TAURON Polska Energia S.A. Capital Group

Interim condensed consolidated financial statements
compliant with the International Financial Reporting Standards
approved by the European Union
for the 3-month period ended 31 March 2023

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited restated figures)*
Sales revenue	**12**	13 559	9 620
Recompensation revenue	**13**	2 304	–
Cost of sales	**14**	(13 861)	(8 048)
Profit on sale		**2 002**	**1 572**
Selling and distribution expenses	**14**	(189)	(125)
Administrative expenses	**14**	(160)	(125)
Other operating income and expenses		17	–
Share in profit/(loss) of joint ventures	**23**	27	27
Operating profit		**1 697**	**1 349**
Interest expense on debt	**15**	(211)	(110)
Finance income and other finance costs	**15**	(94)	(32)
Profit before tax		**1 392**	**1 207**
Income tax expense	**16**	(356)	(371)
Net profit on continuing operations		**1 036**	**836**
Net profit on discontinued operations	**17**	**–**	**65**
Net profit		**1 036**	**901**
Measurement of hedging instruments	**33.4**	(90)	159
Foreign exchange differences from translation of foreign entity		9	9
Income tax	**16**	17	(30)
Other comprehensive income on continued operations to be reclassified in the financial result		**(64)**	**138**
Actuarial gains	**36**	2	2
Other comprehensive income on continued operations not to be reclassified in the financial result		**2**	**2**
Other comprehensive income on discontinued operations	**17**	**–**	**(1)**
Other comprehensive income, net of tax		**(62)**	**139**
Total comprehensive income		**974**	**1 040**
Net profit:			
Attributable to equity holders of the Parent		1 034	900
Attributable to non-controlling interests		2	1
Total comprehensive income:			
Attributable to equity holders of the Parent		972	1 039
Attributable to non-controlling interests		2	1
Profit per share basic and diluted (in PLN):			
net profit for the period attributable to shareholders of the parent company		0.59	0.51
net profit from continuing operations for the period attributable to shareholders of the parent company		0.59	0.47

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	**18**	30 058	29 731
Right-of-use assets	**19**	2 015	1 996
Goodwill	**20**	26	26
Energy certificates and CO_2 emission allowances for surrender	**21.1**	–	55
Other intangible assets	**22**	716	726
Investments in joint ventures	**23**	716	682
Loans granted to joint ventures	**24**	215	206
Derivative instruments	**25**	340	390
Other financial assets	**26**	236	301
Other non-financial assets	**27.1**	268	268
Deferred tax assets	**28**	791	672
		35 381	**35 053**
Current assets			
Energy certificates and CO_2 emission allowances for surrender	**21.2**	1 360	597
Inventories	**29**	1 709	1 118
Receivables from buyers	**30**	6 212	3 819
Income tax receivables	**43**	580	518
Receivables arising from other taxes and charges	**31**	693	803
Derivative instruments	**25**	389	459
Other financial assets	**26**	2 856	478
Other non-financial assets	**27.2**	489	790
Cash and cash equivalents	**32**	1 350	1 678
Assets classified as held for sale		7	7
		15 645	**10 267**
TOTAL ASSETS		**51 026**	**45 320**

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Note	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	**33.1**	8 763	8 763
Reserve capital	**33.3**	3 009	3 009
Revaluation reserve from valuation of hedging instruments	**33.4**	377	450
Foreign exchange differences from translation of foreign entities		69	60
Retained earnings/(Accumulated losses)	**33.5**	5 335	4 299
		17 553	**16 581**
Non-controlling interests	**33.6**	**35**	**33**
Total equity		**17 588**	**16 614**
Non-current liabilities			
Debt	**35**	16 993	15 959
Provisions for employee benefits	**36**	511	494
Provisions for disassembly of fixed assets, land restoration and other provisions	**37**	155	157
Accruals, deferred income and government grants	**40**	594	571
Deferred tax liabilities	**28**	1 138	1 200
Derivative instruments	**25**	19	10
Other financial liabilities	**45**	131	119
Other non-financial liabilities		–	1
		19 541	**18 511**
Current liabilities			
Debt	**35**	1 448	528
Liabilities to suppliers	**41**	2 229	2 246
Capital commitments	**42**	388	707
Provisions for employee benefits	**36**	75	92
Provisions for liabilities due to energy certificates and CO_2 emission allowances	**38**	3 980	3 692
Other provisions	**39**	328	387
Accruals, deferred income and government grants	**40**	2 495	513
Income tax liabilities	**43**	366	17
Liabilities arising from other taxes and charges	**44**	474	324
Derivative instruments	**25**	379	331
Other financial liabilities	**45**	413	514
Other non-financial liabilities	**46**	1 321	843
Liabilities directly related to assets classified as held for sale		1	1
		13 897	**10 195**
Total liabilities		**33 438**	**28 706**
TOTAL EQUITY AND LIABILITIES		**51 026**	**45 320**

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3-MONTH PERIOD ENDED 31 MARCH 2023 *(unaudited)*

	Equity attributable to the equity holders of the Parent							
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
As at 1 January 2023	**8 763**	**3 009**	**450**	**60**	**4 299**	**16 581**	**33**	**16 614**
Net profit	–	–	–	–	1 034	**1 034**	2	**1 036**
Other comprehensive income	–	–	(73)	9	2	**(62)**	–	**(62)**
Total comprehensive income	**–**	**–**	**(73)**	**9**	**1 036**	**972**	**2**	**974**
As at 31 March 2023 *(unaudited)*	**8 763**	**3 009**	**377**	**69**	**5 335**	**17 553**	**35**	**17 588**

3-MONTH PERIOD ENDED 31 MARCH 2022 *(unaudited)*

	Equity attributable to the equity holders of the Parent							
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
As at 1 January 2022	**8 763**	**2 749**	**299**	**43**	**4 637**	**16 491**	**33**	**16 524**
Net profit	–	–	–	–	900	**900**	1	**901**
Other comprehensive income	–	–	129	9	1	**139**	–	**139**
Total comprehensive income	**–**	**–**	**129**	**9**	**901**	**1 039**	**1**	**1 040**
As at 31 March 2023 *(unaudited)*	**8 763**	**2 749**	**428**	**52**	**5 538**	**17 530**	**34**	**17 564**

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(restated figures unaudited)*
Cash flows from operating activities			
Profit before tax from continuing and discontinued operations	**47.1**	**1 392**	**1 272**
Share in (profit)/loss of joint ventures		(27)	(27)
Depreciation and amortization	**47.1**	533	537
Impairment losses on loans granted		(9)	5
Exchange differences		(33)	47
Interest and commissions		210	116
Other adjustments of profit before tax		107	(11)
Change in working capital	**47.1**	(2 584)	(1 583)
Income tax paid	**47.1**	(234)	(364)
Net cash from operating activities		**(645)**	**(8)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**47.2**	(1 014)	(876)
Purchase of financial assets		–	(12)
Loans granted		(1)	(120)
Total payments		**(1 015)**	**(1 008)**
Proceeds from sale of property, plant and equipment and intangible assets		3	5
Other proceeds		1	–
Total proceeds		**4**	**5**
Net cash used in investing activities		**(1 011)**	**(1 003)**
Cash flows from financing activities			
Repayment of loans and borrowings	**47.3**	(1 726)	(1 187)
Purchase of non-controlling shares		–	(1 061)
Interest paid	**47.3**	(79)	(32)
Repayment of lease liabilities		(68)	(64)
Other payments		(2)	(8)
Total payments		**(1 875)**	**(2 352)**
Proceeds from contracted loans and borrowings	**47.3**	3 550	3 796
Subsidies received		10	15
Total proceeds		**3 560**	**3 811**
Net cash from financing activities		**1 685**	**1 459**
Net increase/(decrease) in cash and cash equivalents		**29**	**448**
Net foreign exchange difference		22	(3)
Cash and cash equivalents at the beginning of the period	**32**	**940**	**623**
Cash and cash equivalents at the end of the period, of which:	**32**	**969**	**1 071**
restricted cash	**32**	581	119

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

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

TAURON Polska Energia S.A. Capital Group (the "Group", the "Capital Group", "TAURON Group") consists of TAURON Polska Energia S.A. (the "parent entity", the "Company", the "Parent Company") and its subsidiaries. TAURON Polska Energia S.A., with its registered office in Katowice at ul. ks. Piotra Ściegiennego 3 in Poland, operates as a joint-stock company, incorporated by notarial deed on 6 December 2006. Until 16 November 2007, the Company operated under the name Energetyka Południe S.A. The Company did not change its name or other identifying information in the period of three months ended 31 March 2023.

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

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

The TAURON Group's core business is reflected in the breakdown into segments: Generation (the segment comprising generation of electricity from conventional sources and heat generation), Renewable Energy Sources (the segment comprising generation of electricity from renewable sources), Distribution, Sales and other operations, including customer service, as discussed in more detail in Note 11 to these interim condensed consolidated financial statements.

The interim condensed consolidated financial statements of the Group cover the period of three months ended 31 March 2023 and contain comparative figures for the period of three months ended 31 March 2022 and as at 31 December 2022. The data included in these interim condensed consolidated financial statements for the period of 3 months ended 31 March 2023 and the comparative data for the period of 3 months ended 31 March 2022 have not been audited or reviewed by the statutory auditor. The comparative figures as at 31 December 2022 were subject to the audit by the statutory auditor.

These interim consolidated statement financial statements were approved for publication by the Management Board on 30 May 2023.

Composition of the Management Board

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

- Paweł Szczeszek - President of the Management Board,
- Patryk Demski - Vice President of the Management Board,
- Bogusław Rybacki - Vice President of the Management Board,
- Krzysztof Surma - Vice President of the Management Board,
- Tomasz Szczegielniak - Vice President of the Management Board,
- Artur Warzocha - Vice-President of the Management Board.

2. Composition of TAURON Group and joint ventures

As at 31 March 2023, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

(in PLN million)

No.	Company name	Seat	Share of TAURON Polska Energia S.A. in the company capital	Company holding direct equity interests / general partner
GENERATING				
1	TAURON Wytwarzanie S.A.	Jaworzno	100.00%	TAURON Polska Energia S.A.
2	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
3	TAURON Serwis Sp. z o.o.	Katowice	95.61%	TAURON Wytwarzanie S.A.
4	Łagisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
5	TAURON Inwestycje Sp. z o.o.	Będzin	100.00%	TAURON Polska Energia S.A.
6	Energetyka Cieszyńska Sp. z o.o.	Cieszyn	100.00%	TAURON Ciepło Sp. z o.o.
RENEWABLE ENERGY SOURCES				
7	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
8	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	WIND T1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
21	AVAL-1 Sp. z o.o.	Jelenia Góra	100.00%	TAURON Ekoenergia Sp. z o.o.
22	Polpower Sp. z o.o.	Połczyn-Zdrój	100.00%	TAURON Ekoenergia Sp. z o.o.
23	"MEGAWATT S.C." Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
24	TAURON Inwestycje Sp. z o.o.	Będzin	100.00%	TAURON Polska Energia S.A.
25	WIND T4 Sp. z o.o.	Pieńkowo	100.00%	TAURON Zielona Energia Sp. z o.o.
26	WIND T30MW Sp. z o.o.	Pieńkowo	100.00%	TAURON Zielona Energia Sp. z o.o.
27	FF Park PV 1 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
28	Windpower Gamów Sp. z o.o.	Nowy Targ	100.00%	TAURON Zielona Energia Sp. z o.o.
DISTRIBUTION				
29	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
30	TAURON Dystrybucja Pomiary Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
31	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
32	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
33	TAURON Czech Energy s.r.o.	Ostrawa, Republika Czeska	100.00%	TAURON Polska Energia S.A.
34	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
35	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
36	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	100.00%	TAURON Polska Energia S.A.
37	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warszawa	100.00%	TAURON Polska Energia S.A.
38	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
39	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
40	Usługi Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
41	TAURON Ubezpieczenia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.

As at 31 March 2023, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in the Generation segment:

No.	Company name	Seat	Share of TAURON Polska Energia S.A. in the company capital and governing body	Company holding direct equity interests
1	Elektrociepłownia Stalowa Wola S.A.	Stalowa Wola	50.00%	TAURON Inwestycje Sp. z o.o.
2	TAMEH HOLDING Sp. z o.o.	Dąbrowa Górnicza	50.00%	TAURON Polska Energia S.A.
3	TAMEH POLSKA Sp. z o.o.	Dąbrowa Górnicza	50.00%	TAMEH HOLDING Sp. z o.o.
4	TAMEH Czech s.r.o.	Ostrava, Czech Republic	50.00%	TAMEH HOLDING Sp. z o.o.

3. Statement of compliance

These interim condensed consolidated financial statements were prepared in accordance with the International Accounting Standard no. 34 *Interim Financial Reporting* (“IAS 34”) according to the template approved by the European Union (the “EU”).

The interim condensed consolidated financial statements do not comprise all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group prepared in accordance with the International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2022.

4. Going concern

These interim condensed consolidated financial statements have been prepared with the assumption of continuation of activities by the Group companies as a going concern in the foreseeable future, i.e. in the period not shorter than one year following the balance sheet day. As at the date of approving these consolidated financial statements no circumstances have been detected that could put the going concern operation of the Group's companies at risk.

The Group identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Group has the full capacity to settle its liabilities as they become due and payable. As at the balance sheet day, the Group has financing available under concluded financing agreements.

In the area of liquidity, financing and securing the continuity of operational activities, the Management Board, having analysed the financial position of the Company and the Group, does not identify any risk to the continuity of operations in the foreseeable future, i.e. within a period of not shorter than 1 year from the balance sheet day, taking into account the description of the impact of the aggression of the Russian Federation against Ukraine on the Group's operations, as further discussed in Note 54 to these interim condensed consolidated financial statements.

5. Functional currency and presentation currency

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

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

6. Material values based on professional judgement and estimates

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

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

(in PLN million)

Item	Explanatory note	Estimates and assumptions
Property, plant and equipment	Note 18	As at each balance sheet date the Group assesses whether objective indication of impairment occurred in relation to tangible fixed assets. Where relevant indications exist, the Group is required to perform impairment tests of tangible fixed assets. Within the impairment tests the Group estimates the recoverable amount of an asset or the cash-generating unit ("CGU") to which the specific asset belongs. The recoverable value of an asset or CGU corresponds to the higher of the fair value less costs of sales or the value in use. Estimation of the value in use of cash generating units is based on their future cash flows discounted to the current value with a discount rate. As at the balance sheet day, the analysis was performed of changes in the prices of electricity, raw materials and CO_2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests. After conducting the analyses taking into account the market and regulatory developments, it was concluded that they were consistent with the pricing assumptions calculated in the fourth quarter of 2022 and therefore do not affect the need to change the long-term projections relative to the information available as at 31 December 2022.Therefore, it has been recognised that the results of the most recent impairment tests on non-financial non-current assets carried out as at 31 December 2022 are valid. As a result of the aforementioned impairment tests of tangible fixed assets, the Group recognised impairment losses of PLN 75 million, as discussed in more detail in note 18 of these interim condensed consolidated financial statements. The Group verifies, at least at the end of each financial year, the economic useful lives of tangible fixed assets while any adjustments to depreciation write-downs are performed with the effect from the beginning of the reporting period in which the verification was completed.
Right-of-use assets	Note 19	At the date of commencement of the lease, the Group measures an rights-of-use assets including in the current value of the lease payments remaining to be paid on that date. Lease payments are discounted by the Group using the interest rate of the lease if that rate can be easily determined. Otherwise, the Group applies the marginal interest rate. The lease incremental borrowing rate is estimated as a weighted average cost of TAURON Group's debt adjusted for the individual rating of the companies, taking into account a breakdown by lease term. The Group applies the portfolio approach to similar leases regarding unified assets with similar use. When accounting for leases under the portfolio approach, the Group applies estimates and assumptions corresponding to the size and composition of the portfolio, including estimates of the weighted average lease term. In order to determine the lease period, e.g. for contracts for an indefinite period, the Group makes an estimate.
Loans granted to joint ventures	Note 24	The Group classifies and measures loans granted to joint ventures accordingly. As at the balance sheet date, loans granted to the joint venture, Elektrociepłownia Stalowa Wola S.A., with a total carrying amount of PLN 215 million, were classified as financial assets measured at a fair value through profit or loss. The Group has estimated the fair value accordingly taking into account the credit risk. Analyses of the credit risk of loans granted to the joint venture carried out as at the balance sheet date include, among other things, an estimate of the company future cash flows.
Financial derivatives	Note 25	The Group measures financial derivatives at a fair value as at each balance sheet date. The derivatives acquired and held to hedge own needs are not subject to measurement as at the balance sheet date.
Deferred tax assets	Note 28	The Group assesses the enforceability of deferred tax assets at each balance sheet date. As at 31 March 2023, the Group has not recognised a deferred tax asset of PLN 370 million as a result of conducted feasibility assessment.
Debt liabilities	Note 35	When measuring liabilities at amortised cost using the effective interest rate method, the Group estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. In the case of a credit agreement under which the drawing period of credit tranches may be less than or more than 12 months or with a term of repayment on the end of interest payment, where the financing available under the agreement is revolving and the term of availability exceeds 1 year, the Group classifies the tranches according to the intention and possibility of maintaining financing under the agreement, i.e. as long-term or short-term liabilities. The lease liability is measured at the present value of the outstanding lease payments, discounted using either the contractual interest rate (if determinable) or the incremental borrowing rate.

(in PLN million)

Provisions (including provisions for onerous contracts)	Note 36 Note 37 Note 38 Note 39	The Group estimates the amount of provisions created based on the assumptions, methodology and calculations appropriate for a given type of provisions, evaluating the probability of spending funds that incorporate economic benefits and determining the reliable level of funds necessary to perform the obligation. Provisions are created by the Group if the probability of spending funds that incorporate economic benefits is higher than 50%. As at each balance sheet date, the Group assesses whether it is a party to onerous contracts, i.e. contracts under which the unavoidable costs of fulfilling the obligation outweigh the benefits expected to be received under the contract and, if it is determined that it is a party to such contracts, the present obligation under such contracts is recognised and measured as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding to the costs of fulfilment of the lower of contract fulfilment costs and costs of any compensations or penalties arising for the failure to fulfil the contract. Within contract fulfilment costs, the Group estimates costs directly related to the contract including incremental contract fulfilment costs as well as the allocation of other costs that relate directly to contract fulfilment. As at the balance sheet date, the Group recognised provisions for onerous contracts related to concluded energy sales contracts in the amount of PLN 139 million.

In connection with the entry into force of legal regulations aimed at limiting electricity prices and protecting electricity consumers against price increases, the Group made estimates of revenues and costs related to recompensation for electricity supplies and sales of distribution services and the cost of write-offs to the Price Difference Payment Fund, which is discussed in more detail in Note 9 to these interim condensed consolidated financial statements.

Besides the foregoing, the Group makes significant estimates as regards the contingent liabilities recognised, in particular in the scope of legal proceedings where the Group companies are parties (note 51).

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

The Group did not choose earlier application of any standards or amendments to standards which were published but have not entered into force by 31 March 2023.

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

The International Accounting Standards Board is working on a draft and final version of a standard on regulated activities. The standard sets out a model for the accounting treatment of assets and liabilities associated with regulated activities. The new standard, if issued, will replace IFRS 14 *Regulatory Deferral Accounts*. According to the draft standard, the standard is intended to apply to entities that are party to a contract specifying regulated rates that the entity charges to its customers for goods and services provided, and when part of the total consideration for goods and services provided in a given period is charged to customers through regulated rates in another period (so-called time differences arise). The Group monitors the work carried out by the International Accounting Standards Board regarding the final version of the standard on regulatory assets and liabilities in terms of determining the impact on TAURON Group, particularly in the Distribution segment. As at the date of authorisation of these interim condensed consolidated financial statements for publication, the final version of the standard has not been issued. The Group will assess the impact of the standard on the Group's financial results and financial position once the International Accounting Standards Board has issued the final version of the standard.

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

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

Standard	Date of entry into force according to the standard, not endorsed by the EU *(annual periods staring on or after that date)*
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture as amended*	the date of entry into force of the amendments has been postponed
Amendments to IFRS 16 *Leases: Liability in a Sale and Leaseback*	1 January 2024

(in PLN million)

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

The accounting principles (policy) adopted for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2022, except for the application of the amendments to the standards specified below. The Group has also restated the comparable data as described below.

8.1. Application of new standarts and amendments to standards

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

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

8.2. Restatement of comparable data

Presentation of discontinued operations due to loss of control over TAURON Wydobycie S.A.

On 31 December 2022, the Group lost control of its subsidiary, TAURON Wydobycie S.A., as further described in note 3 of the consolidated financial statements for the year ended 31 December 2022. The Group assessed that the operations of the subsidiary, TAURON Wydobycie S.A., over which the Group lost control, including hard coal mining constituted a separate material line of business of the Group, meeting the definition of discontinued operations under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. In connection with the foregoing, in accordance with the requirements of paragraph 34 of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* , the Group has restated the comparative data for the period of three months ended 31 March 2022 in these interim condensed consolidated financial statements, as shown in the table below.

This is a translation of the document originally issued and signed in Polish

(in PLN million)

	3-month period ended 31 March 2022 *(unaudited approved figures)*	Change in presentation of discontinued operations	3-month period ended 31 March 2022 *(unaudited restated figures)*
Sales revenue	9 813	(193)	9 620
Cost of sales	(8 114)	66	(8 048)
Profit on sale	**1 699**	**(127)**	**1 572**
Selling and distribution expenses	(138)	13	(125)
Administrative expenses	(170)	45	(125)
Share in profit/(loss) of joint ventures	27	–	27
Operating profit	**1 418**	**(69)**	**1 349**
Interest expense on debt	(111)	1	(110)
Finance income and other finance costs	(35)	3	(32)
Profit before tax	**1 272**	**(65)**	**1 207**
Income tax expense	(371)	–	(371)
Net profit on continuing operations	**901**	**(65)**	**836**
Net profit on discontinued operations	**–**	**65**	**65**
Net profit	**901**	**–**	**901**
Measurement of hedging instruments	159	–	159
Foreign exchange differences from translation of foreign entity	9	–	9
Income tax	(30)	–	(30)
Other comprehensive income on continuing operations to be reclassified in the financial result	**138**	**–**	**138**
Actuarial gains	1	1	2
Other comprehensive income on continuing operations not to be reclassified in the financial result	**1**	**1**	**2**
Other comprehensive income on discontinued operations	**–**	**(1)**	**(1)**
Other comprehensive income, net of tax	**139**	**–**	**139**
Total comprehensive income	**1 040**	**–**	**1 040**
Net profit:			
Attributable to equity holders of the Parent	900	–	900
Attributable to non-controlling interests	1	–	1
Total comprehensive income:			
Attributable to equity holders of the Parent	1 039	–	1 039
Attributable to non-controlling interests	1	–	1
Earnings per share basic and diluted (in PLN):			
net profit for the period attributable to shareholders of the parent company	0.51	–	0.51
net profit from continuing operations for the period attributable to shareholders of the parent company	0.51	(0.04)	0.47

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

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

(in PLN million)

	3-month period ended 31 March 2022 *(unaudited approved figures)*	Change in presentation of collaterals provided to IRGIT	3-month period ended 31 March 2022 *(unaudited restated figures)*
Cash flows from operating activities			
Change in working capital	(1 569)	(14)	(1 583)
Net cash from operating activities	**6**	**(14)**	**(8)**
Increase/(decrease) in net cash and equivalents	**462**	**(14)**	**448**
Cash opening balance	791	(168)	623
Cash closing balance, including:	1 253	(182)	1 071
of limited disposal	**301**	**(182)**	**119**

9. Significant amendments to legal regulations

In the fourth quarter of 2022, regulations to cap electricity prices and protect electricity consumers from price increases came into force, which had a significant impact on the TAURON Group's operations in the period of three months ended 31 March 2023.

Legal act and key assumptions	
Act of 7 October 2022 on special solutions for the protection of electricity consumers in 2023 (the "Consumer Protection Act")	**The Act of 27 October 2022 on extraordinary measures to limit the level of electricity prices and support certain consumers in 2023 (the "Act on Extraordinary Measures")**
• Freezing of the electricity price in 2023 at a level of 2022 for households up to the value of electricity consumption defined in the Consumer Protection Act.	• Introduction of a fixed price for electricity trading, the so-called "maximum price", at a defined level of PLN 785/MWh for local government units, small and medium-sized enterprises and public utilities (or PLN 693/MWh for household customers) applicable until 31 December 2023.
• Establishment of recompensation for electricity undertakings due to the application of frozen electricity prices in 2023 in the amount of the product of the electricity covered by the frozen prices and the difference between the energy price resulting from the electricity tariff approved by the President of the ERO for 2023 and the frozen electricity prices.	• Establishment of a system of recompensations (calculated depending on the type of customer and the time of conclusion of the agreement) payable on a monthly basis, the payment of which is responsible of the Settlement Administrator [Zarządca Rozliczeń S.A.]. • The imposition of an obligation on electricity generators (both in the area of conventional generation and renewable energy sources) and trading companies to transfer contributions to the Price Difference Payment Fund (the "Fund"), for the purpose of paying the recompensation established by the Act on Extraordinary Measures, where the above-mentioned entities obtain from the sale of electricity prices exceeding the price limits calculated in accordance with the provisions of the regulation to the act. Setting the maximum overall limit on expenditure from the Fund and a limit in individual years covered by the act.

The main assumptions and effects of the aforementioned acts of law on these interim condensed consolidated financial statements are presented in the table below.

(in PLN million)

Impact of the acts of law on the interim condensed consolidated financial statements for the 3-month period ended 31 March 2023 *(unaudited)*	Note
Revenue from contracts with customers In accordance with the regulations of the *Customer Protection Act* and the *Act on Extraordinary Measures*, in the period of three months ended 31 March 2023 the companies of the Sales segment and the company of the Distribution segment applied prices for the sale of electricity and distribution services that do not exceed the maximum prices set out in the aforementioned Acts to the groups of customers indicated in the aforementioned Acts.	12
Revenue and receivables due to recompensations The companies in the Sales segment recognised estimated recompensations related to electricity supply in the amount of PLN 1 918 million in the first quarter of 2023 pursuant to the *Customer Protection Act* and the *Act on Extraordinary Measures*. The applications for the above recompensation payments were submitted in the period up to April 2023. As part of the aforementioned recompensation, the companies received an amount of PLN 13 million up to the balance sheet date. The company of the Distribution segment recognised estimated recompensations related to sales of distribution services in the amount of PLN 378 million in the first quarter of 2023 pursuant to the *Customer Protection Act*. As at 31 March 2023, the Group had recompensation receivables of PLN 2 729 million presented in the statement of financial position under *Other financial assets*, of which the amount of PLN 2 725 million relates to the effects of the *Act on Extraordinary Measures*and the *Customer Protection Act,* including: • the amount of PLN 2 347 million relates to the companies of the Sales segment, of which the amount of PLN 442 million relates to recompensation recognised as part of revenues in 2022 and the amount of PLN 1 905 million relates to recompensation recognised as part of revenues in the period of three months ended 31 March 2023, • the amount of PLN 378 million relates to recompensation recognised as part of revenue in the period of three months ended 31 March 2023 by a company in the Distribution segment.	13, 26
Advance payments for recompensations In the first quarter of 2023, advances totalling PLN 1 647 million were received by the companies in the Sales segment under the provisions of the *Customer Protection Act* and the *Act on Extraordinary Measures*. Advance payments received by companies of the Sales segment up to the balance sheet date will be settled in the period up to July 2023. In the first quarter of 2023, based on the provisions of the *Consumer Protection Act*, the Distribution segment company received advances for recompensation in the scope of sale of distribution services totalling PLN 252 million. Advance payments received by companies of the Distribution segment up to the balance sheet date will be settled in the period up to August 2023. Advance payments received for recompensations are presented in the item *Accruals and government grants* in the consolidated statement of financial position. As at the balance sheet date, the Group's balance of accruals advances received amounts to PLN 2 236 million, which consists of the above amounts of advance payments received in the first quarter of 2023 and the amount of PLN 337 million received by the companies of the Sales segment in 2022,	40.1
Costs of contributions to the Price Difference Payment Fund Based on the obligation imposed by the Act on Extraordinary Measures with regard to the transfer of funds to the Price Difference Payment Fund (the "Fund"), companies of the Group recognised costs of write-downs to the Fund in the period of three months period ended 31 March 2023 in the total amount of PLN 310 million (of which within the segments: Sales - PLN 290 million, Generation - PLN 9 million, RES - PLN 3 million and other operations - PLN 8 million). The cost of the write-down to the Fund has been recognised within the cost of taxes and charges in the Group's operating activities. Subordinated write-downs to the Fund which were transferred after the balance sheet date, amounting to PLN 103 million, are presented under *Other non-financial liabilities* in the consolidated statement of financial position.	14, 46
Provisions for onerous contracts Based on its analysis, the Group did not find it necessary to recognise the provision for onerous contracts in connection with the regulations of the *Customer Protection Act* and the *Act on Extraordinary Measures*.	39.2

10. Seasonality of activities

The Group's business is characterised by seasonality.

Sales of heat depends on the atmospheric conditions, in particular, on air temperature, and it is higher in the autumn and winter season for individual customers. The level of electricity sales to individual consumers depends on the length of a day, which usually makes electricity sales in this group of consumers lower in the spring and summer season and higher in the autumn and winter season. The level of production and sales of electricity generated in renewable energy sources is affected by meteorological conditions. In the previous years, sales of coal to individual consumers was higher in the autumn and winter season. Due to the loss of control on 31 December 2022 over a company in the Mining segment, the Group did not carry out any coal mining and sales activities in the current period. The seasonality of the remaining areas of the Group operations is limited.

BUSINESS SEGMENTS

11. Information on operating segments

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

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

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

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

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

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

The Group's financing (including financial revenue and costs) and income tax are monitored at the Group level and they are not allocated to segments.

None of the Group's operating segments has been combined with another segment to create reporting operating segments.

The Management Board separately monitors operating results of the segments in order to take decisions concerning allocation of the resources, to assess the effects of the allocation and to evaluate performance. The evaluation of performance is based on EBITDA and operating profit or loss. The Group defines EBITDA as EBIT increased by depreciation, amortisation and write-offs for non-financial assets. TAURON Group recognises write-downs on non-financial assets of entities consolidated using the full method and share in write-downs on non-financial assets of entities measured using the equity method as write-downs on non-financial assets. EBIT is defined by the Group as the profit/(loss) on continuing operations before tax, financial income and costs, i.e. operating profit/(loss).

Operating segments	Core business	Subsidiaries/ Companies accounted for using the equity method
Generation 	*Electricity generation in conventional sources, including cogeneration.*	TAURON Wytwarzanie S.A. TAURON Ciepło Sp. z o.o. TAURON Serwis Sp. z o.o. Łagisza Grupa TAURON Sp. z o.o. Energetyka Cieszyńska Sp. z o.o. TAURON Inwestycje Sp. z o.o. [1]
	*Production, distribution and sales of heat*	TAMEH HOLDING Sp. z o.o.[2] TAMEH POLSKA Sp. z o.o.[2] TAMEH Czech s.r.o.[2] Elektrociepłownia Stalowa Wola S.A.[2]
Renewable Energy Sources 	*Electricity generation in renewable sources,*	TAURON Ekoenergia sp. z o.o. TEC1 Sp. z o.o. TAURON Zielona Energia Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k. WIND T1 Sp. z o.o. AVAL-1 Sp. z o.o.[3] Polpower Sp. z o.o.[3] “MEGAWATT S.C.” Sp. z o.o. WIND T4 Sp. z o.o. WIND T30MW Sp. z o.o. FF Park PV 1 Sp. z o.o. Windpower Gamów Sp. z o.o. TAURON Inwestycje Sp. z o.o. [1]
Distribution 	*Distribution of electricity*	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiary Sp. z o.o.
Sales  	*Wholesale of electricity as well as trading in emission allowances and CO_2 certificates of origin and sales of electricity to domestic end consumers or entities re-selling electricity*	TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o. TAURON Nowe Technologie S.A.

[1] In the Generation segment, TAURON Inwestycje Sp. z o.o. classifies the activities related to the implementation of investment and research and development projects and generation of energy from sources other than renewable sources, while the activities related to the generation of energy from photovoltaic sources are classified in the Renewable energy sources segment.
[2] Companies accounted for using the equity method.
[3] After the balance sheet date, the incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o by TAURON Ekoenergia Sp. z o.o.

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

Due to the loss of control of the subsidiary, TAURON Wydobycie S.A. on 31 December 2022 and the classification of the operations of the aforementioned company as discontinued operations within the meaning of IFRS *5 Non-current Assets Held for Sale and Discontinued Operations*, the Group changed the presentation of operating segments in the comparable period, i.e. the period of three months ended 31 March 2022. The operations of TAURON Wydobycie S.A., previously presented in the Mining operating segment, were recognised under discontinued operations.

(in PLN million)

3-month period ended 31 March 2023 or as at 31 March 2023 *(unaudited)*

	Operating segments				Other	Unallocated items / Eliminations	Total
	Generation	Renewable Energy Sources	Distribution	Sales			
Revenue							
Sales to external customers	2 810	61	1 466	9 131	91	–	**13 559**
Inter-segment sales	1 220	208	1 861	3 101	295	(6 685)	**–**
Total segment revenue	**4 030**	**269**	**3 327**	**12 232**	**386**	**(6 685)**	**13 559**
Recompensation revenue	**3**	**–**	**378**	**1 923**	**–**	**–**	**2 304**
Profit/(loss) of the segment	**319**	**138**	**968**	**132**	**27**	**115**	**1 699**
Share in profit/(loss) of joint ventures	27	–	–	–	–	**–**	**27**
Unallocated expenses	–	–	–	–	–	(29)	**(29)**
EBIT	**346**	**138**	**968**	**132**	**27**	**86**	**1 697**
Finance income (costs)	–	–	–	–	–	(305)	**(305)**
Profit/(loss) before income tax	**346**	**138**	**968**	**132**	**27**	**(219)**	**1 392**
Income tax expense	–	–	–	–	–	(356)	**(356)**
Net profit/(loss) for the period	**346**	**138**	**968**	**132**	**27**	**(575)**	**1 036**
Assets and liabilities							
Segment assets	9 909	2 960	23 123	10 826	1 144	–	**47 962**
Investments in joint ventures	716	–	–	–	–	–	**716**
Unallocated assets	–	–	–	–	–	2 348	**2 348**
Total assets	**10 625**	**2 960**	**23 123**	**10 826**	**1 144**	**2 348**	**51 026**
Segment liabilities	4 762	220	2 488	4 540	613	–	**12 623**
Unallocated liabilities	–	–	–	–	–	20 815	**20 815**
Total liabilities	**4 762**	**220**	**2 488**	**4 540**	**613**	**20 815**	**33 438**
EBIT	**346**	**138**	**968**	**132**	**27**	**86**	**1 697**
Depreciation/amortization	**(112)**	**(48)**	**(320)**	**(12)**	**(42)**	**1**	**(533)**
Impairment	**–**	**–**	**2**	**(1)**	**(1)**	**–**	**–**
EBITDA	**458**	**186**	**1 286**	**145**	**70**	**85**	**2 230**
Other segment information							
Capital expenditure *	74	75	574	24	33	–	**780**

** Capital expenditure includes expenditure on property, plant and equipment, intangible assets and rights to use assets excluding the acquisition of CO_2 emission allowances and property rights of energy origin.*

3-month period ended 31 March 2022 *(restated unaudited data)* or as at 31 December 2022

	Operating segments				Other	Unallocated items / Eliminations	Total, continuing operations	Discontinued operations		Total, continuing and discontinued operations
	Generation	Renewable Energy Sources	Distribution	Sales				Mining	Unallocated items / Eliminations	
Revenue										
Sales to external customers	1 030	76	932	7 433	68	–	**9 539**	274	–	**9 813**
Inter-segment sales	2 023	238	1 084	3 096	278	(6 719)	**–**	–	–	**–**
Sales to from discontinued operations	3	–	7	58	13	–	**81**	284	(365)	**–**
Total segment revenue	**3 056**	**314**	**2 023**	**10 587**	**359**	**(6 719)**	**9 620**	**558**	**(365)**	**9 813**
Profit/(loss) of the segment	**759**	**154**	**561**	**(113)**	**29**	**(45)**	**1 345**	**65**	**4**	**1 414**
Share in profit/(loss) of joint ventures	27	–	–	-	–	–	**27**	–	–	**27**
Unallocated expenses	–	–	–	-	–	(23)	**(23)**	–	–	**(23)**
EBIT	**786**	**154**	**561**	**(113)**	**29**	**(68)**	**1 349**	**65**	**4**	**1 418**
Finance income (costs)	–	–	–	-	–	(142)	**(142)**	–	(4)	**(146)**
Profit/(loss) before income tax	**786**	**154**	**561**	**(113)**	**29**	**(210)**	**1 207**	**65**	**–**	**1 272**
Income tax expense	–	–	–	-	–	(371)	**(371)**	–	–	**(371)**
Net profit/(loss) for the period	**786**	**154**	**561**	**(113)**	**29**	**(581)**	**836**	**65**	**–**	**901**
Assets and liabilities										
Segment assets	9 475	2 910	22 174	6 701	1 156	–	**42 416**	–	–	**42 416**
Investments in joint ventures	682	–	–	-	–	–	**682**	–	–	**682**
Unallocated assets	–	–	–	-	–	2 222	**2 222**	–	–	**2 222**
Total assets	**10 157**	**2 910**	**22 174**	**6 701**	**1 156**	**2 222**	**45 320**	**–**	**–**	**45 320**
Segment liabilities	4 621	204	2 170	2 868	682	–	**10 545**	–	–	**10 545**
Unallocated liabilities	–	–	–	-	–	18 161	**18 161**	–	–	**18 161**
Total liabilities	**4 621**	**204**	**2 170**	**2 868**	**682**	**18 161**	**28 706**	**–**	**–**	**28 706**
EBIT	**786**	**154**	**561**	**(113)**	**29**	**(68)**	**1 349**	**65**	**4**	**1 418**
Depreciation/amortization	**(109)**	**(32)**	**(303)**	**(10)**	**(31)**	**–**	**(485)**	**(52)**	**–**	**(537)**
EBITDA	**895**	**186**	**864**	**(103)**	**60**	**(68)**	**1 834**	**117**	**4**	**1 955**
Other segment information										
Capital expenditure *	64	21	406	14	36	–	**541**	69	–	**610**

** Capital expenditure includes expenditure on property, plant and equipment, intangible assets and rights to use assets excluding the acquisition of CO_2 emission allowances and property rights of energy origin.*

(in PLN million)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

12. Sales revenue

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited restated figures)*
Sale of goods for resale, finished goods and materials without elimination of excise, of which:	**10 726**	**7 525**
Excise	(27)	(13)
Sale of goods for resale, finished goods and materials	**10 699**	**7 512**
Electricity	9 676	6 154
Heat energy	492	286
Gas	401	289
CO_2 emission allowances	–	604
Energy certificates and similar	65	110
Other goods for resale, finished goods and materials	65	69
Rendering of services	**2 843**	**2 092**
Distribution and trade services	2 548	1 846
Capacity Market	184	155
Maintenance of road lighting	35	32
Connection fees	24	20
Other services	52	39
Other revenue	**17**	**16**
Total revenue	**13 559**	**9 620**

In the period of three months ended 31 March 2023, sales revenue increased significantly in relation to the comparable period and the main changes were related to the revenue on sales of the following products, goods and services:

- Electricity - an increase mainly as a result of higher prices, which is due on the one hand to the increase in market electricity prices, and on the other hand to the regulation, by legislative solutions introduced in 2022, of the price level for selected customer groups at a higher level than the prices applied in the first quarter of 2022;
- Heat energy - an increase mainly due to significant price increases in heat tariffs approved by the ERO President;
- Gas - increase mainly due to a significant increase in prices compared to the comparable period, as a result of an increase in prices contracted during 2022 for deliveries in 2023
- Distribution and trading services - increase as a consequence of an increase in the rate of the distribution and transmission service with a simultaneous decrease in the volume of the distribution service.

Regarding to revenue of CO_2 emission allowances sales, the decrease occurred, due to a non-recurring event in the comparable period in the form of the failure of the 910 MW unit in Jaworzno, the Group, with a view to using the surplus allowances created due to the failure for the redemption of another Group installation and matching the delivery date of the allowances and the cash expenditure, sold 1 717 000 EUAs with a simultaneous repurchase of this volume in the EUA MAR'23 forward product. Revenue from sales of the aforementioned allowances amounted to PLN 604 million.

Revenues on sales from continued operations by operating segment is shown in the tables below.

(in PLN million)

3-month period ended 31 March 2023 *(unaudited)*

	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**2 539**	**58**	**–**	**8 038**	**64**	**10 699**
Electricity	2 044	–	–	7 607	25	**9 676**
Heat energy	492	–	–	–	–	**492**
Gas	–	–	–	401	–	**401**
Energy certificates and similar	1	58	–	3	3	**65**
Other goods for resale, finished goods and materials	2	–	–	27	36	**65**
Rendering of services	**267**	**3**	**1 456**	**1 091**	**26**	**2 843**
Distribution and trade services	115	–	1 417	1 016	–	**2 548**
Capacity Market	148	3	–	33	–	**184**
Maintenance of road lighting	–	–	–	35	–	**35**
Connection fees	–	–	24	–	–	**24**
Other services	4	–	15	7	26	**52**
Other revenue	**4**	**–**	**10**	**2**	**1**	**17**
Total sales revenue	**2 810**	**61**	**1 466**	**9 131**	**91**	**13 559**

3-month period ended 31 March 2022 *(restated unaudited figures)*

	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**842**	**74**	**1**	**6 533**	**62**	**7 512**
Electricity	519	3	-	5 606	26	**6 154**
Heat energy	286	-	-	-	-	**286**
Gas	-	-	-	289	-	**289**
CO2 emission allowances	-	-	-	604	-	**604**
Energy certificates and similar	32	71	-	1	6	**110**
Other goods for resale, finished goods and materials	5	-	1	33	30	**69**
Rendering of services	**188**	**2**	**929**	**957**	**16**	**2 092**
Distribution and trade services	84	-	898	864	-	**1 846**
Capacity Market	99	2	-	54	-	**155**
Maintenance of road lighting	-	-	-	32	-	**32**
Connection fees	-	-	20	-	-	**20**
Other services	5	-	11	7	16	**39**
Other revenue	**3**	**-**	**9**	**1**	**3**	**16**
Total sales revenue	**1 033**	**76**	**939**	**7 491**	**81**	**9 620**

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

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited restated figures)*
Revenue from sales of electricity	**9 676**	**6 154**
Retail sale	**6 082**	**3 870**
Strategic clients	1 281	462
Business clients	2 663	1 902
Mass clients - Group G	1 449	1 017
Mass clients - SME	663	422
Other	53	80
Excise duty	(27)	(13)
Wholesale	**3 317**	**2 119**
Other	**277**	**165**

13. Recompensation revenue

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Recompensation electricity	1 918	–
Recompensation distribution services	378	–
Recompensation gas	5	–
Recompensation heat energy	3	–
Total	**2 304**	**–**

(in PLN million)

In the period of three months ended 31 March 2023, based on the legal regulations which established a recompensation scheme covering electricity trading and distribution companies, the Group recognised recompensation revenue in the total amount of PLN 2 304 million relating mainly to:

- companies in the Sales segment, which recognised the estimated recompensations relating to electricity sales in the first quarter of 2023, amounting to PLN 1 918 million,
- companies in the Distribution segment, which recognised the estimated recompensations relating to distribution services the first quarter of 2023, in the amount of PLN 378 million.

The aforementioned recompensations are described in detail in Note 9 to these interim condensed consolidated financial statements.

14. Costs by type

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited restated figures)*
Depreciation and amortization	(533)	(485)
Materials and energy	(1 484)	(774)
Maitenance and repair services	(50)	(39)
Distribution services	(752)	(394)
Other external services	(259)	(156)
Cost of obligation to remit the CO_2 emission allowances	(1 052)	(477)
Allowance for Price Difference Payment Fund	(310)	–
Other taxes and charges	(199)	(187)
Employee benefits expense	(737)	(637)
Allowance for trade receivables expected credit losses	(26)	(1)
Costs of provision for onerous contracts	36	–
Other	(31)	(35)
Total costs by type	**(5 397)**	**(3 185)**
Change in inventories, prepayments, accruals and deferred income	1	2
Cost of goods produced for internal purposes	192	159
Selling expenses	189	125
Administrative expenses	160	125
Cost of goods for resale and materials sold	(9 006)	(5 274)
Cost of sales	**(13 861)**	**(8 048)**

In the period of three months ended 31 March 2023 in relation to the comparative period, the main changes in the cost of goods, products, materials and services sold referred to:

- increase in the costs of materials and energy consumption, mainly as a result of higher costs of coal fuel used for the purposes of electricity and heat production, which is related to the increase in the prices of coal contracted in 2022 for deliveries in 2023;
- an increase in the cost of distribution services, as a result of a rise in the tariff for distribution services;
- an increase in the cost of the obligation to redeem CO_2 emission allowances, which mainly results from the increase in the price of CO_2 emission allowances included in the calculation of the provision at a comparable CO_2 emission of the Group's generation units;
- incurring by TAURON Group in the current period of the costs of write-downs to the Price Difference Payment Fund in the amount of PLN 310 million as a consequence of the entry into force of the *Act of 27 October 2022 on extraordinary measures to limit the level of electricity prices and support certain consumers in 2023*;
- an increase in the value of goods and materials sold, which results mainly from the increase in the prices of electricity and gas purchased for resale to TAURON Group customers.

(in PLN million)

15. Financial revenues and costs

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited restated figures)*
Income and costs from financial instruments	**(295)**	**(148)**
Interest costs	(211)	(110)
Gain/loss on derivative instruments	(146)	28
Exchange differences	26	(61)
Commission relating to borrowings and debt securities	(4)	(6)
Remeasurement of loans granted	9	(5)
Interest income	25	7
Other	6	(1)
Other finance income and costs	**(10)**	**6**
Interest on employee benefits	(9)	(5)
Interest on discount of other provisions	(2)	–
Other finance income	5	17
Other finance costs	(4)	(6)
Total, including recognized in the statement of comprehensive income:	**(305)**	**(142)**
Interest expense on debt	(211)	(110)
Finance income and other finance costs	(94)	(32)

The increase in interest expenses results from a higher level of use of external financing and the increase in base rates. The change of the base rates is partially offset by the concluded IRS hedging instruments. The amount of interest expenses shown in the table takes into account the above hedging effect.

The loss on derivatives mainly relates to a decline in the measurement of FX derivatives in the period of three months ended 31 March 2023.

16. Tax burden in the statement of comprehensive income

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited restated figures)*
Current income tax	**(521)**	**(381)**
Current income tax expense	(526)	(392)
Adjustments to current income tax from previous years	5	11
Deferred tax	**165**	**10**
Income tax expense in profit/(loss)	**(356)**	**(371)**
Income tax expense relating to other comprehensive income, including:	**17**	**(30)**
reclassified to profit or loss	17	(30)

In the period of three months ended 31 March 2023, TAURON Polska Energia S.A. and selected subsidiaries accounted for income tax for 2023 within the Tax Capital Group registered on 28 December 2022 for 2023-2025 by the Head of the First Tax Office for the Mazowieckie Province in Warsaw.

In the period ended 31 December 2022, TAURON Group companies accounted for income tax individually.

17. Discontinued activity

In the comparative period, the operations of TAURON Wydobycie S.A., over which the Group lost control on 31 December 2022 as a result of the disposal by the Company of 100% of its shares in TAURON Wydobycie S.A., were presented as discontinued operations.

Interim condensed consolidated financial statements for the 3-month period ended 31 March 2023 compliant with the IFRS approved by the EU (in PLN million)

	3-month period ended 31 March 2022 *(unaudited restated figures)*		
	Mining Segment	Eliminations	Discontinued operations
Sales revenue	558	(365)	**193**
Cost of sales	(423)	357	**(66)**
Gross profit on sale on discontinued operations	**135**	**(8)**	**127**
Selling and distribution expenses	(16)	3	**(13)**
Administrative expenses	(54)	9	**(45)**
Operating profit on discontinued operations	**65**	**4**	**69**
Finance income and finance costs	(98)	94	**(4)**
Profit (loss) before tax on discontinued operations	**(33)**	**98**	**65**
Income tax expense	–	–	**–**
Net profit (loss) on discontinued operations	**(33)**	**98**	**65**
Actuarial losses	(1)	–	**(1)**
Other comprehensive income not to be reclassified in the financial result on discontinued operations	**(1)**	**–**	**(1)**
Total comprehensive income on discontinued operations	**(34)**	**98**	**64**
Net profit (loss) on discontinued operations:			
Attributable to equity holders of the Parent	(33)	98	**65**
Total comprehensive income:			
Attributable to equity holders of the Parent	(34)	98	**64**
Basic and diluted net profit (loss) per shares (in PLN):			
from net profit (loss) on discontinued operations for the period attributable to shareholders of the parent company	–	–	**0.04**

EXPLANATORY NOTE TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

18. Property, plant and equipment

3-month period ended 31 March 2023 *(unaudited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Other	Assets under construction	Property, plant and equipment, total
COST						
Opening balance	**146**	**31 457**	**24 968**	**930**	**1 820**	**59 321**
Direct purchase	–	–	–	–	700	**700**
Borrowing costs	–	–	–	–	9	**9**
Transfer of assets under construction	–	496	219	7	(722)	**–**
Sale	–	–	(22)	(3)	–	**(25)**
Liquidation	–	(9)	(36)	(4)	–	**(49)**
Received free of charge	4	5	43	–	–	**52**
Overhaul expenses	–	–	–	–	54	**54**
Items generated internally	–	–	–	–	18	**18**
Other movements	–	72	(79)	–	(30)	**(37)**
Closing balance	**150**	**32 021**	**25 093**	**930**	**1 849**	**60 043**
ACCUMULATED DEPRECIATION						
Opening balance	**–**	**(13 790)**	**(15 020)**	**(692)**	**(88)**	**(29 590)**
Depreciation for the period	–	(233)	(223)	(13)	–	**(469)**
Impairment	–	1	–	–	–	**1**
Sale	–	–	22	3	–	**25**
Liquidation	–	7	36	4	–	**47**
Other movements	–	–	1	–	–	**1**
Closing balance	**–**	**(14 015)**	**(15 184)**	**(698)**	**(88)**	**(29 985)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**146**	**17 667**	**9 948**	**238**	**1 732**	**29 731**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**150**	**18 006**	**9 909**	**232**	**1 761**	**30 058**
of which operating segments:						
Generation	**46**	**2 437**	**3 524**	**20**	**376**	**6 403**
Renewable Energy Sources	**1**	**962**	**1 089**	**2**	**133**	**2 187**
Distribution	**87**	**13 775**	**5 099**	**172**	**1 221**	**20 354**
Other segments and other operations	**16**	**832**	**197**	**38**	**31**	**1 114**

(in PLN million)

3-month period ended 31 March 2022 *(unaudited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Mine workings	Other	Assets under construction	Property, plant and equipment, total
COST							
Opening balance	**144**	**31 221**	**25 948**	**280**	**978**	**1 773**	**60 344**
Direct purchase	-	-	-	-	-	491	**491**
Borrowing costs	-	-	-	-	-	5	**5**
Transfer of assets under construction	-	291	142	-	5	(438)	**-**
Sale	-	-	(28)	-	(3)	-	**(31)**
Liquidation	-	(21)	(25)	(47)	(2)	-	**(95)**
Received free of charge	-	4	-	-	-	-	**4**
Overhaul expenses	-	-	-	-	-	8	**8**
Items generated internally	-	-	-	52	-	11	**63**
Other movements	-	-	4	-	-	(1)	**3**
Closing balance	**144**	**31 495**	**26 041**	**285**	**978**	**1 849**	**60 792**
ACCUMULATED DEPRECIATION							
Opening balance	**-**	**(14 276)**	**(15 840)**	**(105)**	**(728)**	**(221)**	**(31 170)**
Depreciation for the period	-	(221)	(211)	(35)	(12)	-	**(479)**
Sale	-	-	26	-	3	-	**29**
Liquidation	-	20	24	47	2	-	**93**
Closing balance	**–**	**(14 477)**	**(16 001)**	**(93)**	**(735)**	**(221)**	**(31 527)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**144**	**16 945**	**10 108**	**175**	**250**	**1 552**	**29 174**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**144**	**17 018**	**10 040**	**192**	**243**	**1 628**	**29 265**
of which operating segments:							
Mining*	**3**	**199**	**175**	**187**	**3**	**125**	**692**
Generation	**42**	**2 492**	**3 599**	**-**	**20**	**117**	**6 270**
Renewable Energy Sources	**-**	**784**	**1 151**	**-**	**2**	**112**	**2 049**
Distribution	**81**	**12 950**	**4 945**	**-**	**191**	**1 086**	**19 253**
Other segments and other operations	**18**	**593**	**170**	**5**	**27**	**188**	**1 001**

**The control of company forming the Mining segment was lost on 31 December 2022.*

In the period of three months ended 31 March 2023, the Group purchased property, plant and equipment (including capitalised borrowing costs) in the amount of PLN 709 million. The major purchases were performed in connection with investment in the following operating segments:

Operating segment	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Distribution	563	401
Renewable Energy Sources	57	17
Generation	51	22

Impairment tests

As at the balance sheet day, the analysis was performed of changes in the prices of electricity, raw materials and CO_2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests carried out as at 31 December 2022.

The analysis performed indicated the maintenance of a high level of market risk, decreases in electricity prices correlated with decreases in energy commodities in the period of three months ended 31 March 2023 in relation to the average prices of the aforementioned products in the fourth quarter of 2022, in particular:

- the price of CO_2 emission allowances increased by approximately 15% compared to the average price in the fourth quarter of 2022, which resulted, among others, in the continued limited supply in the scope of functioning of the Market Stabilisation Reserve (MSR) mechanism and a slightly higher demand for EUA units;
- the average volume-weighted price of the reference annual natural gas contract GAS_BASE_Y-24 listed on TGE S.A. was 45.06% lower than the price in the fourth quarter of 2022. The main factor of such sharp declines in the first quarter of 2023 was maintaining by the European countries of high storage stocks, increased supplies of liquefied natural gas and a significant drop in consumption;
- the average price of coal in ARA ports for the annual continuation contract was 34.27% higher compared to the average price of this contract in the fourth quarter of 2022. It resulted from high temperatures relative to seasonal norms, increased energy production from RES and a rise in coal stocks in ARA ports, which reached 6.4 million tonnes in early 2023;

(in PLN million)

- the average price of electricity on the forward market in Poland for the BASE_Y-24 product increased by approximately 18% compared to the average price of this contract quoted in the fourth quarter of 2022. This change was in line with changes in energy commodity prices. In the first quarter of 2023, Poland was, per balance, an importer of energy from neighbouring countries, due to higher SPOT prices.

After conducting the analyses to take into account the above market and regulatory developments, it was concluded that they were consistent with the pricing assumptions calculated in the fourth quarter of 2022 and therefore do not affect the need to change the long-term projections relative to the information available as at 31 December 2022.

Therefore, the results of the most recent impairment tests on non-financial non-current assets carried out as at 31 December 2022 are valid. The impairment tests carried out as at 31 December 2022, including the key assumptions adopted in the scope of tests are described in Note 14 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2022.

In the year ended 31 December 2022, the Group recognised impairment losses related to non-financial fixed assets as a result of impairment tests of assets performed as at 31 December 2022 under the result on continued operations. The recoverable value of this group of assets corresponded to their useful value. Impairment losses were mainly charged to own cost of sales and related to the following cash-generating units:

CGU	Company	Discount rate (after tax) assumed in tests as at:		Recoverable amount	Impairment loss recognized
		31 December 2022	31 December 2021	As at 31 December 2022	Year ended 31 December 2022
CGU Generation-Coal	TAURON Wytwarzanie S.A.	12.24%	8.96%	5 762	–
CGU Generation-Biomass				(161)	(35)
CGU ZW Katowice	TAURON Ciepło Sp. z o.o.	12.24%	8.96%	645	–
CGU ZW Bielsko-Biała				210	–
CGU ZW Tychy				382	–
CGU ZW Local Heating Plant Area				(3)	(16)
CGU Transmission		8.60%	6.89%	869	–
CGU ECI Generation	Energetyka Cieszyńska Sp. z o.o.	12.24%	n.a.	(12)	(24)
CGU ECI Transmission		8.60%	n.a.	27	–
Total					**(75)**

The impairment of goodwill in Energetyka Cieszyńska Sp. z o.o. belonging to the Generation segment in the amount of PLN 18 million was identified as part of the test on balance sheet impairment on goodwill performed as at 31 December 2022. The test was performed for the net assets increased by goodwill in each operating segment. The recoverable amount in each company was determined based on the value in use.

19. Right-of-use assets

3-month period ended 30 March 2023 *(unaudited)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	**796**	**1 136**	**249**	**16**	**12**	**175**	**5**	**2 389**
Direct purchase	**–**	**–**	**–**	**–**	**–**	**–**	**3**	**3**
Transfer of right-of-use assets in progress	**–**	**–**	**–**	**–**	**–**	**2**	**(2)**	**–**
Increase due to a new lease contract	20	–	3	–	1	–	–	**24**
Increase(decrease) due to lease changes	9	2	9	–	–	–	–	**20**
Liquidation	(1)	–	(1)	–	(2)	–	–	**(4)**
Other movements	–	–	–	–	–	1	–	**1**
Closing balance	**824**	**1 138**	**260**	**16**	**11**	**178**	**6**	**2 433**
ACCUMULATED DEPRECIATION								
Opening balance	**(102)**	**(167)**	**(71)**	**(4)**	**(5)**	**(44)**	**–**	**(393)**
Depreciation for the period	(10)	(8)	(5)	–	(1)	(2)	–	**(26)**
Liquidation	–	–	–	–	1	–	–	**1**
Closing balance	**(112)**	**(175)**	**(76)**	**(4)**	**(5)**	**(46)**	**–**	**(418)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**694**	**969**	**178**	**12**	**7**	**131**	**5**	**1 996**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**712**	**963**	**184**	**12**	**6**	**132**	**6**	**2 015**

(in PLN million)

3-month period ended 31 March 2022 *(unaudited)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets, total
COST								
Opening balance	**618**	**1 200**	**212**	**112**	**11**	**150**	**6**	**2 309**
Increase due to a new lease contract	14	-	1	1	-	-	-	**16**
Increase/(decrease) due to lease changes	3	5	1	1	-	-	-	**10**
Liquidation	(3)	-	-	(4)	-	-	-	**(7)**
Other movements	-	-	-	-	-	5	-	**5**
Closing balance	**632**	**1 205**	**214**	**110**	**11**	**155**	**6**	**2 333**
ACCUMULATED DEPRECIATION								
Opening balance	**(71)**	**(134)**	**(51)**	**(66)**	**(4)**	**(37)**	**–**	**(363)**
Depreciation for the period	(7)	(9)	(4)	(7)	-	(2)	-	**(29)**
Liquidation	-	-	-	4	-	-	-	**4**
Closing balance	**(78)**	**(143)**	**(55)**	**(69)**	**(4)**	**(39)**	**–**	**(388)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**547**	**1 066**	**161**	**46**	**7**	**113**	**6**	**1 946**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**554**	**1 062**	**159**	**41**	**7**	**116**	**6**	**1 945**

20. Goodwill

Operating segment	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Distribution	26	26
Total	**26**	**26**

21. Energy certificates and CO_2 emission allowances

21.1. Long-term energy origin certificates and CO_2 emission allowances

	3-month period ended 31 March 2023 *(unaudited)*			3-month period ended 31 March 2022 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**42**	**13**	**55**	**200**	**244**	**444**
Reclassification	(42)	(13)	**(55)**	(200)	(244)	**(444)**
Closing balance	**–**	**–**	**–**	**–**	**–**	**–**

21.2. Short-term energy origin certificates and CO_2 emission allowances

	3-month period ended 31 March 2023 *(unaudited)*			3-month period ended 31 March 2022 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**245**	**352**	**597**	**151**	**6**	**157**
Direct purchase	161	1 427	**1 588**	95	1 500	**1 595**
Generated internally	72	–	**72**	103	–	**103**
Surrendered	(196)	(756)	**(952)**	(52)	(1 075)	**(1 127)**
Reclassification	42	13	**55**	197	45	**242**
Closing balance	**324**	**1 036**	**1 360**	**494**	**476**	**970**

(in PLN million)

22. Other intangible assets

3-month period ended 31 March 2023 *(unaudited)*

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	**18**	**1 207**	**259**	**167**	**1 651**
Direct purchase	–	–	–	28	**28**
Transfer of intangible assets not made available for use	–	98	2	(100)	**–**
Sale/Liquidation	–	(20)	–	–	**(20)**
Closing balance	**18**	**1 285**	**261**	**95**	**1 659**
ACCUMULATED AMORTIZATION					
Opening balance	**(8)**	**(785)**	**(132)**	**–**	**(925)**
Amortization for the period	(1)	(34)	(3)	–	**(38)**
Sale/Liquidation	–	20	–	–	**20**
Closing balance	**(9)**	**(799)**	**(135)**	**–**	**(943)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**10**	**422**	**127**	**167**	**726**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**9**	**486**	**126**	**95**	**716**

3-month period ended 31 March 2022 *(unaudited)*

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	**17**	**1 045**	**223**	**71**	**1 356**
Direct purchase	-	-	-	40	**40**
Transfer of intangible assets not made available for use	–	29	32	(61)	**–**
Sale/Liquidation	-	(1)	–	-	**(1)**
Closing balance	**17**	**1 073**	**255**	**50**	**1 395**
ACCUMULATED AMORTIZATION					
Opening balance	**(8)**	**(686)**	**(122)**	**–**	**(816)**
Amortization for the period	–	(27)	(2)	–	**(29)**
Sale/Liquidation	-	1	–	–	**1**
Closing balance	**(8)**	**(712)**	**(124)**	**–**	**(844)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**9**	**359**	**101**	**71**	**540**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**9**	**361**	**131**	**50**	**551**

23. Shares in joint ventures

	As at 31 March 2023 or for the 3-month period ended 31 March 2023 *(unaudited)*			As at 31 December 2022 or for the 3-month period ended 31 March 2022 *(unaudited)*		
	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	Total	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	Total
Non-current assets	1 704	1 898	**3 602**	1 719	1 909	**3 628**
Current assets, including:	306	1 476	**1 782**	512	1 982	**2 494**
cash and cash equivalents	*2*	*153*	***155***	*81*	*113*	***194***
Non-current liabilities (-), including:	(1 999)	(466)	**(2 465)**	(2 015)	(543)	**(2 558)**
debt	*(1 994)*	*(363)*	***(2 357)***	*(2 010)*	*(408)*	***(2 418)***
Current liabilities (-), including:	(558)	(1 394)	**(1 952)**	(727)	(1 903)	**(2 630)**
debt	*(127)*	*(192)*	***(319)***	*(109)*	*(190)*	***(299)***
Total net assets	**(547)**	**1 514**	**967**	**(511)**	**1 445**	**934**
Share in net assets (50%)	**(274)**	**757**	**483**	(256)	723	**467**
Investment in joint ventures	**–**	**716**	**716**	**–**	**682**	**682**
Sales revenue	300	1 281	**1 581**	608	1 067	**1 675**
Net profit (loss), including:	(51)	54	**3**	(61)	53	**(8)**
Depreciation	*(16)*	*(40)*	***(56)***	*(8)*	*(49)*	***(57)***
Interest income	*1*	*1*	***2***	–	–	**–**
Interest expenses	*(44)*	*(14)*	***(58)***	*(30)*	*(11)*	***(41)***
Income tax	–	*(14)*	***(14)***	-	*(2)*	***(2)***
Share in profit/(loss) of joint ventures	–	27	**27**	-	27	**27**

** The information presented relates to the TAMEH HOLDING Sp. z o.o. Capital Group. The value of the interest held in TAMEH HOLDING Sp. z o.o. differs from the value of net assets attributable to the Group, because the cost of shares in TAMEH HOLDING Sp. z o.o. was calculated taking into account the fair value of the share contributed to the joint venture by companies from the ArcelorMittal Group.*

(in PLN million)

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle established in 2010 at the initiative of TAURON Polska Energia S.A. and PGNiG S.A., through which the partners implemented an investment consisting in the construction of CCGT unit in Stalowa Wola with the gross electrical capacity of 450 MWe and the net heat capacity of 240 MWt. On 30 September 2020, Elektrociepłownia Stalowa Wola was commissioned.

TAURON Polska Energia S.A. has an indirect shareholding of 50% in the capital of the company and in the governing body, exercised through TAURON Inwestycje Sp. z o.o. Due to the fact that in 2015 the accumulated share of losses of the joint venture and the adjustment to “top-down” transactions between the Group companies and the joint venture exceeded the value of the interest in the joint venture, the Company discontinued to recognise its share of any further losses of the joint venture.

In addition, the Company has receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. in the carrying amount of PLN 215 million, as further discussed in Note 24 to these interim condensed consolidated financial statements.

TAMEH HOLDING Sp. z o.o. and subsidiaries

In 2014, a shareholders' agreement was concluded by and between the TAURON Group and the ArcelorMittal Group regarding TAMEH HOLDING Sp. z o.o., which is responsible for investment and operational projects in the area of industrial energy. The Agreement was concluded for a period of 15 years, with a possibility of its extension. The two capital groups hold a 50% interest in TAMEH HOLDING Sp. z o.o. each.

TAMEH HOLDING Sp. z o.o. is the owner of 100% of the shares in TAMEH POLSKA Sp. z o.o., formed by a contribution in kind by the TAURON Group: Zakład Wytwarzania Nowa and Elektrownia Blachownia as well as Elektrociepłownia in Kraków contributed by the ArcelorMittal Group. In addition, TAMEH HOLDING Sp. z o.o. holds 100% of TAMEH Czech s.r.o. shares, which consists of the Ostrava Combined Heat and Power Plant.

24. Loans granted to joint ventures

As at the balance sheet date, the Group granted loans to Elektrociepłownia Stalowa Wola S.A. joint venture, classified as assets measured at a fair value.

	As at 31 March 2023 *(unaudited)*		As at 31 December 2022		Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Carrying amount	Repayable principal amount and interest contractually accrued	Carrying amount		
Loans granted to EC Stalowa Wola S.A.	695	215	685	206	30/06/2033	fixed
Total, of which:	**695**	**215**	**685**	**206**		
Non-current		215		206		

(in PLN million)

25. Derivatives and hedge accounting

Instrument	Methodology for determining the fair value	As at 31 March 2023 *(unaudited)*
Derivatives subject to hedge accounting		
IRS	The difference in discounted interest cash flows based on a floating interest rate and a fixed interest rate. The data input is the interest rate curve from the Refinitiv service.	IRS (Interest Rate Swap) instruments are used to hedge a portion of the interest rate risk on the cash flows associated with the exposure to WIBOR 6M designated under the dynamic risk management strategy, i.e: • interest on a loan with a nominal value of PLN 750 thousand, for periods commencing, respectively. from July 2020 and expiring in December 2024; • interest on bonds and a loan with a total nominal value of PLN 3 090 million, for periods beginning in December 2019 expiring successively from 2023 to 2029. In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.
Derivatives measured at a fair value through the profit and loss other than subject to hedge accounting		
CCIRS	The difference in the discounted interest cash flows of the stream paid and the stream received, in two different currencies, expressed in the valuation currency. The input data are interest rate curves, basis spreads and the NBP fixing for the relevant currencies from the Refinitiv service.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on the total notional amount of EUR 500 million. The transaction matures in July 2027. Under the terms of the transaction, the Company pays interest based on a fixed interest rate in PLN, while receiving payments at a fixed interest rate in EUR. CCIRS derivatives aimed at securing the currency flows generated by interest payments on Eurobonds issued.
Commodity forward/futures	The fair value of forward transactions for the purchase and sale of CO_2 emission allowances, electricity and other commodities is determined based on prices quoted in an active market or based on cash flows representing the difference between the price reference index (forward curve) and the contract price.	Commodity derivatives (futures, forward) comprise forward transactions for the purchase and sale of CO_2 emission allowances and other commodities.
Currency forward	The difference in discounted future cash flows between the forward price as at the valuation date and the transaction price, multiplied by the nominal value of the contract in foreign currency. The input date comprise the NBP fixing and the interest rate curve implied from the FX swap transaction for the relevant currency from the Refinitiv service.	FX forward derivatives to hedge currency flows generated from operations.

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

	As at 31 March 2023 *(unaudited)*				As at 31 December 2022			
	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments
	Assets	Liabilities			Assets	Liabilities		
Derivatives subject to hedge accounting								
IRS	**536**	**–**	68	468	**592**	**–**	34	558
Derivatives measured at fair value through profit or loss								
CCIRS	**13**	**–**	13	–	**21**	**–**	21	–
Commodity forwards/futures	**180**	**(178)**	2	–	**236**	**(232)**	4	–
Currency forwards	**–**	**(220)**	(220)	–	**–**	**(109)**	(109)	–
Total	**729**	**(398)**			**849**	**(341)**		
Non-current	340	(19)			390	(10)		
Current	389	(379)			459	(331)		

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

(in PLN million)

26. Other financial assets

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Receivables due to recompensation	2 729	465
Shares	211	211
Deposits and term deposits for Mining Decommissioning Fund	3	3
Other financial receivables, including:	149	100
Bid bonds, deposits and collateral transferred	137	94
Initial and variation margin deposits arising from stock exchange transactions	2	–
Other	10	6
Total	**3 092**	**779**
Non-current	236	301
Current	2 856	478

Recompensation receivables mainly relate to:

- recompensation estimated by the companies of the Sales segment in the scope of supply of electricity for 2022 and the first quarter of 2023, in the total amount of PLN 2 347 million,
- recompensation for the sale of the distribution service estimated by the company of the Distribution segment for the period of three months ended 31 March 2023 in the amount of PLN 378 million,

due to the above companies on the basis of the legal regulations which established a recompensation scheme, as further described in Note 9 of these interim condensed consolidated financial statements.

27. Other non-financial assets

27.1. Other non-current non-financial assets

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Prepayments for assets under construction and intangible assets, including:	237	229
related to the construction of wind farms and photovoltaics	*216*	*211*
Contract acquisition costs and costs of discounts	9	7
Prepayments for debt charges	10	12
Property and tort insurance	3	10
Other	9	10
Total	**268**	**268**

27.2. Other current non-financial assets

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Advances for deliveries, including:	343	723
related to coal supplies	*307*	*716*
Costs settled over time, including:	86	62
Property and tort insurance	*52*	*32*
Contract acquisition costs and costs of discounts	*13*	*14*
IT and telecom services	*9*	*11*
Other, including:	60	5
Transfers made to the Social Benefit Fund	*49*	–
Total	**489**	**790**

The Group has contracted coal supplies in the domestic and foreign markets, which will be delivered in the coming months. Some of the contracted deliveries required advance payments.

(in PLN million)

28. Deferred income tax

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Deferred tax liabilities		
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	1 931	1 918
different timing of recognition of sales revenue for tax purposes	484	684
difference between tax base and carrying amount of financial assets	221	220
difference between tax base and carrying amount of energy certificates	16	15
other	198	114
Total	**2 850**	**2 951**
Deferred tax assets		
provisions and accruals	997	742
difference between tax base and carrying amount of financial assets and financial liabilities	548	505
different timing of recognition of sales revenue and cost of sales for tax purposes	648	667
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	591	673
tax losses	53	104
power infrastructure received free of charge and received connection fees	6	6
other	30	63
Total	**2 873**	**2 760**
Deferred tax assets not recognized	(370)	(337)
Deferred tax assets after impairment	**2 503**	**2 423**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**791**	**672**
Deferred tax liability	**(1 138)**	**(1 200)**

As at 31 March 2023 and 31 December 2022, the deferred tax assets and deferred tax liabilities of the companies that constitute the Tax Capital Group from 2023 onwards have been offset, due to the fact that these companies file a joint tax return from 2023 onwards.

The Group assesses the enforceability of deferred tax assets at each balance sheet date. As a result of the assessment performed as at the balance sheet date, deferred tax assets in the amount of PLN 370 million were not recognised, mainly with regard to the company in the Generation segment.

29. Inventories

	As at 31 March 2023 *(unaudited)*	As at 31 March 2022
Gross value		
Coal	1 394	841
CO_2 emission allowances	28	2
Other inventories	305	292
Total	**1 727**	**1 135**
Measurement to net realisable value		
Other inventories	(18)	(17)
Total	**(18)**	**(17)**
Fair value		
CO_2 emission allowances	11	2
Net realisable value		
Coal	1 394	841
CO_2 emission allowances	17	–
Other inventories	287	275
Total	**1 709**	**1 118**

(in PLN million)

30. Receivables from customers

	As at 31 March 2023 *(unaudited)*	As at 31 March 2022
Gross value		
Receivables from buyers, of which:	6 206	3 795
Additional assessment of revenue from sales of electricity and distribution services	*2 470*	*925*
Receivables claimed at court	222	232
Total	**6 428**	**4 027**
Allowance/write-down		
Receivables from buyers	(74)	(62)
Receivables claimed at court	(142)	(146)
Total	**(216)**	**(208)**
Net value		
Receivables from buyers	6 132	3 733
Receivables claimed at court	80	86
Total, of which:	**6 212**	**3 819**
Current	6 212	3 819

31. Receivables arising from other taxes and charges

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
VAT receivables	690	793
Excise duty receivables	–	1
Other	3	9
Total	**693**	**803**

32. Cash and cash equivalents

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Cash at bank and in hand	1 349	1 676
Other	1	2
Total cash and cash equivalents presented in the statement of financial position, of which:	**1 350**	**1 678**
restricted cash, including:	924	1 047
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*343*	*725*
cash on VAT bank accounts (split payment)	*574*	*318*
bank accounts related to subsidies received	*5*	*1*
Collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	(343)	(725)
Cash pool	(17)	(37)
Bank overdrafts	(23)	–
Foreign exchange	2	24
Total cash and cash equivalents presented in the statement of cash flows	**969**	**940**

The collateral for settlements with Izba Rozliczeniowa Giełd Towarowych S.A. consists of funds transferred as part of transaction margins and margin deposits in connection with transactions concluded by the Group companies on the Polish Power Exchange which, in the opinion of the Group, do not constitute cash in the consolidated statement of cash flows.

(in PLN million)

33. Equity

33.1. Share capital

Share capital as at 31 March 2023 *(unaudited)*

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

Shareholding structure as at 31 March 2023 and as at 31 December 2022 *(to the best of the Company knowledge)*

Shareholder	Number of shares	Nominal value of shares	Percentage of share capital	Percentage of total vote
State Treasury	526 848 384	2 634	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	911	10.39%	10.39%
Nationale - Nederlanden Otwarty Fundusz Emerytalny	88 742 929	444	5.06%	5.06%
Other shareholders	954 847 515	4 774	54.49%	54.49%
Total	**1 752 549 394**	**8 763**	**100%**	**100%**

As at 31 March 2023, to the best of the Company knowledge, the value of share capital, the number of shares, the nominal value of shares and the shareholding structure, have not changed as compared to the status as at 31 December 2022.

33.2. Shareholder rights

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

33.3. Supplementary capital

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

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

33.4. Revaluation reserve from the measurement of hedging instruments

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Opening balance	**450**	**299**
Remeasurement of hedging instruments	(90)	159
Deferred income tax	17	(30)
Closing balance	**377**	**428**

The revaluation reserve from measurement of hedging instruments results from the measurement of Interest Rate Swap (IRS) instruments hedging the interest rate risk due to debt, which is discussed in more detail in Note 25 to these interim condensed consolidated financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 31 March 2023, the Group recognised the amount of PLN 377 million of the revaluation reserve from the measurement of hedging instruments. This amount represents an asset on account of the measurement of IRS instruments as at the balance sheet day in the amount of PLN 536 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

Interim condensed consolidated financial statements for the 3-month period ended 31 March 2023 compliant with the IFRS approved by the EU (in PLN million)

33.5. Retained earnings and restrictions on dividends

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

As at 31 March 2023 and as at the date these interim condensed consolidated financial statements were authorised for publications, there are no other restrictions concerning the payment of dividends.

33.6. Non-controlling interests

The non-controlling interests amounting to PLN 35 million and relate mainly to TAURON Dystrybucja S.A.

34. Dividends paid and proposed for disbursement

In the period of three months ended 31 March 2023 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

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

35. Debt liabilities

	As at 31 March 2023 *(niebadane)*	As at 31 December 2022
Unsubordinated bonds	5 313	5 256
Subordinated bonds	1 992	1 966
Loans and borrowings	9 899	8 010
Lease liabilities	1 237	1 255
Total	**18 441**	**16 487**
Non-current	16 993	15 959
Current	1 448	528

35.1. Bonds issued

Issuer	Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Redemption date\	Carrying amount	
						As at 31 March 2023 *(unaudited)*	As at 31 December 2022
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	600	2023-2028	612	602
				490	2023-2029	504	491
	A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 036	1 014
	Eurobonds	fixed	EUR	500	2027	2 370	2 362
Finanse Grupa TAURON Sp. z o.o.	International investors	fixed	EUR	168	2029	791	787
Unsubordinated bonds						**5 313**	**5 256**
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031[2]	412	401
	European Investment Bank	fixed1	EUR	190	2034[2]	855	851
			PLN	400	2030[2]	387	381
			PLN	350	2030[2]	338	333
Subordinated bonds						**1 992**	**1 966**
Total bonds						**7 305**	**7 222**

[1] In the case of hybrid (subordinated) bonds subscribed for by the European Investment Bank, two financing periods are distinguished. In the first period, the interest rate is fixed, while in the second period the interest rate is variable based on the base rate (EURIBOR/WIBOR) plus a fixed margin.
[2] In the case of subordinated bonds, the maturity date shall take into account two financing periods. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. The valuation of the bonds at the balance sheet day takes into account early redemption, due to the intention to redeem the bonds after the end of the first financing period (bonds subscribed by the EIB: EUR issue on 16 December 2024, PLN issue on 17 and 19 December 2025, bonds subscribed by BGK on 29 March 2026).

(in PLN million)

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

35.2. Loans and borrowings

Loans and borrowings drawn as at 31 March 2023 *(unaudited)*

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	8 599	8 599	42	751	879	203	4 167	2 557
	fixed	1 145	1 145	21	91	573	57	81	322
Total PLN		**9 744**	**9 744**	**63**	**842**	**1 452**	**260**	**4 248**	**2 879**
Total			**9 744**	**63**	**842**	**1 452**	**260**	**4 248**	**2 879**
Interest increasing carrying amount			155						
Total			**9 899**						

Loans and borrowings as at 31 December 2022

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	6 738	6 738	38	2	854	177	4 102	1 565
	fixed	1 180	1 180	35	78	94	556	95	322
Total PLN		**7 918**	**7 918**	**73**	**80**	**948**	**733**	**4 197**	**1 887**
Total			**7 918**	**73**	**80**	**948**	**733**	**4 197**	**1 887**
Interest increasing carrying amount			92						
Total			**8 010**						

Specification of credits and loans drawn as at 31 March 2023 (unaudited) and as at 31 December 2022

Borrowing institution	Interest rate	Currency	Maturity date	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Consortiums of banks	floating	PLN	2023 *	3 231	3 271
Bank Gospodarstwa Krajowego	floating	PLN	2023	749	–
			2033	1 021	1 001
European Investment Bank	fixed	PLN	2024	122	141
			2027	117	133
			2040	410	405
	floating		2040	1 217	1 222
			2041	1 204	–
Intesa Sanpaolo S.p.A.	floating	PLN	2024	757	775
SMBC BANK EU AG	fixed	PLN	2025	500	499
Erste Group Bank AG	floating	PLN	2026	514	507
Regional Fund for Environmental Protection and Water Management	floating	PLN	2025	8	8
	fixed		2027	6	6
Other loans and borrowings				43	42
Total				**9 899**	**8 010**

** Tranches classified as non-current liability.*

As at the balance sheet day, the Company has loan agreements concluded in 2020 and 2022 with consortium of banks. The drawdown period of the individual loan tranches may be lower or higher than 12 months, the financing is revolving and the term of availability exceeds 12 months from the balance sheet day. Due to the intention and ability to maintain financing under the aforementioned agreements for a period exceeding 12 months from the balance sheet day, the drawdowns used as at 31 March 2023 and 31 December 2022 in the total amount of PLN 3 231 million and PLN 3 271 million, respectively are classified as non-current liabilities.

(in PLN million)

In the period of three months ended 31 March 2023, the Group performed the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

Lender	Description	3-month period ended 31 March 2023 *(unaudited)*	
		Drawdown	Repayment
European Investment Bank	Drawdowns under the loan agreement	1 200	-
	Repayment of capital instalments according to schedule	-	(35)
Bank Gospodarstwa Krajowego	Drawdown under the loan agreement	750	–
Consortiums of banks	Drawdown of new tranches and repayment of tranches according to agreement deadline	1 760	(1 850)
Other borrowings		–	(1)
Total, including:		**3 710**	**(1 886)**
Cash flows		3 550	(1 726)
Net settlement (without cash flow)		160	(160)

After the balance sheet date, the Company performed drawdowns under available loans in the total amount of PLN 2 390 million and repaid tranches in the total amount of PLN 3 200 million.

Signing the working capital loan agreement

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

Overdraft facility

In the period of three months ended 31 March 2023, on the basis of an annex to the overdraft agreement with Bank Gospodarstwa Krajowego, the amount of the limit was increased from PLN 250 million to PLN 500 million and the repayment term was extended to 30 September 2023. As at the balance sheet date, the balance of liability under this agreement amounted to PLN 23 million.

35.3. Debt agreement covenants

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

As at 31 December 2022 (i.e. the last reporting period for which the Company was required to calculate the covenant), the net debt/EBITDA ratio amounted to 2.93, accordingly, therefore the covenant was respected.

35.4. Lease liability

The lease liability of the Group primarily relates to the perpetual usufruct of land, contracts for occupation of the road lane, land lease and rental agreements, transmission easements and the lease of office and warehouse premises.

(in PLN million)

Ageing of the lease liability

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Within 1 year	110	106
Within 1 to 5 years	375	363
Within 5 to 10 years	408	401
Within 10 to 20 years	687	711
More than 20 years	781	775
Gross lease liabilities	**2 361**	**2 356**
Discount	(1 124)	(1 101)
Present value of lease payments	**1 237**	**1 255**
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 237	1 255

36. Provisions for employee benefits

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Provision for post-employment benefits and jubilee bonuses	565	572
Provision for employment termination benefits and other provisions for employee benefits	21	14
Total	**586**	**586**
Non-current	511	494
Current	75	92

Provisions for post-employment benefits and jubilee bonuses

	3-month period ended 31 March 2023 *(unaudited)*				3-month period ended 31 March 2022 *(unaudited)*			
	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total
Opening balance	**252**	**88**	**232**	**572**	**352**	**118**	**404**	**874**
Current service costs	3	1	3	**7**	6	–	10	**16**
Actuarial gains and losses	(2)	–	(3)	**(5)**	(1)	–	(4)	**(5)**
Benefits paid	(10)	(2)	(6)	**(18)**	(9)	(1)	(9)	**(19)**
Interest expense	4	1	4	**9**	2	–	4	**6**
Closing balance	**247**	**88**	**230**	**565**	**350**	**117**	**405**	**872**
Non-current	219	83	198	**500**	319	111	358	**788**
Current	28	5	32	**65**	31	6	47	**84**

Revaluation of provision for employees benefits

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

The valuation of provisions for employee benefits as at 31 March 2023 was prepared based on actuarial projections. The assumptions used by the actuary to prepare the 2023 forecast were the same as those used to measure the provisions as at 31 December 2022. The main assumptions adopted by the actuary as at 31 December 2022 for calculation of the liability amount are as follows:

	31 December 2022
Discount rate (%)	6.73%
Projected long-term inflation rate (%)	2.50%
Employee turnover ratio (%)	0.5% - 11.0%
Expected rate of remuneration growth (%)	12.5% in 2023, 4.2% in 2024, 2.5% in subsequent years
Expected rate of increase in the value of the allowance for the Company Social Benefits Fund (ZFŚS) (%)	4.80%
Remaining average period of employment	7.71 - 20.21

(in PLN million)

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

	3-month period ended 31 March 2023 *(unaudited)*			3-month period ended 31 March 2022 *(unaudited)*		
	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total
Opening balance	**4**	**139**	**143**	**257**	**145**	**402**
Unwinding of the discount	–	2	**2**	2	–	**2**
Utilisation	–	(2)	**(2)**	–	(1)	**(1)**
Closing balance	**4**	**139**	**143**	**259**	**144**	**403**
Non-current	4	125	**129**	259	121	**380**
Current	–	14	**14**	–	23	**23**
Other provisions, long-term portion			**26**			**45**
Total			**155**			**425**

Within the provision for reclamation and dismantling costs and decommissioning of fixed assets, the Group recognises the following provisions created by companies in the Generation and Renewable energy sources segments the balance of which as at 31 March 2023 amounted to:

- the provision for costs related to the dismantling of wind farms and photovoltaic farms - PLN 104 million;
- the provision for costs of liquidation of fixed assets - PLN 16 million;
- the provision for costs related to reclamation of ash dumps - PLN 19 million.

38. Provisions for liabilities due to energy certificates of origin and CO_2 emission allowances

	3-month period ended 31 March 2023 *(unaudited)*			3-month period ended 31 March 2022 *(unaudited)*		
	Provisions for liabilities due to CO_2 emission allowances	Provision for obligation to submit energy certificates	Provisions total	Provisions for liabilities due to CO_2 emission allowances	Provision for obligation to submit energy certificates	Provisions total
Opening balance	**3 128**	**564**	**3 692**	**1 493**	**397**	**1 890**
Recognition	1 052	190	**1 242**	485	275	**760**
Reversal	–	(2)	**(2)**	(8)	–	**(8)**
Utilisation	(756)	(196)	**(952)**	(1 075)	(52)	**(1 127)**
Closing balance	**3 424**	**556**	**3 980**	**895**	**620**	**1 515**

The increase in the cost of creating the provision for CO_2 emission liabilities in the period of three months ended 31 March 2023 in relation to the comparative period results mainly from the growth in prices of CO_2 emission allowances.

39. Other provisions

	3-month period ended 31 March 2023 *(unaudited)*				3-month period ended 31 March 2022 *(unaudited)*			
	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other	Provisions total	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other	Provisions total
Opening balance	**75**	**200**	**126**	**401**	**74**	**416**	**163**	**653**
Recognition/(reversal), net	–	(13)	6	**(7)**	1	(38)	2	**(35)**
Utilisation	–	(48)	(6)	**(54)**	–	(213)	(5)	**(218)**
Closing balance	**75**	**139**	**126**	**340**	**75**	**165**	**160**	**400**
Non-current	–	5	21	**26**	–	7	38	**45**
Current	75	134	105	**314**	75	158	122	**355**
Current portion of provisions for the costs of disassembly of fixed assets and land restoration and other provisions				**14**				**23**
Total				**328**				**378**

Interim condensed consolidated financial statements for the 3-month period ended 31 March 2023 compliant with the IFRS approved by the EU (in PLN million)

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

The Group companies create provisions for all claims filed by owners of properties on which distribution networks and heat installations are located. As at 31 March 2023, the provision on this account amounted to PLN 75 million and was related to the segments:

- Generation - PLN 37 million;
- Distribution - PLN 34 million;
- Renewable energy sources - PLN 4 million.

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

39.2. Provisions for onerous contracts

	3-month period ended 31 March 2023 (unaudited)			3-month period ended 31 March 2022 (unaudited)		
	Generation Segment	Sales Segment		Generation Segment	Sales Segment	
	Provision for contracts for the sale of electricity on the forward market	Provision for contracts for the sale of electricity to selected group of clients	Provisions for onerous contracts, total	Provision for contracts for the sale of electricity in connection with the shutdown of the 910 MW unit	Provision for contracts for the sale of electricity to selected group of clients	Provisions for onerous contracts, total
Opening balance	**91**	**109**	**200**	**289**	**127**	**416**
Reversal	(13)	–	**(13)**	(38)	–	**(38)**
Utilisation	(23)	(25)	**(48)**	(183)	(30)	**(213)**
Closing balance	**55**	**84**	**139**	**68**	**97**	**165**
Non-current	–	5	**5**	–	7	**7**
Current	55	79	**134**	68	90	**158**

As at the balance sheet date of 31 March 2023, the Group recognises the provision for onerous contracts in the amount of PLN 139 million in the Generation and Sales segment. The provision was created for electricity sales contracts, where the sales revenues generated do not fully cover the costs incurred for either producing or purchasing the electricity required to fulfil these contracts.

- Within the Generation segment, the Group recognised the provision for onerous contracts in the amount of PLN 55 million as at the balance sheet date. This provision was set up as at 31 December 2022 in the amount of PLN 91 million in relation to contracts for which it has been identified that the contractual sales price does not cover the estimated unavoidable costs of performing these contracts. In the period of three months ended 31 March 2023, the Group utilized provision in amount of PLN 23 million, in relation to realization of contracts and partly reversed the provision in amount of PLN 13 million. The calculation of the provision was based on the price difference between the contracted sales price under the concluded forward market transactions and the unavoidable cost of generating energy from the Group's generation sources. Energy generation costs comprised the unit cost of fuel used to produce electricity, CO_2 emission allowances in accordance with the contracts concluded for their purchase and other costs incurred in connection with the production of electricity by the Group's generating units used to perform the contracts, including depreciation of property, plant and equipment. The calculation takes into account revenues from the capacity market attributable to the generating units executing the contracts in question in relation to the total volume of energy contracted for sale. The provision created as at 31 December 2022 related to the sale by the company from the Generation segment of a volume of 1.1 TWh of electricity on the forward market in 2023.
- Within the Sales segment, the Group recognised the provision for onerous contracts in the amount of PLN 84 million as at the balance sheet date. This provision was created as at 31 December 2022 in the amount of PLN 109 million for electricity and gas sales contracts, where the sales revenues generated do not fully cover the costs incurred for either the necessity to produce or purchase the electricity required to fulfil these contracts. In the period of three months ended 31 March 2023, the Group utilized provision in amount of PLN 25 million, in relation to realization of contracts. The provision created relates only to customers with GD (Households) price lists while the need for its creation resulted

(in PLN million)

mainly from an increase in the cost of sourcing electricity to secure sales volumes for customers with fixed price lists. As at the balance sheet date, the Group has not recognised provisions for onerous contracts in respect of contracts other than the GD-priced customer contracts described above. In particular, taking into account the receipt by the Group of the recompensation due, the Group did not recognise provisions for the effects of the *Act of 7 October 2022 on special measures to protect electricity consumers in 2023* and the Act of 27 October 2022 *on extraordinary measures to reduce electricity prices and support certain consumers in 2023*, as further described in note 9 of these interim condensed consolidated financial statements.

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

Material provisions recognised within other provisions are described below:

Operating segment	Description	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Provision for real estate tax			
Generation	Provision for the economic risk in the scope of real estate tax relating to assets constituting the railway infrastructure.	12	12
Distribution	Provision for the economic risk in the scope of real estate tax relating to power grid assets.	31	31
Provision for the increase in remuneration for transmission easements			
Distribution	The provision relates to the risk of increased periodic charges for transmission easements for energy infrastructure located in the territory of forest districts subordinated to the Regional Directorate of State Forests in Wrocław, Katowice and Kraków in connection with a change in the status of land from forest land to land associated with business activities. In the 3-month period ended 31 March 2023, the company from the Distribution segment used the provision in the amount of PLN 4 million.	17	21

40. Accruals and governmental subsidies

40.1. Deferred income and government grants

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Deferred income	**2 339**	**390**
Received advance payments for recompensations	2 236	337
Donations, subsidies received for the purchase or fixed assets received free-of-charge	90	47
Other	13	6
Government grants	**555**	**556**
Subsidies obtained from EU funds	492	493
Measurement of preferential loans	26	27
Forgiven loans from environmental funds	23	24
Other	14	12
Total	**2 894**	**946**
Non-current	594	571
Current	2 300	375

Recompensation advances received amounting to PLN 2 236 million, resulting from legal regulations, which set recompenastion system embracing trading and distribution companies of electricity and relate to:

- companies of the Sales segment, which, on the basis of applications for advances for recompensation in electricity trading had received advances for recompensation in the total amount of PLN 1 984 million by the balance sheet date;
- company of the Distribution segment which, on the basis of applications for advances for electricity distribution recompensation submitted, received advances in the amount of PLN 252 million in the period of three months ended 31 March 2023.

The aforementioned advances are described more comprehensively in Note 9 of these interim condensed consolidated financial statements.

(in PLN million)

40.2. Accrued expenses

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Bonuses	80	66
Unused holidays	63	32
Environmental protection charges	5	17
Other accrued expenses	47	23
Total, of which:	**195**	**138**
Current	195	138

41. Liabilities to suppliers

Operating segment	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Generation	567	728
Renewable Energy Sources	18	26
Distribution, including:	612	419
liability to Polskie Sieci Elektroenergetyczne S.A.	*528*	*343*
Sales	941	983
Other	91	90
Total	**2 229**	**2 246**

42. Investment liabilities

Operating segment	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Generation	47	107
Renevable Energy Sources	38	31
Distribution	227	389
Sales and Other	76	180
Total, of which:	**388**	**707**
Current	388	707

Long-term investment liabilities are presented in the consolidated statements of financial position under other financial liabilities. As at 31 March 2023, the related liability amounted to PLN 91 million (as at 31 December 2022 - PLN 60 million).

Commitments to incur capital expenditure

As at 31 March 2023 and as at 31 December 2022, the Group committed to incur expenditure of PLN 4 550 million and PLN 4 551 million, respectively, on property, plant and equipment and intangible assets, the key items of which are shown in the table below.

Operating segment	Agreement / investment project	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Distribution	Construction of new electrical connections	2 023	2 039
	Modernization and reconstruction of existing networks	690	610
Renewable Energy Sources	Construction of wind farms	931	947
	Construction of the photovoltaic farms	184	233
Generation	Expansion of heat sources in new capacities	84	88
	Construction of 910 MW Power Unit in Jaworzno and additional work	2	44

(in PLN million)

43. Settlements due to income tax

As at 31 March 2023, Group companies recorded income tax receivables totalling PLN 580 million relating mainly to income tax settlements for 2022 of the following companies: TAURON Wytwarzanie S.A., TAURON Sprzedaż Sp. z o.o. and TAURON Polska Energia S.A.

As at 31 March 2023, income tax liabilities amounted to PLN 366 million, of which PLN 301 million represents the liability of the Tax Capital Group for the first quarter of 2023.

In the period of three months ended 31 March 2023, TAURON Polska Energia S.A. and selected subsidiaries accounted for income tax within the Tax Capital Group. In the period ended 31 December 2022, TAURON Group companies accounted for income tax individually.

44. Liabilities arising from other taxes and charges

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
VAT	245	105
Social security	172	164
Personal Income Tax	36	41
Other	21	14
Total	**474**	**324**

45. Other financial liabilities

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Wages, salaries	113	183
Liability due to return of recompensation by trading companies	116	116
Bid bonds, deposits and collateral received	96	81
Exchange settlements variation margins	–	41
Other	219	212
Total	**544**	**633**
Non-current	131	119
Current	413	514

46. Other current non-financial liabilities

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Payments from customers relating to future periods	**1 153**	**821**
Amounts overpaid by customers	788	484
Prepayments for connection fees	261	226
Other	104	111
Other current non-financial liabilities	**168**	**22**
Allowance for Price Difference Payment Fund	103	21
Surplus of ZFŚS liabilities over assets	65	1
Total	**1 321**	**843**

The liabilities due to the allowance for the Price Difference Payment Fund (the "Fund") relate to the recognition by Group companies, pursuant to the provisions of the Act of 27 October 2022 *on extraordinary measures to limit the level of electricity prices and support certain consumers in 2023*, of the costs of write off to the Fund, as further described in note 9 of these interim condensed consolidated financial statements.

(in PLN million)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

47. Significant items of the interim condensed consolidated statement of cash flows

47.1. Cash flows from operating activities

Profit before tax

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(restated figures unaudited)*
Profit before tax on continuing operations	1 392	1 207
Profit before tax on dicontinued operations	–	65
Total	**1 392**	**1 272**

Depreciation

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(restated figures unaudited)*
Amortisation and depreciation regarding continuing operations	533	485
Amortisation and depreciation regarding discontinued operations	–	52
Total	**533**	**537**

Change in working capital

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(restated figures unaudited)*
Change in receivables	**(4 706)**	**(640)**
Change in receivables from buyers in statement of financial position	(2 393)	(623)
Change in receivables due to recompensation	(2 264)	–
Change in other financial receivables	(49)	(17)
Change in inventories	**(593)**	**13**
Change in inventories in statement of financial position	(591)	19
Adjustment related to transfer of invetories to/from property, plant and equipment	(2)	(6)
Change in payables excluding loans and borrowings	**450**	**307**
Change in liabilities to suppliers in statement of financial position	(17)	380
Change in payroll, social security and other financial liabilities	(120)	(39)
Change in non-financial liabilities in statement of financial position	477	147
Change in liabilities arising from taxes excluding income tax	150	(130)
Adjustment of VAT change related to capital commitments	(52)	(54)
Adjustment of other financial liabilities for guarantee valuation	9	(2)
Other adjustments	3	5
Change in other non-current and current assets	**(289)**	**(694)**
Change in other current and non-current non-financial assets in statement of financial position	301	(54)
Change in receivables arising from taxes excluding income tax	110	(284)
Change in non-current and current CO2 emission allowances	(671)	(226)
Change in non-current and current energy certificates	(37)	(143)
Change in advance payments for property, plant and equipment and intangible assets	7	17
Other adjustments	1	(4)
Change in deferred income, government grants and accruals	**1 945**	**68**
Change in deferred income, government grants and accruals in statement of financial position	2 005	89
Adjustmet related to property, plant and equipment, intangible assets and right-of-use assets received free of charge	(54)	(6)
Adjustment related to subsidies received and refunded	(6)	(15)
Change in provisions	**227**	**(623)**
Change of short term and long term provisions in statement of financial position	227	(623)
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	2	1
Other adjustments	(2)	(1)
Change of collaterals transfered to IRGiT	**382**	**(14)**
Total	**(2 584)**	**(1 583)**

(in PLN million)

Income tax paid

In the period of three months ended 31 March 2023, income tax paid by Group companies amounted to PLN 234 million, of which the most significant amount of PLN 166 million was paid by the subsidiary TAURON Wytwarzanie S.A., which belong to the Tax Capital Group, on account of advances for income tax for January and February 2023.

In the period of three months ended 31 March 2022, income tax paid by the Group's companies on account of income tax settlement for January and February 2022 amounted to PLN 364 million, of which the most significant amounts were paid by the Company - PLN 67 million and the subsidiaries, TAURON Wytwarzanie S.A. - PLN 99 million and TAURON Dystrybucja S.A. - PLN 54 million.

47.2. Cash flows from investment activities

Purchase of tangible fixed assets and intangible assets

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Purchase of property, plant and equipment	(672)	(491)
Purchase of intangible assets	(27)	(40)
Change in the balance of capital commitments	(237)	(254)
Change in the balance of advance payments	(7)	(17)
Costs of overhaul and internal manufacturing	(64)	(71)
Other	(7)	(3)
Total	**(1 014)**	**(876)**

47.3. Cash flows from financial activities

Repayment of credits/loans

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Repayment by the Company of tranches of loans to the Consortiums of banks	(1 690)	(1 150)
The repayment of the loan installments by the Company to the European Investment Bank	(35)	(35)
Other	(1)	(2)
Total	**(1 726)**	**(1 187)**

Interest paid

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Interest paid in relation to loans and borrowings	(79)	(30)
Interest paid in relation to the lease	(4)	(3)
Total	**(83)**	**(33)**
constituting investing expense	(4)	(1)
constituting financing expense	(79)	(32)

The Group presents costs of external financing incurred activated in the current period on assets as expenditures for acquisition of property, plant and equipment and intangible assets in cash flows from investment activities. In the period of three months ended 31 March 2023, paid interest representing external financing costs subject to capitalisation in the value of fixed assets and intangible assets amounted to PLN 4 million, whereas in the comparative period, it amounted to PLN 1 million.

(in PLN million)

Borrowings clousure

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
The launch of financing by the Company under loan agreements:		
Banks Consortiums	1 600	2 900
European Investment Bank	1 200	800
Bank Gospodarstwa Krajowego	750	–
Erste Group Bank AG	–	96
Total	**3 550**	**3 796**

47.4. Cash flows from discontinued operations

In the consolidated statement of cash flows, in the comparable period, the Group presents cash flows from jointly the continuing and the discontinued operations. Net cash flows attributable to operating, investment and financial activities of discontinued operations in the period of three months ended 31 March 2022 are shown in the table below.

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(restated figures unaudited)*
Net cash flow from operating activities	–	(96)
Net cash flow from investing activities	–	(88)
Net cash flow from financing activities	–	(10)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	**–**	**(194)**

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

48. Financial instruments

Categories and classes of financial assets	As at 31 March 2023 *(unaudited)*		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**9 062**		**4 352**	
Receivables from buyers	6 212	6 212	3 819	3 819
Deposits	3	3	3	3
Receivables due to recompensation	2 729	2 729	465	465
Other financial receivables	118	118	65	65
2 Financial assets measured at fair value through profit or loss (FVTPL)	**2 000**		**2 387**	
Derivative instruments	193	193	257	257
Shares	211	211	211	211
Loans granted	215	215	206	206
Other financial receivables	31	31	35	35
Cash and cash equivalents	1 350	1 350	1 678	1 678
3 Derivative hedging instruments	**536**	**536**	**592**	**592**
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	**716**		**682**	
Investments in joint ventures	716		682	
Total financial assets, of which in the statement of financial position:	**12 314**		**8 013**	
Non-current assets	**1 507**		**1 579**	
Investments in joint ventures	716		682	
Loans granted to joint ventures	215		206	
Derivative instruments	340		390	
Other financial assets	236		301	
Current assets	**10 807**		**6 434**	
Receivables from buyers	6 212		3 819	
Derivative instruments	389		459	
Other financial assets	2 856		478	
Cash and cash equivalents	1 350		1 678	

(in PLN million)

Categories and classes of financial liabilities	As at 31 March 2023 *(unaudited)*		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**20 365**		**18 818**	
Preferential loans and borrowings	8	8	8	8
Arm's length loans and borrowings	9 868	9 826	8 001	7 928
Bank overdrafts	23	23	1	1
Bonds issued	7 305	6 964	7 222	6 828
Liabilities to suppliers	2 229	2 229	2 246	2 246
Other financial liabilities	295	295	348	348
Capital commitments	479	479	767	767
Salaries and wages	113	113	183	183
Insurance contracts	45	45	42	42
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**398**		**341**	
Derivative instruments	398	398	341	341
3 Financial liabilities excluded from the scope of IFRS 9 Finanical Instruments	**1 238**		**1 256**	
Liabilities under leases	1 238		1 256	
Total financial liabilities, of which in the statement of financial position:	**22 001**		**20 415**	
Non-current liabilities	**17 143**		**16 088**	
Debt	16 993		15 959	
Derivative instruments	19		10	
Other financial liabilities	131		119	
Current liabilities	**4 858**		**4 327**	
Debt	1 448		528	
Liabilities to suppliers	2 229		2 246	
Capital commitments	388		707	
Derivative instruments	379		331	
Other financial liabilities	413		514	
Liabilities associated with assets classified as held for sale	1		1	

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

Classes of financial assets/liabilities	Level of the fair value hierarchy	Methodology for determining the fair value
Financial assets/liabilities measured at a fair value		
Derivatives, including:		Financial derivatives are described in more detail in Note 25 to these interim condensed consolidated financial statements.
IRS and CCIRS	2	
Forward FX contracts	2	
Commodity contracts (forward, futures)	1	
Shares	3	The Group has estimated the fair value of its holdings in unlisted companies using the adjusted net asset method, taking into account its share of net assets, adjusting the value for significant valuation factors such as the discount for lack of control and the discount for limited liquidity of the above instruments, and using a mixed approach. In the case of other instruments, due to the fact that the key factors affecting the value of the shares taken up have not changed at the balance sheet date compared with initial recognition, the Group adopts historical cost as an acceptable approximation of fair value.
Loans granted	2	The measurement of the fair value of loans was performed as the present value of future cash flows discounted by the currently applicable interest rate.
	3	The measurement of the fair value of the loan was performed as the present value of future cash flows taking into account the credit risk of the borrower.
Financial liabilities for which the fair value is disclosed		
Loans, borrowings and bonds issued	2	Fixed interest rate debt liabilities were measured at a fair value. The fair value measurement was made as the present value of future cash flows discounted by the currently applicable interest rate for the bonds or loans concerned, i.e. using market interest rates.

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

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

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

49. Objectives and principles of financial risk management

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

As at 31 March 2023, the parent company had hedging transactions covered by the financial risk management policy concluded with the purpose of hedging the interest flows associated with debt. For the transactions concluded, the parent company applies hedge accounting. The accounting recognition of the hedging transactions described above is further described in Note 25 to these interim condensed consolidated financial statements.

50. Finance and capital management

In the period covered by these interim condensed consolidated financial statements, no significant changes in the objectives, principles and procedures of capital and finance management occurred.

OTHER INFORMATION

51. Contingent liabilities

Claims related to termination of long-term contracts

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

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

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

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

In the case brought by Talia Sp. z o.o., on 20 December 2021, the Court of Appeals in Gdańsk announced a judgement dismissing the appeals of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The judgement of the Court of Appeals and consequently the preliminary and partial judgements and the supplementary judgement indicated above are final. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimant, i.e. Talia Sp. z o.o. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. has received a justification of the judgement of the Court of Appeals and filed a cassation appeal within the required deadline. On 28 February 2023, the Supreme Court accepted the cassation appeal for examination. In the case brought by Amon Sp. z o.o., on 17 November 2022, the Court of Appeals in Gdańsk announced a judgement dismissing the appeals of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The judgement of the Court of Appeals and consequently the preliminary and partial judgement and the supplementary judgement indicated above are final. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimant, i.e. Amon Sp. z o.o. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. disagrees in its entirety with the decision of the Court of Appeals, as well as with the decision of the court of first instance. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. requested the Court of Appeals to serve the judgement of the court of second instance with a written statement of reasons. On 16 March 2023, the Court of Appeals drafted a statement of reasons for the judgement. The judgment with statement of reasons was delivered to company Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on 12 April 2023. Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. plan is to file a cassation appeal.

The above-mentioned final, partial and preliminary judgements in the Talia Sp. z o.o. and Amon Sp. z o.o. lawsuits do not change the Group's assessment that the chances of ultimately losing the case for damages in favour of Talia Sp. z o.o. and Amon Sp. z o.o. are not higher than the chances of winning it, and therefore no provision is created for the related costs.

On 31 March 2023, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed a lawsuit for payment against Amon Sp. z o.o. with the Regional Court in Gdańsk. The subject matter of the claim is the payment by Amon Sp. z o.o. to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. the total amount of PLN 62 million, including statutory interest for delay and legal costs, consisting of a demand for payment of contractual penalties in the amount of PLN 56 million, calculated on the basis of an agreement for the sale of property rights resulting from certificates of origin which confirm the generation of electricity in a renewable energy source - Wind Farm in Łukaszów, and a demand for payment of recompensation in the amount of PLN 6 million for failure to perform the agreement for the sale of electricity generated in a renewable energy source - Wind Farm in Łukaszów, concluded between Amon Sp. z o.o. and Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on 23 December 2009. The filing of the lawsuit by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. results from the fact that after the date of the judgement of the Court of Appeals in Gdańsk, i.e. after 17 November 2022 dismissing the appeal of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o, Amon Sp. z o.o., despite being summoned by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., has not fulfilled the obligation resulting from the final judgement by entering into the above-mentioned contracts with Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.

In the case filed by Pękanino Wind Invest Sp. z o.o. for the provision of security for claims for determining that the terminations of long-term contracts submitted by Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are ineffective, the Court of Appeals in Warsaw on 6 November 2019 partially granted the application for security by ordering Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to perform the provisions of the contracts in their entirety on the existing terms and conditions, in accordance with their content, until the proceedings from the suit of Pękanino Wind Invest Sp. z o.o. are legally concluded against Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., pending before the Regional Court in Warsaw. The decision regarding the security is final. This decision does not prejudge the merits of the action, which can only take place in a binding judgement, but only temporarily regulates the parties' relations for the duration of the proceedings.

Other cases are held at first instance courts (including one remanded for re-examination to the first- instance court by a second-instance court).

Taking into account the current status of the lawsuits and the circumstances surrounding them, the Group believes that the chances of losing the remaining lawsuits related to both declarations of ineffectiveness of termination of agreements and claims for damages are not higher than the chances of winning the lawsuits in question, and therefore it does not recognise a provision for related costs.

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

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

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

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

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

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

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

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

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

To the best of the Group's knowledge, Polskie Elektrownie Jądrowe Sp. z o.o. has not acknowledged the claims filed against it and considers potential adjudication by the court to be unlikely. The Group does not create a provision in relation to the above-mentioned events.

Claims filed by Huta Łaziska S.A.

In connection with the merger of the Company with Górnośląski Zakład Elektroenergetyczny S.A. ("GZE"), TAURON Polska Energia S.A. became the party to the court dispute with Huta Łaziska S.A. ("Huta") against GZE and the State Treasury represented by the ERO President.

By the statement of claim of 12 March 2007 Huta demands from GZE and the State Treasury - the President of the Energy Regulatory Office (in solidum) to adjudicate the amount of PLN 182 million including interest accrued from the date of filing the statement of claim to the date of payment as recompensation for the alleged damage caused by the failure of GZE to implement the decision of the ERO President of 12 October 2001 concerning the resumption of deliveries of electricity to Huta.

In this case, the courts of the first and second instance passed judgements favourable for GZE; however, in its judgement of 29 November 2011 the Supreme Court overruled the judgement of the Court of Appeals and remanded the case for re-examination by that Court. On 5 June 2012, the Court of Appeals overruled the decision of the Regional Court and remanded the case for re-examination by the latter. By judgement of 28 May 2019, the Regional Court in Warsaw dismissed Huta's claim in its entirety and ruled that Huta reimbursed each of the defendant for the costs of the proceedings. Huta appealed (dated 25 July 2019), challenging the above judgement in its entirety and requesting that it be amended by upholding the claim in its entirety and ordering the defendants to pay the costs of the proceedings in favour of Huta, or, in the alternative, that the contested judgement be set aside in its entirety and the case be referred back to the court of first instance. In response to the appeal of 9 August 2019, the Company requested that the appeal be dismissed in its entirety as manifestly unfounded and that the costs of the appeal proceedings be awarded against Huta in favour of the Company. By the judgement of 9 February 2022, the appeal lodged by Huta was dismissed and the Company was awarded, among others, the costs of the appeal proceedings. The judgement is legally binding. On 13 October 2022, Huta filed a cassation appeal with the Supreme Court. Both the Company and the State Treasury lodged replies to this action emphasising, in the first instance, the lack of grounds for its acceptance for examination by the Supreme Court. Until the date of approval of these interim condensed consolidated financial statements, the Company has not been served with an order of the Supreme Court accepting or refusing to accept the cassation appeal of Huta for examination.

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

Case filed by ENEA S.A.

Case filed by ENEA S.A. ("ENEA") against TAURON Polska Energia S.A., which has been heard by the Regional Court in Katowice since 2016, refers to the payment of the amount of PLN 17 million including the statutory interest accrued from 30 June 2015 until the payment date. The actual basis of ENEA's claim are allegations concerning unjust enrichment of the Company in connection with possible errors in the determination of the aggregated measurement and settlement data by ENEA Operator Sp. z o.o. constituting the basis for settlements between ENEA and the Company and Polskie Sieci Elektroenergetyczne S.A. on account of imbalance on the Balancing Market in the period from January to December 2012. In the course of the proceedings at the request of ENEA additional sellers were summoned, for whom TAURON Polska Energia S.A. acted as an entity responsible for trade balancing, including the Company's subsidiaries, i.e. TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The claim for payment by the above subsidiaries amounting in total to PLN 8 million, including the statutory interest, was lodged by the claimant in the event the action against TAURON Polska Energia S.A. is dismissed.

On 22 March 2021, the Regional Court in Katowice dismissed the claim of ENEA in its entirety and ruled on ENEA's obligation to reimburse the costs of the proceedings to the Company. The judgement is not legally binding. ENEA has filed an appeal against the above ruling. Until the date these interim condensed consolidated financial statements were authorised for publication, the Company had not been served with a notice setting a date for an appeal hearing.

The Company did not recognise any provision as, in the opinion of the Company, the risk of losing the case is below 50%.

Proceedings initiated by the President of the Office of Competition and Consumer Protection and the President of the Energy Regulatory Office

Administrative proceedings are pending against companies in the Sales segment. The Companies provide clarifications in the respective cases on an ongoing basis and undertakes remedying actions.

In the scope of proceedings concerning the imposition of fines initiated against a company in the Sales segment, concerning the fulfillment of obligations regarding the redemption of certificates of origin for energy from RES and cogeneration for 2014, for which the ERO President issued decisions imposing fines, the company established provisions for pending proceedings in the total amount of PLN 3 million.

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

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

Non-contractual use of real estate

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

(in PLN million)

As at the balance sheet date, provisions in the amount of PLN 75 million were created for reported court disputes, which are recognised in the statement of financial position under other provisions (Note 39.1).

52. Collaterals for repayment of liabilities

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

Collateral	Collateral amount as at	
	31 March 2023 *(unaudited)*	31 December 2022
Declarations of submission to enforcement*	18 143	16 095
Corporate and bank guarantees	2 291	2 117
Bank account mandates	1 750	600
Blank promissory notes	577	597
Surety agreements	413	618
Pledges on shares	416	416
Other	36	35

**As at 31 March 2023, the item comprises collaterals relating to agreements for which, as at the balance sheet day, the liabilities were repaid in the total amount of PLN 240 million.*

As at 31 March 2023, the most significant hedging items are:

- the declaration of submission to enforcement up to the maximum amount of PLN 4 800 million with the effective date to 30 November 2030, signed by the Company in connection with the conclusion of the syndicated loan agreement in the amount of PLN 4 000 million on 15 July 2022;
- corporate guarantees and sureties granted to secure the liabilities arising from contracts concluded in connection with the implementation of RES projects. As at the balance sheet date, the total value of collaterals amounts to EUR 170 million (PLN 797 million) and PLN 348 million;
- the corporate guarantee granted by the Company in 2014 to secure the bonds of Finanse Grupa TAURON Sp. z o.o. (the so-called NSV). The guarantee shall be effective until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 million (PLN 785 million), while the beneficiaries of the guarantee are the private placement investors who purchased the bonds issued;
- a bank guarantee of up to PLN 457 million issued following the request of the Company to secure the receivables of Bank Gospodarstwa Krajowego (“BGK”) under the loan agreement concluded on 8 March 2018 between the borrower, Elektrociepłownia Stalowa Wola S.A. and BGK and PGNiG S.A. The bank guarantee shall be effective until 11 March 2024 while the collateral of the guarantor’s receivables against the Company is the declaration on submission to enforcement up to the amount of PLN 548 million.

After the balance sheet date, on 6 April 2023, an annex to the bank guarantee was issued in favour of Polskie Sieci Elektroenergetyczne S.A. for the liabilities of the subsidiary, TAURON Wytwarzanie S.A., under which the amount of the guarantee was increased to PLN 117 million and its duration extended to 31 May 2023.

(in PLN million)

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

Type of collateral	Description
Declarations of submission to enforcement	On 3 January 2023, a declaration of submission to enforcement was signed to secure the obligations of the Company to Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") up to the amount of PLN 6 000 million, with the effective term until 31 December 2023. The liabilities of the subsidiary, TAURON Wytwarzanie S.A. to the IRGiT were secured by a declaration of submission to enforcement signed on 11 October 2022 up to the amount of PLN 2 000 million, with the effective term by 30 June 2023.
Bank guarantees	As at 31 March 2023 and 31 December 2022, bank guarantees totalling PLN 550 million and PLN 176 million, respectively, were in force. After the balance sheet date, bank guarantees were issued in favour of IRGiT as collateral for the liabilities of the Company. As at the date of approval of these interim condensed consolidated financial statements for publication, bank guarantees in the total amount of PLN 400 million are in force, with the validity dates falling maximum until 11 July 2023.
Agreement for setting off the margins	Pursuant to the Agreement defining the principles for the establishment of financial collateral for the energy Group concluded with the IRGiT, TAURON Group applies a mechanism for setting off the margins. In terms of the transactions performed, the margins required by the IRGiT are calculated against the positions offset within the Group, which translates into the reduction in the funds involved on a Group-wide basis in maintaining the collateral required by the IRGiT.
Transfer of CO_2 emission allowances and property rights of certificates of origin	In order to secure the liabilities of the Company and its subsidiary, TAURON Wytwarzanie S.A., on account of the payments due to the margin deposit, collaterals are established in the form of transfer of CO_2 emission allowances and property rights of certificates of origin to the IRGiT. As at the balance sheet date, the subject of the collaterals established relates to the transfer of CO_2 emission allowances in the total amount of 230 000 tonnes and the blocking instruction of property rights in the total amount of 81 000 MWh. After the balance sheet date, on 9 May 2023, all property rights arising from certificates of origin were unblocked and are no longer the subject of the transfer of title.

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

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

	As at 31 March 2023 *(unaudited)*	As at 31 December 2022
Other non-financial assets	62	342
Real estate	29	2
Other financial receivables	1	–
Cash	–	1
Total	**92**	**345**

As at 31 March 2023 and 31 December 2022, the main item comprises other non-financial assets - funds paid in advance for coal deliveries in the amount of PLN 62 million and PLN 342 million, respectively.

Provision of funds to cover future decommissioning costs

As at the balance sheet date, the Mine Liquidation Fund created to secure funds to cover future decommissioning costs relates to the subsidiary, Kopalnia Wapienia Czatkowice Sp. z o.o.

53. Related party disclosures

53.1. Transactions with joint ventures

The group has interest in the following joint ventures: Elektrociepłownia Stalowa Wola S.A. and the TAMEH HOLDING Sp. z o.o. capital group, which are further described in Note 23 to these interim condensed consolidated financial statements.

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

(in PLN million)

	3-month period ended 31 March 2023 *(unaudited)*	3-month period ended 31 March 2022 *(unaudited)*
Revenue	46	295
Costs	(80)	(122)

The main item of settlements with jointly-controlled companies are the loans granted to Elektrociepłownia Stalowa Wola S.A. (Note 24).

The Company also provided collaterals to joint ventures in the form of pledges on shares in TAMEH HOLDING Sp. z o.o. and a bank guarantee commissioned by the Company to secure loan liabilities of Elektrociepłownia Stalowa Wola S.A. on account of a loan (Note 52).

53.2. Transactions with the participation of State Treasury companies

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

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

Revenues and costs

	3-month period ended 31 March 2023 (unaudited)	3-month period ended 31 March 2022 (unaudited)
Revenue	1 502	1 036
Costs	(2 156)	(1 085)

Receivables and liabilities

	As at 31 March 2023 (unaudited)	As at 31 December 2022
Receivables*	502	519
Payables	1 006	982

**As at 31 March 2023, the receivables item in the table above includes advance payments for the purchase of fixed assets in the amount of PLN 2 million.*

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Group in the period of three months ended 31 March 2023 included PSE S.A., ENERGA-OPERATOR S.A. and Polska Grupa Górnicza S.A. The largest purchase transactions were performed by the Group with PSE S.A., Polska Grupa Górnicza S.A., Węglokoks S.A. and TAURON Wydobycie S.A. In the period of three months ended 31 March 2022, the Group's largest customers included: KGHM Polska Miedź S.A., PSE S.A. and Polska Grupa Górnicza S.A. The largest purchase transactions were performed by the Group with PSE S.A. and Polska Grupa Górnicza S.A. In the period of three months ended 31 March 2022 purchase transactions with TAURON Wydobycie S.A. were intra-group transactions.

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

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

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

53.3. Remuneration of the executives

The level of remuneration and other benefits paid and/or due members of the Management Board, Supervisory Boards and other key management personnel of the parent company and the subsidiaries paid and due in the period of three months ended 31 March 2023 and in the comparative period is presented in the table below.

Interim condensed consolidated financial statements for the 3-month period ended 31 March 2023 compliant with the IFRS approved by the EU (in PLN million)

	3-month period ended 31 March 2023 (unaudited)		3-month period ended 31 March 2022 (unaudited)	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	**1**	**6**	**1**	**4**
Short-term benefits (with surcharges)	1	6	1	4
Supervisory Board	**–**	**1**	**–**	**–**
Short-term employee benefits (salaries and surcharges)	–	1	–	–
Other key management personnel	**3**	**13**	**2**	**11**
Short-term employee benefits (salaries and surcharges)	3	12	2	11
Other	–	1	–	–
Total	**4**	**20**	**3**	**15**

In addition, in accordance with the accounting policy adopted, the Group creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on account of termination of their employment, which may be paid or payable in subsequent reporting periods. The table above takes into account the amounts paid and due to be paid until 31 March 2023.

54. Other material information

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

In the period of three months ended 31 March 2023, work continued in the Group with the aim to implement the government programme for the transformation of the Polish electricity sector (the "NABE Programme") launched in April 2021 by the Ministry of State Assets. The programme aims to separate coal assets from state-owned energy companies under the terms and conditions set out by the MAP in the document entitled "*The transformation of the electricity sector in Poland. Separation of coal generation assets from the companies with the State Treasury shareholding*". On 1 March 2022, the Council of Ministers passed the resolution adopting the aforementioned document.

The NABE programme stipulates the acquisition of all assets related to the generation of energy in coal and lignite-fired power plants, including service companies providing services to them by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. The acquisition is preceded by an internal reorganisation of the energy groups, aimed at integrating the assets to be separated within a single entity. In TAURON Group, the integration of the assets to be separated is carried out within TAURON Wytwarzanie S.A.

As at 31 March 2023, the Group believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the Group's assets and liabilities of the manufacturing and service companies included in the NABE Programme as a disposable group classified as held for sale.

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

The three month period ended 31 March 2023 was a period of continuing epidemic emergency state, during which minimum levels of SARS-CoV-2 virus infection were observed. Currently, most of the restrictions have been lifted, but in the medium to long term, it cannot be ruled out that the COVID-19 pandemic may continue to affect the national, European as well as global economic conditions, with negative implications for the macroeconomic factors. Material issues relating to the impact of the pandemic on TAURON Group are set out below:

- in the three month period ended 31 March 2023, no significant impact of the COVID-19 pandemic on the level of demand for electricity, the developments in prices in the markets of electricity and related products or trends in the level of overdue receivables of the Group's customers was observed among TAURON Group customers;
- the situation related to the COVID-19 pandemic in the first quarter of 2023 did not affect the operations of the individual Business Areas of TAURON Group.

On the basis of the experience gained and taking into account the possibility of an increase in threats related to the epidemiological situation, TAURON Group monitored and adapted its actions adequately to the level of threats and developments in the analyzed period. In the event that the threat increases, the Management Board of the Company is prepared to take all possible steps to mitigate the negative impact of the pandemic on TAURON Group.

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

In February 2022, the aggression of the Russian Federation started in territory of Ukraine. In the TAURON Group's assessment, the key consequences of the aggression and the resulting risks that affected TAURON Group in the period of three months ended 31 March 2023 are as follows:

- implementation of national regulations in 2022, with the aim of limiting electricity demand, introducing mechanisms to limit increases in electricity prices for end users, introducing margin restrictions for electricity generators and trading companies, as well as changes to the rules of operation of the wholesale electricity market (abolition of the exchange obligation, changes to the rules of price setting in the balancing market). The introduction of the above regulations affected the TAURON Group's trading activities in the first quarter of 2023 and will continue to affect the results of the Sales Area, the Generation Area, the RES Area and the Distribution Area throughout 2023.
- observed gradual downturn of the economic situation in Poland and consequently a decrease in the volume of energy sales and distribution observed in the period of three months ended 31 March 2023, which affected the value of revenues of the Distribution Area and the Sales Area, A decrease was also recorded in the volume of own production of the TAURON Group's generating units and, consequently, an increase in the level of hard coal stocks at the TAURON Group's storage sites;
- a decrease and stabilisation of electricity prices compared to the situation observed in 2022 in all segments of the electricity market both in Poland and on European markets. At the same time, a decline is noticeable in liquidity within electricity products traded on the Polish Power Exchange, resulting in an increase in risks in terms of effective securing of customers' positions and the competitiveness of the Group's trading companies' offers;
- observed adjustment in the prices of electricity and related products, causing an increase in trading margins resulting from contracts concluded on the electricity exchange market,
- the continued high level of inflation in Poland, including the high level of the NBP reference rate, which affected the cost of servicing financing in TAURON Group, as well as influences the return on capital employed in the Distribution Area in 2023;
- escalation of further potential wage claims and social unrest in TAURON Group as a result of rising inflation in Poland. In the area of risk mitigation, discussions were held between the TAURON Management Board and the Social Council on the basis of the Agreement on cooperation in the scope of social dialogue in TAURON Group, which resulted in signing of the relevant agreements.

In the scope of financial and liquidity risks, as at the date of approval of these interim condensed consolidated financial statements for publication, the Group held sufficient financial resources enabling it to settle its current liabilities as well as to carry out the investment activities it had started.

In the subsequent periods, at least some of the above-mentioned risk factors are expected to continue and their impact on the TAURON Group's liquidity and results will depend on the impact of the aggression of the Russian Federation on the developments in the market, economic and geopolitical environment. It should be indicated that the situation associated with the aggression of the troops of the Russian Federation against Ukraine and its impact on the market and regulatory environment is highly volatile and its future consequences are difficult to estimate precisely. They will depend, in particular, on the scale and duration of the aggression, further developments including the potential escalation of hostilities as well as the impact on the condition of the economy in Poland and worldwide. The impact of the risks identified may also depend on further regulatory action at the European Union level and at the national level in terms of implementing intervention measures as well as shaping the future energy market.

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

- economic turbulences which may trigger financial difficulties for some customers and counterparties of TAURON Group and, at the same time, an increase in credit risk;
- continued high volatility of raw material prices and prices of electricity and related products, persistent high inflation, as well as possible disruptions to the supply chains of goods and services, which may translate to the schedule and profitability of ongoing and planned investment processes;
- threats in the scope of security and cyber security, including potential restrictions in the access to IT/ OT infrastructure, the internet and GSM networks as well as physical security of critical infrastructure elements, the disruption of which may cause disturbances in the scope of functioning of operational processes and business continuity. At the national level, alert degrees were maintained, indicating an increased risk associated with the possibility of occurrence of terrorist events.

In other areas, as of the date of drawing up this information, TAURON Group has not identified any direct effects of the aggression on its own operating and business activities, while the continuity of business processes was not at risk. TAURON Group had no assets located in Ukraine, Russia or Belarus. No significant changes were recorded in balances of overdue receivables. Current and potential challenges identified in investment and restructuring processes related to the volatility of commodity prices, disruption in supply chains for goods and services as well as inflation were analysed in detail based on updated knowledge and forecasts before any liabilities had been incurred and significant funding had been raised.

Recognising the scale of the risks associated with the current situation, TAURON Group continuously monitored the impact of the war in Ukraine and undertook measures to mitigate the potential effects of risk materialisation as well as to maintain the continuity of critical infrastructure operations. In connection with the existing situation in companies of TAURON Group, dedicated Crisis Teams have been established to monitor the impact of the current situation on business processes and to take action in the event of identification of a threat of their interruption or disruption.

55. Events after the balance sheet day

Entry into force of the settlement with the contractor of the 910 MW unit construction in Jaworzno

After the balance sheet date, on 25 April 2023, the last condition precedent was fulfilled, therefore, the settlement agreement entered into force, as concluded on 31 March 2023 between TAURON Wytwarzanie S.A. (the “Contracting Entity”) and the consortium consisting of: RAFAKO S.A. and MOSTOSTAL Warszawa S.A. and E003B7 Sp. z o.o. (jointly referred to as: the “Contractor”, the Contracting Entity and the Contractor jointly referred to as the “Parties”) in mediation before the Court of Arbitration at the Polish Attorney General's Office (the “Settlement”), which establishes the procedure under which the contract for the construction of the 910 MW unit in Jaworzno will be completed and mutual settlements will be made in respect thereof, as well as an annex to the contract for the construction of unit 910 MW.

According to the key provisions of the Settlement:

- TAURON Wytwarzanie S.A. limits its claims against RAFAKO S.A., Mostostal Warszawa S.A. and E003B7 sp. z o.o. to the amount of PLN 240 million; this amount was satisfied by drawing on the performance bond granted on request of E003B7 sp. z o.o. and paid by the guarantors after the balance sheet day, on 25 April 2023;
- The Parties, upon signing the Settlement Agreement, accepted and settled the works as indicated in the Annex to the Settlement Agreement. The Contracting Entity will pay the amount of PLN 18 million net to the Contractor as a remuneration for the aforementioned works, which was set at a total net amount of PLN 33 million and which, for the purposes of payment, was reduced by the settlement of advance payments and the amount of paid invoices in the total net amount of PLN 15 million net. The settlement of the amount indicated above, together with the Contractor's remuneration already paid from the contract to date - will mean the settlement of all work completed by the Contractor under the contract and the Contractor will not carry out any further work under the contract;
- The Contracting Entity and RAFAKO S.A. will endeavour 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 on 9 February 2020 and as part of the liquidation proceedings conducted in this respect, following which UNIQA will pay the recompensation to the Contracting Entity. On account of RAFAKO S.A.'s share in the damages, the Contracting Entity shall, within 7 days of receiving the recompensation, pay to RAFAKO the amount of PLN 9 million, while the remaining amount of the awarded recompensation shall constitute the Contracting Entity's receivable;
- The Contracting Entity undertook to acquire the assets specified in the Settlement Agreement from the Contractor and to pay the Contractor the total net amount of PLN 14 million on account of the acquisition of the aforementioned assets;
- The Contracting Entity shall pay to E003B7 Sp. z o.o., after the entry into force of the Settlement, a lump sum remuneration of PLN 10 million net, which E003B7 Sp. z o.o. will use to lead to the termination of the subcontractors' claims;
- The Parties limited the subject matter of the contract to the work completed to date and agreed that, upon signing of the Settlement Agreement, the contract was terminated in its part which has not been completed. Upon entry into force of the Settlement Agree, all Contractor's liability pertaining to the contract, in particular the guarantee and warranty in relation to the subject matter of the contract, ceased and all Contractor's liability for all faults, damage and defects in the 910 MW unit ceased, including those occurring after the date of concluding the Settlement. Pursuant to the annex to the contract, the Parties agreed on the final price of the Contract in the amount of PLN 4,659 million net. Termination of the contract will result in cancellation of all obligations of the Parties under the contract. Upon the entry into force of the Settlement, all technical guarantees and the warranty in relation to the subject matter of the Contract have expired;

- as soon as the Settlement Agreement enters into force, the settlements provided for in the Settlement Agreement shall satisfy all mutual claims of the Parties in connection with the performance of the Contract. The parties mutually waived all claims arising in connection with the circumstances up to the date of concluding the Settlement Agreement, including mutual claims as well as claims of RAFAKO S.A. and E003B7 Sp. z o.o. towards TAURON Polska Energia S.A., issued in January 2023 and described in more detail in Note 64 of the consolidated financial statements for the year ended 31 December 2022. The Parties undertook that they would not assert waivable claims in the future irrespective of title or factual and legal basis.

The Parties will endeavour to obtain approval of the Settlement Agreement by the District Court in Katowice. A request for approval of the Settlement was submitted on 8 May 2023. The Settlement Agreement contains valid and enforceable obligations of the Parties irrespective of whether it is approved by the Court and even irrespective of whether the application for Court approval of the Settlement Agreement is filed. The approval of the Settlement by the Court is not a prerequisite for entry into force of the Settlement.

These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the period of three months ended 31 March 2023 in compliance with the International Accounting Standard No. 34 comprise 59 pages.

Katowice, 30 May 2023

Paweł Szczeszek - President of the Management Board

Patryk Demski - Vice President of the Management Board

Bogusław Rybacki - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board,

Tomasz Szczegielniak - Vice President of the Management Board

Artur Warzocha - Vice President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes

This is a translation of the document originally issued and signed in Polish