heat generation and supply 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 segment's structures and processes, TAURON Dystrybcja is seeking to maintain its leadership position on the Polish market with respect to the grid security, safety and efficiency, as well as preparing the grid infrastructure and organization for the development of the distributed (dispersed) power generation sources. The Segment also includes the operations that cover the technical support services related to the electricity metering systems and the metering data acquisition.

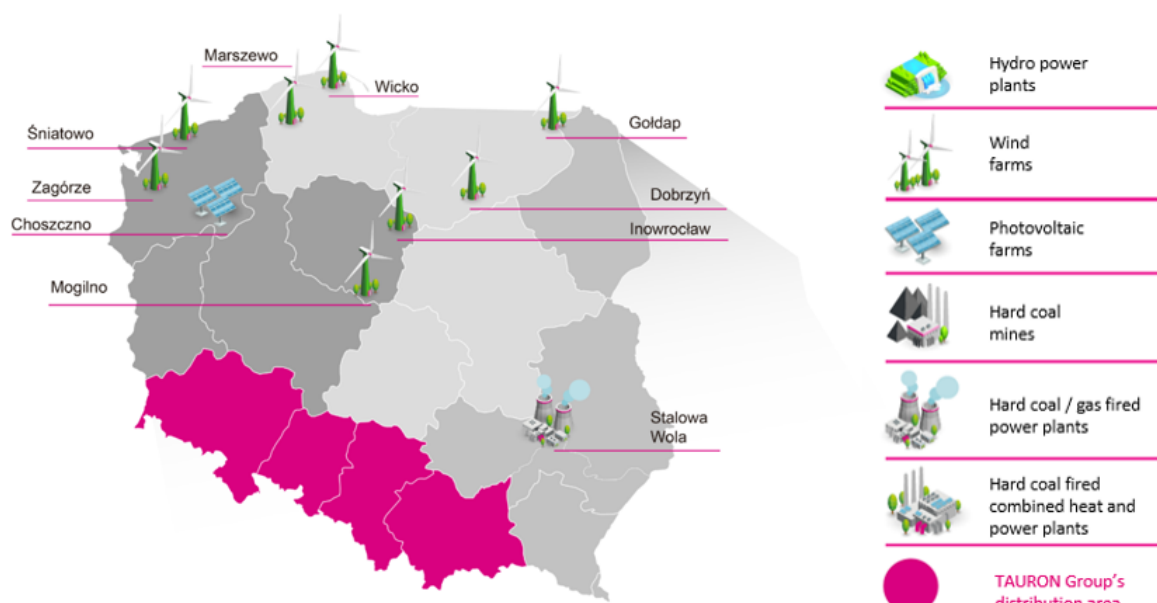


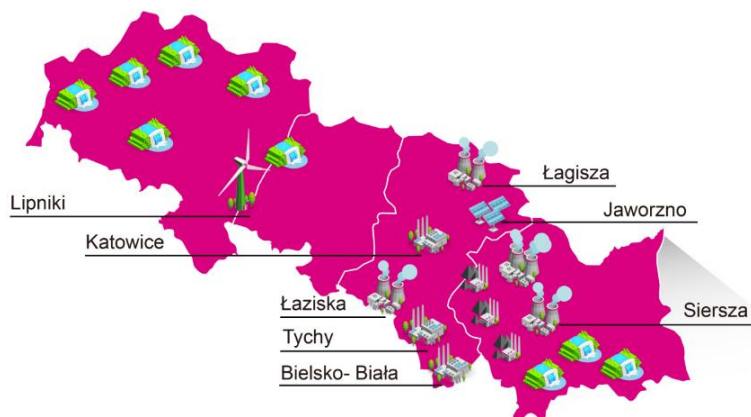
Supply Segment, comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO₂ emission allowances, property rights arising from the Guarantees of Origin (GOs) of energy (energy 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 modern Led lighting systems, smart city, e-mobility products, as well as energy efficiency, operating the MV/LV grids, the construction of electric vehicle charging stations.

Apart from the main Segments of operations, TAURON Capital Group is also conducting the operations presented as part of the **Other Operations** that comprise, among others, 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 Dystrybcja S.A. (TAURON Dystrybcja) 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

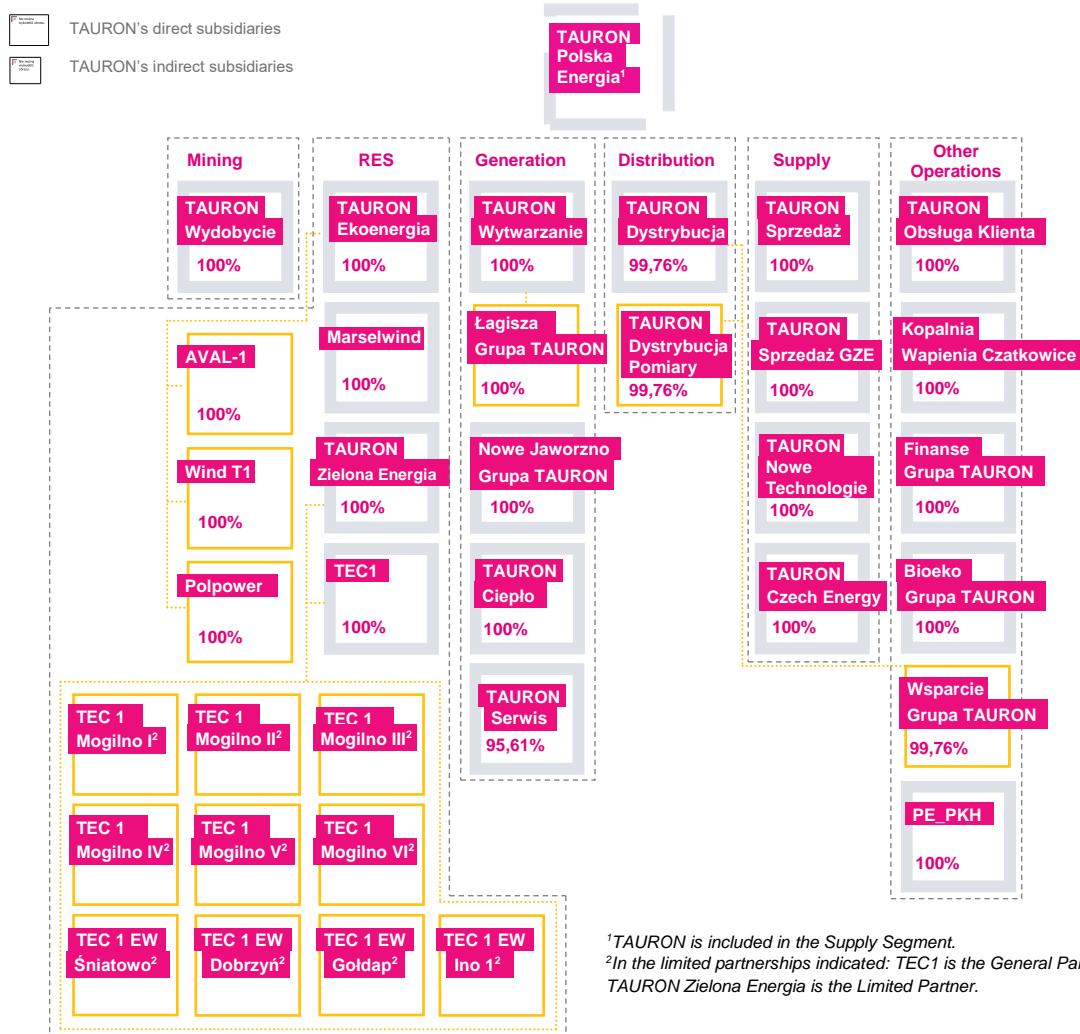
As of March 31, 2022, and as of the date of drawing up this information, TAURON Capital Group's key subsidiaries, besides TAURON parent company, included 35 subsidiaries subject to consolidation, that are listed below.

In addition, as of March 31, 2022, the Company held, directly or indirectly, shares in the other 36 companies. As of the date of drawing up this information, the Company held, directly or indirectly, shares in the other 35 companies.

Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of March 31, 2022.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of March 31, 2022



¹TAURON is included in the Supply Segment.
²In the limited partnerships indicated: TEC1 is the General Partner, 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 quarter of 2022 and by the date of drawing up this information:

Spinning off and transferring of the non-coal generation assets from TAURON Wytwarzanie S.A. to the newly established company TAURON Inwestycje sp. z o.o. under organization

The government concept providing for the spinning off of the coal fired generation assets and transferring them to the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE) is being implemented at TAURON Capital Group,. As part of the implementation of the concept, among others, the spinning-off of the assets not related to the coal based power generation operations from TAURON Wytwarzanie S.A. (TAURON Wytwarzanie) is planned in order to retain such assets as a part of TAURON Capital Group.

On May 18, 2022, the Extraordinary General Meeting of TAURON Wytwarzanie adopted a resolution on the division of the company. The division is carried out pursuant to art. 529, § 1, section 4 of the Commercial Companies Code by spinning off certain assets and transferring the spun off assets, i.e. the Investment Division, to the newly established company - TAURON Inwestycje sp. z o.o. (Ltd.) under organization (TAURON Inwestycje). As a result of the division, the share capital of TAURON Wytwarzanie will be lowered by the amount of PLN 77 986 600, corresponding to the net value of the assets of the organized part of the TAURON Wytwarzanie enterprise - the Investment Division, i.e. from PLN 106 236 230 to PLN 28 249 630. The share capital of TAURON Inwestycje will stand at PLN 779 800 and it will be divided into 7 798 shares with a nominal value of PLN 100 each, while the surplus, arisen in connection with taking up of the company's shares at a value higher than their nominal value, i.e. in the amount of PLN 77 206 800, will be transferred to the supplementary (spare) capital of this company. All of the shares in the share capital of TAURON Inwestycje will be awarded to the current shareholder of TAURON Wytwarzanie, i.e. TAURON. TAURON Inwestycje will be conducting investment as well as research and development activities, and it will also be operating the low and zero emission installations generating electricity, heat and other energy carriers.

Lowering of the share capital of Huta Łaziska S.A. in an arrangement bankruptcy with its registered office in Łaziska Górne (Huta Łaziska)

On May 4, 2022, a lowering of the share capital of Huta Łaziska from PLN 677 931 930.00 to PLN 67 793 193.00, i.e. by PLN 610 138 737.00, was registered in the National Court Register, by reducing the nominal value of the A, B, C and D series shares from the amount of PLN 10.00 to the amount of PLN 1.00 per share.

As a result of the above, TAURON holds 20 856 499 shares in the share capital (including 20 854 347 silent (with no voting right) shares, preferred in respect of the dividend payments) with a nominal value of PLN 1.00 each.

Organizational or equity ties with other entities

Apart from the equity ties with the companies presented in section 1.4. of this information, the organizational or equity ties are applicable to the material joint subsidiaries (co-subsidiaries) in which the Company held, directly or indirectly, shares, and which, as of March 31, 2022, include the companies listed in the below table.

Table no. 1. List of material joint subsidiaries (co-subsidiaries) as of March 31, 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
2. TAMEH HOLDING sp. z o.o. (TAMEH HOLDING)	Dąbrowa Górnicza	50.00%	TAURON
3. TAMEH POLSKA sp. z o.o.	Dąbrowa Górnicza	50.00%	TAMEH HOLDING
4. TAMEH Czech s.r.o.	Ostrava, Czech Republic	50.00%	TAMEH HOLDING

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 years.

The composition (membership) of the Company's Management Board as of March 31, 2022

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

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

1. Paweł Szczeszek - President of the Management Board (CEO),
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 changes to the composition of the Company's Management Board in the first quarter of 2022 and by the date of drawing up this information

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.

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.

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

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 years.

The composition (membership) of the Company's Supervisory Board as of March 31, 2022, and as of the date of drawing up this information

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

The changes to the composition (membership) of the Company's Supervisory Board in the first quarter of 2022 and by the date of drawing up this information

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 Koziarowski (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.

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

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

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 art. 129, section 3 of the *Act of May 11, 2017 on certified (statutory) auditors, audit firms and public oversight* as of the date of drawing up this information.

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 above mentioned functions are gradually limited at TAURON Capital Group's subsidiaries. Such a centralization is aimed at improving TAURON Capital Group's efficiency.

The core operations of the Company, besides 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 the buy and sell positions of TAURON Capital Group's entities as well as on the wholesale electricity trading. The Company bought and sold 13.2 TWh of electricity in the first quarter of 2022. Electricity sales carried out by TAURON during that period were mainly addressed to the following subsidiaries: TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE), with 64.8% 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 10.0% of the sales, to TAURON Wytwarzanie 1.4% of the sales, and to TAURON Capital Group's other subsidiaries, including TAURON Ciepło sp. z o.o. (TAURON Ciepło), TAURON Ekoenergia sp. z o.o. (TAURON Ekoenergia), TAURON Czech Energy s.r.o. (TAURON Czech Energy) and EC Stalowa Wola, representing in total 3.7% of the sales. Other consumers (the trading companies from outside TAURON Capital Group, the exchanges) accounted for 20.0% of the revenue, with 17.6% sold to the Exchange Clearing House (Izba Rozliczeniowa Giełd) and 1.9% 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, and in April 2020, from TAURON Ciepło, and centralized this activity 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 and TAURON Ciepło. Pursuant to those contracts the Company is providing, among others, the electricity and Property Rights portfolio management service and the *market access* service, as part of which it is operating on the Polish Power Exchange (TGE) on its own behalf for the benefit of TAURON Wytwarzanie and TAURON Ciepło, fulfilling the exchange obligation for those subsidiaries.

The Company's additional operations include 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 initial time of the concession validity period started on May 4, 2012 and was valid until May 4, 2022. On March 11, 2021, the President of the Energy Regulatory Office decided to change the concession term and extend it until June 30, 2035. In the first quarter of 2022 the Company purchased and sold 1.4 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 offer 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 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 using 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 Mogiłno).

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 the subsidiaries' emission needs taking into account the allowances allocated. In the first half of 2020 the Company changed the model of contracting the CO₂ emission allowances under which the CO₂ contracts concluded were transferred from the ICE ENDEX exchange to the OTC market, while at the same time aligning the settlement (clearing) date of the above mentioned contracts with the retirement (redemption) period (deadline).

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 – PSE - Polskie Sieci Elektroenergetyczne S.A.) and other regulations in this respect (Terms and Conditions for the Balancing and the Transmission Grid Code).

The Company currently holds an 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 and 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.

On April 6, 2021, the President of the Energy Regulatory Office (ERO) published, in the Public Information Bulletin (Biuletyn Informacji Publicznej), the information on the final results of the additional auctions for the individual quarters of the delivery year 2022. In accordance with the information, the closing price of the auction for the first quarter came in at 186.70 PLN/kW/year, for the second and third quarter at 320.00 PLN/kW/year, and for the fourth quarter at 240.02 PLN/kW/year. TAURON Capital Group's subsidiaries concluded the capacity contracts with the volume between 24.86 and 157.11 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 25.2 million in 2022.

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 2021, 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 Łagisza 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.

In 2021, the President of the Energy Regulatory Office (ERO) announced and conducted two rounds of the RES auctions for the purchase of the electricity produced by the RES installations. The auctions were conducted in the second and fourth quarter of 2021. TAURON coordinated TAURON Capital Group's works related to the preparation and submission of the auction bids. In the auctions conducted in June of 2021 TAURON Capital Group's subsidiaries submitted a total of 9 auction bids. The support was granted to the Piotrków wind farm with the installed capacity of 30 MW, which took part in the auction basket for the new wind farms and photovoltaic installations with the installed capacity above 1 MW. The other bids were related to the new photovoltaic installations with the installed capacity of no more than 1 MW.

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 information.

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

The Strategy sets the directions of TAURON Capital Group's expansion (growth) in the short terms as well as in the long term. The priority is to maintain a stable financial position and lay down the solid foundations for growth in a changing environment. The Update of the Strategic Directions additionally highlighted the priority importance of the transition of the energy mix, including the development of the low and zero emission sources as well as the optimization of the capital expenditures portfolio.

The Strategy sets the key directions for the innovations as well as the research and development activities that will be the basis for developing the new products and services in the longer term.

Presently, the works are under way to finalize the new Strategy of TAURON Group, which will be a response to the current challenges of the power sector, including the more stringent EU climate and environmental policy. The direction of the activities of TAURON Group will focus on the sustainable operations by continuing the Green Turn and striving for the climate neutrality, while participating, at the same time, in the above mentioned government solutions for the hard coal mining and coal based energy. With respect to the district heating line of business, it is assumed that the generation sources will be converted to the low emission fuels and that the regulatory requirements for the efficient district heating systems will be met. With regard to electricity distribution, it is assumed that significant investment outlays will be allocated to the expansion and modernization of the grid, aimed at improving the quality and reliability of the delivery of electricity, including adapting the grid to the growing installed capacity of the renewable sources.

Key strategic investment (CAPEX) projects underway

The below table presents the activities carried out by TAURON Capital Group in the first quarter of 2022 and by the date of drawing up this information in connection with the implementation of the key strategic investment (CAPEX) projects.

Table no. 2. Key strategic investment (CAPEX) projects' work progress in the first quarter of 2022 and by the date of drawing up this information

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 completion / transition period date: Q4 2022</p> <p>Work progress: 99%</p> <p>Expenditures incurred: PLN 6 124.06 million (the amount increased by, among others) training, fast wearing parts)</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. The fixing of the defects and malfunctions was completed in the first quarter of 2022 and the unit's commissioning activities aimed at carrying out the re-synchronization were commenced</p> <p>On April 14, 2022, the 910 MW unit was re-synchronized with the national power system. Currently, 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 (TAURON Wydobywie), including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings).</i></p> <p>Contractor: Consortium of Przedsiębiorstwo Budowy Szybów S.A., PEMUG sp. z o.o. 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: 2023</p> <p>Work progress: 52 %</p> <p>Expenditures incurred: PLN 288 million</p>	<p>The implementation of the investment project has been halted by the General Contractor. The works aimed at ensuring the investment project is protected (secured) are carried out (i.e. the passive freezing and draining processes). The mediation proceedings with the General Contractor are under way, with the participation of the Legal Counsel of the Republic of Poland, aimed at reaching an agreement.</p> <p>As of the date of drawing up this information, no final and firm date for the resumption of the works has been established. The site continues to be ready for the continuation of the investment project works.</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: 35 %</p> <p>Expenditures incurred: PLN 32.2 million</p>	<p>The PLNE program is carried out on the territory of the following metropolitan areas: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec and Świętochłowice.</p> <p>In the first quarter of 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 19.959 MWt and the network connection conditions have been issued for 3.57 MWt MWt. The assumed total volume stands at 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. (Katowice-Tychy), MZUM sp. z o.o. (Sosnowiec), Atem Polska sp. z o.o. (Wałbrzych A), Mediamo Sp. z o.o. (Oświęcim), MX3 sp. z o.o. (Rybnik), MZUM sp. z o.o. (Wałbrzych B), ZICOM sp. z o.o. (Kraków-Tarnów)</p> <p>Planned project completion date: Q4 2022</p> <p>Work progress: 89%</p> <p>Expenditures incurred: PLN 215.9 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 quarter 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>In the next period, the works related to the further expansion of the optical fiber network will be carried out.</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.</p> <p>Planned project completion date: Q3 2022</p> <p>Work progress: 75%</p> <p>Expenditures incurred: PLN 83.7 million</p>	<p>In the first quarter 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. In March this year the supplies of the wind turbines and their pre-installing were commenced. In April of 2022 the installation of the first and the subsequent 4 turbines was completed. Currently the erection (assembly) of 15 wind turbines is under way. The next stage will involve the installation of the connection to the DSO's grid and the commissioning of the wind farm.</p>
<p>6. <i>Construction of the 6 MW Majewo wind farm.</i></p> <p>Contractor: HIUB Wróbel</p> <p>Planned project completion date: Q3 2022</p>	<p>In the first quarter of 2022, the contractor prepared the sites in accordance with the specification, which was confirmed by the load bearing capacity tests carried out on the surface of the assembly (erection) yards and on the roads.</p> <p>The erection (installation) of EW 1, EW 2, EW 3 was completed.</p>

Investment project	Investment project's work progress
<p>Work progress: 75%</p> <p>Expenditures incurred: PLN 15.9 million</p>	<p>The Distribution System Operator chose the contractor for the works on the substation (GPZ). Works related to the optical fiber blowing (installation) were carried out.</p> <p>The EW 1, EW 2, EW 3 wind turbine switchgears were delivered.</p>
<p>7. <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</p> <p>Planned project completion date: Q2 2024</p> <p>Work progress: 38%</p> <p>Expenditures incurred: PLN 10.5 million</p>	<p>In the first quarter of 2022, the demolition (tear down) works were carried out at the construction site, the basic engineering and the alternate construction design were completed, and the alternate construction design was submitted to the City Office in Katowice in order to obtain the alternate building permit.</p>
<p>8. <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></p> <p>Contractor: Erbud Industry sp. z o.o. (Ltd.)</p> <p>Planned project completion date: 2023</p> <p>Work progress: 27%</p> <p>Expenditures incurred: PLN 2.0 million</p>	<p>The construction works were commenced in the first quarter of 2022. The design and engineering works aimed at completing the gas network connection are under way.</p>

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*) was 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 information currently the most advanced project carried out as part of the *TAURON PV Program* is the construction of a photovoltaic farm in Myslowice 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 Myslowice. 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. The works related to the site preparation were under way in the first quarter of 2021. The planned commissioning of the farm is 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 being 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 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 with the total capacity of 14 MW. The works related to connecting the farm to the distribution grid were carried out in the first quarter of 2022. After completing the grid connection installation works the farm will achieve the ultimate capacity of 14 MWp. The project's 2nd stage budget is PLN 20.8 million. The planned completion date of the second stage is June 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 ready and the existing photovoltaic farm assets on the market.

Onshore wind farms

TAURON Capital Group is looking for the opportunities to acquire advanced RES projects and the existing onshore wind farm assets on the market. As part of such efforts, the internal analyses and due diligence studies of further potential acquisition projects had been carried out in cooperation with the developers in the first quarter of 2022.

With respect to the wind farms TAURON Capital Group is currently implementing the Piotrków wind farm project with a capacity of 30 MW and the Majewo wind farm project with a capacity of 30 MW.

The detailed information on the progress of the implementation of the above mentioned investment projects in the first quarter of 2022 is presented in Table no. 2 of this information.

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

On October 15, 2021, TAURON and 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. Currently, applications for the issuance of the above mentioned permits in the Polish Exclusive Economic Zone of the Baltic Sea.

413 MWe CCGT unit construction project including an approx. 250 MWt heat generation unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie)

In September 2016, in accordance with *TAURON Group's Strategy for the years 2016-2025* (Strategy), as part of the priority of ensuring TAURON Capital Group's financial stability, the 413 MWe CCGT unit construction project including a heat production unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie) was halted due to the loss of its business justification (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 would be obtaining 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). Procuring the bids is the first stage which - after taking into account the other premises of the investment process - will enable the performance of the comprehensive analyses of the project in terms of the long term profitability thereof. The project will be implemented only in the event of a favorable outcome, for the project, of the capacity market auction scheduled for December 2022, taking into account the market conditions (among others with respect to the terms of a long term gas fuel supply contract and the availability thereof), which should guarantee the expected level of profitability for the project and the objective possibility of implementing the project.

Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures came in at PLN 610 million in the first quarter of 2022 and they were 4% lower than the investment outlays incurred in the first quarter of 2021 that stood at PLN 638 million. This is primarily due to the decrease of the capital spending in the Distribution Segment as well as the increase of the investment outlays in the RES Segment, the Generation Segment and in the Mining Segment

The below table presents the selected, highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first quarter of 2022.

Table no. 3. The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first quarter of 2022

Item	Capital expenditures (PLN m)
Distribution	
1. Installation of the new grid connections	210
2. Existing grid assets' upgrades (refurbishments) and replacements	183
Generation	
3. CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	7
4. Construction of a 910 MWe super critical parameters generation unit in Jaworzno	33
5. ZWK – Construction of the 140MWt gas fired boiler	6

Item	Capital expenditures (PLN m)}
6. Connecting of the new facilities to the grid	7
7. Investment projects related to the development (expansion) and maintenance of the district heating networks	3
RES	
8. Construction of the 30 MW Piotrków wind farm	10
9. Construction of the 6 MW Majewo wind farm	4
10. Construction of the PV Myslowice farm	1
Mining	
11. Preparation of the future production	52
12. Construction of the "Grzegorz" shaft at the Sobieski Coal Mine (ZG Sobieski)	2
13. Refurbishment and replacement tasks at the Coal Mine (ZG)	13
Supply and Other Operations	
14. Construction of the broadband Internet access network as part of the Digital Poland Operational Program III (POPC III) project and CUB	28
15. Maintenance and development of the street lighting	13
16. IT related investment projects at TOK	8

2.3. Material accomplishments and failures as well as the most important events related to TAURON Capital Group in the first quarter of 2022 and after the balance sheet date

Material events that had occurred in the first quarter of 2022, as well as the ones that had taken place by the date of drawing up this information 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 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 information.

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.

Major corporate events

Changes to the composition (membership) of the Management Board of TAURON

There had been changes to the composition (membership) of the Company's Management Board in the first quarter 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 and no. 10/2022 of April 8, 2022.

Changes to the composition (membership) of the Supervisory Board of TAURON

There had been changes to the composition (membership) of the Company's Supervisory Board in the first quarter 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 event in the regulatory filing (current report): no. 2/2022 of January 27, 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 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 investment projects will contribute to reducing the demand for the financing 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.

Other major events

Concluding of the settlement agreement between EC Stalowa Wola and Abener Energia

On December 31, 2021, EC Stalowa Wola and Abener Energia S.A. with its registered office in Campus Palmas Altas, Sevilla, concluded the settlement agreement in order to agree upon the conditions under which EC Stalowa Wola and Abener Energia will make mutual settlements resulting from all of the court and arbitration disputes between the parties and arising from the contract concluded on June 26, 2012, between Abener Energia (general contractor) and EC Stalowa Wola (ordering party) for the construction of a combined cycle (CCGT) power generating unit with the heat production unit at EC Stalowa Wola. Subsequently, on February 28, 2022, the parties signed an annex to the settlement agreement. On the basis of the settlement agreement:

1. EC Stalowa Wola has agreed to pay the gross amount of EUR 92 768 963.70 to Abener Energia, pursuant to the ruling of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw of April 25, 2019, and other financial settlements,
2. upon entry into force of the terms and conditions contained in the settlement agreement the parties agree to discontinue all of the court and arbitration proceedings that have been pending between them and confirm there are no further or future claims arising from the Contract.

In line with the Annex, the deadline to fulfill the obligations of Abener Energia, a failure to fulfill which by the deadline would constitute a condition leading to the termination of the settlement agreement, including the handover (presenting) of the apostilled documents that confirm a consent of the pledgees (whose pledges encumber the receivables of Abener Energia under the Ruling of the Court of Arbitration) for the conclusion of the annex had been extended until March 7, 2022 (from February 28, 2022). Under the annex, Abener Energia was obliged to present the unconditional and irrevocable consent of the judicial supervisory authority, court commissioner, administrator or other competent authority indicated by the Spanish court conducting the bankruptcy proceedings against Abengoa S.A., for the conclusion and implementation of the annex by March 4, 2022. ECSW was obliged to present the resolution of the Supervisory Board approving the conclusion of the annex by March 4, 2022.

In March of 2022 the conditions of the settlement agreement were fulfilled and the parties proceeded to execute 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.

Major events after March 31, 2022

Information regarding the planned public aid for TAURON Wydobywanie S.A. (TAURON Wydobywanie)

On April 8, 2022, TAURON disclosed the information on TAURON Wydobywanie 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 Wydobywanie.

The subsidies for TAURON Wydobywanie 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 may be reduced.

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.

TAURON disclosed the information on the above event in the regulatory filing (current report) no. 11/2022 of April 8, 2022.

Update of the information on the 910 MW unit in Jaworzno – the unit’s re-synchronization 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) in which the parties consider strategic cooperation related to the research and development works and the future investment projects with respect to the construction of 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 possibility, nature and details of the potential joint involvement in the implementation of the SMR investment projects. The subject of cooperation will be, inter alia, the analysis of the available technologies and possibility of siting the generation units in the vicinity of the electricity transmission infrastructure as well as possibility of using the existing infrastructure of the power generation units and identifying the possibility of procuring the optimum technology, investing in other way or engaging in other forms of 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 and 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. At the same time such actions contribute to the implementation of the updated strategic directions that are a supplement to TAURON Group’s Strategy for the years 2016-2020.

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.

Request to include certain items in the agenda of the Ordinary General Meeting of TAURON Polska Energia S.A. and convening of the Ordinary General Meeting of the Company

On April 25, 2022, TAURON disclosed the information on having received a request from KGHM, i.e. a shareholder representing 10.39 percent of the Company’s share capital, to include the following items in the agenda of the next Ordinary General Meeting of the Company:

1. adoption of a resolution with respect to determining the number of members of the Supervisory Board of the Company,
2. adoption of resolutions on introducing the changes to the composition (membership) of the Supervisory Board of the Company.

In the rationale (statement of reasons) KGHM indicated that the inclusion of the above mentioned items in the agenda of the Ordinary General Meeting of the Company will enable KGHM, as a shareholder of the Company, to submit relevant motions for voting on the resolutions aimed at introducing changes to the composition (membership) of the Company’s Supervisory Board.

On April 27, 2022, the Company’s Management Board, acting pursuant to article 395, article 399, § 1 and article 402¹ of the Commercial Companies Code as well as § 30, clause 1 of the Company’s Articles of Association

convened the Ordinary General Meeting of the Company on May 24, 2022, and disclosed to the public the content of the draft resolutions that would be the subject of the discussion during the Ordinary General Meeting of the Company related to: the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 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 net 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 acknowledgement of the fulfillment of duties by (absolve, discharge from the liabilities) the Members of the Company's Management Board and Supervisory Board, the determining of the number of the Members of the Company's Supervisory Board and the appointing/dismissing of a Member of the Company's Supervisory Board of the 6th common term of office

Subsequently, on April 29, 2022, TAURON received a request from the shareholder State Treasury, on behalf of whom the rights from the shares are exercised by the Minister of the State Assets, to include the following items in the agenda of the Ordinary General Meeting of the Company convened for May 24, 2022:

1. adoption of the resolution concerning the principles to be applied when establishing the compensation of the Members of the Management Board of the Company,
2. adoption of the resolution concerning an amendment to the "*Compensation Policy for Members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A.*".

At the same time the Minister of the State Assets sent to the Company the draft resolutions of the Ordinary General Meeting of the Company concerning the above mentioned matters. In the rationale (statement of reasons) it has been indicated that the purpose of the proposed amendments is make some provisions of the applicable resolutions more precise and clear in connection with the change of the legal status.

In connection with the above, acting pursuant to Art. 401, § 2 of the Commercial Companies Code, the Company announced the changes to the agenda of the Ordinary General Meeting convened for May 24, 2022, consisting in adding the above mentioned items thereto, and disclosed the draft resolutions received to the public.

TAURON disclosed the information on the above events 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

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 quarter of 2022 were impacted, among others, 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 quarter 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 of the hard coal extraction,
8.	failures of TAURON Capital Group's equipment, installations and grids,
9.	implementation of <i>TAURON Wydobycie (Mining) Turnaround Program for the years 2020-2029</i> ,
10.	decision on the development of the district heating line of business within TAURON Capital Group,
11.	implementation of the provisions of the letter of intent regarding the potential purchase by the State Treasury of 100% of the shares in TAURON,
12.	implementation of the provisions of the letter of intent regarding the sale of the shares in EC Stalowa Wola to PGNiG Group,
13.	implementation of the provisions of the agreement between TAURON, PGE, Enea, 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),
14.	works related to the fixing of the failure of the 910 MW power generating unit in Jaworzno,

15. implementation of the provisions of the settlement agreement between EC Stalowa Wola and Abener Energia in order to define the rules of the mutual settlements arising from the court and arbitration disputes between the parties regarding the construction of a CCGT unit with a district heating section at EC Stalowa Wola.

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 quarter of 2022 is provided in section 3 of this information. 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 quarter 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.

The Polish domestic economy grew by 6.8% in the first quarter of 2022, as compared to the first quarter of 2021. The unemployment rate clocked in at 2.9% in the first quarter of 2022, while the inflation rate rose to reach 9.2%.

According to its March projection, the NBP (National Bank of Poland) forecasts the economic growth rate in 2022 at the level of 4.4%, and in the subsequent years a decline to 3% in 2023 and 2.7% in 2024. Private consumption will continue to be a factor that will be positively impacting the level of the growth of the economy, but its growth rate will decline due to a strong rise of the inflation, which will be the main challenge in the near future. The projected inflation rate will come in at 10.8% in 2022 and 9% in 2023. It is estimated that the inflation rate will decline to 4.2% in 2024. As a result of the increase in the oil prices and the weakened Polish zloty (PLN), the price increases will be first noticed in the fuel prices. In the longer term, the households will also be experiencing the food price hikes. The decline of the GDP growth rate is also affected by the negative supply shock resulting from the impact of the Russian Federation's aggression against Ukraine in addition to the earlier increases in the prices of the energy raw materials on the world markets and the rise of the prices of the CO₂ emission allowances, as well as the disturbances of the supply chains.

In the energy sector, the rapid rise in the prices of the energy commodities on the world markets and the increase of the prices of the CO₂ emission allowances will translate into a significant increase in the regulated electricity prices for the households in the years 2022-2023.

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 quarter of 2021 and in the first quarter 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 quarter of 2021 and in the first quarter of 2022

Volume	Unit	Q1 2021	Q1 2022	Increase / Decrease
2. Electricity consumption	GWh	45 260	45 683	423 (+0.9%)
3. Electricity production by domestic power plants	GWh	43 138	46 645	3 507 (+8.1%)
4. Electricity production by power plants fired with:				
1) hard coal ¹	GWh	24 382	22 707	-1 675 (-6.9%)
2) lignite	GWh	10 318	12 315	1 997 (+19.4%)
3) gas	GWh	3 416	3 134	-282 (-8.3%)

Volume	Unit	Q1 2021	Q1 2022	Increase / Decrease
5. Electricity production by wind farms	GWh	3 657	6 407	2 750 (+75.2%)
6. Cross-border exchange balance ²	GWh	2 122	-961	-3 083 (-145.3%)
7. Average electricity price on the SPOT market in:				
1) Poland	PLN/MWh	262.86	623.93	361.07 (+137.4%)
	EUR/MWh	57.79	134.78	76.99 (+133.2%)
2) Neighboring countries (on the example of Germany)	EUR/MWh	49.58	184.62	135.04 (+272.4%)

¹Including the industrial power plants.

²A positive value of the balance denotes imports, while a negative value of the balance denotes exports.

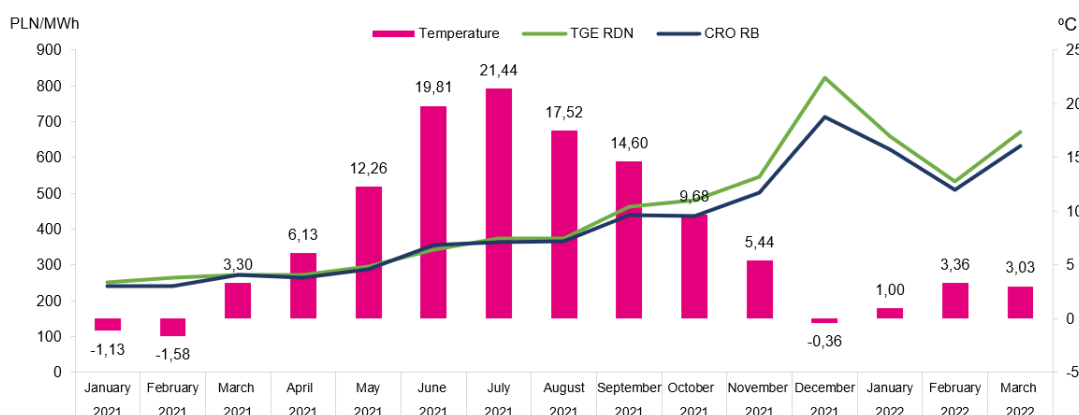
The wholesale electricity price on the Day Ahead Market (RDN) of the Polish Power Exchange (Towarowa Gielda Energii S.A. - TGE) reached 623.93 PLN/MWh in the first quarter of 2022 and it was higher by 361.07 PLN/MWh (+137.4%) as compared to the first quarter of 2021. The average settlement price on the Balancing Market (RB) came in at 590.09 PLN/MWh in the first quarter of 2022 and it was higher by 338.33 PLN/MWh (+134.4%) as compared to the first quarter 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 quarter of 2022.

The continued rise in the demand for electricity and Poland's exports 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 (in particular in February of 2022) due to the continued high prices of the thermal (steam) coal and gas. Also, the lowest electricity prices on the SPOT market were recorded in February due to the mild temperatures and the high generation output by the wind based sources which led to the reduction in the production output by the conventional generation sources.

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 quarter 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 quarter of 2022



The reference (benchmark) base load contract with the delivery in 2023 (BASE_Y-23) was in an upward trend throughout the entire 2021. The price changes were in line with the changes in the commodity prices, in particular the prices of the CO₂ emission allowances. A particularly sharp surge of the prices took place at the end of the year, when the contract settlement (clearing) price reached the level of 623.25 PLN/MWh. In addition to the high prices of the raw materials (commodities) and the CO₂ emission allowances, such rapid increases were brought about by the problems with the balancing of Poland's power system due to the low supply of the thermal (steam) coal, as well as the very high prices in the neighboring countries.

At the beginning of the first quarter of 2022, the prices of the contract were in a sideways trend ranging between 585.80 PLN/MWh and 662 PLN/MWh, then at the end of the quarter a new maximum was recorded at the level of 818.50 PLN/MWh. This was due to the pricing in of the high risk of the price increases on the thermal (steam) coal market in Europe, in particular following the Russian Federation's aggression against Ukraine, which brings about an upward pressure on the prices of this commodity also in Poland.

The volume weighted average price of the BASE_Y-23 contract recorded in 2021 stood at a level of 389.98 PLN/MWh, while in the first quarter of 2022 it came in at 650.84 PLN/MWh and it was higher by 372.15 PLN/MWh (an increase by 133.5%) 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 494.33 PLN/MWh in 2021, while in the first quarter of 2022 it came in at 841.10 PLN/MWh and it was higher by 531.55 PLN/MWh (an increase by 171.7%) 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 quarter of 2022.

Figure no. 5. BASE Y-23 contract trading volume and price performance in 2021 and in the first quarter of 2022



Crude oil

The average price of the Brent crude oil on the ICE exchange stood at 97.90 USD/bbl in the first quarter of 2022 and it was higher by 36.58 USD/bbl as compared to the first quarter of 2021 (an increase by 59.7%). 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. 17.6 billion barrels in the first quarter of 2021, while it stood at approx. 17 billion barrels a year ago (an increase by 3.7% year on year).

The crude oil prices reached a seven year high in the first quarter 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 led to the imposition of sanctions on the country's fuel exports. This event significantly shook the global crude oil market and caused the demand for this commodity at the beginning of 2022 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 in early March of 2022, before subsequently falling in the last days of the first quarter of 2022 to a level of around 97 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. In the first quarter 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 146.94 USD/t in the first quarter of 2022 and it was higher by 80.36 USD/t as compared to the average price of such a contract in the first quarter of 2021 (an increase by 115% 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 quarter of 2022 (data for 2022 includes January and February) came in at 13.59 PLN/GJ and it was higher than the value of this index in the first quarter of 2021 by 2.03 PLN/GJ (an increase of 18%).

The year 2022 on the international coal market began with the suspension of the exports by Indonesia, one of the largest suppliers on the world market. Indonesia did not export coal for a month, rebuilding its internal inventory levels. The lack of supply from one of the main coal suppliers in combination with the weather anomalies in

Southeast Asia and Australia, as well as the spread of the omicron variant of the COVID-19 pandemic have resulted in the higher prices at all of the global coal terminals.

The growing tension between Russia and Ukraine since the beginning of 2022 led to the additional uncertainty with respect to the continuity of the supplies. The Russian coal, which so far has satisfied the needs of both the Asia-Pacific as well as the Atlantic customers, has been almost completely pushed out from the market. At the beginning of February, one of the major Russian producers, due to the limited capacity of the railway lines leading to the northwestern ports of Russia, announced an occurrence of force majeure that made it impossible to fulfill its coal deliveries. Following the Russian Federation's aggression against Ukraine, despite the fact that Russian thermal (steam) coal producers were not subject to the sanctions imposed by the US, the EU Member States and Great Britain, the majority of the buyers were afraid of buying the Russian coal, regardless of its availability.

The tense situation on the international coal market was accompanied by the low inventory levels at the world's major coal terminals. As of the end of March of 2022, the inventory levels at the Richards Bay terminal in South Africa were below 1 million tons, as compared to the annual average of around 1.1 million tons. The inventory levels at the ARA ports fell to the lowest level since at least 2014, i.e. down to 2.4 million tons. On the other hand, other ports were grappling with the transshipment problems.

The price indices at the world's major coal terminals, i.e. NEWC, ARA and RB, reached their historical highs in the successive weeks of March. The sharp rise in the inquiries from the European consumers and traders about the Australian coal has raised the Australian coal prices significantly, driven by the market concerns that the sanctions against Russia could disrupt the supply in the near term.

Increasing the supply of the thermal (steam) coal is difficult because the trend of reducing the demand for coal in recent years has been so strong that a significant part of the coal producers went bankrupt or had to curb their investments in the production.

Natural gas

In the first quarter of 2021, the European gas market saw unprecedented price levels for this commodity. The main factor behind the sharp increases in the prices during this period was the tense situation between Russia and Ukraine, followed by the invasion of the Russian Federation and the consequent imposition of the sanctions on the fuels imported from Russia as well as the suspension of the certification of the Nord Stream 2 gas pipeline. The concerns arose on the European gas markets regarding the possibility of the complete lack of the blue fuel flows from Russia to the countries of the Old Continent. In addition, starting from mid-2021, a significant decrease in the gas flows from Russia (in particular via the Yamal pipeline) was visible, which, in combination with the low inventory levels at the gas storage facilities as compared to the years 2020-2021, led to the uncertainty on the market and elevated the risk of reaching the higher price levels.

Europe was looking for the alternatives in the form of more gas supplies from the US or Qatar, but this did not fill the demand gap in countries that were just rebuilding their economies following the COVID-19 pandemic at the cost of increasing the electricity consumption. The Asian countries that suffered just as much from the COVID-19 pandemic also faced the demand pressure with respect to the raw materials, and in particular gas, as one of their primary fuels for energy production, which 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 519.17 PLN/MWh in the first quarter of 2022 and it was higher by 422.15 PLN/MWh than such a price in the same period of 2020. The lowest price of the contract on the SPOT market was recorded in February 2021, 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, 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 March of 2022, clocking in at more than 7 TWh, while the highest trading volume was reported in January of 2022, reaching approx. 15.5 TWh. The weighted average price of the reference (benchmark) one year GAS_BASE_Y-23 contract stood at 289.18 PLN/MWh in the first quarter of 2022. The lowest price of that contract was recorded in January of 2022, while the highest price was observed in March of 2022, coming in at 216.17 PLN/MWh and 480 PLN/MWh, respectively.

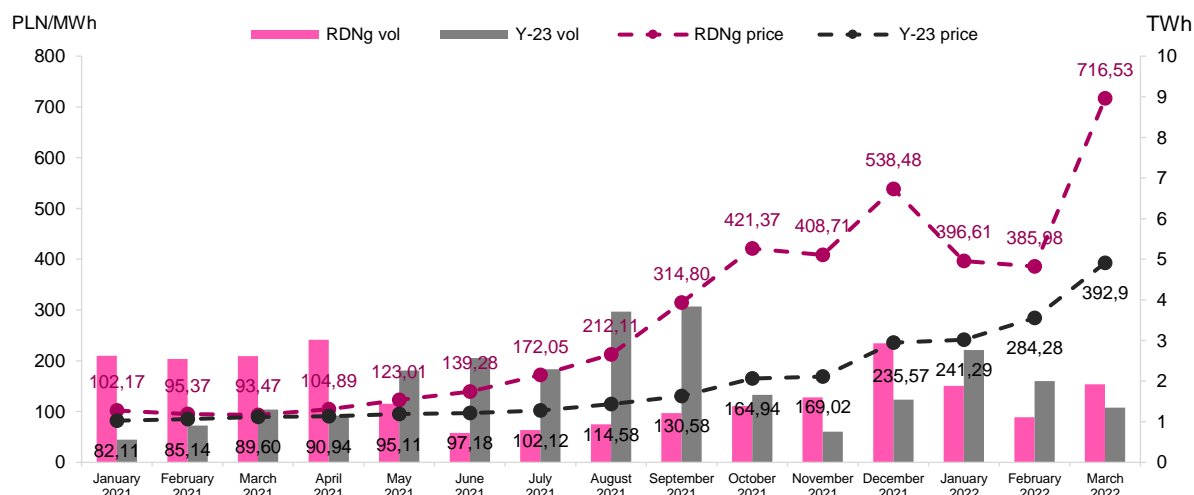
The aggregate trading volume on the Polish Power Exchange (TGE) clocked in at more than 41.5 TWh in the first quarter of 2022, as compared to 33.5 TWh in the same period of 2021 (an increase by 24,1% year on year). The futures market had the largest share in the gas trading in the first quarter of 2022, with a volume generated of more than 34.9 TWh. On the SPOT market, the total trade in the day ahead contracts came in at approx. 5 TWh (a drop by 37% year on year). The decline was also reported on the Intraday Market (IDM) for gas, where the turnover

(trading volume) stood at more than 1.7 TWh, as compared to 2.2 TWh in the same period of 2021 (a drop by 21.7% year on year).

According to the Gas Infrastructure Europe association's data, as of March 31, 2022, the Polish storage facilities with the total capacity of approx. 3.2 billion m³ were 65.1% filled, while a year earlier they had been 38.2% filled (an increase by 26.9 pp). In Europe, this level, as of the end of the first quarter of 2022, stood at 26.3%, while a year earlier it had clocked in at 30.1% (a decrease by 3.8 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

In 2022, the trading on the EU ETS market started at the significantly higher prices than at the beginning of 2021. This is a consequence of an extremely strong upward trend lasting during the majority of 2020 and throughout 2021. This trend is the result of the limited supply due to the Market Stability Reserve (MSR) mechanism, the high demand for EUA units due to the high gas prices and the announced changes aimed at adapting the EU ETS system to the new, more ambitious EU climate and energy policy called *Fit for 55*.

The average price of the CO₂ contracts on the futures market came in at 83.60 EUR/Mg in the first quarter of 2022, which meant a rise by as much as 45.84 EUR/Mg as compared to the first quarter of 2021 (an increase by 121.4%). 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 quarter 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 on Ukraine on February 24, 2022. Due to a sharp sell-off, the price of CO₂ plummeted temporarily to 55 EUR/Mg on that day.

The impact of the geopolitical situation on the market of the CO₂ emission allowances was already visible in February 2022, when after reaching the above mentioned level of 98.49 EUR/Mg, there was a systematic and relatively stable sell-off of the EUA units on the EU ETS market - in the opinion of many market participants it was a symptom of a willingness to take profits and get rid of the assets that may quickly lose value in the event of a war, which was confirmed at the turn of February and March 2022.

The period of the relatively low CO₂ prices was used by the market participants as a buying opportunity (buy the dip) and by the end of the first half of March 2022 the CO₂ prices recovered most of the losses caused by the outbreak of the war. In March, the CO₂ price returned to the level of approx. 80 EUR/Mg, where it remained until the end of the first quarter of 2022.

The below figure presents the impact of the political actions and the environment (stakeholders) on the EUA SPOT product price in the first quarter of 2022.

Figure no. 7. Impact of the political actions and the environment (stakeholders) on the EUA SPOT product price in 2021 and in the first quarter of 2022



Property rights

The prices on the green certificates market continued their downward trend in the first quarter of 2022. The TGEozea 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 beginning of March 2022, at the level of 206.86 PLN/MWh. The weighted average price of PMOZE_A in the first quarter of 2022 came in at 244.11 PLN/MWh and it was higher by 69.1% than the weighted average price in the corresponding period of 2021 (an increase by almost 100 PLN/MWh).

The volume of the trading was much lower than in the first quarter of 2021, falling by more than 4.6%, from 1 962.7 GWh to 1 872.4 GWh. The balance of the PMOZE_A register at the end of March 2022 reached a surplus of 23.45 TWh. Taking into account the certificates that are blocked for the redemption (retirement), this balance drops by 5.26 TWh, to the level of 18.20 TWh (a decrease by 34.8% year on year). The level of the substitution fee set for 2022 is at the level of 239.86 PLN/MWh. 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 March 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 quarter of 2022 clocked in at 302.54 PLN/MWh, while the trading volume came in at 87.57 GWh and it was lower by 26.3% as compared to the trading volume logged in the first quarter of 2021. The PMOZE_BIO register balance came in at 379.70 GWh as of the end of March of 2022. Taking into account the certificates blocked for the redemption (retirement), this balance drops by more than 15.45 GWh, down to the level of 364.26 GWh (a decline by more than 23.8% as compared to the first quarter 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.

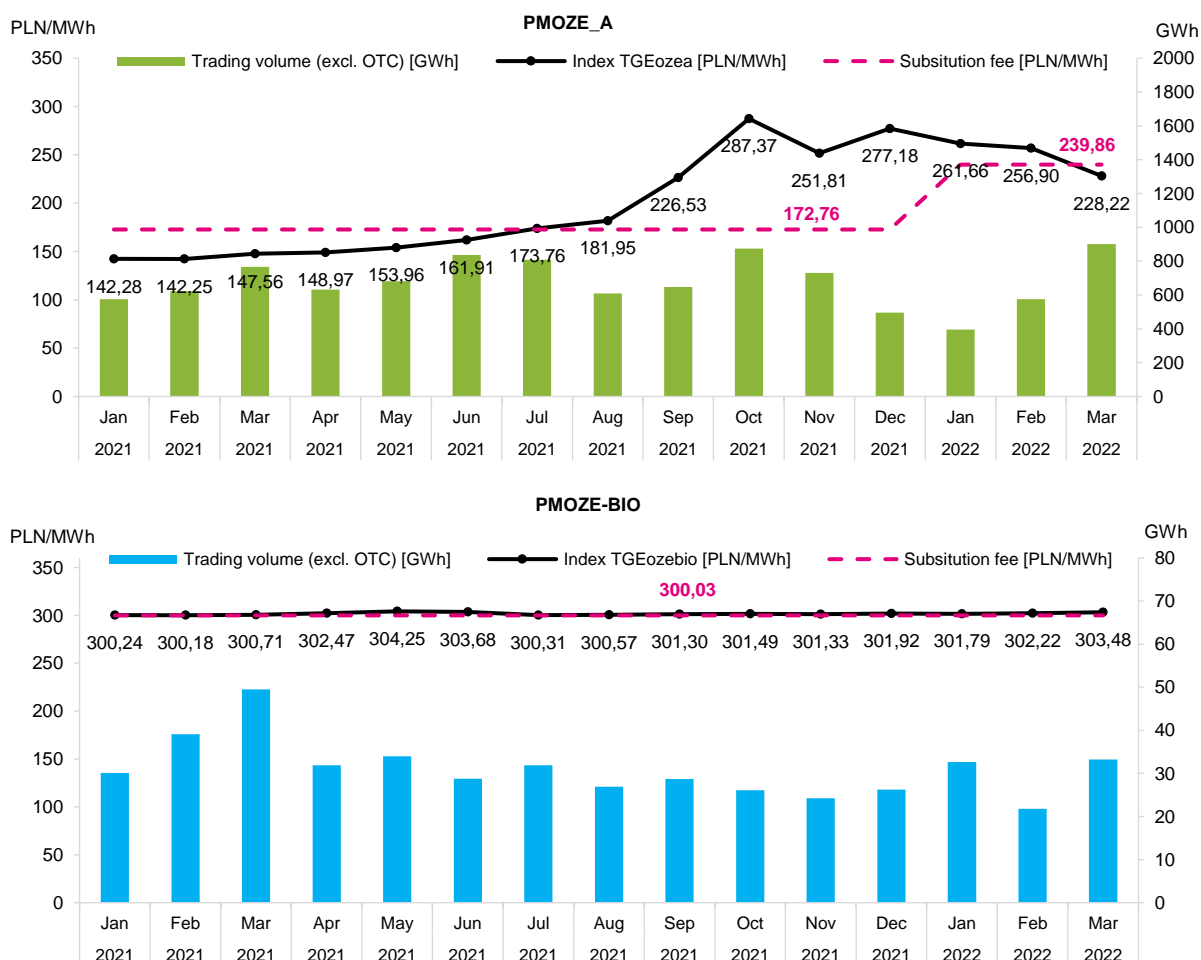
The prices of the PMEF_F white certificates were fluctuating in the first quarter of 2021 between the minimum level of 2 314.06 PLN/toe reached in the middle of March of 2022 and the maximum price obtained in the middle of January of 2022 at the level of 2 744.26 PLN/toe. The weighted average price for the above mentioned contract in the first quarter of 2022 came in at 2 525.94 PLN/toe and it was higher by almost 32.2% as compared to in the same period of 2021. On average the prices were clocking in 31.9% above the substitution fee set at the level of 1

914.42 PLN/toe for 2022. The trading volume went up by 26.2% as compared to the same period of 2021, coming in at 16 419 toe (13 015 toe in the first quarter 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 2 370.00 PLN/toe, reached in March 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 quarter of 2022 was higher by almost 40.6% as compared to the prices in the same period of 2021 and it came in at the level of 2 637.12 PLN/toe.

The below figures present the property rights indices, the so-called green and blue certificates.

Figure no. 8. Property rights indices



Regulatory environment







TAURON Capital Group is monitoring changes and taking actions in the regulatory area, both on the national, as well as on the European Union (EU) level.

The below table below presents the most important changes in the regulatory environment of TAURON Capital Group in the first quarter 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 quarter of 2022 with respect to the adopted and published legislative acts

Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group	Impact on the Segment
Act of December 17, 2021, on the shielding allowance	The main elements of the act are: 1. introduction of a shielding allowance related to the increase in energy prices for the household consumers, 2. new obligations of the electricity supplier related to the introduction of the shielding allowances (compensation to offset energy price increases),	January 4, 2022 – entry into force	The act imposes additional obligations on TAURON Sprzedaż related to: 1. the need to send information on the right to submit an application for the payment of the shielding allowance, 2. development and implementation of the support programs for the vulnerable (sensitive) consumers, 3. a change with respect to the options available for suspending the supply.	



Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group	Impact on the Segment
	<p>3. program of support for the vulnerable (sensitive) consumers of the electricity and gas fuels,</p> <p>4. definition of energy poverty.</p>			
<i>Act of January 26, 2022, on special solutions to protect gas fuel consumers in connection with the situation on the gas market</i>	<p>The act introduces a gas price increase compensation mechanism by:</p> <ol style="list-style-type: none"> 1. extending the catalog of entities covered by the tariff protection until December 31, 2023, 2. introducing a compensation mechanism for the natural gas suppliers, 3. 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	<p>The act in question:</p> <ol style="list-style-type: none"> 1. 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, 2. 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, 3. 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</i>	<p>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.</p>	February 3, 2022 – entry into force	<p>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.</p>	
<i>Act of April 13, 2022, on the special solutions with respect to counteracting the support for the aggression against Ukraine and serving the protection of national security</i>	<p>The act introduces the exclusion of contractors related to the aggression against Ukraine (i.e. Russia and Belarus) from public procurement procedures as well as the initiated and incomplete competitions (tender proceedings). These provisions are applicable to coal imports.</p>	April 16, 2022 – entry into force (<i>an event taking place after the balance sheet date</i>)	<p>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.</p>	
<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</i>	<p>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:</p> <ol style="list-style-type: none"> 1. costs of purchasing the electricity, including the average costs of purchasing the emission allowances, 2. 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	<p>The regulation in question:</p> <ol style="list-style-type: none"> 1. 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, 2. 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</i>	<p>The regulation introduces the following amendments:</p> <ol style="list-style-type: none"> 1. increasing the possible increase of the planned revenues under the simplified tariffs for the heat generated in the cogeneration units, 2. guaranteeing a minimum increase (change) of the planned revenues in the tariffs of the district heating companies, 3. 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, 4. 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	<p>The regulation in question:</p> <ol style="list-style-type: none"> 1. introduces changes to the tariff setting process for the district heating enterprises, 2. 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. 	






Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group	Impact on the Segment
<i>Regulation of the Minister of the State Assets of February 3, 2022, on subsidies to reduce the production capacity of the mining enterprises</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</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, requirements for ensuring the correctness and completeness of the energy market information and the verification thereof, indicators of the quality of the energy market information provided by the individual system users and the manner of the publication thereof. 	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.	 
<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</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 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</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 (an event taking place after the balance sheet date)	The regulation in question: <ol style="list-style-type: none"> introduces the necessity to adapt the IT systems/meters to the requirements defined in the regulations, 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 aimed at amending the specific legal provisions, which, if adopted in the assumed content (wording), will have an impact on the operations of TAURON Capital Group, were underway in the first quarter of 2022,

The below table below presents the most important legislative initiatives in the regulatory environment of TAURON Capital Group in the first quarter of 2022.

Table no. 7. Most important legislative initiatives in the regulatory environment of TAURON Capital Group in the first quarter of 2022

Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group	Impact on the Segment
Draft act on amending the act - Energy Law and the act on renewable energy sources	The draft act introduces the abolition of the obligation to sell electricity via the commodity (power) exchange, i.e. the "power exchange obligation" and the tightening of the responsibility for the manipulations on the electricity market.	Public consultations on the draft have been completed	The adoption of the act may result in a drop of the liquidity of the futures contracts and an increase in the electricity purchase prices - both on the power exchange as well as under the bilateral contracts.	
Draft act amending the act on investments in wind farms and certain other acts	The draft act introduces: <ol style="list-style-type: none"> a change of the rules of the functioning of the so-called 10H rule (distance between wind turbines), more flexibility for the municipalities to define areas for the development of the wind farms in the local spatial development (zoning) plans, 	Public consultations on the draft have been completed	The adoption of the act: <ol style="list-style-type: none"> will enable siting (locating) of the wind farms at a distance of less than 10h, if the local government provides for such a possibility in the spatial development (zoning) plan, 	

Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group	Impact on the Segment
	3. a change of the rules for consulting the local zoning plans defining the areas for the wind farms.		2. will introduce the changes in the investment project consultation procedure.	
Draft act on amending the act - Energy Law and the act on renewable energy sources	The draft act assumes: 1. changes to the rules applied to conclude and terminate the electricity supply agreements, 2. introducing civic energy communities, active consumers and energy market aggregators, 3. possibility of concluding contracts with a dynamic (changing) price, 4. extending the scope of unbundling, 5. introducing of the provisions related to the system services, the flexibility services, 6. changes to the regulations related to the balancing, 7. a mechanism for the non-market based curtailing of the generation in the RES installations, 8. increasing the fees for a connection to the gas transmission network, 9. changes with respect to the direct lines, 10. changes in the prosumers' settlement (billing) model.	Public consultations on the draft have been completed	The adoption of the act: 1. will generate the additional costs and limitations brought about by the extending of the scope of the unbundling for a DSO, 2. will increase the possibilities of using the direct lines, 3. will limit the possibilities of the DSO to have storage facilities.	
Draft act amending the act on the spatial planning (zoning) and development and certain other acts	The draft assumes that the location (siting) of such facilities as the devices generating power from the renewable energy sources with an installed capacity of more than 500 kW, excluding the stand alone photovoltaic devices, with an installed electrical capacity of not more than 1000 kW and other than the stand alone ones, may only be based on the local zoning plan. However, the areas where these facilities may be located should be specified in the study of the conditions and directions of the spatial development (zoning) of the municipality.	Pre-consultations on the draft have been completed	The Act may be a headwind and a barrier for the entities wishing to start implementing the projects related to the construction of the renewable energy sources (RES) installations.	
Draft act amending the act on renewable energy sources and certain other acts	The draft contains the regulations related to the following areas: 1. biomethane, 2. energy clusters, 3. transposition of RED II (heating and cooling, guarantees of origin, National Contact Point for RES, partnership based energy trading), 4. refurbishment of the RES installations, 5. continuation support for the RES installations whose 15-year support system is expiring, 6. hybrid RES installations, 7. offshore wind energy, 8. substitution fee.	Public consultations on the draft have been completed	The act in question: 1. generates the risk of disconnecting the consumers from the district heating network that does not meet the requirements of the efficient district heating systems, 2. introduces the favorable changes to the method to be used to pay the substitution fee, 3. introduces significant changes for the DSOs related to the energy clusters, 4. provides for the possibility of obtaining the support for the renewable energy sources (RES) installations whose 15-year support system is expiring.	
Draft act amending the act on the maritime areas of the Republic of Poland and the maritime administration	The subject of the amendment includes, among others: 1. regulation to be applied in the case of a tie in the procedures for resolving of the applications for issuing of a permit for the construction or use of the artificial islands, structures and devices in the Polish sea areas, 2. clarification of the provisions related to the procedure for obtaining of the permits or approvals and the possibility of issuing of the decisions by the maritime administration ordering the removal of the illegally erected and used structures, devices and elements of the infrastructure as well as the laid down and maintained cables and pipelines.	Public consultations on the draft have been completed	The act will affect the investment opportunities in the offshore wind energy and may constitute the basis for the further analyses of the investment potential of the electricity generation sector in the offshore wind farms.	
Draft act amending the act on the greenhouse gas emission allowances trading system and certain other acts	The draft act proposes the establishing of the state special purpose fund: <i>Energy Transition Fund (Fundusz Transformacji Energetyki – FTE)</i> . FTE will be managed by the National Fund for Environmental Protection and Water Management (NFOSiGW), while the minister competent for energy will be the administrator of the fund. The estimated total value of FTE is to reach approximately PLN 112 billion.	Second public consultations on the draft have been completed (<i>an event taking place after the balance sheet date</i>)	The adoption of the act will make it possible to obtain the funds for the investment projects related to, among others: renewable energy sources (RES), distribution grids, heat generation and the district heating networks, thermal waste processing, gas, storage facilities, hydrogen, energy efficiency, other projects aimed at implementing the transition of the energy sector.	

Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group	Impact on the Segment
Draft regulation of the Minister of Climate and Environment on the change in the quantitative share of the total of the electricity stemming from the redeemed guarantees of origin of energy (energy certificates) confirming the generation of electricity from the renewable energy sources in 2023.	The draft specifies the size of the quantitative share of the total of the electricity stemming from the redeemed guarantees of origin of energy (energy certificates) confirming the generation of electricity from the renewable energy sources in 2023 at 10% (reducing this cap from 18.5% in 2021)	Public consultations on the draft have been completed	The adoption of the regulation: <ol style="list-style-type: none"> 1. may lead to a drop in the prices of the guarantees of origin of energy (energy certificates), 2. will have a positive impact on the entities involved in the electricity trading, 3. may contribute to the problems with the profitability of the biomass burning generating units. 	
Draft regulation of the Minister of Climate and Environment on collecting the capacity charge and determining the hours of the day corresponding to the peak demand for the power (capacity) in the system	The regulation specifies the conditions and method to be used to collect the capacity charge and transfer to the operator the funds due to the capacity charge, the scope and deadline for transferring to the operator and the payer of the capacity charge, including the information on the amount of the capacity charges due, the period for the settlements between the operator, the payers of the capacity charge and other entities obliged to pay the capacity charge, respectively, as well as the method to be used to determine the hours of the day corresponding to the peak demand for the power (capacity) in the system, for the purpose of calculating the capacity charge due from the final consumers.	Public consultations on the draft have been completed	The adoption of the regulation entails the need to adapt the IT processes and systems of the distribution system operators (DSOs) to the updated rules for collecting the capacity charge.	
Draft regulation of the Minister of Infrastructure amending the regulation on the evaluation of the applications in the adjudication proceedings	The regulation clarifies the precise wording of some of the adopted detailed criteria and their scoring in the adjudication proceedings with respect to the permits for the construction and use of the artificial islands, structures and devices for the offshore wind farms.	Public consultations on the draft have been completed	The adoption of the regulation will have a significant impact on the investment opportunities in the offshore wind farms.	

The legislative works at the EU level that will have an impact on the operations of TAURON Capital Group were underway in the first quarter 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 quarter of 2022.

Table no. 8. Most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first quarter of 2022

Name of the regulation	Description of the regulation	Status as of 31.03.2022	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 December of 2021, the Commission published the next elements of the <i>Fit for 55</i> package, including a draft revision of the directive on the energy performance of buildings.</p> <p>The process of agreeing on the above-mentioned legislative projects within the framework of the EU institutions is currently under way.</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.

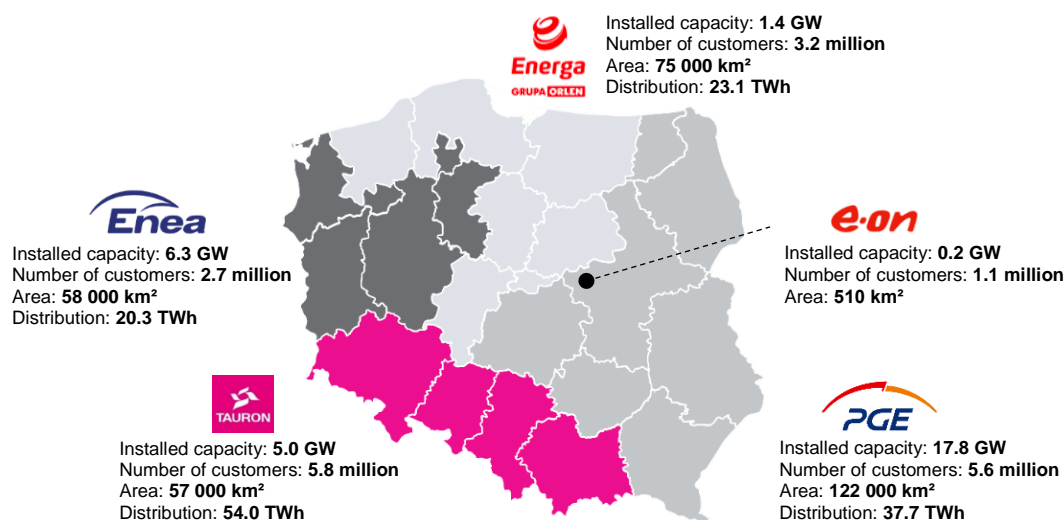
Name of the regulation	Description of the regulation	Status as of 31.03.2022	Impact on TAURON Capital Group
Sustainable financing	<i>Regulation of the European Parliament and of the Council 2020/852</i> of June 18, 2020, on the establishment of a framework to facilitate the sustainable investment aims 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.	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.
Climate, Energy and Environmental Aid Guidelines (CEEAG)	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 individual public (state) aid programs or measures for counteracting the climate change and environmental 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.	CEEAG guidelines apply from January 2022	The new guidelines on the public (state) aid for climate, environmental and energy purposes will have an impact on the terms and conditions for acquiring the public capital for the implementation of investment projects planned by TAURON Capital Group.
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 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 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).

Competitive environment (landscape)

Apart from TAURON Capital Group, three large, vertically integrated energy groups are currently operating on the Polish market: PGE, Enea and ORLEN Group's Energa S.A. (Energa). In addition, the company 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

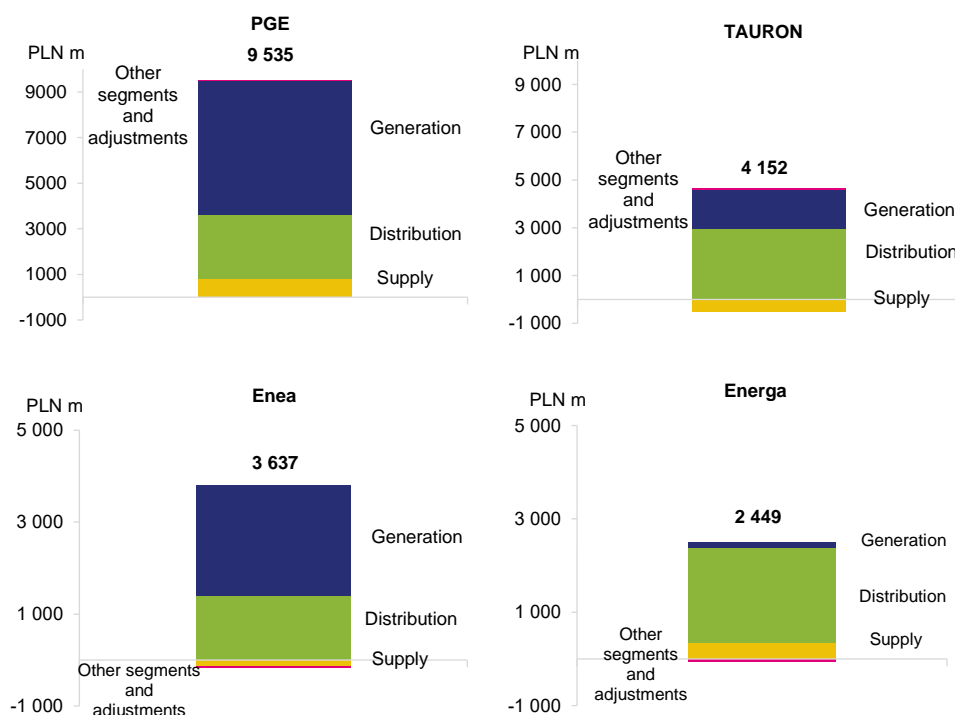


According to the data for 2021, the consolidated energy groups (PGE, TAURON, Enea, Energa) held a 70% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated energy enterprise (electric utility) that takes advantage of the synergies stemming from the size and scope (scale) of the operations conducted. TAURON Capital Group controls the value chain, from 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 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, based on the gross electricity production output, stood at approx. 9% in 2021. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's generation assets are concentrated in the south of Poland. The deposits of the hard coal used to fire TAURON Capital Group's power plants and combined heat and power plants are also located in that region. The location of the generating assets in the vicinity of the hard coal deposits allows for the optimization of the costs related to the transportation of that raw material

88% of TAURON Capital Group's generation assets are, as of the end of the first 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 March 31, 2022, with the renewable energy sources accounting for 0.6 GW of that figure. TAURON Group's 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 3.9 TWh of electricity in the first quarter of 2022, with 0.5 TWh coming from RES.

Nationwide, in 2021, TAURON Capital Group's hard coal fired units' installed capacity accounted for approx. 13% of the total installed capacity of all of the hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants, as well as the hydro power plants, the share of TAURON Capital Group came in at approx. 6%, 8% and 14%, respectively.

According to the data for 2021, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 42% in 2021, 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. 16% and the installed

capacity of 6.3 GW. Energa, on the other hand, has the largest share of electricity produced from the renewable energy sources (RES) on the Polish market and Energa's total installed capacity stands at approx. 1.4 GW. Energa produced approx. 4.1 TWh of electricity in 2021, with approx. 1.4 TWh (i.e. 34%) coming from RES.

The below figures present information on the installed capacity and the electricity generated in 2021.

Figure no. 11. Gross electricity production - estimated market shares in 2021

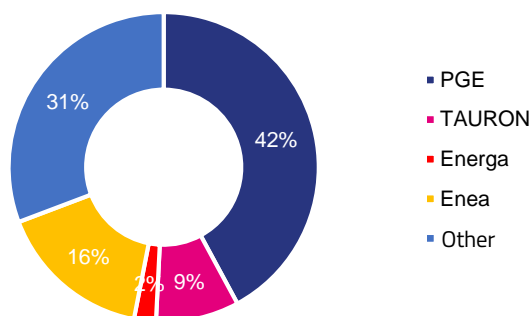
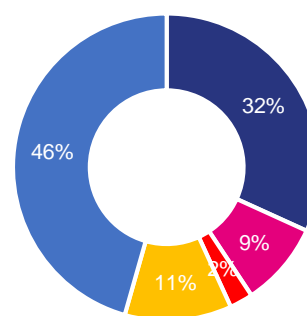


Figure no. 12. Installed capacity - estimated market shares in 2021



Source: Agencja Rynku Energi S.A. (ARE), companies' information posted on the web sites

Distribution

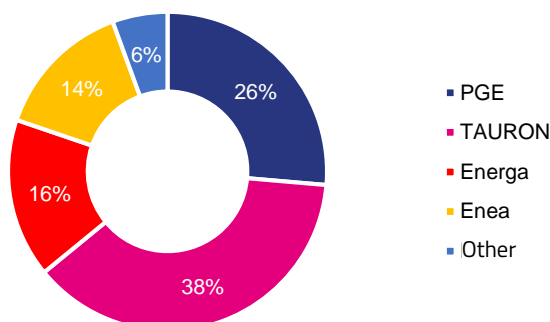
TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed.

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 2021. 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. 14.26 TWh in the first quarter 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 approx. 5.79 million in the first quarter of 2022.

The below figure presents estimated market shares of the individual energy groups in terms of electricity distribution based on the data for 2021.

Figure no. 13. Electricity distribution - estimated market shares in 2021



Source: Agencja Rynku Energi S.A. (ARE), companies' information posted on the web sites

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 8.4 TWh in the first quarter of 2022. The number of the customers served by TAURON Capital Group's Supply Segment is 5.7 million.

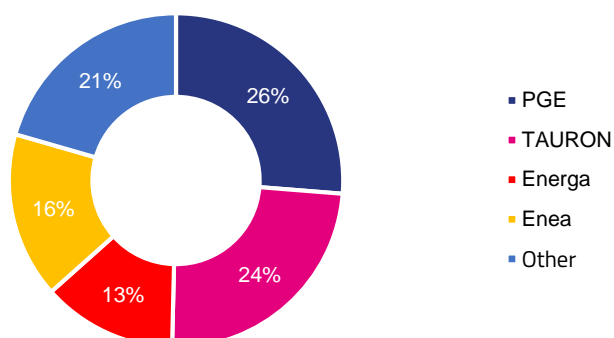
PGE is the largest retail electricity supplier with a 26% market share. The other two groups, Enea and Energa, hold a 16% and a 13% market share, respectively.

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 positioning

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 estimated market shares of the individual energy groups in terms of electricity supply to the final consumers based on the data for 2021.

Figure no. 14. Electricity supply to the final consumers - estimated market shares in 2021



Source: Agencja Rynku Energi S.A. (ARE), companies' information posted on the web sites

The below table presents information on the installed capacity and the volume of electricity generation, distribution and supply in 2021, as well as the domestic market shares.

Table no. 9. Installed capacity, generation, distribution and supply of electricity by energy groups in 2021

Group	Installed capacity		Generation ¹		Distribution		Supply	
	Quantity (GW)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)	Volume (TWh)	Share (%)
1. PGE	17.8	32	75.6	42	37.7	26	37.5	26
2. TAURON	5.0	9	15.6	9	54.0	38	34.4	24
3. Energa	1.4	2	4.1	2	23.1	16	18.6	13
4. Enea	6.3	11	29.0	16	20.3	14	22.9	16
5. Other	25.5	46	55.2	31	8.0	6	29.3	21
Total	56.0	100	179.4	100	143.1	100	142.7	100

¹Volume of the gross electricity generated in the first three quarters of 2021.

Source: ARE, information from the companies posted on their web sites, in-house estimates in case of the companies publishing the net production output.

In 2022, Enea Nowa Energia (a part of Enea Group) commenced the construction of the new photovoltaic farms in Krzęcin, Lubno and Lików. A photovoltaic farm in Jastrowie is also nearing completion. The planned capacity of the PV farms will amount to a total of approx. 15.5 MW. All of the installations are to be completed by the end of 2022.

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. 10. 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"> Reducing the fuel price and supply risk. Investments in the generating units. Operating expenses. 	<ol style="list-style-type: none"> Concluded capacity market contracts. High efficiency generating units with a competitive unit production cost. Improvement of the operational efficiency.
RES Heat	<ol style="list-style-type: none"> Investments in the renewable energy sources and the low emission thermal energy (heat) sources. Operating expenses. Investments in the district heating networks. 	<ol style="list-style-type: none"> Improvement of the operational efficiency. Development of the low and zero emission generation sources. Expanding the regulated operations.
Distribution	<ol style="list-style-type: none"> Operating expenses Investment project efficiency Improvement of grid reliability indicators 	<ol style="list-style-type: none"> Implementing the ultimate business model. Implemented IT systems, separate processes, clear (transparent) split of responsibilities.
Supply	<ol style="list-style-type: none"> Operating expenses. Maintaining high customer satisfaction indices. 	<ol style="list-style-type: none"> Development of the product and services offering for the customers. 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. 11. 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),
2.	macroeconomic situation in Poland at the EU and global economy level, including the changes of the interest rates, FX rates, etc., impacting the valuation of the assets and liabilities listed by the Company in the statement of financial position,
3.	market situation in Poland and in the EU, as well as the global economy, including the changes of the electricity prices, prices of the CO ₂ emission allowances, 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 and weather conditions,
6.	level of electricity imports/exports,
7.	changes to the energy mix and, as a consequence, the adaptation of the demand for hard coal,
8.	re-commissioning of the 910 MW unit in Jaworzno and its failure free operation,
9.	development of the epidemiological situation related to COVID-19,
10.	political environment in Poland and at the European Union level, including the positions and decisions of the state 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: tax law, commercial law, 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 tightening of 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 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 (associated with the support for the large enterprises), 2) with respect to the forms of support (much more emphasis on the returnable support than before), 3) permissible scope of state (public) aid granted (for example tightening of the rules of support with regard to 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 demand side reduction units upon Operator's call.
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 currently under way and future investment projects),
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 <i>Act of August 25, 2006, on the system for monitoring and inspecting fuel quality</i> , among others, with respect to the quality requirements for the solid fuels,
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 public support (aid) in the form of 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 quarter of 2022 is provided in section 3 of this information. The effects of such impact are visible both in the short term, as well as in the long term outlook.

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

There is a considerable volatility of the conditions for running a business in Poland. In addition, the constantly tightening climate regulations at the European and national level constitute an important premise when analyzing the current and future situation of TAURON Capital Group. In connection with the above, the Company is conducting intensive analytical works with respect to assessing the impact of the ongoing and planned changes in the economic and regulatory environment on TAURON Capital Group's finances, assets and personnel situation. The works on the update of the current Strategy, which will take into account changes in the market and regulatory environment, are under way.

3. ANALYSIS OF THE FINANCIAL POSITION AND ASSETS OF TAURON CAPITAL GROUP

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

The below table presents selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.

Table no. 12. 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 31.03.2022	2022, period from 01.01.2021 to 31.12.2021	2022, period from 01.01.2022 to 31.03.2022	2021, period from 01.01.2021 to 31.12.2021
Sales revenue	9 813	6 445	2 112	1 410
Operating profit	1 418	1 212	305	265
Pre-tax profit	1 272	1 097	274	240
Net profit	901	851	194	186
Net profit attributable to shareholders of the parent company	900	839	194	183
Net profit attributable to non-controlling shares	1	12	0	3
Other net comprehensive income	139	105	30	23
Total comprehensive income	1 040	956	224	209
Total comprehensive income attributable to shareholders of the parent company	1 039	944	224	206
Total comprehensive income attributable to non-controlling shares	1	12	0	3
Profit per share (in PLN/EUR) (basic and diluted)	0.51	0.48	0.11	0.10
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	6	1 816	1	397
Net cash from investing activities	(1 003)	(897)	(216)	(196)
Net cash from financing activities	1 459	(481)	314	(105)
Increase / (decrease) in net cash and equivalents	462	438	99	96
	As of 31.03.2022	As of 31.12.2021	As of 31.03.2022	As of 31.12.2021
Fixed assets	34 445	33 855	7 404	7 361
Current assets	8 703	6 220	1 870	1 352
Total assets	43 148	40 075	9 274	8 713
Share capital	8 763	8 763	1 884	1 905
Equity attributable to shareholders of the parent company	17 530	16 491	3 768	3 586
Equity attributable to non-controlling shares	34	33	7	7
Total equity	17 564	16 524	3 775	3 593
Long term liabilities	15 169	13 634	3 260	2 964
Short term liabilities	10 415	9 917	2 239	2 156
Total liabilities	25 584	23 551	5 499	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 31.03.2022	2022, period from 01.01.2021 to 31.12.2021	2022, period from 01.01.2022 to 31.03.2022	2021, period from 01.01.2021 to 31.12.2021
Sales revenue	8 853	4 448	1 905	973
Operating profit (loss)	62	59	13	13
Pre-tax loss	(44)	(249)	(9)	(54)
Net loss	(11)	(286)	(2)	(63)
Other total net income	129	108	27	24
Total comprehensive income	118	(178)	25	(39)
Loss per share (in PLN/EUR) (basic and diluted from net loss)	(0.01)	(0.16)	(0.00)	(0.03)
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	(99)	970	(22)	212
Net cash from investing activities	(1 201)	(556)	(258)	(122)
Net cash from financing activities	2 571	(464)	553	(101)
Increase / (decrease) in net cash and equivalents	1 271	(50)	273	(11)
	As of 31.03.2022	As of 31.12.2021	As of 31.03.2022	As of 31.12.2021
Fixed assets	27 257	27 087	5 859	5 889
Current assets	4 829	4 393	1 038	955
Total assets	32 086	31 480	6 897	6 844
Share capital	8 763	8 763	1 884	1 905
Equity	12 219	12 101	2 626	2 631
Long term liabilities	10 896	10 245	2 343	2 227
Short term liabilities	8 971	9 134	1 928	1 986
Total liabilities	19 867	19 379	4 271	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 March 31, 2022 - PLN/EUR 4.6525 (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 March 31, 2022 - PLN/EUR 4.6472 (for the period from January 1, 2021 to March 31, 2021: PLN/EUR 4.5721).

3.2. Key operating data of TAURON Capital Group

The below table presents the key operating data posted by TAURON Capital Group in the first quarter of 2021 and in the first quarter of 2022.

Table no. 13. Key operating data posted by TAURON Capital Group in the first quarter of 2021 and in the first quarter of 2022

Item	Unit	Q1 2021	Q1 2022	Change in % 2022 / 2021
Commercial coal production	Mg m	1.43	1.45	101%
Electricity generation (gross production)	TWh	4.22	3.88	92%
including generation of electricity from renewable sources	TWh	0.48	0.54	113%
<i>Production from biomass</i>	<i>TWh</i>	0.14	0.12	90%
<i>Production by hydroelectric power plants and wind farms</i>	<i>TWh</i>	0.34	0.42	122%

Item	Unit	Q1 2021	Q1 2022	Change in % 2022 / 2021
Heat generation	PJ	5.15	4.52	88%
Electricity distribution	TWh	13.79	14.26	103%
Electricity supply	TWh	11.91	12.30	103%
<i>retail supply</i>	<i>TWh</i>	8.77	8.43	96%
<i>wholesale</i>	<i>TWh</i>	3.14	3.86	124%
Number of customers - Distribution	'000	5 728	5 793	101%

3.3. Sales structure by the Segments of Operations (Lines of Business)

The below table presents TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) in the first quarter of 2021 and in the first quarter of 2022.

Table no. 14. TAURON Capital Group's sales volumes and structure broken down into individual Segments of operations (lines of business) in the first quarter of 2021 and in the first quarter of 2022

Item	Unit	Q1 2021	Q1 2022	Change in % 2022 / 2021
Mining Segment's hard coal sales	Mg m	1.24	1.50	121%
Generation Segment's electricity and heat sales	TWh	4.51	4.63	103%
	PJ	6.69	6.08	109%
RES Segment's electricity sales	TWh	0.33	0.41	124%
Distribution Segment's distribution services sales	TWh	13.79	14.26	103%
Supply Segment's retail electricity supply	TWh	8.76	8.43	96%

Mining Segment

TAURON Capital Group operates three coal mines: Sobieski Coal Mine (ZG Sobieski), Janina Coal Mine (ZG Janina) and Brzeszcze Coal Mine (ZG Brzeszcze). The above coal mines are the producers of the hard coal offered for sale on the market as large size lump coal, medium size lump coal and thermal coal dust.

The hard coal sales volume came in at 1.50 million Mg in the first quarter of 2022 which was a better result as compared to the same period of 2021. The hard coal sales within TAURON Group clocked in at 0.98 million Mg which meant that 66% of the hard coal produced had been sold to TAURON Capital Group's subsidiaries, while the balance of the sales had been placed on the external market.

The commercial coal production stood at 1.45 million Mg in the first quarter of 2022, i.e. it was higher by 1% as compared to the same period of 2021. The higher output is a consequence of the higher hard coal production as a result of the more favorable configuration of the longwall fronts at the Sobieski Coal Mine, the smaller number of the coal faces available for extraction at the Janina Coal Mine and the maintaining of the comparable production output at the Brzeszcze Coal Mine.

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 March 2022.

The Generation Segment produced 3.46 TWh of electricity in the first quarter of 2022, i.e. less by 8% as compared to last year (3.87 TWh).

The production output of the biomass burning units came in at 0.12 TWh, i.e. less by 11% as compared to last year (0.14 TWh).

Sales of electricity from the in-house production, along with the electricity purchased for trading, clocked in at 4.63 TWh in the first quarter of 2022, which meant a 3% rise as compared to the same period of 2021.

The heat supply came in at 6.08 PJ in the first quarter of 2022, i.e. less by 9% 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.

68% of the Generation Segment's subsidiaries' demand for hard coal to be used to generate electricity and heat was covered with the hard coal coming from TAURON Capital Group's in-house coal mines in the first quarter of 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.

The RES Segment produced 0.42 TWh of electricity in the first quarter of 2022, i.e. 22% more as compared to last year (0.34 TWh), which was due to the more favorable wind conditions that occurred in the first quarter of 2022.

Distribution Segment

The Distribution Segment delivered, in total, 14.26 TWh of electricity, including 13.73 TWh to the final consumers, in the first quarter of 2022. During that period the Distribution Segment provided the distribution services for 5.79 million consumers. In the same period of 2021 the Distribution Segment delivered, in total, 13.79 TWh of electricity to 5.73 million consumers, including 13.35 TWh to the final consumers.

Supply Segment

The Supply Segment subsidiaries supplied, in total, 8.43 TWh of retail electricity in the first quarter 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 359 million in the first quarter of 2022, which was higher by 25% than the revenue posted in the same period of 2021, with the main reason being the higher sales of the biomass as well as the customer service and support services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries.

3.4. TAURON Capital Group's financial position after Q1 2021

Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of December 31, 2021, and March 31, 2022.

Table no. 15. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2021, and March 31, 2022

Consolidated statement of the financial position	As of December 31, 2021	As of March 31, 2022	Change in % 2022 / 2021
ASSETS			
Fixed assets	84.5%	79.8%	94%
Current assets	15.5%	20.2%	130%
TOTAL ASSETS	100.0%	100.0%	-
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	41.2%	40.6%	99%
Non-controlling shares	0.1%	0.1%	96%
Total equity	41.2%	40.7%	99%
Long term liabilities	34.0%	35.2%	103%
Short term liabilities	24.7%	24.1%	98%
Total liabilities	58.8%	59.3%	101%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%	-
Financial liabilities	10 944	12 592	127%
Net financial liabilities	10 129	11 320	125%
Net debt/EBITDA ratio	2.4x	2.6x	143%
Current liquidity ratio	0.63	0.84	133%
Current liquidity ratio	1.05	1.00	116%

The fixed assets represent 79.8% of the total assets in the structure of assets, as of March 31, 2022, i.e. a decline by 6% as compared to their share as of the end of 2021.

The share of the current assets, as of March 31, 2022, as compared to their share as of the end of 2021, rose by 30%, 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 for the purpose of fulfilling the obligation to redeem (retire, surrender) them for 2021.

The liabilities represent 59.3% of the total equity and liabilities in the structure of equity and liabilities, as of March 31, 2022, with the long term liabilities accounting for 35.2% thereof, while the short term liabilities constitute 24.1% 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 27% in the first quarter of 2022, as compared to the balance sheet date falling on December 31, 2021, while the net debt rose by 25% during the same period, which meant that, taking into account the fact that the rolling EBITDA for the trailing 12 months ended on March 31, 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 2.6x (the ratio expressed in relation to EBITDA for the trailing 12 months). The increase in the amount of debt is mainly due to the expenditure incurred for the purchase of the CO₂ emission allowances, which took place in the first quarter of 2022 and was related to the emissions in 2021. 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 3 months ended on March 31, 2022, as well as the comparable data for the period of 3 months ended on March 31, 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 3 months ended on March 31, 2022.*

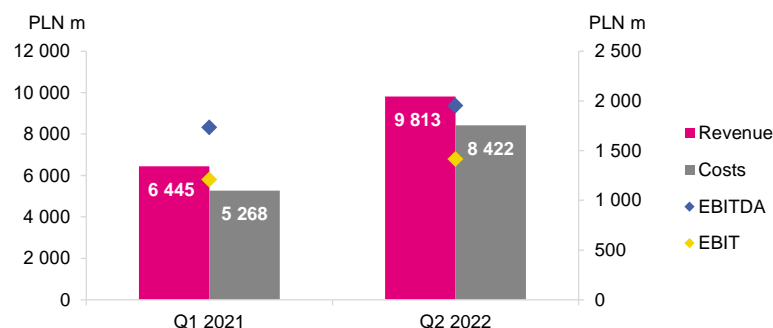
Table no. 16. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first quarter of 2021 and for the first quarter of 2022

Item (PLN m)	Q1 2021 (unaudited)	Q1 2022 (unaudited)	Change in % 2022 / 2021
Sales revenue	6 445	9 813	152%
Cost of goods sold	(5 268)	(8 422)	160%
Other operating revenue and costs	16	0	-
Share in joint ventures' profits	19	27	142%
Operating profit	1 212	1 418	117%
<i>Operating profit margin (%)</i>	18.8%	14.5%	77%
Cost of interest on debt	(91)	(111)	122%
Other financial revenue and costs	(24)	(35)	146%
Pre-tax profit	1 097	1 272	116%
<i>Pre-tax profit margin (%)</i>	17.0%	13.0%	76%
Income tax	(246)	(371)	151%
Net profit for the period	851	901	106%
<i>Net profit margin (%)</i>	13.2%	9.2%	70%
Total comprehensive income for the period	956	1 040	109%
Profit attributable to:			
Shareholders of the parent entity	839	900	107%
Non-controlling shares	12	1	8%
EBIT and EBITDA			
EBIT	1 212	1 418	117%

Item (PLN m)	Q1 2021 (unaudited)	Q1 2022 (unaudited)	Change in % 2022 / 2021
EBITDA	1 735	1 955	113%

The below figure presents TAURON Capital Group's financial results for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 15. TAURON Capital Group's financial results for the first quarter of 2021 and for the first quarter of 2022

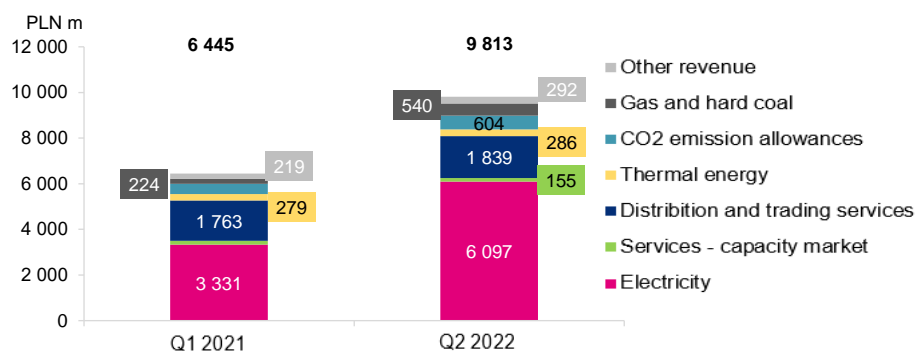


TAURON Capital Group generated revenue in the first quarter of 2022 that was higher by 52% than the revenue reported in the same period of 2021, which was due to the following factors:

- 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 the 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,
- higher revenues from the sale of the CO₂ emission allowances, the reasons for which are described below.
 - Due to the failure of the unit 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 the Group for 2022. Taking into account the need to match the delivery of the emission allowances and the cash expenditure, the Group decided 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.
 - In the first quarter of 2021, due to the delay in the commissioning of the 910 MW unit in Jaworzno in 2020, the Group sold 691 000 Mg of 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. The 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.
- higher revenues due to the valuation of the property rights, which stems from the increase in the market prices year on year,
- 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,
- higher revenue from the sales of the thermal energy (heat supply) which is the result of obtaining the higher thermal energy sales prices and the lower sales volume,
- 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,
- higher revenue from the sales of the hard coal which is a result of the sales of the higher volume and obtaining 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. 16. TAURON Capital Group's sales revenue in the first quarter of 2021 and in the first quarter of 2022



The costs of TAURON Capital Group's operations (operating expenses) came in at PLN 5.3 billion in the first quarter of 2022, i.e. they were higher by 60% than the costs incurred in the same period of 2021, which is a consequence of the following factors:

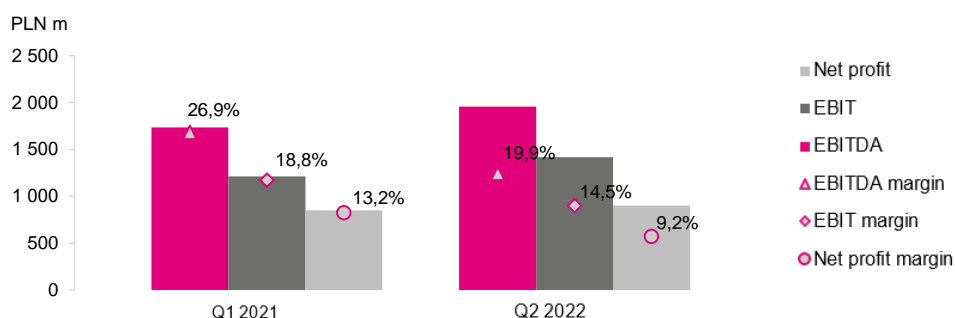
1. higher depreciation costs, mainly as a result of an increase in the value of the assets of TAURON Capital Group,
2. higher costs of the electricity purchased for the purpose of the resale thereof as a result of the higher volume along with a simultaneous increase in the electricity purchase price 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 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 quarter 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,
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 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 rate,
10. recognition (booking), in the costs of the first quarter 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 quarter 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 was not used (consumed) in the current quarter,
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 and the wider scope of the works performed using the in-house resources on the distribution assets.

The EBITDA margin generated in the first quarter of 2022 came in at 19.9% and it was lower by 7.0 pp than the margin posted in the same period of 2021. The EBIT margin clocked in at 14.5% and it was lower by 4.4 pp than the margin achieved in the same period of 2021, while the net profit margin realized came in at 9.2% and it was lower by 4.0 pp. The lower margins posted are mainly the 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 1st quarter of 2022, as compared to the prices realized in the 1st quarter of 2021, which had a slight impact on a change of the above mentioned results.

The comprehensive income attributable to the shareholders of the parent company clocked in at PLN 1 039 million, as compared to PLN 944 million posted a year ago, while the net profit attributable to the shareholders of the parent company came in at PLN 900 million, as compared to PLN 839 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 quarter of 2021 and in the first quarter of 2022.

Figure no. 17. TAURON Capital Group's financial results and the level of the margins realized in the first quarter of 2021 and in the first quarter of 2022



Financial results by the Segments of operations (lines of business)

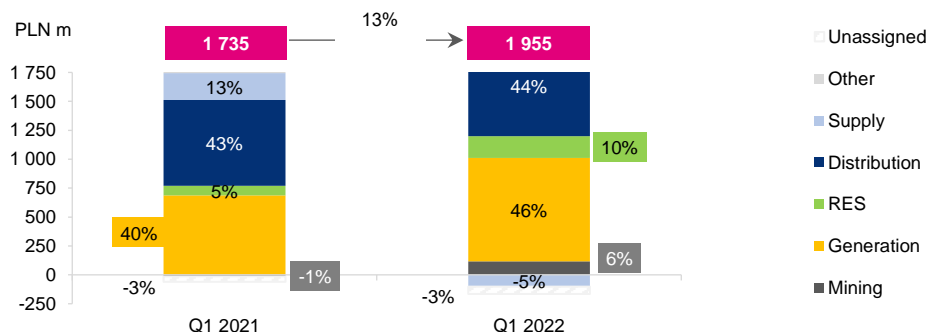
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first quarter of 2021 and in the first quarter of 2022. The data for the individual Segments of operations (lines of business) does not include the consolidation related exclusions.

Table no. 17. TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first quarter of 2021 and in the first quarter of 2022

EBITDA (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Mining	(14)	117	-
Generation	686	895	130%
RES	84	186	221%
Distribution	741	864	117%
Supply	234	(103)	-
Other operations	50	60	120%
Unassigned items and exclusions	(46)	(64)	139%
Total EBITDA	1 735	1 955	113%

The below figure presents TAURON Capital Group's EBITDA structure in the first quarter of 2021 and in the first quarter of 2022.

Figure no. 18. TAURON Capital Group's EBITDA structure in the first quarter of 2021 and in the first quarter 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 quarter of 2021 and for the first quarter of 2022.

Table no. 18. Mining Segment's results for the first quarter of 2021 and for the first quarter of 2022

Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Sales revenue	303	558	184%
<i>hard coal – large and medium size lump coal</i>	59	185	311%
<i>thermal coal</i>	220	332	151%
<i>other products, materials and services</i>	23	41	175%
EBIT	-50	65	-
Depreciation and impairment charges	36	52	144%
EBITDA	-14	117	-

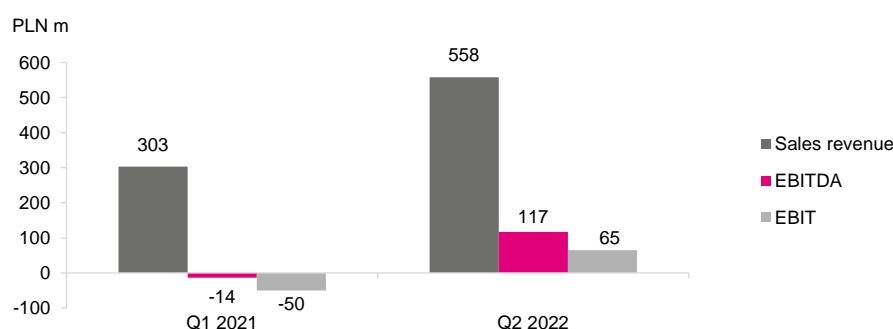
The Mining Segment's EBITDA and EBIT were higher in the first quarter of 2022 as compared to the same period of 2021. The results posted were impacted by the following factors:

1. an increase of the volume of the coal sales by 21%, mainly due to the higher hard coal production and the stronger demand on the world markets,
2. an increase of the average coal price by 53% 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 the allocation of the costs of the previous periods to the result of the first quarter of 2022, while in the same period of the previous year the costs were allocated to the balance sheet.

In addition, the higher EBIT was brought about by the higher depreciation than in the same period of 2021.

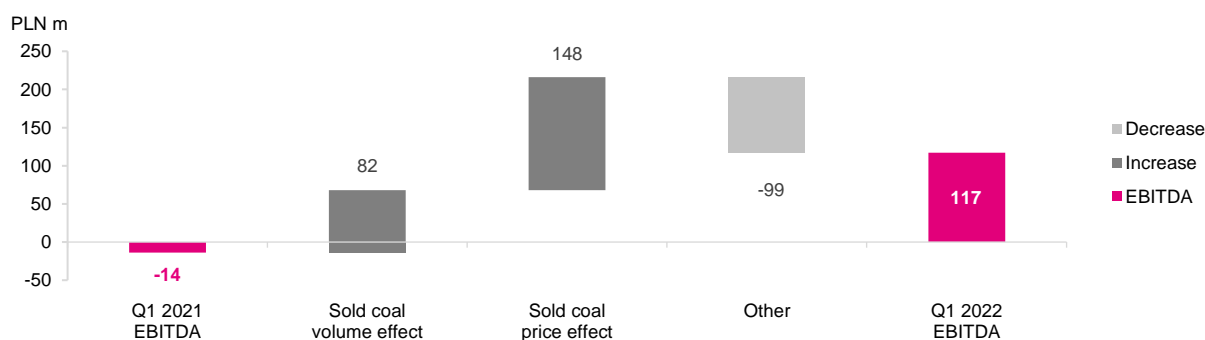
The below figure presents the Mining Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 19. Mining Segment's financial data for the first quarter of 2021 and for the first quarter of 2022



The below figure presents the Mining Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 20. Mining Segment's EBITDA, including the material factors impacting the change year on year



Generation Segment

The below table presents the Generation Segment's results for the first quarter of 2021 and for the first quarter of 2022.

Table no. 19. Generation Segment's results for the first quarter of 2021 and for the first quarter of 2022.

Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Sales revenue	2 308	3 056	132%
<i>electricity</i>	1 294	2 005	155%
<i>heat</i>	361	371	103%
<i>property rights related to guarantees of origin of electricity (energy certificates)</i>	37	35	95%
<i>services – capacity market</i>	168	150	89%
<i>greenhouse gas emission allowances</i>	439	483	110%
<i>other</i>	10	13	128%
EBIT	570	786	138%
Depreciation and impairment charges	116	109	94%
EBITDA	686	895	130%

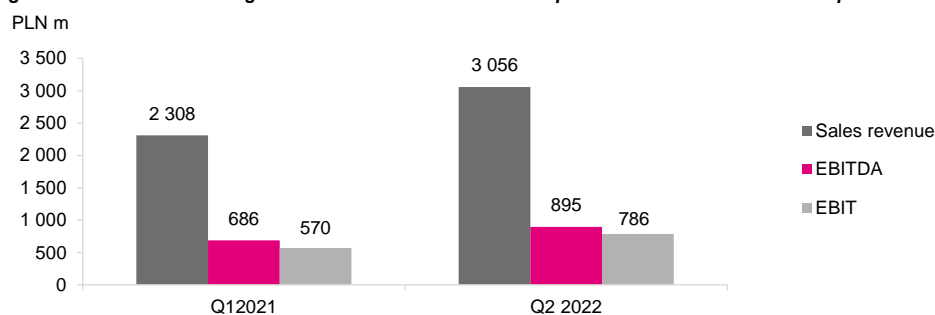
The Generation Segment's sales revenue in the first quarter of 2022 was higher by 32% as compared to the same period of 2021, mainly due to the higher revenues from the sales of the electricity (higher sales prices) as well as the sales of the CO₂ emission allowances.

The Generation segment's EBITDA and EBIT were higher in the first quarter of 2022 than in the same period of 2021. The results posted were affected by the following factors:

1. a higher margin on the sale of electricity as a result of a higher margin on the sale of electricity from the in-house production and the higher costs of the electricity buybacks as a consequence of the shutdown of the 910 MW unit in the first quarter of 2022,
2. a lower margin on the heat sales as a consequence of an increase in the costs of the fuel 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 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.
 - 2) due to the failure of the unit that took place in June 2021, which led to its shutdown in the subsequent periods, a surplus of the emission allowances was created in the company's portfolio under 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 decided to sell the CO₂ emission allowances in the quantity of 1 717 000 EUAs.

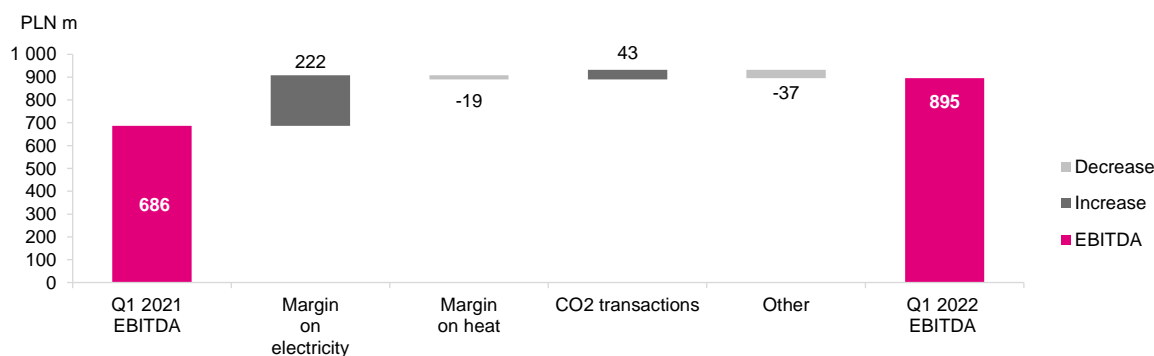
The below figure presents the Generation Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 21. Generation Segment's financial data for the first quarter of 2021 and for the first quarter of 2022



The below figure presents the Generation Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 22. Generation Segment's EBITDA, including the material factors impacting the change year on year



RES Segment

The below table presents the RES Segment's results for the first quarter of 2021 and for the first quarter of 2022.

Table no. 20. RES Segment's results for the first quarter of 2021 and for the first quarter of 2022

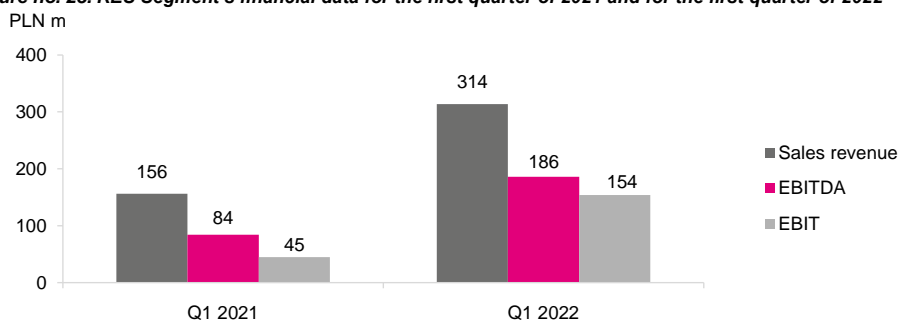
Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Sales revenue	156	314	201%
Electricity	87	175	201%
Guarantees of origin of electricity (energy certificates)	65	135	208%
Other	4	4	100%
EBIT	45	154	342%
Depreciation and impairment charges	39	32	82%
EBITDA	84	186	221%

The RES segment's EBITDA and EBIT were lower in the first quarter of 2022 as compared to the same period of 2021. The results posted were 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 40%, along with the production output by the hydro power plants having been lower by 11%,
2. higher revenue from the guarantees of origin of electricity (energy certificates), which was 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 38%.

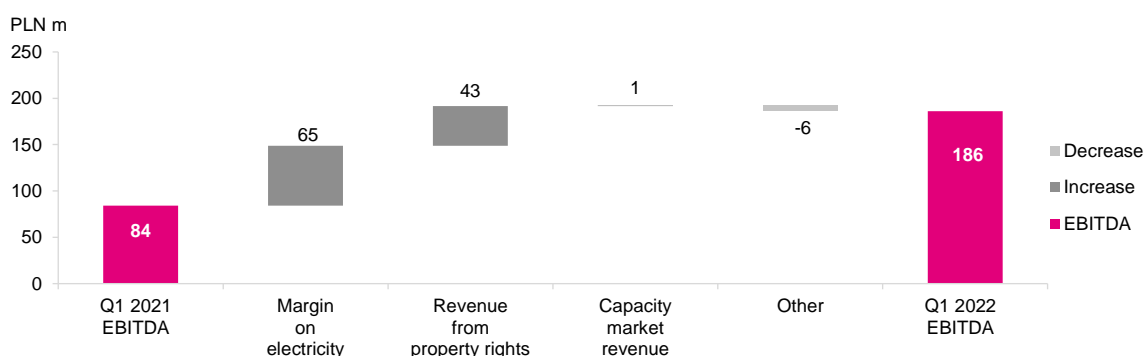
The below figure presents the RES Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 23. RES Segment's financial data for the first quarter of 2021 and for the first quarter of 2022



The below figure presents the RES Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 24. RES Segment's EBITDA, including the material factors impacting the change year on year



Distribution Segment

The below figure presents the Distribution Segment's results for the first quarter of 2021 and for the first quarter of 2022.

Table no. 21. Distribution Segment's results for the first quarter of 2021 and for the first quarter of 2022

Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Sales revenue	1 806	2 023	112%
<i>distribution services</i>	1 716	1 954	114%
<i>grid connection fees</i>	18	20	110%
<i>power line collisions</i>	29	6	22%
<i>other revenue</i>	43	42	98%
EBIT	445	561	126%
Depreciation and impairment charges	296	303	102%
EBITDA	741	864	117%

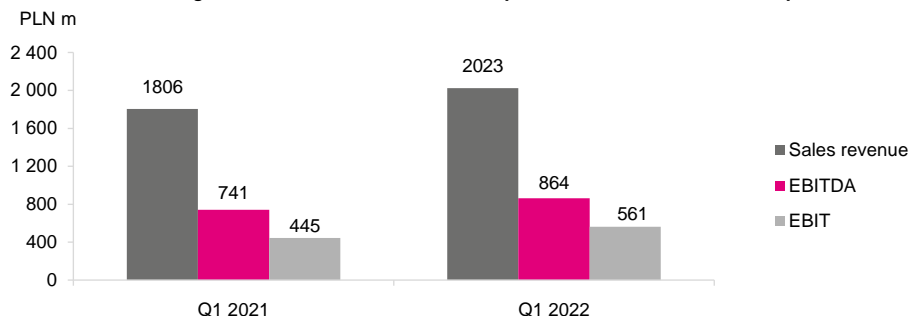
The Distribution Segment reported an increase of the sales revenue by 12% in the first quarter of 2022, as compared to the same period of 2021, as well as the increases of EBIT and EBITDA by, respectively, 26% and 17%. The results posted were affected by the following factors:

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 464 GWh, including a rise in the distribution to the final consumers by 375 GWh, first of all in the A and C tariff groups, as a result of an increase of the steel industry manufacturing output, the hard coal extraction output, the periodic outages of the generating units owned by the consumers due to the high prices of the prices of the natural gas, the lifting of the restrictions in the services and commerce,
3. a decrease of the other revenue related to the distribution operations, mainly due to the power line collisions and the exceeding of the grid connection contractual capacity (power),

4. a decrease of the costs of purchasing electricity to cover the balancing difference as a result of the lower volume, the higher purchase price, along with the increase of the upward adjustment,
5. 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.

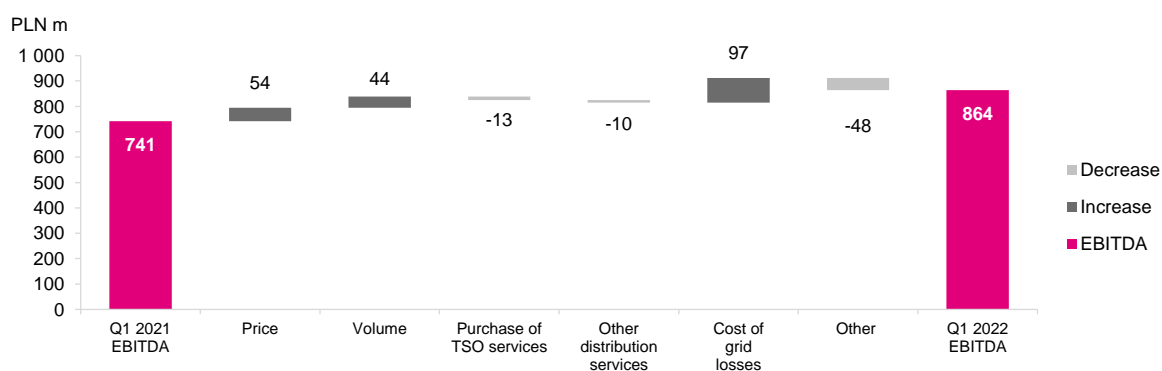
The below figure presents the Distribution Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 25. Distribution Segment's financial data for the first quarter of 2021 and for the first quarter of 2022



The below figure presents the Distribution Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 26. 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 quarter of 2021 and for the first quarter of 2022.

Table no. 22. Supply Segment's results for the first quarter of 2021 and for the first quarter of 2022

Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Supply			
Sales revenue	6 080	10 587	174%
<i>electricity, including:</i>	<i>3 499</i>	<i>6 764</i>	<i>193%</i>
<i>retail electricity supply revenue</i>	<i>2 573</i>	<i>4 018</i>	<i>156%</i>
<i>greenhouse gas emission allowances</i>	<i>1 013</i>	<i>2 099</i>	<i>207%</i>
<i>fuels</i>	<i>573</i>	<i>706</i>	<i>123%</i>
<i>distribution service (passed on)</i>	<i>882</i>	<i>901</i>	<i>102%</i>
<i>other services, incl. trading services</i>	<i>113</i>	<i>118</i>	<i>104%</i>
EBIT	224	(113)	-
Depreciation and impairment charges	10	10	100%
EBITDA	234	(103)	-

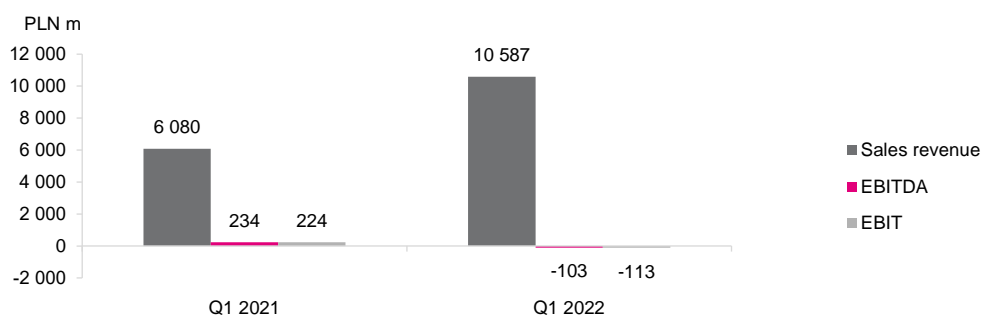
The Supply Segment's sales revenue in the first quarter of 2022 was higher by 74% as compared to the same period of 2021, mainly as a consequence of the higher revenue from the electricity sales, primarily due to an increase of the electricity sales price year on year, the higher revenue from the sale of 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 as a consequence of a rise in the prices year on year.

The Supply Segment's EBITDA and EBIT were higher in the first quarter 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, which is the result of the higher electricity sales price, the higher volume of the electricity sold, the higher revenue from the fixed trading fees along with the higher costs of purchasing the electricity, including as part of the performance of the contract for the purchase of the electricity from the 910 MW unit in Jaworzno,
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 quarter of 2022,
3. a higher margin on the sale of the CO₂ emission allowances,
4. higher value (amount) of the recognized (booked) impairment charges (write-downs) related to the accounts receivable mainly as a consequence of the updating thereof in the first quarter of 2022,
5. other.

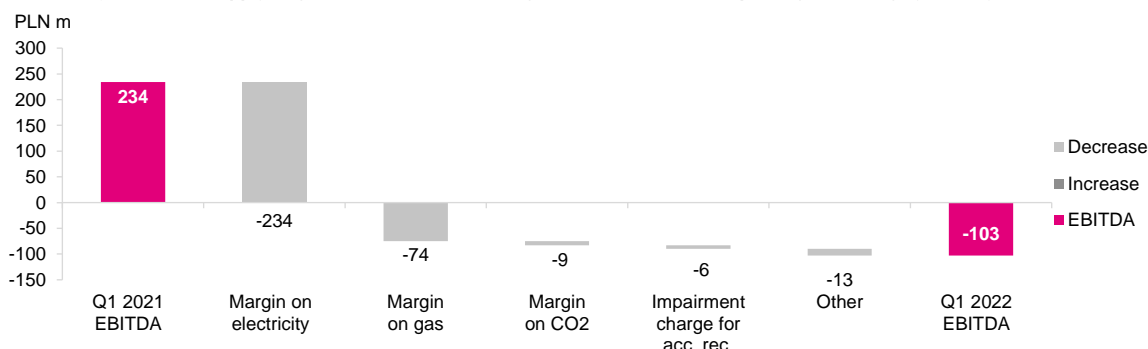
The below figure presents the Supply Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 27. Supply Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.



The below figure presents the Supply Segment's EBITDA, including the material factors impacting the change year on year.

Figure no. 28. Supply Segment's EBITDA, including the material factors impacting the change year on year



Other Operations

The below figure presents the Other Operations Segment's results for the first quarter of 2021 and for the first quarter of 2022.

Table no. 23. Other Operations Segment's results for the first quarter of 2021 and for the first quarter of 2022

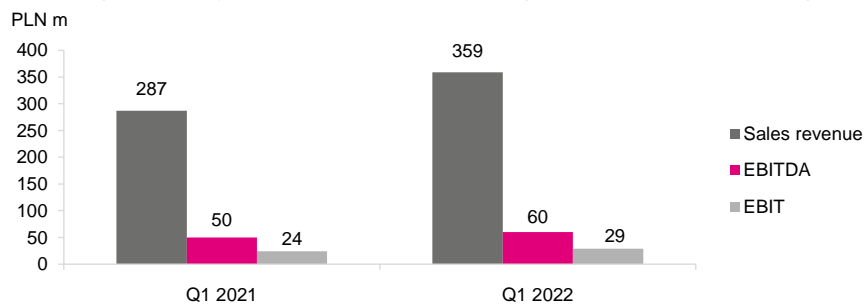
Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
Sales revenue	287	359	125%
customer service	63	73	116%
support services	135	144	107%

Item (PLN m)	Q1 2021	Q1 2022	Change in % 2022 / 2021
<i>aggregates</i>	27	33	122%
<i>biomass</i>	32	54	170%
<i>other revenue</i>	30	55	181%
EBIT	24	29	121%
Depreciation and impairment charges	26	31	119%
EBITDA	50	60	120%

Other Operations Segment subsidiaries' sales revenue in the first quarter of 2022 was higher by 25% as compared to the revenue posted in the same period of 2021, which was primarily due to the higher sales of the biomass, as well as the customer service and support services provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries.

The below figure presents the Other Operations Segment's financial data for the first quarter of 2021 and for the first quarter of 2022.

Figure no. 29. Other Operations Segment's financial data for the first quarter of 2021 and for the first quarter of 2022



Assets

The below table presents the consolidated statement of financial position – the assets as of December 31, 2021 and as of March 31, 2022.

Table no. 24. Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2021 and as of March 31, 2022

Statement of financial position (PLN m)	As of December 31, 2021	As of March 31, 2022 (unaudited data)	Change in % (2022 / 2021)
ASSETS			
Fixed assets	33 855	34 445	102%
Tangible fixed assets	29 174	29 265	100%
Current assets	6 220	8 703	140%
Cash and equivalents	815	1 272	156%
Fixed assets and the group's assets for disposal, classified as held for trade	10	9	90%
TOTAL ASSETS	40 075	43 148	108%

As of March 31, 2022, TAURON Capital Group's statement of financial position shows the balance sheet total that is higher by 8% 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 March 31, 2022.

Figure no. 30. Change in assets as of December 31, 2021, and as of March 31, 2022

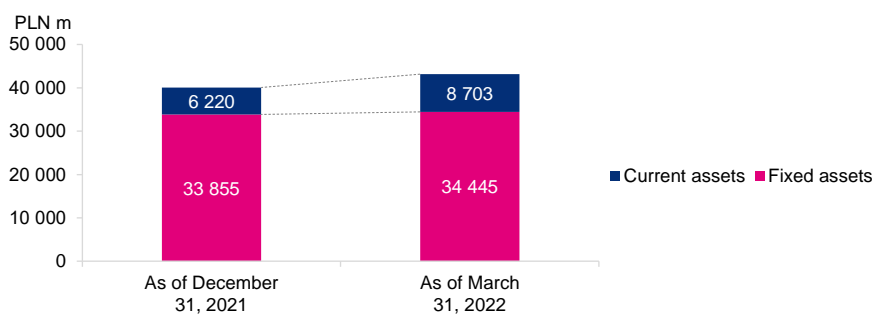
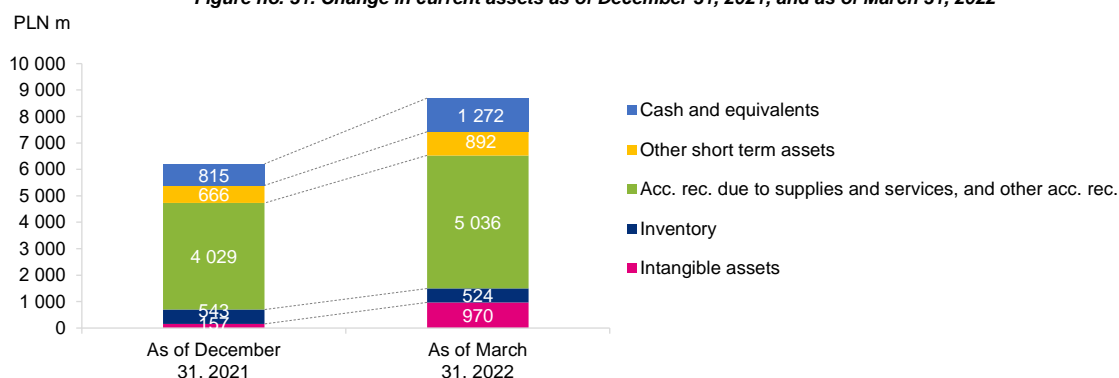


Figure no. 31. Change in current assets as of December 31, 2021, and as of March 31, 2022



The fixed assets represent the biggest item of the assets as of the end of March 2022, accounting for 79.8% of the balance sheet total. As compared to the end of 2021, the value of the fixed assets is higher by PLN 590 million (2%), which was due to the following factors:

1. tangible fixed assets – an increase 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. guarantees of origin of electricity (energy certificates) and the greenhouse gas emission allowances to be redeemed (retired) – a decline in value due to the reclassifying of the guarantees of origin of electricity (energy certificates) and the CO₂ emission allowances as current assets held in order to fulfill the obligation related to the redemption (retirement) of the above mentioned assets,
3. loans for the joint ventures - an increase of 117%, which is related to the granting of a loan to EC Stalowa Wola in March 2022 in order to settle the company's liability stemming from the settlement agreement with Abener Energia, concluded on December 31, 2021,
4. deferred tax assets - an increase by 598%, 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 in 2021, as in the 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.

The following factors had an impact on the rise in the value of the current assets by PLN 2 483 million (40%):

1. balance of cash on hand and equivalents – an increase by 56%. The information on the reasons for the change is provided in the section related to cash flows,
2. guarantees of origin of electricity (energy certificates) and the CO₂ emission allowances to be redeemed (retired) – an increase by 518%, which is the result of:
 - 1) purchase of the CO₂ emission allowances in the first quarter of 2022 for the redemption (retirement) obligation for the year 2020,
 - 2) purchase in the first quarter 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, that were reclassified due to their allocation for the purpose of the ongoing fulfilling of the obligation to redeem (retire) the above mentioned assets,
3. inventory levels – a decrease by 3%,
4. accounts receivable from the consumers – an increase by 19%, which is mainly a consequence of the higher electricity and gas prices,
5. accounts receivable due to the income tax – an increase by 24%. The income tax account receivable includes the tax related account receivable of the Tax Capital Group for 2021 and the surplus of the income tax advances paid by the Group's subsidiaries for the first quarter of 2022,

6. accounts receivable due to the other taxes and fees – an increase by 97% mainly due to an increase of the accounts receivable due to VAT,
7. derivative instruments – an increase by 35%, mainly as a result of the valuation of the derivative instruments covered by the IRS hedge accounting in connection with the change in the base interest rates that took place in the first quarter of 2022,
8. other financial assets – an increase by 26%, mainly as a result of a rise in the value of initial deposits related to the exchange settlements (clearing),
9. other non-financial assets – an increase by 36%, mainly as a result of the creation 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 March 31, 2022.

Table no. 25. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2021 and as of March 31, 2022

Statement of financial position (PLN m)	As of December 31, 2021	As of March 31, 2022 (unaudited data)	Change in % (2022 / 2021)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	16 491	17 530	106%
Non-controlling shares	33	34	103%
Total equity	16 524	17 564	106%
Long term liabilities	13 634	15 169	111%
Liabilities due to debt	10 947	11 810	108%
Short term liabilities	9 917	10 415	105%
Liabilities due to debt	2 143	3 991	186%
Total liabilities	23 551	25 584	109%
TOTAL EQUITY AND LIABILITIES	40 075	43 148	108%

The below figures present the change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of March 31, 2022.

Figure no. 32. Change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of March 31, 2022

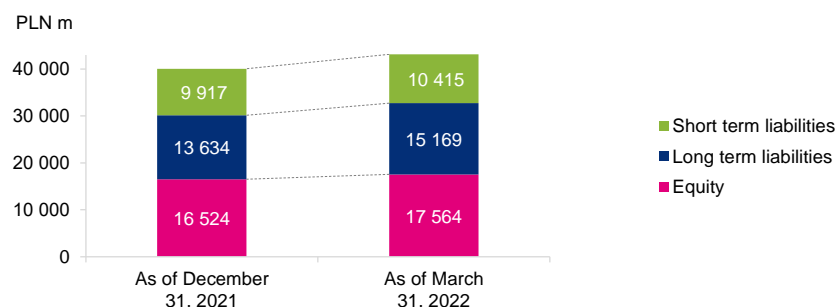
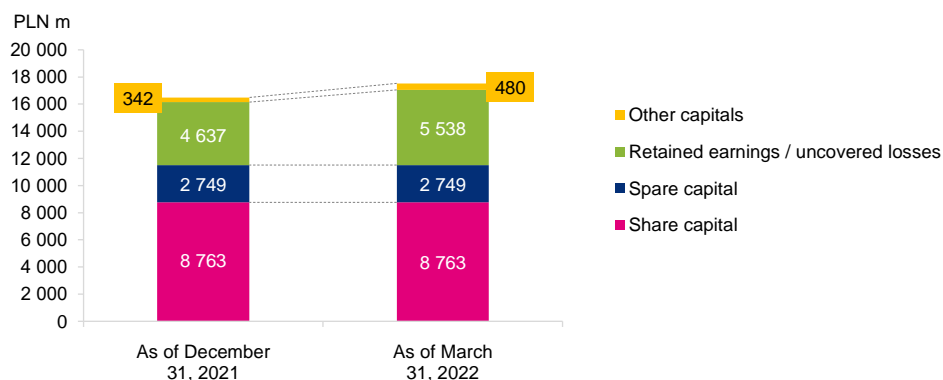
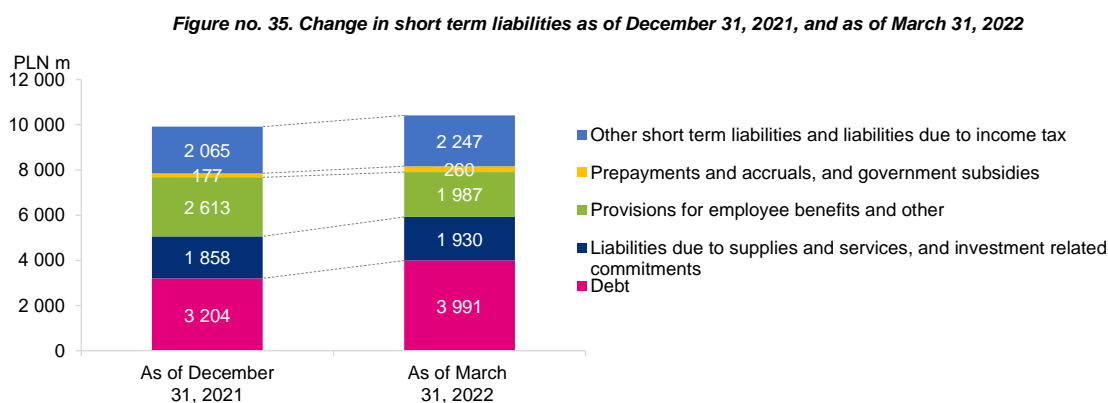
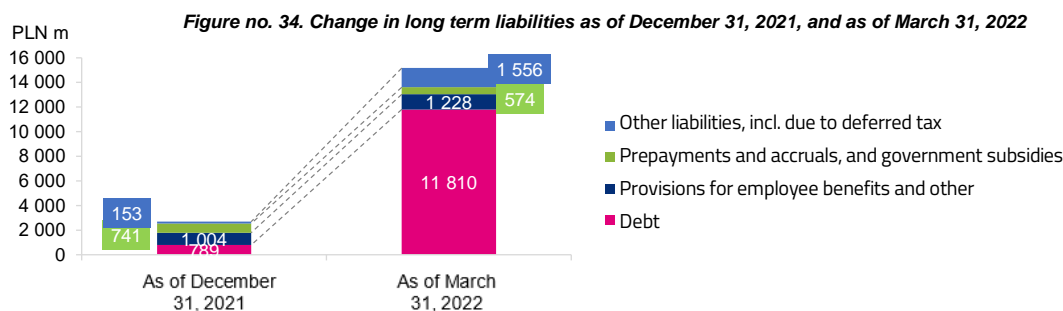


Figure no. 33. Change in equity attributable to majority shareholders as of December 31, 2021 and as of March 31, 2022



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 40.7%.

The below figures present the change in the long term and short term liabilities as of December 31, 2021, and as of March 31, 2022.



The amount of TAURON Capital Group's long term liabilities is higher by PLN 1 535 million (11%) in the first quarter of 2022, which was mainly a consequence of the following factors:

1. liabilities due to debt – an increase by 7%, as a result of taking out the loans,
2. accounts payable due to the deferred income tax – an increase by 101% 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 in 2021, as in the 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. derivative instruments (derivatives) - a decrease by 65%, 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.

The amount of TAURON Capital Group's short term liabilities went up by PLN 498 million (by 5%), which was primarily a consequence of the following factors:

1. liabilities due to debt – an increase by 86%, which is a result of drawing down the proceeds due to taking out the new financing and the expenditures due to the repayment of the loans received,
2. accounts payable towards the suppliers – an increase by 31% and the investment related commitments – a drop by 50%,
3. accounts payable due to the acquisition of the non-controlling stake (interest) - a decrease in value due to 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. provisions for the employee benefits – a decrease by 10%,
5. provisions for the obligations (liabilities) due to the guarantees of origin of electricity (energy certificates) and the CO₂ gas emissions – a drop by 20%, which is the result of using up (consuming), in the first quarter 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 quarter of 2022. The use (consumption) of the remaining part of the provision set up in 2021 for the obligation to redeem (retire) the property rights related to the guarantees of origin of electricity (energy certificates) and the CO₂ gas emission allowances for 2021 will take place in the second quarter of 2022,
6. other provisions – a decrease by 39%, as a consequence of the use (consumption) of the provision set up as of the balance sheet date falling on December 31, 2021, for the onerous contracts in connection with the shutdown

of the 910 MW unit in Jaworzno due to the setting up of a provision for onerous contracts in connection with the shutdown of the 910 MW unit in Jaworzno,

7. prepayments and accruals, as well as the government subsidies – an increase by 47%, mainly as a consequence of an increase in the prepayments and accruals due to the bonuses and unused holidays,
8. accounts payable due to the income tax – an increase by 3 125%. 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 quarter of 2022,
9. accounts payable (liabilities) due to the other taxes and fees – a decrease by 21%, mainly as a consequence of the lower accounts payable due to the social security premiums and VAT,
10. derivative instruments (derivatives) – an increase by 18%, 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 out of the long term liabilities,
10. other financial liabilities – a decrease by 7% which is the result of the rise in the value of the variation margins due to the settlements (clearing) of the exchange transactions and of the derivative instruments as a consequence of the negative valuation of the derivative instruments, including, to the large extent, the forward instruments related to the transactions for which the CO₂ emission allowances are the underlying product (commodity), and the lower value of the liabilities due to wages as well as the bid (tender) deposits, bonds and securities (collaterals) received,
11. other non-financial liabilities – an increase by 26%, primarily as a consequence of the excess of the liabilities over the assets of the Company Social Benefits Fund, as well as the higher balance of the accounts payable towards the customers due to the overpayments received, and also the advance payments on account of the grid connection fee.

Cash flows

Consolidated cash flow statement

The below table presents the selected information from the interim abbreviated cash flow statement for the first quarter of 2021 and for the first quarter of 2022.

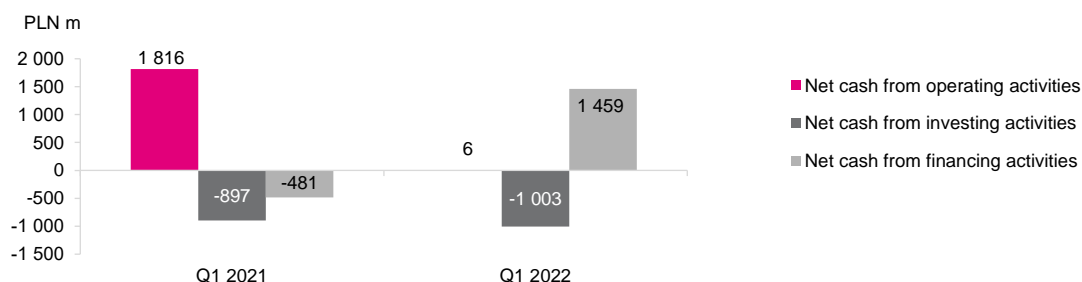
Table no. 26. Interim abbreviated cash flow statement for the first quarter of 2021 and for the first quarter of 2022

Cash flow statement (PLN m)	Q1 2021 (unaudited)	Q1 2022 (unaudited)	Change in % (2022 / 2021)
CASH FLOWS FROM OPERATING ACTIVITIES			
Pre-tax profit	1 097	1 272	116%
Adjustments	719	(1 266)	-176%
Net cash from operating activities	1 816	6	0,3%
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of tangible fixed assets and intangible assets	18	5	28%
Purchase of tangible fixed assets and intangible assets	(967)	(876)	91%
Granting of loans	0	(120)	-
Sale of shares and redemption of participation units	53	0	-
Other	(1)	(12)	1 200%
Net cash from investing activities	(897)	(1 003)	112%
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from taking on credits / loans	303	3 796	1253%
Repayment of loans/credits	(736)	(1 187)	161%
Interest paid	(22)	(32)	145%
Other	(26)	(1 118)	4300%
Net cash from financing activities	(481)	1 459	-303%
Increase / (decrease) in net cash and equivalents	438	462	105%
Cash opening balance	895	791	88%
Cash closing balance	1 333	1 253	94%

The total amount of all of the net flows of cash from the operating, investing and financing activities in the first quarter of 2022 was positive and came in at PLN 462 million.

The below figure presents cash flows in the first quarter of 2021 and in the first quarter of 2022.

Figure no. 36. Cash flows in the first quarter of 2021 and in the first quarter of 2022



The amount of cash flows from operating activities in the first quarter of 2022 came in at PLN 6 million, which was the result of the following factors

1. generated EBITDA in the amount of PLN 1 955 million,
2. a negative change of the working capital in the amount of PLN 1 569 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 640 million,
 - 2) a positive change of the inventory level, in the amount of PLN 13 million,
 - 3) a positive change of the balance of the accounts payable in the amount of PLN 307 million,
 - 4) a negative change of the other long and short term assets as well as the provisions in the total amount of PLN 1 317 million,
 - 5) a positive change of the prepayments and accruals as well as the government subsidies in the amount of PLN 68 million,
3. income tax in the amount of PLN 364 million paid by TAURON Capital Group's subsidiaries, which is a consequence of the income tax settlement (payment) for the first quarter of 2022. The most material amounts were paid by TAURON as well as TAURON Wytwarzanie and TAURON Dystrybucja,
4. other factors: PLN -16 million.

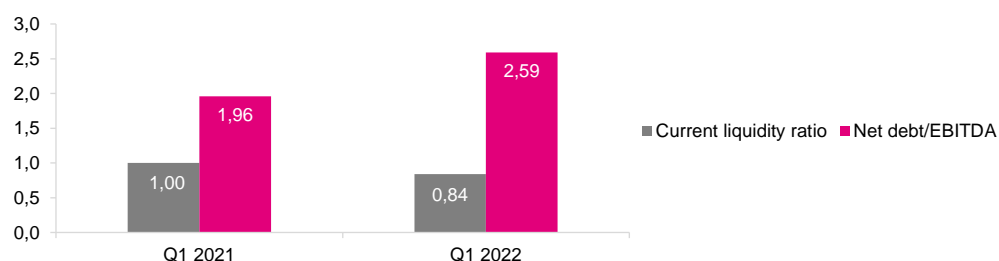
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, which were lower by 9% in the first quarter of 2022 than the outlays incurred in the same period of 2021. The largest expenditures, in the first quarter of 2022, were incurred by the Distribution, Mining and Generation Segments.

The positive 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 1 187 million, while the amount of the proceeds received due to the loans taken out clocked in at PLN 3 796 million. In addition, in the first quarter of 2021 TAURON Capital Group paid the amount of PLN 32 million due to interest, mainly on the financial obligations, repaid the accounts payable due to the leases in the amount of PLN 64 million, while the amount of the subsidies received stood at PLN 15 million.

TAURON Capital Group is maintaining its market position. The current liquidity ratio and the net financial debt to EBITDA ratio continue to stand at a safe level.

The below figure presents TAURON Capital Group's 2021 cash flows. in the first quarter of 2021 and in the first quarter of 2022

Figure no. 37. Current liquidity ratio and the net financial debt to EBITDA ratio in the first quarter of 2021 and in the first quarter 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 subordinate bond issues.

3.5. Position of the Management Board of TAURON Polska Energia S.A. with respect to the ability to perform in line with the earlier published forecasts of the results for the given year

TAURON Capital Group did not publish any forecasts of the financial results for 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 3.4 of this information.

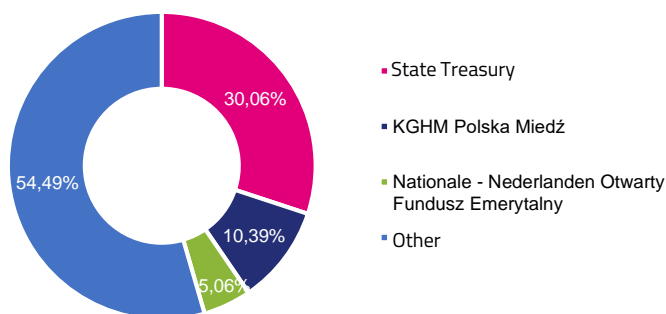
4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

4.1. Shareholding structure

As of March 31, 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 March 31, 2022 and as of the date of drawing up this information.

Figure no. 38. Shareholding structure as of March 31, 2022 and as of the date of drawing up this information



The below table presents the shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company, as of March 31, 2022 and as of the date of drawing up this information.

Table no. 27. Shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company, as of March 31, 2022 and as of the date of drawing up this information

Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held ¹	Percentage share in the total number of votes
1. 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	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. since March 31, 2022, until the date of disclosing this information the Company had not received any notifications from its shareholders on any changes in the ownership structure of the substantial blocks of TAURON shares.

4.2. 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 held by the Members of the Company's Management Board as of March 31, 2022.

Table no. 28. Company's shares held by the Members of the Company's Management Board as of March 31, 2022

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. Patryk Demski	05.08.2021	0	0
2. Artur Michałowski	05.08.2021	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
3. Krzysztof Surma	05.08.2021	10 000	PLN 50 000
4. Jerzy Topolski	15.07.2020	0	0
5. Artur Warzocha	21.01.2022	0	0

The below table presents the Company's shares held by the Members of the Company's Management Board as of the date of drawing up this information.

Table no. 29. Company's shares held by the Members of the Company's Management Board as of the date of drawing up this information

First name and last name	Date of appointment to the Management Board of the Company	Number of the Company's shares held	Nominal value of the Company's shares held
1. Paweł Szczeszek	11.04.2022	0	0
2. Patryk Demski	05.08.2021	0	0
3. Artur Michałowski	05.08.2021	0	0
4. Krzysztof Surma	05.08.2021	10 000	PLN 50 000
5. Jerzy Topolski	15.07.2020	0	0
6. Artur Warzocha	21.01.2022	0	0

As of March 31, 2022, and as of the date of drawing up this information, the Members of the Management Board of the Company and 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 March 30, 2022, to the date of disclosing this information, 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.

5. OTHER MATERIAL INFORMATION AND EVENTS

5.1. Material proceedings pending before the court, competent arbitration authority or public administration authority

The below table presents the material proceedings pending before the court, competent arbitration authority or the public administration authority in the first quarter of 2022.

Table no. 30. Summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the first quarter 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.</p> <p>Value of the object of litigation (deducted VAT amount): with respect to the transaction with Castor Energy sp. z o.o. – PLN 52 494 672.</p> <p>Date of initiating the proceeding: October 2014, August 2016</p> <p>Company's position: in the Company's opinion during the verification of the counterparty (business partner, contractor), the due diligence was actually adhered to, and the Company acted in good faith, so there are no grounds for refusing the Company the right to deduct the tax assessed on the invoices documenting the electricity purchase from Castor Energy sp. z o.o.</p> <p>On October 7, 2020, the Company received the decision of the Head of the Mazovian Customs and Tax Office, ending one of the audit proceedings, specifying the amount of its VAT tax liability for the following months: October, November, December 2013 and the first quarter of 2014, which resulted in the obligation for the Company to pay additional VAT due to the transaction with Castor Energy sp. z o.o. in the total amount of PLN 51 818 857, along with the interest on the tax arrears. The Company filed an appeal against the decision on October 20, 2020.</p> <p>On January 15, 2021, as part of the second audit proceedings, a decision was issued the Head of the Mazovian Customs and Tax Office in which the Authority stated that the Company had not been eligible to deduct the VAT assessed from the invoice issued by Castor Energia Sp. z o.o. in April 2014, and thus the Company overstated the amount of VAT assessed recognized in the tax statement filing for the second quarter of 2014 by the amount of PLN 677 815.39. On February 12, 2021, the Company filed an appeal against the decision.</p> <p>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>
<p>Lawsuits pertaining to the termination, by the PEPKH subsidiary, of the agreements related to the sales of electricity and property rights arising from the guarantees of origin (energy certificates)</p>	
<p>4. Plaintiff (Claimant): Dobiesław Wind Invest sp. z o.o.</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. Defendant (Respondent): TAURON	Value of the object of litigation: PLN 97 651 840.00 Initiation of the proceeding: the lawsuit of June 29, 2017 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. Company's position: the Company considers the claims covered by the lawsuit as being without merit.
6. Plaintiff (Claimant): Pękanino Wind Invest sp. z o.o. Defendant (Respondent): TAURON	Value of the object of litigation: PLN 44 817 060.00 Initiation of the proceeding: the lawsuit of June 29, 2017 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. Company's position: the Company considers the claims covered by the lawsuit as being without merit.
7. Plaintiff (Claimant): Nowy Jaroslaw Wind Invest sp. z o.o. Defendant (Respondent): TAURON	Value of the object of litigation: PLN 57 763 340.00 Initiation of the proceeding: the lawsuit of June 29, 2017 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. Company's position: the Company considers the claims covered by the lawsuit as being without merit.
8. Co-participation on the plaintiff's (claimant's) side: Amon sp. z o.o. (Amon) and Talia sp. z o.o. (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., Pękanino Wind Invest sp. z o.o., Dobieslaw Wind Invest sp. z o.o. Defendant (Respondent): PEPKH	Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the 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.– PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. PLN 64 116 908.85 Initiation of the proceeding: Gorzyca Wind Invest sp. z o.o. – May 18, 2015, Pękanino Wind Invest sp. z o.o. – May 20, 2018, Dobieslaw Wind Invest sp. z o.o. – May 18, 2015 Company's position: the Company considers the claims covered by the lawsuit as being without merit. On April 14, 2022, PEPKH's power of attorney representatives received further lawsuits including more demands: 1) Gorzyca Wind Invest sp. z o.o. – a claim for the amount of PLN 80 810 380.04 to be awarded, 2) Pękanino Wind Invest sp. z o.o. – a claim for the amount of PLN 11 070 380.21 to be awarded.
10. Plaintiff (Claimant): Dobieslaw Wind Invest sp. z o.o. Defendant (Respondent): PEPKH	Object of litigation: plea to award damages and liquidated damages. Value of the object of litigation: PLN 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. 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 not legally binding (final).</p>
<p>14. Plaintiff (Claimant): Talia</p> <p>Defendant (Respondent): PEPKH</p>	<p>Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the 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. PKH disagrees in full with the ruling of the Court of Appeal as well as with the rulings of the Court of first instance. PEPKH filed a petition to the Court of Appeal for service of the judgment of the Court of Second Instance along with a written justification (statement of reason) and will proceed to analyze it in order to challenge it as soon as possible and take any other legal remedies it is entitled to.</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 Company is currently awaiting the decision of the Court as to whether or not the Court approves the Company's request (motion) to appoint an expert.

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 parties are still waiting for the Supreme Court's decision to discontinue the proceedings.

5.2. Transactions with related entities on terms other than at arm's length

All of the transactions with the related entities are concluded at arm's length.

The detailed information on the transactions with the related entities is provided in note 50 to the *Interim abbreviated consolidated financial statements of TAURON Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 3 months ended on March 31, 2022*.

5.3. Credit or loan sureties (co-signings) granted and guarantees granted

Credit or loan sureties (co-signings) granted

TAURON, as well as its subsidiaries, did not grant any credit or loan sureties in the first quarter of 2022.

Guarantees granted

In the first quarter of 2022, the Company granted TAURON Czech Energy a corporate guarantee worth up to EUR 3 million to secure 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 March 31, 2022, the total amount of the sureties (co-signings) and corporate guaranties (bonds) granted by the Company stood at PLN 835 million.

In addition, apart from the guarantees extended by the Company, in the first quarter of 2022 there were corporate guarantees in place provided by TAURON Ekoenergia for the liabilities of Wind T1 and Polpower stemming from the commercial contracts. As of March 31, 2022, the amount of these guarantees stood at PLN 53 million.

In the first quarter 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 March 31, 2022, the amount of the bank guarantees in force, issued at the instruction of the Company, stood at PLN 624 million.

In addition, the bank guarantees issued at the request of TAURON Czech Energy were in effect in the first quarter and, as of March 31, 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 accordance with the International Financial Reporting Standards approved by the European Union, for the period of 3 months ended on March 31, 2022.*

5.4. The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first quarter of 2022

The first quarter 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 took place in 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 continued rate of infections and the high probability of the arrivals of the successive waves of infections - that the COVID-19 epidemic will persist to affect 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. 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 increase in the demand for electricity among TAURON Capital Group's customers has been observed in 2022,
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 quarter 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 due to the heightened employee absenteeism and an increase in the operating costs stemming from the need to ensure the epidemiological safety (in particular during the months characterized by an elevated number of infections).

TAURON Capital Group, being aware of the threats (risks) related to the epidemiological situation, has continued to undertake the active measures aimed at minimizing the impact of the current and the expected economic situation, as well as providing the protection against the events of extreme nature. The situation related to the COVID-19 pandemic is highly volatile and the future effects as well as the scale of the pandemic are, as of the present moment, difficult to precisely estimate. The duration of the pandemic, its severity and range (scope), the level of the vaccination, the development and availability of the vaccines (drugs) against COVID-19, as well as its impact on the economic growth in Poland in the short, medium and long term will be important.

The Management Board of the Company, being aware of the threats stemming from the COVID-19 pandemic, is monitoring the impact thereof on an ongoing basis and will be taking all possible steps in order to mitigate any negative effects of the pandemic's impact on TAURON Capital Group.

5.5. 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.

TAURON Capital Group is identifying 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 hard coal), as well as the prices of the electricity and the CO₂ emission allowances.

In particular, an increase in the electricity prices and the volatility thereof on the day-ahead market (SPOT) and the balancing market can be identified, which may result in an increase of the costs of securing the demand profile of TAURON Capital Group's customers. In addition, difficulties can be identified with respect to meeting the demand for the hard coal, resulting from the increased volume of the forced production by the generating units and the insufficient supply of this raw material on the market.

The material changes were also noted in the foreign exchange rates, including a weakening of the EUR / PLN exchange rate, as well as a raising of the market interest rates and interventionist increases of the NBP's reference (prime) rate. In addition, the third CHARLIE-CRP alert level has been introduced in Poland, indicating an elevated risk related to the possibility of terrorist incidents occurring. There are difficulties in the sourcing of the biomass of agricultural origin, which is mainly imported from Ukraine.

In other areas, as of the present moment, TAURON Capital Group has not identified any direct effects of the aggression on its own operating and business activities, and the continuity of the functioning of the business processes is not at risk. TAURON Capital Group does not have any assets located on the territory of Ukraine, Russia and Belarus, and there have been no material transactions related to the sales or deliveries in these directions. The situation related to the aggression of the Russian Federation's troops against Ukraine is highly volatile and its future implications are difficult to precisely estimate. They will, in particular, depend on the scale and 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 as well as the global political and economic relations.

The potential risks that may constitute a future negative impact of the situation in question, characterized by an elevated risk of materializing, which may affect TAURON Capital Group, include:

1. heightened cybersecurity risk (potential attacks on the IT systems and the OT systems, and, as a consequence, the disruptions in the operation of the critical infrastructure)
2. possible disruptions on the fuel market in the EU and, as a consequence, a further increase of the volatility of the prices of gas, hard coal and biomass, which may translate into the level and volatility of the electricity prices, as well as the risk of ensuring a sufficient supply of fuel required to produce electricity by TAURON Capital Group,
3. persistent elevated volatility of the prices of the electricity as well as the prices of the CO₂ emission allowances and other related products, which may affect the market risk related to the trading (commercial) operations of TAURON Capital Group, as well as the amount of the margin deposits under the transactions concluded on the TGE (PPX) commodity exchange market,
4. changes in the EU energy (electricity) balance and, as a consequence, the possibility of the extended operations of the units located on the territory of Poland, which may lead to the disturbances in the operation of the power grid, as well as the elevated load of TAURON Capital Group's generating units and an escalation of the risk for the energy fuel supplies and the risk of maintaining the strategic reserves,
5. 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,
6. potential impact on the interruption / disruption of the supply chains related to the goods and services, which may affect, inter alia, the possible delays in the ongoing investment and restructuring processes,
7. potential disruptions in the access to the liquid fuels may lead to the difficulties in the road transportation, which may translate into the lack of the ability by UPS and UPW to carry out the collections (pickups), and, as a consequence, cause the curtailments of the operations of TAURON Capital Group's generation units,
8. increase in the prices of the raw materials (commodities) as well as the goods and services, which may have a negative impact on the condition of the economy, leading to a further increase of the inflation rate in Poland and in the other EU countries,
9. as a consequence of the possible deterioration of the economic situation, a further increase in the level of the interest rates (an impact on the costs of financing based on a floating interest rate and an impact on the future level of the return on capital employed in the Distribution Line of Business) and the fluctuations in the domestic currency exchange rate against the key foreign currencies can be expected,
10. in the event of a deterioration of the economic situation in Poland, an impact on the level of the domestic demand for the electricity demand 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,
11. as a consequence of the increased immigration of the Ukrainian citizens to Poland an elevated demand for the electricity in the households segment can be expected, which may turn out to be a tailwind for the profitability of the Distribution Line of Business and the Supply Line of Business,
12. potential disruptions in the operations of the enterprises and the possibility of a relocation of the production capacity of the manufacturing plants may affect the level of the domestic demand for the electricity in the business customers segment, which may turn out to be a tailwind for the profitability of the Distribution Line of Business and the Supply Line of Business,
13. due to a potential substantial curbing of the trade exchange between Poland and the Russian Federation, as well as due to the possible economic slowdown, financial difficulties can be expected for some customers and contractors (counterparties) of TAURON Group, which may translate into an increase of the Group's credit risk,
14. unfavorable perception of TAURON Capital Group by the financial institutions in the context of Poland's location as a country bordering with Ukraine,
15. potential limitations in the access to the IT infrastructure, Internet and GSM networks, which may bring about the disruptions in the functioning of the operational processes and the business continuity.

The above mentioned risks constitute the effects of the developing situation underway, identified as of the date of drawing up this information, which may have an impact on the operations of TAURON Capital Group in the future, and since the situation is evolving it is not an exhaustive list.

TAURON Capital Group, taking note of the scale of the threats (risks) related to the developing situation underway, is identifying the impact of the war on Ukraine on an ongoing basis and is taking steps aimed at minimizing the

potential effects of the risk for TAURON Capital Group 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 reaction to the risk is managed by the dedicated Crisis Teams, set up both at the level of the Company as well as at the level of the individual subsidiaries of TAURON Capital Group.

5.6. Other information that could be material for the evaluation of TAURON Capital Group's personnel, assets, financial position, financial result and the changes thereof, as well as the information that could be material for the evaluation of the ability of TAURON Capital Group to meet its obligations

Apart from the events indicated in this information, no other events had occurred in the first quarter of 2022 that were material for the evaluation of the personnel, assets, financial position and the financial result of TAURON Capital Group and the changes thereof, as well as for the evaluation of the ability of TAURON Capital Group to meet its obligations.

Katowice, May 22, 2022

Paweł Szczeszek - President of the Management Board (CEO)

Patryk Demski - Vice President of the Management Board

Artur Michałowski - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board

Jerzy Topolski - 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 information is presented below.

Table no. 31. 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. 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. EEC Magenta ASI	EEC Magenta limited liability company ASI limited joint stock partnership with its registered office in Warsaw.
17. EEC Magenta 2 ASI	EEC Magenta limited liability company 2 ASI limited joint stock partnership with its registered office in Warsaw
18. EEC Ventures	EEC Ventures limited liability company limited joint stock partnership with its registered office in Warsaw
19. EEC Ventures 2	EEC Ventures limited liability company 2 limited joint stock partnership with its registered office in Warsaw
20. EEX (gielda EEX)	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.
21. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
22. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
23. EU ETS	European Union Emission Trading System - European Union's System for the Trading of the CO ₂ Emission Allowances.

Abbreviation and trade term	Full name / explanation
24. 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>
25. EUR	Euro - a common European currency introduced in some EU member states
26. Finanse Grupa TAURON	Finanse Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
27. FIZAN	Fundusz Inwestycyjny Zamknięty (Closed-end Investment Fund)
28. GAZ-SYSTEM	Transmission Pipelines Operator (Operator Gazociągów Przesyłowych) GAZ-SYSTEM S.A. with its registered office in Warsaw.
29. GPW	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
30. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
31. GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
32. 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.
33. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
34. KGHM Polska Miedź	KGHM Polska Miedź S.A. (Polish Copper Mining Joint Stock Company) with its registered office in Lubin.
35. KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
36. Marselwind	Marselwind sp. z o.o. (Ltd.) with its registered office in Katowice.
37. Mg	Megagram - million gram (1 000 000 g), i.e. ton.
38. Business Model	Document entitled <i>TAURON Group's Business and Operational Model</i> (which is an update of <i>TAURON Group's Business Model</i> adopted by the Management Board on May 4, 2016).
39. MSSF	International Financial Reporting Standards.
40. NABE	National Energy Security Agency.
41. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
42. NCBR	National Research and Development Center (Narodowe Centrum Badań i Rozwoju) with its registered office in Warsaw.
43. Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Jaworzno.
44. Line of Business (Segment)	Seven areas (segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
45. OPEC	Organization of the Petroleum Exporting Countries with its registered office in Vienna.
46. OSD	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD)
47. OSP	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
48. OTC (OTC market)	Over The Counter Market – European OTC market.
49. RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
50. PEAK (kontrakt PEAK)	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.
51. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
52. PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its registered office in Warsaw.
53. PFR IFIZ	PFR Inwestycje Fundusz Inwestycyjny Zamknięty (PFR Investments Closed-end Investment Fund)
54. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
55. PGK	Tax Capital Group (Podatkowa Grupa Kapitałowa – PGK).
56. PGNiG	Polskie Górnictwo Naftowe i Gazownictwo S.A. (Polish Oil and Gas Joint Stock Company) with its registered office in Warsaw.
57. PKB	Gross Domestic Product (Produkt Krajowy Brutto).

Abbreviation and trade term	Full name / explanation
58. PLN	Polish zloty currency symbol – zł (PLN)
59. PMEF	Property rights related to the energy efficiency certificates
60. PMOZE	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES before March 1, 2009.
61. PMOZE_A	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES after March 1, 2009.
62. 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
63. PSE	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna.
64. RB	Balancing Market (Rynek Bilansujący) - technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
65. 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.
66. RDN	Day Ahead Market - a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
67. 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.
68. SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
69. 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.
70. SLA	Service Level Agreement -an agreement with a guaranteed quality level of the service provision.
71. SPOT (rynek SPOT)	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.
72. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
73. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
74. 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.
75. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
76. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
77. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
78. TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
79. TAURON Dystrybucja Pomiary	TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.) with its registered office in Tamów.
80. TAURON Ekoenergia	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
81. TAURON Nowe Technologie	TAURON Nowe Technologie S.A. (Joint Stock Company) (formerly: TAURON Dystrybucja Serwis S.A. (Joint Stock Company)) with its registered office in Wrocław.
82. TAURON Obsługa Klienta	TAURON Obsługa Klienta sp. z o.o. (Ltd.) with its registered office in Wrocław.
83. TAURON Serwis	TAURON Serwis sp. z o.o. (Ltd.) with its registered office in Katowice.
84. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
85. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
86. TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
87. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
88. TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice.
89. TEC1	TEC1 sp. z o.o. (Ltd.) with its registered office in Katowice.

Abbreviation and trade term	Full name / explanation
90. TGE (PPX)	Towarowa Giełda Energii S.A. (Polish Power Exchange – POLPX) with its registered office in Warsaw.
91. TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
92. UE (EU)	European Union (Unia Europejska - UE)
93. UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów – UOKiK)
94. 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.
95. URE	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
96. USA	United States of America.
97. USD	United States Dollar - US dollar's international acronym
98. Wind T1	Wind T1 sp. z o. o. . z o.o. with its registered office in Jelenia Góra.
99. Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.
100. WZ / ZW	General Meeting (GM) / Shareholders' (Partners') Meeting (Walne Zgromadzenie – WZ / Zgromadzenie Wspólników - ZW)
101. ZG	Coal Mine (Zakład Górniczy - ZG) (Janina Coal Mine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

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