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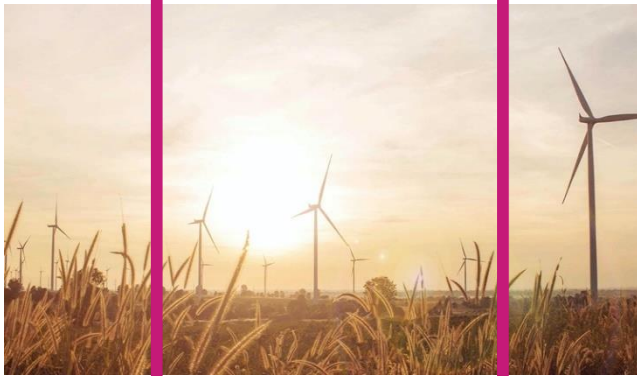
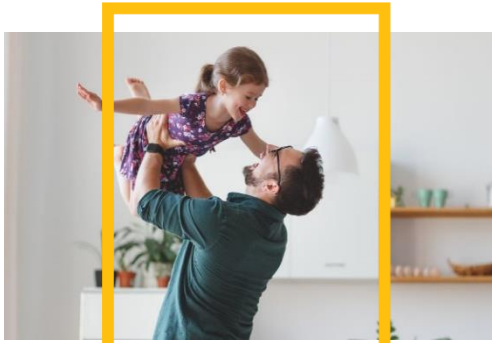


EXTENDED CONSOLIDATED INTERIM REPORT

of TAURON Polska Energia S.A.
Capital Group for Q3 2022

November 2022

TAURON.PL



QUARTERLY FINANCIAL INFORMATION

for the 9-month period
ended 30 September 2022

TAURON Polska Energia S.A.

**Quarterly Financial Information
for the 9-month period ended 30 September 2022**

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TAURON Polska Energia S.A.
Quarterly Financial Information for the 9-month period ended 30 September 2022
(in PLN million)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2022 <i>(unaudited)</i>	3-month period ended 30 September 2021 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Sales revenue	3	5 917	20 588	4 067	11 543
Cost of sales	4	(5 792)	(20 352)	(4 141)	(11 610)
Profit on sale (loss)		125	236	(74)	(67)
Selling and distribution expenses	4	(7)	(24)	(6)	(17)
Administrative expenses	4	(37)	(91)	(24)	(70)
Other operating income and expenses		(4)	(6)	-	(1)
Operating profit (loss)		77	115	(104)	(155)
Dividend income	5	128	1 774	139	1 852
Interest income on loans	5	168	304	67	182
Interest expense on debt	5	(177)	(448)	(83)	(248)
Revaluation of shares	5	-	-	-	(759)
Revaluation of loans	5	(417)	(396)	8	(279)
Other finance income and costs	5	(38)	(30)	(11)	25
Profit before tax (loss)		(259)	1 319	16	618
Income tax expense		(33)	42	19	(14)
Net profit (loss)		(292)	1 361	35	604
Measurement of hedging instruments		(26)	306	65	197
Income tax expense		5	(58)	(13)	(27)
Other comprehensive income subject to reclassification to profit or loss		(21)	248	52	170
Actuarial gains		-	1	-	-
Other comprehensive income not subject to reclassification to profit or loss		-	1	-	-
Other comprehensive income, net of tax		(21)	249	52	170
Total comprehensive income		(313)	1 610	87	774
Profit (loss) per share (in PLN):					
- basic and diluted, for net profit (loss)		(0.16)	0.78	0.02	0.34

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
ASSETS			
Non-current assets			
Investment property		20	24
Right-of-use assets		15	22
Shares	6	15 759	20 559
Loans granted	7	11 147	5 936
Derivative instruments		790	532
Deferred tax assets		12	-
Other non-financial assets		11	14
		27 754	27 087
Current assets			
Inventories		96	51
Receivables from buyers		1 682	2 495
Dividend receivables		6	-
Income tax receivables		12	373
Loans granted	7	1 542	445
Derivative instruments		1 270	465
Other financial assets		130	70
Other non-financial assets		763	54
Cash and cash equivalents	8	409	440
		5 910	4 393
TOTAL ASSETS		33 664	31 480
EQUITY AND LIABILITIES			
Equity			
Issued capital		8 763	8 763
Reserve capital		3 009	2 749
Revaluation reserve from valuation of hedging instruments		547	299
Retained earnings / (Accumulated losses)		1 392	290
		13 711	12 101
Non-current liabilities			
Debt	9	11 211	9 801
Derivative instruments		115	116
Other financial liabilities		8	11
Other non-financial liabilities		86	113
Deferred tax liabilities		-	45
Provision for the onerous contract	11	39	154
Other provisions, accruals, deferred income and government grants		4	5
		11 463	10 245
Current liabilities			
Debt	9	4 828	4 669
Liabilities to suppliers		652	1 745
Liabilities due to acquisition of shares in the subsidiary	10	-	1 061
Derivative instruments		877	379
Other financial liabilities		341	493
Other non-financial liabilities		1 457	701
Provision for the onerous contract	11	315	68
Other provisions, accruals, deferred income and government grants		20	18
		8 490	9 134
Total liabilities		19 953	19 379
TOTAL EQUITY AND LIABILITIES		33 664	31 480

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

9-MONTH PERIOD ENDED 30 SEPTEMBER 2022 (unaudited)

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2022		8 763	2 749	299	290	12 101
Prior year profits' distribution	12	-	260	-	(260)	-
Transactions with shareholders		-	260	-	(260)	-
Net profit		-	-	-	1 361	1 361
Other comprehensive income		-	-	248	1	249
Total comprehensive income		-	-	248	1 362	1 610
As at 30 September 2022 (unaudited)		8 763	3 009	547	1 392	13 711

9-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (unaudited)

		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2021		8 763	6 339	(79)	(3 561)	11 462
Coverage of prior years loss		-	(3 590)	-	3 590	-
Transactions with shareholders		-	(3 590)	-	3 590	-
Net profit		-	-	-	604	604
Other comprehensive income		-	-	170	-	170
Total comprehensive income		-	-	170	604	774
As at 30 September 2021 (unaudited)		8 763	2 749	91	633	12 236

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Cash flows from operating activities			
Profit before tax		1 319	618
Depreciation and amortization		11	12
Interest and dividends		(1 661)	(1 764)
Impairment losses on shares		-	759
Impairment losses on loans		396	279
Exchange differences		220	17
Other adjustments of profit before tax		(233)	89
Change in working capital		(13)	519
Income tax paid		(44)	(35)
Net cash from operating activities		(5)	494
Cash flows from investing activities			
Purchase of shares in the subsidiary		(1 061)	-
Loans granted		(6 131)	(1 422)
Purchase of other shares		(15)	(17)
Other		(3)	-
Total payments		(7 210)	(1 439)
Sale of shares		4 815	53
Dividends received		1 768	1 852
Interest received from loans granted		199	167
Repayment of loans granted		7	121
Total proceeds		6 789	2 193
Net cash from investing activities		(421)	754
Cash flows from financing activities			
Repayment of loans		(3 791)	(2 841)
Interest paid		(253)	(164)
Commission paid		(16)	(14)
Payment of lease liabilities		(7)	(7)
Total payments		(4 067)	(3 026)
Contracted loans		5 546	700
Total proceeds		5 546	700
Net cash from financing activities		1 479	(2 326)
Net increase / (decrease) in cash and cash equivalents		1 053	(1 078)
Net foreign exchange difference		15	(2)
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	(1 110)	(1 821)
restricted cash	8	147	89

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 accordance with the International Financial Reporting Standards approved by the European Union in the scope resulting 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 principles 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 9-month period ended 30 September 2022), the introduction of which in the opinion of the Management Board had no material impact on the accounting principles applied by the Company to date.

2. Material changes in values based on professional judgement and estimates

In the process of applying the accounting policy, professional judgement of the management, along with accounting estimates, were of key importance affecting the figures disclosed in the 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 this quarterly financial information.

3. Sales revenue

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenue from sales of goods for resale and materials	20 296	10 960
Electricity	17 367	9 472
CO ₂ emission allowances	2 099	1 181
Gas	806	296
Other	24	11
Rendering of services	292	279
Capacity market	152	154
Trade services	118	99
Other	22	26
Total revenue from contracts with customers	20 588	11 239
Restructuration in the portfolio of CO ₂ emission allowances	-	304
Total sales revenue	20 588	11 543

In the 9-month period ended 30 September 2022, sales revenue increased in relation to the comparable period and the main changes were related to sales revenue of the following products, goods and services:

- Electricity - an increase in revenue by the amount of PLN 7 895 million is mainly associated with sales contracted in the forward market of electricity and sales in the SPOT market at a price higher, on average, by 91% at a volume simultaneously lower by 4%. Higher selling prices stem from market conditions and a sharp increase in prices continuing at the end of 2021 and in 2022. The decline in volume is a result of reaching the lower volume of electricity sales to the Sales companies, including TAURON Sprzedaż Sp. z o.o. due to the lower demand in 2022 and the lower volume to the generation companies of the Group in order to secure the performance of contracts they have concluded.
- CO₂ emission allowances - an 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 918 million results mainly from the following events:
 - sales to the subsidiaries from the Generation segment of CO₂ emission allowances for redemption purposes in connection with the emission for both 2021 and 2022 in the total amount of PLN 1 495 million. In the comparable period, revenue from sales of CO₂ emission allowances for redemption purposes for 2020 and 2021 amounted to PLN 1 020 million;

- in connection with the failure of the 910 MW unit in Jaworzno continuing from mid-2021 till April 2022 and the resulting surplus of allowances acquired over the redemption needs for 2021, a part of the resulting surplus in the amount of 1 717 000 EUAs was allocated for redemption purposes of another installation of the Group for 2022. Considering the rationality of matching the maturity of the delivery of allowances and the cash expenditure, in the first quarter of 2022, the Company took the decision and sold the aforementioned volume of allowances held and simultaneously bought back this volume in the EUA MAR'23 forward product for the purpose of redemption of 2022 allowances. Revenue from contracts with customers on account of sales of the aforementioned allowances amounted to PLN 604 million while the result on the transaction amounted to PLN 121 million. The transaction is one-off and incidental in nature and it is a direct result of an unplanned, one-off event such as the failure of the 910 MW unit. According to the Company judgement, the transaction is subject to exclusion from the scope of IFRS 9 *Financial Instruments*;
- in the comparative period, as part of its efforts to manage the surplus allowances for 2020, due to the delayed commissioning of the 910 MW unit and the consequent lower production, the Company sold a volume of 691 000 CO₂ emission allowances to the market, resulting in the recognition of the revenue from contracts with customers in the amount of PLN 135 million.

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

- Gas - an increase in revenue by the amount of PLN 510 million is mainly associated with a significant increase in prices by an average of 193% and the achievement of lower volume of sales by an average of 7%. Higher selling prices stem from market conditions and a sharp increase in prices at the end of 2021 and in 2022.

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside TAURON Group and from the Group, whereas the sale is targeted at related companies. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the 9-month period ended 30 September 2022, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 1 846 million. The Company recognised revenue of PLN 37 million on account of the agency service.

4. Costs by type

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(11)	(12)
Capacity Market	(151)	(153)
Other external services	(36)	(31)
Employee benefits expense	(80)	(68)
Allowance for expected credit losses on receivables from buyers	(7)	6
Advertising expenses	(13)	(10)
Other costs by type	(8)	(5)
Total costs by type	(306)	(273)
Selling and distribution expenses	24	17
Administrative expenses	91	70
Value of goods and materials sold	(20 161)	(11 424)
Cost of sales	(20 352)	(11 610)

In the 9-month period ended 30 September 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 7 101 million, which results from the purchase of the 4% lower volume of electricity at average electricity prices higher by 77%. In order to secure the Group's needs and to fulfil the contracts concluded by Nowe Jaworzno Grupa TAURON Sp. z o.o., the purchase of electricity was carried out from counterparties outside the Group, on the forward and SPOT markets, at higher prices due to market conditions and

rapid price changes continuing since the end of 2021. Moreover, the decrease in the volume of electricity purchased by the Company results from the lower demand for the sales of electricity for contracts executed by the Company;

- 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 sales at a level of PLN 74 million, which is described in more detail in Note 11 to these quarterly financial information (in the comparable period, the value of resold CO₂ emission allowances amounted to PLN 1 157 million);
- in the current period, costs of creating provisions for onerous contracts in the amount of PLN 198 million have been recognised, which is mainly the result of restructuring of CO₂ emission allowances in the portfolio of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. (PLN 229 million in the comparable period), as discussed in more detail in Note 11 of this quarterly financial information.

5. Financial income and costs

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Dividend income	1 774	1 852
Interest income on loans	304	182
Interest expense	(448)	(248)
Revaluation of shares	-	(759)
Revaluation of loans	(396)	(279)
Other finance income and costs, of which:	(30)	25
Gain/(loss) on derivative instruments	202	46
The earnings on the transfer ownership of shares in subsidiaries	56	-
Commissions due to external financing	(18)	(18)
Exchange differences	(240)	(15)
Other finance income	32	17
Other finance costs	(62)	(5)
Total, of which:	1 204	773
Income and costs from financial instruments	1 206	772
Other finance income and costs	(2)	1

The increase in interest expenses in the 9-month period ended 30 September 2022 in relation to the comparable period results from the level of external borrowing and the increase of base rates. The change of the base rates is partially offset by the concluded IRS hedging instruments.

The increase in the result on derivatives is mainly related to the increase in the measurement of FX derivatives as a consequence of the rise of currency exchange rates.

The earnings on the transfer of shares in the subsidiaries results from the *datio in solutum* agreement concluded on 31 May 2022 between TAURON Polska Energia S.A. and the subsidiary, TAURON Wytwarzanie S.A., which is described in more detail in Note 6 of this quarterly financial information.

6. Shares

Change in the status of shareholding in the 9-month period ended 30 September 2022 *(unaudited)*

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
Consolidated subsidiaries									
1	TAURON Wydobycie S.A.	1 342	-	1 342	(1 342)	-	(1 342)	-	-
2	TAURON Wytwarzanie S.A.	7 866	(36)	7 830	(7 830)	-	(7 830)	36	-
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	6 578	(6 578)	-	(1 764)	1 764	-	4 814	-
4	TAURON Ciepło Sp. z o.o.	1 928	-	1 928	(1 224)	-	(1 224)	704	704
5	TAURON Ekoenergia Sp. z o.o.	1 940	-	1 940	-	-	-	1 940	1 940
6	TAURON Zielona Energia Sp. z o.o.	600	-	600	-	-	-	600	600
7	TAURON Dystrybucja S.A.	10 512	-	10 512	-	-	-	10 512	10 512
8	TAURON Nowe Technologie S.A.	650	-	650	-	-	-	650	650
9	TAURON Sprzedaż Sp. z o.o.	614	-	614	-	-	-	614	614
10	TAURON Sprzedaż GZE Sp. z o.o.	130	-	130	-	-	-	130	130
11	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	-	41	-	-	-	41	41
12	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	-	90	(90)	-	(90)	-	-
13	TAURON Obsługa Klienta Sp. z o.o.	40	-	40	-	-	-	40	40
14	Finanse Grupa TAURON Sp. z o.o.	28	-	28	(24)	-	(24)	4	4
15	Bioeko Grupa TAURON Sp. z o.o.	1	(1)	-	-	-	-	1	-
16	TAURON Serwis Sp. z o.o.	1	(1)	-	-	-	-	1	-
17	TAURON Inwestycje Sp. z o.o.	-	36	36	-	-	-	-	36
18	Other	5	-	5	-	-	-	5	5
Joint ventures									
19	TAMEH HOLDING Sp. z o.o.	416	-	416	-	-	-	416	416
Entities measured at fair value									
20	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna	4	-	4	-	-	-	4	4
21	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna	37	15	52	-	-	-	37	52
22	Other	10	1	11	-	-	-	10	11
Total		32 833	(6 564)	26 269	(12 274)	1 764	(10 510)	20 559	15 759

Change in the status of shares and interests

The most significant changes in shareholding in the 9-month period ended 30 September 2022 resulted from the following transactions:

- transfer of ownership of shares in the companies TAURON Serwis Sp. z o.o. and Bioeko Grupa TAURON Sp. z o.o. in carrying amount of PLN 2 million. On 31 May 2022, a datio in solutum agreement was concluded between the Company as the debtor and the subsidiary, TAURON Wytwarzanie S.A. as the creditor, under which the Company transferred the ownership of the following shares to TAURON Wytwarzanie S.A. in order to discharge its liability to TAURON Wytwarzanie S.A. in the value of PLN 58 million: 100% of the share in the issued capital in Bioeko Grupa TAURON Sp. z o.o. and 95.61% of the share in the issued capital in TAURON Serwis Sp. z o.o., in the total market value of PLN 58 million. The Company generated a profit of PLN 56 million on the transaction;
- the demerger of TAURON Wytwarzanie S.A. and the incorporation of TAURON Inwestycje Sp. z o.o. registered on 1 July 2022, which were performed as part of the ongoing work to prepare for the spin-off of the TAURON Group's generation assets as part of the government programme for transforming the Polish electricity sector ("NABE Programme"). As a result of the demerger, the Company allocated the existing carrying value of TAURON Wytwarzanie S.A. in the amount of PLN 36 million to the newly established company, TAURON Inwestycje Sp. z o.o.;
- conclusion of the agreement on 29 July 2022 for the sale of 100% of the shares in Nowe Jaworzno Grupa TAURON sp. z o.o. held by TAURON Polska Energia S.A. to TAURON Wytwarzanie S.A. The selling price amounted to PLN 4 815 million and was close to the existing carrying amount of the shares sold. On the same day, the loan agreement was also concluded between the Company as the lender and TAURON Wytwarzanie S.A. as the borrower, for the amount of PLN 4 863 million, to be used for the purchase by TAURON Wytwarzanie S.A. of shares in the Nowe Jaworzno Grupa TAURON Sp. z o.o. company, including the acquisition costs;
- increase of the issued capital in EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna where TAURON Polska Energia S.A. took up a total of 153 148 shares for the total amount of PLN 15 million.

Change in the status of shareholding in the 9-month period ended 30 September 2021 (unaudited)

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance (restated figures)	(Decreases) Increases	Closing balance	Opening balance (restated figures)	Decreases (Increases)	Closing balance	Opening balance (restated figures)	Closing balance
Consolidated subsidiaries									
1	TAURON Wydobycie S.A.	1 342	-	1 342	(1 342)	-	(1 342)	-	-
2	TAURON Wytwarzanie S.A.	7 866	-	7 866	(7 830)	-	(7 830)	36	36
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	5 506	-	5 506	-	(748)	(748)	5 506	4 758
4	TAURON Ciepło Sp. z o.o.	1 928	-	1 928	(1 224)	-	(1 224)	704	704
5	TAURON Ekoenergia Sp. z o.o.	1 940	-	1 940	(376)	-	(376)	1 564	1 564
6	TAURON Zielona Energia Sp. z o.o.	600	-	600	-	-	-	600	600
7	TAURON Dystrybucja S.A.	10 512	-	10 512	-	-	-	10 512	10 512
8	TAURON Nowe Technologie S.A.	650	-	650	-	-	-	650	650
9	TAURON Sprzedaż Sp. z o.o.	614	-	614	-	-	-	614	614
10	TAURON Sprzedaż GZE Sp. z o.o.	130	-	130	-	-	-	130	130
11	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	-	41	-	-	-	41	41
12	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	79	11	90	(79)	(11)	(90)	-	-
13	TAURON Obsługa Klienta Sp. z o.o.	40	-	40	-	-	-	40	40
14	Finanse Grupa TAURON Sp. z o.o.	28	-	28	(24)	-	(24)	4	4
15	Bioeko Grupa TAURON Sp. z o.o.	1	-	1	-	-	-	1	1
16	TAURON Serwis Sp. z o.o.	1	-	1	-	-	-	1	1
17	Other	5	-	5	-	-	-	5	5
Joint ventures									
18	TAMEH HOLDING Sp. z o.o.	416	-	416	-	-	-	416	416
Entities measured at fair value									
19	EEC Magenta Sp. z o.o. ASI spółka komandytowo-akcyjna	2	1	3	-	-	-	2	3
20	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna	19	5	24	-	-	-	19	24
21	Other	11	-	11	-	-	-	11	11
Total		31 731	17	31 748	(10 875)	(759)	(11 634)	20 856	20 114

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 a further significant increase in the prices of electricity and raw materials, with a simultaneous slight decline in prices of CO₂ emission allowances in the 3-month period ended 30 September 2022 compared to their average prices in the first half of 2022. In particular:

- The price of CO₂ emission allowances for the reference EUA DEC-22 contract on the ICE Endex exchange fell by approx. 4.5% compared to the average price in the first half of 2022, which resulted, among others, from the observed increase in commodity prices and the uncertainty regarding the future demand for EUA units due to the material risk of recession. In addition, during the period analysed, work was ongoing to identify a source of funding for the REPowerEU package. One of these is the potential sale of surplus allowances held in the Market Stability Reserve. An increase in the supply of EUA units could translate into lower prices;
- The average price of the reference annual natural gas contract listed on Towarowa Gielda Energii S.A. was 138.8% higher than the price in the first half of 2022. In the third quarter of 2022, prices on the European gas markets returned to the record levels seen in February/March 2022. The main factor behind the significant increases in gas prices during this period was the observed significant decline in the flow of Russian gas to the European countries;
- The average coal price at ARA ports (Amsterdam, Rotterdam, Antwerp) for the annual continuation contract in the third quarter of 2022 was USD 11.30/GJ, which was USD 3.75/GJ (50%) higher than the average price for this contract in the first half of 2022. The persistently high contract prices were affected by the supply and demand situation in the global coal market. The main factor driving up prices is war in Ukraine unleashed by Russia's aggression, which has resulted in many countries, including Poland, imposing sanctions on the purchase of Russian coal. The total ban on the purchase of Russian coal in the EU countries has been in force since 10 August 2022. In addition, high gas prices and persistently low or negative margins on the sales of electricity produced from gas have increased the demand for thermal coal. The Polish market has also seen an increase in prices. The average value of the Polish Steam Coal Market Index (PSCMI1) demonstrating coal prices for power stations for September 2022 (the latest available data) amounted to PLN 29.34/GJ, which was PLN 15.09/GJ (+106%) higher than the average value of this index for the first half of 2022;
- Electricity prices in the first half of 2022 on the Day-Ahead Market (DAM) of the Towarowa Gielda Energii, as well as on the forward market, were significantly higher than the levels recorded in the first half of 2021. The factors affecting the price increases included high commodity prices, particularly for thermal coal and gas, as well as the persistently high level of prices for CO₂ emission allowances accompanied by an increased demand. High prices were also recorded in Western and Southern European countries, causing Poland to export electricity on balance to neighbouring countries in

the first half of 2022. In addition to the high prices of commodities and CO₂ emission allowances, the reasons for the sharp increases in electricity prices on the market included problems related to balancing of the electricity system in Poland as a result of the continuing low supply of thermal coal, particularly at the beginning of 2022 and in June 2022, as well as very high prices in neighbouring countries, both in the forward and in the SPOT markets. High prices continued throughout almost the entire third quarter of 2022. Slight decreases in energy prices did not occur until September 2022, as a result of the good capacity balance and the relatively high RES generation.

Despite the above-mentioned changes in market factors, following the conducted analyses of observed market and regulatory developments, it was concluded that they were of a short-term nature and therefore do not affect the need to change the long-term forecasts relative to the information available as at 30 June 2022. According to the assessment of the Group, the observed increases in electricity prices in both the spot and the forward market continue to offset the impact of negative factors resulting from coal price increases and the unfavourable capacity balance, as well as the observed reduction in gas supplies from Russia.

Based on the conducted analyses of impairment prerequisites as at 30 September 2022, it has been concluded that no prerequisites of impairment occurred, including those requiring the performance of impairment tests.

7. Loans granted

	As at 30 September 2022 (unaudited)			As at 31 December 2021		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	12 627	(457)	12 170	6 238	(86)	6 152
Loans granted to subsidiaries	12 071	(434)	11 637	6 180	(83)	6 097
Loans granted to EC Stalowa Wola S.A.	29	(5)	24	28	(3)	25
Loans granted under cash pool agreement	527	(18)	509	30	-	30
Loans measured at fair value	519	n.a.	519	229	n.a.	229
Loans granted to subsidiaries	345	n.a.	345	155	n.a.	155
Loans granted to EC Stalowa Wola S.A.	174	n.a.	174	74	n.a.	74
Total	13 146	(457)	12 689	6 467	(86)	6 381
Non-current	11 548	(401)	11 147	6 015	(79)	5 936
Current	1 598	(56)	1 542	452	(7)	445

Loans granted to subsidiaries

Company	As at 30 September 2022 (unaudited)			As at 31 December 2021				
	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	16 045	12 071	(434)	11 637	9 868	6 180	(83)	6 097
TAURON Dystrybucja S.A.	4 921	4 903	(21)	4 882	4 125	4 105	(10)	4 095
TAURON Wydobywanie S.A.	3 952	-	-	-	3 663	-	-	-
TAURON Ciepło Sp. z o.o.	980	979	(14)	965	981	981	(6)	975
TAURON Wytwarzanie S.A.	5 825	5 826	(397)	5 429	905	905	(66)	839
TAURON Ekoenergia Sp. z o.o.	160	156	(1)	155	160	155	(1)	154
Tauron Obsługa Klienta Sp. z o.o.	96	96	(1)	95	-	-	-	-
TAURON Nowe Technologie S.A.	51	51	-	51	-	-	-	-
Other	60	60	-	60	34	34	-	34
Loans measured at fair value	358	345	n.a.	345	155	155	n.a.	155
WIND T1 Sp. z o.o.	202	199	n.a.	199	131	131	n.a.	131
Megawatt Sp. z o.o.	102	102	n.a.	102	-	-	n.a.	-
Polpower Sp. z o.o.	35	28	n.a.	28	8	8	n.a.	8
Aval-1 Sp. z o.o.	19	16	n.a.	16	16	16	n.a.	16
Total	16 403	12 416	(434)	11 982	10 023	6 335	(83)	6 252
Non-current		11 345	(396)	10 949		5 913	(76)	5 837
Current		1 071	(38)	1 033		422	(7)	415

The increase in the value of loans granted to subsidiaries results mainly from the conclusion of a loan agreement between the Company and TAURON Wytwarzanie S.A. for the amount of PLN 4 863 million for the purchase by TAURON Wytwarzanie S.A. of shares in Nowe Jaworzno Grupa TAURON Sp. z o.o., including the acquisition costs, as further described in Note 6 of this quarterly financial information.

After the balance sheet date, the debt of TAURON Wydobywanie S.A. to the Company was repaid as a result of a set-off agreement concluded on 25 October 2022, as described in Note 13 of this quarterly financial information.

Loans granted to joint ventures

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

	As at 30 September 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	553	174	n.a.	174	409	74	n.a.	74	30.06.2033	fixed
Loans measured at amortized cost	121	29	(5)	24	116	28	(3)	25		
Total, of which:	674	203	(5)	198	525	102	(3)	99		
Non-current		203	(5)	198		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 30 September 2022 (unaudited)	As at 31 December 2021
Cash at bank and in hand	409	440
Total cash and cash equivalents presented in the statement of financial position, including:	409	440
restricted cash, including:	147	159
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	147	156
cash on VAT bank accounts (split payment)	-	3
Cash pool	(1 504)	(2 603)
Foreign exchange	(15)	-
Total cash and cash equivalents presented in the statement of cash flows	(1 110)	(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 30 September 2022 (unaudited)			As at 31 December 2021		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Unsubordinated bonds	4 512	245	4 757	4 377	201	4 578
Subordinated bonds	1 999	91	2 090	1 967	5	1 972
Bank loans	3 880	2 426	6 306	2 676	1 819	4 495
Loan from the subsidiary	811	25	836	766	2	768
Cash pool loans received	-	2 031	2 031	-	2 632	2 632
Lease	9	10	19	15	10	25
Total	11 211	4 828	16 039	9 801	4 669	14 470

Bonds issued

Investor	Interest rate	Currency	Bonds issued at nominal value in currency	Maturity date	Carrying amount	
					As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	700 560	2022-2028 2022-2029	714 576	700 560
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 029	1 002
Eurobonds	fixed	EUR	500	2027	2 438	2 316
Unsubordinated bonds					4 757	4 578
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 ²	412	401
European Investment Bank	fixed ¹	EUR	190	2034 ²	919	847
		PLN	400	2030 ²	405	386
		PLN	350	2030 ²	354	338
Subordinated bonds					2 090	1 972
Total bonds					6 847	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.

Bank loans

Lender	Interest rate	Currency	Maturity date	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Consortium of banks I ¹	floating	PLN	2022	2 263	1 700
Bank Gospodarstwa Krajowego	floating	PLN	2033	1 021	999
European Investment Bank	fixed	PLN	2024	162	222
			2027	132	162
			2040	410	-
			floating	2040	806
Intesa Sanpaolo S.p.A.	floating	PLN	2024	756	752
SMBC BANK EU AG	fixed	PLN	2025	499	499
Consortium of banks II ²	floating	PLN	2023 ³	161	161
Erste Group Bank AG	floating	PLN	2026	96	-
Total				6 306	4 495

¹ The consortium of banks I consists of: Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Joint-Stock Company) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Polsce, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V. and Powszechna Kasa Oszczędności Bank Polski S.A.

² The consortium of banks II consists of: Intesa Sanpaolo S.p.A. acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland and China Construction Bank (Europe) S.A. acting through China Construction Bank (Europe) S.A. (Joint Stock Company) Branch in Poland,

³ A tranche classified as non-current liability.

The syndicated loan taken out under the agreement of 25 March 2020 (Consortium of Banks II) is of revolving nature. The Company may raise financing against available financing with a selected interest period. Under the agreement, the repayment occurs at the end of the interest period, whereas the Company has the option to re-borrow. Due to the intention and possibility to maintain financing under the aforementioned agreement for a period exceeding 12 months from the balance sheet day, the drawdown used in the amount of PLN 160 million is classified as a non-current liability as at the balance sheet date.

In the 9-month period ended 30 September 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 9-month period ended 30 September 2022
(in PLN million)

Lender	Description	9-month period ended 30 September 2022 (unaudited)	
		Drawdown	Repayment
Erste Group Bank AG	Drawdown under the loan agreement for PLN 500 million.	96	-
European Investment Bank	Drawdowns under the loan agreement for PLN 2 800 million.	800	-
	Repayment of capital instalments according to schedule	400	-
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to maturity date	10 100	(9 550)
Consortium of banks II	Drawdown of new tranches and repayment of tranches according to maturity date	320	(320)
Total, including:		11 716	(9 961)
Cash flows		5 546	(3 791)
Net settlement (without cash flow)		6 170	(6 170)

After the balance-sheet date, the Company performed drawdowns under available loans in the total amount of PLN 4 194 million and repaid tranches in the total amount of PLN 3 300 million.

Signing the syndicated loan agreement

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

Loan from the subsidiary

The liability of the Company amounting to PLN 836 million (EUR 172 million) as at 30 September 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

	9-month period ended 30 September 2022 <i>(unaudited)</i>		9-month period ended 30 September 2021 <i>(unaudited)</i>		
	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	8	8	1	1	2
Recognition/(Reversal) net	198	198	64	229	293
Utilisation	(74)	(74)	(417)	-	(417)
Closing balance	354	354	758	230	988
Non-current	39	39	466	161	627
Current	315	315	292	69	361

Provision for agreements for the sale of CO₂ emission allowances

As at 30 September 2022, the Company recognised the provision for onerous contracts in the amount of PLN 354 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 the subsidiaries outweigh the benefits to be gained under these agreements. The provision was calculated as a difference between the concluded transaction agreements for sales to the subsidiaries and concluded contracts for the purchase of CO₂ emission allowances from the market measured at the current exchange rate.

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

- in the first quarter of 2022, the Company sold its surplus of CO₂ emission allowances in excess of the redemption needs of Nowe Jaworzno Grupa TAURON Sp. z o.o. in the amount of 1 717 000 EUAs with a simultaneous repurchase of this volume in the EUA MAR'23 forward product for the purpose of redeeming the allowances for 2022. The repurchase of the volume in the EUA MAR'23 forward product took place at prices higher than the average price of the allowances sold, consequently, the cost of purchasing these CO₂ allowances exceeds the expected revenue of the Company from their sale to the subsidiary. As a result of the foregoing, as at the balance sheet date, the Company recognized the provision for onerous contracts, charged operating costs in the amount of PLN 127 million;
- in the first quarter of 2021, the Company rolled over contracts with delivery dates in March 2021 while concluding new contracts with delivery dates in March 2022, 2023 and 2024. New transactions with the delivery date in 2022-2024 were conducted at prices higher than the purchase originally contracted, consequently, the costs of purchasing these CO₂ emission allowances exceed the expected revenue of the Company on account of their sales to the subsidiary. As a result of the foregoing, the Company recognised the provision for onerous contracts which amounted to PLN 222 million as at 31 December 2021 and PLN 190 million as at 30 September 2022. In the 9-month period ended 30 September 2022, the Company partially used the provision in the amount of PLN 74 million in connection with the settlement of contracts with the delivery date in March 2022 and the generation of a loss on the resale of allowances to the subsidiary and performed the revaluation of the provision to operating expenses in the amount of PLN 36 million.

12. Other material information

Distribution of the Company earnings 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. On 24 May 2022 the Ordinary General Meeting of the Company adopted the resolution in compliance with the recommendation of the Management Board.

Receiving the offer to purchase shares of TAURON Wydobycie S.A.

On 13 September 2022, the Company received an offer from the State Treasury to acquire 36 051 078 shares in its subsidiary TAURON Wydobycie S.A., representing 100% of the share in the issued capital of TAURON Wydobycie S.A., for a total price of PLN 1.

13. Events after the balance sheet day

Conclusion of conditional agreement for the sales of shares in TAURON Wydobywanie S.A.

On 21 October 2022, a conditional agreement for the sales of shares in the subsidiary, TAURON Wydobywanie S.A. was concluded between the Company and the State Treasury.

The subject matter of the agreement is the sales of all the shares held by the Company in TAURON Wydobywanie S.A., representing 100% of the company issued capital, for the total price of PLN 1. The transaction will take place no earlier than on 31 December 2022, provided that the following conditions precedent are jointly met:

- non-exercise of the pre-emptive right by Krajowy Ośrodek Wsparcia Rolnictwa (National Centre for Agricultural Support) to purchase shares in TAURON Wydobywanie S.A. conferred under the provisions of the Act of 11 April 2003 *on shaping of the agricultural system*,
- increase in the share capital of TAURON Wydobywanie S.A., performed in order to repay the debt of TAURON Wydobywanie S.A. to the Company.

On 21 October 2022, the Extraordinary General Meeting of TAURON Wydobywanie S.A. adopted the resolution on increasing the share capital by issuing new 3 977 601 registered shares with a par value of PLN 10 per share, which were offered to the Company under the closed subscription at an issue price of PLN 1 000 per share, i.e. for the total amount of PLN 3 978 million. On 25 October 2022, a set-off agreement was concluded between the Company and TAURON Wydobywanie S.A., pursuant to which the parties set off the receivables of TAURON Wydobywanie S.A. on account of capital increase against the receivables of the Company arising from the debt in the amount of PLN 3 978 million.

Katowice, 22 November 2022

Paweł Szczeszek - President of the Management Board

Patryk Demski - Vice President of the Management Board

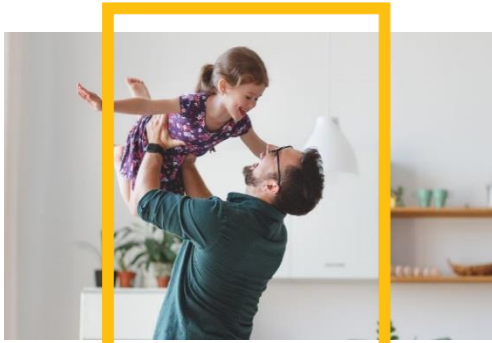
Bogusław Rybacki - Vice-President of the Management Board

Krzysztof Surma - Vice President of the Management Board

Tomasz Szczegieliński - Vice President of the Management Board

Artur Warzocha - Vice President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

prepared in accordance with
the International Financial Reporting Standards,
as endorsed by the European Union
for the 9-month period ended 30 September 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 9-month period ended 30 September 2022**

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended	9-month period ended	3-month period ended	9-month period ended
		30 September 2022	30 September 2022	30 September 2021	30 September 2021
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales revenue	11	8 690	26 810	5 998	17 864
Recompensation revenue		2	6	(7)	(7)
Cost of sales	12	(8 484)	(24 853)	(5 456)	(16 105)
Profit on sale		208	1 963	535	1 752
Selling and distribution expenses	12	(130)	(442)	(146)	(395)
Administrative expenses	12	(194)	(518)	(158)	(464)
Other operating income and expenses		7	5	44	91
Share in profit/(loss) of joint ventures	20	68	117	19	41
Operating profit (loss)		(41)	1 125	294	1 025
Interest expense on debt	13	(155)	(411)	(92)	(278)
Finance income and other finance costs	13	(18)	(66)	(11)	41
Profit (loss) before tax		(214)	648	191	788
Income tax expense	14	(18)	(251)	(76)	(291)
Net profit (loss)		(232)	397	115	497
Measurement of hedging instruments	30.4	(26)	306	65	197
Foreign exchange differences from translation of foreign entity		16	23	8	11
Income tax	14	5	(58)	(13)	(38)
Other comprehensive income to be reclassified in the financial result		(5)	271	60	170
Actuarial gains	32	1	94	(1)	44
Income tax	14	-	(18)	-	(8)
Other comprehensive income not to be reclassified in the financial result		1	76	(1)	36
Other comprehensive income, net of tax		(4)	347	59	206
Total comprehensive income		(236)	744	174	703
Net profit (loss):					
Attributable to equity holders of the Parent		(232)	395	101	457
Attributable to non-controlling interests		-	2	14	40
Total comprehensive income:					
Attributable to equity holders of the Parent		(236)	742	160	663
Attributable to non-controlling interests		-	2	14	40
Basic and diluted earnings per share (in PLN):		(0.13)	0.23	0.06	0.26

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	15	29 898	29 174
Right-of-use assets	16	1 994	1 946
Goodwill	17	26	26
Energy certificates and CO ₂ emission allowances for surrender	18.1	2	444
Other intangible assets	19	630	540
Investments in joint ventures	20	699	597
Loans granted to joint ventures	21	198	99
Derivative instruments	22	790	532
Other financial assets	23	228	215
Other non-financial assets	24.1	118	159
Deferred tax assets	25	1 382	123
		35 965	33 855
Current assets			
Energy certificates and CO ₂ emission allowances for surrender	18.2	280	157
Inventories	26	695	543
Receivables from buyers	27	3 513	3 322
Income tax receivables	40	118	415
Receivables arising from other taxes and charges	28	634	292
Derivative instruments	22	1 270	465
Other financial assets	23	209	89
Other non-financial assets	24.2	839	112
Cash and cash equivalents	29	964	815
Assets classified as held for sale		8	10
		8 530	6 220
TOTAL ASSETS		44 495	40 075

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued

	Note	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	30.1	8 763	8 763
Reserve capital	30.3	3 009	2 749
Revaluation reserve from valuation of hedging instruments	30.4	547	299
Foreign exchange differences from translation of foreign entities		66	43
Retained earnings/(Accumulated losses)	30.5	4 850	4 637
		17 235	16 491
Non-controlling interests	30.6	32	33
Total equity		17 267	16 524
Non-current liabilities			
Debt	31	12 387	10 947
Provisions for employee benefits	32	651	789
Provisions for disassembly of fixed assets, land restoration and other provisions	33	293	436
Accruals, deferred income and government grants	36	568	568
Deferred tax liabilities	25	1 576	741
Derivative instruments	22	115	116
Other financial liabilities	42	101	33
Other non-financial liabilities		1	4
		15 692	13 634
Current liabilities			
Debt	31	2 902	2 143
Liabilities to suppliers	37	1 740	1 242
Liabilities due to the acquisition of non-controlling interests	38	-	1 061
Capital commitments	39	450	616
Provisions for employee benefits	32	118	104
Provisions for liabilities due to energy certificates and CO ₂ emission allowances	34	2 399	1 890
Other provisions	35	820	619
Accruals, deferred income and government grants	36	427	177
Income tax liabilities	40	56	4
Liabilities arising from other taxes and charges	41	345	629
Derivative instruments	22	877	379
Other financial liabilities	42	614	483
Other non-financial liabilities	43	787	570
Liabilities directly related to assets classified as held for sale		1	-
		11 536	9 917
Total liabilities		27 228	23 551
TOTAL EQUITY AND LIABILITIES		44 495	40 075

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

9-MONTH PERIOD ENDED 30 September 2022 (unaudited)

	Note	Equity attributable to the equity holders of the Parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)			
As at 1 January 2022		8 763	2 749	299	43	4 637	16 491	33	16 524
Prior year profits' distribution	30.7	-	260	-	-	(260)	-	-	-
Dividend and other		-	-	-	-	2	2	(3)	(1)
Transactions with shareholders		-	260	-	-	(258)	2	(3)	(1)
Net profit		-	-	-	-	395	395	2	397
Other comprehensive income		-	-	248	23	76	347	-	347
Total comprehensive income		-	-	248	23	471	742	2	744
As at 30 September 2022 (unaudited)		8 763	3 009	547	66	4 850	17 235	32	17 267

9-MONTH PERIOD ENDED 30 September 2021 (unaudited)

		Equity attributable to the equity holders of the Parent					Total	Non-controlling interests	Total equity
		Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)			
As at 1 January 2021		8 763	6 339	(68)	27	773	15 834	893	16 727
Coverage of prior years loss		-	(3 590)	-	-	3 590	-	-	-
Dividend		-	-	-	-	-	-	(3)	(3)
Transactions with shareholders		-	(3 590)	-	-	3 590	-	(3)	(3)
Net profit		-	-	-	-	457	457	40	497
Other comprehensive income		-	-	159	11	36	206	-	206
Total comprehensive income		-	-	159	11	493	663	40	703
As at 30 September 2021 (unaudited)		8 763	2 749	91	38	4 856	16 497	930	17 427

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	9-month period ended 30 September 2022	9-month period ended 30 September 2021
		(unaudited)	(unaudited)
Cash flows from operating activities			
Profit before taxation		648	788
Share in (profit)/loss of joint ventures		(117)	(41)
Depreciation and amortization		1 635	1 569
Impairment losses on non-financial non-current assets		85	1 112
Impairment losses on loans granted		22	(1)
Exchange differences		215	16
Interest and commissions		410	276
Other adjustments of profit before tax		(186)	42
Change in working capital	44.1	176	742
Income tax paid	44.1	(389)	(300)
Net cash from operating activities		2 499	4 203
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	44.2	(2 616)	(2 392)
Loan granted to joint venture	44.2	(120)	(1)
Purchase of financial assets		(24)	(15)
Total payments		(2 760)	(2 408)
Proceeds from sale of property, plant and equipment and intangible assets		18	25
Dividends received		49	46
Sale of shares		-	53
Other proceeds		5	4
Total proceeds		72	128
Net cash used in investing activities		(2 688)	(2 280)
Cash flows from financing activities			
Repayment of loans and borrowings	44.3	(3 795)	(2 844)
Acquisition of non-controlling shares	44.3	(1 061)	-
Interest paid	44.3	(250)	(165)
Repayment of lease liabilities		(110)	(100)
Other payments		(18)	(19)
Total payments		(5 234)	(3 128)
Proceeds from contracted loans and borrowings	44.3	5 546	703
Subsidies received		22	87
Total proceeds		5 568	790
Net cash from financing activities		334	(2 338)
Net increase/(decrease) in cash and cash equivalents		145	(415)
Net foreign exchange difference		15	(2)
Cash and cash equivalents at the beginning of the period	29	791	895
Cash and cash equivalents at the end of the period, of which:	29	936	480
restricted cash	29	355	199

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

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

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

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

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

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

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

The interim condensed consolidated financial statements of the Group cover the 9-month period ended 30 September 2022 and contain comparative figures for the 9-month period ended 30 September 2021 and as at 31 December 2021. The figures included in these interim condensed consolidated financial statements for the 9-month period ended 30 September 2022 and the comparative figures for the 9-month period ended 30 September 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. The interim condensed consolidated statement of comprehensive income comprising the figures for the 3-month period ended 30 September 2022 and the comparative figures for the 3-month period ended 30 September 2021 have not been audited or reviewed by the statutory auditor.

These interim condensed consolidated financial statements for the 9-month period ended 30 September 2022 were approved for publication on 22 November 2022.

Composition of the Management Board

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

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

During the 9-month period ended 30 September 2022, the Supervisory Board of the Company dismissed:

- Artur Michałowski from the position of Vice President of the Management Board for Trade with effect from 12 August 2022,
- Jerzy Topolski from the position of Vice President of the Management Board for Asset Management with effect from 12 August 2022.

During the 9-month period ended 30 September 2022, the Supervisory Board of the Company appointed:

- Artur Warzocha to the position of Vice President of the Management Board for corporate Affairs with effect from 21 January 2022,
- Paweł Szczeszek to the position of President of the Management Board with effect from 11 April 2022,
- Tomasz Szczegielniak to the position of Vice President of the Management Board for Trade with effect from 6 September 2022,
- Bogusław Rybacki to the position of Vice President of the Management Board for Asset Management with effect from 9 September 2022.

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,
- Bogusław Rybacki - Vice President of the Management Board,
- Krzysztof Surma - Vice President of the Management Board,
- Tomasz Szczegielniak - Vice President of the Management Board,
- Artur Warzocha – Vice President of the Management Board.

2. Composition of TAURON Group and joint ventures

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

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Item	Company name of subsidiary	Registered office	Interest in the share capital by TAURON Polska Energia S.A.	Company holding direct equity interests / general partner
MINING				
1	TAURON 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 Wytwarzanie S.A.
4	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
5	TAURON Serwis Sp. z o.o.	Jaworzno	95.61%	TAURON Wytwarzanie S.A.
6	Łągisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
7	TAURON Inwestycje Sp. z o.o. ¹	Będzin	100,00%	TAURON Polska Energia S.A.
RENEWABLE ENERGY SOURCES				
8	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
9	Marselwind Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
11	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
21	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
22	WIND T1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
23	AVAL-1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
24	Polpower Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
25	"MEGAWATT S.C." Sp. z o.o.	Szczecin	100.00%	TAURON Zielona Energia Sp. z o.o.
26	TAURON Inwestycje Sp. z o.o. ¹	Będzin	100,00%	TAURON Polska Energia S.A.
DISTRIBUTION				
27	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
28	TAURON Dystrybucja Pomiary Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
29	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
30	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
31	TAURON Czech Energy s.r.o.	Ostrawa, Czech Republic	100.00%	TAURON Polska Energia S.A.
32	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
33	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
34	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzyszowice	100.00%	TAURON Polska Energia S.A.
35	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	100.00%	TAURON Polska Energia S.A.
36	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
37	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
38	Wsparcie Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.

¹ The Group classifies in the Generation segment the activities of TAURON Inwestycje Sp. z o.o. related to the implementation of investment and research and development projects and generation of energy from sources other than renewable sources, while the activities related to the generation of energy from renewable sources are classified in the Renewable energy sources segment.

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

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

Changes in the composition of TAURON Group

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

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

The above transaction is a part of the reorganisation changes in the Group related to the implementation of the governmental programme for the transformation of the Polish electricity sector, which is discussed in more detail in Note 51 of these interim condensed consolidated financial statements.

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

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

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

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

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

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

- Merger of Nowe Jaworzno Grupa TAURON Sp. z o.o. with TAURON Wytwarzanie S.A.

On 26 September 2022, the Extraordinary General Meeting of TAURON Wytwarzanie S.A. and the Extraordinary General Meeting of Shareholders of Nowe Jaworzno Grupa TAURON Sp. z o.o. adopted resolutions concerning the merger of Nowe Jaworzno Grupa TAURON Sp. z o.o. (the Acquired Company) with TAURON Wytwarzanie S.A. (the Acquiring Company). After the balance sheet date, the merger of the companies was registered with the National Court Register on 3 October 2022.

The above transaction is a part of the reorganisation changes in the Group related to the implementation of the governmental programme for the transformation of the Polish electricity sector, which is discussed in more detail in Note 51 of these interim condensed consolidated financial statements.

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 companies as a going concern in the foreseeable future, i.e. in the period not shorter than one year following the balance sheet day. As at the date of approval of these interim condensed consolidated financial statements for publication, no circumstances are identified which would indicate a risk to the capacity of the Company to continue as a going concern.

The Group identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Group has the full capacity to settle its liabilities as they become due and payable. As at the balance sheet 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 continuation as a going concern in the foreseeable future, i.e. within a period of not shorter than 1 year from the balance sheet day, taking into account the impact of the aggression of the Russian Federation against Ukraine and the COVID-19 outbreak on the Group's operations, as further discussed in Note 51 to these interim condensed consolidated financial statements.

5. Functional and presentation currency

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

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

6. Material values based on professional judgement and estimates

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

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

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Item	Note	Estimates and assumptions
Property, plant and equipment	Note 15	<p>As at each balance sheet date, the Group assesses whether any objective premises have arisen that may indicate that an item of property, plant and equipment is impaired. Where such premises exist, the Group is required to test property, plant and equipment for impairment. As part of the impairment test, the Group estimates the recoverable amount of the asset or the cash-generating unit ("CGU") to which the asset belongs. The recoverable amount of the asset or the CGU corresponds to the higher of fair value less costs of sale or value in use. The estimation of the value in use of cash-generating units is based on their future cash flows, which are subsequently adjusted to present value using a discount rate.</p> <p>As a result of the impairment analyses performed, the need for impairment testing of the non-financial assets of the Mining CGU as at 30 June 2022 was identified, as a result of which the Group recognised impairment losses of PLN 84 million, as further discussed in Note 15 of these interim condensed consolidated financial statements.</p> <p>Based on the analysis of impairment premises as at 30 September 2022, it was concluded that no impairment premises existed, including those requiring impairment testing. Therefore, the results of the most recent impairment tests performed by the Group on non-financial non-current assets were considered to be 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 charges are applied with effect from the beginning of the reporting period in which the verification was completed.</p>
Right-of-use assets	Note 16	<p>At the commencement date of the lease, the Group measures the right-of-use assets, inter alia, using the present value of lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the marginal interest rate. The marginal interest rate of lease is estimated as a weighted average cost of TAURON Group's debt adjusted for the individual rating of the companies taking into account the division into lease periods.</p> <p>The Group applies a portfolio approach to leases with similar characteristics (same assets used in a similar way). When accounting for leases under the portfolio approach, the Group uses estimates and assumptions that reflect the size and composition of the portfolio, including estimates of the weighted average lease term.</p> <p>To determine the leasing period for lease agreements without termination date, the Group makes estimates.</p>
Loans granted to joint ventures	Note 21	<p>The Group performs appropriate classification and measurement of its loans and estimates the allowance for expected credit losses in case of loans classified as assets measured at amortised cost.</p> <p>As at the balance sheet date, loans granted to the joint venture, Elektrociepłownia Stalowa Wola S.A., with a total carrying amount of PLN 174 million, were classified as financial assets measured at a fair value through profit or loss. The Group has estimated the fair value accordingly taking into account the credit risk. Other loans with the total carrying amount of PLN 24 million are measured at an amortised cost and at each balance sheet date the Group estimates expected credit losses. Analyses of the credit risk of loans granted to the joint venture carried out as at the balance sheet date include, among other things, an estimate of the company future cash flows.</p>
Derivative instruments	Note 22	<p>The Group measures financial derivatives at fair value at each balance sheet date. Derivatives purchased and held to secure their own needs are not subject to valuation as at the balance sheet date.</p>
Deferred tax assets	Note 25	<p>The Group assesses the enforceability of deferred tax assets at each balance sheet date. As at 30 September 2022, the Group has not recognised a deferred tax asset of PLN 559 million as a result of conducted feasibility assessment.</p>
Debt	Note 31	<p>When measuring liabilities at amortized cost using the effective interest rate method, the Group estimates expected cash flows considering all contractual terms of a given financial instrument, including the early repayment option.</p> <p>In the case of a loan agreement specifying a repayment date at the end of the interest period, where the financing available under the agreement is revolving and the availability period exceeds 1 year, the Group classifies the tranches according to the intention and ability to maintain the financing under the agreement, i.e. as a non-current or current liability.</p> <p>The lease liabilities are measured at the present value of the lease fees outstanding, discounted using the specified lease interest rate in the contract (if its determination is possible) or the marginal interest rate.</p>
Provisions (including provision for onerous contracts)	Note 32 Note 33 Note 34 Note 35	<p>The Group estimates the amount of provisions created based on the assumptions, methodology and calculations appropriate for a given type of provisions, evaluating the probability of spending funds that incorporate economic benefits and determining the reliable level of funds necessary to perform the obligation. Provisions are created by the Group if the probability of spending funds that incorporate economic benefits is higher than 50%.</p> <p>As at each balance sheet date, the Group assesses whether it is a party to onerous contracts, i.e. contracts under which the unavoidable costs of fulfilling the obligation outweigh the benefits expected to be received under the contract and, if it is determined that it is a party to such contracts, the present obligation under such contracts is recognised and measured as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding to the costs of fulfilment of the lower of contract fulfilment costs and costs of any compensations or penalties arising for the failure to fulfil the contract. Within contract fulfilment costs, the Group estimates costs directly related to the contract including incremental contract fulfilment costs as well as the allocation of other costs that relate directly to contract fulfilment. As at the balance sheet date, the Group recognised provisions for onerous contracts related to concluded energy sales contracts in the amount of PLN 616 million.</p> <p>In the 9-month-period ended 30 September 2022 the Group revised its estimate of the level of the discount rate used to measure long-term provisions, which is described in more detail in the individual notes to these interim condensed consolidated financial statements.</p>

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

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

The Group did not choose earlier application of any standards or amendments to standards which were published but have not entered into force by 30 September 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
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
Amendments to IAS 12 <i>Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

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

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

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

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

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

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

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

Standard	Effective date specified in the Standard, not endorsed by the EU (annual periods beginning on or after the date provided)
Amendments IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture</i> with subsequent amendments	the effective date has been postponed
Amendments to IFRS 16 <i>Leases: Lease Liability in a Sale and Leaseback</i>	1 January 2024

8. Changes in the accounting principles applied

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

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

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

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

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

Standard	Effective date in the EU (annual periods beginning on or after the date provided)
Amendments to IFRS 3 <i>Business Combinations: Changes to references to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment: Revenues earned before putting into use</i>	1 January 2022
Changes to various standards: <i>Improvements to IFRS (Cycle 2018-2020):</i>	
IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>	1 January 2022
IFRS 9 <i>Financial Instruments</i>	1 January 2022
IAS 41 <i>Agriculture</i>	1 January 2022

9. Seasonality of activities

The Group's business is characterised by seasonality.

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

BUSINESS SEGMENTS

10. Information on operating segments

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

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

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

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

Segment assets in the scope of financial assets are classified as receivables from customers and other financial receivables, assets from the positive valuation of commodity derivative financial instruments as well as cash and cash equivalents. Segment assets do not include assets and receivables due to deferred income tax and current income tax.

Segment liabilities in the scope of financial liabilities include liabilities to suppliers, investment liabilities, payroll liabilities and liabilities on account of negative valuation of commodity derivative financial instruments. Segment liabilities do not include liabilities due to current income tax and deferred income tax.

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	TAURON Group companies, including entities recognized with the equity method
Mining		
	<i>Hard coal mining</i>	TAURON Wydobycie S.A.
Generation		
	<i>Generation of electricity using conventional sources, including combined heat.</i>	TAURON Wytwarzanie S.A. Nowe Jaworzno Grupa TAURON Sp. z o.o. TAURON Inwestycje Sp. z o.o. ¹ TAURON Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Łągisza Grupa TAURON Sp. z o.o.
	<i>Generation, distribution and sales of heat</i>	TAMEH HOLDING Sp. z o.o. ² TAMEH POLSKA Sp. z o.o. ² TAMEH Czech s.r.o. ² Elektrociepłownia Stalowa Wola S.A. ²
Renewable Energy Sources		
	<i>Generation of electricity using renewable sources</i>	TAURON Ekoenergia Sp. z o.o. TAURON Zielona Energia Sp. z o.o. TEC1 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. Marselwind Sp. z o.o. WIND T1 Sp. z o.o. AVAL-1 Sp. z o.o. Polpower Sp. z o.o. "MEGAWATT S.C." Sp. z o.o. TAURON Inwestycje Sp. z o.o. ³
Distribution		
	<i>Distribution of electricity</i>	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiary 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 TAURON Inwestycje Sp. z o.o. classifies in the Generation segment the activities related to the implementation of investment and research and development projects and generation of energy from sources other than renewable sources.

² Entities recognized with the equity method.

³ TAURON Inwestycje Sp. z o.o. classifies in the Renewable energy sources segment the activities related to the generation of energy from renewable sources.

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.,

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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.

9-month period ended 30 September 2022 or as at 30 September 2021 (unaudited)

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	812	3 233	134	2 731	19 689	211	-	26 810
Inter-segment sales	827	4 439	612	3 000	6 622	844	(16 344)	-
Total segment revenue	1 639	7 672	746	5 731	26 311	1 055	(16 344)	26 810
Recompensation revenue	-	-	-	-	6	-	-	6
Profit/(loss) of the segment	57	(1 120)	272	1 415	476	71	(88)	1 083
Share in profit/(loss) of joint ventures	-	117	-	-	-	-	-	117
Unallocated expenses	-	-	-	-	-	-	(75)	(75)
EBIT	57	(1 003)	272	1 415	476	71	(163)	1 125
Finance income (costs)	-	-	-	-	-	-	(477)	(477)
Profit/(loss) before income tax	57	(1 003)	272	1 415	476	71	(640)	648
Income tax expense	-	-	-	-	-	-	(251)	(251)
Net profit/(loss) for the period	57	(1 003)	272	1 415	476	71	(891)	397
Assets and liabilities								
Segment assets	900	8 103	2 585	21 729	6 480	1 021	-	40 818
Investments in joint ventures	-	699	-	-	-	-	-	699
Unallocated assets	-	-	-	-	-	-	2 978	2 978
Total assets	900	8 802	2 585	21 729	6 480	1 021	2 978	44 495
Segment liabilities	805	3 412	165	2 254	2 602	557	-	9 795
Unallocated liabilities	-	-	-	-	-	-	17 433	17 433
Total liabilities	805	3 412	165	2 254	2 602	557	17 433	27 228
EBIT	57	(1 003)	272	1 415	476	71	(163)	1 125
Depreciation/amortization	(130)	(334)	(110)	(933)	(33)	(98)	3	(1 635)
Impairment	(84)	(1)	-	(1)	-	-	-	(86)
EBITDA	271	(668)	382	2 349	509	169	(166)	2 846
Other segment information								
Capital expenditure *	311	268	294	1 438	56	232	-	2 599

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

9-month period ended 30 September 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	411	2 395	88	2 547	12 302	121	-	17 864
Inter-segment sales	579	4 023	356	2 714	4 036	719	(12 427)	-
Total segment revenue	990	6 418	444	5 261	16 338	840	(12 427)	17 864
Recompensation revenue	-	-	-	-	(7)	-	-	(7)
Profit/(loss) of the segment	(460)	4	134	1 357	(53)	68	(1)	1 049
Share in profit/(loss) of joint ventures	-	41	-	-	-	-	-	41
Unallocated expenses	-	-	-	-	-	-	(65)	(65)
EBIT	(460)	45	134	1 357	(53)	68	(66)	1 025
Finance income (costs)	-	-	-	-	-	-	(237)	(237)
Profit/(loss) before income tax	(460)	45	134	1 357	(53)	68	(303)	788
Income tax expense	-	-	-	-	-	-	(291)	(291)
Net profit/(loss) for the period	(460)	45	134	1 357	(53)	68	(594)	497
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	(460)	45	134	1 357	(53)	68	(66)	1 025
Depreciation/amortization	(101)	(344)	(116)	(896)	(31)	(82)	1	(1 569)
Impairment	(185)	(930)	(1)	3	-	-	-	(1 113)
EBITDA	(174)	1 319	251	2 250	(22)	150	(67)	3 707
Other segment information								
Capital expenditure *	193	192	49	1 362	49	117	-	1 962

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

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3-month period ended 30 September 2022 (unaudited)

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	224	1 490	23	911	5 968	74	-	8 690
Inter-segment sales	220	763	155	901	2 090	276	(4 405)	-
Total segment revenue	444	2 253	178	1 812	8 058	350	(4 405)	8 690
Recompensation revenue	-	-	-	-	2	-	-	2
Profit/(loss) of the segment	(81)	(819)	50	323	457	12	(23)	(81)
Share in profit/(loss) of joint ventures	-	68	-	-	-	-	-	68
Unallocated expenses	-	-	-	-	-	-	(28)	(28)
EBIT	(81)	(751)	50	323	457	12	(51)	(41)
Finance income (costs)	-	-	-	-	-	-	(173)	(173)
Profit/(loss) before income tax	(81)	(751)	50	323	457	12	(224)	(214)
Income tax expense	-	-	-	-	-	-	(18)	(18)
Net profit/(loss) for the period	(81)	(751)	50	323	457	12	(242)	(232)
EBIT	(81)	(751)	50	323	457	12	(51)	(41)
Depreciation/amortization	(30)	(112)	(36)	(317)	(11)	(31)	1	(536)
Impairment	2	(1)	-	-	-	(1)	-	-
EBITDA	(53)	(638)	86	640	468	44	(52)	495
Other segment information								
Capital expenditure *	144	151	201	560	20	42	-	1 118

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

3-month period ended 30 September 2021 (unaudited)

	Operating segments						Unallocated items / Eliminations	Total
	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other		
Revenue								
Sales to external customers	186	711	28	837	4 190	46	-	5 998
Inter-segment sales	224	1 648	107	905	1 423	235	(4 542)	-
Total segment revenue	410	2 359	135	1 742	5 613	281	(4 542)	5 998
Recompensation revenue	-	-	-	-	(7)	-	-	(7)
Profit/(loss) of the segment	(139)	185	45	433	(270)	16	26	296
Share in profit/(loss) of joint ventures	-	19	-	-	-	-	-	19
Unallocated expenses	-	-	-	-	-	-	(21)	(21)
EBIT	(139)	204	45	433	(270)	16	5	294
Finance income (costs)	-	-	-	-	-	-	(103)	(103)
Profit/(loss) before income tax	(139)	204	45	433	(270)	16	(98)	191
Income tax expense	-	-	-	-	-	-	(76)	(76)
Net profit/(loss) for the period	(139)	204	45	433	(270)	16	(174)	115
EBIT	(139)	204	45	433	(270)	16	5	294
Depreciation/amortization	(27)	(107)	(39)	(301)	(11)	(27)	-	(512)
Impairment	16	-	-	3	-	-	-	19
EBITDA	(128)	311	84	731	(259)	43	5	787
Other segment information								
Capital expenditure *	71	78	29	440	22	36	-	676

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

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	(unaudited)	(unaudited)
Sale of goods for resale, finished goods and materials without elimination of excise	20 883	11 881
Excise	(38)	(80)
Sale of goods for resale, finished goods and materials	20 845	11 801
Electricity	17 830	10 138
CO ₂ emission allowances	604	161
Coal	738	372
Gas	681	304
Heat energy	547	519
Energy certificates and similar	207	132
Other goods for resale, finished goods and materials	238	175
Rendering of services	5 914	5 706
Distribution and trade services	5 141	4 954
Capacity Market	481	496
Maintenance of road lighting	96	91
Connection fees	87	59
Other services	109	106
Other revenue	51	53
Total revenue from contracts with customers	26 810	17 560
Restructuration in the portfolio of CO ₂ emission allowances	-	304
Total sales revenue	26 810	17 864

In the 9-month period ended 30 September 2022, sales revenue increased significantly in relation to the comparable period and the main changes were related to the revenue on sales of the following products, goods and services:

- Electricity - the increase is a result of higher electricity prices gained, which is a consequence of the upward market trend and price increases in G tariffs approved by the President of the Energy Regulatory Office ("the ERO");
- CO₂ emission allowances - the increase results from the recognition of the effects of measures aimed at managing surplus CO₂ emission allowances arising from the delayed commissioning of the 910 MW unit in Jaworzno and the subsequent failure of the unit.

In connection with the failure of the 910 MW unit in Jaworzno continuing from mid-2021 till April 2022 and the resulting surplus of allowances acquired over the redemption needs, a part of the resulting surplus in the amount of 1 717 000 EUAs was allocated for redemption purposes of another installation of the Group for 2022. Considering the rationality of matching the delivery date of allowances and the cash expenditure, in the first quarter of 2022, the Group took the decision and sold the aforementioned volume of allowances held and simultaneously bought back this volume in the EUA MAR'23 forward product for the purpose of redemption of 2022 allowances. The revenue from contracts with customers on account of sales of the aforementioned allowances amounted to PLN 604 million while the result of the Group on the transaction 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 affect an increase in the costs of creation of the Group's provision for liabilities on account of CO₂ emission for 2022. As a result of the foregoing, the Group estimates that the cumulative impact of the measures described on its operating profit will not be significant. The transaction is one-off and incidental in nature and it is a direct result of an unplanned, one-off event such as the failure of the 910 MW unit. According to the Group's judgement, the transaction is subject to exemption from the scope of IFRS 9 *Financial Instruments*.

In the comparable period, i.e. the 9-month period ended 30 September 2021, as part of its efforts to manage the surplus allowances for 2020, due to the delayed commissioning of the 910 MW unit and the consequent lower production, the Group sold a volume of 691 000 CO₂ emission allowances to the market, resulting in the recognition of the revenue from contracts with customers in the amount of PLN 135 million.

As part of the restructuring of the portfolio of CO₂ emission allowances, in the comparable period, in the first quarter of 2021, with respect to the volume of 3 258 000 CO₂ emission allowances with the delivery date in March 2021, their

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roll-over was performed by concluding new contracts with the delivery dates in March 2022, 2023 and 2024. The Group recognised the result from the settlement of instruments in accordance with IFRS 9 *Financial Instruments*, thereby increasing sales revenue and the operating result in the amount of PLN 304 million.

- Coal - the increase results from of achieving higher prices from coal sales due to the observed growth in the domestic and global market, with lower volumes due to lower third quarter 2022 production;
- Gas - the increase is mainly driven by a significant rise in prices due to the observed growth in the domestic and global markets.

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

9-month period ended 30 September 2022 (unaudited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	789	2 719	128	2	17 020	187	20 845
Electricity	-	2 109	1	-	15 657	63	17 830
CO ₂ emission allowances	-	-	-	-	604	-	604
Coal	738	-	-	-	-	-	738
Gas	-	-	-	-	681	-	681
Heat energy	-	547	-	-	-	-	547
Energy certificates and similar	-	63	127	-	7	10	207
Other goods for resale, finished goods and materials	51	-	-	2	71	114	238
Rendering of services	21	503	6	2 703	2 665	16	5 914
Distribution and trade services	-	172	-	2 574	2 395	-	5 141
Capacity Market	-	325	5	-	151	-	481
Maintenance of road lighting	-	-	-	-	96	-	96
Connection fees	-	1	-	86	-	-	87
Other services	21	5	1	43	23	16	109
Other revenue	2	11	-	26	4	8	51
Total revenues from contracts with customers	812	3 233	134	2 731	19 689	211	26 810
Total sales revenue	812	3 233	134	2 731	19 689	211	26 810

9-month period ended 30 September 2021 (unaudited)

	Mining	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	393	1 569	83	2	9 651	103	11 801
Electricity	-	1 004	1	-	9 119	14	10 138
CO ₂ emission allowances	-	-	-	-	161	-	161
Coal	372	-	-	-	-	-	372
Gas	-	-	-	-	304	-	304
Heat energy	-	519	-	-	-	-	519
Energy certificates and similar	-	42	82	-	1	7	132
Other goods for resale, finished goods and materials	21	4	-	2	66	82	175
Rendering of services	17	511	5	2 517	2 647	9	5 706
Distribution and trade services	-	166	-	2 402	2 386	-	4 954
Capacity Market	-	339	4	-	153	-	496
Maintenance of road lighting	-	-	-	-	91	-	91
Connection fees	-	-	-	59	-	-	59
Other services	17	6	1	56	17	9	106
Other revenue	1	11	-	28	4	9	53
Total revenues from contracts with customers	411	2 091	88	2 547	12 302	121	17 560
Restructuration in the portfolio of CO ₂ emission allowances	-	304	-	-	-	-	304
Total sales revenue	411	2 395	88	2 547	12 302	121	17 864

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

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	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	(unaudited)	(unaudited)
Revenue from sales of electricity	17 830	10 138
Retail sale	10 935	6 707
Business clients	5 317	3 144
Mass clients - Group G	2 663	2 220
Strategic clients	1 513	708
Mass clients - SME	1 243	656
Other	237	59
Excise duty	(38)	(80)
Wholesale	6 663	3 048
Other	232	383

12. Costs by type

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	(unaudited)	(unaudited)
Depreciation and amortization	(1 635)	(1 569)
Impairment of non-financial assets	(85)	(1 113)
Materials and energy	(1 895)	(1 036)
Maintenance and repair services	(235)	(187)
Distribution services	(1 149)	(1 128)
Other external services	(752)	(624)
Cost of obligation to remit the CO ₂ emission allowances	(2 056)	(1 268)
Other taxes and charges	(659)	(566)
Employee benefits expense	(2 722)	(2 312)
Creating the provision for onerous contracts	(573)	-
Other	(58)	(107)
Total costs by type	(11 819)	(9 910)
Change in inventories, prepayments, accruals and deferred income	(68)	(78)
Cost of goods produced for internal purposes	785	576
Selling expenses	442	395
Administrative expenses	518	464
Cost of goods for resale and materials sold	(14 711)	(7 552)
Cost of sales	(24 853)	(16 105)

In the 9-month period ended 30 September 2022 in relation to the comparable period, the main changes in the cost of goods, products, materials and services sold referred to:

- the recognition in the current period of a lower impairment write-down for non-financial fixed assets compared to the corresponding period as a result of conducted impairment tests;
- an increase in the cost of materials and energy consumption, which is mainly related to the higher cost of coal fuel, fuel oil and biomass consumed for production purposes, as well the higher cost of materials consumed in the process of reinforcing walls and preparing steam coal production, which in both cases is mainly due to prices increase;
- an increase in the cost of the redemption obligation related to CO₂ emission allowances, which mainly results from the increase in the price of CO₂ emission allowances taken into account in the calculation of the provision;
- an increase in the cost of employee benefits, which results mainly from recognising the effects of agreements concluded in the second half of 2021 and in 2022 with the social party and the rise of the minimum wage in 2022 in the costs of the current period;
- cost of establishing a provision for onerous contracts in the 9-month period ended 30 September 2022 in the amount of PLN 1 005 million, of which PLN 432 million was utilised in the third quarter of 2022 in connection with the materialisation of losses (further details in Note 35.2 of these interim condensed consolidated financial statements);
- an increase in the value of goods and materials sold, which results mainly from the increase in the prices of electricity and gas purchased for resale to TAURON Group customers.

13. Financial revenues and costs

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Income and costs from financial instruments	(453)	(226)
Interest costs	(411)	(278)
Exchange differences	(237)	(13)
Remeasurement of loans granted	(22)	1
Commission relating to borrowings and debt securities	(18)	(18)
Gain/loss on derivative instruments	202	45
Interest income	48	17
Other	(15)	20
Other finance income and costs	(24)	(11)
Interest on employee benefits	(26)	(9)
Interest on discount of other provisions	(12)	(6)
Other finance income	20	7
Other finance costs	(6)	(3)
Total, including recognized in the statement of comprehensive income:	(477)	(237)
Interest expense on debt	(411)	(278)
Finance income and other finance costs	(66)	41

The increase in interest expenses in the 9-month period ended 30 September 2022 in relation to the comparable period results from the level of external borrowing and the increase of base rates. The change of the base rates is partially offset by the concluded IRS hedging instruments.

The increase in the result on derivatives is mainly related to the increase in the measurement of FX derivatives as a consequence of the rise of currency exchange rates.

14. Tax expense in the statement of comprehensive income

	9-month period ended 30 September 2022	9-month period ended 30 September 2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current income tax	(740)	(412)
Current income tax expense	(752)	(406)
Adjustments to current income tax from previous years	12	(6)
Deferred tax	489	121
Income tax expense in profit or loss	(251)	(291)
Income tax expense relating to other comprehensive income, including:	(76)	(46)
reclassified to profit or loss	(58)	(38)
not reclassified to profit or loss	(18)	(8)

In the 9-month period ended 30 September 2022, TAURON Group companies accounted for income tax individually. In the comparable period, TAURON Polska Energia S.A. and selected subsidiaries accounted for income tax within the Tax Capital Group.

EXPLANATORY NOTE TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. Property, plant and equipment

9-month period ended 30 September 2022 (unaudited)

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	144	31 221	25 948	280	978	1 773	60 344
Direct purchase	-	-	-	1	-	1 946	1 947
Borrowing costs	-	-	-	-	-	23	23
Transfer of assets under construction	2	1 119	689	-	20	(1 830)	-
Sale	-	(2)	(87)	-	(12)	(1)	(102)
Liquidation	-	(41)	(66)	(113)	(9)	-	(229)
Received free of charge	-	12	1	-	-	-	13
Overhaul expenses	-	-	-	-	-	101	101
Items generated internally	-	-	-	242	-	57	299
Cost of disassembly of wind farms and decommissioning of mines	-	(118)	(19)	-	-	3	(134)
Other movements	-	4	13	-	(1)	(12)	4
Closing balance	146	32 195	26 479	410	976	2 060	62 266
ACCUMULATED DEPRECIATION							
Opening balance	-	(14 276)	(15 840)	(105)	(728)	(221)	(31 170)
Depreciation for the period	-	(666)	(645)	(88)	(42)	-	(1 441)
Impairment	-	(20)	(15)	(32)	-	(14)	(81)
Sale	-	2	87	-	12	-	101
Liquidation	-	38	60	113	9	-	220
Other movements	-	(9)	(1)	-	1	12	3
Closing balance	-	(14 931)	(16 354)	(112)	(748)	(223)	(32 368)
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	146	17 264	10 125	298	228	1 837	29 898
<i>of which operating segments:</i>							
Mining	3	100	162	293	3	118	679
Generation	42	2 465	3 494	-	18	257	6 276
Renewable Energy Sources	-	824	1 306	-	3	57	2 190
Distribution	83	13 221	4 989	-	172	1 225	19 690
Other segments and other operations	18	654	174	5	32	180	1 063

9-month period ended 30 September 2021 (unaudited)

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	143	29 748	25 206	258	976	1 888	58 219
Direct purchase	-	-	-	1	-	1 645	1 646
Borrowing costs	-	-	-	-	-	12	12
Transfer of assets under construction	1	1 048	680	-	22	(1 751)	-
Sale	(1)	(37)	(112)	-	(5)	(3)	(158)
Liquidation	-	(29)	(105)	(103)	(14)	-	(251)
Received free of charge	-	24	-	-	-	-	24
Overhaul expenses	-	-	-	-	-	87	87
Items generated internally	-	-	-	121	-	34	155
Cost of disassembly of wind farms and decommissioning of mines	-	(44)	(2)	-	-	-	(46)
Other movements	-	(1)	6	-	(11)	-	(6)
Closing balance	143	30 709	25 673	277	968	1 912	59 682
ACCUMULATED DEPRECIATION							
Opening balance	-	(13 010)	(14 570)	(138)	(704)	(292)	(28 714)
Depreciation for the period	-	(661)	(638)	(56)	(46)	-	(1 401)
Impairment	-	(398)	(652)	(33)	(2)	(23)	(1 108)
Sale	-	36	111	-	4	3	154
Liquidation	-	26	103	103	14	-	246
Other movements	-	1	3	-	10	-	14
Closing balance	-	(14 006)	(15 643)	(124)	(724)	(312)	(30 809)
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	16 703	10 030	153	244	1 600	28 873
<i>of which operating segments:</i>							
Mining	3	212	164	148	3	165	695
Generation	42	2 542	3 656	-	15	139	6 394
Renewable Energy Sources	1	848	1 199	-	1	57	2 106
Distribution	81	12 539	4 847	-	196	1 093	18 756
Other segments and other operations	16	562	164	5	29	146	922

In the 9-month period ended 30 September 2022, the Group purchased property, plant and equipment (including capitalised borrowing costs) in the amount of PLN 1 970 million. The major purchases were made in connection with investments in the following operating segments:

Operating segment	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Distribution	1 411	1 334
Renewable Energy Sources	257	43
Generation	102	83
Sales	52	47

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 a further significant increase in the prices of electricity and raw materials, with a simultaneous slight decline in prices of CO₂ emission allowances in the 3-month period ended 30 September 2022 compared to their average prices of the aforementioned products in the first half of 2022. In particular:

- The price of CO₂ emission allowances for the reference EUA DEC-22 contract on the ICE Endex exchange fell by approx. 4.5% compared to the average price in the first half of 2022, which resulted, among others, from the observed increase in commodity prices and the uncertainty regarding the future demand for EUA units due to the material risk of recession. In addition, during the period analysed, work was ongoing to identify a source of funding for the REPowerEU package. One of these is the potential sale of surplus allowances held in the Market Stability Reserve. An increase in the supply of EUA units could translate into lower prices;
- The average price of the reference annual natural gas contract listed on Towarowa Gielda Energii S.A. was 138.8% higher than the price in the first half of 2022. In the third quarter of 2022, prices on the European gas markets returned to the record levels seen in February/March 2022. The main factor behind the significant increases in gas prices during this period was the observed significant decline in the flow of Russian gas to the European countries;
- The average coal price at ARA ports (Amsterdam, Rotterdam, Antwerp) for the annual continuation contract in the third quarter of 2022 was USD 11.30/GJ, which was USD 3.75/GJ (50%) higher than the average price for this contract in the first half of 2022. The persistently high contract prices were affected by the supply and demand situation in the global coal market. The main factor driving up prices is the war in Ukraine triggered by the Russian aggression, which has resulted in many countries, including the Poland, imposing sanctions on the purchase of Russian coal. The total ban on the purchase of Russian coal in the EU countries has been in force since 10 August 2022. In addition, high gas prices and persistently low or negative margins on the sales of electricity produced from gas have increased the demand for thermal coal. The Polish market has also seen an increase in prices. The average value of the Polish Steam Coal Market Index (PSCMI1) demonstrating coal prices for power stations for September 2022 (the latest available data) amounted to PLN 29.34/GJ, which was PLN 15.09/GJ (+106%) higher than the average value of this index for the first half of 2022;
- Electricity prices in the first half of 2022 on the Day-Ahead Market (DAM) of the Towarowa Gielda Energii, as well as on the forward market, were significantly higher than the levels recorded in the first half of 2021. The factors affecting the price increases included high commodity prices, particularly for thermal coal and gas, as well as the persistently high level of prices for CO₂ emission allowances accompanied by an increased demand. High prices were also recorded in Western and Southern European countries, causing Poland to export electricity on a per balance basis to neighbouring countries in the first half of 2022. In addition to the high prices of commodities and CO₂ emission allowances, the reasons for the sharp increases in electricity prices on the market included problems related to balancing of the electricity system in Poland as a result of the continuing low supply of thermal coal, particularly at the beginning of 2022 and in June 2022, as well as very high prices in neighbouring countries, both in the forward and in the SPOT markets. High prices continued throughout almost the entire third quarter of 2022. Slight decreases in energy prices did not occur until September 2022, as a result of the good capacity balance and the relatively high RES generation.

Despite the above-mentioned changes in market factors, following the conducted analyses of observed market and regulatory developments, it was concluded that they were of a short-term nature and therefore do not affect the need to change the long-term forecasts relative to the information available as at 30 June 2022. According to the assessment of

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

Based on the conducted analyses of impairment prerequisites as at 30 September 2022, it has been concluded that no prerequisites of impairment occurred, including those requiring the performance of impairment tests. Therefore, the results of the most recent impairment tests on non-financial non-current assets carried out by the Group are valid.

As at 30 June 2022, based on the conducted analyses of impairment prerequisites, it has been concluded that no prerequisites of impairment occurred, including those requiring the performance of impairment tests, with the exception of the Mining segment, as discussed below.

In the Mining segment, as a result of tests performed as at 30 June 2022, bearing in mind maintaining the recoverable amount of Mining CGU assets at a level of PLN zero, the Group recognised the impairment loss of PLN 84 million on non-financial assets of the Mining segment. The impairment losses charged mainly own cost of sales.

CGU	Discount rate (after tax) assumed in tests as at:			Recoverable amount	Impairment loss recognized
	30 June 2022 (unaudited)	31 December 2021	30 June 2021 (unaudited)	As at 30 June 2022 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Mining	17.14%	14.19%	13.98%	-	(84)

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

The estimated changes in impairment losses on mining assets as at 30 June 2022 as a result of the lack of subsidies are presented below.

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

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

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16. Right-of-use assets

9-month period ended 30 September 2022 (unaudited)

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	618	1 200	212	112	11	150	6	2 309
Direct purchase	22	-	9	-	-	1	8	40
Transfer of right-of-use assets in progress	-	-	-	-	-	8	(8)	-
Increase due to a new lease contract	34	-	8	19	2	-	-	63
Increase/(decrease) due to lease changes	5	(5)	6	4	-	-	-	10
Liquidation	(3)	-	(1)	(43)	(1)	-	-	(48)
Acquisition of a subsidiary	23	-	9	-	-	1	-	33
Other movements	-	(2)	-	-	-	8	-	6
Closing balance	699	1 193	243	92	12	168	6	2 413
ACCUMULATED DEPRECIATION								
Opening balance	(71)	(134)	(51)	(66)	(4)	(37)	-	(363)
Depreciation for the period	(23)	(29)	(15)	(21)	(2)	(5)	-	(95)
Impairment	-	-	-	(4)	-	-	-	(4)
Liquidation	-	-	-	42	1	-	-	43
Closing balance	(94)	(163)	(66)	(49)	(5)	(42)	-	(419)
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	605	1 030	177	43	7	126	6	1 994

9-month period ended 30 September 2021 (unaudited)

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	548	1 162	197	88	8	133	6	2 142
Increase due to a new lease contract	40	-	9	17	3	-	-	69
Increase/(decrease) due to lease changes	5	-	4	7	-	-	-	16
Transfer from assets held for sale	-	17	-	-	-	-	-	17
Other movements	3	(7)	-	(10)	-	12	-	(2)
Closing balance	596	1 172	210	102	11	145	6	2 242
ACCUMULATED DEPRECIATION								
Opening balance	(45)	(92)	(32)	(62)	(6)	(29)	-	(266)
Depreciation for the period	(21)	(26)	(14)	(14)	(2)	(5)	-	(82)
Impairment	-	2	-	(4)	-	(1)	-	(3)
Transfer from assets held for sale	-	(9)	-	-	-	-	-	(9)
Other movements	-	1	-	10	1	-	-	12
Closing balance	(66)	(124)	(46)	(70)	(7)	(35)	-	(348)
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	530	1 048	164	32	4	110	6	1 894

17. Goodwill

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

18. Energy certificates and CO₂ emission rights

18.1. Long-term energy certificates and CO₂ emission rights

	9-month period ended 30 September 2022 (unaudited)			9-month period ended 30 September 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	2	-	2	85	-	85
Reclassification	(200)	(244)	(444)	(234)	(222)	(456)
Closing balance	2	-	2	85	45	130

18.2. Short-term energy certificates and CO₂ emission rights

	9-month period ended 30 September 2022 (unaudited)			9-month period ended 30 September 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	315	1 500	1 815	242	672	914
Generated internally	185	-	185	125	-	125
Surrendered	(625)	(1 494)	(2 119)	(1 148)	(1 152)	(2 300)
Reclassification	197	45	242	234	146	380
Closing balance	223	57	280	158	-	158

Reclassification of CO₂ emission rights 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 in Jaworzno, as further described in Note 11 to these interim condensed consolidated financial statements.

19. Other intangible assets

9-month period ended 30 September 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	-	-	-	189	189
Transfer of intangible assets not made available for use	3	62	34	(99)	-
Sale/Liquidation	(2)	(10)	-	-	(12)
Closing balance	18	1 097	257	161	1 533
ACCUMULATED AMORTIZATION					
Opening balance	(8)	(686)	(122)	-	(816)
Amortization for the period	(2)	(88)	(9)	-	(99)
Sale/Liquidation	2	10	-	-	12
Closing balance	(8)	(764)	(131)	-	(903)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	9	359	101	71	540
NET CARRYING AMOUNT AT THE END OF THE PERIOD	10	333	126	161	630

9-month period ended 30 September 2021 (unaudited)

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	12	945	219	120	1 296
Direct purchase	-	-	-	56	56
Transfer of intangible assets not made available for use	4	118	3	(125)	-
Sale/Liquidation	-	(43)	-	-	(43)
Other movements	-	-	-	1	1
Closing balance	16	1 020	222	52	1 310
ACCUMULATED AMORTIZATION					
Opening balance	(7)	(624)	(113)	-	(744)
Amortization for the period	(2)	(76)	(8)	-	(86)
Impairment	-	-	(2)	-	(2)
Sale/Liquidation	-	43	-	-	43
Closing balance	(9)	(657)	(123)	-	(789)
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	5	321	106	120	552
NET CARRYING AMOUNT AT THE END OF THE PERIOD	7	363	99	52	521

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20. Shares and stocks in joint ventures

	As at 30 September 2022 (unaudited) or for the 9-month period ended 30 September 2022 (unaudited)			As at 31 December 2021 or for the 9-month period ended 30 September 2021 (unaudited)		
	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. ²	Total	Elektrociepłownia Stalowa Wola S.A. ¹	TAMEH HOLDING Sp. z o.o. ²	Total
Non-current assets	1 734	1 952	3 686	1 772	2 033	3 805
Current assets, including:	392	1 823	2 215	571	1 428	1 999
cash and cash equivalents	3	205	208	24	251	275
Non-current liabilities (-), including:	(2 117)	(572)	(2 689)	(1 866)	(672)	(2 538)
debt	(2 095)	(451)	(2 546)	(1 797)	(577)	(2 374)
Current liabilities (-), including:	(677)	(1 722)	(2 399)	(1 047)	(1 514)	(2 561)
debt	(75)	(192)	(267)	(108)	(185)	(293)
Total net assets	(668)	1 481	813	(570)	1 275	705
Share in net assets (50%)	(334)	741	407	(285)	638	353
Investment in joint ventures	-	699	699	-	597	597
Net profit (loss), including:	(97)	234	137	(72)	83	11
Sales revenue	1 606	3 551	5 157	642	1 911	2 553
Depreciation	(46)	(150)	(196)	(24)	(145)	(169)
Interest income	-	2	2	-	2	2
Interest expenses	(108)	(40)	(148)	(79)	(16)	(95)
Income tax	-	(54)	(54)	-	10	10
Share in profit/(loss) of joint ventures	-	117	117	-	41	41

¹ Figures as at 31 December 2021 consistent with the company financial statements for 2021 prepared after the date on which the TAURON do Group's consolidated financial statements for the year ended 31 December 2021 were authorised for publication.

² The information presented relates to the TAMEH HOLDING Sp. z o.o. capital group. The value of the interest held in TAMEH HOLDING Sp. z o.o. differs from the value of net assets attributable to the Group, due to the fact that the cost of acquiring the 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 Inwestycje Sp. z o.o. Due to the fact that in 2015 the accumulated share of losses of the joint venture and the adjustment to "top-down" transactions between the Group companies and the joint venture exceeded the value of the interest in the joint venture, the Company discontinued to recognise its share of any further losses of the joint venture.

In addition, the Company holds receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. in the carrying amount of PLN 198 million, as further discussed in Note 21 to these interim condensed consolidated financial statements.

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

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

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

decision to discontinue the proceedings in the action of Abener against ECSW and on 21 March 2022 - a decision to discontinue the proceedings in the action of ECSW against Abener. By the order of 2 June 2022, the Supreme Court discontinued the cassation proceedings relating to the cassation appeal filed by ECSW in 2020.

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

TAMEH HOLDING Sp. z o.o. and subsidiaries

In 2014, a shareholders' agreement was concluded between TAURON Group and ArcelorMittal Group in 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.

On 18 July 2022, the Meeting of Shareholders of TAMEH Holding Sp. z o.o. decided to allocate the amount of PLN 69 million for the payment of the dividends to shareholders, of which 50% is attributable to TAURON Group.

21. Loans to joint ventures

	As at 30 September 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	553	174	n.a.	174	409	74	n.a.	74		
Loans measured at amortized cost	121	29	(5)	24	116	28	(3)	25	30.06.2033	fixed
Total, of which:	674	203	(5)	198	525	102	(3)	99		
Non-current		203	(5)	198		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 30 September 2022 (unaudited)
Derivative instruments subject to hedge accounting		
IRS	The difference between discounted floating-rate interest cash flows and those based on fixed interest rates. Refinitiv interest rate curve is the input data.	<p>IRS (Interest Rate Swap) instruments are used to hedge a portion of the interest rate risk on the cash flows associated with the exposure to WIBOR 6M designated under the dynamic risk management strategy, i.e:</p> <ul style="list-style-type: none"> interest on a loan with a nominal value of PLN 750 million, for periods commencing respectively from July 2020 and expiring in December 2024; interest on bonds and a loan with a total nominal value of PLN 3 090 million, for periods beginning in December 2019 and expiring successively from 2023 to 2029. <p>Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.</p>
Derivative instruments measured at a fair value through the profit and loss other than subject to hedge accounting		
CCIRS	The difference between discounted interest cash flows relating to payments and receipts, in two different currencies, expressed in the valuation currency. Interest rate curves, basis spreads and NBP fixing for the relevant currencies from Refinitiv are the input data.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on a total nominal amount of EUR 500 million. The transaction matures in July 2027. Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN, while receiving payments at a fixed interest rate in EUR. CCIRS derivatives aimed at securing the currency flows generated by interest payments on Eurobonds issued.
Commodity forward/future	The fair value of forwards for the purchase and sale of CO ₂ emission allowances, electricity and other commodities is based on prices quoted on an active market or based on cash flows being the difference between the price reference index (forward curve) and the contract price.	Derivative instruments (future, forward) comprise forward transactions for the purchase and sale of CO ₂ emission allowances and other commodities.
Currency forward	The difference between discounted future cash flows: the forward price at the valuation date and the transaction price, multiplied by the nominal value of the contract in a foreign currency. NBP fixing and the implied interest rate curve from FX swap transactions for the relevant currency from Refinitiv are the input data.	FX forward derivative instruments aimed at hedging currency flows generated due to the activities conducted.

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

	As at 30 September 2022 (unaudited)				As at 31 December 2021			
	Total		Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income
	Assets	Liabilities			Assets	Liabilities		
Derivatives subject to hedge accounting								
IRS	735	-	57	678	371	-	-	371
Derivatives measured at fair value through profit or loss								
CCIRS	43	-	43	-	26	(1)	25	-
Commodity forwards/futures	991	(992)	(1)	-	485	(494)	(9)	-
Currency forwards	291	-	291	-	115	-	115	-
Total	2 060	(992)			997	(495)		
Non-current	790	(115)			532	(116)		
Current	1 270	(877)			465	(379)		

The derivatives shown in the table above include futures contracts covered within the scope of IFRS 9 *Financial Instruments*. The derivatives acquired and held to hedge own needs as excluded from the scope of IFRS 9 *Financial Instruments* are not subject to measurement as at the balance sheet date.

23. Other financial assets

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Shares	148	141
Deposits and term deposits for Mining Decommissioning Fund	62	56
Other financial receivables, <i>including</i> :	227	107
Bid bonds, deposits and collateral transferred	119	65
Initial and variation margin deposits arising from stock exchange transactions	92	32
Other	16	10
Total	437	304
Non-current	228	215
Current	209	89

24. Other non-financial assets

24.1. Other non-current non-financial assets

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Prepayments for assets under construction and intangible assets, <i>including</i> :	79	115
<i>related to the construction of wind farms</i>	61	102
Contract acquisition costs and costs of discounts	8	8
Prepayments for debt charges	3	5
Property and tort insurance	2	3
Other	26	28
Total	118	159

24.2. Other current non-financial assets

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Advances for deliveries, <i>including</i> :	763	5
<i>related to coal supplies</i>	747	-
Costs settled over time, <i>including</i> :	46	101
<i>Contract acquisition costs and costs of discounts</i>	14	15
<i>IT and telecom services</i>	10	22
<i>Property and tort insurance</i>	8	54
Other current non-financial assets, <i>including</i> :	30	6
<i>Transfers made to the Social Benefit Fund</i>	20	-
Total	839	112

The increase in advances for deliveries relates to the acquisitions of coal by the Company for the needs of generation companies of the Group. As a result of the impact of the war in Ukraine caused by the aggression of the Russian Federation on the restriction of coal supply in the market, as further described in note 51 of these interim condensed consolidated financial statements, in order to mitigate the risks arising from the above restrictions, the Company contracted coal deliveries on the domestic and foreign markets, which will be completed in the subsequent months. Some of the contracted deliveries required advance payments.

25. Deferred income tax

	As at 30 September 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	1 900	1 858
different timing of recognition of sales revenue for tax purposes	284	399
difference between tax base and carrying amount of financial assets	611	297
difference between tax base and carrying amount of energy certificates	17	25
other	72	80
Total	2 884	2 659
Deferred tax assets		
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	795	892
difference between tax base and carrying amount of financial assets and financial liabilities	826	547
provisions and accruals	875	537
different timing of recognition of sales revenue and cost of sales for tax purposes	351	367
tax losses	362	16
power infrastructure received free of charge and received connection fees	6	6
other	34	28
Total	3 249	2 393
Unrecognized deferred tax assets	(559)	(352)
Recognized deferred tax assets	2 690	2 041
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	1 382	123
Deferred tax liability	(1 576)	(741)

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

The Group assesses the enforceability of deferred tax assets at each balance sheet date. As a result of the assessment carried out as at the balance sheet date, deferred tax assets in the amount of PLN 559 million were not recognised, mainly with regard to companies in the Mining and Generation segments.

26. Inventories

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Gross value		
Coal, of which:	322	338
<i>Raw materials</i>	195	166
<i>Semi-finished goods and work-in-progress</i>	126	171
CO ₂ emission allowances	87	-
Other inventories	310	216
Total	719	554
Measurement to fair value		
CO ₂ emission allowances	(12)	-
Measurement to net realisable value		
Other inventories	(12)	(11)
Total	(24)	(11)
Fair value		
CO ₂ emission allowances	75	-
Net realisable value		
Coal, of which:	322	338
<i>Raw materials</i>	195	166
<i>Semi-finished goods and work-in-progress</i>	126	171
Other inventories	298	205
Total	695	543

27. Receivables from buyers

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Gross value		
Receivables from buyers, of which:	3 481	3 363
<i>Additional assessment of revenue from sales of electricity and distribution services</i>	1 188	1 094
Receivables claimed at court	232	217
Total	3 713	3 580
Allowance/write-down		
Receivables from buyers	(55)	(65)
Receivables claimed at court	(145)	(193)
Total	(200)	(258)
Net value		
Receivables from buyers	3 426	3 298
Receivables claimed at court	87	24
Total, of which:	3 513	3 322
Current	3 513	3 322

28. Receivables arising from other taxes and charges

As at 30 September 2022 and 31 December 2021, receivables from other taxes and charges mainly relate to VAT receivables and amount to PLN 632 million and PLN 285 million, respectively. The increase in VAT receivables is mainly related to the reduction of the VAT rate on electricity from 23% to 5% as of 1 January 2022.

29. Cash and cash equivalents

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Cash at bank and in hand	900	811
Other	64	4
Total cash and cash equivalents presented in the statement of financial position, of which :	964	815
restricted cash, including:	355	314
<i>collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.</i>	179	168
<i>cash on VAT bank accounts (split payment)</i>	169	102
<i>bank accounts related to subsidies received</i>	6	43
Cash pool	(13)	(24)
Foreign exchange	(15)	-
Total cash and cash equivalents presented in the statement of cash flows	936	791

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

30. Equity

30.1. Issued capital

Issued capital as at 30 September 2022 (unaudited)

Class/issue	Type of shares	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value	Method of payment
AA	bearer shares	1 589 438 762	5	7 947	cash/in-kind contribution
BB	registered shares	163 110 632	5	816	in-kind contribution
Total		1 752 549 394		8 763	

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

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

30.4. Revaluation reserve from the measurement of hedging instruments

	9-month period ended 30 September 2022 (unaudited)	9-month period ended 30 September 2021 (unaudited)
Opening balance	299	(68)
Remeasurement of hedging instruments	249	200
Remeasurement of hedging instruments charged to profit or loss	57	(3)
Deferred income tax	(58)	(38)
Closing balance	547	91

The revaluation reserve from measurement of hedging instruments results from the measurement of Interest Rate Swap (IRS) instruments hedging the interest rate risk due to debt, which is discussed in more detail in Note 22 to these interim condensed consolidated financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 30 September 2022, the Group recognised the amount of PLN 547 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 735 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 9-month period ended 30 September 2022 results from the increase in the positive measurement of IRS instruments, which is mainly associated with the rise in the level of market interest rates.

30.5. Retained earnings and restrictions on dividends

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

As at 30 September 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 interests

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

30.7. Dividends paid and proposed for disbursement

In the 9-month period ended 30 September 2022 and in the comparable period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

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

31. Debt liabilities

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Unsubordinated bonds	5 595	5 348
Subordinated bonds	2 090	1 972
Loans and borrowings	6 337	4 535
Lease liabilities	1 267	1 235
Total	15 289	13 090
Non-current	12 387	10 947
Current	2 902	2 143

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31.1. Bonds issued

Issuer	Investor	Interest rate	Curren- cy	Bonds issued at nominal value in currency	Maturity date	Carrying amount	
						As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	700 560	2022-2028 2022-2029	714 576	700 560
	A series bonds (TPE 1025) Eurobonds	floating, based on WIBOR 6M fixed	PLN EUR	1 000 500	2025 2027	1 029 2 438	1 002 2 316
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168	2029	838	770
Unsubordinated bonds						5 595	5 348
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 ²	412	401
	European Investment Bank	fixed ¹	EUR	190	2034 ²	919	847
			PLN	400	2030 ²	405	386
			PLN	350	2030 ²	354	338
Subordinated bonds						2 090	1 972
Total bonds						7 685	7 320

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

² In the case of subordinated bonds, the maturity date shall take into account two financing periods. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the reporting period, includes earlier redemption, intention of bonds redemption is after end of first period of financing.

31.2. Loans and borrowings

Loans and borrowings drawn as at 30 September 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	5 079	5 079	2 271	2	6	899	559	1 342
	fixed	1 192	1 192	20	90	110	554	96	322
Total PLN		6 271	6 271	2 291	92	116	1 453	655	1 664
Total			6 271	2 291	92	116	1 453	655	1 664
Interest increasing carrying amount			66						
Total			6 337						

Loans and borrowings drawn as at 31 December 2021

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

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

Borrowing institution	Interest rate	Currency	Maturity date	As at	As at
				30 September 2022 (unaudited)	31 December 2021
Consortium of banks I ¹	floating	PLN	2022	2 263	1 700
Bank Gospodarstwa Krajowego	floating	PLN	2033	1 021	999
			2024	162	222
European Investment Bank	fixed	PLN	2027	132	162
			2040	410	-
	floating		2040	806	-
Intesa Sanpaolo S.p.A.	floating	PLN	2024	756	752
SMBC BANK EU AG	fixed	PLN	2025	499	499
Consortium of banks II ²	floating	PLN	2023 ³	161	161
Erste Group Bank AG	floating	PLN	2026	96	-
Regional Fund for Environmental Protection and Water Management	floating	PLN	2022	2	4
			2025	9	12
Other loans and borrowings				20	24
Total				6 337	4 535

¹ The consortium of banks I consists of: Bank Handlowy w Warszawie S.A., Santander Bank Polska S.A., CaixaBank S.A. (Joint-Stock Company) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V. and Powszechna Kasa Oszczędności Bank Polski S.A.

² The consortium of banks II consists of: Intesa Sanpaolo S.p.A. acting through Intesa Sanpaolo S.p.A. S.A. Branch in Poland and China Construction Bank (Europe) S.A. acting through China Construction Bank (Europe) S.A. (Joint Stock Company) Branch in Poland,

³ A tranche classified as non-current liability.

The syndicated loan taken out under the agreement of 25 March 2020 (Consortium of Banks II) is of revolving nature. The Company may raise financing against available financing with a selected interest period. Under the agreement, the repayment occurs at the end of the interest period, whereas the Company has the option to re-borrow. Due to the intention and possibility to maintain financing under the aforementioned agreement for a period exceeding 12 months from the balance sheet day, the drawdown used in the amount of PLN 160 million is classified as a non-current liability as at the balance sheet date.

In the 9-month period ended 30 September 2022, the Group performed the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

Lender	Description	9-month period ended 30 September 2022 (unaudited)	
		Drawdown	Repayment
Erste Group Bank AG	Drawdown under the agreement for PLN 500 million.	96	-
		800	-
European Investment Bank	Drawdowns under the loan agreement for the amount of PLN 2 800 million.	400	-
	Repayment of capital instalments according to schedule	-	(91)
Consortium of banks I	Drawdown of new tranches and repayment of tranches according to agreement deadline	10 100	(9 550)
Consortium of banks II	Drawdown of new tranches and repayment of tranches according to agreement deadline	320	(320)
Other borrowings		-	(4)
Total, including:		11 716	(9 965)
Cash flows		5 546	(3 795)
Net settlement (without cash flow)		6 170	(6 170)

After the balance-sheet date, the Company performed drawdowns under available loans in the total amount of PLN 4 194 million and repaid tranches in the total amount of PLN 3 300 million.

Signing the syndicated loan agreement

On 15 July 2022, an agreement was signed between the Company as the borrower and Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., CaixaBank S.A. (Spółka Akcyjna) Branch in Poland, Bank Handlowy w Warszawie S.A., Erste Group Bank AG, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, Santander Bank Polska S.A. and China Construction Bank (Europe) S.A. Branch in Poland as lenders, for a syndicated loan in the amount of PLN 4 000 million. The funds of the syndicated loan will be used to refinance the existing exposure, including the syndicated loan of 19 June 2019 (Consortium of Banks I), to finance the TAURON Group's capital expenditure (excluding the financing of any projects related to coal assets) and to finance the TAURON Group's corporate-wide expenditure (excluding expenditure related to coal assets). Under the agreement, the Company will be able to make multiple drawdowns of tranches of the loan over the 5-year availability period of the financing, which

can be extended to a maximum of 7 years. The interest rate will be calculated on the basis of a floating interest rate, adequate to the interest period in question, increased by a margin which depends on the fulfilment of substantial development indicators, i.e. reduction of emissions and increasing the share of renewable energy sources in the generation structure of TAURON Group.

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 the EBITDA generated. The net debt/EBITDA covenant for banks is examined on the basis of consolidated data as at 30 June and 31 December while its permissible limit value is 3.5.

As at 30 June 2022 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.9, 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 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Within 1 year	141	136
Within 1 to 5 years	356	355
Within 5 to 10 years	375	367
Within 10 to 20 years	663	650
More than 20 years	754	907
Gross lease liabilities	2 289	2 415
Discount	(1 022)	(1 180)
Present value of lease payments	1 267	1 235
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 267	1 235

32. Provisions for employee benefits

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Provision for post-employment benefits and jubilee bonuses	748	874
Provision for employment termination benefits and other provisions for employee benefits	21	19
Total	769	893
Non-current	651	789
Current	118	104

Provisions for post-employment benefits and jubilee bonuses

	9-month period ended 30 September 2022 (unaudited)				9-month period ended 30 September 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	17	2	22	41	22	5	26	53
Actuarial gains and losses	(58)	(36)	(39)	(133)	(29)	(15)	(15)	(59)
Benefits paid	(20)	(4)	(36)	(60)	(20)	(3)	(36)	(59)
Interest expense	10	4	12	26	3	2	4	9
Closing balance	301	84	363	748	379	161	438	978
Non-current	250	76	314	640	353	156	394	903
Current	51	8	49	108	26	5	44	75

Revaluation of provision for employees' benefits

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

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

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

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

	9-month period ended 30 September 2022 (unaudited)			9-month period ended 30 September 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	8	5	13	4	2	6
Discount rate adjustment	(114)	(34)	(148)	(41)	(12)	(53)
Recognition/(reversal), net	-	8	8	-	4	4
Utilisation	-	(2)	(2)	-	(4)	(4)
Closing balance	151	122	273	338	198	536
Non-current	151	99	250	338	194	532
Current	-	23	23	-	4	4
Other provisions, long-term portion	-	-	43	-	-	70
Total			293			602

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

33.1. Provision for mine decommissioning costs

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

As at 30 September 2022, the balance of the provision amounted to PLN 151 million.

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

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

- the provision for costs related to the dismantling of wind farms and photovoltaic farms - PLN 85 million;
- the provision for costs of liquidation of fixed assets - PLN 20 million;
- the provision for costs related to reclamation of ash dumps - PLN 17 million.

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

	9-month period ended 30 September 2022 (unaudited)			9-month period ended 30 September 2021 (unaudited)		
	Provisions for liabilities due to CO ₂ emission allowances	Provision for obligation to submission energy certificates	Provisions total	Provisions for liabilities due to CO ₂ emission allowances	Provision for obligation to submission energy certificates	Provisions total
Opening balance	1 493	397	1 890	981	769	1 750
Recognition	2 064	690	2 754	1 269	639	1 908
Reversal	(8)	(9)	(17)	(1)	(10)	(11)
Utilisation	(1 494)	(734)	(2 228)	(1 152)	(1 150)	(2 302)
Closing balance	2 055	344	2 399	1 097	248	1 345

35. Other provisions

	9-month period ended 30 September 2022 (unaudited)				9-month period ended 30 September 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	4	1 010	15	1 029	3	-	6	9
Reversal	(3)	(43)	(4)	(50)	(3)	-	(17)	(20)
Utilisation	(1)	(767)	(24)	(792)	(2)	(43)	(15)	(60)
Closing balance	74	616	150	840	75	42	202	319
Non-current	-	5	38	43	-	8	62	70
Current	74	611	112	797	75	34	140	249
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				23				4
Total				820				253

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

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

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

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

35.2. Provisions for onerous contracts

	9-month period ended 30 September 2022 (unaudited)			9-month period ended 30 September 2021 (unaudited)		
	Generation Segment		Sales Segment	Sales Segment		
	Provision for contracts for the sale of electricity on the forward market with the maturity date by 31 December 2022	Provision for contracts for the sale of electricity in connection with the shutdown of the 910 MW unit	Provision for contracts for the sale of electricity to selected group of clients	Provisions for onerous contracts, total	Provision for contracts for the sale of electricity to selected group of clients	Provisions for onerous contracts, total
Opening balance	-	289	127	416	85	85
Recognition	1 005	-	5	1 010	-	-
Reversal	-	(43)	-	(43)	-	-
Utilisation	(432)	(246)	(89)	(767)	(43)	(43)
Closing balance	573	-	43	616	42	42
Non-current	-	-	5	5	8	8
Current	573	-	38	611	34	34

As at the balance sheet date of 30 September 2022, the Group recognises the provision for onerous contracts in the amount of PLN 616 million in the Generation and Sales segments. Provision was recognised for contracts relating to the sale of electricity where the sales revenue generated does not fully cover the costs incurred in connection with the need to produce or purchase electricity required to perform these contracts.

- Within the Generation segment, the Group recognised the provision for onerous contracts in the amount of PLN 573 million as at the balance sheet date. This provision was created as at 30 June 2022 in the amount of PLN 943 million, afterwards updated and increased on 30 September 2022 by amount of PLN 62 million, in connection with contracts for the sale of electricity on the forward market concluded with the maturity date by 31 December 2022. The provision created was calculated for the obligation of the Company to sell the volume of 3.04 TWh of electricity from the Generation segment on the forward market during the second half of 2022. The calculation of the provision was based on the price difference between the contracted sales price under the concluded forward market transactions and the estimated cost of performing the contracts comprising the cost of fuel used to produce electricity, CO₂ emission allowances in accordance with the contracts concluded for their purchase and other costs incurred in connection with the production of electricity, including depreciation of property, plant and equipment used to perform the contracts. In the 3-month period ended 30 September 2022, the Group partly used the provision in amount of PLN 432 million in connection with the execution of contracts with the total volume of 1.50 TWh.

Moreover, in the 9-month period ended 30 September 2022, in the Generation Segment the Group recognised the effects of utilisation and reversal of the provision created in connection with the shutdown of the 910 MW unit in Jaworzno. The provision created as at 31 December 2021 was calculated based on the assumption that in the period of the estimated shutdown of the unit, i.e. by 29 April 2022, the Group will purchase the volume of 1.7 TWh of electricity which was not 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 deliveries to customers, the Group purchased electricity on the wholesale market at current prices and subsequently resold it through the companies of the Sales segment to the end customer. Specifically, in the 9-month period ended 30 September 2022, the Group utilised the majority of the provision created in connection with the execution of transactions involving the purchase of electricity on the wholesale market at spot prices and its resale to the end consumer and reversed the remaining part of the provision.

- Within the Sales segment, as at the balance sheet date, the Group recognised the provision for onerous contracts in the amount of PLN 43 million relating in particular to sales contracts to the following groups of customers: customers benefiting from the prices of the ERO G tariff, customers benefiting from the product price lists offered by the companies and business customers with individually negotiated contracts who, in the 9-month period ended 30 September 2022, benefited from the possibility of settlement at prices resulting from the companies' tariffs. In the 9-month period ended 30 September 2022, the Group partially utilised the provision created as at 31 December 2021.

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

Material provisions recognised within other provisions are described below:

Operating segment	Description	As at 30 September 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.	30	33

36. Accruals and governmental subsidies

36.1. Deferred income and government grants

	As at 30 September 2022 (unaudited)	As at 31 December 2021
Deferred income	41	41
Donations, subsidies received for the purchase or fixed assets received free-of-charge	33	36
Other	8	5
Government grants	564	561
Subsidies obtained from EU funds	492	485
Measurement of preferential loans	27	29
Forgiven loans from environmental funds	23	24
Other	22	23
Total	605	602
Non-current	567	567
Current	38	35

36.2. Accruals of costs

	As at 30 September 2022 (unaudited)	As at 31 December 2021
Bonuses	282	60
Unused holidays	40	35
Environmental protection charges	18	26
Other accrued expenses	50	22
Total	390	143
Non-current	1	1
Current	389	142

37. Liabilities to suppliers

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

Operating segment	As at 30 September 2022 (<i>unaudited</i>)	As at 31 December 2021
Mining	206	164
Generation	205	168
Renevable Energy Sources	17	14
Distribution	638	409
Sales	603	389
Other	71	98
Total	1 740	1 242

38. Liabilities due to acquisition of non-controlling shares

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

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

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

39. Investment liabilities

Operating segment	As at 30 September 2022 (<i>unaudited</i>)	As at 31 December 2021
Mining	19	30
Generation	118	110
Renevable Energy Sources	18	19
Distribution	222	345
Sales and Other	73	112
Total	450	616

Long-term investment liabilities are presented in the consolidated statements of financial position under other financial liabilities. As at 30 September 2022, the related liability amounted to PLN 60 million (as at 31 December 2021, the liability on this account did not occur).

Commitments to incur capital expenditure

As at 30 September 2022 and as at 31 December 2021, the Group committed to incur expenditure of PLN 4 151 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.

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 9-month period ended 30 September 2022
compliant with the IFRS approved by the EU
(in PLN million)

Operating segment	Agreement/investment project	As at 30 September 2022 (unaudited)	As at 31 December 2021
Distribution	Construction of new electrical connections	1 848	1 342
	Modernization and reconstruction of existing networks	765	556
Renewable Energy Sources	Construction of wind farms	437	82
	Construction of the photovoltaic farm	109	-
Generation	Expansion of heat sources in new capacities	93	141
	Construction of 910 MW Power Unit in Jaworzno and additional work	85	166
Mining	Construction of the "Grzegorz" shaft with the accompanying infrastructure and excavations	96	96
Other	Construction of a broadband Internet network under the Operational Programme Digital Poland	12	62

40. Settlements due to income tax

The Group's income tax receivables in the amount of PLN 118 million relate to income tax settlements of the Group companies for the 9-month period ended 30 September 2022, including mainly the following companies: TAURON Sprzedaż Sp. z o.o., Nowe Jaworzno Grupa TAURON Sp. z o.o. and TAURON Ciepło Sp. z o.o.

The Group's income tax liabilities in the amount of PLN 56 million relate to income tax settlements of the Group companies for the 9-month period ended 30 September 2022, including mainly the following companies: TAURON Wytwarzanie S.A. and TAURON Dystrybucja S.A.

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

41. Liabilities arising from other taxes and charges

	As at 30 September 2022 (unaudited)	As at 31 December 2021
VAT	155	263
Social security	146	231
Personal Income Tax	35	69
Other	9	66
Total	345	629

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

42. Other financial liabilities

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Margin deposits arising from stock exchange	193	102
Wages, salaries	141	220
Liability due to return of recompensation by trading companies	94	-
Bid bonds, deposits and collateral received	81	64
Security margin deposits from bank settlements	60	-
Other	146	130
Total	715	516
Non-current	101	33
Current	614	483

The value of variation margins due to exchange settlements is related mostly to forward transactions in CO₂ emission allowances concluded on foreign regulated markets. The variation margins represented funds received by the Company in connection with the change in the valuation of the concluded futures contracts open as at the balance sheet date.

Margin deposits due to bank settlements represented funds received by the Company in connection with a significant increase in the positive measurement of the derivative instruments concluded with the bank: IRS, CCIRS and FX Forward.

43. Other current non-financial liabilities

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Payments from customers relating to future periods	786	568
Amounts overpaid by customers	476	392
Prepayments for connection fees	214	107
Other	96	69
Other current non-financial liabilities	1	2
Total	787	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

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Change in receivables	(309)	(129)
Change in receivables from buyers in statement of financial position	(191)	(159)
Change in other financial receivables	(121)	(7)
Other adjustments	3	37
Change in inventories	(162)	(342)
Change in inventories in statement of financial position	(152)	(329)
Adjustment related to transfer of inventories to/from property, plant and equipment	(10)	(13)
Change in payables excluding loans and borrowings	525	272
Change in liabilities to suppliers in statement of financial position	498	(66)
Change in payroll, social security and other financial liabilities	139	266
Change in non-financial liabilities in statement of financial position	214	122
Change in liabilities arising from taxes excluding income tax	(284)	18
Adjustment of VAT change related to capital commitments	(30)	(83)
Adjustment of other financial liabilities for guarantee valuation	(21)	12
Other adjustments	9	3
Change in other non-current and current assets	(751)	1 314
Change in other current and non-current non-financial assets in statement of financial position	(686)	(84)
Change in receivables arising from taxes excluding income tax	(342)	111
Change in non-current and current CO ₂ emission allowances	193	556
Change in non-current and current energy certificates	126	696
Change in advance payments for property, plant and equipment and intangible assets	(35)	36
Other adjustments	(7)	(1)
Change in deferred income, government grants and accruals	203	110
Change in deferred income, government grants and accruals in statement of financial position	250	221
Adjustment related to property, plant and equipment, intangible assets and right-of-use assets received free of charge	(19)	(26)
Adjustment related to subsidies received and refunded	(27)	(85)
Other adjustments	(1)	-
Change in provisions	670	(483)
Change of short term and long term provisions in statement of financial position	443	(582)
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	94	44
Adjustment for change in provisions recognised with non-financial fixed assets	135	56
Other adjustments	(2)	(1)
Total	176	742

Income tax paid

In the 9-month period ended 30 September 2022, income tax paid amounted to PLN 389 million, the Group companies paid PLN 763 million due to income tax settlements for the 9-month period ended 30 September 2022. At the same time, the Group received a tax refund from the Tax Capital Group settlement for 2021 in the amount of PLN 374 million.

In the 9-month period ended 30 September 2021, income tax paid amounted to PLN 300 million, of which the amount of PLN 261 million related to the Tax Capital Group. The Tax Capital Group paid income tax in the amount of PLN 364 million on account of advance income tax payments for the month of December 2020 and for the first two quarters of 2021 and received a refund of the surplus of income tax for 2020 in the amount of PLN 103 million.

Since 1 January 2022, the companies belonging to the Tax Capital Group in 2021 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

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Purchase of property, plant and equipment	(1 957)	(1 663)
Purchase of intangible assets	(189)	(56)
Change in the balance of capital commitments (VAT-adjusted)	(76)	(392)
Change in the balance of advance payments	35	(36)
Costs of overhaul and internal manufacturing	(400)	(239)
Other	(29)	(6)
Total	(2 616)	(2 392)

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

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Repayment by the Company of tranches of loans to the Consortium of banks I	(3 700)	(2 750)
Repayment by the Company of the loan installments to the European Investment Bank	(91)	(91)
Other	(4)	(3)
Total	(3 795)	(2 844)

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 due to 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

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Interest paid in relation to debt securities	(91)	(85)
Interest paid in relation to loans	(151)	(73)
Interest paid in relation to the lease and other	(8)	(7)
Total financial expenditure	(250)	(165)

Proceeds from contracted loans and borrowings

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
The launch of loan tranches of financing by the Company under loan agreements:		
Banks Consortium I	4 250	700
European Investment Bank	1 200	-
Erste Group Bank AG	96	-
Other	-	3
Total	5 546	703

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

45. Financial instruments

Categories and classes of financial assets	As at 30 September 2022 <i>(unaudited)</i>		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	3 697		3 440	
Receivables from buyers	3 513	3 513	3 322	3 322
Deposits	62	62	56	56
Loans granted	24	24	25	25
Other financial receivables	98	98	37	37
2 Financial assets measured at fair value through profit or loss (FVTPL)	2 740		1 726	
Derivative instruments	1 325	1 325	626	626
Shares	148	148	141	141
Loans granted	174	174	74	74
Other financial receivables	129	129	70	70
Cash and cash equivalents	964	964	815	815
3 Derivative hedging instruments	735	735	371	371
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	699		597	
Investments in joint ventures	699		597	
Total financial assets, of which in the statement of financial position:	7 871		6 134	
Non-current assets	1 915		1 443	
Investments in joint ventures	699		597	
Loans granted to joint ventures	198		99	
Derivative instruments	790		532	
Other financial assets	228		215	
Current assets	5 956		4 691	
Receivables from buyers	3 513		3 322	
Derivative instruments	1 270		465	
Other financial assets	209		89	
Cash and cash equivalents	964		815	

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 9-month period ended 30 September 2022
compliant with the IFRS approved by the EU
(in PLN million)

Categories and classes of financial liabilities	As at 30 September 2022 (unaudited)		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	16 927		15 290	
Preferential loans and borrowings	11	11	15	15
Arm's length loans and borrowings	6 326	6 218	4 520	4 471
Bonds issued	7 685	7 285	7 320	7 500
Liabilities to suppliers	1 740	1 740	1 242	1 242
Other financial liabilities	511	511	250	250
Liabilities due to the acquisition of non-controlling interests	-	-	1 061	1 061
Capital commitments	510	510	616	616
Salaries and wages	141	141	220	220
Insurance contracts	3	3	46	46
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	992		495	
Derivative instruments	992	992	495	495
3 Financial liabilities excluded from the scope of IFRS 9				
Financial Instruments	1 267		1 235	
Liabilities under leases	1 267		1 235	
Total financial liabilities, of which in the statement of financial position:	19 186		17 020	
Non-current liabilities	12 603		11 096	
Debt	12 387		10 947	
Derivative instruments	115		116	
Other financial liabilities	101		33	
Current liabilities	6 583		5 924	
Debt	2 902		2 143	
Liabilities to suppliers	1 740		1 242	
Liabilities due to the acquisition of non-controlling interests	-		1 061	
Capital commitments	450		616	
Derivative instruments	877		379	
Other financial liabilities	614		483	

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

Financial asset/liability classes	Fair value hierarchy level	Fair value measurement methodology
Financial assets/liabilities measured at fair value		
Derivatives, including:		
IRS and CCIIRS	2	Derivatives have been measured in line with the methodology presented in Note 22 hereto.
Currency forwards	2	
Commodity forwards and futures	1	
Shares	3	The Group estimated the fair value of shares held in not listed companies using the adjusted net assets method, considering its share in the net assets and adjusting the value by relevant factors affecting the measurement, such as the non-controlling interest discount and the discount for the limited liquidity of the above instruments or using a mixed approach. As the key factors affecting the value of the assumed shares had not changed at a given end of the reporting period compared to the initial recognition, in the case of other instruments the Group assumes that the historical cost is an acceptable approximation of the fair value.
Loans granted	2	The fair value measurement was carried out based on the present value of future cash flows discounted using a current interest rate.
	3	Fair value measurement of the loan had the form of the present value of future cash flows, including borrower's credit risk.
Financial liabilities whose fair value is disclosed		
Loans, borrowings and bonds issued	2	Liabilities arising from fixed interest debt are measured at fair value. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate currently applicable to given bonds or loans, i.e. applying market interest rates.

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

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

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

46. Objectives and principles of financial risk management

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

As at 30 September 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 cases for payment of 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); companies of the Wind Invest group - 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. z 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.

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. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimant, i.e. Talia Sp. z o.o. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has received a justification of the judgement of the Court of Appeals and has filed a cassation appeal within the required deadline. In the case brought by Amon Sp. z o.o., after the balance sheet date, on 17 November 2022, 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 judgement and the supplementary judgement indicated above are final. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimant, i.e. Amon Sp. z o.o. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. disagrees in its entirety with the decision of the Court of Appeals, as well as with the decision of the court of first instance. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. will immediately request the Court of Appeal to serve the judgement of the court of second instance with a written statement of reasons and will proceed to analyse it with a view to challenging it as soon as possible and taking all other legal measures to which it is entitled.

The above-mentioned final, partial and preliminary judgements in the Talia Sp. z o.o. and Amon Sp. z o.o. lawsuits 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. and Amon Sp. z o.o. 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 Pełkanino 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 final. This decision does not prejudge the merits of the action, which can only take place in a binding judgement, but only temporarily regulates the parties' relations for the duration of the proceedings.

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 chances of the Group 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. with 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.

To the best of the Group's knowledge, 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. The Group does not create a provision in relation to the above-mentioned 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. After the balance sheet date, on 13 October 2022, Huta filed a cassation appeal with the Supreme Court.

Based on the conducted legal analysis of the claims as well as taking into account the aforementioned judgement, the Group believes that they are unjustified and the risk that they must be satisfied is remote. Consequently, the Company did not create a provision for costs associated with those claims.

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016 and currently before 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. 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 undertake remedying actions.

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

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

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

Non-contractual use of real estate

The companies belonging to Group do not hold legal titles to all plots of land on which the distribution grids and the related equipment and heat installations are situated. In the future, the Group may be required to incur costs for the use of real estate without the underlying contracts; however, it must be emphasised that the risk of loss of assets is minor. The Group creates the provision for all court disputes filed in this respect. The provision is not established for unreported potential claims by owners of land of unregulated status due to the lack of detailed record of unregulated land and the resulting inability to reliably estimate the amount of potential claims. However, considering the record of the reported claims and the costs incurred in this respect in previous years, the risk of the necessity to incur significant costs due to such claims can be considered as remote.

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

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

In December 2017, the subsidiary, TAURON Wydobycie S.A. received a claim from Galeria Galena Sp. z o.o., with its registered office in Gliwice, for payment of the amount of PLN 23 million as reimbursement of expenses for protecting the facility located in Jaworzno against the effects of mining exploitation. In addition, on 5 April 2018, the company received a claim for payment filed by Galeria Galena Sp. z o.o. against the legal successors of Kompania Węglowa S.A. including the application for combining this case for joint consideration with the case against TAURON Wydobycie S.A. The case has been combined for joint examination against the defendants by Galeria Galena Sp. z o.o., i.e. against the State Treasury - Director of the Regional Mining Office in Katowice and legal successors of Kompania Węglowa S.A. in Katowice. The parties have been providing explanations and serving pleadings on an ongoing basis. The case is pending before the first instance District Court in Katowice. In the course of the proceedings, opinions were prepared by court experts. As a result of further factual doubts and requests by the parties, the court instructed the expert witnesses to prepare another supplementary opinion. On 22 August 2022, the company received the opinion in question. The parties to the proceedings shall respond to the supplementary opinion. The company is waiting for a court date to be determined.

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.

In January 2020, 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." declared the suspension of the works indicating as the reason the risk to safety caused by the disclosure of changes in hydrogeological conditions in the area of the works and in February 2020, it applied to the company for an amendment to the underlying agreement, including changes in the scope of the amount of the remuneration. TAURON 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.

From February 2021, the company was mediating with the General Contractor as part of a petition filed with the Court of Arbitration at the General Counsel to the Republic of Poland. After the balance sheet date, on 26 October 2022, the mediation settlement was signed. On 28 October 2022, the mediation settlement, together with the application, was referred to the common court for approval; After the Court will approve, the parties will sign the relevant annexes to the execution and design contract.

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

49. Collaterals for repayment of liabilities

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

Collateral	Collateral amount as at	
	30 September 2022 (unaudited)	31 December 2021
Declarations of submission to enforcement*	23 537	19 189
Corporate and bank guarantees	1 891	1 526
Bank account mandates	600	600
Blank promissory notes	931	499
Pledges on shares	416	1 796
Other	180	62

*As at 30 September 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.

As at 30 September 2022 and 31 December 2021, the declarations of submission to enforcement constitute the main item of the collaterals. Significant changes in the scope of the collaterals are described below.

- 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 Fundusz Inwestycji Infrastrukturalnych-Kapitałowy FIZAN (the "PFR Fund") arising from the agreement of 22 December 2021, as discussed in more detail in Note 38 of these interim condensed consolidated financial statements, the declaration of submission to enforcement up to PLN 1 380 million, with the enforcement date of 22 September 2023, expired. The Company received a declaration from the PFR Fund of 4 April 2022 that the collateral had expired and that the declaration of submission to enforcement had not been exercised. Moreover, the collateral expired in the form of pledges on 176 000 shares in the share capital of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., i.e., the registered pledge with the first priority of satisfying on the shares up to the maximum amount of security of PLN 1 380 million and the 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.
- On 25 August 2022, the Company signed a declaration of submission to enforcement up to the maximum amount of PLN 4 800 million with the expiry date of 30 November 2030, in connection with the conclusion of the syndicated loan agreement in the amount of PLN 4 000 million on 15 July 2022, as further described in Note 31.2 to these interim condensed consolidated financial statements.

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

- on 17 October 2022 and 26 October 2022, TAURON Zielona Energia Sp. z o.o. provided corporate guarantee up to amount of EUR 28 million and surety up to amount PLN 69 million for liabilities of WIND T4 Sp. z o.o., for the third parties. Collaterals apply to the day of repayment of all trade liabilities by WIND T4 Sp. z o.o., resulted from the concluded contracts;

- on 8 November 2022, the Company signed a declaration of submission to enforcement up to the maximum amount of PLN 180 million with an effective term until 7 November 2027, in connection with the conclusion of a bank guarantee limit agreement on 7 November 2022. Under the agreement, the Company will be able to request bank guarantees to secure the Group's liabilities up to the total amount of PLN 150 million.

Due to the importance of transactions concluded by the Group on the Polish Power Exchange S.A. [Towarowa Giełda Energii S.A.] the forms of hedging applied to these transactions, including changes in hedging after the balance sheet date, are described in detail below.

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

- Bank guarantees

The Group hedges transactions concluded on the Polish Power Exchange [Towarowa Giełda Energii S.A.], among others, in the form of bank guarantees issued to Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT"). As at 30 September 2022 and 31 December 2021, bank guarantees totalling PLN 214 million and PLN 70 million, respectively, were in force (included under Corporate and bank guarantees in the table above).

After the balance sheet date, bank guarantees were issued in favour of IRGiT as collateral for the liabilities of the Company and the subsidiary, TAURON Wytwarzanie S.A. As at the date of approval of these interim condensed consolidated financial statements for publication, bank guarantees in the total amount of PLN 354 million, are in force, with the validity dates from 22 November 2022 to 20 December 2022.

- TAURON Group Margin Offsetting Agreement

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

- Transfer of CO₂ emission allowances and property rights of certificates of origin

In order to secure the liabilities of the Company and its subsidiary, TAURON Wytwarzanie S.A. on account of due margin deposit payments, the following agreements were concluded with IRGiT for the transfer of CO₂ emission allowances and property rights to certificates of origin:

- pursuant to the agreement of 30 June 2022 between the subsidiary, TAURON Wytwarzanie S.A. and IRGiT, on 4 July 2022 the company deposited CO₂ emission allowances owned by it in the IRGiT account in the total amount of 266 086 tonnes;
- after the balance sheet date, on 13 October 2022, the Company submitted a declaration to the agreement for the transfer of CO₂ emission allowances as a collateral for its liabilities, to transfer to IRGiT the CO₂ emission allowances in the total amount of 195 000 tonnes;
- after the balance sheet date, by virtue of the agreement of 18 October 2022 concluded between the subsidiary, TAURON Wytwarzanie S.A. and IRGiT, on 28 October 2022 the company submitted an instruction to the Register of Certificates of Origin kept by the Polish Power Exchange (Towarowa Giełda Energii S.A.) to block its property rights in a total amount of 81 000 MWh.

Until the date of approval of these interim condensed consolidated financial statements for publication, the CO₂ emission allowances have not been returned to the account of the Company and its subsidiary, TAURON Wytwarzanie S.A., while the property rights arising from the certificates of origin have not been unblocked.

- Declaration on Submission to Enforcement

After the balance sheet date, on 27 October 2022, a declaration of submission to enforcement was signed to secure the Group's liabilities to IRGiT up to the amount of PLN 4 000 million, with the term of validity until 31 October 2023.

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

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

TAURON Polska Energia S.A. Capital Group
Interim condensed consolidated financial statements for the 9-month period ended 30 September 2022
compliant with the IFRS approved by the EU
(in PLN million)

	As at 30 September 2022 <i>(unaudited)</i>	As at 31 December 2021
Other non-financial receivables	275	-
Other financial receivables	50	29
Real estate	4	4
Cash	1	1
Total	330	34

As at 30 September 2022, the main items include other non-financial assets - funds paid in advance for coal deliveries in the amount of PLN 275 million and other financial receivables - funds paid as collateral of derivative financial instruments concluded by the Company on foreign regulated markets in the amount of PLN 50 million (PLN 29 million as at 31 December 2021).

Provision of funds to cover future decommissioning costs

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

50. Related party disclosures

50.1. Transactions with joint ventures

The Group has interest in the following joint ventures: Elektrociepłownia Stalowa Wola S.A. and the TAMEH HOLDING Sp. z o.o. capital group, which are further described in Note 20 to these interim condensed consolidated financial statements.

The total value of transactions with jointly-controlled entities is presented in the table below.

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Revenue	723	292
Costs	(328)	(332)

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 the State Treasury companies

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

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

Revenues and costs

	9-month period ended 30 September 2022 <i>(unaudited)</i>	9-month period ended 30 September 2021 <i>(unaudited)</i>
Revenue	2 750	2 321
Costs	(3 954)	(3 429)

Receivables and liabilities

	As at 30 September 2022 (unaudited)	As at 31 December 2021
Receivables*	305	573
Payables	808	506

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

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Capital Group in the 9-month period ended 30 September 2022 and in the comparable period included: KGHM Polska Miedź S.A., PSE S.A. and Polska Grupa Górnicza S.A. The largest purchase transactions were performed by the Group with PSE S.A., Polska Grupa Górnicza S.A. and Węglkokoks S.A.

The Capital Group conducts significant transactions on the energy markets 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 tables above 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. The remaining costs of PLN 3 million were reimbursed to the Company after the balance sheet date, on 24 October 2022. 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.

After the balance sheet date, a contingency agreement for the sale of shares in the subsidiary, TAURON Wydobycie S.A. was concluded between the Company and the State Treasury on 21 October 2022, as described in detail in Note 52 of these interim condensed consolidated financial statements.

50.3. Remuneration of the executives

The level of remuneration and other benefits of members of the Management Board and other top management staff of the parent company and the subsidiaries paid and due in the 9-month period ended 30 September 2022 and in the comparable period is presented in the table below.

	9-month period ended 30 September 2022 (unaudited)		9-month period ended 30 September 2021 (unaudited)	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	5	18	3	16
Short-term benefits (with surcharges)	5	17	3	15
Employment termination benefits	-	1	-	1
Supervisory Board	1	1	-	1
Short-term employee benefits (salaries and surcharges)	1	1	-	1
Other key management personnel	11	42	12	38
Short-term employee benefits (salaries and surcharges)	10	40	10	36
Other	1	2	2	2
Total	17	61	15	55

In addition, in accordance with the accounting policy adopted, the Group creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on

account of termination of their employment, which may be paid or payable in subsequent reporting periods. The table above takes into account the amounts paid and due to be paid until 30 September 2022.

51. Other material information

Restructuring of the hard coal mining sector in Poland

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

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

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

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

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

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

In connection with the NABE Programme, in the 9-month period ended 30 September 2022, work was carried out in the Group in order to perform the reorganisation changes necessary for the execution of the transaction, aimed at integrating the assets to be separated into a single entity, i.e. TAURON Wytwarzanie S.A. company in TAURON Group. In particular, as part of the work performed:

- on 18 May 2022, a resolution was adopted to divide the TAURON Wytwarzanie S.A. company by separating and transferring the separated assets to the newly established company, TAURON Inwestycje Sp. z o.o. in organisation. Assets other than those related to the production of electricity from coal assets, such as the photovoltaic farm, which

are not planned to be transferred under the NABE Programme, were transferred to TAURON Inwestycje Sp. z o.o. The value of the separated net assets amounted to PLN 75 million. The transaction did not have any impact on the consolidated financial statements. The demerger of TAURON Wytwarzanie S.A. and the incorporation of TAURON Inwestycje Sp. z o.o. were registered on 1 July 2022,

- on 31 May 2022, the Company transferred the ownership of 100% of shares in the share capital of Bioeko Grupa TAURON Sp. z o.o. and 95.61% of shares in the share capital of TAURON Serwis Sp. z o.o. to TAURON Wytwarzanie S.A. under the concluded agreement *datio in solutum* with a total market value of PLN 58 million,
- on 29 July 2022, an agreement was concluded for the sale of 100% of the shares in Nowe Jaworzno Grupa TAURON sp. z o.o. held by the Company to TAURON Wytwarzanie S.A. for the price of PLN 4 815 million.

After the balance sheet day, on 3 October 2022 the merger of companies TAURON Wytwarzanie S.A. (the acquiring company) with Nowe Jaworzno Grupa TAURON sp. z o.o. (the acquired company) through the transfer of the entire assets of Nowe Jaworzno Grupa TAURON Sp. z o.o. to TAURON Wytwarzanie S.A. was registered.

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

Receiving the offer to purchase shares of TAURON Wydobycie S.A.

On 13 September 2022, the Company received an offer from the State Treasury to acquire 36 051 078 shares in its subsidiary, TAURON Wydobycie S.A., representing 100% of the share in the share capital of TAURON Wydobycie S.A., for a total price of PLN 1.

As at 30 September 2022, the Group believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the Group's assets and liabilities of TAURON Wydobycie S.A. as a disposable group classified as held for sale.

After the balance sheet date, a contingency agreement for the sale of shares in TAURON Wydobycie S.A. was concluded between the Company and the State Treasury as described in detail in Note 52 of these interim condensed consolidated financial statements.

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

The 9-month period ended 30 September 2022 was the time of the continuing state of the COVID-19 pandemic (5th wave), which initially (first quarter of 2022) saw persistently high levels of SARS-CoV-2 virus infections, which gradually decreased later throughout the year. Some restrictions still applied in the country with the aim to contain the spread of the pandemic which were gradually eased as the number of recorded cases of infection decreased. This situation triggered certain turbulences in the economic and administrative system in Poland and worldwide. The restrictions are currently considerably less severe, nevertheless, in the medium and long term, it should be expected - taking into account the 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. Material issues relating to the impact of the pandemic on TAURON Group are set out below:

- despite the restrictions initially in force, no material impact on the level of demand for electricity among TAURON Group customers has been observed in 2022,
- in the 9-month period ended 30 September 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 was observed,
- in the 9-month period ended 30 September 2022, no significant changes in the level of prices in the markets of electricity and related products resulting from the COVID-19 pandemic was observed,
- the situation related to the COVID-19 pandemic during the 9-month period ended 30 September 2022 affected the operational activities of the individual Business Areas of TAURON Group through increased employee absenteeism, which, however, did not have a significant impact on operational continuity.

TAURON Group, being aware of the risks associated with the epidemiological situation, continued and adapted its activities adequately to the level of risks and the development of the epidemiological situation in the analysed period. In connection with the foregoing, the Management Board of the Company continues to monitor the pandemic situation and takes any feasible steps to mitigate the negative impact of the pandemic on TAURON Group.

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

In February 2022, the armed conflict started in territory of Ukraine. The aggression of the Russian Federation against Ukraine has triggered geopolitical tensions both in Europe and worldwide. In response to the situation, the European Union has been introducing successive packages of sanctions against the Russian Federation, which take a wide and varied range of forms, including diplomatic and financial measures, individual sanctions as well as restrictions on economic relations.

In the opinion of TAURON Group, the key consequences of the aggression of the Russian Federation in Ukraine and the resulting risks identified as at the date of the financial statements which affected TAURON Group in the 9-month period ended 30 September 2022 are as follows:

- crisis in the energy fuels market resulting from the reduction in trade exchange with the Russian Federation, causing supply disruptions in fossil fuels and consequently affecting spikes in the volatility and price levels of raw materials quoted on commodity markets (including oil, gas and coal). This situation (mainly during the third quarter of 2022) had an impact on increasing the variable costs of generation with limited possibilities to transfer the cost to increased revenues from sales and electricity production,
- restrictions on coal supply in terms of contracts concluded with external suppliers,
- high level of volatility of electricity prices in all market segments both in Poland and in the European markets, resulting in continuing high level of market risk. In commercial terms, a high level of costs related to securing (including profiling and trade balancing) end-customer demand in the Sales Area is observed, with limited possibilities of passing it on to the end-customer, which particularly refers to the tariff regulated by the ERO President,
- the rise in inflation in Poland, as a result of which the Monetary Policy Council cyclically introduced increases in the NBP reference rate. The volatility of interest rates affects the cost of servicing financing in TAURON Capital Group and it will also affect the return on capital employed in the Distribution Area in the long term. As a result of the economic disturbances, an increased volatility of exchange rates and depreciation of the Polish zloty is also recorded, which mainly affects the cost of purchasing CO₂ emission allowances and an increase in the cost of purchasing coal from foreign directions, as well as the valuation of debt denominated in EUR,
- observed gradual downturn of the economic situation in Poland, and consequently a decrease in the volume of energy sales and distribution (observed in particular in the third quarter of 2022), which affects the value of revenues of the Distribution Area and the Sales Area,
- escalation of wage claims and potential social unrest in TAURON Group as a result of rising inflation in Poland.

In the 9-month period ended 30 September 2022, the impact of the aforementioned risks on TAURON Group was mainly related to the high volatility of electricity prices and coal prices as well as difficulties associated with fuel supply in the domestic market. In terms of financial and liquidity risks, as at the date of drawing up these interim condensed consolidated financial statements, the Group held sufficient financial resources enabling it to settle its current liabilities as well as to carry out the investment activities it had started. In particular, as part of its efforts to mitigate the liquidity risk, TAURON pursues a prudential policy of fund-raising for TAURON Group, i.e. well in advance of the planned date of its use. Moreover, such actions are aimed to ensure flexible selection of funding sources and reduce the risk related to the necessity to contract new liabilities under unfavourable terms.

In the subsequent periods, the above-mentioned risk factors are expected to continue and their impact on the TAURON Group's liquidity and results will depend on the impact of the aggression of the Russian Federation on the development of the market, economic and geopolitical environment. It should be indicated that the situation associated with 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, further developments including the potential escalation of hostilities as well as the impact on the condition of the economy in Poland and worldwide. The scale and extent of the impact of the identified risks may also depend on the regulatory intervention announced at European Union level, as well as at national level, targeted at reducing electricity demand, introducing mechanisms to limit electricity price increases for end users and introducing revenue limits for electricity generators.

In addition to the continuation of the risk factors identified above, the possibility of the following risks occurring in the subsequent periods should be taken into consideration:

- economic disturbances which may trigger financial difficulties for some customers and counterparties of TAURON Group and an increase in credit risk,
- continued high volatility in the prices of electricity and related products, which may cause an increase in trading margins resulting from contracts concluded on the exchange market,

- continued high volatility of raw material prices and prices of electricity and related products, rising inflation, as well as possible disruptions to the supply chains of goods and services, which may affect the timing and profitability of ongoing and planned investment processes,
- changes in the EU energy balance and, as a consequence, an increased level (especially in the first half of 2022) of operation of TAURON Group's generating units, which may result in a decrease in their availability and risks resulting from capacity obligations imposed on some of them,
- threats in the scope of security and cyber security, including potential restrictions in the access to IT/ OT infrastructure, the internet and GSM networks as well as physical security of critical infrastructure elements, the disruption of which may cause disturbances in the scope of functioning of operational processes and business continuity. At the national level, introduction and maintenance of alert degrees, indicating an increased risk associated with the possibility of terrorist events, has been noted.

The Group took active measures to reduce as fully as possible the existing as well as potential future effects of the risks on TAURON Group.

In other areas, as of the date of drawing up these interim condensed consolidated financial statements, 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. Moreover, no significant risks are identified with regard to the implementation of the TAURON Group's long-term development directions and Strategy. Current and potential challenges related to the volatility of commodity prices, disruption of supply chains for goods and services, as well as inflation are analysed in detail based on updated knowledge and forecasts before any significant funding is raised.

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 as well as to maintain the continuity of critical infrastructure operations.

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

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

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

52. Events after the balance sheet date

Conclusion of conditional agreement for the sales of shares in TAURON Wydobyćie S.A.

After the balance sheet date, on 12 October 2022, the Company Management Board decided on the conditional disposal to the State Treasury of all the shares held by the Company in its subsidiary, TAURON Wydobyćie S.A., representing 100% of the share capital of TAURON Wydobyćie S.A., for the total price of PLN 1.

On 21 October 2022, a conditional agreement for the sales of shares in the subsidiary, TAURON Wydobyćie S.A. was concluded between the Company and the State Treasury.

The subject matter of the agreement is the sales of all the shares held by the Company in TAURON Wydobyćie S.A., representing 100% of the company share capital, for the total price of PLN 1. The transaction will take place no earlier than on 31 December 2022, provided that the following conditions precedent are jointly met:

- non-exercise of the pre-emptive right by Krajowy Ośrodek Wsparcia Rolnictwa (National Centre for Agricultural Support) to purchase shares in TAURON Wydobyćie S.A. conferred under the provisions of the Act of 11 April 2003 on shaping of the agricultural system,

- increase in the share capital of TAURON Wydobyćie S.A., performed in order to repay the debt of TAURON Wydobyćie S.A. to the Company.

On 21 October 2022, the Extraordinary General Meeting of TAURON Wydobyćie S.A. adopted the resolution on increasing the share capital by issuing new 3 977 601 registered shares with a par value of PLN 10 per share, which were offered to the Company under the closed subscription at an issue price of PLN 1 000 per share, i.e. for the total amount of PLN 3 978 million. On 25 October 2022, a set-off agreement was concluded between the Company and TAURON Wydobyćie S.A., pursuant to which the parties set off the receivables of TAURON Wydobyćie S.A. on account of capital increase against the receivables of the Company arising from the debt in the amount of PLN 3 978 million.

Entry into force of legislation affecting the price of electricity

After the balance sheet date, the *Act of 7 October 2022 on special measures aimed at protection of electricity consumers in 2023 in connection with the situation on the electricity market* (the "Consumer Protection Act") entered into force on 18 October 2022. In principle, the Customer Protection Act imposes an obligation on energy companies engaged in the business of electricity trading and electricity distribution to apply the prices in force in 2022 settlements with eligible customers in 2023, up to the maximum consumption set by the Customer Protection Act at 2 MWh (or 2.6 MWh and 3 MWh, in the case of selected groups of eligible customers). Pursuant to the Customer Protection Act, in respect of the application of frozen electricity prices in 2023, energy companies are entitled to compensation in the amount of the product of the electricity covered by the frozen prices and the difference between the energy price resulting from the electricity tariff approved by the President of the ERO for 2023 and the frozen electricity prices.

On 4 November 2022, the *Act of 27 October 2022 on emergency measures to cap electricity prices and support certain consumers in 2023* (the "Act on Emergency Measures") entered into force. The Act on Emergency Measures imposes the obligation on energy companies conducting business in the scope of electricity trading to apply maximum electricity prices when billing eligible customers. Moreover, the Act on Emergency Measures imposes an obligation on electricity generators (both in the area of conventional generation and renewable energy sources) and trading companies to make contributions to the Price Difference Payment Fund (the "Fund"), for the purpose of paying the compensations established by the Act on Emergency Measures. On 10 November 2022, the *Regulation of the Council of Ministers of 8 November 2022 on the method of calculating the price cap* entered into force, which sets out the manner of calculating the price cap for electricity generators, by electricity generation technology and trading companies.

As at the date of approval of these interim condensed consolidated financial statements for publication, analyses are in progress to estimate the potential impact of the Act on Emergency Measures and the Consumer Protection Act on the Group's future financial results and financial position, in particular with regard to the Generation, Renewable Energy and Sales segments. Their estimation will be possible at the earliest after the ERO President approves the tariffs for the sale and distribution of electricity for 2023.

These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the 9-month period ended 30 September 2022 in compliance with the International Accounting Standard No. 34 comprise 64 pages.

Katowice, 22 November 2022

Paweł Szczeszek – President of the Management Board

Patryk Demski – Vice President of the Management Board

Bogusław Rybacki – Vice-President of the Management Board

Krzysztof Surma – Vice President of the Management Board

Tomasz Szczegielniak – Vice President of the Management Board

Artur Warzocha – Vice President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes



ADDITIONAL INFORMATION

to TAURON Polska Energia S.A. Capital Group's
extended and consolidated Q3 2022 report

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

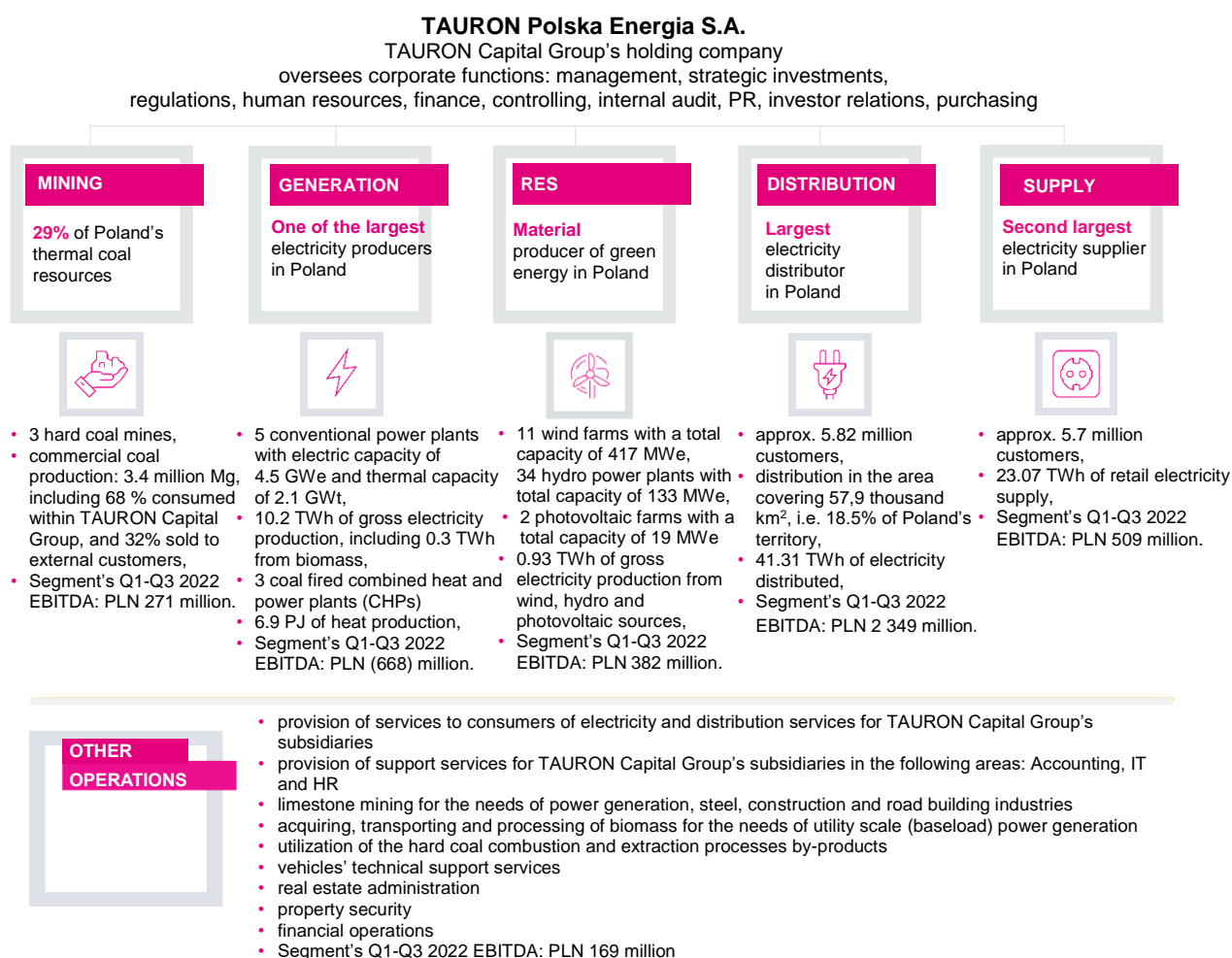
1.1. Basic information

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



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 (SSC) (Centra Usług Wspólnych - CUW).

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



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



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



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



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

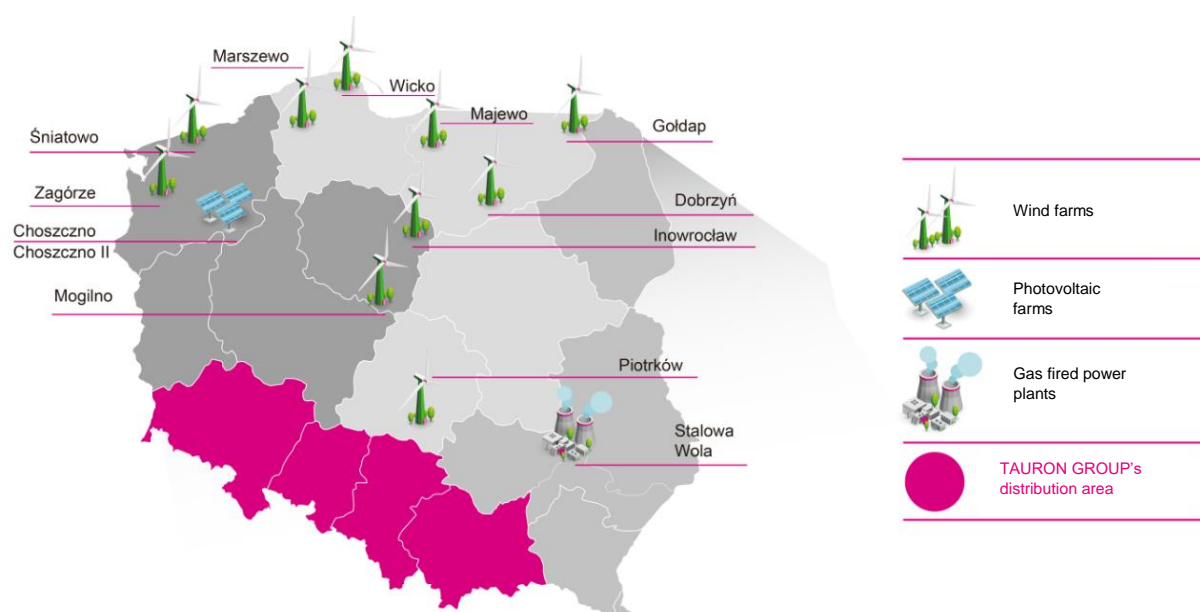


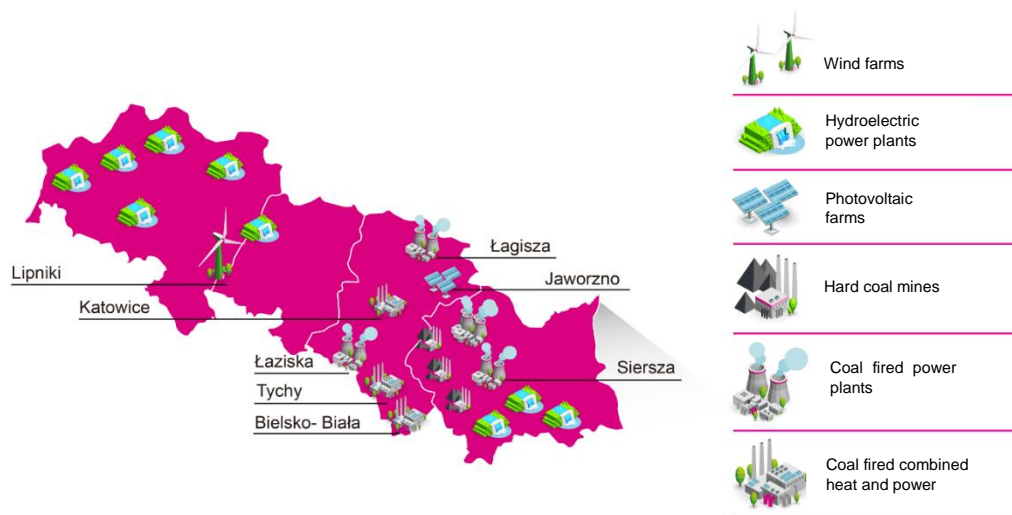
Supply Segment, comprising electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO₂ emission allowances, property rights arising from the Guarantees of Origin (GOs) of energy (energy certificates) that confirm electricity generation from the renewable energy sources, in cogeneration and the property rights arising from the energy efficiency certificates, as well as fuels and the lighting services. The Segment's operations also include providing services for the business and individual customers with respect to, among others, innovative products and services related to the management and maintenance of the street lighting (including modern led lighting systems), smart city products, e-mobility products, as well as energy efficiency, operating the MV/LV grids, the construction of electric vehicle charging stations.

Apart from the main Segments of operations, TAURON Capital Group is also conducting the operations presented as part of the **Other Operations** that comprise, among others, the customer service for TAURON Capital Group's customers, the provision of the support services for TAURON Capital Group's subsidiaries with respect to accounting, human resources (HR) management, information and communications technology (ICT), as well as the operations related to the extraction of stone (rocks), including limestone, for the needs of the power generation, steel making, construction and road building industries, as well as the production of sorbing agents for wet flue gas desulphurization installations and for the use in fluidized bed boilers. The Other Operations also include the financial operations, utilization (management) of the hard coal combustion and extraction processes' by-products, biomass acquisition, transportation and processing, real estate administration, property security, as well as the technical support services for the vehicles.

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

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





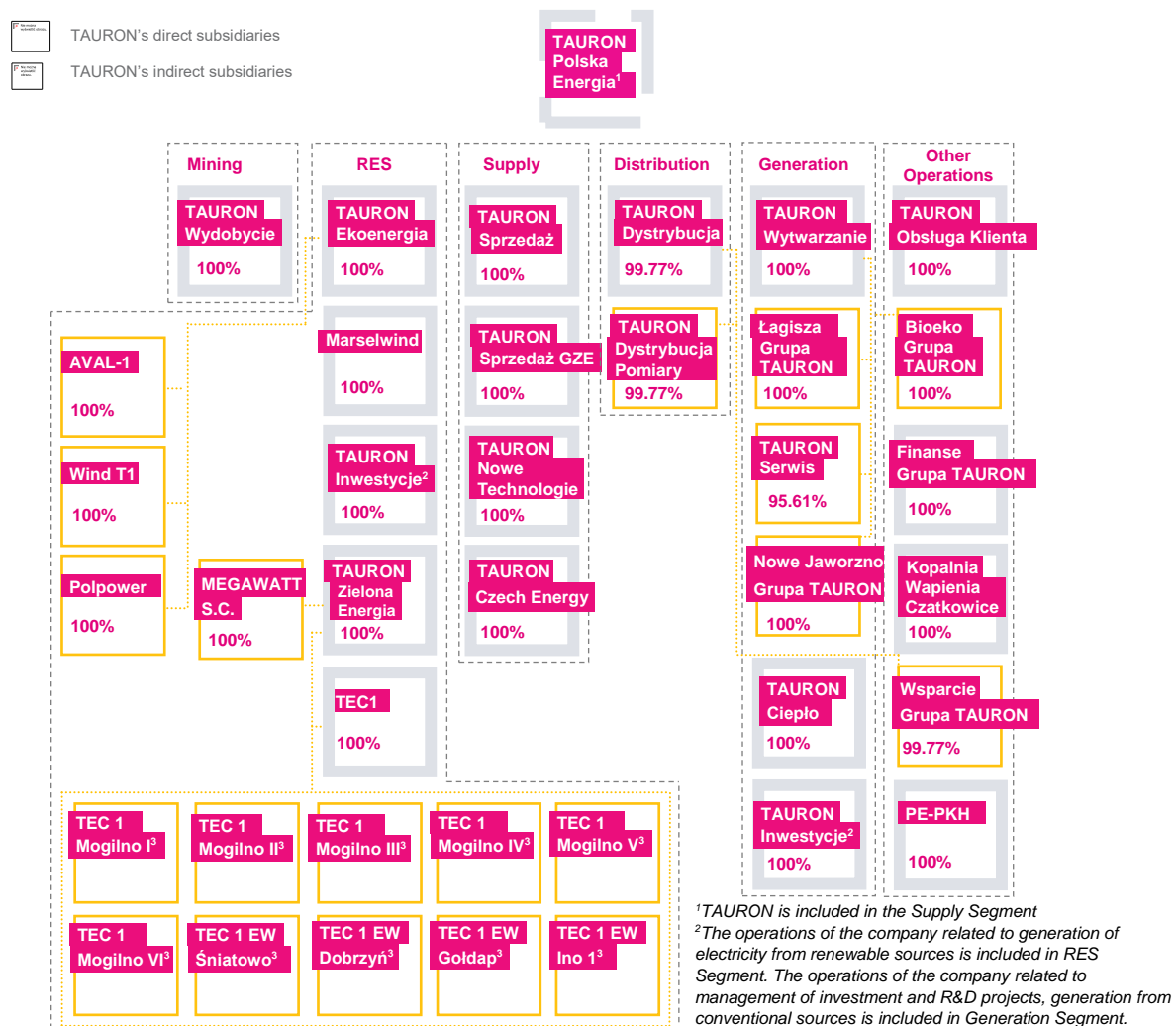
1.3. Structure of TAURON Capital Group

As of September 30, 2022, and as of the date of drawing up this information, TAURON Capital Group's key subsidiaries, besides TAURON parent company, included 37 subsidiaries subject to consolidation, that are listed below. In addition, as of September 30, 2022, the Company held, directly or indirectly, shares in other 37 companies and as of the date of drawing up this report, in other 36 companies.

Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of September 30, 2022.

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



³TEC1 sp. z o.o. (Ltd.) is the General Partner, TAURON Zielona Energia sp. z o.o. (Ltd.) is the Limited Partner.

Changes to the organization

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

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

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

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

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

1. as part of an internal reorganization aimed at integrating TAURON Group's hard coal based generation assets:

- 1) on May 31, 2022, the ownership of 87 897 shares in TAURON Serwis sp. z o.o. (Ltd.) (TAURON Serwis), constituting 95.61% of the shares in the share capital of the company, and 180 000 shares in Bioeko Grupa TAURON sp. z o.o. (Ltd.) (Bioeko Grupa TAURON), constituting 100% of the shares in the share capital of the company, was transferred from TAURON to TAURON Wytwarzanie S.A. (TAURON Wytwarzanie S.A.). As a consequence of the above, TAURON is no longer a direct shareholder of the above mentioned companies.

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

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

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

The assets spun off from TAURON Wytwarzanie to TAURON Inwestycje were responsible for generating EBITDA in the amount of PLN -16.9 million in the first three quarters of 2022.

- 4) in order to achieve the self-sufficiency of the spun-off companies, the appropriate annexes to the applicable SLAs have been concluded, ensuring the continuity of the services provided,
- 5) on July 29, 2022, the ownership of 1 284 020 shares in Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) (Nowe Jaworzno Grupa TAURON) that constituted 100% of the shares in the company's share capital was transferred from TAURON to TAURON.

Thus, all of the assets of TAURON Capital Group to be spun off to NABE were concentrated within the TAURON Wytwarzanie. TAURON Wytwarzanie was responsible for generating EBITDA in the amount of PLN -979 million in the first three quarters of 2022.

- 6) on October 3, 2022 (an event that took place after the balance sheet date), the District Court Katowice-Wschód in Katowice, the 8th Commercial Division of the National Court Register, registered the merger of TAURON Wytwarzanie (the Acquiring Company) and Nowe Jaworzno Grupa TAURON (the Acquired Company). The merger was carried out in accordance with Article 516 of the *Commercial Companies Code* by way of the acquisition of the Acquired Company by the Acquiring company, which is the sole shareholder of the Acquired company, without increasing the share capital of the Acquiring Company and without changing its Articles of Association. The merger of the companies took place by transferring all of the assets of the Acquired Company to the Acquiring Company (merger by acquisition).
2. as part of the preparation for the sale transaction to the State Treasury, the due diligence process of the generation companies being the subject of the transaction is carried out, i.e. TAURON Wytwarzanie and Nowe Jaworzno Grupa TAURON, whose assets were incorporated by TAURON Wytwarzanie as of October 3, 2022, as a result of the merger of the companies.

Other changes in the organization

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

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

Acquisition by TAURON of the shares in the company PGE Baltica 4 sp. z o.o. (Ltd.)

On September 28, 2022, TAURON, as the buyer, and PGE Polska Grupa Energetyczna S.A. (PGE), as the seller, entered into a dispositive agreement for the sale of the shares in the project company (SPV) PGE Baltica 4 sp. z o.o. (PGE Baltica 4), dedicated to the implementation of the offshore wind power investment projects in the Polish Exclusive Economic Zone.

As a result of the transaction concluded, TAURON acquired 526 shares, with a total nominal value of PLN 526 000, in the share capital of PGE Baltica 4, that constitute 526/1170 (45%) of the share capital and granting the right to the same number of votes at the General Meeting of that company.

Acquisition by TAURON Zielona Energia of the shares in the company WIND T4 sp. z o.o. (Ltd.)

On October 3, 2022 (an event that took place after the balance sheet date), TAURON Zielona Energia acquired 100% of the shares in the share capital of WIND T4 sp. z o.o. (Ltd.), a company holding the right to implement the Nowa Brzeźnica wind farm construction project with a capacity of 19.6 MW, located in the Łódź province. On the date of the acquisition, the wind farm development project was in the ready for construction phase, and in accordance with the adopted assumptions, the company will complete the project's implementation in 2025.

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

On October 7, 2022 (an event that took place after the balance sheet date), the District Court for Kraków Śródmieście in Kraków, the 12th Commercial Division of the National Court Register, registered the merger of TAURON Dystrybucja Pomiary sp. z o.o. (Ltd.) (the Acquiring Company) with KOMFORT Zarządzanie Aktywami sp. z o.o. (Ltd.) (the Acquired Company).

The merger was carried out in accordance with Art. 492, § 1, clause 1) of the *Commercial Companies Code*, i.e. by transferring all of the assets of KOMFORT Zarządzanie Aktywami to TAURON Dystrybucja Pomiary (merger by acquisition). Due to the capital (equity) structure of the companies taking part in the merger (the Acquiring Company holds 100% of the shares in the share capital of the Acquired Company), the merger took place pursuant to the

provisions allowing for the so-called simplified procedure for merging companies (Art. 516, § 6 of the *Commercial Companies Code*), and as a consequence, the merger took place without an increase in the share capital of the Acquiring Company and without amending the Acquiring Company's Shareholders' Agreement, in accordance with the rules provided for in the Merger Plan.

Sale of the shares in Marselwind sp. z o.o. to TAURON Dystrybucja S.A.

On October 10, 2022 (an event that took place after the balance sheet date), TAURON Dystrybucja acquired from TAURON 2 200 shares in Marselwind sp. z o.o. (Ltd.) (Marselwind), which constitute 100% of the shares in the company's share capital.

As a consequence of the above, TAURON Dystrybucja became a sole shareholder of Marselwind.

Acquisition by TAURON Zielona Energia of the shares in the company FF PARK PV 1 sp. z o.o. (Ltd.)

On October 13, 2022 (an event that took place after the balance sheet date), TAURON Zielona Energia acquired 100% of the shares in the share capital of the company FF PARK PV1 sp. z o.o. (Ltd.), a company holding the right to implement the Proszówek photovoltaic farm construction project with a capacity of 45.6 MW, located in the Lower Silesia province. On the date of the acquisition, the photovoltaic farm development project was in the ready for construction phase, and in accordance with the adopted assumptions, the company will complete the first stage of the project in the fourth quarter of 2023.

Sale of the shares in InnoEnergy Central Europe sp. z o.o. by TAURON

On November 18, 2022 TAURON sold its share (which constitute 5.88% in the share capital) in InnoEnergy Central Europe sp. z o.o. as a result of which TAURON is no longer a shareholder in that company.

Organizational or equity ties with other entities

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

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

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

1.4. Management Board and Supervisory Board of TAURON Polska Energia S.A.

Management Board of TAURON Polska Energia S.A.

The current 6th term of office of the Company's Management Board began its run on July 15, 2020. In accordance with the Company's Articles of Association the common term of office shall last 3 full financial years.

The composition of the Company's Management Board as of September 30, 2022, and 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. Bogusław Rybacki - Vice President of the Management Board for Asset Management,
4. Krzysztof Surma - Vice President of the Management Board for Finance (CFO),
5. Tomasz Szczegieliński - Vice President of the Management Board for Trade,
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 three quarters of 2022 and by the date of drawing up this report

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

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

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

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

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

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

Supervisory Board of TAURON Polska Energia S.A.

The current 6th term of office of the Company's Supervisory Board, began its run on July 15, 2020. In accordance with the Company's Articles of Association it is a common term of office, and it shall last 3 full financial years.

The composition of the Company's Supervisory Board as of September 30, 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. Marcin Wawrzyniak - Secretary of the Supervisory Board,
4. Stanisław Borkowski - Member of the Supervisory Board,
5. Marcin Chłudziński - Member of the Supervisory Board,
6. Dariusz Hryniów - Member of the Supervisory Board,
7. Leszek Koziorowski - Member of the Supervisory Board,
8. Ryszard Madziar - Member of the Supervisory Board,
9. Grzegorz Peczkis - Member of the Supervisory Board.

The changes to the composition of the Company's Supervisory Board in the first three quarters 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 Koziorowski (Member of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board) and Marcin Wawrzyniak (Member of the Supervisory Board).

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

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

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

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

No other changes to the composition of the Company's Supervisory Board had taken place by the date of drawing up this 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 the *Act of May 11, 2017, on certified (statutory) auditors, audit firms and public oversight* as of the date of drawing up this information.

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

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

2.1. Subject of the operations

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

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

1. wholesale trading in electricity, gas and the related products, in particular, with respect to providing trading (commercial) services for the subsidiaries, securing the requirements with respect to fuel, CO₂ emission allowances and the Guarantees of Origin (GOs) of energy (energy certificates),
2. management of the portfolio of electricity, CO₂ emission allowances and Property Rights,
3. purchasing management,
4. finance management,
5. asset management,
6. corporate risk management,
7. managing the IT model in place,
8. coordinating the research and development (R&D) activities carried out within TAURON Capital Group,
9. advisory services with respect to accounting and taxes,
10. legal support services,
11. audit.

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

The Company is focusing on purchasing and selling electricity for the purpose of securing (hedging) the buy and sell positions of TAURON Capital Group's entities as well as on the wholesale electricity trading. The Company purchased and sold 33.3 TWh of electricity in the first three quarters of 2022. Electricity sales carried out by TAURON during that period were mainly addressed to the following subsidiaries: TAURON Sprzedaż sp. z o.o. (Ltd.) (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.) (TAURON Sprzedaż GZE), with 67.1% of the electricity volume 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 (currently TAURON Wytwarzanie), carrying out buybacks of electricity for this subsidiary, which accounted for 7.7% of the sales volume, to TAURON Wytwarzanie 1.1% of the sales volume, and to TAURON Capital Group's other subsidiaries, including TAURON Ciepło sp. z o.o. (Ltd.) (TAURON Ciepło), TAURON Ekoenergia sp. z o.o. (Ltd.) (TAURON Ekoenergia), TAURON Czech Energy s.r.o. (TAURON Czech Energy) and EC Stalowa Wola, representing in total 4.1% of the sales volume. The other consumers (the electricity trading companies from outside TAURON Capital Group, the power exchanges) accounted for 20.0% of the sales volume, with 17.4% of electricity sold to the Exchange Clearing House (Izba Rozliczeniowa Giełd) and 2.2% sold to Polskie Sieci Elektroenergetyczne S.A. (PSE - TSO).

At the end of 2019, the Company took over the operations with respect to the electricity wholesale trading from the TAURON Wytwarzanie generation subsidiary, in April 2020, from TAURON Ciepło, and in April 2022 from Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie) and centralized these operations at the TAURON level. The principles of cooperation were defined in the SLA service provision agreements with respect to the trading operations conducted by TAURON for TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie). Pursuant to those contracts the Company is providing, among other things, the electricity and property rights portfolio management service as well as the *market access* service, as part of which it is operating on the Polish Power Exchange (Towarowa Giełda Energii S.A. - TGE) on its own behalf for the benefit of TAURON Wytwarzanie, TAURON Ciepło and Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie), fulfilling the exchange obligation for those subsidiaries. In connection with the preparations for the spin-off of the generation assets from TAURON Capital Group as part of the Government NABE Concept's implementation under way, in July 2022 the relevant annexes to the existing SLAs were concluded to ensure the continuity of the services and a decision was made to terminate the provision of the *market access* service for the benefit of TAURON Wytwarzanie.

The Company's additional operations include the wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in the gas fuels issued by the President of the ERO on April 27, 2012. The original effective term of the license had commenced on May 4, 2012, and had expired on May 4, 2022. On March 11, 2021, the President of the ERO made a decision to change the effective term of the license and extend it until June 30, 2035. In the first three quarters of 2022 the Company purchased and sold 3.1 TWh of the gas fuel. The Company is focusing on the sales of the natural gas for the supply needs of TAURON Sprzedaż, with 58.4% of the purchased gas fuel volume 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 the wish to increase the attractiveness of the Group's offering for the final consumers. In 2021, TAURON concluded a test gas import transaction on the EEX Exchange, which was related to the simultaneous fulfillment of the obligation to store gas coming from the import completed. To this end, TAURON has signed a relevant ticketing service contract with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG).

The competences of the Company also include the management, for the needs of TAURON Capital Group, of the property rights related to the Guarantees of Origin (GOs) of energy (energy certificates), constituting the confirmation of electricity generation from the renewable sources (including the sources that utilize the agricultural biogas), as well as the property rights related to the electricity efficiency certificates. The principles of the cooperation are defined in the agreements for the management of the property rights' balance (TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Wytwarzanie, TAURON Ciepło) and in the agreements for the provision of the trading services with respect to the management of the portfolio of the property rights and the Guarantees of Origin (GOs) of energy (energy certificates) (TAURON Ekoenergia, EW Dobrzyń, EW Śniatowo, EW Inowrocław, EW Goldap, EW Mogilno).

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

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

The Company is currently holding exclusive control over the generation capacity with respect to the trading and technical capabilities related thereto, it is responsible for optimizing the generation, i.e. the selection of the generation units to be utilized for the production, as well as the adequate distribution of the loads in order to perform 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. Since July 2015, TAURON, as one of the first entities in Poland, has been providing services for a balancing group for the entities carrying out the trading transactions on the gas market and is currently conducting the balancing of the trading for two of TAURON Capital Group's entities as well as for the external entities. On April 8, 2022, the President of the ERO published information on the final results of the additional auctions in the Public Information Bulletin (Biuletyn Informacji Publicznej) for the individual quarters of 2023. In accordance with the information, the closing price of the auction for the first quarter came in at 333.68 PLN/kW/year, for the second and the third quarter at 190.00 PLN/kW/year and 212.40 PLN/kW/year, respectively, and for the fourth quarter at 364.00 PLN/kW/year. TAURON Capital Group's subsidiaries concluded the capacity contracts with the volume between 53.86 and 186.11 MW. The total revenue of TAURON Capital Group, stemming from the performance of the capacity contracts concluded as a result of the additional auctions will reach PLN 41.9 million in 2023. The value of the capacity contracts concluded as a result of the additional auctions for the year 2022 that are currently under way, clocked in at PLN 25.2 million.

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

In the first 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. No bids had been received as a result of the organized proceeding, which makes it impossible to participate in the capacity market auction in 2022.

At the beginning of the third quarter of 2022, TAURON commenced, on behalf of TAURON Capital Group's subsidiaries, the certification of TAURON Capital Group's physical generating units and the controllable loads (demand reduction units) that had successfully passed the general certification. Thanks to this, the capacity market units, having obtained the certificates, will be able to take part in the capacity auctions for 2027 or in the secondary capacity market.

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

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

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

2.2. Implementation of the strategic investment (CAPEX) projects

In response to the challenges arising from the situation prevailing on the market and in the power sector, on June 22, 2022, TAURON adopted *TAURON Group's Strategy for 2022-2030 with an outlook until 2050* (Strategy), which was an extension of the Green Turn of TAURON implemented thus far. The Strategy presents the optimal path of sustainable development which will ensure the financial stability of TAURON Capital Group and the growth perspective, while at the same time taking into account the involvement in and the management of the activities as part of the ESG (Environmental, Social and Governance) agenda and the support for the stability of the national power system in Poland.

Key strategic investment (CAPEX) projects underway

The below table presents the activities carried out by TAURON Capital Group in the first three quarters 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. Work progress on the key strategic investment (CAPEX) projects under way in the first three quarters 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 MW supercritical parameters power generation unit in Jaworzno</i></p> <p>Contractor: Consortium of RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. (RAFAKO – MOSTOSTAL)</p> <p>Planned project / transition period completion date: Q4 2022</p> <p>Work progress: 99%</p> <p>Expenditures incurred: PLN 6 128.37 million <i>(the amount increased by, among other things, training, fast wearing parts)</i></p>	<p>The unit had been handed over (commissioned) for operation on November 13, 2020. On November 18, 2020, the President of the Energy Regulatory Office (ERO) granted a license for generating electricity for the period from November 20, 2020, until December 31, 2030.</p> <p>After the fire incident on June 11, 2021, the unit was placed into an emergency shutdown. As a result of the inspections carried out during the shutdown of the unit, the need to carry out the works on some elements of the unit was identified.</p> <p>On April 14, 2022, following the fixing of the defects and malfunctions, the 910 MW unit was re-synchronized with the National Power System (Krajowy System Elektroenergetyczny - KSE).</p> <p>From August 6 to September 2, 2022, the unit was placed in an emergency shutdown, during which the additional work was carried out to repair the boiler funnel.</p>

Investment project	Investment project's work progress
	<p>The ongoing operation of the unit is currently underway. Due to the fact that the work scheduled to be performed during the transition period had not been completed by the deadline provided for in the contract, and the transition period had been scheduled to end on October 30, 2022, i.e. the tuning, testing and optimization phase was not carried out after the restart of the unit, the parties are taking part in a mediation process before the Court of Arbitration at the General Counsel of the Republic of Poland, covering all of the issues related to the Contract.</p> <p>The agreement on conducting the mediation process between the New Jaworzno Group TAURON subsidiary and the General Contractor of the Investment Project with the participation of the General Counsel of the Republic of Poland was signed on August 5, 2022. As of the date of drawing up this information, the mediation process had not been completed.</p>
<p>2. <i>Construction of the "Grzegorz" shaft, including the infrastructure (above the ground and underground) and the accompanying longwall faces (headings)</i></p> <p>Contractor: Consortium of Przedsiębiorstwo Budowy Szybów S.A., PEMUG sp. z o.o. (Ltd.) under restructuring proceedings (main task – Stage I), LINTER S.A. – contract terminated, the works in this respect have been halted.</p> <p>Planned project completion date: 2028</p> <p>Work progress: 42 %</p> <p>Expenditures incurred: PLN 293.1 million</p>	<p>The implementation of the investment project has been halted by the General Contractor since February 2020. The mediation proceedings with the General Contractor with the participation of the General Counsel of the Republic of Poland had been completed in April 2022. A draft settlement agreement had been agreed between the parties.</p> <p>The General Contractor resumed the works related to the shaft sinking (deepening) from the depth of 80.5 m down to the depth of 591.2 m. The current depth of the shaft is 130 m.</p> <p>With respect to the excavation of the workings, the works are continued according to the schedule.</p>
<p>3. <i>Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</i></p> <p>Contractor: Contractors are being selected to carry out specific work (project) stages</p> <p>Planned project completion date: 2023</p> <p>Work progress: 50 %</p> <p>Expenditures incurred: PLN 38.7 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 third quarter of 2022, the works related to installing the network connections had been continued under the network connection agreements concluded. Cumulatively, from the beginning of the Program's implementation, the agreements have been concluded for the total volume of 23.05 MWt - the program's target was achieved in terms of the contracted capacity (22 MWt).</p>
<p>4. <i>TAURON Internet (POPC) – implementation of the project in the selected areas awarded (7 projects on the territory of the following areas: Rybnik, Katowice-Tychy, Oświęcim, Kraków, Wałbrzych A, Wałbrzych B, Sosnowiec)</i></p> <p>Contractor: Atem Polska sp. z o.o. (Ltd.) (Katowice-Tychy), MZUM sp. z o.o. (Ltd.) (Sosnowiec), Atem Polska sp. z o.o. (Ltd.) (Wałbrzych A), Mediamo Sp. z o.o. (Ltd.) (Oświęcim), MX3 sp. z o.o. (Ltd.) (Rybnik), MZUM sp. z o.o. (Ltd.) (Wałbrzych B), ZICOM sp. z o.o. (Ltd.) (Kraków-Tarnów)</p> <p>Planned project completion date: Q4 2022</p> <p>Work progress: 95%</p> <p>Expenditures incurred: PLN 250.1 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 service operators.</p> <p>All of the contractors had been conducting the works related to the deployment of the fiber optic network in the third 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>The works in the Katowice, Tychy, Kraków, Tarnów, Sosnowiec, Rybnik and Oświęcim areas as well as in Wałbrzych have been completed.</p>
<p>5. <i>Construction of the 30 MW Piotrków wind farm</i></p> <p>Contractor: Consortium of MEGA S.A. and P&Q sp. z o.o. (Ltd.)</p> <p>Planned project completion date: September 30, 2022</p> <p>Work progress: 100%</p> <p>Expenditures incurred: PLN 230.2 million</p>	<p>The construction of the wind farm had been completed in the third quarter of 2022. The wind farm was handed over for operation (commissioned) on September 30, 2022.</p>
<p>6. <i>Construction of the 6 MW Majewo wind farm</i></p> <p>Contractor: HIUB Wróbel sp. z o.o. (Ltd.)</p> <p>Planned project completion date: September 29, 2022</p> <p>Work progress: 100%</p> <p>Expenditures incurred: PLN 17.7 million</p>	<p>The construction of the wind farm had been completed in the third quarter of 2022. The wind farm was handed over for operation (commissioned) on September 29, 2022.</p>

Investment project	Investment project's work progress
<p>7. <i>PV Choszczno II – construction of the photovoltaic installations with a total capacity of 8 MW</i> Contractor: MGM Projekt sp. z o.o. (Ltd.) Planned project completion date: July 31, 2022 Work progress: 100% Expenditures incurred: PLN 19.9 million</p>	<p>The farm was handed over for operation (commissioned) on July 31, 2022. After the merger with the Choszczno I PV farm (6 MW), the total capacity of the farm reached 14 MWp.</p>
<p>8. <i>Construction of the 58.5 MW Mierzyn wind farm</i> Contractor: Consortium EL PROFESSIONAL Sp. z o.o. (Ltd.) Planned project completion date: Q4 2024 Work progress: 8% Expenditures incurred: PLN 56.4 million</p>	<p>In the second quarter of 2022 the construction of the wind farm had been commenced and the notice to proceed with the works had been issued to all of the Contractors involved in the project's implementation. In the third quarter of 2022, the procedure for agreeing on the technical and detailed engineering documentation was carried out, and the procedure for manufacturing the wind turbines was launched. As part of the works carried out at the construction site, the project site was surveyed to the extent required for the project's implementation.</p>
<p>9. <i>Construction of the 19.6 MW Nowa Brzeźnica wind farm</i> Contractor: E-Wind S.A. Planned project completion date: Q2 2025 Work progress: 1% Expenditures incurred: PLN 0.0 million</p>	<p>In late Q3 / early Q4 2022, the corporate approvals for the investment project's implementation had been obtained and the key contracts for the project's implementation were signed.</p>
<p>10. <i>Construction of the 140 MWt gas fired boiler at ZW Katowice (Katowice Generation Plant) for the district heating market needs</i> Contractor: Mostostal Warszawa S.A. Planned project completion date: Q2 2024 Work progress: 44% Expenditures incurred: PLN 28.2 million</p>	<p>In the third quarter of 2022, the works related to the laying down of the foundations for the boiler house had been completed and the foundation work for the electrical aisle had been commenced. The final batches of the detailed engineering design documentation are being agreed. The prefabrication of the steel structure and the boiler heating surfaces is under way.</p>
<p>11. <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> Contractor: Erbud Industry sp. z o.o. (Ltd.) Planned project completion date: Q3 2023 Work progress: 45% Expenditures incurred: PLN 32.2 million</p>	<p>The construction works and the design works related to the gas network connection had been continued in the third quarter of 2022. The decision on the environmental conditions had been obtained. The roofs on the boiler house building and the electrical building had been completed. The construction of the fuel oil tanks had been completed.</p>
<p>12. <i>37 MW Myslowice PV farm part II construction</i> Contractor: TAURON Serwis Planned project completion date: Q3, 2023 Work progress: 18% Expenditures incurred: PLN 8.1 million</p>	<p>The agreement with TAURON Service for the construction of the farm had been concluded in the second quarter of 2022. The works related to the construction of the fencing and the internal roads had been carried out and completed in the third quarter of 2022. Currently, the works related to the piling of the support structure for the PV panels and the installation of the panels are being carried out.</p>
<p>13. <i>Proszówek PV farm construction (stage I 45.6 MW)</i> Contractor: TAURON Zielona Energia Planned project completion date: Q4, 2023 Work progress: 1% Expenditures incurred: PLN 0.0 million</p>	<p>In late Q3 / early Q4 2022, the corporate approvals for the investment project's implementation had been obtained.</p>

Other investment projects in the RES line of business

Photovoltaic (PV) farms

As part of the investment projects in the renewable energy sources (RES) line of business, the program of building the photovoltaic (PV) farms on TAURON Capital Group's land that was not utilized for business purposes (*TAURON PV Program*) is being continued in 2022. The Program provides for the construction of the photovoltaic (PV) farms at several locations, with the total capacity of up to 150 MWp.

The works include obtaining the required administrative permits and decisions, with the final decisions on the projects' implementation to be made in the event there is a business case. Work is also under way on changing the scope of the *TAURON PV Program* in connection with the possibility of extending the program to cover the new sites.

Onshore wind farms

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

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

In October of 2021 TAURON and PGE concluded a letter of intent with respect to undertaking 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 (SPV) 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 clearance of the Chairman of the Office of Competition and Consumer Protection (UOKiK) had been a condition precedent for the preliminary agreement, and it was obtained in January of 2022. On September 28, 2022, TAURON (as the buyer) and PGE (as the seller) concluded an agreement disposing of the sale of the shares in the above mentioned project (SPV) company, i.e. PGE Baltica 4.

The detailed information related to the above topic is provided in section 1.3 of this information.

In January and February of 2022, the Minister of Infrastructure disclosed the information on the possibility of submitting further applications for issuing permits for the construction or use of the artificial islands, structures and devices in the Polish maritime areas. In April 2022, the applications were submitted by TAURON Group's project (SPV) companies: En-Energia I sp. z o.o. (Ltd.), En-Energia II sp. z o.o. (Ltd.), En-Energia III sp. z o.o. (Ltd.) and En-Energia IV sp. z o.o. (Ltd.), to obtain the above mentioned permits in the areas located in the vicinity of Ławica Odrzana, marked as 14.E.1, 14.E.2, 14.E.3, 14.E.4.

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

In September 2016, in accordance with TAURON Group's Strategy for the years 2016-2025, as part of the priority of ensuring TAURON Capital Group's financial stability, the 413 MWe CCGT unit construction project including a heat production unit at TAURON Wytwarzanie Łagisza Power Plant Branch in Będzin (TAURON Wytwarzanie Oddział Elektrownia Łagisza w Będzinie) was halted due to the loss of its business case. On March 22, 2022, the Management Board of the Company approved the purchase order award procedure to be conducted by TAURON Wytwarzanie, the planned effect of which was supposed to be the obtaining of the bids from the potential contractors. The procuring of the bids was supposed to enable - after taking into account the other premises of the investment process, including the precondition of the favorable outcome of the capacity market auction scheduled for December 2022, as well as the market conditions mentioned below - the completion of the analyses of the project in terms of the long term profitability thereof. As a result of the organized procedure, no bids have been received by the company. The lack of the bids for the construction of the unit makes it impossible to participate in the capacity market auction in 2022, therefore further corporate decisions regarding the continuation of the project, a change of the scope thereof or a resignation from the implementation thereof are required. The decisions will be made taking into account the market conditions, including the demand for electricity and heat and, inter alia, the situation with respect to the terms of a long term contract for the supply of the gas fuel and the availability thereof, and such conditions should guarantee the project the expected level of profitability and the objective assessment of the possibility of completing the implementation of the project. As of the date of drawing up this information, the analytical works are under way on further project implementation scenarios.

Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures came in at PLN 2 599 million in the first three quarters of 2022 and they were higher by 33% than the investment outlays incurred in the same period of 2021, when they stood at PLN 1 959 million. This is primarily due to the increase of the capital spending in the RES Segment, the Mining Segment, the Other Operations Segment, the Generation Segment and the Distribution Segment.

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

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

Item	Capital expenditures (PLN m)
Distribution	
1. Installation of the new grid connections	776
2. Existing grid assets' upgrades (refurbishments) and replacements	587

Item	Capital expenditures (PLN m)
Generation	
3. CAPEX on replacements and upgrades (refurbishments), as well as components at TAURON Wytwarzanie	89
4. Construction of a 910 MWe super critical parameters generation unit in Jaworzno	45
5. Construction of the peaking and back-up boiler houses at ZWB	27
6. Construction of the gas fired boiler house at ZWK with a capacity of 140 MWt	21
7. Connecting of the new facilities to the grid	18
8. Investment projects related to the development (expansion) and maintenance of the district heating networks	13
9. Low Emission Elimination Program conducted by TC	10
RES	
10. Construction of the 30 MW Piotrków wind farm	161
11. Construction of the 58.5 MW Mierzyn wind farm	57
12. Construction of the 6 MW Majewo wind farm	35
13. Construction of the 37 MW Myslowice photovoltaic farm	14
14. Refurbishment of the hydroelectric power plants	10
15. Construction of the 8 MW Choszczno II photovoltaic farm	3
Mining	
16. Preparation of the future production	241
17. Refurbishment and replacement tasks at the Coal Mines (ZG)	58
18. Construction of the "Grzegorz" shaft at the Sobieski Coal Mine (ZG Sobieski)	8
Supply and Other Operations	
19. IT related investment projects at TOK (Tauron Customer Service)	160
20. Construction of the broadband Internet access network as part of the Digital Poland Operational Program III (Program Operacyjny Polska Cyfrowa III - POPC III) project and CUB	61
21. Maintenance and development of the street lighting	51

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

Material events that had occurred in the first three quarters 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 purchase order award procedure to be conducted by TAURON Wytwarzanie, the planned effect of which was meant to be the obtaining of the final price offers from the potential contractors of the combined cycle (CCGT) power generating unit with the high efficiency co-generation, with the expected capacity of 413 MWe, along with a heat production unit with an approximate capacity of 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.

Taking of the decision to purchase a special purpose vehicle with the rights to the wind farm construction project

On June 7, 2022, TAURON disclosed the information on the Management Board of the Company's approval of the purchase by the TAURON Zielona Energia subsidiary of 100 percent of the shares in the special purpose vehicle holding the rights to the project for the construction of a wind farm with a capacity of 58.5 MW in Mierzyn. TAURON disclosed the information that the wind farm construction project was in a ready for the construction phase, while the special purpose vehicle (SPV), in accordance with the assumptions adopted, would complete the construction of the wind farm by the end of 2024. The total capital spending related to the acquisition and the implementation of this investment project will reach the amount of PLN 500 million.

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 the regulatory filing no. 24/2022 of June 7, 2022.

Adoption of TAURON Group's Strategy for 2022-2030 with an outlook until 2050

On June 22, 2022, TAURON disclosed the information on the adoption of *TAURON Group's Strategy for 2022-2030 with an outlook until 2050*. The new Strategy is a response to the challenges arising from the current and forecast situation on the power market and in the energy sector, related in particular to the transition of the power sector and the new solutions supporting this transition. As part of the process of developing the Strategy a thorough analysis of the macroeconomic, market and regulatory environment as well as that of the forecasts and directions of the sector's development was completed, including the translation thereof into the opportunities and risks for TAURON Capital Group in the time frame extending until 2030, with an outlook to achieve climate neutrality by 2050.

Strategy implementation metrics:

1. EBITDA of PLN 4.5 billion in 2025 and more than PLN 6.5 billion in 2030,
2. maintaining the net debt to EBITDA ratio at a safe level
3. increase of the installed capacity in RES to 1.6 GW in 2025 and to 3.7 GW in 2030,
4. reduction of the emissions level to 200 kg CO₂/MWh in 2025 and below 160 kg CO₂/MWh in 2030,
5. implementation of the smart metering solutions – 100% of the smart meters deployed by 2030,
6. new connections of the consumers to the district heating network – approx. 450 MWt by 2030,
7. maintaining the high standards of the customer service – the FTR (First Time Resolution) indicator > 90% in 2030.

It is estimated that the implementation of the Strategy will require incurring of the capital expenditures in the amount of approx. PLN 48 billion in the years 2022-2030. The two main areas of the financial outlays include the electricity distribution (approx. 50 percent) and the increasing of the capacity in the renewable energy sources (approx. 35 percent). The accomplishment of all of the investment goals assumed in the Strategy and related to the energy sources will allow for achieving of 4.8 GW of installed capacity in 2030, with an approx. 80 percent share of the renewable sources in that capacity, which will allow for reducing the emissions factor from approx. 750 kgCO₂/MWh in 2021 to below 160 kgCO₂/MWh in 2030.

As part of Strategy the dividend policy was also adopted, assuming, in the long term, the payout of the dividend in the amount of minimum 40 percent of the consolidated net profit. Within the time frame covered by the Strategy, i.e. until 2030, due to the high level of the planned capital expenditures related to the implementation of the strategic capex projects, the dividend policy assumes that the Company's Management Board will not be recommending to the General Meeting a dividend payout as long as, in the opinion of the Management Board, such retaining of the funds by TAURON Group should contribute to an increase in the value of its assets. The decision related to the payout of the dividend will be taken by the Company's General Meeting following the obtaining of the recommendation of the Management Board, which will take into account the circumstances specified in the dividend policy when determining the recommended level of the dividend payout.

TAURON disclosed the information on the above event in the regulatory filing no. 27/2022 of June 22, 2022.

Update of the information on the 910 MW generation unit in Jaworzno – the resynchronization of the unit with the grid

On April 14, 2022, TAURON disclosed the information on the completion of the synchronization of the 910 MW generating unit in Jaworzno with the grid and the resumption of the unit's operation in the Polish power system.

TAURON disclosed the information on the above event, in reference to the regulatory filing no. 43/2021 of November 4, 2021, in the regulatory filing no. 12/2022 of April 14, 2022.

Signing of the letter of intent with respect to the cooperation in the field of the Small Modular Reactor (SMR) power generation technology

On April 20, 2022, TAURON disclosed the information on the signing of the letter of intent with KGHM Polska Miedź S.A. (KGHM Polska Miedź) in which the parties consider launching the strategic cooperation related to the research and development works and the future investment projects with respect to the construction of the small and micro nuclear reactors (Small Modular Reactor - SMR) i.e. power nuclear reactors with the capacity of 5 to 300 MWe.

The purpose of the cooperation between the parties to the letter of intent is to define the possibilities, nature and details of the potential joint involvement in the implementation of the SMR investment projects. The subject of the cooperation will be, inter alia, the analysis of the available technologies and possibilities of siting the generation units in the vicinity of the electricity transmission infrastructure as well as the possibilities of using the existing infrastructure of the power generation units and identifying the possibilities of procuring the optimum technology, investing in a different way or engaging in other forms of the cooperation with third parties already implementing or planning to implement the SMR investment projects.

The letter of intent is an expression of the intention of the parties to establish the cooperation, while the terms and conditions thereof shall not be binding. The letter of intent shall be in force until the date either party declares the will to step back from the further cooperation.

TAURON sees a significant potential and the possibility of achieving synergy in undertaking joint efforts with KGHM Polska Miedź with the purpose of investing in the field of the SMR technology. These actions constitute an implementation of the climate related goal and are in line with the assumptions of the European Green Deal and are also aimed at increasing the share of the low and zero emission energy sources in the energy mix of TAURON Capital Group, and as such contribute to the implementation of TAURON Group's Strategy.

TAURON disclosed the information on the above event, in reference to the regulatory filing no. 23/2010 of May 27, 2019, in the regulatory filing no. 13/2022 of April 20, 2022.

Signing of an agreement on conducting a mediation process related to the 910 MW generation unit in Jaworzno

On August 5, 2022, Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie), RAFAKO S.A., Mostostal Warszawa S.A. and E003B7 sp. z o.o. (Ltd.), signed a mediation agreement pursuant to which, subsequently, on August 8, 2022, a petition for a mediation to be conducted before the Court of Arbitration at the General Counsel to the Republic of Poland was submitted.

The intention behind conducting the mediation process stems from the need to change the terms of the settlement agreement concluded on December 2, 2021, in particular those concerning the transition period (i.e. the period during which the optimization and tune-up works are carried out, including the tests, trials and measurements) for the 910 MW generation unit in Jaworzno, which was originally supposed to end by October 30, 2022. The contentious issue that has arisen between the parties at the current, final stage of the contract implementation is related to the identification of the reasons that had caused the delays in the implementation of the schedule of works conducted on the 910 MW unit in Jaworzno and the fallout from the situation arisen.

As of the date of drawing up this information, the mediation process has not been completed.

TAURON disclosed the information on the above event, in reference to the regulatory filing no. 47/2021 of December 2, 2021, in the regulatory filing no. 33/2022 of August 5, 2022.

Information related to the 910 MW generation unit in Jaworzno

On August 13, 2022, TAURON received the information from the company Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie) indicating that during the works conducted in order to clean the boiler and the slag trap of the 910 MW unit in Jaworzno it turned out that the additional works were required with respect to the slag hopper (boiler funnel) repair, which would lead to the unit's shutdown until August 29, 2022. In connection with the above the Company has estimated that as a result of the unit's shutdown from August 6, 2022, until August 29, 2022, the first degree contribution margin generated by the unit will be lower by approx. PLN 130 million.

Subsequently, on August 27, 2022, TAURON disclosed the information that, to the best of the Company's knowledge, the expected shutdown of the unit will be longer by 5 days, and the Company's estimate of the first degree contribution margin generated by the unit, as a result of its shutdown from August 6 to September 2, 2022, will be lower by approximately PLN 285 million. The difference, as compared to the previous estimate, is mainly due to a significant increase in the wholesale electricity prices at which the energy repurchases for the unit are made.

TAURON disclosed the information on the above event in the regulatory filing: no. 35/2022 of August 13, 2022, and no. 37/2022 of August 27, 2022.

Implementation of the process of divesting TAURON Wydobywanie S.A. shares to the State Treasury - receipt of a share purchase offer, resolution of the TAURON Management Board on the divestment of the shares, signing of a contingent sale agreement

On September 13, 2022, TAURON received an offer from the State Treasury, represented by the Minister of the State Assets, for the acquisition of the shares in TAURON Wydobywanie S.A. (TAURON Wydobywanie) by the State Treasury, representing 100 percent of the share capital of TAURON Wydobywanie, for a total price of PLN 1. At the same time, the Minister of the State Assets disclosed the information that he was in possession of a letter from the Chairman of the Office of Competition and Consumer Protection (UOKiK), which stated that there was no obligation

to notify and obtain a clearance from the Chairman of the Office of Competition and Consumer Protection (UOKiK) for the transaction in question to be completed.

On October 12, 2022 (an event that took place after the balance sheet date), the Management Board of TAURON made a decision on the conditional sale to the State Treasury of all of TAURON Wydobycie shares held by TAURON, representing 100 percent of TAURON Wydobycie's share capital for a total price of PLN 1. The condition of the transaction is that TAURON Wydobycie be fully de-leveraged prior to the sale of the shares to the State Treasury. The transaction is to be carried out on the basis of a contingent share sale agreement, which was concluded after its content had been agreed upon and TAURON had obtained all of the required approvals.

On October 21, 2022 (an event that took place after the balance sheet date), a conditional agreement for the sale of TAURON Wydobycie shares, referred to above, was concluded between TAURON and the State Treasury. The subject of the agreement is the sale of all of TAURON Wydobycie shares held by TAURON, representing 100 percent of TAURON Wydobycie's share capital, for a total price of PLN 1.

The purchase price of all of TAURON Wydobycie shares held by TAURON, representing 100 percent of TAURON Wydobycie's share capital, i.e. PLN 1, was set by the parties to the transaction following a valuation of TAURON Wydobycie shares carried out using the DCF (discounted cash flow) method by an external, independent advisory firm. The valuation is based on the long term financial projections spanning the years 2022-2049.

The net carrying value of the shares in TAURON Wydobycie held by TAURON and the net carrying value of the loans extended to TAURON Wydobycie by TAURON stand at PLN 0.

The transaction will take place no earlier than on December 31, 2022, provided that the following conditions precedent are jointly met:

1. a failure by the National Center for the Support of Agriculture (Krajowy Ośrodek Wsparcia Rolnictwa) to exercise its pre-emptive right to purchase TAURON Wydobycie shares vested under Article 3a, Section 1 of the *Act of April 11, 2003, on the shaping of the agricultural system* by the deadline specified in Article 3a, Section 4 of that Act,
2. an increase of the share capital of TAURON Wydobycie, which will be made by TAURON in order to repay TAURON Wydobycie's debt toward TAURON.

The assumed divestment of the TAURON Wydobycie subsidiary to the State Treasury will allow for expanding the opportunities with respect to broadening the investor base in order to raise the funds for carrying out its investment projects by TAURON Group, thereby facilitating the implementation of the strategic goals included in TAURON Group's Strategy for 2022-2030 with an outlook to 2050.

TAURON disclosed the information on the above events, in reference to the regulatory filing no. 39/2022 of September 15, 2021, in the regulatory filings no. 39/2022 of September 13, 2022, no. 40/2022 of October 12, 2022, and no. 42/2022 of October 21, 2022.

Implementation of the Program to spin off TAURON Group's hard coal assets and transfer them to the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE)

The detailed information related to the above topic is provided in section 1.3 of this information.

Major corporate events

Changes to the composition of the Management Board of TAURON

There had been changes to the composition of the Company's Management Board in the first three quarters 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 filings: no. 1/2022 of January 20, 2022, no. 10/2022 of April 8, 2022, no. 34/2022 of August 12, 2022 (supplemented on August 24, 2022) and no. 38/2022 of September 5, 2022.

Changes to the composition of the Supervisory Board of TAURON

There had been changes to the composition of the Company's Supervisory Board in the first three quarters 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 filings: no. 2/2022 of January 27, 2022, no. 19/2022 of May 23, 2022, and no. 20/2022 of May 24, 2022.

Recommendation of the Management Board of TAURON Polska Energia S.A. on not paying out a dividend from the 2021 profit

On March 29, 2022, the Company's Management Board made the decision to recommend to the shareholders of the Company not to pay out the dividend from the 2021 net profit and allocate the entire net profit in the amount of PLN 259 887 168.39 to the Company's supplementary (spare) capital.

The decision is in line with the applicable dividend policy of the Company, and when making such a decision the Management Board of the Company took into account, first of all, the current market situation and the capex program of TAURON Capital Group, which assumed incurring significant capital expenditures in the subsequent years, in particular in the Distribution Line of Business and in the Renewable Energy Sources (RES) Line of Business.

The allocation of the net profit generated in 2021 to the implementation of TAURON Capital Group's investment projects will contribute to reducing the demand for the financing to be obtained from the financial institutions and thus will have a positive impact on the level of the leverage ratio.

TAURON disclosed the information on the above event in the regulatory filing no. 9/2022 of March 29, 2022.

Ordinary General Meeting of TAURON

The Ordinary General Meeting of the Company was held on May 24, 2022, and it adopted the resolutions related to, inter alia: the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2021, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2021, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2021*, the distribution of the profit for the financial year 2021, the approval of the *Report on the activities of the Supervisory Board of TAURON Polska Energia S.A. in the financial year 2021*, the providing of the opinion on the *Report on the compensation of the Members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A. for the year 2021*, the change of the *Policy of the Compensation of the Members of the Management Board and the Supervisory Board at TAURON Polska Energia S.A.*, the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board and Supervisory Board, the establishing of the number of the Members of the Company's Supervisory Board and the appointing of a Member of the Company's Supervisory Board of the 6th common term of office.

TAURON disclosed the information on the convening of the Ordinary General Meeting (GM) of the Company, on the content of the draft resolutions and on the changes to the agenda in the regulatory filings no. 14/2022 of April 25, 2022, no. 15/2022 and no. 16/2022 of April 27, 2022, and no. 17/2022 of April 29, 2022.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Ordinary General Meeting (GM) of the Company in the regulatory filing: no. 21/2022 of May 24, 2022.

Extraordinary General Meeting of TAURON

The Extraordinary General Meeting of the Company was held on July 13, 2022, and it adopted the resolutions related to, inter alia: the amending of the Articles of Association of TAURON Polska Energia S.A. and the acknowledgement of the fulfillment of duties by certain Members of the Company's Management Board for the years 2019 and 2020.

TAURON disclosed the information on the convening of the Extraordinary General Meeting (GM) of the Company and on the content of the draft resolutions in the regulatory filings no. 25/2022 and no. 26/2022 of June 17, 2022.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Extraordinary General Meeting (GM) of the Company in the regulatory filing: no. 28/2022 of July 13, 2022.

Registration of the amendments to and the adoption of the consolidated text of the Articles of Association of the Company

On July 18, 2022, the Katowice-Wschód District Court in Katowice, the 8th Commercial Division of the National Court Register, registered the amendments to the Articles of Association of the Company, adopted by the Extraordinary General Meeting of the Company on July 13, 2022, in the Register of Businesses of the National Court Register.

On July 29, 2022, the Supervisory Board of the Company adopted the consolidated text of the Company's Articles of Association that included the amendments adopted by Extraordinary General Meeting of the Company on July 13, 2022.

TAURON disclosed the information on the above events in the regulatory filings: no. 31/2022 of July 19, 2022, and no. 32/2022 of July 29, 2022.

Other major events

Conclusion and implementation of the settlement agreement between EC Stalowa Wola and Abener Energia

In the first half of 2022, EC Stalowa Wola and Abener Energia S.A. (Abener Energia) with its registered office in Campus Palmas Altas, Sevilla, proceeded to implement the settlement agreement concluded on December 31,

2021, whose goal was to define the principles according to which EC Stalowa Wola and Abener Energia were to make mutual settlements resulting from all of the court and arbitration disputes pending between the parties and arising from the contract concluded for the construction of a combined cycle (CCGT) power generating unit with the heat production unit at EC Stalowa Wola.

On February 28, 2022, the parties signed an annex to the settlement agreement which, first and foremost, postponed the deadline for the fulfillment of some of the obligations of Abener Energia. In March of 2022, the conditions of the settlement agreement were fulfilled, and the parties proceeded to implement the settlement agreement.

TAURON disclosed the information on the above events in the regulatory filings: 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: no. 16/2019 of May 2, 2019, no. 29/2019 of August 8, 2019, no. 59/2019 of December 20, 2019, no. 43/2020 of September 22, 2020, and no. 48/2020 of October 19, 2020.

Information with respect to the planned public aid for TAURON Wydobycie S.A.

On April 8, 2022, TAURON disclosed the information on TAURON Wydobycie having received the information on the approval by the Minister of the State Assets of the Republic of Poland of the application for granting of the public aid in the form of awarding the company the subsidies for the reduction of the production capacity for 2022. The subsidies will be granted in the form of the State Treasury securities dedicated to increase the share capital of TAURON Wydobycie.

The subsidies for TAURON Wydobycie were to 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 coal mining enterprises*.

Pursuant to the above mentioned act, TAURON Wydobycie has been covered by the support system to gradually phase out its hard coal mining operations. In accordance with the assumptions of the support system, the subsidies will be provided until the last hard 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 hard coal market (a limited supply resulting in an increase in the hard coal prices), this amount is subject to a reduction. In addition, the support system constitutes state aid and is subject to the notification to the European Commission.

The detailed conditions for granting, settling and auditing of the subsidies will be specified in the financing agreement, which - in accordance with the provisions of the above mentioned regulation – should be concluded between the Ministry of the State Assets and TAURON Wydobycie.

As of the date of drawing up this information, the agreement has not been signed.

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

Signing a syndicated loan agreement

On July 15, 2022, TAURON disclosed the information that the Company signed a PLN 4 billion syndicated loan agreement with a consortium of the banks: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Polska Kasa Opieki S.A., CaixaBank S.A. (Spółka Akcyjna) Oddział w Polsce, Bank Handlowy w Warszawie S.A., Erste Group Bank AG, Industrial and Commercial Bank of China (Europe) S.A. Oddział w Polsce, Santander Bank Polska S.A. and China Construction Bank (Europe) S.A. Oddział w Polsce. The funds from the syndicated loan may be used to refinance the existing financing of June 19, 2019, up to the amount of PLN 6.07 billion, to finance the capital expenditures of TAURON Group (excluding the financing of any hard coal assets related projects) and to finance the general corporate expenses of TAURON Group (excluding the financing of the expenses associated with the hard coal related assets).

Under the loan agreement TAURON will be able to draw down multiple tranches of the loan during the five year loan availability, after the precedent conditions that are standard for this type of financing have been met. The financing period might be extended up to 7 years at the most, upon consent of both parties.

The interest rate on the funds drawn down under the loan agreement will be calculated based on the floating interest rate relevant for the given interest rate period, increased by a margin dependent on the fulfillment of the sustainable development metrics, i.e. the emission reduction factor and a rate of increase of the renewable energy sources' (RES) share in TAURON Group's generation portfolio. The calculation of the sustainable development metrics will be verified by an independent auditor.

TAURON disclosed the information on the above event in the regulatory filing no. 30/2022 of July 15, 2022.

Major events after September 30, 2022

Affirmation of the ratings granted by the Fitch Ratings agency

On October 12, 2022, the Fitch Ratings agency affirmed Company's long term foreign and local currency ratings at "BBB-" with a stable outlook.

The full list of rating actions includes:

1. long term local and foreign currency IDRs (Issuer Default Ratings) affirmed at "BBB-", stable outlook,
2. short term local and foreign currency IDRs affirmed at "F3",
3. national long term rating affirmed at "A(pol)", a stable outlook,
4. EUR 500 million Eurobonds foreign currency senior unsecured unsubordinated rating affirmed at "BBB-",
5. EUR 190 million hybrid bonds (European Investment Bank – "EIB") rating affirmed at "BB",
6. PLN 750 million hybrid bonds (EIB) rating affirmed at "BB",
7. PLN 400 million hybrid bond program and hybrid bond issue (Bank Gospodarstwa Krajowego S.A.) rating affirmed at "BB", the national rating of the same program and bonds affirmed at "BBB(pol)".

TAURON disclosed the information on the above event in the regulatory filing no. 41/2022 of October 12, 2022.

Ruling of the Court of Appeals with respect to Polska Energia – Pierwsza Kompania Handlowa sp. z o.o.

On November 17, 2022 (an event that took place after the balance sheet date), the Court of Appeals dismissed the appeal of Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) (PEPKH) with respect to the lawsuit brought by Amon Sp. z o.o. (Ltd.) (Amon) to determine the ineffectiveness of the termination of the long term contracts for the purchase of electricity and property rights arising from the guarantees of origin of electricity by PEPKH, and to award the damages. The ruling of the Court of Appeals, and, as a consequence, the ruling of the Court of the First Instance of July 25, 2019, in which the court:

1. determined that PEPKH's notices of termination of the long term contracts concluded between PEPKH and Amon for the purchase of electricity and property rights arising from the guarantees of origin of electricity are ineffective and do not have the legal effect of terminating the two contracts, as a result of which the contracts, following the elapse of the notice period, i.e. after April 30, 2015, remain in force as to all of the provisions and are binding for the parties,
2. found Amon's demand for the payment of damages for a failure to perform the contract to be justified in principle, while it did not make a decision on the amount of any potential compensation.

shall be legally binding, however, there is a possibility of filing a cassation appeal. The rulings do not award any damages to be paid by PEPKH to the plaintiff, i.e. Amon. PEPKH disagrees with the ruling of the Court of Appeals in its entirety, as well as it disagrees with the ruling of the Court of the First Instance. PEPKH will immediately request the Court of Appeals that it be served the Court of the Second Instance's ruling along with a written statement of reasons and will proceed to analyze it with a view to file an appeal against it as soon as possible and take all other legal remedies it is entitled to.

TAURON disclosed the information on the above event, in reference to the regulatory filings: no. 7/2015 of March 19, 2015, and no. 26/2019 of July 25, 2019, in the regulatory filing no. 44/2022 of November 17, 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 three quarters of 2022 were impacted by the following internal factors:

Table no. 4. Internal factors impacting the operations and the earnings of the Company and TAURON Capital Group in the first three quarters 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 the intense activities with respect to searching for new energy sources projects,
3.	loyalty building measures aimed at retaining the existing customers and the marketing activities with respect to acquiring new customers,
4.	TAURON Capital Group's centralized financial management area, supported by the use of such tools as: corporate model of financing, financial liquidity (cash flow) management policy using the <i>cash pool</i> mechanism, risk management policy in the financial area, insurance policy,
5.	TAURON's purchasing processes management, in particular, the management of fuel purchases for the needs of TAURON Capital Group's generation entities,
6.	expectations with regard to the increase of the compensation (wages) at TAURON Capital Group,
7.	geological and mining conditions for the hard coal extraction,
8.	failures of TAURON Capital Group's equipment, installations and grids (networks),
9.	decision on the development of the District Heating Line of Business as part of TAURON Capital Group,

10. implementation of the activities related to the intention of the State Treasury to acquire 100% of the shares in TAURON Wydobycie in connection with the transformation of the hard coal mining sector,
11. implementation of the activities stemming from the transition of the power sector in Poland, including the implementation of the agreement between TAURON, PGE, Enea S.A. (Enea), Energa S.A. (Energa) and the State Treasury on the cooperation with respect to the spinning off of the coal assets and the integration thereof within the National Energy Security Agency (NABE), including the incorporation of the New Jaworzno Grupa TAURON subsidiary into the structure of TAURON Wytwarzanie,
12. works related to the fixing of the failure of the 910 MW power generating unit in Jaworzno and the need to carry out the additional works as well as the unit's resynchronization with the grid,
13. implementation of the settlement agreement between EC Stalowa Wola and Abener Energia, including the completion of the mutual settlements,
14. organizing the *Program for the implementation of the new Information Exchange Standards at TAURON Group* in connection with the launch of the Central Energy Market Information System,
15. update of *TAURON Group's Business Continuity Management Policy* establishing the Business Continuity Management System, based on the international standard ISO 22301,
16. approval by the Minister of the State Assets of TAURON Wydobycie's application related to the public aid,
17. implementation of the provisions resulting from the conclusion of the letter of intent related to the cooperation with respect to the generation sources based on the small nuclear reactors and micro nuclear reactors (SMR) technology,
18. acquisition of a special purpose vehicle with the rights to a wind farm construction project with a capacity of 58.5 MW,
19. adoption and implementation of TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050,
20. setting up of a provision for onerous contracts in the Generation Segment.

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 three quarters 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 three quarters of 2022 were impacted by the following external factors:

1. macroeconomic environment,
2. market environment,
3. regulatory environment,
4. competitive environment.

Macroeconomic environment

TAURON Capital Group's core business operations are conducted on the Polish market and the changes taking place on it have impact on the functioning of the Group.

The macroeconomic situation, both in the individual sectors of the economy, as well as on the financial markets, is a significant factor impacting the earnings generated by TAURON Capital Group.

Poland's Gross Domestic Product (GDP) grew by 5.3% in the second quarter of 2022, year on year. The registered unemployment rate clocked in at 5.2% as of the end of September of 2022, while the inflation rate rose to reach 17.9% in October of 2022 year on year.

In the projection published on November 14, 2022, the National Bank of Poland (NBP) lowered its GDP growth rate forecast as compared to the previous projection published in July this year, and it forecast the economic growth rate to come in at the level of 4.6% in 2022, and in the subsequent years a slowdown to 0.74% in 2023 and 2.0% in 2024. In the near term, the domestic economy will continue to be heavily impacted by a negative supply shock reflected in the rapid increase of the prices of the raw materials as well as the goods and services. In 2023, the slowdown in the GDP growth rate of the major developed economies will have an adverse impact on the Polish economy.

According to the November projection of the National Bank of Poland (NBP), the forecast average annual inflation rate will come in at 14.5% as of the end of 2022. In 2023, the inflation rate is expected to clock in at 13.1%, and in 2024 at 5.9%. The high level of inflation is determined first and foremost by the effects of Russia's military aggression against Ukraine involving, in particular, a strong increase in the prices of the energy commodities as well as other raw materials on the world markets. The functioning of the Polish economy is also negatively affected by Russia's curtailed supply of gas to Europe, a material increase in the uncertainty impacting the decisions of the economic entities with respect to the avocation of their resources, as well as the tightening of the monetary conditions worldwide.

Market environment

Electricity

The below table presents the volumes of the electricity consumption, production and the balance of the cross-border interconnection electricity exchange in Poland as well as the average electricity prices on the SPOT market, both in Poland as well as in the neighboring countries in the third quarter of 2021 and in the third quarter of 2022.

Table no. 5. Volumes of the electricity consumption, production and imports in Poland as well as the average electricity prices on the SPOT market in Poland and in the neighboring countries in the third quarter of 2021 and in the third quarter of 2022

Volume	Unit	Q3 2021	Q3 2022	Increase / Decrease
1. Electricity consumption	GWh	42 217	41 533	-684 (-1.6%)
2. Electricity production by domestic power plants	GWh	43 237	41 324	-1 913 (-4.4%)
3. Electricity production by power plants fired with:				
1) hard coal ¹	GWh	23 254	20 594	-2 660 (-11.4%)
2) lignite	GWh	12 029	11 886	- 143 (-1.2%)
3) gas	GWh	3 076	1 661	-1 415 (-46.0%)
4. Electricity production by wind farms	GWh	2 499	3 124	625 (+25.0%)
5. Cross-border exchange balance ²	GWh	-1 019	209	1 228 (-120.5%)
6. Average electricity price on the SPOT market in:				
1) Poland	PLN/MWh	403.56	1 072.45	668.89 (+165.7%)
	EUR/MWh	88.37	226.06	137.69 (+155.8%)
2) Neighboring countries (on the example of Germany)	EUR/MWh	97.14	375.75	278.61 (+286.8%)

¹Including the industrial power plants,

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

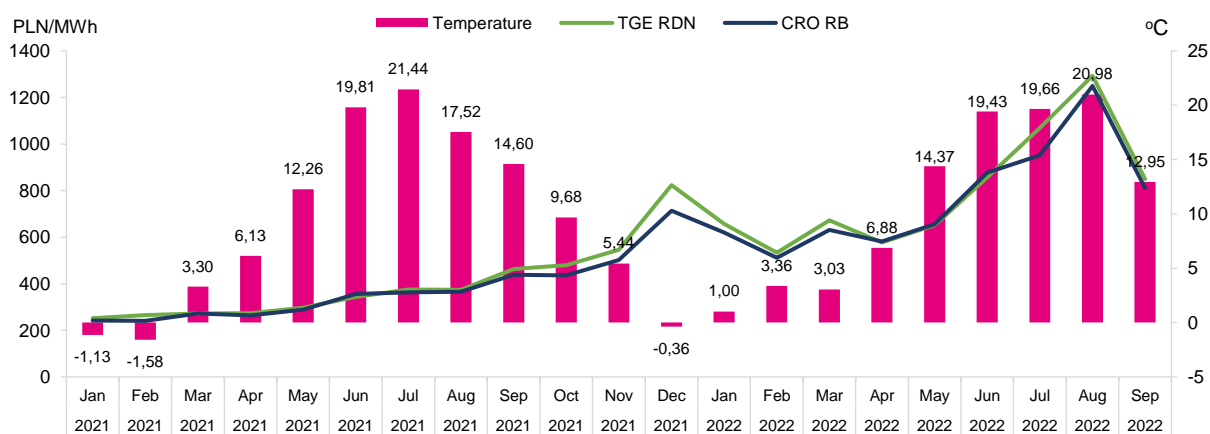
The wholesale electricity price on the Day Ahead Market (RDN) of the Polish Power Exchange (TGE) reached 1 072.45 PLN/MWh in the third quarter of 2022 and it was higher by 668.89 PLN/MWh (+165.7%) as compared to the third quarter of 2021. The average settlement price on the Balancing Market (RB) came in at 1 006.23 PLN/MWh in the first quarter of 2022 and it was higher by 617.35 PLN/MWh (+158.7%) as compared to the third 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 higher SPOT prices were also reported in the countries in the Western and Southern Europe. Due to the high number of the overhauls and the operational shutdowns of the power generation units, Poland has reduced the balance of its energy exports on balance.

The hard coal fired power plants as well as the gas fired power generation units logged production declines due to the continued high prices of gas and the lower inventory levels of the thermal (steam) coal. A slight decrease in the consumption of electricity has also been recorded.

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 three quarters 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 three quarters of 2022



The benchmark base load contract with the delivery in 2023 (BASE_Y-23) had been in an upward trend on the futures market until August in the third quarter of 2022 and then in September the prices returned to the levels seen at the end of July and the beginning of August of 2022. The price changes were in line with the changes in the

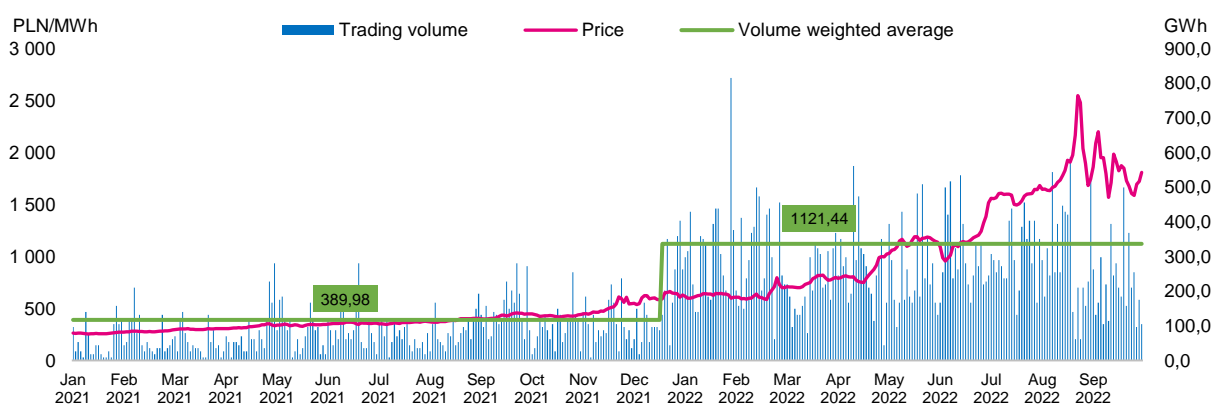
commodity prices, and in particular the prices of the thermal (steam) coal at the ARA ports, as well as the prices of gas in Europe and in Poland. The additional reasons behind the price rises were the problems with the balancing of Poland's power system due to the persistent low supply of the thermal coal, as well as the very high prices in the neighboring countries, both on the futures market as well as on the SPOT market. The declines of the electricity prices in September were brought about by, apart from the decreases of the prices of the raw materials and the CO₂ emission allowances, the announcements of the changes to the *Regulation on the Detailed Conditions for Operation of the Power System*, in which the introduction of the price limits for the balancing offers made by the generators in the balancing market was proposed. In the end, the Regulation was published at the end of September 2022, and the first balancing offers under the new rules were in effect as of October 1, 2022.

The volume weighted average price of the BASE_Y-23 contract recorded in the third of 2022 came in at 1 698.91 PLN/MWh, and it was higher by 1 316.56 PLN/MWh (an increase by 344.3%) as compared to the average price of such a contract logged in the same period of 2021.

The PEAK5_Y-23 contract price was characterized by the elevated volatility, with its trading volume weighted average price reaching 2 498.39 PLN/MWh in the third quarter of 2022, and it was higher by 2 097.24 PLN/MWh (an increase by 522.8%) 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 three quarters of 2022.

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



Crude oil

The average price of the Brent crude oil on the ICE exchange stood at 98.13 USD/bbl in the third quarter of 2022 and it was higher by 24.91 USD/bbl, i.e. by 34.02%, as compared to the same period of 2021. The total trading volume came in at approx. 12.7 billion barrels in the third quarter of 2022, while it stood at approx. 32.2 billion barrels (a drop by 23.03%) in the same period of 2021.

The deteriorating macroeconomic outlook and the fears of a recession led to a downward trend in the global oil markets in the third quarter of 2022. On July 1, 2022, the price of the Brent crude oil had clocked in at approx. 112 USD/barrel, and by the end of September 2022 it had fallen to the level seen in early January of 2022, i.e. approx. 83 USD/barrel (a drop by 25.89%).

The main factors that had an impact on the demand and supply situation on the oil markets in the third quarter of 2022 had been the global events directly related to the consequences of the Russian Federation's aggression against Ukraine.

OPEC+ had agreed to increase the oil production in July, August and September of 2022. These decisions significantly contributed to the price declines on the oil market in the third quarter of 2022. The cartel has also indicated that it will use its severely limited spare capacity with caution, which could mean that a significant further increase in the OPEC+ production in the coming months is highly unlikely.

The concerns related to the supply of the Russian oil to the world markets in the third quarter of 2022 had proved to be misplaced. The Russian exports of the crude oil and petroleum products to Europe, the US, Japan and South Korea fell by nearly 2.2 million barrels per day, but the oil flows were redirected to India, China and Turkey.

Hard coal

The average price of the continued annual hard coal contract at the ARA ports stood at 8.80 USD/GJ in the first nine months of 2022 and it was higher by 5.41 USD/GJ as compared to the average price of such a contract in the first nine month of 2021 (an increase by 160% year on year). The average price of the continued annual hard coal contract at the ARA ports stood at 11.30 USD/GJ in the third quarter of 2022 and it was higher by 7.92 USD/GJ as compared to the average price of such a contract in the third quarter of 2021 (an increase by 234% year on year).

The price trends on the Polish market were similar, however the pace of the price increases was much slower. The average value of the PSCMI1 index in the first nine months of 2022 came in at 17.94 PLN/GJ and it was higher than the value of this index in the first nine months of 2021 by 6.50 PLN/GJ (an increase of 56.8%). In the third quarter of 2022 the PSCMI1 index clocked in at 25.30 PLN/GJ and it was higher than the value of this index in the same period of 2021 by 13.86 PLN/GJ (an increase of 121.2%).

The year 2022 on the international hard coal market began with the suspension of the exports by Indonesia for the full month of January. The growing tension between Russia and Ukraine since the beginning of 2022, and the subsequent aggression of the Russian Federation against Ukraine had led to the unrest on the markets, resulting in the soaring coal prices at all of the major transshipment ports around the world. A number of countries had imposed the economic sanctions on Russia. The EU countries had decided to introduce a ban on the purchase of Russian hard coal starting from August 10 this year. The hard coal from Russia, which had until then satisfied the needs of both the Asia-Pacific as well as the Atlantic customers, has been largely pushed out of the market. As a consequence of this situation, the customers from China and India have increased their purchases of the Russian hard coal, which had been due to the reduction in the prices of the fuel coming from this direction

The world's major producers had tried to increase the supply of the raw material, which had been prompted by the growing demand and the persistently high prices. There was a stratification of the hard coal prices in the various quality classes (grades). The prices of the thermal coal, with a calorific value close to 6 000 kcal/kg, with its prices being quoted, among others, at the ARA ports serving the Western European countries, had been rising the fastest. The hard coal with the lower calorific values, used mainly by India and China, was fetching much lower prices. There were also no such significant price increases on the coking coal market.

The inventory levels at the major hard coal trading hubs had gone up as compared to the levels observed in the comparable period of last year and had remained close to the average stock levels. On the other hand, the inventory levels at the ARA ports had been rising with each successive week, to reach the level not recorded since November 2019 (7.2 million tons) in August this year. The hard coal inventory levels at the ARA ports had continued to stay above 6 million tons in September and October.

In the third quarter of 2022, the changed flows (routes) of the hard coal by sea had stabilized. The hard coal producers from Indonesia and Australia had increased the share of their sales volumes to Europe, while reducing the supplies to their traditionally served customers in Asia. Several Asian countries had become recipients of the increased hard coal volumes from Russia, however a rapid increase of the supply of the steam coal by the world's producers of this fuel in order to replace the supplies from Russia is difficult because the trend of reducing the demand for the hard coal in the recent years has been so strong and the prices so unattractive that a significant part of the hard coal producers have gone bankrupt or have had to curb the investments and their production capacity.

Natural gas

In the third quarter of 2022, the prices on the European gas markets returned to the record breaking levels observed at the end of February and at the beginning of March of 2022. The main factor behind the sharp increases in the prices during this period was the dramatic drop of the flow of the Russian gas. This has reinforced the concerns in Europe about the future supplies of the blue fuel.

As early as mid-June 2022, the deliveries via Nord Stream I had already reached just 40% of the total capacity. In July 2022, first the flow on this pipeline had been completely halted due to the annual maintenance shutdown, and then, after the pipeline had resumed the operation, the deliveries on it were reduced to just 20% of the total capacity. At the end of September 2022, the physical damage occurred on both Nord Stream I and II pipelines, as a result of which the gas supplies were completely halted. The Russian gas now reaches Europe only through the Turk Stream pipeline and via Ukraine.

In recent months, Russia has gradually reduced gas supplies to Europe. This has led many countries to implement the contingency plans for the gas stocks, and the EU member states in July 2022 had agreed on an initiative to voluntarily reduce the demand for gas by 15%. In spite of Russia's actions, the European gas markets saw a downward trend in September 2022, driven mainly by the filling of the demand gap in Europe through the increased volumes of the liquid gas (LNG) supplies from the US and Qatar and the rapid filling of the gas storage facilities.

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (TGE) stood at 925.38 PLN/MWh in the third quarter of 2022 and it was higher by 681.91 PLN/MWh than such a price in the same period of 2021. The lowest price of the contract on the SPOT market was recorded in July of 2022, while the highest price was logged in August of 2022, with the volume weighted average monthly prices coming in at 824.40 PLN/MWh and 1 110.29 PLN/MWh, respectively.

The highest price on the Intraday Market (IDM - RDB), i.e. 1 480.81 PLN/MWh, was reported on August 26, 2022, while the weighted average gas price on the Intraday Market (IDM - RDB) for August of 2022 clocked in at 1 085.44 PLN/MWh and it was higher by 874.56 PLN/MWh than such a price in the same period of 2021. The lowest contract price on the Intraday Market (IDM), i.e. 694.21 PLN/MWh, was recorded on July 2, 2022, while the volume weighted

average price for that month came in at 821.05 PLN/MWh and it was higher by 649.27 PLN/MWh than such a price in the same period of 2021.

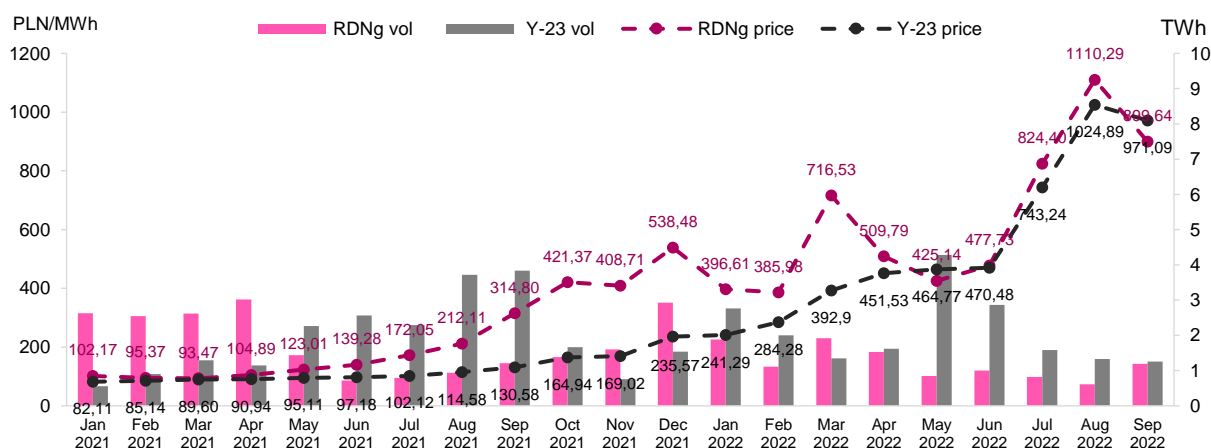
The lowest aggregate trading volume on the futures market was recorded in July of 2022, clocking in at approx. 6 TWh, while the highest trading volume was reported in September of 2022, coming in at approx. 8.5 TWh. The weighted average price of the benchmark one year GAS_BASE_Y-23 contract stood at 901.63 PLN/MWh in the third quarter of 2022. The lowest price of that contract was recorded in July of 2022, while the highest price was observed in August of 2022, coming in at 606 PLN/MWh and 1 468.17 PLN/MWh, respectively.

The aggregate trading volume on the Polish Power Exchange (TGE) clocked in at more than 24.7 TWh in the third quarter of 2022 (a decrease by 61.3% year on year). The futures market had the largest share in the overall gas trading in the third quarter of 2022, with a volume generated of more than 21.5 TWh. On the SPOT market, the total trading volume in the day ahead contracts came in at approx. 2.6 TWh (a drop by 10.3% year on year). The decline was also reported on the Intraday Market (IDM) for the gas, where the trading volume stood at approx. 0.6 TWh, as compared to 1.1 TWh in the same period of 2021 (a drop by 45.5% year on year).

According to the Gas Infrastructure Europe association's data, as of September 30, 2022, the Polish storage facilities with the total capacity of approx. 3.2 billion m³ were 98.3% filled, while a year earlier they had been 96.3% filled (an increase by 2 pp). In Europe, this level, as of the end of the third quarter of 2022, stood at 88.7%, while a year earlier it had clocked in at 74.6% (an increase by 14.1 pp).

The below figure presents the average monthly SPOT market and BASE_Y-23 contract gas prices on TGE (PPX) a year prior to the physical delivery.

Figure no. 6. Average monthly SPOT market and BASE_Y-23 contract gas prices on TGE (PPX)



CO₂ emission allowances

The average price of the CO₂ emission allowances under the benchmark EUA DEC-22 contract on the ICE Endex exchange came in at 79.95 EUR/Mg in the third quarter of 2022, and it was marginally lower than the average price in the second quarter of 2022, which stood at 83.74 EUR/Mg. The main reason for the lower average price in the third quarter of 2022 was the strong drop in the price of the CO₂ emission allowances in September 2022, due to the recession assumed by the market participants, which translated into a decrease in the demand for the EUA units.

The European Commission's plans to reduce the demand for gas and electricity, which are under preparation, have had a direct impact on the EU ETS market.

August was the only month in the third quarter of 2022 during which an upward trend had been observed. A prolonged heat wave in Europe, along with the low generation output of the French nuclear power plants and the seasonally reduced supply in the primary market (emission allowances auctions) brought about a strong upward pressure. The closing prices had been coming in at the record breaking levels for most of the month of August, clocking in at the level of nearly 100 EUR/Mg during the session on August 19, 2022.

The rise of the CO₂ emission allowance prices was strongly correlated with the increase in the energy prices on the European markets. A downward pressure factor, following the end of the prolonged heat wave, was the uncertainty with respect to the future demand for the EUA units, due to the risk of an impending recession. The potential sign indicating an increased supply, combined with the escalation of the energy war in Europe (the explosion of the Nord Stream I and II pipelines) and the increasing recession risks, led to a marked drop of the EUA unit prices to around 66 EUR/Mg at the end of the third quarter of 2022.

The below figure presents the impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2021 and in the first three quarters of 2022.

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



Property rights

The prices on the green certificates market had continued their downward trend in the third quarter of 2022. The TGEozea index reached its maximum price, which stood at 175.12 PLN/MWh, at the beginning of July of 2022, while the minimum price for the above mentioned index was recorded in the middle of September of 2022, at the level of 89.19 PLN/MWh. The weighted average price of PMOZE_A in the third quarter of 2022 came in at 152.26 PLN/MWh and it was lower by 211% than the weighted average price in the corresponding period of 2021 (a decrease by 40.47 PLN/MWh).

The volume of the trading was much lower than the level observed in the third quarter of 2021, falling by more than 24.8%, from 2 064.9 GWh to 1 551.9 GWh. The balance of the PMOZE_A register at the end of September 2022 reached a surplus of 22.91 TWh. Taking into account the certificates that are blocked for the redemption, this balance drops by 8.10 TWh, to the level of 14.81 TWh (a decrease by 26.5% year on year). The substitution fee set for 2022 comes in at the level of 239.86 PLN/MWh, while the obligation to present the green certificates for the redemption 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*.

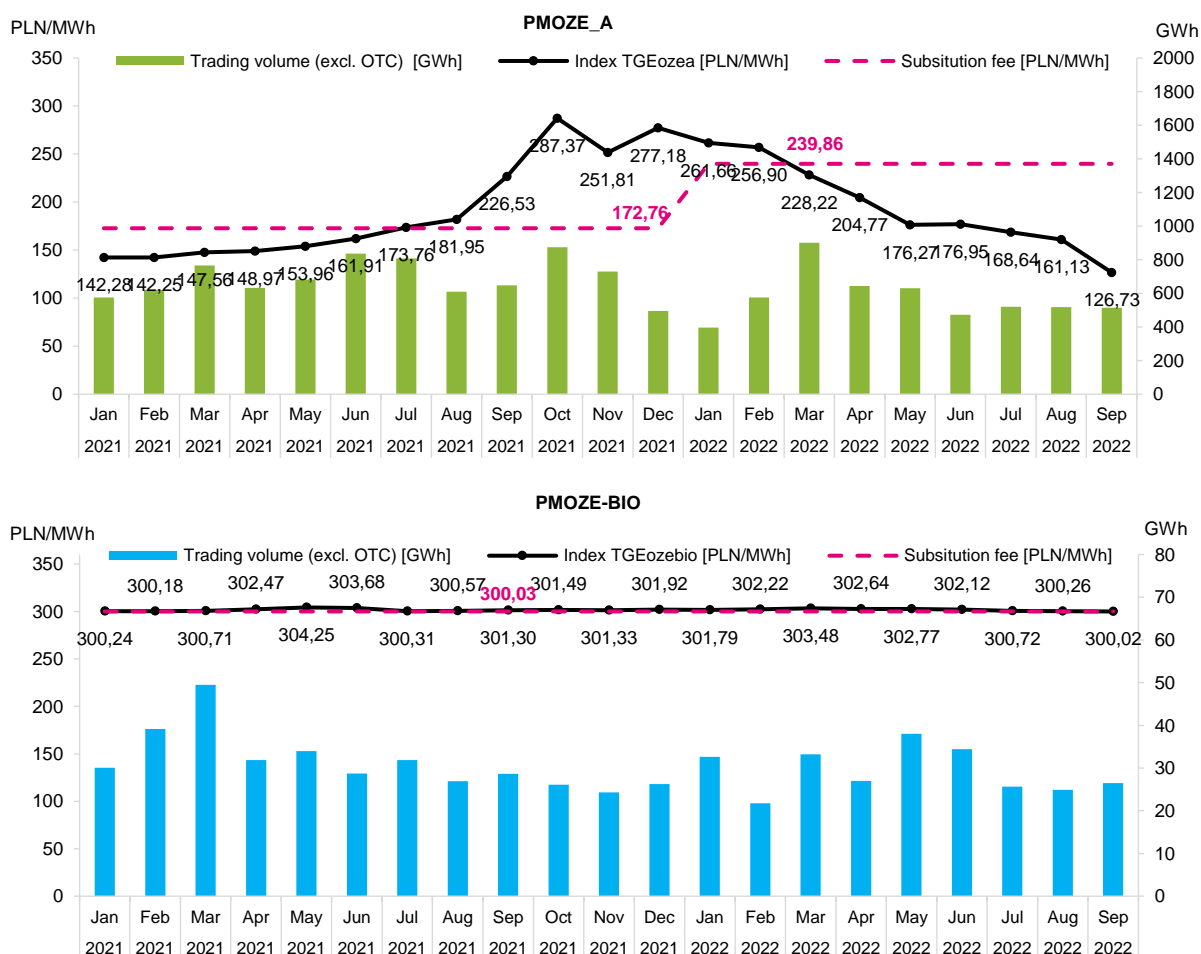
Invariably, the market of the blue certificates can be considered to be stable. The TGEozebio index has been fluctuating in the region of the substitution fee level, which stands at 300.03 PLN/MWh for 2022. During the period from July to September of 2022 the prices were fluctuating within the range between the minimum price of 299.74 PLN/MWh and the maximum price level of 302.33 PLN/MWh. The weighted average value of the TGEozebio index for the third quarter of 2022 clocked in at 300.33 PLN/MWh, while the trading volume came in at 77 GWh and it was lower by 12.0% as compared to the trading volume logged in the third quarter of 2021. The PMOZE_BIO register balance came in at 325.24 GWh as of the end of September of 2022. Taking into account the certificates blocked for the redemption, this balance drops by almost 62.14 GWh, down to the level of 263.10 GWh (an increase by 1.8% as compared to the third 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 third quarter of 2022 between the minimum level of 2 000.44 PLN/toe reached in the middle of September of 2022 and the maximum price obtained at the beginning of July of 2022 at the level of 2 205.23 PLN/toe. The weighted average price in the third quarter of 2022 came in at 2 074.89 PLN/toe and it was lower by 17.1% as compared to the same period of 2021. On average the prices were clocking in at 8.4% above the substitution fee set at the level of 1 914.42 PLN/toe for 2022. The trading volume went up by 0.8% as compared to the same period of 2021, coming in at 18 320 toe (18 172 toe in the third quarter of 2021).

In the case of the PМЕF-2022 register the prices were moving within the price range between the minimum of 2 110.93 PLN/toe, reached in July of 2022, and the maximum price at the level of 2 590.00 PLN/toe, obtained in September of 2022. The weighted average price of the PМЕF-2022 contract in the third quarter of 2022 came in at the level of 2 241.21 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 the changes and taking actions in the regulatory area, both on the national, as well as on the European Union (EU) level.

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

Name of the regulation	Description of the regulation	Status as of September 30, 2022	Impact on TAURON Capital Group	Impact on the Segment
Act of August 5, 2022, on the amendments to certain acts in order to strengthen the state's gas security in connection with the situation on the gas market (Journal of Laws. 2022, item 1723)	<p>The main elements of the act:</p> <ol style="list-style-type: none"> allowing the Minister of Energy to specify a lower volume of the high methane content natural gas to be injected into the transmission network in 2022 and 2023 than the volume specified in Article 49b, Section 1 of the Act - Energy Law (55%), identification of the entities for which the tariff will be determined by the end of 2027, obligation to develop the preventive action plans for the distribution and transmission of the gas fuels by the energy enterprises. 	September 1, 2022. - entry into force	The law introduces an extension of the tariff protection for the households and other entities that were protected under the Act of January 26, 2022, on the detailed solutions for the protection of the consumers of the gas fuels in connection with the situation on the gas market until December 31, 2027.	

Name of the regulation	Description of the regulation	Status as of September 30, 2022	Impact on TAURON Capital Group	Impact on the Segment
<i>Act of September 15, 2022, on the special solutions for certain heat sources in connection with the situation on the fuel market (Journal of Laws, 2022, item 1967)</i>	The main assumptions of the act: <ol style="list-style-type: none"> 1. support mechanism for the heat consumers without the coal stoves, 2. household consumers heating themselves individually and using the heat sources other than the hard coal and gas will receive a one time allowance - PLN 3 thousand in the case of the pellets, PLN 2 thousand for the heating oil, PLN 1 thousand - wood, PLN 500 - LPG gas, 3. The President of ERO, when approving the heat tariffs, is to limit their increase to 40 percent as compared to the previous year, 4. approximately 400 heat power plants subject to the tariffs will get a compensation payment from the budget. In view of the subject Act the President of ERO issued a decision concerning changes in the heat tariffs that are applied by TAURON Ciepło.	September 20, 2022. - entry into force	The interpretation doubts related to the vague provisions of the Act, constitute a hindrance to the ability to assess the impact of this solution on the Company. The entry into force of this Act results in the need to adjust the settlement system with the Consumers and External Sources accordingly, which may, as a consequence, constitute a burden for TC.	
<i>Regulation of the Minister of Climate and Environment of July 13, 2022, on changing the volume share of the total electricity originating from the redeemed Guarantees of Origin (GOs) of energy that confirm the generation of electricity from the renewable energy sources in 2023 (Journal of Laws 2022, item 1566).</i>	The regulation sets the volume share of the total electricity originating from the redeemed Guarantees of Origin (GOs) of energy that confirm the generation of electricity from the renewable energy sources in 2023 at 12% (reducing the share from 18.5% in 2022).	July 27, 2022. - entry into force	The regulation: <ol style="list-style-type: none"> 1. may cause a decline in the price of the Guarantees of Origin (GOs) of energy, 2. will have a positive impact on the entities dealing with the electricity trading. 	
<i>Regulation of the Minister of Climate and Environment of August 10, 2022, on the parameters of the main auction for the year of delivery 2027 and the parameters of the additional auctions for the year of delivery 2024 (Journal of Laws 2022, item 1690)</i>	The regulation specifies the following parameters for the main auction for 2027 and for the additional auctions for 2024: <ol style="list-style-type: none"> 1. demand for the capacity, 2. price of a market entry by a new generating unit, 3. maximum price for the price taker, 4. number of rounds, level of the expenditures, minimum mandatory values, correction factors for the individual groups of technologies, 5. parameters that determine the volume of the capacity below and above the demand. 	August 12, 2022. - entry into force	The regulation introduces the possibility of receiving the support as part of the capacity market.	

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

Table no. 7. The most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the third quarter of 2022

Name of the regulation	Description of the regulation	Status as of September 30, 2022	Impact on TAURON Capital Group
<i>Fit for 55</i>	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 CO ₂ (Carbon Border Adjustment Mechanism). 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. 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. In December of 2021 the EC published the next elements of the <i>Fit for 55</i> package, including a draft revision of the Energy	The process of developing the positions of the European Union 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 a 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 September 30, 2022	Impact on TAURON Capital Group
	<p>Performance of Buildings Directive. In the third quarter of 2022, the intensive works were carried out in the European Parliament (EP) and the Council of the European Union (EU Council) on the above mentioned legislative proposals. The result of these works is, among others, the adoption of the EP's negotiating positions on the revision of the RED directive and the EED directive. The next step involves the negotiations between the EP and the EU Council on the final wording of the above mentioned legislative proposals.</p>		
REPowerEU	<p>In May 2022, the European Commission published the REPowerEU communication along with a package of the additional documents. The communication is a response to the situation prevailing on the electricity and gas markets in connection with the war in Ukraine. The most important actions indicated in the communication include: energy saving, diversification of the energy media supplies to the EU, substitution of the fossil fuels and the acceleration of Europe's transition to clean energy, the smart investments and strengthening of the readiness to reduce the supply of the energy resources.</p> <p>Along with the communication, a legislative proposal amending the directives: REDII, EED and EPBD was published. As part of the above mentioned proposal, the European Commission proposes:</p> <ol style="list-style-type: none"> 1. increasing the target with respect to the use of the energy from the renewable energy sources (RES) from 40 to 45% (as compared to the proposal included in the Fit for 55 package), 2. introducing the measures aimed at making it easier to invest in the renewable energy sources, 3. raising the 2030 energy consumption reduction target from 9% to 13% as compared to the projections in the 2020 benchmark scenario, 4. increasing the use of the solar energy in the buildings. <p>In addition, along with the REPowerEU communication, among others, the <i>EU strategy for the solar energy</i>, the recommendations and the guidelines related to accelerating the issuance of the permits for the investment projects related to the renewable energy sources (RES) as well as a draft regulation amending, inter alia, the Regulation (EU) 2021/241 establishing the Recovery and Resilience Facility (in order to provide the funding for the actions identified in REPowerEU) were published.</p>	Works on implementing the short term and long term measures provided for under REPowerEU	The implementation of the REPowerEU plan can have an impact on an increase of the EU's energy independence and an acceleration of the energy transition, and it will introduce a number of changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.
Sustainable financing	<p><i>Regulation of the European Parliament and of the Council 2020/852 of June 18, 2020, on the establishment of a framework to facilitate the sustainable investment</i> 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 the climate change or adapting to the 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 types of activities and the technical eligibility criteria for the investment projects in the area of nuclear energy and natural gas. In July this year, during the plenary session of the European Parliament, the rejection of the objection to the delegated act of the European Commission was voted through. The Council of the European Union has not filed an objection against the draft regulation.</p>	The regulation was published in the Official Journal of the EU on July 15, 2022, it came into effect as of August 4, 2022. The regulation will be applied as of January 1, 2023.	The principles of the sustainable financing specified in the Taxonomy may have an impact on the possibilities (options) as well as the terms and conditions of acquiring the capital for the implementation of the investment projects planned by TAURON Capital Group.
Recovery and Resilience Facility	<p>In February of 2021, the Council of the European Union and the European Parliament adopted the regulation establishing the Recovery and Resilience Facility (RRF), with the funding of EUR 672.5 billion. The Member States have developed the National Recovery Plans (NRP) that include the reforms and investment projects aligned with the EU's policy goals until 2026, i.e. a minimum of 37% of the expenditures allocated to the energy transition and a</p>	The plan approved by the European Commission and the Council	On June 1, 2022. The National Recovery Plan (NRP) was accepted by the EC. On June 17, 2022, the NRP was accepted by the EU Council. The implementation of the plan may translate into the financial support for the investment projects related to the transition of the power sector, including, among others, in the field of the renewable energy sources (RES) (in particular the offshore), hydrogen,

Name of the regulation	Description of the regulation	Status as of September 30, 2022	Impact on TAURON Capital Group
	minimum of 20% to be spent on the digital transformation. In June this year, Poland's National Recovery and Resilience Plan (NRP) had been approved by the European Commission and the EU Council. The EC has proposed, in the context of the RePowerEU plan, to amend the RRF regulation to adapt it to the new conditions related to the war in Ukraine - the NRP would, according to these assumptions, be updated in order to implement as soon as possible the investment projects that would make the EU independent of the fossil fuels, including through the development of the RES.		energy efficiency, modernization of the buildings, providing of the qualified personnel to meet the needs of a modern economy. In the third quarter of 2022, the work was underway to prepare a call for competition as part of the NRP - A3.1.1. <i>The support for the development of the modern vocational education, the higher education and the life long learning.</i>
Climate, Energy and Environmental Aid Guidelines (CEEAG)	Climate Energy and Environmental Aid Guidelines (CEEAG) are replacing 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 aid programs or the measures for counteracting the climate change and the environment protection. The above mentioned principles are also related to the 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.	The CEEAG guidelines are applicable from January 2022	The new guidelines on the public aid for the climate, environmental and energy related to goals will have an impact on the terms and conditions for acquiring the public aid for the implementation of the investment projects planned by TAURON Capital Group. In addition, the CEEAG guidelines envisage that the Member States will modify the existing aid programs for the environment protection and the energy related goals in order to bring them into line with the new guidelines by December 31, 2023, at the latest, which may translate into the terms and conditions for obtaining the public aid also on the basis of the existing aid programs in place, if such aid were to be granted after December 31, 2023.
Draft amendments to the Commission Regulation (EU) No 651/2014 of June 17, 2014, declaring certain types of aid compatible with the internal market pursuant to Art. 107 and 108 of the Treaty (GBER)	The 2014 General Block Exemption Regulation contains ex ante compliance conditions under which the Member States can implement the public aid measures without a prior notification thereof to the European Commission. The review of the General Block Exemption Regulation aims to ensure that the objectives of the European Green Deal can be met, to further clarify the rules of the aid for the investment projects in the areas related to the energy performance of the buildings as well as the vehicle 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 the public aid as part of the aid funds implemented in the 2021 - 2027 financial plan.
Partnership Agreement	The Partnership Agreement is a comprehensive strategy for the use of the European funds agreed upon with the European Commission under the current Multiannual Financial Framework (MFF) for 2021 - 2027. It constitutes the implementation of the national documents such as the Responsible Development Strategy and the sector based strategies stemming from it. It assumes the continuation of the implementation of the existing national and regional programs.	Completion of the official negotiations of the Partnership Agreement between the European Commission and Poland	On June 30, 2022, Poland and the European Commission agreed on the content of the document that will regulate the implementation of the cohesion policy in our country under the EU's Multiannual Financial Framework (MFF) for 2021 - 2027. In the third quarter of 2022 the EC approved the first of the national programs, the European Funds for the Modern Economy for 2021 - 2027 (Fundusze Europejskie dla Nowoczesnej Gospodarki - FENG).
Draft Regulation of the Council on an emergency intervention to address high energy prices	Due to the high prices of the electricity and gas, the EC has prepared a draft regulation - an emergency intervention aimed at mitigating the effects of the high energy prices through the exceptional, targeted and time limited measures. Among other things, the draft regulation provides for: the introduction of a target (non-mandatory) for the Member States to reduce their monthly electricity consumption by 10%, the introduction of a revenue cap covering the generators producing energy from the RES, nuclear, lignite, shale, oil and petroleum sources, the introduction of a solidarity fee, and the introduction of a target for the reduction of the energy consumption during the peak hours.	The draft is pending adoption by the EU Council	The proposed solutions may have an impact, among other things, on the demand for the electricity, the reduction of the revenues from the generation and supply of the electricity from certain sources, the possibility of receiving the compensation payments by the trading companies that will be supplying electricity below the cost of the purchase thereof.

In order to mitigate the negative impact of the energy and fuel crisis on the competitiveness of the Polish economy and the protection of the consumers, especially the households and the vulnerable consumers, the Council of Ministers has initiated legislative measures aimed at introducing a support system and the specific solutions for the electricity pricing in 2023.

The below table below presents the most important changes in the regulatory environment of TAURON Capital Group on which work is in progress or which have been adopted after the balance sheet date.

Table no. 8. Most important changes in the regulatory environment of TAURON Capital Group on which work is in progress or which have been adopted after the balance sheet date

Name of the regulation	Description of the regulation	Status as of drawing up this information	Impact on TAURON Capital Group	Impact on the Segment
<i>Regulation of the Minister of Climate and Environment of September 27, 2022, amending the regulation on the detailed conditions for the functioning of the power system (Journal of Laws 2022, item 2007)</i>	The regulation assumes: <ol style="list-style-type: none"> introduction of a monthly update cycle for the cost of the base fuel, taken into account when determining the prices of the forced (mandated) delivery of the electricity (CWD) and the prices of the forced (mandated) off-take of the electricity (CWO) with respect to the generating units that use a base fuel other than the natural gas or lignite, introduction of the changes with respect to the submission of the balancing bids (for the delivery of the electricity), the introduction of the maximum MaxCO price caps for the selected production technologies, and the limiting of the bidding prices to the maximum MaxCO price cap, strengthening of the transmission of the price signals between the balancing market and the wholesale electricity market. 	October 8 and 21, 2022. - entry into force	The regulation will have a favorable impact on the model of updating the variable costs incurred in the production of the electricity when forced (mandated) by the system needs (based on the monthly cycles) along with the retroactive compensation payment settlement, stemming from the difference between the initially adopted and the actually incurred costs of the production. The regulation has impact on the level of prices on the balancing and SPOT markets.	
<i>Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 (Journal of Laws 2022, item 2127)</i>	The Act assumes: <ol style="list-style-type: none"> freezing, in 2023, of the price of the electricity at the 2022 level for the households up to the level of the consumption of 2 MWh per year. The exceptions will be the people with the disabilities (about 2.56 million), for whom the limit will be 2.6 MWh, and the people who hold a Large Family Card (about 1.2 million) as well as the farmers (about 500 000), for whom the limit will be 3 MWh¹, the introduction of a surcharge on the electricity used for the heating purposes and an incentive to conserve it. 	October 18, 2022. - entry into force	The Act will: <ol style="list-style-type: none"> reduce the margins in the Supply Segment, generate the additional costs related to the preparation of the billing systems both in terms of adapting them to perform the billing in accordance with the statutory limits, as well as to the granting of the discounts for the reduction of the level of the electricity consumption. 	
<i>Act of October 27, 2022, on the emergency measures aimed at limiting the level of the electricity prices and providing of the support for certain consumers in 2023 (Journal of Laws 2022, item 2243)</i>	The Act assumes: <ol style="list-style-type: none"> a fixed price for the electricity trading, the so-called "maximum price" at a specified level of 785 PLN/MWh for the local government units, the small and medium-sized enterprises and the public utilities (or 693 PLN/MWh for the household customers) applicable until December 31, 2023, a system of the compensation payments (calculated depending on the type of the consumer and when the contract is concluded) paid on a monthly basis, the payment of which will be the responsibility of Zarządca Rozliczeń S.A.² 	November 4, 2022. - entry into force	The Act will: <ol style="list-style-type: none"> limit the margins in the Supply Segment, limit the revenue of the certain electricity generators and trading companies (an obligation to transfer the amounts that constitute the excess revenue to Zarządca Rozliczeń S.A.). 	
<i>Act of September 29, 2022, on amending the Act - Energy Law and the Act on Renewable Energy Sources</i>	The Act: <ol style="list-style-type: none"> abolishes the so-called power exchange obligation, i.e. the obligation to sell the electricity generated on the Polish Power Exchange (TGE), provides for the changes with respect to the sanctioning of the violations of the REMIT regulation, including the strengthening of both the administrative as well as the criminal liability for the electricity market manipulation and the use of insider information (insider trading). 	November 16, 2022 – signing by the President of the Republic of Poland	The abolition of the obligation to sell the electricity on the commodity exchanges will reduce the supply of the electricity on the power exchange, decrease the liquidity of the futures contracts and will have an impact on the level of the market electricity prices.	
<i>Regulation of the Council of Ministers on the calculation of the price limit (cap)</i>	The regulation specifies: <ol style="list-style-type: none"> the method to be used to calculate the limit for the hard coal³, the method to be used to calculate the limit for the RES⁴, the method to be used to calculate the limit for the trading⁵. 	November 8, 2022. - adoption by the Council of Ministers	The regulation issued pursuant to the above mentioned act includes the rules and formulas that are to be used to set the price limits depending on the technology used to generate the electricity.	

¹According to the assumptions of the Act in question, the companies that conduct the operations with respect to the electricity trading and distribution will be entitled to the compensation payments. The compensation payments will be calculated as the product of the electricity consumed at the point of electricity consumption up to the maximum electricity consumption limits set by the act multiplied the difference between the price of the electricity stemming from the tariffs approved by the President of the ERO for 2023 and the prices approved under the tariffs for 2022.

²According to the Act, the companies that conduct the operations with respect to the electricity trading will be entitled to the compensation payments. If a customer is a household, the compensation payment will be calculated as the product of the electricity consumed in a given month multiplied by the difference between the reference price (i.e. the price to be approved by the President of the ERO in the 2023 tariff) and the maximum price for each point of electricity consumption. The compensation payments will also be due in the case of the settlements with the local government units, the small and medium sized enterprises and the public utilities. For this group of the consumers, the reference price for the calculating of the compensation payments will be determined on the basis of the electricity prices under the exchange contracts and the prices of the electricity purchased for the needs of the eligible consumers, taking into account the cost of the redemption of the guarantees of origin of electricity and the margin. The electricity suppliers will be receiving the compensation payments due to the applying of the maximum prices, which will include margins of up to 3% of the costs incurred.

The funds for the compensation payments will be received, among other things, as part of a mechanism introduced by the Act in question that consists in the reduction of the revenues of certain electricity generators and trading companies. This mechanism will reduce the revenues of the electricity generators from the sales of the electricity up to the technological limits set in the Regulation of the Council of Ministers on the calculation of the price limit (cap). The allowance for the Price Difference Payout Fund

will be the product of the volume of the electricity sales multiplied by the positive difference between the volume weighted average market price of the electricity sold and the volume weighted average price limit of the electricity sold (as specified in the above mentioned Regulation).

As of the date of drawing up this information, it is not possible to estimate the amount of the future compensation payments for the trading companies due to the lack of the electricity tariffs for 2023 approved by the President of the ERO.

³In the case of a hard coal fired electricity generator, the price cap takes into account the cost of the fuel consumed and the cost of the CO2 emission allowances, as posted in the electricity generator's accounting records, the efficiency rate and the emission factor of the power generating unit, a margin set as 3% of the day-ahead market electricity price, and an investment allowance as well as the fixed costs allowance of 50 PLN/MWh.

⁴In the case of a generator producing electricity based on the renewable sources, the price limit is defined in relation to the reference price set by the Act on the Renewable Energy Sources (in the case of the hydroelectric power plants, the price limit will be calculated at the level of 40% of this reference price), or in the case of a generator that has won the auction, it will be the price of the winning auction subject to the indexing.

⁵In the case of the electricity trading companies, with respect to the electricity sold to the final consumers, the price limit is defined as the product of the volume weighted average price of the electricity purchased on a given day multiplied by a margin of 3.5% or 3.0% (increased by the unit cost of the redemption of the guarantees of origin of electricity). In the case of the electricity trading companies, with respect to the electricity sold to the consumers other than the final consumers, the price limit is defined as the product of the volume weighted average price of the electricity purchased on a given day multiplied by a margin of 1.5% or 1.0% (increased by the unit cost of the redemption of the guarantees of origin of electricity).

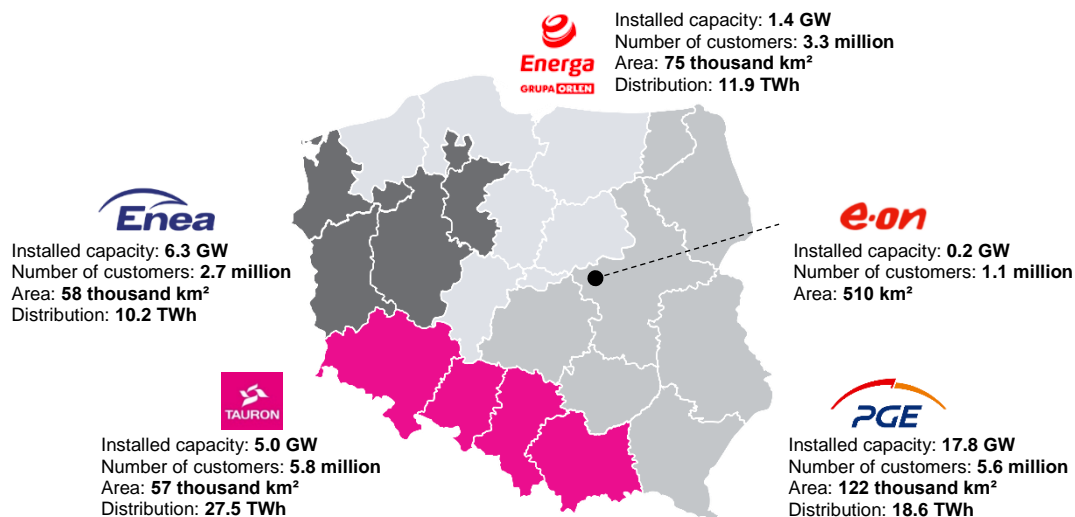
As of the date of drawing up this information, the analytical work is under way with respect to estimating the potential impact of the Act of October 27, 2022, on the emergency measures aimed at limiting the level of the electricity prices and providing of the support for certain consumers in 2023 and the Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 on the future financial results and financial position of the Group, particularly with regard to the Generation, Renewable Energy Sources and Supply Segments. Their estimation will be possible, at the earliest, after the President of the ERO has approved the tariffs for the electricity supply and distribution for 2023.

Competitive environment

Apart from TAURON Capital Group, three large, vertically integrated energy groups are currently operating on the Polish market: PGE, Enea and Energa. In addition, the company E.ON Polska S.A. (E.ON Polska) is conducting its operations in the Warsaw metropolitan area, managing Warsaw's power grid.

The below figure presents TAURON Capital Group's competitive environment based on the available data for the first half of 2022.

Figure no. 9. TAURON Capital Group's competitive environment based on the available data for the first half of 2022

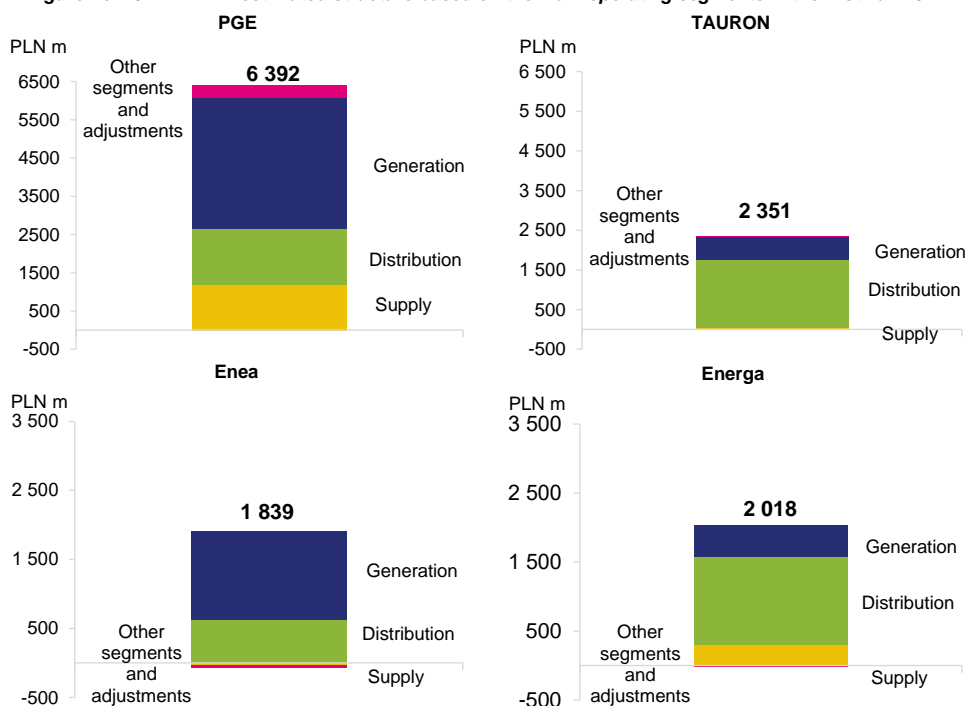


According to the data for the first half of 2022, the consolidated energy groups (PGE, TAURON, Enea, Energa) held an approximately 66% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated electric utility that takes advantage of the synergies stemming from the size and scope of the operations conducted thereby. 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 transmission of electricity), i.e. in the hard coal mining, as well as the electricity and heat generation, distribution, supply and trading.

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

Figure no. 10. EBITDA - estimated structure based on the main operating segments in the first half 2022¹



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 a key producer of electricity in Poland

TAURON Capital Group's share in the domestic electricity generation market, measured based on the gross electricity production output, stood at approx. 8% in the first half of 2022. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's generation assets are concentrated in the south of Poland. The deposits of the hard coal used to fire TAURON Capital Group's power plants and combined heat, and power plants are also located in that region. The location of the generating assets in the vicinity of the hard coal deposits allows for the optimization of the costs related to the transportation of that raw material

88% of TAURON Capital Group's generation assets are, as of the end of the third quarter of 2022, the hard coal fired units, 21% of which are modern high efficiency generating units. TAURON Capital Group's total installed capacity stood at almost 5.0 GW as of September 30, 2022, with the renewable energy sources accounting for more than 0.6 GW of that figure. The wind farms' installed capacity represents 8%, while the hydroelectric power plants' installed capacity accounts for 3% and the biomass fired generating units' installed capacity constitutes 1% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 11,1 TWh of electricity in the first three quarters of 2022, with 1.2 TWh coming from the RES.

Nationwide, in the first half of 2022, TAURON Capital Group's hard coal fired units' installed capacity accounted for approx. 14% of the total installed capacity of all of the hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants, as well as the hydro power plants, the share of TAURON Capital Group came in at approx. 5%, 7% and 14%, respectively.

According to the data for the first half of 2022, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 39% in the first half of 2022, and the installed capacity of 17.9 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. 2.3 TWh of electricity in the first half of 2022, with approx. 0.8 TWh (i.e. 36%) coming from the RES.

The below figures present the information on the installed capacity and the electricity generated in the first half of 2022.

Figure no. 11. Gross electricity production - estimated market shares in the first half of 2022

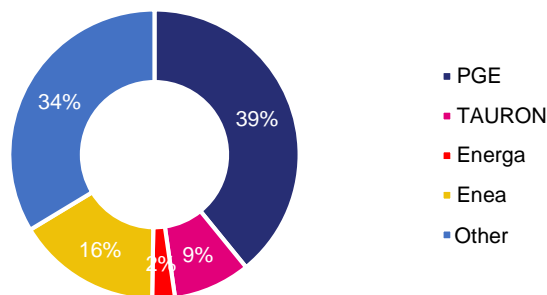
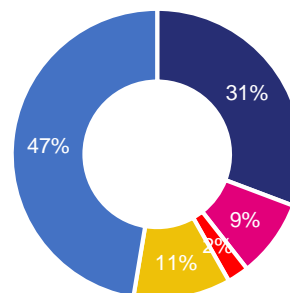


Figure no. 12. Installed capacity - estimated market shares in the first half of 2022



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

Distribution

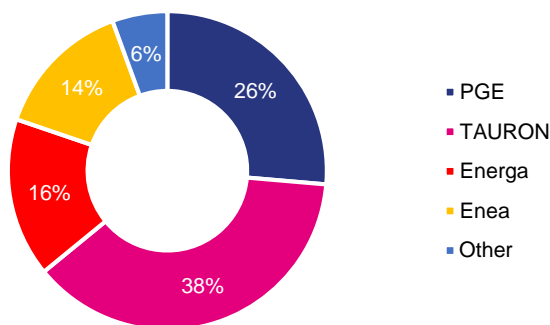
TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed.

TAURON Capital Group is the largest electricity distributor in Poland. TAURON Dystrybucja's share in the electricity distribution to the final consumers reached approx. 38% in the first half of 2022. TAURON Capital Group's distribution grids cover more than 18% of Poland's territory. The volume of the electricity delivered to the final consumers came in at approx. 27.5 TWh in the first half of 2022. TAURON Capital Group is the largest electricity distributor in Poland, also in terms of the revenue from the distribution operations.

TAURON Capital Group's distribution operations, due to the natural monopoly in the designated area, are a source of a stable and predictable revenue, accounting for a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution's geographical area on which the Distribution Segment's and the Supply Segment's subsidiaries are historically operating is a heavily industrialized and densely populated area and therefore the distribution grid is very well utilized. The number of the Distribution Segment's customers reached more than 5.82 million after the first three quarters of 2022.

The below figure presents the estimated market shares of the individual energy groups in terms of the electricity distribution based on the data for the first half of 2022.

Figure no. 13. Electricity distribution - estimated market shares in the first half of 2022



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

Supply

TAURON Capital Group is the second largest electricity supplier in Poland

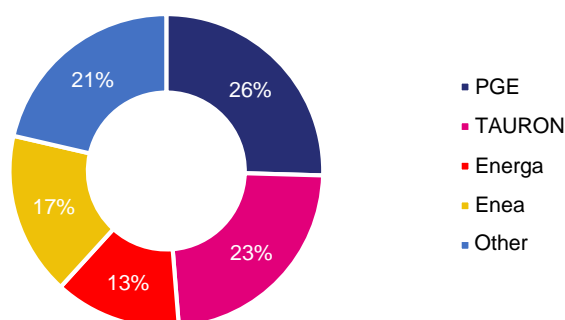
TAURON Capital Group holds a 23% share in the market of the electricity supply to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group came in at 23.08 TWh in the first three quarters of 2022. The number of the customers served by TAURON Capital Group's Supply Segment stands at 5.7 million.

PGE is the largest retail electricity supplier with a 26% market share. The other two groups, Enea and Energa, hold a 17% and a 13% market share, respectively.

In the segment of the electricity supply to the households the individual energy groups are geographically linked, first of all, with the areas in which they are acting as an ex officio electricity supplier. The need to submit household tariffs for an approval to the President of the Energy Regulatory Office (ERO) leads to the limited options for the positioning of the prices in the product offerings, and what follows, it impacts the attractiveness thereof for the customers. Such restrictions do not apply to the business and institutional customers. A broader and more open competition exists in those sectors.

The below figure presents the estimated market shares of the individual energy groups in terms of the electricity supply to the final consumers based on the data for the first half of 2022.

Figure no. 14. Electricity supply to the final consumers - estimated market shares in the first half of 2022



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

The below table presents the information on the installed capacity and the volume of the electricity generation, distribution and supply in the first half of 2022, as well as the domestic market shares.

Table no. 9. Installed capacity, generation, distribution and supply of electricity by energy groups in the first half of 2022

Group	Installed capacity		Generation ¹		Distribution		Supply	
	GW	%	TWh	%	TWh	%	TWh	%
1. PGE	17.9	31	35.5	39	18.6	26	17.5	26
2. TAURON	5.0	9	7.8	9	27.5	38	16.0	23
3. Energa	1.4	2	2.3	2	11.9	16	9.0	13
4. Enea	6.3	11	14.6	16	10.2	14	11.6	17
5. Other	27.5	47	30.5	34	4.8	6	14.7	21
Total	58.1	100	90.7	100	73.0	100	68.6	100

¹Volume of the gross electricity generated.

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

The analysis of the largest energy groups operating on the domestic market points to the various sources of the competitiveness in the selected segments of the energy market, depending on the operations conducted thereby. The below table presents the main sources of the competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations).

Table no. 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 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 the grid reliability indicators 	<ol style="list-style-type: none"> Implementing the ultimate business model. Implemented IT systems, separate processes, clear split of the 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 customer 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 (geopolitical risk),
2.	physical and cyber security risks (possible attacks on the critical infrastructure and the IT/OT infrastructure and, as a consequence, the disruptions of the operation of the critical infrastructure and the disruption of the business continuity)
3.	macroeconomic situation in Poland, at the EU level and at the global economy level, including the GDP growth rate, the changes of the interest rates, the FX rates, etc., having an impact on the valuation of the assets and the liabilities listed by the Company in the statement of financial position,
4.	market situation in Poland and in the EU, as well as in the global economy, including the changes of the electricity prices, the prices of the CO ₂ emission allowances, the prices of the raw materials (in particular hard coal and gas), etc., having an impact on the revenues and the level of the costs generated (including the maintaining of the IRGIt margins),
5.	market situation with regard to the supply of the hard coal in Poland and the need to import it,
6.	regulatory intervention (at the EU level and in Poland) aimed at reducing the demand for the electricity, introducing of the mechanisms to curb the increases in the electricity prices for the final consumers and introducing of the revenue limits for the electricity generators,
7.	abolition of the power exchange trading obligation,
8.	increase of the mandatory fuel inventory levels for the generating units,
9.	change in the model of accounting for the generating units' operation under the forced operation regime,
10.	level of the tariffs related to the supply of the electricity and heat for the households (tariff group G) approved by the President of the ERO and the system of the compensation payments (their level) due to the freezing of the prices,
11.	level of the tariffs for the electricity distribution and the heat distribution and generation approved by the President of the ERO and the system of the compensation payments (their level) due to the freezing of the prices,
12.	potential increase of the overdue accounts receivable brought about by the deterioration of the financial condition of the counterparties,
13.	demand for the electricity in the National Power System and the level of the production by the generating units, taking into account the changes due to the seasonality, the weather conditions and the availability of the fuels,
14.	level of the electricity imports/exports and of the available capacity reserve in the power system in Poland and in Europe,
15.	changes to the energy mix and, as a consequence, the adaptation of the demand for the hard coal,
16.	stable and failure free operation of the 910 MW power generation unit in Jaworzno,
17.	risk of another escalation of the epidemiological situation related to COVID-19,
18.	political environment in Poland and in the European Union, including the positions and the decisions of the government administration institutions and authorities, for example: Office of Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission (EC),
19.	results of the court proceedings,
20.	changes to the regulations related to the power sector, and also the changes in the legal environment, including: the tax law, the commercial law, the environment protection law,
21.	act on the emergency measures aimed at curbing the electricity prices and providing the support for the certain consumers in 2023,
22.	act on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market,
23.	further changes with respect to the policies of the financial institutions,
24.	activities related to obtaining of the debt financing,
25.	possibility of using the external assistance funds, including the European Union funds, to support the transition of the energy sector and mitigate the effects of the social changes, taking into account, in particular, the following limitations: <ol style="list-style-type: none"> 1) entity related (with respect to the support for the large enterprises), 2) with respect to the forms of the support (much more emphasis on the returnable support than before), 3) permissible scope of the public aid granted (for example, the tightening of the rules of the support with regard to the gas fired capacity, indicated in the draft guidelines on the public aid to be used for the climate and environment protection and the objectives related to energy (CEEAG), 4) amount of the public aid granted (changes with respect to the maximum aid intensity),
26.	geological and mining factors, as well as the natural hazards that may have an impact on the volume of the fossil fuel extraction output,
27.	further functioning of the generation capabilities compensation mechanism (capacity market), as part of which the deliveries of the electric capacity will be carried out by TAURON Capital Group subsidiaries' generating units and the demand side reduction units at the operator's request,
28.	support system for the electricity generation from the dedicated sources (<i>color certificates</i>), resulting, on the one hand, in the costs of redeeming 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,
29.	competitive environment, including the activities and steps taken by the competition on the energy market,
30.	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 volatility of the prices of the CO ₂ emission allowances,
31.	further growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation and the Mining Lines of Business,
32.	environment protection requirements as a consequence of the changes to the <i>Act of April 27, 2001, the Environment Protection Law</i> , the so-called anti-smog resolutions,
33.	consequences of the adopted <i>Act of March 30, 2021, on amending the act on disclosing the information on the environment and the protection thereof, the participation of the public in the protection of the environment and on the environmental impact assessments, and certain other acts</i> (the potential impact on the investment projects currently under way and the future investment projects),
34.	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 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,
35.	planned changes to the regulations related to the quality requirements for the solid fuels, among others, the <i>Act of August 25, 2006, on the system for monitoring and inspecting the fuel quality</i> ,
36.	shaping of the human resources policy, including the results of the negotiations with the Social Council of TAURON Group,
37.	changes to the schedules, budgets and the scopes of the investment projects carried out by TAURON Capital Group,
38.	availability of the assets of TAURON Capital Group,
39.	impact of the weather conditions, including those of the 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,
40.	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 hard coal based generation assets for the spinning off and transferring to NABE

(Narodowa Agencja Bezpieczeństwa Energetycznego – National Energy Security Agency), including the preparation of the process for the sale of the shares in TAURON Wytwarzanie to the State Treasury,

41. implementation of the assumptions of the contingent agreement on the sale of 100% of the shares in TAURON Wydobycie to the State Treasury, and thus the continuation of the implementation of the assumptions regarding the functioning of the hard coal mining industry in Poland based on the *Act of September 7, 2007, on the functioning of the hard coal mining industry*, including those related to the granting of the public aid in the form of the subsidies to reduce the production capacity of TAURON Wydobycie.
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The detailed information related to the impact of the material factors on the financial result achieved in the first three quarters 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.

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

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, the period from 01.01.2022 to 30.09.2022	2021, the period from 01.01.2021 to 30.09.2021	2022, the period from 01.01.2022 to 30.09.2022	2021, the period from 01.01.2021 to 30.09.2021
Sales revenue	26 810	17 864	5 719	3 919
Compensation payments	6	(7)	1	(2)
Operating profit	1 125	1 025	240	225
Pre-tax profit	648	788	138	173
Net profit	397	497	85	109
Net profit attributable to shareholders of the parent company	395	457	84	100
Net profit attributable to non-controlling shares	2	40	1	9
Other net comprehensive income	347	206	74	45
Total comprehensive income	744	703	159	154
Total comprehensive income attributable to shareholders of the parent company	742	663	158	145
Total comprehensive income attributable to non-controlling shares	2	40	1	9
Profit per share (in PLN/EUR) (basic and diluted)	0.23	0.26	0.05	0.06
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	2 499	4 203	533	922
Net cash from investing activities	(2 688)	(2 280)	(573)	(500)
Net cash from financing activities	334	(2 338)	71	(513)
Increase / (decrease) in net cash and equivalents	145	(415)	31	(91)
	As of 30.09.2022	As of 31.12.2021	As of 30.09.2022	As of 31.12.2021
Fixed assets	35 965	33 855	7 385	7 361
Current assets	8 530	6 220	1 752	1 352
Total assets	44 495	40 075	9 137	8 713
Share capital	8 763	8 763	1 799	1 905
Equity attributable to shareholders of the parent company	17 235	16 491	3 539	3 586
Equity attributable to non-controlling shares	32	33	7	7
Total equity	17 267	16 524	3 546	3 593
Long term liabilities	15 692	13 634	3 222	2 964
Short term liabilities	11 536	9 917	2 369	2 156
Total liabilities	27 228	23 551	5 591	5 120

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

Selected financial data	in millions of PLN		in millions of EUR	
	2022, the period from 01.01.2022 to 30.09.2022	2021, the period from 01.01.2021 to 30.09.2021	2022, the period from 01.01.2022 to 30.09.2022	2021, the period from 01.01.2021 to 30.09.2021
Sales revenue	20 588	11 543	4 392	2 532
Operating profit (loss)	115	(155)	25	(34)
Pre-tax loss	1 319	618	281	136
Net loss	1 361	604	290	132
Other total net income	249	170	53	38
Total comprehensive income	1 610	774	343	170
Loss per share (in PLN/EUR) (basic and diluted from net loss)	0.78	0.34	0.17	0.07
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	(5)	494	(1)	108
Net cash from investing activities	(421)	754	(90)	165
Net cash from financing activities	1 479	(2 326)	316	(509)
Increase / (decrease) in net cash and equivalents	1 053	(1 078)	225	(236)
	As of 30.09.2022	As of 31.12.2021	As of 30.09.2022	As of 31.12.2021
Fixed assets	27 754	27 087	5 699	5 889
Current assets	5 910	4 393	1 214	955
Total assets	33 664	31 480	6 913	6 844
Share capital	8 763	8 763	1 799	1 905
Equity	13 711	12 101	2 816	2 631
Long term liabilities	11 463	10 245	2 354	2 227
Short term liabilities	8 490	9 134	1 743	1 986
Total liabilities	19 953	19 379	4 097	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 September 30, 2022 - PLN/EUR 4.8698 (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 September 30, 2022 - PLN/EUR 4.6880 (for the period from January 1, 2021, to September 30, 2021: PLN/EUR 4.5585).

3.2. Key operating data of TAURON Capital Group

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

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

Item	Unit	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Commercial coal production	Mg m	3.70	3.40	92%
Electricity generation (gross production)	TWh	11.38	11.10	98%
including generation of electricity from renewable sources	TWh	1.23	1.20	98%
<i>Production from biomass</i>	<i>TWh</i>	<i>0.29</i>	<i>0.28</i>	<i>94%</i>

Item	Unit	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
<i>Production by hydroelectric power plants and wind farms</i>	TWh	0.94	0.93	99%
Heat generation	PJ	8.01	6.91	86%
Electricity distribution	TWh	40.06	40.31	101%
Electricity supply	TWh	34.14	33.94	99%
<i>retail supply</i>	TWh	24.52	23.08	94%
<i>wholesale</i>	TWh	9.62	10.86	113%
Number of customers - Distribution	'000	5 757	5 819	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 the individual Segments of operations (lines of business) in the first three quarters of 2021 and in the first three quarters of 2022.

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

Item	Unit	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Mining Segment's hard coal sales	Mg m	3.99	3.47	87%
Generation Segment's electricity and heat sales	TWh	13.62	12.62	93%
	PJ	9.94	8.89	89%
RES Segment's electricity sales	TWh	0.89	0.89	100%
Distribution Segment's distribution services sales	TWh	40.06	40.31	101%
Supply Segment's retail electricity supply	TWh	24.51	23.07	94%

Mining Segment

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

The hard coal sales volume came in at 3.47 million Mg in the first three quarters of 2022 which was a better result as compared to the same period of 2021. The hard coal sales within TAURON Capital Group clocked in at 2.37 million Mg which meant that 68% 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 3.40 million Mg in the first three quarters of 2022, i.e. it was slightly higher as compared to the same period of 2021.

Generation Segment

The total achievable capacity of the Generation Segment's generating units reached 4.5 GW of electric capacity and 2.1 GW of thermal capacity as of the end of September 2022.

The Generation Segment produced 10.2 TWh of electricity in the first three quarters of 2022, i.e. less by 3% as compared to in the same period of the previous year.

The production output of the biomass burning units came in at 0.28 TWh, i.e. less by 1% as compared to last year (0.29 TWh).

Sales of electricity from the in-house production, along with the electricity purchased for trading, clocked in at 12.62 TWh in the first three quarters of 2022, which meant a 7% decline as compared to the same period of 2021.

The heat supply came in at 8.89 PJ in the first three quarters of 2022, i.e. less by 11% 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.

57% of the Generation Segment's demand for the hard coal to be used to generate electricity and heat was covered with the hard coal coming from TAURON Capital Group's in-house coal mines in the first three quarters of 2022. The balance of the demand was covered from the external sources.

RES Segment

The total installed capacity of the RES Segment's generating units reached 569 MW of electric capacity as of September 2022 and it was higher by 44 MW as compared to the figure reported as of June 30, 2022, as a consequence of commissioning:

1. Choszczno II photovoltaic with the capacity of 8 MW,
2. Piotrków photovoltaic with the capacity of 30 MW,
3. Majewo photovoltaic with the capacity of 6 MW.

The RES Segment produced 0.93 TWh of electricity in the first three quarters of 2022, i.e. less by 1% as compared to last year (0.94 TWh).

Distribution Segment

The Distribution Segment delivered, in total, 40.31 TWh of electricity, including 38.81 TWh to the final consumers, in the first three quarters of 2022. During that time frame the Distribution Segment provided the distribution services for 5.82 million consumers. In the same period of 2021 the Distribution Segment delivered, in total, 40.06 TWh of electricity to 5.76 million consumers, including 38.67 TWh to the final consumers.

Supply Segment

The Supply Segment subsidiaries supplied, in total, 23.07 TWh of retail electricity in the first three quarters of 2022, i.e. less by 6% as compared to the same period of 2021, to 5.7 million customers, both households, as well as the businesses.

Other operations

The sales revenue of the Other Operations Segment subsidiaries came in at PLN 1 055 million in the first three quarters of 2022, and it was higher by 26% as compared to the same period of 2021, with the main reason being the higher sales of the biomass, electricity, the support services and the customer services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries as well as the sales of the aggregate.

3.4. TAURON Capital Group's financial position after the first three quarters of 2022

Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of December 31, 2021, and as of September 30, 2022.

Table no. 15. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2021, and as of September 30, 2022

Consolidated statement of the financial position	As of December 31, 2021	As of September 30, 2022	Change in % 2022 / 2021
ASSETS			
Fixed assets	84.5%	80.8%	96%
Current assets	15.5%	19.2%	124%
TOTAL ASSETS	100.0%	100.0%	-
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company	41.2%	38.7%	94%
Non-controlling shares	0.1%	0.1%	85%
Total equity	41.2%	38.8%	94%
Long term liabilities	34.0%	35.3%	104%
Short term liabilities	24.7%	25.9%	105%
Total liabilities	58.8%	61.2%	104%
TOTAL EQUITY AND LIABILITIES	100.0%	100.0%	-
Financial liabilities	10 944	10 932	100%
Net financial liabilities	10 129	10 968	108%
Net debt / EBITDA ratio	2.4x	3.3x	121%

Current liquidity ratio	0.63	0.74	133%
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The fixed assets represent 80.8% of the total assets in the structure of assets, as of September 30, 2022, which represents a decline by 4% as compared to their share as of the end of 2021.

The share of the current assets, as of September 30, 2022, as compared to their share as of the end of 2021, rose by 24%, mainly as a result of an increase in the value of the derivative instruments and the other financial assets, the reasons for which are pointed out further on in this information.

The liabilities represent 61.2% of the total equity and liabilities in the structure of equity and liabilities, as of September 30, 2022, with the long term liabilities accounting for 35.3% thereof, while the short term liabilities constitute 25.9% of the balance sheet total, which means a change of the debt structure as compared to the end of 2021 when such shares stood at, respectively: 34.0% and 24.7%.

The financial liabilities went up by 2% in the first three quarters of 2022, as compared to the balance sheet date falling on December 31, 2021, while the net debt rose by 8% during the same period. In connection with the above, taking into account the fact that the rolling EBITDA for the trailing 12 months ended on September 30, 2022, was lower as compared to the EBITDA posted for the financial year 2021, the net debt to EBITDA ratio was higher and it came in at 3.3x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (the net debt to EBITDA ratio) specified in some contracts concluded between the Company and the financial institutions is not less than 3.5x. The exceeding of that level could potentially trigger an immediate repayment of TAURON's obligations.

Consolidated statement of comprehensive income

The below table presents the selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 9 months ended on September 30, 2022, as well as the comparable data for the period of 9 months ended on September 30, 2021. Those items are provided in accordance with the *Interim abbreviated consolidated financial statements of TAURON Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 9 months ended on September 30, 2022.*

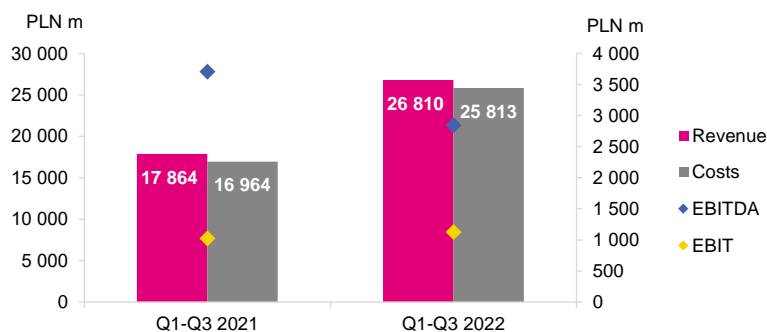
Table no. 16. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first three quarters of 2021 and for the first three quarters of 2022

Item (PLN m)	Q1-Q3 2021 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % 2022 / 2021
Sales revenue	17 864	26 816	150%
Compensation payments	(7)	6	-
Cost of goods sold	(16 964)	(25 813)	152%
Other operating revenue and costs	91	5	5%
Share in joint ventures' profits	41	117	285%
Operating profit	1 025	1 125	110%
<i>Operating profit margin (%)</i>	<i>5.7%</i>	<i>4.2%</i>	<i>73%</i>
Cost of interest on debt	(278)	(411)	148%
Other financial revenue and costs	41	(66)	-
Pre-tax profit	788	648	82%
<i>Pre-tax profit margin (%)</i>	<i>4.4%</i>	<i>2.4%</i>	<i>55%</i>
Income tax	(291)	(251)	86%
Net profit for the period	497	397	80%
<i>Net profit margin (%)</i>	<i>2.8%</i>	<i>1.5%</i>	<i>53%</i>
Total comprehensive income for the period	703	744	106%
Profit attributable to:			
Shareholders of the parent entity	457	395	86%
Non-controlling shares	40	2	5%
EBIT and EBITDA			

Item (PLN m)	Q1-Q3 2021 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % 2022 / 2021
EBIT	1 025	1 125	110%
EBITDA	3 707	2 846	77%

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

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

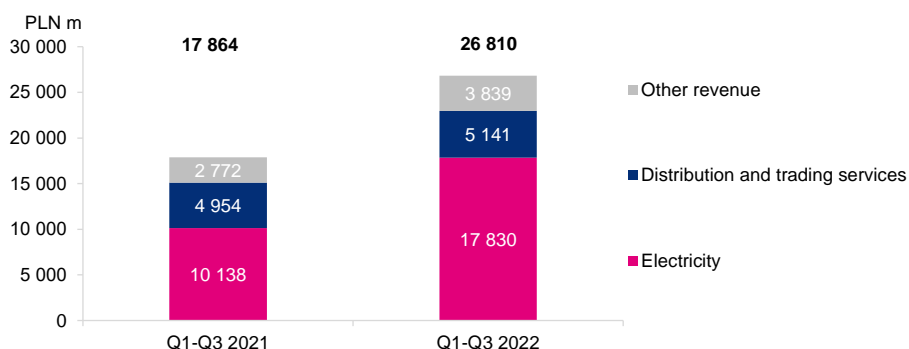


TAURON Capital Group generated revenue in the first three quarters of 2022 that was higher by 53% than the revenue reported in the same period of 2021, which was due to the following factors:

- higher revenue from the electricity sales mainly due to the obtaining of the higher electricity sales, which is a consequence of the upward market trend and an increase of the prices under the tariffs approved by the President of the Energy Regulatory Office (ERO) and in the price lists approved by the Management Board of TAURON Sprzedaż and TAURON Sprzedaż GZE,
- higher revenues from the sales of the CO₂ emission allowances, the reasons for which are described below.
 - Due to the failure of the 910 MW unit in Jaworzno that took place in June 2021 and its shutdown for the remainder of the year, a surplus of the emission allowances, acquired for the purpose of the redemption for 2021, was created. A part of the resulting surplus in the quantity of 1 717 000 EUAs was allocated for the redemption purposes of another installation of TAURON Capital Group for 2022. Taking into account the need to match the delivery of the emission allowances and the cash expenditure, TAURON Capital Group made a decision to sell the above volume of the emission allowances and, at the same time, buy such a volume in the EUA MAR'23 forward product for the purpose of the redemption of the emission allowances for 2022, thus generating the revenue in the amount of PLN 604 million in the first quarter of 2022.
 - In the first quarter of 2021, due to the delay in the commissioning of the 910 MW unit in Jaworzno in 2020, TAURON Capital Group sold 691 000 Mg of the emission allowances on the market as part of the activities aimed at utilizing the surplus arisen, which resulted in the booking of the revenue in that period in the amount of PLN 135 million. In addition, the remaining volume of 3 258 000 emission allowances with the collection date in March of 2021 were rolled over by concluding the new contracts with the delivery dates in March 2022, 2023, and 2024. TAURON Capital Group 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, primarily due to the higher volume of the Guarantees of Origin (GOs) of energy obtained based on the in-house production and the higher prices as a consequence of the increases observed on the markets,
- 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 gas mainly due to the significant rise of the prices year on year in connection with the observed price increases 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 obtaining of the higher prices as a consequence of the upward market trend along with the realization of a lower volume of the hard coal sales as a result of the lower production that had taken place in the third quarter of 2022.

The below figure presents the structure of TAURON Capital Group's sales revenue in the first three quarters of 2021 and in the first three quarters of 2022.

Figure no. 16. TAURON Capital Group's sales revenue in the first three quarters of 2021 and in the first three quarters of 2022



The costs of TAURON Capital Group's operations (operating expenses) had come in at PLN 25.8 billion in the first three quarters of 2022, which meant that they were higher by 52% than the costs incurred in the same period of 2021, which is a consequence of the following factors:

1. higher depreciation costs, mainly as a result of an increase in the value of the assets of TAURON Capital Group,
2. higher costs of the electricity purchased for the purpose of the resale thereof as a result of an increase in the electricity purchase price year on year, which is a consequence of the increase 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) the higher costs of the hard 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,
 - 2) 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,
 - 3) an increase in the prices of the materials used in the process of the longwall (coal face) reinforcement (retooling) and preparation of the thermal coal production,
6. higher costs of the employee benefits, which is the result of:
 - 1) booking in the costs of the reported period of 2022 of the effects of the agreements signed with the workforce in the second half of 2021 as well as in the first quarter and the third quarter of 2022,
 - 2) an increase of the minimum wage in 2022,
 - 3) a change in the discount rate and, as a consequence, a change in the value of the actuarial provisions.
7. higher costs of the distribution services due to an increase of the tariff for the PSE (TSO) distribution services,
8. higher costs of the other external services, mainly as a result of the higher costs of the stone storage and the repairs of the mining damage,
9. higher costs of the taxes and fees, mainly due to the higher costs of the taxes on the grid assets as a result of a rise in the taxation rates,
10. higher value of the costs of the services provided for the in-house purposes, which is mainly due to the higher value of the materials used for the longwall (coal face) reinforcements (retooling) and preparation of the production at TAURON Capital Group's coal mines, as well as the wider scope of the works performed using the in-house resources on the distribution assets,
11. setting up, as of the balance sheet date falling on June 30, 2022, and the use, in the third quarter of 2022, of the provisions for the onerous contracts, in connection with the contracts concluded for the sale of electricity on the futures market, with a deadline for the completion until December 31, 2022, which is described in more detail in note 35.2 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 9 months ended on September 30, 2022.*

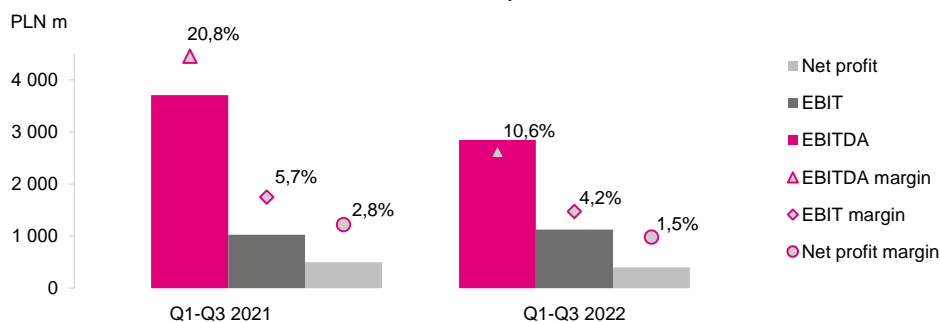
The EBITDA margin generated in the first three quarters of 2022 came in at 10.6% and it was lower by 10.2 pp than the margin posted in the same period of 2021. The EBIT margin clocked in at 4.2% and it was lower by 1.5 pp than the margin achieved in the same period of 2021, while the net profit margin came in at 1.5% and it was lower by 1.3 pp. The lower EBITDA margins posted are a result of a growth of the sales revenues, mainly as a consequence of an increase in the electricity and gas prices recorded in the first three quarters of 2022, as compared to the prices realized in the first three quarters of 2021, which had a slight impact on a change of the above mentioned results. The reported smaller drop of the EBIT margin and the net profit margin as compared to the decline of the EBITDA margin is a consequence of the fact that in the 2021 reporting period an impairment charge related to the non-

financial assets of the selected Segments of TAURON Capital Group was booked, as a result of the tests for the impairment of the non-financial assets, in the amount significantly higher than in the 2022 reporting period.

The comprehensive income attributable to the shareholders of the parent company clocked in at PLN 742 million, as compared to PLN 663 million posted a year ago, while the net profit attributable to the shareholders of the parent company came in at PLN 395 million, as compared to PLN 457 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 three quarters of 2021 and in the first three quarters of 2022.

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



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

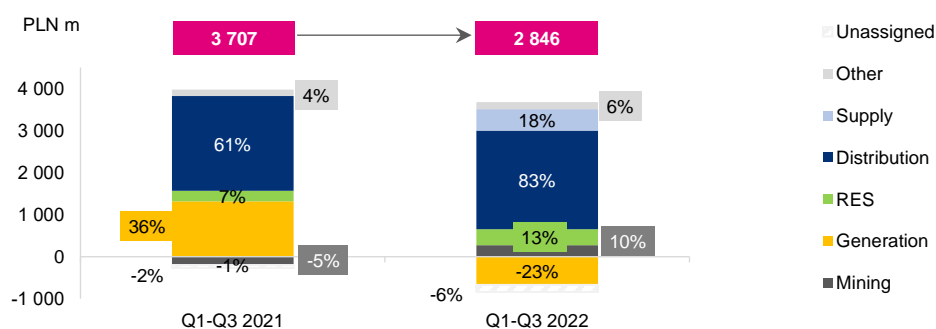
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2021 and in the first three quarters of 2022. The data for the individual Segments of operations (lines of business) does not include the consolidation related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

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

EBITDA (PLN m)	Q1-Q3 2021	Q1-1 2022	Change in % 2022 / 2021
Mining	(174)	271	-
Generation	1 319	(668)	-
RES	251	382	152%
Distribution	2 250	2 349	104%
Supply	(22)	509	-
Other operations	150	169	113%
Unassigned items and exclusions	(67)	(166)	(248)%
Total EBITDA	3 707	2 846	77%

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

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

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

Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Sales revenue	990	1 639	166%
<i>hard coal – large and medium size lump coal</i>	236	616	261%
<i>thermal coal</i>	704	919	131%
<i>other products, materials and services</i>	51	104	205%
EBIT	-460	57	-
Depreciation and impairment charges	286	214	75%
EBITDA	-174	271	-

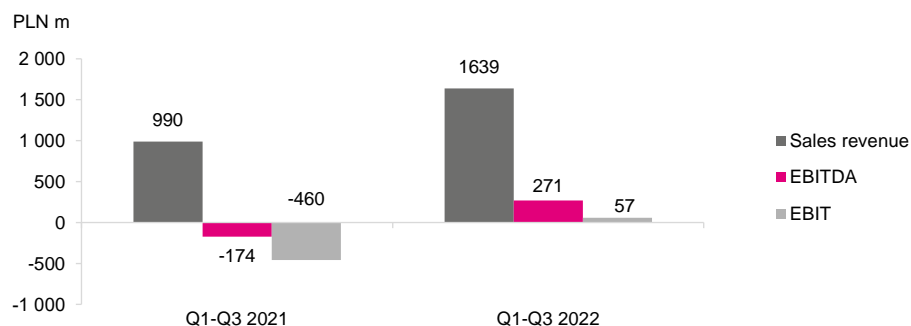
The Mining Segment's EBITDA and EBIT were higher in the first three quarters of 2022 as compared to the same period of 2021. The results posted were impacted by the following factors:

1. an increase of the average hard coal price by 87% which is impacted by the strong demand for the hard coal and a change of the product structure (types) of the hard coal sold,
2. a volume effect of the hard coal sold which consists of the lower sales of the hard coal from the storage heaps as compared to the same period of the previous year, along with a simultaneous decrease in the volume of the hard coal sold,
3. other - mainly related to an increase in the operating expenses in relation to the comparable period.

In addition, the higher EBIT result was impacted by the lower impairment charges than in the same period of 2021.

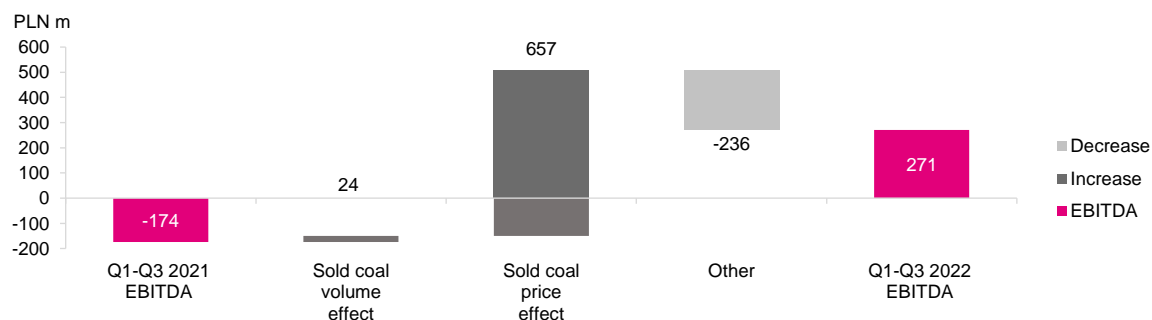
The below figure presents the Mining Segment's financial data for the first three quarters of 2021 and for the first three quarters of 2022.

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

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

Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Sales revenue	6 418	7 672	120%
<i>electricity</i>	4 638	5 821	126%
<i>heat</i>	746	790	106%
<i>property rights related to guarantees of origin of electricity (energy certificates)</i>	100	104	103%
<i>services – capacity market</i>	483	470	97%
<i>greenhouse gas emission allowances</i>	438	483	110%
<i>other</i>	12	4	31%
EBIT	45	-1 003	-
Depreciation and impairment charges	1 274	335	26%
EBITDA	1 319	-668	-

The Generation Segment's sales revenue in the first three quarters of 2022 was higher by 20% as compared to the same period of 2021, mainly due to the higher revenue from the sales of the electricity as a consequence of the higher sales prices.

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

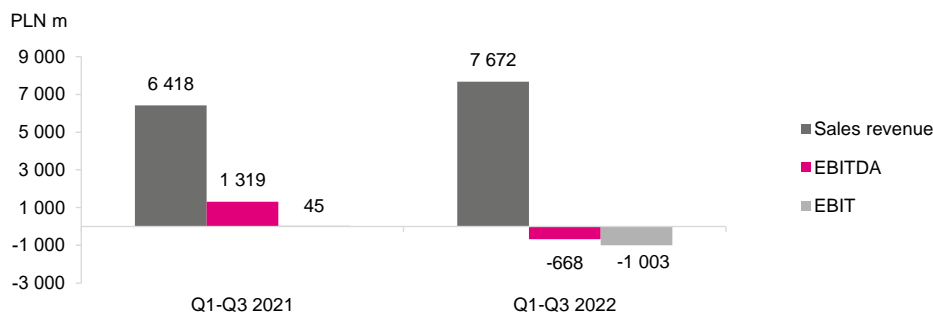
1. a lower margin on the sales of electricity as a result of higher electricity sales prices and higher costs of fuels, CO₂ emission allowances and higher costs of electricity buybacks as a consequence of the shutdown of the 910 MW unit in Jaworzno in the first quarter of 2022, as well as limited production in the third quarter of 2022,
2. setting up of the provision for onerous contracts in the second half of 2022. The setting up of the provision is related to the negative result on the sales of electricity on the futures market, which is a consequence of the adopted hedging (collaterals) policy and the applied principles with respect to the order of booking the cost of the CO₂ emission allowances (the FIFO method) and the growing prices of the hard coal used for the electricity production,
3. a lower margin on the heat sales as a consequence of an increase in the costs of the fuels and the CO₂ emission allowances partially offset by the higher heat sales prices,
4. completion of the transactions related to the CO₂ emission allowances:
 - 1) in connection with 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 took a decision to roll them over along with the conclusion of the new contracts with the delivery dates in March 2022, 2023, and 2024. At the same time, those transactions were completed at the prices that were higher than the originally contracted purchase, and as a consequence they will lead to an increase of the costs of setting up a provision by TAURON Capital Group for the liabilities related to the CO₂ emissions for 2021 and for the subsequent financial years. As a result of the above TAURON Capital Group estimates that the total impact of the restructuring on the operating results thereof in the years 2021-2023 will not be significant,
 - resale of the CO₂ emission allowances held in the quantity of 691 000 EUAs that also constituted a surplus above the redemption needs of the subsidiary for 2020 due to the delay of the commissioning of the 910 MW unit in Jaworzno.
 - 2) as a consequence of a failure of the 910 MW unit in Jaworzno that had taken place in June 2021, which led to its shutdown in the subsequent periods, a surplus of the emission allowances arose in the company's portfolio for the redemption obligation in 2021. Taking into account the need to match the delivery of the

emission allowances and the cash expenditure, TAURON Capital Group made a decision to sell the CO₂ emission allowances in the quantity of 1 717 000 EUAs.

- Other factors, including mainly the tax on civil law transactions on the purchase of Nowe Jaworzno Grupa TAURON by TAURON Wytwarzanie and sale of EC Stalowa Wola assets (result of year 2021).

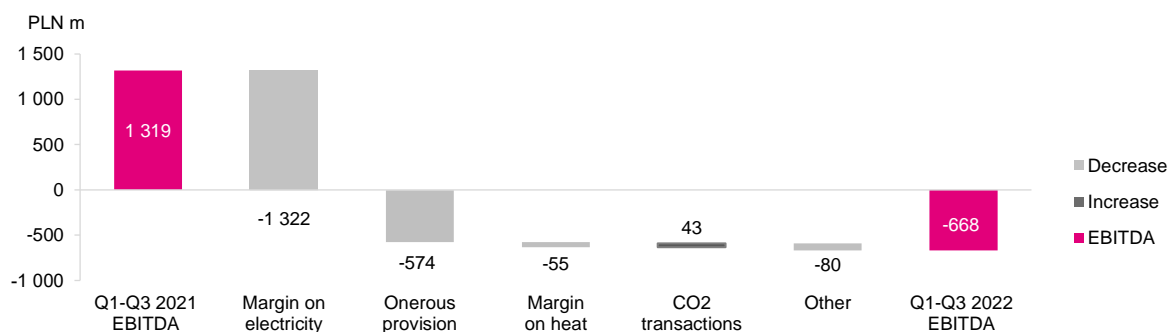
The below figure presents the Generation Segment's financial data for the first three quarters of 2021 and for the first three quarters of 2022.

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

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

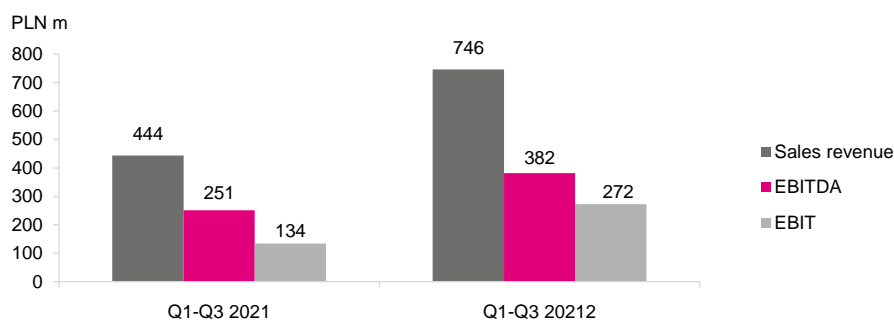
Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Sales revenue	444	746	168%
Electricity	255	448	176%
Guarantees of origin of electricity	174	282	162%
Other	15	16	107%
EBIT	134	272	203%
Depreciation and impairment charges	117	110	94%
EBITDA	251	382	152%

The RES segment's EBITDA and EBIT were higher in the first three quarters of 2022 as compared to the same period of 2021. The results posted were primarily affected by the following factors:

- 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 17%, along with the production output by the hydro power plants having been lower by 27%,
- higher revenue from the guarantees of origin of electricity, which is a consequence of the higher prices of the property rights and the volume of the property rights acquired by the wind farms having been higher by 14%.

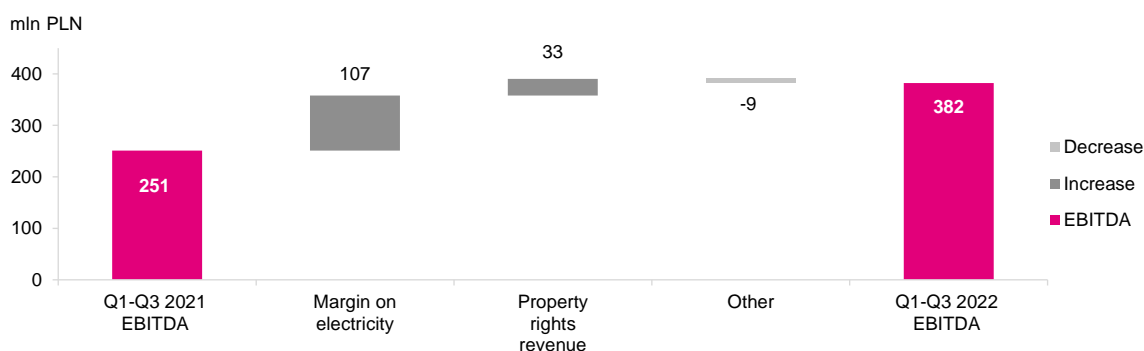
The below figure presents the RES Segment's financial data for the first three quarters of 2021 and for the first three quarters of 2022.

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

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

Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Sales revenue	5 261	5 731	109%
<i>distribution services</i>	5 036	5 490	109%
<i>grid connection fees</i>	59	86	145%
<i>power line collisions</i>	39	29	74%
<i>other revenue</i>	126	126	100%
EBIT	1 357	1 415	104%
Depreciation and impairment charges	893	934	105%
EBITDA	2 250	2 349	104%

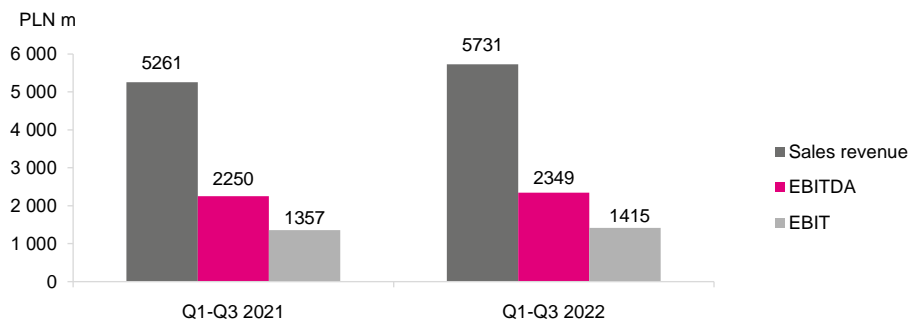
The Distribution Segment reported an increase of the sales revenue by 9% in the first three quarters of 2022, as compared to the same period of 2021, as well as the increases of EBIT and EBITDA by, respectively, 4% and 4%. The results posted were affected by the following factors:

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 247 GWh, including a rise in the distribution to the final consumers by 146 GWh, first of all in the A and B tariff groups, as a result of an upturn of the economy and the lack of the restrictions imposed on the commerce and services operations,

3. a decrease of the costs of purchasing electricity to cover the balancing difference as a result of the lower volume, the higher purchase price and a balance of the upward adjustment,
4. a rise of the fixed costs (among others, the labor costs as a result of the wages agreements signed with the workforce, the costs of the taxes on the grid assets due to the increase of the value of the assets as a result of the investment projects conducted and the costs of the external (outsourced) services).

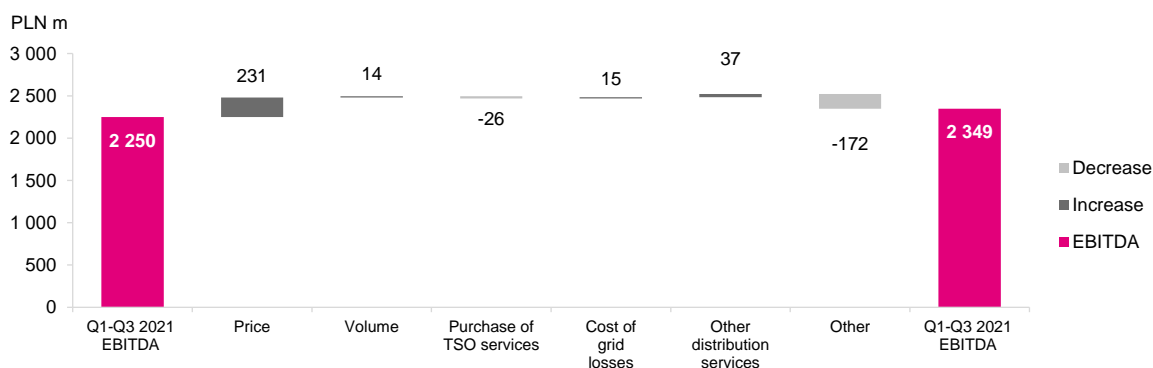
The below figure presents the Distribution Segment's financial data for the first three quarters of 2021 and for the first three quarters of 2022.

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

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

Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Supply			
Sales revenue	16 338	26 311	161%
<i>electricity, including:</i>	<i>10 999</i>	<i>18 804</i>	<i>171%</i>
<i>retail electricity supply revenue</i>	<i>7 381</i>	<i>11 877</i>	<i>161%</i>
<i>greenhouse gas emission allowances</i>	<i>876</i>	<i>2 099</i>	<i>240%</i>
<i>Fuels</i>	<i>1 358</i>	<i>2 566</i>	<i>189%</i>
<i>distribution service (passed on)</i>	<i>2 459</i>	<i>2 472</i>	<i>101%</i>
<i>other services, incl. trading services</i>	<i>509</i>	<i>370</i>	<i>74%</i>
EBIT	(53)	476	-
Depreciation and impairment charges	31	33	106%

Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
EBITDA	(22)	509	-

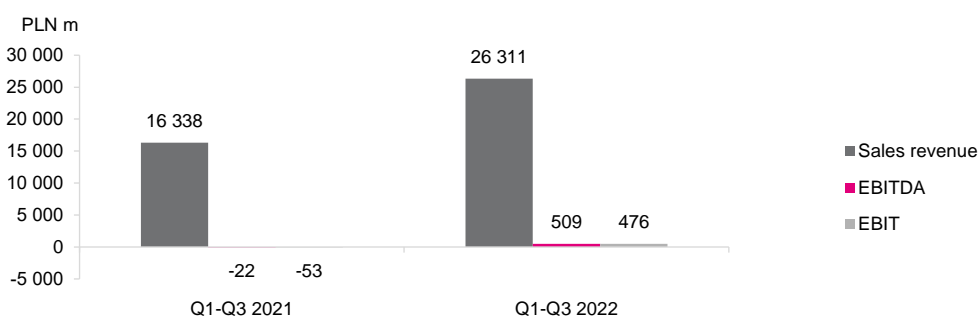
The Supply Segment's sales revenue in the first three quarters of 2022 was higher by 61% as compared to the same period of 2021, as a consequence of the higher revenue from the sales of the electricity, the CO₂ emission allowances that had taken place in the first quarter of 2022, mainly in order to meet the redemption needs of the generation subsidiaries as well as the higher revenue from the sales of gas. The change of the revenues from the sales of the above mentioned commodities was mainly a consequence of a rise in the market prices.

The Supply Segment's EBITDA and EBIT results were higher in the first three quarters of 2022 than in the same period of 2021. The results posted were affected by the following factors:

- a higher margin earned on the electricity sales as a consequence of
 - having realized a higher margin on wholesale trading in the reporting period as a consequence of having purchased electricity from the 910 MW unit in Jaworzno in 2021 under the concluded cost plus formula contract and having realized a negative margin in that period,
 - a lower margin achieved on the retail electricity supply in the reporting period as a result of an increase in the electricity purchase prices partially passed on in the sales prices charged to the Segment's customers,
 - having generated the higher revenue from the trading fees,
 - having obtained a higher margin on the electricity sales on the Czech market,
- a lower margin on the sales of gas as a result of having obtained a lower unit margin on the sales of gas as a consequence of a significant increase of the gas purchase price that had been observed in the first three quarters of 2022,
- lower amount of the impairment charge related to the accounts receivable than the amount booked in the first three quarters of 2021,
- other, including a lower margin on the sales of the CO₂ emission allowances and the higher operating costs of the Segment's subsidiaries.

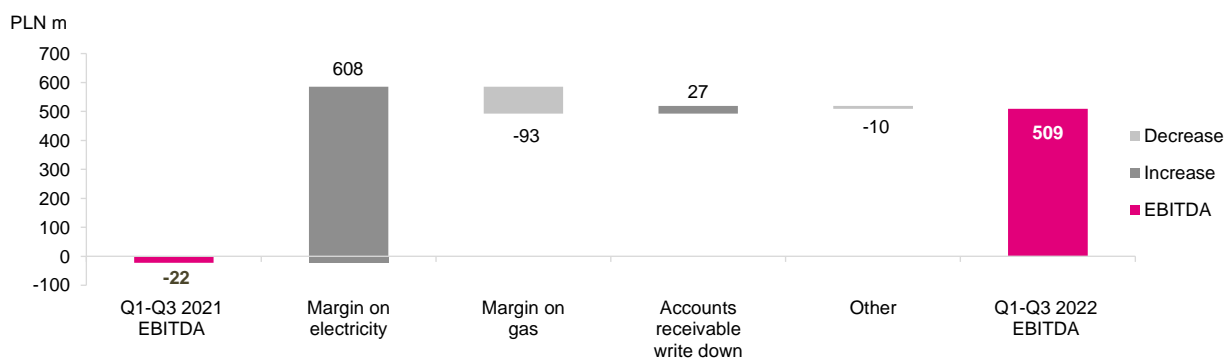
The below figure presents the Supply Segment's financial data for the first three quarters of 2021 and for the first three quarters of 2022.

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

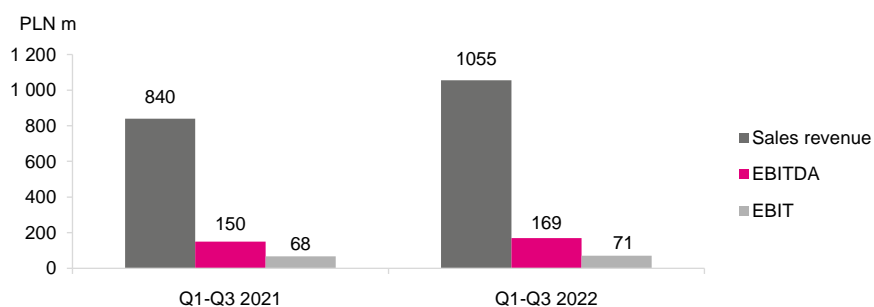
Table no. 23. Operations Segment's results for the first three quarters of 2021 and for the first three quarters of 2022

Item (PLN m)	Q1-Q3 2021	Q1-Q3 2022	Change in % 2022 / 2021
Sales revenue	840	1 055	126%
<i>customer service</i>	189	211	111%
<i>support services</i>	407	446	110%
<i>aggregates</i>	84	109	129%
<i>electricity</i>	28	71	251%
<i>biomass</i>	68	139	206%
<i>other revenue</i>	64	80	124%
EBIT	68	71	104%
Depreciation and impairment charges	82	98	120%
EBITDA	150	169	113%

Other Operations Segment subsidiaries' sales revenue in the first three quarters of 2022 was higher by 26% as compared to the sales revenue posted in the same period of 2021, which was primarily due to the higher sales of the biomass, the electricity, the support services and the customer service provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries and the higher sales of the aggregate.

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

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



Assets

The below table presents the consolidated statement of financial position – the assets as of December 31, 2021, and as of September 30, 2022.

Table no. 24. Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2021, and as of September 30, 2022

Statement of financial position (PLN m)	As of December 31, 2021	As of September 30, 2022 (unaudited data)	Change in % (2022 / 2021)
ASSETS			
Fixed assets	33 855	35 965	106%
Tangible fixed assets	29 174	29 898	102%
Current assets	6 220	8 530	137%
Cash and equivalents	815	964	118%
Fixed assets and the group's assets for disposal, classified as held for trade	10	8	80%
TOTAL ASSETS	40 075	44 495	111%

As of September 30, 2022, TAURON Capital Group's statement of financial position shows the balance sheet total that is higher by 11% 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 September 30, 2022.

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

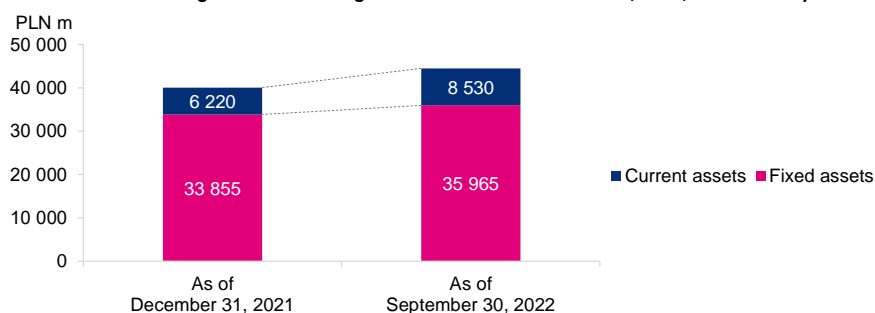
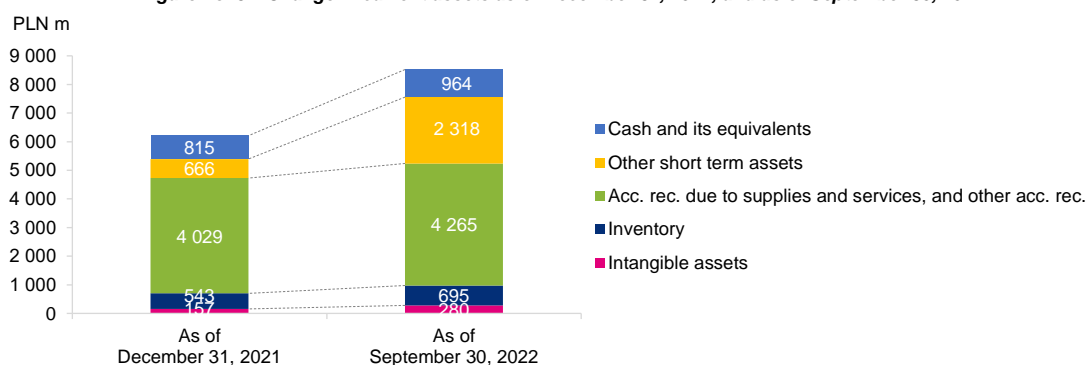


Figure no. 31. Change in current assets as of December 31, 2021, and as of September 30, 2022



The fixed assets represent the biggest item of the assets as of the end of September 2022, accounting for 80.8% of the balance sheet total. As compared to the level as of the end of 2021, the value of the fixed assets is higher by PLN 2 110 million (6%), which was brought about due to the following factors:

1. an increase of the value of the tangible fixed assets by 2% which is a result of the investment projects implemented by TAURON Capital Group's subsidiaries and the booked depreciation write-offs,
2. an increase in the value of the rights to use the shares by 2.5%,
3. a decrease of the value of the guarantees of origin of electricity and the greenhouse gas emission allowances to be redeemed due to the reclassifying of the guarantees of origin of electricity and the CO₂ emission allowances as the current assets held in order to fulfill the obligation related to the redemption of the above mentioned assets,
4. an increase in the value of the other intangible assets by 17%, which is a result of investments in the intangible assets carried out at TAURON Group subsidiaries,
5. an increase in the value of the shares in the joint ventures by 17%
6. an increase of the value of the loans extended to the joint ventures by 100%, which is related to the granting of a loan to EC Stalowa Wola in March of 2022 in order to enable the company to settle the liability stemming from the settlement agreement with Abener Energia, concluded on December 31, 2021,
7. an increase of the deferred tax assets by 1 024%, which is related to the lack of compensation for the assets and liabilities due to deferred tax of the subsidiaries forming the Tax Capital Group (PGK) in 2021, as in the Group's opinion these companies will not be filing a joint tax return for 2022 due to an expiration, as of December 31, 2021, of the decision on the registration of the agreement to set up the Tax Capital Group (PGK) for the years 2021-2023, which is described in more detail in the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 9 months ended on September 30, 2022.*

The following factors had an impact on the rise in the value of the current assets by PLN 2 310 million (37%):

1. an increase of the balance of cash on hand and equivalents by 18% (*the detailed information on the reasons for the change is provided below as part of the description of the Cash Flows*),
2. an increase of the value of the guarantees of origin of electricity and the CO₂ emission allowances to be redeemed by 78%, which is the result of:

- 1) a purchase of the CO₂ emission allowances in the first half of 2022 for the redemption obligation for the year 2021,
- 2) a purchase of the guarantees of origin of electricity in the first three quarters of 2022 or the booking of the guarantees of origin of electricity produced in-house for the fulfillment of the obligation to redeem the property rights,
- 3) reclassifying as the short term assets of a part of the property rights and the CO₂ emission allowances held, originally classified as the long term assets, which had been reclassified due to their allocation for the purpose of the ongoing fulfilling of the obligation to redeem the above mentioned assets,
3. an increase of the value of the inventory by 28%, which is related to the rise in the value of the hard coal stocks due to the increase of the purchase prices of the hard coal,
4. an increase of the value of the accounts receivable from the consumers by 6%, which is mainly a consequence of the higher electricity and gas prices,
5. a decrease of the value of the accounts receivable due to the income tax by 72%, which is a consequence of the inflow of the refund of the tax due to the settlement of the Tax Capital Group (PGK) for 2021 in the amount of PLN 374 million and the booking tax, as of September 30, 2022, of the current account receivables due to the corporate income tax, including mainly the income tax of the subsidiaries: TAURON Sprzedaż, New Jaworzno Group TAURON (currently TAURON Wytwarzanie) and TAURON Ciepło,
6. an increase of the value of the accounts receivable due to the other taxes and fees by 117% mainly as a consequence of an increase of the accounts receivable due to VAT,
7. an increase of the value of the derivative instruments by 173%, primarily as a result of a positive valuation of the derivative instruments related to the commodity derivative instruments, the forward foreign currency derivative instruments as well as the IRS and CCIRS instruments. The increase in the value of the assets due to the valuation of the above mentioned derivative instruments in relation to the comparable period is largely related to the forward instruments associated with the transactions for which the underlying commodities are the CO₂ emission allowances and is mainly due to a significant increase in the prices of the emission allowances while, at the same time, taking into account the number of the exchange contracts open as of the balance sheet date,
8. an increase of the value of the other financial assets by 135%, mainly as a result of a rise in the value of the initial margins related to the exchange settlements along with the decrease of the value of the costs settled over time, related to the assets and tort insurance as well as the IT and telecommunications services,
9. an increase of the value of the other non-financial assets by 649%, mainly as a result of the payment of the advance payments related to the future hard coal deliveries.

The below table presents the consolidated statement of financial position – equity and liabilities as of December 31, 2021, and as of September 30, 2022.

Table no. 25. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2021, and as of September 30, 2022

Statement of financial position (PLN m)	As of December 31, 2021	As of September 30, 2022 (unaudited data)	Change in % (2022 / 2021)
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent entity	16 491	17 235	105%
Non-controlling shares	33	32	97%
Total equity	16 524	17 267	104%
Long term liabilities	13 634	15 692	115%
Liabilities due to debt	10 947	12 387	113%
Short term liabilities	9 917	11 536	116%
Liabilities due to debt	2 143	2 902	135%
Total liabilities	23 551	27 228	116%
TOTAL EQUITY AND LIABILITIES	40 075	44 495	111%

The below figures present the change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of September 30, 2022.

Figure no. 32. Change in the equity and liabilities and equity attributable to shareholders as of December 31, 2021, and as of September 30, 2022

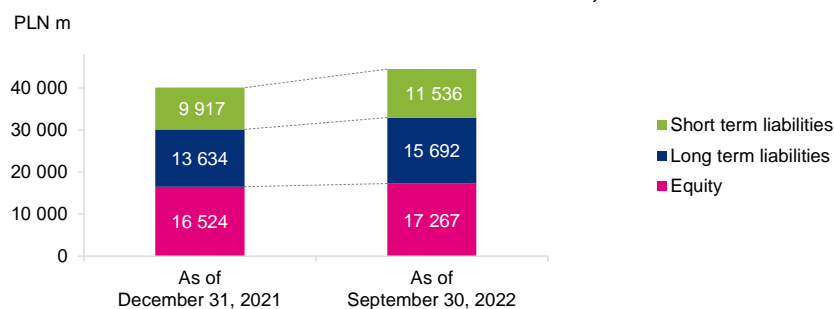
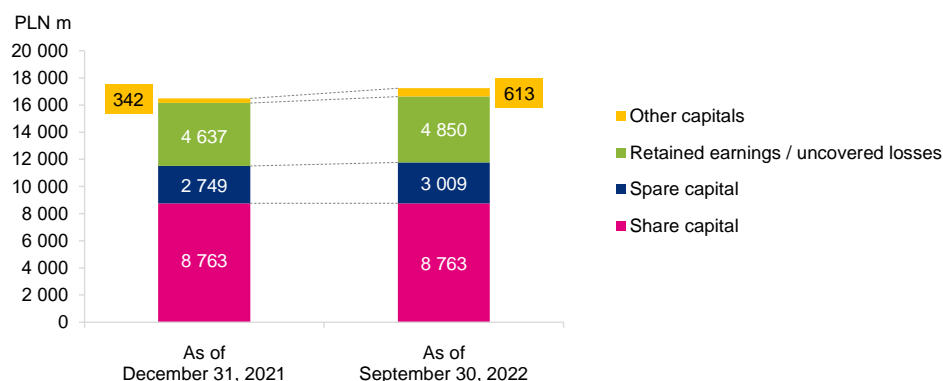


Figure no. 33. Change in equity attributable to majority shareholders as of December 31, 2021, and as of September 30, 2022



The below figures present the change in the long term and short term liabilities as of December 31, 2021, and as of September 30, 2022.

Figure no. 34. Change in long term liabilities as of December 31, 2021, and as of September 30, 2022

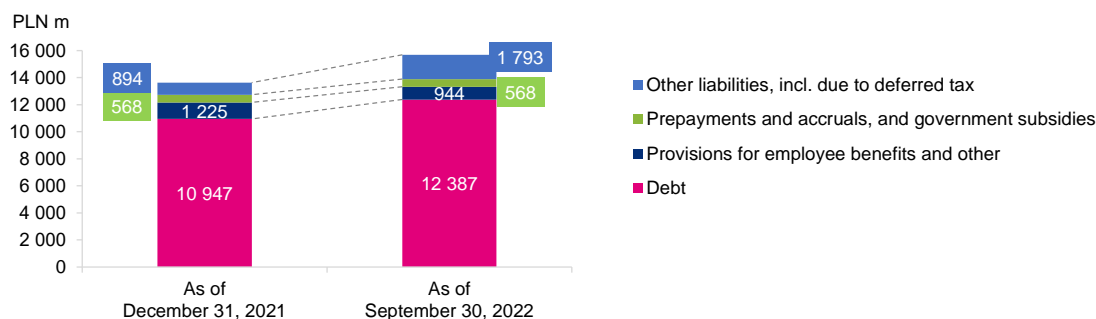
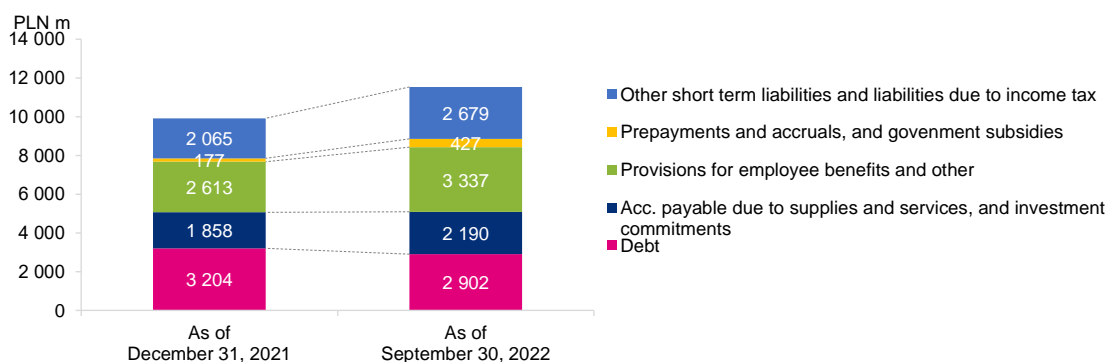


Figure no. 35. Change in short term liabilities as of December 31, 2021, and as of September 30, 2022



The amount of TAURON Capital Group's long term liabilities is higher by PLN 2 058 million (15%) in the first three quarters of 2022, which is mainly a consequence of the following factors:

1. an increase of the value of the liabilities due to debt by 13%, as a result of the inflow due to the taking out of the loans,
2. an increase of the value of the accounts payable due to the deferred income tax by 113% which is related to the lack of the offsetting of the assets and liabilities due to deferred tax of the subsidiaries forming the Tax

Capital Group (PGK) in 2021, as in TAURON Capital Group's opinion these companies will not be filing, starting as of January 1, 2022, a joint tax return due to a failure to meet the precondition, as required by the legal regulations, for the maintaining of the Tax Capital Group (PGK),

3. a decrease of the value of the provisions for the employee benefits by 17% and for the costs of dismantling the fixed assets and land reclamation, as well as others by 3%, mainly due to the updating of the discount rate as a result of the changes in the underlying (base) interest rates,
4. an increase of the value of the other financial liabilities by 206%,
5. an increase of the value of the other non-financial liabilities by 75%.

The value of TAURON Capital Group's short term liabilities went up by PLN 1 618 million (by 16%), which was primarily a consequence of the following factors:

1. an increase of the value of the liabilities due to debt by 35%, which is the result of the inflows due to the taking out of the new financing and the expenditures due to the repayment of the loans received,
2. an increase of the value of the accounts payable towards the suppliers by 40%, which is primarily a consequence of the higher prices of the electricity and gas,
3. a decrease of the value of the investment related commitments by 27%,
4. repayment of the accounts payable due to the acquisition of the non-controlling stake in connection with the fulfillment, in the first 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 (currently TAURON Wytwarzanie),
5. an increase of the value of the provisions for the employee benefits by 13%,
6. an increase of the value of the provisions for the obligations due to the guarantees of origin of electricity and the CO₂ gas emissions by 27%, which is the result of using up, in the first half of 2022, of a part of the provision in connection with the fulfillment of the obligation to redeem the CO₂ gas emission allowances for 2021 and setting up of a provision for the obligations due to the CO₂ gas emissions and the guarantees of origin of electricity for the first three quarters of 2022,
7. an increase of the value of the other provisions by 32%, which is the result of:
 - 1) the provision, set up as of December 30, 2022, for an onerous contract in the Generation and Supply Segments for the contracts related to the sales of the electricity, in case of which the generated sales revenues do not fully cover the costs incurred in connection with the need to produce the electricity required to perform these contracts or to purchase it,
 - 2) use of the above mentioned provision during the third quarter of 2022,
 - 3) use and termination of the provision for onerous contracts, set up as of the balance sheet date falling on December 31, 2021, in connection with the shutdown of the 910 MW unit in Jaworzno,
8. an increase in the prepayments and accruals, as well as the government subsidies by 141%, mainly as a consequence of an increase in the prepayments and accruals due to the bonuses and unused holidays,
9. an increase of the value of the accounts payable due to the income tax that are related to the settlements of the income tax of TAURON Capital Group's subsidiaries for the first three quarters of 2022, including mainly the TAURON Wytwarzanie and TAURON Dystrybucja subsidiaries,
10. a decrease of the value of the accounts payable due to the other taxes and fees by 45%, mainly as a consequence of the lower accounts payable due to the social security premiums, the VAT tax and the personal income tax (PIT),
11. an increase of the value of the derivative instruments by 131%, which is a consequence of the change in the valuation of the fair value of the derivative instruments and the forward or futures type foreign currency (FX) derivative instruments, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,
12. an increase of the value of the other financial liabilities by 27%,
13. an increase of the value of the other non-financial liabilities by 38%, which is primarily a consequence of the higher balance of the accounts payable towards the customers due to the overpayments received, and also the advance payments on account of the grid connection fee.

Cash flows

Consolidated cash flow statement

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

Table no. 26. Interim abbreviated cash flow statement (material items) for the first three quarters of 2021 and for the first three quarters of 2022

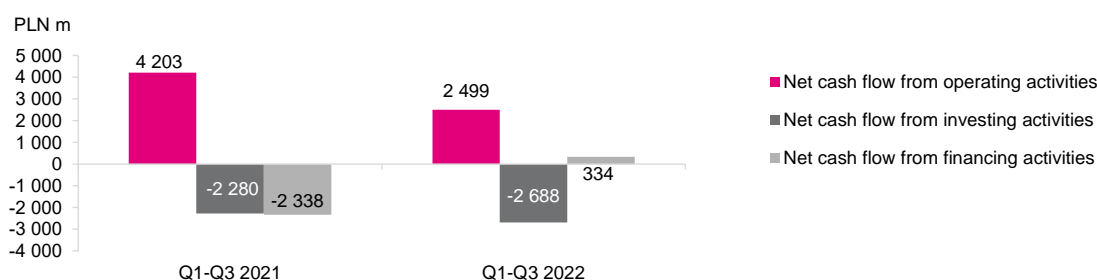
Cash flow statement (PLN m)	Q1-Q3 2021 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % (2022 / 2021)
CASH FLOW FROM OPERATING ACTIVITIES			

Cash flow statement (PLN m)	Q1-Q3 2021 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % (2022 / 2021)
Pre-tax profit	788	648	82%
Adjustments	3 415	1 851	54%
Net cash from operating activities	4 203	2 499	59%
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of tangible fixed assets and intangible assets	25	18	72%
Purchase of tangible fixed assets and intangible assets	(2 392)	(2 616)	109%
Granting of loans	(1)	(120)	-12 000%
Purchase of financial assets	(15)	(24)	-160%
Dividends received	46	49	107%
Other	57	5	9%
Net cash from investing activities	(2 280)	(2 688)	118%
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from taking on credits / loans	703	5 546	789%
Repayment of loans/credits	(2 844)	(3 795)	133%
Interest paid	(165)	(250)	152%
Purchase of non-controlling stake	0	(1 061)	-
Other	(32)	(106)	-331%
Net cash from financing activities	(2 338)	334	-
Increase / (decrease) in net cash and equivalents	(415)	145	-
Cash opening balance	895	791	88%
Cash closing balance	480	936	185%

The total amount of all of the net flows of cash from the operating, investing and financing activities in the first three quarters of 2022 was positive and it came in at PLN 145 million.

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

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



The amount of the cash flows from the operating activities in the first three quarters of 2022 came in at PLN 2 499 million, which was the result of the following factors:

1. generated EBITDA in the amount of PLN 2 846 million,
2. a positive change of the working capital balance in the amount of PLN 176 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 309 million,
 - 2) a negative change of the inventory level balance in the amount of PLN 162 million,
 - 3) a positive change of the balance of the accounts payable in the amount of PLN 525 million,
 - 4) a negative change of the balance of the other long and short term assets as well as the provisions in the total amount of PLN 81 million,

- 5) a positive change of the balance of the prepayments and accruals as well as the government subsidies in the amount of PLN 203 million,
 - 6) expenditure in the amount of PLN 389 million in respect of the income tax, which is the result of:
 - the payment by TAURON Capital Group’s subsidiaries of the income tax due to the settlement thereof for the period from January to August 2022,
 - the tax refund received on account of the Tax Capital Group’s settlement for 2021 in the amount of PLN 374 million.
3. other factors: PLN -134 million.

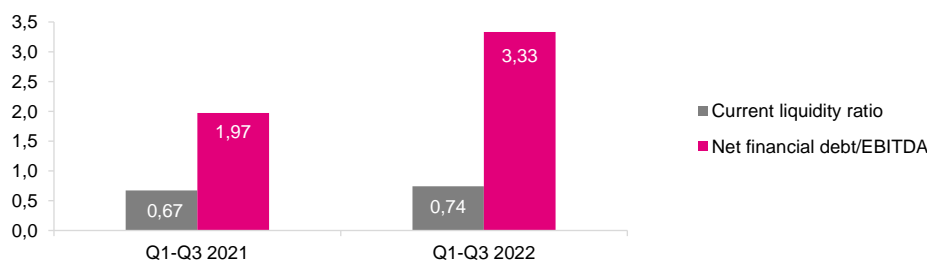
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, which were higher by 9% in the first three quarters of 2022 than the outlays incurred in the same period of 2021. The largest expenditures, in the first three quarters of 2022, were incurred by the Distribution Segment, which accounted for 57% of the total capital spending.

The positive value of the cash flow from the financing activities is primarily due to the higher inflows from the financing obtained being higher than the expenditures incurred in connection with the repayment of the financial obligations. The amount of the credits and loans repaid came in at PLN 3 795 million, while the amount of the proceeds received due to the taking out of the loans clocked in at PLN 5 546 million. In addition, in the first three quarters of 2021, TAURON Capital Group paid the amount of PLN 250 million due to interest, mainly on the financial obligations, repaid the accounts payable due to the leases in the amount of PLN 110 million, while the amount of the subsidies received stood at PLN 20 million. The timely payment of the liabilities towards the Infrastructure Investments Fund - Equity FIZAN (Fundusz Inwestycji Infrastrukturalnych – Kapitałowy FIZAN) due to the acquisition of the shares in the subsidiary Nowe Jaworzno Grupa TAURON (currently TAURON Wytwarzanie) had a material impact on the level of this item of the cash flows from the financing activities, which is described in more detail in note 38 to the *Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU) for the period of 9 months ended on September 30, 2022.*

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

The below figure presents the current liquidity ratio and the net financial debt to EBITDA ratio in the first three quarters of 2021 and in the first three quarters of 2022.

Figure no. 37. Current liquidity ratio and the net financial debt to EBITDA ratio in the first three quarters of 2021 and in the first quarters of 2022



TAURON Capital Group is effectively managing its financial liquidity using the central financing model put in place and the central financial risk management policy. TAURON Capital Group is using the *cash pool* mechanism in order to minimize the potential cash flow disruptions and the risk of the liquidity loss. TAURON Capital Group is using various sources of funding, such as, for example, overdrafts, bank loans, loans from the environmental funds, bond issues, including the subordinated bond issues.

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.

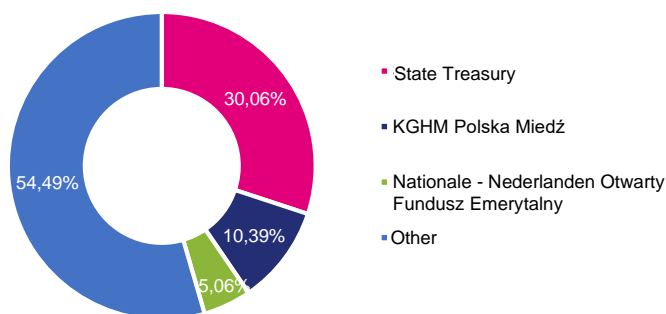
4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

4.1. Shareholding structure

As of September 30, 2022, and as of the date of drawing up this information the Company's share capital, in accordance with an entry in the National Court Register, stood at PLN 8 762 746 970 and was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 registered ordinary BB series shares.

The below figure presents the shareholding structure as of September 30, 2022, and as of the date of drawing up this information.

Figure no. 38. Shareholding structure as of September 30, 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 September 30, 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 September 30, 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 (Open Pension Fund)	88 742 929	5.06%	88 742 929	5.06%

¹Pursuant to the provisions of the Company's Articles of Association the voting right of the shareholders holding over 10% of total votes in the Company shall be limited so that none of them can exercise more than 10% of the total votes in the Company at the General Meeting of the Shareholders. The cumulative votes belonging to shareholders between whom there is a relationship of dominance or dependence within the meaning of the provisions of the Company's Articles of Association shall be subject to an appropriate reduction. The above mentioned restriction on exercising the voting right shall not apply to the State Treasury and the entities controlled by the State Treasury at the time when the State Treasury, together with the entities controlled by the State Treasury, hold a number of the company's shares that entitle them to exercise at least 25% of the total votes in the Company

From the date of disclosing the previous interim report, i.e. from September 7, 2022, until the date of drawing up 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, or the rights thereto held by the Members of the Company's Management Board as of the date of drawing up this information.

Table no. 28. Company's shares or the rights thereto held by the Members of the Company's Management Board as of the date of drawing up this 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

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. Bogusław Rybacki	09.09.2022	0	0
4. Krzysztof Surma	05.08.2021	10 000	50 000 PLN
5. Tomasz Szczegielniak	06.09.2022	0	0
6. Artur Warzocha	21.01.2022	0	0

As of the date of drawing up this information, 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 September 7, 2022, until 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 three quarters of 2022.

Table no. 29. Summary of material proceedings pending before the court, competent arbitration authority or public administration authority in the first three quarters 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: Huta Łaziska (Łaziska Steel Works)</p> <p>Defendants: 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 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, among other things, the reimbursement of the costs of the appeal proceedings was adjudicated for the benefit of the Company. The ruling is final. Huta Łaziska brought a cassation appeal against the judgment to the Supreme Court.</p>
<p>2. Authority conducting the audit: Head of the Mazovian Customs and Tax Office, and after an appeal has been filed – the Director of the Tax Administration Chamber in Katowice and the Director of the Tax Administration Chamber in Warsaw</p> <p>Party: TAURON</p>	<p>Object of litigation: examining the accuracy of the tax base amounts declared by TAURON and the correctness of calculations and payments of the VAT tax for the period from October 2013 until September 2014. The main subject of the two investigations (audits) are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from Castor Energy sp. z o.o. (Ltd.)</p> <p>Value of the object of litigation (deducted VAT amount): with respect to the transaction with Castor Energy sp. z o.o.(Ltd.) – PLN 52 494 672.</p> <p>Date of initiating the proceeding: October 2014, August 2016</p> <p>Company's position: in the Company's opinion during the verification of the counterparty (business partner, contractor), the due diligence was actually adhered to, and the Company acted in good faith, so there are no grounds for refusing the Company the right to deduct the tax assessed on the invoices documenting the electricity purchase from Castor Energy sp. z o.o. (Ltd.).</p> <p>On October 7, 2020, the Company received the decision of the Head of the Mazovian Customs and Tax Office, ending one of the audit proceedings, specifying the amount of its VAT tax liability for the following months: October, November, December 2013 and the first quarter of 2014, which resulted in the obligation for the Company to pay additional VAT due to the transaction with Castor Energy sp. z o.o, in the total amount of PLN 51 818 857, along with the interest on the tax arrears. The Company filed an appeal against the decision on October 20, 2020.</p> <p>On January 15, 2021, as part of the second audit proceedings, a decision was issued the Head of the Mazovian Customs and Tax Office in which the Authority stated that the Company had not been eligible to deduct the VAT assessed from the invoice issued by Castor Energia Sp. z o.o. (Ltd.) in April 2014, and thus the Company overstated the amount of VAT assessed recognized in the tax statement filing for the second quarter of 2014 by the amount of PLN 677 815.39. On February 12, 2021, the Company filed an appeal against the decision.</p> <p>The second instance authority upheld both decisions of the first instance authority. The company filed an appeal against the decisions of the second instance authority by way of a complaint lodged to the Provincial Administrative Court.</p>
<p>3. Plaintiff: Enea</p> <p>Defendant: 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 Polska Energia Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) (PEPKH) subsidiary, of the agreements related to the sales of electricity and property rights arising from the guarantees of origin (energy certificates)</p>	

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>Object of litigation: lawsuit for payment of damages and determination of liability for the future.</p> <p>Value of the object of litigation: PLN 72 217 997.00</p>
<p>4. Plaintiff: Dobiesław Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Initiation of the proceeding: the lawsuit of June 30, 2017</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 37 471 305.05 or (a potential claim) PLN 35 969 662.07.</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>5. Plaintiff: Gorzyca Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p>Value of the object of litigation: PLN 97 651 840.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 57 933 516.55 or (a potential claim) PLN 62 666 188.65.</p>
<p>6. Plaintiff: Pękanino Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p>Value of the object of litigation: PLN 44 817 060.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 16 347 985.20 or (a potential claim) PLN 11 894 096.96.</p>
<p>7. Plaintiff: Nowy Jarosław Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p>Value of the object of litigation: PLN 57 763 340.00</p> <p>Initiation of the proceeding: the lawsuit of June 29, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 30 755 239.47 or (a potential claim) PLN 32 175 239.15.</p>
<p>8. Co-participation on the plaintiff's (claimant's) side: Amon sp. z o.o. (Ltd.) (Amon) and Talia sp. z o.o. (Ltd.) (Talia)</p> <p>Defendant: TAURON</p>	<p>Object of litigation: lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p>Value of the object of litigation: Amon – PLN 78 205 000; Talia – PLN 53 128 000</p> <p>Initiation of the proceeding: the lawsuit of April 30, 2018</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates)</p>	
<p>9. Plaintiff: Gorzyca Wind Invest sp. z o.o. (Ltd.), Pękanino Wind Invest sp. z o.o. (Ltd.), Dobiesław Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: 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: Gorzyca Wind Invest sp. z o.o.(Ltd.) – PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. (Ltd.) PLN 64 116 908.85</p> <p>Initiation of the proceeding: Gorzyca Wind Invest sp. z o.o. (Ltd.) – May 18, 2015, Pękanino Wind Invest sp. z o.o. (Ltd.) – May 20, 2018, Dobiesław Wind Invest sp. z o.o. (Ltd.) – May 18, 2015</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On April 14, 2022, PEPKH's power of attorney representatives received further lawsuits including more demands:</p> <ol style="list-style-type: none"> 1) Gorzyca Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 80 810 380.04 to be awarded or (an alternative claim) PLN 43 350 973.37, 2) Pękanino Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 11 070 380.21 to be awarded or (an alternative claim) PLN 11 454 266.58.
<p>10. Plaintiff: Dobiesław Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: PEPKH</p>	<p>Object of litigation: plea to award damages and liquidated damages.</p> <p>Value of the object of litigation: PLN 119 958 191.00</p> <p>Initiation of the proceeding: the lawsuit of June 14, 2017</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p>
<p>11. Plaintiff: Nowy Jarosław Wind Invest sp. z o.o. (Ltd.)</p> <p>Defendant: PEPKH</p>	<p>Object of litigation: plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p>Value of the object of litigation: PLN 105 128 834.11</p> <p>Initiation of the proceeding: the lawsuit of June 3, 2015</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>Object of litigation: 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 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>
12. Plaintiff: Amon Defendant: PEPKH	<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 the guarantees of origin of electricity 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>PEPKH disagrees with the ruling and filed an appeal complaint on October 25, 2019. On November 17, 2022, the Court of Appeals dismissed PEPKH's appeal. The ruling of the Court of Appeals and, as a consequence, the above mentioned preliminary and partial rulings shall be legally binding, however, there is a possibility of filing a cassation appeal. These rulings do not award any damages to be paid by PEPKH to the plaintiff, i.e. Amon sp. z o. o. (Ltd.). PEPKH disagrees with the ruling of the Court of Appeals in its entirety, as well as it disagrees with the ruling of the Court of the First Instance. PEPKH will immediately request the Court of Appeals that it be served the Court of the Second Instance's ruling along with a written statement of reasons, and it will proceed to analyze it with a view to file an appeal against it as soon as possible and take all other legal remedies to which it is entitled.</p> <p>Object of litigation: plea to determine awarding of damages due to a failure to perform, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p>Value of the object of litigation: PLN 29 009 189.38</p> <p>Initiation of the proceeding: August 20, 2019</p> <p>Company's position: the Company considers the claims covered by the lawsuit as being without merit.</p> <p>The case was suspended by a court decision until the Regional Court in Gdańsk has reviewed an appeal against the judgment in the lawsuit brought by Amon against PEPKH, referred to in item 12 above. The court's decision is legally binding (final).</p>
13. Plaintiff: Amon Defendant: PEPKH	<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>
14. Plaintiff: Talia Defendant: PEPKH	<ol style="list-style-type: none"> determined that PKH's statements on the termination of long term agreements, concluded between PEPKH and Talia, for the purchase of electricity and property rights arising from guarantees of origin of electricity (energy certificates) had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties, determined that Talia's demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages. <p>On August 3, 2020, and on March 8, 2021, PEPKH filed an appeal against the ruling (the preliminary one and the supplemented one) with the court.</p> <p>On December 20, 2021, the Court of Appeal in Gdańsk, announced the ruling to dismiss the appeal of PEPKH. The ruling of the Court of Appeal, and as a consequence the above mentioned preliminary and partial ruling as well as the supplementary ruling are final (legally binding), however it is possible to file a cassation appeal. The rulings do not order that PKH should pay any damages to the plaintiff, i.e. Talia sp. z o.o. (Ltd.) PEPKH disagrees in full with the ruling of the Court of Appeal as well as with the rulings of the Court of the first instance. PEPKH has been served the statement of reason for the court judgment and has filed a cassation appeal.</p>

Other proceedings

Petitions of TAURON Sprzedaż for a change of the approved tariff

As of January 1, 2020, pursuant to the decision of the President of the Energy Regulatory Office (ERO) of December 17, 2019, the electricity tariff for the G tariff groups consumers entered into force, resulting in an increase in the payments for the household consumers by 19.9% as compared to the payments incurred in 2018/2019.

Due to the fact that the said decision prevented TAURON Sprzedaż from passing on the justified costs of the activities related to the electricity trading, on January 8, 2020, TAURON Sprzedaż submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, thus initiating the administrative proceedings.

Due to the particularly complex nature of the case and the COVID-19 pandemic, the deadline for resolving the case was set as July 29, 2020.

By way of the decision of July 8, 2020, the President of the Energy Regulatory Office (ERO) did not approve the above mentioned tariff change.

In the opinion of TAURON Sprzedaż, the decision to approve the tariff was justified by the legitimate interest of the party and the provisions of the applicable law, stipulating that the tariff should ensure that the justified costs of the activities conducted by the Company are covered, while the decision approving the tariff, in the opinion of the Company, did not ensure this.

On July 30, 2020, TAURON Sprzedaż filed an appeal to the Court of Competition and Consumer Protection in Warsaw, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020, motioning for the amendment of the challenged decision in its entirety by approving the electricity tariff in accordance with the application of TAURON Sprzedaż or revoking the decision in its entirety and ruling that the decision was issued in the violation of the law.

The case is pending under the reference file number XVII AmE 242/20.

The Court of Competition and Consumer Protection Company, by way of its decision of July 28, 2022, admitted the evidence from the opinion of a court expert in the field of the energy market and accounting. The Company is waiting for the expert to issue the opinion.

The disputes between EC Stalowa Wola and Abener Energia

In connection with the settlement agreement concluded on December 31, 2021, all of the court and arbitration proceedings between EC Stalowa Wola and Abener Energia, the information of which was disclosed by the Company in 2021, had been suspended at the joint request (motion) of the parties, and subsequently, on March 9 and 10, 2022, the parties filed the motions to resume the suspended proceedings, to withdraw the lawsuits and the cassation appeal, and to discontinue all of the proceedings. The parties are awaiting the rulings of the Supreme Court and the Court of Arbitration at the Polish Chamber of Commerce in the above cases. As a consequence, the Arbitration Court at the Polish Chamber of Commerce issued: on March 14, 2022, a decision to discontinue the proceedings (claim) brought by Abener Energia against EC Stalowa Wola, reviewed under the reference file number SA 14/19, and on March 21, 2022, the decision to discontinue the proceedings (claim) brought by EC Stalowa Wola against Abener Energia, reviewed under the reference file number SA 167/19. The Supreme Court issued a decision on the discontinuation of the cassation proceedings on the complaint of EC Stalowa Wola with the participation of Abener Energia on June 2, 2022.

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 51 to the Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union (EU), for the period of 9 months ended on September 30, 2022.

5.3. Credit or loan sureties granted and guarantees granted

Credit or loan sureties granted

TAURON, as well as its subsidiaries, had not granted any credit or loan sureties in the first three quarters of 2022.

After the balance sheet date, TAURON granted a surety to Bank Gospodarstwa Krajowego to provide a security for the agreement on the loan granted to EC Stalowa Wola in the amount of PLN 424 million. The surety provides a collateral for the claims of Bank Gospodarstwa Krajowego up to PLN 187 million and is valid from October 12, 2022, to March 11, 2023.

Guarantees granted

In the first three quarters of 2022, the Company granted TAURON Czech Energy a corporate guarantee worth up to the amount of EUR 3 million as a security for the performance of the commercial contracts for the benefit of a third party. The corporate guarantee shall be effective until January 31, 2024.

As of September 30, 2022, the total amount of the sureties (co-signings) and corporate guarantees (bonds) granted by the Company stood at PLN 950 million.

In the first three quarters of 2022, TAURON Zielona Energia granted securities for the trade liabilities of MEGAWATT S.C. towards third parties, i.e.:

1. Sureties in the amount of PLN 108 million, effective until 31 December 2024,
2. Corporate guarantee up to the amount of EUR 64 million, effective until 31 December 2024.

In addition, in the first three quarters of 2022 there were corporate guarantees in place provided by TAURON Ekoenergia for the liabilities of Wind T1 sp. z o.o. (Ltd.) and Polpower stemming from the commercial contracts. As of September 30, 2022, the amount of these guarantees stood at PLN 9 million.

In the first three quarters of 2022, as part of the framework agreements in force, the bank guarantees were issued at the instruction of the Company for the liabilities of TAURON Capital Group's subsidiaries and the related companies. As of September 30, 2022, the amount of the bank guarantees in force, issued at the instruction of the Company, stood at PLN 945 million.

In addition, the bank guarantees issued at the request of TAURON Czech Energy were in effect in the first three quarters of 2022 and, as of September 30, 2022, they amounted to PLN 36 million in total.

After the balance sheet date TAURON Zielona Energia Sp. z o.o. granted securities for liabilities of WIND T4 Sp. z o.o. towards third parties, i.e.:

1. Corporate guarantee up to the amount of EUR 28 million,
2. Sureties in the amount of up to PLN 69 million.

The securities are valid until the day of performance by WIND T4 Sp. z o.o. of all obligations resulting from signed agreements.

The detailed information on the guarantees (bonds) granted is provided in note 49 to the Interim abbreviated consolidated financial statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union (EU), for the period of 9 months ended on September 30, 2022.

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

The first three quarters of 2022 was a period of the continued COVID-19 pandemic (the 5th wave), during which the high number of the SARS-CoV-2 infection cases had, initially in the first quarter of this year, continued to be observed, and that number was gradually declining during the later part 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 led to certain disruptions in the economic and administrative system in Poland and worldwide. Currently the restrictions are definitely much less stringent, nevertheless in the medium and long term it should be expected – taking into account the high probability of the arrivals of the successive waves of elevated infections - that the COVID-19 epidemic will continue to affect, although to a lesser degree than up to now, the condition of the national, the European, as well as the global economy, making a negative impact on the macroeconomic factors, i.e. on the economic growth rate in Poland in the current year, as well as in the subsequent years. The material issues related to the impact of the pandemic on TAURON Capital Group are presented below:

1. in spite of the restrictions initially in force, no material impact on the level of the demand for the electricity among TAURON Capital Group's customers has been observed in 2022,
2. no material changes and permanent trends in the balance of the overdue accounts receivable or the volatility of the prices of the electricity and the related products due to the COVID-19 pandemic had been observed in the first three quarters of 2022,
3. no material changes to the level of the prices of the electricity market and the related products due to the COVID-19 pandemic had been observed in the first three quarters of 2022,
4. the situation related to the COVID-19 pandemic had continued to have an impact upon the operational activities of the individual Lines of Business of TAURON Capital Group in the first three quarters of 2022 due to the heightened employee absenteeism, which however did not have a material impact on the continuity of the business operations.

TAURON Capital Group, being aware of the threats (risks) related to the epidemiological situation, has continued and adapted the measures undertaken adequately to the level of the threats and the development of the epidemiological situation during the period under review. In connection with the above, the Management Board of the Company is continuing to monitor the pandemic situation and is 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 2022. 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 directed against the Russian Federation, which take a wide and varied form, including, inter alia, the diplomatic and financial measures, sanctions against the individual persons as well as the restrictions imposed on the economic relations.

In the opinion of TAURON Capital Group, the key consequences of the aggression of the Russian Federation against Ukraine and the risks resulting from it, identified as of the date of drawing up this information, which had an impact on TAURON Capital Group in the first three quarters of 2022, are as follows:

1. the crisis on the energy fuel market resulting from the restrictions imposed on the trade exchange with the Russian Federation causes the supply disruptions with respect to the fossil fuels and, as a consequence, leads to a step increase in the volatility and the levels of the prices of the raw materials listed on the commodity markets (including crude oil, gas and coal). This situation (occurring mainly during the third quarter of 2022) had an impact on an increase in the variable costs of electricity generation, while the options for passing on the cost to bring about the increase in the revenues from the supply and production of electricity were limited. In order to mitigate the above risks, the Group updates its trading strategy on an ongoing basis and responds in a flexible manner to the rapidly changing market conditions,
2. restrictions on the supply of hard coal with respect to the contracts concluded with the external suppliers. In order to mitigate the above risks, measures were taken to maximize the hard coal supplies from TAURON Wydobycie and to source additional deliveries of fuel on the domestic and foreign markets,
3. high volatility of the prices of electricity in all of the market segments, both in Poland as well as on the European markets, which leads to the continued maintaining of the high level of the market risk. With respect to the trading, the high level of the costs of hedging (including the profiling and the trading balancing) the demand of the end customers in the Supply Line of Business is observed, while the options for passing them on to the end customer are limited, which is applicable in particular to the tariff regulated by the President of the ERO. In order to mitigate the above mentioned risks, measures are taken in order to minimize the risk exposure by updating the trading strategy on an ongoing basis, as well as by shaping offers and updating the electricity and the gas price lists for the business and the retail (household) customers,
4. the rise of the inflation rate in Poland, as a result of which the Monetary Policy Council is regularly raising the NBP reference (prime) rate. The volatility of the interest rates is having an impact on the costs of servicing the financing at TAURON Capital Group, as well as it will be affecting the return on the capital employed in the Distribution Line of Business over a longer time frame. As a result of the economic disturbances, the increased volatility of the foreign exchange (FX) rates and the weakening of the Polish zloty can also be observed, which mainly affects the cost of purchasing the CO₂ emission allowances and leads to an increase in the cost of purchasing the hard coal from abroad as well as affects the valuation of debt denominated in EUR. In terms of the interest rate risk and the currency risk management, TAURON Capital Group uses, as a key tool, the financial market instruments (among others the foreign exchange and interest rate futures) to reduce the risk,
5. the observed gradual deterioration of the economic situation in Poland, and what follows, the decline of the electricity supply and distribution volume (observed, in particular, in the third quarter of 2022), which has an impact on the level of the revenue of the Distribution Line of Business as well as of the Supply Line of Business. With respect to risk mitigation, the Group is taking actions related to the commercial aspects (balancing of the sale position and the product changes aimed at curbing the impact of the changes in the demand on TAURON Group) as well as steps related to the regulatory aspects through the planned inclusion of the demand forecasts in the tariff applications of the Distribution Line of Business,
6. the escalation of the wage claims and the potential social unrest at TAURON Capital Group as a consequence of the rise of the inflation rate in Poland. With respect to the risk mitigation, among other things, the social dialogue is conducted between TAURON's Management Board and the Social Council on the basis of the concluded Agreement on the cooperation as part of the social dialogue at TAURON Group.

In the first three quarters of 2022, the impact of the above mentioned risks on TAURON Group was mainly related to the high volatility of electricity and hard coal prices, as well as the difficulties with fuel supply on the domestic market. With respect to the financial risk and the illiquidity risk, as of the date of drawing up the report, the Group had sufficient financial resources to enable it to settle its current obligations, as well as to carry out the investment activities that had been initiated. In particular, as part of an effort to minimize the illiquidity risk, TAURON is pursuing a precautionary policy of obtaining financing for TAURON Capital Group, i.e. ensuring adequate lead time in advance of the planned date of the use thereof. Such an approach is also aimed at ensuring a flexible selection of sources of financing and reducing the risk of having to take on new liabilities on unfavorable financial terms.

In the subsequent periods, the risk factors mentioned above are expected to continue to persist, and their impact on TAURON Group's liquidity and earnings will depend on the impact of the Russian Federation's aggression on the developments in the market, economic and geopolitical environment. It should be pointed out that the situation related to the Russian Federation's military aggression against Ukraine and its impact on the market and regulatory

environment is highly volatile, and its future implications are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the aggression, the further evolution of the situation, including a potential escalation of the hostilities, as well as its impact on the condition of the economy in Poland and worldwide. The scale and scope of the impact of the identified risks may also depend on the regulatory intervention announced at the EU level, as well as at the national level, aimed at reducing the demand for electricity, introducing mechanisms to curb increases in the electricity prices for the final consumers, and introducing revenue limits for the electricity generators.

In addition to the continuation of the risk factors identified above, the possibility of the following risks occurring in the subsequent periods should be kept in mind:

1. economic disturbances that may lead to the financial difficulties for some of TAURON Group's customers and counterparties as well as to an increase of the credit risk. As part of its response, the Group is carrying out both initial as well as ongoing verification of the financial condition of its counterparties and applying instruments aimed at hedging the credit exposure,
2. continued high volatility in the prices of electricity and related products, which may cause an increase in the trading margins (margin calls) stemming from the contracts entered into on the exchange market. As part of its response, the Group makes the maximum use of the non-cash forms of hedging and takes advantage of the margin offsets between the supply and generation lines of business,
3. continued high volatility of the prices of the raw materials and the prices of electricity and related products, rising inflation, as well as possible disruptions in the supply chains of goods and services, which may impact the timing and profitability of the ongoing and planned investment processes. As part of the response, the individual investment activities are subjected to a detailed analysis and risk assessment based on the updated knowledge and forecasts, both prior to the release of the funds, as well as during the implementation thereof,
4. changes in the EU's energy balance and, as a consequence, the increased level of the utilization of TAURON Capital Group's generating units, which may result in a decrease in their availability rate and the risks arising from the capacity obligations imposed on some of them. In this respect, measures such as the ongoing monitoring of the condition of the assets, analysis of the causes of the failures, taking the preventive measures, monitoring the quality of the overhaul works, as well as optimizing the cost of repurchasing electricity are taken
5. risks with respect to security and cybersecurity, including the potential restrictions in access to the IT/OT infrastructure systems, the internet and the GSM network, and the physical security of the critical infrastructure elements, the breach of which may cause the disruptions in the functioning of the operational processes and business continuity. At the national level, the alert levels are maintained, indicating the elevated risk associated with the possibility of an occurrence of terrorist incidents. As part of the response, among other things, measures have been taken to verify the critical IT systems and the critical OT systems, and to secure the continuity of their operation through the development of the business continuity and recovery plans in the event of the unavailability thereof.

In the other areas, as of the date of drawing up this information, TAURON Capital Group has not identified the direct effects of the aggression on its own operating activities and business operations, and the continuity of the functioning of its business processes is not at risk. TAURON Capital Group does not have any assets located on the territory of Ukraine, Russia and Belarus. In addition, no significant risks have been identified with respect to the implementation of TAURON Group's long term expansion directions and Strategy. The current and potential challenges identified in the investment and restructuring processes and related to the volatility of the prices of the raw materials, disruptions in the supply chains of goods and services, as well as inflation, are analyzed in detail based on the updated knowledge and forecasts before making any commitments and releasing significant financial resources.

TAURON Capital Group, taking note of the scale of the risks related to the current situation, is monitoring the impact of the war in Ukraine on an ongoing basis and is taking steps aimed at minimizing the potential effects for TAURON Capital Group of the risk materializing, as well as at maintaining the continuity of the operations of the critical infrastructure. In connection with the situation arisen, the dedicated Crisis Teams have been set up at TAURON Group's Subsidiaries, in order to monitor the impact of the current situation on the business processes and to take actions in the event of identifying a risk of the interruption or disruption thereof.

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 three quarters of 2022 that would be material for the evaluation of the personnel, assets, financial position and the financial result of

TAURON Capital Group and the changes thereof, as well as for the evaluation of the ability of TAURON Capital Group to meet its obligations.

Katowice, November 22, 2022

Paweł Szczeszek - President of the Management Board (CEO)

Patryk Demski - Vice President of the Management Board

Bogusław Rybacki - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board

Tomasz Szczegieliński - Vice President of the Management Board

Artur Warzocha - Vice President of the Management Board

Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS

The glossary of the trade terms and the list of abbreviations and acronyms most commonly used in this report is presented below.

Table no. 30. Explanation of abbreviations and acronyms as well as trade terms

Abbreviation and trade term	Full name / explanation
1. Abener Energia	Abener Energia S.A. (Joint Stock Company) with its registered office in Campus Palmas Altas (Sevilla).
2. Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
3. ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
4. ARE	Agencja Rynku Energii S.A. (Energy Market Agency) with its registered office in Warsaw.
5. AVAL-1	AVAL-1 sp. z o. o. (Ltd.) with its registered office in Szczecin.
6. BASE (BASE contract)	A baseload contract for the supply of electricity at all hours of the period, for example the BASE contract for March 2022 is related to the supply of the same amount of electricity during all hours of the month of March 2022.
7. Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
8. Cash pool	True real time (online) <i>cash pool</i> structure, implemented under the cash management agreement, is based on the daily limits. As a result of the implementation of the <i>cash pool</i> mechanism, cash transfers are made between the accounts of the service participants and the Pool Leader's account.
9. CCIRS	CCIRS - <i>cross-currency interest rate swap</i> – a transaction involving an exchange of the interest payments between the counterparties, accrued on the amounts denominated in various currencies and determined according to various interest rates.
10. Color certificates	Property rights based on the guarantees of origin of electricity (energy certificates) generated in the way that is subject to support, the so-called color certificates: green - guarantees of origin of electricity (energy certificates) from RES, blue - guarantees of origin of electricity (energy certificates) generated from agricultural biogas. white - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) yellow - guarantees of origin of electricity (energy certificates) generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, red - guarantees of origin of electricity (energy certificates) from co-generation (CHP certificates - Combined Heat and Power), violet - guarantees of origin of electricity (energy certificates) generated in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing.
11. COVID-19	Coronavirus Disease 2019 - acute respiratory system contagious disease caused by the SARS-CoV-2 virus infection. The disease was first diagnosed and described in November 2019 in central China in the city of Wuhan, Hubei Province.
12. SSC (CUW)	Shared Services Center (Centrum Usług Wspólnych - CUW) - separate organizational units responsible for providing a specific range of support services (CUW R – accounting services, CUW HR – human resources services, CUW IT – IT services, CUW Insurance, CUW Protection).
13. EBIT	Earnings Before Interest and Taxes.
14. EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
15. EC Stalowa Wola	Elektrociepłownia Stalowa Wola S.A. (Joint Stock Company) with its registered office in Stalowa Wola (Stalowa Wola Combined Heat and Power Plant (CHP)).
16. EEX (EEX exchange)	European Energy Exchange – the European energy exchange in Leipzig, where the contracts and derivatives for electricity for various European countries are traded, as well as the primary auctions of the CO ₂ emission allowances are conducted.
17. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
18. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
19. EU ETS	European Union Emission Trading System - European Union's System for the Trading of the CO ₂ Emission Allowances.
20. EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO ₂) equivalent to the air, within the meaning of Article 2 section 4 of the <i>act of July 17, 2009, on the management system of emissions of greenhouse gases and other substances</i> , which is used for settlements of emission level within the system and which can be managed under the rules provided in the <i>Act of April 28, 2011, on the system of greenhouse gases emission allowances trading</i>
21. EUR	Euro - a common European currency introduced in some EU member states
22. Finanse Grupa TAURON	Finanse Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Katowice.
23. FIZAN	Fundusz Inwestycyjny Zamknięty (Closed-end Investment Fund)

Abbreviation and trade term	Full name / explanation
24. WSE (GPW)	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
25. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
26. GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
27. ICE (ICE exchange)	InterContinental Exchange – the commodity and financial exchange, where, among others, the contracts for oil, coal, natural gas and the CO ₂ emission allowances are traded.
28. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
29. EC (KE)	European Commission (Komisja Europejska – KE) the executive authority of the European Union.
30. Komfort Zarządzanie Aktywami	Komfort Zarządzanie Aktywami sp. z o.o. (Ltd.) with its registered office in Katowice.
31. KGHM Polska Miedź	KGHM Polska Miedź S.A. (Polish Copper Mining Joint Stock Company) with its registered office in Lubin.
32. KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
33. Marselwind	Marselwind sp. z o.o. (Ltd.) with its registered office in Katowice.
34. MEGAWATT S.C.	Megawatt s.c. sp. z o.o. (Ltd.) with its registered office in Katowice.
35. Mg	Megagram - million gram (1 000 000 g), i.e. ton.
36. IFRS (MSSF)	International Financial Reporting Standards (Międzynarodowe Standardy Sprawozdawczości Finansowej)
37. NABE	National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego)
38. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
39. Nowe Jaworzno Grupa TAURON	Nowe Jaworzno Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Jaworzno.
40. Line of Business (Segment)	Seven areas (lines of business, segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply
41. OPEC	Organization of the Petroleum Exporting Countries with its registered office in Vienna.
42. DSO (OSD)	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD)
43. TSO (OSP)	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
44. OTC (OTC market)	Over The Counter Market – European OTC market.
45. RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
46. PEAK (PEAK contract)	Peak contract for the supply of electricity during business hours (8-22) on business days, for example the PEAK contract for March 2020 is related to the supply of the same amount of electricity on all business days in March 2020 between 8 and 22.
47. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
48. PFR	Polski Fundusz Rozwoju S.A. (Polish Development Fund Joint Stock Company) with its registered office in Warsaw.
49. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
50. PGE Baltica 4	PGE Baltica 4 sp. z o.o. (Ltd.) with its registered office in Warsaw.
51. PGK	Tax Capital Group (Podatkowa Grupa Kapitałowa – PGK).
52. GDP (PKB)	Gross Domestic Product (Produkt Krajowy Brutto - PKB).
53. PLN	Polish zloty currency symbol – zł (PLN)
54. PMEF	Property rights related to the energy efficiency certificates
55. PMOZE	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES before March 1, 2009.
56. PMOZE_A	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES after March 1, 2009.
57. 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
58. PSE	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna (TSO).

Abbreviation and trade term	Full name / explanation
59. RB	Balancing Market (Rynek Bilansujący) - technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
60. 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.
61. RDN	Day Ahead Market - a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
62. 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.
63. SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
64. 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.
65. SLA	Service Level Agreement - an agreement with a guaranteed quality level of the service provision.
66. SPOT (SPOT market)	With respect to electricity, it is the place where trade transactions for electricity are concluded with delivery not later than 3 days after the date of the transaction's conclusion (most often it is one day before the date of delivery). The operation of the SPOT market for electricity is strongly tied to the operation of the Balancing Market run by the TSO.
67. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
68. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
69. Strategy	Document entitled <i>TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050</i> , adopted by the Management Board of TAURON on June 22, 2022.
70. Talia	Talia sp. z o.o. (Ltd.) with its registered office in Lebcz
71. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
72. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
73. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
74. TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
75. TAURON Ekoenergia	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
76. 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.
77. TAURON Serwis	TAURON Serwis sp. z o.o. (Ltd.) with its registered office in Katowice.
78. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
79. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
80. TAURON Wydobywanie	TAURON Wydobywanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
81. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
82. TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice.
83. TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange – POLPX) with its registered office in Warsaw.
84. TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
85. EU (UE)	European Union (Unia Europejska - UE)
86. UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów – UOKiK)
87. 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.
88. ERO (URE)	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
89. USA	United States of America.
90. USD	United States Dollar - US dollar's international acronym
91. Wind T1	Wind T1 sp. z o.o. (Ltd.) with its registered office in Pieńków.
92. Wsparcie Grupa TAURON	Wsparcie Grupa TAURON sp. z o.o. (Ltd.) with its registered office in Tarnów.

Abbreviation and trade term	Full name / explanation
93. WZ/ZW	General Meeting (GM) / Shareholders' (Partners') Meeting (Walne Zgromadzenie – WZ / Zgromadzenie Wspólników - ZW)
94. ZG	Coal Mine (Zakład Górnicy - ZG) (Janina Coal Mine in Libiąż, Sobieski Coal Mine in Jaworzno, Brzeszcze Coal Mine in Brzeszcze).

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