

TAURON Polska Energia S.A. Capital Group

**Consolidated report on payments to governments
for the year ended 31 December 2023**

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INTRODUCTION

1. Basis for preparation

This consolidated report on payments to governments (“consolidated report on payments”) has been prepared on the basis of the provisions of Chapter 6a of the Accounting Act of 29 September 1994 (Journal of Laws of 2023, item 120 with amendments), hereinafter referred to as the “Accounting Act”, and Chapter 10 of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC.

2. General information

The TAURON Polska Energia S.A. Capital Group (the “Group”, the “Capital Group”, the “TAURON Group”) is composed 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, operates as a joint-stock company, incorporated by a notarial deed on 6 December 2006. Until 16 November 2007, the Company operated under the name Energetyka Południe S.A.

The Parent Company has been entered in the register of entrepreneurs of the National Court Register kept by the District Court for Katowice-Wschód, Commercial Department of the National Court Register KRS entry number: 0000271562.

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

The Group’s consolidated report on payments to governments covers the year ended 31 December 2023 and comprises comparative data for the year ended 31 December 2022.

This consolidated report on payments was approved for publication by the Management Board on 16 April 2024.

CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS - REPORTING PRINCIPLES

3. Personal scope

In accordance with Chapter 6a of the Accounting Act, the report on payments to governments shall be prepared by undertakings active in the extractive industry or undertakings active in the logging of primary forests.

An undertaking active in the extractive industry means an undertaking conducting activities of exploration, prospecting, discovery, exploitation and extraction of mineral, oil, natural gas deposits or other materials, which falls within the scope of the activities listed in Section B.05-08 of the Polish Classification of Activities.

An entity logging primary forests is understood as an entity engaging in the activities referred to in section A.02.2 of the Polish Classification of Activities in an area covered by primary forests.

In compliance with the requirement of Article 63g of the Accounting Act, the Company has prepared the consolidated report on payments to governments for the Group’s subsidiaries active in the extractive industry. The Group’s subsidiaries do not engage in any activity related to the logging of primary forests.

This consolidated report on payments to governments comprises payments arising from the extractive mining operations of subsidiary company Kopalnia Wapienia Czatkowice Sp. z o.o. for year ended 31 December 2023. For year ended 31 December 2022 the report comprises payments resulting from transactions of two companies, namely a subsidiary Kopalnia Wapienia Czatkowice Sp. z o.o. and TAURON Wydobycie S.A. (currently: Południowy Koncern Węglowy S.A.), which was a subsidiary of TAURON Polska Energia S.A. until 31 December 2022.

On 21 October 2022, a conditional agreement for the sale of shares in the subsidiary TAURON Wydobywanie S.A. was concluded between the Company and the State Treasury. On 14 December 2022 the conditions precedent resulting from the above agreement have been met. On 31 December 2022, an entry was made in the register of shareholders of TAURON Wydobywanie S.A. indicating the State Treasury as the acquirer of TAURON Wydobywanie S.A. shares as a result of which, on 31 December 2022, the ownership title to shares in TAURON Wydobywanie S.A. was transferred from the Company to the State Treasury.

Considering that until 31 December 2022, TAURON Wydobywanie S.A. was a subsidiary of TAURON Polska Energia S.A., this consolidated report on payments to governments includes payments made by the subsidiary TAURON Wydobywanie S.A. in the period until the loss of control, i.e. until 31 December 2022.

In the year ended 31 December 2023, the company Kopalnia Wapienia Czatkowice Sp. z o.o. fulfilled the criteria laid down in Article 63f of the Accounting Act, which means that at least two of the three thresholds specified therein were exceeded and the payments made in the year ended 31 December 2023 and in the comparative period were at least equivalent to PLN 424 700. Data for year ended 31 December 2022 comprises companies Kopalnia Wapienia Czatkowice Sp. z o.o. and TAURON Wydobywanie S.A.

The criteria adopted at the level of individual companies covered by this consolidated report on payments are presented in the table below.

Criterion		As at 31 December 2023 or Year ended 31 December 2023	As at 31 December 2022 or Year ended 31 December 2022
Item	Threshold ¹		
Total balance sheet			
TAURON Wydobywanie S.A. ²	85	-	1 717
Kopalnia Wapienia Czatkowice Sp. z o.o.		201	191
Net revenue from sales of products, goods and materials			
TAURON Wydobywanie S.A. ²	170	-	2 680
Kopalnia Wapienia Czatkowice Sp. z o.o.		159	147
Average annual headcount in FTEs			
TAURON Wydobywanie S.A. ²	250	-	6 305.57
Kopalnia Wapienia Czatkowice Sp. z o.o.		292.93	292.58

¹The threshold has been defined in Article 63f of the Accounting Act. The threshold amounts for the balance sheet total and for sales revenue are expressed in PLN million. The average annual headcount is expressed as the number of full-time employees (FTEs).

²On 31 December 2022 the ownership title to shares in TAURON Wydobywanie S.A. was transferred to the State Treasury.

4. Material scope

4.1. Governments

This consolidated report on payments presents information concerning payments made in the year ended 31 December 2023 and comparative data for the year ended 31 December 2022 to governments, i.e. central and/or local governments as well as entities overseen or controlled by such governments.

The payments reported in this consolidated report on payments were made to the national governments. In the year ended 31 December 2023 and in the comparative period, no payments were made to governments of other countries.

4.2. Cash basis

This consolidated report on payments to governments comprises payments made in the year ended 31 December 2023 and comparative data for the year ended 31 December 2022.

The payments reported in this consolidated report on payments comprise amounts paid in cash. In the years ended 31 December 2023 and 31 December 2022, respectively, no amounts were paid in kind and settled by delivery of a commodity or services relating to extractive operations.

4.3. Presentation currency and materiality threshold

This consolidated report on payments is presented in the Polish zloty ("PLN") whereas all figures are provided in PLN million ("PLN million"), unless otherwise stated.

Pursuant to Article 63f of the Accounting Act, the obligation to prepare a consolidated report on payments arises if a single payment or an aggregate amount of related payments made by an entity in the financial year is the equivalent of at least PLN 424 700.

This consolidated report on payments does not present single payments or aggregate amounts of related payments which are lower than PLN 424 700*.

A related payment means a periodic payment or an instalment payment under an agreement.

4.4. Project

The Company prepared its consolidated report on payments presenting the data broken down by two categories, i.e. payments to the appropriate government levels by titles, as referred to in Article 63e(6) of the Accounting Act, and by project and titles of payments.

The Company defines a project as operational activities, in particular extractive operations, carried out by the subsidiaries under an agreement or a decision, in particular lease, rental, licence or concession. An agreement or a decision forms the basis for determination of payments made to governments. Where multiple agreements or decisions are substantially interconnected, the operations carried out thereunder are recognised as a single project. Where a single framework agreement or a decision interconnected with detailed agreements or decisions occurs, the operations carried out thereunder are recognised as a single project.

The Company assigned the payments made to governments in year ended 31 December 2023 to one project "Extraction of carboniferous limestone from the "Czatkowice" deposit. In the year ended 31 December 2022 the Company assigned the payments to two projects:

- Extraction of coal from deposits at TAURON Wydobywanie S.A.; and
- Extraction of carboniferous limestone from the "Czatkowice" deposit.

The above projects are related to the mining activities conducted by two companies belonging to the TAURON Group to 31 December 2022 and covered by the reporting obligation, i.e. by TAURON Wydobywanie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

If a payment may not assigned to the specific project, it is disclosed by the Company at the entity level as opposed to the project level. This is the case when payments are made on account of obligations imposed on the units at the entity level as opposed to the project level. The amount of corporate income tax paid is an example of such a payment at a unit level.

4.5. Payment titles

Pursuant to Article 63e(6) of the Accounting Act, the reporting obligation applies to the following payment titles:

- Production receivables

Production receivables mean amounts due in relation to production, paid to governments in kind in the form of raw materials extracted, under an agreement or a decision.

In the year ended 31 December 2023 and in the comparative period, no payments were made to governments on account of receivables related to production.

- Taxes levied on the income, production or profits of companies, excluding taxes levied on consumption such as value added taxes, personal income taxes or sales taxes

On 28 December 2022, the Tax Capital Group Agreement for 2023-2025 was registered by the Head of the First Tax Office for the Mazowieckie Province in Warsaw. The Tax Capital Group ("TCG") consists of the Company and selected subsidiaries, including Kopalnia Wapienia Czatkowice Sp. z o.o. In the period from 1 January 2023 to 31 December 2023 Kopalnia Wapienia Czatkowice Sp. z o. o. settled corporate income tax within the Tax Capital Group.

In the comparable period, i.e. from 1 January 2022 to 31 December 2022, companies Kopalnia Wapienia Czatkowice Sp. z o.o. and TAURON Wydobywanie S.A. have settled corporate income tax individually. In year ended 31 December 2023 payment due to corporate income tax related to subsidiary, Kopalnia Wapienia Czatkowice Sp. z o.o. amounted to PLN 3 million, whereas in the comparative period payment due to corporate income tax amounted to PLN 4 million. In the comparative period, i.e. in year ended 31 December 2022 payments due to corporate income tax related to TAURON Wydobywanie S.A. amounted to PLN 18 million.

* GBP 84 945, according to average exchange rate, published by National Bank of Poland at 29 December 2023 - 4.9997

Payments relating to taxes levied on consumption such as value added tax, personal income tax or sales tax (including excise duty and tax on civil law transactions) and payments relating to lump-sum income tax (withholding tax), property tax, agricultural tax and forest tax have not been presented herein.

- Royalties

In the year ended 31 December 2023 and in the comparative period, no payments were made to governments on account of royalties.

- Dividends

In the year ended 31 December 2023 and in the comparative period, no payments were made to governments on account of dividends.

- Concession fees and discovery and production bonuses

In the year ended 31 December 2023 and in the comparative period, no payments were made to governments in relation to concession fees or discovery and production bonuses.

- Licence fees, rental fees, entry fees and other considerations for licences and/or concessions

This consolidated report on payments includes amounts paid as development fees, considerations for forest exclusion from forest production, environmental fees, mining usufruct fees, fees for using paid geological information and fees for perpetual usufruct of land.

- Payments for infrastructure improvements

In the year ended 31 December 2023 and in the comparative period, no payments were made to governments in relation to infrastructure improvements.

This consolidated report on payments presents only those titles under which payments were actually made to governments in the year ended 31 December 2023 and in the comparable period ended 31 December 2022.

CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

Payments made to governments by the relevant levels of government are presented below, divided into titles of payments made in the year ended 31 December 2023 and 31 December 2022, respectively.

Year ended 31 December 2023

Public administration levels	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
Governments			
Central government	-	1	1
Local agencies of central government	3	2	5
Total payments to central government	3	3	6
Local governments			
Local governments – municipalities/communes	-	1	1
Total payments to local governments	-	1	1
Total payments to governments	3	4	7

TAURON Polska Energia S.A. Capital Group
Consolidated report on payments to governments for the year ended 31 December 2023
(in PLN million)

Year ended 31 December 2022

Public administration levels	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
Governments			
Central government	-	26	26
Local agencies of central government	22	1	23
Total payments to central government	22	27	49
Local governments			
Local governments – municipalities/communes	-	10	10
Local governments – districts	-	1	1
Total payments to local governments	-	11	11
Total payments to governments	22	38	60

Payments made to governments across particular projects are shown below divided into titles of payments made in the year ended 31 December 2023 and 31 December 2022, respectively.

Year ended 31 December 2023

Project	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
Payments at project level			
Extraction of carboniferous limestone from the "Czatkow ice" deposit	-	4	4
Total payments at project level	-	4	4
Payments at entity level	3	-	3
Total payments	3	4	7

Year ended 31 December 2022

Project	Taxes levied on the income, production or profits of companies	Licence fees, rental fees, entry fees and other considerations for licences and/or concessions	Total payments
Payments at project level			
Extraction of coal from deposits by TAURON Wydobywanie S.A.	-	34	34
Extraction of carboniferous limestone from the "Czatkow ice"	-	4	4
Total payments at project level	-	38	38
Payments at entity level	22	-	22
Total payments	22	38	60

This consolidated report on payments has been prepared for the year ended 31 December 2023 in order to ensure transparency of information concerning payments made to governments, in compliance with the requirements set out in the applicable legal regulations and it contains 8 pages.

Management Board

Katowice, 16 April 2024

Grzegorz Lot – President of the Management Board

Piotr Gołębiowski - Vice President of the Management Board

Michał Orłowski - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board