TAURON Polska Energia S.A. Capital Group

Interim condensed consolidated financial statements
compliant with the International Financial Reporting Standards
approved by the European Union
for the 3-month period ended 31 March 2024

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Sales revenue	**12**	8 142	13 559
Recompensation	**13**	1 178	2 304
Cost of sales	**14**	(7 971)	(13 861)
Profit on sale		**1 349**	**2 002**
Selling and distribution expenses	**14**	(183)	(189)
Administrative expenses	**14**	(197)	(160)
Other operating income and expenses		5	17
Share in profit/(loss) of joint ventures	**22**	14	27
Operating profit		**988**	**1 697**
Interest expense on debt	**15**	(186)	(211)
Finance income and other finance costs	**15**	(70)	(94)
Profit before tax		**732**	**1 392**
Income tax expense	**16**	(201)	(356)
Net profit		**531**	**1 036**
Measurement of hedging instruments	**32.4**	(7)	(90)
Foreign exchange differences from translation of foreign entity		6	9
Income tax	**16**	1	17
Other comprehensive income to be reclassified in the financial result		**–**	**(64)**
Actuarial gains	**35**	4	2
Income tax	**16**	(1)	–
Other comprehensive income not to be reclassified in the financial result		**3**	**2**
Other comprehensive income, net of tax		**3**	**(62)**
Total comprehensive income		**534**	**974**
Net profit:			
Attributable to equity holders of the Parent		531	1 034
Attributable to non-controlling interests		–	2
Total comprehensive income:			
Attributable to equity holders of the Parent		534	972
Attributable to non-controlling interests		–	2
Profit per share basic and diluted (in PLN)		0.30	0.59

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
ASSETS			
Non-current assets			
Property, plant and equipment	**17**	32 193	31 872
Right-of-use assets	**18**	2 357	2 164
Goodwill	**19**	26	26
Energy certificates and CO_2 emission allowances for surrender	**20.1**	12	24
Other intangible assets	**21**	813	848
Investments in joint ventures	**22**	191	169
Loans granted to joint ventures	**23**	368	357
Derivative instruments	**24**	206	149
Other financial assets	**25**	273	278
Other non-financial assets	**26.1**	782	707
Deferred tax assets	**27**	835	759
		38 056	**37 353**
Current assets			
Energy certificates and CO_2 emission allowances for surrender	**20.2**	1 141	702
Inventories	**28**	1 404	1 483
Receivables from buyers	**29**	4 429	5 341
Income tax receivables	**42**	110	105
Receivables arising from other taxes and charges	**30**	468	794
Derivative instruments	**24**	410	275
Other financial assets	**25**	1 473	2 449
Other non-financial assets	**26.2**	397	207
Cash and cash equivalents	**31**	1 106	1 084
Assets classified as held for sale		5	5
		10 943	**12 445**
TOTAL ASSETS		**48 999**	**49 798**

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

	Note	As at 31 March 2024 *(unaudited)*	As at 31 December 2023 *(restated figures)*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Issued capital	**32.1**	8 763	8 763
Reserve capital	**32.3**	3 076	3 076
Revaluation reserve from valuation of hedging instruments	**32.4**	212	218
Foreign exchange differences from translation of foreign entities		68	62
Retained earnings/(Accumulated losses)	**32.5**	6 330	5 796
		18 449	**17 915**
Non-controlling interests	**32.6**	**38**	**38**
Total equity		**18 487**	**17 953**
Non-current liabilities			
Debt	**34**	14 002	15 317
Provisions for employee benefits	**35**	672	650
Provisions for disassembly of fixed assets, land restoration	**36**	208	209
Accruals, deferred income and government grants	**39**	607	607
Deferred tax liabilities	**27**	1 390	1 212
Derivative instruments	**24**	216	169
Capital commitments	**41**	141	152
Other financial liabilities	**44**	35	32
Other non-financial liabilities		1	1
		17 272	**18 349**
Current liabilities			
Debt	**34**	2 711	2 098
Liabilities to suppliers	**40**	1 529	2 088
Capital commitments	**41**	419	555
Provisions for employee benefits	**35**	82	104
Provisions for liabilities due to energy certificates	**37**	4 536	3 744
Other provisions	**38**	390	843
Accruals, deferred income and government grants	**39**	298	351
Income tax liabilities	**42**	69	19
Liabilities arising from other taxes and charges	**43**	726	1 030
Derivative instruments	**24**	817	644
Other financial liabilities	**44**	251	640
Other non-financial liabilities	**45**	1 411	1 379
Liabilities directly related to assets classified as held for sale		1	1
		13 240	**13 496**
Total liabilities		**30 512**	**31 845**
TOTAL EQUITY AND LIABILITIES		**48 999**	**49 798**

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2024 *(unaudited)*

	Equity attributable to the equity holders of the Parent						Non-controlling interests	Total equity
	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Foreign exchange differences from translation of foreign entities	Retained earnings/ (Accumulated losses)	Total		
As at 1 January 2024	**8 763**	**3 076**	**218**	**62**	**5 796**	**17 915**	**38**	**17 953**
Net profit	–	–	–	–	531	**531**	–	**531**
Other comprehensive income	–	–	(6)	6	3	**3**	–	**3**
Total comprehensive income	**–**	**–**	**(6)**	**6**	**534**	**534**	**–**	**534**
As at 31 March 2024 (unaudited)	**8 763**	**3 076**	**212**	**68**	**6 330**	**18 449**	**38**	**18 487**

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

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

(in PLN million)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Cash flows from operating activities			
Profit before tax		**732**	**1 392**
Share in (profit)/loss of joint ventures		(14)	(27)
Depreciation and amortization		596	533
Impairment losses on non-financial non-current assets		3	(2)
Revaluation of loans granted		(11)	(9)
Exchange differences		(42)	(33)
Interest and commissions		188	210
Valuation of derivatives		43	121
Other adjustments of profit before tax		4	(12)
Change in working capital	**46.1**	698	(2 584)
Income tax paid	**46.1**	(53)	(234)
Net cash from (used in) operating activities		**2 144**	**(645)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	**46.2**	(1 031)	(1 014)
Loans granted		–	(1)
Total payments		**(1 031)**	**(1 015)**
Proceeds from sale of property, plant and equipment and intangible		6	3
Other proceeds		–	1
Total proceeds		**6**	**4**
Net cash used in investing activities		**(1 025)**	**(1 011)**
Cash flows from financing activities			
Repayment of loans and borrowings	**46.3**	(1 086)	(1 726)
Interest paid	**46.3**	(106)	(79)
Repayment of lease liabilities		(72)	(68)
Other payments		(1)	(2)
Total payments		**(1 265)**	**(1 875)**
Proceeds from contracted loans and borrowings	**46.3**	172	3 550
Subsidies received		5	10
Total proceeds		**177**	**3 560**
Net cash from (used in) financing activities		**(1 088)**	**1 685**
Net increase/(decrease) in cash and cash equivalents		**31**	**29**
Net foreign exchange difference		–	22
Cash and cash equivalents at the beginning of the period	**31**	**1 048**	**940**
Cash and cash equivalents at the end of the period, of which:	**31**	**1 079**	**969**
restricted cash	**31**	246	581

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

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

TAURON Polska Energia S.A. Capital Group (the “Group”, the “Capital Group”, “TAURON Group”) consists of TAURON Polska Energia S.A. (the “parent entity”, the “Company”, the “Parent Company”) and its subsidiaries. TAURON Polska Energia S.A., with its registered office in Katowice at ul. ks. Piotra Ściegiennego 3, in Poland, operates as a joint-stock company, incorporated by notarial deed on 6 December 2006. Until 16 November 2007, the Company operated under the name Energetyka Południe S.A.

The Parent Company is entered in the register of entrepreneurs of the National Court Register maintained by the District Court for Katowice-Wschód, 8th Commercial Department of the National Court Register under KRS number: 0000271562.

The duration of the Parent Company and entities included in the Capital Group is unlimited. The activity is carried out based on the appropriate licences granted to individual entities belonging to the Group.

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

The interim condensed consolidated financial statements of the Group cover a 3-month period ended 31 March 2024 and contain comparative figures for the 3-month period ended 31 March 2023 and as at 31 December 2023. The data included in these interim condensed consolidated financial statements for the 3-month period ended 31 March 2024 and the comparative data for the 3-month period ended 31 March 2023 have not been audited or reviewed by the statutory auditor. The comparative figures as at 31 December 2023 were subject to the audit by the statutory auditor.

These interim condensed consolidated financial statements were approved for publication by the Management Board on 22 May 2024.

Composition of the Management Board

As at 1 January 2024, the composition of the Management Board was as follows:

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

With effect from 13 February 2024, the Supervisory Board dismissed:

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

From 14 February 2024 until 6 March 2024, the Supervisory Board delegated a member of the Supervisory Board, Ms Karolina Mucha-Kuś, to temporarily perform the duties of the President of the Management Board of the Company.

As of 6 March 2024, the Supervisory Board dismissed from the Management Board of TAURON Polska Energia S.A. Krzysztof Surma - Vice-President of the Management Board for Finance, in connection with the termination of the 6th joint term of office of the Company Management Board on 31 December 2023.

(in PLN million)

As of 7 March 2024, the Supervisory Board of the Company appointed the following members of the Management Board for the 7th joint term of office:

- Grzegorz Lot for the position of the President of the Management Board,
- Piotr Gołębiowski for the position of the Vice-President of the Management Board for Trade,
- Michał Orłowski for the position of the Vice-President of the Management Board for Asset Management and Development,
- Krzysztof Surma for the position of Vice-President of the Management Board for Finance.

Until the date of approval of these interim condensed consolidated financial statements for publication, the composition of the Management Board of the Company listed above has not changed.

2. Composition of TAURON Group and joint ventures

As at 31 March 2024, TAURON Polska Energia S.A. held, directly and indirectly, shares in the following key subsidiaries:

No.	Company name	Registered office	Share of TAURON Polska Energia S.A. in the company share capital	Company holding direct shareholding in the share capital/ General partner
GENERATION				
1	TAURON Wytwarzanie S.A.	Jaworzno	100.00%	TAURON Polska Energia S.A.
2	TAURON Ciepło Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
3	TAURON Serwis Sp. z o.o.	Jaworzno	95.61%	TAURON Wytwarzanie S.A.
4	Łagisza Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Wytwarzanie S.A.
5	TAURON Inwestycje Sp. z o.o.*	Będzin	100.00%	TAURON Polska Energia S.A.
RENEWABLE ENERGY SOURCES				
6	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
7	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
8	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
10	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	WIND T2 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
20	"MEGAWATT S.C." Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
21	TAURON Inwestycje Sp. z o.o.*	Będzin	100.00%	TAURON Polska Energia S.A.
22	WIND T4 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
23	WIND T30MW Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
24	FF Park PV 1 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
25	Windpower Gamów Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
26	AE ENERGY 7 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
DISTRIBUTION				
27	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
28	TAURON Dystrybucja Pomiary Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
29	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
30	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
31	TAURON Czech Energy s.r.o.	Ostrava, Czech Republic	100.00%	TAURON Polska Energia S.A.
32	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.

(in PLN million)

OTHER				
33	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
34	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	100.00%	TAURON Polska Energia S.A.
35	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warsaw	100.00%	TAURON Polska Energia S.A.
36	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
37	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
38	Usługi Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
39	TAURON Ubezpieczenia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.

**The activities of TAURON Inwestycje Sp. z o.o. are classified in two segments: the Renewable Energy Sources and the Generation segment.*

The incorporation of Energetyka Cieszyńska Sp. z o.o. by TAURON Ciepło Sp. z o.o.

The incorporation of Energetyka Cieszyńska Sp. z o.o. by TAURON Ciepło Sp. z o.o. was registered on 3 January 2024. Until the merger date (incorporation), TAURON Ciepło Sp. z o.o. held 100% of the shares in the capital and in the governing body of Energetyka Cieszyńska Sp. z o.o. The transaction did not has any impact on consolidated financial statements of the TAURON Group.

As at 31 March 2024, the share of TAURON Polska Energia S.A. in the capital and in the governing body of the remaining key subsidiaries and jointly-controlled companies has not changed since 31 December 2023.

As at 31 March 2024, TAURON Polska Energia S.A. held direct and indirect interest in the following key jointly-controlled companies in the Generation segment:

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

3. Statement of compliance

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

The interim condensed consolidated financial statements do not comprise all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards (“IFRS”) for the year ended 31 December 2023.

4. Going concern

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

The Group identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Group has the full capacity to settle its liabilities as they become due and payable. As at the balance sheet date, the Group has available funding under the concluded financing agreements, which is described in notes 34.1 and 34.2 to these interim condensed consolidated financial statements.

In the area of liquidity, financing and securing the continuity of operating activities, the Management Board, having analysed the financial position of the Company and the Group, does not identify any risk to the continuity of operations as a going concern in the foreseeable future, i.e. within a period not shorter than 1 year from the balance sheet day.

5. Functional and presentation currency

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

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

6. Material values based on professional judgement and estimates

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

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

Item	Explanatory note	Estimates and assumptions
Property, plant and equipment	Note 17	As at each balance sheet date the Group assesses whether objective indication of impairment occurred in relation to tangible fixed assets. Where relevant indications exist, the Group is required to perform impairment tests of tangible fixed assets. Within the impairment tests the Group estimates the recoverable amount of an asset or the cash-generating unit ("CGU") to which the specific asset belongs. The recoverable value of an asset or CGU corresponds to the higher of the fair value less costs of sales or the value in use. Estimation of the value in use of cash generating units is based on their future cash flows discounted to the current value with a discount rate. As at the balance sheet date, an analysis was carried out of the changes that occurred in the first quarter of 2024 relative to the fourth quarter of 2023 in the prices of electricity, raw materials and CO_2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts included in the impairment tests as at 31 December 2023. After conducting the analyses to take into account the above market and regulatory developments, it was concluded that they were consistent with the pricing assumptions calculated in the fourth quarter of 2023 and therefore do not affect substantially the need to change the long-term projections relative to the information included in the impairment tests as at 31 December 2023. Therefore, it has been recognized that the results of the most recent impairment tests on non-financial non-current assets carried out as at 31 December 2023 are valid. As a result of the aforementioned impairment tests of tangible fixed assets, the Group recognized impairment losses of PLN 23 million, as discussed in more detail in note 17 of these interim condensed consolidated financial statements. The Group verifies, at least at the end of each financial year, the economic useful lives of tangible fixed assets while any adjustments to depreciation write-downs are performed with the effect from the beginning of the reporting period in which the verification was completed.
Right-of-use assets	Note 18	At the date of commencement of the lease, the Group measures an rights-of-use assets including in the current value of the lease payments remaining to be paid on that date. Lease payments are discounted by the Group using the interest rate of the lease if that rate can be easily determined. Otherwise, the Group applies the marginal interest rate. The lease marginal borrowing rate is estimated as a weighted average cost of TAURON Group's debt adjusted for the individual rating of the companies, taking into account a breakdown by lease term. The Group applies the portfolio approach to similar leases regarding unified assets with similar use. When accounting for leases under the portfolio approach, the Group applies estimates and assumptions corresponding to the size and composition of the portfolio, including estimates of the weighted average lease term. In order to determine the lease period, e.g. for contracts for an indefinite period, the Group makes an estimate. The rights to use the assets are subject to impairment test estimates on a similar basis to property, plant and equipment.
Shares in joint ventures	Note 22	The Group defines the type of the joint arrangement it is a party to, depending on the rights and obligations of parties to such arrangement. On the basis of analysis the rights and obligations the Group classifies the TAMEH HOLDING Sp. z o.o. Capital Group and in Elektrociepłownia Stalowa Wola S.A. are joint ventures. Following the application of the equity method measurement of interests in joint ventures, share in joint ventures is tested for impairment when there are indications of possible impairment or reversal of a previously recognised impairment loss. As at the balance sheet date, the Group assessed that the results of the most recent impairment tests of the Group's interests in joint ventures as at 31 December 2023 were up to date.

(in PLN million)

Loans granted to joint ventures	Note 23	The Group classifies and measures loans granted to joint ventures accordingly. As at the balance sheet date, loans granted to the joint venture, Elektrociepłownia Stalowa Wola S.A., with a total carrying amount of PLN 368 million, were classified as financial assets measured at a fair value through profit or loss. Accordingly, the Group estimated the fair value taking into account the estimated future cash flows to be generated by Elektrociepłownia Stalowa Wola S.A. in the future, discounted at a rate based on the cost of equity expected for the business profile of the company.
Financial derivatives	Note 24	The Group measures financial derivatives at a fair value as at each balance sheet date. The derivatives acquired and held to hedge own needs are not subject to measurement as at the balance sheet date.
Deferred tax assets	Note 27	The Group assesses the enforceability of deferred tax assets at each balance sheet date. As at 31 March 2024, the Group has not recognized a deferred tax asset of PLN 315 million as a result of conducted feasibility assessment.
Inventories	Note 28	The Group's inventories mainly comprise coal stocks for production purposes. Inventory is measured at a lower of two values: purchase price and attainable net sales price. Materials and other raw materials for use in the production process, including in particular coal stocks, are not written down to less than cost if the finished goods in the production of which they will be used are expected to be sold at or above cost. If a decrease in the price of materials indicates that the purchase price or the cost of finished goods will be higher than the net achievable value, the value of materials is written down to the net realizable value, which is estimated at their replacement cost. As at the balance sheet day, the Group estimated write-down on the value of coal fuel stocks level of PLN 126 million. Valuation of the inventory of CO_2 emission allowances described above at a fair value is based on prices quoted in an active market.
Receivables from customers	Note 29	As at each balance sheet day, the Group estimates impairment losses on receivables from customers attributable to expected credit losses. An impairment loss is recognized on both overdue and non-overdue receivables based on the probability-weighted expected credit loss that will be incurred in particular if any of the following events occur: payment is overdue by more than 90 days, the debtor goes into liquidation or bankruptcy or is restructured, or the receivables are subject to administrative enforcement, litigation or court enforcement. For the portfolio of strategic counterparties, the risk of their insolvency is assessed based on ratings assigned to the counterparties using an internal scoring model and appropriately restated to account for the likelihood of default. The expected credit loss is calculated based on the estimated potential recoveries from security interests. For receivables from other counterparties, historical repayment figures are expected to reflect the credit risk (including forward-looking adjustments) that will be incurred in future periods. The expected credit losses for this group of counterparties were estimated using the receivables ageing matrix and the percentage ratios assigned to the various ranges and groups (including receivables claimed at court, receivables from counterparties in bankruptcy) allowing to estimate the value of receivables from customers expected to be outstanding. As at 31 March 2024, the Group estimated expected credit losses on receivables from customers in the amount of PLN 253 million.
Debt liabilities	Note 34	When measuring liabilities at amortised cost using the effective interest rate method, the Group estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. At the same time, the classification of the liability is made on the basis of the existence of a right to defer settlement of the liability. Where the Group has the right to defer settlement of a liability for at least 12 months after the balance sheet date, the liability is classified as non-current, even if the Group has the intention of repaying it within one year of the balance sheet date (as at 31 March 2024, the liability for hybrid bonds subscribed by the European Investment Bank with a nominal value of EUR 190 million). The lease liability is measured at the present value of the outstanding lease payments, discounted using either the contractual interest rate (if determinable) or the incremental borrowing rate.

(in PLN million)

Provisions (including provisions for onerous contracts)	Note 35 Note 36 Note 37 Note 38	The Group estimates the amount of provisions created based on the assumptions, methodology and calculations appropriate for a given type of provisions, evaluating the probability of spending funds that incorporate economic benefits and determining the reliable level of funds necessary to perform the obligation. Provisions are created by the Group if the probability of spending funds that incorporate economic benefits is higher than 50%. As at each balance sheet date, the Group assesses whether it is a party to onerous contracts, i.e. contracts under which the unavoidable costs of fulfilling the obligation outweigh the benefits expected to be received under the contract and, if it is determined that it is a party to such contracts, the present obligation under such contracts is recognised and measured as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding the lower of contract fulfilment costs and costs of any compensations or penalties arising for the failure to fulfil the contract. Within contract fulfilment costs, the Group estimates costs directly related to the contract including incremental contract fulfilment costs as well as the allocation of other costs that relate directly to contract fulfilment. As at the balance sheet date, the Group recognised provisions for onerous contracts related to concluded energy sales contracts in the amount of PLN 26 million. The discount rate applied to the valuation of long-term provisions, estimated as at the balance sheet date, was 5.2% and was equal to the rate adopted for measurements as at 31 December 2023.

Besides the foregoing, the Group makes significant estimates as regards the contingent liabilities recognised, in particular in the scope of legal proceedings where the Group companies are parties (Note 50).

As at the balance sheet date, in the scope of impact of climate change on the interim condensed financial statements, the Group does not identify any significant changes in relation to areas and impacts of climate change identified as at 31 December 2023, as further described in note 10 to the consolidated financial statements for the year ended 31 December 2023.

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

The Group did not choose earlier application of any standards or amendments to standards which were published but have not entered into force by 31 March 2024.

- **Standards and amendments to standards issued by the International Accounting Standards Board which have not yet been endorsed by the European Union and have not entered into force until the balance sheet date**

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

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

As at the date of approval of these interim condensed consolidated financial statements for publication, the Company has not yet completed its work on assessing the impact of the introduction of amendments to IAS 7, IFRS 7, IFRS 10, IAS 28 and IAS 21 standards indicated below on the accounting policy applied by the Group. The analyses conducted to date indicate that the aforementioned amendments to the standards will not materially affect the accounting policy applied so far. As at the date of approval of these interim condensed consolidated financial statements for publication, the Company has started work on assessing the impact of IFRS 18 *Presentation and Disclosure in Financial Statements* on the Group's accounting policy.

(in PLN million)

Standard	Date of entry into force by standard, not approved by the EU (annual periods starting on or after that date)
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 *Financial Instruments: Disclosures: Additional disclosures on financial agreements with suppliers*	1 January 2024
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture as amended*	the date of entry into force of the amendments has been postponed
Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates: No possibility of Currency Exchange*	1 January 2025
IFRS 18 *Presentation and disclosure in financial statements*	1 January 2027

The dates of entry into force are the dates resulting from the content of the standards promulgated by the International Accounting Standards Board. The application dates of the standards in the European Union may differ from the application dates implied by the content of the standards and are announced at the time of the approval for application by the European Union.

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

The accounting principles (policy) adopted for the preparation of these interim condensed consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements of the Group for the year ended 31 December 2023, except for the application of the amendments to the standards described below.

According to the Management Board, the following standards and amendments to standards have the following impact on the accounting policy applied so far:

Standard	Amendments	Date of entry into force in the EU *(annual periods starting on or after that date)*
Amendments to IAS 1 *Presentation of Financial Statements - Classification of liabilities as current and non-current and Classification of liabilities as current and non-current - deferral of effective date and Non-current liabilities linked to conditions.*	In accordance with the amendments to IAS 1, liabilities are classified as non-current if the entity has a right to defer the settlement of the liability for at least 12 months after the end of the reporting period. The expectations of the entity do not affect the classification. The impact of the amendment to IAS 1 on the Group's consolidated financial statements is described below.	1 January 2024
Amendments to IFRS 16 *Leases: Liability in a Sale and Leaseback*	The amendments to IFRS 16 relate to the measurement method applied to the liability due to sale and leaseback transactions. The amendments implemented require the seller-lessee to measure the lease liability arising from a sale-leaseback so that the seller-lessee does not recognise any amount of gain or loss related to the right of use retained by the seller-lessee. In particular, this means recognising that, in the case of a sale-leaseback, the obligation to contribute variable lease payments meets the definition of a lease liability. As at the balance sheet date, the Group is not a party to any sale-leaseback agreements and does not identify any material impact of the amendments to IFRS 16 on the accounting policy applied to date.	1 January 2024

Impact of the amendment to IAS 1 Presentation of Financial Statements regarding the classification of liabilities on the consolidated financial statements of the TAURON Group and restatement of comparative data

The Company holds liabilities on account of hybrid bonds subscribed by the European Investment Bank covering two financing periods. As at 31 December 2023, the liabilities due to aforementioned hybrid bonds in the amount of PLN 775 million (including PLN 2 million on account of accrued interest) were classified as short-term due to the redemption intention after the first financing period, i.e. in December 2024. The amendments to IAS 1 changed the classification of the above liabilities. Given the maturity of the bonds in accordance with the terms of issue, irrespective of their scheduled redemption in December 2024, the Company has classified the said bonds as non-current since 1 January 2024 and has restated the comparatives. The Company's intention to redeem the said bonds in December 2024 remained unchanged.

The impact of amendment to IAS 1 on the consolidated statement of financial position as of 31 December 2023 is presented in the table below. The application of the amendments to IAS 1 as at 1 January 2023 has no impact on the consolidated statement of financial position (as at 31 December 2022, the hybrid bonds were classified as non-current).

(in PLN million)

	As at 31 December 2023 *(approved figures)*	Change of the classification of financial liabilities	As at 31 December 2023 *(restated figures)*
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent	**17 915**	**–**	**17 915**
Non-controlling interests	**38**	**–**	**38**
Total equity	**17 953**	**–**	**17 953**
Debt	14 544	773	15 317
Non-current liabilities	**17 576**	**773**	**18 349**
Debt	2 871	(773)	2 098
Current liabilities	**14 269**	**(773)**	**13 496**
Total liabilities	**31 845**	**–**	**31 845**
TOTAL EQUITY AND LIABILITIES	**49 798**	**–**	**49 798**

Moreover, as at the balance sheet date, the Company holds borrowings under revolving financing agreements with bank syndicates with the carrying amount of PLN 1 692 million. From 1 January 2024 onwards, the classification of the above financing is based on the funding availability date, i.e. the date of the contracts, which falls in the years 2026-2027, regardless of the Company's expectation regarding the repayment date. The amendments to IAS 1 did not change the classification of the financing under the above contracts, bearing in mind that as at 31 December 2023 and 31 December 2022, the above financing was classified as non-current liabilities, also taking into account the Company's expectation regarding the term of its repayment.

9. Legislation to cap electricity prices

In 2022 and in 2023, regulations came into force to cap electricity prices and protect electricity consumers from price increases, which significantly affected the TAURON Group's operations in the 3-month period ended 31 March 2024.

Specifically, on 31 December 2023, the Act of 7 December 2023 *amending the Act to protect consumers of electricity, gas fuel and heat* entered into force. In accordance with the provisions of the aforementioned Act, the solutions for eligible customers, maximum prices and recompensations under the Act of 7 October 2022 *on special solutions for the protection of electricity consumers in 2023* and the Act of 27 October 2022 *on emergency measures to limit the level of electricity prices and support certain consumers in 2023* were extended until the end of June 2024 in an unchanged form. At the same time, new consumption limits have been introduced for the first half of 2024, for household customers. The obligations for electricity generators and trading companies to make deductions to the Price Difference Payment Fund have not been extended until 30 June 2024.

Legal act	Key assumptions of legal acts effective in 2023	Presuppositional in line with the Act of 7 December 2023 amending the Act to protect consumers of electricity, gas fuel and heat in 3 –month period ended 31 March 2024
Act of 7 October 2022 on special solutions for the protection of electricity consumers in 2023 (the “Act on Consumer Protection”)	• Freezing of electricity price in 2023 at a 2022 level for households up to the electricity consumption level defined in the Act on Consumer Protection at a level of 3000 kWh. • Establishment of recompensation for electricity undertakings due to the application of frozen electricity prices in 2023 in the amount of the product of the electricity covered by the frozen prices and the difference between the energy price resulting from the electricity tariff approved by the President of the ERO for 2023 and the frozen electricity prices.	• The solutions of the Consumer Protection Act in the scope of the electricity price freeze for households have been extended until 30 June 2024. At the same time, new consumption limits have been introduced for the first half of 2024, for household customers with the consumption of 1500 KWh. • The recompensation scheme arrangements have been extended until 30 June 2024. Recompensations for energy companies for frozen prices in the first half of 2024 for households are calculated taking into account the current electricity tariff approved by the President of the ERO for 2024.

Interim condensed consolidated financial statements for the 3-month period ended 31 March 2024 compliant with the IFRS approved by the EU (in PLN million)

The Act of 27 October 2022 on extraordinary measures to limit the level of electricity prices and support certain consumers in 2023 (the "Act on Extraordinary Measures")	• Introduction of a fixed price for electricity trading applicable until 31 December 2023, the so-called maximum price, at a defined level of PLN 785/MWh (PLN 693 PLN/MWh in the fourth quarter of 2023) for local government units, small and medium-sized enterprises and public utilities and PLN 693/MWh in the case of household customers. • Establishment of a system of recompensations (calculated depending on the type of customer and the time of conclusion of the agreement) payable on a monthly basis, the payment of which is the responsibility of the Settlement Administrator [Zarządca Rozliczeń S.A.]. • The imposition of an obligation on electricity generators (both in the area of conventional generation and renewable energy sources) and trading companies to transfer contributions to the Price Difference Payment Fund (the "Fund"), for the purpose of paying the compensation established by the Act on Extraordinary Measures, where the above-mentioned entities obtain from the sale of electricity prices exceeding the price limits calculated in accordance with the provisions of the regulation to the aforementioned Act. • Setting the maximum overall limit on expenditure from the Fund and a limit in individual years covered by the Act.	• The solutions of the Emergency Measures Act to apply a fixed price of 693 PLN/MWh have been extended until 30 June 2024 • Extension of a system of recompensations (calculated depending on the type of customer and the time of conclusion of the agreement) paid on a monthly basis, the payment of which is the responsibility of the Settlement Administrator [Zarządca Rozliczeń S.A.] until 30 June 2024. • The obligations for electricity generators and trading companies to make deductions to the Price Difference Payment Fund have not been extended until 30 June 2024.
Regulation of the Minister of Climate and Environment of 9 September 2023 amending the Regulation on the method of shaping and calculation tariffs and the settlement method in electricity trade (the "Regulation")	• Introducing a mechanism to reduce the amount of households' liabilities to energy enterprises conducting the economic activity in the scope of electricity trading in the 2023 settlements. Pursuant to the Regulation, the amount of annual payments of a customer from the G tariff group who meets one of the conditions set out in the Regulation will be reduced by PLN 125.34.	• In the 3-month period ended 31 March 2024, the implementation of the reduction mechanism for eligible customers.

Impact of acts of law on the interim condensed consolidated financial statements for the 3-month period ended 31 March 2024 *(unaudited)*	Note
Revenue from contracts with customers In accordance with the regulations of the *Customer Protection Act* and the *Act on Extraordinary Measures*, in the 3-month period ended 31 March 2024 the companies of the Sales segment and the company of the Distribution segment applied prices for the sale of electricity and distribution services that do not exceed the maximum prices set out in the aforementioned Acts to the groups of customers indicated in the aforementioned Acts. In accordance with the Regulation, the companies of the Sales segment implemented the mechanism for reducing the amount of liabilities to eligible customers in the 3-month period ended 31 March 2024, using a provision of PLN 343 million created in 2023 to reduce the amount of revenue from contracts with customers.	12
Revenue and receivables due to recompensations In the 3-month period ended 31 March 2024, the companies of the Sales segment recognised compensation relating to the supply of electricity in the amount of PLN 844 million pursuant to the *Act of 7 December 2023 amending the Act to protect consumers of electricity, gas fuel and heat*. As part of the above recompensations, the companies received the amount of PLN 9 million by the balance sheet date. After the balance sheet date, up to the date of approval of these interim condensed consolidated financial statements for publication, the companies have received the amount of PLN 505 million. In the 3-month period ended 31 March 2024, the company of the Distribution segment recognised recompensations relating to the sale of distribution services in the amount of PLN 274 million pursuant to the *Act of 7 December 2023 amending the Act to protect consumers of electricity, gas fuel and heat*. After the balance sheet date, up to the date of approval of these interim condensed consolidated financial statements for publication, the company has received the amount of PLN 273 million as part of the aforementioned revenue. As at 31 March 2024, the Group had recompensation receivables arising from the *Act on Extraordinary Measures,* the *Act on Consumer Protection* and the *Act of 7 December 2023 amending the Act to protect consumers of electricity, gas fuel and heat* in the amount of PLN 1 317 million, as presented in the statement of financial position under *Other financial assets*, including: • the amount of PLN 970 million refers to the companies of the Sales segment, of which the amount of PLN 835 million relates to compensation recognised as part of revenues in in the 3-month period ended 31 March 2024 included and the amount of PLN 135 million relates to recompensation recognised as part of revenues in 2023. • the amount of PLN 336 million refers to the company of the Distribution segment, of which the amount of PLN 274 million relates to recompensation recognised as part of revenues in the 3-month period ended 31 March 2024 included and the amount of PLN 62 million relates to compensation recognised as part of revenues in 2023.	13, 25
Advance payments for recompensations In the 3-month period ended 31 March 2024, the companies in the Sales segment settled recompensation advances in the amount of PLN 141 million received in previous years. As at the balance sheet date, advances for recompensation received in 2022 and 2023 by the companies in the Sales and Distribution segment had been fully settled.	39.1

(in PLN million)

Costs of contributions to the Price Difference Payment Fund In the 3-month period ended 31 March 2024, the Group companies were not required to apply write-downs for the Price Difference Payment Fund. Write-downs to the Fund within the costs of 2023, with the due transfer date after balance sheet date, amounting to PLN 155 million, are presented under *Other non-financial liabilities* in the consolidated statement of financial position.	14, 45
Provisions As at the balance sheet date, the Group recognised a provision of PLN 128 million in the Sales segment for the effects of the Regulation, which introduced a mechanism to reduce households' liabilities to energy companies in settlements for 2023 by PLN 125.34, once one of the conditions set out in the Regulation have been met. In the 3-month period ended 31 March 2024 the Group: • partially utilised a provision of PLN 343 million created in 2023 in connection with the commencement of processing the mechanism for reducing liabilities to eligible customers, • partly reversed the provision in the amount of PLN 103 million. On the basis of its analyses, the Group has not identified the necessity to recognise a provision for onerous contracts in connection with the regulations of *the Act on Consumer Protection*, *the Act on Extraordinary Measures and the Act of 7 December 2023 amending the Act to support consumers of electricity, gas fuels and heat.*	38

10. Seasonality of activities

The Group's business is characterised by seasonality.

Sales of heat depends on the atmospheric conditions, in particular, on air temperature, and it is higher in the autumn and winter season for individual customers. The level of electricity sales to individual consumers depends on the length of a day, which usually makes electricity sales in this group of consumers lower in the spring and summer season and higher in the autumn and winter season. The level of production and sales of electricity generated in renewable energy sources is affected by seasons of the years and meteorological conditions.

The seasonality of the remaining areas of the Group operations is limited.

BUSINESS SEGMENTS

11. Information on operating segments

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

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

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

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

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

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

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

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

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

Operating segments	Core business	Subsidiaries/ Companies accounted for using the equity method
Generation  	*Electricity generation in conventional sources, including cogeneration.* *Production, distribution and sales of heat*	TAURON Wytwarzanie S.A. TAURON Ciepło Sp. z o.o.[1] TAURON Serwis Sp. z o.o. Łagisza Grupa TAURON Sp. z o.o. TAURON Inwestycje Sp. z o.o. [2] TAMEH HOLDING Sp. z o.o.[3] TAMEH POLSKA Sp. z o.o.[3] TAMEH Czech s.r.o.[3] Elektrociepłownia Stalowa Wola S.A.[3]
Renewable Energy Sources 	*Electricity generation in renewable sources*	TAURON Ekoenergia Sp. z o.o. TEC1 Sp. z o.o. TAURON Zielona Energia Sp. z o.o. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k. TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k. TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k. WIND T1 Sp. z o.o. AE ENERGY 7 Sp. z o.o. “MEGAWATT S.C.” Sp. z o.o. WIND T4 Sp. z o.o. WIND T30MW Sp. z o.o. FF Park PV 1 Sp. z o.o. Windpower Gamów Sp. z o.o. TAURON Inwestycje Sp. z o.o. [2]
Distribution 	*Electricity distribution*	TAURON Dystrybucja S.A. TAURON Dystrybucja Pomiary Sp. z o.o.
Sales 	*Wholesale of electricity as well as trading in emission allowances and CO_2 certificates of origin and sales of electricity to domestic end consumers or entities re-selling electricity*	TAURON Polska Energia S.A. TAURON Sprzedaż Sp. z o.o. TAURON Sprzedaż GZE Sp. z o.o. TAURON Czech Energy s.r.o. TAURON Nowe Technologie S.A.

[1] *The incorporation of Energetyka Cieszyńska Sp. z o.o. by TAURON Ciepło Sp. z o.o. was registered on 3 January 2024.*
[2] *TAURON Inwestycje Sp. z o.o. classifies activities related to photovoltaic power generation in the Renewable Energy Sources segment, while activities related to investment projects and research and development in the field of power generation from sources other than renewable sources are classified in the Generation segment.*
[3] *Companies accounted for using the equity method.*

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

(in PLN million)

3-month period ended 31 March 2024 or as at 31 March 2024 *(unaudited)*

	Operating segments				Other	Unallocated items / Eliminations	Total
	Generation	Renewable Energy Sources	Distribution	Sales			
Revenue							
Sales to external customers	1 204	13	1 570	5 266	89	–	**8 142**
Inter-segment sales	1 656	279	876	1 228	332	(4 371)	**–**
Total segment revenue	**2 860**	**292**	**2 446**	**6 494**	**421**	**(4 371)**	**8 142**
Recompensation revenue	**47**	**–**	**274**	**857**	**–**	**–**	**1 178**
EBIT, of which:	**197**	**182**	**280**	**322**	**53**	**(46)**	**988**
Share in profit/(loss) of joint ventures	*14*	–	–	–	–	–	***14***
Depreciation/amortization	**(141)**	**(47)**	**(342)**	**(13)**	**(57)**	**1**	**(599)**
Impairments	**46**	**–**	**–**	**–**	**–**	**–**	**46**
EBITDA	**292**	**229**	**622**	**335**	**110**	**(47)**	**1 541**
EBIT							**988**
Finance income (costs)						(256)	**(256)**
Profit/(loss) before income tax							**732**
Income tax expense						(201)	**(201)**
Net profit/(loss) for the period							**531**
Assets and liabilities							
Segment assets, of which:	9 914	4 288	24 794	6 851	1 296	–	**47 143**
Investments in joint ventures	*191*	–	–	–	–	–	***191***
Unallocated assets						1 856	**1 856**
Total assets							**48 999**
Segment liabilities	5 264	292	2 646	2 509	755	–	**11 466**
Unallocated liabilities						19 046	**19 046**
Total liabilities							**30 512**
Other segment information							
Capital expenditure *	46	99	657	13	32	–	**847**

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

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

	Operating segments				Other	Unallocated items / Eliminations	Total
	Generation	Renewable Energy Sources	Distribution	Sales			
Revenue							
Sales to external customers	2 810	61	1 466	9 131	91	–	**13 559**
Inter-segment sales	1 220	208	1 861	3 101	295	(6 685)	**–**
Total segment revenue	**4 030**	**269**	**3 327**	**12 232**	**386**	**(6 685)**	**13 559**
Recompensation revenue	**3**	**–**	**378**	**1 923**	**–**	**–**	**2 304**
EBIT, of which:	**346**	**138**	**968**	**132**	**27**	**86**	**1 697**
Share in profit/(loss) of joint ventures	*27*	–	–	–	–	–	***27***
Depreciation/amortization	**(112)**	**(48)**	**(320)**	**(12)**	**(42)**	**1**	**(533)**
Impairments	**–**	**–**	**2**	**(1)**	**(1)**	**–**	**–**
EBITDA	**458**	**186**	**1 286**	**145**	**70**	**85**	**2 230**
EBIT							**1 697**
Finance income (costs)						(305)	**(305)**
Profit/(loss) before income tax							**1 392**
Income tax expense						(356)	**(356)**
Net profit/(loss) for the period							**1 036**
Assets and liabilities							
Segment assets, of which:	10 023	3 971	24 189	8 550	1 317	–	**48 050**
Investments in joint ventures	*169*	–	–	–	–	–	***169***
Unallocated assets						1 748	**1 748**
Total assets							**49 798**
Segment liabilities	5 024	272	2 522	3 473	795	–	**12 086**
Unallocated liabilities						19 759	**19 759**
Total liabilities							**31 845**
Other segment information							
Capital expenditure *	74	75	574	24	33	–	**780**

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

(in PLN million)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

12. Sales revenue

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Sale of goods for resale, finished goods and materials without elimination of excise, of which:	**5 146**	**10 726**
Excise	(29)	(27)
Sale of goods for resale, finished goods and materials	**5 117**	**10 699**
Electricity	4 138	9 676
Heat energy	465	492
Gas	374	401
CO_2 emission allowances	48	–
Energy certificates and similar	21	65
Other goods for resale, finished goods and materials	71	65
Rendering of services	**3 005**	**2 843**
Distribution and trade services	2 653	2 548
Capacity Market	210	184
Maintenance of road lighting	40	35
Connection fees	37	24
Other services	65	52
Other revenue	**20**	**17**
Total revenue	**8 142**	**13 559**

In the 3-month period ended 31 March 2024, sales revenues decrease in relation to the comparable period was recorded and the main changes were related to sales revenue of the following products, goods and services:

- Electricity - a decrease in revenue on electricity sales was recorded in both the retail and wholesale areas, which mainly results from the lower prices obtained and the lower average sales volume. The decline in prices to customers (except households) is directly associated with the change in market electricity prices and the change in volume is due to lower demand from business customers and, in the case of wholesale trading, different operating characteristics of the units compared to the first quarter of 2023 as a result of the different demand reported by the PSE operator. Sales prices for customers in the household segment stood at a level comparable to the previous year in first quarter of 2024, as a result of the regulations continued in the first half of this year, with a slightly higher volume of electricity sold, i.e. by 2%;
- Heat - lower revenue from the sales of heat are the result of lower sales volumes as a result of higher average temperatures than in the comparable period and higher prices resulting from tariff-based price increases;
- Gas - a decrease mainly due to a lower prices obtained in relation to the comparable period, as a result of a change in prices contracted during 2023 on account of deliveries in 2024;
- Distribution and trading services - increase as a consequence of a rise in the rate of the distribution and transmission service.

Sales revenue by operating segment is shown in the tables below.

(in PLN million)

3-month period ended 31 March 2024 *(unaudited)*

	Generation	Renewable Energy Sources	Distribution	Sales	Other	Total
Sale of goods for resale, finished goods and materials	**916**	**13**	**1**	**4 132**	**55**	**5 117**
Electricity	448	–	–	3 679	11	**4 138**
Heat energy	465	–	–	–	–	**465**
Gas	–	–	–	374	–	**374**
CO_2 emission allowances	–	–	–	48	–	48
Energy certificates and similar	3	13	–	4	1	**21**
Other goods for resale, finished goods and materials	–	–	1	27	43	**71**
Rendering of services	**283**	**–**	**1 559**	**1 132**	**31**	**3 005**
Distribution and trade services	119	–	1 498	1 036	–	**2 653**
Capacity Market	160	–	–	50	–	**210**
Maintenance of road lighting	–	–	–	40	–	**40**
Connection fees	–	–	37	–	–	**37**
Other services	4	–	24	6	31	**65**
Other revenue	**5**	**–**	**10**	**2**	**3**	**20**
Total sales revenue	**1 204**	**13**	**1 570**	**5 266**	**89**	**8 142**

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

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

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

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Revenue from sales of electricity	**4 138**	**9 676**
Retail sale	**3 276**	**6 082**
Strategic clients	373	1 281
Business clients	1 386	2 663
Mass clients - Group G	1 160	1 449
Mass clients - SME	352	663
Other	33	53
Excise duty	(28)	(27)
Wholesale	**716**	**3 317**
Other	**146**	**277**

13. Recompensations

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Recompensation electricity	844	1 918
Recompensation distribution elecricity services	274	378
Recompensation gas	13	5
Recompensation heat energy and distribution heat services	47	3
Total	**1 178**	**2 304**

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

(in PLN million)

14. Costs by type

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Depreciation and amortization	(599)	(533)
Write-downs on non-financial fixed assets	(3)	1
Materials and energy	(1 078)	(1 484)
Maintenance and repair services	(50)	(50)
Distribution services	(841)	(752)
Other external services	(233)	(259)
Cost of obligation to remit the CO_2 emission allowances	(835)	(1 052)
Allowance for Price Difference Payment Fund	(1)	(310)
Other taxes and charges	(211)	(199)
Employee benefits expense	(846)	(737)
Allowance for trade receivables expected credit losses	(12)	(26)
Allowance for inventories	49	(1)
Costs of provision for onerous contracts	–	36
Other	(32)	(31)
Total costs by type	**(4 692)**	**(5 397)**
Change in inventories, prepayments, accruals and deferred income	(1)	1
Cost of goods produced for internal purposes	179	192
Selling expenses	183	189
Administrative expenses	197	160
Cost of goods for resale and materials sold	(3 837)	(9 006)
Cost of sales	**(7 971)**	**(13 861)**

In the 3-month period ended 31 March 2024 in relation to the comparative period, the main changes in the cost of goods, products, materials and services sold referred to:

- a decline in the costs of material and energy consumption, mainly to lower costs of coal fuel consumed for the production of electricity and heat. The lower cost of coal fuel was affected by the lower purchase price of the fuel as a consequence of the decline in market prices for this raw material;
- an increase in the cost of distribution services, as a result of a rise in the tariff for the PSE distribution services;
- a decline in the cost of the obligation to redeem CO_2 allowances, mainly as a result of lower production and correspondingly lower CO_2 emissions;
- no need for the TAURON Group to incur the cost of write-downs to the Price Difference Payment Fund in the current period. The obligation to apply write-downs in 2023 resulted from the provisions of the acts of law requiring both generators and sellers of electricity and gas to pay profits to the Settlement Administrator in excess of the statutory margin percentage;
- an increase in the cost of employee benefits, which results from recognizing in the costs first quarter of 2024 of the effects of agreements concluded with the social party and the rise of the minimum wage in 2024;
- a decrease in the cost of goods for resale and materials sold, which is mainly due to due to the lower electricity purchase costs incurred as a result of falling prices and lower volumes as a result of a decreased demand from TAURON Group customers.

(in PLN million)

15. Financial income and costs

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Income and costs from financial instruments	**(246)**	**(295)**
Interest costs	(186)	(211)
Gain/loss on derivative instruments	(137)	(146)
Exchange differences	44	26
Commission relating to borrowings and debt securities	(5)	(4)
Remeasurement of loans granted	11	9
Interest income	28	25
Other	(1)	6
Other finance income and costs	**(10)**	**(10)**
Interest on employee benefits	(9)	(9)
Interest on discount of other provisions	(3)	(2)
Other finance income	7	5
Other finance costs	(5)	(4)
Total, including recognized in the statement of comprehensive income:	**(256)**	**(305)**
Interest expense on debt	(186)	(211)
Finance income and other finance costs	(70)	(94)

The decline in interest costs results from a lower level of use of external funding and a lower level of base rates in the 3-month period ended 31 March 2024 in relation to the comparable period.

The loss on derivatives in the 3-month period ended 31 March 2024 is mainly associated with the appreciation of the Polish zloty exchange rate, which translated into a decrease in the valuation and current settlement of FX derivatives. The appreciation of the Polish zloty also influenced the occurrence of exchange rate gains in the current period.

16. Tax burden in the statement of comprehensive income

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Current income tax	**(98)**	**(521)**
Current income tax expense	(115)	(526)
Adjustments to current income tax from previous years	17	5
Deferred tax	**(103)**	**165**
Income tax expense in profit/(loss)	**(201)**	**(356)**
Income tax expense relating to other comprehensive income, including:	**–**	**17**
reclassified to profit or loss	1	17
not reclassified to profit or loss	(1)	–

In the 3-month period ended 31 March 2024 and in the comparable period TAURON Polska Energia S.A. and selected subsidiaries accounted for income within the Tax Capital Group registered on 28 December 2022 for 2023-2025 by the Head of the First Tax Office for the Mazowieckie Province in Warsaw.

(in PLN million)

EXPLANATORY NOTE TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

17. Property, plant and equipment

3-month period ended 31 March 2024 *(unaudited)*

	Land	Buildings, premises and civil engineering structures	Plant and machinery	Other	Assets under construction	Property, plant and equipment, total
COST						
Opening balance	**153**	**33 430**	**26 007**	**971**	**2 466**	**63 027**
Direct purchase	–	–	–	1	791	**792**
Borrowing costs	–	–	–	–	20	**20**
Transfer of assets under construction	–	424	300	11	(735)	**–**
Sale	–	–	(18)	(3)	(1)	**(22)**
Liquidation	–	(11)	(21)	(3)	–	**(35)**
Received free of charge	–	11	–	–	–	**11**
Overhaul expenses	–	–	–	–	5	**5**
Items generated internally	–	–	–	–	11	**11**
Other movements	–	1	3	–	–	**4**
Closing balance	**153**	**33 855**	**26 271**	**977**	**2 557**	**63 813**
ACCUMULATED DEPRECIATION						
Opening balance	**–**	**(14 717)**	**(15 665)**	**(724)**	**(49)**	**(31 155)**
Depreciation for the period	–	(256)	(247)	(13)	–	**(516)**
Impairment	–	–	–	–	(3)	**(3)**
Sale	–	–	18	3	–	**21**
Liquidation	–	10	20	3	–	**33**
Closing balance	**–**	**(14 963)**	**(15 874)**	**(731)**	**(52)**	**(31 620)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**153**	**18 713**	**10 342**	**247**	**2 417**	**31 872**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**153**	**18 892**	**10 397**	**246**	**2 505**	**32 193**
of which operating segments:						
Generation	**46**	**2 349**	**3 483**	**25**	**377**	**6 280**
Renewable Energy Sources	**1**	**891**	**1 237**	**2**	**648**	**2 779**
Distribution	**90**	**14 770**	**5 441**	**169**	**1 454**	**21 924**
Other segments	**16**	**882**	**236**	**50**	**26**	**1 210**

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

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

(in PLN million)

In the 3-month period ended 31 March 2024, the Group purchased property, plant and equipment (including capitalised borrowing costs) in the amount of PLN 812 million. The major purchases were performed in connection with investment in the following operating segments:

Operating segment	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Distribution	652	563
Renewable Energy Sources	96	57
Generation	32	51
Sales	12	23

Impairment tests

As at the balance sheet date, an analysis was carried out of the changes that occurred in the first quarter of 2024 relative to the fourth quarter of 2023 in the prices of electricity, raw materials and CO_2 emission allowances, as well as the current market situation and their impact on the assumptions and long-term forecasts included in the impairment tests as at 31 December 2023.

The analysis performed indicated the continuation of a high level of market risk, decreases in electricity prices correlated with decreases in energy commodities in the 3-month period ended 31 March 2024 in relation to the average prices of the aforementioned products in the fourth quarter of 2023, in particular:

- the price of CO_2 emission allowances fell by approx. 19.6% compared to the average price in the fourth quarter of 2023, which was due, among others, to continued limited demand and increased supply in the primary market due to the short-term sale of additional allowances to finance the REPowerEU package;
- the average volume-weighted price of the reference annual natural gas contract GAS_BASE_Y-25 listed on TGE S.A. was 25.5% lower than the price in the fourth quarter of 2023. The main factors recorded in the first quarter of 2024 included temperature higher-than-seasonally normal, very high generation from wind sources and continued lower gas demand across Europe;
- the average price of coal in ARA ports for the annual continuation contract was 12.9% lower compared to the average price of this contract in the fourth quarter of 2023. Analogically to the gas market, it resulted from higher temperatures relative to seasonal norms, an increased energy production from RES and a rise in coal stocks in ARA ports, which reached 6.51 million tonnes in early 2024;
- the average price of electricity on the forward market in Poland for the BASE_Y-25 product decreased by approximately 23.7% compared to the average price of the corresponding contract quoted in the fourth quarter of 2023. This change was compliant with the decrease in energy commodity prices.

After conducting the analyses to take into account the above market and regulatory developments, it was concluded that they were consistent with the pricing assumptions calculated in the fourth quarter of 2023 and therefore do not affect substantially the need to change the long-term projections relative to the information included in the impairment tests as at 31 December 2023.

Therefore, the results of the most recent impairment tests on non-financial non-current assets carried out as at 31 December 2023 are valid. The impairment tests carried out as at 31 December 2023, including the key assumptions adopted in the scope of tests are described in Note 13 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2023.

Results of impairment tests as at 31 December 2023

The tests carried out as at 31 December 2023 showed no need to recognize impairment losses on non-financial assets due to the identified higher value in use of the CGUs compared to their carrying amount, excluding the CGU Generation-Coal.

CGU	Company	Discount rate (after tax) assumed in tests as at:		Recoverable amount	Impairment loss recognized
		31 December 2023	31 December 2022	As at 31 December 2023	Year ended 31 December 2023
CGU Generation-Coal	TAURON Wytwarzanie S.A.	11.47%	12.24%	2 620	(23)

(in PLN million)

18. Right-of-use assets

3-month period ended 31 March 2024 *(unaudited)*

	Land	Perpetual usufruct right	Buildings, premises and civil engineering structures	Plant and machinery	Motor vehicles	Transmission easements	Right-of-use assets in progress	Right-of-use assets total
COST								
Opening balance	**993**	**1 129**	**279**	**19**	**14**	**220**	**8**	**2 662**
Direct purchase	–	–	–	–	–	–	4	**4**
Transfer of right-of-use assets in progress	–	–	–	–	–	3	(3)	**–**
Increase due to a new lease contract	149	–	4	–	–	–	–	**153**
Increase(decrease) due to lease changes	44	5	19	–	–	–	–	**68**
Liquidation	(3)	–	–	–	–	–	–	**(3)**
Other movements	–	1	–	–	–	1	–	**2**
Closing balance	**1 183**	**1 135**	**302**	**19**	**14**	**224**	**9**	**2 886**
ACCUMULATED DEPRECIATION								
Opening balance	**(143)**	**(202)**	**(91)**	**(6)**	**(4)**	**(52)**	**–**	**(498)**
Depreciation for the period	(13)	(8)	(6)	(1)	(1)	(2)	–	**(31)**
Closing balance	**(156)**	**(210)**	**(97)**	**(7)**	**(5)**	**(54)**	**–**	**(529)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**850**	**927**	**188**	**13**	**10**	**168**	**8**	**2 164**
NET CARRYING AMOUNT AT THE END OF THE	**1 027**	**925**	**205**	**12**	**9**	**170**	**9**	**2 357**

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

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

19. Goodwill

Operating segment	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Distribution	26	26
Total	**26**	**26**

(in PLN million)

20. Energy certificates of origin and CO_2 emission allowances

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

	3-month period ended 31 March 2024 *(unaudited)*			3-month period ended 31 March 2023 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**16**	**8**	**24**	**42**	**13**	**55**
Direct purchase	8	–	**8**	–	–	–
Reclassification	(12)	(8)	**(20)**	(42)	(13)	**(55)**
Closing balance	**12**	–	**12**	–	–	–

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

	3-month period ended 31 March 2024 *(unaudited)*			3-month period ended 31 March 2023 *(unaudited)*		
	Energy certificates	CO_2 emission allowances	Total	Energy certificates	CO_2 emission allowances	Total
Opening balance	**107**	**595**	**702**	**245**	**352**	**597**
Direct purchase	40	482	**522**	161	1 427	**1 588**
Generated internally	16	–	**16**	72	–	**72**
Surrendered	–	(119)	**(119)**	(196)	(756)	**(952)**
Reclassification	12	8	**20**	42	13	**55**
Closing balance	**175**	**966**	**1 141**	**324**	**1 036**	**1 360**

21. Other intangible assets

3-month period ended 31 March 2024 *(unaudited)*

	Development expenses	Software, concessions, patents, licenses and similar items	Other intangible assets	Intangible assets not made available for use	Intangible assets total
COST					
Opening balance	**18**	**1 499**	**283**	**75**	**1 875**
Direct purchase	–	–	–	17	**17**
Transfer of intangible assets not made available for use	–	16	2	(18)	**–**
Sale/Liquidation	–	(72)	–	–	**(72)**
Closing balance	**18**	**1 443**	**285**	**74**	**1 820**
ACCUMULATED AMORTIZATION					
Opening balance	**(11)**	**(873)**	**(143)**	**–**	**(1 027)**
Amortization for the period	(1)	(47)	(4)	–	**(52)**
Sale/Liquidation	–	72	–	–	**72**
Closing balance	**(12)**	**(848)**	**(147)**	**–**	**(1 007)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**7**	**626**	**140**	**75**	**848**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**6**	**595**	**138**	**74**	**813**

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

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

(in PLN million)

22. Shares in joint ventures

	As at 31 March 2024 or for the 3-month period ended 31 March 2024 *(unaudited)*			As at 31 December 2023 or for the 3-month period ended 31 March 2023 *(unaudited)*		
	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	Total	Elektrociepłownia Stalowa Wola S.A.	TAMEH HOLDING Sp. z o.o. *	Total
Non-current assets	1 644	1 201	**2 845**	1 657	1 209	**2 866**
Current assets, including:	309	686	**995**	287	874	**1 161**
cash and cash equivalents	*26*	*166*	***192***	*88*	*182*	***270***
Non-current liabilities (-), including:	(1 993)	(195)	**(2 188)**	(1 972)	(271)	**(2 243)**
debt	*(1 987)*	*(31)*	***(2 018)***	*(1 966)*	*(32)*	***(1 998)***
Current liabilities (-), including:	(593)	(1 229)	**(1 822)**	(565)	(1 392)	**(1 957)**
debt	*(121)*	*(321)*	***(442)***	*(108)*	*(368)*	***(476)***
Total net assets	**(633)**	**463**	**(170)**	**(593)**	**420**	**(173)**
Share in net assets (50%)	(317)	232	**(85)**	(297)	210	**(87)**
Investment in joint ventures	**–**	**191**	**191**	**–**	**169**	**169**
Sales revenue	406	611	**1 017**	300	1 281	**1 581**
Net profit (loss), including:	(37)	28	**(9)**	(51)	54	**3**
Depreciation	*(15)*	*(28)*	***(43)***	*(16)*	*(40)*	***(56)***
Allowance/write-down receivables	–	*(32)*	***(32)***	–	–	**–**
Interest income	*1*	*1*	***2***	*1*	*1*	***2***
Interest expenses	*(40)*	*(9)*	***(49)***	*(44)*	*(14)*	***(58)***
Income tax	–	*(9)*	***(9)***	–	*(14)*	***(14)***
Share in profit/(loss) of joint ventures	–	14	**14**	–	27	**27**

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

Elektrociepłownia Stalowa Wola S.A.

Elektrociepłownia Stalowa Wola S.A. is a special purpose vehicle established in 2010 on the initiative of TAURON Polska Energia S.A. and PGNiG S.A. (currently Orlen S.A.), through which the partners implemented an investment consisting in the construction of a natural gas-fired CCGT unit in Stalowa Wola with a gross electric capacity of 450 MWe and a net thermal capacity of 240 MWt. On 30 September 2020, Elektrociepłownia Stalowa Wola was commissioned.

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

In addition, the Company has receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. in the carrying amount of PLN 368 million, as further discussed in Note 23 to these interim condensed consolidated financial statements.

On 25 July 2023, an agreement to the letter of intent concluded in August 2021 was signed, the intention of which is to confirm the strive to continue the discussions planned in the letter of intent regarding a potential transaction for the sale by the TAURON Group to the Orlen Group of its equity share in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A.

TAMEH HOLDING Sp. z o.o. and subsidiaries

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

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

On 14 December 2023, an insolvency petition was filed by TAMEH Czech s.r.o. with the competent Court in Ostrava. On 22 December 2023, the Company became aware that the Ostrava District Court had issued a decision on 19 December

(in PLN million)

2023 declaring TAMEH Czech s.r.o. insolvent. The filing of the insolvency petition by TAMEH Czech s.r.o. was due to the failure of Liberty Ostrava a.s., which is the sole customer of TAMEH Czech s.r.o., to pay its debts to the company.

On 2 January 2024, the Company's Representative, in the presence of the bailiff recording the act of service, left at the registered office of the ArcelorMittal Group's lead shareholder, i.e. AM Global Holding S.à r.l. with its registered office in the Grand Duchy of Luxembourg (the "Lead Shareholder") a declaration that the Company had accepted the Lead Shareholder's offer to purchase 3 293 403 shares in TAMEH Holding Sp. z o.o, which is a joint venture between the Company and the ArcelorMittal Group, for the amount of PLN 598 million (the "Sale Price"), pursuant to the shareholders' agreement between TAURON Group companies and ArcelorMittal Group companies concluded on 11 August 2014 (the "Shareholders' Agreement"). In the Shareholders' Agreement, the parties submitted irrevocable offers to each other to buy and sell shares in TAMEH HOLDING Sp. z o.o. and each party had the right to accept the irrevocable purchase offer made by the other party in the situations and under the conditions set out in the Shareholders' Agreement. The declaration was submitted in connection with the materialisation on 31 December 2023 of one of the prerequisites indicated in the Shareholders' Agreement, which authorises the Company to take advantage of the purchase offer made to it in the Shareholders' Agreement. Pursuant to the Shareholders' Agreement, the transfer of ownership of the shares shall take place when the bank account designated by the Company is credited with an amount equal to the Sale Price, which shall take place no later than the 30th business day following the acceptance of the offer by the Company, i.e. from the date of submission of the Declaration to the Lead Shareholder.

On 4 January 2024, the Company received a message sent on behalf of the Lead Shareholder indicating that the Lead Shareholder challenges the effectiveness of the delivery of the Company's statement accepting the Lead Partner's offer to purchase the shares in TAMEH HOLDING Sp. z o.o.

On 9 January 2024, the Company received a letter from the Lead Shareholder, which the Lead Shareholder believes is intended to be a statement of acceptance of the Company's offer to purchase all of the shares in TAMEH HOLDING Sp. z o.o. owned by the ArcelorMittal group companies for the amount of PLN 598 million.

On 12 January 2024, the Company sent a letter to the Lead Partner accepting the entry into negotiations as set out in the Shareholders' Agreement.

As at the balance sheet date, the Group measured its shares in TAMEH HOLDING Sp. z o.o. using the equity method, at a level of PLN 191 million. The Group has tested its exposure in TAMEH HOLDING Sp. z o.o. for impairment as at 31 December 2023. As at the balance sheet date, the Group assessed the impairment tests performed as at 31 December 2023 to be valid, as further described in note 17 of these interim condensed consolidated financial statements. The Group does not identify the need for an impairment loss at the balance sheet date, due to the fact that the recoverable amount of the exposure in TAMEH HOLDING Sp. z o.o., as estimated by impairment testing, exceeded its carrying amount.

In the Group's opinion, as at the balance sheet date, the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued operations* for the classification of the Company's shares in TAMEH HOLDING Sp. z o.o. as disposable assets classified as held for sale have not been met.

As at the balance sheet date, the Company holds receivables from TAMEH HOLDING Sp. z o.o. in the amount of PLN 32 million on account of dividends declared for payment in 2023. Based on its analyses, the Group has assessed that these receivables are long-term as at the balance sheet date.

After the balance sheet date, on 18 April 2024, the Company received from TAMEH HOLDING Sp. z o.o. an order of 15 April 2024 of the Ostrava District Court approving the reorganisation of TAMEH Czech s.r.o. The Court's order was issued following a vote of the creditors of TAMEH Czech s.r.o. and is compliant with the motion submitted by the management of TAMEH Czech s.r.o.

23. Loans to joint ventures

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

	As at 31 March 2024 *(unaudited)*		As at 31 December 2023		Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Carrying amount	Repayable principal amount and interest contractually accrued	Carrying amount		
Loans granted to EC Stalowa Wola S.A.	737	368	726	357	30.06.2033	fixed
Total, of which:	**737**	**368**	**726**	**357**		
Non-current		368		357		

(in PLN million)

24. Derivatives and hedge accounting

Instrument	Methodology for determining the fair value	Status as at 31 March 2024 (*unaudited*)
Derivatives subject to hedge accounting		
IRS	The difference in discounted interest cash flows based on a floating interest rate and a fixed interest rate. The data input is the interest rate curve from the Refinitiv service.	IRS (Interest Rate Swap) instruments are used to hedge a portion of the interest rate risk on the cash flows associated with the exposure to WIBOR 6M designated under the dynamic risk management strategy, i.e: • interest on a loan with a nominal value of PLN 750 million, for periods commencing, respectively from July 2020 and expiring in December 2024; • interest on bonds and a loan with a total nominal value of PLN 2 920 million, for periods beginning in December 2019 expiring successively until 2029. In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a floating interest rate in PLN.
Derivatives measured at a fair value through the profit and loss other than subject to hedge accounting		
CCIRS	The difference in the discounted interest cash flows of the stream paid and the stream received, in two different currencies, expressed in the valuation currency. The input data are interest rate curves, basis spreads and the NBP fixing for the relevant currencies from the Refinitiv service.	CCIRS (Coupon Only Cross Currency Swap fixed-fixed) derivatives involve an exchange of interest payments on the total notional amount of EUR 500 million. The transaction matures in July 2027. In accordance with the terms of the transaction, the Company pays interest accrued based on a fixed interest rate in PLN, while receiving payments at a fixed interest rate in EUR. CCIRS derivatives aimed at securing the currency flows generated by interest payments on Eurobonds issued.
Commodity forward/futures	The fair value of forward transactions for the purchase and sale of CO_2 emission allowances, electricity and other commodities is determined based on prices quoted in an active market or based on cash flows representing the difference between the price reference index (forward curve) and the contract price.	Commodity derivatives (futures, forward) comprise forward transactions for the purchase and sale of CO_2 emission allowances and other commodities.
Currency forward	The difference in discounted future cash flows between the forward price as at the valuation date and the transaction price, multiplied by the nominal value of the contract in foreign currency. The input date comprise the NBP fixing and the interest rate curve implied from the FX swap transaction for the relevant currency from the Refinitiv service.	FX forward derivatives comprise forward transactions aimed to hedge currency flows generated from operations.

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

	As at 31 March 2024 (*unaudited*)				As at 31 December 2023			
	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments
	Assets	Liabilities			Assets	Liabilities		
Derivatives subject to hedge accounting								
IRS	**314**	**–**	49	265	**299**	**–**	28	271
Derivatives measured at fair value through profit or loss								
CCIRS	**–**	**(12)**	(12)	–	**–**	**(9)**	(9)	–
Commodity forwards/futures	**302**	**(302)**	–	–	**125**	**(125)**	–	–
Currency forwards	**–**	**(719)**	(719)	–	**–**	**(679)**	(679)	–
Total	**616**	**(1 033)**			**424**	**(813)**		
Non-current	206	(216)			149	(169)		
Current	410	(817)			275	(644)		

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

(in PLN million)

25. Other financial assets

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Receivables due to recompensation	1 345	1 919
Shares	225	225
Deposits and term deposits for Mining Decommissioning Fund	4	3
Other financial receivables, including:	172	580
Bid bonds, deposits and collateral transferred	124	531
Dividends due	32	32
Other	16	17
Total	**1 746**	**2 727**
Non-current	273	278
Current	1 473	2 449

Recompensation receivables mainly relate to:

- recompensations of the companies of the Sales segment with regard to the supply of electricity for 2023 and the 3-month period ended 31 March 2024 in the total amount of PLN 970 million,
- recompensations of the company of the Distribution segment with regard to the sale of the distribution service for 2023 and for the 3-month period ended 31 March 2024 in the amount of PLN 336 million,

vested in the above companies under the regulations that established the recompensation scheme, as further described in note 9 of these interim condensed consolidated financial statements.

The decline in the amount of deposits, security deposits, collaterals transferred is mainly related to the partial return of the cash deposit in the amount of PLN 325 million transferred by the Company to Bank Gospodarstwa Krajowego (“BGK”) to secure BGK's receivables under the loan agreement concluded on 8 March 2018 between the borrower, Elektrociepłownia Stalowa Wola S.A. and BGK and ORLEN S.A. (formerly: PGNiG S.A.), in connection with the recognition by BGK of a bank guarantee issued at the Company's request up to PLN 300 million (note 51). As at 31 March 2024 and 31 December 2023, the amount of the deposit paid as security for the loan agreement amounted to PLN 42 million and PLN 346 million, respectively. The Company recognised a write-down for expected credit losses due to the deposit transferred, the value of which as at 31 March 2024 and 31 December 2023 amounted to PLN 1 million and PLN 14 million, respectively.

26. Other non-financial assets

26.1. Other non-current non-financial assets

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Prepayments for assets under construction and intangible assets, including:	690	615
related to the construction of wind farms and photovoltaics	*662*	*587*
Receivable due to correction of the Write-off for the Price Difference Payment Fund	35	35
Contract acquisition costs and costs of discounts	32	32
Prepayments for debt charges	9	8
Property and tort insurance	2	2
Other	14	15
Total	**782**	**707**

26.2. Other current non-financial assets

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Advances for deliveries, including:	243	127
related to coal supplies	*236*	*123*
Costs settled over time, including:	72	67
Contract acquisition costs and costs of discounts	*34*	*31*
Property and tort insurance	*14*	*18*
IT and telecom services	*10*	*12*
Other, including:	82	13
Transfers made to the Social Benefit Fund	*69*	–
Total	**397**	**207**

(in PLN million)

27. Deferred income tax

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Deferred tax liabilities		
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	2 080	2 019
different timing of recognition of sales revenue and cost of sale for tax purposes	796	964
difference between tax base and carrying amount of financial assets	214	139
difference between tax base and carrying amount of energy certificates	6	7
other	22	37
Total	**3 118**	**3 166**
Deferred tax assets		
provisions and accruals	1 134	945
difference between tax base and carrying amount of financial assets and financial liabilities	705	608
different timing of recognition of sales revenue and cost of sales for tax purposes	505	863
difference between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	470	493
tax losses	2	54
power infrastructure received free of charge and received connection fees	5	6
other	57	58
Total	**2 878**	**3 027**
Deferred tax assets not recognized	(315)	(314)
Recognized deferred tax assets	**2 563**	**2 713**
After setting off balances at the level of individual Group companies, deferred tax for the Group is presented as:		
Deferred tax asset	**835**	**759**
Deferred tax liability	**(1 390)**	**(1 212)**

As at 31 March 2024 and 31 December 2023, the deferred tax assets and deferred tax liabilities of the companies that constitute the Tax Capital Group from 2023 onwards have been offset, due to the fact that these companies file a joint tax return from 2023 onwards.

The Group assesses the enforceability of deferred tax assets at each balance sheet date. As a result of the assessment performed as at the balance sheet date, deferred tax assets in the amount of PLN 315 million were not recognised, mainly with regard to the companies in the Generation and Sales segment.

28. Inventories

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Gross value		
Coal	1 156	1 375
CO_2 emission allowances	94	11
Other inventories	305	298
Total	**1 555**	**1 684**
Revaluation to fair value		
CO_2 emission allowances	1	–
Measurement to net realisable value		
Coal	(126)	(176)
Other inventories	(26)	(25)
Total	**(151)**	**(201)**
Fair value		
CO_2 emission allowances	21	–
Net realisable value		
Coal	1 030	1 199
CO_2 emission allowances	74	11
Other inventories	279	273
Total	**1 404**	**1 483**

(in PLN million)

As at the balance sheet day, the revaluation write-down on the value of coal fuel stocks in TAURON Wytwarzanie S.A. (Generation Segment) amounts to PLN 126 million.

In the 3-month period ended 31 March 2024 the Group:

- partially utilized in amount of PLN 94 million, the revaluation write-down created as at 31 December 2023, due to the consumption of coal stocks for production,
- updated the write-down as at the balance sheet date of 31 March 2024, increasing it by PLN 44 million, which increased the Group's operating expenses.

The allowance was calculated taking into account the allocation of coal stocks to the individual locations of TAURON Wytwarzanie S.A.'s generating units. The recognition of the write-down is a consequence of market situation, i.e. a significant decline in market prices of coal fuel in late 2023 and early 2024. In the context of the above-mentioned price drop, the Group assessed that, in the case of some of TAURON Wytwarzanie S.A. generating units, the value of coal fuel stocks exceeded the sale prices attainable for electricity generated from these stocks, which translated into the need to apply the revaluation write-down on the value of coal stocks purchased by the Group as part of the contracting process carried out in 2022-2023. With regard to the above-mentioned units, the write-down of coal fuel stocks has been calculated to their replacement cost based on current market prices for coal, including transportation costs, at the balance sheet date.

With regard to the generating units, in relation to which the Group assumes the production of electricity only under the operator's extortion, bearing in mind that, in accordance with the regulations in force, such production assumes that the cost of coal fuel is covered, the Group does not write down coal, except in the event of deviations from the assumed production plan.

29. Receivables from customers

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Gross value		
Receivables from buyers, of which:	4 398	5 324
Additional assessment of revenue from sales of electricity and distribution services	*1 678*	*2 120*
Receivables claimed at court	284	265
Total	**4 682**	**5 589**
Allowance/write-down		
Receivables from buyers	(75)	(82)
Receivables claimed at court	(178)	(166)
Total	**(253)**	**(248)**
Net value		
Receivables from buyers	4 323	5 242
Receivables claimed at court	106	99
Total, of which:	**4 429**	**5 341**
Current	4 429	5 341

30. Receivables arising from other taxes and charges

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
VAT receivables	467	793
Other	1	1
Total	**468**	**794**

(in PLN million)

31. Cash and cash equivalents

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Cash and cash equivalents presented in the statement of financial position, of which:	**1 106**	**1 084**
restricted cash, including:	257	392
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*152*	*217*
cash on VAT bank accounts (split payment)	*102*	*172*
bank accounts related to subsidies received	*2*	*2*
Collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	(11)	(20)
Cash pool	(15)	(15)
Foreign exchange	(1)	(1)
Cash and cash equivalents presented in the statement of cash flows	**1 079**	**1 048**

32. Equity

32.1. Share capital

Share capital as at 31 March 2024 *(unaudited)*

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

Shareholding structure as at 31 March 2024 and as at 31 December 2023 *(to the best of the Company knowledge)*

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

As at 31 March 2024, to the best of the Company knowledge, the value of share capital, the number of shares, the nominal value of shares and the shareholding structure, have not changed as compared to the status as at 31 December 2023.

After the balance sheet date, on 10 May 2024, the Company received a notification from Helikon Investments Limited based in London, according to which the financial instruments held by Helikon Long Short Equity Fund Master ICAV ("Helikon") on 9 May 2024 reached a number corresponding to over 5% of the votes in the total number of votes in the Company, i.e. 5.0012% of the total number of votes in the Company. According to the received notification, as of 9 May 2024, Helikon had financial instruments in total entitling to 7.2876% of the total number of votes in the Company, of which:

- 5.0012% of the total number of votes in the Company (87 648 415 votes) concerned financial instruments other than shares (cash settled equity swaps),
- 2.2864% of the total number of votes (40 071 012 votes) concerned the Company's shares.

32.2. Shareholder rights

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

(in PLN million)

32.3. Supplementary capital

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Amounts from distribution of prior years profits	3 076	3 076
Total reserve capital	**3 076**	**3 076**

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

32.4. Revaluation reserve from the measurement of hedging instruments

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Opening balance	**218**	**450**
Remeasurement of hedging instruments	(7)	(90)
Deferred income tax	1	17
Closing balance	**212**	**377**

The revaluation reserve from measurement of hedging instruments results from the measurement of Interest Rate Swap (IRS) instruments hedging the interest rate risk due to debt, which is discussed in more detail in Note 24 to these interim condensed consolidated financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 31 March 2024, the Group recognised the amount of PLN 212 million of the revaluation reserve from the measurement of hedging instruments. This amount represents an asset on account of the measurement of IRS instruments as at the balance sheet day in the amount of PLN 314 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

32.5. Retained earnings and restrictions on dividends

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

As at 31 March 2024 and as at the date these interim condensed consolidated financial statements were authorised for publications, there are no other restrictions concerning the payment of dividends.

32.6. Non-controlling interests

The non-controlling interests amounting to PLN 38 million as at balance sheet day, relate mainly to TAURON Dystrybucja S.A.

33. Dividends paid and proposed for disbursement

In the 3-month period ended 31 March 2024 and in the comparative period, the Company did not propose payment or paid any dividends to the shareholders of the Company.

After the balance sheet date, on 16 April 2024, the Management Board of the Company decided to recommend to the Ordinary General Meeting of the Company to cover the net loss for the financial year 2023 in the amount of PLN 638 million from the Company's supplementary capital.

34. Debt liabilities

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023 *(restated figures)*
Loans and borrowings	8 298	9 203
Unsubordinated bonds	4 876	4 854
Subordinated bonds	1 937	1 918
Lease liabilities	1 602	1 440
Total	**16 713**	**17 415**
Non-current	14 002	15 317
Current	2 711	2 098

(in PLN million)

34.1. Credits and loans

Loans and borrowings drawn as at 31 March 2024 *(unaudited)*

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	7 100	7 100	17	1 629	368	757	2 012	2 317
	fixed	1 094	1 094	20	555	65	66	75	313
Total PLN		**8 194**	**8 194**	**37**	**2 184**	**433**	**823**	**2 087**	**2 630**
Total			**8 194**	**37**	**2 184**	**433**	**823**	**2 087**	**2 630**
Interest increasing carrying amount			104						
Total			**8 298**						

Loans and borrowings as at 31 December 2023

Currency	Interest rate	Value of loans and borrowings as at the balance sheet date		of which maturing within (after the balance sheet date):					
		currency	PLN	less than 3 months	3-12 months	1-2 years	2-3 years	3-5 years	over 5 years
PLN	floating	7 972	7 972	15	1 600	167	914	2 908	2 368
	fixed	1 134	1 134	39	60	579	79	81	296
Total PLN		**9 106**	**9 106**	**54**	**1 660**	**746**	**993**	**2 989**	**2 664**
Total			**9 106**	**54**	**1 660**	**746**	**993**	**2 989**	**2 664**
Interest increasing carrying amount			97						
Total			**9 203**						

Specification of credits and loans drawn as at 31 March 2024 (unaudited) and as at 31 December 2023

Borrowing institution	Interest rate	Currency	Maturity date	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Consortiums of banks	floating	PLN	2024 *	1 692	2 567
Bank Gospodarstwa Krajowego	floating	PLN	2024	750	749
			2024-2033	1 018	1 001
European Investment Bank	fixed	PLN	2024	41	61
			2024-2027	88	103
			2025-2040	410	404
	floating		2025-2040	1 214	1 222
			2026-2041	1 204	1 226
Intesa Sanpaolo S.p.A.	floating	PLN	2024	757	772
SMBC BANK EU AG	fixed	PLN	2025	500	500
Erste Group Bank AG	floating	PLN	2026	511	506
Regional Fund for Environmental Protection and Water Management	floating	PLN	2024-2027	10	10
National Fund for Environmental Protection and Water Management	fixed	PLN	2024-2030	66	67
	floating	PLN	2024-2037	22	–
Other loans and borrowings				15	15
Total				**8 298**	**9 203**

** Tranches classified as non-current liability.*
As at the balance sheet date, the Company has available loan agreements concluded in 2020 and 2022 with consortiums of banks, where the drawdown period of individual loan tranches may be lower than 12 months, however, the financing is revolving and the term of availability exceeds 12 months from the balance sheet date. Due to the ability to maintain financing under the aforementioned agreements over a period exceeding 12 months from the balance sheet date, the drawdowns are classified as non-current liabilities.

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

• PLN 4 000 million by 2027 - financing used as at the balance sheet date: PLN 1 500 million;

• PLN 500 million by 2026 - financing used as at the balance sheet date: PLN 160 million.

(in PLN million)

In the period of three months ended 31 March 2024, the Group performed the following transactions relating to loans and borrowings (at a nominal value), excluding overdraft facilities:

Borrowing institution	3-month period ended 31 March 2024 *(unaudited)*	
	Drawdown	Repayment
Consortiums of banks	150	(1 050)
European Investment Bank	–	(35)
Other borrowings	22	(1)
Total, including:	**172**	**(1 086)**
Cash flows	172	(1 086)

After the balance-sheet date, the Company made repayments of tranches within available loans in the total amount of PLN 2 050 million.

Signing of the loan agreement

On 10 January 2024, the Company concluded a loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million, to be repaid in the years 2027-2032. Under the agreement, the Company will be able to make drawdowns in a 2-year availability period and the loan can be disbursed in tranches over the availability period until 10 January 2026. Until the date of approval of these interim condensed consolidated financial statements for publication, the loan has not been disbursed.

Overdraft facilities

The Company has available funding limits under overdraft agreements:

- up to the amount of PLN 500 million with a maturity date of 2 October 2024, and
- up to the amount of EUR 4 million with a maturity date of 31 December 2024.

As at the balance sheet day, the Company did not have any debt due to overdraft facilities.

34.2. Bonds issued

Issuer	Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Redemption date	Carrying amount	
						As at 31 March 2024 *(unaudited)*	As at 31 December 2023
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	500	2024-2028	510	501
				420	2024-2029	429	421
	A series bonds (TPE 1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 028	1 011
	Eurobonds	fixed	EUR	500	2027	2 182	2 192
Finanse Grupa TAURON Sp. z `o.o.	International investors	fixed	EUR	168	2029	727	729
Unsubordinated bonds						**4 876**	**4 854**
TAURON Polska Energia S.A.	Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031[2]	411	401
	European Investment Bank	fixed[1]	EUR	190	2034[2]	773	775
			PLN	400	2030[2]	402	396
			PLN	350	2030[2]	351	346
Subordinated bonds						**1 937**	**1 918**
Total bonds						**6 813**	**6 772**

[1] In the case of hybrid (subordinated) bonds subscribed for by the European Investment Bank, two financing periods are distinguished. In the first period, the interest rate is fixed, while in the second period the interest rate is variable based on the base rate (EURIBOR/WIBOR) plus a fixed margin.
[2] In the case of subordinated bonds, the maturity date shall take into account two financing periods. The maturity dates presented in the table above are the final terms of redemption according to agreement, after two period of financing. Measurement of bonds as at the balance sheet day includes earlier redemption, in connection with the intended redemption of bonds after the termination of first period of financing (in 2024, 2025 and 2026).

The Company additionally holds financing available under the subordinated bond issue scheme which was concluded in 2021 with Bank Gospodarstwa Krajowego up to the amount of PLN 450 million and was not used by the Company. On 6 March 2024, the Company concluded an annex to the aforementioned agreement extending the period allowing for the issue of subordinated bonds to 39 months from the date the documentation was signed, i.e. from 11 March 2021.

(in PLN million)

34.3. Debt agreement covenants

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

As at 31 December 2023 (i.e. the last reporting period for which the Company was required to calculate the covenant), the *net debt/EBITDA ratio* amounted to 2.11, accordingly, the covenant was fulfilled.

34.4. Lease liability

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

Ageing of the lease liability

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Within 1 year	134	122
Within 1 to 5 years	481	434
Within 5 to 10 years	532	472
Within 10 to 20 years	968	813
More than 20 years	950	831
Gross lease liabilities	**3 065**	**2 672**
Discount	(1 463)	(1 232)
Present value of lease payments	**1 602**	**1 440**
Lease agreements that do not meet the conditions for recognition as a finance lease as defined in the financing agreements	1 602	1 440

35. Provisions for employee benefits

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Provision for post-employment benefits and jubilee bonuses	736	743
Provision for employment termination benefits and other provisions for employee benefits	18	11
Total	**754**	**754**
Non-current	672	650
Current	82	104

Provisions for post-employment benefits and jubilee bonuses

	3-month period ended 31 March 2024 *(unaudited)*				3-month period ended 31 March 2023 *(unaudited)*			
	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total	Provision for retirement, disability and similar benefits	Social Fund	Jubilee bonuses	Provisions total
Opening balance	**313**	**166**	**264**	**743**	**252**	**88**	**232**	**572**
Current service costs	4	1	4	**9**	3	1	3	**7**
Actuarial gains and losses	(4)	–	(4)	**(8)**	(2)	–	(3)	**(5)**
Benefits paid	(10)	(1)	(6)	**(17)**	(10)	(2)	(6)	**(18)**
Interest expense	3	2	4	**9**	4	1	4	**9**
Closing balance	**306**	**168**	**262**	**736**	**247**	**88**	**230**	**565**
Non-current	273	162	229	**664**	219	83	198	**500**
Current	33	6	33	**72**	28	5	32	**65**

(in PLN million)

Revaluation of provision for employees' benefits

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

The valuation of provisions for employee benefits as at 31 March 2024 was prepared based on actuarial projections. The assumptions used by the actuary to prepare the 2024 forecast were the same as those used to measure the provisions as at 31 December 2023.

The main assumptions adopted by the actuary as at 31 December 2023 for calculation of the liability amount are as follows:

	31 December 2023
Discount rate (%)	5.2%
Projected long-term inflation rate (%)	3.50%
Employee turnover ratio (%)	0.5% - 9.2%
Expected rate of remuneration growth (%)	6.5% in 2024, 4.0% in 2025, 2.5% in the following years
Expected rate of increase in the value of the allowance for the Company Social Benefits Fund (ZFŚS) (%)	6.3%
Remaining average period of employment	8.05 – 14.58

36. Provisions for the costs of dismantling fixed assets and reclaiming land

	3-month period ended 31 March 2024 *(unaudited)*			3-month period ended 31 March 2023 *(unaudited)*		
	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total	Provision for mine decommissioning costs	Provision for land restoration and dismantling and removal of fixed assets	Provisions total
Opening balance	**9**	**210**	**219**	**4**	**139**	**143**
Unwinding of the discount	–	3	**3**	–	2	**2**
Utilisation	–	–	**–**	–	(2)	**(2)**
Closing balance	**9**	**213**	**222**	**4**	**139**	**143**
Non-current	9	187	**196**	4	125	**129**
Current	–	26	**26**	–	14	**14**

In the consolidated statement of financial position, in the position *Provisions for the costs of dismantling fixed assets and reclaiming land,* the Group reports the long-term portion of provisions for the costs of dismantling fixed assets and reclaiming land, including the long-term portion of other provisions.

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Provisions for disassembly of fixed assets, land restoration	196	194
Other provisions	12	15
Total in statement in financial position	**208**	**209**

36.1. Provision for mine decommissioning costs

The provision as at the balance sheet date is created in relation to the open pit mining plant in Kopalnia Wapienia Czatkowice Sp. z o.o based on estimated costs of liquidating facilities and reclaiming land to the original condition compliant with the reclamation decision after the completion of the exploitation process.

36.2. Provision for restoration of land and dismantling and removal of fixed assets

Within the provision for reclamation and dismantling costs and decommissioning of fixed assets, the Group recognises the following provisions created by companies in the Generation and Renewable energy sources segments the balance of which as at 31 March 2024 amounted to:

- the provision for costs related to the dismantling of wind farms and photovoltaic farms - PLN 144 million;
- the provision for costs of liquidation of fixed assets - PLN 47 million;
- the provision for costs related to reclamation of ash dumps - PLN 22 million.

(in PLN million)

37. Provisions for liabilities due to energy certificates and CO_2 emission allowances

	3-month period ended 31 March 2024 *(unaudited)*			3-month period ended 31 March 2023 *(unaudited)*		
	Provisions for liabilities due to CO_2 emission allowances	Provision for obligation to submit energy certificates	Provisions total	Provisions for liabilities due to CO_2 emission allowances	Provision for obligation to submit energy certificates	Provisions total
Opening balance	**3 439**	**305**	**3 744**	**3 128**	**564**	**3 692**
Recognition	860	81	**941**	1 052	190	**1 242**
Reversal	(25)	(5)	**(30)**	–	(2)	**(2)**
Utilisation	(119)	–	**(119)**	(756)	(196)	**(952)**
Closing balance	**4 155**	**381**	**4 536**	**3 424**	**556**	**3 980**

38. Other provisions

	3-month period ended 31 March 2024 *(unaudited)*					3-month period ended 31 March 2023 *(unaudited)*			
	Provision for use of real estate without contract	Provision for onerous contracts	Provision for payment reducing for customers	Provision for counterparty claims, court dispute and other	Provisions total	Provision for use of real estate without contract	Provision for onerous contracts	Provision for counterparty claims, court dispute and other	Provisions total
Opening balance	**75**	**35**	**574**	**149**	**833**	**75**	**200**	**126**	**401**
Recognition/(reversal), net	–	–	(103)	1	**(102)**	–	(13)	6	**(7)**
Utilisation	–	(9)	(343)	(4)	**(356)**	–	(48)	(6)	**(54)**
Other changes	–	–	–	1	**1**	–	–	–	**–**
Closing balance	**75**	**26**	**128**	**147**	**376**	**75**	**139**	**126**	**340**
Non-current	–	–	–	12	**12**	–	5	21	**26**
Current	75	26	128	135	**364**	75	134	105	**314**

In the consolidated statement of financial position, under *Other provisions*, the Group reports the short-term portion of other provisions, including the short-term portion of provisions for the costs of dismantling fixed assets and land reclamation.

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Other provisions	364	818
Provisions for disassembly of fixed assets, land restoration	26	25
Total in statement of financial position	**390**	**843**

38.1. The provision for non-contractual use of real estate

The Group companies create provisions for all claims filed by owners of properties on which distribution networks and heat installations are located. As at 31 March 2024, the provision on this account amounted to PLN 75 million and was related to the segments:

- Generation - PLN 38 million;
- Distribution - PLN 37 million.

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

(in PLN million)

38.2. Provisions for onerous contracts

	3-month period ended 31 March 2024 (unaudited)		3-month period ended 31 March 2023 (unaudited)		
	Sales Segment		Generation segment	Sales Segment	
	Provision for contracts for the sale of electricity to selected group of clients	Provisions for onerous contracts, total	Provision for energy sales contracts on the forward market	Provision for contracts for the sale of electricity to selected group of clients	Provisions for onerous contracts, total
Opening balance	**35**	**35**	**91**	**109**	**200**
Reversal	–	**–**	(13)	–	**(13)**
Utilisation	(9)	**(9)**	(23)	(25)	**(48)**
Closing balance	**26**	**26**	**55**	**84**	**139**
Non-current	–	**–**	–	5	**5**
Current	26	**26**	55	79	**134**

As at the date of 31 March 2024, the Group recognises the provision for onerous contracts in the amount of PLN 26 million in the Sales segment. The provisions were created for electricity sales contracts, where the sales revenues generated do not fully cover the costs incurred for either producing or purchasing the electricity required to fulfil these contracts. The provision mostly refers to prosumer customers under the net-metering system, i.e. billed according to a model that binds the so-called obliged seller to cover the costs of distribution charges for energy consumed by the prosumer from the so-called virtual storage. The need to create a provision related to the aforementioned customers results from the failure of the companies in the Sales segment to cover the costs of the above distribution charges with the value of electricity received free of charge from prosumers in connection with the regulations introduced under this system. In the 3-month period ended 31 March 2024, the Group used the provision in the amount of PLN 9 million in connection with the execution of contracts.

38.3. Provision for reducing payments to customers

As at 31 March 2024, the balance of the provision for payment reductions to customers amounts to PLN 128 million. This provision was originally recognised in 2023 in the Sales segment in the amount of PLN 574 million for the effects of the reduction of customers' liabilities to energy companies, due to the entry into force of the Regulation of the Minister of Climate and Environment of 9 September 2023 *amending the Regulation on the method of shaping and calculating tariffs and the method of settlements in electricity trading* (the "Regulation"). The Regulation introduced a mechanism to reduce the amount of households' liabilities to energy enterprises conducting the economic activity in the scope of electricity trading in the 2023 settlements. Pursuant to the Regulation, the amount of annual payments of households that met one of the conditions set out in the Regulation is reduced by PLN 125.34 on account of the purchase of electricity in 2023.

In the 3-month period ended 31 March 2024, in connection with the commencement, starting from January 2024, of the issuance by the companies of the Sales segment, together with the last settlement invoice for 2023, of credit notes to eligible customers in the amount of PLN 125.34, the Group partially used the provision of PLN 343 million.

In addition, the Group partially released the provision of PLN 103 million in the 3-month period ended 31 March 2024. The reversal is related to the effects of the individual interpretations of tax law regulation issued for TAURON Sprzedaż Sp.z o.o. and TAURON Sprzedaż GZE Sp. z o.o. on 27 February 2024, pursuant to which the amount of PLN 125.34 is a gross amount, and therefore includes the amount of VAT; consequently, any settlement of the amount of PLN 125.34 will result a reduction in the amount of VAT due on the electricity sales transactions performed. The right to deduct output VAT in accordance with the above interpretations translates into the reduction in the Group's costs resulting from the Regulation in 2024.

(in PLN million)

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

Material provisions recognised within other provisions are described below:

Operating segment	Description	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Provision for real estate tax			
Generation	Provision for the economic risk in the scope of real estate tax relating to assets constituting the railway infrastructure.	14	14
Distribution	Provision for the economic risk in the scope of real estate tax relating to power grid assets.	30	30
Provision for the increase in remuneration for transmission easements			
Distribution	The provision relates to the risk of increased periodic charges for transmission easements for energy infrastructure located in the territory of forest districts in connection with a change in the character of land from forest land to land associated with business activities. In the 3-month period ended 31 March 2024, the company from the Distribution segment used the provision in the amount of PLN 2 million.	8	10
Provision for reimbursement of undue benefit			
Distribution	The provision relates to the risk arising from the judgement of the Regional Court in Wrocław of 19 June 2023 in a case for the reimbursement by a company in the Distribution segment of an undue benefit resulting from distribution service fees incurred by the counterparty.	21	21

39. Accruals, deferred income and government subsidies

39.1. Deferred income and government grants

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Deferred income	**100**	**229**
Received advance payments for recompensations	–	141
Donations, subsidies received for the purchase or fixed assets received free-of-charge	76	78
Other	24	10
Government grants	**569**	**566**
Subsidies obtained from EU funds	494	492
Measurement payoff of preferential loans	42	41
Forgiven loans from environmental funds	21	22
Other	12	11
Total	**669**	**795**
Non-current	606	606
Current	63	189

In the 3-month period ended 31 March 2024, the companies in the Sales and Distribution segment fully settled the regulatory compensation advances received for electricity trading and distribution, as described in more detail in note 9 of these interim condensed consolidated financial statements.

39.2. Accrued expenses

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Accrued expenses due to bonuses	111	81
Unused holidays	77	43
Environmental protection charges	5	13
Other	43	26
Total	**236**	**163**
Non-current	1	1
Current	235	162

(in PLN million)

40. Liabilities to suppliers

Operating segment	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Generation	389	790
Renewable Energy Sources	18	23
Distribution, including:	680	621
liability to Polskie Sieci Elektroenergetyczne S.A.	*574*	*491*
Sales	353	544
Other	89	110
Total	**1 529**	**2 088**

41. Investment liabilities

Operating segment	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Generation	22	99
Renewable Energy Sources	46	45
Distribution	258	265
Sales	5	25
Other	229	273
Total	**560**	**707**
Non-current	141	152
Current	419	555

Commitments to incur investment expenditure

As at 31 March 2024 and as at 31 December 2023, the Group committed to incur expenditure of PLN 5 135 million and PLN 4 239 million, respectively, on property, plant and equipment and intangible assets, the key items of which are shown in the table below.

Operating segment	Agreement/investment project	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Distribution	Construction of new electrical connections	3 227	1 867
	Modernization and reconstruction of existing networks	386	742
Renewable Energy Sources	Construction of wind farms	448	663
	Construction of the photovoltaic farms	386	241
Generation	Expansion of heat sources in new capacities	77	74

42. Settlements due to income tax

In the 3-month period ended 31 March 2024 and in the comparable period, TAURON Polska Energia S.A. and selected subsidiaries accounted for income tax within the Tax Capital Group. TAURON Wytwarzanie S.A. is not part of the Tax Capital Group.

As at 31 March 2024, Group companies had income tax receivables totalling PLN 110 million, of which PLN 100 million relates to the Tax Capital Group and is due to the overpayment of income tax for 2023.

As at 31 March 2024, income tax liabilities amounted to PLN 69 million, of which PLN 45 million relates to the settlement of income tax by TAURON Wytwarzanie S.A. for the first quarter of 2024.

(in PLN million)

43. Liabilities arising from other taxes and charges

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
VAT	451	743
Social security	210	207
Personal Income Tax	47	58
Other	18	22
Total	**726**	**1 030**

44. Other financial liabilities

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Wages, salaries	135	225
Bid bonds, deposits and collateral received	74	83
Compensation liabilities	1	278
Other	76	86
Total	**286**	**672**
Non-current	35	32
Current	251	640

45. Other current non-financial liabilities

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Payments from customers relating to future periods	**1 164**	**1 049**
Amounts overpaid by customers	695	603
Prepayments for connection fees	354	334
Other	115	112
Other current non-financial liabilities	**247**	**330**
Allowance for Price Difference Payment Fund	155	330
Surplus of ZFŚS liabilities over assets	92	–
Total	**1 411**	**1 379**

Liabilities for write-downs to the Price Difference Payment Fund (the "Fund") relate to write-down costs recognised by Group companies in 2023 for which the payment date falls after the balance sheet date.

(in PLN million)

EXPLANATORY NOTES TO THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

46.1. Cash flows from operating activities

Change in working capital

	3-month period ended 31 March 2024 (unaudited)	3-month period ended 31 March 2023 (unaudited)
Change in receivables	**1 894**	**(4 706)**
Change in receivables from buyers in statement of financial position	912	(2 393)
Change in receivables due to recompensation	574	(2 264)
Change in other financial receivables	408	(49)
Change in inventories	**71**	**(593)**
Change in inventories in statement of financial position	79	(591)
Adjustment related to transfer of inventories to/from property, plant and equipment	(8)	(2)
Change in payables excluding loans and borrowings	**(1 247)**	**450**
Change in liabilities to suppliers in statement of financial position	(559)	(17)
Change in payroll, social security and other financial liabilities	(386)	(120)
Change in non-financial liabilities in statement of financial position	32	477
Change in liabilities arising from taxes excluding income tax	(304)	150
Adjustment of VAT change related to capital commitments	(33)	(52)
Adjustment of other financial liabilities for guarantee valuation	2	9
Other adjustments	1	3
Change in other non-current and current assets	**(291)**	**(289)**
Change in other current and non-current non-financial assets in statement of financial position	(265)	301
Change in receivables arising from taxes excluding income tax	326	110
Change in non-current and current CO2 emission allowances	(363)	(671)
Change in non-current and current energy certificates	(64)	(37)
Change in advance payments for property, plant and equipment and intangible assets	75	7
Other adjustments	–	1
Change in deferred income, government grants and accruals	**(78)**	**1 945**
Change in deferred income, government grants and accruals in statement of financial position	(53)	2 005
Adjustment related to property, plant and equipment, intangible assets and right-of-use assets received free of charge	(14)	(54)
Adjustment related to subsidies received and refunded	(10)	(6)
Other adjustments	(1)	–
Change in provisions	**340**	**227**
Change of short term and long term provisions in statement of financial position	338	227
Adjustment related to actuarial gains/losses from provisions for post-employment benefits charged to other comprehensive income	4	2
Other adjustments	(2)	(2)
Change of collaterals transferred to IRGiT	**9**	**382**
Total	**698**	**(2 584)**

Income tax paid

In the 3-month period ended 31 March 2024 and in the comparable period TAURON Polska Energia S.A. and selected subsidiaries accounted for income tax within the Tax Capital Group registered on 28 December 2022 for 2023-2025 by the Head of the First Tax Office for the Mazowieckie Province in Warsaw. TAURON Wytwarzanie S.A. is not part of the Tax Capital Group.

In the 3-month period ended 31 March 2024, income tax paid, recognised in the interim condensed consolidated statement of cash flows amounted to PLN 53 million. Group companies paid PLN 62 million on account of income tax settlements for the 3-month period ended 31 March 2024, of which the most significant amount of PLN 50 million was paid by TAURON Wytwarzanie S.A. on account of advance payments for income tax for the months of January and February 2024. In addition, Group companies paid tax for previous years in the amount of PLN 3 million and received tax refunds for previous years in the amount of PLN 12 million.

In the 3-month period ended 31 March 2023, income tax paid by Group companies amounted to PLN 234 million, of which the most significant amount of PLN 166 million was paid by the subsidiary, TAURON Wytwarzanie S.A. on account of advances for income tax for the months of January and February 2023.

(in PLN million)

46.2. Cash flows from investment activities

Purchase of tangible fixed assets and intangible assets

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Purchase of property, plant and equipment	(805)	(672)
Purchase of intangible assets	(17)	(27)
Change in the balance of capital commitments	(116)	(237)
Change in the balance of advance payments	(72)	(7)
Costs of overhaul and internal manufacturing	(16)	(64)
Other	(5)	(7)
Total	**(1 031)**	**(1 014)**

46.3. Cash flows from financial activities

Repayment of loans and borrowings

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Repayment by the Company of tranches of loans to the Consortiums of banks	(1 050)	(1 690)
Repayment by the Company of the loan installments to the European Investment Bank	(35)	(35)
Other	(1)	(1)
Total	**(1 086)**	**(1 726)**

Interest paid

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Interest paid in relation to loans and borrowings	(115)	(79)
Interest paid in relation to the lease	(4)	(4)
Total	**(119)**	**(83)**
constituting investing expense	(13)	(4)
constituting financing expense	(106)	(79)

The Group presents costs of external financing incurred activated in the current period on assets as expenditures for acquisition of property, plant and equipment and intangible assets in cash flows from investment activities. In the 3-month period ended 31 March 2024, interest paid representing external financing costs subject to capitalization in the value of fixed assets and intangible assets amounted to PLN 13 million, whereas in the comparative period, it amounted to PLN 4 million.

Proceeds from contracted loans and borrowings

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
The launch of financing by the Company under loan agreements:		
Banks Consortiums	150	1 600
European Investment Bank	–	1 200
Bank Gospodarstwa Krajowego	–	750
Other	22	–
Total	**172**	**3 550**

(in PLN million)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

47. Financial instruments

Categories and classes of financial assets	As at 31 March 2024 *(unaudited)*		As at 31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**5 930**		**7 820**	
Receivables from buyers	4 429	4 429	5 341	5 341
Deposits	4	4	3	3
Receivables due to recompensation	1 345	1 345	1 919	1 919
Other financial receivables	152	152	557	557
2 Financial assets measured at fair value through profit or loss (FVTPL)	**2 021**		**1 814**	
Derivative instruments	302	302	125	125
Shares	225	225	225	225
Loans granted	368	368	357	357
Other financial receivables	20	20	23	23
Cash and cash equivalents	1 106	1 106	1 084	1 084
3 Derivative hedging instruments	**314**	**314**	**299**	**299**
4 Financial assets excluded from the scope of IFRS 9 Financial Instruments	**191**		**169**	
Investments in joint ventures	191		169	
Total financial assets, of which in the statement of financial position:	**8 456**		**10 102**	
Non-current assets	**1 038**		**953**	
Investments in joint ventures	191		169	
Loans granted to joint ventures	368		357	
Derivative instruments	206		149	
Other financial assets	273		278	
Current assets	**7 418**		**9 149**	
Receivables from buyers	4 429		5 341	
Derivative instruments	410		275	
Other financial assets	1 473		2 449	
Cash and cash equivalents	1 106		1 084	

(in PLN million)

Categories and classes of financial liabilities	As at 31 March 2024 *(unaudited)*		As at 31 December 2023 *(restated figures)*	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**17 486**		**19 442**	
Preferential loans and borrowings	71	71	73	73
Arm's length loans and borrowings	8 227	8 231	9 130	9 142
Bonds issued	6 813	6 614	6 772	6 590
Liabilities to suppliers	1 533	1 533	2 092	2 092
Other financial liabilities	142	142	424	424
Capital commitments	560	560	707	707
Salaries and wages	135	135	225	225
Insurance contracts	5	5	19	19
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**1 033**		**813**	
Derivative instruments	1 033	1 033	813	813
3 Financial liabilities excluded from the scope of IFRS 9 Finanical Instruments	**1 603**		**1 441**	
Liabilities under leases	1 603		1 441	
Total financial liabilities, of which in the statement of financial position:	**20 122**		**21 696**	
Non-current liabilities	**14 394**		**15 670**	
Debt	14 002		15 317	
Derivative instruments	216		169	
Capital commitments	141		152	
Other financial liabilities	35		32	
Current liabilities	**5 728**		**6 026**	
Debt	2 711		2 098	
Liabilities to suppliers	1 529		2 088	
Capital commitments	419		555	
Derivative instruments	817		644	
Other financial liabilities	251		640	
Liabilities associated with assets classified as held for sale	1		1	

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

Classes of financial assets/liabilities	Level of the fair value hierarchy	Methodology for determining the fair value
	Financial assets/liabilities measured at a fair value	
Derivatives, including:		Financial derivatives are described in more detail in Note 24 to these interim condensed consolidated financial statements.
IRS and CCIRS	2	
Forward FX contracts	2	
Commodity contracts (forward, futures)	1	
Stocks and shares	3	As a general rule, the Group estimates the fair value of its shareholdings in companies not quoted in active markets using the adjusted net asset method, taking into account its share of net assets and adjusting the value for material valuation factors such as discounts for lack of control and discounts for limited liquidity of the above instruments. The Group may reasonably accept historical cost as an acceptable approximation of the fair value of shares where, in the Group's opinion, the key factors affecting the value of the shares have not changed at the balance sheet date from the time of initial recognition.
Loans granted	3	The measurement of the fair value of the loans granted to the joint venture was performed as the present value of future cash flows, which take into account an estimate of the cash flows that will be generated by the borrower in the future. The discount rate is based on the cost of equity expected for the borrower's business profile.
	Financial liabilities for which the fair value is disclosed	
Credits, loans and bonds issued	2	Fixed interest rate debt liabilities were measured at a fair value. The fair value measurement was made as the present value of future cash flows discounted by the currently applicable interest rate for the bonds or loans concerned, i.e. using market interest rates.

The fair value of other financial instruments as at 31 March 2024 and 31 December 2023 (except from those excluded from the scope of IFRS 9 *Financial Instruments*) did not differ considerably from the amounts presented in the financial statements for the following reasons:

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

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

48. Objectives and principles of financial risk management

The objectives and principles of financial risk management have not changed compared to 31 December 2023.

As at 31 March 2024, the parent company had hedging transactions covered by the financial risk management policy concluded with the purpose of hedging the interest flows associated with debt. For the transactions concluded, the parent company applies hedge accounting. The accounting recognition of the hedging transactions described above is further described in Note 24 to these interim condensed consolidated financial statements.

49. Finance and capital management

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

OTHER INFORMATION

50. Contingent liabilities

Claims related to termination of long-term contracts

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

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

As at the date of approval of these interim condensed consolidated financial statements for publication, the amount of damages claimed in the lawsuits amounts to: Polenergia Group companies - PLN 136 million (including Amon Sp. z o.o. - PLN 90 million, Talia Sp. z o.o.- PLN 46 million); Wind Invest group companies - PLN 574 million.

In the case filed by Amon Sp. z o.o. and Talia Sp. z o.o., partial and preliminary judgements were issued (judgement of 25 July 2019 in the Amon Sp. z o.o. lawsuit and judgement of 6 March 2020, supplemented by the court on 8 September 2020 in the Talia Sp. o.o. lawsuit), in which the courts determined that the statements of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. on termination of long-term agreements concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. and those concluded between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. and Talia Sp. z o.o. for the purchase of electricity and property rights resulting from certificates of origin are ineffective and do not produce legal effect in the form of termination of both agreements, as a result of which the agreements after the notice period, i.e. after 30 April 2015, remain in force in respect of all provisions and are binding on the parties. Moreover, the courts also recognised the claims of Amon Sp. z o.o. and Talia Sp. z o.o. for payment of damages justified as to the merits, without, however, prejudging the amount of potential damages. Polska Energia Pierwsza Kompania Handlowa sp. z o.o. filed a complaint against the judgments. In both the Amon Sp. z o.o. and Talia Sp. z o.o. actions, the Courts of Appeals dismissed the appeals of the company Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. The judgements of the Courts of Appeals, and consequently the judgements issued by the courts of first instance, are final. These judgements do not award any damages from Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. to the claimants. Disagreeing with the judgements of the Courts of Appeals, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed cassation complaints in both cases. In the case brought by Talia Sp. z o.o., the Supreme Court accepted the cassation appeal for hearing on 28 February 2023. On 29 September 2023, a three-judge Supreme Court hearing was held, but no ruling was issued and the proceedings were adjourned without indicating a date. In the case brought by Amon Sp. z o.o., The Supreme Court accepted the case for hearing on 26 September 2023. Proceedings brought by Amon Sp. z o.o. was suspended at the joint request of the parties by decision of 15 May 2024.

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

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

On 28 December 2023, Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. filed a lawsuit against Talia Sp. z o.o. before the Regional Court in Warsaw for payment of a total amount of PLN 75 million with statutory interest for delay. This amount includes contractual penalties in relation to the contract for the sale of so-called green certificates, in the total amount of PLN 42 million for Talia Sp. z o.o.'s failure to transfer property rights obtained in connection with the production of electricity from June 2019 to April 2023. The amount claimed also includes contractual indemnity in respect of the electricity sales contract, in the total amount of PLN 33 million for the damage suffered due to the failure to sell electricity to Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. in the period from 21 December 2021 to 30 April 2023. The claims of Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o. are related to the non-performance of contracts by Talia Sp. z o.o. despite the final judgement of the Court of Appeals of 20 December 2021. A copy of the lawsuit has not yet been served on Talia Ltd.

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

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

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

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

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

As at the date of approval of these interim condensed consolidated financial statements for publication, the damages claimed in the lawsuits amount to: Polenergia Group companies - PLN 180 million, Wind Invest group companies - PLN 351 million.

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

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

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

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

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

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

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

Claims filed by Huta Łaziska S.A.

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

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

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

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

Case filed by ENEA S.A.

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

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

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

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

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

With regard to proceedings initiated for the imposition of fines against a company in the Sales segment concerning the fulfilment of obligations to redeem certificates of origin of energy from RES and cogeneration for 2014, for which the ERO President issued decisions imposing fines, the company created the provisions for pending proceedings in the total amount of PLN 3 million.

With regard to the proceedings initiated by the President of the Office of Competition and Consumer Protection (UOKiK) against the companies in the Sales segment for declaring the provisions of the standard agreement as prohibited in connection with the mechanism used by the companies for automatically extending the period of settlement of charges for the sale of electricity according to the price list, the companies created the provisions for the potential refund of one-off fees charged to customers for early termination of price lists and for potential costs of servicing the implementation of the provisions within the framework of binding decisions. As at 31 March 2024, the balance of the provisions amounted to PLN 1 million.

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

Non-contractual use of real estate

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

(in PLN million)

As at the balance sheet date, provisions in the amount of PLN 75 million were created for reported court disputes, which are recognised in the statement of financial position under other provisions (Note 38.1).

Communication of the President of the Energy Regulatory Office concerning the provisions of the Act on extraordinary measures to limit the level of electricity prices and support certain consumers in 2023

On 27 October 2023, the President of the Energy Regulatory Office (the "ERO President") published a communication with clarifications regarding the provisions of the Act of 27 October 2022 *on extraordinary measures to limit the level of electricity prices and support certain consumers in 2023 (the "Act on Extraordinary Measures")* in connection with the planned commencement of the control of the write-down of the Price Difference Payment Fund (the "Write-down"). In the communication, the ERO President referred in particular to the manner of determining the weighted average market price of electricity sales in the calculation of the Write-down, indicating that it should be calculated on the basis of the price from the sales contract or from the approved tariff as regards prices and rates relating to 2023, despite the application of maximum prices under the Act on Extraordinary Measures in settlements with eligible customers.

At the same time, in a subsequent announcement published on 14 December 2023, the ERO President amended the content of the previous announcement with regard to information on planned inspections, informing that inspections concerning the verification of Write-down reports submitted by obliged entities will be preceded by explanatory proceedings pursuant to Article 28 of the *Energy Law*.

The above communications imply that, in the interpretation of the President of the ERO, the calculation of the allowance for the Fund should take into account the "hypothetical" revenues that the companies of the Sales segment would obtain as a result of applying the prices resulting from the applicable tariffs, price lists and contracts in their settlements with customers, despite the fact that, in accordance with the provisions of the Act on Extraordinary Measures for eligible customers, the companies apply maximum prices. This position, in the Group's view, is not correct, as indicated by the legal analyses in the Group's possession.

In view of the foregoing, the Group has not recognised a provision for a potential dispute with the President of the ERO, considering that the probability of a dispute in this respect with the President of the ERO and the probability of losing such a dispute is lower than the probability of its resolving for the benefit of the Group.

51. Collaterals for repayment of liabilities

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

Collateral	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Declarations of submission to enforcement[1]	17 216	18 506
Bank account mandates	1 990	1 990
Corporate guarantees	1 081	1 169
Blank promissory notes	685	622
Bank guarantees	526	293
Sureties granted	511	270
Pledges on shares[2]	191	169
Other	20	32

[1] As at 31 March 2024, the item comprises collaterals relating to agreements for which, as at the balance sheet day, the liabilities were repaid in the total amount of PLN 96 million.
[2] Pledges on shares relate to registered pledges and financial pledges established by the Company on shares in the joint venture TAMEH HOLDING Sp. z o.o.

As at 31 March 2024, the major hedging items are:

- the declaration of submission to enforcement up to the maximum amount of PLN 4 800 million with the effective date to 30 November 2030, signed by the Company in connection with the conclusion of the syndicated loan agreement in the amount of PLN 4 000 million on 15 July 2022;
- corporate guarantees and sureties granted to secure the liabilities arising from contracts concluded in connection with the implementation of RES projects. As at the balance sheet date, the value of these collaterals under corporate guarantees amounts to EUR 80 million (PLN 346 million), and under sureties granted - PLN 410 million;
- the corporate guarantee granted by the Company in 2014 to secure the bonds issued by Finanse Grupa TAURON Sp. z o.o. (the so-called NSV). The guarantee shall be effective until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 million (PLN 723 million), while the beneficiaries of the guarantee are the private placement investors who purchased the bonds issued;

(in PLN million)

- a bank guarantee of up to PLN 300 million issued following the request of the Company and the surety granted up to the maximum amount of PLN 54 million to secure the receivables of BGK under the loan agreement concluded on 8 March 2018 between the borrower, Elektrociepłownia Stalowa Wola S.A. and BGK and ORLEN S.A. (formerly: PGNiG S.A.), with the effectiveness of the collaterals until 11 March 2025.

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

Type of collateral	Description
Declarations of submission to enforcement	On 15 June 2023, a declaration of submission to enforcement was signed by the Company to secure the obligations of the Company to Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") up to the amount of PLN 6 000 million, with the effective term until 30 June 2027. The liabilities of the subsidiary, TAURON Wytwarzanie S.A. to the IRGiT were secured by a declaration of submission to enforcement signed by TAURON Wytwarzanie S.A. up to the amount of PLN 2 000 million, with the effective term by 30 June 2025.
Bank guarantees	As at 31 March 2024 and 31 December 2023, bank guarantees totalling PLN 125 million and PLN 280 million, respectively, were in force. After the balance sheet date, annexes to bank guarantees and new bank guarantees were issued in favour of the IRGiT as the security for the Company liabilities. As at the date of approval of these interim condensed consolidated financial statements for publication, bank guarantees in the total amount of PLN 106 million are in force, with the validity dates falling maximum until 11 June 2024.
Agreement for setting off the margins	Pursuant to the Agreement defining the principles for the establishment of financial collateral concluded with the IRGiT, TAURON Group applies a mechanism for setting off the margins. In terms of the transactions performed, the margins required by the IRGiT are calculated against the positions offset within the Group, which translates into the reduction in the funds involved on a Group-wide basis in maintaining the collateral required by the IRGiT.
Transfer of CO_2 emission allowances	As at 31 March 2024, the Group had deposited CO_2 emission allowances in the total amount of 1 473 000 tonnes in the IRGiT account to secure the Company's obligations in respect of security deposit payments due, including CO_2 emission allowances owned by: – the Company in the amount of 368 000 tonnes and – the subsidiary, TAURON Wytwarzanie S.A. in the amount of 1 105 000 tonnes transferred under the above-described agreement defining the principles of establishing financial security for the Group and the agreement concluded between the Company and the subsidiary, TAURON Wytwarzanie S.A.

Provision of funds to cover future decommissioning costs

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

52. Related party disclosures

52.1. Transactions with joint ventures

The group has interest in the following joint ventures: Elektrociepłownia Stalowa Wola S.A. and the TAMEH HOLDING Sp. z o.o. capital group, which are further described in Note 22 to these interim condensed consolidated financial statements.

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

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Revenue	92	46
Costs	(199)	(80)

The main item of settlements with jointly-controlled companies are the loans granted to Elektrociepłownia Stalowa Wola S.A. (Note 23).

The Company also provided security for the joint ventures through a pledge over the shares of TAMEH HOLDING Sp. z o.o. as well as a bank guarantee issued at the Company's request and a cash deposit provided by the Company to secure the liability of Elektrociepłownia Stalowa Wola S.A. On account of the loan (Notes 25 and 51).

52.2. Transactions with the participation of State Treasury companies

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

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

(in PLN million)

Revenues and costs

	3-month period ended 31 March 2024 *(unaudited)*	3-month period ended 31 March 2023 *(unaudited)*
Revenue	857	1 502
Costs	(2 134)	(2 156)

Receivables and liabilities

	As at 31 March 2024 *(unaudited)*	As at 31 December 2023
Receivables*	393	665
Liabilities	825	1 042

**As at 31 March 2024 and as at 31 December 2023, the receivables item in the table above comprises advance payments for the purchase of fixed assets in the amount of PLN 2 million and PLN 5 million, respectively.*

Among the State Treasury companies, the largest customers of TAURON Polska Energia S.A. Capital Group in the 3-month period ended 31 March 2024 included: PSE S.A., KGHM Polska Miedź S.A, PGE Energetyka Kolejowa S.A. and Południowy Koncern Węglowy S.A. The largest purchase transactions were performed by the Group with PSE S.A., Południowy Koncern Węglowy S.A. and Polska Grupa Górnicza S.A.

In the 3-month period ended 31 March 2023, the Group's largest customers included: PSE S.A., ENERGA- OPERATOR S.A and Polska Grupa Górnicza S.A. The largest purchase transactions were performed by the Group with PSE S.A., Polska Grupa Górnicza S.A., Węglokoks S.A. and TAURON Wydobycie S.A. (currently Południowy Koncern Węglowy S.A.)

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

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

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

52.3. Remuneration of the executives

The level of remuneration and other benefits paid and/or due members of the Management Board, Supervisory Boards and other key management personnel of the parent company and the subsidiaries paid and due in the period of three months ended 31 March 2024 and in the comparative period is presented in the table below.

	3-month period ended 31 March 2024 *(unaudited)*		3-month period ended 31 March 2023 *(unaudited)*	
	Parent	Subsidiaries	Parent	Subsidiaries
Management Board	**2**	**8**	**1**	**6**
Short-term benefits (with surcharges)	1	6	1	6
Employment termination benefits	1	2	–	–
Supervisory Board	**–**	**1**	**–**	**1**
Short-term employee benefits (salaries and surcharges)	–	1	–	1
Other key management personnel	**4**	**15**	**3**	**13**
Short-term employee benefits (salaries and surcharges)	3	14	3	12
Other	1	1	–	1
Total	**6**	**24**	**4**	**20**

In addition, in accordance with the accounting policy adopted, the Group creates provisions for benefits due to members of the Management Board on account of termination of their management contracts and to other key executives on account of termination of their employment, which may be paid or payable in subsequent reporting periods. The table above takes into account the amounts paid and due to be paid until 31 March 2024.

In the event of termination of the management contract, the members of the Management Board of the Company shall be entitled, under the terms and conditions set out therein, to a severance payment provided that they have held office for at least twelve months prior to the termination of the management contract. Furthermore, after the termination of their service on the Company Management Board, Members of the Management Board who have served for a period of at least six months were entitled to receive a compensation for compliance with the non-competition clause.

53. Other material information

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

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

TAURON Group did not have assets located in Ukraine, Russia and Belarus, therefore, TAURON Group did not identify any direct effects of the war on its own business operations.

In the TAURON Group's assessment, the indirect consequences of the war that affected or could have affected TAURON Group in the 3-month period ended 31 March 2024 are as follows:

- extension until the first half of 2024 of national regulations aimed at limiting increases in electricity prices for end users. Mitigating actions were taken to shape draft regulations, carried out through consultations, among others, within industry organizations, in terms of adapting the commercial strategy and activities aimed at technical and operational implementation of the solutions imposed by these regulations. The impact of the most significant changes in legislation on the Group's financial position and results is described in more detail in note 9 of these interim condensed consolidated financial statements,
- observed high volatility in the costs incurred and revenues generated from the production and sale of electricity in TAURON Group, among others, as a result of the crisis observed in the energy fuel market in 2022 partly due to the occurrence of the war in the Ukrainian territory.

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

These interim condensed consolidated financial statements of TAURON Polska Energia S.A. Capital Group prepared for the period of three months ended 31 March 2024 in compliance with International Accounting Standard No. 34 comprise 57 pages.

Katowice, 22 May 2024

Grzegorz Lot - President of the Management Board

Piotr Gołębiowski - Vice President of the Management Board

Michał Orłowski - Vice President of the Management Board

Krzysztof Surma - Vice President of the Management Board

Oliwia Tokarczyk - Executive Director for Accounting and Taxes

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