



## ADDITIONAL INFORMATION

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

## 1.1. General information

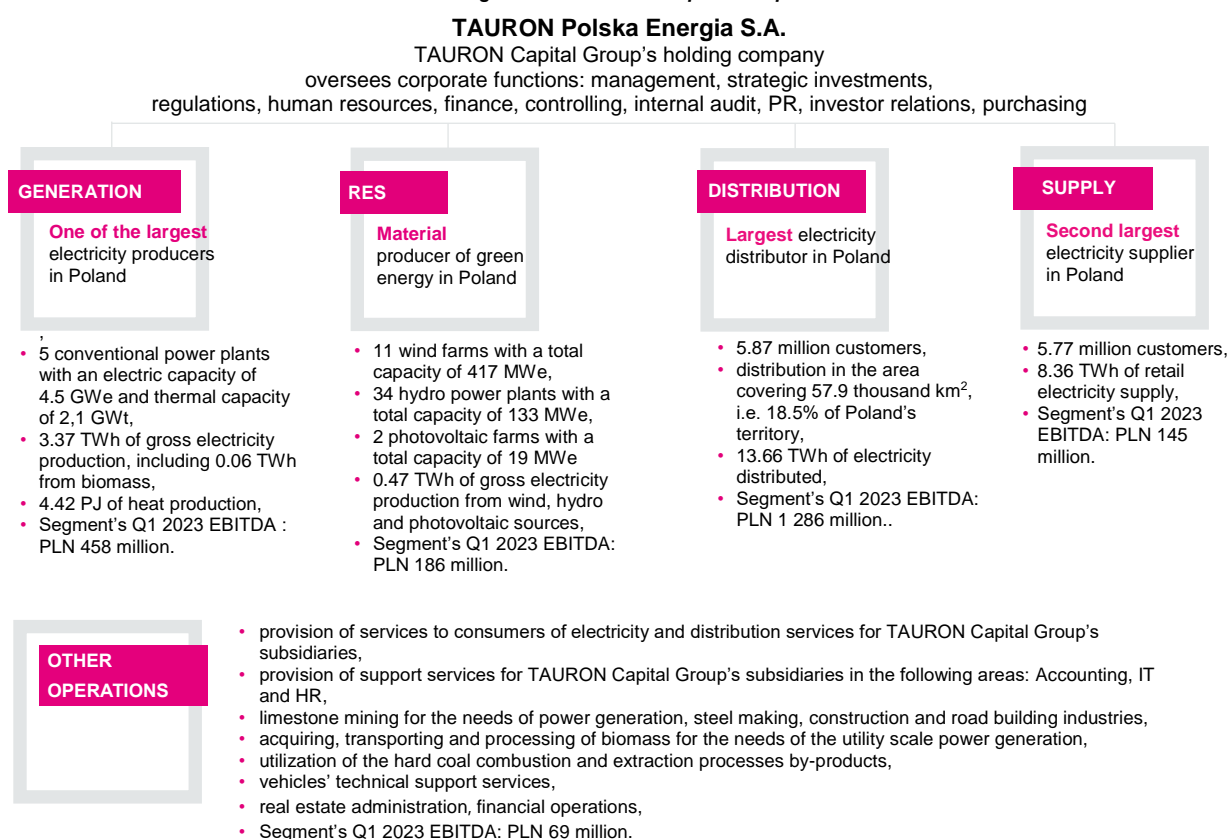
TAURON Capital Group's parent company is TAURON Polska Energia S.A. (hereinafter called the Company or TAURON), that was established on December 6, 2006, as part of the *Program for the Power Sector*. The Company was registered in the National Court Register on January 8, 2007, under the name: Energetyka Południe S.A. The change of the Company's name to its current name, i.e. TAURON Polska Energia S.A., was registered on November 16, 2007.

The Company does not have any branches (divisions).

TAURON Polska Energia S.A. Capital Group (hereinafter referred to as TAURON Capital Group or

TAURON Group) is a vertically integrated energy group located in the south of Poland. In the first quarter of 2023 TAURON Capital Group was conducting its operations in the majority of the key segments of the energy market, i.e. electricity and heat generation, distribution and supply. TAURON Group did not operate in the electricity transmission segment, which is solely the responsibility of the Transmission System Operator - TSO, as well as in the hard coal mining segment as the Group had ceased operations in this segment as of December 31, 2022, following the transfer of the ownership of TAURON Wydobycie S.A. shares. (TAURON Wydobycie) from the Company to the State Treasury.

Figure no. 1. TAURON Capital Group



## 1.2. Segments of operations

In accordance with TAURON Group's Business and Operational Model (Business Model), TAURON Capital Group's business operations were conducted, in the first quarter of 2023, by the units defined as: the Corporate Center, the Lines of Business (Trading, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply) and the Shared Services Centers (SSC) (Centra Usług Wspólnych - CUW).

For the purpose of reporting TAURON Capital Group's results the operations of TAURON Capital Group were, in the first quarter of 2023, divided into the following 4 main Segments (Operating Segments), hereinafter also referred to as the Lines of Business:



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



**Renewable Energy Sources (RES) Segment**, that comprises electricity generation from renewable energy sources, i.e. hydroelectric, wind and photovoltaic power plants.



**Distribution Segment**, that comprises distribution of electricity using the distribution grids located on the territory of the following provinces: Małopolska, Lower Silesia, Opole, Silesia, partly: Świętokrzyskie, Podkarpackie, Łódź, Wielkopolska and Lubuskie. The Segment also includes the operations that cover the technical support services related to the electricity metering systems and the metering data acquisition



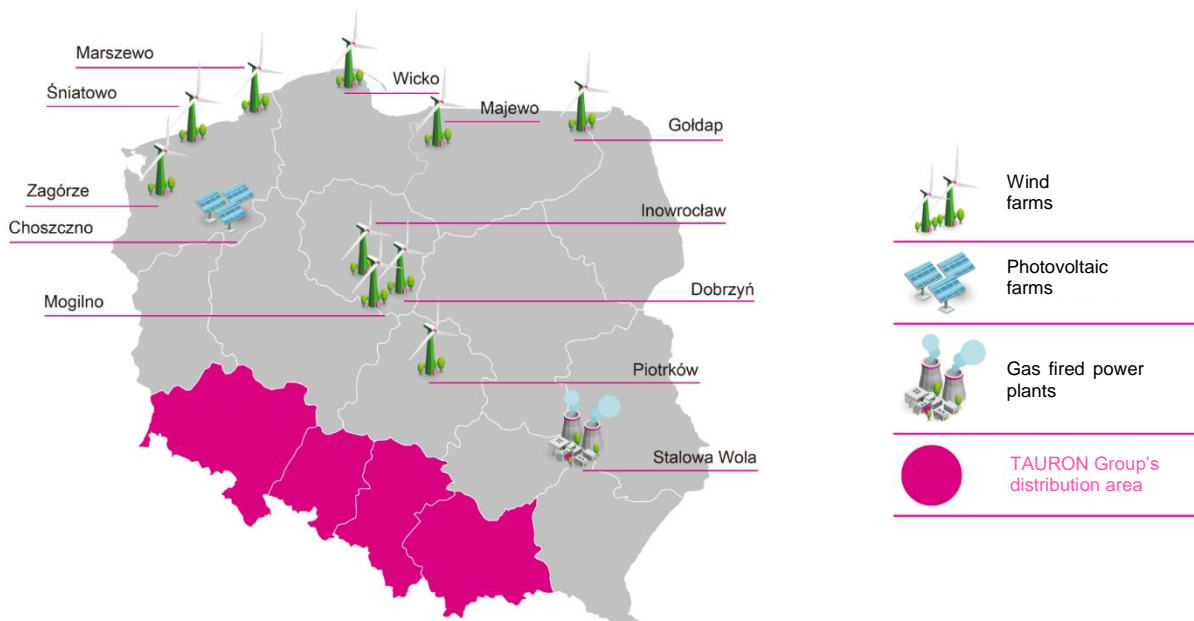
**Supply Segment**, that comprises electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO<sub>2</sub> emission allowances, property rights and innovative services related to, among others, the management and maintenance of the street lighting, smart city products, e-mobility products, as well as the services focused on energy efficiency.

Apart from the main Segments of operations, TAURON Capital Group is also conducting the operations presented as part of the **Other Operations** that comprise, among others, the customer service for TAURON Capital Group's customers, the provision of the support services for TAURON Capital Group's subsidiaries with respect to accounting, human resources (HR) management, information and communications technology (ICT), as well as the operations related to the extraction of stone and the production of the sorbing agents. The Other Operations also include the financial operations, utilization of the hard coal combustion and extraction processes' by-products, biomass processing, real estate administration, as well as the technical support services for the vehicles.

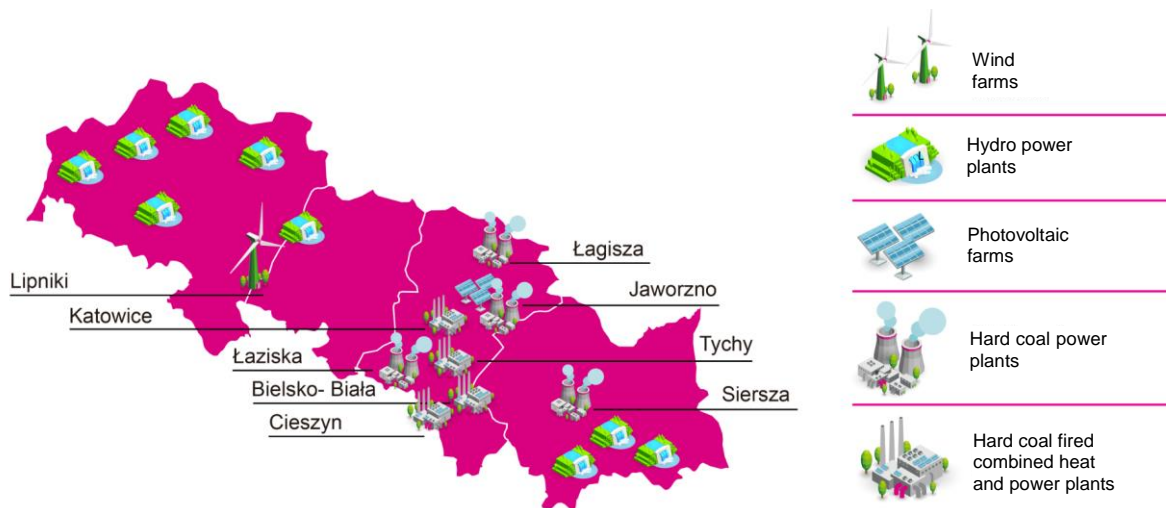
Until December 31, 2022, TAURON Group had also been conducting operations in the Mining Segment that had comprised the mining, cleaning of the hard coal in Poland. As of December 31, 2022, the operations in this Segment had been discontinued as a result of the divestment of the shares in the TAURON Wydobycie subsidiary to the State Treasury. The divestment of the shares in TAURON Wydobycie was a part of TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050, adopted on June 22, 2022 (Strategy). Due to the tightening policy of the financial institutions and investors in the financial market with respect to providing the financing for the entities that use coal assets in their business operations, the divestment of the shares in TAURON Wydobycie will increase opportunities to expand the investor base in order to raise funds for the implementation of the capital expenditure projects and thus facilitate the accomplishment of the strategic goals included in the Strategy.

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

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







### 1.3. TAURON Capital Group's structure

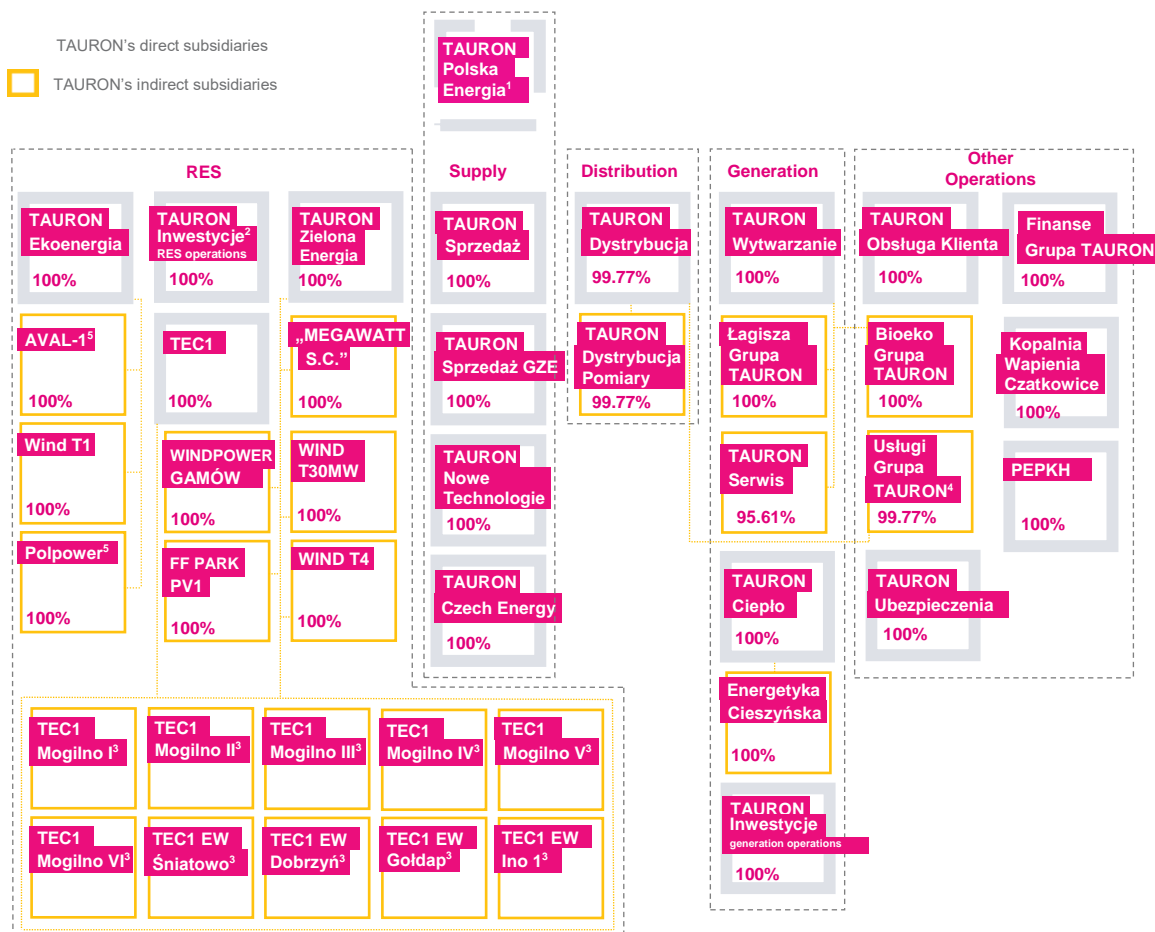
As of March 31, 2023, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 40 subsidiaries subject to consolidation, that are listed below. In addition, as of March 31, 2023, the Company held, directly or indirectly, shares in the other 33 companies.

As of the date of drawing up this report, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 38 subsidiaries subject to consolidation. In addition, as of the date of drawing up this report, the Company held, directly or indirectly, shares in the other 33 companies

#### Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of March 31, 2023.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of March 31, 2023



<sup>1</sup>TAURON is included in the Supply Segment.

<sup>2</sup>the company's operations related to the generation of electricity from renewable sources are included in the Renewable Energy Sources (RES) Segment. The company's operations related to the conducting of the investment projects, research and development activities, as well as the generation of electricity from the non-renewable energy sources are included in the Generation Segment.

<sup>3</sup>TEC1 sp. z o.o. (TEC1) is the General Partner, TAURON Zielona Energia sp. z o.o. (TAURON Zielona Energia) is the Limited Partner.

<sup>4</sup>formerly Marselwind sp. z o.o.

<sup>5</sup>incorporation of the companies into TAURON Ekoenergia sp. z o.o. as of April 11, 2023.

## Changes to the organization

The following changes to the organization of TAURON Capital Group had taken place in the first quarter of 2023 and by the date of drawing up this information:

### Merger of AVAL-1 sp. z o.o. (Ltd.) and "Polpower" sp. z o.o. (Ltd.) with TAURON EKOENERGIA sp. z o.o. (Ltd.)

On April 11, 2023, the District Court of Wrocław Fabryczna in Wrocław, the 9<sup>th</sup> Commercial Division of the National Court Register registered the incorporation by TAURON EKOENERGIA sp. z o.o. (Ltd.) (TAURON Ekoenergia) (the Acquiring Company) of AVAL-1 sp. z o.o. (Ltd.) and "Polpower" sp. z o.o. (Ltd.) (the Acquired Companies).

The completion of the merger of the companies is aimed at optimizing and simplifying the ownership structure and the management of the companies' assets, and first and foremost at reducing the costs of operating these companies.

Due to the capital structure of the companies involved in the merger (100% of the shares in the share capitals of the Acquired Companies are held by the Acquiring Company), the merger had taken place based on the regulations allowing for the so-called simplified merger procedure (Article 516, § 6 of the Code of Commercial Companies), in accordance with Article 492, § 1, item 1 of the Code of Commercial Companies, i.e. by transferring all of the assets of the Acquired Companies to the Acquiring Company.

## Organizational or equity ties with other entities

Apart from the equity ties with the companies presented on *Figure no. 3. of this information*, the organizational or equity ties are applicable to the material joint subsidiaries (co-subsidiaries) in which the Company held, directly or indirectly, shares, and which, as of March 31, 2023, include the companies listed in the below table.

**Table no. 1. List of material joint subsidiaries (co-subsidiaries) as of March 31, 2023**

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

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

### Management Board of TAURON Polska Energia S.A.

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

#### The composition of the Company's Management Board as of March 31, 2023, and as of the date of drawing up this information

1. Paweł Szczeszek – President of the Management Board (CEO),
2. Patryk Demski – Vice President of the Management Board for Strategy and Development,
3. Bogusław Rybacki – Vice President of the Management Board for Asset Management,
4. Krzysztof Surma – Vice President of the Management Board for Finance (CFO),
5. Tomasz Szczegieliński – Vice President of the Management Board for Trading,
6. Artur Warzocha – Vice President of the Management Board for Corporate Affairs.

#### The changes to the composition of the Company's Management Board in the first quarter of 2023 and by the date of drawing up this information

There had been no changes to the composition of the Company's Management Board in the first quarter of 2023 and by the date of drawing up this information.

## Supervisory Board of TAURON Polska Energia S.A.

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

### The composition of the Company's Supervisory Board as of March 31, 2023, and as of the date of drawing up this information

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

### The changes to the composition of the Company's Supervisory Board in the first quarter of 2023 and by the date of drawing up this information

There had been no changes to the composition of the Company's Supervisory Board in the first quarter of 2023 and by the date of drawing up this information.

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

As of the date of drawing up this information all of the Members of the Company's Supervisory Board meet the criteria of independence listed in the *Act of May 11, 2017 on certified auditors, audit firms and public oversight*.

In addition, pursuant to the Best Practices of WSE Listed Companies 2021, all of the Members of the Company's Supervisory Board have declared that they have no actual and material ties to a shareholder holding at least 5% of the total number of votes at the General Meeting of the Company.

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

### 2.1. Subject of the operations

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

As the parent entity of TAURON Capital Group, TAURON performs the consolidating and management function at TAURON Capital Group. As a result of implementing the Business Model and centralizing of the functions, TAURON has concentrated many competences related to the functioning of TAURON Capital Group's subsidiaries and was carrying out operations, among others, in the following areas in the first quarter of 2023:

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

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

The Company is focusing on purchasing and selling electricity for the purpose of hedging the buy and sell positions of TAURON Capital Group's entities as well as on the wholesale electricity trading. The Company purchased and sold 9.6 TWh of electricity in the first quarter of 2023. The electricity sales carried out by TAURON during that period were mainly addressed to the following subsidiaries: TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.) (TAURON Sprzedaż GZE), with 82.6% of the electricity volume purchased sold thereto. The above mentioned subsidiaries are carrying out the retail electricity supply to the final consumers, and therefore TAURON is not dependent on any single electricity consumer. The next largest electricity consumer, in terms of electricity volume purchased, is the balancing market (8.7%), and subsequently the Exchange Clearing House (Izba Rozliczeniowa Giełd) (4.7%), Polskie Sieci Elektroenergetyczne S.A. (PSE) (2.1%) and TAURON Capital Group's other subsidiaries (1.9%), including TAURON Ciepło sp. z o.o. (TAURON Ciepło) and TAURON Czech Energy s.r.o. (TAURON Czech Energy).

Pursuant to the concluded SLA contracts with respect to the trading operations, in the first quarter of 2023, TAURON was providing, among other things, the electricity and property rights portfolio management service as well as the *market access* service, as part of which it is operating on the Polish Power Exchange (Towarowa Giełda Energii S.A. - TGE) on its own behalf for the benefit of TAURON Ciepło, fulfilling the power exchange electricity trading obligation for the subsidiary.

However, having in mind the process related to TAURON Capital Group's transition and the planned spin-off of the hard coal fired generation assets out of TAURON Capital Group, as part of the implementation of Government NABE Concept under way, in July 2022 the relevant annexes to the existing SLA contracts had been concluded to ensure the continuity of the services provided and a decision was made to terminate the provision of the *market access* service for the benefit of TAURON Wytwarzanie S.A. (TAURON Wytwarzanie). As of November 1, 2022, an organizational structure had been set up at TAURON Wytwarzanie in order to take over the responsibility for the contracting of the coal fuel for the in-house needs. As of that date, the process of transferring the thermal coal sales contracts from TAURON to TAURON Wytwarzanie had also been commenced. In spite of having completed the transfer of some functions to TAURON Wytwarzanie last year, in the first quarter of 2023 TAURON carried out the deliveries of the hard coal for the above mentioned subsidiary contracted yet in 2022, and is responsible for the purchases of the hard coal as part of the demand for TAURON Ciepło, which is the fuel for the production carried out by the above mentioned subsidiary.

The Company's additional operations include the wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in the gas fuels issued by the President of the ERO on April 27, 2012. The original effective term of the license had commenced on May 4, 2012, and had expired on May 4, 2022. On March 11, 2021, the President of the ERO made a decision to change the effective term of the license and extend it until June 30, 2035. The Company purchased and sold 1.13 TWh of the gas fuel in the first quarter of 2023. The Company is focusing on the sales of the natural gas for the supply needs of TAURON Sprzedaż, with 53.2% of the purchased gas fuel volume sold thereto.



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

TAURON is a competence center with respect to the management and trading in the CO<sub>2</sub> emission allowances for TAURON Capital Group's subsidiaries. As a result of centralizing the trading in the emissions, a synergy effect has been achieved, involving optimizing of the costs of utilizing the resources of TAURON Capital Group's entities. In the pursuit of the above mentioned objectives with respect to the CO<sub>2</sub> emission allowances trading, the Company is actively taking part in the trading on the ICE ENDEX exchange, the EEX exchange as well as on the OTC market. In connection with the centralizing of this function, TAURON is responsible for the settlements (clearing) of the subsidiaries' CO<sub>2</sub> emission allowances, securing (hedging) the subsidiaries' emission needs while taking into account the emission allowances allocated thereto.

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

TAURON is also developing its competences with respect to the Market Operator function for the gas under the transmission agreement with GAZ-SYSTEM S.A. Since July 2015, TAURON, as one of the first entities in Poland, has been providing services for a balancing group for the entities carrying out the trading transactions on the gas market and is currently conducting the balancing of the trading for two of TAURON Capital Group's entities, as well as for the external entities.

TAURON represents TAURON Capital Group's subsidiaries (except for TAURON Wytwarzanie) in the implementation of all of the major capacity market processes. TAURON Wytwarzanie is carrying out these processes independently for its assets as part of the implementation of the Government's NABE Concept.

In the first quarter of 2023, TAURON was actively taking part in the secondary capacity market, securing the capacity obligation within TAURON Capital Group, as well as concluding the transactions with the external counterparties on the OTC market.

On March 16, 2023, TAURON took part in the additional auctions for the individual quarters of 2024. In accordance with the preliminary results of the auctions, the closing price of the auctions for the first and the fourth quarters came in at 387.00 PLN/kW/year, for the second and the third quarters at 241.92 PLN/kW/year and 199.55 PLN/kW/year, respectively, and for the fourth quarter at 364.00 PLN/kW/year. TAURON Capital Group's subsidiaries concluded the capacity contracts with the volume between 6.86 and 10.86 MW. The total revenue of TAURON Capital Group, stemming from the performance of the capacity contracts concluded as a result of the additional auctions will come in at PLN 2.9 million in 2024.

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

## **Subject of the operations of TAURON Capital Group**

TAURON Capital Group is conducting its operations and generating its revenue, first and foremost, from the supply of the electricity and heat, coming both from its generation as well as from the trading, and from the electricity distribution service as well as the heat transmission service.

*The detailed information related to the Operating Segments is provided in section 1.2. of this information.*

TAURON Capital Group's core products include electricity and heat, as well as limestone mining products for the needs of the power generation, construction and road building industries. In addition, TAURON Capital Group is dealing with the trading in the commodities: electricity and energy market products, as well as hard coal and gas, and it is also providing the electricity distribution and supply services, including to the final consumers, heat distribution and transmission services, as well as other services related to the operations conducted thereby.

## 2.2. Implementation of the strategic investment projects

In a response to the challenges arising from the situation prevailing on the market and in the power sector, on June 22, 2022, TAURON adopted *TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050*, representing the deepening of the Green Turn of TAURON implemented thus far. The Strategy presents an optimal path of sustainable development that will ensure TAURON Group's financial stability and the growth prospects while taking into account the engagement and management of operations as part of the ESG (Environmental, Social and Governance) activities and support for the stability of the electricity system in Poland.

### Key strategic investment projects under way

The below table presents the activities carried out by TAURON Capital Group in the first quarter of 2023 and by the date of drawing up this information in connection with the implementation of the key strategic investment projects.

**Table no. 2. Key strategic investment projects' work progress in the first quarter of 2023 and by the date of drawing up this information**

Investment project	Investment project's work progress
<p>1. <i>Construction of a 910 MW supercritical parameters power generation unit in Jaworzno</i></p> <p><b>Contractor:</b> Consortium of RAFAKO S.A. – Mostostal Warszawa S.A. and E003B7 sp. z o.o. (Ltd.) – contract terminated as of the date of signing of the Settlement Agreement.</p> <p><b>The unit was commissioned on November 13, 2020.</b></p> <p><b>Expenditures incurred:</b> PLN 6 132.3 million</p>	<p>In connection with the commissioning of the unit, the President of the ERO granted a license for the generation of electricity for the period from November 20, 2020, until December 31, 2030.</p> <p>TAURON Wytwarzanie's services personnel have been operating the 910 MW unit, independently without RAFAKO's participation since August 2022.</p> <p>On March 31, 2023, as part of the mediation in front of the Court of Arbitration at the General Counsel of the Republic of Poland, TAURON and RAFAKO concluded a Settlement Agreement that defined the procedure to be applied to complete the contract and make the mutual settlements thereunder, as well as an annex to the Contract. The Settlement Agreement entered into force on April 25, 2023. As of the signing of the Settlement Agreement, the contract was terminated with respect to the portion thereof that had not been implemented.</p> <p>As a result of the Settlement Agreement concluded, TAURON Wytwarzanie was given the opportunity to carry out on its own, without RAFAKO's participation, all of the works on the 910 MW unit aimed at eliminating the identified problems and reducing the probability of the failure thereof. In 2023, TAURON Wytwarzanie is conducting the works aimed at optimizing and tuning up the unit to prepare it for the remaining trials and acceptance tests with PSE. TAURON Wytwarzanie assumes that the process of trials and tests with PSE should be completed in the first quarter of 2024.</p> <p><i>The detailed information on the above-mentioned Settlement Agreement is presented in section 2.3. of this information.</i></p>
<p>2. <i>Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</i></p> <p><b>Contractor:</b> Contractors are being selected to carry out specific work (project) stages</p> <p><b>Planned project completion date:</b> Q4 2023</p> <p><b>Work progress:</b> 62%</p> <p><b>Expenditures incurred:</b> PLN 51.9 million</p>	<p>The PLNE program is carried out on the territory of the following metropolitan areas: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec and Świętochłowice.</p> <p>In the first quarter of 2023, the construction and design works related to installing the network connections had been continued under the network connection agreements concluded. Cumulatively, from the beginning of the Program's implementation, the network connection agreements have been concluded for the total volume of 23.05 MWt - the program's target was achieved in terms of the contracted capacity (22 MWt).</p> <p>The construction part of the task, i.e. the physical network connections of the heat consumers, is currently being implemented. Approx. 10MWt have been connected thus far.</p>
<p>3. <i>Construction of the 58.5 MW Mierzyn wind farm</i></p> <p><b>Contractor:</b> Consortium EL PROFESSIONAL Sp. z o.o.</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 17%</p> <p><b>Expenditures incurred:</b> PLN 83.29 million</p>	<p>The construction works on the construction site had been continued in the first quarter of 2023, including, among others, the completion of the pouring of the concrete for the seven wind turbine foundations .</p>
<p>4. <i>Construction of the 19.6 MW Nowa Brzeźnica wind farm</i></p> <p><b>Contractor:</b> E-Wind S.A.</p> <p><b>Planned project completion date:</b> Q2 2025</p> <p><b>Work progress:</b> 7%</p> <p><b>Expenditures incurred:</b> PLN 17.8 million</p>	<p>The works related to the preparation of the detailed engineering documentation had been continued in the first quarter of 2023.</p>
<p>5. <i>Construction of the 33 MW Gamów wind farm</i></p> <p><b>Contractor:</b> E-Wind S.A.</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 8%</p> <p><b>Expenditures incurred:</b> PLN 29.3 million</p>	<p>The works related to the preparation of the detailed engineering documentation had been continued in the first quarter of 2023.</p>
<p>6. <i>Construction of the 30 MW Warblewo wind farm</i></p> <p><b>Contractor:</b> Consortium EL PROFESSIONAL Sp. z o.o.</p>	<p>The works related to the preparation of the inter-industry (inter-discipline) technical and detailed engineering documentation had been carried out in the first quarter of 2023.</p>

Investment project	Investment project's work progress
<b>Planned project completion date:</b> Q4 2024 <b>Work progress:</b> 10% <b>Expenditures incurred:</b> PLN 31.2 million	2023. The works related to the road infrastructure and the preparation for the turbine foundations had been commenced.
<b>7. Construction of the 140 MWt gas fired boiler at ZW Katowice (Katowice Generation Plant) for the district heating market needs</b> <b>Contractor:</b> Mostostal Warszawa <b>Planned project completion date:</b> Q2 2024 <b>Work progress:</b> 53% <b>Expenditures incurred:</b> PLN 31.3 million	The prefabrication works related to the steel structure, the stack and the boiler heating surfaces had been continued in the first quarter of 2023. The works related to the erection of the reinforced concrete structures had been carried out.
<b>8. Construction of the peaking and backup boiler house at ZW Bielsko Biala EC 2 (Bielsko Biala Generation Plant Combined Heat and Power Plant 2)</b> <b>Contractor:</b> Erbud Industry sp. z o.o. <b>Planned project completion date:</b> Q3 2023 <b>Work progress:</b> 75% <b>Expenditures incurred:</b> PLN 34.8 million	The construction and the installation works related to the gas network connection had been continued in the first quarter of 2023. A tender for the construction of the gas station has been announced.
<b>9. 37 MW Myslowice PV farm part II construction</b> <b>Contractor:</b> TAURON Serwis sp. z o.o. <b>Planned project completion date:</b> Q3 2023 <b>Work progress:</b> 60% <b>Expenditures incurred:</b> PLN 89.2 million	<p>The works related to the construction of the medium voltage line to the DSO grid had been carried out in the first quarter of 2023.</p> <p>As of the date of drawing up this report, 99.8% of the support structure had been built and more than 95% of the photovoltaic panels had been installed. The works related to the construction of the PV Farm Substation (grid connection point) and excavation works for the electrical installations had been continued. All of the inverters have been installed.</p>
<b>10. Proszówek PV farm construction (stage I 45.6 MW)</b> <b>Contractor:</b> TAURON Zielona Energia <b>Planned project completion date:</b> Q4 2023 <b>Work progress:</b> 2% <b>Expenditures incurred:</b> PLN 12.1 million	The construction site had been handed over at the beginning of January 2023. The construction works had been commenced in March 2023 (the piling of the support structures has been commenced).

## Other investment projects in the RES line of business

### Photovoltaic (PV) farms

As part of the investment projects in the renewable energy sources (RES) line of business, the program of building the photovoltaic (PV) farms on TAURON Capital Group's land that was not utilized for business purposes (*TAURON PV Program*) had been continued in the first quarter of 2023. The Program provides for the construction of the photovoltaic (PV) farms at several locations, with the total capacity of up to 150 MWp.

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

### Onshore wind farms

TAURON Capital Group is looking for the opportunities to acquire advanced wind farm development projects ready for the construction and the operating onshore wind farm assets on the market. As part of such efforts, the internal analyses and the due diligence studies of further potential wind farm acquisition projects had been carried out in cooperation with the developers in the first quarter of 2023.

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

In 2021 TAURON and PGE Polska Grupa Energetyczna S.A. (PGE) concluded a letter of intent with respect to undertaking the bilateral cooperation in the development of the offshore wind energy in Poland. As part of carrying out the expressed intentions, having obtained the clearance of the Chairman of the Office of Competition and Consumer Protection (UOKiK), on September 28, 2022, TAURON (as the buyer) and PGE (as the seller and up to then the sole shareholder of the company) had concluded an agreement for the sale of the shares in the company PGE Baltica 4 sp. z o.o. (Ltd.). The task of the joint special purpose vehicle is to obtain the siting permits for the construction of the offshore farms in the Polish Exclusive Economic Zone in the Baltic Sea. On January 9, 2023, the Ministry of Infrastructure had disclosed the information that in the adjudication proceeding for the issuance of a permit for the construction and use of the artificial islands, structures and devices in the area located on Słupsk Bank (Ławica Słupska), designated as 43.E.1, for the purpose of the construction of an offshore wind farm, the company PGE Baltica 4 sp. z o.o. (Ltd.) was awarded the highest number of points.

Currently, TAURON Group, through the special purpose vehicle En-Energia III sp. z o.o. (Ltd.), is participating in the adjudication proceedings for the issuance of a permit for the construction and use of the artificial islands, structures and devices in the area 14.E.3.

### 413 MWe CCGT unit construction project including an approx. 250 MWt heat generation unit at Łagisza Power Plant in Będzin

In 2016, in accordance with TAURON Group's strategy in force at the time, the 413 MWe CCGT unit construction project including a heat production unit at Łagisza Power Plant in Będzin (that currently belongs to TAURON Inwestycje) had been halted due to the loss of its business case. In 2022, the purchase order award procedure was conducted by TAURON Wytwarzanie, the planned effect of which was supposed to be the obtaining of the bids from the potential contractors that would enable the completion of the analyses of the project in terms of the long term profitability thereof. As a result of the organized procedure, no bids had been submitted, which made it impossible for the units to take part in the capacity market auction in 2022. Another proceeding is currently being prepared for the selection of a contractor for the combined cycle (CCGT) power generation unit, which, if successful, would allow for the sourcing of a contractor and participation of the unit in the capacity market auction in December 2023. Further decisions regarding the continuation of the project will be made depending on, among other things, the market conditions, including the demand for the electricity and heat, as well as the terms of the long term contract for the supply of the gas fuel and its availability, which should guarantee the project the expected level of profitability and an objective evaluation of the possibility of completing the implementation of the project.

### Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures came in at PLN 780 million in the first quarter of 2023 and they were higher by 28% than the investment outlays incurred in the same period of 2022, when they had clocked in at PLN 610 million. This is, first and foremost, due to the increase of the capital spending in the Distribution and RES Segments.

The below table presents the selected, highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first quarter of 2023.

**Table no. 3. The highest by value, capital expenditures incurred by TAURON Capital Group's Lines of Business in the first quarter of 2023**

Item	Capital expenditures (PLN m)
<b>Distribution</b>	
1. Installation of the new grid connections	318
2. Existing grid assets' upgrades (refurbishments) and replacements	223
3. Ami Plus	15
<b>Generation</b>	
4. CAPEX on replacements and upgrades (refurbishments) and components, and 910 MW unit at TAURON Wytwarzanie	33
5. Ligota Project	10
6. Connecting of the new facilities to the grid	7
7. Low Emission Elimination Program conducted by TAURON Ciepło	5
8. Construction of the peaking and back-up boiler houses at ZW Bielsko	3
9. Construction of the gas fired boiler house at ZWK with a capacity of 140 MWt	2
<b>RES</b>	
10. Construction of the 30 MW Warblewo wind farm	28
11. Construction of the 58.5 MW Mierzyn wind farm	17
12. Construction of the 37 MW Mysłowice photovoltaic farm	14
13. Construction of the 45.6 MW Proszówek stage I photovoltaic farm' stage I	12
14. Refurbishment of the hydroelectric power plants	2
15. Construction of the 30 MW Gamów wind farm	1
16. Construction of the 19.6 MW Nowa Brzeźnica wind farm	0.3

Item	Capital expenditures (PLN m)
<b>Supply and Other Operations</b>	
17. Maintenance and development of the street lighting	27
18. IT related investment projects at Tauron Obsługa Klienta (Tauron Customer Service)	26
19. Business Services Centre at TAURON Obsługa Klienta	3

### 2.3. Material accomplishments and failures as well as the most important events related to TAURON Capital Group in the first quarter of 2023 and after the balance sheet date

Material events that had occurred in the first quarter of 2023, as well as the ones that had taken place by the date of drawing up this information are listed below.

#### Major business events

##### Mediation process and the conclusion of the settlement agreement related to the contract for the construction of the 910 MW power generation unit in Jaworzno

On August 5, 2022, Nowe Jaworzno Grupa TAURON sp. z o.o. (currently TAURON Wytwarzanie, the Ordering Party) and the consortium composed of RAFAKO, Mostostal Warszawa and E003B7 sp. z o.o. (Ltd.) (the Contractor), had signed a mediation agreement pursuant to which, on August 8, 2022, a petition for a mediation to be conducted in front of the Court of Arbitration at the General Counsel to the Republic of Poland was submitted.

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

The Contractor had not completed the transition period by January 11, 2023, and - as a consequence - the protocol of the transition period completion, referred to in current report no. 47/2021 of December 2, 2021, had not been signed. Thus, on January 11, 2023, in view of a failure to obtain or confirm the technical parameters specified in the contract, an occurrence of an objective delay, on the part of the Contractor, in the performance of the Contract for the construction of the new capacity based on the coal technology at TAURON Wytwarzanie - Construction of a 910 MW supercritical parameters power generation unit at Jaworzno III Power Plant - Power Plant II - with the scope thereof covering: steam boiler (generator), turbine set, main building, the electrical and I&C (Instrumentation and Control) part, concluded on April 17, 2014 (Contract), an occurrence of damages on the part of the Ordering Party as a result of a failure to meet the required availability parameter (rate) and the physical defects of the subject of the Contract that had been identified and not remedied, the Ordering Party took the decision - in line with powers granted thereto according to the provisions of the Contract - to issue a demand (summons) for the payment of the liquidated damages and compensation (compensatory damages).

A note issued for the total amount of PLN 1 312 440 218.91, was attached to the demand, which was a total amount of the liquidated damages and the compensation (compensatory damages), in particular due for the below listed claims: statutory warranty for the physical defects and thus a claim to remedy damages incurred by the Ordering Party as a consequence of the physical defects, a claim to remedy the damages borne by the Ordering Party as a result of a failure to fix the non-limiting defects described in the unit's acceptance protocol, a claim to cover the costs of the substitute contractor with respect to the fixing of the defect in the boiler slag hopper and the mills, a claim to cover the recourse claim in view of the need to satisfy the claim of the Contractor's subcontractor by the Ordering Party, the liquidated damages for a delay in meeting the deadline for proceeding to start the fixing of the defects or for a delay in meeting the deadline for the fixing of the defects during a warranty period, the liquidated damages for a delay in the signing of the transition period completion protocol due to a failure to meet the guaranteed technical (performance) parameters, the liquidated damages for each hour of a non-planned shutdown in excess of the number of hours specified in the Contract, damages involving the occurrence of the flaws in the design and implementation of the subject of the Contract, the liquidated damages for a delay in the signing of the protocol for the completion of the stage of the Contract covering the performance of the selected acceptance tests with Polskie Sieci Elektroenergetyczne S.A. (Transmission System Operator).

The Contractor was given a deadline of 30 days from the date of the receipt of the summons to pay the amount covered by the note.



Subsequently, on January 13, 2023, TAURON and TAURON Wytwarzanie received the summons to pay from RAFAKO.

The subject of the summons addressed to TAURON Wytwarzanie are the claims for the payment of:

1. PLN 1 500 000 to the public benefit organizations indicated by RAFAKO S.A. for an unlawful violation of the personal interests of RAFAKO by TAURON Wytwarzanie,
2. PLN 249 605 000 to RAFAKO for the remedying by TAURON Wytwarzanie of the damage suffered by RAFAKO S.A. due to the violation of the personal interests of RAFAKO and the loss of RAFAKO's ability to acquire the new contracts, resulting from the lack of the decrease in the amount of the financial guarantees that serve as the Contract performance bonds,
3. PLN 319 447 991 to RAFAKO due to a reimbursement of the costs incurred by RAFAKO as a consequence of an extension of the implementation of the Contract due to TAURON Wytwarzanie's fault, with a proviso that the amount of the costs has been calculated assuming that the Contract's implementation will be completed by the end of 2023,
4. PLN 1 450 000 to RAFAKO due to a reimbursement of the costs of the fixing of malfunctions, faults of the devices and the remedying of effects of the failures with respect to the Unit arisen due to TAURON Wytwarzanie's fault and caused by the use of the coal that had not met the terms of the Contract. The amount had been calculated as of the date of drafting the summons,
5. PLN 34 471 000 to RAFAKO due to the indexing of RAFAKO's compensation (compensatory damages).

At the same time RAFAKO indicated that in the case of a failure of the process related to the acquiring of an investor for RAFAKO for the reasons attributable, in the opinion of RAFAKO, to TAURON Wytwarzanie, RAFAKO will be filing a claim for the damages in the amount of not less than PLN 300 000 000. In addition, RAFAKO made a proviso that in the event the contractors and business partners of RAFAKO – as a result of acts or omissions by TAURON Wytwarzanie – file claims against RAFAKO for the liquidated damages or compensation, RAFAKO will file claims for compensation (compensatory damages) / recourse against TAURON Wytwarzanie in the amount of not less than PLN 483 305 502.71.

In addition, RAFAKO demanded that TAURON Wytwarzanie should submit a statement containing the wording presented in the above mentioned summons, that would constitute an apology for the violation of the personal interests of RAFAKO.

The subject of the summons addressed to TAURON were the claims for the payment of:

1. PLN 1 500 000 to the public benefit organizations indicated by RAFAKO for an unlawful violation of the personal interests of RAFAKO by TAURON,
2. PLN 249 605 000 to RAFAKO as a compensation (compensatory damages) for an unlawful violation of the personal interests of RAFAKO by TAURON.

In addition, RAFAKO indicated that:

1. RAFAKO will file claims for compensation (compensatory damages) / recourse against TAURON in the amount of not less than PLN 483 305 502.71 due to the potential penalties (liquidated damages) and compensations (compensatory damages) being the subject of the claims filed by the entities for the benefit of which agreements are performed or which are RAFAKO's business partners. This amount may go up due to further claims by the parties to the contracts, related to a breach of contracts and delays in the implementation thereof.,
2. in the case of a failure of the process related to the acquiring of an investor for RAFAKO for the reasons attributable - in the opinion of RAFAKO - to TAURON Wytwarzanie, RAFAKO will be filing a claim for the damages in the amount of not less than PLN 300 000 000.

RAFAKO also demanded that TAURON Wytwarzanie should submit a statement containing the wording presented in the above mentioned summons, that would constitute an apology for the violation of the personal interests of RAFAKO.

In order to ensure a constructive course of the mediation in front of the Court of Arbitration at the General Counsel to the Republic of Poland, the purpose of which was to work out a solution to the contentious issues related to the implementation of the Contract, on February 7, 2023, the Ordering Party and the Contractor entered into an agreement (Agreement).

In accordance with the Agreement, the Parties declared their intention to continue with the further mediation process in good faith, with an intention to find an amicable settlement of the claims covered by the summons to pay and the notes of January 11 and 13, 2023.

The Parties undertook to conduct the negotiations and mediation in order to agree on the final terms and conditions of the settlement agreement, under which they would determine the manner of completing of the Contract and making of the mutual settlements thereunder (Settlement Agreement) by February 28, 2023, and finish the mediation process, as well as sign the Settlement Agreement by March 8, 2023.

At the same time, the Parties had undertaken not to file any claims, either monetary or non-monetary, including summons to pay / demands for payment, with each other or with the financing institutions, until February 28, 2023.

On March 7, 2023 and March 21, 2023 the Ordering Party and the Contractor signed two annexes to the Agreement in question, according to which the Parties decided to extend the payment due dates of the claims and to refrain from filing claims arising as a result of or in connection with the execution of the Contract.

On March 20, 2023, the Parties signed the assumptions to the Settlement Agreement.

As part of the agreed assumptions on March 31, 2023, the Parties, as part of the mediation process in front of the Court of Arbitration at the General Counsel of the Republic of Poland, concluded the Settlement Agreement which defined the manner of completing the Contract and the finalizing of the mutual settlements resulting from the Contract, as well as the annex to the Contract.

In accordance with the key provisions of the Settlement Agreement:

1. Subject to the prior coming into force of the Settlement Agreement, the Ordering Party has declared that it has limited all of its claims against the Contractor, related directly or indirectly to the Contract, to the amount of PLN 240 000 000 (Claim Amount). The Claim Amount is due to the Ordering Party for the claims which are a consequence of a failure to properly perform the Contract. The Ordering Party has declared that it will submit, by April 17, 2023, to the bond underwriters (i.e. Powszechny Zakład Ubezpieczeń S.A., Bank Gospodarstwa Krajowego, Powszechna Kasa Oszczędności Bank Polska S.A., mBank S.A.), the summons to pay, under the Contract's Performance Bond, the total amount equal to the Claim Amount. In accordance with the provisions of the Settlement Agreement, the amount paid from the Bond shall reduce the amount of the Contract's Performance Bond and the Contractor shall not be obliged to supplement it. The payment of the Claim Amount by the Bond Underwriters by the deadline of April 25, 2023, shall exhaust all of the claims of the Ordering Party against the Contractor under or in connection with the Contract. Following the receipt of the Claim Amount by the above mentioned deadline, the Ordering Party shall not be entitled to pursue any claims against RAFAKO, including any claims in connection with the performance of the Contract and pursuant to any factual or legal basis, including, in particular, in connection with any delays, malfunctions or defects, and the Contractor shall not be held liable for the rectification thereof. The above disclaimer shall not apply to the liability assumed by the Parties expressly on the basis of the Settlement Agreement, to the extent of which the Parties shall be entitled to pursue any potential claims against each other arising directly from the Settlement Agreement. Subject to the Settlement Agreement coming into force and the payment of the Claim Amount by the bond underwriters in favor of the Ordering Party by April 25, 2023, the Parties have released the bond underwriters from any liability under the Contract's Performance Bond.
2. Upon the signing of the Settlement Agreement, the Parties had completed the acceptance and settlement of the works that had been performed by the Contractor under the Contract up to the date of concluding the Settlement Agreement and that were indicated in the appendix to the Settlement Agreement. As part of the amicable settlement of the works, it has been agreed that the Ordering Party will pay the net amount of PLN 18 020 950.51 in favor of the Contractor as the remuneration for the above mentioned works. The settlement of the works and the payment of the remuneration shall denote the settlement of all of the works performed by the Contractor under the Contract and the Contractor will not be carrying out any further works under the Contract. The settlement of the works and the payment of the remuneration shall exhaust the Contractor's claims related to the settlement of the works under the Contract, except for the other claims that stem from the Settlement Agreement.
3. The Ordering Party and RAFAKO shall make every effort to conclude, as soon as possible, an agreement with UNIQA Towarzystwo Ubezpieczeń S.A. and InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group on the settlement of the damage resulting from the failure of the unit of February 9, 2020, as part of the insurance claim liquidation proceedings conducted in this regard. The Ordering Party shall pay RAFAKO the amount of PLN 8 500 000 within 7 days from the date of the receipt of the insurance payment, and the remaining amount of the awarded insurance payment shall constitute the Ordering Party's receivable. In the event that no agreement is reached by June 30, 2023, as a result of an act or omission of the Ordering Party, the Ordering Party shall pay the amount of PLN 8 500 000 to RAFAKO by July 15, 2023. In such a case RAFAKO will not be entitled to any further claims. This provision shall not apply if the withdrawal from the conclusion of the agreement is a result of a consensual decision of the Ordering Party and RAFAKO.
4. The Ordering Party has undertaken to buy from the Contractor the assets specified in the Settlement Agreement (including, but not limited to, the operating parts not covered by the Contract, the electrostatic precipitator and flue gas desulfurization plant documentation as well as a license to the above mentioned documentation, the boiler calculation documentation and a license to the above mentioned documentation, the construction office site assets, the VPN server) and to pay the total net amount of PLN 14 012 700 for the purchase of the above mentioned assets.
5. RAFAKO and E003B7 sp. z o.o. have expressed consent for the use by the Ordering Party of the subcontractors and the further subcontractors involved in the implementation of the Contract with respect to the works and services related to the unit, including its operation, overhauls (repairs), optimization, modernization, tuning, trials, tests and future failures.

6. RAFAKO and E003B7 sp. z o.o. (Ltd.) have inventoried, to the best of their knowledge, all of the subcontractor claims related to the implementation of the Contract. E003B7 sp. z o.o. (Ltd.) has guaranteed that all of the claims due as of the date of the Settlement Agreement coming into force will be paid within 14 days (this is not applicable to the disputed claims), the claims that will become due after the date of the Settlement Agreement coming into force will be duly paid on their due dates, and the disputed claims will be paid no later than the day following the date the judgment related thereto becomes legally binding or another enforcement title is issued. In order to carry out these actions, the Ordering Party shall be obliged to pay E003B7 sp. z o.o. (Ltd.), following the date of the Settlement Agreement coming into force, a lump sum remuneration in the net amount of PLN 10 000 000.
7. As of the date of the Settlement Agreement coming into force, all of the technical warranties and the statutory warranty with respect to the subject of the Contract shall cease.
8. Upon the termination of the Contract, the Contractor shall withdraw the demand for the issuance and submission by the Ordering Party of a payment guarantee (bond) in accordance with Article 649<sup>1</sup> of the Civil Code, delivered to the Ordering Party on December 15, 2022, and the Ordering Party expresses its consent for the withdrawal of the statement in question, in view of which the Parties have unanimously agreed that the Ordering Party shall not be obliged to submit the payment guarantee (bond), referred to above, to the Contractor.
9. The Parties have limited the subject scope of the Contract to the works completed thus far and have agreed that, upon the signing of the Settlement Agreement, the Contract shall be terminated with respect to the portion that has not been completed. Upon the entry into force of the Settlement Agreement, all the liability of the Contractor related to the Contract, in particular the warranty and the statutory warranty with respect to the subject of the Contract, and all the liability for the malfunctions, faults and defects of the unit, including those that will become apparent after the date of concluding the Settlement Agreement, shall cease. Under the Annex to the Contract, the Parties have agreed the final price of the Contract at the net amount of PLN 4 658 972 354.86. The termination of the Contract shall result in the termination of all of the obligations of the Parties under the Contract (except for the obligation to maintain confidentiality and the obligations that shall expire upon the Settlement Agreement coming into force).
10. Upon the entry into force of the Settlement, the settlements provided for in the Settlement Agreement shall satisfy all of the mutual claims of the Parties related to the performance of the Contract. The Parties have mutually waived all of the claims arising in connection with the circumstances that had occurred up to the date of concluding the Settlement Agreement. The Parties have agreed not to pursue the claims subject to a waiver in the future, irrespective of the legal title or the factual and legal basis. In particular, the Parties have waived the claims indicated in the January 2023 summonses referred to in the preceding sections of this information.
11. In view of the termination of the Contract, as agreed in the Settlement Agreement, the Ordering Party has confirmed that the waiver of the claims shall also include the rights and claims in connection with the operation of the unit, including under the warranty or the statutory warranty, with respect to the faults, defects and malfunctions that will become apparent after the date of concluding the Settlement Agreement, as well as the rights and claims related to the performance level of the unit and the achievement of the guaranteed technical parameters of the unit. In this regard, the Claim Amount shall exhaust the entirety of the Ordering Party's claims, and the Contractor shall not be responsible for the continued operation of the unit and the performance parameters thereof. The Parties shall exclude all of the obligations and the liability of the Contractor under any warranties, including the warranties with respect to the deliveries made, and all of the warranties granted thus far shall expire.
12. The Parties shall take all actions aimed at obtaining the approval of the Settlement Agreement by the District Court in Katowice. The Settlement Agreement contains valid and enforceable obligations of the Parties regardless of whether it is approved by the Court.

The Parties have agreed that the Settlement Agreement will come into force after the suspensive conditions have been met, which included the following:

1. obtaining, by April 20, 2023, by the Ordering Party, RAFAKO, E003B7 sp. z o.o. (Ltd.), and MOSTOSTAL Warszawa, of the corporate approvals of the conclusion of the Settlement Agreement and of the terms and conditions included therein, whereby, with respect to RAFAKO, the corporate approvals were understood to mean the approval of the Management Board and the Supervisory Board of RAFAKO, as well as a statement by MS Galleon GmbH or the conclusion by RAFAKO and MS Galleon GmbH of an agreement on MS Galleon GmbH's further interest in continuing the process of becoming an investor in RAFAKO,
2. obtaining, by April 20, 2023, by RAFAKO of the court supervisor's approval of the Settlement Agreement and of the conditions included therein,
3. adoption by the General Meeting of RAFAKO, by April 24, 2023, of all of the resolutions on the share capital increase indicated in RAFAKO's current report No. 23/2023 on the convening of an Extraordinary General Meeting to be held on April 17, 2023,
4. conclusion, by April 24, 2023, of an agreement between the Ordering Party, RAFAKO, E003B7 sp. z o.o. (Ltd.) and the bond underwriters with respect to the payment of the Claim Amount,
5. conclusion, by April 24, 2023, of an agreement between RAFAKO, E003B7 sp. z o.o. (Ltd.) and the bond underwriters with respect to the mutual settlements, as well as the acceptance of the Settlement Agreement by

the bond underwriters. The entry into force of the Settlement Agreement and this agreement had originally been supposed to be contingent on RAFAKO's entering into a settlement agreement with Ignitis Grupe AB or its subsidiaries regarding the settlement of the mutual claims of these parties, however, on April 24, 2023 (an event that took place after the balance sheet date), the Ordering Party and the Contractor signed annex no. 1 to the Settlement Agreement, whereby they decided to modify the pre-requisite of the Settlement Agreement by waiving it being contingent on RAFAKO's entering into a settlement agreement with Ignitis Grupe AB or its subsidiaries,

6. obtaining of the payment of the Claim Amount by the Ordering Party from the bond underwriters by April 25, 2023.

The above mentioned suspensive conditions had been met by the deadlines agreed upon by the Parties, and as a result, as of April 25, 2023, the Settlement Agreement came into force.

On May 8, 2023 application for approval of the Settlement Agreement has been filed with the District Court in Katowice.

The Company disclosed the detailed information on the trajectory of the mediation process and the material actions taken by the Parties in current reports no. 2/2023 of January 11, 2023, no. 3/2023 of January 13, 2023, no. 4/2023 of January 25, 2023, no. 7/2023 of February 7, 2023, no. 12/2023 of February 28, 2023, no. 14/2023 of March 7, 2023, no. 16/2023 of March 20, 2023, no. 17/2023 of March 21, 2023, no. 18/2023 of March 23, 2023, no. 21/2023 of March 31, 2023, no. 25/2023 of April 24, 2023 and no. 26/2023 of April 25, 2023.

### **Signing of the hard coal purchase agreements with Polska Grupa Górnicza S.A.**

On January 5, 2023, TAURON and Polska Grupa Górnicza S.A. (PGG) signed agreements for the purchase of hard coal from PGG to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie and TAURON Ciepło. The agreements came into effect as of January 1, 2023, and they had been signed for an indefinite period. The estimated value of the hard coal supplies for the year 2023, specified in the above mentioned agreements, will come in at approx. PLN 960 million. 77 percent of the value of the hard coal contracted for 2023 will be allocated to TAURON Wytwarzanie, while the remaining 23 percent will be allocated to TAURON Ciepło. The prices of the hard coal to be delivered in the subsequent years covered by the agreements will be agreed upon by way of the negotiations between the parties based on the current market conditions.

On February 9, TAURON and PGG signed agreements for the purchase of additional volumes of hard coal from PGG to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie and TAURON Ciepło. The agreements are in effect from December 22, 2023, to January 31, 2024. The estimated value of the hard coal supplies, specified in the above mentioned agreements, will come in at approx. PLN 520 million. 75 percent of the value of the hard coal contracted will be allocated to TAURON Wytwarzanie, while the remaining 25 percent will be allocated to TAURON Ciepło.

The parties to the above mentioned agreements may apply the liquidated damages for a failure to deliver or collect the agreed upon volumes of the hard coal in the amount of 10 percent of the value of the undelivered or uncollected hard coal.

TAURON disclosed the information on the above events in current reports no. 1/2023 of January 5, 2023, and no. 8/2023 of February 9, 2023.

### **Signing of an annex determining the prices for the hard coal supplies from TAURON Wydobycie S.A. in 2023**

On February 1, 2023, TAURON signed an annex determining the prices for the hard coal supplies in 2023 under the multi-year contract for the purchase of the thermal coal from TAURON Wydobycie. The hard coal will be used to meet the electricity production needs of the generation units owned by TAURON Ciepło.

The estimated net value of the coal fuel supplies from TAURON Wydobycie to TAURON Ciepło in 2023 stands at approx. PLN 360 million.

The parties may apply the liquidated damages for a failure to deliver or collect the agreed upon volumes of the hard coal if the deviation is in excess of 5 percent with respect to the annual settlement. The parties agreed that the amount of the liquidated damages should stand at 5 percent of the value of the undelivered or uncollected hard coal. Each of the parties may claim compensation (compensatory damages) exceeding the liquidated damages due in accordance with generally applicable principles.

TAURON disclosed the information on the above event in current report no. 6/2023 of February 1, 2023.

### **Signing by TAURON Wytwarzanie of an annex determining the prices for the hard coal supplies from TAURON Wydobycie S.A. in 2023**

On February 14, 2023, TAURON Wytwarzanie signed an annex determining the prices for the hard coal supplies in 2023 under the multi-year contract for the purchase of the thermal coal from TAURON Wydobycie. The hard coal



will be used to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie. The estimated net value of the coal fuel supplies from TAURON Wydobycie to TAURON Wytwarzanie in 2023 stands at approx. PLN 2.3 billion.

The parties may apply the liquidated damages for a failure to deliver or collect the agreed upon volumes of the hard coal if the deviation is in excess of 5 percent for TAURON Wytwarzanie and 3 percent for TAURON Wytwarzanie – the Nowe Jaworzno Power Plant Division – the 910 MW unit. With respect to the annual settlement, the parties agreed that the amount of the liquidated damages should stand at, respectively, 5 percent and 20 percent of the value of the undelivered or uncollected hard coal. Each of the parties may claim compensation (compensatory damages) exceeding the liquidated damages due in accordance with generally applicable principles.

TAURON disclosed the information on the above event in current report no. 10/2023 of February 14, 2023.

## Major corporate events

### Recommendation of the Management Board of TAURON Polska Energia S.A. on the allocation of the net profit for 2022 to the supplementary capital

On March 28, 2023, the Company's Management Board made the decision to recommend to the Ordinary General Meeting of the Company the distribution of the net profit generated by the Company for the financial year 2022 in the amount of 67 102 592,85 PLN by allocating the entire net profit to the Company's supplementary capital.

The decision taken is in line with the applicable dividend policy of the Company, and when making such a decision the Management Board of the Company took into account the capex program of TAURON Capital Group adopted as part of *TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050*, which assumed incurring significant capital expenditures in the following years, in particular in the Distribution Line of Business and in the Renewable Energy Sources Line of Business.

The Company will be able to use the funds retained thereby for the implementation of the investment projects and, at the same time, the retained funds will contribute to reducing the demand for the further financing, and thus will have a positive impact on the level of the net debt to EBITDA ratio.

TAURON disclosed the information on the above event in current report no. 19/2023 of March 28, 2023.

### Ordinary General Meeting of TAURON

The Ordinary General Meeting of the Company was held on May 10, 2022 (an event that took place after the balance sheet date), and it adopted the resolutions related to, inter alia: the approval of the *Financial Statements of TAURON Polska Energia S.A. for the year ended on December 31, 2022, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on December 31, 2022, in accordance with the International Financial Reporting Standards approved by the European Union*, the approval of the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2022*, the distribution of the net profit for the financial year 2022, the approval of the *Report of the Supervisory Board of TAURON Polska Energia S.A. for the financial year 2022*, the providing of the opinion on the *Report on the compensation of the Members of the Management Board and of the Supervisory Board of TAURON Polska Energia S.A. for the year 2022*, the acknowledgement of the fulfillment of duties by the Members of the Company's Management Board and of the Company's Supervisory Board, and the amendment of the Articles of Association of TAURON Polska Energia S.A.

The resolution on the distribution of the net profit for the financial year 2022 was in line with the above mentioned recommendation of the Management Board.

On May 17, 2023, the Company received the decision of the Katowice-Wschód District Court in Katowice, the 7th Commercial Division of the National Court Register, on the registration of the amendments of the Articles of Association on May 15, 2023.

TAURON disclosed the information on the convening of the Ordinary General Meeting (GM) of the Company, on the content of the draft resolutions and on the changes to the agenda in current reports no. 22/2023 of April 13, 2023, no. 23/2023 of April 13, 2023, no. 24/2023 of April 19, 2023, and no. 27/2023 of May 5, 2023.

TAURON disclosed the information on the content of the resolutions subjected to the vote at the Ordinary General Meeting (GM) of the Company TAURON in current report: no. 29/2023 of May 10, 2023.

## Other major events

### Estimation of the size of the charges for the Price Difference Payout Fund

On February 14, 2023, on the basis of its analysis of the regulatory environment in the energy market, and in particular with respect to the impact on the financial performance of TAURON Capital Group of the *Act of October 27, 2022, on the Emergency Measures to Cap the Electricity Prices and Provide the Support for Certain Consumers*



in 2023 and the Regulation of the Council of Ministers of November 8, 2022, on the calculation of the price cap, the Company estimated the value of the charges to be transferred in 2023 to the Price Difference Payout Fund introduced under these regulations.

The obligation of the electricity generators and the enterprises conducting business operations with respect to the electricity trading to transfer the so-called "charge" to the Fund shall be applicable in a situation where the above mentioned entities obtain, from the sales of electricity, prices that exceed the price caps calculated in accordance with the provisions of the above mentioned regulation. Within TAURON Group, the subsidiaries belonging to the Generation, RES and Supply segments shall be subject to the obligation to pay the charge to the Fund.

To the best of the Company's knowledge, as of the date of performing the estimation, having taken into account the scenario based ("what if") analysis with respect to the market conditions, as well as the operational and technical conditions, the total charges transferred to the Fund should be within the range between PLN 1.0 billion and PLN 1.3 billion in 2023.

At the same time, in view of the cumulative impact of other factors, the Company does not anticipate that the impact of the charges transferred to the Fund will lead to the negative deviations of the estimated EBITDA earnings in 2023 as compared to the average level of the EBITDA results obtained by TAURON Group in the previous few years.

The above disclosures do not constitute a forecast of the earnings for 2023, and the results of the assessments are burdened with a high degree of uncertainty and risk resulting in particular from the potential future changes in the legal situation in this regard, interpretative doubts and the adopted practice with respect to the calculation of the charge due to the Fund, the instability of the economic environment and the hard to predict market conditions, as well as the operational and technical conditions of the generating units, which will affect, among other things: the demand for electricity, the electricity production costs, the production and supply volumes and the market electricity prices.

The real figures required to calculate the charge for the Fund will depend on the final effects of the commercial operations at TAURON Group's subsidiaries subject to the obligation to pay the charge for the Fund, as well as the actions of the Power (Transmission) System Operator with regard to the forcing and reducing of the operation of the generating units, and to a large extent will be known only at the time the given sales will be realized, based on the then market conditions (first and foremost the sales price and the volume of the electricity sold) and the unit generation costs incurred during such time, which will be precisely recognized following the accounting settlement of the given period.

TAURON disclosed the information on the above event in current report: no. 9/2023 of February 14, 2023.

As of the date of drawing up this information, the above mentioned estimates had not materially changed.

In the first quarter of 2023 TAURON Group companies recognized the costs of charge for the Fund in the total amount of PLN 310 million in the three month period ended on March 31, 2023 (out of which PLN 290 million falls to Supply Segment, PLN 9 million to Generation Segment, PLN 3 million to RES Segment and PLN 8 million to Other operations). The costs of charge for the Fund were recognized as costs of taxes and fees in the Group's operating activity.

#### **Signing of the loan agreement with Bank Gospodarstwa Krajowego**

On February 16, 2023, TAURON and BGK signed a loan agreement for the amount of PLN 750 million, the funds from which can be used to finance the ongoing operations with respect to the purchasing of the fuel for TAURON Group's subsidiaries.

A repayment of the whole or a part of the loan used will result in its renewal by the repayment amount and the possibility of the multiple use during the loan availability period up to the loan limit (available balance) amount. The loan shall be repaid in full by September 30, 2023.

The conclusion of the loan agreement will contribute to the strengthening of TAURON's financial stability by obtaining a new source of the working capital revolving financing, the purpose of which is to finance the ongoing operations.

TAURON disclosed the information on the above event in current report no. 11/2023 of February 16, 2023.

#### **Filing of a claim for payment by subsidiary Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) against Amon sp. z o.o. (Ltd.)**

On March 31, 2023, PEPKH filed a claim for payment against Amon sp. z o.o. (Ltd.) (Amon) with the District Court in Gdańsk.

The subject of the claim is the payment by Amon in favor of PEPKH of a total amount of PLN 61 576 284.89, along with the statutory interest for a delay and the cost of the court proceeding.

This amount includes:

1. claim for the payment of the liquidated damages in the amount of PLN 55 691 856.47, assessed under the agreement for the sale of the property rights stemming from guarantees of origin (GOs) that confirm the generation of electricity from a renewable energy source – the wind Farm located in Łukaszów, concluded between Amon and PEPKH on December 23, 2009,
2. claim for the payment of the compensation (compensatory damages) in the amount of PLN 5 884 428.42 for a failure to perform the agreement for the sale of the electricity generated from a renewable energy source – the wind farm located in Łukaszów, concluded between Amon and PEPKH on December 23, 2009.

The filing of the claim by PEPKH stems from the fact that following the date of the issuing of the ruling by the Court of Appeals in Gdańsk dismissing PEPKH's appeal (i.e. after November 17, 2022), Amon failed, in spite of PEPKH's summons, to perform the obligation resulting from the final, legally binding ruling by proceeding to perform the above mentioned agreements with PEPKH.

TAURON disclosed the information on the above event, in reference to current reports no. 7/2015 of March 19, 2015, no. 26/2019 of July 25, 2019 and no. 44/2022 of November 17, 2022, in current report no. 20/2023 of March 31, 2023.

## 2.4. Factors and non-typical (one-off) events that have a significant impact on the abbreviated consolidated financial statements of TAURON Capital Group

### Internal factors

The operations and earnings of the Company and TAURON Capital Group in the first quarter of 2023 were impacted, among others, by the internal factors presented in the below table:

**Table no. 4. Internal factors impacting the operations and the earnings of the Company and TAURON Capital Group in the first quarter of 2023**

#	Description of the factor
1.	actions with respect to optimizing the processes taken by TAURON Capital Group's subsidiaries,
2.	decisions with respect to the implementation of the key investment projects and the intense activities with respect to searching for new energy sources projects,
3.	loyalty building measures aimed at retaining the existing customers and the marketing activities with respect to acquiring new customers,
4.	TAURON Capital Group's centralized financial management area, supported by the use of such tools as: corporate model of financing, financial liquidity (cash flow) management policy using the <i>cash pool</i> mechanism, risk management policy in the financial area, insurance policy
5.	TAURON's purchasing processes management, in particular, the management of fuel purchases for the needs of TAURON Capital Group's generation entities,
6.	activities of the Tax Capital Group aimed, first and foremost, at optimizing the implementation of the corporate income tax settlement obligations by the key subsidiaries of TAURON Capital Group,
7.	expectations with regard to the increase of the compensation (wages) at TAURON Capital Group,
8.	implementation of the activities stemming from the transition of the power sector in Poland, including the implementation of the agreement between TAURON, PGE, Enea S.A. (Enea), Energa S.A. (Energa) and the State Treasury on the cooperation with respect to the spinning off of the coal assets and the integration thereof within the National Energy Security Agency (NABE),
9.	failures of TAURON Capital Group's equipment, installations and grids,
10.	implementation of the wind farm and photovoltaic construction projects with a total capacity of 224 MW,
11.	implementation of TAURON Group's Strategy for the years 2022-2030 with an outlook until 2050, adopted in 2022,
12.	conclusion of a settlement agreement with RAFAKO with respect to the completion of the contract for the construction of a 910 MW unit in Jaworzno.

The detailed information related to the impact of the above mentioned factors on the financial result achieved in the first quarter of 2023 is provided in section 3 of this information. The effects of such an impact are visible both in the short term, as well as in the long term outlook

### External factors

The operations and earnings of TAURON and TAURON Capital Group were impacted in the first quarter of 2023 by the following external factors:

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

### Macroeconomic environment

TAURON Capital Group's core business operations are conducted on the Polish market and the changes taking place in this market have an impact on the Group's operations. The macroeconomic situation, both in the individual sectors of the economy, as well as on the financial markets, is a significant factor impacting the earnings generated by TAURON Capital Group.

According to data published by Statistics Poland (GUS), Poland's GDP growth rate stood at 4.9% in 2022, year on year. In the subsequent years, the National Bank of Poland (NBP) is forecasting a decline of the GDP growth rate to 0.9% in 2023, 2.1% in 2024 and 3.1% in 2025. The economic situation on the domestic market in the time frame covered by the projection will be affected by a strong negative supply shock as a result of the Russian Federation's aggression against Ukraine - mainly the rise in the commodity prices on the global markets. On the other hand, the shielding measures for the households and the vulnerable entities providing protection against energy price increases and the compensation payments for the businesses will have a positive impact. The negative effects of the supply shock are assumed to be gradually expiring in the 2024 - 2025 time frame.

The situation on the labor market remains good. According to the Statistics Poland's data, the unemployment rate, as of the end of 2022, came in at 5.2%, year on year. The NBP is forecasting a continued favorable situation on the labor market - the maintaining of a high nominal rate of the wage growth along with a moderate increase in the unemployment rate.

According to the Statistics Poland's data, the average annual inflation rate clocked in at 14.4% in 2022. In December of 2022, the inflation rate stood at 16.6%, year on year. Over the 2023 – 2025 time frame, the inflation rate is projected to gradually decline to 11.9% in 2023, 5.7% in 2024, and to 3.5% in 2025. The decrease in the level of the inflation rate over the next three years will be affected by the expiration of the factors that had driven the rise in the inflation rate in 2022, namely, the reduction in the prices of the energy raw materials and agricultural commodities on the global markets, the slowdown in the growth rate of the domestic demand, the recovery of the supply chains, the slowdown of the inflation rate abroad, as well as the decelerating growth rate of the labor costs.

## Market environment

### Electricity

The below table presents the volumes of the electricity consumption, production and the balance of the electricity intersystem exchange in Poland, as well as the average electricity prices on the SPOT market, both in Poland, as well as in the neighboring countries in the first quarter of 2023 and in the first quarter of 2022.

**Table no. 5. Volumes of electricity consumption, production and the balance of the electricity intersystem exchange in Poland, as well as the average electricity prices on the SPOT market, both in Poland, as well as in the neighboring countries in the first quarter of 2023 and in the first quarter of 2022**

Volume	unit	Q1 2023	Q1 2022	Increase / Decrease
1. Electricity consumption	GWh	44 099	45 683	-1 584 (-3.5 %)
2. Electricity production by domestic power plants	GWh	43 473	46 645	-3 172 (-6.8 %)
3. Electricity production by power plants fired with:				
1) hard coal <sup>1</sup>	GWh	20 838	22 707	-1 869 (-8.2%)
2) lignite	GWh	9 418	12 315	-2 897 (-23.5%)
3) gas	GWh	3 933	3 134	799 (+25.5%)
4. Electricity production by wind farms	GWh	6 670	6 407	263 (+4.1%)
5. Cross-border exchange balance <sup>2</sup>	GWh	626	-961	1 587 (-165.1%)
6. Average electricity price on the SPOT market in:				
1) Poland	PLN/MWh	614.75	623.93	-9.18 (-1.5%)
	EUR/MWh	130.49	134.78	-4.29 (-3.2%)
2) Neighboring countries (on the example of Germany)	EUR/MWh	115.81	184.62	-68.81 (-37.3%)

<sup>1</sup>Including the industrial power plants.

<sup>2</sup>A positive value of the balance denotes imports, while a negative value of the balance denotes exports.

The wholesale electricity price on the Day Ahead Market (RDN) of the Polish Power Exchange (TGE) clocked in at 614.75 PLN/MWh in the first quarter of 2023 and it was lower by 9.18 PLN/MWh (-1.5%) as compared to the same period of last year. The average settlement price on the Balancing Market (RB) came in at 607.33 PLN/MWh in the first quarter of 2023 and it was higher by 17.24 PLN/MWh (+2.9%) as compared to the first quarter of 2022.

The factors behind the prices on the Day Ahead Market (RDN) and on the Balancing Market (RB) staying at the similar levels as in the same period of last year include the high prices of the thermal coal on the domestic market, as well as the continued high prices of the CO<sub>2</sub> emission allowances.

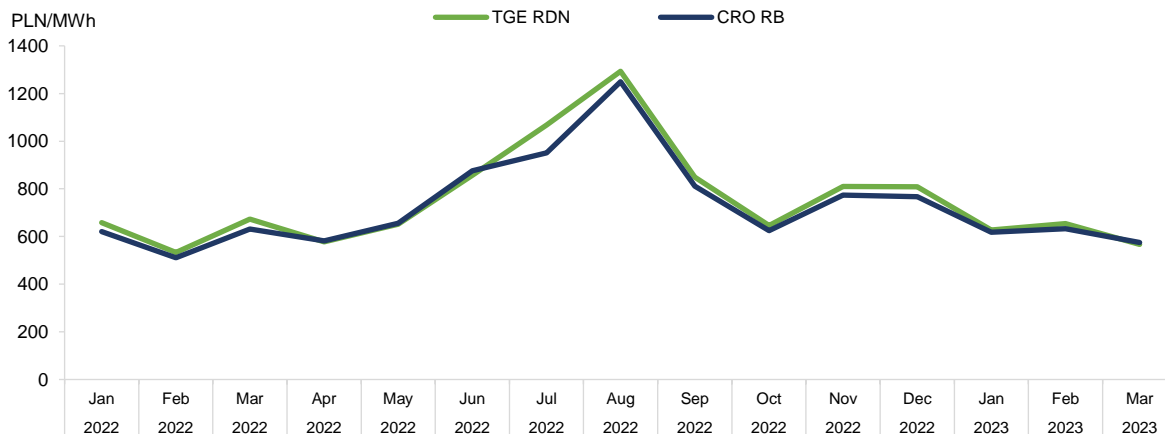
Due to the higher temperatures and as a result of the economic slowdown, the demand for electricity had fallen by 3.5% in the first quarter of 2023, as compared to the same period in 2022. The declining level of the demand for electricity in the national power system is also affected by the introduction of the *Act on the special solutions aimed*

at protecting the electricity consumers in 2023, according to which the local government units should take measures aimed at reducing the total electricity consumption by 10%.

In the first quarter of 2023, Poland was a net importer of electricity, due to the lower SPOT prices in the neighboring countries. Due to the reduced demand for electricity, the surplus of energy imports over exports, and the higher share of the RES in Poland's electricity production, the first quarter of 2023 saw reduced electricity production by the hard coal fired power plants. A decline in the conventional power generation is also seen at the lignite fired power plants. On the other hand, due to the declines of the gas prices, the production by the gas fired sources increased.

The below figure presents the average monthly electricity prices on the SPOT and RB markets in 2022 and in the first quarter of 2023.

Figure no. 4. Average monthly electricity prices on the SPOT and RB markets in 2022 and in the first quarter of 2023.



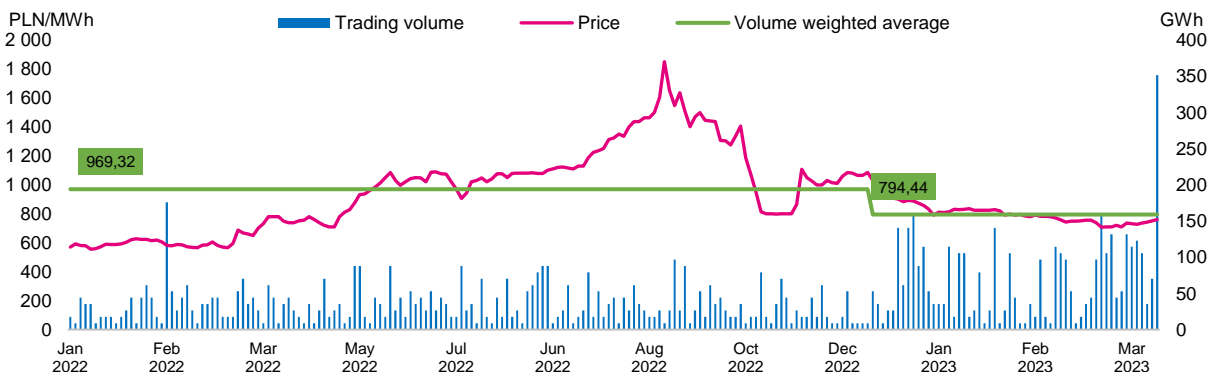
The benchmark base load contract with the delivery in 2024 (BASE\_Y-23) had mainly been fluctuating within the range between 700 and 900 PLN/MWh in 2023. Following an intense period of trading in 2022, as a consequence of the big price changes on the natural gas market, among other things, the market situation had stabilized in the first quarter of 2023.

The trading volume for the one year contract with the delivery in 2024 on Polish Power Exchange (TGE) is much lower than in the first quarter of 2022 for the one year contract with the delivery in 2023 (a drop by 77%). The low activity on the futures market is related to the high uncertainty with respect to the regulatory environment, the abolition of the power exchange trading obligation and high price volatility on the fuel and CO<sub>2</sub> markets.

The volume weighted average price of the BASE\_Y-23 contract recorded in the first quarter of 2023 came in at 794.44 PLN/MWh, and it was lower by 174.89 PLN/MWh (a decrease by 18.0%) as compared to the average price of such a contract logged in 2022. A similar situation exists in the case of the trading of the PEAK5\_Y-23 contract, whose volume weighted average price in the first quarter of 2023 clocked in at PLN 1 005.72/MWh and it was lower than the average price of this contract quoted in 2022 by 323.15 PLN/MWh (a decrease by 24.3%).

The below figure presents the price performance of the BASE Y-24 contract in 2022 and in the first quarter of 2023.

Figure no. 5. BASE\_Y-24 contract trading volume in 2022 and in the first quarter of 2023



## Hard coal

The average price of the continued annual hard coal contract at the ARA ports stood at 5.96 USD/GJ in the first quarter of 2023 and it was lower by 0.01 USD/GJ as compared to the average price of such a contract in the first quarter of 2022 (a decrease by 0.02%). On the other hand, the average value of the PSCMI1 index came in at 32.36 PLN/GJ in the first quarter of 2023, and it was higher than the value of this index in the first quarter of 2022 by 18.84 PLN/GJ (an increase by 139.35%).

Following a period of high price volatility in 2022 as a result of the Russian Federation's attack on Ukrainian territory, the demand and supply situation on the European hard coal market stabilized in the first quarter of 2023. A continuation of the downward trend, which had begun in September 2022, was observed during the period under review.

The event that dominated the international market conditions in the first quarter of 2023 was the resumption of the trade between Australia and China after a more than two year hiatus. In January 2023, the Chinese authorities had granted permits to three energy companies and a leading steel producer to resume the hard coal imports from Australia. This move had mainly stabilized the Pacific market and allowed for the reduction of the negative impact of the war in Ukraine in terms of the hard coal supplies.

The price decline on the European market took place amid the low liquidity. The high temperatures as compared to the seasonal norms, increased wind power generation, high levels of filling of the gas storage facilities in Europe, and the growing hard coal inventories at the ARA ports, which reached the level of 6.4 million tons in early 2023, translated into both a decline of the European hard coal prices as well as a drop of the prices of energy produced from this raw material.

### Natural gas

In the first quarter of 2023, the European gas market continued the downward trend commenced in August 2022. By the end of the first quarter of 2023, the prices had fallen to the levels last seen in August 2021.

The global natural gas market experienced severe turbulences in 2022 as a result of the significant restrictions on the gas supplies to Europe from the east. The Russian gas supply restrictions had put a lot of pressure on the market participants during the autumn and winter time frame, triggering a global energy crisis. In spite of this, the European countries maintained the gas storage filling levels well above the historical averages in the first quarter of 2023. The record breaking deliveries of the liquefied natural gas (LNG), a sharp decline in the consumption (especially in the energy intensive industries), the stable flows from the Norwegian Continental Shelf and an exceptionally mild winter in the northern hemisphere allowed for the gas prices to fall further. Nevertheless, the gas importing countries remain vulnerable to the further constraints of the gas supply from Russia in 2023, and the effects thereof are a cause for concern. Since the start of the crisis, the EU has taken strong legislative actions aimed at curbing the excessive price increases in the European gas hubs. In December 2022 the EU had approved the Market Adjustment Mechanism, which became effective on February 15, 2023. In addition, in order to reduce the dependence on the natural gas, on March 30, 2023, the EU had adopted a regulation that extended until the end of March 2024 the voluntary 15% gas demand reduction target for the member states.

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (TGE) stood at 278.86 PLN/MWh in the first quarter of 2023 and it was lower by 234.86 PLN/MWh than in the first quarter of 2022. The lowest price of the contract on the SPOT market was recorded in March of 2023, while the highest price was logged in January of 2023, with the volume weighted average monthly prices coming in at 228.06 PLN/MWh and 313.96 PLN/MWh, respectively.

The highest price on the Intraday Market (IDM - RDB), i.e. 351.45 PLN/MWh, was reported on January 22, 2023, while the weighted average gas price on the Intraday Market (IDM - RDB) for January of 2023 clocked in at 310.38 PLN/MWh and it was lower by 73 PLN/MWh than such a price in the same period of 2022. The lowest contract price on the Intraday Market (IDM), i.e. 181.52 PLN/MWh, was recorded on March 20, 2023, while the volume weighted average price for that month came in at 223.16 PLN/MWh and it was lower by 433.19 PLN/MWh than such a price in the same period of 2022.

The lowest aggregate trading volume on the futures market was recorded in February of 2023, clocking in at approx. 10.6 TWh, while the highest trading volume was reported in January of 2023, coming in at approx. 12 TWh. The volume weighted average price of the benchmark one year GAS\_BASE\_Y-24 contract stood at 312.28 PLN/MWh in 2023. The lowest price of that contract was recorded in March of 2023, while the highest price was observed in January of 2023, coming in at 254.6 PLN/MWh and 420 PLN/MWh, respectively.

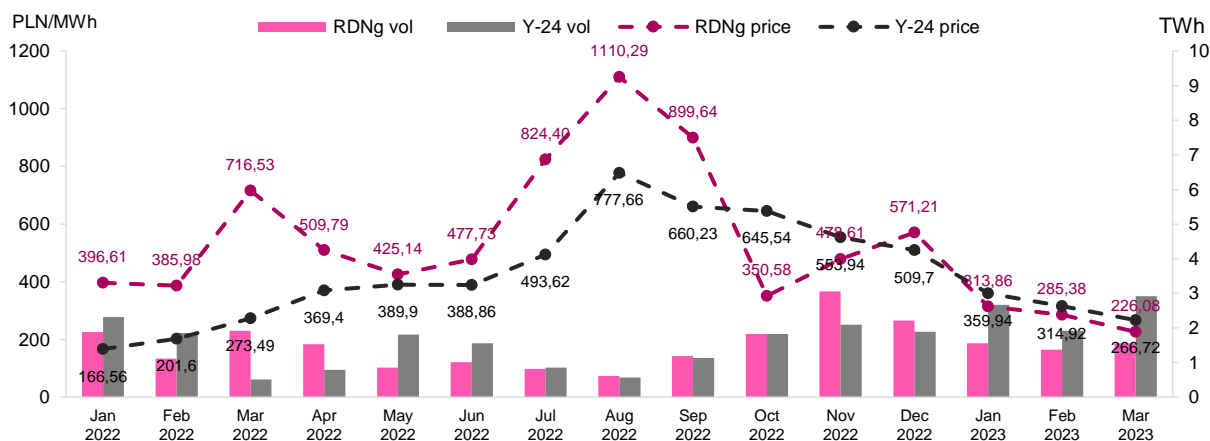
The aggregate trading volume on the Polish Power Exchange (TGE) clocked in at approx. 39.8 TWh in the first quarter of 2023 as compared to approx. 41.6 TWh in the first quarter of 2022 (a decrease by 4.3% year on year). The futures market had the largest share in the overall gas trading in the first quarter of 2023, with a volume generated of approx. 34.2 TWh. On the SPOT market, the total trading volume in the day ahead contracts came in at approx. 4.5 TWh (a drop by 8%). The decline was also reported on the Intraday Market (IDM) for gas, where the trading volume clocked in at approx. 1.1 TWh, as compared to 1.8 TWh in the first quarter of 2022 (a decline by 39% year on year).



According to the Gas Infrastructure Europe association's data, as of March 31, 2023, the Polish storage facilities with the total capacity of approx. 3.2 billion m<sup>3</sup> were 55.2% filled, while a year earlier they had been 65.1% filled (a decrease by 9.9 pp). In Europe, this level, as of the end of the first quarter of 2023, stood at 55.6%, while a year earlier it had clocked in at 26.31% (an increase by 29.3 pp).

The below figure presents the average monthly SPOT market and BASE\_Y-24 contract gas prices on TGE (PPX) a year prior to the physical delivery.

Figure no. 6. Average monthly SPOT market and BASE\_Y-24 contract gas prices on TGE (PPX)



### CO<sub>2</sub> emission allowances

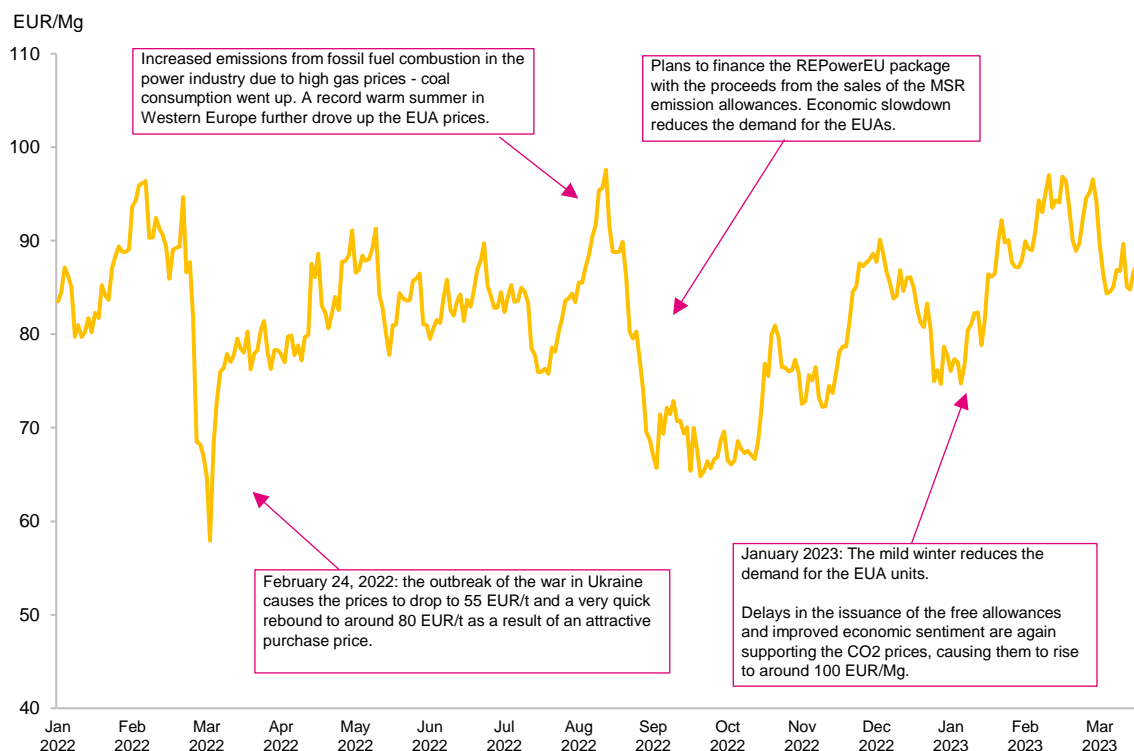
The EU ETS market had begun the year 2023 at the levels similar to those seen throughout most of 2022. A mild winter, the greater use of the renewable energy sources and the relatively high nuclear generation in France had allowed the CO<sub>2</sub> emission allowances prices to temporarily fall below the 80 EUR/Mg level in early January. The persistent relatively high gas prices had continued to favor contracting electricity generation from the more carbon intensive fuels, which, combined with the news of the delays in the issuance of the free allowances for 2023, had an impact upon the purchase of the CO<sub>2</sub> emission allowances. The prices kept rising steadily and reached higher and higher levels. The futures contract prices had temporarily topped 90 EUR/Mg in late January and early February, and the prices again exceeded the 100 EUR/Mg threshold in late February and early March.

March 2023 was again characterized by the high price volatility. In the middle of that month, there was a sell-off of the EUA units that strongly correlated with a wave of the sell-offs on the equity markets, especially in the banking sector.

The settlement prices for the CO<sub>2</sub> emission allowances under the benchmark contract with the delivery in December 2023 (EUA DEC-23) on the ICE Endex exchange were fluctuating within the range between 77 EUR/Mg and 101.25 EUR/Mg in the first quarter of 2023. The average clearing price in the first quarter of 2023 stood at 90.04 EUR/Mg and it was higher by 6.44 EUR/Mg (+7.7%) as compared to the average price logged in the first quarter of 2022.

The below figure presents the impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2022 and in the first quarter of 2023.

**Figure no. 7. Impact of the political actions and the environment (stakeholders) on the EUA SPOT product price performance in 2022 and in the first quarter of 2023.**



## Property rights

The prices on the green certificates market had been stable in the first quarter of 2023. The TGEozea index had reached its minimum price, which stood at 196.21 PLN/MWh, at the beginning of January of 2023, while the maximum price for the above mentioned index was recorded at the beginning of February of 2023, at the level of 241.10 PLN/MWh. The weighted average price of PMOZE\_A in the first quarter of 2023 came in at 218.69 PLN/MWh and it was lower by 10.4%, than the weighted average price in the same period of 2022 (a decrease by 25.42 PLN/MWh).

The volume of the trading was much lower than the level observed in 2022, falling by almost 24.5%, from the level of 1 872.4 GWh to 1 414.2 GWh. The balance of the PMOZE\_A register as of the end of March 2023 had reached a surplus of 17.22 TWh. Taking into account the certificates that are blocked for the redemption, this balance drops by 1.20 TWh, to the level of 16.02 TWh (a decrease by 12.0% year on year). The substitution fee set for 2023 comes in at the level of 239.75 PLN/MWh, while the obligation to present the green certificates for the redemption in 2023 has dropped by 6.5 pp as compared to 2022 and, in accordance with the *Regulation of the Minister of Climate and Environment of July 13, 2022, on changing the quantitative share of the total of electricity resulting from the redeemed guarantees of origin of energy (energy certificates) confirming the production of electricity from the renewable energy sources in 2023*, it stands at 12%.

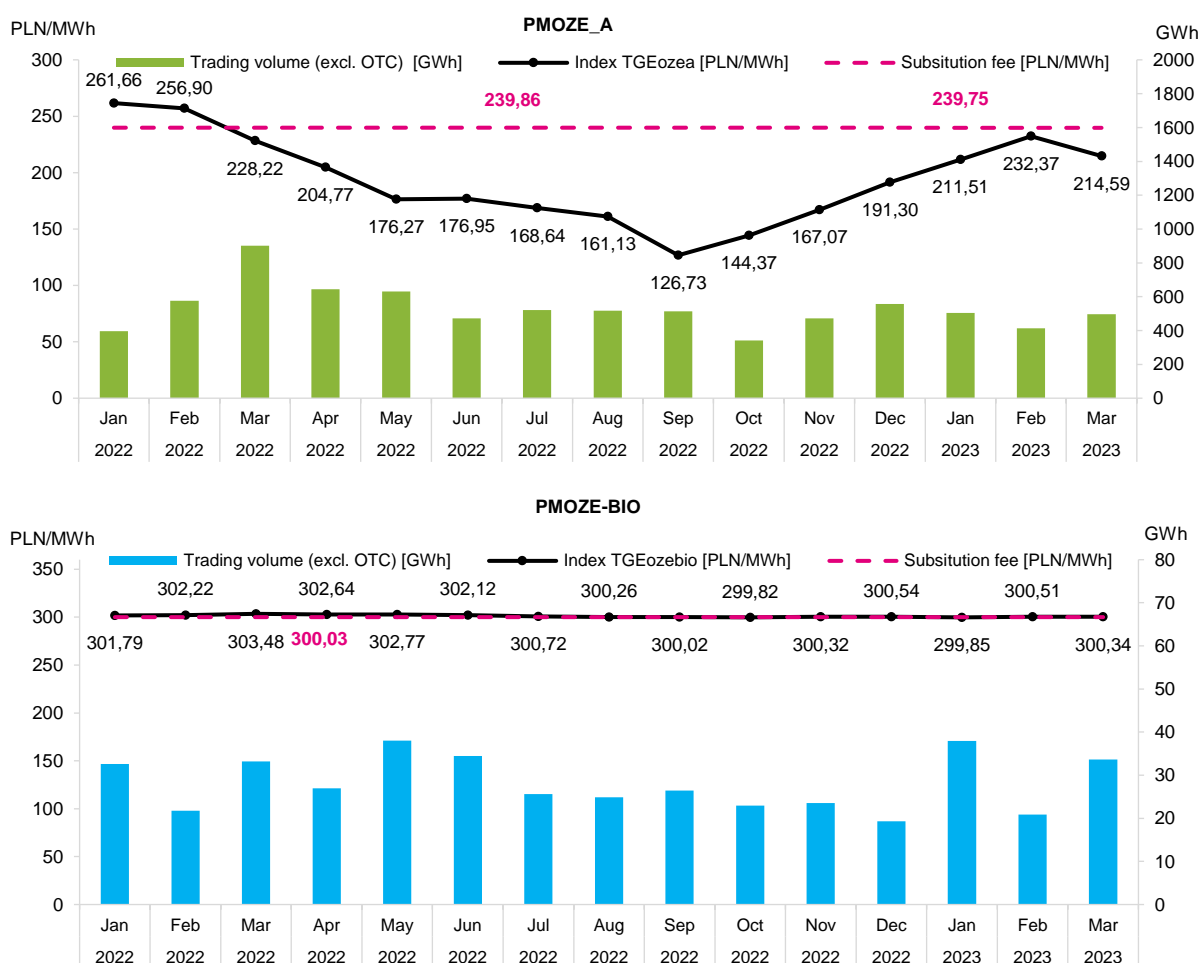
The prices of the certificates confirming the generation of electricity from the agricultural biogas PMOZE-BIO (blue certificates), for which the level of the obligation in 2023 stands at 0.5%, had invariably been stable. The TGEozebio index had traded close to the substitution fee, which for 2023 stood at 300.03 PLN/MWh. In the first quarter of 2023, the prices had fluctuated between a price minimum of 299.22 PLN/MWh and the maximum level of 302.15 PLN/MWh. The weighted average price of the TGEozebio index had come in at 300.18 PLN/MWh, while the trading volume had clocked in at 92.5 GWh, and it was higher by 5.6% than the volume reported in 2022. The balance of the PMOZE-BIO register, as of the end of March 2023, stood at 397.2 GWh. Taking into account the certificates blocked for the redemption, this balance drops to the level of 370.9 GWh (an increase by 1.8% as compared to the same period of 2022).

The prices of the PMEF\_F white certificates had been fluctuating in the first quarter of 2023 between the minimum level of 2 017.94 PLN/toe, reached at the beginning of January of 2023, and the maximum price, obtained at the end of January of 2023, standing at the level of 2 145.25 PLN/toe. The weighted average price came in at 2 076.87 PLN/toe in the first quarter of 2023, and it was lower by 17.8% as compared to the same period of 2022. On average the prices were clocking in at 3.3% above the substitution fee set at the level of 2 010.14 PLN/toe for 2023. The trading volume went up by 57.1% as compared to the same period of 2022, and it came in at 25 802 toe (16 419 toe in 2022).

In the case of the PME2F-2022 register the prices had been moving within the price range between the minimum of 1 918.77 PLN/toe, reached at the beginning of March of 2023, and the maximum price at the level of 2 250.00 PLN/toe, obtained in the middle of January of 2023. The weighted average price of the PME2F-2022 contract had come in at the level of 1 968.68 PLN/toe in the first quarter of 2023.

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

Figure no. 8. Property rights indices



## Regulatory environment

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

The below table below presents the most important changes in the regulatory environment of TAURON Capital Group in the first quarter of 2023 with respect to the adopted and published legislative acts that may have a direct or indirect impact on TAURON Capital Group.

Table no. 6. Most important changes in the regulatory environment of TAURON Capital Group in the first quarter of 2023 with respect to the adopted and published legislative acts

Name of the regulation	Description of the regulation	Status as of March 31, 2023	Impact on TAURON Capital Group	Impact on the Segment
Act of January 13, 2023, on the Silesian Province Transition Fund Joint Stock Company (Journal of Laws of 2023, item 203)	The act is related to the establishment of the Silesia Transition Fund, whose goal will be to coordinate the activities conducted as part of the process of transforming the post-mining, industrial and post-industrial areas with the transition of the Silesian province, first and foremost, thanks to the support instruments addressed at a broad range of beneficiaries.	February 14, 2023 – entry into force	The Fund's operation may contribute to providing of the support for the activities undertaken by TAURON Group's subsidiaries.	

Name of the regulation	Description of the regulation	Status as of March 31, 2023	Impact on TAURON Capital Group	Impact on the Segment
<i>Act of February 8, 2023, on the special solutions for certain heat generation sources due to the situation on the fuel market and certain other acts</i> (Journal of Laws of 2023, item 295)	The act is related to the introduction of a maximum heat supply price at the rate in effect as of September 30, 2022, plus 40%, by energy companies for a portion of residential and public utility consumers. The mechanism is to be applied starting from February 1, until December 31, 2023.  The act has also introduced amendments to other acts, including the <i>Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers</i> with respect to the so-called charge to the Fund.	February 15, 2023 – entry into force	The entry into force of the act results in the need to adjust the billing system used to make settlements with the consumers and the external sources accordingly (an impact on TAURON Ciepło).  The regulation in question has also introduced the favorable amendments to the <i>Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers</i> , related to the so-called charge to the Fund for the electricity trading and generation companies.	
<i>Act of March 9, 2023, on amending the act on investments in the wind power plants and certain other acts</i> (Journal of Laws of 2023, item 553)	The act introduces: 1. a change of the rules of the functioning of the so-called 10H rule (distance of the wind turbines), 2. solutions that provide more flexibility for the municipalities to specify the areas for the construction of the wind farms in the local spatial development (zoning) plans, 3. a change of the rules for the consultation of the local zoning plans specifying the areas for the wind farms to be built upon, 4. the possibility for the investor to allocate at least 10% of the installed capacity of the wind power plant to be taken over by the residents of the municipality.	April 23, 2023 – entry into force	The adoption of the act: 1. may increase TAURON Group's investment opportunities for the onshore wind farms, as it will allow the wind power plants to be located at a distance of less than 10h, if the local government provides for such a possibility in the zoning plan, 2. will make it easier to conduct the investment consultation process.	
<i>Regulation of the Minister of Climate and Environment of January 30, 2023, amending the Regulation on the detailed rules for shaping and calculating tariffs and settlements in electricity trading</i> (Journal of Laws of 2023, item 226).	The regulation introduces a temporary departure from the obligation to attach information on the percentage structure of the electricity purchase costs to the invoices - until December 31, 2023.	February 3, 2023 – entry into force	The regulation avoids costs in 2023 resulting from the obligation to include information on the percentage structure of electricity purchase costs in invoices issued.	



Supply Segment



TAURON Group

The legislative works at the EU level had been under way in the first quarter of 2023 – the below table presents the most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in 2022.

**Table no. 7. Most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first quarter of 2023**

Name of the regulation	Description of the regulation	Status as of March 31, 2023	Impact on TAURON Capital Group
<i>Fit for 55</i>	In the first quarter of 2023, the works had been continued on the <i>Fit for 55</i> regulatory package proposal that the European Commission (EC) published in July of 2021, including, among others, a revision of the directive on the promotion of energy from the renewable sources (REDII), the directive on energy efficiency (EED), the directive on the European Union's Emissions Trading System (EU ETS) or the introduction of a price adjustment mechanism at the borders taking into account the CO <sub>2</sub> emissions (Carbon Border Adjustment Mechanism). The <i>Fit for 55</i> package aims to introduce the legislative mechanisms that will allow for achieving the target of reducing the greenhouse gas emissions by at least 55% by 2030. The indicated regulations include, among others, the proposals for the tightening of the EU ETS system, changing the definition of the efficient district heating and cooling systems, increasing the RES target and improving energy efficiency by 2030. In December of 2021 the EC published the next elements of the <i>Fit for 55</i> package, including a draft revision of the Energy Performance of Buildings Directive (EPBD).	The process of the negotiations of the European Union institutions with respect to the legislative drafts as part of <i>Fit for 55; the final acceptances of the legislative proposals by the European Parliament (EP) and the Council of the European Union (EU Council)</i>	The <i>Fit for 55</i> package may contribute to the development of the low emission technologies, with a particular emphasis on the market of the renewable energy sources. The regulations that are a part of the package will introduce a number of the new important requirements and changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.







Name of the regulation	Description of the regulation	Status as of March 31, 2023	Impact on TAURON Capital Group
	<p>In the first quarter of 2023, the preliminary agreements had been reached in the tri-lateral negotiations involving the European Parliament (EP), the Council of the European Union (EU Council) and the European Commission (EC) with respect to the draft revisions of the REDIII and EED directives. The next step is the official adoption of the above mentioned drafts by the European Parliament (EP) and the Council of the European Union (EU Council) and their publication in the Official Journal of the EU. The European Parliament's (EP) negotiating position on the draft EPBD directive had also been adopted in the first quarter of 2023. The next step will be the negotiations between the European Parliament (EP) and the Council of the European Union (EU Council) on the final wording of the above mentioned legislative proposal.</p> <p>In addition, the works had been continued in the first quarter of 2023 on the "gas package" published by the EC on December 15, 2021, which includes a revision of the Directive related to the common rules for the internal market in the natural gas and a revision of the Regulation related to the conditions for access to the natural gas transmission networks. Both the European Parliament (EP) as well as the Council of the European Union (EU) have adopted their negotiating positions. The next step is the commencement of the tri-lateral negotiations with respect to the package. The goal of the package is to increase the share of the renewable and low carbon gases in the energy system, which will enable a shift away from the natural gas and the meeting of the EU's goal of achieving the climate neutrality by 2050. The package also includes a new regulation on reducing the methane emissions in the energy sector.</p> <p>In the first quarter of 2023, the works had also begun on promoting the use of the renewable hydrogen in the EU, in particular through the establishment of the European Hydrogen Bank (an instrument for the development of the hydrogen economy) by the EC and the implementation of the 2018 REDII Directive – the publication by the EC of the delegated acts on the renewable fuels of non-biological origin.</p>		
RePowerEU	<p>The works aimed at implementing the actions included in the REPowerEU communication, adopted in May 2022 by the EC, and in a package of the additional documents had been continued in the first quarter of 2023. Many of them had been added to the legislative proposals under way as part of the <i>Fit for 55</i> package. The communication is a response to the situation prevailing on the electricity and gas markets in connection with the war in Ukraine. The most important actions indicated in the communication include: energy conservation, diversification of the energy carrier supplies to the EU, substitution of the fossil fuels and the acceleration of Europe's transition to the clean energy, the smart investments and strengthening of the readiness to reduce the supply of the energy raw materials. Along with the communication, a legislative proposal amending the directives: REDII, EED and EPBD was published. As part of the above mentioned proposal, the European Commission (EC) proposes:</p> <ol style="list-style-type: none"> <li>1. increasing the target with respect to the use of the energy from the renewable energy sources (RES) from 40 to 45% (as compared to the proposal included in the <i>Fit for 55</i> package),</li> <li>2. introducing the measures aimed at making it easier to invest in the renewable energy sources (RES),</li> <li>3. raising the 2030 energy consumption reduction target from 9% to 13% as compared to the projections presented in the 2020 benchmark scenario,</li> <li>4. increasing the use of the solar energy in the buildings.</li> </ol>	Works on implementing the short term and long term measures provided for under REPowerEU	The implementation of the REPowerEU plan may have an impact on an increase of the EU's energy independence and an acceleration of the energy transition, and it will introduce a number of changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.



Name of the regulation	Description of the regulation	Status as of March 31, 2023	Impact on TAURON Capital Group
Reform of the electricity market	The European Commission has begun the works on electricity market reform, with the primary goal of limiting energy price increases while improving the conditions for investments in the renewable energy sources in the EU. On March 14, 2023, the EC had published draft proposals that make up the energy market reform. The reform will be carried out in two pieces of legislation: a regulation of the European Parliament and of the Council amending Regulation 2019/943, Directive 2019/944, Directive 2018/2001 and Regulation 2019/942, and a regulation of the European Parliament and of the Council amending Regulation 1227/2011 and Regulation 2019/942. The main elements of the reform will be included in the amendment of the market regulation, including the increased importance of the Power Purchase Agreements (PPAs) and the Contracts for Difference (CfDs).	The stage of developing positions	The new proposals being discussed as part of the reform may introduce a number of significant changes to the market and regulatory environment for TAURON Group.  In particular, the electricity market reform will contribute to the promotion of electricity generation from the renewable energy sources and the changes within the framework of the adequate support systems.
Net-Zero Industry Act	As part of the Net-Zero Industry Act, published on March 16, 2023, the actions and measures aimed at achieving the goal of ensuring that, by 2030, the production capacity in the EU with respect to the strategic net-zero technologies should come close to or reach a level of at least 40% of the EU's annual needs with respect to the deployment of the relevant technologies needed to meet the EU's climate and energy targets, and ensuring the free flow of the technologies introduced into the single market, had been proposed. In the draft, the EC, among other things, identifies the net zero emission technologies and the strategic net zero emission technologies.	Preparatory stage at the European Parliament	The EC initiative may introduce a number of significant changes in the market and regulatory environment for TAURON Group related to the ambitious targets in the manufacturing industry sector.
Directive 2010/75/EU on industrial emissions (integrated pollution prevention and control)	The IED directive is the EU's main instrument regulating the emissions of the pollutants. On April 5, 2022, the European Commission had submitted a proposal to revise the directive to make it more effective in preventing or minimizing the emissions of the pollutants and stimulating the transition to the zero pollutant emissions level, contributing to the goals set out in the European Green Deal. The proposal suggests, among others: expanding the definition of the BAT conclusions, introducing the stricter requirements for the application of the BAT compliant emission standards and the granting of the derogations, an obligation to develop the transition plans for the installations, and establishing of the Industrial Transition and Emissions Innovation Center to collect and analyze the information on the innovative techniques.  The Council had adopted a general approach in the first quarter of 2023., and the adoption of the position of the applicable EP committee is planned to follow.	The stage of adopting positions	The regulations in the form proposed by the EC may result in the additional expenditures to bring the operating units and contemplated initiatives into compliance with the stringent standards. However, the final conditions for the existing and planned investments will be known after the adoption of the IED and BAT Conclusions.
Draft amendments to the Commission Regulation (EU) No. 651/2014 of June 17, 2014, declaring certain types of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (GBER)	In the first quarter of 2023, the works had been completed on the review of the 2014 General Block Exemption Regulation, which contains ex ante compatibility conditions under which member states can implement the state aid measures without first notifying the EC. The revision of the above mentioned block exemption regulation was aimed at ensuring the feasibility of achieving the objectives under the European Green Deal, further clarifying the rules for the aid for the investments in the areas related to the energy performance of buildings as well as the charging and refueling infrastructure for the need of the clean mobility.  The goal of the amendments to the GBER block exemption regulation is to simplify the provision of the public aid to the energy transition and digital transformation investments.  The amendments to the regulation had been adopted by the EC in March 2023. The formal adoption of the regulation will take place after the translation of the text into all of the official EU languages has been completed. The adopted text will then be published in the Official Journal of the EU. The new provisions of the regulation are expected to be in force until the end of 2026.	Amendments to the GBER Regulation have been approved by the EC	The changes introduced will be particularly relevant from the perspective of providing the public aid as part of the aid funds implemented in the 2021-2027 financial perspective.

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

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

Name of the regulation	Description of the regulation	Status as of drawing up this report	Impact on TAURON Capital Group	Impact on the Segment
<i>Draft act on amending the act on planning and spatial development (zoning) and certain other acts</i>	The draft act assumes that the locating (siting) of the unmounted renewable energy sources installations on a building can only be done on the basis of a local zoning plan. The introduced rule covers investment projects located on: <ol style="list-style-type: none"> <li>1st - 3rd class agricultural land and forest land,</li> <li>4th class agricultural land in the case of the installations with an installed electrical capacity greater than 150 kW or used for the business operations with respect to the generation of electricity,</li> <li>other land in the case of the installations with an installed electrical capacity greater than 1000 kW.</li> </ol>	Works conducted by the Parliamentary Committees	During the transition period, the draft act will allow for the investment project planning based on the existing regulations, and therefore has a neutral impact on TAURON Group's projects. In the long term, the maintaining of TAURON Group's RES investment momentum will depend to a large extent on the efficient implementation of the legislation by the local government administration units.	
<i>The draft act on amending the act - Energy Law and the Act on Renewable Energy Sources</i>	The draft act assumes: <ol style="list-style-type: none"> <li>1. changes in the rules of concluding and terminating of the agreements for the sale of electricity,</li> <li>2. introduction of the citizen energy communities, the active consumers and the aggregators of the electricity market,</li> <li>3. possibility of concluding of the agreements with the dynamic pricing mechanisms,</li> <li>4. introduction of the regulations on the system services, the flexibility services,</li> <li>5. changes in the balancing regulations,</li> <li>6. mechanism for a non-market curtailment of the generation by the RES installations,</li> <li>7. changes with respect to the direct power lines.</li> </ol>	Works conducted by the Legal Affairs Committee	The adoption of the act will, first and foremost: <ol style="list-style-type: none"> <li>1. increase the possibility of using the direct power lines,</li> <li>2. limit the ability of the DSOs to own the energy storage facilities,</li> <li>3. introduce a number of changes in TAURON Group's regulatory environment.</li> </ol>	
<i>Draft act on amending the act on renewable energy sources and certain other acts</i>	The draft includes regulations related to the following areas: <ol style="list-style-type: none"> <li>1. biomethane,</li> <li>2. energy clusters,</li> <li>3. transposition of RED II (district heating and cooling, guarantees of origin, RES National Contact Point, energy trading based on partnership),</li> <li>4. modernization of the RES installations,</li> <li>5. continuation support for the RES installations whose 15 year support system is due to expire,</li> <li>6. hybrid RES installations,</li> <li>7. offshore wind energy,</li> <li>8. substitution fee</li> </ol>	Works conducted by the Legal Affairs Committee	The act in question: <ol style="list-style-type: none"> <li>1. generates the risk of losing the customers due to the disconnecting of the consumers from a district heating network that does not meet the efficient district heating system requirements,</li> <li>2. introduces the favorable changes in the manner of making the payment of the RES substitution fee,</li> <li>3. introduces the significant changes for the DSOs related to the energy clusters,</li> <li>4. provides for the possibility of obtaining of the support for the RES installations whose 15 year support system is due to expire.</li> </ol>	
<i>The draft act on amending the act on the preparation and implementation of the strategic investment projects in the transmission grids and certain other acts</i>	The draft envisages extending of the functioning Special Act on the Transmission covering the strategic investment projects in the transmission grid to include the new key transmission projects and expanding the annex to also include the distribution grid projects with the voltage above 100 kV.	Works conducted by the Parliamentary Committees	The entry into force of the act will result in a shorter process of obtaining of the public law permits and the possibility of applying a simplified model for obtaining of the land for the investment projects listed in the annex to the act.	
<i>Draft act on the preparation and implementation of the investment projects with respect to the pumped storage power plants and the associated investment projects</i>	The draft law introduces the simplifications and streamlining of the administrative procedures related to the preparation and implementation of the investment projects with respect to the pumped storage power plants and the associated investment projects.	Works conducted by the Parliamentary Committees	The entry into force of the act will help facilitate investments in the pumped storage power plants.	
<i>Draft act on the social protection for the workers in the power sector and the lignite mining industry</i>	The draft act sets out: <ol style="list-style-type: none"> <li>1. the rules for the gaining of the right to a power sector employee's leave and a mining industry employee's leave, the rules for the gaining of the right to the payout of the social benefits while on a power sector employee's leave and a mining industry employee's leave, and the rules for the gaining of the right to and the payout of a one time cash severance pay for the employees of the power sector during the periods of a</li> </ol>	Public consultation on the draft completed	The adoption of the act will lead to the minimizing of the potential negative social implications associated with the transition of the power sector and the lignite mining industry.	

Name of the regulation	Description of the regulation	Status as of drawing up this report	Impact on TAURON Capital Group	Impact on the Segment
	<p>shutdown of the generating units and for the employees of the lignite mining industry during the periods of the systemic reduction of the lignite mining extraction output in connection with the transition of electric power sector in Poland,</p> <p>2. the sources of the funding for the benefits.</p>			



RES Segment



Distribution Segment



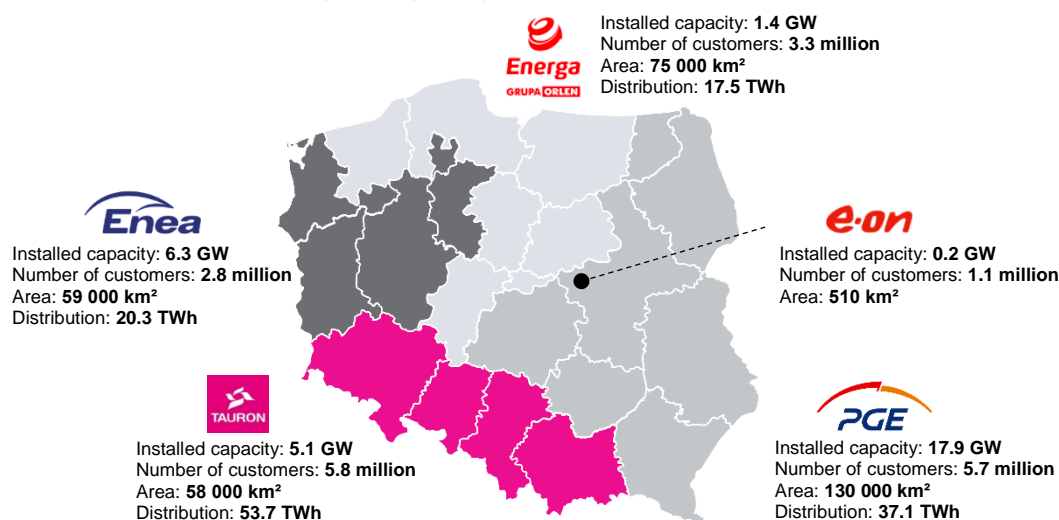
TAURON Group

## Competitive environment

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

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

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

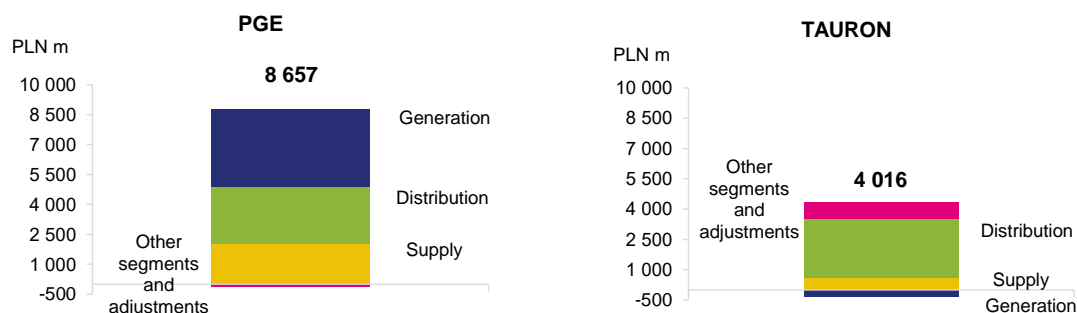


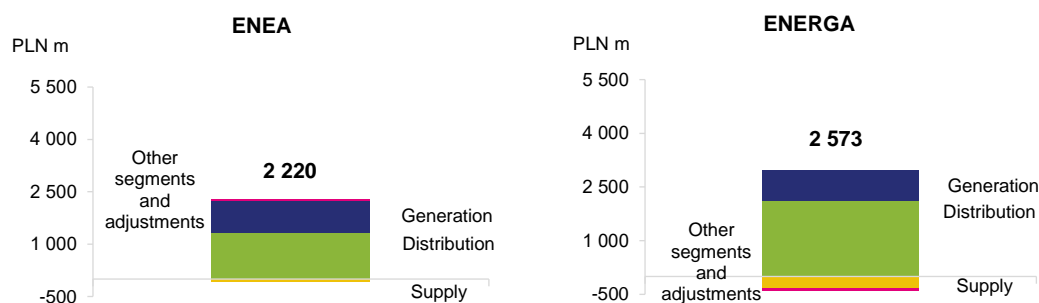
According to the data for 2022, the consolidated energy groups (PGE, TAURON, Enea, Energa) had held an approximately 68% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated electric utility that takes advantage of the synergies stemming from the size and scope of the operations conducted thereby. In 2022, TAURON Capital Group had controlled the value chain, from the hard coal mining up to the delivery of electricity to the final consumers. In the first three quarters of 2023, TAURON Capital Group was conducting its operations in all of the key segments of the energy market (excluding the transmission of electricity), i.e. the electricity and heat generation, distribution as well as supply and trading.

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

Figure no. 10. EBITDA – estimated structure based on the main operating segments in 2022<sup>1</sup>





<sup>1</sup>In order to make the segments presented comparable the Generation Segment includes also Mining, RES and Heat.  
Source: Companies' interim reports

## Generation

### TAURON Capital Group is a key producer of electricity in Poland

TAURON Capital Group's share in the domestic electricity generation market, measured based on the gross electricity production output, had stood at approx. 9% in 2022. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's generation assets are concentrated in the south of Poland. Renewable energy sources: the wind and photovoltaic power plants are located throughout the country, while the hydro electric power plants are located in the southern and southwestern parts of the country

87% of TAURON Capital Group's generation assets had been, as of the end of 2022, the hard coal fired units, 21% of which had been the modern high efficiency generating units. TAURON Capital Group's total installed capacity had stood at almost 5.1 GW as of December 31, 2022, with the renewable energy sources accounting for 0.66 GW of that figure. The wind farms' installed capacity represents 8%, while the hydro electric power plants' installed capacity accounts for 3% and the biomass fired generating units' installed capacity constitutes 2% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 3.8 TWh of electricity in the first quarter of 2023, with 0.5 TWh coming from the RES.

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

According to the data for 2022, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 41% in 2022, and the installed capacity of 17.9 GW. Enea is the second largest electricity producer in Poland, with a market share coming in at approx. 16% and the installed capacity of 6.3 GW. Energa, on the other hand, has the largest share of electricity produced from the renewable energy sources (RES) on the Polish market and Energa's total installed capacity stands at approx. 1.4 GW. Energa produced 4.5 TWh of electricity in 2022, with approx. 1.3 TWh (i.e. 29%) coming from the RES.

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

Figure no. 11. Gross electricity production - estimated market shares in 2022

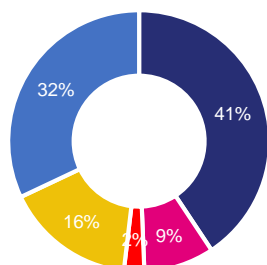
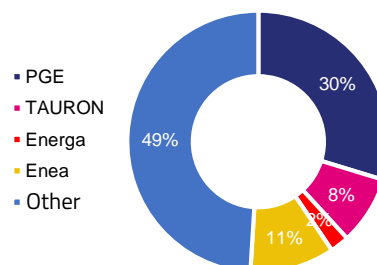


Figure no. 12. Installed capacity - estimated market shares in 2022



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

## Distribution

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

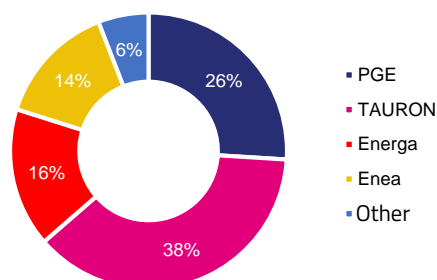
TAURON Capital Group is the largest electricity distributor in Poland. TAURON Dystrybucja's share in the electricity distribution to the final consumers had reached approx. 38% in 2022. TAURON Capital Group's distribution grids

cover more than 18% of Poland's territory. The volume of the electricity delivered to the final consumers had come in at approx. 13.66 TWh in the first quarter of 2023. TAURON Capital Group is the largest electricity distributor in Poland, also in terms of the revenue from the distribution operations.

TAURON Capital Group's distribution operations, due to the natural monopoly in the designated area, are a source of a stable and predictable revenue, accounting for a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution's geographical area on which the Distribution Segment's and the Supply Segment's subsidiaries are historically operating is a heavily industrialized and densely populated area and therefore the distribution grid is very well utilized. The number of the Distribution Segment's customers had reached approx. 5.87 million in the first quarter of 2023.

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

**Figure no. 13. Electricity distribution - estimated market shares in 2022**



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

## Supply

### TAURON Capital Group is the second largest electricity supplier in Poland

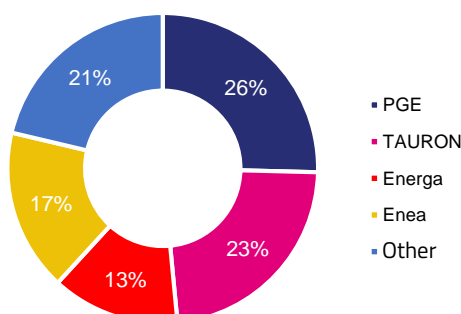
TAURON Capital Group holds a 23% share in the market of the electricity supply to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group had come in at 8.36 TWh in the first quarter of 2023. The number of the customers served by TAURON Capital Group's Supply Segment stands at 5.77 million.

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

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

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

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



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

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



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

Group	Installed capacity		Generation <sup>1</sup>		Distribution		Supply	
	GW	%	TWh	%	TWh	%	TWh	%
1. PGE	17.9	30	72.7	41	37.1	26	34.3	26
2. TAURON	5.1	9	15.6	9	53.7	38	31.1	23
3. Energa	1.4	2	4.5	2	23.2	16	18.0	13
4. Enea	6.3	11	28.8	16	20.3	14	22.8	17
5. Other	29.5	49	57.2	32	8.4	6	28.8	21
<b>Total</b>	<b>60.2</b>	<b>100</b>	<b>178.8</b>	<b>100</b>	<b>142.7</b>	<b>100</b>	<b>135</b>	<b>100</b>

<sup>1</sup>Volume of the gross electricity generated in 2022

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

The analysis of the largest energy groups operating on the domestic market points to the various sources of the competitiveness in the selected segments of the energy market, depending on the operations conducted thereby.

The below table presents the main sources of the competitiveness of TAURON Capital Group in the selected Lines of Business.

**Table no. 10. Sources of competitiveness of TAURON Capital Group in the selected Lines of Business**

Line of Business	Area of initiatives	Sources of competitiveness
Generation	<ol style="list-style-type: none"> <li>Investments in the generating units.</li> <li>Operating expenses</li> </ol>	<ol style="list-style-type: none"> <li>Concluded capacity market contracts.</li> <li>High efficiency generating units with a competitive unit production cost.</li> <li>Improvement of the operational efficiency.</li> </ol>
RES Heat	<ol style="list-style-type: none"> <li>Investments in the renewable energy sources and the low emission thermal energy sources.</li> <li>Operating expenses.</li> <li>Investments in the district heating networks</li> </ol>	<ol style="list-style-type: none"> <li>Improvement of the operational efficiency.</li> <li>Development of the low and zero emission generation sources.</li> <li>Expanding the regulated operations.</li> </ol>
Distribution	<ol style="list-style-type: none"> <li>Operating expenses.</li> <li>Investment project efficiency.</li> <li>Improvement of the grid reliability indicators.</li> </ol>	<ol style="list-style-type: none"> <li>Implementing the ultimate business model.</li> <li>Implemented IT systems, separate processes, clear split of the responsibilities.</li> </ol>
Supply	<ol style="list-style-type: none"> <li>Operating expenses.</li> <li>Maintaining high customer satisfaction indices.</li> </ol>	<ol style="list-style-type: none"> <li>Development of the product and services offering for the customers.</li> <li>Integrated customer service channels.</li> </ol>

## 2.5. Factors that will have an impact on the results achieved over at least the next quarter

The factors presented in the below table will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter.

**Table no. 11. Factors that will have the most material impact upon the results of TAURON Capital Group's operations over at least the next quarter**

#	Description of the factor
1.	aggression of the Russian Federation against Ukraine and its impact on the Polish economy and the European Union policy, as well as the impact of the sanctions imposed against Russia and those imposed by Russia, including in particular the availability of the raw materials (geopolitical risk),
2.	physical and cyber security risks (possible attacks on the critical infrastructure and the IT/OT infrastructure and, as a consequence, the disruptions of the operation of the critical infrastructure and the disruption of the business continuity)
3.	macroeconomic situation in Poland, at the EU level and at the global economy level, including the GDP growth rate, the changes of the interest rates, the FX rates, etc., having an impact on the valuation of the assets and the liabilities listed by the Company in the statement of financial position,
4.	market situation in Poland and in the EU, as well as in the global economy, including the changes of the electricity prices, the prices of the CO <sub>2</sub> emission allowances, the prices of the raw materials (in particular the hard coal and gas), etc., having an impact on the revenues and the level of the costs generated (including the maintaining of the IRGiT margins),
5.	market situation with regard to the supply of the hard coal in Poland and the need to import it,
6.	potential further regulatory intervention (at the EU level and in Poland) aimed at reducing the demand for the electricity, related to the regulation (implemented and the future changes thereof) with respect to the freezing of the electricity and gas sales prices (including: the amount and timeliness of the compensation payments, capping of the margins achieved by the Generation Line of Business and the Trading Line of Business - the introduction of a mechanism for making contributions to a fund due to the profits generated above the level set by regulation),
7.	reduction of the liquidity and transparency in the energy market (abolition of the power exchange trading obligation),

8. potential increase of the overdue accounts receivable brought about by the deterioration of the financial condition of the counterparties,
9. drop of the demand for the electricity in the National Power System and, as a consequence, the lower level of the production by the generating units, taking into account the changes due to the seasonality, the macroeconomic situation, the weather conditions and the availability of the fuels and, as consequence, also the level of the hard coal inventory at TAURON Group's storage sites,
10. level of the electricity imports/exports and of the available capacity reserve in the power system in Poland and in Europe,
11. changes to the energy mix and, as a consequence, the adaptation of the demand for the hard coal,
12. operation of the 910 MW power generation unit in Jaworzno,
13. political environment in Poland and in the European Union, including the positions and the decisions of the government administration institutions and authorities, for example: Office of Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission (EC),
14. results of the court proceedings,
15. changes to the regulations related to the power sector, as well as the changes in the legal environment, including: the tax law, the commercial law, the environment protection law,
16. act on the extraordinary measures aimed at curbing of the electricity prices and providing of the support for the certain consumers in 2023,
17. act on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market,
18. further changes with respect to the policies of the financial institutions,
19. activities related to the obtaining of the debt financing,
20. possibility of using the external assistance funds, including the European Union funds, in order to support the transition of the energy sector and mitigate the effects of the social changes, taking into account, in particular, the following limitations:
  - 1) entity related (with respect to the support for the large enterprises),
  - 2) with regard to the forms of the support (much more emphasis on the returnable support than before),
  - 3) permissible scope of the public aid granted (for example, the tightening of the rules of the support with regard to the gas fired capacity, indicated in the draft guidelines on the public aid to be used for the climate and environment protection and the objectives related to energy (CEEAG),
  - 4) amount of the public aid granted (changes with respect to the maximum aid intensity),
21. further functioning of the generation capabilities compensation mechanism (capacity market), as part of which the deliveries of the electric capacity will be carried out by TAURON Capital Group subsidiaries' generating units and the demand side reduction units at the transmission system operator's request,
22. support system for the electricity generation by the dedicated sources (*color certificates*), resulting, on the one hand, in the costs of redeeming the certificates for the suppliers of the electricity to the final consumers, and on the other hand, in the revenue from the sales of the certificates for the generators of electricity, the RES support system, the so-called RES auctions,
23. competitive environment, including the activities and steps taken by the competition on the energy market,
24. further tightening of the EU climate policy, in particular, resulting in the energy transition focused on the RES, as well as in an increase of the volatility of the prices of the CO<sub>2</sub> emission allowances,
25. further growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation Lines of Business,
26. environment protection requirements as a consequence of the changes to the *Act of April 27, 2001, the Environment Protection Law*, the so-called anti-smog resolutions,
27. consequences of the adopted *Act of March 30, 2021, on amending the act on disclosing the information on the environment and the protection thereof, the participation of the public in the protection of the environment and on the environmental impact assessments, and certain other acts* (a potential impact on the investment projects currently under way as well as on the future investment projects),
28. shaping of the human resources policy, including the results of the negotiations with the Social Council of TAURON Group,
29. changes to the schedules, budgets and the scopes of the investment projects carried out by TAURON Capital Group,
30. availability of the assets of TAURON Capital Group,
31. impact of the weather conditions, including those of the extreme nature, resulting in the impact on the failure rate of the assets of TAURON Capital Group and the seasonality of the revenue generated, and the costs incurred,
32. continuation of the activities related to the implementation, at TAURON Capital Group, of the assumptions of the government concept *Transition of the power sector in Poland. Spin-off of the coal based generating assets from the State Treasury owned companies*, including the preparation of the process of the sale of the shares in TAURON Wytwarzanie to the State Treasury.

*The detailed information related to the impact of the material factors on the financial result achieved in the first quarter of 2023 is provided in section 3 of this information.* The effects of such impact are visible both in the short term, as well as in the long term outlook.

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

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

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

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

**Table no. 12. Selected financial data of TAURON Capital Group and TAURON Polska Energia S.A.**

Selected financial data	in millions of PLN		in millions of EUR	
	2023, period from 01.01.2023 to 31.03.2023	2022, period from 01.01.2022 to 31.03.2022 (adjusted data)	2023, period from 01.01.2023 to 31.03.2023	2022, period from 01.01.2022 to 31.03.2022 (adjusted data)
Sales revenue	13 559	9 620	2 885	2 070
Compensations	2 304	-	490	-
Operating profit	1 697	1 349	361	290
Pre-tax profit	1 392	1 207	296	260
Net profit from continued operations	1 036	836	220	180
Net profit from discontinued operations	-	65	-	14
Net profit	1 036	901	220	194
Net profit attributable to shareholders of the parent company	1 034	900	220	194
Net profit attributable to non-controlling shares	2	1	0	0
Other net comprehensive income	(62)	139	(13)	30
Total comprehensive income	974	1 040	207	224
Total comprehensive income attributable to shareholders of the parent company	972	1 039	207	224
Total comprehensive income attributable to non-controlling shares	2	1	0	0
Profit per share (in PLN/EUR) (basic and diluted) from net profit for the period attributable to shareholders of the parent company	0,59	0,51	0,13	0,11
Profit per share (in PLN/EUR) (basic and diluted) from net profit from continued operations for the period attributable to shareholders of the parent company	0,59	0,47	0,13	0,10
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	(645)	(8)	(137)	(2)
Net cash from investing activities	(1 011)	(1 003)	(215)	(216)
Net cash from financing activities	1 685	1 459	358	314
Increase / (decrease) in net cash and equivalents	29	448	6	96
	As of 31.03.2023	As of 31.12.2022	As of 31.03.2023	As of 31.12.2022
Fixed assets	35 381	35 053	7 567	7 474
Current assets	15 645	10 267	3 346	2 189
Total assets	51 026	45 320	10 913	9 663
Share capital	8 763	8 763	1 874	1 868
Equity attributable to shareholders of the parent company	17 553	16 581	3 754	3 536
Equity attributable to non-controlling shares	35	33	8	7
Total equity	17 588	16 614	3 762	3 543

Long term liabilities	19 541	18 511	4 179	3 947
Short term liabilities	13 897	10 195	2 973	2 174
Total liabilities	33 438	28 706	7 152	6 121

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

Selected financial data	in millions of PLN		in millions of EUR	
	2023, period from 01.01.2023 to 31.03.2023	2022, period from 01.01.2022 to 31.03.2022 (adjusted data)	2023, period from 01.01.2023 to 31.03.2023	2022, period from 01.01.2022 to 31.03.2022 (adjusted data)
Sales revenue	10 869	8 853	2 312	1 905
Operating profit	19	62	4	13
Pre-tax profit	(142)	(44)	(30)	(9)
Net loss	(159)	(11)	(34)	(2)
Other total net income	(73)	129	(15)	27
Total comprehensive income	(232)	118	(49)	25
Loss per share (in PLN/EUR) (basic and diluted from net loss)	(0,09)	(0,01)	(0,02)	(0,00)
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	(628)	(113)	(134)	(25)
Net cash from investing activities	(27)	(1 201)	(6)	(258)
Net cash from financing activities	1 741	2 571	371	553
Increase / (decrease) in net cash and equivalents	1 086	1 257	231	270
	As of 31.03.2023	As of 31.12.2022	As of 31.03.2023	As of 31.12.2022
Fixed assets	27 232	27 329	5 824	5 827
Current assets	7 334	8 723	1 569	1 860
Total assets	34 566	36 052	7 393	7 687
Share capital	8 763	8 763	1 874	1 868
Equity	12 088	12 320	2 585	2 627
Long term liabilities	15 845	14 822	3 389	3 160
Short term liabilities	6 633	8 910	1 419	1 900
Total liabilities	22 478	23 732	4 808	5 060

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

1. individual items of the statement of financial position - at the average NBP exchange rate announced on March 31, 2023 - PLN/EUR 4.6755 (as of December 30, 2022 - PLN/EUR 4.6899),
2. individual items of the statement of comprehensive income and the statement of cash flows - at the exchange rate representing the arithmetic mean of average NBP exchange rates announced on the last day of each month of the financial period from January 1, 2023 to March 31, 2023 - PLN/EUR 4.7005 (for the period from January 1, 2022 to March 31, 2022 - PLN/EUR 4.6472).

### 3.2. Key operating data of TAURON Capital Group

The below table presents the key operating data posted by TAURON Capital Group in the first quarter of 2022 and in the first quarter of 2023.

**Table no. 13. Key operating data posted by TAURON Capital Group in the first quarter of 2022 and in the first quarter of 2023**

Item	Unit	Q1 2022	Q1 2023	Change in % 2023 / 2022
Electricity generation (gross production)	TWh	3.88	3.84	99%

Item	Unit	Q1 2022	Q1 2023	Change in % 2023 / 2022
including generation of electricity from renewable sources	TWh	0.54	0.53	97%
<i>Production from biomass</i>	<i>TWh</i>	<i>0.12</i>	<i>0.06</i>	<i>49%</i>
<i>Production by hydroelectric power plants and wind farms</i>	<i>TWh</i>	<i>0.42</i>	<i>0.47</i>	<i>111%</i>
Heat generation	PJ	4.52	4.42	98%
Electricity distribution	TWh	14.26	13.66	96%
Electricity supply	TWh	12.24	11.96	98%
<i>retail supply</i>	<i>TWh</i>	<i>8.43</i>	<i>8.36</i>	<i>99%</i>
<i>wholesale</i>	<i>TWh</i>	<i>3.81</i>	<i>3.60</i>	<i>95%</i>
Number of customers - Distribution	'000	5 793	5 869	101%

### 3.3. Sales structure by the Segments of Operations

The below table presents TAURON Capital Group's sales volumes and structure broken down into the individual Segments of operations in the first quarter of 2022 and in the first quarter of 2023.

**Table no. 14. TAURON Capital Group's sales volumes and structure broken down into the individual Segments of operations (lines of business) in the first quarter of 2022 and in the first quarter of 2023**

Item	Unit	Q1 2022	Q1 2023	Change in % 2023 / 2022
Generation Segment's electricity and heat sales	TWh	4.63	3.42	74%
	PJ	6.70	6.30	94%
RES Segment's electricity sales	TWh	0.70	0.73	104%
Distribution Segment's distribution services sales	TWh	14.26	13.66	96%
Supply Segment's retail electricity supply	TWh	8.43	8.36	99%

#### Generation Segment

The total achievable capacity of the Generation Segment's generating units had reached 4.5 GW of electric capacity and 2.1 GW of thermal capacity as of the end of March 2023.

The Generation Segment had produced 3.37 TWh of electricity in total in the first quarter of 2023, i.e. less by 3% as compared to the same period of last year.

The production output of the biomass burning units had come in at 0.06 TWh, i.e. less by 53% as compared to last year (0.12 TWh).

Sales of electricity from the in-house production, along with the electricity purchased for trading, clocked in at 3.42 TWh in the first quarter of 2023, which meant a 26% decline as compared to the same period of 2022.

The heat supply had come in at 6.30 PJ in the first quarter of 2023, i.e. less by 6% as compared to the same period of 2022, which had been a consequence of the lower consumer demand in connection with the higher outdoor temperatures year on year.

#### RES Segment

The total achievable capacity of the RES Segment's generating units had stood at 569 MW of electric capacity as of March 31, 2022, and it was higher than reported as of March 31, 2022, by 44 MW as a result of the commissioning of:

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

The RES Segment had produced 0.47 TWh of electricity in the first quarter of 2023, i.e. 12% more as compared to last year (0.42 TWh).



## Distribution Segment

The Distribution Segment had delivered, in total, 13.66 TWh of electricity, including 13.24 TWh to the final consumers, in the first quarter of 2023. During that period the Distribution Segment had provided the distribution services for 5.87 million consumers. In the same period of 2022 the Distribution Segment had delivered, in total, 14.26 TWh of electricity to 5.79 million consumers, including 13.73 TWh to the final consumers.

## Supply Segment

The Supply Segment subsidiaries had supplied, in total, 8.36 TWh of electricity on the retail market in the first quarter of 2023, i.e. 1% less than in the same period of 2022, to 5.77 million customers, both households, as well as businesses.

## Other operations

The sales revenue of the Other Operations Segment subsidiaries had come in at PLN 387 million in the first quarter of 2023, and it had been higher by 8% than the revenue posted in the same period of 2022, with the main reason being the higher sales of the support services, as well as the customer service provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries and the sales of aggregate.

## 3.4. TAURON Capital Group's financial position after the first quarter of 2023

*This section presents selected items from the Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group, drawn up in compliance with the International Financial Reporting Standards approved by the European Union for the period of 3 months ended on March 31, 2023, as well as the selected financial ratios constituting Alternative Performance Measures within the meaning of the ESMA Guidelines on Alternative Performance Measures. These metrics present additional information on the financial performance of TAURON Capital Group's business operations and, in the opinion of the Company's Management Board, may constitute an additional important source of information for the investors on the financial and operational situation of TAURON Capital Group. The measures are the standard metrics commonly used in the financial analysis, the usefulness of which was analyzed in terms of the information provided to the investors on TAURON Capital Group's financial efficiency, cash flows and debt. The definitions of the metrics are provided directly next to the individual indicators. Due to the lack of the changes in the methodology for determining the metrics, the values of the individual metrics for the reporting period and for the comparable period are comparable.*

### Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of December 31, 2022, and as of March 31, 2023.

**Table no. 15. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of December 31, 2022, and March 31, 2023**

Consolidated statement of the financial position	As of December 31, 2022	As of March 31, 2023	Change in % 2023 / 2022
<b>ASSETS</b>			
Fixed assets	77.3%	69.3%	90%
Current assets	22.7%	30.7%	135%
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the parent company	36.6%	34.4%	94%
Non-controlling shares	0.1%	0.1%	94%
<b>Total equity</b>	<b>36.7%</b>	<b>34.5%</b>	<b>94%</b>
Long term liabilities	40.8%	38.3%	94%
Short term liabilities	22.5%	27.2%	121%
<b>Total liabilities</b>	<b>63.3%</b>	<b>65.5%</b>	<b>103%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-</b>
Financial liabilities	13 266	15 212	115%
Net financial liabilities	11 588	13 862	120%
Net debt / EBITDA ratio	2.9x	3.2x	110%
Current liquidity ratio	1.01	1.13	111%

The fixed assets represent 69.3% of the total assets in the structure of assets, as of March 31, 2023, i.e. a decline by 10% as compared to their share as of the end of 2022, mainly due to a significant increase in the balance sheet total, while the fixed assets remained at a comparable level.

The share of the current assets, as of March 31, 2023, as compared to their share as of the end of 2022, had risen by 35%, mainly as a result of a significant increase in the selected items, which was largely due to an increase in the market prices. The reasons for the changes in the various components of the fixed and current assets are provided further on in this information.

The liabilities represent 65.5% of the total equity and liabilities in the structure of equity and liabilities as of March 31, 2023, with the long term liabilities accounting for 38.3% thereof, while the short term liabilities constitute 27.1% of the balance sheet total, which means a change of the debt structure as compared to the end of 2022 when such shares had stood at, respectively: 40.8% and 22.5%.

The financial liabilities had gone up in the first quarter of 2023, as compared to the balance sheet date falling on December 31, 2022, while the net debt rose by 20% during the same period. As a result, taking into account the fact that the rolling EBITDA for the trailing 12 months ended on March 31, 2023, had been higher as compared to the EBITDA posted for the financial year 2022, the net debt to EBITDA ratio was higher and it came in at 3.2x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (the net debt to EBITDA ratio) specified in some contracts concluded between the Company and the financial institutions is not more than 3.5x. The exceeding of that level could potentially trigger an immediate repayment of TAURON's obligations.

### Consolidated statement of comprehensive income

The below table presents the selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 3 months ended on March 31, 2023, as well as the comparable data for the period of 3 months ended on March 31, 2022. Those items are provided in accordance with the *Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 3 months ended on March 31, 2023.*

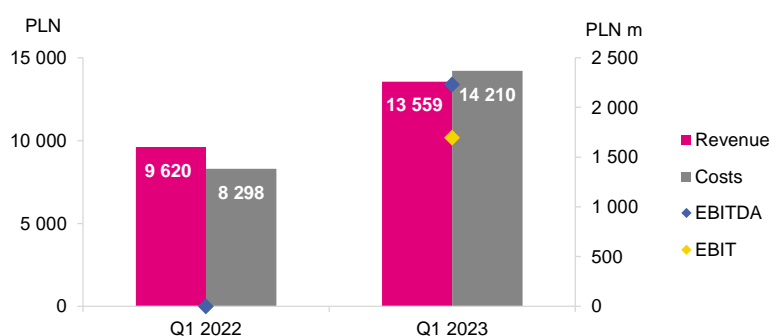
**Table no. 16. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first quarter of 2022 and for the first quarter of 2023**

Item (PLN m)	Q1 2022 (unaudited)	Q1 2023 (unaudited)	Change in % 2023 / 2022
Sales revenue	9 620	13 559	141%
Compensation payments	-	2 304	-
Cost of goods sold	(8 298)	(14 210)	171%
Other operating revenue and costs	0	17	-
Share in joint ventures' profits	27	27	100%
<b>Operating profit</b>	<b>1 349</b>	<b>1 697</b>	<b>126%</b>
<i>Operating profit margin (%)</i>	<i>14.0%</i>	<i>12.5%</i>	<i>89%</i>
Cost of interest on debt	(110)	(211)	192%
Other financial revenue and costs	(32)	(94)	294%
<b>Pre-tax profit</b>	<b>1 207</b>	<b>1 392</b>	<b>115%</b>
<i>Pre-tax profit margin (%)</i>	<i>12.5%</i>	<i>10.3%</i>	<i>82%</i>
Income tax	(371)	(356)	96%
<b>Net profit from the continued operations for the period</b>	<b>836</b>	<b>1 036</b>	<b>124%</b>
<i>Net profit margin from the continued operations (%)</i>	<i>8.7%</i>	<i>7.6%</i>	<i>88%</i>
<b>Net profit from the discontinued operations for the period</b>	<b>65</b>	<b>-</b>	<b>-</b>
<b>Net profit for the period</b>	<b>901</b>	<b>1 036</b>	<b>115%</b>
<i>Net profit margin (%)</i>	<i>9.4%</i>	<i>7.6%</i>	<i>82%</i>
<b>Total comprehensive income for the period</b>	<b>1 040</b>	<b>974</b>	<b>94%</b>

Item (PLN m)	Q1 2022 (unaudited)	Q1 2023 (unaudited)	Change in % 2023 / 2022
<b>Profit attributable to:</b>			
Shareholders of the parent entity	900	1 034	110%
Non-controlling shares	1	2	200%
<b>EBIT and EBITDA</b>			
<b>EBIT</b>	<b>1 418</b>	<b>1 697</b>	<b>120%</b>
<b>EBITDA</b>	<b>1 955</b>	<b>2 230</b>	<b>114%</b>

The below figure presents TAURON Capital Group's financial results for the first quarter of 2022 and for the first quarter of 2023.

Figure no. 15. TAURON Capital Group's financial results for the first quarter of 2022 and for the first quarter of 2023

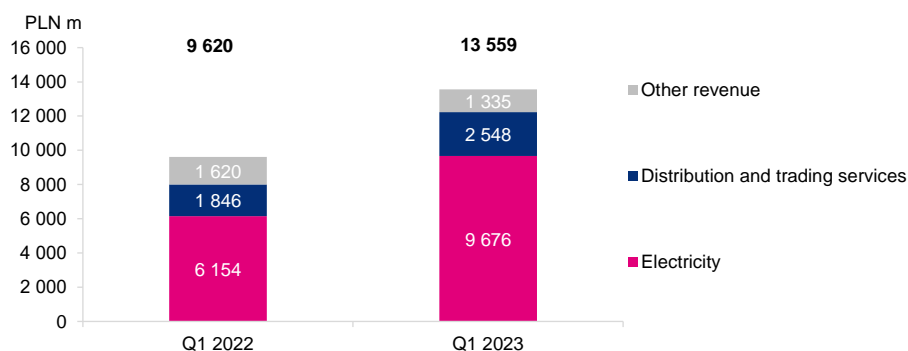


TAURON Capital Group generated revenue in the first quarter of 2023 that was higher by 41% than the revenue reported in the same period of 2022, which had been due to the following factors:

- the higher revenue from the electricity sales, primarily as a result of the higher electricity sales prices obtained, which is due, on the one hand, to an increase of the electricity sales prices on the market, and, on the other hand, the legislative solutions introduced in 2022, regulating the price level for the selected customer groups at a higher level than those applied in the first quarter of 2022. The legislative solutions introduced in 2022 had been aimed at capping the price increases for the customers (the introduction of the maximum prices for a selected group of consumers and the frozen prices for the electricity for the households, depending on the volume of consumption) and compensating the energy trading companies for the revenue thus lost due to the introduction of the compensation mechanism. These solutions had been implemented on the basis of the following legal acts:
  - Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 due to the situation on the electricity market (Journal of Laws 2022, item 2127),
  - Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023 (Journal of Laws 2022, item 2243).
- the higher revenue from the sales of the distribution and trading services as a consequence of an increase of the distribution and transmission service rate along with the simultaneous drop of the distribution service volume,
- the higher revenue from the sales of the thermal energy (heat supply), mainly as a result of a significant increase of the prices under the heat tariffs approved by the President of the ERO,
- the higher revenue from the sales of gas mainly due to a significant rise of the prices year on year as a result of changes in the prices contracted throughout 2022 for deliveries scheduled in 2023,
- the lower revenue from the sale of the CO<sub>2</sub> emission allowances, as a result of the booking of the revenue in the amount of PLN 604 million in the earnings for the first quarter of 2022, which had been a consequence of TAURON Group's decision to sell a volume of 1 717 000 EUA allowances and simultaneously repurchase this volume in the form of the EUA MAR'23 futures product for the purpose of redeeming the allowances for 2022 in order to match the delivery of the allowances and the cash outlay. The above decision to sell is a consequence of a failure of the 910 MW unit in Jaworzno in June 2021 and its shutdown for the remainder of the year, which had resulted in a surplus of the purchased allowances for the redemption purposes for 2021. A part of the resulting surplus in the amount indicated above had been allocated for the redemption purposes to another installation of TAURON Capital Group for 2022.

The below figure presents the structure of TAURON Capital Group's sales revenue in the first quarter of 2022 and in the first quarter of 2023.

Figure no. 16. Structure of TAURON Capital Group's sales revenue in the first quarter of 2022 and in the first quarter of 2023



The costs of TAURON Capital Group's operations (operating expenses) had come in at PLN 14.2 billion in the first quarter of 2023, i.e. they had been higher by 71% than the costs borne in the same period of 2022, which is mainly a consequence of incurring the higher costs of:

1. the electricity purchased for the purpose of the resale thereof as a result of an increase in the price of the electricity purchased on the domestic market price,
2. the higher costs of the gas purchased for the purpose of the resale thereof which is the result of an increase in the gas purchase price year on year,
3. the materials and energy consumption, mainly as a result of the higher costs of the coal fuel consumed for the purpose of the production of the electricity and heat, mainly as a result of change in prices of coal contracted throughout 2022 for deliveries scheduled in 2023,
4. the distribution services purchased which is due to an increase of the tariff for the PSE (TSO) distribution services,
5. the depreciation, mainly as a result of an increase in the value of the assets of TAURON Capital Group,
6. the higher costs of the greenhouse gas emission allowances, which is the result of an increase in the price of the emission allowances, while the CO<sub>2</sub> emissions by the Group's generating units were at a comparable level,
7. the employee benefits, which is the result of:
  - 1) the recognition (booking) in the costs of the first quarter of 2023 of the effects of the agreements signed with the workforce in 2022,
  - 2) an increase of the minimum wage in 2023,
  - 3) a change in the discount rate and, as a consequence, a change in the value of the actuarial provisions,
8. the higher costs of the other external services,
9. the higher costs of the taxes and fees, mainly due to the higher costs of the taxes on the grid assets as a result of a rise in the taxation rates.

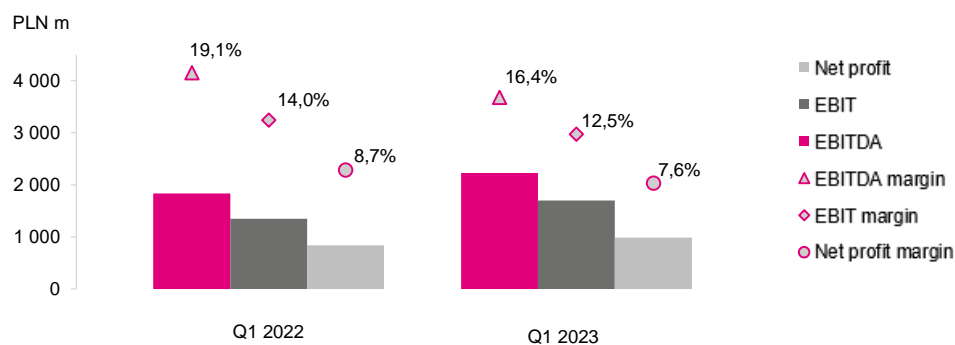
In addition, the amount of the charge to the Price Difference Payout Fund totaling PLN 310 million was included in the costs of the first quarter of 2023, which stemmed from the provisions of the acts of law obliging both the generators, as well as the suppliers of electricity and gas to distribute the profits to the Settlement Administrator (Manager) in excess of the statutorily imposed margin.

The EBITDA margin, EBIT margin and the margin on the net profit from the continued operations posted in the first quarter of 2023 came in at 16.4%, 12.5% and 7.3%, respectively, and they had been lower by 2.6 pp, 1.5 % and 1.4%, respectively, than the margins generated in the same period of 2022. The lower EBITDA margins posted are mainly the result of a significant increase, by 41%, of the sales revenue, primarily as a consequence of an increase in the electricity and gas prices recorded in the first quarter of 2023, as compared to the prices realized in the first quarter of 2022, while the above mentioned results had gone up by approximately 20%.

The comprehensive income attributable to the shareholders of the parent company had clocked in at PLN 972 million, as compared to PLN 1 039 million posted a year ago, while the net profit attributable to the shareholders of the parent company had come in at PLN 1 034 million, as compared to PLN 900 million posted in the same period of 2021.

The below figure presents TAURON Capital Group's financial results and the level of the margins realized in the first quarter of 2022 and in the first quarter of 2023.

Figure no. 17. TAURON Capital Group's financial results and the level of the margins realized in the first quarter of 2022 and in the first quarter of 2023



## Financial results by the Segments of operations

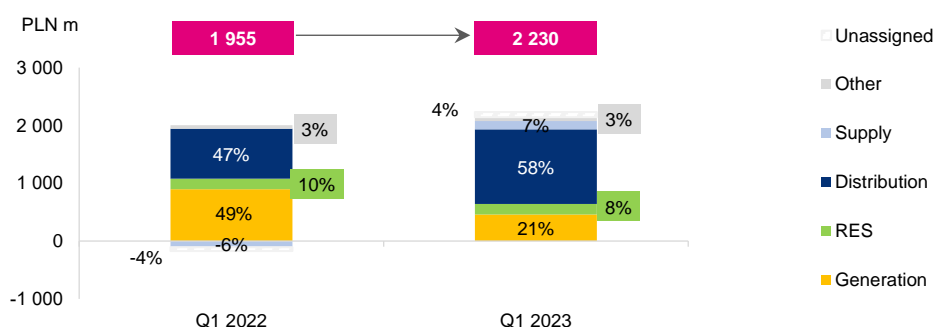
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations in the first quarter of 2022 and in the first quarter of 2023. The data for the individual Segments of operations does not include the consolidation related exclusions.

Table no. 17. TAURON Capital Group's EBITDA by the individual Segments of operations in the first quarter of 2022 and in the first quarter of 2023

EBITDA (PLN m)	Q1 2022	Q1 2023	Change in % 2023 / 2022
Generation	895	458	51%
RES	186	186	100%
Distribution	864	1 286	149%
Supply	(103)	145	-
Other operations	60	70	117%
Unassigned items and exclusions	(68)	85	-
<b>Total EBITDA</b>	<b>1 834</b>	<b>2 230</b>	<b>122%</b>
Discontinued operations	121	-	-
<b>EBITDA from the continued and discontinued operations</b>	<b>1 955</b>	<b>2 230</b>	<b>114%</b>

The below figure presents TAURON Capital Group's EBITDA structure in the first quarter of 2022 and in the first quarter of 2023.

Figure no. 18. TAURON Capital Group's EBITDA structure in the first quarter of 2022 and in the first quarter of 2023



The Distribution Segment and the Generation Segment make the biggest contributions to TAURON Capital Group's EBITDA.

### Generation Segment

The below table presents the Generation Segment's results for the first quarter of 2022 and for the first quarter of 2023.



**Table no. 18. Generation Segment's results for the first quarter of 2022 and for the first quarter of 2023**

Item (PLN m)	Q1 2022	Q1 2023	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>3 056</b>	<b>4 030</b>	<b>132%</b>
<i>electricity</i>	2 005	2 943	147%
<i>heat</i>	371	608	164%
<i>property rights related to guarantees of origin of electricity (energy certificates)</i>	35	11	30%
<i>services – capacity market</i>	150	189	126%
<i>greenhouse gas emission allowances</i>	483	268	55%
<i>other</i>	13	12	97%
<b>EBIT</b>	<b>786</b>	<b>346</b>	<b>44%</b>
Depreciation and impairment charges	109	112	103%
<b>EBITDA</b>	<b>895</b>	<b>458</b>	<b>51%</b>

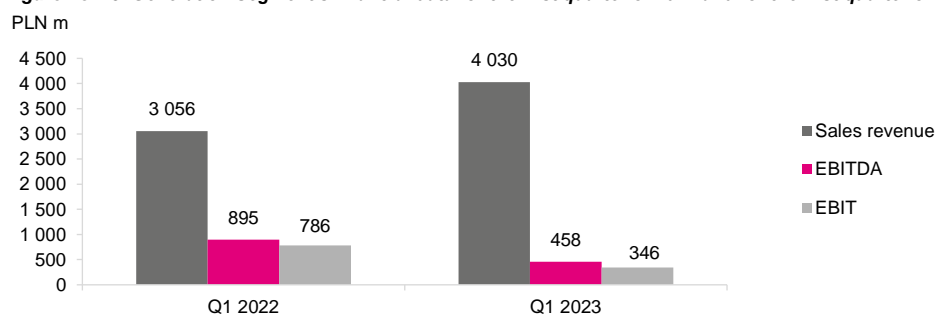
The Generation Segment's sales revenue in the first quarter of 2023 was higher by 32% as compared to the same period of 2022, mainly due to the higher revenue from the sales of the electricity and heat brought about by the higher sales prices.

The Generation segment's EBITDA and EBIT had been lower in the first quarter of 2023 than in the same period of 2022. The results posted had been affected by the following factors:

1. the higher margin on the sales of electricity as a result of the higher electricity sales prices, the lower costs of the electricity buybacks as a consequence of the shutdown of the 910 MW unit in the first quarter of 2022 and the higher costs of the fuels, the CO<sub>2</sub> emission allowances,
2. the use of the provision in the first quarter of 2022 resulting from the planned shutdown of the 910 MW unit, and the use of the provision for the onerous contracts in 2023. The outbreak of the war in 2022 had brought about a spike in the energy commodity prices, which translated into a decrease in the margins on the contracts concluded. In connection with the above, the Group decided to set up an onerous provision for these contracts as of the end of 2022, which will be successively used in 2023.
3. the sale of the CO<sub>2</sub> emission allowances in the first quarter of 2022 - as a result of a failure of the 910 MW unit in Jaworzno in June 2021, which had caused it to be taken out of service in the subsequent periods, a surplus of the emission allowances had arisen in the company's portfolio for the redemption obligation in 2021. Taking into consideration the need to match the delivery of the emission allowances and the cash expenditure, TAURON Capital Group made a decision to sell the CO<sub>2</sub> emission allowances in the amount of 1 717 000 EUAs.
4. the lower margin on the heat sales as a consequence of an increase in the costs of the fuels and the CO<sub>2</sub> emission allowances, partially offset by the higher heat sales prices
5. other factors, including mainly the events that had taken place in 2022 – the sale of the non-production assets and scrap metal, as well as the refund of the excise tax overpayment

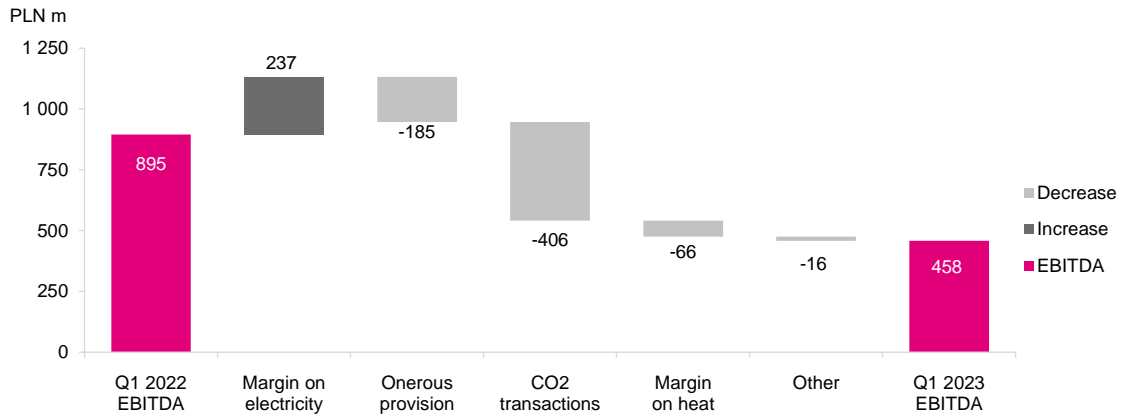
The below figure presents the Generation Segment's financial data for the first quarter of 2022 and for the first quarter of 2023.

**Figure no. 19. Generation Segment's financial data for the first quarter of 2022 and for the first quarter of 2023**



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

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



## RES Segment

The below table presents the RES Segment's results for the first quarter of 2022 and for the first quarter of 2023.

Table no. 19. RES Segment's results for the first quarter of 2022 and for the first quarter of 2023

Item (PLN m)	Q1 2022	Q1 2023	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>314</b>	<b>269</b>	<b>86%</b>
Electricity	175	152	87%
Guarantees of origin of electricity (energy certificates)	135	114	84%
Other	4	3	75%
<b>EBIT</b>	<b>154</b>	<b>138</b>	<b>90%</b>
Depreciation and impairment charges	32	48	150%
<b>EBITDA</b>	<b>186</b>	<b>186</b>	<b>100%</b>

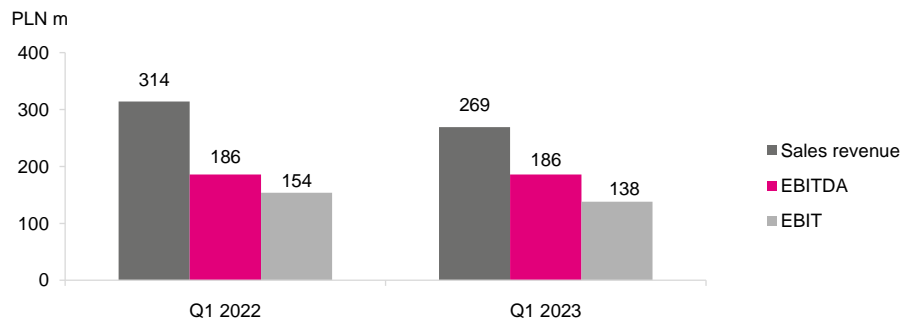
The RES segment's EBITDA and EBIT had been flat in the first quarter of 2023 as compared to the same period of 2022. The results posted had mainly been affected by the following factors:

1. the maintaining of the margin on the electricity sales, mainly as a consequence of the higher electricity production output by the wind farms (primarily due to the commissioning of the new units) and the hydro power plants, while the electricity sales prices had declined.
2. the lower revenue from the guarantees of origin of electricity (energy certificates), which had been a consequence of the lower prices of the property rights and the volume of the property rights acquired by the wind farms having been lower by 7%.
3. the resolution of a legal dispute related to the improperly collected wind farm grid connection fees and the higher costs of the business operations conducted.

In addition, the lower EBIT was impacted by the higher depreciation than in the same period of 2022.

The below figure presents the RES Segment's financial data for the first quarter of 2022 and for the first quarter of 2023.

Figure no. 21. RES Segment's financial data for the first quarter of 2022 and for the first quarter of 2023



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

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



## Distribution Segment

The below figure presents the Distribution Segment's results for the first quarter of 2022 and for the first quarter of 2023.

Table no. 20. Distribution Segment's results for the first quarter of 2022 and for the first quarter of 2023

Item (PLN m)	Q1 2022	Q1 2023	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>2 023</b>	<b>3 327</b>	<b>164%</b>
<i>distribution services<sup>1</sup></i>	1 954	3 248	166%
other revenue	69	79	115%
<b>EBIT</b>	<b>561</b>	<b>968</b>	<b>173%</b>
Depreciation and impairment charges	303	318	105%
<b>EBITDA</b>	<b>864</b>	<b>1 286</b>	<b>149%</b>

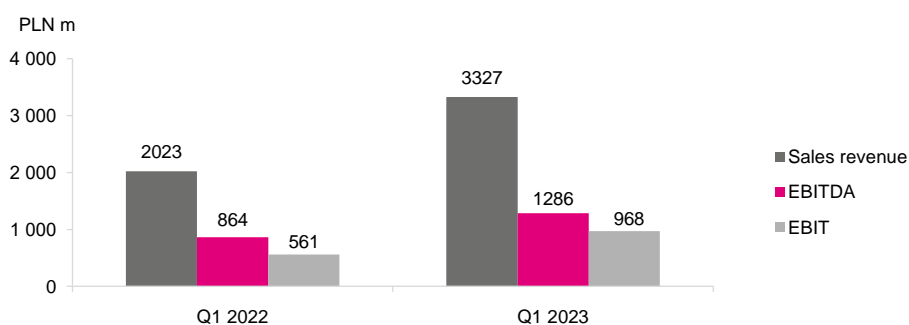
<sup>1</sup>including electricity upward adjustment

The Distribution Segment had reported an increase of the sales revenue by 64% in the first quarter of 2023, as compared to the same period of 2022, as well as the increases of EBIT and EBITDA by, respectively, 73% and 49%. The results posted had been affected by the following factors:

1. a change in the price of the electricity upward adjustment due to the grid losses,
2. the impact of the settlements as part of the regulatory account,
3. the lower margin on the distribution service as a result of a failure to pass on the full fixed costs of the distribution and the price to cover the grid losses in the 2023 tariff rates,
4. a decrease of the total electricity delivery by 594 GWh, including to the final consumers by 491 GWh, first of all in the A and B tariff groups, as a result of the restrictions on the manufacturing output of the goods at almost all of the industrial plants, and the temporary discontinuing of the production at some of the steel mills, the liquidation of the operations by some of the customers in response to a significant rise in the distribution tariffs and the electricity prices,
5. an increase of the other revenue related to the distribution operations, including mainly due to the exceeding of the grid connection contractual passive power consumption.

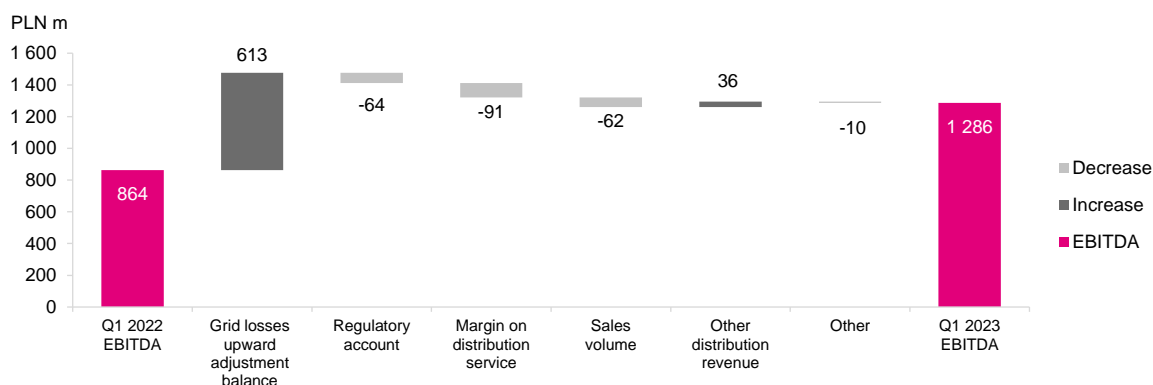
The below figure presents the Distribution Segment's financial data for the first quarter of 2022 and for the first quarter of 2023.

Figure no. 23. Distribution Segment's financial data for the first quarter of 2022 and for the first quarter of 2023



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

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



## Supply Segment

The below table presents the Supply Segment's results for the first quarter of 2022 and for the first quarter of 2023.

Table no. 21. Supply Segment's results for the first quarter of 2022 and for the first quarter of 2023

Item (PLN m)	Q1 2022	Q1 2023	Change in % 2023 / 2022
<b>Supply</b>			
<b>Sales revenue</b>	<b>10 587</b>	<b>12 232</b>	<b>116%</b>
<i>electricity, including:</i>	6 764	8 694	129%
<i>retail electricity supply revenue</i>	4 018	6 308	157%
<i>greenhouse gas emission allowances</i>	2 099	1 305	62%
<i>fuels</i>	706	1 057	150%
<i>distribution service (passed on)</i>	901	1 046	116%
<i>other services, incl. trading services</i>	118	131	111%
<b>EBIT</b>	<b>(113)</b>	<b>132</b>	
Depreciation and impairment charges	10	13	130%
<b>EBITDA</b>	<b>(103)</b>	<b>145</b>	

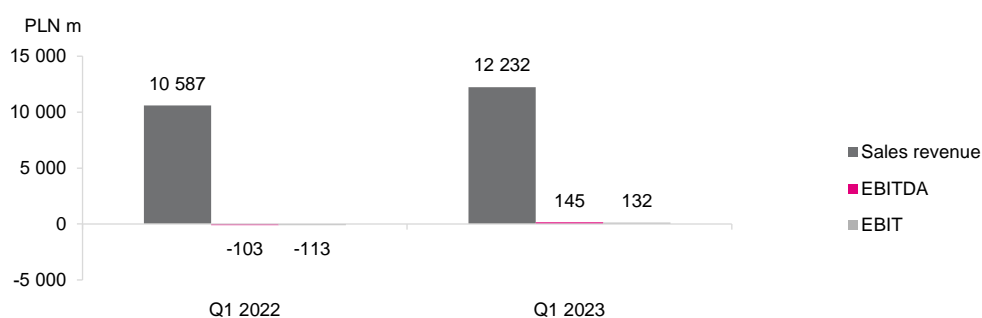
The Supply Segment's sales revenue in the first quarter of 2023 had been higher by 16% as compared to the same period of 2022. The increase of the revenue had been, first and foremost, a consequence of the changes in the electricity as well as the gas prices, which in turn had been a result of the prevailing market situation. The significantly lower revenue from the CO<sub>2</sub> emission allowance trading had been the result of postponing the sale of the emission allowances for the generating subsidiaries' redemption needs for 2022 to the second quarter of 2023. In addition, in the same period of the previous year, the surplus emission allowances arisen in connection with the shutdown of the 910 MW unit in Jaworzno had been sold.

The Supply Segment's EBITDA and EBIT had been higher in the first quarter of 2023 than in the same period of 2022. The results posted had been affected by the following factors:

1. the higher margin earned on the electricity sales, which is the result of:
  - 1) the higher margin obtained in the reporting period on the retail electricity trading as a result of an increase of the sales prices to a level that allowed to pass on its purchase costs. During the reference period, a sharp increase in the purchase costs, while it had not been possible to pass it on in the price, had resulted in a negative margin for the Segment,
  - 2) the obtaining of the higher revenue from the trading fees,
  - 3) a one time change in the upward adjustment valuation methodology having a positive impact on the margin differences between the periods under review,
  - 4) the obtaining of the higher margin on the electricity sales on the Czech market,
2. the stabilization of the gas market that allowed for improving the negative margin on the sales of this commodity.

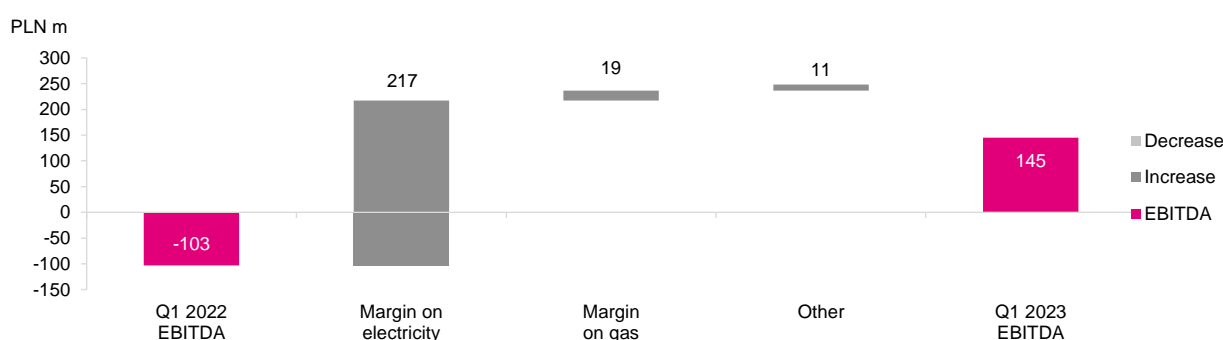
The below figure presents the Supply Segment's financial data for the first quarter of 2022 and for the first quarter of 2023.

Figure no. 25. Supply Segment's financial data for the first quarter of 2022 and for the first quarter of 2023



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

Figure no. 26. Supply Segment's EBITDA, including the material factors impacting the change year on year



## Other Operations

The below figure presents the Other Operations Segment's results for the first quarter of 2022 and for the first quarter of 2023.

Table no. 22. Other Operations Segment's results for the first quarter of 2022 and for the first quarter of 2023

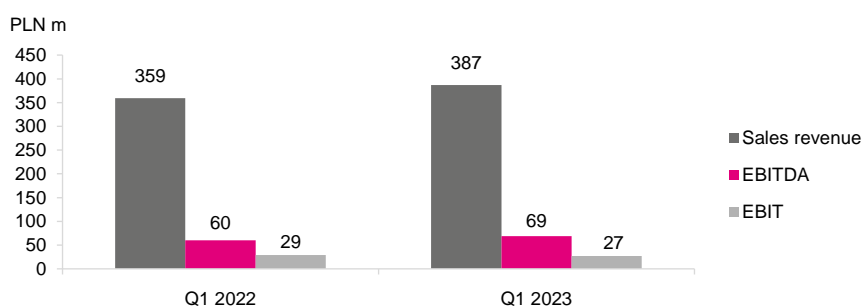
Item (PLN m)	Q1 2022	Q1 2023	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>359</b>	<b>386</b>	<b>108%</b>
customer service	73	80	110%
support services	144	150	104%
aggregates	33	43	129%
electricity	27	27	99%
biomass	54	55	102%
other revenue	27	30	114%
<b>EBIT</b>	<b>29</b>	<b>27</b>	<b>93%</b>
Depreciation and impairment charges	31	43	139%
<b>EBITDA</b>	<b>60</b>	<b>70</b>	<b>115%</b>

Other Operations Segment's sales revenue posted in the first quarter of 2023 had been higher by 8% as compared to the revenue posted in the same period of 2022, which had been primarily due to the higher sales of the aggregate, as well as the customer service and support services provided by the Shared Services Centers (CUW) for TAURON Capital Group's subsidiaries.

The below figure presents the Other Operations Segment's financial data for the first quarter of 2022 and for the first quarter of 2023.



Figure no. 27. Other Operations Segment's financial data for the first quarter of 2022 and for the first quarter of 2023



## Assets

The below table presents the consolidated statement of financial position – the assets as of December 31, 2022 and as of March 31, 2023.

Table no. 23. Interim abbreviated consolidated statement of financial position – the assets (material items) as of December 31, 2022 and as of March 31, 2023

Statement of financial position (PLN m)	As of December 31, 2022	As of March 31, 2023 (unaudited data)	Change in % (2023 / 2022)
<b>ASSETS</b>			
<b>Fixed assets</b>	<b>35 053</b>	<b>35 381</b>	<b>101%</b>
Tangible fixed assets	29 731	30 058	101%
<b>Current assets</b>	<b>10 267</b>	<b>15 645</b>	<b>152%</b>
Cash and equivalents	1 678	1 350	80%
Fixed assets and the group's assets for disposal, classified as held for trade	7	7	100%
<b>TOTAL ASSETS</b>	<b>45 320</b>	<b>51 026</b>	<b>113%</b>

As of March 31, 2023, TAURON Capital Group's statement of financial position shows the balance sheet total that is higher by 13% as compared to the balance sheet total as of December 31, 2022.

The below figures present the change in assets and current assets as of December 31, 2022, and as of March 31, 2023.

Figure no. 28. Change in assets as of December 31, 2022, and as of March 31, 2023

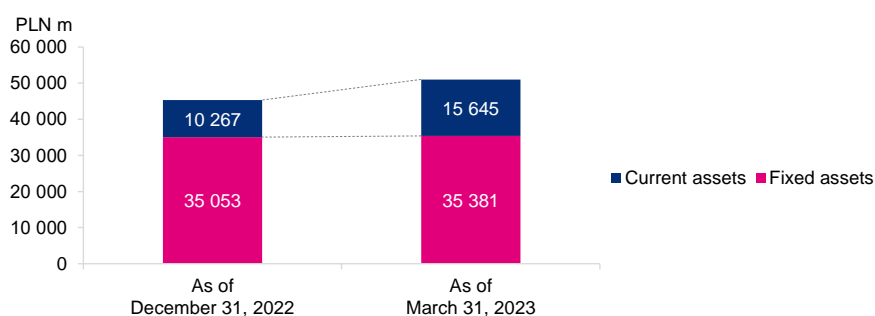
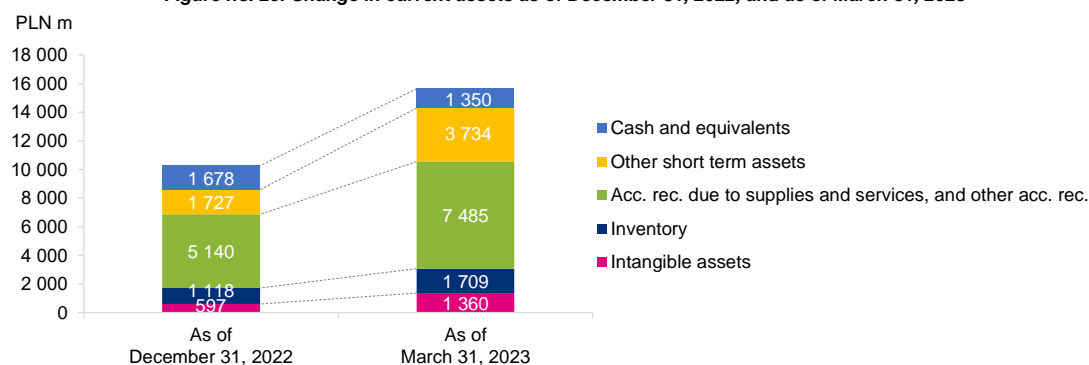


Figure no. 29. Change in current assets as of December 31, 2022, and as of March 31, 2023



The fixed assets represent the biggest item of the assets as of the end of March 2023, accounting for 69.3% of the balance sheet total. As compared to the end of 2022, the value of the fixed assets is higher by PLN 328 million (0.9%), which had been due to the following factors:

1. an increase by 1.1% of the value of the tangible fixed assets, which is a result of the investment projects implemented by TAURON Capital Group's subsidiaries and the recognized depreciation write-downs,
2. an increase by 1.0% in the value of the rights to use the shares,
3. a decline in the value of the guarantees of origin of electricity (energy certificates) and the greenhouse gas emission allowances to be redeemed due to the reclassifying of the guarantees of origin of electricity and the CO<sub>2</sub> emission allowances as the current assets held in order to fulfill the obligation related to the redemption of the above mentioned assets,
4. an increase by 18% of the deferred tax assets.

The following factors had an impact on the rise in the value of the current assets by PLN 5 378 million (52%):

1. an increase by 128% in the value of the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances to be redeemed, which is the result of:
  - 1) the purchase of the CO<sub>2</sub> emission allowances in the first quarter of 2023 for the redemption obligation for the year 2022,
  - 2) the purchase in the first quarter of 2023 or the recognition of the guarantees of origin of electricity (energy certificates) produced in-house for the fulfillment of the obligation to redeem the property rights,
  - 3) the reclassifying as the short term assets of a part of the property rights and the CO<sub>2</sub> emission allowances held, originally classified as the long term assets, that were reclassified due to their allocation for the purpose of the ongoing fulfilling of the obligation to redeem the above mentioned assets,
2. an increase of the value of the inventory by 53% which is due to the rise in the value of the hard coal stocks as a consequence of an increase of the prices of the purchasing thereof,
3. an increase by 63% of the accounts receivable from the consumers, which is mainly a consequence of the higher electricity and gas prices and has a direct impact on the increase in the turnover and balances at the end of the reporting period,
4. an increase by 12% of the value of the accounts receivable due to the income tax, mainly a consequence of the payment of the tax advance payments paid in January 2023 for the month of December 2022 by the TAURON Sprzedaż and TAURON Sprzedaż GZE subsidiaries,
5. a decrease by 14% of the value of the accounts receivable due to the other taxes and fees, mainly due to a decrease of the accounts receivable due to VAT,
6. a decrease by 15% of the value of the derivative instruments, mainly as a result of a change in the valuation of the derivative instruments related to the commodity derivatives, forward currency derivatives as well as the IRS and CCIRS instruments. The decrease in the value of the assets due to the valuation of the above derivatives in relation to the comparable period is mainly related to the forward instruments for the transactions for which the underlying commodities are the CO<sub>2</sub> emission allowances and is mainly due to a significant increase in the prices of the emission allowances while taking into account the number of the power exchange contracts open as of the balance sheet date,
7. an increase by 497% of the value of the other financial assets, in connection with the recognized accounts receivable due to the compensation payments that are, to a large extent, related to:
  - 1) the compensation payments with respect to the electricity supply for 2022 and for the first quarter of 2023, estimated by the Supply Segment's subsidiaries in the total amount of PLN 2 347 million, that the electricity trading companies are entitled to under the regulations of the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023* and the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023*,
  - 2) the compensation payments with respect to the distribution service sales for the period of the three months ended on March 31, 2023, estimated by the Distribution Segment's subsidiary in the total amount of PLN 378 million, that the Distribution Segment's subsidiary is entitled to under the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023*,
8. a decrease by 38% of the value of the other non-financial assets, mainly as a result of the settlement of the advance payments made on account the deliveries of the hard coal.

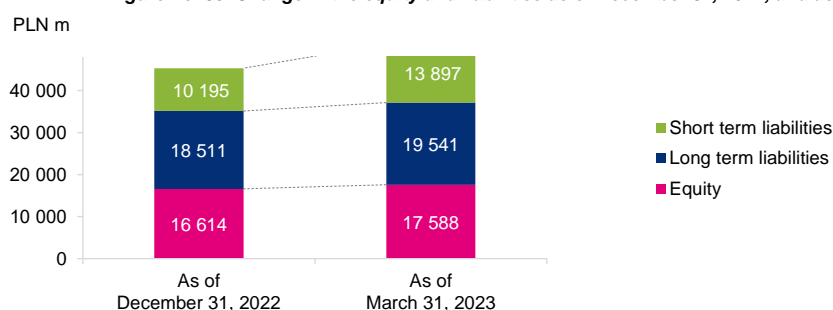
The below table presents the consolidated statement of financial position – equity and liabilities as of December 31, 2022 and as of March 31, 2023.

**Table no. 24. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of December 31, 2022 and as of March 31, 2023**

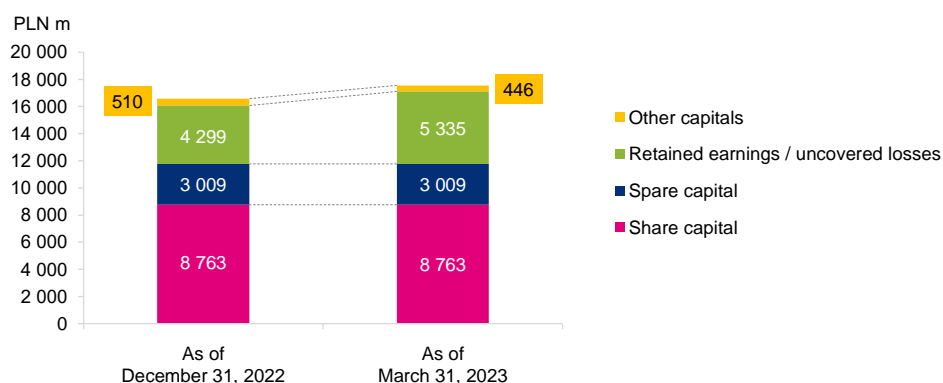
Statement of financial position (PLN m)	As of December 31, 2022	As of March 31, 2023 (unaudited data)	Change in % (2023 / 2022)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent entity</b>	<b>16 581</b>	<b>17 553</b>	<b>106%</b>
Non-controlling shares	33	35	106%
<b>Total equity</b>	<b>16 614</b>	<b>17 588</b>	<b>106%</b>
<b>Long term liabilities</b>	<b>18 511</b>	<b>19 541</b>	<b>106%</b>
Liabilities due to debt	15 959	16 993	106%
<b>Short term liabilities</b>	<b>10 195</b>	<b>13 897</b>	<b>136%</b>
Liabilities due to debt	528	1 448	274%
<b>Total liabilities</b>	<b>28 706</b>	<b>33 438</b>	<b>116%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>45 320</b>	<b>51 026</b>	<b>113%</b>

The below figures present a change in the equity and liabilities and the equity attributable to the majority shareholders as of December 31, 2022, and as of March 31, 2023.

**Figure no. 30. Change in the equity and liabilities as of December 31, 2022, and as of March 31, 2023**



**Figure no. 31. Change in the equity attributable to the majority shareholders as of December 31, 2022, and as of March 31, 2023**



The below figures present the change in the long term and short term liabilities as of December 31, 2022, and as of March 31, 2023.

**Figure no. 32. Change in the long term liabilities as of December 31, 2022, and as of March 31, 2023**

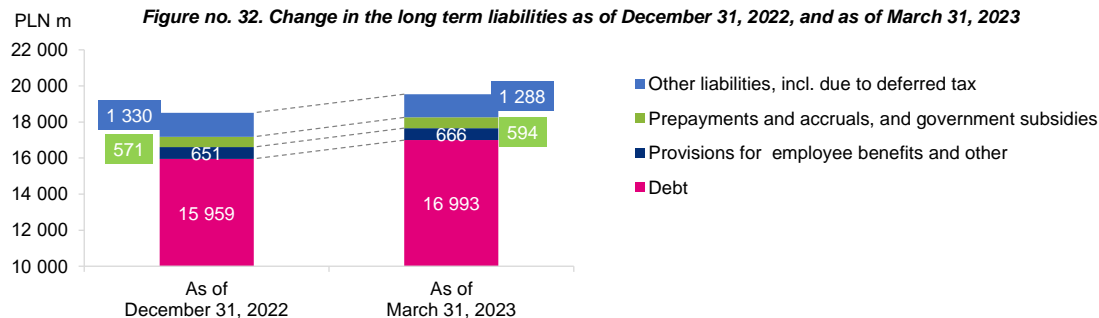
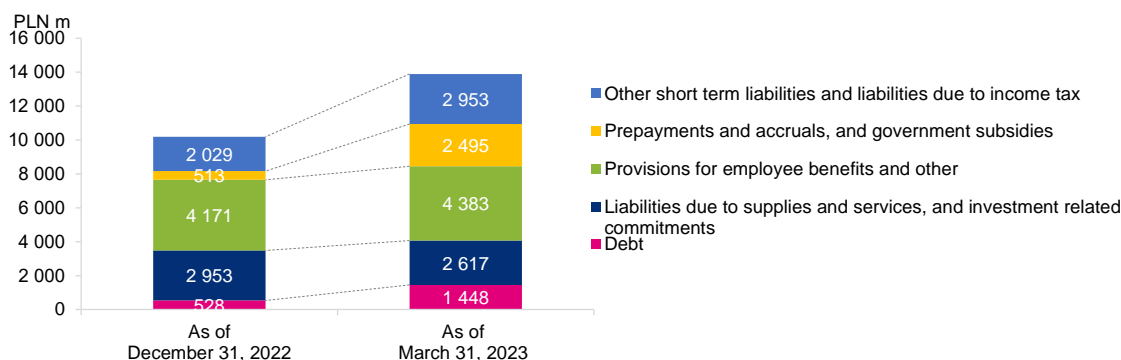


Figure no. 33. Change in the short term liabilities as of December 31, 2022, and as of March 31, 2023



The amount of TAURON Capital Group's long term liabilities had gone up by PLN 1 030 million (6%) in the first quarter of 2023, which had been a consequence of the following factors:

1. an increase by 6% of the value of the liabilities due to debt, as a result of the drawing down the proceeds due to the taking out of the loans,
2. a decrease by 6% of the value of the accounts payable due to the deferred income tax,
3. an increase by 3% of the value of the provisions for the employee benefits, along with a slight drop by 1% of the value of the provisions related to the costs of dismantling of the fixed assets and land reclamation as well as other,
4. an increase by 10% of the value of the other financial liabilities,
5. an increase by 90% of the value of the derivative instruments.

The amount of TAURON Capital Group's short term liabilities had gone up by PLN 3 702 million (by 36%), which had primarily been a consequence of the following factors:

1. an increase by 174% of the value of the liabilities due to debt, which is a result of reclassifying of a part of the financial liabilities from the long term liabilities as due for the repayment within the next 12 months,
2. a decrease by 1% of the value of the accounts payable towards the suppliers,
3. a decrease by 45% of the value of the investment commitments,
4. a decrease by 18% of the value of the provisions for the employee benefits,
5. an increase by 8% of the value of the provisions for the obligations (liabilities) due to the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances, which is the result of using up, in the first quarter of 2023, of a part of the provision in connection with the fulfillment of the obligation to redeem the CO<sub>2</sub> emission allowances and the guarantees of origin of electricity (energy certificates) for 2022 and setting up of a provision for the obligations (liabilities) due to the CO<sub>2</sub> gas emissions and the guarantees of origin of electricity (energy certificates) for the first quarter of 2023,
6. a decrease by 8% of the value of the other provisions, which is a consequence of the use / dissolving, in the first quarter of 2023, of the provision set up for the onerous contract in the Generation and Supply Segments for the contracts related to the sale of electricity, in the case of which the sales revenues generated do not fully cover the costs incurred to produce the electricity required to perform such contracts or to purchase it, which had been set up as of the balance sheet date falling on December 31, 2022,
7. an increase by 386% of the value of the prepayments and accruals, as well as the government subsidies, mainly as a consequence of an increase in the amount of the advance payments on account of the compensation payments received in the first quarter of 2023, which are related to:
  - 1) the Supply segment's subsidiaries, on the basis of the applications for the advance payments on account of the compensation payments with respect to the trading of electricity, filed in accordance with the provisions of the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023 and the Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023*,
  - 2) the Distribution segment's subsidiaries, on the basis of the applications for the advance payments on account of the compensation payments with respect to the distribution of electricity, filed in accordance with the provisions of the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market*,
8. an increase of the value of the accounts payable due to the income tax that are related to the income tax settlements (returns) of TAURON Capital Group's subsidiaries for the first quarter of 2023,
9. an increase by 46% of the value of the accounts payable (liabilities) due to the other taxes and fees, mainly as a consequence of the lower accounts payable due to the VAT and the social security premiums,
10. an increase by 15% of the value of the derivative instruments which is a consequence of the change in the fair value valuation of the derivative instruments and the FX forward or futures derivative instruments, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,
11. a decrease by 20% of the value of the other financial liabilities,

12. an increase by 57% of the value of the other non-financial liabilities which is primarily a consequence of the higher balance of the accounts payable towards the customers due to the overpayments received, and also the advance payments on account of the grid connection fee.

## Cash flows

### Consolidated cash flow statement

The below table presents the selected information from the interim abbreviated cash flow statement for the first quarter of 2022 and for the first quarter of 2023.

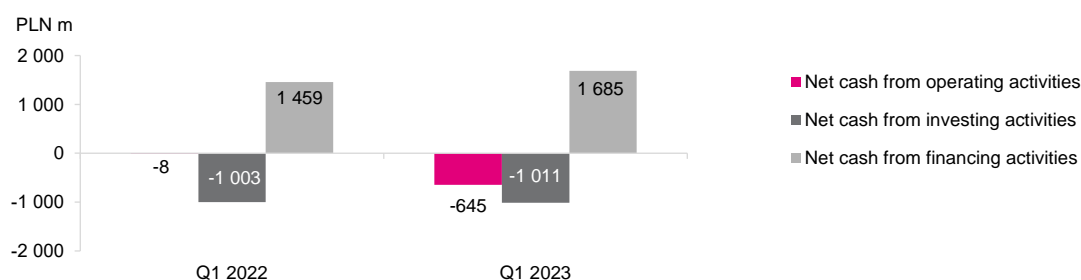
**Table no. 25. Interim abbreviated cash flow statement for the first quarter of 2022 and for the first quarter of 2023**

Cash flow statement (PLN m)	Q1 2022 (unaudited)	Q1 2023 (unaudited)	Change in % (2023 / 2022)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Pre-tax profit	1 272	1 392	109%
Adjustments	(1 280)	(2 037)	159%
<b>Net cash from operating activities</b>	<b>(8)</b>	<b>(645)</b>	<b>8 063%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of tangible fixed assets and intangible assets	5	3	60%
Purchase of tangible fixed assets and intangible assets	(876)	(1 014)	116%
Granting of loans	(120)	(1)	1%
Sale of shares and redemption of participation units	(12)	0	0%
Other	0	1	-
<b>Net cash from investing activities</b>	<b>(2 280)</b>	<b>(2 688)</b>	<b>118%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from taking on credits / loans	3 796	3 550	94%
Repayment of loans/credits	(1 187)	(1 726)	145%
Interest paid	(32)	(79)	247%
Acquisition of non-controlling shares	(1 061)	-	-
Other	(57)	(60)	5%
<b>Net cash from financing activities</b>	<b>1 459</b>	<b>1 685</b>	<b>115%</b>
<b>Increase / (decrease) in net cash and equivalents</b>	<b>448</b>	<b>29</b>	<b>6%</b>
<b>Cash opening balance</b>	<b>623</b>	<b>940</b>	<b>151%</b>
<b>Cash closing balance</b>	<b>1 071</b>	<b>969</b>	<b>90%</b>

The total amount of all of the net flows of cash from the operating, investing and financing activities in the first quarter of 2023 had been positive and had come in at PLN 29 million.

The below figure presents the cash flows in the first quarter of 2022 and in the first quarter of 2023.

**Figure no. 34. Cash flows in the first quarter of 2022 and in the first quarter of 2023**



The amount of cash flows from the operating activities was negative and had come in at PLN -645 million in the first quarter of 2023, which had been the result of the following factors:

1. the generated EBITDA in the amount of PLN 2 230 million,
2. a negative change of the working capital in the amount of PLN 2 584 million, which is the result of:
  - 1) a negative change of the balance of the accounts receivable in the amount of PLN 4 706 million, due to a change of the balance of the accounts receivable from the consumers as a result of the changes in the prices of the energy products, a change in the other financial accounts receivable and a change in the accounts receivable due to compensation payments,
  - 2) a negative change of the inventory level in the amount of PLN 593 million as a consequence of the an increase of the hard coal purchase prices,
  - 3) a positive change of the balance of the accounts payable in the amount of PLN 450 million,
  - 4) a negative change of the other long and short term assets as well as the provisions in the total amount of PLN 62 million,
  - 5) a positive change of the prepayments and accruals as well as the government subsidies in the amount of PLN 1 945 million, mainly due to the advance payments on account of the compensation payments received in the first quarter of 2023,
  - 6) a positive change in the balance of the collateral transferred to IRGIT (Warsaw Commodity Exchange Clearing House) in the amount of PLN 382 million
3. an expenditure in the amount of PLN 234 million due to the income tax, mainly as a result of the payment by the Group's subsidiaries of the advance payments on account of the income for January and February 2023,
4. other factors: PLN -57 million.

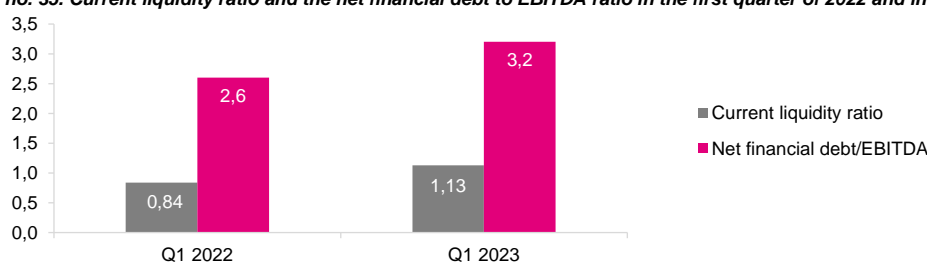
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, which had been higher by 16% in the first quarter of 2023 than the outlays incurred in the same period of 2022. The largest expenditures, in the first quarter of 2023, had been incurred by the Distribution Segment and they had accounted for 72% of the total capital spending.

The positive value of the cash flow from the financing activities is primarily due to the inflows from the financing obtained being higher than the expenditures incurred in connection with the repayment of the financial obligations. The amount of the credits and loans repaid had come in at PLN 1 726 million, while the amount of the proceeds received due to the loans taken out had clocked in at PLN 3 550 million. In addition, in the first quarter of 2023, TAURON Capital Group had paid the amount of PLN 79 million due to interest, mainly on the financial obligations, had repaid the accounts payable due to the leases in the amount of PLN 68 million, while the amount of the subsidies received had stood at PLN 10 million.

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

The below figure presents the current liquidity ratio and the net financial debt to EBITDA ratio in the first quarter of 2022 and in the first quarter of 2023.

Figure no. 35. Current liquidity ratio and the net financial debt to EBITDA ratio in the first quarter of 2022 and in the first quarter of 2023



TAURON Capital Group is effectively managing its financial liquidity using the central financing model put in place and the central financial risk management policy. TAURON Capital Group is using the *cash pooling* mechanism in order to minimize the potential cash flow disruptions and the risk of the loss of liquidity. TAURON Capital Group is using various sources of funding, such as, for example, overdrafts, bank loans, loans from the environmental funds, bond issues, including the subordinated bond issues.

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

TAURON Capital Group did not publish any forecasts of the financial results for 2023. TAURON Capital Group's financial position is stable and no negative events which could pose any threat to the continuity of its business operations or cause a material deterioration of its financial position have occurred.



*The detailed description of the financial position, understood as ensuring the provision of funds for both the operating, as well as the investing activities, is provided in section 3.4 of this information.*

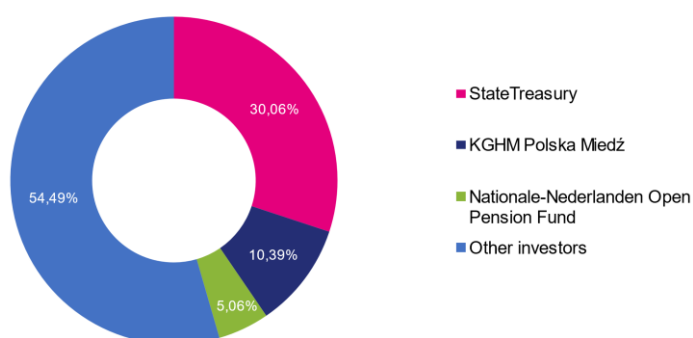
## 4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

### 4.1. Shareholding structure

As of March 31, 2023, and as of the date of drawing up this report the Company's share capital, in accordance with an entry in the National Court Register, stood at PLN 8 762 746 970 and was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 registered ordinary BB series shares.

The below figure presents the shareholding structure as of March 31, 2023, and as of the date of drawing up this information.

*Figure no. 36. Shareholding structure as of March 31, 2023, and as of the date of drawing up this information*



The below table presents the shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company, as of March 31, 2023 and as of the date of drawing up this information.

*Table no. 26. Shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company, as of March 31, 2023 and as of the date of drawing up this information*

Shareholders	Number of shares held	Percentage share in the share capital	Number of votes held <sup>1</sup>	Percentage share in the total number of votes
1. State Treasury	526 848 384	30.06%	526 848 384	30.06%
2. KGHM Polska Miedź S.A.	182 110 566	10.39%	182 110 566	10.39%
3. Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929	5.06%	88 742 929	5.06%

<sup>1</sup>Pursuant to the provisions of the Company's Articles of Association the voting right of the shareholders holding over 10% of total votes in the Company shall be limited so that none of them can exercise more than 10% of the total votes in the Company at the General Meeting of the Shareholders. The cumulative votes belonging to shareholders between whom there is a relationship of dominance or dependence within the meaning of the provisions of the Company's Articles of Association shall be subject to an appropriate reduction. The above mentioned restriction on exercising the voting right shall not apply to the State Treasury and the entities controlled by the State Treasury at the time when the State Treasury, together with the entities controlled by the State Treasury, hold a number of the company's shares that entitle them to exercise at least 25% of the total votes in the Company

From the date of disclosing the previous interim report, i.e. the annual report for 2022, published on March 29, 2023, until the date of drawing up this information the Company had not received any notifications from its shareholders on any changes in the ownership structure of the substantial blocks of TAURON shares.

### 4.2. Holdings of TAURON Polska Energia S.A. shares or the rights thereto by the Members of the Management Board and the Supervisory Board of TAURON Polska Energia S.A.

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

**Table no. 27. Company's shares or the rights thereto held by the Members of the Company's Management Board as of the date of drawing up this information**

First name and last name	Date of appointment to the Management Board of the Company	Number of the Company's shares held	Nominal value of the Company's shares held
1. Paweł Szczeszek	11.04.2022	0	0
2. Patryk Demski	05.08.2021	0	0
3. Bogusław Rybacki	09.09.2022	0	0
4. Krzysztof Surma	05.08.2021	10 000	PLN 50 000
5. Tomasz Szczegielniak	06.09.2022	0	0
6. Artur Warzocha	21.01.2022	0	0

As of the date of drawing up this information, the Members of the Supervisory Board of the Company did not hold any TAURON shares or any rights thereto.

From the date of disclosing the previous interim report, .e. the annual report for 2022, published on March 29, 2023, until the date of drawing up this information, there had been no changes in the ownership of TAURON shares or the rights thereto by the Members of the Management Board of the Company and the Members of the Supervisory Board of the Company.

## 5. OTHER MATERIAL INFORMATION AND EVENTS

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

The below table presents a summary of the material proceedings pending before the court, competent arbitration authority or the public administration authority in the first quarter of 2023.

**Table no. 28. Summary of the material proceedings pending before the court, competent arbitration authority or the public administration authority in the first quarter of 2023**

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<b>Proceedings involving TAURON</b>	
<p>1. <b>Plaintiff:</b> Huta Łaziska (Łaziska Steel Works)</p> <p><b>Defendants:</b> TAURON (as a legal successor to GZE) and State Treasury represented by the President of the Energy Regulatory Office (ERO)</p>	<p><b>Object of litigation:</b> a lawsuit for the payment of compensation for alleged damage caused by non-performance by Górnośląski Zakład Elektroenergetyczny S.A. (GZE) of the decision of the President of the Energy Regulatory Office (ERO) of October 12, 2001, related to the resumption of electricity supply to the plaintiff.</p> <p><b>Value of the object of litigation:</b> PLN 182 060 000.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of March 12, 2007</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On May 28, 2019, the Regional Court in Warsaw issued a ruling on the dismissal of Huta Łaziska's lawsuit in whole and ruled that Huta Łaziska shall refund each Defendant the costs of the proceedings. Huta Łaziska filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole. Based on the ruling of the Court of Appeal in Warsaw of February 9, 2022, the appeal of Huta Łaziska was dismissed, and also, among other things, the reimbursement of the costs of the appeal proceedings was adjudicated for the benefit of the Company. The ruling is final (legally binding). On October 13, 2022, Huta Łaziska brought a cassation appeal against the judgment to the Supreme Court. Both the Company and the State Treasury have filed responses to this complaint emphasizing, first of all, the lack of the grounds for its acceptance for examination by the Supreme Court. Up to now, the Supreme Court's decision on whether to accept or refuse to accept the cassation complaint of Huta Łaziska for examination has not been delivered.</p>
<p>2. <b>Authority conducting the audit:</b> Head of the Mazovian Customs and Tax Office, and after an appeal has been filed – the Director of the Tax Administration Chamber in Katowice and the Director of the Tax Administration Chamber in Warsaw</p> <p><b>Party:</b> TAURON</p>	<p><b>Object of litigation:</b> examining the accuracy of the tax base amounts declared by TAURON and the correctness of calculations and payments of the VAT tax for the period from October 2013 until September 2014. The main subject of the two investigations (audits) are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from Castor Energy sp. z o.o. (Ltd.)</p> <p><b>Value of the object of litigation (deducted VAT amount):</b> with respect to the transaction with Castor Energy sp. z o.o. (Ltd.) – PLN 52 494 672.</p> <p><b>Date of initiating the proceeding:</b> October 2014, August 2016</p> <p><b>Company's position:</b> in the Company's opinion during the verification of the counterparty (business partner, contractor), the due diligence was actually adhered to, and the Company acted in good faith, so there are no grounds for refusing the Company the right to deduct the tax assessed on the invoices documenting the electricity purchase from Castor Energy sp. z o.o. (Ltd.).</p> <p>On October 7, 2020, the Company received the decision of the Head of the Mazovian Customs and Tax Office, ending one of the audit proceedings, specifying the amount of its VAT tax liability for the following months: October, November, December 2013 and the first quarter of 2014, which resulted in the obligation for the Company to pay additional VAT due to the transaction with Castor Energy sp. z o.o. in the total amount of PLN 51 818 857, along with the interest on the tax arrears. The Company filed an appeal against the decision on October 20, 2020.</p> <p>On January 15, 2021, as part of the second audit proceedings, a decision was issued the Head of the Mazovian Customs and Tax Office in which the Authority stated that the Company had not been eligible to deduct the VAT assessed from the invoice issued by Castor Energia Sp. z o.o. (Ltd.) in April 2014, and thus the Company overstated the amount of VAT assessed recognized in the tax statement filing for the second quarter of 2014 by the amount of PLN 677 815.39. On February 12, 2021, the Company filed an appeal against the decision.</p> <p>The second instance authority upheld both decisions of the first instance authority. The company filed an appeal against the decisions of the second instance authority by way of a complaint lodged to the Provincial Administrative Court.</p> <p>On February 23, 2023, the Provincial Administrative Court (WSA) in Gliwice overturned the decision of the second instance authority that the Company had filed an appeal against, with respect to the VAT tax liability for the periods from October to December 2013 and for the first quarter of 2014. The ruling is not final. Both the Company and the Authority have the right to file a cassation complaint with the Supreme Administrative Court within 30 days from the date of the delivery of a copy of the ruling along with statement of reason to the party. On April 25, 2023 the Company received written statement of reason, however as of May 29, 2023 there has been no information on filing a cassation complaint with the Supreme Administrative Court.</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>3. <b>Plaintiff:</b> Enea <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> a lawsuit for the payment due to the Company's alleged unjust enrichment (benefit) in connection with the settlements related to the imbalance of the Balancing Market with PSE between January and December 2012</p> <p><b>Value of the object of litigation:</b> PLN 17 085 846.49</p> <p><b>Initiation of the proceeding:</b> the lawsuit of December 10, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit. On March 22, 2021, the Regional Court in Katowice dismissed Enea's lawsuit in full. In June 2021 Enea filed an appeal. Then the Company filed a response to the appeal. As of now, no appeal hearing date has been set.</p>
<p><b>Lawsuits pertaining to the termination, by Polska Energia Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) (PEPKH) subsidiary, of the agreements related to the sales of electricity and property rights arising from the guarantees of origin (energy certificates)</b></p>	
<p>4. <b>Plaintiff:</b> Dobiesław Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for payment of damages and determination of liability for the future.</p> <p><b>Value of the object of litigation:</b> PLN 72 217 997.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 30, 2017</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 37 471 305.05 or (a potential claim) PLN 35 969 662.07.</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings were held at which witnesses were heard. The evidentiary proceedings are still in progress. In April and May 2023 further hearings took place. The case is pending in the first instance.</p>
<p>5. <b>Plaintiff:</b> Gorzyca Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 97 651 840.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 57 933 516.55 or (a potential claim) PLN 62 666 188.65. The case was heard jointly with the cases brought by Pękanino Wind Invest sp. z o. o. and Nowy Jarosław Wind Invest Sp. z o. o. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings were held at which witnesses were heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>6. <b>Plaintiff:</b> Pękanino Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 44 817 060.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 16 347 985.20 or (a potential claim) PLN 11 894 096.96. The case had been heard jointly with the cases brought by Gorzyca Wind Invest sp. z o. o. and Nowy Jarosław Wind Invest Sp. z o. o. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings were held at which witnesses were heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>7. <b>Plaintiff:</b> Nowy Jarosław Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 57 763 340.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit. In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 30 755 239.47 or (a potential claim) PLN 32 175 239.15. The case had been heard jointly with the cases brought by Gorzyca Wind Invest sp. z o. o. and Pękanino Wind Invest Sp. z o.o. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings were held at which witnesses were heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>8. <b>Co-participation on the plaintiff's side:</b> Amon and Talia sp. z o.o. (Talia) <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> Amon – PLN 78 205 000; Talia – PLN 53 128 000</p> <p><b>Initiation of the proceeding:</b> the lawsuit of April 30, 2018</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions). The evidentiary proceedings are still in progress, a number of hearings were held at which witnesses were heard. In April and May 2023 further hearings took place.</p> <p>The case is pending in the first instance.</p>
<p>9. <b>Plaintiff:</b> Gorzyca Wind Invest sp. z o.o., Pękanino Wind Invest sp. z o.o., Dobiesław Wind Invest sp. z o.o.</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates)</b></p> <p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> Gorzyca Wind Invest sp. z o.o.(Ltd.) – PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. (Ltd.) PLN 64 116 908.85</p> <p><b>Initiation of the proceeding:</b> Gorzyca Wind Invest sp. z o.o. (Ltd.) – May 18, 2015, Pękanino Wind Invest sp. z o.o. (Ltd.) – May 20, 2018, Dobiesław Wind Invest sp. z o.o. (Ltd.) – May 18, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letters expanding the claims as being without merit.</p> <p>On April 14, 2022, PEPKH's power of attorney representatives received further lawsuits including more demands:</p> <ol style="list-style-type: none"> <li>1) Gorzyca Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 80 810 380.04 to be awarded or (an alternative claim) PLN 43 350 973.37,</li> <li>2) Pękanino Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 11 070 380.21 to be awarded or (an alternative claim) PLN 11 454 266.58.</li> </ol> <p>The cases had been combined for a joint hearing in 2018. In the course of the court proceedings under way, the plaintiffs had expanded their claims, as well as had filed the new claims (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings were held, during which witnesses were heard. The evidentiary proceedings are still in progress, and the court has appointed an accounting expert. PEPKH had not agreed to accept the team of persons appointed as experts and had filed appeals with respect to this issue. In December 2022, the plaintiffs had filed a motion for the issuance of the preliminary and partial rulings. PEPKH, in the letter dated February 1, 2023, had filed a motion to dismiss the above mentioned motions. On March 2, 2023, the court had dismissed the plaintiffs' motion for the issuance of the preliminary and partial rulings, and an order had been issued to commission an opinion to be prepared by the previously designated team of experts.</p> <p>The case is pending in the first instance.</p>
<p>10. <b>Plaintiff:</b> Dobiesław Wind Invest sp. z o.o.</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to award damages and liquidated damages.</p> <p><b>Value of the object of litigation:</b> PLN 119 958 191.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 14, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letter expanding the claims as being without merit.</p> <p>In the course of the court proceedings under way, the plaintiff had expanded its claims in 2021 (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings were held, during which witnesses were heard. The evidentiary proceedings are still in progress. The issue of the appointment of an accounting expert is currently being processed.</p> <p>The case is pending in the first instance.</p>
<p>11. <b>Plaintiff:</b> Nowy Jarosław Wind Invest sp. z o.o.</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> PLN 105 128 834.11</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 3, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letters expanding the claims as being without merit.</p> <p>In the course of the court proceedings under way, the plaintiff had expanded its claims four times (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings were held, during which witnesses were heard. The evidentiary proceedings are still in progress. The court had admitted the evidence in the form of an opinion issued by an expert in energy and property rights, the issue of the appointment of an accounting and finance expert is currently being processed.</p> <p>The case is pending in the first instance.</p>
<p>12. <b>Plaintiff:</b> Amon</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> PLN 40 478 983.22</p> <p><b>Initiation of the proceeding:</b> the lawsuit of May 22, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p>



Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p>On July 25, 2019, the Regional Court in Gdańsk issued a partial and preliminary ruling in the case in which the Court:</p> <ol style="list-style-type: none"> <li>determined that PEPKH's statements on the termination of long term agreements, concluded between PKH and Amon, for the purchase of electricity and property rights arising from the guarantees of origin of electricity had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties,</li> <li>determined that Amon's demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages.</li> </ol> <p>PEPKH disagrees with the ruling and had filed an appeal complaint on October 25, 2019. On November 17, 2022, the Court of Appeals had dismissed PEPKH's appeal. The ruling of the Court of Appeals and, as a consequence, the above mentioned preliminary and partial rulings shall be legally binding, however, there is a possibility of filing a cassation appeal. These rulings do not award any damages to be paid by PEPKH to the plaintiff, i.e. Amon. PEPKH disagrees with the ruling of the Court of Appeals in its entirety, as well as it disagrees with the ruling of the Court of the First Instance. PEPKH had requested the Court of Appeals that it be served the Court of the Second Instance's ruling along with a written statement of reasons, and it will proceed to analyze it with a view to file an appeal against it as soon as possible and take all other legal remedies to which it is entitled. On March 16, 2023, the Court of Appeals drafted a statement of reasons, PEPKH is awaiting the delivery thereof.</p> <p>The preliminary and partial ruling is final (legally binding). On January 20, 2023, PEPKH sent a letter to Amon in which it stated that it intended to respect the above mentioned ruling and remained ready to perform its obligations and indicated that it expected the same readiness from Amon. Up to now, Amon has not, in spite of the summons, complied with the Court of Appeals' ruling, and as a consequence PEPKH has filed a lawsuit against Amon, as described in section 15 below.</p>
<p>13. <b>Plaintiff:</b> Amon <b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to determine awarding of the damages due to a failure to perform, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 49 096 783,00 29</p> <p><b>Initiation of the proceeding:</b> August 20, 2019</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letter expanding the claims as being without merit.</p> <p>On March 1, 2023, PEPKH was served with an amendment to the lawsuit, in which Amon demanded the payment of PLN 20 087 593.10. in addition to the amount of PLN 29 009 190 demanded in the lawsuit.</p> <p>In January 2021, the Court had suspended the proceedings pending the final determination with respect to Amon's claim referred to in section 12 above, and, in view of the Court of Appeals' ruling, the Court resumed the suspended proceedings on January 30, 2023.</p> <p>The case is pending in the first instance.</p>
<p>14. <b>Plaintiff:</b> Talia <b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> PLN 46 078 047.43</p> <p><b>Initiation of the proceeding:</b> the lawsuit of May 21, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On March 6, 2020, the Regional Court in Gdańsk issued a partial and preliminary ruling, supplemented by the court on September 8, 2020, in the case in which the Court:</p> <ol style="list-style-type: none"> <li>determined that PKH's statements on the termination of long term agreements, concluded between PEPKH and Talia, for the purchase of electricity and property rights arising from guarantees of origin electricity (energy certificates) had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties,</li> <li>determined that Talia's demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages.</li> </ol> <p>On August 3, 2020, and on March 8, 2021, PEPKH filed an appeal against the ruling (the preliminary one and the supplemented one) with the court. On December 20, 2021, the Court of Appeal in Gdańsk, announced the ruling to dismiss the appeal of PEPKH. The ruling of the Court of Appeal, and as a consequence the above mentioned preliminary and partial ruling as well as the supplementary ruling are final (legally binding), however it is possible to file a cassation appeal. The rulings do not order that PKH should pay any damages to the plaintiff, i.e. Talia sp. z o.o. (Ltd.) PEPKH disagrees in full with the ruling of the Court of Appeal as well as with the rulings of the Court of the first instance. PEPKH has been served the statement of reason for the court judgment and filed a cassation appeal. On February 28, 2023 (an event that took place after the balance sheet date), the Supreme Court accepted the cassation appeal for review.</p>
<p>15. <b>Plaintiff:</b> PEPKH <b>Defendant:</b> Amon</p>	<p><b>Object of litigation:</b> plea to determine awarding of the damages due to a failure to perform, by Amon, of the agreements related to the purchase of electricity and the payment of the liquidated damages under the agreement for the sale of the property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 61 576 284.89</p> <p><b>Initiation of the proceeding:</b> the lawsuit was filed on August 31, 2023</p>

The filing of the lawsuit by PEPKH is due to the fact that following the date of the issuance of the ruling by the Court of Appeals, i.e., November 17, 2022, dismissing the appeal of PEPKH, as discussed in detail in section 12 above, Amon, in spite of PEPKH having issued the summons, has not fulfilled its obligation stemming from the final ruling by proceeding to perform the above mentioned agreements with PEPKH.

## Other proceedings

### Petitions of TAURON Sprzedaż for a change of the approved tariff

As of January 1, 2020, pursuant to the decision of the President of the Energy Regulatory Office (ERO) of December 17, 2019, the electricity tariff for the G tariff groups consumers had entered into force, resulting in an increase in the payments for the household consumers by 19.9% as compared to the payments incurred in 2018/2019.

Due to the fact that the said decision prevented TAURON Sprzedaż from passing on the justified costs of the activities related to the electricity trading, on January 8, 2020, TAURON Sprzedaż submitted to the President of the Energy Regulatory Office (ERO) a petition for a change of the tariff approved for 2020, thus initiating the administrative proceedings.

Due to the particularly complex nature of the case and the COVID-19 pandemic, the deadline for resolving the case had been set as July 29, 2020.

By way of the decision of July 8, 2020, the President of the Energy Regulatory Office (ERO) did not approve the above mentioned tariff change.

In the opinion of TAURON Sprzedaż, the change of the decision to approve the tariff was justified by the legitimate interest of the party and the provisions of the applicable law, stipulating that the tariff should ensure that the justified costs of the activities conducted by the Company are covered, while the decision approving the tariff, in the opinion of the Company, did not ensure this.

On July 30, 2020, TAURON Sprzedaż had filed an appeal to the Court of Competition and Consumer Protection in Warsaw, against the decision of the President of the Energy Regulatory Office (ERO) of July 8, 2020, motioning for the amendment of the challenged decision in its entirety by approving the electricity tariff in accordance with the application of TAURON Sprzedaż or revoking the decision in its entirety and ruling that the decision had been issued in the violation of the law.

The case is pending under the reference file number XVII AmE 242/20.

The Court of Competition and Consumer Protection Company, by way of its decision of July 28, 2022, had admitted the evidence in the form of the opinion of a court expert in the field of the energy market and accounting. The Company is waiting for the expert to issue the opinion.

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

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

*The detailed information on the transactions with the related entities is provided in note 53 to the Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 3 months ended on March 31, 2023.*

## 5.3. Credit or loan sureties granted and guarantees granted

### Credit or loan sureties granted

TAURON, as well as its subsidiaries, had not granted any credit or loan sureties in the first quarter of 2023.

The surety granted by TAURON in favor of Bank Gospodarstwa Krajowego (BGK) in order to provide a security for the agreement on the loan granted to EC Stalowa Wola S.A. had expired as of March 11, 2023.

### Guarantees granted

The Company, as well as its subsidiaries, had not granted any new corporate guarantees in the first quarter of 2023.

As of March 31, 2023, the total amount of the sureties and corporate guaranties (bonds) granted by the Company had stood at PLN 945 million.

In addition, in the first quarter of 2023, TAURON Zielona Energia had provided a surety for the liabilities of a subsidiary in the amount of PLN 1.5 million, with an effective term expiring in the fourth quarter of 2024.

As of March 31, 2023, the amount of the sureties and guarantees issued by the subsidiaries had stood at EUR 170 million (PLN 797 million) and PLN 348 million in total.

In the first quarter of 2023, as part of the framework agreements in force, the bank guarantees were issued at the instruction of the Company for the liabilities of TAURON Capital Group's subsidiaries and the related companies. As of March 31, 2023, the amount of the bank guarantees (bonds) in effect, issued at the instruction of the Company, had stood at PLN 1 207 million.

In addition, the bank guarantees issued at the instruction of TAURON Czech Energy had been in effect in the first quarter of 2023 and, as of March 31, 2023, they had amounted to PLN 37.7 million in total.

After the balance sheet date, the Company extended until January 31, 2025, the effective term of the corporate guarantee (bond) provided for TAURON Czech Energy's liabilities up to the amount of EUR 3 million.

*The detailed information on the guarantees (bonds) granted is provided in note 52 to the Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union, for the period of 3 months ended on March 31, 2023.*

#### **5.4. The impact of the COVID-19 pandemic on the operations of TAURON Capital Group in the first quarter of 2023**

The first quarter of 2023 was a period of the continued threat of the pandemic during which a minimal level of the SARS-CoV-2 virus infection cases had been observed. Currently, the majority of the restrictions have been lifted, nevertheless, in the medium and long term, it cannot be excluded that the COVID-19 pandemic may continue to affect the condition of the national, the European, as well as the global economy, making a negative impact on the macro-economic factors. The material issues related to the impact of the pandemic on TAURON Capital Group are presented below:

1. no material impact of the COVID-19 pandemic on the level of the demand for the electricity among TAURON Capital Group's customers, the level of the prices on the electricity and the related products market, as well as the trends in the level of the balance of the overdue accounts receivable among the Group's customers has been observed in the first quarter of 2023,
2. the situation related to the COVID-19 had not had an impact upon the operational activities of the individual Lines of Business of TAURON Capital Group in the first quarter of 2023.

TAURON Capital Group, based on the experience gained and being aware of the possibility of an increase of the threats (risks) related to the epidemiological situation, had monitored and adapted the measures undertaken adequately to the level of the threats and the evolution of the situation during the period under review. In case of a rise of the threat the Management Board of the Company is prepared to take all of the possible steps in order to mitigate any negative effects of the pandemic's impact on TAURON Capital Group.

#### **5.5. The impact of the Russian Federation's aggression against Ukraine on the current and future operations of TAURON Capital Group**

The aggression of the Russian Federation against Ukraine had begun in February 2022. In the opinion of TAURON Capital Group, the key consequences of the aggression and the risks stemming from it, which had an impact on TAURON Capital Group in the first quarter of 2023, are as follows:

1. the implementation in 2022, and having an impact on the situation in 2023, of the national regulations aimed at the curbing of the demand for the electricity, the introduction of the mechanisms aimed at the curtailing of the electricity price increases for the final consumers, the introduction of the margin caps for the electricity generators and the trading companies, as well as the changes in the rules of the functioning of the wholesale electricity market (the abolition of the power exchange trading obligation, the changes in the rules for the price setting on the balancing market). The introduction of the above mentioned regulations had an impact on TAURON Group's trading activities in the first quarter of 2023 and it will continue to affect the earnings of the Supply Line of Business, the conventional Generation Line of Business, the Renewable Energy Sources (RES) Line of Business, the Heat Line of Business and the Distribution Line of Business throughout 2023. The mitigation activities with respect to the shaping of the draft regulations had been conducted in the form of the consultations within the industry (trade) organizations, among others. The actions had also been taken to adjust TAURON Group's trading strategy to the changes in the regulatory environment, as well as the actions aimed at the technical and operational implementation of the solutions imposed by these regulations,
2. the observed gradual deterioration of the economic situation in Poland, and what followed, the decline of the electricity supply and distribution volume observed, in particular, in the first quarter of 2023, which had an impact on the level of the revenue of the Distribution Line of Business as well as that of the Supply Line of Business. There was also a decrease in the volume of production of TAURON Group's own generation units,

and as a consequence, an increase in the level of the hard coal inventory at TAURON Group's storage sites. With respect to the risk mitigation, the Group was taking actions related to the trading aspects (balancing of the sale position and the product changes aimed at curbing the impact of the changes in the demand on TAURON Group),

3. the decline and stabilization of the prices of electricity, as compared to the situation observed in 2022, in all of the electricity market segments, both in Poland as well as on the European markets. At the same time, a decrease in the liquidity with respect to the electricity products traded on TGE (POLPX) is noticeable, which causes an increase in risks in terms of effective hedging of the customer positions and the competitiveness of TAURON Sprzedaż's offers. In order to mitigate the above mentioned risks, the measures were taken in order to minimize the risk exposure by updating the trading strategy on an ongoing basis, as well as by shaping the electricity and gas offers for the business and the retail (household) customers,
4. the observed correction of the prices of electricity and the related products, leading to an increase of the trading margins stemming from the contracts entered into on the power exchange market. As part of the response, TAURON Group made the maximum use of the non-cash forms of hedging and took advantage of the margin offsets between the Supply and the Generation Lines of Business,
5. the persistent high inflation rate in Poland, including the high NBP reference (prime) interest rate, which had an impact on the costs of servicing the financing at TAURON Group, as well as it is affecting the rate of return on the capital employed in the Distribution Line of Business in 2023,
6. the possible further wage claims and the potential social unrest at TAURON Capital Group as a consequence of the rise of the inflation rate in Poland. With respect to the risk mitigation, the social dialogue had been conducted between TAURON's Management Board and the Social Council on the basis of the concluded Agreement on the cooperation as part of the social dialogue at TAURON Group, as a result of which the relevant agreements were signed.

With respect to the financial risk and the risk of the lack of liquidity, as of the date of drawing up this information, the Group had sufficient financial resources to enable it to meet its current obligations, as well as to carry out the investment activities that had been initiated.

In the subsequent periods, at least some of the above mentioned risk factors are expected to continue to persist, and their impact on TAURON Capital Group's liquidity and earnings will depend on the impact of the Russian Federation's aggression on the developments in the market, economic and geopolitical environment. The situation related to the Russian Federation's military aggression against Ukraine and its impact on the market and the regulatory environment is highly volatile, and its future implications are difficult to estimate precisely. They will depend, in particular, on the scale and the duration of the aggression, the further evolution of the situation, including a potential escalation of the military hostilities, as well as their impact on the condition of the economy in Poland and worldwide. The impact of the identified risks may also depend on the further regulatory actions taken at the EU level, as well as at the national level with respect to the implementation of the intervention type measures, as well as the shaping of the future energy market.

In addition to the continuation of the risk factors identified above, the possibility of the following risks occurring in the subsequent periods is also relevant:

1. the economic disturbances that may lead to the financial difficulties for some of TAURON Group's customers and counterparties and thus to a rise of the credit risk. As part of its response, the Group was carrying out both an initial, as well as an ongoing verification of the financial condition of its counterparties and applying the instruments aimed at hedging the credit exposure,
2. the resumed increase of the volatility of the prices of the raw materials and the prices of the electricity and the related products, the persistent high inflation rate, as well as the possible disruptions (snarls) in the supply chains of the goods and services, may impact the timing (schedules) and profitability of the ongoing and planned investment processes. As part of the response, the individual investment activities were subjected to a detailed analysis and a risk assessment based on the updated knowledge and forecasts, both prior to the release of the funds, as well as during the implementation thereof,
3. the risks with respect to the security and cybersecurity, including the potential restrictions in the access to the IT / OT infrastructure systems, the internet and the GSM network, as well as the physical security (safety) of the critical infrastructure elements, the breach of which may lead to the disruptions in the functioning of the operational processes and business continuity. At the national level, the alert levels were maintained, indicating the elevated risk associated with the possibility of an occurrence of terrorist incidents. As part of the response, among other things, the measures aimed at verifying the critical IT systems and the critical OT systems, as well as the steps aimed at securing the continuity of their operation through the development of the business continuity and recovery plans in the event of the unavailability thereof, were taken.

In the other areas, as of the date of drawing up this information, TAURON Capital Group had not identified the direct effects of the aggression with respect to its own operating activities and business operations, and the continuity of the functioning of its business processes was not at risk. TAURON Capital Group did not have any assets located on the territory of Ukraine, Russia and Belarus. No material changes in the balances of the overdue accounts

receivable had been reported. The current and the potential challenges identified in the investment and restructuring processes, and related to the volatility of the prices of the raw materials, disruptions in the supply chains of the goods and services, as well as the inflation, had been analyzed in detail based on the updated knowledge and forecasts before making any commitments and releasing significant financial resources.

TAURON Capital Group, while taking note of the scale of the risks related to the current situation, was monitoring the impact of the war in Ukraine on an ongoing basis and was taking steps aimed at minimizing the potential effects for TAURON Capital Group of the risk materializing, as well as at maintaining the continuity of the operations of the critical infrastructure. In connection with the situation arisen, the dedicated crisis teams have been set up at TAURON Group's Subsidiaries, in order to monitor the impact of the current situation on the business processes and to take actions in the event of identifying a risk of the interruption or disruption thereof.

## 5.6. Continuation of the activities related to the transition of the power sector

In the first quarter of 2023, TAURON Capital Group was continuing the implementation of the *Program to spin off TAURON Group's hard coal based generation assets to NABE (National Energy Security Agency) (NABE Program)* in order to implement the assumptions of the document titled the *Transition of the Power Sector in Poland. The spin-off of the hard coal based generation assets out of the companies with the State Treasury shareholding* (the Government's NABE Concept), adopted by the Council of Ministers by way of the Resolution No. 44/2022 of March 1, 2022. The Government's NABE Concept assumes the acquisition by the State Treasury (directly or indirectly) of the shares of / interests in the companies from the energy groups around which the assets related to the generation of electricity from hard coal will be integrated, including, inter alia, the contributed shares of / interests in the support services companies. The said concept also assumes ensuring the self-sufficiency of the companies integrating the assets, while at the same time keeping within the energy groups those assets that provide the potential for investments in the new generation capacity, including the real estate to be used for the construction of the new generation sources.

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

As part of implementing the Government's NABE Concept, the following steps had been completed in the first quarter of 2023:

1. an update / completion of the Vendor Due Diligence of TAURON Wytwarzanie and New Jaworzno Group TAURON sp. z o.o. (the company acquired by TAURON Wytwarzanie, the merger had been registered on October 3, 2022, an update of the due diligence of the companies as of September 30, 2022) had been finalized in three key areas, agreed for all of the energy groups: legal, tax and finance, as well as technology and environment,
2. the valuation of the assets, planned for the disposal under the NABE Program, had been continued,
3. the works had been carried out with respect to the planning of the procedure and financing of the transaction for needs of the divestment of TAURON Wytwarzanie shares to the State Treasury, and the transaction documentation had been agreed upon.

The assets grouped around TAURON Wytwarzanie in order to complete the spin-off to NABE had been responsible for generating EBITDA of PLN 466 million in the first quarter of 2023.

The timing of the completion of the process and the spin-off of the hard coal assets to NABE depends on the completion of a number of agreements between the State Treasury, the participants in the process and the financial institutions, among others. Thus, due to the fact that the Company is one of the participants in the process, the Company does not have a direct impact on the final timetable of the process.



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

Apart from the events indicated in this information, no other events had occurred in the first quarter of 2023 that were material for the evaluation of the personnel, assets, financial position and the financial result of TAURON Capital Group and the changes thereof, as well as for the evaluation of the ability of TAURON Capital Group to meet its obligations.

Katowice, May 30, 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



# Appendix A: GLOSSARY OF TERMS AND LIST OF ABBREVIATIONS AND ACRONYMS

The glossary of the trade terms and the list of abbreviations and acronyms most commonly used in this information is presented below.

**Table no. 29. Explanation of abbreviations and acronyms as well as trade terms**

Abbreviation and trade term	Full name / explanation
1. Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
2. ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
3. ARE	Agencja Rynku Energii S.A. (Energy Market Agency) with its registered office in Warsaw.
4. AVAL-1	AVAL-1 sp. z o. o. (Ltd.) with its registered office in Szczecin.
5. BASE (BASE Contract)	A baseload contract for the supply of electricity at all hours of the period, for example the BASE contract for March 2022 is related to the supply of the same amount of electricity during all hours of the month of March 2022.
6. Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
7. Cash pool	True real time (online) <i>cash pool</i> structure, implemented under the cash management agreement, is based on the daily limits. As a result of the implementation of the <i>cash pool</i> mechanism, cash transfers are made between the accounts of the service participants and the Pool Leader's account.
8. CCIRS	CCIRS - <i>cross-currency interest rate swap</i> – a transaction involving an exchange of the interest payments between the counterparties, accrued on the amounts denominated in various currencies and determined according to various interest rates.
9. Color certificates	Property rights based on the guarantees of origin of electricity (energy certificates) generated in the way that is subject to support, the so-called color certificates: <b>green</b> - guarantees of origin of electricity (energy certificates) from RES, <b>blue</b> - guarantees of origin of electricity (energy certificates) generated from agricultural biogas. <b>white</b> - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) <b>yellow</b> - guarantees of origin of electricity (energy certificates) generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, <b>red</b> - guarantees of origin of electricity (energy certificates) from co-generation (CHP certificates - Combined Heat and Power), <b>violet</b> - guarantees of origin of electricity (energy certificates) generated in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing,
10. COVID-19	Coronavirus Disease 2019 - acute respiratory system contagious disease caused by the SARS-CoV-2 virus infection. The disease was first diagnosed and described in November 2019 in central China in the city of Wuhan, Hubei Province.
11. CUW	Shared Services Center (Centrum Usług Wspólnych - CUW) - separate organizational units responsible for providing a specific range of support services (CUW R – accounting services, CUW HR – human resources services, CUW IT – IT services, CUW Insurance, CUW Protection).
12. Net debt/EBITDA	Net financial debt to EBITDA ratio.
13. EBIT	Earnings Before Interest and Taxes.
14. EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
15. EEX (EEX exchange)	European Energy Exchange – the European energy exchange in Leipzig, where the contracts and derivatives for electricity for various European countries are traded, as well as the primary auctions of the CO <sub>2</sub> emission allowances are conducted.
16. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
17. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
18. EU ETS	European Union Emission Trading System - European Union's System for the Trading of the CO <sub>2</sub> Emission Allowances.
19. EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO <sub>2</sub> ) equivalent to the air, within the meaning of Article 2 section 4 of the <i>act of July 17, 2009, on the management system of emissions of greenhouse gases and other substances</i> , which is used for settlements of emission level within the system and which can be managed under the rules provided in the <i>Act of April 28, 2011, on the system of greenhouse gases emission allowances trading</i>
20. EUR	Euro - a common European currency introduced in some EU member states
21. GPW	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
22. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)

Abbreviation and trade term	Full name / explanation
23. GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.
24. ICE (ICE exchange)	InterContinental Exchange – the commodity and financial exchange, where, among others, the contracts for oil, coal, natural gas and the CO <sub>2</sub> emission allowances are traded.
25. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
26. KE (EC)	European Commission - the executive body of the European Union.
27. KW Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
28. EBIT margin	A measure used to evaluate the Group's profitability, based on the ratio of the EBIT to the sales revenues generated. The metric provides information on the amount of the EBIT generated on every PLN of the products, goods and materials sales.
29. EBITDA margin	A measure used to evaluate the Group's profitability, based on the ratio of the EBITDA to the sales revenues generated. The metric provides information on the amount of the EBITDA generated on every PLN of the products, goods and materials sales.
30. Net profit margin	A measure used to evaluate the Group's profitability, based on the ratio of the net profit to the sales revenues generated. The metric provides information on the amount of the net profit generated on every PLN of the products, goods and materials sales.
31. MEGAWATT S.C.	Megawatt S.C (civil partnership.) with its registered office in Katowice.
32. Mg	Megagram - million gram (1 000 000 g), i.e. ton.
33. NABE	National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego).
34. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
35. Line of Business (Segment)	Seven areas (lines of business, segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply.
36. OSD	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD)
37. OSP	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
38. OTC (OTC market)	Over The Counter Market – European OTC market.
39. RES (OZE)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
40. PEAK (PEAK contract)	Peak contract for the supply of electricity during business hours (8-22) on business days, for example the PEAK contract for March 2020 is related to the supply of the same amount of electricity on all business days in March 2020 between 8 and 22.
41. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
42. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
43. PKB (GDP)	Gross Domestic Product (Produkt Krajowy Brutto).
44. PLN	Polish zloty currency symbol – zł (PLN)
45. PMEF	Property rights related to the energy efficiency certificates
46. PMOZE	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES before March 1, 2009.
47. PMOZE_A	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES after March 1, 2009.
48. PMOZE-BIO	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity from agricultural biogas from July 1, 2016
49. PSE	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna.
50. RB	Balancing Market (Rynek Bilansujący) - technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
51. RDB	Intraday Market - a market operating on the POLPX TGE), where trading is carried out in a continuous trading formula, 24 hours a day. Instruments with delivery on the next day are traded, with their trading starting at 14:00 the day before the delivery and gradually exiting the market one hour before the start of the delivery.
52. RDN	Day Ahead Market - a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
53. Government's NABE Concept	Initiated in April 2021 by the Ministry of the State Assets, the government's program for the transition of Poland's power sector (the NABE Program) aimed at spinning off the hard coal based assets out of the companies with the State Treasury shareholding, under the terms set forth by the Ministry of the State

Abbreviation and trade term	Full name / explanation
	Assets in a document titled "Transition of the Power Sector in Poland. The spin-off of the hard coal based generation assets out of the companies with the State Treasury shareholding". On March 1, 2022, the Council of Ministers passed a resolution on the adoption of the above mentioned document. The NABE program envisages the acquisition by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. of all of the assets related to the power generation in the hard coal and lignite fired power plants, including the support services companies providing services for their benefit. The State Treasury will integrate the acquired assets into a single entity. The acquisition is preceded by an internal reorganization of the energy enterprises aimed at integrating the assets envisaged to be spun off into a single entity.
54. SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
55. Segment, Segments of Operations (Operating Segments)	TAURON Capital Group's segments of operations used in the statutory reporting process. TAURON Capital Group's results from operations are allocated to the following 5 main Segments: Mining, Generation, RES, Distribution and Supply, as well as, additionally, Other Operations.
56. SLA	Service Level Agreement - an agreement with a guaranteed quality level of the service provision.
57. SPOT (SPOT market)	With respect to electricity, it is the place where trade transactions for electricity are concluded with delivery not later than 3 days after the date of the transaction's conclusion (most often it is one day before the date of delivery). The operation of the SPOT market for electricity is strongly tied to the operation of the Balancing Market run by the TSO.
58. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
59. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
60. Strategy	Document entitled TAURON Group's Strategy for 2016-2025 adopted by the Management Board on September 2, 2016, which is supplemented by the Update of Strategic Directions in the TAURON Group's Strategy for 2016-2025, adopted by the TAURON Management Board on May 27, 2019.
61. Talia	Talia sp. z o.o. (Ltd.) with its registered office in Lebcz.
62. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
63. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
64. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
65. TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
66. TAURON Ekoenergia	TAURON Ekoenergia sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
67. TAURON Nowe Technologie	TAURON Nowe Technologie S.A. (Joint Stock Company) (formerly: TAURON Dystrybucja Serwis S.A. (Joint Stock Company)) with its registered office in Wrocław.
68. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
69. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
70. TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
71. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
72. TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice.
73. TGE	Towarowa Giełda Energii S.A. (Polish Power Exchange – POLPX) with its registered office in Warsaw.
74. TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
75. UE	European Union (Unia Europejska - UE)
76. UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów – UOKiK)
77. URE	Energy Regulatory Office (Urząd Regulacji Energetyki - URE)
78. USD	United States Dollar - US dollar's international acronym
79. Wind T1	Wind T1 sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
80. Current liquidity ratio	A ratio (metric) used to determine the financial liquidity that allows for the checking of the ability to repay the liabilities by getting rid of the current assets, i.e. such assets that can be quickly converted to cash. The metric is calculated as the ratio of the current assets to the current liabilities
81. Financial liabilities	Defined in the individual financing agreements, the term generally denotes a liability (obligation) to pay or repay funds due to the credits, loans and debt securities as well as the financial leases (as defined in the provisions of the IAS 17 standard), with the exclusion of the liabilities due to the subordinated bonds
82. Net financial liability	The amount of the financial liability reduced by cash and the short term investments with a maturity of up to 1 year. This metric is also referred to as the net debt.

## Appendix B: INDEX OF TABLES AND FIGURES

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