TAURON Polska Energia S.A.

Interim condensed financial statements
compliant with the International Financial Reporting Standards
approved by the European Union
for the 6-month period ended 30 June 2023

(in PLN million)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2023 *(unaudited)*	3-month period ended 30 June 2022 *(unaudited restated figures)*	6-month period ended 30 June 2022 *(unaudited restated figures)*
Sales revenue	**11**	8 101	19 361	5 859	14 712
Cost of sales	**12**	(8 118)	(19 330)	(5 846)	(14 601)
Profit on sale (loss)		**(17)**	**31**	**13**	**111**
Selling and distribution expenses	**12**	(8)	(16)	(10)	(17)
Administrative expenses	**12**	(79)	(97)	(27)	(54)
Other operating income and expenses		(4)	(7)	–	(2)
Operating profit (loss)		**(108)**	**(89)**	**(24)**	**38**
Dividend income	**13**	443	443	1 646	1 646
Interest income on loans	**13**	292	511	68	136
Interest expense on debt	**13**	(255)	(497)	(156)	(271)
Revaluation of loans	**13**	50	(13)	39	21
Other finance income and costs	**13**	(101)	(176)	49	8
Profit before tax		**321**	**179**	**1 622**	**1 578**
Income tax expense	**14**	(58)	(75)	42	75
Net profit		**263**	**104**	**1 664**	**1 653**
Measurement of hedging instruments		(84)	(174)	173	332
Income tax expense	**14**	16	33	(33)	(63)
Other comprehensive income subject to reclassification		**(68)**	**(141)**	**140**	**269**
Actuarial gains		–	–	1	1
Other comprehensive income not subject to reclassification to profit or loss		**–**	**–**	**1**	**1**
Other comprehensive income, net of tax		**(68)**	**(141)**	**141**	**270**
Total comprehensive income		**195**	**(37)**	**1 805**	**1 923**
Profit per share (in PLN):					
- basic and diluted, for net profit		0.15	0.06	0.95	0.94

(in PLN million)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2023 *(unaudited)*	As at 31 December 2022 *(restated figures)*
ASSETS			
Non-current assets			
Investment property	**15**	16	19
Right-of-use assets	**16**	9	13
Shares	**17**	15 722	15 716
Loans granted	**18**	11 304	11 172
Derivative instruments	**19**	244	390
Other non-financial assets	**21**	16	19
		27 311	**27 329**
Current assets			
Inventories	**23**	65	72
Receivables from buyers	**24**	1 718	2 240
Income tax receivables		–	79
Loans granted	**18**	2 161	2 368
Derivative instruments	**19**	345	459
Other financial assets	**20**	470	35
Other non-financial assets	**21**	17	601
Cash and cash equivalents	**25**	615	1 039
		5 391	**6 893**
TOTAL ASSETS		**32 702**	**34 222**
EQUITY AND LIABILITIES			
Equity			
Issued capital	**26.1**	8 763	8 763
Reserve capital	**26.3**	3 076	3 009
Revaluation reserve from valuation of hedging instruments	**26.4**	309	450
Retained earnings/(Accumulated losses)	**26.5**	135	98
		12 283	**12 320**
Non-current liabilities			
Debt	**27**	13 984	14 754
Derivative instruments	**19**	62	10
Other financial liabilities	**28**	6	8
Other non-financial liabilities		4	4
Deferred tax liabilities	**22**	55	14
Provision for the onerous contract	**31**	–	28
Other provisions, accruals, deferred income and government grants	**33**	5	4
		14 116	**14 822**
Current liabilities			
Debt	**27**	4 446	3 316
Liabilities to suppliers	**29**	503	1 419
Derivative instruments	**19**	586	331
Other financial liabilities	**28**	205	146
Income tax liabilities	**32**	31	–
Other non-financial liabilities	**30**	502	1 593
Provision for the onerous contract	**31**	–	253
Other provisions, accruals, deferred income and government grants	**33**	30	22
		6 303	**7 080**
Total liabilities		**20 419**	**21 902**
TOTAL EQUITY AND LIABILITIES		**32 702**	**34 222**

(in PLN million)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

6-MONTH PERIOD ENDED 30 June 2023 *(unaudited)*

	Note	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
As at 1 January 2023		**8 763**	**3 009**	**450**	**98**	**12 320**
Prior year profits' distribution	**26.6**	–	67	–	(67)	**–**
Transactions with shareholders		**–**	**67**	**–**	**(67)**	**–**
Net profit		–	–	–	104	**104**
Other comprehensive income		–	–	(141)	–	**(141)**
Total comprehensive income		**–**	**–**	**(141)**	**104**	**(37)**
As at 30 June 2023 *(unaudited)*		**8 763**	**3 076**	**309**	**135**	**12 283**

6-MONTH PERIOD ENDED 30 June 2022 *(unaudited)*

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

(in PLN million)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited restated figures)*
Cash flows from operating activities			
Profit before tax		**179**	**1 578**
Depreciation and amortization		9	8
Interest and dividends		(403)	(1 529)
Impairment losses on loans		13	(21)
Exchange differences		(235)	69
Other adjustments of profit before tax		387	(91)
Change in working capital	**34.1**	(745)	526
Income tax paid		50	(26)
Net cash from operating activities		**(745)**	**514**
Cash flows from investing activities			
Purchase of shares in the subsidiary		–	(1 061)
Loans granted	**34.2**	(456)	(164)
Purchase of other shares		(6)	(15)
Other		–	(1)
Total payments		**(462)**	**(1 241)**
Dividends received		184	143
Interest received from loans granted		360	137
Repayment of loans granted		3	3
Total proceeds		**547**	**283**
Net cash used in investing activities		**85**	**(958)**
Cash flows from financing activities			
Repayment of loans	**34.3**	(4 196)	(3 106)
Interest paid	**34.3**	(325)	(112)
Commission paid		(3)	(9)
Repayment of lease liabilities		(5)	(5)
Total payments		**(4 529)**	**(3 232)**
Contracted loans	**34.3**	4 390	4 196
Total proceeds		**4 390**	**4 196**
Net cash from financing activities		**(139)**	**964**
Net increase/(decrease) in cash and cash equivalents		**(799)**	**520**
Net foreign exchange difference		27	3
Cash and cash equivalents at the beginning of the period	**25**	**(321)**	**(2 319)**
Cash and cash equivalents at the end of the period, *of which:*	**25**	**(1 120)**	**(1 799)**
restricted cash	**25**	14	1

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

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

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

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

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

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

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

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

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

The Company has prepared interim condensed financial statements covering the 6-month period ended 30 June 2023 and containing comparative figures for the 6-month period ended 30 June 2022 and as at 31 December 2022. The data included in these interim condensed financial statements for the 6-month period ended 30 June 2023 and the comparative figures for the 6-month period ended 30 June 2022 have been reviewed by the statutory auditor. The comparative figures as at 31 December 2022 were subject to the audit by the statutory auditor. The data included in the interim condensed statement of comprehensive income for the 3-month period ended 30 June 2023 and the comparative figures for the 3-month period ended 30 June 2022 have not been audited or reviewed by the statutory auditor.

These interim condensed financial statements were approved for publication by the Management Board on 5 September 2023.

The Company has also prepared the interim condensed consolidated financial statements for the 6-month period ended 30 June 2023 which were approved for publication by the Management Board on 5 September 2023.

Composition of the Management Board

As at 1 January 2023 and as at the date of approval of these interim condensed financial statements for publication, the Management Board consisted of:

- Paweł Szczeszek - President of the Management Board,
- Patryk Demski - Vice President of the Management Board,
- 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.

(in PLN million)

2. Shares in related parties

As at 30 June 2023, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

No.	Company name	Seat	Share of TAURON Polska Energia S.A. in the company capital	Company holding direct equity interests / general partner
GENERATING				
1	TAURON Wytwarzanie S.A.	Jaworzno	100.00%	TAURON Polska Energia S.A.
2	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
3	TAURON Serwis Sp. z o.o.	Jaworzno	95.61%	TAURON Wytwarzanie S.A.
4	Łagisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
5	TAURON Inwestycje Sp. z o.o.*	Będzin	100.00%	TAURON Polska Energia S.A.
6	Energetyka Cieszyńska Sp. z o.o.	Cieszyn	100.00%	TAURON Ciepło Sp. z o.o.
RENEWABLE ENERGY SOURCES				
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
8	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	WIND T1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
21	"MEGAWATT S.C." Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
22	TAURON Inwestycje Sp. z o.o.*	Będzin	100.00%	TAURON Polska Energia S.A.
23	WIND T4 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
24	WIND T30MW Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
25	FF Park PV 1 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
26	Windpower Gamów Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
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, Republika Czeska	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.	Krzeszowice	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	Usługi Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
39	TAURON Ubezpieczenia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.

**The activities of TAURON Inwestycje Sp. z o.o. are classified in two segments: in the Renewable Energy Sources segment, activities related to generation of energy in photovoltaic sources, while in the Generation segment, activities related to the execution of investment and research and development projects in the scope of non-renewable energy generation.*

Incorporation of companies: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o by TAURON Ekoenergia Sp. z o.o.

The incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o by TAURON Ekoenergia Sp. z o.o. Until the merger date (incorporation), TAURON Ekoenergia Sp. z o.o. held 100% of the shares in the capital and governing body of AVAL-1 Sp. z o.o. and Polpower Sp. z o.o.

As at 30 June 2023, the share of TAURON Polska Energia S.A. in the capital and in the governing body of the remaining key subsidiaries and jointly-controlled companies has not changed since 31 December 2022.

As at 30 June 2023, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in the Generation segment:

No.	Company name	Seat	Share of TAURON Polska Energia S.A. in the company capital and governing body	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.	Ostrava, Czech Republic	50.00%	TAMEH HOLDING Sp. z o.o.

3. Statement of compliance

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

The interim condensed financial statements do not comprise all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company prepared in accordance with the IFRS for the year ended 31 December 2022.

4. Going concern

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

The Company identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Company has full capacity to settle its liabilities as they become due and payable. As at the balance sheet date, the Company has available funding under the concluded financing agreements, which is described in notes 27.1 and 27.2 to these interim consolidated financial statements.

In the area of liquidity, financing and securing the continuity of operational activities, the Management Board, having analysed the financial position of the Company, does not identify any risk to the continuity of operations 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 war in Ukraine, as discussed more broadly in Note 42 to these interim condensed financial statements.

5. Functional and presentation currency

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

6. Material values based on professional judgement and estimates

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

(in PLN million)

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

Item	Explanatory note	Estimates and assumptions
Shares	Note 17	As at each balance sheet date, the Company examines the existence of prerequisites for the impairment of shares. The analysis of the existence of impairment indications, the assumptions made by the Company as part of its impairment tests and the results of the tests are described in more detail in note 17.2 of these interim condensed financial statements. As at 30 June 2023 impairment tests of shares in subsidiaries and joint ventures, from Generation of conventional sources and renewable energy sources (RES) segment were conducted. The result of the impairment tests carried out as at 30 June 2023 in accordance with IAS 36 *Impairment of Assets* did not indicate an impairment of the carrying amount of shares and interests in subsidiaries and joint ventures.
Loans granted	Note 18	The Company makes appropriate classification and valuation of the loans granted. Loans granted with a maturity period of less than one year, for which an extension of the repayment period is planned, are classified as long-term instruments. In accordance with the requirements of IFRS 9 *Financial Instruments* for loans measured at an amortised cost, the Company estimates the amount of the allowance for expected credit losses. Within loans measured at amortized cost, the Company also holds borrowings recognised as impaired financial assets due to credit risk, in matter the amount of credit loss was estimated based on the repayment scenarios due to the loan granted assumed by the Company taking into account the results of the results of the asset impairment test. Based on the analysis carried out as at the balance sheet date, no need was identified to change the repayment scenarios adopted by the Company. As at the balance sheet date, the Company also holds loans classified as financial assets measured at a fair value through profit or loss. The loans granted to the joint venture and loans granted mainly to subsidiaries developing RES projects within special purpose vehicles, where the loans represent the only source of financing for the purchase of a non-financial asset, are classified in this category. The Company assesses that the characteristics of the resulting cash flows under that type of agreements do not correspond only to the repayment of the principal and interest on the outstanding principal and measures such loans at a fair value through profit or loss. The Group has estimated the fair value accordingly.
Financial derivatives	Note 19	The Company measures financial derivatives at a fair value as at each balance sheet date. The methodology for determining fair value is presented in note 19 to these interim condensed financial statements. The derivatives acquired and held to hedge own needs are not subject to measurement as at the balance sheet date.
Deferred tax assets	Note 22	The Company assesses the realisability of deferred tax assets at each balance sheet date. As at the balance sheet day, the Company not recognised deferred tax assets in the amount of PLN 126 million due to the projected inability to fully achieve the asset. The Company assesses that with regard to the negative temporary differences associated with the recognition of impairment losses on shares and stocks in subsidiaries in the amount of PLN 9 204 million, the conditions for the recognition of deferred tax assets are not fulfilled. The Company also did not recognise a tax loss asset for 2022 from the capital gains source due to the lack of projected tax revenue to allow for its achievement.
Debt liabilities	Note 27	When measuring liabilities at amortised cost using the effective interest rate method, the Company estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. In the case of a loan agreement where the drawing period of the loan tranches may be under or over 12 months or with 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 Company classifies the tranches according to the intention and ability to maintain the financing under the agreement, i.e. as a long-term or short-term liability.

In addition to the foregoing, the Company makes significant estimates as regards the contingent liabilities recognised, in particular in the scope of litigation the Company is a party to. Contingent liabilities are presented in detail in Note 38 to these interim condensed financial statements.

(in PLN million)

7. Standards published and amendments to standards which have not yet entered into force until the balance sheet date

The Company did not choose earlier application of any standards or amendments to standards which were published but have not entered into force by 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 yet entered into force**

As at the date of approval of these interim condensed financial statements for publication, the Management Board has not yet completed its work on assessing the impact of the introduction of standards and amendments to standards on the accounting policy applied by the Company. The analyses conducted to date indicate that the following amendments to the standards will not materially affect the accounting policy applied so far:

Standard	Date of entry into force according to the standard, not endorsed by the EU *(annual periods staring on or after that date)*
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16 *Leases: Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures: Additional disclosures on financial agreements with suppliers*	1 January 2024
Amendments to IAS 12 *Income Taxes: Principles of the Pillar II model*	1 January 2023
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* and further amendments	the date of entry into force of the amendments has been postponed
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates. Lack of exchangeability*	1 January 2025

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

8. Changes in accounting policies used and restatement of comparable data

The accounting principles (policy) adopted for the preparation of these interim condensed financial statements are consistent with those used for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2022, except for the application of the amendments to the standards mentioned in note 8.1. The Company restated the comparative data due to a change in the presentation, as described in note 8.2.

8.1. Application of new standards and amendments to standards

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

Standard	Amendments	Date of entry into force in the EU *(annual periods staring on or after that date)*
Amendments to IAS 1 *Presentation of Financial Statements* and Practice Statement 2*: Making Materiality Judgements to accounting policy disclosures.*	The amendments are intended to enhance the relevance of the presented disclosures related to the accounting principles (policy) by replacing the requirement for entities to disclose significant accounting policies with a requirement to disclose material accounting principles and adding guidance on how entities apply the materiality principle when making decisions concerning the disclosure of accounting principles (policy).	1 January 2023
Amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors: Change in accounting estimates*	The amendments clarify the distinction between changes in estimates and changes in accounting principles (policy) and corrections of errors and clarify how entities apply valuation techniques and use inputs to determine estimates.	1 January 2023
IFRS 17 *Insurance Contracts*	The standard applies to all types of insurance contracts (i.e. direct insurance, life insurance, non-life insurance and reinsurance contracts), irrespective of the nature of the business of the entity that concludes them, as well as to certain guarantees and financial instruments with discretionary profit share.	1 January 2023
Amendments to IFRS 17 *Insurance contracts: first-time adoption of IFRS 17 Insurance contracts and IFRS 9 Financial instruments - comparative information*	The amendment is intended to assist entities in avoiding transitional accounting mismatches between financial assets and liabilities due to insurance contracts, thereby improving the usefulness of comparative information for users of financial statements.	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The amendments limited the scope of the exception concerning the initial recognition of assets and liabilities foreseen in paragraphs 15 and 24 of IAS 12 *Income Taxes*, so that it no longer applies to transactions that give rise to equal positive and negative temporary differences.	1 January 2023

(in PLN million)

8.2. Restatement of comparable data

Change in the presentation of transferred collaterals on transaction margins and margin deposits as part of settlements with Izba Rozliczeniowa Giełd Towarowych S.A. in the statement of cash flows

Starting from the financial statements for the year ended 31 December 2022, the Company changed the presentation of transferred collaterals on transaction margins as part of its settlements with Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") of the consolidated statement of cash flows. The above collaterals were presented in the cash item prior to the change in presentation. After the change in presentation, the change in these collaterals was presented in the cash flows from operating activities of the Company. Accordingly, the Company restated the comparative data for the 6-month period ended 30 June 2022.

	6-month period ended 30 June 2022 *(unaudited approved figures)*	Change of the presentation of collateral transferred to IRGiT	6-month period ended 30 June 2022 *(unaudited restated figures)*
Cash flows from operating activities			
Change in working capital	510	16	526
Net cash from operating activities	**498**	**16**	**514**
Net increase / (decrease) in cash and cash equivalents	**504**	**16**	**520**
Cash and cash equivalents at the beginning of the period	**(2 163)**	**(156)**	**(2 319)**
Cash and cash equivalents at the end of the period, *of which:*	**(1 659)**	**(140)**	**(1 799)**
restricted cash	141	(140)	1

Change in the presentation of electricity purchase and sale transactions to subsidiaries TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o.

With effect from the interim condensed financial statements for the 6-month period ended 30 June 2023, within the statement of financial position and statement of comprehensive income the Company has changed the presentation of the effects of the settlement transaction related to sales of electricity from renewable sources and co-generation to the subsidiaries of TAURON Sprzedaż Sp. z o.o.. and TAURON Sprzedaż GZE Sp. z o.o. The change in presentation consists of recognising the effects of transactions in the financial statements on a net basis, instead of the previous presentation in a staggered array, and does not affect the profit and loss of the Company.

During the year, the Company supplies and issues invoices to TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. for electricity without source assignment. On the basis of agreements concluded between the Company and TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE sp. z o.o., at the end of the financial year the companies settle and invoice the electricity supplied by the Company during the year from renewable sources and from co-generation with simultaneous repurchase of the same volume of electricity previously supplied by the Company from the above companies and invoiced as electricity without assigning the source of origin.

As part of the settlement of the transaction in question, as at 31 December 2022, the Company recognised revenue and receivable from the sale of renewable and cogeneration electricity and expenses and liabilities for the repurchase of electricity without an assigned source of its origin.

The Company has changed the presentation of the comparable data:

- in the statement of financial position as at 31 December 2022, due to the legal title held as well as the intention to settle the agreement in question on a net basis, offsetting the above receivable and liability of PLN 1 830 million and recognising them on a net basis,
- in the statement of comprehensive income for the 3-month and 6-month period ended 30 June 2022, due to the nature of the settlement in question, offsetting income and expenses, which in the period related only to the adjustment to the final settlement of energy sales volumes for 2021, made after the financial statements for 2021 were approved for publication and recognised on an ongoing basis in the financial statements for 2022, in the amount of PLN 41 million. Above mentioned change to presentation do not have impact on the statement of comprehensive income for 3-month period ended 30 June 2022.

The Company estimates that the statement of comprehensive income for the year ended 31 December 2022 will be restated by offsetting income and expenses of PLN 1 789 million relating to the settlement of energy sales volumes for

(in PLN million)

2022 in the amount of PLN 1 830 million and adjusting the final settlement of energy sales volumes for 2021 in the amount of PLN 41 million.

	6-month period ended 30 June 2022 *(unaudited approved figures)*	Change of the presentation of settlement of electricity sales	6-month period ended 30 June 2022 *(unaudited restated figures)*
Sales revenue	14 671	41	14 712
Cost of sales	(14 560)	(41)	(14 601)
Profit on sale (loss)	**111**	**–**	**111**
Operating profit (loss)	**38**	**–**	**38**
Profit before tax	**1 578**	**–**	**1 578**
Net profit	**1 653**	**–**	**1 653**
Total comprehensive income	**1 923**	**–**	**1 923**

	As at 31 December 2022 *(approved figures)*	Change of the presentation of settlement of electricity sales	As at 31 December 2022 *(restated figures)*
ASSETS			
Non-current assets	**27 329**	**–**	**27 329**
Receivables from buyers	4 070	(1 830)	2 240
Current assets	**8 723**	**(1 830)**	**6 893**
TOTAL ASSETS	**36 052**	**(1 830)**	**34 222**
EQUITY AND LIABILITIES			
Equity	**12 320**	**–**	**12 320**
Non-current liabilities	**14 822**	**–**	**14 822**
Liabilities to suppliers	3 249	(1 830)	1 419
Current liabilities	**8 910**	**(1 830)**	**7 080**
Total liabilities	**23 732**	**(1 830)**	**21 902**
TOTAL EQUITY AND LIABILITIES	**36 052**	**(1 830)**	**34 222**

9. Seasonality of activities

The activities of the Company associated with electricity trading are not of seasonal nature, therefore in this respect, the reported results of the Company do not experience significant fluctuations over the year. Due to its holding activities, the Company may recognise significant financial income from dividends recognised on the dates on which resolutions on payment of dividends are adopted, unless the resolutions indicate other dates of determining the right to dividend. In the 6-month period ended 30 June 2023, the Company recognised the dividend income of PLN 443 million (in the comparable period - PLN 1 646 million).

10. Information on operating segments

In accordance with IFRS 8 *Operating Segment*, taking into account the fact that the Company also prepares interim condensed consolidated financial statements for the 6-month period ended 30 June 2023, the Company presents information on operating segments in relation to the Group's operations in the interim condensed consolidated financial statements.

As part of the adopted classification of the Group's operations into operating segments, the activities of the Company are classified in the Sales segment, excluding the general and administrative expenses of the Management Board of the Company incurred for the whole Group as a whole, which cannot be directly attributed to a single operating segment and are classified within unallocated expenses, as further described in note 11 of the interim condensed consolidated financial statements of the Group for the 6-month period ended 30 June 2023.

(in PLN million)

EXPLANATORY NOTES TO THE INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

11. Sales revenue

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited restated figures)*
Revenue from sales of goods for resale and materials	**19 200**	**14 533**
Electricity	15 504	11 839
CO_2 emission allowances	2 961	2 099
Gas	711	588
Other	24	7
Rendering of services	**161**	**179**
Capacity Market	68	99
Trade services	69	67
Other	24	13
Total sales revenue	**19 361**	**14 712**

In the 6-month period ended 30 June 2023, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following goods:

- Electricity - an increase in revenue by PLN 3 665 million is mainly associated with electricity sales contracted at a price higher, on average, by 80% at a simultaneously lower sales volume by 29%. The higher sales prices result from market conditions and the visible increase in energy prices in the first half of 2022 for contracts concluded for delivery in 2023. The decline in the volume is a result of accomplishing the lower volume of electricity sales to the companies of the Sales segment, due to the lower demand in 2023 and lower volume of sales to TAURON Wytwarzanie S.A. in connection with the takeover of competencies in the field of securing the sales position by this company, which took place in third quarter of 2022;
- CO_2 emission allowances - the increase in revenue is mainly due to the sale of a higher volume of allowances at a higher price in the current period. Revenues in the scope of CO_2 emission allowances in the current and comparable period mainly related to sales to Group generating companies for the purpose of covering redemption needs and meeting the obligation for the previous year. In addition, in the comparable period, due to the occurrence of a non-recurring event in the form of the failure of the 910 MW unit in Jaworzno, the Company, with a view to using the surplus allowances created due to the failure for the redemption of another Group installation for 2022 and matching the delivery date of the allowances and the cash expenditure, decided and sold 1 717 000 EUAs with a simultaneous repurchase of this volume in the EUA MAR'23 forward product. Revenues from sale of the aforementioned allowances amounted to PLN 604 million.
- Gas - an increase in revenue by the amount of PLN 123 million is mainly associated with a significant increase in prices by an average of 41% and the simultaneous achievement of a lower volume of sales by an average of 14%. The lower sales volume results from a lower gas demand, mainly at TAURON Sprzedaż Sp. z o.o..

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 (in the comparable period also from within the Group, i.e. from TAURON Wydobycie S.A., which was sold to the State Treasury and over which the Company lost control on 31 December 2022), while sales are performed to affiliated companies, except that, as part of the ongoing efforts to spin off coal generation assets from the Group, TAURON Wytwarzanie S.A. took over the function of independently purchasing fuel for its own needs. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the 6-month period ended 30 June 2023, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 743 million. The Company recognised revenue of PLN 15 million on account of the organisation of deliveries.

(in PLN million)

12. Costs by type

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited restated figures)*
Write-down for the Price Difference Payment Fund	(288)	–
Capacity Market	(68)	(98)
Employee benefits expense	(63)	(51)
Other external services	(24)	(25)
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(9)	(8)
Advertising expenses	(12)	(10)
Allowance for expected credit losses on receivables from buyers	(28)	–
Other costs by type	(3)	(5)
Total costs by type	**(495)**	**(197)**
Selling and distribution expenses	16	17
Administrative expenses	97	54
Value of energy sold	(15 267)	(11 813)
Value of other goods sold	(3 681)	(2 662)
Cost of sales	**(19 330)**	**(14 601)**

The costs of the write-down to the Price Difference Payment Fund in the amount of PLN 288 million result from the *Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023*, which imposed, among others, an obligation on electricity trading companies to transfer write-downs to the Price Difference Payment Fund for the purpose of paying the recompensations established by the aforementioned Act.

The increase in the value of electricity sold results mainly from purchases of electricity at 78% higher average prices than in the comparable period, with the simultaneously 29% lower volume of electricity purchased. Higher purchase prices result from market conditions and price increases in 2022, which translated into prices in concluded contracts with the delivery date for 2023. The decrease in the volume of electricity purchased results from the takeover of competence in securing the purchasing position by TAURON Wytwarzanie S.A. in the third quarter of 2022.

The increase in the value of other goods sold is a result of the recognition of a higher value of CO_2 emission allowances sold as a consequence of higher revenue from the sale of CO_2 emission allowances in the first half of 2023 and an increase in the value of gas sold, which is primarily related to a significant increase in gas purchase prices by an average of 42%, while achieving a purchase volume lower by an average of 14%.

13. Financial revenues and costs

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Dividend income	443	1 646
Interest income on loans	511	136
Interest expense	(497)	(271)
Revaluation of loans	(13)	21
Other finance income and costs, of which:	**(176)**	**8**
Gain/(loss) on derivative instruments	(469)	69
The earnings on the transfer ownership of shares in subsidiaries	–	56
Commissions due to external financing	(8)	(13)
Exchange differences	225	(89)
Other finance income	86	19
Other finance costs	(10)	(34)
Total, of which:	**268**	**1 540**
Income and costs from financial instruments	238	1 539
Other finance income and costs	30	1

The decline in dividend income mainly results from a lack of dividends from the subsidiary, TAURON Dystrybucja S.A. The profit of TAURON Dystrybucja S.A. for 2022 was fully allocated to the company's reserve capital, as a result of which the

(in PLN million)

Company did not receive any dividends from TAURON Dystrybucja S.A. during the 6-month period ended 30 June 2023. In the comparable period, dividends income from TAURON Dystrybucja S.A. amounted to PLN 1 495 million.

The increase in the interest income on loans in the 6-month period ended 30 June 2023 in relation to the comparable period results mainly from an increase in the amount of loans granted, which occurred in second half-year of 2022.

The increase in interest expenses results from a higher level of use of external funding and the generally higher level of base rates in the 6-month period ended 30 June 2023 in relation to the comparable period. The level of the base rates is partially offset by the concluded IRS hedging instruments. The amount of interest expenses shown in the table takes into account the above hedging effect.

The loss on derivatives in the 6-month period ended 30 June 2023 is mainly related to negative revaluation and losses on realisation of foreign currency derivatives.

14. Tax expense in the statement of comprehensive income

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Current income tax	–	(28)
Deferred tax	(75)	103
Income tax expense in profit/(loss)	**(75)**	**75**
Income tax expense relating to other comprehensive income, including:	**33**	**(63)**

EXPLANATORY NOTES TO THE INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

15. Investment property

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
COST		
Opening balance	**54**	**54**
Direct purchase	–	–
Closing balance	**54**	**54**
ACCUMULATED DEPRECIATION		
Opening balance	**(35)**	**(30)**
Depreciation for the period	(3)	(3)
Closing balance	**(38)**	**(33)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**19**	**24**
NET CARRYING AMOUNT AT THE END OF THE PERIOD, *of which:*	**16**	**21**
Buildings and other tangible assets	9	14
Perpetual usufruct of land	7	7

The investment property is composed of the perpetual usufruct right to land and buildings located in Katowice Szopienice, at ul. Lwowska 23. The rental revenue in the 6-month period ended 30 June 2023 amounted to PLN 4 million.

Interim condensed financial statements for the 6-month period ended 30 June 2023 compliant with the IFRS approved by the EU (in PLN million)

16. Right-of-use assets

	6-month period ended 30 June 2023 (unaudited)			6-month period ended 30 June 2022 (unaudited)		
	Buildings and premises	Motor vehicles	Total	Buildings and premises	Motor vehicles	Total
COST						
Opening balance	**44**	**1**	**45**	**44**	**2**	**46**
Increase/(decrease) due to lease changes	2	–	**2**	(1)	-	**(1)**
Closing balance	**46**	**1**	**47**	**43**	**2**	**45**
ACCUMULATED DEPRECIATION						
Opening balance	**(31)**	**(1)**	**(32)**	**(22)**	**(2)**	**(24)**
Depreciation for the period	(6)	–	**(6)**	(4)	-	**(4)**
Closing balance	**(37)**	**(1)**	**(38)**	**(26)**	**(2)**	**(28)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**13**	**–**	**13**	**22**	**-**	**22**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**9**	**–**	**9**	**17**	**-**	**17**

17. Shares

17.1. Change in the status of shares

No.	Company	As at 30 June 2023 (unaudited)			As at 31 December 2022		
		Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
	Consolidated subsidiaries						
1	TAURON Wytwarzanie S.A.	7 830	(7 830)	**–**	7 830	(7 830)	**–**
2	TAURON Ciepło Sp. z o.o.	1 928	(1 224)	**704**	1 928	(1 224)	**704**
3	TAURON Ekoenergia Sp. z o.o.	1 940	–	**1 940**	1 940	–	**1 940**
4	TAURON Zielona Energia Sp. z o.o.	600	–	**600**	600	–	**600**
5	TAURON Dystrybucja S.A.	10 512	–	**10 512**	10 512	–	**10 512**
6	TAURON Nowe Technologie S.A.	650	–	**650**	650	–	**650**
7	TAURON Sprzedaż Sp. z o.o.	614	–	**614**	614	–	**614**
8	TAURON Sprzedaż GZE Sp. z o.o.	130	–	**130**	130	–	**130**
9	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	–	**41**	41	–	**41**
10	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	(90)	**–**	90	(90)	**–**
11	TAURON Obsługa Klienta Sp. z o.o.	40	–	**40**	40	–	**40**
12	Finanse Grupa TAURON Sp. z o.o.	28	(24)	**4**	28	(24)	**4**
13	TAURON Inwestycje Sp. z o.o.	36	(36)	**–**	36	(36)	**–**
14	Other	5	–	**5**	5	–	**5**
	Joint ventures						
15	TAMEH HOLDING Sp. z o.o.	416	–	**416**	416	–	**416**
	Entities measured at fair value						
16	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	4	n.a.	**4**	4	n.a.	**4**
17	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	52	n.a.	**52**	46	n.a.	**46**
18	Other	10	n.a.	**10**	10	n.a.	**10**
	Total	**24 926**	**(9 204)**	**15 722**	**24 920**	**(9 204)**	**15 716**

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

In the 6-month period ended 30 June 2023, the Extraordinary General Meeting of EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo-akcyjna adopted resolutions on increasing the company share capital, in which TAURON Polska Energia S.A. took up a total of 57 502 shares for the total amount of PLN 6 million.

17.2. Impairment tests

As at 30 June 2023 impairment tests of shares in subsidiaries and joint ventures from Generation segment from conventional sources and Generation segment from the renewable energy sources (RES) and the scenario analyses in the scope of valuation of intragroup loans were conducted, taking into account the following premises:

- a significant decrease in electricity demand observed (-4.9% in the first half of 2023 compared to the first half of 2022);
- a decrease in the average electricity price for the BASE (Y+1) futures contract from PLN 1111.7/MWh in 2022 to the level of PLN 738.0/MWh in the first half of 2023 (-33.6%);
- a decrease in the average electricity price on the SPOT market from PLN 785.3/MWh in 2022 to PLN 571.6/MWh in the first half of 2023 (-27.2%);
- despite the observed economic slowdown, prices of CO_2 emission allowances stay at a high level after a temporary slump in March 2022 due to the outbreak of war in Ukraine. In the first half of 2023, the average price of the reference EUA DEC-23 contract was EUR 89.4/Mg (+9.9% compared to the average price in 2022);

(in PLN million)

- a decrease in the average price of coal in ARA ports to an average level of USD 134.3/Mg in the first half of 2023, compared to the average of USD 222.4/Mg in 2022 (-39.6%);
- a decrease in the average gas price for the BASE (Y+1) futures contract from the level of PLN 546.5/MWh in 2022 to the level of PLN 288.5/MWh in the first half of 2023 (-47.2%).

As a result of the above changes in price levels, an adjustment in the forecasts occurred in relation to the assumptions made in the impairment tests of shares in subsidiaries and joint ventures carried out as at 31 December 2022:

- a decrease in projected average BASE electricity prices in the years 2023-2025 by an average of 10% compared to the assumptions adopted in the impairment tests as at 31 December 2022;
- a decrease in projected average coal prices for delivery in the years 2023-2025 by an average of 10% compared to the assumptions adopted in the impairment tests as at 31 December 2022;
- a decrease in projected average BASE gas prices in the years 2023-2025 by an average of 45% compared to the assumptions adopted in the impairment tests as at 31 December 2022;
- persistently high CO_2 allowance prices in the first half of 2023 affected an increase in forecasts for 2023-2025 by an average of 7% for contracts in the EU ETS market, compared to the assumptions adopted in the impairment tests as at 31 December 2022.

Shares and intra-group loans account for about 87% of the balance sheet total as at the balance sheet day.

The recoverable amount of shares in subsidiaries and joint ventures is the value in use. The calculation method has been presented below.

The analysis of the existing premises showed the need to carry out impairment tests on the shares in the generation companies, i.e. TAURON Ciepło Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Zielona Energia Sp. z o.o.

The tests were carried out based on the current value of the estimated cash flows of the companies' operations on the basis of detailed projections covering the entire life of the companies.

The assumptions regarding the lifetime of the generating units used for the impairment tests performed as at 30 June 2023 have not changed in relation to the assumptions of the impairment tests performed as at 31 December 2022.

The reliance on projections covering a period longer than 5 years results mainly from the long-lasting investment processes in the power industry. The macroeconomic and sector-oriented assumptions underlying the projections are updated as frequently as any indications for their modification are observed on the market. The projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions in the scope of tests performed as at 30 June 2023

Category	Description
Coal	In 2023 – 2026, forecast assumed a decline in coal prices by an average of 18% (on impairment tests as at 31 December 2022 a decline by an average of 20% in the above years) and the assumed average price in this period is 20.9% lower than the average price of the PSCMI1 index in the first half of 2023. For this period, an assumption was made of a stabilising demand-supply situation in global coal markets, particularly at ARA ports supported by falling natural gas and LNG prices. In connection with a falling demand caused by decreasing electricity generation from conventional sources and the need to take into account global trends in domestic coal price paths (coal mine closures are assumed in accordance with the social agreement defining the timing of mine closures), after 2026, a constant coal price has been assumed, at a level nearly 40% lower than the projected average price in 2023-2026.
Electricity	The BASE electricity price forecast assumes a slight decrease (9.2%) for 2024 compared to average prices for reference contract BASE (Y+1) obtained in first half-year of 2023 and further decrease average on 2.6% in the period 2025-2030 and an average decrease of 1% in the period 2031-2040. The continuing change in the structure of electricity generation and the increase in the share of renewable energy sources is reducing the level of electricity prices on the wholesale market. A difficult balancing situation in Europe is still forecast, due to the progressive, systematic shutdown of conventional sources and the failure to rebuild available controllable capacity. The adopted forecast of wholesale electricity prices for the period 2023-2040 has been updated and adjusted in the first three years (2023-2025) to current levels recorded in the market, taking into consideration the contracting level. From 2026 onwards, the prices used for impairment testing were left at a level as at 31 December 2022.
CO_2	CO_2 emission limits for heat generation have been adopted in line with the regulation of the Council of Ministers and adjusted by the level of operations, i.e. generation of heat. The growth path of price of CO_2 emission allowances has been adopted throughout the forecasting horizon. Only for 2024 is the price forecast slightly lower (-1.1%) compared to the average price recorded in the first half of 2023. CO_2 prices will increase by an average of 2.8% over the period 2025-2030 due to the ambitious climate targets and the extended operation of the Market Stability Reserve mechanism.

Category	Description
	In the period 2031-2040, they will fall by an average of 0.4% (constant 2023 prices). Between 31 December 2022 and 30 June 2023, there were no regulatory developments in the EU ETS market and CO_2 allowance prices recorded a sideways trend, therefore, as in the case of other assumptions for the period after 2026, the prices used for impairment testing were left at a level as at 31 December 2022.
Natural gas	In view of the current high uncertainty in the European gas markets associated with the existing risk of recovery in demand for this commodity, a decrease of only 7% was assumed for the 2024 price compared to the average price of the reference BASE contract (Y+1) achieved in the first half of 2023. A further decline in gas prices by an average of 3% was assumed in the years 2025-2040. For the period stated, assumptions were adopted regarding the stabilisation of imports of the commodity in question to European countries. Poland will import via the Baltic Pipe and two LNG terminals (the FSRU terminal in Gdańsk is scheduled for commissioning in the 2027/2028 timeframe), resulting in a high correlation of gas prices in Poland with the European indices. The price drop in the long term will be influenced by the projected decline in demand, withdrawal from blue fuel to hydrogen and the gradual increase in the share of RES in the energy mix of European countries.
WACC	The weighted average cost of capital (WACC) during the projection period for individual CGUs has been adopted in the range of 8.89%-12.08% in nominal terms after tax. The methodology for calculating the discount rate remained unchanged compared to the impairment test carried out at 31 December 2022.

The assumptions concerning energy certificates, the Capacity Market, the RES support system and remuneration have not changed compared to the tests as at 31 December 2022.

The assumptions consistent with the impairment tests of shares and stocks were also used in the scenario analyses performed in the scope of measurement of loans granted to TAURON Wytwarzanie S.A. and Elektrociepłownia Stalowa Wola S.A., the results of which indicated that there was no need to change the carrying amount of the loans granted.

Results of the tests

The result of the impairment tests and premises analyse carried out as at 30 June 2023 in accordance with IAS 36 *Impairment of Assets*, did not indicate an impairment of the carrying amount of shares and interests in subsidiaries and joint ventures.

Sensitivity analysis

The tables below present the estimated impact of a change in key factors on the recoverable amount of the tested shares in subsidiaries. For electricity generating assets, the key factor analysed is the Clean Dark Spread ("CDS") due to the fact that a change in electricity prices generally results from the changes in the price of coal and CO_2 emission allowances.

The CDS is the amount of first-step margin achieved by the CHP plants tested, calculated as the difference between the price of electricity and the model variable costs (fuel cost, CO_2 cost) associated with coal-fired electricity generation.

Parameter	Change	Impact on the recoverable amount (PLN million)
		TAURON Ciepło Sp. z o.o.
Change of CDS in forecast period	+1%	18
	-1%	(18)
Change of WACC (net)	+0,1 p.p.	(28)
	-0,1 p.p.	28

Parameter	Change	Impact on the recoverable amount (PLN million)	
		TAURON Ekoenergia Sp. z o.o.	TAURON Zielona Energia Sp. z o.o.
Change in electricity prices over the forecast period	+1%	41	15
	-1%	(41)	(15)
Change of WACC (net)	+0,1 p.p.	(24)	(5)
	-0,1 p.p.	24	5

(in PLN million)

18. Loans granted

	As at 30 June 2023 *(unaudited)*			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	**12 771**	**(376)**	**12 395**	**13 260**	**(368)**	**12 892**
Loans granted to subsidiaries	11 144	(115)	**11 029**	11 093	(151)	**10 942**
Loans granted under cash pool agreement	1 627	(261)	**1 366**	2 167	(217)	**1 950**
Loans measured at fair value	**1 070**	**n.a.**	**1 070**	**648**	**n.a.**	**648**
Loans granted to subsidiaries	850	n.a.	**850**	442	n.a.	**442**
Loans granted to EC Stalowa Wola S.A.	220	n.a.	**220**	206	n.a.	**206**
Total	**13 841**	**(376)**	**13 465**	**13 908**	**(368)**	**13 540**
Non-current	11 417	(113)	**11 304**	11 321	(149)	**11 172**
Current	2 424	(263)	**2 161**	2 587	(219)	**2 368**

18.1. Loans granted to subsidiaries

Company	As at 30 June 2023 *(unaudited)*				As at 31 December 2022			
	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	**12 459**	**11 144**	**(115)**	**11 029**	**12 360**	**11 093**	**(151)**	**10 942**
TAURON Wytwarzanie S.A.	5 561	4 314	(68)	**4 246**	5 564	4 317	(96)	**4 221**
TAURON Dystrybucja S.A.	5 473	5 409	(23)	**5 386**	5 460	5 444	(27)	**5 417**
TAURON Ciepło Sp. z o.o.	981	980	(13)	**967**	981	980	(17)	**963**
TAURON Ekoenergia Sp. z o.o.	160	157	(1)	**156**	160	157	(1)	**156**
TAURON Obsługa Klienta Sp. z o.o.	146	146	(2)	**144**	96	96	(2)	**94**
TAURON Nowe Technologie S.A.	48	48	–	**48**	51	51	(1)	**50**
TEC1 Sp. z o.o. EW Śniatowo spółka komandytowa	34	34	–	**34**	34	34	–	**34**
"MEGAWATT S.C." Sp. z o.o.	25	25	–	**25**	6	6	–	**6**
FF Park PV1 Sp. z o.o.	16	16	–	**16**	–	–	–	**–**
Other	15	15	(8)	**7**	8	8	(7)	**1**
Loans measured at fair value	**826**	**850**	**n.a.**	**850**	**452**	**442**	**n.a.**	**442**
"MEGAWATT S.C." Sp. z o.o.	204	240	n.a.	**240**	129	139	n.a.	**139**
WIND T1 Sp. z o.o.	200	194	n.a.	**194**	197	185	n.a.	**185**
WIND T30MW Sp. o.o.	122	122	n.a.	**122**	–	–	n.a.	**–**
FF Park PV1 Sp. z o.o.	89	89	n.a.	**89**	12	12	n.a.	**12**
Windpower Gamów Sp. z o.o.	77	77	n.a.	**77**	–	–	n.a.	**–**
WIND T4 Sp. z o.o.	58	58	n.a.	**58**	40	40	n.a.	**40**
TAURON Ekoenergia Sp. z o.o.*	53	47	n.a.	**47**	–	–	n.a.	**–**
Energetyka Cieszyńska Sp. z o.o.	23	23	n.a.	**23**	22	22	n.a.	**22**
Polpower Sp. z o.o.*	n.d.	n.d.	n.a.	**n.d.**	36	30	n.a.	**30**
Aval-1 Sp. z o.o. *	n.d.	n.d.	n.a.	**n.d.**	16	14	n.a.	**14**
Total	**13 285**	**11 994**	**(115)**	**11 879**	**12 812**	**11 535**	**(151)**	**11 384**
Non-current		11 197	(113)	**11 084**		11 115	(149)	**10 966**
Current		797	(2)	**795**		420	(2)	**418**

** The incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o., as discussed in more detail in note 2 of these interim condensed financial statements.*

18.2. Loans to joint ventures

	As at 30 June 2023 *(unaudited)*		As at 31 December 2022		Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Carrying amount	Repayable principal amount and interest contractually accrued	Carrying amount		
Loans granted to EC Stalowa Wola S.A.	705	220	685	206	30.06.2033	fixed
Total, of which:	**705**	**220**	**685**	**206**		
Non-current		220		206		

(in PLN million)

18.3. Loans granted under the cash pool service

In order to optimise cash and liquidity management, TAURON Group applies the cash pool service mechanism. Cash pooling is implemented under the agreement concluded with the bank for the operation of a cash management system for a group of accounts, with the effective term until 6 December 2024. As a result of the cash pool mechanism, cash is transferred between the accounts of the service participants and the pool leader's account whose function is performed by TAURON Polska Energia S.A.

The balance of receivables arising as a result of cash pooling as at 30 June 2023 and 31 December 2022 is presented in the table below.

	As at 30 June 2023 *(unaudited)*			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool transactions	1 612	(261)	**1 351**	2 150	(217)	**1 933**
Interest receivable from cash pool transactions	15	–	**15**	17	–	**17**
Total, of which:	**1 627**	**(261)**	**1 366**	**2 167**	**(217)**	**1 950**
Current	1 627	(261)	1 366	2 167	(217)	1 950

Information concerning liabilities due to the cash pool service is presented in Note 27.5 of these interim condensed financial statements.

19. Derivatives and hedge accounting

Instrument	Methodology for determining the fair value	As at 30 June 2023 *(unaudited)*
Derivatives subject to hedge accounting		
IRS	The difference in discounted interest cash flows based on a floating interest rate and a fixed interest rate. The data input is the interest rate curve from the Refinitiv service.	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: • 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 expiring successively from 2023 to 2029. In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.
Derivatives measured at a fair value through the profit and loss other than subject to hedge accounting		
CCIRS	The difference in the discounted interest cash flows of the stream paid and the stream received, in two different currencies, expressed in the valuation currency. The input data are interest rate curves, basis spreads and the NBP fixing for the relevant currencies from the Refinitiv service.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on the total notional 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/futures	The fair value of forward transactions for the purchase and sale of CO_2 emission allowances, electricity and other commodities is determined based on prices quoted in an active market or based on cash flows representing the difference between the price reference index (forward curve) and the contract price.	Commodity derivatives (futures, forward) comprise forward transactions for the purchase and sale of CO_2 emission allowances and other commodities.
Currency forward	The difference in discounted future cash flows between the forward price as at the valuation date and the transaction price, multiplied by the nominal value of the contract in foreign currency. The input date comprise the NBP fixing and the interest rate curve implied from the FX swap transaction for the relevant currency from the Refinitiv service.	FX forward derivatives to hedge currency flows generated from operations.

(in PLN million)

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

	As at 30 June 2023 *(unaudited)*				As at 31 December 2022			
	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments
	Assets	Liabilities			Assets	Liabilities		
Derivatives subject to hedge accounting								
IRS	**418**	**–**	33	385	**592**	**-**	34	558
Derivatives measured at fair value through profit or loss								
CCIRS	**–**	**(6)**	(6)	–	**21**	**–**	21	-
Commodity forwards/futures	**171**	**(168)**	3	–	**236**	**(232)**	4	-
Currency forwards	**–**	**(474)**	(474)	–	**–**	**(109)**	(109)	-
Total	**589**	**(648)**			**849**	**(341)**		
Non-current	244	(62)			390	(10)		
Current	345	(586)			459	(331)		

The derivatives shown in the table above concern 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.

20. Other financial assets

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Dividend receivables	260	-
Receivables arising from income tax settlements of the TCG companies	186	-
Bid bonds, deposits, collateral transferred	13	35
Other	11	-
Total, of which:	**470**	**35**
Current	470	35

Dividend receivables of PLN 260 million result from the recognition of dividend income due from Group companies for which the dividend payment date fell after the balance sheet date. By the date of approval of these interim condensed financial statements for publication, the companies had repaid the receivables in the amount of PLN 241 million.

Receivables due to income tax settlements of the Tax Capital Group are described in more detail in note 32 to these interim condensed financial statements.

21. Other non-financial assets

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Advances for deliveries	10	598
Prepaid fee on debt	12	14
Other	11	8
Total	**33**	**620**
Non-current	16	19
Current	17	601

The decrease in the balance of prepayments for deliveries is related to the settlement as at the balance sheet date of the deliveries of coal contracted by the Company for the needs of the Group's generating companies on the domestic and foreign markets and the partial refund of the prepayments made.

(in PLN million)

22. Deferred income tax

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Deferred tax liabilities		
measurement of derivative instruments	32	49
valuation of hedging instruments	79	113
accrued interest and the valuation of loans granted	49	48
due to a different tax moment for recognizing revenues and costs of selling goods and services	8	26
other	11	12
Total	**179**	**248**
Deferred tax assets		
measurement of derivative instruments	123	65
accrued interest and the valuation of debt	69	89
provisions, accruals and deferred income	5	57
different timing of recognition of revenue and cost of sales for tax purposes	23	35
difference between tax base and carrying amount of other financial liabilities	12	18
other	18	19
Total	**250**	**283**
Unrecognized deferred tax assets	(126)	(49)
Recognized deferred tax assets/(liabilities), net	**(55)**	**(14)**

23. Inventories

	As at 30 June 2023 *(unaudited)*			As at 31 December 2022		
	Gross Value	Measurement to fair value	Carrying amount	Gross Value	Measurement to net realisable value	Carrying amount
CO_2 emission allowances	64	1	65	74	(2)	72

Inventories are measured at the net achievable value, with the exception of the inventory of CO_2 emission rights purchased for sale and the short term realisation of profits arising from market price volatility, which is measured at the fair value as at the balance sheet date.

24. Receivables from customers

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022 *(restated figures)*
Gross Value		
Receivables from buyers	1 778	2 271
Total	**1 778**	**2 271**
Allowance/write-down		
Receivables from buyers	(60)	(31)
Total	**(60)**	**(31)**
Net Value		
Receivables from buyers	1 718	2 240
Total	**1 718**	**2 240**

(in PLN million)

25. Cash and cash equivalents

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Cash at bank and in hand	615	1 039
Total cash and cash equivalents presented in the statement of financial position, of which:	**615**	**1 039**
restricted cash, including:	218	752
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*204*	*671*
cash on VAT bank accounts (split payment)	*14*	*81*
Collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	(204)	(671)
Cash pool	(1 530)	(715)
Foreign exchange	(1)	26
Total cash and cash equivalents presented in the statement of cash flows	**(1 120)**	**(321)**

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.

The collateral for settlements with Izba Rozliczeniowa Giełd Towarowych S.A. as funds transferred as part of transaction and collateral margins in connection with transactions concluded by Company on the Polish Power Exchange, do not constitute cash and equivalents in the statement of cash flows.

26. Equity

26.1. Issued capital

Issued capital as at 30 June 2023 *(unaudited)*

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

Shareholding structure as at 30 June 2023 and as at 31 December 2022 *(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 Otwarty Fundusz Emerytalny	88 742 929	444	5.06%	5.06%
Other shareholders	954 847 515	4 774	54.49%	54.49%
Total	**1 752 549 394**	**8 763**	**100%**	**100%**

As at 30 June 2023, 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 2022.

26.2. Shareholder rights

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

(in PLN million)

26.3. Supplementary capital

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Amounts from distribution of prior years profits	3 076	3 009
Total suplementary capital	**3 076**	**3 009**

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

26.4. Revaluation reserve from the measurement of hedging instruments

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Opening balance	**450**	**299**
Remeasurement of hedging instruments	(174)	332
Deferred income tax	33	(63)
Closing balance	**309**	**568**

The revaluation reserve from measurement of hedging instruments results from the measurement of Interest Rate Swap (IRS) instruments hedging the interest rate risk due to debt, which is discussed in more detail in Note 19 to these interim condensed financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 30 June 2023, the Group recognised the amount of PLN 309 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 418 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

26.5. Retained earnings and restrictions on dividends

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Financial result for the 6-month period ended 30 June 2023	104	–
Financial result for the year ended 31 December 2022	–	67
Restated result for the year ended 31 December 2020	338	338
Effects of implementing IFRS 9 Financial Instruments	(388)	(388)
Settlement of mergers with subsidiaries	81	81
Total retained earnings/ (accumulated losses)	**135**	**98**

26.6. Dividends paid and proposed for disbursement

In the 6-month period ended 30 June 2023 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

On 28 March 2023, the Management Board of the Company decided to recommend that the entire net profit for 2022 in the amount of PLN 67 million should be allocated to the supplementary capital of the Company. On 10 May 2023 the Ordinary General Meeting of the Company adopted the resolution in compliance with the recommendation of the Management Board.

(in PLN million)

27. Debt liabilities

	As at 30 June 2023 *(unaudited)*			As at 31 December 2022		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Unsubordinated bonds	4 135	239	**4 374**	4 253	216	**4 469**
Subordinated bonds	1 906	52	**1 958**	1 961	5	**1 966**
Bank loans	7 199	973	**8 172**	7 753	201	**7 954**
Loan from the subsidiary	741	16	**757**	781	2	**783**
Cash pool loans received	–	3 157	**3 157**	–	2 882	**2 882**
Lease	3	9	**12**	6	10	**16**
Total	**13 984**	**4 446**	**18 430**	**14 754**	**3 316**	**18 070**

27.1. Bonds issued

Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Maturity date	Carrying amount: As at 30 June 2023 *(unaudited)*	Carrying amount: As at 31 December 2022
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	600	2023-2028	601	602
			490	2023-2029	491	491
A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 013	1 014
Eurobonds	fixed	EUR	500	2027	2 269	2 362
Unsubordinated bonds					**4 374**	**4 469**
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031[2]	401	401
European Investment Bank	fixed[1]	EUR	190	2034[2]	820	851
		PLN	400	2030[2]	393	381
		PLN	350	2030[2]	344	333
Subordinated bonds					**1 958**	**1 966**
Total bonds					**6 332**	**6 435**

[1] In the case of hybrid (subordinated) bonds subscribed for by the European Investment Bank, two financing 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 includes two financing periods. The maturity dates presented in the table above are the final terms of redemption according to the agreement, after two period of financing. Measurement of bonds as at the balance sheet day includes earlier redemption, in connection with the intended redemption of bonds after the termination of first period of financing (in 2024, 2025 and 2026).

The Company additionally holds financing available under the agreement concluded in 2021 with Bank Gospodarstwa Krajowego up to the amount of PLN 450 million related to the issue of subordinated bonds. On 10 March 2023, the Company concluded an annex to the aforementioned agreement extending the period allowing for the issue of subordinated bonds to 36 months from the date the documentation was signed, i.e. from 11 March 2021.

27.2. Bank loans

Borrowing institution	Interest rate	Currency	Maturity date	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Consortiums of banks	floating	PLN	2023 *	1 566	3 271
Bank Gospodarstwa Krajowego	floating	PLN	2023	750	–
			2033	1 001	1 001
European Investment Bank	fixed	PLN	2024	102	141
			2027	118	133
			2040	404	405
	floating		2040	1 222	1 222
			2041	1 229	–
Intesa Sanpaolo S.p.A.	floating	PLN	2024	773	775
SMBC BANK EU AG	fixed	PLN	2025	500	499
Erste Group Bank AG	floating	PLN	2026	507	507
Total				**8 172**	**7 954**

** Tranches classified as non-current liability*

(in PLN million)

As at the balance sheet day, the Company has loan agreements concluded in 2020 and 2022 with consortiums of banks. The drawdown period of the individual loan tranches may be lower or higher than 12 months, the financing is revolving and the term of availability exceeds 12 months from the balance sheet day. Due to the intention and ability to maintain financing under the aforementioned agreements for a period exceeding 12 months from the balance sheet day, the drawdowns used as at 30 June 2023 and 31 December 2022 in the total amount of PLN 1 566 million and PLN 3 271 million, respectively, are classified as non-current liabilities.

The Company has an available funding limit under its agreements with the consortiums of banks:

- PLN 4 000 million until 2027 - financing used as at the balance sheet date: PLN 1 050 million;
- PLN 500 million until 2026 - financing used as at the balance sheet date: PLN 500 million.

In the 6-month period ended 30 June 2023, the Company performed the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Description	6-month period ended 30 June 2023 *(unaidoted)*	
		Drawdown	Repayment
European Investment Bank	Drawdowns under the loan agreement	1 200	-
	Repayment of capital instalments according to schedule	-	(56)
Bank Gospodarstwa Krajowego	Drawdown under the loan agreement	750	–
Consortiums of banks	Drawdown of new tranches and repayment of tranches according to agreement deadline	4 450	(6 150)
Total, including:		**6 400**	**(6 206)**
Cash flows		4 390	(4 196)
Net settlement (without cash flow)		2 010	(2 010)

After the balance sheet date the Company performed drawdowns under available loans in the total amount of PLN 400 million and repaid tranches in the total amount of PLN 1 040 million.

Signing the working capital loan agreement

On 16 February 2023, the Company concluded the working capital loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million with a repayment date of 30 September 2023. On 24 February 2023, the Company drew down all available funding.

Overdrafts

In the 6-month period ended 30 June 2023, on the basis of an annex to the overdraft agreement, the amount of the limit was increased from PLN 250 million to PLN 500 million and the repayment term was extended to 30 September 2023. The Company also has an available a funding limit of up to EUR 4 million under the overdraft agreement with maturity day of 31 December 2023. As at the balance sheet day, the Company did not have any debt under these agreements.

27.3. Debt agreement covenants

The agreements signed with banks impose the legal and financial covenants on the Company, standard for this type of transactions. The key covenant is the net debt to EBITDA ratio (for long-term loans agreements and domestic bond issue schemes) which sets the debt less cash in relation to generated EBITDA. The net debt/EBITDA covenant for banks is examined on the basis of consolidated data as at 30 June and 31 December while its permissible limit value, demising on financial agreements, is 3.5 or 4.0.

As at 30 June 2023, the net debt/EBITDA ratio amounted to 2.04, therefore the covenant was met.

(in PLN million)

27.4. Loan from subsidiary

The liability of the Company amounting to PLN 757 million (EUR 170 million) as at 30 June 2023 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 until the full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

27.5. Loans received under the cash pool service

As at 30 June 2023 and as at 31 December 2022, the Company had current liabilities on account of cash pool transactions amounting to PLN 3 157 million and PLN 2 882 million, respectively.

27.6. Lease liabilities

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

Ageing of the lease liability

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Within 1 year	10	11
Within 1 to 5 years	2	4
More than 5 years	4	5
Gross lease liabilities	**16**	**20**
Discount	(4)	(4)
Present value of lease payments	**12**	**16**

28. Other financial liabilities

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Liabilities arising from income tax settlements of the PGK companies	126	–
Valuation of guarantees and financial sureties	51	74
Bid bonds, deposits and collateral received	10	9
Wages and salaries as well as other employee related liabilities	4	8
Variation margin deposits arising from stock exchange transactions	1	41
Security margin deposits arising from bank settlements	–	8
Other	19	14
Total	**211**	**154**
Non-current	6	8
Current	205	146

Liabilities due to income tax settlements of the Tax Capital Group companies are described in more detail in note 32 to these interim condensed financial statements.

In accordance with IFRS 9 *Financial Instrument*, the Company measures guarantees and sureties issued at the amount of expected credit losses. As at 30 June 2023, the Company recognised a liability in the amount of expected credit losses in relation to the corporate and bank guarantee issued and, as at 31 December 2022, additionally in relation to the surety issued, as further discussed in note 38 of these interim condensed financial statements.

29. Liabilities to suppliers

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022 *(restated figures)*
Liabilities to subsidiaries, including:	342	757
TAURON Wytwarzanie S.A.	*191*	*520*
TAURON Sprzedaż Sp. z o.o.	*41*	*66*
TAURON Ciepło Sp. z o.o.	*37*	*117*
TAURON Sprzedaż GZE Sp. z o.o.	*15*	*7*
Other subsidiaries	*58*	*47*
Liabilities to other suppliers	161	662
Total	**503**	**1 419**

(in PLN million)

30. Other current non-financial liabilities

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
VAT	391	51
Advances for deliveries	91	1 532
Liabilities due to write-down for the Price Difference Payment Fund	12	–
Social security	4	6
Other	4	4
Total	**502**	**1 593**

The increase in VAT liabilities is related to:

- the reinstatement as of 1 January 2023 of the 23% VAT rate on electricity, heat and gas (until 31 December 2022 the reduced rate was 5%),
- the entry into force on 1 April 2023 of legislation introducing the reverse charge of VAT on transactions in, inter alia, electricity and trading in greenhouse gas emission allowances, covering, in particular, transactions where the Company purchases electricity on the stock exchange, with the simultaneous obligation to charge a 23% VAT rate on intra-group transactions.

As at 30 June 2023, the balance of advances for deliveries relates to advances received from the subsidiary, TAURON Ciepło Sp. z o.o. for coal deliveries in the amount of PLN 9 million and advances received from the subsidiary, TAURON Wytwarzanie S.A. on account of the delivery of CO_2 emission allowances in the amount of PLN 82 million (as at 31 December 2022, the amount of advances related entirely to the delivery of CO_2 emission allowances). The decline in the balance of advances is related to the delivery of CO_2 emission allowances to TAURON Wytwarzanie S.A. in the 6-month period ended 30 June 2023.

31. Provision for onerous contract

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Opening balance	**281**	**222**
Unwinding of discount	5	3
Recognision/(Reversal) net	23	113
Utilisation	(309)	(74)
Closing balance	**–**	**264**
Non-current	–	31
Current	–	233

Provision for agreements for the sale of CO_2 emission allowances

In the 6-month period ended 30 June 2023, in connection with the settlement of contracts with delivery dates in the first half of 2023 and the loss generated on the resale of allowances, the Company utilised the recognised provision as at 31 December 2022, the Company recognised a provision for onerous contracts in the amount of PLN 281 million. The provision was recognised for CO_2 emission allowance contracts under which, on the basis of transaction agreements with subsidiaries, the unavoidable costs of fulfilling the obligation to supply CO_2 emission allowances to subsidiaries exceed the benefits that will be received under these agreements. The provision was calculated as a difference between concluded transaction agreements for sales to subsidiaries and concluded contracts for the purchase of CO_2 emission allowances from the market measured at the current exchange rate.

The provision is mainly a consequence of transactions carried out in 2021 and 2022 in connection with the failure and shutdown of the 910 MW unit in Jaworzno related to the surplus of CO_2 emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. (currently TAURON Wytwarzanie S.A.), as a result of which the Company generated a profit upon concluding the transaction, i.e. in 2021 and 2022.

(in PLN million)

32. Income tax liabilities and Tax Capital Group

The income tax liability as at 30 June 2023 in the amount of PLN 31 million relates to the Tax Capital Group, registered on 28 December 2022 for the years 2023-2025 by the Head of the First Mazovian Tax Office in Warsaw, comprising TAURON Polska Energia S.A. and selected subsidiaries and representing the excess of the tax burden of the Tax Capital Group for the 6-month period ended 30 June 2023 in the amount of PLN 333 million over the prepayments paid in the amount of PLN 302 million.

Main companies forming the Tax Capital Group since 1 January 2023 include: TAURON Polska Energia S.A., TAURON Dystrybucja S.A., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Ciepło Sp. z o.o., TAURON Zielona Energia Sp. z o.o., TAURON Nowe Technologie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

At the same time, due to the settlement of the Company as a Representative Company with subsidiaries belonging to the Tax Capital Group, the Company had a liability to these subsidiaries due to overpayment of tax in the amount of PLN 126 million, which was presented in the statement of financial position as “Other financial liabilities” and a receivable from the subsidiaries forming the Tax Capital Group on account of underpayment of tax in the amount of PLN 186 million, recognised in other financial assets.

33. Other provisions, accruals and governmental subsidies

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Accruals and governmental subsidies, including:	26	19
Accruals due to bonuses and salary changes	*14*	*9*
Provision for post-employment employee benefits	4	4
Other provisions	5	3
Total	**35**	**26**
Non-current	5	4
Current	30	22

EXPLANATORY NOTES TO THE INTERIM CONDENSED STATEMENT OF CASH FLOWS

34. Significant items of the interim condensed statement of cash flows

34.1. Cash flows from operating activities

Change in working capital

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(restated figures unaudited)*
Change in receivables	532	430
Change in inventories	7	(70)
Change in payables excluding loans	(2 062)	68
Change in other non-current and current assets	583	41
Change in deferred income, government grants and accruals	7	(1)
Change in provisions	(279)	42
Change in collaterals transferred to IRGiT	467	16
Change in working capital	**(745)**	**526**

(in PLN million)

34.2. Cash flows from investment activities

Loan granting

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Loans granted to companies:		
WIND T30MW Sp. z o.o.	(124)	–
"MEGAWATT S.C." Sp. z o.o.	(94)	–
FF Park PV 1 Sp. z o.o.	(90)	–
Windpower Gamów Sp z o.o.	(79)	–
TAURON Obsługa Klienta Sp. z o.o.	(50)	–
WIND T4 Sp. z o.o.	(19)	–
Elekrociepłownia Stalowa Wola S.A.	–	(120)
Wind T1 Sp. z o.o.	–	(66)
Polpower Sp. z o.o.*	–	(29)
TAURON Nowe Technologie S.A.	–	(23)
Aval-1 Sp. z o.o.*	–	(3)
Change in the balance of loans granted to subsidiaries under the long-term exposure cash pool agreement	–	77
Total	**(456)**	**(164)**

** The incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o., as discussed in more detail in note 2 of these interim condensed financial statements.*

34.3. Cash flows from financial activities

Loans repaid

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Repayment tranches of loans to the Consortiums of banks	(4 140)	(3 050)
Repayment of the loan installments to the European Investment Bank	(56)	(56)
Total	**(4 196)**	**(3 106)**

Interest paid

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Interest paid in relation to loans and borrowings	(279)	(71)
Interest paid in relation to debt securities	(46)	(41)
Total	**(325)**	**(112)**

Contracted loans

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
The launch of financing under loan agreements:		
Banks Consortium	2 440	2 900
European Investment Bank	1 200	1 200
Bank Gospodarstwa Krajowego	750	–
Erste Group Bank AG	–	96
Total	**4 390**	**4 196**

(in PLN million)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

35. Financial instruments

Categories and classes of financial assets	As at 30 June 2023 (unaudited)		As at 31 December 2022 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**14 565**	**14 547**	**15 132**	**14 881**
Receivables from buyers	1 718	1 718	2 240	2 240
Loans granted to subsidiaries	11 029	11 011	10 942	10 691
Loans granted under cash pool agreement	1 366	1 366	1 950	1 950
Other financial assets	452	452	–	–
2 Financial assets measured at fair value through profit or loss (FVTPL)	**1 940**	**1 940**	**2 039**	**2 039**
Derivative instruments	171	171	257	257
Long-term shares	66	66	60	60
Loans granted to subsidiaries and jointly-controlled entities	1 070	1 070	648	648
Other financial assets	18	18	35	35
Cash and cash equivalents	615	615	1 039	1 039
3 Derivative hedging instruments	**418**	**418**	**592**	**592**
4 Financial assets excluded from the scope of IFRS 9 *Financial Instruments*	**15 656**		**15 656**	
Shares in subsidiaries	15 240		15 240	
Shares in jointly-controlled entities	416		416	
Total financial assets, ***of which in the statement of financial position:***	**32 579**		**33 419**	
Non-current assets	**27 270**		**27 278**	
Shares	15 722		15 716	
Loans granted	11 304		11 172	
Derivative instruments	244		390	
Current assets	**5 309**		**6 141**	
Receivables from buyers	1 718		2 240	
Loans granted	2 161		2 368	
Derivative instruments	345		459	
Other financial assets	470		35	
Cash and cash equivalents	615		1 039	

Categories and classes of financial liabilities	As at 30 June 2023 (unaudited)		As at 31 December 2022 (restated figures)	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**19 132**	**18 760**	**19 627**	**19 157**
Arm's length loans, of which:	12 086	11 998	11 619	11 465
Bank loans	8 172	8 153	7 954	7 881
Liability under the cash pool loan	3 157	3 157	2 882	2 882
Loans from the subsidiary	757	688	783	702
Bonds issued	6 332	6 048	6 435	6 119
Liabilities to suppliers	503	503	1 419	1 419
Other financial liabilities	211	211	154	154
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**648**	**648**	**341**	**341**
Derivative instruments	648	648	341	341
3 Financial liabilities excluded from the scope of IFRS 9 *Financial Instruments*	**12**		**16**	
Liabilities under leases	12		16	
Total financial liabilities, ***of which in the statement of financial position:***	**19 792**		**19 984**	
Non-current liabilities	**14 052**		**14 772**	
Debt	13 984		14 754	
Derivative instruments	62		10	
Other financial liabilities	6		8	
Current liabilities	**5 740**		**5 212**	
Debt	4 446		3 316	
Liabilities to suppliers	503		1 419	
Derivative instruments	586		331	
Other financial liabilities	205		146	

(in PLN million)

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

Classes of financial assets/liabilities	Level of the fair value hierarchy	Methodology for determining the fair value
Financial assets/liabilities measured at a fair value		
Derivatives, including:		Financial derivatives are measured in accordance with the methodology described in Note 19 to these interim condensed financial statements.
IRS and CCIRS	2	
Forward FX contracts	2	
Commodity contracts (forward, futures)	1	
Shares	3	In relation to equity interests in other entities, the Company estimates the fair value of its holdings using the method of adjusted net assets, taking into account factors such as discounts due to lack of control or due to limited liquidity. Where appropriate, the Company adopts historical cost as an acceptable approximation of fair value.
Loans granted	2	The measurement of the fair value was performed as the present value of future cash flows discounted by the currently applicable interest rate.
	3	The measurement of the fair value of the loans was performed as the present value of future cash flows taking into account the credit risk of the borrower.
Financial assets/liabilities for which the fair value is disclosed		
Credits, loans and bonds issued	2	Fixed interest rate debt liabilities were measured at a fair value. The fair value measurement was performed as the present value of future cash flows discounted by the currently applicable interest rate for the specific bonds, loan or credit facility, i.e. applying market interest rates.
Loans granted to subsidiaries	2	The fair value measurement of loans granted to subsidiaries classified as measured at an amortised cost was performed as the present value of future cash flows discounted at the currently applicable interest rate.

The fair value of other financial instruments as at 30 June 2023 and 31 December 2022 (except from those excluded from the scope of IFRS 9 *Financial instruments*) did not differ considerably from the figures presented in the financial statements for the following reasons:

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

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

36. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to 31 December 2022.

As at 30 June 2023, the Company had hedging transactions covered by the financial risk management policy concluded with the purpose of hedging the interest flows associated with debt. For the transactions concluded, the parent company applies hedge accounting. The accounting recognition of the hedging transactions described above is further described in Note 19 to these interim condensed financial statements.

37. Finance and capital management

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

(in PLN million)

OTHER INFORMATION

38. Contingent liabilities

As at 30 June 2023 and as at 31 December 2022, the contingent liabilities of the Company mainly resulted from the collaterals and guarantees granted to related parties and included:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	Validity	As at 30 June 2023 *(unaudited)*	As at 31 December 2022
Corporate guarantees	Finanse Grupa TAURON Sp. z o.o.	Private placement investors	3.12.2029	748	788
	TAURON Czech Energy s.r.o.	ČEZ a.s.	31.01.2025	13	14
Liability arising from a bank guarantee issued to a jointly-controlled entitie	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11.03.2024	457	300
Registered pledges and financial pledge of shares in TAMEH HOLDING Sp. z o.o.	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG	31.12.2028[1]	416	416
Surety contracts	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	-	–	187
			30.12.2023	7	7
	various subsidiaries	various entities	31.12.2023-23.11.2025	47	57
Liabilities arising from bank guarantees issued to subsidiaries	various subsidiaries	various entities	30.06.2023-28.07.2029	136	63
Blank promissory note with a promissory note declaration[2]	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice	31.07.2023	40	40
Comfort letter	TAURON Czech Energy s.r.o.	PKO BP S.A., Czech Branch	28.02.2024	34	35

[1] The registered pledges are valid throughout the period of the collateral, i.e. until the total repayment of the receivables hedged or until release by the pledgee. The financial pledge is valid throughout the period of the collateral period or until release by the pledgee, however, not later than on 31 December 2028.
[2] In 2010, the company issued a blank promissory note with a promissory note declaration to secure a loan agreement received by the subsidiary from the Regional Environmental Protection and Water Management Fund in Katowice. As at 30 June 2023, the remaining outstanding portion of the loan, amounting to PLN 2 million, is subject to a conditional redemption procedure. The security established will expire upon settlement of the conditional loan remission.

The most significant items of contingent liabilities include:

- The corporate guarantee granted in 2014 to secure the bonds of Finanse Grupa TAURON Sp. z o.o. (the so-called NSV). The guarantee shall be effective until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 million (PLN 748 million), while the beneficiaries of the guarantee are the private placement investors who purchased the bonds issued. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which amounted to PLN 24 million as at 30 June 2023.
- The liability arising from the issuance of a bank guarantee at the request of the Company up to the amount of PLN 457 million as a collateral for the receivables of Bank Gospodarstwa Krajowego ("BGK") resulting from the loan agreement concluded on 8 March 2018 between the borrower, Elektrociepłownia Stalowa Wola S.A. and BGK and PGNiG S.A. The bank guarantee shall be effective from 12 March 2023 to 11 March 2024 while the collateral of the guarantor's receivables towards the Company is the declaration on submission to enforcement up to the amount of PLN 548 million. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which amounted to PLN 27 million as at 30 June 2023.

  As at 31 December 2022, BGK's receivables were secured by a bank guarantee of up to PLN 300 million and a surety of up to PLN 187 million, with the effective term until 11 March 2023. In connection with the guarantee and the surety issued, the Company recognised a liability in the amount of expected credit losses, the value of which amounted to PLN 40 million as at 31 December 2022.
- The registered pledge and the financial pledge established under the agreement concluded in 2015 on the shares held, representing 50% of the shares in the share capital of TAMEH HOLDING Sp. z o.o., in favour of RAIFFEISEN BANK INTERNATIONAL AG. The registered pledges are pledges with the highest priority of satisfaction on shares up to the highest amount of security in the amount of CZK 3 950 million and PLN 1 370 million, respectively. The agreement for the establishment of registered pledges and financial pledges was concluded in order to secure the transaction

involving the agreement for term and working capital loans, which was concluded between TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as the original borrowers, TAMEH HOLDING Sp. z o.o. as the parent company and guarantor and RAIFFEISEN BANK INTERNATIONAL AG as the agent and collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until release by the pledgee, not later than on 31 December 2028.

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

Claims related to termination of long-term contracts

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

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

As at the date of approval of these interim condensed financial statements for publication, the amount of damages claimed in the lawsuits amounts to: Polenergia Group companies - PLN 136 million (including Amon Sp. z o.o. - PLN 90 million, Talia Sp. z o.o.- PLN 46 million); Wind Invest group companies - PLN 493 million.

In the case filed by Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued (judgement of 25 July 2019 in the Amon Sp. z o.o. lawsuit and judgement of 6 March 2020, supplemented by the court on 8 September 2020 in the Talia Sp. o.o. lawsuit), in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term agreements concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and those concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Talia Sp. z o.o. for the purchase of electricity and property rights resulting from certificates of origin are ineffective and do not produce legal effect in the form of termination of both agreements, as a result of which the agreements after the notice period, i.e. after 30 April 2015, remain in force in respect of all provisions and are binding on the parties. Moreover, the courts also recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages justified as to the merits, without, however, prejudging the amount of potential damages. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgments.

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 will file a cassation appeal within the required deadline. On 28 February 2023, the Supreme Court accepted the cassation appeal for examination. In the case brought by Amon Sp. z o.o., 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. has received a justification of the judgement of the Court of Appeals and will file a cassation appeal within the required deadline, i.e. 12 June 2023.

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 Company'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.

On 31 March 2023, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed a lawsuit for payment against Amon Sp. z o.o. with the Regional Court in Gdańsk. The subject matter of the claim is the payment by Amon Sp. z o.o. to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. the total amount of PLN 62 million, including statutory interest for delay and legal costs, consisting of a demand for payment of contractual penalties in the amount of PLN 56 million, calculated on the basis of an agreement for the sale of property rights resulting from certificates of origin which confirm the generation of electricity in a renewable energy source - Wind Farm in Łukaszów, and a demand for payment of compensation in the amount of PLN 6 million for failure to perform the agreement for the sale of electricity generated in a renewable energy source - Wind Farm in Łukaszów, concluded between Amon Sp. z o.o. and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on 23 December 2009. The filing of the lawsuit by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. results from the fact that after the date of the judgement of the Court of Appeals in Gdańsk, i.e. after 17 November 2022 dismissing the appeal of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o, Amon Sp. z o.o., despite being summoned by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., has not fulfilled the obligation resulting from the final judgement by entering into the above-mentioned contracts with Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. Pursuant to the decision of 2 May 2023, the Regional Court in Gdańsk decided to leave the claim of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. without further proceedings. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has taken and plans to take further legal action against this court decision, which the company believes was issued without legal basis. None of the rules of civil procedure provides for leaving a properly filed and paid claim, from which a demand for the resolution of a dispute of a civil nature is expressly made, without any further action being taken.

In the case filed by Pękanino Wind Invest Sp. z o.o. for the provision of security for claims for determining that the terminations of long-term contracts submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are ineffective, the Court of Appeals in Warsaw on 6 November 2019 partially granted the application for security by ordering Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform the provisions of the contracts in their entirety on the existing terms and conditions, in accordance with their content, until the proceedings from the suit of Pękanino Wind Invest Sp. z o.o. are legally concluded against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the Regional Court in Warsaw. The decision regarding the security is 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 Comapny believes that the chances of losing the remaining lawsuits related to both declarations of ineffectiveness of termination of agreements and claims for damages are not higher than the chances of winning the lawsuits in question, and therefore it does not recognise a provision for related costs.

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

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

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

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

The District Court in Katowice has jurisdiction to hear the lawsuits. All cases are held before the first instance courts. The proceedings filed by Wind Invest group companies are held in camera. As at the date of approval of these interim condensed financial statements for publication, the chances of the Company of obtaining a favourable resolution of the disputes should be assessed positively, i.e. the chances of losing are not higher than the chances of winning.

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

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

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

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

To the best of the Company'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 Company 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 appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company. 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. On 13 October 2022, Huta filed a cassation appeal with the Supreme Court. Both the Company and the State Treasury lodged replies to this action emphasising, in the first instance, the lack of grounds for its acceptance for examination by the Supreme Court. Until the date of approval of these interim condensed financial statements, the Company has not been served with an order of the Supreme Court accepting or refusing to accept the cassation appeal of Huta for examination.

(in PLN million)

Based on the conducted legal analysis of the claims as well as taking into account the aforementioned judgement, the Company 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, 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 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%.

39. Collaterals for repayment of liabilities

As part of its operations, the Company uses a number of instruments to hedge its own liabilities under the concluded agreements and transactions. The main types of collateral, in addition to the collateral for the Group's transactions concluded on the Polish Power Exchange [Towarowa Giełda Energii S.A.], described due to their materiality later in this note, are presented below.

Collateral	Collateral amount as at	
	30 June 2023 *(unaudited)*	31 December 2022
Declarations of submission to enforcement*	18 119	16 050
Bank account mandates	1 750	600
Bank guarantees	106	109
Blank promissory notes	4	4

**As at 30 June 2023, 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.*

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

Type of collateral	Description
Declarations of submission to enforcement	On 15 June 2023, a declaration of submission to enforcement was signed to secure the obligations of the Company to Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") up to the amount of PLN 6 000 million, with the effective term until 30 June 2027. The liabilities of the subsidiary, TAURON Wytwarzanie S.A. to the IRGiT were secured by a declaration of submission to enforcement signed by the company on 11 October 2022 up to the amount of PLN 2 000 million, with the effective term by 30 June 2023. On 14 February 2023, the company signed a declaration of submission to enforcement in the same amount, with a term from 1 July 2023 to 30 June 2024.
Bank guarantees	As at 30 June 2023 and 31 December 2022, bank guarantees totalling PLN 404 million and PLN 176 million, respectively, were in force. After the balance sheet date, annexes to bank guarantees and new bank guarantees were issued in favour of the IRGiT as the security for the Company liabilities. As at the date of approval of these interim condensed financial statements for publication, bank guarantees in the total amount of PLN 315 million are in force, with the validity dates falling maximum until 10 October 2023.
Agreement for setting off the margins	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 CO_2 emission allowances	The transfer of CO_2 emission allowances to the IRGiT is established in order to cover the Company's obligations on account of the security deposit payments due. As at 30 June 2023, the Company deposited the CO_2 emission allowances it holds in the total amount of 230 000 tonnes in the IRGiT account.

(in PLN million)

40. Investment liabilities

As at 30 June 2023 and as at 31 December 2022 the Company did not have any material investment liabilities.

41. Related party disclosures

41.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties, as presented in Note 2 to these interim condensed financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's majority shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length terms.

The total value of transactions with the aforementioned entities and the balances of receivables and liabilities have been presented in the tables below.

Revenues and costs

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited restated figures)*
Revenue from subsidiaries	**18 838**	**13 696**
Revenue from operating activities	17 904	11 670
Dividend income	443	1 646
Other finance income	491	380
Revenue from jointly-controlled entities	**124**	**479**
Revenue from State Treasury companies	**324**	**372**
Costs from subsidiaries	**(2 707)**	**(5 057)**
Costs of operating activities	(2 624)	(5 006)
Finance costs	(83)	(51)
Costs incurred with relation to transactions with jointly-controlled entities	**(164)**	**(200)**
Costs from State Treasury companies	**(530)**	**(333)**

Receivables and liabilities

	As at 30 June 2023 *(unaudited)*	As at 31 December 2022 *(restated figures)*
Loans granted to subsidiaries and receivables from subsidiaries	**16 967**	**16 852**
Loans granted to subsidiaries	13 216	12 792
Loans granted under cash pool agreement	1 627	2 167
Receivables from buyers	1 678	1 893
Dividend receivables	260	–
Receivables arising from the TCG	186	–
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	**712**	**744**
Receivables from State Treasury companies	**57**	**109**
Liabilities to subsidiaries	**4 473**	**5 939**
Loans received under cash pool services	3 145	2 859
Loans from the subsidiary	757	783
Liabilities to suppliers	342	757
Liabilities arising from the Tax Capital Group	126	–
Other financial liabilities	3	4
Other non-financial liabilities	100	1 536
Liabilities to jointly-controlled entities	**73**	**28**
Liabilities to State Treasury companies	**43**	**228**

(in PLN million)

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

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

In the 6-month period ended 30 June 2023, the revenues from State Treasury companies result mainly from transactions executed by the Company with the Polskie Sieci Elektroenergetyczne S.A. company (95% of total revenue from State-owned companies).

In the scope of costs incurred in connection with transactions with the State-owned companies in the 6-month period ended 30 June 2023, the largest counterparties of TAURON Polska Energia S.A. included Polska Grupa Górnicza S.A., Polskie Sieci Elektroenergetyczne S.A. and TAURON Wydobycie S.A. (81% of the total costs incurred in purchase transactions with the State Treasury companies).

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

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

41.2. Remuneration of the executives

The amount of compensation and other benefits paid or payable to the Management Board, Supervisory Board and other key executives of the Company in the period of six months ended 30 June 2023 and in the comparative period is presented in the table below.

	6-month period ended 30 June 2023 *(unaudited)*	6-month period ended 30 June 2022 *(unaudited)*
Management Board	**8**	**4**
Short-term benefits (with surcharges)	7	4
Temination benefits	1	−
Other key management personnel	**7**	**8**
Short-term employee benefits (salaries and surcharges)	7	7
Other	−	1
Total	**15**	**12**

The table above takes into account the amounts paid and to be paid by 30 June 2023. Moreover, in accordance with the accounting policy adopted, the Group recognises the provisions for benefits on account of termination of management contracts due to members of the Management Board and other key management personnel that may be paid or due in subsequent reporting periods.

There are no transactions in the Company in respect of loans from the Company Social Benefits Fund (ZFŚS) granted to members of the Management Board, members of the Supervisory Board and other members of the key management staff.

42. Other material information

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

In the 6-month period ended 30 June 2023, work continued in the Group with the aim to implement the government programme for the transformation of the Polish electricity sector (the “NABE Programme”) launched in April 2021 by the Ministry of State Assets. 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 acquisition is preceded by an internal reorganisation of the energy groups, aimed at integrating the assets to be separated within a single entity. In TAURON Group, the integration of the assets to be separated has been carried out within TAURON Wytwarzanie S.A.

As at 30 June 2023 and as at the date of approval of these interim condensed financial statements for publication, the Company believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the shares of TAURON Wytwarzanie S.A. held by the Company as disposable assets classified as held for sale.

As at the balance sheet date, the Company shares in TAURON Wytwarzanie S.A. are fully written down and their carrying amount is PLN 0. The carrying amount of loans granted to TAURON Wytwarzanie S.A. and cash pool receivables as at 30 June 2023 amounts to the total of PLN 5 604 million.

After the balance sheet date, on 14 July 2023, the Company received from the State Treasury a proposal for a non-binding document summarising the terms of the transaction for the acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A. to create the NABE. On 10 August 2023, the required corporate approvals were obtained for the boundary conditions set out in the Transaction Terms Summary Document. Moreover, on 10 August 2023, the Company and the State Treasury signed a document (the "Term Sheet") summarising the key terms and conditions of the transaction of acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A. in order to establish the NABE, as further described in note 43 of these interim condensed financial statements.

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

During the first half of 2023, no significant impact of the COVID-19 pandemic on the level of demand for electricity, the developments in prices in the markets of electricity and related products or trends in the level of overdue receivables of the Group's customers was observed among TAURON Group customers.

The situation related to the COVID-19 pandemic in the first half of 2023 did not affect the operations of the individual Business Areas of TAURON Group.

After the balance sheet date, the epidemiological emergency caused by SARS-CoV-2 virus infections was lifted in Poland on 1 July 2023.

Impact of the war in Ukraine on the current and future activities of TAURON Group

Recognising the scale of the risks associated with the current situation, TAURON Group continuously monitored the impact of the war in Ukraine and undertook measures to mitigate the potential effects of risk materialisation as well as to maintain the continuity of critical infrastructure operations.

TAURON Group had no assets located in Ukraine, Russia or Belarus, therefore TAURON Capital Group did not identify direct effects of the war on its own business activities. As regards financial risk and liquidity risk, as at the date of preparation of these interim condensed consolidated financial statements, the Group had sufficient financial resources to pay its current liabilities and to carry out the commenced investment activities.

In the TAURON Group's assessment, the indirect consequences of the war that had or could have affected the TAURON Group in the first half of 2023 are as follows:

- implementation of national regulations in 2022 for 2023, with the aim of limiting electricity demand, introducing mechanisms to limit increases in electricity prices for end users, introducing margin restrictions for electricity generators and trading companies;
- a decrease in the volume of energy sales and its distribution as a result of limiting the economic activity of Polish entrepreneurs in part resulting from the war in Ukraine;
- an increase in trade receivables mainly due to a nominal rise in electricity selling prices relative to the situation observed in 2022;
- a change in the costs incurred and generated revenues from the production and sale of electricity in the TAURON Group, as a result of the crisis on the energy fuels market observed in 2022, partly resulting from the war in Ukraine.

These consequences and the resulting market changes have been translated and reflected in the assumptions within the impairment tests carried out as at 30 June 2023, which are described in more detail in note 17 of these interim condensed financial statements.

The situation concern with the war in Ukraine and its impact on the market and regulatory environment is highly volatile and its future consequences are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the war, further developments including the potential escalation of hostilities as well as the impact on the condition of the economy in Poland and worldwide. The impact of the risks identified may also depend on further regulatory action at the European Union level and at the national level in terms of implementing intervention measures as well as shaping the future energy market.

43. Events after the balance sheet date

Receiving proposed transaction terms for the acquisition of 100% of TAURON Wytwarzanie S.A. shares by the State Treasury.

After the balance sheet date, on 14 July 2023, within the NABE program, the Company received from the State Treasury, represented by the Minister of State Assets, a proposal for a non-binding document (the "Document") summarising the terms of the transaction for the acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A.

In particular, the Document includes a proposal for the purchase price of TAURON Wytwarzanie S.A. shares, the key economic and legal terms and conditions of conducting the transaction, including the key provisions of the preliminary sale agreement and the promised sale agreement, as well as the proposed mechanism for the settlement of TAURON Wytwarzanie S.A. debt to the Company. The value of the enterprise of TAURON Wytwarzanie S.A. (Enterprise Value) was determined according to a locked-box mechanism as at 30 September 2022. The value of the transaction consists of two elements: the price for TAURON Wytwarzanie S.A. shares ("Sale Price") and the value of TAURON Wytwarzanie S.A. debt to the Company that will be subject to repayment.

The Document received does not constitute an offer or commitment to enter into any contract. The Document implies that the transaction will only be conducted if the negotiations of the State Treasury with all of the following companies are successfully concluded: TAURON Polska Energia S.A., PGE Polska Grupa Energetyczna S.A., Enea S.A., Energa S.A. The Document agreed and signed by the parties will be the basis for the Minister of State Assets to submit an application to the Prime Minister for the acquisition of TAURON Wytwarzanie S.A. shares held by the Company.

The State Treasury proposed the acquisition of shares of TAURON Wytwarzanie S.A. for the Selling Price of PLN 1 together with the repayment to the Company of debts of TAURON Wytwarzanie S.A. existing as at the date of acquisition of the shares by the State Treasury ("Closing Date"). As at 30 September 2022, the debt represented an amount of PLN 6 326 million (this amount represents the loan principal increased by interest accrued until 30 September 2022). According to the Document the debt by the Closing Date should be reduced by the amount of PLN 652 million as a result of the conversion of part of the existing debt of TAURON Wytwarzanie S.A. to the equity of TAURON Wytwarzanie S.A. A portion of TAURON Wytwarzanie S.A. debt to the Company in the amount of PLN 2 120 million will be repayable over a period of 8 years from the Closing Date, while the repayment will be covered by a guarantee from the State Treasury equivalent to 70% of the debt. The remainder of TAURON Wytwarzanie S.A. indebtedness to the Company existing as at the Closing Date is to be repaid by the NABE from the loan granted to the NABE by the banks as part of the transaction, which is to be disbursed no later than 90 days after the Closing Date. Other intra-group settlements, with particular reference to the settlements concerning CO_2 emission allowances, are carried out on an ongoing basis and will not affect the Selling Price.

On 10 August 2023, the required corporate approvals were obtained for the boundary conditions set out in the Document and for the increase in the equity of TAURON Wytwarzanie S.A. by PLN 652 million and for the subscription of the newly issued shares of TAURON Wytwarzanie S.A. by the Company. As a result of the foregoing, on the same day the Extraordinary General Meeting of TAURON Wytwarzanie S.A. adopted a resolution on the increase in the share capital by PLN 7 million through the issue of 652 000 shares with the value of PLN 10 and the issue price of PLN 1 000 per share. Coverage of the increase in TAURON Wytwarzanie S.A. equity was performed by setting off (converting) a part of TAURON Wytwarzanie S.A. existing debt towards the Company. On 18 August 2023 the increase in the share capital of TAURON Wytwarzanie S.A. was registered.

On 10 August 2023, the Company and the State Treasury signed a document (the "Term Sheet") summarising the key terms and conditions of the transaction of acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A. in order to establish the NABE.

The key boundary conditions contained in the signed Term Sheet coincide with the terms of the Document, as described above. The Term Sheet also sets out the conditions determining the conclusion of the preliminary agreement for the sale of TAURON Wytwarzanie S.A. shares to the State Treasury, including in particular:

- reaching an agreement on the content of the documentation related to the transaction, including covering the future financing of the NABE and obtaining preliminary bank lending decisions for the financing of the NABE,
- positive consideration of the application for the acquisition of shares by the State Treasury from the Reprivatisation Fund by the Prime Minister,
- obtaining all internal approvals and permits required to conclude or execute the transaction,
- conclusion of agreements (or relevant annexes) to ensure the operation of the companies forming the NABE after closing of the transaction,

- performing changes in the share capital or shareholding structure of the companies forming the NABE in order to prepare them for transactions, including performing of the conversion of part of the existing indebtedness of TAURON Wytwarzanie S.A. towards the Company into TAURON Wytwarzanie S.A. equity.

As part of the next stage of the Transaction, it is envisaged that a preliminary agreement and then a final agreement for the sale of TAURON Wytwarzanie S.A. shares will be concluded.

Signing the agreement to the Letter of Intent concerning Elektrociepłownia Stalowa Wola S.A.

On 25 July 2023, an agreement (the “Memorandum of Understanding”) was signed to the Letter of Intent concluded in August 2021 regarding Elektrociepłownia Stalowa Wola S.A. The Memorandum of Understanding was concluded between the Company, the subsidiaries, TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o.o. (current owner of 50% of shares in Elektrociepłownia Stalowa Wola S.A.), Orlen S.A. (legal successor of the previous party to the Letter of Intent, i.e. Polskie Górnictwo Naftowe i Gazownictwo S.A.) and PGNiG TERMIKA S.A. (an entity now part of Orlen Group).

The intention of the parties to the Memorandum of Understanding is to confirm the intention to continue (after the recent ownership changes) the talks planned in the Letter of Intent concerning a potential transaction of the sale by TAURON Group to Orlen Group of its equity involvement in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. by the Company, including a potential development of a method of carrying out the potential transaction and its settlement acceptable to the parties. The Memorandum of Understanding excludes TAURON Wytwarzanie S.A. from the talks, includes TAURON Inwestycje Sp. z o.o. and adjusts the principles of cooperation to the new legal and actual situation. The Memorandum of Understanding further indicates that the method of settlement of the potential transaction to be worked out by the parties may take into account, for example, the potential sale of 100% of the shares in PGNiG TERMIKA Energetyka Przemysłowa S.A. with its registered office in Jastrzębie Zdrój belonging to PGNiG TERMIKA S.A. to the company or companies in the TAURON Group.

These interim condensed financial statements of TAURON Polska Energia S.A. prepared for the 6-month period ended 30 June 2023 in compliance with the International Accounting Standard no. 34 comprise 44 pages.

Katowice, 5 September 2023

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