

TAURON Polska Energia S.A.

**Quarterly financial information
for the 3-month period ended 31 March 2023**

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TAURON Polska Energia S.A.
Quarterly Financial Information for the 3-month period ended 31 March 2023
(in PLN million)

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2023 <i>(unaudited)</i>	3-month period ended 31 March 2022 <i>(unaudited)</i>
Sales revenue	3	10 869	8 853
Cost of sales	4	(10 821)	(8 755)
Profit on sale		48	98
Selling and distribution expenses	4	(8)	(7)
Administrative expenses	4	(18)	(27)
Other operating income and expenses		(3)	(2)
Operating profit		19	62
Interest income on loans	5	219	68
Interest expense on debt	5	(242)	(115)
Revaluation of loans	5	(63)	(18)
Other finance income and costs	5	(75)	(41)
Loss before tax		(142)	(44)
Income tax expense		(17)	33
Net loss		(159)	(11)
Measurement of hedging instruments		(90)	159
Income tax		17	(30)
Other comprehensive income subject to reclassification to profit or loss		(73)	129
Total comprehensive income		(232)	118
Loss per share basic and diluted (in PLN):			
- basic and diluted, for net loss		(0.09)	(0.01)

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2023 <i>(unaudited)</i>	As at 31 December 2022
ASSETS			
Non-current assets			
Investment property		17	19
Right-of-use assets		12	13
Shares	6	15 716	15 716
Loans granted	7	11 114	11 172
Derivative instruments		340	390
Other financial assets		1	–
Deferred tax assets		15	–
Other non-financial assets		17	19
		27 232	27 329
Current assets			
Inventories		368	72
Receivables from buyers		2 590	4 070
Income tax receivables		79	79
Loans granted	7	3 024	2 368
Derivative instruments		389	459
Other financial assets		306	35
Other non-financial assets		158	601
Cash and cash equivalents	8	420	1 039
		7 334	8 723
TOTAL ASSETS		34 566	36 052
EQUITY AND LIABILITIES			
Equity			
Issued capital		8 763	8 763
Reserve capital		3 009	3 009
Revaluation reserve from valuation of hedging instruments		377	450
Retained earnings/(Accumulated losses)		(61)	98
		12 088	12 320
Non-current liabilities			
Debt	9	15 809	14 754
Derivative instruments		19	10
Other financial liabilities		6	8
Other non-financial liabilities		4	4
Deferred tax liabilities		–	14
Provision for the onerous contract	10	2	28
Other provisions, accruals, deferred income and government grants		5	4
		15 845	14 822
Current liabilities			
Debt	9	3 350	3 316
Liabilities to suppliers		1 037	3 249
Derivative instruments		379	331
Other financial liabilities		82	146
Income tax liabilities	11	302	–
Other non-financial liabilities	12	1 283	1 593
Provision for the onerous contract	10	169	253
Other provisions, accruals, deferred income and government grants		31	22
		6 633	8 910
Total liabilities		22 478	23 732
TOTAL EQUITY AND LIABILITIES		34 566	36 052

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

3-MONTH PERIOD ENDED 31 March 2023 (unaudited)

	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
As at 1 January 2023	8 763	3 009	450	98	12 320
Net loss	-	-	-	(159)	(159)
Other comprehensive income	-	-	(73)	-	(73)
Total comprehensive income	-	-	(73)	(159)	(232)
As at 31 March 2023 (unaudited)	8 763	3 009	377	(61)	12 088

3-MONTH PERIOD ENDED 31 March 2022 (unaudited)

	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
As at 1 January 2022	8 763	2 749	299	290	12 101
Net loss	-	-	-	(11)	(11)
Other comprehensive income	-	-	129	-	129
Total comprehensive income	-	-	129	(11)	118
As at 31 March 2022 (unaudited)	8 763	2 749	428	279	12 219

INTERIM CONDENSED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2023 <i>(unaudited)</i>	3-month period ended 31 March 2022 <i>(unaudited restated figures)</i>
Cash flows from operating activities			
Loss before tax		(142)	(44)
Depreciation and amortization		4	4
Interest		180	45
Impairment losses on loans granted		63	18
Exchange differences		(35)	48
Other adjustments of profit before tax		(17)	(18)
Change in working capital		(681)	(99)
Income tax paid		-	(67)
Net cash from operating activities		(628)	(113)
Cash flows from investing activities			
Purchase of shares in the subsidiary		-	(1 061)
Loans granted		(54)	(169)
Other		-	(8)
Total payments		(54)	(1 238)
Interest received from loans granted		27	36
Repayment of loans granted		-	1
Total proceeds		27	37
Net cash used in investing activities		(27)	(1 201)
Cash flows from financing activities			
Repayment of loans		(1 725)	(1 185)
Interest paid		(79)	(30)
Commission paid		(2)	(8)
Repayment of lease liabilities		(3)	(2)
Total payments		(1 809)	(1 225)
Contracted loans		3 550	3 796
Total proceeds		3 550	3 796
Net cash from financing activities		1 741	2 571
Net increase/(decrease) in cash and cash equivalents		1 086	1 257
Net foreign exchange difference		22	(2)
Cash and cash equivalents at the beginning of the period	8	(321)	(2 319)
Cash and cash equivalents at the end of the period, of which:	8	765	(1 062)
restricted cash	8	50	44

SELECTED EXPLANATORY INFORMATION

1. Principles adopted in the preparation of quarterly financial information as well as changes in applied accounting policies and changes in presentation

The quarterly financial information was prepared in accordance with the International Financial Reporting Standards approved by the European Union in the scope resulting from the Regulation of the Minister of Finance of 29 March 2018 on the current and periodic information published by issuers of securities and the conditions for considering as equivalent the information required by law of a non-member state (Journal of Laws of 2018 item 757).

Changes in the accounting principles applied

The quarterly financial information was prepared using the same accounting principles as those applied in the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2022, except for the application of amendments to the standards which came into force on 1 January 2023 (described in Note 8 to the interim condensed consolidated financial statements for the three month period ended 31 March 2023), the introduction of which in the opinion of the Management Board had no material impact on the accounting principles applied by the Company to date.

Change in presentation

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

	3-month period ended 31 March 2022 <i>(unaudited approved figures)</i>	Change of the presentation of collateral transferred to IRGiT	3-month period ended 31 March 2022 <i>(unaudited restated figures)</i>
Cash flows from operating activities			
Change in working capital	(85)	(14)	(99)
Net cash from operating activities	(99)	(14)	(113)
Net increase / (decrease) in cash and cash equivalents	1 271	(14)	1 257
Cash and cash equivalents at the beginning of the period	(2 163)	(156)	(2 319)
Cash and cash equivalents at the end of the period, of which:	(892)	(170)	(1 062)
restricted cash	214	(170)	44

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

In the process of applying the accounting policy, professional judgement of the management, along with accounting estimates, were of key importance affecting the figures disclosed in the financial statements. The assumptions underlying these estimates are based on the best knowledge of the Management Board related to the current and future actions and events in individual areas. In the current period, no significant changes occurred in the estimates or estimation methods applied, which could affect the current or future periods, other than those described hereinafter in this quarterly financial information.

3. Sales revenue

	3-month period ended 31 March 2023 <i>(unaudited)</i>	3-month period ended 31 March 2022 <i>(unaudited)</i>
Revenue from sales of goods for resale and materials	10 781	8 762
Electricity	8 999	6 299
CO ₂ emission allowances	1 305	2 099
Gas	458	361
Other	19	3
Rendering of services	88	91
Capacity Market	33	53
Trade services	43	31
Other	12	7
Total sales revenue	10 869	8 853

In the three month period ended 31 March 2023, sales revenues increased in relation to the comparable period and the main changes were related to sales revenues of the following goods:

- Electricity - an increase in revenue by PLN 2 700 million is mainly associated with electricity sales contracted at a price higher, on average, by 96% at a simultaneously lower sales volume by 27%. The higher sales prices result from market conditions and the visible increase in energy prices in the first quarter of 2022 for contracts concluded for delivery in 2023. The decline in the volume is a result of accomplishing the lower volume of electricity sales to the sales companies of the Group, including TAURON Sprzedaż Sp. z o.o. due to the lower demand in 2023 and the absence of the purchase of volume for the generation companies of the Group in order to secure the performance of contracts they have concluded, which took place in 2022;
- Gas - an increase in revenue by the amount of PLN 97 million is mainly associated with a significant increase in prices by an average of 63% and the simultaneous achievement of a lower volume of sales by an average of 22%. Lower volume of sales result from lower gas demand, mainly in TAURON Sprzedaż Sp. z o.o.

Revenue in the scope of CO₂ emission allowances in the current period is lower in relation to the comparable period mainly due to the fact that part of sales to generating companies of the Group, to cover redemption needs for 2022 took place in April 2023, i.e. after the balance sheet day and in the three month period ended 31 March 2023, sales to generating companies of the Group amounted to PLN 1 305 million. In the comparable period, the total rest of allowances for redemption purposes for 2021 were purchased and sold back to the companies in the first quarter of 2022 and sales of CO₂ emission allowances amounted to PLN 1 495 million. In addition, in the comparable period, due to a non-recurring event in the form of the failure of the 910 MW unit in Jaworzno, the Company, with a view to using the surplus allowances created due to the failure for the redemption of another Group installation 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.

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside TAURON Group (in the comparable period, also from the Group, i.e. from TAURON Wydobycie S.A., which was sold to the State Treasury and over which the Company lost control on 31 December 2022), while sales are performed to related companies, however, as part of the activities aimed at separating coal generation assets from the Group, TAURON Wytwarzanie S.A. takes over the function of independent purchase of fuels for own needs. The Company recognises revenues from agency services in a revenues of trade services - organization of deliveries in the revenue on sales. In the three month period ended 31 March 2023, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 626 million. The Company recognised revenue of PLN 12 million on account of the organisation of delivery service.

4. Costs by type

	3-month period ended 31 March 2023 <i>(unaudited)</i>	3-month period ended 31 March 2022 <i>(unaudited)</i>
Write-down for the Price Difference Payment Fund	(289)	-
Capacity Market	(33)	(53)
Employee benefits expense	(29)	(24)
Other external services	(14)	(13)
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(4)	(4)
Advertising expenses	(5)	(5)
Allowance for expected credit losses on receivables from buyers	14	(1)
Total costs by type	(360)	(100)
Selling and distribution expenses	8	7
Administrative expenses	18	27
Value of energy sold	(8 702)	(6 312)
Value of other goods sold	(1 785)	(2 377)
Cost of sales	(10 821)	(8 755)

The costs of the write-down to the Price Difference Payment Fund in the amount of PLN 289 million result from the *Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023*, which imposed, among others, an obligation on electricity trading companies to transfer write-downs to the Price Difference Payment Fund for the purpose of paying the recompensations established by the aforementioned Act.

The increase in the value of electricity sold results mainly from purchases of electricity at 90% higher average prices than in the previous year, with the simultaneously 27% lower volume of electricity purchased. In order to secure the Group's needs, purchases of electricity were mainly executed from non-Group counterparties, on the forward and SPOT markets, at higher prices as a result of the change in market price trends observe in 2022 for contracts concluded for deliveries to be executed in the subsequent years. Moreover, the decline in the volume of electricity purchased by the Company results from the lack of purchase of electricity for TAURON Wytwarzanie S.A. that independently purchase electricity on the market.

The decrease in the value of other goods sold is a result of the recognition of a lower value of CO₂ emission allowances sold as a consequence of lower revenue from the sale of CO₂ emission allowances in the first quarter of 2023 and an increase in the value of gas sold, which is primarily related to a significant increase in gas purchase prices by an average of 64%, while accomplishing a purchase volume lower by an average of 22%.

5. Financial revenues and costs

	3-month period ended 31 March 2023 <i>(unaudited)</i>	3-month period ended 31 March 2022 <i>(unaudited)</i>
Interest income on loans	219	68
Interest expense	(242)	(115)
Revaluation of loans	(63)	(18)
Other finance income and costs, of which:	(75)	(41)
Gain/(loss) on derivative instruments	(146)	28
Commissions due to external financing	(4)	(6)
Exchange differences	29	(64)
Other finance income	52	6
Other finance costs	(6)	(5)
Total, of which:	(161)	(106)
Income and costs from financial instruments	(180)	(107)
Other finance income and costs	19	1

The increase in the interest revenue on loans in the three month period ended 31 March 2023 in relation to the comparable period results mainly from an increase in the amount of loans granted.

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(in PLN million)

The increase in interest expenses results from the 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 three month period ended 31 March 2023.

6. Shares

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

No changes in the Company shareholdings in other entities occurred in the three month period ended 31 March 2023.

Impairment tests

As at the balance sheet day, the analysis was performed of changes in the prices of electricity, raw materials and CO₂ emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts taken into account in the impairment tests, concluded on 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 three month period 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 CO₂ 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 Towarowa Giełda Energii 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 renewable energy production and a rise in coal stocks in ARA ports, which reached 6.4 million tonnes in early 2023;
- 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 prepared pricing assumptions 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.

For this reason, it was recognised that the results of the most recent impairment tests of shares in subsidiaries and analyses in the scope of valuation of loans conducted 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 10 to the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2022.

Results of the tests and analyses conducted in the scope of the valuation of loans granted

The result of the impairment tests of shares in subsidiaries and joint ventures conducted in compliance with IAS 36 *Impairment of Assets* as at 31 December 2022 indicated impairment of the carrying amount of shares in TAURON Inwestycje Sp. z o.o.

Company	WACC* assumed in tests as at		Recoverable amount of shares	The amount of the recognized impairment losses on shares
	31 December 2022	31 December 2021	As at 31 December 2022	Year ended 31 December 2022
TAURON Inwestycje Sp. z o.o.	10.92%	n.a.	(59)	(36)
Total				(36)

* The level of the weighted average cost of capital (WACC) in nominal terms after tax.

The analyses carried out with regard to the financing granted to the subsidiaries, based on the subsidiaries' future cash flows, also demonstrated the rationality of reducing the carrying amount of the loans granted by the Company to TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o.o. in the total amount of PLN 960 million.

Company	Recoverable amount of intra-group loans	The amount of the recognized reduction of value of intra-group loans
	As at 31 December 2022	Year ended 31 December 2022
TAURON Wytwarzanie S.A.	5 986	(882)
TAURON Inwestycje Sp. z o.o.	(59)	(78)
Total		(960)

7. Loans granted

	As at 31 March 2023 (unaudited)			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	13 813	(392)	13 421	13 260	(368)	12 892
Loans granted to subsidiaries	11 168	(152)	11 016	11 093	(151)	10 942
Loans granted under cash pool agreement	2 645	(240)	2 405	2 167	(217)	1 950
Loans measured at fair value	717	n.a.	717	648	n.a.	648
Loans granted to subsidiaries	502	n.a.	502	442	n.a.	442
Loans granted to EC Stalowa Wola S.A.	215	n.a.	215	206	n.a.	206
Total	14 530	(392)	14 138	13 908	(368)	13 540
Non-current	11 264	(150)	11 114	11 321	(149)	11 172
Current	3 266	(242)	3 024	2 587	(219)	2 368

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Loans granted to subsidiaries

Company	As at 31 March 2023 (<i>unaudited</i>)				As at 31 December 2022			
	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	12 518	11 168	(152)	11 016	12 360	11 093	(151)	10 942
TAURON Wytwarzanie S.A.	5 676	4 400	(100)	4 300	5 564	4 317	(96)	4 221
TAURON Dystrybucja S.A.	5 496	5 427	(26)	5 401	5 460	5 444	(27)	5 417
TAURON Ciepło Sp. z o.o.	980	979	(16)	963	981	980	(17)	963
TAURON Ekoenergia Sp. z o.o.	160	157	(1)	156	160	157	(1)	156
TAURON Obsługa Klienta Sp. z o.o.	96	95	(1)	94	96	96	(2)	94
TAURON Nowe Technologie S.A.	52	52	(1)	51	51	51	(1)	50
Other	58	58	(7)	51	48	48	(7)	41
Loans measured at fair value	497	502	n.a.	502	452	442	n.a.	442
WIND T1 Sp. z o.o.	199	190	n.a.	190	197	185	n.a.	185
"MEGAWATT S.C." Sp. z o.o.	138	158	n.a.	158	129	139	n.a.	139
FF Park PV1 Sp. z o.o.	45	45	n.a.	45	12	12	n.a.	12
WIND T4 Sp. z o.o.	41	41	n.a.	41	40	40	n.a.	40
Polpower Sp. z o.o.	35	32	n.a.	32	36	30	n.a.	30
Energetyka Cieszyńska Sp. z o.o.	22	22	n.a.	22	22	22	n.a.	22
Aval-1 Sp. z o.o.	17	14	n.a.	14	16	14	n.a.	14
Total	13 015	11 670	(152)	11 518	12 812	11 535	(151)	11 384
Non-current		11 049	(150)	10 899		11 115	(149)	10 966
Current		621	(2)	619		420	(2)	418

Loans granted to joint ventures

	As at 31 March 2023 (<i>unaudited</i>)		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		

8. Cash and cash equivalents

	As at 31 March 2023 (<i>unaudited</i>)	As at 31 December 2022
Cash at bank and in hand	420	1 039
Total cash and cash equivalents presented in the statement of financial position, of which:	420	1 039
restricted cash, including:	354	752
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	304	671
cash on VAT bank accounts (split payment)	50	81
Collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	(304)	(671)
Cash pool	668	(715)
Overdraft facility	(23)	-
Foreign exchange	4	26
Total cash and cash equivalents presented in the statement of cash flows	765	(321)

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The balances of short-term loans granted and borrowings incurred under cash pool transactions do not represent cash flows from investment or financial activities but constitute cash adjustments, since they mainly serve to manage the Group's current liquidity.

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

9. Debt liabilities

	As at 31 March 2023 (unaudited)			As at 31 December 2022		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Unsubordinated bonds	4 247	275	4 522	4 253	216	4 469
Subordinated bonds	1 951	41	1 992	1 961	5	1 966
Bank loans	8 828	1 037	9 865	7 753	201	7 954
Loan from the subsidiary	778	10	788	781	2	783
Cash pool loans received	–	1 977	1 977	–	2 882	2 882
Lease	5	10	15	6	10	16
Total	15 809	3 350	19 159	14 754	3 316	18 070

Bonds issued

Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Maturity date	Carrying amount	
					As at 31 March 2023 (unaudited)	As at 31 December 2022
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	600 490	2023-2028 2023-2029	612 504	602 491
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
Unsubordinated bonds					4 522	4 469
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031 ²	412	401
European Investment Bank	fixed ¹	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					6 514	6 435

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

² In the case of subordinated bonds, the maturity date 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).

The Company additionally holds financing available under the agreement concluded in 2021 with Bank Gospodarstwa Krajowego up to the amount of PLN 450 million, concerning 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.

Bank loans

Borrowing institution	Interest rate	Currency	Maturity date	As at	
				31 March 2023 (unaudited)	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
			2024	122	141
European Investment Bank	fixed	PLN	2027	117	133
			2040	410	405
			2040	1 217	1 222
Intesa Sanpaolo S.p.A.	floating	PLN	2041	1 204	–
			2024	757	775
SMBC BANK EU AG	fixed	PLN	2025	500	499
Erste Group Bank AG	floating	PLN	2026	514	507
Bank Gospodarstwa Krajowego - overdraft facility	floating	PLN	2023	23	–
Total				9 865	7 954

* Tranches classified as non-current liability.

TAURON Polska Energia S.A.
Quarterly Financial Information for the 3-month period ended 31 March 2023
(in PLN million)

As at the balance sheet day, the Company has loan agreements concluded in 2020 and 2022 with syndicated 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 the period of three months ended 31 March 2023, the Company performed the following transactions relating to bank loans (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)
Total, including:		3 710	(1 885)
Cash flows		3 550	(1 725)
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 three month period 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.

Loan from subsidiary

The liability of the Company amounting to PLN 788 million (EUR 169 million) as at 31 March 2023 relates to the long-term loan received from the subsidiary, Finanse Grupa TAURON Sp. z o.o. under the agreement concluded between TAURON Polska Energia S.A. and the subsidiary, Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ)). The loan agreement was concluded in 2014 and bears interest at a fixed rate while the interest is paid annually until the full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

10. Provision for onerous contract

	3-month period ended 31 March 2023 (unaudited)	3-month period ended 31 March 2022 (unaudited)
Opening balance	281	222
Unwinding of discount	4	2
Recognition/(Reversal) net	26	64
Utilisation	(140)	(74)
Closing balance	171	214
Non-current	2	23
Current	169	191

Provision for agreements for the sale of CO₂ emission allowances

As at 31 March 2023, the Company recognised the provision for onerous contracts in the amount of PLN 171 million, for contracts for CO₂ emission allowance that based on the transaction agreements concluded with the subsidiaries, the estimated unavoidable costs of fulfilment of the obligation to deliver CO₂ emission allowances outweigh the benefits to be received under these agreements. The provision was calculated as a difference between concluded transaction agreements for sales to subsidiaries and concluded contracts for the purchase of CO₂ emission allowances from the market measured at the current exchange rate.

The provision is mainly a consequence of transactions carried out in 2021 and 2022 in connection with the failure and shutdown of the 910 MW unit in Jaworzno related to the surplus of CO₂ emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o., in the result of which the Company gained profit, in the moment of transaction i.e. in 2021 and 2022.

In the three month period ended 31 March 2023, the Company partially used the provision in the amount of PLN 140 million in connection with the settlement of contracts with the delivery date on first quarter of 2023 and the materialisation of a loss on the resale of allowances to the subsidiary and performed the revaluation of the provisions through increasing the provisions by the amount of PLN 30 million, including PLN 26 million charging the operating expenses and PLN 4 million - the financial expenses. After the balance sheet day, due to the settlement of contracts with the delivery date in April 2023 and the materialisation of a loss on the resale of allowances, the Company utilised the major part of the provision.

11. Income tax liabilities

Income tax liabilities of PLN 302 million represent the liability for the first quarter of 2023 of the Tax Capital Group, registered on 28 December 2022 for the years 2023-2025 by the Head of the First Mazovian Tax Office in Warsaw, which includes TAURON Polska Energia S.A. and selected subsidiaries.

At the same time, the Company has an income tax receivable of PLN 79 million as at the balance sheet date due to the income tax settlement for 2022.

12. Other non-financial liabilities

	As at 31 March 2023 <i>(unaudited)</i>	As at 31 December 2022
Advances received for deliveries	1 038	1 532
VAT	141	51
Liabilities due to write-down for the Price Difference Payment Fund	96	-
Social security	6	6
Other	2	4
Total	1 283	1 593

Advances received for deliveries were transferred by the subsidiary, TAURON Wytwarzanie S.A. for the delivery of CO₂ emission allowances.

13. Other material information

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

In the three month period 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 Energia 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 possessed by the Group shares of TAURON Wytwarzanie S.A. 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 analysed 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 three month period 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 three month period 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 terms of financial and liquidity risks, as at the date of approval of this quarterly financial information 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 view of the situation at TAURON Group companies, 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.

14. 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. will limit 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 compensation 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 compensation, pay to RAFAKO S.A. the amount of PLN 9 million, while the remaining amount of the awarded compensation 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 49 of the 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 would be filed. The approval of the Settlement by the Court is not a prerequisite for entry into force of the Settlement.

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