



## ADDITIONAL INFORMATION

to TAURON Polska Energia S.A.  
Capital Group's  
extended consolidated  
Q3 2023 report

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

## 1.1. General information

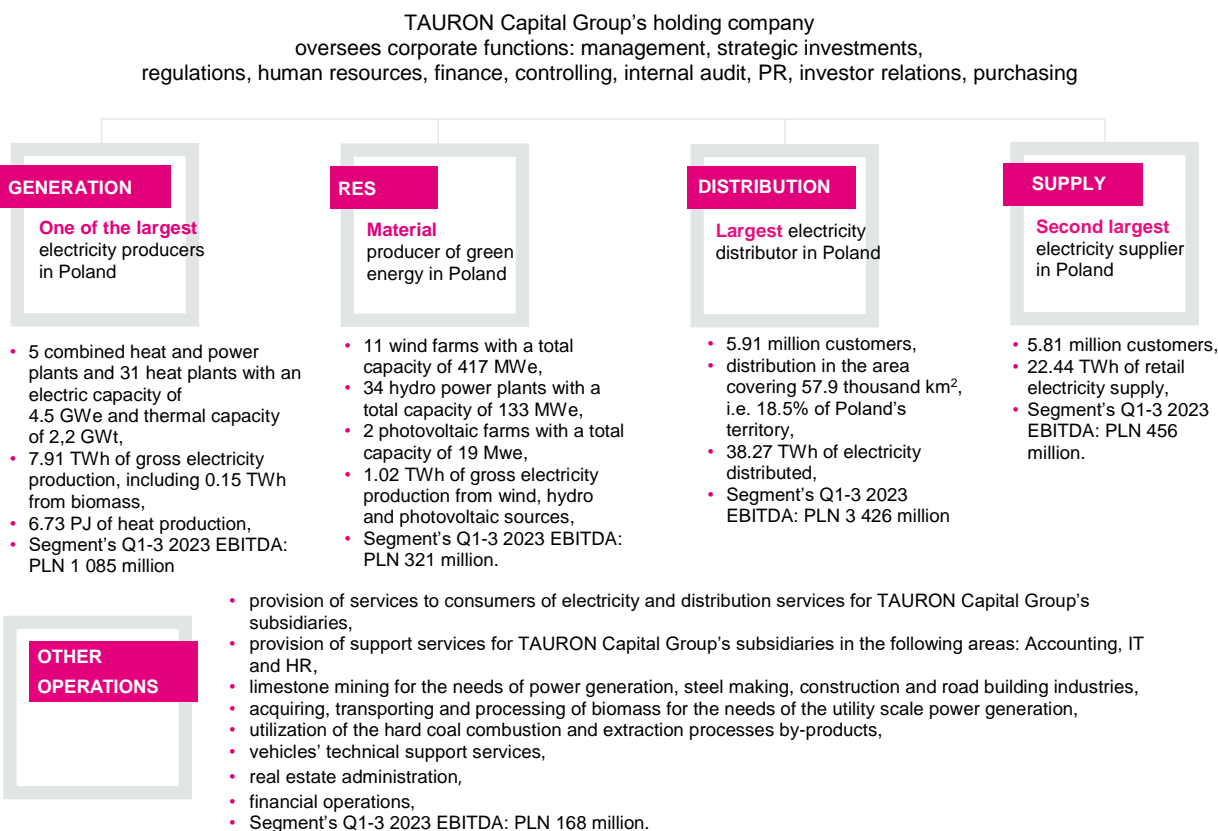
TAURON Capital Group's parent (holding) company is TAURON Polska Energia S.A. (hereinafter called the Company or TAURON), that was established on December 6, 2006, as part of the *Program for the Power Sector*. The Company was registered in the National Court Register on January 8, 2007, under the name: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

The Company does not have any branches (divisions).

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

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

Figure no. 1. TAURON Capital Group



## 1.2. Segments of operations

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

For the purpose of reporting TAURON Capital Group's results the operations of TAURON Capital Group had been, in the period covered by this information, divided into the following 4 main Segments (Operating Segments), hereinafter also referred to as the Lines of Business:



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



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



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



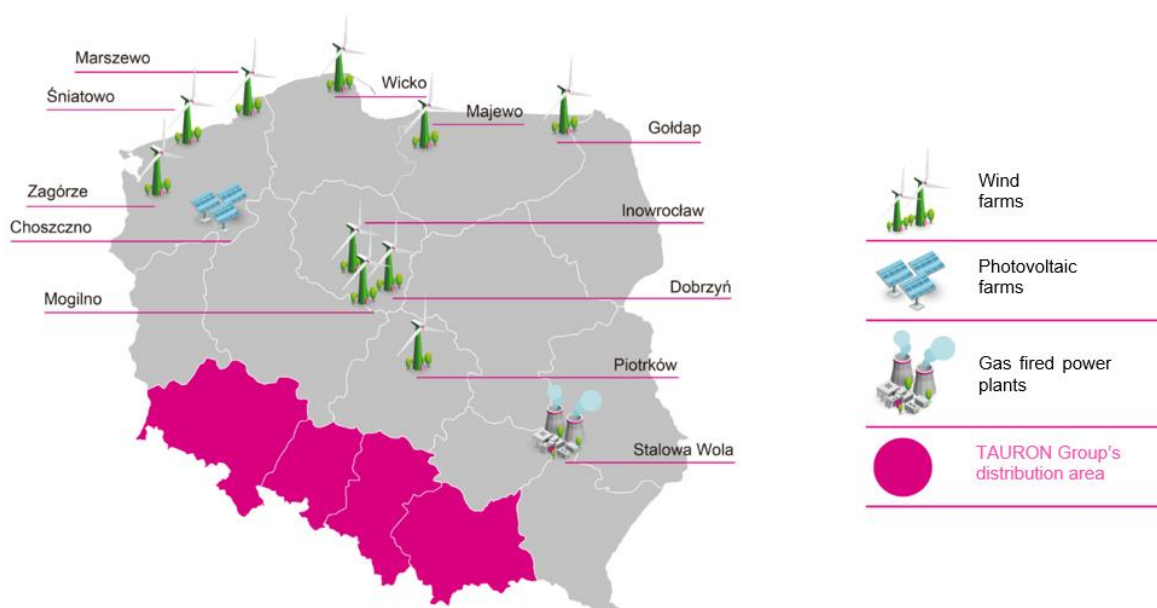
**Supply Segment** that comprises electricity and natural gas supply to the final consumers and electricity, natural gas and derivative products wholesale trading, as well as trading and management of the CO<sub>2</sub> emission allowances, property rights and innovative services related to, among others,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

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

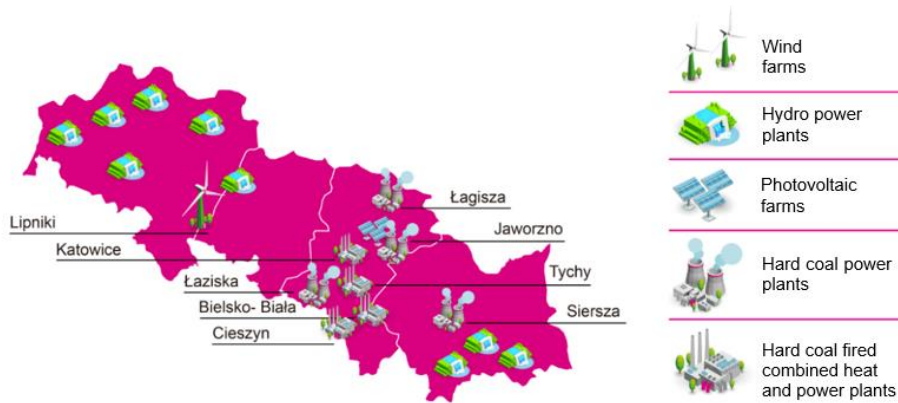
Until December 31, 2022, TAURON Group had also been conducting operations in the Mining Segment that had comprised the mining, cleaning (upgrading) and the sales of the hard coal in Poland. As of December 31, 2022, the operations in this Segment had been discontinued as a result of the divestment of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

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

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







### 1.3. TAURON Capital Group's structure

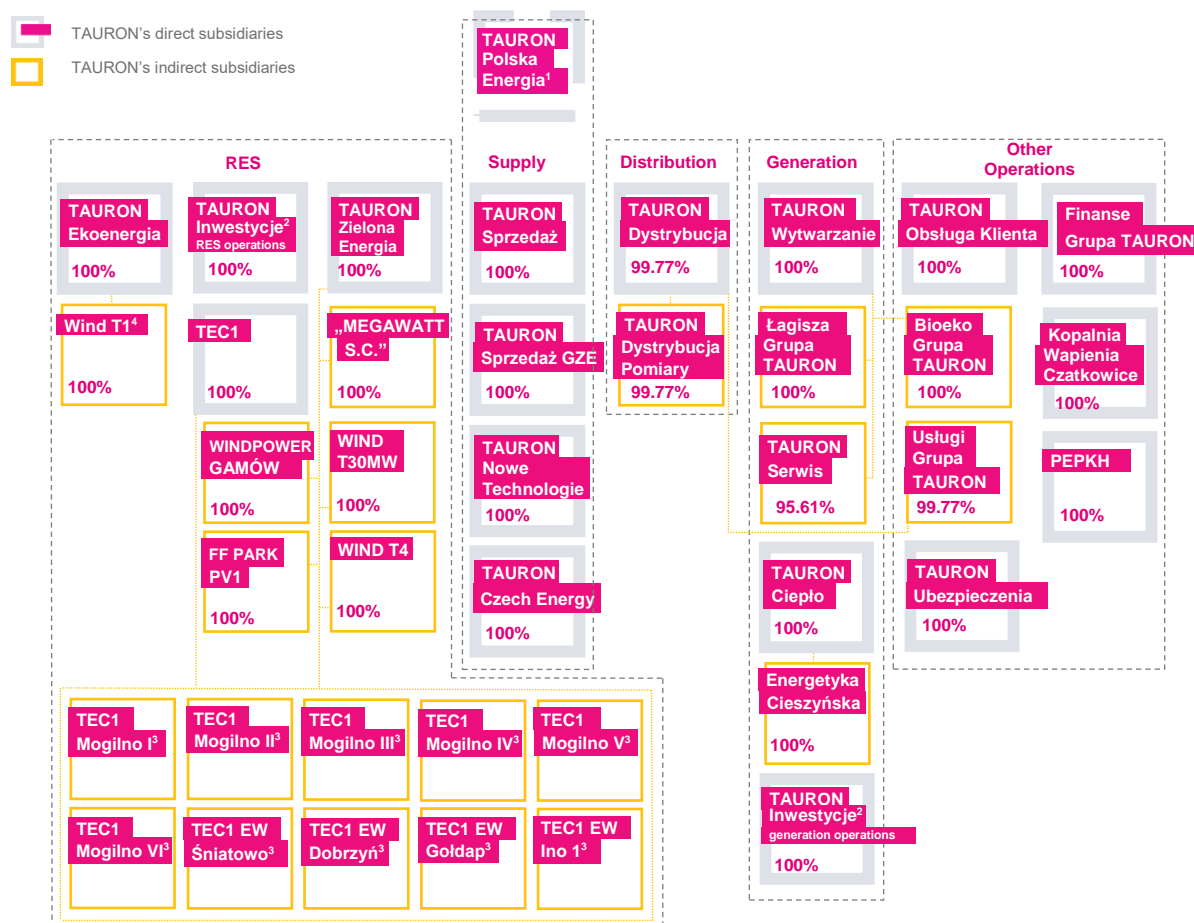
As of September 30, 2023, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 38 subsidiaries subject to consolidation that are listed below. In addition, the Company held, directly or indirectly, shares in the other 33 companies.

As of the date of drawing up this information, TAURON Capital Group's key subsidiaries, apart from TAURON parent company, included 37 subsidiaries.

#### Entities subject to consolidation

The below figure presents TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of September 30, 2023.

Figure no. 3. TAURON Capital Group's structure, including the subsidiaries subject to consolidation, as of September 30, 2023



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

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

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

<sup>4</sup>the company's incorporation into TAURON Ekoenergia sp. z o.o. (Ltd.) (TAURON Ekoenergia) as of October 2, 2023

## Changes to the organization

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

### **Merger of AVAL-1 sp. z o.o. (Ltd.), "Polpower" sp. z o.o. (Ltd.) and WIND T1 sp. z o.o. (Ltd.) with TAURON Ekoenergia sp. z o.o. (Ltd.)**

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

On October 2, 2023 (an event that took place after the balance sheet date), the District Court of Wrocław Fabryczna in Wrocław, the 9<sup>th</sup> Commercial Division of the National Court Register had registered the incorporation by TAURON Ekoenergia sp. z o.o. (Ltd.) (as the Acquiring Company) of WIND T1 sp. z o.o. (Ltd.) (as the Acquired Company).

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

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

### **Merger of TAURON Ciepło sp. z o.o. (Ltd.) and Energetyka Cieszyńska sp. z o.o. (Ltd.)**

On November 15, 2023 Extraordinary Meetings of Shareholders of TAURON Ciepło sp. z o.o. and of Energetyka Cieszyńska sp. z o.o. adopted resolutions concerning merger of the company Energetyka Cieszyńska sp. z o.o. with its registered office in Cieszyn (Acquired Company) with TAURON Ciepło sp. z o.o. with its registered office in Katowice (Acquiring Company) and accepting the Merger Plan.

The merger of the companies should work towards optimization and simplification of ownership structure and management of the company's assets, as well as reduction of costs related to administration of the company.

Due to the capital structure of the companies taking part in the merger (Acquiring Company held 100% of the share capital of the Acquired Company) the merger will take place in line with the provisions allowing for so-called simplified merger procedure (Article 516 § 6 of commercial companies code), under Article 492 § 1 item 1 of the commercial companies code, i.e. by transfer of all the Acquired Company's assets to the Acquiring Company.

The day of merger will be the day on which the merger is entered in the register of entrepreneurs of the National Court Register relevant for TAURON Ciepło sp. z o.o.

## Organizational or equity ties with other entities

Apart from the equity ties with the companies presented in *Figure no. 3* in this information, the organizational or equity ties are applicable to the material joint subsidiaries (co-subsidiaries) in which the Company held, directly or indirectly, shares, and which, as of September 30, 2023, and as of the date of drawing up this information, include the companies listed in the below table.

**Table no. 1. List of material joint subsidiaries (co-subsidiaries) as of September 30, 2023, and as of the date of drawing up this information**

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

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

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

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

### The composition of the Company's Management Board as of September 30, 2023, and as of the date of drawing up this information

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

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

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

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

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

### The composition of the Company's Supervisory Board as of September 30, 2023

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

### The composition of the Company's Supervisory Board as of the date of drawing up this information

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

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

As of January 1, 2023, the Company's Supervisory Board had been composed of the following members: Piotr Tutak (Chair of the Supervisory Board), Teresa Famulska (Vice Chair of the Supervisory Board), Marcin Wawrzyniak (Secretary of the Supervisory Board), Stanisław Borkowski (Member of the Supervisory Board), Dariusz Hryniów (Member of the Supervisory Board), Leszek Koziorowski (Member of the Supervisory Board), Ryszard Madziar (Member of the Supervisory Board), Grzegorz Peczkis (Member of the Supervisory Board).

On October 2, 2023, the mandate of Stanisław Borkowski, a Member of the Supervisory Board of the Company, had expired due to death. The Company disclosed the information about the event in current report no. 41/2023 of October 3, 2023.

No other changes to the composition of the Company's Supervisory Board had taken place in the first three quarters of 2023 and by the date of drawing up this information.

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

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

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

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

### 2.1. Subject of the operations

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

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

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

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

The Company is focusing on purchasing and selling electricity for the purpose of securing (hedging) the buy and sell positions of TAURON Capital Group's entities as well as on the wholesale electricity trading. The Company purchased and sold 26.1 TWh of electricity in the first three quarters of 2023. The electricity sales carried out by TAURON during that period were mainly addressed to the following subsidiaries: TAURON Sprzedaż sp. z o.o. (Ltd.) (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (Ltd.) (TAURON Sprzedaż GZE), with 84.9% of the electricity volume purchased sold thereto. The above mentioned subsidiaries are carrying out the retail electricity supply to the final consumers, and therefore TAURON is not overly dependent on any single electricity consumer. The next largest electricity consumer, in terms of electricity volume purchased, is the Exchange Clearing House (Izba Rozliczeniowa Giełd) (6.9%), and subsequently the other counterparties (4.0%), Polskie Sieci Elektroenergetyczne S.A. (PSE) (2,5%) and TAURON Capital Group's other subsidiaries (1.4%), including TAURON Ciepło sp. z o.o. (Ltd.) (TAURON Ciepło) and TAURON Czech Energy s.r.o (TAURON Czech Energy).

Pursuant to the concluded SLA contracts with respect to the trading operations, in the first three quarters of 2023, TAURON had been providing, among other things, the electricity portfolio management service and the Guarantees of Origin (GOs) of energy (energy certificates) and property rights portfolio management service, as well as the *Market Access* service with respect to electricity.

However, having in mind the process related to TAURON Capital Group's transition and the planned spin off of the hard coal fired generation assets out of TAURON Capital Group, as part of the implementation of the *Program to spin off TAURON Group's hard coal fired power generating assets to the National Energy Security Agency (NABE Program)* under way, in order to implement the assumptions of the document entitled the *Transition of the Power Sector in Poland. The spin off of hard coal fired power generating assets out of the State Treasury owned companies (Government NABE Concept)*, adopted by the Council of Ministers by way of the Resolution no. 44/2022 of March 1, 2022, a decision was made to terminate the provision of the electricity portfolio management service and the *Market Access* service for the benefit of TAURON Wytwarzanie S.A. (TAURON Wytwarzanie). *The detailed information on the implementation of the NABE Program is provided in sections. 2.3. and 5.6. of this information.* As of November 1, 2022, an organizational structure had been set up at TAURON Wytwarzanie in order to take over the responsibility for the contracting of the coal fuel for the in-house needs. As of that date, the process of transferring the thermal coal sales contracts from TAURON to TAURON Wytwarzanie had also been commenced. In spite of having completed the transfer of some functions to TAURON Wytwarzanie last year, in the first three quarters of 2023 TAURON had been carrying out the deliveries of the hard coal for the benefit of the above mentioned subsidiary contracted yet in 2022, and is responsible for the purchases of the hard coal as part of the demand for TAURON Ciepło, which is the fuel for the production carried out by the above mentioned subsidiary.

The Company's additional operations include the wholesale trading in natural gas on the territory of the Republic of Poland based on the license for trading in the gas fuels issued by the President of the ERO on April 27, 2012. The original effective term of the license had commenced on May 4, 2012, and had been supposed to expire on May 4, 2022. On March 11, 2021, the President of the ERO had made a decision to change the effective term of the license and extend it until June 30, 2035. The Company had purchased and sold 2.91 TWh of the gas fuel in the first three quarters of 2023. The Company is focusing on the sales of the natural gas for the supply needs of TAURON Sprzedaż, with 43.1% of the purchased gas fuel volume sold thereto.



The competences of the Company also include the management, for the needs of TAURON Capital Group, of the property rights related to the Guarantees of Origin (GOs) of energy (energy certificates), constituting the confirmation of electricity generation from the renewable sources (including the sources that utilize the agricultural biogas), as well as the property rights related to the electricity efficiency certificates. The principles of the cooperation are defined in the agreements for the management of the property rights' balance (TAURON Ciepło) as well as in the agreements for the provision of the trading services with respect to the management of the portfolio of the property rights and the Guarantees of Origin (GOs) of energy (TAURON Sprzedaż, TAURON Sprzedaż GZE, TAURON Wytwarzanie, TAURON Ekoenergia and TEC1).

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

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

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

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

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

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

As part of the works related to asset management, TAURON is conducting the activities aimed at ensuring consistent and efficient management of the production assets. The priority is given to the activities aimed at ensuring the required level of availability, business continuity and efficiency of the assets.

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

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

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

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

## 2.2. Implementation of the strategic investment (CAPEX) projects

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

### Key strategic investment (CAPEX) projects under way

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

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

Investment project	Investment project's work progress
<p>1. <i>Construction of a 910 MW supercritical parameters power generation unit in Jaworzno</i></p> <p><b>Contractor:</b> Consortium of RAFAKO S.A. (RAFAKO) – Mostostal Warszawa S.A. and E003B7 sp. z o.o. (Ltd.) – contract terminated as of the date of the signing of the Settlement Agreement.</p> <p><b>The unit was commissioned on November 13, 2020.</b></p> <p><b>Expenditures incurred:</b> PLN 6 115.7 million (<i>an adjustment of the expenditures in relation to the amount indicated in the Q1 2023 report published on May 30, 2023, due to the settlement of the agreement in connection with the signing of the Settlement Agreement with RAFAKO</i>)</p>	<p>The unit has been commissioned. The President of the ERO has granted a license for the generation of electricity for the period from November 20, 2020, until December 31, 2030.</p> <p>TAURON Wytwarzanie's services personnel have been operating the 910 MW unit, independently without RAFAKO's participation since August 2022.</p> <p>On March 31, 2023, as part of the mediation in front of the Court of Arbitration at the General Counsel of the Republic of Poland, TAURON and RAFAKO concluded a Settlement Agreement that defined the procedure to be applied to complete the contract and make the mutual settlements thereunder, as well as an annex to the Contract. The Settlement Agreement had entered into force on April 25, 2023. As of the signing of the Settlement Agreement, the contract had been terminated with respect to the portion thereof that had not been implemented.</p> <p>As a result of the Settlement Agreement concluded, TAURON Wytwarzanie had been given the opportunity to carry out on its own, without RAFAKO's participation, all of the works on the 910 MW unit aimed at eliminating the identified problems and reducing the probability of the failure thereof. In 2023, TAURON Wytwarzanie is conducting the works aimed at optimizing and tuning up the unit to prepare it for the remaining trials and acceptance tests with PSE. TAURON Wytwarzanie assumes that the process of trials and tests with PSE should be completed by the end of the first quarter of 2024.</p> <p><i>The detailed information on the above mentioned Settlement Agreement is presented in section 2.3. of this information.</i></p>
<p>2. <i>Low Emission Sources Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</i></p> <p><b>Contractor:</b> Contractors are being selected to carry out specific work (project) stages</p> <p><b>Planned project completion date:</b> Q4 2023</p> <p><b>Work progress:</b> 80%</p> <p><b>Expenditures incurred:</b> PLN 64.7 million</p>	<p>The PLNE program is carried out on the territory of the following metropolitan areas: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec and Świętochłowice.</p> <p>In the first three quarters of 2023, the construction and design works related to installing the network connections had been continued under the network connection agreements concluded. Cumulatively, from the beginning of the Program's implementation, the network connection agreements have been concluded for the total volume of 23.05 MWt - the program's target has been achieved in terms of the contracted capacity (22 MWt).</p> <p>The network connections of the heat consumers are currently being implemented. Approx. 20.182 MWt have been connected thus far.</p>
<p>3. <i>Construction of the Mierzyn wind farm with the total capacity of 58.5 MW</i></p> <p><b>Contractor:</b> Consortium EL PROFESSIONAL Sp. z o.o. (Ltd.)</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 55%</p> <p><b>Expenditures incurred:</b> PLN 132.0 million</p>	<p>The construction works at the construction site had been continued in the first three quarters of 2023, including, among others, the pouring of the concrete for the wind turbine foundations and the drainage installations had been completed. The construction works related to the Main Power Supply Grid Connection Point (substation) and the installation of the wind turbines had been commenced. The assembly of 6 wind turbines had been completed.</p>
<p>4. <i>Construction of the Nowa Brzeźnica wind farm with the total capacity of 19.6 MW</i></p> <p><b>Contractor:</b> E-Wind S.A.</p> <p><b>Planned project completion date:</b> Q2 2025</p> <p><b>Work progress:</b> 23%</p> <p><b>Expenditures incurred:</b> PLN 43.8 million</p>	<p>The works related to the preparation of the detailed engineering documentation had been continued and the construction works on the access roads and the temporary yards had been commenced in the first three quarters of 2023. The pouring of the wind turbine foundations' concrete had been completed.</p>
<p>5. <i>Construction of the Gamów wind farm with the total capacity of 33 MW</i></p> <p><b>Contractor:</b> E-Wind S.A.</p> <p><b>Planned project completion date:</b> Q4 2024</p> <p><b>Work progress:</b> 24%</p> <p><b>Expenditures incurred:</b> PLN 51.9 million</p>	<p>The works related to the preparation of the detailed engineering documentation had been continued and the construction works on the access roads, temporary yards and the wind turbine foundations had been commenced in the first three quarters of 2023. The construction works related to the Main Power Supply Grid Connection Point's (substation) cabling installation had been commenced.</p>

Investment project	Investment project's work progress
<p>6. <i>Construction of the Warblewo wind farm with the total capacity of 30 MW</i>  <b>Contractor:</b> Consortium EL PROFESSIONAL Sp. z o.o. (Ltd.)  <b>Planned project completion date:</b> Q4 2024  <b>Work progress:</b> 38%  <b>Expenditures incurred:</b> PLN 91.1 million</p>	<p>The works related to the preparation of the inter-industry (inter-discipline) technical and detailed engineering documentation had been completed in the first three quarters of 2023. The works related to the road infrastructure and the completion of the wind turbine foundations had been completed. The works at the Main Power Supply Grid Connection Point station's (substation) site had been continued.</p>
<p>7. <i>Construction of the 140 MWt gas fired boiler at ZW Katowice (Katowice Generation Plant) for the district heating market needs</i>  <b>Contractor:</b> Mostostal Warszawa  <b>Planned project completion date:</b> Q2 2024  <b>Work progress:</b> 56%  <b>Expenditures incurred:</b> PLN 36.7 million</p>	<p>The prefabrication works related to the steel structure, the stack had been completed in the first three quarters of 2023, the prefabrication works related to the boiler heating surfaces had been continued in the first three quarters of 2023. The installation of the process related devices is under way.</p>
<p>8. <i>Construction of the peaking and backup boiler house at ZW Bielsko Biala EC 2 (Bielsko Biala Generation Plant Combined Heat and Power Plant 2)</i>  <b>Contractor:</b> Erbud Industry sp. z o.o. (Ltd.)  <b>Planned project completion date:</b> Q4 2023  <b>Work progress:</b> 85%  <b>Expenditures incurred:</b> PLN 38.5 million</p>	<p>The construction and installation works had been completed in the first three quarters of 2023. Currently, the works are being carried out with respect to the instrumentation and control (I&amp;C), as well as measurement and automation apparatus and equipment, as well as electrical systems. The commissioning works are currently under way.</p>
<p>9. <i>37 MW Myslowice PV farm part II construction</i>  <b>Contractor:</b> TAURON Serwis sp. z o.o. (Ltd.)  <b>Planned project completion date:</b> Q4 2023  <b>Work progress:</b> 98%  <b>Expenditures incurred:</b> PLN 155.1 million</p>	<p>The works related to the construction of the medium voltage line to the DSO grid had been carried out in the first three quarters of 2023.  As of the date of drawing up this information, 100% of the support structure had been erected and 100% of the photovoltaic panels had been installed. The works related to the construction of the PV Farm Substation (main power supply grid connection point) as well as the excavation works for the electrical installations had been continued. All of the inverters have been installed and the electrical connections have been completed. The PV farm has been notified to be energized by the DSO. The commissioning works are currently under way</p>
<p>10. <i>Proszówek PV farm construction (the 45.6 MW stage I and the 9.4 MW stage II)</i>  <b>Contractor:</b> TAURON Zielona Energia  <b>Planned project completion date:</b> Q2 2024  <b>Work progress:</b> 47%  <b>Expenditures incurred:</b> PLN 109.4 million</p>	<p>The construction site mobilization works had been completed in the first three quarters of 2023. The deliveries and the installation of 99% of the supporting structure had been carried out, and the deliveries of the main components - panels, inverters and the cable line – had been completed. The excavation works related to the laying down of the electrical installation system and the installation of the panels and the inverters had been commenced. The decisions had been made in the third quarter of 2023 to increase the scope of the project by 9.4 MW, and the applicable works will be carried out as part of Stage II of the Project.</p>

## Other investment projects in the RES line of business

### Photovoltaic (PV) farms

The works on the development of the photovoltaic farm projects on TAURON Capital Group's sites had been continued in the first three quarters of 2023. The works include obtaining of the required administrative permits and decisions. The final decisions on the implementation of the individual projects will be made following the evaluation of their business case.

TAURON Capital Group is also looking for the opportunities to acquire on the market projects that are advanced in development and are prepared for the construction of photovoltaic farms. As part of this work, the internal analyses and due diligence of the photovoltaic farm acquisition projects had been conducted in cooperation with the developers in the first three quarters of 2023.

### Onshore wind farms

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

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

In 2021 TAURON and PGE Polska Grupa Energetyczna S.A. (PGE) concluded a letter of intent with respect to undertaking the cooperation in the development of the offshore wind energy in Poland. As part of carrying out the expressed intentions, having obtained the clearance of the Chairman of the Office of Competition and Consumer Protection (UOKiK), in September 2022, TAURON (as the buyer) and PGE (as the seller and up to then the sole shareholder of the company) had concluded an agreement for the sale of 44.96% of the shares in the company PGE Baltica 4 sp. z o.o. (Ltd.) (PGE Baltica 4). The task of the joint special purpose vehicle is to obtain the siting permits for the construction of the offshore farm in the Polish Exclusive Economic Zone in the Baltic Sea. On January 9, 2023, the Ministry of Infrastructure had disclosed the information that in the adjudication proceeding for the

issuance of a permit for the construction and use of the artificial islands, structures and devices in the area located on Słupsk Shoal (Ławica Słupska), designated as 43.E.1, for the purpose of the construction of an offshore wind farm, the company PGE Baltica 4 sp. z o.o. (Ltd.) had been awarded the highest number of points. Subsequently, on August 9, 2023, TAURON received a decision from the Minister of Infrastructure of August 8, 2023, on the granting of a permit of the scope indicated above. TAURON disclosed the information on that decision in current report no. 35/2023 of August 9, 2023. That decision had become final as of August 21, 2023. The capacity of the planned offshore wind farm, which would be built under the obtained permit, will be approximately 1 GW.

TAURON Group, through the special purpose vehicle En-Energia III sp. z o.o. (Ltd.), took part in the adjudication proceedings for the issuance of a permit for the construction and use of the artificial islands, structures and devices in the area 14.E.3. On May 30, 2023, the Minister of Infrastructure had disclosed the information that the highest number of points had been awarded to ORLEN Neptun III sp. z o.o. (Ltd.) in the adjudication proceedings for Area 14.E.3.

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

In 2016, in accordance with TAURON Group's strategy in force at the time, the 413 MWe CCGT unit construction project including a heat production unit at Łagisza Power Plant in Będzin (that currently belongs to TAURON Inwestycje) had been halted due to the loss of its business case. In 2022, the purchase order award procedure had been conducted, the planned effect of which was supposed to be the obtaining of the bids from the potential contractors that would enable the completion of the final analyses of the project in terms of the long term profitability thereof. As a result of the organized procedure, no bids had been submitted, which made it impossible for the unit to take part in the capacity market auction in 2022. At the current stage, the project feasibility analysis has been expanded to include the criteria for the TAURON Ciepło district heating system, fed from the Łagisza heat production source, enabling it to maintain its energy efficient status. Further decisions related to the project will be made depending on, among other things, the regulatory and the market conditions, including the demand for the electricity and heat, as well as the terms of the long term contract for the supply of the gas fuel and the availability thereof, which should guarantee the project the expected level of profitability and an objective assessment of the feasibility of the project.

### Capital expenditures (CAPEX)

TAURON Capital Group's capital expenditures had come in at PLN 2 887 million in the first three quarters of 2023 and they had been higher by 11% than the investment outlays incurred in the same period of 2022, when they had clocked in at PLN 2 599 million. This is, first and foremost, due to the increase in the capital spending in the Distribution, RES and Generation Segments.

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

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

Item	Capital expenditures (PLN m)
<b>Distribution</b>	
1. Installation of the new grid connections	1 060
2. Existing grid assets' upgrades (refurbishments) and replacements	672
3. AMIPlus	90
<b>Generation</b>	
4. CAPEX on replacements and upgrades (refurbishments), as well as components and the 910 MW unit at TAURON Wytworzenie	228
5. Ligota Project covering construction and upgrade of grid infrastructure that is part of the heating network	24
6. Connecting of the new facilities to the grid	21
7. Construction of the gas fired boiler house at ZW Katowice with a capacity of 140 MWt	21
8. Low Emission Sources Elimination Program conducted by TAURON Ciepło	19
9. Maintenance of the district heating networks	16
10. Construction of 3 gas fired boilers at ECI	16
11. Construction of the peaking and back-up boiler houses at ZW Bielsko EC2	7



Item	Capital expenditures (PLN m)
<b>RES</b>	
12. Construction of the photovoltaic farm in Proszówek stage I with the capacity of 45.6 MW and stage II with the capacity of 9.4 MW	112
13. Construction of the photovoltaic farm in Mysłówice with the capacity of 37 MW	74
14. Construction of the photovoltaic farm in Warblewo with the capacity of 30 MW	64
15. Construction of the photovoltaic farm in Mierzyn with the capacity of 58.5 MW	62
16. Construction of the photovoltaic farm in Gamów with the capacity of 33 MW	27
17. Construction of the photovoltaic farm in Nowa Brzeźnica with the capacity of 37 MW 19.6 MW	27
18. Refurbishment of the hydroelectric power plants	9
<b>Supply and Other Operations</b>	
19. IT related investment projects at Tauron Obsługa Klienta (Tauron Customer Service)	121
20. Maintenance and expansion of the street lighting	72
21. Business Services Center (Centrum Usług Biznesowych) at TAURON Obsługa Klienta (Tauron Customer Service)	11

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

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

#### Major business events

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

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

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

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

A note issued for the total amount of PLN 1 312 440 218.91, was attached to the demand, which was a total amount of the liquidated damages and the compensation (compensatory damages), in particular due for the below listed claims: statutory warranty for the physical defects and thus a claim to remedy damages incurred by the Ordering Party as a consequence of the physical defects, a claim to remedy the damages borne by the Ordering Party as a

result of a failure to fix the non-limiting defects described in the unit's acceptance (hand-over) protocol (certificate), a claim to cover the costs of the substitute contractor with respect to the fixing of the defect in the boiler slag hopper and the mills, a claim to cover the recourse claim in view of the need to satisfy the claim of the Contractor's subcontractor by the Ordering Party, the liquidated damages for a delay in meeting the deadline for proceeding to start the fixing of the defects or for a delay in meeting the deadline for the fixing of the defects during a warranty period, the liquidated damages for a delay in the signing of the transition period completion protocol due to a failure to meet the guaranteed technical (performance) parameters, the liquidated damages for each hour of a non-planned shutdown in excess of the number of hours specified in the Contract, damages involving the occurrence of the flaws in the design and implementation of the subject of the Contract, the liquidated damages for a delay in the signing of the protocol for the completion of the stage of the Contract covering the performance of the selected acceptance tests with Polskie Sieci Elektroenergetyczne S.A. (Transmission System Operator).

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

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

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

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

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

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

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

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

In addition, RAFAKO indicated that:

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

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

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

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

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

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

On March 7 and March 21, 2023, the Ordering Party and the Contractor had signed two annexes to the Agreement in question, according to which the Parties had taken the decision to extend the payment due dates of their mutual claims and had undertaken to refrain from pursuing any claims against the Contractor arising out of or in relation to the implementation of the Contract,

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

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

In accordance with the key provisions of the Settlement Agreement:

1. Subject to the prior coming into force of the Settlement Agreement, the Ordering Party had declared that it had limited all of its claims against the Contractor, related directly or indirectly to the Contract, to the amount of PLN 240 000 000 (Claim Amount). The Claim Amount is due to the Ordering Party for the claims which are a consequence of a failure to properly fulfil the Contract. The Ordering Party had declared that it would submit, by April 17, 2023, to the bond underwriters (i.e. Powszechny Zakład Ubezpieczeń S.A., Bank Gospodarstwa Krajowego, Powszechna Kasa Oszczędności Bank Polska S.A., mBank S.A.), the summons to pay, under the Contract's Performance Bond, the total amount equal to the Claim Amount. In accordance with the provisions of the Settlement Agreement, the amount paid from the Bond shall reduce the amount of the Contract's Performance Bond and the Contractor shall not be obliged to supplement it. The payment of the Claim Amount by the Bond Underwriters by the deadline of April 25, 2023, shall exhaust all of the claims of the Ordering Party against the Contractor under or in connection with the Contract. Following the receipt of the Claim Amount by the above mentioned deadline, the Ordering Party shall not be entitled to pursue any claims against RAFAKO, including any claims in connection with the performance of the Contract and pursuant to any factual or legal basis, including, in particular, in connection with any delays, malfunctions or defects, and the Contractor shall not be held liable for the rectification thereof. The above disclaimer shall not apply to the liability assumed by the Parties expressly on the basis of the Settlement Agreement, to the extent of which the Parties shall be entitled to pursue any potential claims against each other arising directly from the Settlement Agreement. Subject to the Settlement Agreement coming into force and the payment of the Claim Amount by the bond underwriters in favor of the Ordering Party by April 25, 2023, the Parties shall have released the bond underwriters from any liability under the Contract's Performance Bond.
2. Upon the signing of the Settlement Agreement, the Parties had completed the acceptance and accounting for (settlement of) the works that had been performed by the Contractor under the Contract up to the date of concluding the Settlement Agreement and that were indicated in the appendix to the Settlement Agreement. As part of the amicable settlement of the works, it has been agreed that the Ordering Party will pay the net amount of PLN 18 020 950.51 in favor of the Contractor as the remuneration for the above mentioned works. The settlement of the works and the payment of the remuneration shall denote the settlement of all of the works performed by the Contractor under the Contract and the Contractor will not be carrying out any further works under the Contract. The settlement of the works and the payment of the remuneration shall exhaust the Contractor's claims related to the settlement of the works under the Contract, except for the other claims that stem from the Settlement Agreement.
3. The Ordering Party and RAFAKO had also agreed that they would make every effort to conclude, as soon as possible, an agreement with UNIQA Towarzystwo Ubezpieczeń S.A. and InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group on the settlement of the damage resulting from the failure of the unit of February

- 9, 2020, as part of the insurance claim liquidation proceedings conducted in this regard. The Ordering Party shall pay RAFAKO the amount of PLN 8 500 000 within 7 days from the date of the receipt of the insurance payment, and the remaining amount of the awarded insurance payment shall constitute the Ordering Party's receivable. In the event that no agreement is reached by June 30, 2023, as a result of an act or omission of the Ordering Party, the Ordering Party shall pay the amount of PLN 8 500 000 to RAFAKO by July 15, 2023. In such a case RAFAKO will not be entitled to any further claims. This provision shall not apply if the withdrawal from the conclusion of the agreement is a result of a consensual decision of the Ordering Party and RAFAKO.
4. The Ordering Party had undertaken to buy from the Contractor the assets specified in the Settlement Agreement (including, but not limited to, the operating parts not covered by the Contract, the electrostatic precipitator and flue gas desulfurization plant documentation as well as a license to the above mentioned documentation, the boiler calculation documentation and a license to the above mentioned documentation, the construction office site assets, the VPN server) and to pay the total net amount of PLN 14 012 700 for the purchase of the above mentioned assets.
  5. RAFAKO and E003B7 sp. z o.o. (Ltd.) had expressed consent for the use by the Ordering Party of the subcontractors and the further subcontractors involved in the implementation of the Contract with respect to the works and services related to the unit, including its operation, overhauls (repairs), optimization, modernization, tuning, trials, tests and the future failures.
  6. RAFAKO and E003B7 sp. z o.o. (Ltd.) had inventoried, to the best of their knowledge, all of the subcontractor claims related to the implementation of the Contract. E003B7 sp. z o.o. (Ltd.) had guaranteed that all of the claims due as of the date of the Settlement Agreement coming into force would be paid within 14 days (this is not applicable to the disputed claims), the claims that would have become due after the date of the Settlement Agreement coming into force would be duly paid on their due dates, and the disputed claims would be paid no later than the day following the date the judgment related thereto has become legally binding or another enforcement title has been issued. In order to carry out these actions, the Ordering Party shall be obliged to pay E003B7 sp. z o.o. (Ltd.), following the date of the Settlement Agreement coming into force, a lump sum remuneration in the net amount of PLN 10 000 000.
  7. As of the date of the Settlement Agreement coming into force, all of the technical warranties and the statutory warranty with respect to the subject of the Contract shall have expired.
  8. Upon the termination of the Contract, the Contractor had undertaken to withdraw the demand for the issuance and submission by the Ordering Party of a payment guarantee (bond) in accordance with Article 649<sup>1</sup> of the Civil Code, delivered to the Ordering Party on December 15, 2022, and the Ordering Party was to express its consent for the withdrawal of the statement in question, in view of which the Parties unanimously agreed that the Ordering Party shall not be obliged to submit the payment guarantee (bond), referred to above, to the Contractor.
  9. The Parties had limited the subject scope of the Contract to the works completed thus far and had agreed that, upon the signing of the Settlement Agreement, the Contract would have been terminated with respect to the portion that had not been completed. Upon the entry into force of the Settlement Agreement, all the liability of the Contractor related to the Contract, in particular the warranty and the statutory warranty with respect to the subject of the Contract, and all the liability for the malfunctions, faults and defects of the unit, including those that will become apparent after the date of concluding the Settlement Agreement, was to cease. Under the Annex to the Contract, the Parties had agreed the final price of the Contract at the net amount of PLN 4 658 972 354.86. The termination of the Contract shall result in the termination of all of the obligations of the Parties under the Contract (except for the obligation to maintain confidentiality and the obligations that shall expire upon the Settlement Agreement coming into force).
  10. Upon the entry into force of the Settlement Agreement, the settlements provided for in the Settlement Agreement were to satisfy all of the mutual claims of the Parties related to the performance of the Contract. The Parties had mutually waived all of the claims arising in connection with the circumstances that had occurred up to the date of concluding the Settlement Agreement. The Parties had agreed not to pursue the claims subject to a waiver in the future, irrespective of the legal title or the factual and legal basis, and in particular, the Parties had waived the claims indicated in the January 2023 summonses referred to in the preceding sections of this information.
  11. In view of the termination of the Contract, as agreed in the Settlement Agreement, the Ordering Party had confirmed that the waiver of the claims would have also included the rights and claims in connection with the operation of the unit, including under the warranty or the statutory warranty, with respect to the faults, defects and malfunctions that would have become apparent after the date of concluding the Settlement Agreement, as well as the rights and claims related to the performance level of the unit and the achievement of the guaranteed technical parameters of the unit. In this regard, the Claim Amount would have exhausted the entirety of the Ordering Party's claims, and the Contractor would not have been responsible for the continued operation of the unit and the performance parameters thereof. The Parties shall exclude all of the obligations and the liability of the Contractor under any warranties, including the warranties with respect to the deliveries made, and all of the warranties granted thus far would have expired.
  12. The Parties had agreed in the Settlement Agreement that they would be taking all actions aimed at obtaining the approval of the Settlement Agreement by the District Court in Katowice, nevertheless, in accordance with



the agreements reached by the Parties, the Settlement Agreement contained valid and enforceable obligations of the Parties regardless of whether it would have been approved by the Court.

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

1. obtaining, by April 20, 2023, by the Ordering Party, RAFAKO, E003B7 sp. z o.o. (Ltd.), and MOSTOSTAL Warszawa, of the corporate approvals of the conclusion of the Settlement Agreement and of the terms and conditions included therein, whereby, with respect to RAFAKO, the corporate approvals had been understood to mean the approval of the Management Board and the Supervisory Board of RAFAKO, as well as a statement by MS Galleon GmbH or the conclusion by RAFAKO and MS Galleon GmbH of an agreement on MS Galleon GmbH's further interest in continuing the process of becoming an investor in RAFAKO,
2. obtaining, by April 20, 2023, by RAFAKO of the court supervisor's approval of the conclusion of Settlement Agreement and of the conditions included therein,
3. adoption by the General Meeting of RAFAKO, by April 24, 2023, of all of the resolutions on the share capital increase indicated in RAFAKO's current report No. 23/2023 on the convening of an Extraordinary General Meeting to be held on April 17, 2023,
4. conclusion, by April 24, 2023, of an agreement between the Ordering Party, RAFAKO, E003B7 sp. z o.o. (Ltd.) and the bond underwriters with respect to the payment of the Claim Amount,
5. conclusion, by April 24, 2023, of an agreement between RAFAKO, E003B7 sp. z o.o. (Ltd.) and the bond underwriters with respect to the mutual settlements, as well as the acceptance of the Settlement Agreement by the bond underwriters. The entry into force of the Settlement Agreement and this agreement had originally been supposed to be contingent on RAFAKO's entering into a settlement agreement with Ignitis Grupe AB or its subsidiaries regarding the settlement of the mutual claims of these parties, however, on April 24, 2023, the Ordering Party and the Contractor had signed annex no. 1 to the Settlement Agreement, whereby they decided to modify the pre-requisite of the Settlement Agreement by waiving it being contingent on RAFAKO's entering into a settlement agreement with Ignitis Grupe AB or its subsidiaries,
6. obtaining of the payment of the Claim Amount by the Ordering Party from the bond underwriters by April 25, 2023.

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

On May 8, 2023, a petition for the approval of the Settlement Agreement had been filed with the Regional Court in Katowice, after consideration of which the Regional Court in Katowice, 14th Commercial Division, on June 19, 2023, issued a decision approving the Settlement Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

On February 14, 2023, TAURON Wytwarzanie had signed an annex determining the new pricing terms for the hard coal supplies in 2023 under the multi-year contract for the purchase of the thermal coal from TAURON Wydobyćie. The hard coal will be used to meet the electricity production needs of the generation units owned by TAURON Wytwarzanie. The estimated net value of the hard coal fuel supplies from TAURON Wydobyćie to TAURON Wytwarzanie in 2023 had stood at approx. PLN 2.3 billion as of the date of disclosing the current report.

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

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

The estimated net value of the hard coal fuel supplies from TAURON Wydobyćie to TAURON Wytwarzanie in 2023 had stood at approx. PLN 2.2 billion as of the date of drawing up this information.

### **Transaction involving the acquisition by the State Treasury of 100 percent of TAURON Wytwarzanie shares**

On July 14, 2023, TAURON had received, from the State Treasury represented by the Minister of the State Assets, a proposal of the non-binding document (Document), containing a summary of the terms of the acquisition by the State Treasury of all of the shares of TAURON Wytwarzanie held by TAURON, in order to set up NABE (Transaction). The proposal had been made as part of the agreement on the cooperation with respect to the spinning off of the coal assets and the integration thereof into NABE signed on July 23, 2021, by TAURON, PGE, ENEA S.A. (Enea), Energa S.A. (Energa) (collectively referred to as the Energy Companies) and the State Treasury.

The implementation of the above mentioned agreement at TAURON Group is being carried out as part of the *Program to spin off TAURON Group's hard coal based generation assets to NABE (National Energy Security Agency) (NABE Program)* in order to implement the assumptions of the document titled the *Transition of the Power Sector in Poland. The spin-off of the hard coal based generation assets out of the companies with the State Treasury shareholding* (the Government's NABE Concept), adopted by the Council of Ministers by way of the Resolution No. 44/2022 of March 1, 2022. The Government's NABE Concept assumes the acquisition by the State Treasury (directly or indirectly) from the energy groups of the shares of / interests in the companies from the energy groups around which the assets related to the generation of electricity from the hard coal will be integrated, including, inter alia, the contributed shares of / interests in the support services companies. The concept in question also assumes ensuring the self-sufficiency of the companies integrating the assets, while at the same time keeping within the energy groups those assets that provide the potential for investments in the new generation capacity, including the real estate to be used for the construction of the new generation sources. The goal of the transition defined in the Government's NABE Concept is to ensure the socially acceptable costs of the electricity purchases, with the uninterrupted supply thereof, which will not be possible in the current regulatory regime and market environment without a fundamental change in the structure of Poland's energy mix.

Obtained based on the Government's NABE Concept and the cited 2021 Agreement, the Document includes, in particular, the proposed price of the acquisition of the TAURON Wytwarzanie shares, the key financial (commercial) and legal terms of the Transaction's completion, including the key provisions of the preliminary sale and purchase agreement and of the promised sale and purchase agreement, as well as the proposed mechanism to be applied to settle TAURON Wytwarzanie's debt towards TAURON. The Enterprise Value of TAURON Wytwarzanie had been

calculated using the locked-box mechanism as of September 30, 2022. The value of the Transaction comprises two elements: price for the TAURON Wytwarzanie shares (Sale Price) and the value of TAURON Wytwarzanie's debt towards TAURON that will be subject to the repayment. The State Treasury had proposed to acquire the TAURON Wytwarzanie shares at the Sale Price amounting to PLN 1, including the repayment of TAURON Wytwarzanie's debt towards TAURON as of the date of the acquisition of the TAURON Wytwarzanie shares by the State Treasury (Closing Date). As of September 30, 2022, the debt had stood at PLN 6 326 million (this amount had represented the principal loan amount and the interest accrued until September 30, 2022). The debt, as of the Closing Date, will have been reduced by the amount of PLN 652 million as a result of the conversion of a portion of the existing debt of TAURON Wytwarzanie towards TAURON into TAURON Wytwarzanie's equity. A portion of TAURON Wytwarzanie's debt towards TAURON, amounting to PLN 2 120 million will be subject to the repayment over a period of 8 years following the Closing Date and the repayment will be covered by the guarantee issued by the State Treasury in the amount of up to 70 percent of the debt amount. The remaining portion of TAURON Wytwarzanie's debt towards TAURON, as of the Closing Date, is to be repaid by NABE using the proceeds from a loan extended to NABE by the banks as part of the Transaction, which should be available not later than within 90 days following the Closing Date. The remaining intra-Group settlements, with a particular consideration of the settlement related to the CO<sub>2</sub> emission allowances, are executed on an ongoing basis and will have no impact on the Sale Price.

The Document did not constitute a tender or an obligation to sign any agreement. Having completed a thorough analysis of the Document, TAURON had commenced the negotiations with the State Treasury, as a result of which the parties agreed upon the final content of the Document.

On August 10, 2023, the required corporate approvals had been obtained, by TAURON, with respect to the boundary conditions specified in the Document, as well as for the increase of TAURON Wytwarzanie's equity by the amount of PLN 652 million and the taking up by TAURON of the newly issued shares of TAURON Wytwarzanie. The increase in TAURON Wytwarzanie's share capital will be covered by the deduction (conversion) of a part of the existing debt of TAURON Wytwarzanie toward TAURON. In the justification of the decision taken TAURON indicated that the sale of the hard coal based generation assets was in line with the Strategy in place, aimed at the transition of TAURON Group towards the low- and zero-emission electricity generation sources and at achieving the climate neutrality by 2050.

The corporate approvals had also been obtained by the other Energy Companies (the content of the Document indicated that the Transaction would be carried out only if the State Treasury's negotiations with all of the Energy Companies had been successfully completed, and the Document, agreed and signed by the parties, was to constitute the basis for the Minister of the State Assets to submit a petition to the Chairman of the Council of Ministers (Prime Minister) for the acquisition of the TAURON Wytwarzanie shares held by TAURON).

On August 10, 2023, TAURON and the State Treasury, represented by the Minister of the State Assets, signed a document (Term Sheet) summarizing the key terms of the Transaction. The key boundary conditions, included in the signed Term Sheet, are consistent with the above outlined terms included in the Document. The Term Sheet also defines the conditions on the fulfillment of which the conclusion of the preliminary agreement for the sale and purchase of TAURON Wytwarzanie shares to the State Treasury is contingent, including in particular:

1. reaching of an agreement with respect to the content of the Transaction documentation, including the documentation covering the future financing of NABE and obtaining of the initial loan decisions from the banks for the financing of NABE,
2. positive response, by the Chairman of the Council of Ministers (Prime Minister), to the petition for the acquisition of the shares by the State Treasury from the Reprivatization Fund,
3. obtaining of all of the internal approvals and permits required for the conclusion or completion of the Transaction,
4. concluding of the agreements (or the relevant annexes) ensuring the operation of the companies forming NABE following the closing of the Transaction,
5. implementation of the changes in the share capital or the structure of the shares of the companies forming NABE in order to prepare them for the Transaction, including the conversion of a part of the existing debt of TAURON Wytwarzanie towards TAURON into TAURON Wytwarzanie's equity.

As part of the next stage of the Transaction it is assumed that the preliminary share sale and purchase agreement and then the promised share sale and purchase agreement will be signed.

TAURON disclosed the information on the above events, in reference to current report no. 28/2021 of July 23, 2021, in current reports no. 33/2023 of July 15, 2023, as well as no. 36/2023 and no. 37/2023 of August 10, 2023.

Following the signing of the Term Sheet, in the third quarter of 2023 and by the date of drawing up this information:

1. the draft transaction documentation had been agreed upon by the parties to the proposed Transaction,
2. the increase in the share capital of TAURON Wytwarzanie, related to the conversion of that company's debt towards TAURON, had been completed - the registration of the share capital increase had taken place on August 18, 2023, of which TAURON Wytwarzanie notified the National Agricultural Support Center (Krajowy

Ośrodek Wsparcia Rolnictwa - KOWR) in connection with its right to purchase the shares in the increased capital of TAURON Wytwarzanie, in response KOWR, on September 15 this year, provided the information on its waiving of this right.

As of September 30, 2023 and as of the day of drawing up this information the act on terms and conditions of guaranteeing the obligations of NABE by the State Treasury, which is vital to provide future financing of NABE and which constitutes one of the suspensive conditions for signing the final agreement for the sale of shares in TAURON Wytwarzanie S.A. has not come into effect. The said act, passed by the lower chamber of Polish Parliament (Sejm) on August 17, 2023 was rejected by the upper chamber of Polish Parliament (Senate) on September 7, 2023. The resolution of the Senate on rejection of the act has not been dealt with by the Sejm before the end of the term of office of the Parliament.

#### **Signing of the agreement to the letter of intent with respect to Elektrociepłownia Stalowa Wola S.A.**

The agreement (Agreement) to the Letter of Intent, concluded on August 2, 2021, between TAURON, TAURON Wytwarzanie, Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG) and PGNiG TERMIKA S.A., related to the potential transaction involving the sale by TAURON Group to PGNiG Group of its equity in EC Stalowa Wola, as well as the accounts receivable due to the loans that TAURON had extended to EC Stalowa Wola (Potential Transaction), had been signed on July 25, 2023.

The Agreement had been concluded between TAURON, TAURON Wytwarzanie, TAURON Inwestycje (the current owner of 50% of the EC Stalowa Wola shares), ORLEN S.A. (the legal successor of the current party to the letter of intent, i.e. PGNiG) and PGNiG TERMIKA S.A. (an entity that is currently a part of ORLEN Group), in order to confirm the intention to continue (following the ownership changes that had taken place recently) the talks, planned in the letter of intent, with respect to the Potential Transaction, including the possible development of a method that would be acceptable to the parties for the carrying out of the Potential Transaction and the settlement thereof. The Agreement excludes TAURON Wytwarzanie from the talks, brings in TAURON Inwestycje and adapts the principles of the cooperation to the new legal and factual situation.

The Agreement also indicates that the method of settling the Potential Transaction to be worked out by the parties may take into account, for example, the possible sale of 100 percent of the shares in PGNiG TERMIKA Energetyka Przemysłowa S.A. with the registered office in Jastrzębie Zdrój owned by PGNiG TERMIKA S.A. to a subsidiary or subsidiaries of TAURON Group.

TAURON disclosed the information on the above events in current reports no. 30/2021 of August 2, 2021, and no. 34/2023 of July 25, 2023.

#### **Obtaining of the decision on the permit for the construction and use of the artificial islands, structures and devices in the Polish maritime area for the project involving the construction of an offshore wind farm**

On August 9, 2023, TAURON had received the decision of the Minister of Infrastructure on the granting to PGE Baltica 4 of the permit with respect to the construction and use of the artificial islands, structures and devices in the Polish maritime area (an exclusive economic zone) marked as area 43.E.1 for the purpose of the construction of an offshore wind farm that had been petitioned by PGE Baltica 4. TAURON holds 44.96 percent of the shares in PGE Baltica 4, while the remaining 55.04 percent of the shares are held by PGE. The capacity of the planned offshore wind farm to be constructed based on the obtained permit will be approx. 1 GW.

TAURON disclosed the information on the above event in current report no. 35/2023 of August 9, 2023.

### **Major corporate events**

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

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

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

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

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



## Ordinary General Meeting of TAURON

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

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

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

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

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

## Other major events

### Estimation of the size of the charges (allowances) for the Price Difference Payout Fund

On February 14, 2023, on the basis of its completed analyses of the regulatory environment in the energy market, and in particular with respect to the impact on the financial performance of TAURON Capital Group of the *Act of October 27, 2022, on the Emergency Measures to Cap the Electricity Prices and Provide the Support for Certain Consumers in 2023* and the *Regulation of the Council of Ministers of November 8, 2022, on the calculation of the price cap*, the Company had estimated the value of the charges (allowances) to be transferred in 2023 to the Price Difference Payout Fund introduced under those regulations.

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

To the best of the Company's knowledge, as of the date of performing the estimation, having taken into account the scenario based ("what if") analysis with respect to the market conditions, as well as the operational and technical conditions, the total charges transferred to the Fund should be within the range between PLN 1.0 billion and PLN 1.3 billion in 2023. The above estimate was disclosed to the public in current report no. 9/2023 of February 14, 2023.

It was also indicated in the above mentioned current report that, at the same time, in view of the cumulative impact of other factors, the Company did not anticipate that the impact of the charges transferred to the Fund would lead to the negative deviations of the estimated EBITDA earnings in 2023, as compared to the average level of the EBITDA results obtained by TAURON Group in the previous few years.

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

It was also indicated that the real figures required to calculate the charge for the Fund would depend on the final effects of the commercial operations at TAURON Group's subsidiaries subject to the obligation to pay the charge for the Fund, as well as the actions of the Power (Transmission) System Operator with regard to the forcing and

reducing of the operation of the generating units, and to a large extent would be known only at the time the given sales were to be realized, based on the then prevalent market conditions (first and foremost the sales price and the volume of the electricity sold) as well the unit electricity generation costs incurred during such time, which would be precisely recognized following the settlement of the given period in the accounting books.

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

In the first three quarters of 2023, TAURON Group's subsidiaries had recognized the costs of the charges transferred to the Fund in the total amount of PLN 415 million (of which the amounts per individual Segments had been: Supply - PLN 335 million, Generation - PLN 61 million, RES - PLN 6 million and in the case of the Other Operations - PLN 14 million). The costs of the charges transferred to the Fund had been included as part of the costs of the taxes and fees related to the Group's business operations.

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

On February 16, 2023, TAURON and Bank Gospodarstwa Krajowego (BGK) had signed a loan agreement for the amount of PLN 750 million with the deadline for the repayment of the financing set as September 30, 2023. The purpose of the financing had been indicated as the provision of the funds to support the ongoing operations with respect to the purchasing of the fuel for TAURON Group's subsidiaries.

A repayment of the whole or a part of the loan used will result in its renewal by the repayment amount and provide the possibility of the multiple use during the loan availability period up to the loan limit (available balance) amount. The funds made available as a part of the loan shall be repaid in full by the end of the financing period.

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

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

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

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

This amount includes:

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

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

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

#### **Estimated impact of the regulation of the Minister for Climate and Environment of September 9, 2023 on TAURON Group's financial results**

On September 29, 2023, TAURON Sprzedaż informed TAURON that it had completed the major part of the analyses related to the estimated impact of the regulation of the Minister for Climate and Environment of September 9, 2023, amending the regulation on the shaping and calculation of the tariffs and the method to be used for the settlements in electricity supply (Regulation) on the financial results of TAURON Sprzedaż and TAURON Sprzedaż GZE.

The Regulation introduces a mechanism enabling the reduction of the accounts payable of the households towards the energy companies performing business operations with respect to the electricity supply in the settlements for the year 2023 (Accounts Payable Reduction). Pursuant to the Regulation the amount of the annual accounts payable due for the purchase of electricity in 2023 of households that will meet one of the conditions specified in the Regulation is to be reduced by PLN 125.34.

Based on the legal opinion acquired by TAURON Sprzedaż and drafted by an external advisor specializing in the regulatory issues related to the energy law and the analyses completed by the Supply Subsidiaries related to the estimated number of their customers who will benefit from the Accounts Payable Reduction mechanism, on

September 29, 2023, TAURON Sprzedaż informed TAURON about the estimated impact of the Regulation on the Supply Subsidiaries' EBITDA in the second half of 2023 in the total amount of PLN -536 million which will translate into the reduction of TAURON Group's EBITDA for the second half of 2023 by the same amount.

TAURON disclosed the information on the above event in current report no. 40/2023 of September 29, 2023.

The Supply Subsidiaries set up a provision for the impact of the Regulation in the amount of PLN 536 million, which will be fully charged to the EBITDA of the Supply Segment in the third quarter of 2023.

The amounts presented above had been based on the legal status as of the date of the disclosing of the above mentioned report and they had been estimates. As of the date of drawing up this information, the above estimates had not changed.

## Major events after September 30, 2023

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

On October 3, 2023, (an event that took place after the balance sheet date), TAURON and Bank Gospodarstwa Krajowego (BGK) had signed a loan agreement for the amount of PLN 750 million with the funds from the loan to be used to finance the ongoing operations of TAURON Capital Group's subsidiaries.

A repayment of the whole or a part of the loan used will result in its renewal by the repayment amount and provide the possibility of the multiple use during the loan availability period up to the loan limit amount. The total repayment of the loan shall take place by October 3, 2024. The interest rate will be determined based on the floating interest rate increased by BGK's margin

Signing of the Loan Agreement will help strengthen the Company's financial stability as a result of acquiring a new source of the working capital financing, the purpose of which is to finance the ongoing operations.

TAURON disclosed the information on the above event in current report no. 42/2023 of October 3, 2023.

### Affirmation of the ratings assigned by Fitch Ratings agency

On October 5, 2023, Fitch Ratings agency (Fitch) affirmed Company's long term foreign and local currency ratings at "BBB-" with a stable outlook.

The full list of rating actions includes:

1. long term local and foreign currency IDRs (Issuer Default Ratings) affirmed at "BBB-", stable outlook,
2. short term local and foreign currency IDRs affirmed at "F3",
3. national long-term rating affirmed at "A(pol)", stable outlook,
4. EUR 500 million Eurobonds foreign currency senior unsecured unsubordinated rating affirmed at "BBB-",
5. EUR 190 million hybrid bonds (European Investment Bank – "EIB") rating affirmed at "BB",
6. PLN 750 million hybrid bonds (EIB) rating affirmed at "BB",
7. PLN 400 million hybrid bonds and hybrid bond issue program (Bank Gospodarstwa Krajowego) rating affirmed at "BB", while the national rating of the same program and bonds affirmed at "BBB(pol)".

TAURON disclosed the information on the above event in current report no. 43/2023 of October 5, 2023

### Results of asset impairment tests

On November 14, 2023 the analyses carried out as part of the impairment tests related to TAURON Capital Group's assets as of September 30, 2023 were completed.

While drafting the extended consolidated interim report of TAURON Polska Energia S.A. Capital Group for Q3 2023 premises were identified that might have indicated impairment of Generation segment's assets resulting in particular from:

1. increased share of renewable sources in electricity production in Poland leading to a reduction of electricity production volumes from conventional sources,
2. drop of actual and forecasted levels of electricity market prices,
3. economic slowdown leading to a fall of the value of domestic electricity demand.

The asset impairment tests carried out as of September 30, 2023 demonstrated it is not justified to make a write-down due to impairment of non-financial assets of TAURON Capital Group in the interim condensed consolidated financial statements of TAURON Capital Group for 9 months of 2023.

In relation to standalone results of TAURON Polska Energia S.A. the analyses carried out as part of the asset impairment tests demonstrated it is justified to decrease the book value of loans extended by TAURON to TAURON Wytwarzanie by the amount of PLN 788 million which translated into reduction of TAURON's gross financial result for the period of 9 months of 2023 by PLN 788 million.

Decrease of the loans' book value will have no impact on the EBITDA of TAURON or TAURON Capital Group for the period of 9 months ended September 30, 2023.

TAURON disclosed the information on the above event in current report no. 44/2023 of October 14, 2023.

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

### Internal factors

The operations and earnings of the Company and TAURON Capital Group in the first three quarters of 2023 had been impacted, among other things, by the internal factors presented in the below table.

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

#	Description of the factor
1.	actions with respect to optimizing the processes taken by TAURON Capital Group's subsidiaries,
2.	decisions with respect to the implementation of the key investment projects and the intense activities with respect to searching for new energy generation sources projects,
3.	loyalty building measures aimed at retaining the existing customers and the marketing activities with respect to acquiring new customers,
4.	TAURON Capital Group's centralized financial management area, supported by the use of such tools as: corporate model of financing, financial liquidity (cash flow) management policy using the <i>cash pool</i> mechanism, risk management policy in the financial area, insurance policy
5.	TAURON's purchasing processes management, in particular, the management of the purchases of electricity, fuels and the CO <sub>2</sub> emission allowances for the needs of the business operations conducted by the entities that are a part of TAURON Capital Group,
6.	activities of the Tax Capital Group aimed, first and foremost, at optimizing the implementation of the corporate income tax settlement obligations by the key subsidiaries of TAURON Capital Group,
7.	expectations with regard to the increase of the compensation (wages) at TAURON Capital Group,
8.	implementation of the activities stemming from the transition of the power sector in Poland, including the implementation of the agreement between TAURON, PGE, Enea, Energa and the State Treasury on the cooperation with respect to the spinning off of the coal assets and the integration thereof within the National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego - NABE),
9.	failures of TAURON Capital Group's equipment, installations and grids (networks),
10.	implementation of the wind farm and photovoltaic construction projects with a total capacity of 257 MW,
11.	implementation of TAURON Group's Strategy for the years 2022 - 2030 with an outlook until 2050, adopted in 2022,
12.	conclusion of a settlement agreement with RAFAKO with respect to the completion of the contract for the construction of a 910 MW unit in Jaworzno.

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

### External factors

The operations and earnings of TAURON and TAURON Capital Group had been impacted in the first three quarters of 2023 by the following external factors:

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

#### Macroeconomic environment

TAURON Capital Group's core business operations are conducted on the Polish market and the changes taking place in this market have an impact on the functioning of the Group. The macroeconomic situation is a material factor impacting the earnings generated by TAURON Capital Group.

After a period of a strong recovery in the economic activity in the previous years, the GDP growth rate in 2023 has been coming down materially. The domestic economic activity continues to be impacted by the strong supply disruptions reflected in the high price levels of a number of the raw materials, goods and services. The economic activity is also adversely affected by a marked slowdown in the GDP growth rate in the major developed economies, as well as the materializing effects of the National Bank of Poland's (NBP) interest rate hikes implemented earlier. According to the data published by Statistics Poland (GUS), Poland's GDP had contracted in real terms by 0.6% in the second quarter of 2023, as compared to the same quarter of 2022, while the inflation rate had clocked in at 13.1%, year on year. According to the Statistics Poland's (GUS) flash estimate the annual CPI inflation rate in September 2023 had come in at 8.2%. In the opinion of the Monetary Policy Council, the incoming data confirm the persistence of the demand and cost pressures in the economy, as well as the reduction of the inflationary pressures in the conditions of a weakened economy in the environment of the Polish economy. Taking into account these conditions, the Monetary Policy Council had lowered the interest rates in September and October this year.

In 2023. The NBP is forecasting a decline of the GDP growth rate to 0.6%. According to the NBP's forecasts, in the subsequent years, the GDP growth rate is expected to accelerate to, respectively: 2.4% in 2024 and 3.3% in 2025,



although it will remain low against the multi-year average for the Polish economy. In accordance with the NBP's current projection, the disinflation process will be continued in the coming years. In the following years, the inflation rate is projected to gradually decrease to the level of 5.7% in 2024, and 3.5% in 2025. The decrease in the level of inflation will be affected by the expiration of the factors that had driven the rise in the inflation rate in 2022, namely the slowdown in the growth of energy and agricultural commodity prices on the world markets, the slowdown in the growth of the domestic demand, the recovery of the supply chains, the slowdown in the inflation rate abroad, as well as the decelerating growth rate of the labor costs.

The situation on the labor market continues to be good. According to the Statistics Poland's (GUS) data, the unemployment rate, in the second quarter of 2023, came in at 5.0%. According to the latest data of Statistics Poland (GUS), i.e. for August 2023, the unemployment rate remained at the same level. The average monthly gross nominal wages in the economy went up by 13.8% as compared to the same period of last year.

## Market environment

### Electricity

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

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

Volume	unit	Q3 2023	Q3 2022	Increase / Decrease
1. Electricity consumption	GWh	39 885	41 533	-1 648 (-4.0 %)
2. Electricity production by domestic power plants	GWh	38 141	41 324	-3 183 (-7.7 %)
3. Electricity production by power plants fired with:				
1) hard coal <sup>1</sup>	GWh	17 620	20 594	-2 974 (-14.4%)
2) lignite	GWh	8 296	11 886	-3 590 (-30.2%)
3) gas	GWh	2 551	1 661	890 (+53.6%)
4. Electricity production by wind farms	GWh	3 676	3 124	552 (+17.7%)
5. Cross-border exchange balance <sup>2</sup>	GWh	1 745	209	1 536 (+734.9%)
6. Average electricity price on the SPOT market in:				
1) Poland	PLN/MWh	503.70	1072.45	-568,75 (-53.0%)
	EUR/MWh <sup>3</sup>	111.96	226.06	-114,10 (-50.5%)
2) neighboring countries (on the example of Germany)	EUR/MWh <sup>3</sup>	90.78	375.75	-284,97 (-75.8%)

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

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

<sup>3</sup>Prices in EUR/MWh are calculated using NBP's average exchange rate for Q3 2023 and Q3 2022 respectively.

The wholesale electricity price on the Day Ahead Market (RDN) of the Polish Power Exchange (TGE) had clocked in at 503.70 PLN/MWh in the third quarter of 2023 and it had been lower by 568.75 PLN/MWh (-53.0%) as compared to the same period of last year. The average settlement price on the Balancing Market (RB) came in at 517.55 PLN/MWh in the third quarter of 2023 and it had been lower by 488.68 PLN/MWh (-48.6%) as compared to the third quarter of 2022.

The lower SPOT prices in the quarter under review of 2023 had been due to: the falling gas prices in Europe, the lower demand in the national power system and the higher imports of the electricity from the neighboring countries. In addition, the level of the SPOT prices had been affected by the increase in the production from the photovoltaic sources. The production from these sources had gone up in the third quarter of 2023, year on year, from 3 496 GWh to 5 264 GWh, i.e. by 50.6%.

At the same time, the electricity market is subject to the maximum prices for the submission of the balancing bids, which cannot be higher than the variable costs increased by the margin specified in the *Balancing Conditions*. Another factor limiting the prices in the wholesale market in the short and long term is the *Regulation of the Council of Ministers on how to calculate the price cap of December 16, 2022 (Journal of Laws of 2022, item 2284)*, which defines the calculation elements to be used for calculating the tax on the windfall profits from the electricity sales in the form of a charge (allowance) to the fund from which the compensation is paid out to the entities selling electricity

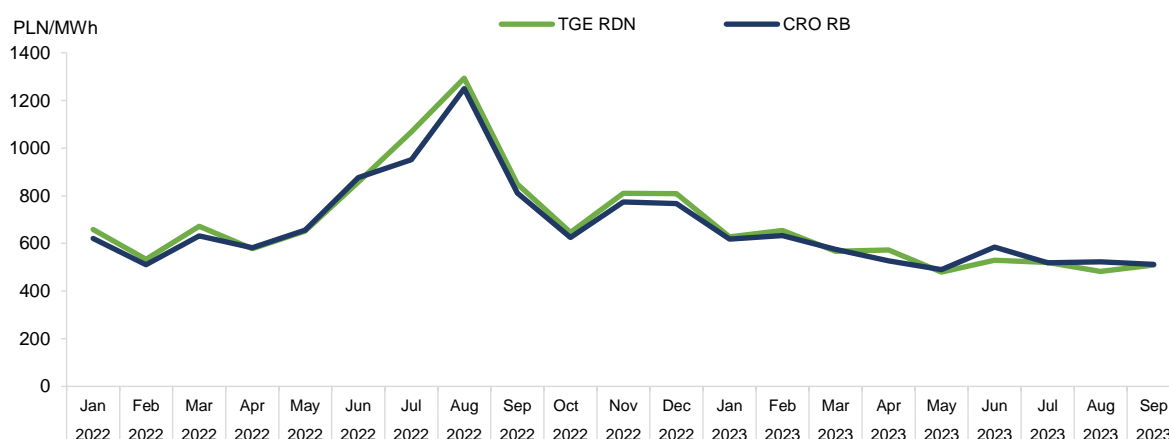
below cost. The windfall profits are determined on the basis of the respective limits assigned to the specific electricity generation sources and include the generation costs, the margin and the fixed costs.

According to the data from the TSO (PSE), the demand for the electricity from the power grid had gone down by 4.0% in the third quarter of 2023, as compared to the same period in 2022. The declining level of the demand for the electricity in the national power system had been affected by the slowdown in the economy and the introduction of the *Act on the special solutions aimed at protecting the electricity consumers in 2023*, according to which the local government units should take measures aimed at reducing the total electricity consumption by 10%.

In the third quarter of 2023, Poland had been a net importer of electricity, due to the lower SPOT prices in the neighboring countries. Due to the reduced demand for the electricity, the surplus of the energy imports over exports, and the higher share of the RES in Poland's electricity production, the third quarter of 2023 had seen the reduced electricity production by the lignite and hard coal fired power plants. On the other hand, due to the relatively low gas prices, the production by the gas fired sources had gone up as compared to the same period of 2022.

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

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



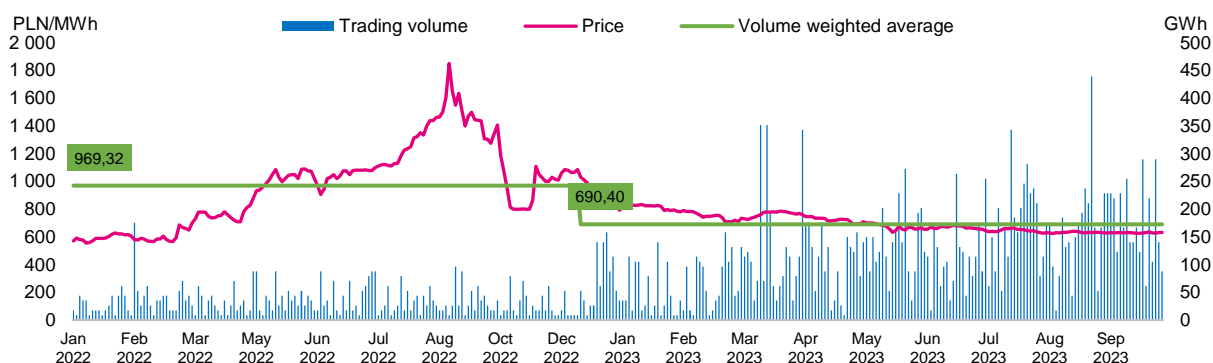
The price of the benchmark base load contract with the delivery in 2024 (BASE\_Y-24) had been fluctuating on the Polish electricity market in 2023 within the range between approx. 600 and 1 000 PLN/MWh. Following a period of the high volatility of the trading prices in 2022, as a consequence of the substantial price changes on the natural gas market, among other things, the situation on the market had stabilized in 2023, with the price low of the product under review reported in the third quarter of 2023.

The trading volume for the one year contract with the delivery in 2024 is much lower on Polish Power Exchange (TGE) in the third quarter of 2023 than the trading volume in the third quarter of 2022 for the one year contract with the delivery in 2023 (a drop by 41.1%). The low activity on the futures market is related to the high uncertainty with respect to the regulatory environment, the abolition of the power exchange trading obligation and the process of the setting of NABE getting prolonged.

The volume weighted average price of the BASE\_Y-24 contract recorded during the trading sessions taking place in the third quarter of 2023 had come in at 638.76 PLN/MWh, and it had been lower by 653.20 PLN/MWh (a decrease by 50.6%) as compared to the average price of such a contract logged in the same period of 2022. A similar situation exists in the case of the trading of the PEAK5\_Y-24 contract, whose volume weighted average price had clocked in at 705.76 PLN/MWh in the third quarter of 2023 and it had been lower than the average price of that contract quoted in 2022 by 677.75 PLN/MWh (a decrease by 49.0%).

The below figure presents the price performance of the BASE\_Y-24 contract in 2022 and in the first three quarters of 2023.

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



## Hard coal

The average price of the continued annual hard coal contract at the ARA ports had stood at 4.92 USD/GJ in the third quarter of 2023 and it had been lower by 6.45 USD/GJ as compared to the average price of such a contract in the third quarter of 2022 (a decrease by 56.7%). On the other hand, the average value of the PSCMI1 index had come in at 33.37 PLN/GJ in the third quarter of 2023 (the data excluding September 2023), and it had been higher than the value of this index in the third quarter of 2022 by 8.07 PLN/GJ.

The main price indices in the global coal markets demonstrated a slight upward trend in the third quarter of 2023, which had begun in June 2023. Nevertheless, the quoted price levels in the quarter in question had still been significantly below this year's highs. The high price volatility could still be observed in the market, which was caused by the demand factors and the situation on the global natural gas markets.

The European demand for the hard coal had remained low in the third quarter of 2023. Germany, which is the largest consumer of the imported hard coal in Europe, had recorded another quarter of the reduced electricity production from the raw material under review, which had been reflected in the lower demand for the shipping of the hard coal by the sea to the Old Continent.

The seasonally lower demand and the high inventories at the ARA ports had led to the significant declines in the European hard coal prices at the beginning of the third quarter of 2023. However, the second half of the period under review had seen a rebound in the hard coal prices due to the price increases reported on the natural gas markets.

## Natural gas

The third quarter of 2023 was in stark contrast to the third quarter of 2022, which had seen unprecedented high price levels on the European gas market. However, the global gas markets continued to experience very high price volatility during the period in question, which was caused by the supply factors. The mood of the participants in the fuel markets had mainly been impacted by the threat of a reduction in the supply of the natural gas from Australia and the prolonged maintenance works on the gas infrastructure of the Norwegian Continental Shelf.

In the end, as of the end of the third quarter of 2023, despite the difficulties on the supply side, the European countries managed to fill the gas storage facilities to the levels unprecedented thus far.

Ahead of the upcoming heating season, the uncertainty in the market remains high. The unfavorable weather conditions, in combination with a complete shutdown of the gas supplies to Europe from Russia, may cause the higher price increases. In addition, if China's economic growth is stronger than anticipated there could be more competition for the gas supplies.

The volume weighted average price of gas on the Day Ahead Market (RDN) on the Polish Power Exchange (TGE) had stood at 166.83 PLN/MWh in the third quarter of 2023 and it had been lower by 758.55 PLN/MWh than in the third quarter of 2022. The lowest price of the contract on the SPOT market had been recorded in July 2023, while the highest price had been logged in August 2023, with the volume weighted average monthly prices coming in at 150.43 PLN/MWh and 175.53 PLN/MWh, respectively.

The highest price on the Intraday Market (IDM - RDB), i.e. 218.36 PLN/MWh, had been reported on August 22, 2023, while the weighted average gas price on the Intraday Market (IDM - RDB) for August 2023 had clocked in at 177.41 PLN/MWh and it had been lower by 908.73 PLN/MWh than such a price in the same period of 2022. The lowest contract price on the Intraday Market (IDM), i.e. 119.02 PLN/MWh, had been recorded on July 29, 2023, while the volume weighted average price for that month had come in at 148.00 PLN/MWh and it had been lower by 673.05 PLN/MWh than such a price in the same period of 2022.

The lowest aggregate trading volume on the futures market had been recorded in August 2023, clocking in at the level of approx. 6.9 TWh, while the highest trading volume had been reported in September 2023, coming in at the

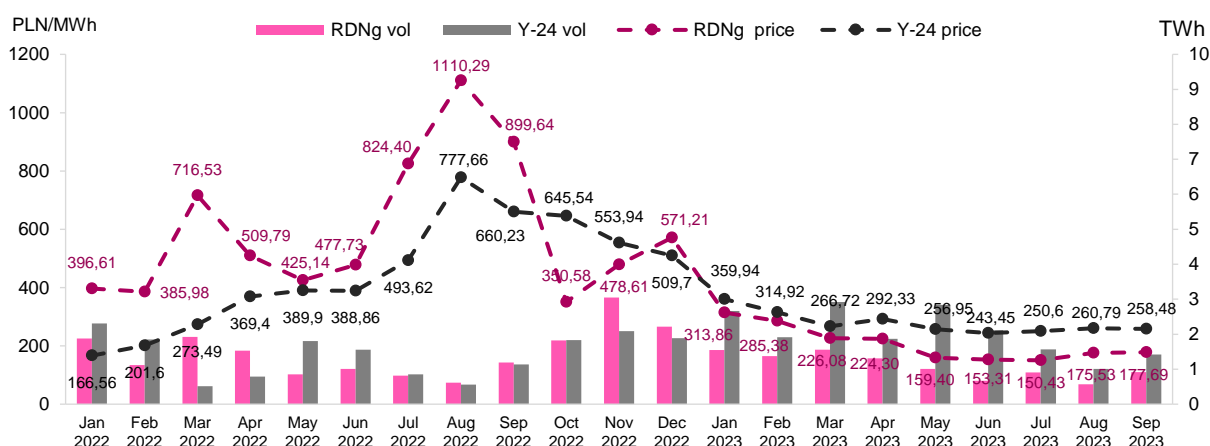
level of approx. 9.2 TWh. The volume weighted average price of the benchmark one year GAS\_BASE\_Y-24 contract had stood at 255.98 PLN/MWh in the third quarter of 2023. The lowest price of that contract had been recorded in July 2023, while the highest price had been observed in August 2023, coming in at 231.35 PLN/MWh and 284.00 PLN/MWh, respectively.

The aggregate trading volume on the Polish Power Exchange (TGE) had clocked in at approx. 26.6 TWh in the third quarter of 2023, as compared to approx. 24.8 TWh in the third quarter of 2022 (an increase by 7.3%). The futures market had the largest share in the overall gas trading in the third quarter of 2023, with a volume generated at the level of approx. 23.7 TWh. On the SPOT market, the total trading volume in the day ahead contracts had come in at approx. 2.4 TWh (a drop by 7.7%). The decline had also been reported on the Intraday Market (IDM) for gas, where the trading volume had clocked in at approx. 0.4 TWh, as compared to approx. 0.6 TWh in the third quarter of 2022 (a decline by 33.3%).

According to the Gas Infrastructure Europe association's data, as of September 30, 2023, the Polish gas storage facilities with the total capacity of approx. 3.3 billion m<sup>3</sup> were 99.5% filled, while a year earlier they had been 98.3% filled (an increase by 1.2 pp). In Europe, this level, as of the end of the third quarter of 2023, stood at 95.6%, while a year earlier it had clocked in at 88.7% (an increase by 6.9 pp).

The below figure presents the average monthly SPOT market and BASE\_Y-24 contract gas prices on TGE (PPX) in 2022 and in the first three quarters of 2023.

**Figure no. 6. Average monthly SPOT market and BASE\_Y-24 contract gas prices on TGE (PPX) in 2022 and in the first three quarters of 2023**



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

The settlement prices for the CO<sub>2</sub> emission allowances under the benchmark contract with the delivery in December 2023 (EUA DEC-23) on the ICE Endex exchange had been fluctuating within the range between approx. 80 EUR/Mg and approx. 92 EUR/Mg in the third quarter of 2023. The average clearing price in the third quarter of 2023 had stood at 85.69 EUR/Mg and it had been higher by approx. 5.65 EUR/Mg (an increase by 7.1%), as compared to the average price logged in the third quarter of 2022.

For most of the third quarter of 2023, the prices of the CO<sub>2</sub> allowances on the EU ETS market had been moving in a sideways trend, at the levels similar to those observed in the first half of 2023. The main factors behind such a stable situation had included the low liquidity and volatility associated with the summer holiday season and the absence of the major political events.

Since July 2023, there had been a slight increase in the supply of the emission allowances at the auctions due to the implementation of the RePowerEU plan. The auction volumes had decreased again in August due to the peak summer holiday season. However, the lower auction volumes had not had a significant impact on the CO<sub>2</sub> prices, as the observed decline in the electricity production from the fossil fuels and the reduced activity in the corporate sector had been the factors that had reduced the demand and thus offset the lower supply of the emission allowances. Traditionally, the market participants had monitored the position of the investment funds, which had turned strongly negative in September – however, the technical support at 80 EUR/Mg had been maintained.

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



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



### Property rights

The prices on the green certificates market had been moving in a downward trend in the third quarter of 2023. The TGEoza index had reached its maximum price, which stood at 170.06 PLN/MWh, at the beginning of July 2023, while the minimum price for the above mentioned index had been recorded at the end of September 2023, at the level of 51.89 PLN/MWh. The weighted average price of PMOZE\_A in the third quarter of 2023 had come in at 127.35 PLN/MWh and it was lower by 16.4%, than the weighted average price in the same period of 2022 (a decrease by 24.91 PLN/MWh).

The volume of the trading in the third quarter of 2023 was substantially lower than the level observed in the third quarter of 2022, falling by 15.3%, from the level of 1 551.9 GWh to 1 314.3 GWh. The balance of the PMOZE\_A register, as of the end of September 2023, had reached a surplus of 13.23 TWh. Taking into account the certificates that are blocked for the redemption, this balance had dropped by 2.68 TWh, to the level of 10.55 TWh (a decrease by 28.7%, year on year). The substitution fee set for 2023 comes in at the level of 239.75 PLN/MWh, while the obligation to present the green certificates for the redemption in 2023 has dropped by 6.5 pp as compared to 2022 and, in accordance with the *Regulation of the Minister of Climate and Environment of July 13, 2022, on changing the quantitative share of the total of electricity resulting from the redeemed guarantees of origin of energy (energy certificates) confirming the production of electricity from the renewable energy sources in 2023*, it stands at 12%. The obligation for the year 2024, in accordance with a similar regulation of August 28, 2023, goes down, as compared to 2023, by another 7 percentage points and it stands at 5%.

The prices of the certificates confirming the generation of electricity from the agricultural biogas PMOZE-BIO (blue certificates), for which the level of the obligation in the years 2023 – 2024 stands at 0.5%, had invariably been stable. The TGEozebio index had traded close to the substitution fee, which for 2023 stood at 300.03 PLN/MWh. In the third quarter of 2023, the prices had fluctuated between a price minimum at the level of 300.01 PLN/MWh and the maximum level of 310.00 PLN/MWh. The weighted average price of the TGEozebio index had come in at 300.55 PLN/MWh, while the trading volume had clocked in at 74.8 GWh, and it had been lower by 2.9% than the volume reported in the same period of 2022. The balance of the PMOZE-BIO register, as of the end of September 2023, had stood at 270.8 GWh. Taking into account the certificates blocked for the redemption, this balance had dropped to the level of 255.22 GWh (a decrease by 4.9% as compared to the same period of 2022).

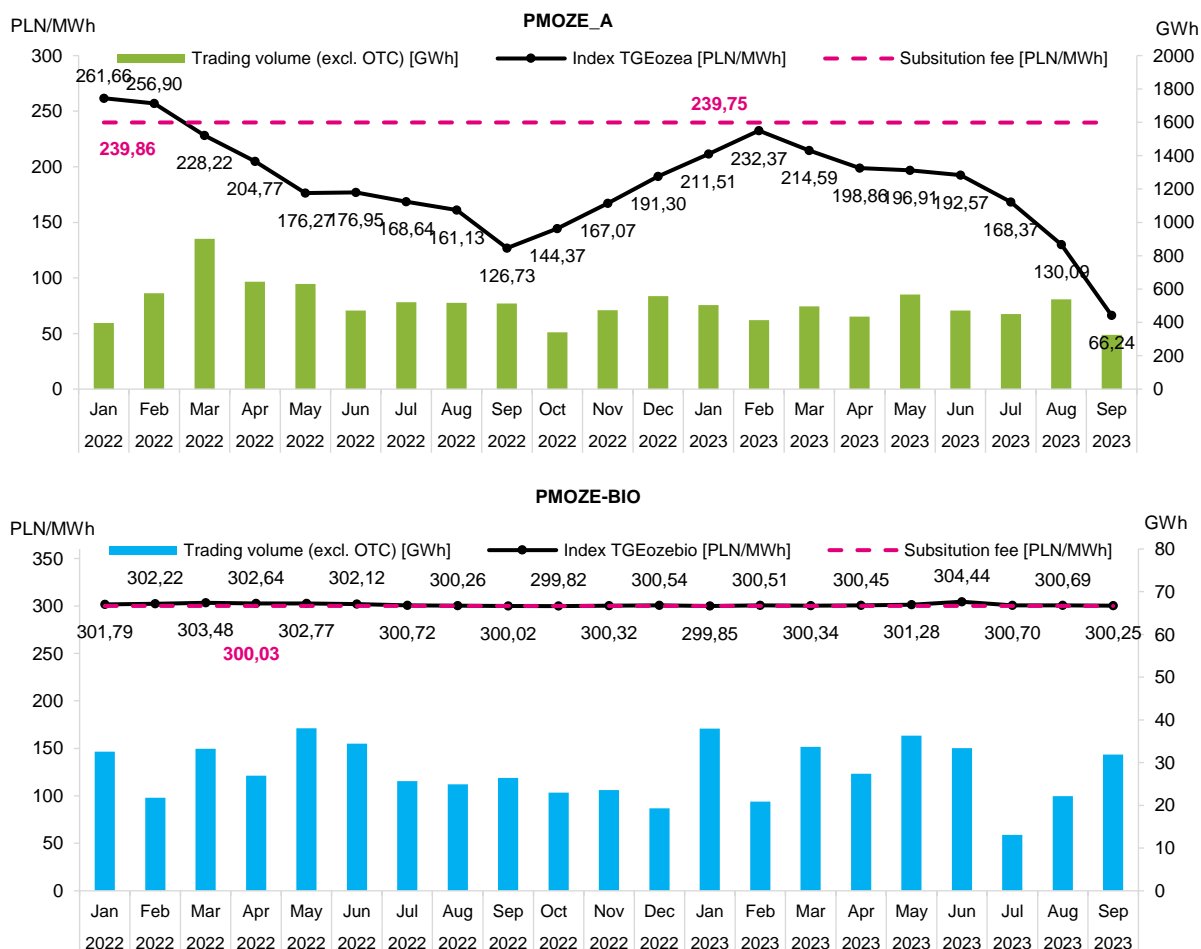
The prices of the PMEF\_F white certificates had been fluctuating in the third quarter of 2023 between the minimum level of 2 038.08 PLN/toe, reached in mid-August 2023, and the maximum price, obtained in mid-July 2023, standing at the level of 2 099.89 PLN/toe. The weighted average price had come in at 2 073.32 PLN/toe in the third quarter of 2023, and it had been lower by 0.1%, as compared to the same period of 2022. On average the prices had been clocking in at 3.1% above the substitution fee set at the level of 2 010.14 PLN/toe for 2023. The trading volume had gone down by 4.0%, as compared to the same period of 2022, and it had come in at 17 591 toe (18 320 toe in 2022).

In 2023 there have been no transactions for the PMEF-2022 register, while in the case of the PMEF-2022 register the prices had been quoted only in the first half of 2023. The prices of that contract had been moving within the

price range between the minimum of 1 918.77 PLN/toe, reached at the beginning of March of 2023, and the maximum price at the level of 2 280.00 PLN/toe, obtained at the beginning of May of 2023. The weighted average price of the PMEF-2022 contract had come in at the level of 1 998.49 PLN/toe in the first half of 2023.

The below figures present the property rights indices, the so-called green and blue certificates, in 2022 and in the first three quarters of 2023.

Figure no. 8. Property rights indices in 2022 and in the first three quarters of 2023



## Regulatory environment

TAURON Capital Group is monitoring the changes and taking actions in the regulatory area, both on the national, as well as on the European Union (EU) level, which may have a direct or indirect impact on TAURON Capital Group

The below table below presents the most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first three quarters of 2023.

Table no. 6. Most important changes and initiatives in the regulatory environment of TAURON Capital Group with respect to the EU legislation in the first three quarters of 2023

Name of the regulation	Description of the regulation	Status as of September 30, 2023	Impact on TAURON Capital Group
<i>Fit for 55</i>	In the first three quarters of 2023, the works had been continued on the <i>Fit for 55</i> regulatory package proposal that the European Commission (EC) published in July of 2021 that had included, among other things, a revision of the directive on the promotion of energy from the renewable sources (REDIII), the directive on energy efficiency (EED), the directive on the European Union's Emissions Trading System (EU ETS) or the introduction of a price adjustment mechanism at the borders taking into account the CO <sub>2</sub> emissions (Carbon Border Adjustment Mechanism - CBAM). The <i>Fit for 55</i> package aims to introduce the legislative mechanisms that will allow for achieving the target of reducing the greenhouse gas emissions by at least 55% by 2030. The indicated regulations	The process of the negotiations of the European Union institutions with respect to the legislative drafts as part of <i>Fit for 55</i> .  In May 2023, the works on the EU ETS and CBAM had been completed, while the works on EED had been completed in September and the	The <i>Fit for 55</i> package may contribute to the development of the low emission (low carbon) technologies, first and foremost the renewable energy sources. The regulations that are a part of the package will introduce a number of the new important requirements and changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.

include, among others, the proposals for the tightening of the EU ETS system, changing of the definition of the efficient district heating and cooling systems, increasing of the RES target and improving of the energy efficiency by 2030. In December 2021, the EC published the next elements of the *Fit for 55* package, including a draft revision of the Energy Performance of Buildings Directive (EPBD).

The works on the EU ETS and CBAM had been completed in May 2023. Those acts had been published in the Official Journal of the EU.

The works on the EED directive had been completed in the third quarter of 2023. On September 20, 2023, Directive (EU) 2023/1791 of the European Parliament and of the Council of September 13, 2023 on energy efficiency and amending Regulation (EU) 2023/955 (recast) was published in the Official Journal of the European Union.

On September 12, 2023, the European Parliament voted for an agreement with respect to the REDIII directive. The negotiations on the draft EPBD directive are also under way.

In addition, the works had been continued, in the third quarter of 2023, on the "gas package" published by the EC on December 15, 2021, which included a revision of the Directive related to the common rules for the internal market in the natural gas and a revision of the regulation related to the conditions for access to the natural gas transmission networks. Both, the European Parliament (EP), as well as the Council of the European Union (EU) have adopted their negotiating positions; the tri-lateral negotiations with respect to the package are under way. The goal of the package is to increase the share of the renewable and low carbon gases in the energy system, which will enable a shift away from the natural gas and the meeting of the EU's target of achieving the climate neutrality by 2050. The package also includes a new regulation on reducing the methane emissions in the energy sector.

In the first three quarters of 2023, the works had also been under way on promoting the use of the renewable hydrogen in the EU, in particular, through the establishment of the European Hydrogen Bank (an instrument for the development of the hydrogen economy) by the EC and the implementation of the 2018 REDII Directive through the adoption by the EC of the delegated acts related to the renewable fuels of non-biological origin.

works with respect to REDIII had been completed in October (an event that took place after the balance sheet date).

RePowerEU	<p>The works aimed at implementing the actions included in the REPowerEU communication, adopted in May 2022 by the EC, and in a package of the additional documents had been continued in the first three quarters of 2023. Many of them had been added to the legislative proposals processed as part of the <i>Fit for 55</i> package. The communication is a response to the situation prevailing on the electricity and gas markets in connection with the war in Ukraine. The most important actions indicated in the communication include: energy conservation, diversification of the energy carrier supplies to the EU, substitution of the fossil fuels and the acceleration of Europe's transition to the clean energy, the smart investments and strengthening of the readiness for the reduction of the supply of the energy raw materials. Along with the communication, a legislative proposal amending the directives: REDII, EED and EPBD had been published. As part of the above mentioned proposal, the European Commission (EC) proposes:</p> <ol style="list-style-type: none"> <li>1. increasing of the target with respect to the use of the energy from the renewable energy sources (RES) from 40 to 45% (as compared to the proposal included in the <i>Fit for 55</i> package),</li> <li>2. introducing of the measures aimed at making it easier to invest in the renewable energy sources (RES),</li> <li>3. raising of the 2030 energy consumption reduction target from 9% to 13% as compared to the projections presented in the 2020 benchmark scenario,</li> </ol>	Works on implementing the short term and long term measures provided for under REPowerEU	The implementation of the REPowerEU plan may have an impact on an increase of the EU's energy independence and an acceleration of the energy transition, as well as it will introduce a number of material changes in the market and regulatory environment for TAURON Capital Group's subsidiaries.
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	<p>4. increasing of the share of the solar energy used in the buildings.</p> <p>The majority of these proposals have been included in the draft legislative acts under consideration as part of the Fit for 55 package (REDIII, EED, EPBD).</p>		
Reform of the electricity market	<p>The primary goal of the electricity market reform is to limit energy price increases while improving the conditions for investments in the renewable energy sources in the EU. On March 14, 2023, the EC had published the draft proposals that make up the energy market reform. The reform will be carried out in two pieces of legislation: in a regulation of the European Parliament and of the Council amending Regulation 2019/943, Directive 2019/944, Directive 2018/2001 and Regulation 2019/942, and a regulation of the European Parliament and of the Council amending Regulation 1227/2011 and Regulation 2019/942. The main elements of the reform will be included in the amendment of the market regulation, including the strengthening of the importance of the Power Purchase Agreements (PPAs) and the Contracts for Difference (CfDs).</p> <p>In July 2023, the ITRE Committee voted through the European Parliament's position on the electricity market reform, while the EP plenary meeting in September 2023 voted through the EP's negotiating mandate for the trilogues with the EC and the Council. These can begin once the Council's position (General Approach) has been adopted. The Council continues to work on the position.</p>	The stage of developing the positions of the EP and of the Council	<p>The new proposals being discussed as part of the reform may introduce a number of significant changes to the market and regulatory environment for TAURON Group.</p> <p>In particular, the electricity market reform will contribute to the promotion of the electricity generation from the renewable energy sources and to the changes to the rules within the framework of the support systems.</p>
Net-Zero Industry Act	<p>As part of the Net-Zero Industry Act, published on March 16, 2023, the actions and measures aimed at achieving the goal of ensuring that, by 2030, the manufacturing capability in the EU with respect to the strategic net-zero emissions technologies should come close to or reach a level of at least 40% of the EU's annual needs with respect to the deployment of the relevant technologies needed to meet the EU's climate and energy targets, and ensuring the free flow of the technologies introduced into the single market, had been proposed. In the draft, the EC, among other things, identifies the net zero emission technologies and the strategic net zero emission technologies. The EP's competent committee had submitted a draft report in June 2023.</p>	The stage of developing the positions	<p>The EC initiative may introduce a number of significant changes in the market and regulatory environment for TAURON Group aimed at increasing the manufacturing capabilities with respect to the green technology in the EU area.</p>
Directive 2010/75/EU on the industrial emissions (integrated pollution prevention and control)	<p>The IED directive is the EU's main instrument regulating the emissions of the pollutants. On April 5, 2022, the European Commission had submitted a proposal to revise the directive to make it more effective in preventing or minimizing the emissions of the pollutants and stimulating the transition to the zero pollutant emissions level, contributing to the accomplishment of the targets set out in the European Green Deal. The proposal suggests, among other things: expanding the definition of the BAT conclusions, introducing the more stringent requirements for the application of the BAT compliant emission standards and the granting of the derogations, an obligation to develop the transition plans for the installations, and setting up of the Industrial Transition and Emissions Innovation Center to collect and analyze the information related to the innovative techniques.</p> <p>The Council had adopted a general approach in March 2023, while the EP adopted its negotiating position with respect to the draft IED in July 2023, which allowed to start the inter-institutional negotiations on the final wording of the above mentioned legislative proposal.</p>	The stage of negotiations between institutions	<p>The regulations in the form proposed by the EC may result in the need to incur additional expenditures to bring the operating units and the contemplated initiatives into the compliance with the stringent standards. However, the final conditions for the existing and the planned investment projects will be known after the adoption of the IED and the BAT Conclusions.</p>
The Commission Regulation (EU) No. 2023/1315 of June 23, 2023, amending the regulation (EU) No. 651/2014, recognizing certain types of aid as being compatible with the internal market in the application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473	<p>In the first quarter of 2023, the works had been completed on the review of the 2014 General Block Exemption Regulation, which contains ex ante compatibility conditions under which the member states can implement the state aid measures without first notifying the EC thereof. The revision of the above mentioned block exemption regulation was aimed at ensuring the feasibility of achieving the targets under the European Green Deal, further clarifying the rules for the aid for the investments in the areas related to the energy performance of buildings, as well as the charging and refueling infrastructure for the needs of the clean mobility.</p>	<p>Amendments to the GBER Regulation have been approved by the EC.</p> <p>The amending regulation has been published in the Official Journal of the European Union.</p>	<p>The changes introduced will be particularly relevant from the perspective of providing the public aid as part of the aid funds implemented in the 2021 - 2027 financial plan.</p>








The goal of the introduced amendments to the GBER block exemption regulation is to simplify the provision of the public aid to the energy transition and digital transformation investment projects.






The amendments to the regulation had been adopted by the EC in March 2023, with the formal adoption of the regulation taking place on June 23, 2023. On June 30, 2023, the regulation amending regulation 651/2014 had been published in the Official Journal of the EU and it came into force on July 1, 2023.

The amended GBER regulation will be in force until the end of 2026.

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

**Table no. 7. Most important changes in the national regulatory environment of TAURON Capital Group in the first three quarters of 2023 with respect to the adopted and published legislative acts**

Name of the regulation	Description of the regulation	Status as of September 30, 2023	Impact on TAURON Capital Group	Impact on the Segment
<i>Act of January 13, 2023, on the Silesian Province Transition Fund Joint Stock Company (Journal of Laws of 2023, item 203)</i>	The act is related to the establishment of the Silesia Transition Fund, whose goal will be to coordinate the activities conducted as part of the process of transforming the post-mining, industrial and post-industrial areas with the transition of the Silesian province, first and foremost, thanks to the support instruments addressed at a broad range of beneficiaries.	February 14, 2023 – entry into force	The Fund's operation may contribute to providing of the support for the activities undertaken by TAURON Group's subsidiaries.	
<i>Act of February 8, 2023, on amending the act on the special solutions for certain heat generation sources due to the situation on the fuel market and certain other acts (Journal of Laws of 2023, item 295)</i>	<p>The act is related to the introduction of a maximum heat supply price at the rate in effect as of September 30, 2022, increased by 40%, by the energy companies with respect to a portion of the residential and public utility consumers. The mechanism is to be applied starting from February 1, until December 31, 2023.</p> <p>The act has also introduced the amendments to other acts, including the <i>Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers</i> with respect to the so-called charge to the Fund.</p>	February 15, 2023 – entry into force	<p>The entry into force of the act results in the need to adjust the billing system used to make settlements with the consumers and the external sources accordingly (an impact on TAURON Ciepło).</p> <p>The change of the regulations related to the charge to the Fund for the electricity trading and generation companies has an impact on the way it is calculated.</p>	
<i>Act of March 9, 2023, on amending the act on investments in the wind power plants and certain other acts (Journal of Laws of 2023, item 553)</i>	<p>The act introduces:</p> <ol style="list-style-type: none"> <li>1. a change of the rules of the functioning of the so-called 10H rule (distance of the wind turbines),</li> <li>2. solutions that provide more flexibility for the municipalities to specify the areas for the construction of the wind farms in the local spatial development (zoning) plans,</li> <li>3. a change of the rules for the consultation of the local zoning plans specifying the areas for the wind farms to be built upon,</li> <li>4. the possibility for the investor to allocate at least 10% of the installed capacity of the wind power plant to be taken over by the residents of the municipality.</li> </ol>	April 23, 2023 – entry into force	<p>The adoption of the act:</p> <ol style="list-style-type: none"> <li>1. may increase TAURON Group's investment opportunities with respect to the onshore wind farms, as it will allow the wind power plants to be located at a distance of less than 10H, if the local government provides for such a possibility in the zoning plan,</li> <li>2. will make it easier to conduct the investment consultation process.</li> </ol>	
<i>Act of April 14, 2023, on the preparation and implementation of the investment projects with respect to the pumped storage power plants and the associated investment projects (Journal of Laws of 2023, item 1113).</i>	The act introduces the simplifications and streamlining of the administrative procedures related to the preparation and implementation of the investment projects with respect to the pumped storage power plants and the associated investment projects.	June 30, 2023 – entry into force	The entry into force of the act will help facilitate investments in the pumped storage power plants.	
<i>Act of July 7, 2023, on amending the act on planning and spatial development (zoning) and certain other acts (Journal of Laws of 2023, item 1688).</i>	<p>The act assumes that the locating (siting) of the renewable energy sources installations (apart from the installations mounted on the buildings) can only be carried out on the basis of a local zoning plan. The introduced rule covers the investment projects located on:</p> <ol style="list-style-type: none"> <li>1. the 1st - 3rd class agricultural land and forest land,</li> <li>2. the 4th class agricultural land in the case of the installations with an installed electrical capacity greater than 150 kW or used for</li> </ol>	September 24, 2023 – entry into force	During the transition period, the act will allow for the investment project planning based on the existing regulations, and therefore has a neutral impact on TAURON Group's projects. In the long term, the maintaining of TAURON Group's RES investment momentum will depend to a large extent on the efficient implementation of the legislation by the local government administration units.	

Name of the regulation	Description of the regulation	Status as of September 30, 2023	Impact on TAURON Capital Group	Impact on the Segment
	<p>the business operations with respect to the generation of electricity,</p> <ol style="list-style-type: none"> <li>3. other land in the case of the installations with an installed electrical capacity greater than 1000 kW.</li> </ol>			
<i>Act of July 7, 2023, on amending the act on the preparation and implementation of the strategic investment projects in the transmission grids and certain other acts (Journal of Laws of 2023, item 1506)</i>	The act provides for extending of the functioning Special Act on the Transmission covering the strategic investment projects in the transmission grid to include the new key transmission projects and expanding the annex to also include the distribution grid projects with the voltage above 100 kV.	September 2, 2023 – entry into force	The entry into force of the act will result in a shorter process of obtaining of the public law permits and the possibility of applying a simplified model for obtaining of the land for the investment projects listed in the annex to the act.	
<i>Act of July 28, 2023, on amending the act - Energy Law and certain other acts (Journal of Laws of 2023, item 1681)</i>	The act introduces, first and foremost: <ol style="list-style-type: none"> <li>1. the possibility of concluding of the agreements with the dynamic pricing mechanisms</li> <li>2. the changes in the rules of concluding and terminating of the agreements for the sale of electricity,</li> <li>3. the shortening of the time required to switch electricity retail suppliers down to 24 hours,</li> <li>4. the changes with respect to the direct power lines,</li> <li>5. the introduction of the legal framework for the citizen energy communities, the active consumers and the aggregators of the electricity market,</li> <li>6. the introduction of the regulations on the system services, the flexibility services,</li> <li>7. the mechanism for a non-market based curtailment of the generation by the RES installations and the compensation for taking such measures,</li> <li>8. the changes with respect to the Charge (Allowance) to the Fund</li> </ol>	September 6, 2023 – entry into force	The adoption of the act will, first and foremost: <ol style="list-style-type: none"> <li>1. increase the possibility of using the direct power lines,</li> <li>2. introduce a number of changes in TAURON Group's regulatory environment.</li> </ol>	
<i>Act of August 16, 2023, on amending the act on the special solutions for the protection of the electricity consumers in 2023 in connection with the situation on the electricity market and certain other acts (Journal of Laws of 2023, item 1785)</i>	The act introduced: <ol style="list-style-type: none"> <li>1. an amendment of the provisions related to the freezing of the electricity prices in 2023 for the household electricity consumers and the application of a maximum price,</li> <li>2. the mechanism of the solidarity contribution system for the large entities operating in the coal mining and coke production sector,</li> <li>3. the changes in the regulations with respect to the Charge (Allowance) to the Fund.</li> </ol>	September 19, 2023 – entry into force	The adoption of the act may have an impact on the supply line of business and the generation of electricity from the renewable energy sources line of business.	
<i>Act of August 17, 2023, on amending the act on renewable energy sources and certain other acts (Journal of Laws of 2023, item 1762)</i>	The act introduced, first and foremost: <ol style="list-style-type: none"> <li>1. the cable pooling solutions - the possibility to connect two or more RES installations, belonging to one or more entities, to the electricity grid,</li> <li>2. a change of the energy cluster definition,</li> <li>3. a change of the hybrid RES installation definition,</li> <li>4. a change of the energy cooperative definition,</li> <li>5. transposition of RED II (district heating and cooling, guarantees of origin, National Contact Point, RES, energy trading based on partnership),</li> <li>6. possibility of extending the support mechanisms for the RES installations whose 15 year support system is due to expire,</li> <li>7. the solutions for biogas and biomethane,</li> <li>8. increasing of the number of the auctions related to the offshore wind energy.</li> </ol>	October 1, 2023 (an event that took place after the balance sheet date)	The act in question, first and foremost: <ol style="list-style-type: none"> <li>1. introduces the material changes for the DSOs related to the energy clusters,</li> <li>2. provides for the possibility of obtaining of the support for the RES installations whose 15 year support system is due to expire,</li> <li>3. increases the possibility of connecting the additional RES capacity owing to the cable pooling solutions,</li> <li>4. introduces a number of the material changes to the TAURON Group's regulatory environment.</li> </ol>	
<i>Act of August 17, 2023, on the social protection shields for the workers in the power sector and the lignite mining industry (Journal of Laws of 2023, item 1737)</i>	The act sets out: <ol style="list-style-type: none"> <li>1. the rules for the gaining of the right to a power sector employee's leave and a mining industry employee's leave, the rules for the gaining of the right to the payout of the social benefits (entitlements) while on a power sector employee's leave and a mining industry employee's leave, and the rules for the gaining of the right to and the payout of a one-time cash severance pay for the employees of the power sector</li> </ol>	September 14, 2023 – entry into force	The act in question will allow for the minimizing of the potential negative social implications associated with the transition of the power sector and the lignite mining industry.	

Name of the regulation	Description of the regulation	Status as of September 30, 2023	Impact on TAURON Capital Group	Impact on the Segment
	<p>during the periods of a shutdown of the generating units and for the employees of the lignite mining industry during the periods of the systemic reduction of the lignite mining extraction output in connection with the transition of the electric power sector in Poland,</p> <p>2. the sources of the funding for the benefits (entitlements).</p>			
<i>Regulation of the Minister of Climate and Environment of January 30, 2023, amending the Regulation on the detailed rules for shaping and calculating tariffs and settlements in electricity trading (Journal of Laws of 2023, item 226).</i>	The regulation introduces a temporary departure from the obligation to attach the information on the percentage structure of the electricity purchase costs to the invoices - until December 31, 2023.	February 3, 2023 – entry into force	The regulation allows for avoiding, in 2023, the costs resulting from the obligation to attach the information on the percentage structure of the electricity purchase costs in the invoices issued.	
<i>Regulation of the Minister of Climate and Environment of August 4, 2023, on the parameters of the main auction for the delivery year 2028 and the parameters of the additional auctions for the delivery year 2025 (Journal of Laws of 2023, item 1561)</i>	The regulation specifies the parameters of the main auction for the delivery year 2028 and the additional auctions for the delivery year 2025: the demand for capacity, the market entry price of a new generating unit, a price escalation coefficient (factor), the parameters determining the amount of capacity below and above the demand for capacity, the maximum price for the price taker, the maximum number of rounds, the level of the capital expenditures, the minimum and the maximum amounts of the capacity obligations, and the corrective availability coefficients (factors).	August 9, 2023 – entry into force	The possibility of receiving the financial support for fulfilling the capacity obligation in the event of an admission to the relevant auction, i.e., the unit will remain ready to supply the electric power and make a commitment to supply a certain amount of capacity to the system during the period of invoking the capacity market,	
<i>Regulation of the Minister of Climate and Environment on changing the quantitative share of the sum of electricity resulting from the redeemed certificates (guarantees) of origin confirming the generation of electricity from the renewable energy sources in 2024 (Journal of Laws of 2023, item 1728)</i>	The regulation changes the size of the quantitative share of the sum of electricity resulting from the redeemed certificates (guarantees) of origin in 2024. This obligation is to stand at 5%. In addition, the obligation for the blue certificates has been maintained at the level of 0.5%.	August 30, 2023 – entry into force	The act in question may have an impact on the supply line of business and the generation of electricity and heat from the renewable energy sources line of business.	
<i>Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading (Journal of Laws of 2023, item 1847)</i>	<p>The amendment obliges the suppliers to introduce a new method of billing the household consumers that would reward active and efficiency oriented attitudes of the energy consumers. Among other things, the following actions will be rewarded: saving of the electricity, expressing a consent to receive the marketing communications, receiving of the VAT invoices in an electronic form or being a prosumer. The amendment to the regulation will bring each household a tangible financial benefit in the form of a reduction in its annual energy bill by the equivalent of one average monthly bill. The suppliers will also be obliged to inform the consumers of the changes in the billing, as well as of the amount of the bonus to be earned and the deadline for the granting thereof.</p> <p>The new regulations shall exempt the consumers from the charges for the over-contracted consumption of the reactive energy and for exceeding the contracted power in the cases when such actions result from the operators' instructions or from the services provided thereto.</p>	September 30, 2023 – entry into force	<p>The regulation imposes the additional information disclosure obligations on the companies operating in the Supply Segment and obliges them to incur the additional costs resulting from the bonuses granted to the consumers.</p> <p><i>Information on the estimated impact of the Regulation on TAURON Group's financial results is provided in section 2.3. of this information and was disclosed to the public in current report no. 40/2023 of September 29, 2023.</i></p>	






RES  
Segment



TAURON  
Group

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

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

Name of the regulation	Description of the regulation	Status as of the date of drawing up this information	Impact on TAURON Capital Group	Impact on the Segment
<i>Update of Poland's Energy Policy until 2040 (PEP2040).</i>	In the first half of 2023, the third forecast scenario to PEP2040 had been presented, taking into account the latest conditions and the directions of the actions to be taken such as a faster diversification of the oil supplies, a more rapid expansion of the RES, as well as the use of the coal fired generating units as the peaking generation sources. In accordance with the scenario, by 2040: <ol style="list-style-type: none"> <li>the demand for the electricity will go up to 244 TWh and the installed capacity in the National Power System will increase to 130 GW,</li> <li>the hard coal fired installed capacity will come down to 9.4 GW. While the lignite fired installed capacity will drop to 0.7 GW,</li> <li>an increase in the installed capacity and production from the RES is expected, in particular: <ol style="list-style-type: none"> <li>offshore – 18 GW,</li> <li>onshore wind energy – 20 GW,</li> <li>PV – 45 GW.</li> </ol> </li> </ol>	Pre-consultations had been completed	The draft update of Poland's Energy Policy until 2040 may set the directions for the development and the transition of the power sector	
<i>Draft act on the principles of the granting of the guarantees by the State Treasury for the obligations of the National Energy Security Agency</i>	In accordance with the draft act, the State Treasury is to provide the guarantees for 70 per cent of NABE's financial obligations. The draft act provides for the three types of the guarantees to be extended to NABE: <ol style="list-style-type: none"> <li>the working capital loans that will be granted by the domestic banks, the credit institutions or the foreign banks,</li> <li>the loans granted by PGE, Enea, Energa and TAURON,</li> <li>the obligations arising from the simultaneous early termination of the framework agreements and all of the transactions concluded in connection with those framework agreements.</li> </ol>	The act had been rejected by the Senate and is awaiting reconsideration by Sejm (the Lower Chamber of the Parliament)	The adoption of the act will allow the process of setting up NABE to be continued.	
<i>Draft regulation of the Council of Ministers with respect to the list of the accompanying investments consisting in the reconstruction or the overhaul of the existing power lines that constitute the elements of the distribution grid with a voltage equal to or higher than 110 kV</i>	The goal of the draft regulation is to establish a list of the accompanying investment projects consisting in the reconstruction or the overhaul of the existing power lines that constitute the elements of the distribution grid with a voltage equal to or higher than 110 kV.	Public consultations of the draft under way	The entry into force of the regulation leads to the shortening of the process of obtaining of the public law permits and allows for the use of a simplified model of land acquisition for the investment projects listed in the regulation.	



TAURON Group



Supply Segment



RES Segment



Distribution Segment

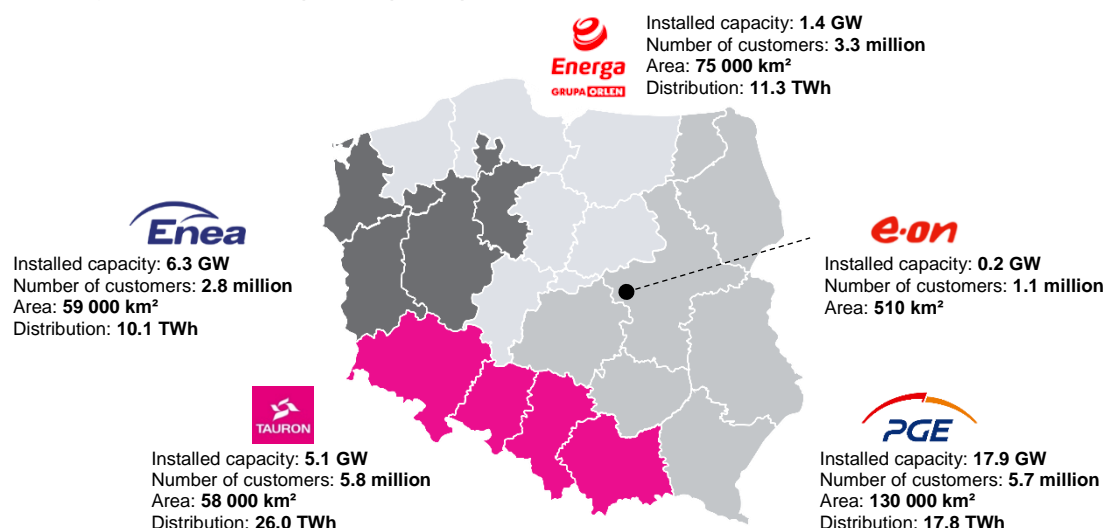
## Competitive environment

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

The below figure presents TAURON Capital Group's competitive environment based on the available data for the first half of 2023.



Figure no. 9. TAURON Capital Group's competitive environment based on the available data for the first half of 2023

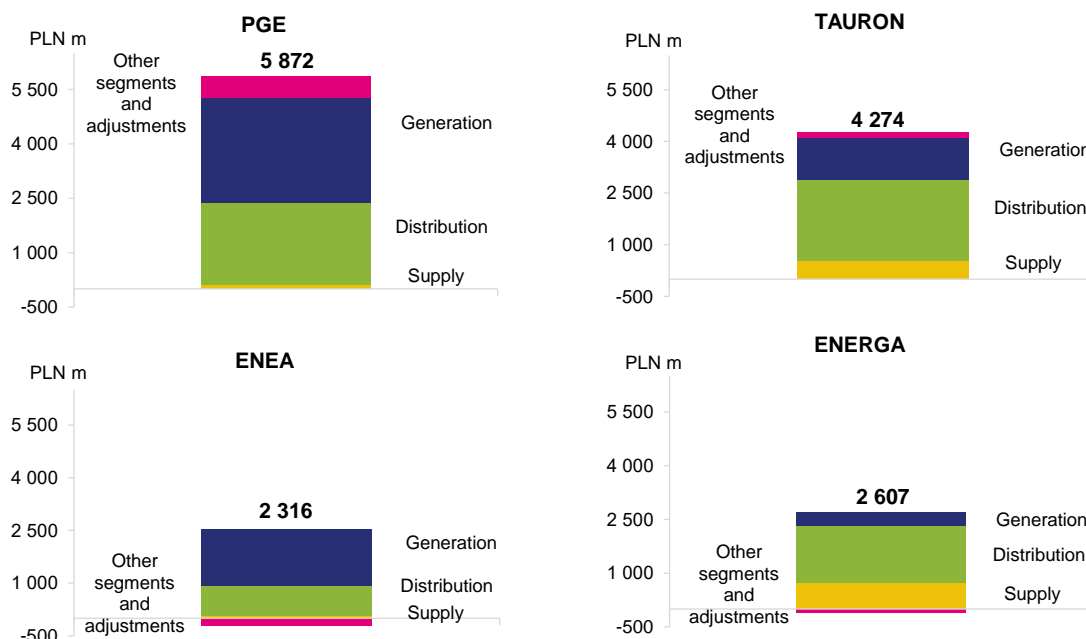


According to the data for the first half of 2023, the consolidated energy groups (PGE, TAURON, Enea, Energa) had held an approximately 61% market share in the electricity generation sub-sector.

TAURON Capital Group is a fully vertically integrated electric utility that takes advantage of the synergies stemming from the size and scope of the operations conducted thereby. In the first half of 2023, TAURON Capital Group had been conducting its operations in all of the key segments of the energy market (excluding the transmission of electricity), i.e. the generation, distribution as well as supply and trading of the electricity and heat.

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

Figure no. 10. EBITDA – estimated structure based on the main operating segments in the first half of 2023<sup>1</sup>



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

## Generation

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

TAURON Capital Group's share in the domestic electricity generation market, measured based on the gross electricity production output, had stood at approx. 8% in the first half of 2023. TAURON Capital Group is the third largest electricity producer on the Polish market. TAURON Capital Group's conventional generation assets are concentrated in the south of Poland. Renewable energy sources: the wind and photovoltaic power plants are located throughout the country, while the hydro electric power plants are located in the southern and southwestern parts of the country.

87% of TAURON Capital Group's generation assets had been, as of the end of the third quarter of 2023, the hard coal fired units, 21% of which had been the modern high efficiency generating units. TAURON Capital Group's total installed capacity had stood at almost 5.1 GW as of September 30, 2023, with the renewable energy sources accounting for 0.66 GW of that figure. The wind farms' installed capacity represents 8%, while the hydro electric power plants' installed capacity accounts for 3% and the biomass fired generating units' installed capacity accounts for 2% of TAURON Capital Group's total installed capacity.

TAURON Capital Group produced 9.0 TWh of electricity in the first three quarters of 2023, with 1.2 TWh coming from the RES.

Nationwide, as of the end of the second quarter of 2023, TAURON Capital Group's hard coal fired units' installed capacity had accounted for approx. 14% of the total installed capacity of all of the hard coal and lignite fired generating units in Poland. With respect to the installed capacity of the wind farms, biomass and biogas fired power plants, as well as the hydro power plants, the share of TAURON Capital Group had come in at approx. 5%, 7% and 14%, respectively.

According to the data for the first half of 2023, PGE is the largest electricity generator in Poland, with its share in the domestic electricity production market standing at approx. 37% in 2022, and the installed capacity of 17.9 GW. Enea is the second largest electricity producer in Poland, with a market share coming in at approx. 14% and the installed capacity of 6.3 GW. Energa, on the other hand, has the largest share of electricity produced from the renewable energy sources (RES) on the Polish market and Energa's total installed capacity stands at approx. 1.4 GW. Energa produced 1.7 TWh of electricity in the first half of 2023, with approx. 0.9 TWh (i.e. 53%) coming from the RES.

The below figures present the information on the installed capacity and the electricity generated in the first half of 2023.

Figure no. 11. Gross electricity production - estimated market shares in the first half of 2023

Figure no. 12. Installed capacity - estimated market shares in the first half of 2023



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

## Distribution

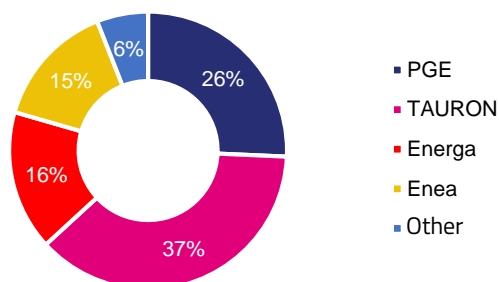
**TAURON Capital Group is the Polish market leader in terms of the number of the distribution customers and the volume of electricity distributed.**

TAURON Capital Group is the largest electricity distributor in Poland. TAURON Dystrybucja's share in the electricity distribution to the final consumers had reached approx. 37% in the first half of 2023. TAURON Capital Group's distribution grids cover more than 18% of Poland's territory. The volume of the electricity delivered to the final consumers had come in at approx. 38.27 TWh in the first three quarters of 2023. TAURON Capital Group is the largest electricity distributor in Poland, also in terms of the revenue from the distribution operations.

TAURON Capital Group's distribution operations, due to the natural monopoly in the designated area, are a source of a stable and predictable revenue, accounting for a material part of the consolidated revenue of the entire TAURON Capital Group. The electricity distribution's geographical area on which the Distribution Segment's and the Supply Segment's subsidiaries are historically operating is a heavily industrialized and densely populated area and therefore the distribution grid is very well utilized. The number of the Distribution Segment's customers had reached approx. 5.91 million in the first three quarters of 2023.

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

Figure no. 13. Electricity distribution - estimated market shares in the first half of 2023



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

## Supply

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

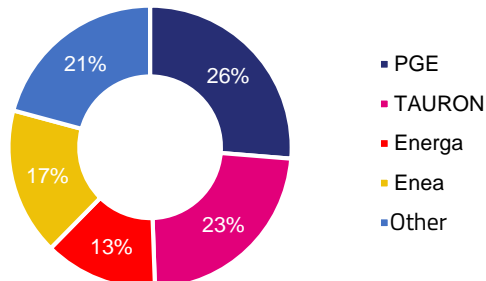
TAURON Capital Group holds a 23% share in the market of the electricity supply to the final consumers in Poland. The volume of the retail electricity supply of TAURON Capital Group had come in at 22.46 TWh in the first three quarters of 2023. The number of the customers served by TAURON Capital Group's Supply Segment stands at 5.81 million.

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

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

The below figure presents the estimated market shares of the individual energy groups in terms of the electricity supply to the final consumers based on the data for the first half of 2023.

Figure no. 14. Electricity supply to the final consumers - estimated market shares in the first half of 2023



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

The below table presents the information on the installed capacity and the volume of the electricity generation, distribution and supply in the first half of 2023, as well as the domestic market shares.

Table no. 9. Installed capacity, generation, distribution and supply of electricity by energy groups in the first half of 2023r.

Group	Installed capacity		Generation <sup>1</sup>		Distribution		Supply	
	GW	%	TWh	%	TWh	%	TWh	%
1. PGE	17.9	29	30.8	37	17.8	26	17.5	26
2. TAURON	5.1	8	6.3	8	26.0	37	15.4	23
3. Energa	1.4	2	1.7	2	11.3	16	8.6	13
4. Enea	6.3	10	11.5	14	10.1	15	11.2	17
5. Other	32.3	51	32.0	39	4.1	6	13.8	21
<b>Total</b>	<b>63.0</b>	<b>100</b>	<b>82.3</b>	<b>100</b>	<b>69.3</b>	<b>100</b>	<b>66.5</b>	<b>100</b>

<sup>1</sup>Volume of the gross electricity generated in the first half of 2023

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

The analysis of the largest energy groups operating on the domestic market points to the various sources of the competitiveness in the selected segments of the energy market, depending on the operations conducted thereby. The below table presents the main sources of the competitiveness of TAURON Capital Group in the selected Lines of Business (Segments of Operations).

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

Line of Business	Area of initiatives	Sources of competitiveness
Generation	<ol style="list-style-type: none"> <li>1. Operating expenses.</li> <li>2. Reorganization activities aimed at preparing for the setting up of NABE.</li> </ol>	<ol style="list-style-type: none"> <li>1. Concluded capacity market contracts.</li> <li>2. High efficiency generating units with a competitive unit production cost.</li> <li>3. Improvement of the operational efficiency.</li> </ol>
RES Heat	<ol style="list-style-type: none"> <li>1. Investments in the renewable energy sources and the low emission thermal energy sources.</li> <li>2. Operating expenses.</li> <li>3. Investments in the district heating networks</li> </ol>	<ol style="list-style-type: none"> <li>1. Improvement of the operational efficiency.</li> <li>2. Development of the low and zero emission generation sources.</li> <li>3. Expanding the regulated operations.</li> </ol>
Distribution	<ol style="list-style-type: none"> <li>1. Operating expenses.</li> <li>2. Investment project efficiency.</li> <li>3. Improvement of the grid reliability indicators.</li> </ol>	<ol style="list-style-type: none"> <li>1. High level of network automation and implemented IT systems.</li> <li>2. Separate processes, a clear split of the responsibilities.</li> </ol>
Supply	<ol style="list-style-type: none"> <li>1. Operating expenses.</li> <li>2. Maintaining high customer satisfaction indices.</li> </ol>	<ol style="list-style-type: none"> <li>1. Development of the product and services offering for the customers.</li> <li>2. Integrated customer service channels.</li> </ol>

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

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

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

#	Description of the factor
1.	aggression of the Russian Federation against Ukraine and its impact on the Polish economy and the European Union policy, as well as the impact of the sanctions imposed against Russia and those imposed by Russia, including in particular the availability of the raw materials (the geopolitical risk),
2.	physical and cyber security risks (possible attacks on the critical infrastructure and the IT/OT infrastructure and, as a consequence, the disruptions of the operation of the critical infrastructure and the disruption of the business continuity)
3.	macroeconomic situation in Poland, including the inflation rate, the GDP growth rate, the changes of the interest rates, the FX rates, etc., having an impact on the valuation of the assets and the liabilities listed by the Company in the statement of financial condition,
4.	market situation in Poland and in the EU, as well as in the global economy, including the changes of the electricity prices, the prices of the CO <sub>2</sub> emission allowances, the prices of the raw materials (in particular the hard coal and gas), etc., having an impact on the revenues and the level of the costs generated (including the maintaining of the IRGiT margins),
5.	potential further regulatory intervention (at the EU level and in Poland) aimed at reducing the demand for the electricity, related to the regulation (as currently implemented and the future changes thereof) with respect to the freezing of the electricity and gas sales prices, the compensations, the positions and the decisions of the state administration institutions and offices, for example: Office of Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission (EC),
6.	change in the rules of the functioning of the balancing market (the risk of the unfavorable settlements of the forced operation of the units generating thermal energy) and the limiting of the liquidity and transparency of the energy market (the abolition of the power exchange trading obligation),
7.	growth of RES in the National Power System (NPS) resulting in a seasonal reduction in the production of the conventional units in the system,
8.	potential loss of the sales revenue in the G tariffs for the year 2024 due to the lack of the ability to pass through the full cost of the purchased electricity for the G tariff for the year 2024,
9.	bankruptcy of the Group's customers and counterparties, and as a consequence, an increase in the overdue accounts receivables,
10.	drop of the demand for the electricity in the National Power System and, as a consequence, the lower level of the production by the generating units, which has an impact on the level of the hard coal inventory at TAURON Group's storage sites, a decline of the revenue in the Supply and Distribution segments, taking into account the changes due to the seasonality, the macroeconomic situation, the weather conditions and the availability of the fuels,
11.	level of the electricity imports / exports and of the available capacity reserve in the power system in Poland and in Europe,
12.	changes to the energy mix and, as a consequence, the adjustment of the demand for the hard coal, which in turn has a significant impact on the changes in the electricity price profiles, thus increasing the uncertainty with respect to the cost of the profiling and balancing of the demand of the end customers,
13.	availability of the generating units,
14.	changes to the regulations related to the power sector, as well as the changes in the legal environment, including: the tax law, the law on the natural environment protection and spatial development (zoning), results of the court proceedings, as well as the impact of the acts, including the act on the extraordinary measures aimed at curbing the level of the electricity prices and providing of the support for the certain consumers in 2023 and the act on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market,
15.	changes with respect to the policies in place at the financial institutions, the restrictions with respect to the availability of the debt financing, the possibility of taking advantage of the external assistance funds, including the European Union funds, in order to support the transition of the energy sector and mitigate the effects of the social changes,



16. further functioning of the generation capabilities compensation mechanism (capacity market), as part of which the deliveries of the electric capacity will be carried out by TAURON Capital Group subsidiaries' generating units and the demand side reduction units at the transmission system operator's request,
17. support system for the electricity generation by the dedicated sources (*color certificates*), resulting, on the one hand, in the costs of the redeeming of the certificates for the suppliers of the electricity to the final consumers, and on the other hand, in the revenue from the sales of the certificates for the generators of electricity, the RES support system, the so-called RES auctions,
18. further tightening of the EU climate policy, in particular, resulting in the energy transition focused on the RES, as well as in an increase of the volatility of the prices of the CO<sub>2</sub> emission allowances,
19. legal proceedings (court litigations),
20. further growth of the prosumer market and its impact on the Supply, Distribution, as well as the Generation Lines of Business,
21. environment protection requirements as a consequence of the changes to the *Act of April 27, 2001, the Environment Protection Law*, the so-called anti-smog resolutions and the consequences of the adopted *Act of March 30, 2021, on amending the act on disclosing the information on the environment and the protection thereof, the participation of the public in the protection of the environment and on the environmental impact assessments, and certain other acts* (a potential impact on the investment projects currently under way, as well as on the future investment projects),
22. shaping of the human resources policy, including the results of the negotiations with the Social Council of TAURON Group related to the potential inflation driven wage increases,
23. changes to the schedules, budgets and the scopes of the investment projects carried out by TAURON Capital Group, the availability of the assets of TAURON Capital Group and the impact of the weather conditions, including those of the extreme nature, resulting in the impact on the failure rate of the assets of TAURON Capital Group and the seasonality of the revenue generated and the costs incurred,
24. delay of the activities related to the finalizing of the implementation of the assumptions of the government concept "*Transition of the power sector in Poland. The spin-off of the coal based generating assets out of the State Treasury owned companies*", which is not dependent solely on the decisions of TAURON.

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

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

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

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

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

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

Selected financial data	in millions of PLN		in millions of EUR	
	2023 period from 01.01.2023 to 30.09.2023	2022 period from 01.01.2022 to 30.09.2022 (adjusted data)	2023 period from 01.01.2023 to 30.09.2023	2022 period from 01.01.2022 to 30.09.2022 (adjusted data)
Sales revenue	32 442	26 264	7 088	5 602
Compensations	6 182	6	1 351	1
Operating profit	3 825	1 055	836	225
Pre-tax profit	3 015	592	659	126
Net profit from continued operations	2 263	284	494	61
Net profit from discontinued operations	-	113	-	24
Net profit	2 263	397	494	85
Net profit attributable to shareholders of the parent company	2 258	395	493	85
Net profit attributable to non-controlling shares	5	2	1	0
Other net comprehensive income	(231)	347	(50)	74
Total comprehensive income	2 032	744	444	159
Total comprehensive income attributable to shareholders of the parent company	2 027	742	443	159
Total comprehensive income attributable to non-controlling shares	5	2	1	0
Profit per share (in PLN/EUR) (basic and diluted) from net profit for the period attributable to shareholders of the parent company	1.29	0.23	0.28	0.05
Profit per share (in PLN/EUR) (basic and diluted) from net profit from continued operations for the period attributable to shareholders of the parent company	1.29	0.17	0.28	0.04
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	5 240	2 488	1 144	531
Net cash from investing activities	(3 305)	(2 688)	(722)	(573)
Net cash from financing activities	(1 118)	334	(244)	71
Increase / (decrease) in net cash and equivalents	817	134	178	29
	As of 30.09.2023	As of 31.12.2022	As of 30.09.2023	As of 31.12.2022
Fixed assets	36 498	35 053	7 873	7 474
Current assets	12 400	10 267	2 675	2 189
Total assets	48 898	45 320	10 548	9 663
Share capital	8 763	8 763	1 890	1 868
Equity attributable to shareholders of the parent company	18 609	16 581	4 014	3 535
Equity attributable to non-controlling shares	38	33	9	7
Total equity	18 647	16 614	4 023	3 542

Long term liabilities	17 353	18 511	3 743	3 947
Short term liabilities	12 898	10 195	2 783	2 174
Total liabilities	30 251	28 706	6 526	6 121

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

Selected financial data	in millions of PLN		in millions of EUR	
	2023 period from 01.01.2023 to 30.09.2023	2022 period from 01.01.2022 to 30.09.2022 (adjusted data)	2023 period from 01.01.2023 to 30.09.2023	2022 period from 01.01.2022 to 30.09.2022 (adjusted data)
Sales revenue	25 811	20 629	5 639	4 400
Operating profit	28	115	6	25
Pre-tax profit (loss)	(264)	1 319	(58)	281
Net profit (loss)	(328)	1 361	(72)	290
Other total net income	(212)	249	(46)	53
Total comprehensive income	(540)	1 610	(118)	343
Loss per share (in PLN/EUR) (basic and diluted from net loss)	(0,19)	0,78	(0,04)	0,17
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash from operating activities	(456)	4	(100)	1
Net cash from investing activities	(40)	(421)	(9)	(90)
Net cash from financing activities	(1 126)	1 479	(245)	316
Increase / (decrease) in net cash and equivalents	(1 622)	1 062	(354)	227
	As of 30.09.2023	As of 31.12.2022 (adjusted data)	As of 30.09.2023	As of 31.12.2022 (adjusted data)
Fixed assets	26 759	27 329	5 772	5 827
Current assets	5 618	6 893	1 212	1 470
Total assets	32 377	34 222	6 984	7 297
Share capital	8 763	8 763	1 890	1 868
Equity	11 780	12 320	2 541	2 627
Long term liabilities	13 450	14 822	2 901	3 160
Short term liabilities	7 147	7 080	1 542	1 510
Total liabilities	20 597	21 902	4 443	4 670

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

1. individual items of the statement of financial position - at the average NBP exchange rate announced on September 29, 2023 - PLN/EUR 4.6356 (as of December 31, 2022 - PLN/EUR 4.6899),
2. individual items of the statement of comprehensive income and the statement of cash flows - at the exchange rate representing the arithmetic mean of average NBP exchange rates announced on the last day of each month of the financial period from January 1, 2023 to September 30, 2023 - PLN/EUR 4.5773 (for the period from January 1, 2022 to September 30, 2022 - PLN/EUR 4.6880).

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

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

Due to the fact that on December 31, 2022, the Group had lost control over its TAURON Wydobywanie subsidiary, which is described in more detail in *note 3 to the consolidated financial statements for the year ended December 31, 2022*, the Group assessed that the operations of the TAURON Wydobywanie subsidiary over which the Group had lost control, which had included coal mining, constituted a separate, material line of business of the Group, meeting the definition of the discontinued operations under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*. In conjunction with the above, in accordance with the requirements of section 34 of *IFRS 5 Non-current*

*Assets Held for Sale and Discontinued Operations*, the Group has restated, in the interim abbreviated consolidated financial statements, the comparable figures for the period of nine months ended September 30, 2022. In conjunction with the above, the operating and financial data presented in this information has been prepared in accordance with the presentation of the data presented in the interim abbreviated consolidated financial statements.

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

Item	Unit	Q1-Q3 2022	Q1-Q3 2023	Change in % 2023 / 2022
Electricity generation (gross production)	TWh	8.99	11.17	81%
including generation of electricity from renewable sources	TWh	1.17	1.20	97%
<i>Production from biomass</i>	<i>TWh</i>	<i>0.15</i>	<i>0.28</i>	<i>53%</i>
<i>Production by hydroelectric power plants, wind farms and photovoltaic power plants</i>	<i>TWh</i>	<i>1.02</i>	<i>0.93</i>	<i>110%</i>
Heat generation	PJ	6.73	6.92	97%
Electricity distribution	TWh	38.27	40.31	95%
Electricity supply	TWh	31.39	33.94	92%
<i>retail supply</i>	<i>TWh</i>	<i>22.47</i>	<i>23.08</i>	<i>97%</i>
<i>wholesale</i>	<i>TWh</i>	<i>8.93</i>	<i>10.86</i>	<i>82%</i>
Number of customers - Distribution	'000	5 912	5 819	102%

### 3.3. Sales structure by the Segments of Operations (Lines of Business)

The below table presents TAURON Capital Group's sales volumes and structure broken down into the individual Segments of operations (lines of business) in the first three quarters of 2022 and in the first three quarters of 2023.

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

Item	Unit	Q1-Q3 2022	Q1-Q3 2023	Change in % 2023 / 2022
Generation Segment's electricity and heat sales	TWh	9.05	12.62	72%
	PJ	8.43	8.89	95%
RES Segment's electricity sales	TWh	0.99	0.90	110%
Distribution Segment's distribution services sales	TWh	38.27	40.31	95%
Supply Segment's retail electricity supply	TWh	22.44	23.07	97%

#### Generation Segment

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

The Generation Segment had produced 7.91 TWh of electricity in total in the first three quarters of 2023, i.e. less by 22% as compared to the same period of 2022.

The production output of the biomass burning units had come in at 0.15 TWh, i.e. less by 47% as compared to last year.

Sales of electricity from the in-house production, along with the electricity purchased for trading, had clocked in at 9.05 TWh in the first three quarters of 2023, which meant a decline by 28%, as compared to the same period of 2022.

The heat supply had come in at 8.55 PJ in the first three quarters of 2023, i.e. less by 5% as compared to the same period of 2022, which had been a consequence of the lower consumer demand in connection with the higher outdoor temperatures year on year.

#### RES Segment

The total achievable capacity of the RES Segment's generating units had stood at 569 MW of electric capacity as of the end of September of 2023, and it had been higher than reported as of September 30, 2022, by 44 MW as a result of the commissioning of:



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

The RES Segment had produced 1.02 TWh of electricity in the first three quarters of 2023, i.e. more by 10% as compared to last year (0.93 TWh), which had mainly been due to the more favorable hydrological conditions experienced in the first three quarters of 2023.

### Distribution Segment

The Distribution Segment had delivered, in total, 38.27 TWh of electricity, including 37.31 TWh to the final consumers, in the first three quarters of 2023. During that period the Distribution Segment had been providing the distribution services for 5.91 million consumers. In the same period of 2022, the Distribution Segment had delivered, in total, 40.31 TWh of electricity to 5.82 million consumers, including 38.81 TWh to the final consumers.

### Supply Segment

The Supply Segment subsidiaries had supplied, in total, 22.44 TWh of electricity on the retail supply market in the first three quarters of 2023, i.e. less by 3% than in the same period of 2022, to 5.81 million customers, both households, as well as businesses. In addition, being part of the Segment, the TAURON Nowe Technologie subsidiary had produced 0.04 TWh of electricity coming from the gas engines. The electricity had been sold to TAURON Group's subsidiaries.

### Other operations

The sales revenue of the Other Operations Segment subsidiaries had come in at PLN 1 082 million in the first three quarters of 2023, and it had been higher by 3% than the revenue posted in the same period of 2022, with the main reason being the higher sales of the support services provided by the Shared Service Centers (CUW) to TAURON Capital Group's subsidiaries and the higher sales of the aggregates, while the sales of the biomass and the electricity had been lower.

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

### Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position as of September 30, 2023, and as of December 31, 2022.

**Table no. 15. Structure of TAURON Capital Group's interim abbreviated consolidated statement of the financial position as of September 30, 2023, and as of December 31, 2022**

Consolidated statement of the financial position	As of September 30, 2023	As of December 31, 2022	Change in % 2023 / 2022
<b>ASSETS</b>			
Fixed assets	74.6%	77.3%	97%
Current assets	25.4%	22.7%	112%
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the parent company	38.0%	36.6%	104%
Non-controlling shares	0.1%	0.1%	107%
<b>Total equity</b>	<b>38.1%</b>	<b>36.7%</b>	<b>104%</b>
Long term liabilities	35.5%	40.8%	87%
Short term liabilities	26.4%	22.5%	117%
<b>Total liabilities</b>	<b>61.9%</b>	<b>63.3%</b>	<b>98%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>100.0%</b>	<b>100.0%</b>	
Financial liabilities (PLN m)	12 667	13 266	95%
Net financial liabilities (PLN m)	10 673	11 775	90%
Net debt / EBITDA ratio	1.6x	2.9x	55%
Current liquidity ratio	0.96	1.01	95%

The fixed assets represent 74.6% of the total assets in the structure of assets, as of September 30, 2023, which means a decline by 3% as compared to their share as of the end of 2022.

The share of the current assets, as of September 30, 2023, as compared to their share as of the end of 2022, had risen by 12%, mainly as a result of an increase in the value of:

1. accounts receivable due to the compensation payments, which is related to the way they are accounted for as specified in the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 due to the situation on the electricity market* (Journal of Laws of 2022, item 2127, as subsequently amended) and the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023* (Journal of Laws 2022, item 2243, as subsequently amended),
2. accounts receivable from the consumers, as a result of the higher electricity prices as compared to the prices as of the end 2022, mainly from the customers not covered by the solutions described above,
3. inventory levels, mainly of the hard coal due to an increase in the volume,

while at the same time the value of the guarantees of origin of electricity and the CO<sub>2</sub> emission rights to be redeemed as well as the accounts receivable due to taxes had decreased, the reasons for which are described further on in this information.

The liabilities represent 61.9% of the total equity and liabilities in the structure of equity and liabilities as of September 30, 2023, with the long term liabilities accounting for 35.5% thereof, while the short term liabilities constitute 26.4% of the balance sheet total, which means a change of the debt structure as compared to the end of 2022, when such shares had stood at, respectively: 40.8% and 22.5%.

The financial liabilities had gone down by 5% in the first three quarters of 2023, as compared to the balance sheet date falling on December 31, 2022, while the net financial debt had fallen by 8% during the same period. As a result, taking into account the fact that the rolling EBITDA for the trailing 12 months ended on September 30, 2023, had been higher as compared to the EBITDA posted for the financial year 2022, the net debt to EBITDA ratio was lower and it came in at 1.6x (the ratio expressed in relation to EBITDA for the trailing 12 months). The maximum level of the covenant (the net debt to EBITDA ratio) specified in some contracts concluded between the Company and the financial institutions is not more than 3.5x. The exceeding of that level could potentially trigger an immediate repayment of TAURON's obligations.

### Consolidated statement of comprehensive income

The below table presents the selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 9 months ended on September 30, 2023, as well as the comparable data for the period of 9 months ended on September 30, 2022. Those items are provided in accordance with the *Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 9 months ended on September 30, 2023.*

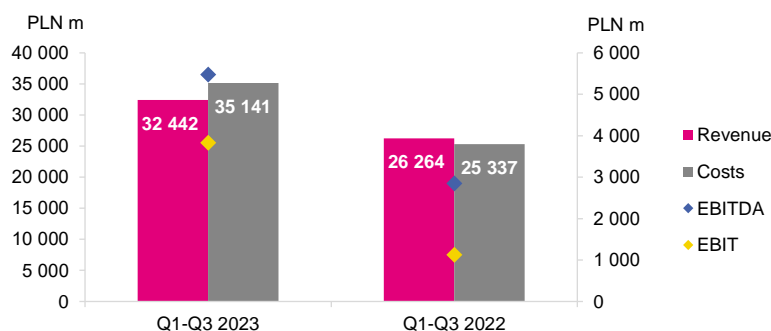
**Table no. 16. TAURON Capital Group's interim abbreviated consolidated statement of comprehensive income for the first three quarters of 2023 and for the first three quarters of 2022**

Item (PLN m)	Q1-Q3 2023 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % 2023 / 2022
Sales revenue	32 442	26 264	124%
Compensation payments	6 182	6	-
Cost of goods sold	(35 141)	(25 337)	139%
Other operating revenue and costs	247	5	4 940%
Share in joint ventures' profits	95	117	81%
<b>Operating profit</b>	<b>3 825</b>	<b>1 055</b>	<b>363%</b>
<i>Operating profit margin (%)</i>	<i>11,8%</i>	<i>4,0%</i>	<i>294%</i>
Cost of interest on debt	(619)	(409)	151%
Other financial revenue and costs	(191)	(54)	354%
<b>Pre-tax profit</b>	<b>3 015</b>	<b>592</b>	<b>509%</b>
<i>Pre-tax profit margin (%)</i>	<i>9,3%</i>	<i>2,3%</i>	<i>412%</i>
Income tax	(752)	(308)	244%
<b>Net profit from the continued operations for the period</b>	<b>2 263</b>	<b>284</b>	<b>797%</b>

Item (PLN m)	Q1-Q3 2023 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % 2023 / 2022
Net profit margin from the continued operations (%)	7,0%	1,1%	645%
<b>Net profit from the discontinued operations for the period</b>	0	113	0%
<b>Net profit for the period</b>	<b>2 263</b>	<b>397</b>	<b>570%</b>
Net profit margin (%)	7,0%	1,5%	461%
<b>Total comprehensive income for the period</b>	<b>2 032</b>	<b>744</b>	<b>273%</b>
<b>Profit attributable to:</b>			
Shareholders of the parent entity	2 258	395	572%
Non-controlling shares	5	2	250%
<b>EBIT i EBITDA</b>			
<b>EBIT</b>	<b>3 825</b>	<b>1 125</b>	<b>340%</b>
<b>EBITDA</b>	<b>5 471</b>	<b>2 846</b>	<b>192%</b>

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

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



TAURON Capital Group had generated revenue in the first three quarters of 2023 that had been higher by 24% than the revenue reported in the same period of 2022, which had been due to the following factors:

- the higher revenue from the electricity sales, primarily as a result of the higher electricity sales prices obtained, which is due, on the one hand, to an increase of the electricity sales prices on the market, and, on the other hand, the legislative solutions introduced for the year 2023, regulating the price level for the selected customer groups at a higher level than those applied in the first three quarters of 2022. The legislative solutions introduced for the year 2023 had been aimed at capping the price increases for the customers (the introduction of the maximum prices for a selected group of consumers and the frozen prices of the electricity for the households, depending on the volume of consumption) and compensating the energy trading companies for the revenue thus lost due to the introduction of the compensation mechanism. These solutions had been implemented on the basis of the following legal acts:

- 1) Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 due to the situation on the electricity market (Journal of Laws 2022, item 2127, as subsequently amended),
- 2) Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023 (Journal of Laws 2022, item 2243, as subsequently amended).

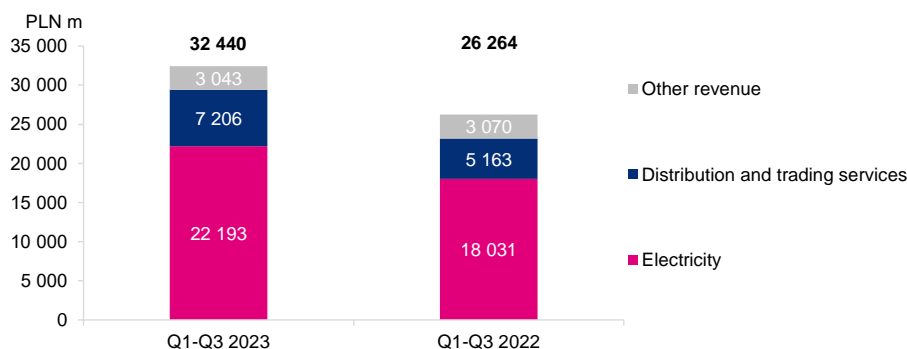
The higher revenues obtained from the sales of electricity had partially been reduced as a result of the setting up, as of September 30, 2023, in the Supply Segment, of a provision for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading.

- the higher revenue from the sales of the distribution and trading services as a consequence of an increase of the distribution and transmission service rate along with the simultaneous drop of the distribution service volume,
- the higher revenue from the sales of the thermal energy (heat supply), mainly as a result of a significant increase of the prices under the heat tariffs approved by the President of the ERO,

4. the higher revenue from the sales of gas mainly due to a significant rise of the prices in relation to the comparable period, as a consequence of the changes of the prices contracted in 2022 on the account of the deliveries in 2023, along with the simultaneous drop of the volume by 5.5%,
5. the lower revenue from the sale of the CO<sub>2</sub> emission allowances, which is a result of the booking of the revenue in the amount of PLN 604 million in the earnings for the first three quarters of 2022, which had been a consequence of TAURON Group's decision to sell a volume of 1 717 000 EUA allowances and simultaneously repurchase this volume in the form of the EUA MAR'23 futures product for the purpose of redeeming the allowances for 2022 in order to match the delivery of the allowances and the cash outlay. The above decision to sell is a consequence of a failure of the 910 MW unit in Jaworzno that had taken place in June 2021 and its shutdown for the remainder of the year, which had resulted in a surplus of the purchased allowances for the redemption purposes for 2021. A part of the resulting surplus in the amount indicated above had been allocated for the redemption purpose to another installation of TAURON Capital Group for 2022.

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

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



The costs of TAURON Capital Group's operations (operating expenses) had come in at PLN 35.1 billion in the first three quarters of 2023, i.e. they had been higher by 39% than the costs borne in the same period of 2022, which is the result of the following factors:

1. the higher costs of the purchase of the electricity for the purpose of the resale thereof as a result of an increase in the price of the electricity purchased on the domestic market, along with the simultaneous drop of the volume,
2. the higher costs of the gas purchased for the purpose of the resale thereof which is the result of an increase in the gas prices year on year, along with the simultaneous drop of the volume,
3. the higher costs of the coal fuel consumed for the purpose of the production of the electricity and heat, mainly as a consequence of the change of the prices of the hard coal contracted in 2022 on the account of the deliveries in 2023,
4. the rise of the costs of the distribution services, which is due, among other things, to an increase of the average rate for the distribution services purchased from PSE (TSO),
5. the depreciation, mainly as a result of an increase in the value of the assets of TAURON Capital Group,
6. the higher costs of the greenhouse gas emission allowances, which is the result of an increase in the price of the emission allowances, while the CO<sub>2</sub> emissions by the Group's generating units were lower,
7. the employee benefits, which is the result of:
  - 1) the recognition (booking) in the costs of 2023 of the effects of the agreements signed with the workforce in 2023,
  - 2) an increase of the minimum wage in 2023,
  - 3) a change in the discount rate and, as a consequence, a change in the value of the actuarial provisions,
8. the higher costs of the other external services and the other costs by type,
9. the higher costs of the impairment charges (write-downs) related to the accounts receivable as a result of the increase in the revenues based on the value of which the impairment charge (write-down) is calculated taking into account deteriorating economic condition of the country,
10. the lower costs of the provision for the onerous contracts resulting from the recognition, as of the balance sheet date falling on June 30, 2022, and the use in the third quarter of 2022 in the Generation Segment of a provision for the onerous contracts in the total amount of PLN 573 million, set up in connection with the contracts for the sale of electricity on the futures market concluded from July 2019 to June 2022 with the delivery dates by December 31, 2022. In addition, a provision for the onerous contracts with the delivery dates in 2023 in the amount of PLN 85 million was used in the first three quarters of 2023,
11. the lower costs of the taxes and fees, which is due to the payment of the tax on the civil law based transactions in the third quarter of 2022 related to TAURON Wytwarzanie's acquisition of the shares in the Nowe Jaworzno Grupa Tauron subsidiary. Excluding the effects of the above charge, the costs of the taxes and fees are higher year on year, which is mainly due to an increase in the rates of the taxes on the real estate and the grid assets.



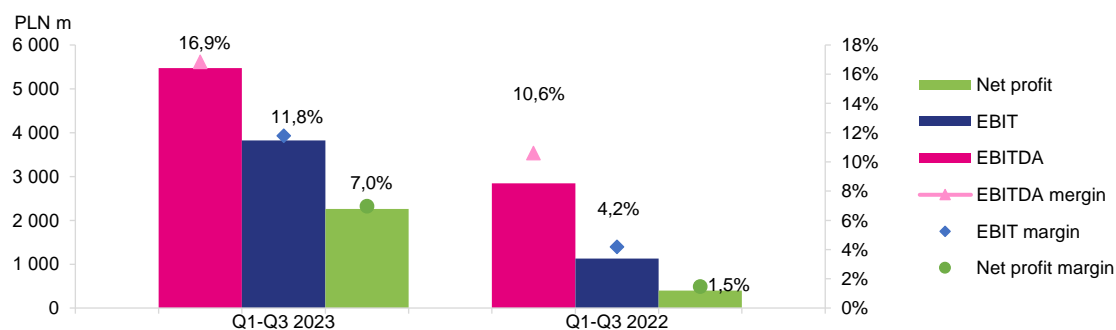
In addition, the amount of the charge (allowance) to the Price Difference Payout Fund was included in the costs of the first three quarters of 2023, which stemmed from the provisions of the acts of law obliging both the generators, as well as the suppliers of the electricity and gas to distribute the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

The EBITDA margin, EBIT margin and the margin on the net profit from the continued operations posted in the first three quarters of 2023 had come in at 16.9%, 11.8% and 7.0%, respectively, and they had been higher by 7.1 pp, 7.8 pp and 5.9 pp, respectively, than the margins generated in the same period of 2022, calculated on the reported continued operations. The significant rise of the above mentioned margins posted is, to a large extent, due to the recognition, in the results of the Generation Segment for the first three quarters of 2022, of the provision for the onerous contracts in the amount of PLN 573 million. Apart from it, the improvement in the margins year on year is due to the improvement of the earnings of the Distribution Segment and the Generation Segment, which is described in more detail further on in this information.

The comprehensive income attributable to the shareholders of the parent company had clocked in at PLN 2 029 million, as compared to PLN 742 million posted a year ago, while the net profit attributable to the shareholders of the parent company had come in at PLN 2 259 million, as compared to PLN 395 million posted in the same period of 2022.

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

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



## Financial results by the Segments of operations (lines of business)

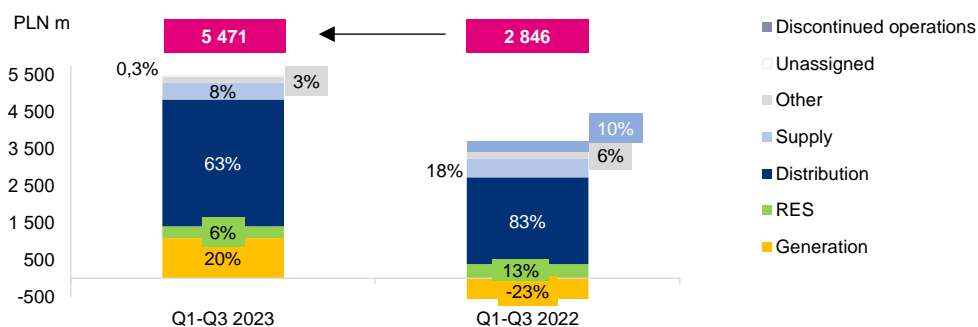
The below table presents TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2023 and in the first quarters of 2022. The data for the individual Segments of operations (lines of business) does not include the consolidation related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

**Table no. 17. TAURON Capital Group's EBITDA by the individual Segments of operations (lines of business) in the first three quarters of 2023 and in the first three quarters of 2022**

EBITDA (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
Generation	1 085	(668)	-
RES	321	382	84%
Distribution	3 426	2 349	146%
Supply	456	509	90%
Other operations	168	169	99%
Unassigned items and exclusions	15	(179)	-
<b>Total EBITDA</b>	<b>5 471</b>	<b>2 562</b>	<b>214%</b>
Discontinued operations	0	284	-
<b>EBITDA from the continued and discontinued operations</b>	<b>5 471</b>	<b>2 846</b>	<b>192%</b>

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

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



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

### Generation Segment

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

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

Item (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>9 514</b>	<b>7 672</b>	<b>124%</b>
<i>Electricity</i>	7 509	5 821	129%
<i>Heat</i>	1 159	790	147%
<i>property rights related to guarantees of origin of electricity (energy certificates)</i>	74	104	71%
<i>services – capacity market</i>	504	470	107%
<i>greenhouse gas emission allowances</i>	265	483	55%
<i>Other</i>	3	4	70%
<b>EBIT</b>	<b>735</b>	<b>(1 003)</b>	<b>-</b>
Depreciation and impairment charges	350	335	104%
<b>EBITDA</b>	<b>1 085</b>	<b>-668</b>	<b>-</b>

The Generation Segment's sales revenue in the first three quarters of 2023 had been higher by 24% as compared to the same period of 2022, mainly due to the higher revenue from the sales of the electricity and heat brought about by the higher sales prices.

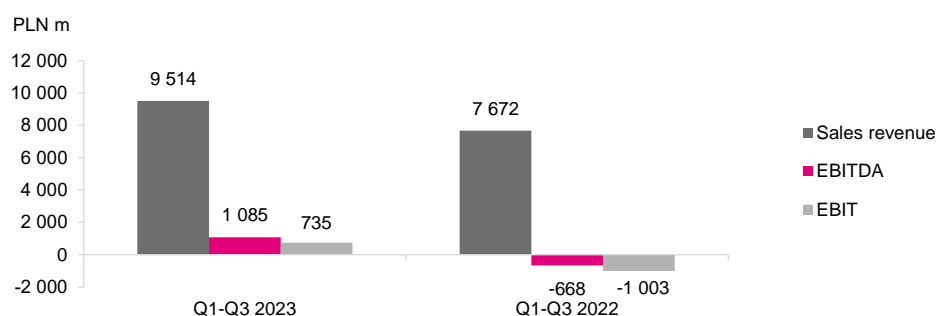
The Generation segment's EBITDA and EBIT had been higher in the first three quarters of 2023 as compared to the same period of 2022. The results posted had been affected by the following factors:

- the higher margin on the sales of the electricity as a result of the higher electricity sales prices, the lower costs of the electricity buybacks and the higher costs of the fuels, the CO<sub>2</sub> emission allowances.  
In addition, the provision for the onerous contracts, set up on December 31, 2021, resulting from the shutdown of the 910 MW unit in Jaworzno in the March – April 2022 time frame, had been used in the first half of 2022. The setting up of the provision had been related to the obligation to purchase electricity in order to deliver electricity under a sale contract.
- the balance of the use and the setting up of the provisions for the onerous contracts:
  - the partial use of the provision for the onerous contracts in 2023 in the first three quarters of 2023. The outbreak of the war in 2022 had caused a spike in the energy commodity prices, which had translated into a decrease in the margins for the contracts concluded. In connection with the above, a provision for the onerous contracts had been set up as of the end of 2022 for the contracts generating losses on the futures market,
  - the setting up of a provision for the onerous contracts in the second quarter of 2022 and in the third quarter of 2022, which is related to the negative result on the sales of the electricity on the futures market in 2022, which is due to the adopted hedging policy and the principles applied regarding the order of the booking of the cost of the CO<sub>2</sub> emission allowances (FIFO method) and the rising prices of the hard coal used in the electricity production,

3. the lack of the sales of the CO<sub>2</sub> emission allowances - as a result of a failure of the 910 MW unit in Jaworzno in June 2021, which had caused it to be taken out of service in the subsequent periods, a surplus of the emission allowances had arisen in the company's portfolio for the redemption obligation in 2021. Taking into consideration the need to match the delivery of the emission allowances and the cash expenditure, TAURON Capital Group had made a decision to sell the CO<sub>2</sub> emission allowances in the amount of 1 717 000 EUAs in the first half of 2022.
4. the lower margin on the heat sales as a consequence of an increase in the costs of the fuels and the CO<sub>2</sub> emission allowances, partially offset by the higher heat sales prices,
5. the balance of the performance bonds received on the account of the improper performance of the contract for the construction of a 910 MW unit in Jaworzno as a result of signing a settlement agreement in front of the General Counsel to the Republic of Poland in Warsaw and the payments made to the subcontractors,
6. other factors, including, among other things, the higher labor costs as a result of the wage agreements signed.

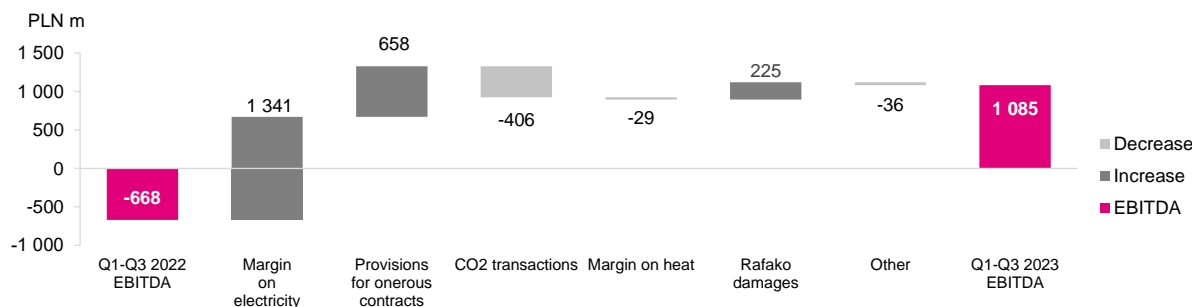
The below figure presents the Generation Segment's financial data for the first three quarters of 2023 and for the first three quarters of 2022.

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



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

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



## RES Segment

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

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

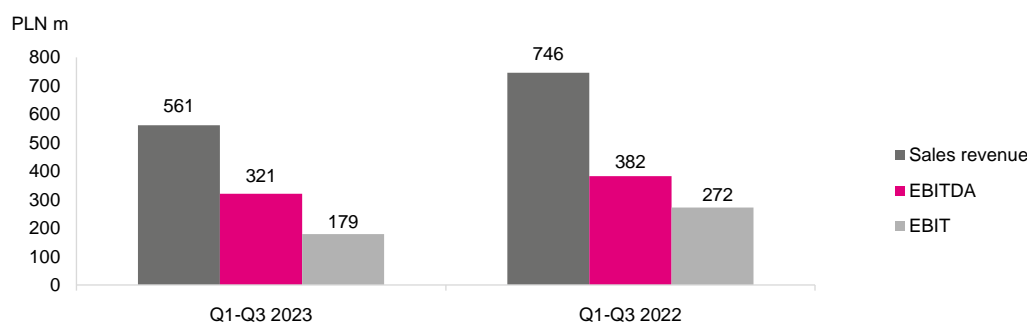
Item (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>561</b>	<b>746</b>	<b>75%</b>
Electricity	325	448	73%
Guarantees of origin of electricity (energy certificates)	220	282	63%
Other	16	16	81%
<b>EBIT</b>	<b>179</b>	<b>272</b>	<b>66%</b>
Depreciation and impairment charges	142	110	129%
<b>EBITDA</b>	<b>321</b>	<b>382</b>	<b>84%</b>

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

1. the lower revenue from the electricity sales, mainly due to the lower prices for the electricity sold, while at the same time the production from the hydroelectric power plants had been higher by 30%,
2. the lower revenue from the guarantees of origin of electricity (energy certificates), which had been a consequence of the lower prices of the property rights and the volume of the property rights acquired by the wind farms eligible to obtain them having been lower by 9%,
3. the other factors being the result of the resolution of a legal dispute related to the improperly collected wind farm grid connection fees and the higher costs of the business operations conducted.

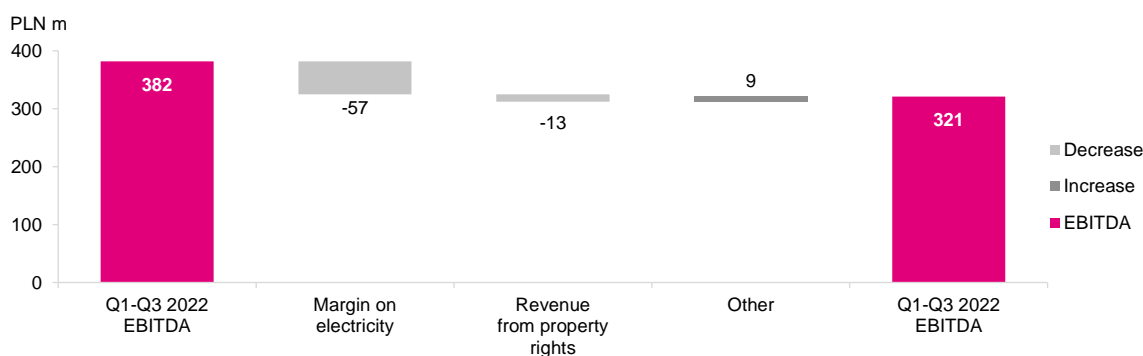
The below figure presents the RES Segment's financial data for the first three quarters of 2023 and for the first three quarters of 2022.

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



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

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



## Distribution Segment

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

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

Item (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>8 964</b>	<b>5 731</b>	<b>156%</b>
distribution services <sup>1</sup>	7 877	5 490	143%
other revenue	1 087	241	451%
<b>EBIT</b>	<b>2 443</b>	<b>1 415</b>	<b>173%</b>
Depreciation and impairment charges	983	934	105%
<b>EBITDA</b>	<b>3 426</b>	<b>2 349</b>	<b>146%</b>

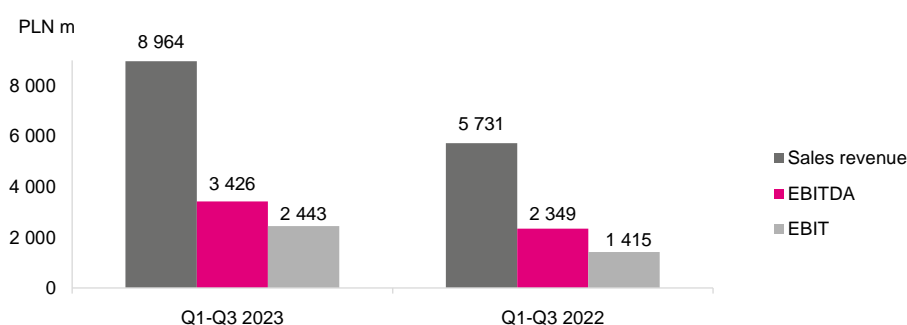
<sup>1</sup>including an upward adjustment of the electricity purchases

The Distribution Segment had reported an increase of the sales revenue by 56% in the first three quarters of 2023, as compared to the same period of 2022, as well as the increases of EBIT and EBITDA by, respectively, 73% and 46%. The results posted had been affected by the following factors:

1. a change in the balance of the grid losses upward adjustment resulting from the change in the price of the balance of the grid losses costs upward adjustment and the volumetric difference,
2. the impact of the settlements as part of the regulatory account,
3. the higher margin on the distribution service as a result of an increase in the average rate for the distribution service, the higher costs of the grid losses and the costs of purchasing the transmission service,
4. a decrease of the total electricity delivery by 2.04 TWh, including to the final consumers by 1.50 GWh, first of all in the A and B tariff groups, as a result of the partial (chemical plants) or complete halting of the production (steel making) of the goods due to, among other things, the economic slowdown and the war in Ukraine, as well as the implementation of the scheduled shutdowns (overhauls or upgrades of the process lines) to a greater extent than before. In addition, the impact of the liquidation of the operations by some of the consumers in response to a significant rise in the distribution tariffs and the electricity prices,
5. an increase of the other revenue related to the distribution operations, including mainly due to the exceeding of the grid connection contractual passive power consumption and the grid connection fees,
6. the other factors, including mainly the setting up of a provision for the claims arising from the ruling of the Regional Court in Wroclaw in the case for the reimbursement of the consideration due resulting from the distribution service fees incurred by the counterparty.

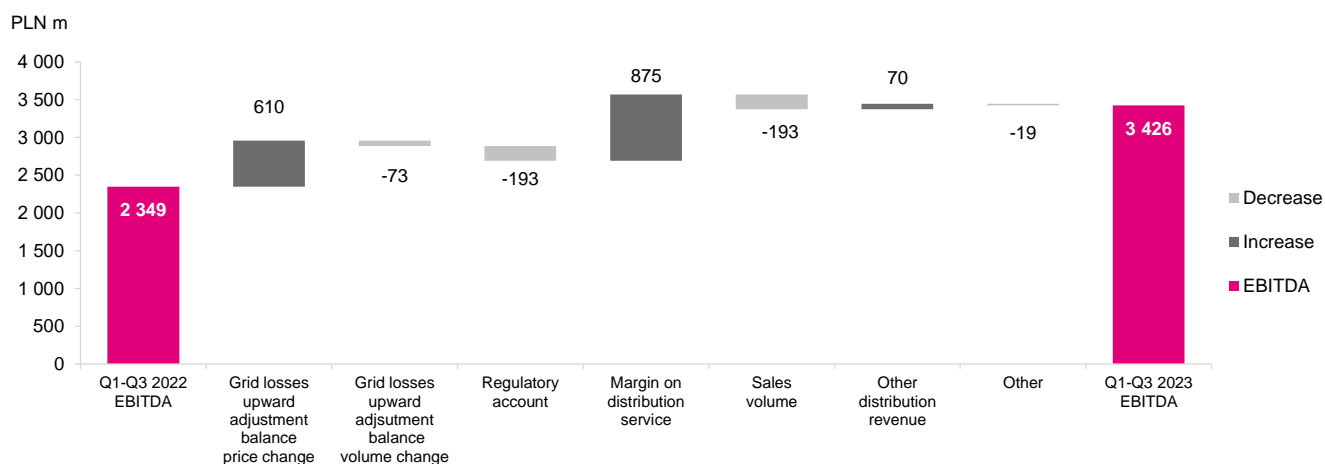
The below figure presents the Distribution Segment's financial data for the first three quarters of 2023 and for the first three quarters of 2022.

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



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

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



## Supply Segment

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

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

Item (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
<b>Supply</b>			
Sales revenue	27 270	26 311	104%



Item (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
<i>electricity, including:</i>	18 867	18 804	100%
<i>retail electricity supply revenue</i>	16 148	11 877	136%
<i>greenhouse gas emission allowances</i>	2 961	2 099	141%
<i>Fuels</i>	1 875	2 566	73%
<i>distribution service (passed on)</i>	2 920	2 472	118%
<i>other services, incl. trading services</i>	647	370	175%
<b>EBIT</b>	<b>414</b>	<b>476</b>	<b>87%</b>
Depreciation and impairment charges	42	33	127%
<b>EBITDA</b>	<b>456</b>	<b>509</b>	<b>90%</b>

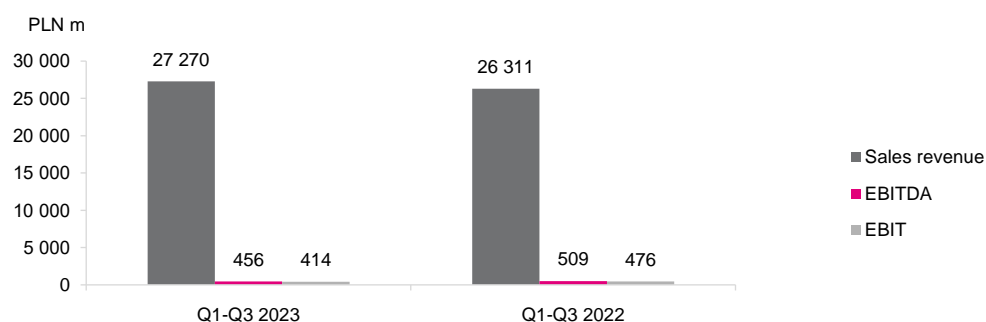
The Supply Segment's sales revenue in the first three quarters of 2023 had been higher by 15% as compared to the same period of 2022. The increase of the revenue had been, first and foremost, a consequence of the higher revenue generated from the CO<sub>2</sub> emission allowances trading as a result of, on the one hand, the rise in the prices of the carbon credit certificates on the market, and on the other hand, as a result of the increased emissions of the group's generating units between the periods under the comparison, and which had been hedged by the sales. Obtaining of the comparable revenue from the electricity sales with the amount generated in the same period last year is a result of the changes in the electricity prices on the market, as well as an increase in the approved tariff prices for 2023, and, on the other hand, a decrease in the trading volume on the wholesale market.

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

- the higher margin earned on the electricity sales, which is the result of:
  - the higher margin obtained in the reporting period on the retail electricity trading (supply) as a result of an increase of the sales prices to a level that allowed to pass on its purchase costs. During the reference period, a sharp increase in the purchase costs, while at the same time the possibility to pass it on in the price had been highly limited, had resulted in a material negative impact on the margin for the Segment,
  - the obtaining of the higher revenue from the trading fees,
  - a change in the valuation of the upward adjustment of the electricity for the balance difference between the TAURON Sprzedaż and TAURON Dystrybucja subsidiaries having a positive impact on the Segment's result,
  - the obtaining of the higher margin on the wholesale electricity trading on the Czech market,
- the setting up, as of September 30, 2023, of a provision for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading*,
- the higher margin realized on the electricity sales due to taking advantage of the price volatility between the Polish and Czech markets,
- the higher amount of the impairment charges (write-downs) related to the accounts receivable as a result of the increase in the revenues based on the value of which the impairment charge (write-down) is calculated taking into account deteriorating economic condition of the country.

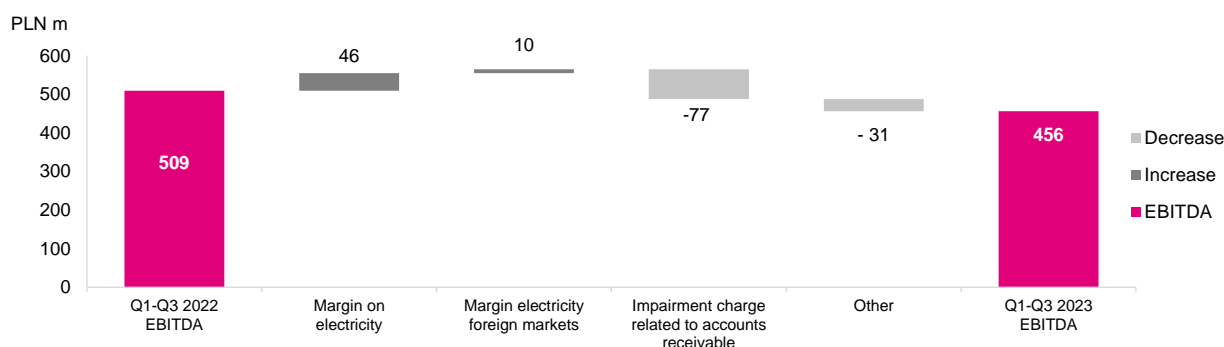
The below figure presents the Supply Segment's financial data for the first three quarters of 2023 and for the first three quarters of 2022.

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



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

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



## Other Operations

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

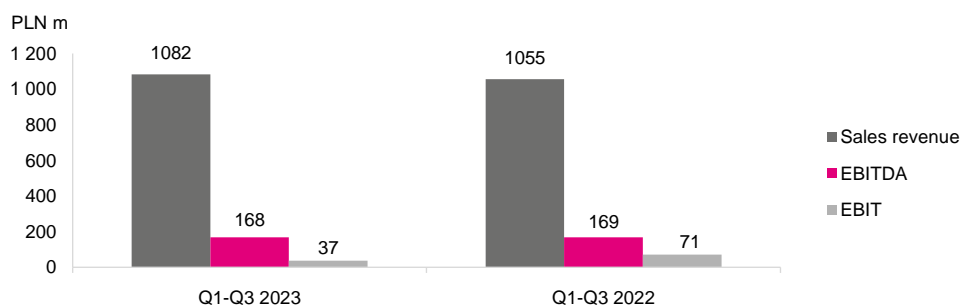
Table no. 22. Other Operations Segment's results for the first three quarters of 2023 and for the first three quarters of 2022

Item (PLN m)	Q1-Q3 2023	Q1-Q3 2022	Change in % 2023 / 2022
<b>Sales revenue</b>	<b>1 082</b>	<b>1 055</b>	<b>103%</b>
customer service	259	211	116%
support services	461	446	105%
aggregates	115	109	113%
electricity	53	71	89%
biomass	107	139	77%
other revenue	87	79	102%
<b>EBIT</b>	<b>37</b>	<b>71</b>	<b>51%</b>
Depreciation and impairment charges	131	98	129%
<b>EBITDA</b>	<b>168</b>	<b>169</b>	<b>92%</b>

Other Operations Segment's sales revenue posted in the first three quarters of 2023 had been higher by 3% as compared to the revenue posted in the same period of 2022, which had been primarily due to the higher sales of the aggregates as well as the support services and the customer support services provided by the Shared Services Centers (CUW) to TAURON Capital Group's subsidiaries.

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

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



## Assets

The below table presents the consolidated statement of financial position – the assets as of September 30, 2023, and as of December 31, 2022.

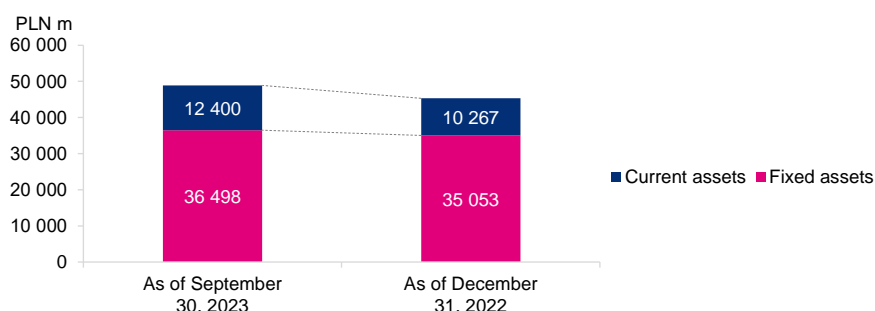
**Table no. 23. Interim abbreviated consolidated statement of financial position – the assets (material items) as of September 30, 2023 and as of December 31, 2022**

Statement of financial position (PLN m)	As of September 30, 2023	As of December 31, 2022	Change in % (2023 / 2022)
<b>ASSETS</b>			
<b>Fixed assets</b>	<b>36 498</b>	<b>35 053</b>	<b>104%</b>
Tangible fixed assets	31 138	29 731	105%
<b>Current assets</b>	<b>12 400</b>	<b>10 267</b>	<b>121%</b>
Cash and equivalents	1 994	1 678	119%
Fixed assets and the group's assets for disposal, classified as held for trade	7	7	100%
<b>TOTAL ASSETS</b>	<b>48 898</b>	<b>45 320</b>	<b>108%</b>

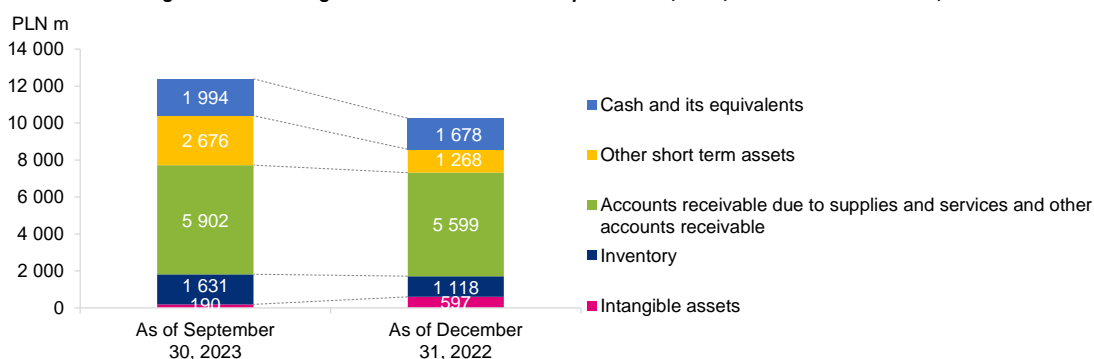
As of September 30, 2023, TAURON Capital Group's statement of financial position shows the balance sheet total that is higher by 8% as compared to the balance sheet total as of December 31, 2022.

The below figures present the change in the assets and the current assets as of September 30, 2023, and as of December 31, 2022.

**Figure no. 28. Change in assets as of September 30, 2023, and as of December 31, 2022**



**Figure no. 29. Change in current assets as of September 30, 2023, and as of December 31, 2022**



The fixed assets represent the biggest item of the assets as of the end of September 30, 2023, accounting for 74.6% of the balance sheet total. As compared to the end of 2022, the value of the fixed assets is higher by PLN 1 445 million, i.e. by 4%, which had been due to the following factors:

1. an increase by 5% of the value of the tangible fixed assets, which is a result of the investment projects implemented by TAURON Capital Group's subsidiaries and the recognized (booked) depreciation write-downs,
2. an increase by 2% in the value of the rights to use the assets as a result of recognizing a new lease agreement mainly for the land and an increase due to the changes in the leases mainly for the land as well as the buildings, premises and the civil engineering facilities,
3. a decline in the value of the guarantees of origin of electricity (energy certificates) and the greenhouse gas emission allowances to be redeemed (retired) due to the reclassifying of the guarantees of origin of electricity

- (energy certificates) and the CO<sub>2</sub> emission allowances as the current assets held in order to fulfill the obligation related to the redemption (retirement) of the above mentioned assets,
4. a decrease by 36% in the value of the derivative instruments, mainly as a result of a change in the valuation of the forward / futures commodity derivative instruments and the IRS instruments,
  5. a decrease by 15% of the deferred tax assets.

The following factors had an impact on the rise in the value of the current assets by PLN 2 133 million, i.e. by 21%:

1. a decrease by 68% in the value of the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances to be redeemed (retired), which is the result of:
  - 1) the purchase of the CO<sub>2</sub> emission allowances in the first three quarters of 2023 for the redemption (retirement) obligation for the year 2022,
  - 2) the purchase in the first three quarters of 2023 or the recognition (booking) of the guarantees of origin of electricity (energy certificates) produced in-house for the fulfillment of the obligation to redeem (retire) the property rights related to the current year,
  - 3) the reclassifying as the short term assets of a part of the property rights and the CO<sub>2</sub> emission allowances held, originally classified as the long term assets that had been reclassified due to their allocation for the purpose of the ongoing fulfilling of the obligation to redeem (retire) the above mentioned assets,
  - 4) the submission of the assets in question for the redemption in the first half of 2023, in accordance with applicable regulations,
  - 5) the submission for the redemption, in the third quarter of 2023, of the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances for the fulfillment of the obligation to redeem (retire) them for 2023,
2. an increase of the value of the inventory by 46% which is due to the rise in the value of the hard coal inventory as a consequence of an increase of the prices of the purchasing thereof,
3. an increase by 26% of the accounts receivable from the consumers, which is mainly a consequence of the higher electricity and gas prices and has a direct impact on the increase in the turnover and the balances as of the end of the reporting period,
4. a decrease by 71% of the value of the accounts receivable due to the income tax which is the result of the settlement, in the first three quarters of 2023, of the overpayment of the income tax in 2022 and the resulting overpayment of the income tax for 2023, mainly of the TAURON Wytwarzanie subsidiary,
5. a decrease by 32% of the value of the accounts receivable due to the other taxes and fees, mainly as a result of a decrease of the accounts receivable due to the VAT,
6. a decrease by 13% of the value of the derivative instruments, as a result of a change in the valuation of the forward / futures commodity derivative instruments and the IRS instruments,
7. an increase by 381% of the value of the other financial assets, in connection with the recognized accounts receivable due to the compensation payments that are, to a large extent, related to:
  - 1) the compensation payments with respect to the electricity supply for 2022 and for the first three quarters of 2023, recognized by the Supply Segment's subsidiaries in the total amount of PLN 1 717 million that the electricity trading companies are entitled to under the regulations of the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023* and the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market*,
  - 2) the amount of the compensation payments with respect to the distribution service sales for the period of the nine months ended on September 30, 2023, recognized by the Distribution Segment's subsidiary in the total amount of PLN 280 million that the Distribution Segment's subsidiary is entitled to under the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023 in connection with the situation on the electricity market*,
8. a decrease by 52% of the value of the other non-financial assets, mainly as a result of the settlement of the advance payments made in 2022 on the account of the deliveries of the hard coal carried out after the balance sheet date falling on December 31, 2022,
9. an increase in the level of cash and its equivalents by 19% (*the detailed information on the reasons for the change is presented below as part of the description of the Cash Flows*).

The below table presents the consolidated statement of financial position – equity and liabilities as of September 30, 2023, and as of December 31, 2022.

**Table no. 24. Interim abbreviated consolidated statement of financial position – equity and liabilities (material items) as of September 30, 2023, and as of December 31, 2022**

Statement of financial position (PLN m)	As of September 30, 2023 (unaudited data)	As of December 31, 2022	Change in % (2023 / 2022)
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to shareholders of the parent entity</b>	<b>18 609</b>	<b>16 581</b>	<b>112%</b>

Statement of financial position (PLN m)	As of September 30, 2023 (unaudited data)	As of December 31, 2022	Change in % (2023 / 2022)
Non-controlling shares	38	33	115%
<b>Total equity</b>	<b>18 647</b>	<b>16 614</b>	<b>112%</b>
<b>Long term liabilities</b>	<b>17 353</b>	<b>18 511</b>	<b>94%</b>
Liabilities due to debt	14 623	15 959	92%
<b>Short term liabilities</b>	<b>12 898</b>	<b>10 195</b>	<b>127%</b>
Liabilities due to debt	1 408	528	267%
<b>Total liabilities</b>	<b>30 251</b>	<b>28 706</b>	<b>105%</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48 898</b>	<b>45 320</b>	<b>108%</b>

The below figures present a change in the equity and liabilities and the equity attributable to the majority shareholders as of September 30, 2023, and as of December 31, 2022.

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

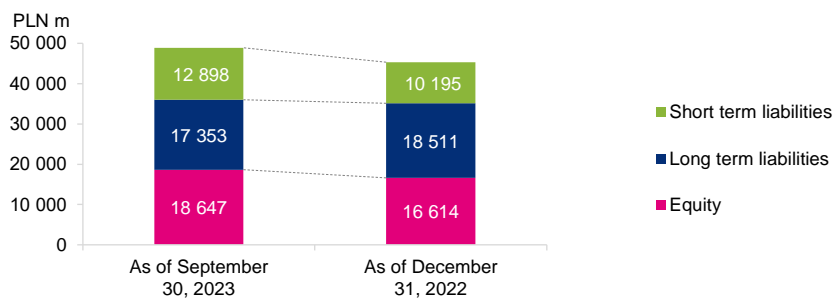
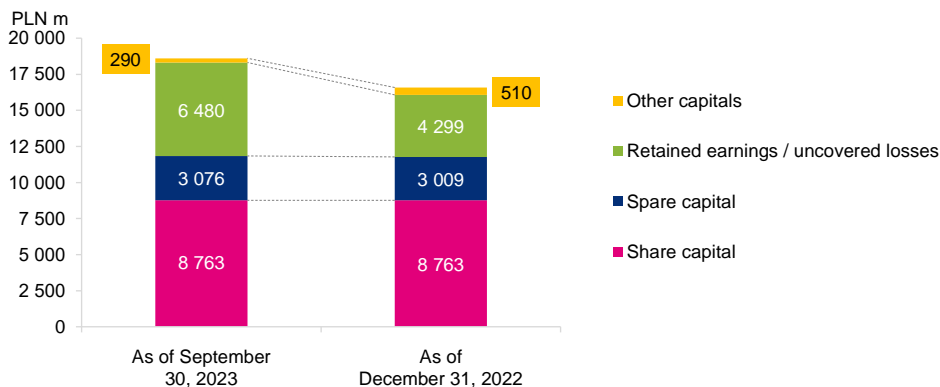


Figure no. 31. Change in the equity attributable to the majority shareholders as of September 30, 2023, and as of December 31, 2022



The below figures present the change in the long term and short term liabilities as of September 30, 2023, and as of December 31, 2022.

Figure no. 32. Change in the long term liabilities as of September 30, 2023, and as of December 31, 2022

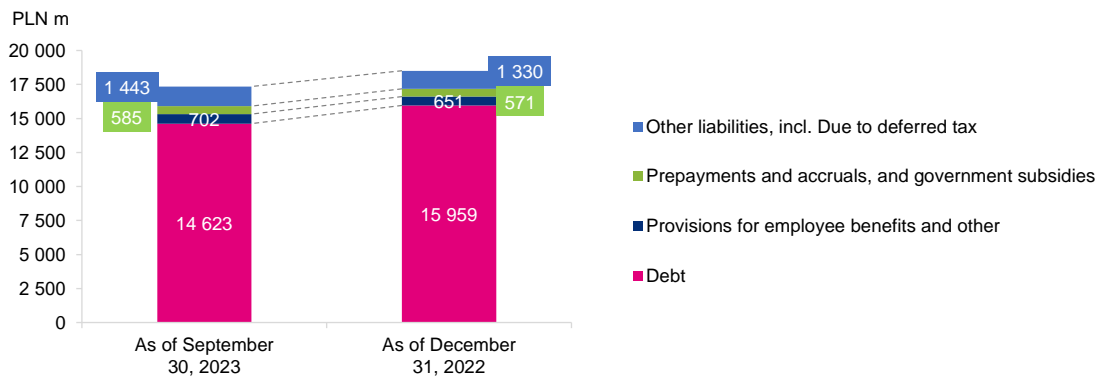
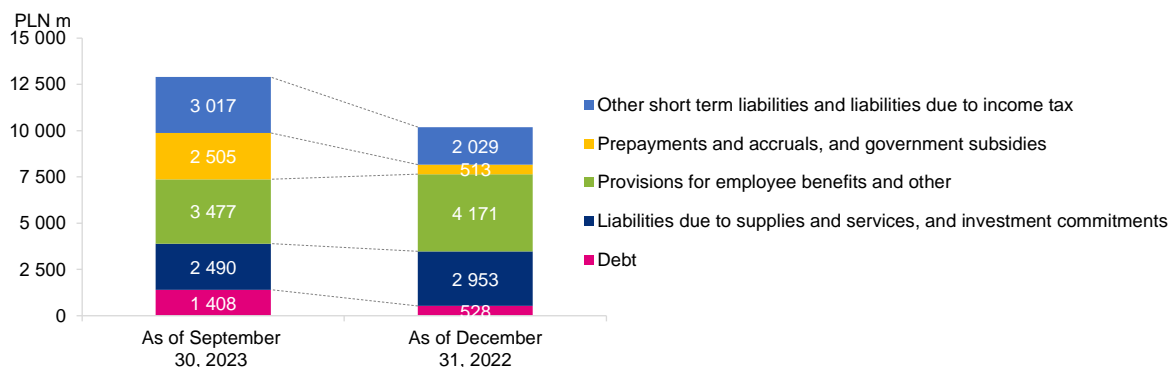




Figure no. 33. Change in the short term liabilities as of September 30, 2023, and as of December 31, 2022



The amount of TAURON Capital Group's long term liabilities is lower by PLN 1 158 million, i.e. by 6%, in the first three quarters of 2023, which has been a consequence of the following factors:

1. a decrease by 8% of the value of the liabilities due to debt, which is the result of the proceeds obtained due to the taking out of the loans and the reclassifying of a portion of the liabilities due to debt as part of the short term liabilities,
2. an increase by 10% of the value of the provisions for the employee benefits and for the costs of the dismantling of the fixed assets and the land reclamation, as well as other by 1%, primarily due to the updating of the discount rate as a result of the change in the underlying (prime) interest rates,
3. an increase by 2% of the value of the prepayments and accruals, as well as the government subsidies,
4. an increase by 6% of the value of the accounts payable due to the deferred income tax, mainly due to an increase in the value of the item resulting from the different timing of the recognition for the taxation purposes of the revenue from the sales of the products and services,
5. an increase by 550% of the value of the derivative instruments, which is a result of a change in the valuation of the fair value of the commodity and FX forward or futures derivative instruments, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,
6. a decrease of the value of the other financial liabilities by 11%.

The amount of TAURON Capital Group's short term liabilities had gone up by PLN 2 703 million, i.e. by 27%, which had primarily been a consequence of the following factors:

1. an increase by 167% of the value of the liabilities due to debt, which is a result of the reclassifying of a part of the financial liabilities from the long term liabilities as due for the repayment within the next 12 months, as well as the incurring in the first three quarters of 2023 of an expense for the repayment of the loans received,
2. a decrease by 11% of the value of the accounts payable towards the suppliers, which is a consequence of:
  - 1) the seasonality of the sales mainly those of the electricity,
  - 2) the lower value of the liabilities, mainly related to the purchase of the electricity, due to both the lower prices as compared to those quoted at the end of 2022, as well as the lower volume,
  - 3) the entry into force as of April 1, 2023 of the regulations introducing the reverse charging of the VAT on the transactions with respect to, among other things, the electricity trading, including, in particular, the transactions related to the purchase of the electricity by the Group's subsidiaries on the power exchange, resulting in the recognition of the liabilities arising from the completion of the above mentioned transactions at the net value thereof,
3. a decrease by 31% of the value of the investment commitments, mainly related to the construction of the wind farms and the photovoltaic farms,
4. a decrease by 24% of the value of the provisions for the employee benefits, primarily due to the updating of the discount rate as a result of the change in the underlying (prime) interest rates,
5. a decrease by 29% of the value of the provisions for the obligations (liabilities) due to the guarantees of origin of electricity (energy certificates) and the CO<sub>2</sub> emission allowances, which is the result of:
  - 1) using up (consuming), in the first three quarters of 2023, of a part of the provision in connection with the fulfillment of the obligation to redeem (retire) the CO<sub>2</sub> emission allowances for the year 2022 and the guarantees of origin of electricity (energy certificates) for the years 2022 and 2023,
  - 2) setting up of a provision for the obligations (liabilities) due to the CO<sub>2</sub> gas emissions and the guarantees of origin of electricity (energy certificates) for the first three quarters of 2023,
6. an increase by 104% of the value of the other provisions, which is the result of:
  - 1) the setting up, as of September 30, 2023, of a provision for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading*,

- 2) the use / dissolving, in the first three quarters of 2023, of the provision set up for the onerous contract in the Generation and Supply Segments for the contracts related to the sales of the electricity, in the case of which the sales revenues generated do not fully cover the costs incurred to produce the electricity required to deliver such contracts or to purchase it, which had been set up as of the balance sheet date falling on December 31, 2022,
7. an increase by 388% of the value of the prepayments and accruals, as well as the government subsidies, mainly as a consequence of an increase in the amount of the advance payments on the account of the compensation payments received in the first three quarters of 2023 under the legal regulations that had established a system of the compensation payments covering the electricity trading and distribution companies, which are applicable to:
  - 1) the Supply Segment's subsidiaries which, on the basis of the applications for the advance payments on the account of the compensation payments with respect to the trading of electricity, had received, as of the balance sheet date, the advance payments on the account of the compensation payments in the total amount of PLN 1 984 million, of which the amount of PLN 51 million had been settled by the balance sheet date,
  - 2) the Distribution segment's subsidiaries which, on the basis of the applications for the advance payments on the account of the compensation payments with respect to the distribution of electricity, had received, in the period of nine months ended on June 30, 2023, the advance payments in the total amount of PLN 252 million,
8. an increase of the value of the accounts payable due to the income tax that are related to the income tax settlements (returns) of TAURON Capital Group's subsidiaries for the first three quarters of 2023,
9. an increase by 149% of the value of the accounts payable (liabilities) due to the other taxes and fees, mainly related to the VAT liabilities, which is, to a large extent, due to the reinstatement, as of January 1, 2023, of the 23% VAT rate on the electricity, heat and gas from 5% in effect until December 31, 2022. The second factor affecting the level of the VAT liabilities was the entry into force, as of April 1, 2023, of the regulations introducing the reverse charging of the VAT on the transactions with respect to, among other things, the electricity trading and the CO<sub>2</sub> emission allowances trading, including, in particular, the transactions related to the purchase of the electricity by the Group's subsidiaries on the power exchange,
10. an increase by 57% of the value of the derivative instruments which is a consequence of the change in the fair value valuation of the forward or futures commodity derivative instruments and the FX derivative instruments, in accordance with the principles adopted in *TAURON Group's Accounting Policy*,
11. a decrease by 16% of the value of the other financial liabilities,
12. an increase by 37% of the value of the other non-financial liabilities which is primarily a consequence of the higher balance of the accounts payable towards the customers due to the overpayments received, as well as the advance payments on the account of the grid connection fee.

## Cash flows

### Consolidated cash flow statement

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

**Table no. 25. Interim abbreviated cash flow statement (material items) for the first three quarters of 2023 and for the first three quarters of 2022**

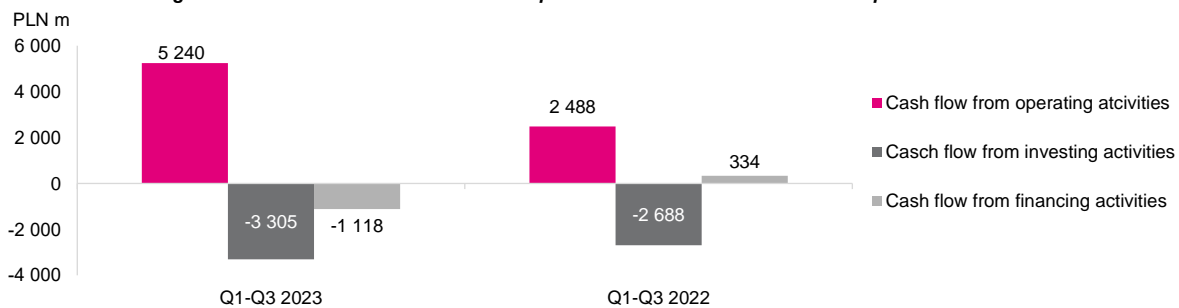
Cash flow statement (PLN m)	Q1-Q3 2023 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % (2023 / 2022)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Pre-tax profit	3 015	648	465%
Adjustments	2 225	1 840	121%
<b>Net cash from operating activities</b>	<b>5 240</b>	<b>2 488</b>	<b>211%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale of tangible fixed assets and intangible assets	19	18	106%
Purchase of tangible fixed assets and intangible assets	(3 310)	(2 616)	127%
Granting of loans	(1)	(120)	1%
Acquisition of financial assets	(15)	(24)	63%
Other	2	54	4%
<b>Net cash from investing activities</b>	<b>(3 305)</b>	<b>(2 688)</b>	<b>123%</b>

Cash flow statement (PLN m)	Q1-Q3 2023 (unaudited data)	Q1-Q3 2022 (unaudited data)	Change in % (2023 / 2022)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from taking on credits / loans	4 843	5 546	87%
Repayment of loans / credits	(5 436)	(3 795)	143%
Interest paid	(452)	(250)	181%
Other	(73)	(1 167)	6%
<b>Net cash from financing activities</b>	<b>(1 118)</b>	<b>334</b>	<b>-335%</b>
<b>Increase / (decrease) in net cash and equivalents</b>	<b>817</b>	<b>134</b>	<b>609%</b>
<b>Cash opening balance</b>	<b>940</b>	<b>623</b>	<b>151%</b>
<b>Cash closing balance</b>	<b>1 757</b>	<b>757</b>	<b>232%</b>

The total amount of all of the net flows of cash from the operating, investing and financing activities in the first three quarters of 2023 had been positive and had come in at PLN 817 million.

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

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



The amount of cash flows from the operating activities had come in at PLN 5 240 million in the first three quarters of 2023, which had been the result of the following factors:

1. the generated EBITDA in the amount of PLN 5 471 million,
2. a negative change of the working capital in the amount of PLN 9 million, which is the result of:
  - 1) a negative change of the balance of the accounts receivable in the amount of PLN 2 737 million, due to a change of the balance of the accounts receivable:
    - from the consumers which is the result of the changes in the prices of the energy products,
    - due to the compensation payments which is related to the increase in the amounts thereof as compared to the amounts disclosed as of the balance sheet date falling on December 31, 2022, and whose recognition by the trading (supply) subsidiaries and the Distribution Segment's subsidiary is due to the right vested in these subsidiaries under the regulations of the *Act of October 7, 2022, on the special solutions aimed at protecting the electricity consumers in 2023* and the *Act of October 27, 2022, on the emergency measures to cap the electricity prices and provide the support for certain consumers in 2023*, and
    - a change in the other financial accounts receivable,
  - 2) a negative change of the inventory level in the amount of PLN 533 million as a consequence of an increase in the value of the inventory as a result of the higher hard coal volume,
  - 3) a positive change of the balance of the accounts payable in the amount of PLN 368 million,
  - 4) a positive change of the other long term and short term assets as well as the provisions in the total amount of PLN 481 million, which is primarily the result of:
    - the expense incurred in the first three quarters of 2023 for the purchase of the CO<sub>2</sub> emission allowances and the guarantees (certificates) of origin of energy in the total amount of PLN 3 298 million,
    - the setting up of the provisions for the accounts payable due to the CO<sub>2</sub> emissions and the guarantees (certificates) of origin of energy for the first three quarters of 2023, as well as the updating of the value thereof for the 2022 obligation in the total amount of PLN 2 918 million. In addition, the level of this item of the cash flow accounts had been impacted by the positive change related to the tax account receivables with the exception of the income tax in the total amount of PLN 259 million,

- the setting up, in the Supply Segment, of a provision for the reduction of the consumers' accounts payable towards the electric utilities as a consequence of the entry into force of the *Regulation of the Minister of Climate and Environment of September 9, 2023, amending the regulation on the method of developing and calculating tariffs and the method of settlement in the electricity trading* in the amount of PLN 536 million,
- 5) a positive change of the prepayments and accruals, as well as the government subsidies in the amount of PLN 1 908 million, mainly due to the advance payments on the account of the compensation payments received in the first three quarters of 2023 and the settlement of some of them,
- 6) a positive change in the balance of the collateral transferred to IRGIT (Warsaw Commodity Exchange Clearing House) in the amount of PLN 504 million,
- 3. the paid income tax in the amount of PLN 80 million,
- 4. other factors: PLN -142 million.

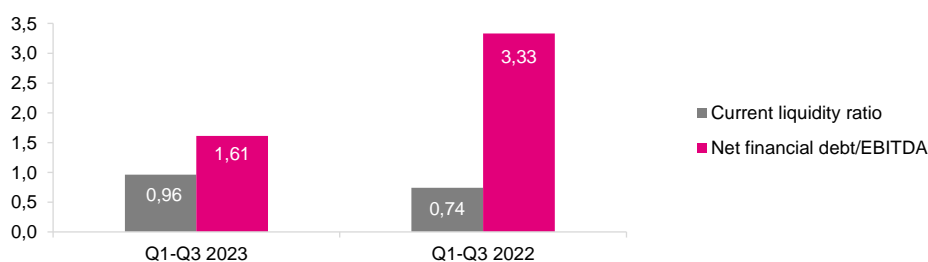
The expenditures for the purchase of the tangible fixed assets have the biggest impact on the cash flow from the investing activities, which had been higher by 27% in the first three quarters of 2023 than the outlays incurred in the same period of 2022. The largest expenditures, in the first three quarters of 2023, had been incurred by the Distribution Segment and they had accounted for 61% of the total capital spending.

The negative value of the cash flow from the financing activities is primarily due to the payment of the interest on the financial liabilities in the amount of PLN 452 million and the repayment of the accounts payable due to the leases in the total amount of PLN 92 million. In addition, the amount of this cash flow had been impacted by the excess of the repayments of the credits / loans taken out over the amounts of the credits / loans received in the net amount of PLN 593 million.

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

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

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



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

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

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

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

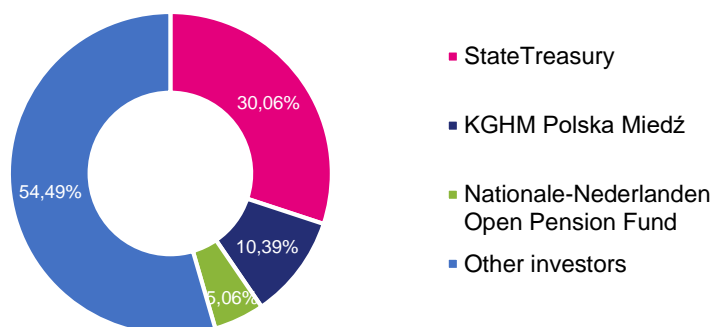
## 4. SHARES AND SHAREHOLDERS OF TAURON POLSKA ENERGIA S.A.

### 4.1. Shareholding structure

As of September 30, 2023, and as of the date of drawing up this information the Company's share capital, in accordance with an entry in the National Court Register, stood at PLN 8 762 746 970 and was split into 1 752 549 394 shares with a nominal value of PLN 5 per share, including 1 589 438 762 ordinary AA series bearer shares and 163 110 632 registered ordinary BB series shares.

The below figure presents the shareholding structure as of September 30, 2023, and as of the date of drawing up this information.

Figure no. 36. Shareholding structure as of September 30, 2023, and as of the date of drawing up this information



The below table presents the shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company, as of September 30, 2023, and as of the date of drawing up this information.

Table no. 26. Shareholders that hold, directly or indirectly through their subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company, as of September 30, 2023, and as of the date of drawing up this information

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

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

From the date of disclosing the previous interim report, i.e. the report for the first half of 2023, published on September 6, 2023, until the date of drawing up this information, the Company had not received any notifications from its shareholders on any changes in the ownership structure of the substantial blocks of TAURON shares.

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

As of September 30, 2023, and as of the date of drawing up this information, the Members of the Management Board of the Company and the Members of the Supervisory Board of the Company did not hold any TAURON shares or any rights thereto.

From the date of disclosing the previous interim report, i.e. the report for the first half of 2023, published on September 6, 2023, until the date of drawing up this information the Company, there had been a change in the ownership of TAURON shares by a Member of the Management Board of the Company involving a sale by the Vice President of the Management Board for Finance (CFO), Krzysztof Surma, of all of the 10 000 shares held thereby before.



There had been no other changes in the ownership of TAURON shares or the rights thereto by the Members of the Management Board of the Company and the Members of the Supervisory Board of the Company in the above mentioned period.

## 5. OTHER MATERIAL INFORMATION AND EVENTS

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

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

**Table no. 27. Summary of the material proceedings pending before the court, competent arbitration authority or the public administration authority in the first three quarters of 2023**

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<b>Proceedings involving TAURON</b>	
<p>1. <b>Plaintiff:</b> Huta Łaziska (Łaziska Steel Works)</p> <p><b>Defendants:</b> TAURON (as a legal successor to GZE) and State Treasury represented by the President of the Energy Regulatory Office (ERO)</p>	<p><b>Object of litigation:</b> a lawsuit for the payment of compensation for alleged damage caused by non-performance by Górnośląski Zakład Elektroenergetyczny S.A. (GZE) of the decision of the President of the Energy Regulatory Office (ERO) of October 12, 2001, related to the resumption of electricity supply to the plaintiff.</p> <p><b>Value of the object of litigation:</b> PLN 182 060 000.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of March 12, 2007</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On May 28, 2019, the Regional Court in Warsaw issued a ruling on the dismissal of Huta Łaziska's lawsuit in whole and ruled that Huta Łaziska shall refund each Defendant the costs of the proceedings.</p> <p>Huta Łaziska had filed an appeal complaint on July 25, 2019, appealing against the above mentioned ruling in whole. Based on the ruling of the Court of Appeal in Warsaw of February 9, 2022, the appeal of Huta Łaziska had been dismissed. The ruling is final (legally binding). On October 13, 2022, Huta Łaziska brought a cassation appeal against the judgment to the Supreme Court. Both the Company and the State Treasury have filed responses to this complaint.</p> <p>The cassation complaint of Huta Łaziska was accepted for hearing. The case was assigned the reference file number II CSKP 499/23.</p>
<p>2. <b>Authority conducting the audit:</b> Head of the Mazovian Customs and Tax Office, and after an appeal has been filed – the Director of the Tax Administration Chamber in Katowice and the Director of the Tax Administration Chamber in Warsaw</p> <p><b>Party:</b> TAURON</p>	<p><b>Object of litigation:</b> examining the accuracy of the tax base amounts declared by TAURON and the correctness of calculations and payments of the VAT tax for the period from October 2013 until September 2014. The main subject of the two investigations (audits) are TAURON's deductions of the VAT assessed due to the purchase of electricity by TAURON on the German and Austrian electricity market from Castor Energy sp. z o.o. (Ltd.)</p> <p><b>Value of the object of litigation (deducted VAT amount):</b> with respect to the transaction with Castor Energy sp. z o.o.(Ltd.) – PLN 52 494 672.</p> <p><b>Date of initiating the proceeding:</b> October 2014, August 2016</p> <p><b>Company's position:</b> in the Company's opinion during the verification of the counterparty (business partner, contractor), the due diligence was actually adhered to, and the Company acted in good faith, so there are no grounds for refusing the Company the right to deduct the tax assessed on the invoices documenting the electricity purchase from Castor Energy sp. z o.o. (Ltd.).</p> <p>On October 7, 2020, the Company had received the decision of the Head of the Mazovian Customs and Tax Office, ending one of the audit proceedings, specifying the amount of its VAT tax liability for the following months: October, November, December 2013 and the first quarter of 2014, which had resulted in the obligation for the Company to pay additional VAT due to the transaction with Castor Energy sp. z o.o., in the total amount of PLN 51 818 857, along with the interest on the tax arrears. The Company filed an appeal against the decision on October 20, 2020. On July 26, 2022, the Provincial Administrative Court (WSA) in Gliwice revoked the decision of the Head of the National Tax Administration designating the Director of the Tax Administration Chamber in Katowice as the competent authority to issue a decision in the case. The Director of the Tax Administration Chamber in Katowice filed a cassation appeal with the Supreme Administrative Court (NSA) on September 14, 2022, representing a complaint against the July 26, 2022, ruling of the Provincial Administrative Court (WSA) in Gliwice, which had been in TAURON's favor.</p> <p>On January 15, 2021, as part of the second audit proceedings, a decision was issued by the Head of the Mazovian Customs and Tax Office in which the Authority stated that the Company had not been eligible to deduct the VAT assessed from the invoice issued by Castor Energia Sp. z o.o. (Ltd.) in April 2014, and thus the Company had overstated the amount of the VAT assessed recognized in the tax statement filing for the second quarter of 2014 by the amount of PLN 677 815.39. On February 12, 2021, the Company filed an appeal against the decision.</p> <p>The second instance authority had upheld both decisions of the first instance authority. The company filed an appeal against the decisions of the second instance authority by way of a complaint lodged to the Provincial Administrative Court (WSA).</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>3. <b>Plaintiff:</b> Enea <b>Defendant:</b> TAURON</p>	<p>On February 23, 2023, the Provincial Administrative Court (WSA) in Gliwice overturned the decision of the second instance authority that the Company had filed an appeal against, with respect to the VAT tax liability for the periods from October to December 2013 and for the first quarter of 2014. The Director of the Tax Administration Chamber in Katowice filed a cassation appeal with the Supreme Administrative Court (NSA) on April 22, 2022, representing a complaint against the February 23, 2023, ruling of the Provincial Administrative Court (WSA) in Gliwice, which had been in TAURON's favor.</p> <p><b>Object of litigation:</b> a lawsuit for the payment due to the Company's alleged unjust enrichment (benefit) in connection with the settlements related to the imbalance of the Balancing Market with PSE between January and December 2012</p> <p><b>Value of the object of litigation:</b> PLN 17 085 846.49</p> <p><b>Initiation of the proceeding:</b> the lawsuit of December 10, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On March 22, 2021, the Regional Court in Katowice had dismissed Enea's lawsuit in full. Enea had filed an appeal in June 2021. The Company has filed a response to the appeal. As of now, no appeal hearing date has been set.</p>
<p><b>Lawsuits against TAURON pertaining to the termination, by Polska Energia Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) (PE-PKH) subsidiary, of the agreements related to the sales of electricity and property rights arising from the guarantees of origin (energy certificates)</b></p>	
<p>4. <b>Plaintiff:</b> Dobiesław Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for the payment of damages and determination of liability for the future.</p> <p><b>Value of the object of litigation:</b> PLN 72 217 997.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 30, 2017</p> <p>In February 2021, the Company's power of attorney representatives received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, brought new claims: for the payment of PLN 37 471 305.05 or (a potential claim) PLN 35 969 662.07.</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which witnesses had been heard. The evidentiary proceedings are still in progress. The further hearings were held in April, May and October 2023. The case is pending in the first instance.</p>
<p>5. <b>Plaintiff:</b> Gorzyca Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for the payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 97 651 840.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives had received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, had brought the new claims: for the payment of PLN 57 933 516.55 or (a potential claim) PLN 62 666 188.65.</p> <p>The case had been heard jointly with the cases brought by Pękanino Wind Invest sp. z o.o. and Nowy Jarosław Wind Invest Sp. z o.o. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which witnesses had been heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>6. <b>Plaintiff:</b> Pękanino Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for the payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 44 817 060.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives had received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, had brought the new claims: for the payment of PLN 16 347 985.20 or (a potential claim) PLN 11 894 096.96.</p> <p>The case had been heard jointly with the cases brought by Gorzyca Wind Invest sp. z o.o. and Nowy Jarosław Wind Invest Sp. z o.o. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which witnesses had been heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>7. <b>Plaintiff:</b> Nowy Jarosław Wind Invest sp. z o.o. <b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for the payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> PLN 57 763 340.00</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
	<p><b>Initiation of the proceeding:</b> the lawsuit of June 29, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In February 2021, the Company's power of attorney representatives had received the plaintiff's pleading (submission) extending the claim, the Plaintiff, apart from the existing claims, had brought the new claims: for the payment of PLN 30 755 239.47 or (a potential claim) PLN 32 175 239.15.</p> <p>The case had been heard jointly with the cases brought by Gorzyca Wind Invest sp. z o.o. and Pękanino Wind Invest Sp. z o.o. In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions) and the hearings had been held at which witnesses had been heard. The evidentiary proceedings are still in progress. The case is pending in the first instance.</p>
<p>8. <b>Co-participation on the plaintiff's side:</b> Amon sp. z o.o. (Amon) and Talia sp. z o.o. (Talia)</p> <p><b>Defendant:</b> TAURON</p>	<p><b>Object of litigation:</b> lawsuit for the payment of damages and determination of TAURON's liability for the losses that may arise in the future due to tort, including acts of unfair competition.</p> <p><b>Value of the object of litigation:</b> Amon – PLN 78 205 000; Talia – PLN 53 128 000</p> <p><b>Initiation of the proceeding:</b> the lawsuit of April 30, 2018</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>In the course of the court proceedings under way, the parties had exchanged the pleadings (submissions). The evidentiary proceedings are still in progress, a number of hearings had been held at which witnesses had been heard. The further hearings were held in April, May, September and October 2023. The case is pending in the first instance.</p>
<p><b>Proceedings involving TAURON Capital Group's subsidiaries related to the termination, by a subsidiary, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates)</b></p>	
<p>9. <b>Plaintiff:</b> Gorzyca Wind Invest sp. z o.o., Pękanino Wind Invest sp. z o.o., Dobiesław Wind Invest sp. z o.o.</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> Gorzyca Wind Invest sp. z o.o.(Ltd.) – PLN 112 353 945.05; Pękanino Wind Invest sp. z o.o. (Ltd.) PLN 64 116 908.85</p> <p><b>Initiation of the proceeding:</b> Gorzyca Wind Invest sp. z o.o. (Ltd.) – May 18, 2015, Pękanino Wind Invest sp. z o.o. (Ltd.) – May 20, 2018, Dobiesław Wind Invest sp. z o.o. (Ltd.) – May 18, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letters expanding the claims as being without merit.</p> <p>On April 14, 2022, PEPKH's power of attorney representatives had received further lawsuits including more demands:</p> <ol style="list-style-type: none"> <li>1. Gorzyca Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 80 810 380.04 to be awarded or (an alternative claim) PLN 43 350 973.37,</li> <li>2. Pękanino Wind Invest sp. z o.o. (Ltd.) – a claim for the amount of PLN 11 070 380.21 to be awarded or (an alternative claim) PLN 11 454 266.58.</li> </ol> <p>The cases had been combined for a joint hearing in 2018. In the course of the court proceedings under way, the plaintiffs had expanded their claims, as well as had filed the new claims (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings had been held, during which witnesses had been heard. The evidentiary proceedings are still in progress, and the court has appointed an accounting expert. PEPKH had not agreed to accept the team of the persons appointed as the experts and had filed appeals with respect to this issue. In December 2022, the plaintiffs had filed a motion for the issuance of the preliminary and partial rulings. PEPKH, in the letter dated February 1, 2023, had filed a motion to dismiss the above mentioned motions. On March 2, 2023, the court had dismissed the plaintiffs' motion for the issuance of the preliminary and partial rulings, and an order had been issued to commission an opinion to be prepared by the previously designated team of the experts.</p> <p>The case is pending in the first instance.</p>
<p>10. <b>Plaintiff:</b> Dobiesław Wind Invest sp. z o.o.</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to award damages and liquidated damages.</p> <p><b>Value of the object of litigation:</b> PLN 119 958 191.00</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 14, 2017</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letter expanding the claims as being without merit.</p> <p>In the course of the court proceedings under way, the plaintiff had expanded its claims in 2021 (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings had been held, during which witnesses had been heard. The evidentiary proceedings are still in progress. The issue of the appointment of an accounting expert is currently being processed.</p> <p>The case is pending in the first instance.</p>
<p>11. <b>Plaintiff:</b> Nowy Jarosław Wind Invest sp. z o.o.</p> <p><b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the sale of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> PLN 105 128 834.11</p> <p><b>Initiation of the proceeding:</b> the lawsuit of June 3, 2015</p>

Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>12. <b>Plaintiff:</b> Amon <b>Defendant:</b> PEPKH</p>	<p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letters expanding the claims as being without merit.</p> <p>In the course of the court proceedings under way, the plaintiff had expanded its claims four times (the current value of the object of the litigation is indicated above). In the course of the court proceedings under way, the parties had exchanged pleadings (submissions), a number of hearings had been held, during which witnesses had been heard. The evidentiary proceedings are still in progress. The court had admitted the evidence in the form of an opinion issued by an expert in energy and property rights, the issue of the appointment of an accounting and finance expert is currently being processed.</p> <p>The case is pending in the first instance.</p> <p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> PLN 40 478 983.22</p> <p><b>Initiation of the proceeding:</b> the lawsuit of May 22, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On July 25, 2019, the Regional Court in Gdańsk had issued a partial and preliminary ruling in the case in which the Court:</p> <ol style="list-style-type: none"> <li>determined that PEPKH's statements on the termination of long term agreements, concluded between PKH and Amon, for the purchase of electricity and property rights arising from the guarantees of origin of electricity had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties,</li> <li>determined that Amon's demand for payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages.</li> </ol> <p>PEPKH disagrees with the ruling and had filed an appeal complaint on October 25, 2019. On November 17, 2022, the Court of Appeals had dismissed PEPKH's appeal. The ruling of the Court of Appeals and, as a consequence, the above mentioned preliminary and partial rulings shall be legally binding, however, there is a possibility of filing a cassation appeal. These rulings do not award any damages to be paid by PEPKH to the plaintiff, i.e. Amon. PEPKH disagrees with the ruling of the Court of Appeals in its entirety, as well as it disagrees with the ruling of the Court of the First Instance. Having been served a written statement of reasons, PEPKH had filed a cassation appeal to the Supreme Court, which was received by the Supreme Court to be reviewed on September 26, 2023.</p> <p>The preliminary and partial ruling is final (legally binding). On January 20, 2023, PEPKH had sent a letter to Amon in which it stated that it intended to respect the above mentioned ruling and remained ready to perform its obligations and indicated that it expected the same readiness from Amon. Up to now, Amon has not, in spite of the summons, complied with the Court of Appeals' ruling, and as a consequence PE-PKH has filed a lawsuit against Amon, as described in section 15 below.</p>
<p>13. <b>Plaintiff:</b> Amon <b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to determine awarding of the damages due to a failure to perform, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 49 096 783,00 29</p> <p><b>Initiation of the proceeding:</b> August 20, 2019</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit and in the submitted letter expanding the claims as being without merit.</p> <p>On March 1, 2023, PEPKH had been served with an amendment to the lawsuit, in which Amon had demanded the payment of PLN 20 087 593.10. in addition to the amount of PLN 29 009 190 claimed in the lawsuit.</p> <p>In January 2021, the Court had suspended the proceedings pending the final determination with respect to Amon's claim referred to in section 12 above, and, in view of the Court of Appeals' ruling, the Court had resumed the suspended proceedings on January 30, 2023.</p> <p>The case is pending in the first instance.</p>
<p>14. <b>Plaintiff:</b> Talia <b>Defendant:</b> PEPKH</p>	<p><b>Object of litigation:</b> plea to declare the termination, by PEPKH, of the agreements related to the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) null and void, and to award damages.</p> <p><b>Value of the object of litigation:</b> PLN 46 078 047.43</p> <p><b>Initiation of the proceeding:</b> the lawsuit of May 21, 2015</p> <p><b>Company's position:</b> the Company considers the claims covered by the lawsuit as being without merit.</p> <p>On March 6, 2020, the Regional Court in Gdańsk had issued a partial and preliminary ruling, supplemented by the court on September 8, 2020, in which the Court:</p> <ol style="list-style-type: none"> <li>determined that PEPKH's statements on the termination of the long term agreements, concluded between PEPKH and Talia, for the purchase of electricity and property rights arising from the guarantees of origin of electricity (energy certificates) had been ineffective and had not produced legal effects, such as the termination of both agreements, as a result of which these agreements, following the notice period, i.e. past April 30, 2015, shall continue to be in force with respect to all provisions and shall be binding for the parties,</li> </ol>



Parties to the proceedings	Description of the proceedings including the value of the object of litigation and the Company's position
<p>7. <b>Plaintiff:</b> PEPKH <b>Defendant:</b> Amon</p>	<p>2. determined that Talia's demand for the payment of damages for a failure to perform the agreement had been justified in principle, however the Court did not determine the amount of the potential damages.</p> <p>On August 3, 2020, and on March 8, 2021, PEPKH had filed an appeal against the ruling (the preliminary one and the supplemented one) with the court. On December 20, 2021, the Court of Appeal in Gdańsk, had announced the ruling in which it had dismissed the appeal of PEPKH. The ruling of the Court of Appeal, and as a consequence the above mentioned preliminary and partial ruling as well as the supplementary ruling are final (legally binding). The rulings do not order that PEPKH should pay any damages to the plaintiff, i.e. Talia. PEPKH disagrees in full with the ruling of the Court of Appeal, as well as with the rulings of the Court of the first instance. PEPKH has been served the statement of reason for the court judgment and filed a cassation appeal. On February 28, 2023, the Supreme Court accepted the cassation appeal to be reviewed. On September 29, 2023, a three member Supreme Court held a closed session, no ruling was made and the proceedings were adjourned without indicating a date for the resumption thereof.</p> <p><b>Object of litigation:</b> plea to determine awarding of the damages due to a failure to perform, by Amon, of the agreements related to the purchase of electricity and the payment of the liquidated damages under the agreement for the sale of the property rights arising from the guarantees of origin of electricity (energy certificates).</p> <p><b>Value of the object of litigation:</b> PLN 61 576 284.89</p> <p><b>Initiation of the proceeding:</b> the lawsuit had been filed on March 31, 2023</p> <p>The filing of the lawsuit by PEPKH is due to the fact that following the date of the issuance of the ruling by the Court of Appeals, i.e., November 17, 2022, dismissing the appeal of PEPKH, as discussed in detail in section 12 above, Amon, in spite of PEPKH having issued the summons, has not fulfilled its obligation stemming from the final (legally binding) ruling by proceeding to perform the above mentioned agreements with PEPKH. The procedural issues are currently under way.</p>

## Other proceedings

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

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

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

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

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

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

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

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

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

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

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

*The detailed information on the transactions with the related entities is provided in note 54 to the Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A Capital Group, drawn up in compliance with the International Financial Reporting Standards, approved by the European Union, for the period of 9 months ended on September 30, 2023.*

### 5.3. Credit or loan sureties (co-signings) granted and guarantees granted

#### Credit or loan sureties (co-signings) granted

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

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

#### Guarantees granted

The Company, as well as its subsidiaries, had not granted any new corporate guarantees in the first three quarters of 2023. The Company had extended until January 31, 2025, the term of the existing corporate guarantee provided for TAURON Czech Energy's liabilities up to EUR 3 million.

As of September 30, 2023, the total amount of the sureties (co-signings) and corporate guarantees (bonds) granted by the Company had stood at PLN 920 million.

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

As of September 30, 2023, the amount of the sureties and the corporate guarantees (bonds) issued by the subsidiaries had stood at EUR 104 million (PLN 483 million) and PLN 193 million in total.

In the first three quarters of 2023, as part of the framework (master) agreements in force, the bank guarantees had been issued at the instruction of the Company for the liabilities of TAURON Capital Group's subsidiaries and the related companies. As of September 30, 2023, the amount of the bank guarantees (bonds) in effect, issued at the instruction of the Company, had stood at PLN 831 million.

In addition, the bank guarantees issued at the instruction of TAURON Czech Energy had been in effect in the first three quarters of 2023 and, as of September 30, 2023, they had amounted to PLN 36.4 million in total.

The detailed information on the guarantees (bonds) granted is provided in note 53 to the *Interim Abbreviated Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group drawn up in compliance with the International Financial Reporting Standards approved by the European Union, for the period of 9 months ended on September 30, 2023.*

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

In the first three quarters of 2023 there had been no significant impact of the COVID-19 pandemic on the level of the demand for the electricity among TAURON Group's customers, the trajectory of the prices of the electricity and the energy related products on the market and the trends in the level of the overdue receivables of the Group's customers.

The situation related to the COVID-19 pandemic in the first three quarters of 2023 had not affected the operating activities of TAURON Group's individual Lines of Business.

The state of the epidemic emergency caused by SARS-CoV-2 virus infections had been lifted in Poland as of July 1, 2023.

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

TAURON Group, recognizing the magnitude of the risks associated with the current situation, had been monitoring the impact of the war in Ukraine on an ongoing basis and had been taking measures aimed at minimizing the potential effects of the materialization of the risk, as well as aimed at maintaining of the continuity of the critical infrastructure operations.

TAURON Capital Group had not had any assets located on the territory of Ukraine, Russia and Belarus, and this is why TAURON Capital Group had not identified the direct effects of the war related to its own business operations. With respect to the financial risk and the risk of the lack of liquidity, as of the date of drawing up this information, the Group had sufficient financial resources to enable it to meet its current obligations, as well as to carry out the investment activities that had been initiated.

In the opinion of TAURON Group, the indirect consequences of the war that had or could have had an impact on TAURON Group in the first three quarters of 2023, are as follows:

1. the implementation in 2022, to be applicable in 2023, of the national regulations aimed at the curbing of the demand for the electricity, the introduction of the mechanisms aimed at the curtailing of the electricity price

increases for the final consumers, the introduction of the margin caps for the electricity generators and the electricity trading companies, including the further regulatory interventions with respect to providing the support for the electricity consumers processed in 2023. The mitigation steps with respect to the shaping of the draft regulations had been conducted in the form of the consultations within the industry (trade) organizations, among other things. The actions had also been taken to adjust TAURON Group's trading strategy to the changes in the regulatory environment, as well as the measures aimed at the technical and operational implementation of the solutions imposed by such regulations,

2. the decline of the electricity supply and distribution volume as a result of the reduction in the economic activity of the Polish entrepreneurs, in the part resulting from the outbreak of the war on the territory of Ukraine. With respect to the risk mitigation, the Group had been taking measures related to the trading activities (the balancing of the sell position and the product changes aimed at reducing the impact of the changes in the demand for electricity on TAURON Group),
3. a rise in the trade receivables mainly due to a nominal increase in the electricity sales prices relative to the situation observed in 2022,
4. a change of the costs incurred and the generated revenues from the production and the sales of electricity at TAURON Group, among other things, as a result of the crisis on the energy fuel market observed in 2022, in the part resulting from the outbreak of the war on the territory of Ukraine.

The situation related to the war on the territory of Ukraine and its impact on the market and regulatory environment is highly volatile and its future effects are difficult to estimate precisely. They will depend, in particular, on the scale and the duration of the war, the further trajectory of the situation, including a possible escalation of the military hostilities, as well as their impact on the condition of the economy in Poland and around the world. The impact of the identified risks may also depend on the further regulatory actions taken at the European Union level and at the national level with respect to the implementation of the intervention measures, as well as the evolution of the future energy market.

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

In the first three quarters of 2023, TAURON Capital Group had been continuing the implementation of the *Program to spin off TAURON Group's hard coal based generation assets to NABE (National Energy Security Agency)* in order to implement the assumptions of the Government's NABE Concept.

As part of implementing the Government's NABE Concept, the following steps had been completed in the first three quarters of 2023 and by the date of drawing up this information:

1. an update / completion of the Vendor Due Diligence of TAURON Wytwarzanie and New Jaworzno Group TAURON sp. z o.o. (Ltd.) (the company acquired by TAURON Wytwarzanie, the merger had been registered on October 3, 2022, an update of the due diligence of the companies as of September 30, 2022) had been finalized in three key areas, agreed for all of the energy groups: legal, tax and finance, as well as technology and environment,
2. the valuation of the assets, planned for the disposal under the NABE Program, had been finalized,
3. the works had been finalized with respect to the procedure and financing of the transaction for the needs of the divestment of the TAURON Wytwarzanie shares to the State Treasury, and the transaction documentation had been agreed upon.
4. on August 10, 2023, TAURON and the State Treasury, represented by the Minister of the State Assets, signed a document (Term Sheet) summarizing the key terms of the Transaction. *The detailed information in this respect can be found in section 2.3 of this information.*
5. the draft of the planned Transaction's documentation had been agreed upon,
6. the increase in the share capital of TAURON Wytwarzanie, related to the conversion of that company's debt towards TAURON, had been completed - the registration of the share capital increase had taken place on August 18, 2023, of which TAURON Wytwarzanie notified the National Agricultural Support Center (Krajowy Ośrodek Wsparcia Rolnictwa - KOWR) in connection with its right to purchase the shares in the increased capital of TAURON Wytwarzanie, in response KOWR, on September 15 this year, provided the information on its waiving of this right.

The assets grouped around TAURON Wytwarzanie in order to complete the spin off to NABE had been responsible for generating EBITDA of PLN 877 million in the first three quarters of 2023.

The Company has no direct control over the final timetable of the process in question, including the timing of the spin-off of the hard coal assets to NABE. The finalization of the transaction should take place following the signing of the Preliminary Share Sale Agreement, the fulfillment of all the conditions precedent set forth therein (including, among other things, following the passing and the entry into force of the Act on the principles of extending of the guarantees by the State Treasury for the obligations of the National Energy Security Agency, with the government's draft of this act undergoing the legislative procedure).

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

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

Katowice, November 21, 2023

Paweł Szczeszek – President of the Management Board (CEO)

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 Szczegieliński – Vice President of the Management Board

Artur Warzocha – Vice President of the Management Board

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

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

**Table no. 28. Explanation of abbreviations and acronyms as well as trade terms**

Abbreviation and trade term	Full name / explanation
1. Amon	Amon sp. z o.o. (Ltd.) with its registered office in Łebcz.
2. ARA	Dollar based carbon price index in the EU. Loco Amsterdam - Rotterdam - Antwerp ports
3. ARE	Agencja Rynku Energii S.A. (Energy Market Agency) with its registered office in Warsaw.
4. AVAL-1	AVAL-1 sp. z o. o. (Ltd.) with its registered office in Szczecin.
5. BASE (Kontrakt BASE)	A baseload contract for the supply of electricity at all hours of the period, for example the BASE contract for March 2022 is related to the supply of the same amount of electricity during all hours of the month of March 2022.
6. BGK	Bank Gospodarstwa Krajowego with its registered office in Warsaw.
7. Bioeko Grupa TAURON	Bioeko Grupa TAURON Sp. z o.o. (Ltd.) with its registered office in Stalowa Wola.
8. Cash pool	True real time (online) cash pool structure, implemented under the cash management agreement, is based on the daily limits. As a result of the implementation of the cash pool mechanism, cash transfers are made between the accounts of the service participants and the Pool Leader's account.
9. Color certificates	Property rights based on the guarantees of origin of electricity (energy certificates) generated in the way that is subject to support, the so-called color certificates: <b>green</b> - guarantees of origin of electricity (energy certificates) from RES, <b>blue</b> - guarantees of origin of electricity (energy certificates) generated from agricultural biogas. <b>white</b> - energy efficiency certificates (mechanism stimulating and forcing pro-savings behaviors) <b>yellow</b> - guarantees of origin of electricity (energy certificates) generated in co-generation from gas-fired sources or with the total installed capacity below 1 MW, <b>red</b> - guarantees of origin of electricity (energy certificates) from co-generation (CHP certificates - Combined Heat and Power), <b>violet</b> - guarantees of origin of electricity (energy certificates) generated in co-generation fired using methane released and captured during underground mining works in active, in liquidation or liquidated hard coal mines, or using gas obtained from biomass processing.
10. COVID-19	Coronavirus Disease 2019 - acute respiratory system contagious disease caused by the SARS-CoV-2 virus infection. The disease was first diagnosed and described in November 2019 in central China in the city of Wuhan, Hubei Province.
11. CUW	Shared Services Center (Centrum Usług Wspólnych - CUW) - separate organizational units responsible for providing a specific range of support services (CUW R – accounting services, CUW HR – human resources services, CUW IT – IT services, CUW Insurance, CUW Protection).
12. Net debt / EBITDA	Net financial debt to EBITDA ratio.
13. EBIT	Earnings Before Interest and Taxes.
14. EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
15. EEX (EEX exchange)	European Energy Exchange – the European energy exchange in Leipzig, where the contracts and derivatives for electricity for various European countries are traded, as well as the primary auctions of the CO2 emission allowances are conducted.
16. Enea	Enea S.A. (Joint Stock Company) with its registered office in Poznań.
17. Energa	Energa S.A. (Joint Stock Company) with its registered office in Gdańsk.
18. EU ETS	European Union Emission Trading System - European Union's System for the Trading of the CO2 Emission Allowances.
19. EUA	European Union Allowance - an allowance to introduce the carbon dioxide (CO2) equivalent to the air, within the meaning of Article 2 section 4 of the <i>Act of July 17, 2009, on the management system of emissions of greenhouse gases and other substances</i> , which is used for settlements of emission level within the system and which can be managed under the rules provided in the <i>Act of April 28, 2011, on the system of greenhouse gases emission allowances trading</i>
20. EUR	Euro - a common European currency introduced in some EU member states
21. GPW (WSE)	Warsaw Stock Exchange (WSE) (Giełda Papierów Wartościowych w Warszawie S.A. (Joint Stock Company)) with its registered office in Warsaw.
22. TAURON Capital Group	TAURON Capital Group Polska Energia S.A. (Joint Stock Company)
23. GZE	Górnośląski Zakład Elektroenergetyczny S.A. (Joint Stock Company) with its registered office in Gliwice.



Abbreviation and trade term	Full name / explanation
24. ICE (ICE exchange)	InterContinental Exchange – the commodity and financial exchange, where, among others, the contracts for oil, coal, natural gas and the CO2 emission allowances are traded.
25. IRS	Interest Rate Swap - interest payment swap contract, one of the main derivatives that is traded on the interbank market
26. KE (EC)	European Commission - the executive body of the European Union
27. KSE (NPS)	National Power System
28. Kopalnia Wapienia Czatkowice	Kopalnia Wapienia (Limestone Mine) "Czatkowice" sp. z o.o. (Ltd.) with its registered office in Krzeszowice.
29. EBIT margin	A measure used to evaluate the Group's profitability, based on the ratio of the EBIT to the sales revenues generated. The metric provides information on the amount of the EBIT generated on every PLN of the products, goods and materials sales.
30. EBITDA margin	A measure used to evaluate the Group's profitability, based on the ratio of the EBITDA to the sales revenues generated. The metric provides information on the amount of the EBITDA generated on every PLN of the products, goods and materials sales.
31. Net profit margin	A measure used to evaluate the Group's profitability, based on the ratio of the net profit to the sales revenues generated. The metric provides information on the amount of the net profit generated on every PLN of the products, goods and materials sales.
32. MEGAWATT S.C.	Megawatt s.c. sp. z o.o. (Ltd.) with its registered office in Katowice.
33. Mg	Megagram - million gram (1 000 000 g), i.e. ton.
34. NABE	National Energy Security Agency (Narodowa Agencja Bezpieczeństwa Energetycznego)
35. NBP	National Bank of Poland (Narodowy Bank Polski) with its registered office in Warsaw.
36. Line of Business (Segment)	Seven areas (lines of business, segments) of TAURON Capital Group's core operations set up by the Company: Trading, Mining, Generation, RES, Heat, Distribution and Supply.
37. OSD (DSO)	Distribution System Operator (Operator Systemu Dystrybucyjnego - OSD).
38. OSP (TSO)	Transmission System Operator (Operator Systemu Przesyłowego - OSP)
39. OTC (OTC market)	Over The Counter Market – European OTC market.
40. OZE (RES)	Renewable Energy Sources (Odnawialne Źródła Energii - OZE)
41. PEAK (PEAK contract)	Peak contract for the supply of electricity during business hours (8-22) on business days, for example the PEAK contract for November 2022 is related to the supply of the same amount of electricity on all business days in November 2022 between 8 and 22.
42. PEPKH	Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (Ltd.) with its registered office in Warsaw.
43. PGE	PGE Polska Grupa Energetyczna S.A. (Joint Stock Company) with its registered office in Warsaw.
44. PKB (GDP)	Gross Domestic Product (Produkt Krajowy Brutto).
45. PLN	Polish zloty currency symbol – zł (PLN)
46. PMEF	Property rights related to the energy efficiency certificates
47. PMOZE	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES before March 1, 2009.
48. PMOZE_A	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity in RES after March 1, 2009.
49. PMOZE-BIO	Property rights related to the guarantees of origin of electricity (energy certificates) confirming generation of electricity from agricultural biogas from July 1, 2016
50. PSE	Polskie Sieci Elektroenergetyczne S.A. (Joint Stock Company) with its registered office in Konstancin-Jeziorna.
51. RB	Balancing Market (Rynek Bilansujący) - technical market on which the demand for and supply of electricity in the National Power System (KSE) is balanced.
52. RDB	Intraday Market - a market operating on the POLPX TGE), where trading is carried out in a continuous trading formula, 24 hours a day. Instruments with delivery on the next day are traded, with their trading starting at 14:00 the day before the delivery and gradually exiting the market one hour before the start of the delivery.
53. RDN	Day Ahead Market - a market operating on the POLPX (TGE), where trading is carried out one and two days ahead of the delivery.
54. Government's NABE Concept	Initiated in April 2021 by the Ministry of the State Assets, the government's program for the transition of Poland's power sector (the NABE Program) aimed at spinning off the hard coal based assets out of the companies with the State Treasury shareholding, under the terms set forth by the Ministry of the State

Abbreviation and trade term	Full name / explanation
	Assets in a document titled "Transition of the Power Sector in Poland. The spin-off of the hard coal based generation assets out of the companies with the State Treasury shareholding". On March 1, 2022, the Council of Ministers passed a resolution on the adoption of the above mentioned document. The NABE program envisages the acquisition by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. of all of the assets related to the power generation in the hard coal and lignite fired power plants, including the support services companies providing services for their benefit. The State Treasury will integrate the acquired assets into a single entity. The acquisition is preceded by an internal reorganization of the energy enterprises aimed at integrating the assets envisaged to be spun off into a single entity.
55. SARS-CoV-2	Severe Acute Respiratory Syndrome - virus that causes the COVID-19 disease.
56. Segment, Segments of Operations	TAURON Capital Group's segments of operations used in the statutory reporting process. TAURON Capital Group's results from operations are allocated to the following 5 main Segments: Mining, Generation, RES, Distribution and Supply, as well as, additionally, Other Operations.
57. SLA	Service Level Agreement - an agreement with a guaranteed quality level of the service provision.
58. SPOT (SPOT market)	With respect to electricity, it is the place where trade transactions for electricity are concluded with delivery not later than 3 days after the date of the transaction's conclusion (most often it is one day before the date of delivery). The operation of the SPOT market for electricity is strongly tied to the operation of the Balancing Market run by the TSO.
59. Company	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
60. Company's Articles of Association	Document entitled <i>Articles of Association of TAURON Polska Energia S.A. (Joint Stock Company)</i>
61. Strategy	Document entitled <i>TAURON Group's Strategy for the years 2020 - 2030 with an outlook until 2050</i> adopted by the Management Board of TAURON on June 22, 2022.
62. Talia	Talia sp. z o.o. (Ltd.) with its registered office in Łebcz.
63. TAURON	TAURON Polska Energia S.A. (Joint Stock Company) with its registered office in Katowice.
64. TAURON Ciepło	TAURON Ciepło sp. z o.o. (Ltd.) with its registered office in Katowice.
65. TAURON Czech Energy	TAURON Czech Energy s.r.o. with its registered office in Ostrava (Czech Republic).
66. TAURON Dystrybucja	TAURON Dystrybucja S.A. with its registered office in Cracow.
67. TAURON Ekoenergia	TAURON EKOENERGIA sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
68. TAURON Nowe Technologie	TAURON Nowe Technologie S.A. (Joint Stock Company) (formerly: TAURON Dystrybucja Serwis S.A. (Joint Stock Company)) with its registered office in Wrocław.
69. TAURON Sprzedaż	TAURON Sprzedaż sp. z o.o. (Ltd.) with its registered office in Cracow.
70. TAURON Sprzedaż GZE	TAURON Sprzedaż GZE sp. z o.o. (Ltd.) with its registered office in Gliwice.
71. TAURON Wydobycie	TAURON Wydobycie S.A. (Joint Stock Company) with its registered office in Jaworzno.
72. TAURON Wytwarzanie	TAURON Wytwarzanie S.A. (Joint Stock Company) with its registered office in Jaworzno.
73. TAURON Zielona Energia	TAURON Zielona Energia sp. z o.o. (Ltd.) with its registered office in Katowice.
74. TGE (POLPX)	Towarowa Giełda Energii S.A. (Polish Power Exchange – POLPX) with its registered office in Warsaw.
75. TGEozebio	Property rights that confirm the production of electricity from renewable energy sources using agricultural biogas.
76. UE (EU)	European Union (Unia Europejska - UE)
77. UOKiK	Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów – UOKiK)
78. URE	Energy Regulatory Office (Urząd Regulacji Energetyki - URE).
79. USD	United States Dollar - US dollar's international acronym
80. Wind T1	Wind T1 sp. z o.o. (Ltd.) with its registered office in Jelenia Góra.
81. Current liquidity ratio	A ratio (metric) used to determine the financial liquidity that allows for the checking of the ability to repay the liabilities by getting rid of the current assets, i.e. such assets that can be quickly converted to cash. The metric is calculated as the ratio of the current assets to the current liabilities
82. Financial liabilities	Defined in the individual financing agreements, the term generally denotes a liability (obligation) to pay or repay funds due to the credits, loans and debt securities as well as the financial leases (as defined in the provisions of the IAS 17 standard), with the exclusion of the liabilities due to the subordinated bonds
83. Net financial liability	The amount of the financial liability reduced by cash and the short term investments with a maturity of up to 1 year. This metric is also referred to as the net debt.

## Appendix B: INDEX OF TABLES AND FIGURES

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