TAURON Polska Energia S.A.

Financial Statements
compliant with the International Financial Reporting Standards
approved by the European Union
for the year ended 31 December 2023

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(in PLN million)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023	Year ended 31 December 2022 *(restated figures)*
Sales revenue	**12**	34 314	27 545
Cost of sales	**13**	(33 924)	(27 160)
Profit on sale		**390**	**385**
Selling and distribution expenses	**13**	(33)	(32)
Administrative expenses	**13**	(116)	(145)
Other operating income and expenses		(11)	(8)
Operating profit		**230**	**200**
Dividend income	**15**	475	1 797
Interest income on loans	**15**	947	544
Interest expense on debt	**15**	(928)	(654)
Revaluation of shares	**15**	(271)	(48)
Revaluation of loans	**15**	(760)	(1 462)
Other finance income and costs	**15**	(330)	(341)
Profit (loss) before tax		**(637)**	**36**
Income tax expense	**16**	(1)	31
Net profit (loss)		**(638)**	**67**
Measurement of hedging instruments	**30.4**	(287)	187
Income tax expense	**16**	55	(36)
Other comprehensive income subject to reclassification to profit or loss		**(232)**	**151**
Actuarial gains		–	1
Other comprehensive income not subject to reclassification to profit or loss		**–**	**1**
Other comprehensive income, net of tax		**(232)**	**152**
Total comprehensive income		**(870)**	**219**
Profit (loss) per share (in PLN):			
- basic, for net profit (loss)	**17**	(0.36)	0.04
- diluted, for net profit (loss)	**17**	(0.36)	0.04

(in PLN million)

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023	As at 31 December 2022 *(restated figures)*	As at 1 January 2022 *(restated figures)*
ASSETS				
Non-current assets				
Investment property	**18**	18	19	24
Right-of-use assets	**19**	12	13	22
Shares	**20**	15 520	15 716	20 559
Loans granted	**21**	11 273	11 172	5 936
Derivative instruments	**22**	149	390	532
Other financial assets	**23**	33	–	–
Other non-financial assets	**24**	17	19	14
Deferred tax assets	**25**	86	–	–
		27 108	**27 329**	**27 087**
Current assets				
Inventories	**26**	12	72	51
Receivables from buyers	**27**	2 490	2 240	1 912
Income tax receivables	**28**	94	79	373
Loans granted	**21**	1 138	2 368	445
Derivative instruments	**22**	292	459	465
Other financial assets	**23**	433	35	70
Other non-financial assets	**24**	3	601	54
Cash and cash equivalents	**29**	484	1 039	440
		4 946	**6 893**	**3 810**
TOTAL ASSETS		**32 054**	**34 222**	**30 897**
EQUITY AND LIABILITIES				
Equity				
Issued capital	**30.1**	8 763	8 763	8 763
Reserve capital	**30.3**	3 076	3 009	2 749
Revaluation reserve from valuation of hedging instruments	**30.4**	218	450	299
Retained earnings/(Accumulated losses)	**30.5**	(607)	98	290
		11 450	**12 320**	**12 101**
Non-current liabilities				–
Debt	**31**	13 111	14 754	9 801
Derivative instruments	**22**	169	10	116
Other financial liabilities	**32**	6	8	11
Other non-financial liabilities	**34**	–	4	113
Deferred tax liabilities	**25**	–	14	45
Provision for the onerous contract	**35**	–	28	154
Other provisions, accruals, deferred income and government grants	**36**	8	4	5
		13 294	**14 822**	**10 245**
Current liabilities				
Debt	**31**	4 421	3 316	4 669
Liabilities to suppliers	**33**	979	1 419	1 162
Liabilities arising from the purchase of shares in a subsidiary		–	–	1 061
Derivative instruments	**22**	644	331	379
Other financial liabilities	**32**	234	146	493
Other non-financial liabilities	**34**	1 005	1 593	701
Provision for the onerous contract	**35**	–	253	68
Other provisions, accruals, deferred income and government grants	**36**	27	22	18
		7 310	**7 080**	**8 551**
Total liabilities		**20 604**	**21 902**	**18 796**
TOTAL EQUITY AND LIABILITIES		**32 054**	**34 222**	**30 897**

Accounting principles (policy) and additional explanatory notes to the financial statements form an integral part thereof

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

(in PLN million)

STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital	Reserve capital	Revaluation reserve on valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total
As at 1 January 2022		**8 763**	**2 749**	**299**	**290**	**12 101**
Prior year profits' distribution		–	260	–	(260)	**–**
Transactions with shareholders		**–**	**260**	**–**	**(260)**	**–**
Net profit		–	–	–	67	**67**
Other comprehensive income		–	–	151	1	**152**
Total comprehensive income		**–**	**–**	**151**	**68**	**219**
As at 31 December 2022		**8 763**	**3 009**	**450**	**98**	**12 320**
Prior year profits' distribution	**30.6**	–	67	–	(67)	**–**
Transactions with shareholders		**–**	**67**	**–**	**(67)**	**–**
Net profit		–	–	–	(638)	**(638)**
Other comprehensive income		–	–	(232)	–	**(232)**
Total comprehensive income		**–**	**–**	**(232)**	**(638)**	**(870)**
As at 31 December 2023		**8 763**	**3 076**	**218**	**(607)**	**11 450**

(in PLN million)

STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Profit (loss) before tax		**(637)**	**36**
Depreciation and amortization		12	15
Interest and dividends		(474)	(1 717)
Revaluation of shares		271	48
Valuation of loans		760	1 462
Valuation of derivatives		587	229
Exchange differences		(324)	104
Other adjustments of profit before tax		(25)	(30)
Change in working capital	**37.1**	(636)	(255)
Income tax paid		46	(74)
Net cash from operating activities		**(420)**	**(182)**
Cash flows from investing activities			
Loans granted	**37.2**	(1 245)	(6 659)
Purchase of shares in the subsidiary		(59)	(1 061)
Purchase of other shares		(16)	(21)
Other		(2)	(1)
Total payments		**(1 322)**	**(7 742)**
Sale of shares		–	4 815
Dividends received		442	1 796
Interest received from loans granted		808	433
Repayment of loans granted		305	226
Total proceeds		**1 555**	**7 270**
Net cash used in investing activities		**233**	**(472)**
Cash flows from financing activities			
Repayment of loans	**37.3**	(6 751)	(6 061)
Interest paid	**37.3**	(747)	(515)
Redemption of debt securities		(170)	(170)
Commission paid		(7)	(32)
Repayment of lease liabilities		(10)	(10)
Total payments		**(7 685)**	**(6 788)**
Contracted loans	**37.3**	7 900	9 440
Other		6	–
Total proceeds		**7 906**	**9 440**
Net cash from financing activities		**221**	**2 652**
Net increase/(decrease) in cash and cash equivalents		**34**	**1 998**
Net foreign exchange difference		27	(26)
Cash at the beginning of the period	**29**	**(321)**	**(2 319)**
Cash at the end of the period, of which:	**29**	**(287)**	**(321)**
restricted cash	**29**	181	81

INFORMATION ON TAURON POLSKA ENERGIA S.A. AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. General Information about TAURON Polska Energia S.A.

These financial statements have been prepared by TAURON Polska Energia Spółka Akcyjna (the "Company") with its registered office in Katowice, ul. Piotra Ściegiennego 3, whose shares are publicly traded.

The company was established by a Notarial Deed on 6 December 2006 under the name Energetyka Południe S.A. On 8 January 2007, the District Court for Katowice-Wschód, 8th Commercial Department of the National Court Register, registered the Company under the KRS number 0000271562. The change of its name to TAURON Polska Energia S.A. was registered by the District Court on 16 November 2007.

The entity was assigned the statistical number, REGON 240524697 and the tax identification number, NIP 9542583988.

TAURON Polska Energia S.A. was established for an unlimited period.

The core business of TAURON Polska Energia S.A. focuses on:

- Activities of head offices and holding operations, except for financial holdings → PKD 70.10 Z,
- Sales of electricity → PKD 35.14 Z,
- Sales of coal → PKD 46.71.Z,
- Sales of gaseous fuels in a network system → PKD 35.23.Z.

TAURON Polska Energia S.A. is the parent company of the TAURON Polska Energia S.A. Capital Group. ("The Group, the TAURON Group").

The Company has prepared the financial statements covering the year ended 31 December 2023 and including comparative figures for the year ended 31 December 2022. Due to retrospective change in the presentation of items in the statement of financial position, which is described in more detail in Note 8.2 of these financial statements, the opening balance of the earliest presented period, i.e. of 1 January 2022, is also presented. These financial statements were approved for publication by the Management Board on 16 April 2024.

The Company has also prepared consolidated financial statements for the year ended 31 December 2023, which were approved for publication by the Management Board on 16 April 2024.

Composition of the Management Board

As at 1 January 2023 and as at 31 December 2023, 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.

After the balance sheet date, the Supervisory Board dismissed as of 13 February 2024:

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

At the same time, the Supervisory Board assigned, as of 14 February 2024, a member of the Supervisory Board, Ms Karolina Mucha-Kuś, to temporarily perform the activities of the President of the Management Board of the Company in the period until the date of appointment of the new President of the Management Board, but no longer than three months from the date of the assignment.

On 29 February 2024, the Company's Supervisory Board appointed, as of 7 March 2024, the following persons to the Company's Management Board of the 7th joint term of office:

(in PLN million)

- 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 the Vice President of the Management Board for Finance.

Due to the end of the 6th joint term of office of the Company's Management Board on 31 December 2023, the Supervisory Board of the Company adopted a resolution to dismiss Krzysztof Surma – Vice President of the Management Board for Finance from the Management Board of TAURON Polska Energia S.A.

As of 6 March 2024, in connection with the appointment of the above-mentioned persons to the Company's Management Board, the Supervisory Board adopted a resolution on the termination of the temporary performance of the duties of the President of the Company's Management Board by the delegated Member of the Supervisory Board – Karolina Mucha-Kuś.

As at the date of approval of these financial statements for publication, the Management Board consisted of:

- 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,

2. Shares in related parties

As at 31 December 2023, 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.[1]	Będzin	100.00%	TAURON Polska Energia S.A.
6	Energetyka Cieszyńska Sp. z o.o.[2]	Cieszyn	100.00%	TAURON Ciepło Sp. z o.o.
RENEWABLE ENERGY SOURCES				
7	TAURON Ekoenergia sp. z o.o.	Jelenia Góra	100.00%	TAURON Polska Energia S.A.
8	TEC1 Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
9	TAURON Zielona Energia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
10	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno I sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
11	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno II sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
12	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno III sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
13	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno IV sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
14	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno V sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
15	TEC1 spółka z ograniczoną odpowiedzialnością Mogilno VI sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
16	TEC1 spółka z ograniczoną odpowiedzialnością EW Śniatowo sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
17	TEC1 spółka z ograniczoną odpowiedzialnością EW Dobrzyń sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
18	TEC1 spółka z ograniczoną odpowiedzialnością EW Gołdap sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
19	TEC1 spółka z ograniczoną odpowiedzialnością Ino 1 sp.k.	Katowice	100.00%	TEC1 Sp. z o.o.
20	WIND T2 Sp. z o.o.	Postomino	100.00%	TAURON Zielona Energia Sp. z o.o.
21	“MEGAWATT S.C.” Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
22	TAURON Inwestycje Sp. z o.o.[1]	Będzin	100.00%	TAURON Polska Energia S.A.
23	WIND T4 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
24	WIND T30MW Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
25	FF Park PV 1 Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
26	Windpower Gamów Sp. z o.o.	Katowice	100.00%	TAURON Zielona Energia Sp. z o.o.
27	AE ENERGY 7 Sp. z o.o.	Kępice	100.00%	TAURON Zielona Energia Sp. z o.o.

(in PLN million)

DISTRIBUTION				
28	TAURON Dystrybucja S.A.	Kraków	99.77%	TAURON Polska Energia S.A.
29	TAURON Dystrybucja Pomiary Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
SALES				
30	TAURON Sprzedaż Sp. z o.o.	Kraków	100.00%	TAURON Polska Energia S.A.
31	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	100.00%	TAURON Polska Energia S.A.
32	TAURON Czech Energy s.r.o.	Ostrava, Czech Republic	100.00%	TAURON Polska Energia S.A.
33	TAURON Nowe Technologie S.A.	Wrocław	100.00%	TAURON Polska Energia S.A.
OTHER				
34	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	100.00%	TAURON Polska Energia S.A.
35	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	100.00%	TAURON Polska Energia S.A.
36	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	Warsaw	100.00%	TAURON Polska Energia S.A.
37	Finanse Grupa TAURON Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.
38	Bioeko Grupa TAURON Sp. z o.o.	Stalowa Wola	100.00%	TAURON Wytwarzanie S.A.
39	Usługi Grupa TAURON Sp. z o.o.	Tarnów	99.77%	TAURON Dystrybucja S.A.
40	TAURON Ubezpieczenia Sp. z o.o.	Katowice	100.00%	TAURON Polska Energia S.A.

[1] *The activities of TAURON Inwestycje Sp. z o.o. are classified in two segments: Renewable Energy Sources and Generation.*
[2] *After the balance sheet date, the incorporation of Energetyka Cieszyńska Sp. z o.o. by TAURON Ciepło Sp. z o.o. was registered on 3 January 2024.*

Incorporation of companies: AVAL-1 Sp. z o.o., Polpower Sp. z o.o. and WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o.

The incorporation of the following companies was registered on 11 April 2023: AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. On 2 October 2023, the incorporation of WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered. Until the merger date (incorporation), TAURON Ekoenergia Sp. z o.o. held 100% of the shares in the capital and in the governing body of AVAL-1 Sp. z o.o., Polpower Sp. z o.o. and WIND T1 Sp. z o.o.

Acquisition of WIND-T2 Sp. z o.o. and AE ENERGY 7 Sp. z o.o. companies by TAURON Zielona Energia Sp. z o.o.

On 5 December 2023, the subsidiary, TAURON Zielona Energia Sp. z o.o. acquired 100% of the shares in WIND T2 Sp. z o.o. On 21 December 2023, the subsidiary, TAURON Zielona Energia Sp. z o.o. acquired 100% of the shares in AE ENERGY 7 Sp. z o.o. The acquisition of the companies is aimed at implementation of the investment projects by TAURON Zielona Energia Sp. z o.o. involving the construction of a 24 MW wind farm and a 90 MW photovoltaic farm.

As at 31 December 2023, 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 2022.

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

No.	Company name	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 financial statements have been prepared in compliance with the requirements of the International Financial Reporting Standards (“IFRS”) approved by the European Union (“EU”).

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) as well as the International Financial Reporting Standards Interpretations Committee.

4. Going concern

These financial statements have been prepared with the assumption of continuation of activities by the Company 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 approval of these financial statements for publication, no circumstances had been identified which would indicate a risk to the Company’s ability to continue as a going concern.

The Company identifies and actively manages liquidity risk, understood as the possibility of losing or limiting the capacity to settle current expenses. The Company has full capacity to settle its liabilities as they become due. As at the balance sheet date, the Group has available funding under the financing agreements, which is described in Note 39.2 to these financial statements.

In the area of liquidity, financing and securing the continuity of operational activities, the Management Board, having analysed the financial position of the Company, 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

Polish zloty is the functional currency of the Company and the presentation currency of these financial statements. These financial statements are presented in the Polish zloty ("PLN") while all figures are provided in PLN million ("PLN M"), unless indicated otherwise.

6. Accounting principles (policy) and material values based on professional judgement and estimates

The significant accounting principles are presented in the notes to these financial statements.

When applying the accounting policy, the professional judgement of the management, along with accounting estimates, have been of key importance, affecting the figures disclosed in these financial statements and in the additional explanatory notes. The assumptions underlying the estimates are based on the Management Board's best knowledge of current and future actions and events in individual areas. In the period covered by these 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 hereinafter in these financial statements.

Climate issues are an integral part of the models used in the estimation process, in particular in the scope of impairment tests performed on shares of subsidiaries and valuation of loans granted to subsidiaries and joint ventures The impact of climate issues on these financial statements is presented in Note 9.

The uncertainty of estimated values carries the risk of significant adjustments to the carrying amounts of assets and liabilities. The items of the financial statements which are exposed to the risk of material adjustment of the carrying amounts of assets and liabilities, information regarding management's estimates and judgments, including key assumptions and sensitivity analyzes to changes in these assumptions have been presented in individual notes to these financial statements. The most significant estimates relate to the measurement of financial instruments, mainly the write-downs on shares in subsidiaries and intragroup loans and the fair value measurements of loans and derivatives, as discussed further in Notes 11, 21 and 22 of these financial statements.

Additionally, the Company applies significant estimates as regards the contingent liabilities recognised, in particular as regards litigation the Company is a party to (Note 41).

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

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

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

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

(in PLN million)

Standard	Description of the changes to the standards and their impact on the Company's accounting policy	Date of entry into force in the EU *(annual periods staring on or after that date)*
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, and Classification of Liabilities as Current or Non-current – Deferral of Effective Date and Non-current Liabilities with Covenants	In accordance with the amendments to IAS 1, liabilities are classified as non-current if the entity has 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. As at the balance sheet date, the Company holds financing incurred under revolving financing agreements with Consortia of banks with a carrying amount of PLN 2 567 million. As at 31 December 2023, all tranches drawn under the revolving credit agreements are classified as non-current liabilities, based on the Company's expectation in relation to their repayment term. Starting from 1 January 2024, the classification will be based on the date of financing availability, i.e. the date of validity of the contracts, which falls in 2026-2027, therefore, in accordance with the amendments to IAS 1, the above liabilities will continue to be classified as long-term liabilities. Moreover, as at the balance sheet date, the Company has liabilities under hybrid bonds covering two financing periods. As at 31 December 2023, the liability due to issued hybrid bonds subscribed by the European Investment Bank with a carrying amount of PLN 775 million is classified as short-term due to the redemption intention after the first financing period, i.e. in December 2024. Redemption after the first financing period was included from the outset in the liability valuation models as the best estimate of flows in accordance with the financing terms, also taking into account the possibility of early repayment. The Company believes that the application of the amendments to IAS 1 will affect the classification of the above liabilities, because the classification will depend on the maturity date of the bonds in accordance with the terms of the issue, regardless of their planned redemption in December 2024. From January 2024, the Company will classify these bonds as long-term.	1 January 2024
Amendments to IFRS 16 Leases: Liability in a Sale and Leaseback	The amendments to IFRS 16 concern the method of measuring liabilities arising from sale-leaseback transactions. The implemented changes require the seller-lessee to measure the lease liability arising from a sale-leaseback in such a way as not to recognize any amount of gain or loss related to the right of use retained by the seller-lessee. In particular, this means recognizing that in the case of sale-leaseback, the obligation to pay variable leasing fees meets the definition of a leasing liability. As at the balance sheet date, the Company is not a party to sale-leaseback arrangements and does not identify any material impact of the amendments to IFRS 16 on its existing accounting policy.	1 January 2024

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

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

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
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016*
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 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 IFRS 14 Regulatory Deferral Accounts.*

The effective dates are the dates resulting from the content of the standards announced by the International Accounting Standards Board. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

(in PLN million)

8. Changes in accounting policies applied and changes in presentation

The accounting principles (policy) adopted for the preparation of these financial statements are consistent with those used for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2022, except for the application of the standards and amendments to the standards mentioned in Note 8.1. The Company restated the comparative data due to a change in the presentation, as described in Note 8.2.

8.1. Application of new standards and amendments to standards

Standard	Description of the changes and their impact on the Company's accounting policy and financial statements	Date of entry into force in the EU *(annual periods starting on or after that date)*
IFRS 17 *Insurance Contracts;* Amendments to IFRS 17 *Insurance Contracts:* Initial Application of IFRS 17 Insurance Contracts Amendments to IFRS 9 *Financial Instruments* - Comparative Information	IFRS 17 defines insurance contracts as contracts under which one party (the insurer) assumes significant insurance risk from another party (the insured) by accepting the compensation of the insured for the adverse effect of a specified uncertain future event. The standard applies to all types of insurance contracts, irrespective of the nature of the business of the entity that concludes them, as well as to certain guarantees and financial instruments with discretionary profit share. At the same time, the standard provides for a number of exemptions from the application of IFRS 17 in relation to, among other things, insurance contracts under which the entity acts as the policyholder and financial guarantee contracts. Amendments to IFRS 17 and amendments to IFRS 9 were introduced in order to increase the relevance of the comparative information presented on first-time adoption of IFRS 17 and IFRS 9. The scope of this amendment comprises financial assets related to insurance liabilities that have not yet been restated in accordance with IFRS 9. The Company has carried out an analysis, as a result of which it has assessed that its contracts do not meet the definition of insurance contracts under IFRS 17 or are subject to exemptions under the standard.	1 January 2023
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting Policies*	The amendments to IAS 1 are intended to enhance the relevance of the presented disclosures related to the accounting principles (policy) by replacing the requirement for entities to disclose significant accounting policies with a requirement to disclose material accounting principles and adding guidance on how entities apply the materiality principle when making decisions concerning the disclosure of accounting principles (policy). The Company performed an analysis of its accounting policy disclosures, based on which it adjusted the disclosures to the extent necessary to comply with the revised requirements of IAS 1, in particular with regard to expanding the disclosures concerning the Company's most significant transactions in the reporting period and eliminating information that is not material to the decisions of users of the financial statements.	1 January 2023
Amendments to IAS 8 *Accounting policies, changes in accounting estimates and errors: Change in accounting estimates*	The amendments in IAS 8 clarify the distinction between changes in estimates and changes in accounting principles (policy) and corrections of errors and clarify how entities apply valuation techniques and use inputs to determine estimates. The amendment is aimed at clarification and has no material impact on the Company's accounting policies and these financial statements.	1 January 2023
Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The amendments to IAS 12 have limited the scope of the initial recognition of assets and liabilities exception in IAS 12 so that it no longer applies to transactions that give rise to equal positive and negative temporary differences. The amendment has no impact on the Company's accounting policies and these financial statements. The Company recognised a deferred tax asset and liability each time a temporary difference was generated (in particular in respect of temporary differences arising from the initial recognition of a lease liability and the right to use assets) and did not make use of the exception for initial recognition.	1 January 2023

(in PLN million)

Amendments to IAS 12 *Income Taxes: International Tax Reform - Pillar Two Model Rules*	Amendments to IAS 12 require, among others: disclosure of information on current tax burdens related to income taxes under Pillar Two of the BEPS 2.0 Directive (concerning global minimum taxation). The list of legislative works includes a draft act on equalization taxation of entities belonging to international and domestic groups, which assumes the introduction of a global minimum tax. The act is to be adopted by the Council of Ministers in the third quarter of 2024 year. The global minimum tax is a solution that is intended to prevent tax avoidance by the largest international companies (annual turnover of EUR 750 million) by transferring income to jurisdictions with low tax rates. According to the project, the largest groups of companies, both international and domestic, will have to check every year whether their effective level of income taxation in individual jurisdictions is not lower than 15%. As at the date of approval for publication of these financial statements, the Pillar Two Model Rules have not been implemented in Poland. The Company will analyze the impact of changes to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules after the introduction of the Pillar Two Model Rules in Poland.	1 January 2023

8.2. Restatement of comparable data

Change in the presentation of electricity purchase and sale transactions to subsidiaries TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o.

With effect from the interim condensed financial statements for the 6-month period ended 30 June 2023, within the statement of financial position and statement of comprehensive income the Company has changed the presentation of the effects of the settlement transaction related to sales of electricity from renewable sources and co-generation to subsidiaries, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. The change in presentation consists of recognising the effects of transactions in the financial statements on a net basis, instead of the previous presentation in a staggered array, and does not affect the profit and loss of the Company.

During the year, the Company sells electricity without source assignment and issues invoices to TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o. Under the agreements concluded between the Company and TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o., at the end of the financial year the companies settle and invoice the electricity supplied by the Company during the year from renewable sources and from co-generation with simultaneous repurchase of the same volume of electricity previously supplied by the Company from the above companies and invoiced as electricity without assigning the source of origin.

As part of the settlement of the transaction in question, as at 31 December 2022, the Company recognised revenue and receivable from the sale of renewable and cogeneration electricity and expenses and liabilities for the repurchase of electricity without an assigned source of its origin.

The Company has changed the presentation of the comparable data:

- in the statement of financial position as at 31 December 2022 and on 1 January 2022, due to the legal title held as well as the intention to settle the agreement in question on a net basis, it offset the above-mentioned receivable and liability of PLN 1 830 million and PLN 583 million, respectively and recognising them on a net basis,
- in the statement of comprehensive income for the year ended 31 December 2022, due to the nature of the settlement in question, it offset income and expenses in the amount of PLN 1 789 million relating to the settlement of energy sales volumes for 2022 in the amount of PLN 1 830 million and adjusted the final settlement of energy sales volumes for 2021 in the amount of PLN 41 million.

(in PLN million)

	Year ended 31 December 2022 *(approved figures)*	Change of the presentation of settlement of electricity sales	Year ended 31 December 2022 *(restated figures)*
Sales revenue	29 334	(1 789)	27 545
Cost of sales	(28 949)	1 789	(27 160)
Profit on sale	**385**	**–**	**385**
Operating profit	**200**	**–**	**200**
Profit before tax	**36**	**–**	**36**
Net profit	**67**	**–**	**67**
Total comprehensive income	**219**	**–**	**219**

	As at 31 December 2022 *(approved figures)*	Change of the presentation of settlement of electricity sales	As at 31 December 2022 *(restated figures)*
ASSETS			
Non-current assets	**27 329**	**–**	**27 329**
Receivables from buyers	4 070	(1 830)	2 240
Current assets	**8 723**	**(1 830)**	**6 893**
TOTAL ASSETS	**36 052**	**(1 830)**	**34 222**
EQUITY AND LIABILITIES			
Equity	**12 320**	**–**	**12 320**
Non-current liabilities	**14 822**	**–**	**14 822**
Liabilities to suppliers	3 249	(1 830)	1 419
Current liabilities	**8 910**	**(1 830)**	**7 080**
Total liabilities	**23 732**	**(1 830)**	**21 902**
TOTAL EQUITY AND LIABILITIES	**36 052**	**(1 830)**	**34 222**

	As at 1 January 2022 *(approved figures)*	Change of the presentation of settlement of electricity sales	As at 1 January 2022 *(restated figures)*
ASSETS			
Non-current assets	**27 087**	**–**	**27 087**
Receivables from buyers	2 495	(583)	1 912
Current assets	**4 393**	**(583)**	**3 810**
TOTAL ASSETS	**31 480**	**(583)**	**30 897**
EQUITY AND LIABILITIES			
Equity	**12 101**	**–**	**12 101**
Non-current liabilities	**10 245**	**–**	**10 245**
Liabilities to suppliers	1 745	(583)	1 162
Current liabilities	**9 134**	**(583)**	**8 551**
Total liabilities	**19 379**	**(583)**	**18 796**
TOTAL EQUITY AND LIABILITIES	**31 480**	**(583)**	**30 897**

9. Climate change and its impact on the accounting principles applied

Continuing climate change and the resulting changes in the business environment have an increasing impact on the operations of TAURON Polska Energia S.A. and TAURON Group. In particular, it should be noted that combating climate change translates into a changing legal environment, including EU and national legislation gradually increasing environmental protection requirements imposed on enterprises. The above changes translate into an increase in operating costs, particularly in the area of electricity generation from conventional sources, affected in particular by rising prices of CO_2 emission allowances. Climate change issues also have an increasing impact on the ability of entities to raise funding for their operations, as well as on their ability to attract new customers and investors. The impact of climate change on the Group's operations also includes the occurrence of atmospheric phenomena and changing weather conditions and their impact on the ability to generate revenues and the ability to generate economic benefits through the assets owned by the Group. Customer attitudes and expectations are also changing, which has an impact on the products and services offered by the Company and the Group.

(in PLN million)

TAURON Polska Energia S.A., as the parent company of TAURON Group, holding shares in subsidiaries in the electricity sector, including companies engaged in the generation of electricity from conventional sources, and providing financing to these companies, is exposed to risks and is a beneficiary of emerging opportunities related to changes in the Company's environment as a consequence of climate change and the measures taken to counteract it, particularly through its impact on the measurement of the Company's exposure to subsidiaries.

Bearing in mind the challenges and risks generated for the Group by the changing market environment, in 2022, the *TAURON Group Strategy for the years 2022-2030 with an outlook until 2050* (the "Strategy") was adopted by the Management Board of the Company. The strategy responds to the challenges resulting from the current and projected situation in the market and the electricity sector, in particular related to the transformation of the power industry and new solutions supporting this transformation. One of the three priorities underlying the Group Strategy is sustainable operations, assuming the transition of the Group towards climate neutrality and reducing emissions and achieving climate neutrality by 2050. The Group's activities are focused on increasing the installed capacity in renewable energy and maintaining capacity volumes and improving hydroelectric power efficiency as well as withdrawal from coal-fired power generation and transforming district heating towards low- and zero-emission sources. The currently implemented Strategy and business model of the TAURON Group are consistent with the provisions of the Paris Agreement, which assumes limiting the average global temperature to below 2ºC compared to the level in pre-industrial times and striving to not exceed the temperature by more than 1.5ºC.

Impact of climate issues on values based on professional judgement and estimates

The climate issues affect the estimates and assumptions adopted in the Company's estimation process and the professional judgement of the management, translating into the figures reported in these financial statements. The climate issues represent an integral component of the models used in the estimation process and the assumptions made about the future. The impact of climate issues on values based on professional judgement and estimates is described in Note 6 and in the individual notes to these financial statements.

The Company believes that climate issues had the most significant impact on the financial statements for the year ended 31 December 2023 in the following scope.

Issue	Note	Description of impact
Impact of climate protection issues on the impairment tests performed on shares and the measurement of loans granted	11	The Company took into account, as part of the assumptions underlying the estimation of future cash flows in the impairment tests performed, current as well as planned regulatory changes aimed at achieving the climate targets set by the European Union, including in particular the "REPowerEU" package and those included in the "FIT for 55" package: the reform of the EU ETS allowance trading market and the reform of the Market Stability Reserve. Moreover, Directive (EU) 2023/2413 of the European Parliament and of the Council on the promotion of energy from renewable sources, assuming a gradual increase in the share of renewable energy in the European Union in the heating and cooling sector by 2030, and Directive (EU) 2023/1791 of the European Parliament and of the Council on energy efficiency, obliging Member States to achieve certain levels of energy savings by 2030, entered into force in 2023. The regulatory changes aimed at climate protection taken into account as part of the testing assumptions translated, in particular, into the estimated levels of electricity prices, CO_2 emission allowances and coal, as well as the assumptions adopted regarding the volumes and structure of energy production by the Group's generating units. The assumptions adopted in the scope of impairment testing, including those relating to climate issues, are described in detail in Note 11 of these financial statements.

(in PLN million)

Implementation of investment in the RES area and changes in mix sources of generation	2 21.1	The Group implements, in the framework of the TAURON Green Turn announced in 2019 and the Strategy adopted in 2022, investment projects aimed at the sustainable transformation of the Group towards climate neutrality. In the year ended 31 December 2023, the Group commissioned the first phase of the Mysłowice-Dziećkowice photovoltaic farm with a capacity of 37 MW, completed by the subsidiary, TAURON Inwestycje Sp. z o.o. Moreover, the Group was constructing wind farms during the year ended 31 December 2023: • Mierzyn with a capacity of 58.5 MW (within the MEGAWATT S.C. Sp. z o.o.), • Warblewo with a capacity of 30 MW (as part of WIND T30MW sp. z o.o.), • Nowa Brzeźnica with a capacity of 19.6 MW (as part of Wind T4 sp. z o.o.), • Gamów with a capacity of 33 MW (as part of Windpower Gamów Sp. z o.o.), and the construction of the Proszówek photovoltaic farm (within FF PARK PV 1 Sp. z o.o.) with a capacity of 55 MW. In December 2023, TAURON Zielona Energia Sp. z o.o. acquired 100% of shares in Wind T2 Sp. z o.o., under which construction of the Sieradz wind farm with a capacity of 23.8 MW will be carried out, and 100% of shares in AE Energy 7 Sp. z o.o., under which the construction of the Postomino photovoltaic farm with a capacity of 90 MW will be carried out. The second phase of the 65 MW Mysłowice-Dziećkowice photovoltaic farm and the implementation of the 54 MW Bałków photovoltaic farm was also launched. The investment projects described above are generally implemented by the Company's subsidiaries. TAURON Polska Energia S.A., as the parent company, provides financing in the form of loans granted to subsidiaries for the purpose of implementation of these investments. In the year ended 31 December 2023, an increase was recorded in the value of loans granted to companies in the Renewable Energy Sources segment for the implementation of investment projects in the form of construction of wind farms and photovoltaic farms. The Group aims to reduce greenhouse gas emissions as one of the intermediate targets in combating climate change, by investing in low- and zero-carbon energy sources, but also by permanently shutting down depleted conventional units or spinning them off from the TAURON Group. At the end of 2022, the Group sold the 100% shares of TAURON Wydobycie S.A. (formarly: Południowy Koncern Węglowy), what resulted in end of operations in the Mining segment. In 2023, work was performed at the Company up to implement the governmental programme of transformation of the Polish energy sector (the "NABE Programme"), which aimed to spin off coal assets from state-owned power companies and reduce the share of conventional power generation capacity in the Group's fuel mix. By the balance sheet date, the conditions precedent for the conclusion of a preliminary agreement for the sale of TAURON Wytwarzanie S.A. shares to the State Treasury had not been met. On 20 February 2024, the Management Board of the Company adopted a resolution on the closure of the Company's programme to spin off the TAURON Group's coal generation assets to NABE.
Funding for the purpose of investment aimed at mitigating the negative impact of the Group's activities on climate	31	The Company raises finance with the aim of investing funds to mitigate the negative impact of the TAURON Group's activities on the climate. Under the terms of some of the agreements, the Company is obliged to carry out the types of investment indicated (including the construction of new renewable energy sources), or to meet certain sustainability indicators depicting an increase in the level of energy generation from renewable sources or reduction in the Group's carbon footprint, the performance of which it confirms through the relevant reports submitted to financial institutions, and the accuracy of the calculations of the sustainability indicators is confirmed by an independent external auditor. In addition, in some financing agreements, the Company has undertaken that it will not use the funds to finance coal-fired generation activities. Notwithstanding other provisions, the Company carries out its activities in accordance with environmental, climate and social policies. Due to its centralised financial management policy, the Company is the main provider of external funding for the Group, including for the purpose of implementation of the sustainable development objectives. The funds are then transferred to the companies essentially through intra-group loans. In the Company's view, the sustainability-linked financing held by the Company does not contain embedded derivatives.

10. Information on operating segments

10.1. Operating segments

In accordance with IFRS 8 *Operating Segments*, taking into account the fact that the Company also prepares consolidated financial statements for the year ended 31 December 2023, the Company presents information on operating segments in relation to the Group's operations in the consolidated financial statements.

As part of the adopted classification of the Group's operations into operating segments, the activities of the Company are classified in the Sales segment, excluding the overhead costs of the Company incurred for the Group as a whole, which cannot be directly attributed to a single operating segment and are classified under unallocated expenses, as further described in Note 12 of the consolidated financial statements of the Group for the year ended 31 December 2023.

10.2. Geographical areas of operations

The activity of the Company is mostly carried out on the territory of Poland. Revenues on sales from foreign entities in the years ended 31 December 2023 and 31 December 2022 are presented in the table below.

	Year ended 31 December 2023	Year ended 31 December 2022 *(restated figures)*
Poland	33 905	26 306
Czech Republic	409	651
Germany	–	509
Belgium	–	68
Great Britain	–	11
Total	**34 314**	**27 545**

IMPAIRMENT IN VALUE OF FINANCIAL ASSETS

11. Impairment in value of financial assets

SELECTED ACCOUNTING PRINCIPLES

Under IAS 36 Impairment of Assets, as at each reporting period end, the Company assesses shares held in subsidiaries and joint ventures for objective impairment indication regarding financial assets or asset groups.

If there is any objective indication that the assets may be impaired, the assets are tested for impairment. Shares in subsidiaries, which constitute the main financial asset of the Company, are tested. The amount of the impairment loss is determined as a difference between the carrying amount of a financial asset or group of financial assets and the recoverable amount, which is the fair value less costs of disposal or the value in use, whichever is higher. The value in use is calculated as the present value of estimated future cash flows from the operations of subsidiaries and the estimated residual value discounted using the weighted average cost of capital.

The Company recognises an allowance for expected credit losses on debt instruments measured at amortised cost in accordance with the approach described in notes 21 and 39.1.2 to these financial statements and revises the fair value for debt and equity instruments measured at a fair value for which the methodology of fair value measurement is described in note 38.1 of these financial statements. The credit risk analyses carried out as at the balance sheet day include, among others, an estimate of future cash flows that may indicate impairment due to credit risk (measurement step 3).

As at 31 December 2023 impairment tests of shares and interests in subsidiaries and joint ventures and the analyses in the scope of measurement of intragroup loans were conducted, taking into account the following premises:

- a decrease in demand for electricity in 2023 compared to 2022 by 3.4%;
- lower generation of electricity from hard coal-fired sources in 2023 compared to 2022 by 12.7%;
- a decrease in the average price of electricity for the BASE futures contract (Y+1) from PLN 1 111.69/MWh in 2022 to PLN 641.95/MWh in 2023 (-42.3%);
- a decrease in the average price of electricity on the SPOT market from PLN 785.25/MWh in 2022 to PLN 512.09/MWh in 2023 (-34.8%);
- a decrease in the average coal price in ARA ports in 2022 from the average of USD 223.40/Mg to USD 126.44/Mg in 2023 (-43.4%);
- a decrease in the average gas price for the BASE futures contract (Y+1) from PLN 605.66/MWh in 2022 to PLN 266.49/MWh in 2023 (-56%);
- increase in the average price of CO_2 emission allowances from EUR 81.31/Mg in 2022 to EUR 85.26/Mg in 2022 (+4.9%);
- persistence of negative economic sentiment, low PMI readings in Europe and NBP projections assuming lower GDP dynamics in 2024-2025 than the long-term average for the Polish economy.

In connection with the above changes and the price decline levels, an adjustment in the forecasts occurred in relation to the assumptions made in the impairment tests of shares in subsidiaries and joint ventures carried out as at 31 December 2022 in the following scope:

- a decline in forecast average BASE electricity prices in the period 2024-2026 by an average of 25.2% relative to the assumptions adopted in the impairment tests at 31 December 2022;
- a decline in forecast average coal prices for delivery in the period 2024-2026 by an average of 29.2% relative to the assumptions adopted in the impairment tests at 31 December 2022;
- a decline in projected average BASE gas prices in the period 2024-2026 by an average of 48.5% relative to the assumptions adopted in the impairment tests at 31 December 2022;
- a decline in projected CO_2 prices for 2024-2026 by an average of 3.4% for EU ETS market contracts compared to the assumptions adopted in the impairment tests at 31 December 2022.

The correction of the above forecasts translated into a decrease in the projected model margins for the years 2024-2026 by an average of 52.6% for the model 1000 MW class unit and by 134.6% for 200 MW class units compared to the assumptions adopted in the impairment tests for on 31 December 2022.

The analysis of the existing premises showed the need to carry out impairment tests on the shares in the generation companies, i.e. TAURON Ciepło Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Zielona Energia Sp. z o.o. The shares in TAURON Wytwarzanie S.A. where accounted to zero in preciouses years and do not identified any premises to reversal of write off.

The identified impairment premises do not apply to the shares of the company TAURON Dystrybucja S.A. due to the tariff model in place and the concomitant lack of changes to the regulations of the Energy Regulatory Office (ERO) in relation to the impairment tests of shares in subsidiaries and joint ventures carried out as at 30 December 2022. In the companies, TAURON Sprzedaż Sp. z o.o. and TAURON Sprzedaż GZE Sp. z o.o., there are no identified premises premises due to the business assumption, which is based on covering costs justified in the tariff for households, and in the first half of 2024 on the functioning recompensation system in accordance with applicable legal regulations. In the case of sales of electricity to business customers, it was assumed that the purchase price was secured in futures contracts.

(in PLN million)

Shares and intra-group loans account for about 85% of the balance sheet total as at the balance sheet day.

The recoverable amount of shares in subsidiaries and joint ventures is the value in use. The calculation method has been presented below.

Tests were conducted based on the current value of estimated cash flows from operations of the key entities, based on detailed projections up till 2033 and the estimated residual value, excluding power generating and mining units for which detailed projections cover the entire period of their operation.

The reliance on projections covering a period longer than 5 years results mainly from the long-lasting investment processes in the power industry. The macroeconomic and sector-oriented assumptions underlying the projections are updated as frequently as any indications for their modification are observed on the market. The projections also take into account changes in the regulatory environment known as at the date of the test.

Key assumptions in the scope of tests performed as at 31 December 2023:

The assumptions of prices, power balance and the level of electricity demand have been developed taking into account current market conditions updated in the scope of years 2024-2026. Due to ongoing changes in climate and energy policy and continued work to update key policy documents: the National Energy and Climate Plan and the Energy Policy of Poland until 2040, a full update of the long-term assumptions will follow their publication. The projected electricity prices result from long-term modelling using a 24-hour electricity market model. External sources and benchmarks were taken into account when updating the forecasts, mainly in terms of fuel and CO_2 prices.

Category	Description
Coal	In the years 2024-2026, the forecast assumes a 45.5% decline in coal prices compared to the average PSCMI1 index price calculated for 2023. For this period, an assumption was made of a stabilising demand-supply situation in global coal markets, particularly at ARA ports supported by falling natural gas and LNG prices. In connection with a falling demand caused by decreasing electricity generation from conventional sources and the need to take into account global trends in domestic coal price paths (coal mine closures are assumed in accordance with the social agreement defining the timing of mine closures), the occurrence of a fixed coal price at a level nearly 5.4% lower than the projected average price in 2024-2026 was assumed after 2026.
Energy Electricity	The BASE electricity price forecast assumes a decrease of 25.4% for 2024 compared to the average price of the reference BASE contract (Y+1) achieved in 2023. In the period 2025-2030, the average BASE price is also 5.3% lower than the average reference price achieved in 2023. The observed change in the structure of electricity generation and the increase in the share of renewable energy sources is reducing the level of electricity prices on the wholesale market, in particular on the SPOT market. In the forward market, projected BASE price levels take into account the costs of generation from conventional sources.
CO_2	An upward trajectory for the price of CO_2 allowances has been adopted, but for 2024, due to the observed economic downturn and short-term decrease in CO_2 demand, the forecast assumes a price 8.8% lower than the average price recorded in 2023. In the period 2025-2030, CO_2 prices increase by an average of 5.7% due to the maintenance of ambitious climate targets and the extended operation of the Market Stability Reserve mechanism by 2030. CO_2 emission limits for heat generation have been adopted in line with the regulation of the Council of Ministers and adjusted by the level of free allowances.
Natural gas	In view of the observed stabilisation of the demand-supply situation on the global gas markets, a decrease of around 22.2% was assumed for the price in 2024 compared to the average price of the reference BASE contract (Y+1) obtained in 2023. A further decline in gas prices by an average of 1% was assumed in the years 2025-2040. For the period concerned, assumptions were made about the long-term filling of the demand gap for the raw material in question in Europe through stable gas flows from the Norwegian Continental Shelf and LNG supplies. Poland will import via Gas through the Baltic Pipe and two LNG terminals (the FSRU terminal in Gdańsk is scheduled for commissioning in the 2027/2028 timeframe), resulting in a high correlation of gas prices in Poland with the European indices. The price drop in the long term will be affected by the projected decline in demand, resulting from the forecast substitution of natural gas by hydrogen and further increases share of RES in the energy mix of Union European countries.

(in PLN million)

Capacity market	It is assumed that payments for capacity will be maintained until 2028 for existing coal-fired units which do not meet the EPS 550 criterion (for which the unit emission performance exceeds 550 kg/MWh). For units which concluded long-term contracts by 31 December 2019 and do not meet the EPS 550 criterion, maintaining of payments until the end of the contract effectiveness period has been assumed. In line with the agreement reached by the European Council of 17 October 2023 regarding the reform of the energy market model, it was assumed that a derogation would be introduced regarding the validity of CO_2 emission limits for units seeking support from the Capacity Market and consequently that the period of possible support for such units would be extended from June 2025 to the end of 2028. The forecasts assume revenues from the Capacity Market after 2025 as a consequence of extending support until the end of 2028. Revenues from this relate to 8 units of the 200 MW class in the Jaworzno III and Łaziska Branches and units in the Siersza and Łagisza Branches in the years 2025-2028. Additionally, in 2026, revenues from the Capacity Market were assumed for 2 units in the Jaworzno II Branch. The assumed average price in the extended period is PLN 322.65/kW, with prices assumed to decline in the following years, starting from 2027, by an average of 22% y/y. For the extended period of operation, it was assumed that the operation of the units would be determined by the demand in the National Power System.
Economic lifetime of generating units	In TAURON Wytwarzanie S.A., the planned operating periods of the generating units have changed. With regard to the impairment tests of shares in subsidiaries and joint ventures and the analysis on the measurement of intragroup loans prepared as at 31 December 2022, the operation of the 200 MW class units at the Jaworzno III, Łaziska and fluidised-bed units at the Siersza Power Plant was extended. However, the service life of unit 7 at the Nowe Jaworzno Power Plant and the units that are not Centrally Dispatched Generating Units at Jaworzno II Branch was reduced. The list below shows the assumptions adopted for the impairment testing of shares in subsidiaries and joint ventures and the analysis in terms of the measurement of intra-group loans of the economic lives of the generating units: – Jaworzno II Power Plant - units 1, 2 and 3 by the end of 2026; – Jaworzno III Power Plant - units 1, 2, 3, 4, 5 and 6 by the end of 2028; – Nowe Jaworzno Power Plant - unit 7 by 2040; – Łagisza Power Plant - unit 10 by 2035; – Łaziska Power Plant - units 9, 10, 11 and 12 by the end of 2028; – Siersza Power Plant - units 1 and 2 by the end of 2028. The reduced lifetime of the 910 MW unit is due to the adverse changes for the coal-based electricity sector resulting from the European Union's Climate Policy. In the communication published on 6 February 2024, the European Commission proposed an EU-wide climate target for 2040 at a level of a 90% of reduction in net greenhouse gas emissions (relative to 1990). The reduction in the operating hours of the Jaworzno II Branch was determined by the unfavourable results generated at the variable cost margin level due to the heat supplies currently made from this Branch for the needs of municipal customers. The decommissioning at the end of 2026 results from the need to supply process steam for the 910 MW unit. According to the current schedule for the investment involving the construction of a new dedicated process steam source for the designated unit, the source can start production at the beginning of 2027. For the remaining generation companies, i.e. TAURON Ciepło Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Zielona Energia Sp. z o.o., the assumption was adopted as at 31 December 2022: – ZW Katowice, ZW Tychy, ZW Bielsko-Biała, ZW Local Heat Plants Area, ECI Generation: generation plants until 2049; – Hydroelectric power plants by 2072; – Wind power plants by 2047; – Photovoltaic power plants by 2048.
Certificates of energy origin (MWh)	The price path for certificates of energy origin and the obligatory redemption in the subsequent years have been adopted based on the provisions of the RES Act and the system balance forecast. The price forecast for green certificates assumes a decline of 49.1% for 2024 compared to the average price of the TGEozea index reached in 2023. Over the period 2025-2030, the price of green certificates is forecast to grow at an average annual rate of 14.8%. For blue certificates, a slight price increase of 0.1% was assumed for 2024 relative to the TGEozebio index price created in 2023. Over the period 2025-2030, the price of blue certificates is forecast to decline by an average of 2.7% per year. The price of white certificates is forecast to increase by 5.6% in 2024 compared to 2023. Over the period 2025-2030, the price of white certificates is forecast to grow at an average annual rate of 2.1%.
RES	With regard to the RES Area, existing support systems (certificate of origin scheme, auction scheme, FIT/FIP feed-in tariff system, guarantee of origin scheme) are taken into account, of which the certificate of origin scheme is the most significant. Within this system, for green energy, limited support periods were included, in line with the provisions of the RES Act defining new mechanisms for granting the support for electricity generated from this type of sources. The support period was limited to 15 years counted from the moment of first injection to the grid of electricity eligible to receive the energy origin certificate.
Remuneration	An increase in wages was assumed, based on an increase in the minimum wage with effect for the following years of the financial forecast.
WACC	A weighted average cost of capital (WACC) level of 7.37%-11.47% in nominal after-tax terms over the projection period for individual generation companies was assumed. The methodology for calculating the discount rate remained unchanged compared to the impairment test carried out at 31 December 2022.
Regulatory WACC	WACC adopted to calculate regulated income in 2024 amounts to 10.475% (gross), in the period of 2025-2033 and in the residual period 8.478% (gross).

(in PLN million)

Results of the tests performed

Impairment tests conducted on 31 December 2023 for shares in generating companies, i.e. TAURON Ciepło Sp. z o. o., TAURON Ekoenergia Sp. z o. o., TAURON Zielona Energia Sp. z o. o. did not indicate any impairment of the carrying amount of shares in subsidiaries.

As part of the analysis of the prerequisites for asset impairment, the possibility of impairment of the shares in TAMEH HOLDING Sp. z o.o. was identified due to the ruling issued by the Ostrava Regional Court on 19 December 2023 declaring TAMEH Czech s.r.o. insolvent. The object of activity of TAMEH Czech s.r.o. is the production of energy media for the Liberty Ostrava a.s smelter, which is the company's only customer. The declaration of insolvency is related to the failure of Liberty Ostrava a.s. to settle its liabilities to the company. The owner of 100% of the shares in TAMEH Czech s.r.o. is TAMEH HOLDING Sp. z o.o. - a joint venture of the Company in which the Company holds a 50% interest.

The shareholders' agreement provides for the operation of the special purpose vehicle TAMEH HOLDING Sp. z o. o. until 2029 with the possibility of extending its operation for subsequent years. Pursuant to the provisions of the contract, TAMEH HOLDING Sp. z o.o. pays dividends to shareholders based on the dividend plan approved by the parties to the agreement.

With regard to the impairment test of the shares in TAMEH HOLDING Sp. z o.o., a scenario analysis was carried out based on expected future dividend flows, which did not include the flows from TAMEH Czech s.r.o. due to the declaration of insolvency of the company by the Ostrava District Court. The Group recognizes that TAMEH HOLDING Sp. z o.o. has and will have the ability to pay dividends. The following scenarios were adopted in the analysis:

- Shareholders' approved dividend plan for the operation of TAMEH POLSKA Sp. Z o.o. for the years 2024-2029 and disposal of assets in 2030,
- adjusted dividend plan resulting from the gradual reduction of the company's expenditure and operations leading to the liquidation of the assets in 2030,
- Shareholders' approved dividend plan for the operation of TAMEH POLSKA Sp.z o.o. for the years 2024-2029 and the continuation of the company's operations after this period.

All of the above-mentioned three scenarios, in the Company's judgement at this point in time, have the same probability of materialisation and thus the weighting assigned to them is equal to each other.

The result of the rationale analyses and impairment tests carried out as at 31 December 2023, in accordance with IAS 36 Impairment of Assets, did not indicate an impairment of the carrying amount of shares in TAMEH HOLDING sp. z o.o.

Company	Level of discount rate (after tax) adopted as at		Recoverable value	Amount of impairment write-off on shares recognised
	31 December 2023	31 December 2022	As at 31 December 2023	Year ended 31 December 2023
TAMEH HOLDING Sp. z o.o.	10.53%	11.74%	236	(212)
Total				**(212)**

The creation of an impairment loss on the shares held in TAMEH HOLDING Sp. z o.o. results in particular from the failure to recognise the dividend flows of TAMEH Czech s.r.o. in the dividend forecasts due to its declaration of insolvency by the Ostrava District Court.

Results of the analyses in the scope of the measurement of loans granted

The analyses conducted with regard to the financing granted to the subsidiaries, based on the subsidiaries' future cash flows, also demonstrated the rationality of reducing the carrying amount of the loans granted by the Company to TAURON Wytwarzanie S.A. in the total amount of PLN 429 million. Total decrease in the value of loans granted to TAURON Wytwarzanie S.A. recognized during 2023 based on analyzes covering future cash flows amounts to PLN 1 217 million.

Sensitivity analysis

The tables below present the estimated impact of a change in key factors on the recoverable amount of the tested shares and interests in subsidiaries. For electricity generating from convectional sources companies, the key factor analysed is the Clean Dark Spread ("CDS") due to the fact that a change in electricity prices generally results from the changes in the price of coal and CO_2 emission allowances.

The CDS is the amount of first-step margin achieved by the CHP plants tested, calculated as a difference between the price of electricity and the model variable costs (fuel cost, CO_2 cost) associated with coal-fired electricity generation.

(in PLN million)

Parameter	Change of assumption aligning the recoverable amount with the carrying amount of shares in TAURON Ciepło Sp. z o.o.
Change in CDS over the forecast period	-41%
Change in heat prices in the forecast period	-11%
Change of WACC (net)	3.05 p.p.

For companies generating electricity from renewable sources, the key factor analyzed is the price of electricity due to its direct impact on the cash flow of a company.

Parameter	Change of assumption aligning the recoverable amount with the carrying amount of shares in:	
	TAURON Ekoenergia Sp. z o.o.	TAURON Zielona Energia Sp. z o.o.
Change in electricity prices over the forecast period	-22%	-40%
Change of WACC (net)	5.42 p.p.	17.67 p.p.

EXPLANATORY NOTE TO THE STATEMENT OF COMPREHENSIVE INCOME

12. Sales revenue

SELECTED ACCOUNTING PRINCIPLES

Revenue from contract with customers is recognised when (or as) the performance obligation is fulfilled in the form of transferring the promised goods (i.e. an asset) or providing a service to a client. The asset transfer takes place when a client obtains control over such an asset whereas in the case of sales of electricity and gaseous fuels, the revenue is recognized when electricity is sold with physical delivery on the wholesale market or energy is consumed by the final recipient (customer) at the point of consumption.

At the same time, revenue from contracts with customers is not recognized in the case of sale of energy to another energy company and simultaneous repurchase of the sold volume of energy from this company in the same settlement period (exchange), and the result of such a transaction is recognized in the statement of comprehensive income in the net amount.

Revenue should be measured in the amount the Company expects to receive for the goods and services sold, following the reduction by value added tax (VAT), excise duty and other sales taxes. Revenue includes only inflows of economic benefits received or receivable to the entity's own account. If the Company acts as an agent, the amount recognized as revenue is the commission payable to it and does not include amounts received on behalf of the principal. The company acts as an agent in the purchase, delivery and transport of coal and recognizes revenue from the intermediation service - organization of deliveries in revenues from the sale of commercial services.

In case of goods, revenues are recognised when the Company ceases to be permanently involved in the management and effective control of goods sold to the extent such function is usually implemented in relation to goods, to which the proprietary right applies.

Revenue from sales of goods includes the total positive result on transactions related to CO_2 emission allowances, concluded within the
trading portfolio, i.e. intended for sale and to generate short-term profit arising from market price fluctuations, including trading in emission allowances, fair value measurement of inventories as well as measurement and settlement of derivative commodity instruments related to CO_2 emission allowances, covered by IFRS 9 Financial Instruments.

Revenue from sales of goods includes gains on change in measurement and on exercising derivative commodity instruments falling within the scope of IFRS 9 Financial Instruments and related to the purchase and sales of other commodities.

In revenue from sales of services, the Company also presents revenue from the fulfilment of the capacity market obligation, which involves remaining of a Capacity Market unit in the state of readiness to supply electricity to the system and committing to supply a certain amount of capacity to the system in the period of emergency. The Company, as the capacity supplier, is obliged to fulfil the capacity obligation in favour of PSE S.A., therefore it recognises revenues received from PSE S.A. on account of the fulfilment of the capacity obligation by means of Capacity Market units owned by the TAURON Group companies. The Company assesses that as the capacity supplier it exercises control over the service provided and therefore recognises revenues from the Capacity Market as a principal within the meaning of IFRS 15 Revenue from contracts with customers. At the same time, the Company recognises costs for the performance of the capacity obligation by generating units owned by subsidiaries for the needs of the Capacity Market (Note 13).

(in PLN million)

	Year ended 31 December 2023	Year ended 31 December 2022 *(restated figures)*
Revenue from sales of goods and materials	**33 970**	**27 145**
Electricity	28 938	23 056
CO_2 emission allowances	3 581	2 775
Gas	1 424	1 287
Other	27	27
Rendering of services	**344**	**400**
Capacity Market	161	194
Trade services	135	167
Other	48	39
Total sales revenue	**34 314**	**27 545**

In the year ended 31 December 2023, sales revenues increased in relation to the comparable period and the main changes referred to sales revenues of the following goods:

- Electricity – an increase in revenue by PLN 5 882 million is mainly associated with electricity sales contracted at a price higher, on average, by 62% with a sales volume simultaneously lower by 22%. The higher sales prices result from market conditions and the visible increase in energy prices in 2022 for contracts concluded for delivery in 2023. The decline in the volume is a consequence of a lower volume of electricity sales to the sales companies in the Group due to their lower demand in 2023 and lower volume of sales to TAURON Wytwarzanie S.A. in connection with assigning the competence in the scope of securing the sales position in the third quarter of 2022 to this company by TAURON Polska Energia S.A. Moreover, the decrease in volume is influenced by the sale of a higher volume of electricity to Nowe Jaworzno Grupa TAURON Sp. z o.o. in 2022 in order to secure liabilities arising from concluded sales contracts, which could not be fulfilled with production from the 910 MW unit in Jaworzno as a result of its failure;
- CO_2 emission allowances – the increase in revenue is mainly due to the sale of a higher volume of allowances at a higher price in the current period. Revenues in the scope of CO_2 emission allowances in the current and comparable period were mainly related to sales to Group generation companies for the purpose of covering redemption needs resulting from electricity production. In addition, in the comparable period, due to the occurrence of a non-recurring event, namely, the failure of the 910 MW unit in Jaworzno, with a view to using the surplus allowances created due to the failure for the redemption of another Group installation for 2022 and matching the delivery date of the allowances and the cash expenditure, in 2022 the Company sold 1 717 000 EUAs with a simultaneous repurchase of this volume in the EUA MAR'23 forward product. Revenues from sale of the aforementioned allowances amounted to PLN 604 million;
- Gas – an increase in revenue by PLN 137 million is mainly associated with an increase in prices by an average of 6% and the simultaneous achievement of a higher volume of sales by an average of 4%. The higher sales volume results from a higher demand for gas from external contractors (by 48% on average), with a simultaneously lower demand in TAURON Sprzedaż Sp. z o.o. (by 28% on average).

TAURON Polska Energia S.A. acts as an agent responsible for coordinating and supervising activities in the scope of purchase, supply and transport of fuels. The Company buys coal from entities outside the TAURON Group (in the comparable period, also from the Group, i.e. from TAURON Wydobycie S.A., currently Południowy Koncern Węglowy S.A., which had been sold to the State Treasury and over which the Company lost control on 31 December 2022), whereas sales take place to affiliated companies, except that, as part of the implementation in 2023 year of the NABE Programme aiming to spin off coal generation assets from the Group, TAURON Polska Energia S.A. transferred to TAURON Wytwarzanie S.A. competences in purchasing fuel for own needs. The Company recognises revenues from agency services, i.e. the arrangement of supplies in the revenue on sales of trade services. In the year ended 31 December 2023, the value of fuel purchased and subsequently resold as a result of the aforementioned transactions amounted to PLN 949 million, and for the supply organization service, the Company recognized revenue of PLN 21 million (in the comparable period PLN 3 205 million and PLN 65 million, respectively).

(in PLN million)

13. Costs by type

SELECTED ACCOUNTING PRINCIPLES

The Company presents costs by function.

Costs by function include:

- cost of goods, materials and services sold incurred during a given reporting period, including any impairment losses on property, plant and equipment, intangible assets, rights to use assets, receivables and inventories,
- total costs of sales and administrative expenses incurred in the reporting period (recognised separately in the statement of comprehensive income).

Costs of goods sold include the total negative result on transactions related to CO_2 emission allowances, concluded within the trading portfolio, i.e. intended for sale and to generate short-term profit arising from market price volatility, including trading in emission allowances, fair value measurement of inventories as well as measurement and settlement of derivative commodity instruments related to CO_2 emission allowances. Costs of goods sold include losses on change in measurement and on exercising derivative commodity instruments falling within the scope of IFRS 9 *Financial Instruments* and related to purchases and sales of other commodities.

In the cost of goods and services sold, the Company recognises the costs due to be incurred for 2023 for the write-down of the Price Difference Payment Fund, resulting from the legal obligation to provide the above write-down to Zarządca Rozliczeń S.A.

Costs that can be assigned directly to revenue generated by the Company affect profit or loss for the period which the revenue pertains to.

Costs that can only be indirectly assigned to revenue or other benefits obtained by the Company affect the profit or loss in the portion pertaining to the given reporting period, and match the revenue or other economic benefits.

	Year ended 31 December 2023	Year ended 31 December 2022 *(restated figures)*
Write-down for the Price Difference Payment Fund	(753)	–
Capacity Market	(160)	(193)
Employee benefits expense	(128)	(110)
Other external services	(51)	(50)
Advertising expenses	(30)	(21)
Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	(12)	(15)
Allowance for expected credit losses on receivables from buyers	25	(25)
Other costs by type	(10)	(13)
Total costs by type	**(1 119)**	**(427)**
Selling and distribution expenses	33	32
Administrative expenses	116	145
Value of energy sold	(28 047)	(22 936)
Value of other goods sold	(4 907)	(3 974)
Cost of sales	**(33 924)**	**(27 160)**

The costs of the write-down to the Price Difference Payment Fund in the amount of PLN 753 million result from the *Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023*, which imposed, among others, an obligation on electricity trading companies to transfer write-downs to the Price Difference Payment Fund for the purpose of paying the compensations established by the aforementioned Act.

The increase in the value (costs) of electricity sold results mainly from purchases of electricity at 57% higher average prices than in the comparable period, with the simultaneously 22% lower volume of electricity purchased. Higher purchase prices result from market conditions and price increases in 2022, which translated into prices in concluded contracts with a delivery date of 2023. The decrease in the volume of purchased electricity results from the transfer by TAURON Polska Energia S.A. to TAURON Wytwarzanie S.A. competences in securing the purchasing position in the third quarter of 2022, as well as purchasing a lower volume of electricity from the market for the purposes of implementing the concluded contracts, primarily the 910 MW unit, which were not implemented from the unit's own production as a consequence of its failure.

The increase in the value (costs) of other goods sold is a result of the recognition of a higher value of CO_2 emission allowances sold as a consequence of higher revenue from the sale of CO_2 emission allowances in 2023 and an increase in the value of gas sold, which is primarily related to a significant increase in gas purchase prices by an average of 6%, while achieving a purchase volume higher by an average of 4%.

(in PLN million)

14. Employee benefit expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	(103)	(89)
Social security costs	(16)	(14)
Costs of employee retirement plans and post-employment benefits expenses	(5)	(3)
Other employee benefits expenses	(4)	(4)
Total	**(128)**	**(110)**
Items included in cost of sales	(19)	(20)
Items included in selling and distribution expenses	(9)	(8)
Items included in administrative expenses	(100)	(82)

15. Financial revenues and costs

SELECTED ACCOUNTING PRINCIPLES

Financial revenues and costs comprising, in particular, revenues and costs related to:

- revenues from dividends;
- interest,
- revaluation of financial instruments, except financial assets measured at fair value where the effects are recognized in other comprehensive income and charged to revaluation reserve and derivative commodity instruments falling within the scope of IFRS 9 *Financial Instruments* in the case of which gains/losses on change in measurement and on exercising are presented within operating activities where gains/losses on the related trading in goods are also recognized;
- disposal/liquidation of financial assets;
- changes in the balance of a provision resulting from the nearing deadline to incur the expense (discount unwinding effect);
- foreign exchange differences resulting from transactions performed during the reporting period and balance sheet measurement of assets and liabilities at the end of the reporting period, except for differences recognized in the initial value of a fixed asset.

Transactions expressed in a foreign currency are converted to functional currency at initial recognition according to the average exchange rate determined for a given currency by the National Bank of Poland as at the day preceding such a day. As at balance sheet day:

- monetary items expressed in foreign currency are converted applying the closing exchange rate (the average exchange rate determined for a given currency by the National Bank of Poland on that day is deemed the closing exchange rate),
- non-monetary items measured at historical cost in foreign currency are converted applying the exchange rate as at the day of original transaction, and
- non-monetary items measured at the fair value in foreign currency are converted applying the exchange rate as at the day of determining the fair value.

Currency translation gains and losses arising from clearing of transactions in foreign currency and the balance sheet measurement of cash assets and liabilities expressed in foreign currency, are recognised in the financial result of the period (in the item of financial revenues (costs)). Currency translation differences representing a part of borrowing costs eligible for capitalisation, are recognised in the value of the relevant assets.

For the purpose of balance sheet valuation, the following exchange rates were applied:

Currency	Status as at 31 December 2023	Status as at 31 December 2022
EUR	4.3480	4.6899
USD	3.9350	4.4018
CZK	0.1759	0.1942

	Year ended 31 December 2023	Year ended 31 December 2022
Dividend income	475	1 797
Interest income on loans	947	544
Interest expense	(928)	(654)
Realuation of shares	(271)	(48)
Revaluation of loans	(760)	(1 462)
Other finance income and costs, of which:	**(330)**	**(341)**
Gain/(loss) on derivative instruments	(747)	(219)
Exchange differences	314	(126)
Other interest income	55	39
The earnings on the transfer ownership of shares in subsidiaries	–	56
Commissions due to external financing	(19)	(24)
Other finance income	79	8
Other finance costs	(12)	(75)
Total, of which:	**(867)**	**(164)**
Income and costs from financial instruments	(899)	(156)
Other finance income and costs	32	(8)

(in PLN million)

The decline in dividend income mainly results from the lack of dividends from the subsidiary, TAURON Dystrybucja S.A. The profit of TAURON Dystrybucja S.A. for 2022 was fully allocated to the company supplementary capital in order to implement the investment program, as a result of which the Company did not receive any dividends from this subsidiary in the year ended 31 December 2023. In the comparable period, the dividend revenue from the TAURON Dystrybucja S.A. company amounted to PLN 1 495 million.

The increase in the interest revenue on loans in the year ended 31 December 2023 in relation to the comparable period results mainly from an increase in the amount of loans granted to TAURON Wytwarzanie S.A., which occurred in the second half of 2022.

The increase in interest expenses results from a higher level of the average annual use of external funding and the generally higher level of base rates in the year ended 31 December 2023 in relation to the comparable period. The growth in the level of the base rates is partially offset by the concluded IRS hedging instruments. The amount of interest expenses shown in the table takes into account the above hedging effect.

The revaluation of shares results mainly from the recognition of a write-down on the value of shares in the joint venture TAMEH HOLDING Sp. z o.o. as at the balance sheet date in the amount of PLN 212 million, as a result of impairment tests carried out as at the balance sheet date, which is described in more detail in Note 11 of these financial statements.

The revaluation of loans mainly results from the decrease in 2023 of the carrying amount of loans granted to TAURON Wytwarzanie S.A. in the amount of PLN 977 million, which was mainly due to the decrease in the carrying value as a result of analyzes carried out based on future cash flows of TAURON Wytwarzanie S.A. in the total amount of PLN 1,217 million, described in more detail in note 11 to these financial statements, and a reduction in the allowance for expected credit losses on loans granted to this company as part of the cash pool service in the amount of PLN 144 million in connection with the repayment by TAURON Wytwarzanie S.A. of cash pool liabilities. At the same time, the Company recognized an increase in the fair value measurement of loans granted to subsidiaries in the amount of PLN 141 million and to the joint venture in the amount of PLN 151 million. As part of the revaluation of loans, a loss from modification of loans in terms of interest rate changes in the amount of PLN 67 million is also presented.

The loss on derivatives in the year ended 31 December 2023 is mainly associated with the appreciation of the Polish zloty exchange rate, which translated into a decrease in the valuation and the result on current settlement of FX derivatives. The strengthening of the Polish zloty exchange rate in 2023 also affected the occurrence of exchange rate gains in the current period, which are mainly related to the valuation of external financing in EUR. In the comparable period, a negative change in the valuation of the aforementioned financing occurred, which was the main reason of exchange rate losses.

16. Income Tax

SELECTED ACCOUNTING PRINCIPLES

Current Tax

Current income tax recognised in the result of the period comprises real tax burden for a given reporting period determined by the Company in accordance with the binding provisions of the Act on corporate income tax and potential adjustments of tax settlements for previous years.

Deferred Tax

The accounting policy related to deferred tax is described in Note 25 to these financial statements.

16.1. Tax expense in the statement of comprehensive income

	Year ended 31 December 2023	Year ended 31 December 2022
Current income tax	**(46)**	**(36)**
Current income tax burden	(42)	(36)
Current income tax adjustments from previous years	(4)	–
Deferred tax	**45**	**67**
Income tax expense in profit/(loss)	**(1)**	**31**
Income tax expense relating to other comprehensive income	**55**	**(36)**

(in PLN million)

16.2. Reconciliation of the effective tax rate

	Year ended 31 December 2023	Year ended 31 December 2022
Profit (loss) before tax	**(637)**	**36**
Tax at Poland's statutory tax rate of 19%	**121**	**(7)**
Current income tax adjustments from previous years	**(4)**	**–**
Non-tax revaluation of the value of shares and loans granted	(185)	(303)
Dividends	90	341
Changes in the estimate for deferred income tax assets	(10)	–
Other	(13)	–
Tax at the effective tax rate of -0.2% (2022: -86.1%)	**(1)**	**31**
Income tax (expense) in profit/(loss)	(1)	31

17. Earnings/(loss) per share

SELECTED ACCOUNTING PRINCIPLES

Net profit (loss) per share for each period is calculated by dividing the net profit (loss) attributable to ordinary shareholders for a given reporting period by the weighted average number of ordinary shares in the specific reporting period.

The calculation of diluted earnings per share is consistent with the calculation of earnings per share, however, the calculation must also take into account the existence of dilutive potential ordinary shares.

	Year ended 31 December 2023	Year ended 31 December 2022
Basic and diluted net profit (loss) per share (in PLN)	(0.36)	0.04

The figures for calculating the earnings (loss) per share presented in the statement of comprehensive income are presented below.

	Year ended 31 December 2023	Year ended 31 December 2022
Net profit (loss) attributable to ordinary shareholders	(638)	67
Number of ordinary shares	1 752 549 394	1 752 549 394

EXPLANATORY NOTE TO THE STATEMENT OF FINANCIAL POSITION

18. Investment real estate

SELECTED ACCOUNTING PRINCIPLES

The Company holds an investment property generating revenue from rental fees. The property is rented to a subsidiary. At initial recognition, the investment property is measured at acquisition costs or manufacturing costs including transaction costs. Following the initial recognition, the Company measures all investment real estates held in accordance with the model based on the purchase price or manufacturing cost described in IAS 16 Property, Plant and Equipment. This means that the Company gradually depreciates the real estate throughout the period of its useful life.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The fair value measurement of the investment real estate as at 31 December 2023 amounted to PLN 40 million.

	Year ended 31 December 2023	Year ended 31 December 2022
COST		
Opening balance	**54**	**54**
Closing balance	**54**	**54**
ACCUMULATED DEPRECIATION		
Opening balance	**(35)**	**(30)**
Depreciation for the period	(1)	(5)
Closing balance	**(36)**	**(35)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**19**	**24**
NET CARRYING AMOUNT AT THE END OF THE PERIOD, of which:	**18**	**19**
Buildings and other tangible assets	11	12
Perpetual usufruct right to land	7	7

(in PLN million)

The investment real estate is composed of the perpetual usufruct right to land and buildings located in Katowice Szopienice, at ul. Lwowska 23. The lease revenue in the year ended 31 December 2023 amounted to PLN 8 million.

19. Right-of-use assets

SELECTED ACCOUNTING PRINCIPLES

The right-of-use assets of the Company result mainly from concluded contracts for the lease of office and warehouse premises, car rental and the right of perpetual usufruct of land.

An agreement for rental, lease or a part thereof, or other agreement or a part of an agreement of a similar nature under which the right to control the use of an asset for a given period is transferred in exchange for remuneration is classified as a lease. Lease classification is performed at the date of commencement of the lease, based on the economic content of the agreement, not on its legal form.

At the date of commencement of the lease, a right-of-use assets is recognised for use and a liability for the lease.

A right-of-use asset is measured at cost including:

- the amount of the initial measurement of the lease liability,
- all lease payments made at or before the inception of the lease, less any amounts received in respect of the lease or costs paid by the lessor (lease incentives),
- any initial direct costs incurred by the lessee,
- an estimate of the costs of dismantling and removing the underlying asset, restoring the site on which it was located, or restoring it to the condition required by the lease terms.

however, in the valuation of right-of-use assets existing as at the balance sheet date, the Company included the amount of the initial valuation of the leasing liability, other items did not occur.

After the initial recognition, a right-of-use asset is measured at cost less accumulated depreciation and/or amortization and impairment write-down and adjusted for the revaluation of the lease liability. Depreciation and/or amortization principles applied to assets used under leases are consistent with those applied to depreciation and/or amortization of assets owned by the Company.

PROFESSIONAL JUDGEMENT AND ESTIMATES

At the date of commencement of the lease, the Company measures an rights-of-use assets, among others, in the current value of the lease payments remaining to be paid on that date. Lease payments are discounted using the interest rate of the lease if that rate can be easily determined. Otherwise, the Company applies the marginal interest rate, in accordance with the methodology adopted for application.

In order to determine the lease period, among others, for contracts for an indefinite period, and in the relation to fixed-term contracts with an extension option, the Company makes an estimate. As at the balance sheet date, TAURON Polska Energia S.A. does not have contracts recognized in accordance with IFRS 16 Leases for an indefinite period or contracts with a specified period with an extension option, for which it has estimated the contract completion date.

If there is no reasonable certainty that the Company will obtain ownership by the end of the lease term the asset item is fully depreciated over the shorter of the lease term or its useful life.

	Year ended 31 December 2023			Year ended 31 December 2022		
	Buildings and premises	Motor vehicles	Total	Buildings and premises	Motor vehicles	Total
COST						
Opening balance	**44**	**1**	**45**	**44**	**2**	**46**
Increase/(decrease) due to lease changes	9	1	**10**	–	–	**(1)**
Other	(1)	–	**(1)**	–	(1)	**(1)**
Closing balance	**52**	**2**	**54**	**44**	**1**	**45**
ACCUMULATED DEPRECIATION						
Opening balance	**(31)**	**(1)**	**(32)**	**(22)**	**(2)**	**(24)**
Depreciation for the period	(10)	–	**(10)**	(9)	–	**(9)**
Other	–	–	**–**	–	1	**1**
Closing balance	**(41)**	**(1)**	**(42)**	**(31)**	**(1)**	**(32)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**13**	**–**	**13**	**22**	**–**	**22**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**11**	**1**	**12**	**13**	**–**	**13**

(in PLN million)

20. Shares

SELECTED ACCOUNTING PRINCIPLES

Shares in subsidiaries and jointly controlled entities

Shares in subsidiaries and interests in a joint venture are shown at purchase price, less impairment allowances, if any. Impairment allowances are recognized in line with IAS 36 Impairment of Assets, where the carrying amount is compared to the higher of the fair value less costs to sell and the value in use.

Shares in other entities

Shares in entities other than subsidiaries and jointly controlled entities held at the balance sheet date are measured by the Company at a fair value through profit or loss.

PROFESSIONAL JUDGEMENT AND ESTIMATES

As at every balance sheet date the Company assesses if there is any objective indication that the Shares item may be impaired. Should material impairment indications occur, the Company is obliged to carry out impairment tests of shares and recognize an impairment loss or reverse an existing one.

Pursuant to IFRS 9 Financial Instruments, the Company classifies and measures at fair value shares in entities other than subsidiaries and jointly-controlled entities. The fair value measurement methodology is presented in Note 38.1 of these financial statements.

Change in shares for the year ended 31 December 2023

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
	Consolidated subsidiaries								
1	TAURON Wytwarzanie S.A.	7 830	652	8 482	(7 830)	(652)	(8 482)	–	**–**
2	TAURON Ciepło Sp. z o.o.	1 928	–	1 928	(1 224)	–	(1 224)	704	**704**
3	TAURON Ekoenergia Sp. z o.o.	1 940	–	1 940	–	–	–	1 940	**1 940**
4	TAURON Zielona Energia Sp. z o.o.	600	–	600	–	–	–	600	**600**
5	TAURON Dystrybucja S.A.	10 512	–	10 512	–	–	–	10 512	**10 512**
6	TAURON Nowe Technologie S.A.	650	–	650	–	–	–	650	**650**
7	TAURON Sprzedaż Sp. z o.o.	614	–	614	–	–	–	614	**614**
8	TAURON Sprzedaż GZE Sp. z o.o.	130	–	130	–	–	–	130	**130**
9	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	–	41	–	–	–	41	**41**
10	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	–	90	(90)	–	(90)	–	**–**
11	TAURON Obsługa Klienta Sp. z o.o.	40	–	40	–	–	–	40	**40**
12	Finanse Grupa TAURON Sp. z o.o.	28	–	28	(24)	–	(24)	4	**4**
13	TAURON Inwestycje Sp. z o.o.	36	59	95	(36)	(59)	(95)	–	**–**
14	Other	5	–	5	–	–	–	5	**5**
	Joint ventures								
15	TAMEH HOLDING Sp. z o.o.	416	–	416	–	(212)	(212)	416	**204**
	Entities measured at fair value								
16	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	4	1	5	–	–	–	4	**5**
17	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	46	8	54	–	–	–	46	**54**
18	ElectroMobility Poland S.A.	10	–	10	–	–	–	10	**10**
19	Other	–	7	7	–	–	–	–	**7**
	Total	**24 920**	**727**	**25 647**	**(9 204)**	**(923)**	**(10 127)**	**15 716**	**15 520**

The most significant changes in shareholding in the year ended 31 December 2023 resulted from the following transactions:

- share capital increase in TAURON Wytwarzanie S.A. performed in the framework of the implementation of the NABE Programme assumptions, as described in more detail in Note 49 of these financial statements. As part of the transaction, TAURON Polska Energia S.A. took up a total of 652 000 shares for the total amount of PLN 652 million. Coverage of the increase in TAURON Wytwarzanie S.A. equity was performed by setting off (converting) a part of TAURON Wytwarzanie S.A. existing debt towards the Company. The Company assesses that the total carrying amount of its exposure to TAURON Wytwarzanie S.A. shares has not changed as a result of the transaction;
- recognition of an impairment loss for shares in the joint venture TAMEH HOLDING Sp. z o. o. in the amount of PLN 212 million as a result of impairment tests carried out as at the balance sheet date (Note 11);
- an increase in the share capital of TAURON Inwestycje Sp. z o.o., where TAURON Polska Energia S.A. took up a total of 5 900 shares for the total amount of PLN 59 million. At the same time, the Company recognised an impairment loss on shares in the total amount of PLN 59 million.

(in PLN million)

Change in shares for the year ended 31 December 2022

No.	Company	Gross value			Impairment losses			Net value	
		Opening balance	(Decreases) Increases	Closing balance	Opening balance	Decreases (Increases)	Closing balance	Opening balance	Closing balance
	Consolidated subsidiaries								
1	TAURON Wydobycie S.A.	1 342	(1 342)	–	(1 342)	1 342	–	–	**–**
2	TAURON Wytwarzanie S.A.	7 866	(36)	7 830	(7 830)	–	(7 830)	36	**–**
3	Nowe Jaworzno Grupa TAURON Sp. z o.o.	6 578	(6 578)	–	(1 764)	1 764	–	4 814	**–**
4	TAURON Ciepło Sp. z o.o.	1 928	–	1 928	(1 224)	–	(1 224)	704	**704**
5	TAURON Ekoenergia Sp. z o.o.	1 940	–	1 940	–	–	–	1 940	**1 940**
6	TAURON Zielona Energia Sp. z o.o.	600	–	600	–	–	–	600	**600**
7	TAURON Dystrybucja S.A.	10 512	–	10 512	–	–	–	10 512	**10 512**
8	TAURON Nowe Technologie S.A.	650	–	650	–	–	–	650	**650**
9	TAURON Sprzedaż Sp. z o.o.	614	–	614	–	–	–	614	**614**
10	TAURON Sprzedaż GZE Sp. z o.o.	130	–	130	–	–	–	130	**130**
11	Kopalnia Wapienia Czatkowice Sp. z o.o.	41	–	41	–	–	–	41	**41**
12	Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o.	90	–	90	(90)	–	(90)	–	**–**
13	TAURON Obsługa Klienta Sp. z o.o.	40	–	40	–	–	–	40	**40**
14	Finanse Grupa TAURON Sp. z o.o.	28	–	28	(24)	–	(24)	4	**4**
15	Bioeko Grupa TAURON Sp. z o.o.	1	(1)	–	–	–	–	1	**–**
16	TAURON Serwis Sp. z o.o.	1	(1)	–	–	–	–	1	**–**
17	TAURON Inwestycje Sp. z o.o.	–	36	36	–	(36)	(36)	–	**–**
18	Other	5	–	5	–	–	–	5	**5**
	Joint ventures								
19	TAMEH HOLDING Sp. z o.o.	416	–	416	–	–	–	416	**416**
	Entities measured at fair value								
20	EEC Magenta Sp. z o.o. ASI spółka komandytowo–akcyjna	4	–	4	–	–	–	4	**4**
21	EEC Magenta Sp. z o.o. 2 ASI spółka komandytowo–akcyjna	37	9	46	–	–	–	37	**46**
22	Other	10	–	10	–	–	–	10	**10**
	Total	**32 833**	**(7 913)**	**24 920**	**(12 274)**	**3 070**	**(9 204)**	**20 559**	**15 716**

21. Originated loans

SELECTED ACCOUNTING PRINCIPLES

Loans granted by the Company include term loans granted to subsidiaries, cash pool loans and loans granted to the joint venture. Loans are classified as financial assets measured at amortized cost or at fair value through profit or loss. Loans with a maturity date exceeding 12 months from the balance sheet date are classified as fixed assets and loans with a maturity date not exceeding 12 months from the balance sheet date as current assets, taking into account the expectations as regards the loan repayment as at balance sheet day (intentions regarding the maturity period extension or its refinancing).

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company makes appropriate classification and valuation of the loans granted. Loans granted with a maturity period of less than one year, for which an extension of the repayment period or roll-over is planned, are classified as long-term instruments. As at 31 December 2023, the nominal value of the aforementioned loans amounted to PLN 827 million.

In accordance with the requirements of IFRS 9 Financial Instruments, in case of loans measured at amortised cost, the Company estimates the amount of impairment losses on loans, as described in detail below and in Note 39.1.2 of these financial statements. The Company estimates the fair value of loans classified as measured at a fair value. The measurement methodology is described in Note 38.1 to these financial statements.

Loans measured at fair value include primarily loans to companies from the Renewable Energy Sources segment. In the case of loans granted to special-purpose entities, i.e. the acquired subsidiaries of the Renewable Energy Sources segment in the TAURON Group under which investment projects in the form of the construction of wind and photovoltaic farms are carried out, representing the only source of financing for the purchase of a non-financial fixed assets (the borrower's equity is intangible at the time the loan is granted) by these entities, the Company assesses that the characteristics of the contractual cash flows do not correspond only to the repayment of the principal amount and interest on the outstanding principal amount and measures such loans at fair value through profit or loss.

Loans granted to the joint venture are classified as financial assets measured at fair value through profit or loss. The Group has estimated the fair value accordingly.

(in PLN million)

Balances of loans granted by the Company as at 31 December 2023 and 31 December 2022 are presented in the table below.

	As at 31 December 2023			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost	**10 887**	**(52)**	**10 835**	**13 260**	**(368)**	**12 892**
Loans granted to subsidiaries	10 001	(35)	**9 966**	11 093	(151)	**10 942**
Loans granted under cash pool agreement	886	(17)	**869**	2 167	(217)	**1 950**
Loans measured at fair value	**1 576**	**n.a.**	**1 576**	**648**	**n.a.**	**648**
Loans granted to subsidiaries	1 219	n.a.	**1 219**	442	n.a.	**442**
Loans granted to EC Stalowa Wola S.A.	357	n.a.	**357**	206	n.a.	**206**
Total	**12 463**	**(52)**	**12 411**	**13 908**	**(368)**	**13 540**
Non-current	11 307	(34)	**11 273**	11 321	(149)	**11 172**
Current	1 156	(18)	**1 138**	2 587	(219)	**2 368**

21.1. Loans granted to subsidiaries

Company	Maturity date	As at 31 December 2023				As at 31 December 2022			
		Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount	Outstanding principal and contractual interest accrued	Gross value	Impairment loss	Carrying amount
Loans measured at amortized cost		**11 957**	**10 001**	**(35)**	**9 966**	**12 360**	**11 093**	**(151)**	**10 942**
TAURON Dystrybucja S.A.	2025-2027	5 452	5 395	(21)	**5 374**	5 460	5 444	(27)	**5 417**
TAURON Wytwarzanie S.A.	2024-2030	4 881	3 068	–	**3 068**	5 564	4 317	(96)	**4 221**
TAURON Ciepło Sp. z o.o.	2024-2030	981	980	(11)	**969**	981	980	(17)	**963**
TAURON Obsługa Klienta Sp. z o.o.	2024-2025	226	226	(2)	**224**	96	96	(2)	**94**
TAURON Ekoenergia Sp. z o.o.	2025	160	158	(1)	**157**	160	157	(1)	**156**
TAURON Inwestycje Sp. z o.o.	2024-2033	83	–	–	**–**	7	7	(7)	**–**
TAURON Nowe Technologie S.A.	2024-2028	43	43	–	**43**	51	51	(1)	**50**
"MEGAWATT S.C." Sp. z o.o.	2024	43	43	–	**43**	6	6	–	**6**
WIND T30MW Sp. o.o.	2024	35	35	–	**35**	–	–	–	**–**
Windpower Gamów Sp. z o.o.	2024	34	34	–	**34**	–	–	–	**–**
Other	2024-2026	19	19	–	**19**	35	35	–	**35**
Loans measured at fair value		**1 136**	**1 219**	**n.a.**	**1 219**	**452**	**442**	**n.a.**	**442**
"MEGAWATT S.C." Sp. z o.o.	2026-2038	372	449	n.a.	**449**	129	139	n.a.	**139**
WIND T30MW Sp. z o.o.	2025-2038	213	216	n.a.	**216**	–	–	–	**–**
Windpower Gamów Sp. z o.o.	2025-2038	211	214	n.a.	**214**	–	–	–	**–**
FF Park PV1 Sp. z o.o.	2025-2034	146	146	n.a.	**146**	12	12	n.a.	**12**
WIND T4 Sp. z o.o.	2025-2038	76	78	n.a.	**78**	40	40	n.a.	**40**
TAURON Ekoenergia Sp. z o.o.*	2024-2032	48	44	n.a.	**44**	–	–	–	**–**
WIND T2 Sp. z o.o.	2026-2034	37	37	n.a.	**37**	–	–	–	**–**
Energetyka Cieszyńska Sp. z o.o.	2024-2034	33	35	n.a.	**35**	22	22	n.a.	**22**
WIND T1 Sp. z o.o.*		n.a.	n.a.	n.a.	**n.a.**	197	185	n.a.	**185**
Polpower Sp. z o.o.*		n.a.	n.a.	n.a.	**n.a.**	36	30	n.a.	**30**
Aval-1 Sp. z o.o. *		n.a.	n.a.	n.a.	**n.a.**	16	14	n.a.	**14**
Total		**13 093**	**11 220**	**(35)**	**11 185**	**12 812**	**11 535**	**(151)**	**11 384**
Non-current			10 950	(34)	**10 916**		11 115	(149)	**10 966**
Current			270	(1)	**269**		420	(2)	**418**

** In 2023, the following mergers of companies of the Renewable Energy Sources segment took place: on 11 April 2023, the incorporation of AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered and on 2 October 2023, the incorporation of WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered, as further discussed in Note 2 of these financial statements.*

Loans granted to subsidiaries bear a fixed interest rate.

Valuation of loans granted to TAURON Wytwarzanie S.A. takes into account the company's future cash flows.

The main reason for the decrease in the carrying value of loans granted to TAURON Wytwarzanie S.A. was a reduction in the value of loans granted to this company by the amount of PLN 1 217 million as a result of analyzes carried out as at 31 December 2023 and 30 September 2023, taking into account the future cash flows of TAURON Wytwarzanie S.A.

The analyzes conducted as at 31 December 2023 regarding the financing granted, based on future cash flows, are described in more detail in Note 11 of these financial statements.

The increase in the value of loans measured at a fair value results mainly from granting loans to companies in the Renewable Energy Sources segment by the Company in the year ended 31 December 2023, allocated for the implementation of investment projects in the form of construction of wind farms and photovoltaic farms.

(in PLN million)

Change in loans measured at amortised cost and impairment losses

	Year ended 31 December 2023				
	Level 1: allowance equal to expected credit losses in a 12 month period (no impairment)	Level 2: allowance for expected credit losses over the life period (no impairment)	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
Gross value					
Opening balance	**6 770**	**681**	**7**	**3 635**	**11 093**
Loan repayment	(72)	(26)	(7)	–	**(105)**
Debt-to-equity conversion	–	(652)	–	–	**(652)**
Loan granting	283	–	–	–	**283**
Modification of loans	(67)	–	–	–	**(67)**
Loss of value	–	–	–	(567)	**(567)**
Interest accrued	308	22	–	453	**783**
Interest received	(289)	(25)	–	(453)	**(767)**
Closing balance	**6 933**	**–**	**–**	**3 068**	**10 001**
Impairment loss					
Opening balance	**(49)**	**(95)**	**(7)**	**–**	**(151)**
Recognition	(2)	–	–	–	**(2)**
Reversal	16	95	7	–	**118**
Utilized	–	–	–	–	**–**
Closing balance	**(35)**	**–**	**–**	**–**	**(35)**
Net carrying amount at the beginning of the period	**6 721**	**586**	**–**	**3 635**	**10 942**
Net carrying amount at the end of the period	**6 898**	**–**	**–**	**3 068**	**9 966**

	Year ended 31 December 2022				
	Level 1: allowance equal to expected credit losses in a 12 month period (no impairment)	Level 2: allowance for expected credit losses over the life period (no impairment)	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
Gross value					
Opening balance	**5 275**	**905**	**–**	**–**	**6 180**
Loan repayment	–	(226)	–	–	**(226)**
Loan granting	1 452	–	7	3 621	**5 080**
Loss of value	–	–	–	–	**–**
Interest accrued	237	45	–	188	**470**
Interest received	(194)	(43)	–	(174)	**(411)**
Closing balance	**6 770**	**681**	**7**	**3 635**	**11 093**
Impairment loss					
Opening balance	**(18)**	**(65)**	**–**	**–**	**(83)**
Recognition	(31)	(36)	(7)	–	**(74)**
Reversal	–	6	–	–	**6**
Utilized	–	–	–	–	**–**
Closing balance	**(49)**	**(95)**	**(7)**	**–**	**(151)**
Net carrying amount at the beginning of the period	**5 257**	**840**	**–**	**–**	**6 097**
Net carrying amount at the end of the period	**6 721**	**586**	**–**	**3 635**	**10 942**

21.2. Loans to joint ventures

	As at 31 December 2023		As at 31 December 2022		Maturity date	Interest rate
	Repayable principal amount and interest contractually accrued	Carrying amount	Repayable principal amount and interest contractually accrued	Carrying amount		
Loans granted to EC Stalowa Wola S.A.	726	357	685	206	30/06/2033	fixed
Total, of which:	**726**	**357**	**685**	**206**		
Non-current		357		206		

As at the balance sheet date, as a result of analyzes carried out taking into account the forecast of future cash flows of the joint venture, the Company estimated that the fair value of loans granted to the joint venture of Elektrociepłownia Stalowa Wola S.A. increased to PLN 357 million.

21.3. Loans granted under the cash pool service

In order to optimise cash and liquidity management, the TAURON Group applies the cash pool service mechanism. Cash pooling is implemented under the agreement concluded with the bank for the operation of a cash management system for a group of accounts, with the effective term until 6 December 2024. As a result of the cash pool mechanism, cash is transferred between the accounts of the service participants and the pool leader's account whose function is performed by TAURON Polska Energia S.A.

(in PLN million)

Status of receivables generated as a result of cash pool transactions as at 31 December 2023 and 31 December 2022 is presented in the table below.

	As at 31 December 2023			As at 31 December 2022		
	Gross value	Impairment loss	Carrying amount	Gross value	Impairment loss	Carrying amount
Receivables from cash pool transactions	881	(17)	**864**	2 150	(217)	**1 933**
Interest receivable from cash pool transactions	5	–	**5**	17	–	**17**
Total, of which:	**886**	**(17)**	**869**	**2 167**	**(217)**	**1 950**
Current	886	(17)	869	2 167	(217)	1 950

Information concerning cash pool liabilities is presented in Note 31.4 to these financial statements.

22. Derivatives and hedge accounting

SELECTED ACCOUNTING PRINCIPLES

Derivatives

Derivative financial instruments within the scope of IFRS 9 Financial Instruments are classified as financial assets/liabilities measured at a fair value through profit or loss, except for derivatives designated as hedging instruments and covered by hedge accounting. Agreements for the purchase or sale of non-financial items that can be settled on a net basis, concluded and held for the purpose of receiving or delivering non-financial items in accordance with the entity's expected needs as excluded from the scope of IFRS 9 Financial Instruments, are not subject to measurement as at the balance sheet day.

Derivatives classified as “financial assets/financial liabilities measured at fair value through profit or loss” are measured at a fair value, taking into account their market value as at the balance sheet date. Changes in the fair value of these instruments are recognised in the result of the period (commodity derivatives in operating income/expenses, other derivatives in financial income/expenses). Derivatives are disclosed as assets if their value is positive or as liabilities if their value if negative.

Hedge accounting

The Company applies the accounting principles in relation to hedging instruments covered by hedge accounting in accordance with IAS 39 Financial Instruments: recognition and measurement.

In order to hedge the interest rate risk, the Company uses IRS (Interest Rate Swap) contracts. These instruments hedge cash flows related to the Company indebtedness. Such transactions are subject to hedge accounting.

At the inception of the hedge the Company formally designates and documents the hedging relationship as well as the risk management objective and the strategy underlying establishing of the hedge.

Cash flow hedges are accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income; and
- the ineffective portion of the gain or loss on the hedging instrument shall be recognised in profit or loss for the period.

The gains/losses on the revaluation of a hedging instrument recognised in other comprehensive income are recognised directly in the profit or loss of the current period when the hedged item affects profit or loss of the current period or is included in the initial cost of purchasing the asset (capitalisation of external financing costs). For IRS, interest costs arising from debt are adjusted accordingly.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company estimates fair value at each balance sheet day using the methodology described in the table below. The Group tests the effectiveness of the hedge at each balance sheet date.

(in PLN million)

Instrument	Methodology for determining the fair value	Status as at 31 December 2023
Derivatives covered by 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 nominal 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 December 2023				As at 31 December 2022			
	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments	Total		Charged to profit or loss	Charged to revaluation reserve from valuation of hedging instruments
	Assets	Liabilities			Assets	Liabilities		
Derivatives subject to hedge accounting								
IRS	**299**	**–**	28	271	**592**	**–**	34	558
Derivatives measured at fair value through profit or loss								
CCIRS	**–**	**(9)**	(9)	–	**21**	**–**	21	–
Commodity forwards/futures	**125**	**(125)**	–	–	**236**	**(232)**	4	–
Currency forwards	**17**	**(679)**	(662)	–	**–**	**(109)**	(109)	–
Total	**441**	**(813)**			**849**	**(341)**		
Non-current	149	(169)			390	(10)		
Current	292	(644)			459	(331)		

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)

23. Other financial assets

SELECTED ACCOUNTING PRINCIPLES

Other financial assets include, inter alia, bid bonds, deposits, security provided, including stock exchange settlement deposits security from settlements on foreign stock exchanges and funds contributed under the Guarantee Fund to the Izba Rozliczeniowa Giełda Towarowych S.A. in connection with transactions concluded by the Company on the Polish Power Exchange and receivables arising from income tax settlements which contains of the Tax Capita Group

PROFESSIONAL JUDGEMENT AND ESTIMATES

In accordance with the requirements of IFRS 9 Financial Instruments, the Company estimates the amount of impairment losses for expected credit losses for other financial assets measured at amortized cost.

	As at 31 December 2023	As at 31 December 2022
Bid bonds, deposits, collateral transferred	355	35
Receivables arising from income tax settlements of the TCG companies	78	–
Dividend receivables from TAMEH HOLDING Sp. z o.o.	32	–
Other	1	–
Total	**466**	**35**
Non-current	33	–
Current	433	35

The increase in security deposits, bonds and securities transferred is mainly related to the transfer by the Company to Bank Gospodarstwa Krajowego ("BGK") of a cash deposit to secure BGK's receivables, in place of the bank guarantee previously in force, 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.), as discussed in more detail in Note 41 of these financial statements. As at 31 December 2023, the amount of the deposit paid reached PLN 346 million. As at the balance sheet date, the Company recognised the allowance for expected credit losses on the deposit paid in the amount of PLN 14 million.

Receivables due to income tax settlements of the Tax Capital Group are described in more detail in note 28 to these financial statements.

Based on the analyzes conducted as part of the impairment tests related to the insolvency of TAMEH Czech s.r.o., the Company assessed that as at the balance sheet date, dividend receivables from TAMEH HOLDING Sp. z o. o. in the amount of PLN 32 million are of a long-term nature.

24. Other non-financial assets

SELECTED ACCOUNTING PRINCIPLES

The Company recognizes as other non-financial assets mainly advance payments for deliveries, prepayments and settlements for taxes and fees, with the exception of income tax presented in the statement of financial position in a separate item.

Prepayments are determined at a level of expenditure incurred, determined reasonably, referring to future periods, which will result in future inflows of economic benefits to the entity. Write-downs on prepayments of costs may be applied adequately to the lapse of time or the level of benefits.

	As at 31 December 2023	As at 31 December 2022
Prepaid fee on debt	10	14
Advances for deliveries	–	598
Other	10	8
Total	**20**	**620**
Non-current	17	19
Current	3	601

The decrease in the balance of prepayments for deliveries is related to the settlement as at the balance sheet date of the deliveries of coal contracted by the Company for the needs of the Group's generating companies on the domestic and foreign markets and the partial refund of the prepayments made.

(in PLN million)

25. Deferred income tax

SELECTED ACCOUNTING PRINCIPLES

Deferred Tax

In connection with temporary differences between the value of assets and liabilities recognised in the accounts and their tax value as well as tax loss deductible in the future, the Company recognises the liability and determines assets due to deferred income tax.

The carrying amount of a component of assets due to deferred income tax is verified as at each balance sheet date. The Company decreases the carrying amount of a component of assets due to deferred income tax to the extent it is improbable to achieve taxable income sufficient for the partial or full realisation of the component of assets due to deferred income tax. Unrecognised assets due to deferred income tax are subject to verification as at each balance sheet date and recognised to the extent it becomes probable that the future taxable income will enable their realisation. The Company recognises deferred tax assets for deductible temporary differences associated with investments in subsidiaries only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the deductible temporary differences can be utilised.

Assets due to deferred income tax and the liability due to deferred income tax are measured by applying tax rates which, according to the expectations will be applied if the component of assets is realised or if the provision is reversed, adopting as a base tax rates (and tax regulations) which were legally applicable or in relation to which the legislative process has been, in principle, completed as at the balance sheet date.

Income tax relating to items recognised outside the profit or loss, i.e. items recognised in other comprehensive income or directly in equity, is recognised in other comprehensive income or equity, respectively.

The Company sets off deferred tax assets against deferred tax liabilities when it has a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax asset and liability relate to the same tax authority.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company assesses the realisability and verifies unrecognised deferred tax assets at each balance sheet date. As at the balance sheet date, the Company did not recognize a deferred tax asset in the amount of PLN 59 million due to the forecasted inability to fully realize the asset.

The Company assesses that with regard to the negative temporary differences associated with the recognition of impairment losses on shares in subsidiaries in the amount of PLN 9 915 million, the conditions for the recognition of a deferred tax asset are not met.

The Company also did not recognise a tax loss asset for 2022 from the capital gains source due to the lack of projected tax revenue allowing for its achievement.

	As at 31 December 2023	As at 31 December 2022
Deferred tax liabilities		
measurement of derivative instruments	24	49
valuation of hedging instruments	57	113
accrued interest and the valuation of loans granted	70	48
due to a different tax moment for recognizing revenues and costs of selling goods and services	1	26
other	17	12
Total	**169**	**248**
Deferred tax assets		
measurement of derivative instruments	151	65
accrued interest and the valuation of debt	45	89
provisions, accruals and deferred income	5	57
different timing of recognition of revenue and cost of sales for tax purposes	61	35
difference between tax base and carrying amount of other financial liabilities	3	18
other	49	19
Total	**314**	**283**
Unrecognized deferred tax assets	(59)	(49)
Recognized deferred tax assets/(liabilities), net	**86**	**(14)**

(in PLN million)

26. Inventory

SELECTED ACCOUNTING PRINCIPLES

As part of inventories, the Company primarily recognises acquired CO_2 emission allowances that are held for trading purposes, including sale to Group companies for redemption purposes.

Inventories of CO_2 emission allowances acquired for the purpose of selling and achieving a profit resulting from market price volatility in the short term are measured at initial recognition and at fair value at each balance sheet date.

Inventories of CO_2 emission allowances purchased for redemption purposes of the Group companies are initially recognised at a purchase price and measured as at the balance sheet day at a lower of the purchase price or the net achievable sales price. If the purchase price is higher than the net achievable sales prices, the Company recognises the relevant allowance, which is charged to operating expenses.

Disposal of purchased CO_2 emission rights is measured using the FIFO method.

	As at 31 December 2023		As at 31 December 2022		
	Gross Value	Carrying amount	Gross Value	Impairment allowances	Carrying amount
CO_2 emission allowances	12	12	74	(2)	72

27. Receivables from customers

SELECTED ACCOUNTING PRINCIPLES

Receivables from customers are recognised and presented at the amounts originally invoiced, except where the effect of the time value of money is material, taking into account impairment due to expected future credit losses.

Impairment allowances are recognised for both overdue and current receivables based on probability-weighted credit loss to be incurred should any of the following events occur:

- a material delay in payment,
- a debtor is put in liquidation, declared bankrupt or undergoes restructuring procedures,
- the receivables are claimed at administrative or common court, or undergo enforcement.

The Company has allocated a portfolio of strategic counterparties (counterparty with a receivable value exceeding PLN 2 million) and a portfolio of other counterparties for receivables from customers.

Revaluation allowances of receivables are recognised in such cost categories which correspond to the function of the assets component, i.e. in costs of operating activity or financial costs - depending on the type of receivables the allowance refers to.

PROFESSIONAL JUDGEMENT AND ESTIMATES

For the portfolio of strategic counterparties, it is expected that the historical performance does not provide full information on the expected credit losses that the Company may be exposed to. The risk of insolvency on the part of strategic counterparties is assessed based on ratings assigned to the counterparties using an internal scoring model and appropriately restated to account for the probability of default. The expected credit loss, in line with IFRS 9 *Financial Instruments*, is calculated based on the estimated potential recoveries from security interests.

It is expected that the historical performance information concerning receivables from other counterparties may reflect the credit risk that will be faced 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.

In order to consider future factors, the Company adjusts the historical probability of default using the probability level implied by quotings of annual Credit Default Swap (CDS) instruments for each rating.

	As at 31 December 2023	As at 31 December 2022 *(restated figures)*
Gross Value		
Receivables from buyers	**2 497**	2 271
Total	**2 497**	**2 271**
Allowance/write-down		
Receivables from buyers	**(7)**	**(31)**
Total	**(7)**	**(31)**
Net Value		
Receivables from buyers	2 490	2 240
Total	**2 490**	**2 240**

As at 31 December 2023 and 31 December 2022, receivables from the subsidiary, TAURON Sprzedaż Sp. z o.o. constituted the highest balance of receivables from customers amounting to PLN 1 986 million and PLN 1 164 million, respectively.

(in PLN million)

The ageing of receivables from customers is presented below.

	As at 31 December 2023			As at 31 December 2022 *(restated figures)*	
	Not past due	*Past due 30-90 days*	Total	*Not past due*	Total
Value of item before allowance/write-down	2 495	2	**2 497**	2 271	**2 271**
Allowance/write-down	(7)	–	**(7)**	(31)	**(31)**
Net Value	**2 488**	**2**	**2 490**	**2 240**	**2 240**

Transactions with related parties and balances of settlements with these entities are presented in note 44.1 of these financial statements.

28. Income tax Receivables and Tax Capital Group

On 28 December 2022, the Tax Capital Group Agreement for the years 2023-2025 was registered by the Head of the First Tax Office for the Mazowieckie Province in Warsaw. The Tax Capital Group ("PGK") consists of the Company and selected subsidiaries.

Main companies forming the Tax Capital Group as of 1 January 2023 include: TAURON Polska Energia S.A., TAURON Dystrybucja S.A., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Ciepło Sp. z o.o., TAURON Zielona Energia Sp. z o.o., TAURON Nowe Technologie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 31 December 2023, the Tax Capital Group had income tax receivables in the amount of PLN 94 million, representing the surplus of advances paid for 2023 in the amount of PLN 432 million over the tax burden in the amount of PLN 338 million. At the same time, due to the settlement of the Company as a Representative Company with subsidiaries belonging to the Tax Capital Group, the Company had a liability to these subsidiaries due to overpayment of tax in the amount of PLN 185 million, which was presented in the statement of financial position as other financial liabilities and a receivable from the subsidiaries forming the Tax Capital Group on account of settlement of tax in the amount of PLN 78 million, recognised in other financial assets.

29. Cash and cash equivalents

SELECTED ACCOUNTING PRINCIPLES

Cash and cash equivalents presented in the statement of financial position comprise, in particular, cash in hand and at bank and short-term deposits with the original maturity period not exceeding three months and transaction deposits transferred to Izba Rozliczenia Giełd Towarowych S.A. in connection with transactions concluded by the Company on the Polish Power Exchange.

The balance of cash and cash equivalents recognised in the cash flow statement consists of cash and cash equivalents set out above, adjusted for the balances of short-term borrowings made and drawn down as part of cash pool transactions, due to the fact that they mainly serve to manage the Group's current financial liquidity and consequently do not represent cash flows from investment or financial activities. Moreover, cash and cash equivalents recognised in the cash flow statement, adjusted by the balance of the valuation of cash in foreign currencies as at the balance sheet date and by the funds, which, in the Company's opinion, do not constitute cash and cash equivalents in the cash flow statement.

	As at 31 December 2023	As at 31 December 2022
Cash and cash equivalents presented in the statement of financial position, of which:	**484**	**1 039**
restricted cash, including:	201	752
collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	*182*	*671*
cash on VAT bank accounts (split payment)	*19*	*81*
Cash pool	(750)	(715)
Collateral of settlements with Izba Rozliczeniowa Giełd Towarowych S.A.	(20)	(671)
Foreign exchange	(1)	26
Cash and cash equivalents presented in the statement of cash flows	**(287)**	**(321)**

(in PLN million)

30. Equity

SELECTED ACCOUNTING PRINCIPLES

Issued capital

In the financial statements, issued capital is presented at the amount specified in the articles of association and entered in the Company's court register.

Reserve capital

Reserve capital is created, to which at least 8% of profit for each financial year is appropriated in order to offset the loss of the Company, which is a joint stock company, until its amount equals at least one-third of the issued capital.

Revaluation reserve from valuation of hedging instruments

Revaluation reserve arising from hedging instruments is related to the measurement of Interest Rate Swaps hedging interest rate risk arising from debt. Its amount is determined as the fair value of the effective portion of cash flow hedging instruments, including deferred tax.

30.1. Issued capital

Issued capital as at 31 December 2023

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

30.2. Major Shareholders

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

Shareholder	Number of shares	Nominal value of shares	Percentage of issued 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%**

**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 entitled to exercise the right to more than 10% of votes at the General Shareholders' Meeting of the Company. The limitation does not apply to the State Treasury and State Treasury owned companies in the period when the State Treasury and State Treasury owned companies hold shares in the Company authorising to at least 25% of the total votes in the Company.*

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

30.3. Reserve capital

	As at 31 December 2023	As at 31 December 2022
Amounts from distribution of prior years profits	3 076	3 009
Total reserve capital	**3 076**	**3 009**

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

30.4. Revaluation reserve from valuation of hedging instruments

	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance	**450**	**299**
Remeasurement of hedging instruments	(287)	187
Deferred income tax	55	(36)
Closing balance	**218**	**450**

(in PLN million)

Revaluation reserve from valuation of hedging instruments is related to the measurement of Interest Rate Swaps (IRS) hedging interest rate risk due to indebtedness, as described in more detail in Note 22 of these financial statements. For the transactions concluded, the Group applies hedge accounting.

As at 31 December 2023, the Group recognised the amount of PLN 218 million of the revaluation reserve from valuation 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 299 million, adjusted by the portion of the measurement relating to debt interest accrued at the balance sheet day, including the deferred tax.

30.5. Retained profits / (Accumulated losses)

	As at 31 December 2023	As at 31 December 2022
Financial result for the year ended 31 December 2023	(638)	–
Financial result for the year ended 31 December 2022	–	67
Restated result for the year ended 31 December 2020	338	338
Effects of implementing IFRS 9 *Financial Instruments*	(388)	(388)
Settlement of mergers with subsidiaries	81	81
Total retained profits/ (accumulated losses)	**(607)**	**98**

30.6. Dividends paid and proposed for disbursement

In the year ended 31 December 2023 and the comparative period, the Company did not propose to pay or paid any dividends to the shareholders of the Company.

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

31. Debt liabilities

SELECTED ACCOUNTING PRINCIPLES

Within debt obligations in the statement of financial position, the Company presents:

• Loans, borrowings, bonds issued

At initial recognition, all credits, loans and bonds issued are measured at fair value less the cost incurred to obtain a borrowings or loan as well as discounts or bonuses obtained due to the liability. After the initial recognition, interest-bearing facilities, loans and debt securities are subsequently measured at an amortised cost using the effective interest rate method.

• Lease

An agreement or part of a rental, lease or other agreement or part of an agreement of a similar nature under which the right to control the use of an asset (underlying asset) for a given period is transferred in exchange for remuneration is classified as a lease. 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. Lease payments included in the measurement of the lease liability include:

- fixed lease payments less any lease incentives payable,

- variable lease payments that depend on an index or a rate, measured initially using that index or rate according to their value at the starting date.

PROFESSIONAL JUDGEMENT AND ESTIMATES

When measuring liabilities at amortized cost using the effective interest rate method, the Company estimates future cash flows considering all contractual terms of a given financial instrument, including the early repayment option. As at the reporting period end, early buy-back of bonds was included in the measurement of liabilities arising from issue of hybrid bonds under agreements concluded with the European Investment Bank and Bank Gospodarstwa Krajowego, in relation to the intention to buy back the bonds after the end of the first financing period. In the case of hybrid bonds with a nominal value of EUR 190 million as at the balance sheet date, the maturity date, i.e. the date of availability of financing after two financing periods, exceeds 12 months from the balance sheet date, however, the Company classifies the liability as short-term in accordance with the intention to repay the liability, i.e. after first financing period in December 2024.

In the case of a loan agreement where the drawing period of the loan tranches may be under 12 months, where the financing available under the agreement is revolving and the availability period exceeds 1 year, the Company classifies the tranches according to the intention and ability to maintain the financing under the agreement, i.e. as a long-term or short-term liability. As at the balance sheet date, the Company has available loan agreements of the nature described above, concluded in 2020 and 2022 with bank consortiums. As at the balance sheet date, drawdowns under these contracts were classified as long-term liabilities.

The lease incremental borrowing rate is estimated as a weighted average cost of the TAURON Group's debt adjusted for the Company individual rating, taking into account a breakdown by lease term. In selected leasing agreements, there is a provision on the right to purchase (purchase option), however, as at the balance sheet date, the leasing fees included in the valuation of leasing liabilities do not include the exercise price of the purchase option due to the fact that the Company does not intend to use the option.

A description of other estimates and judgments regarding the identification of leasing contracts is presented in Note 19 of these financial statements, regarding rights to use assets.

(in PLN million)

	As at 31 December 2023			As at 31 December 2022		
	Long-term	Short-term	Total	Long-term	Short-term	Total
Bank loans	7 326	1 785	**9 111**	7 753	201	**7 954**
Unsubordinated bonds	3 915	210	**4 125**	4 253	216	**4 469**
Subordinated bonds	1 140	778	**1 918**	1 961	5	**1 966**
Cash pool loans received	–	1 636	**1 636**	–	2 882	**2 882**
Loan from the subsidiary	724	2	**726**	781	2	**783**
Lease	6	10	**16**	6	10	**16**
Total	**13 111**	**4 421**	**17 532**	**14 754**	**3 316**	**18 070**

The TAURON Group obtains financing for investment purposes supporting minimizing the negative impact of the TAURON Group's activities on the climate. The Company is the main entity obtaining external financing for the Group. A summary of the commitment acquired by the Group in the field of pro-climate investments is presented in point E 3.2.1. *Reports on non-financial information of the TAURON Capital Group for 2023*.

31.1. Bank loans

Borrowing institution	Interest rate	Currency	Maturity date	As at 31 December 2023	As at 31 December 2022
Consortiums of banks	floating	PLN	2024 *	2 567	3 271
Bank Gospodarstwa Krajowego	floating	PLN	2024	749	–
			2024-2033	1 001	1 001
European Investment Bank	fixed	PLN	2024	61	141
			2024-2027	103	133
			2025-2040	404	405
	floating		2025-2040	1 222	1 222
			2026-2041	1 226	–
Intesa Sanpaolo S.p.A.	floating	PLN	2024	772	775
SMBC BANK EU AG	fixed	PLN	2025	500	499
Erste Group Bank AG	floating	PLN	2026	506	507
Total				**9 111**	**7 954**

**Tranches classified as non-current liability.*
As at the balance sheet date, the Company has available loan agreements entered into in 2020 and 2022 with consortiums of banks, where the drawdown period of individual loan tranches may be less than 12 months, however, the financing is revolving and the term of availability exceeds 12 months from the balance sheet date. Due to the intention and ability to maintain financing under the aforementioned agreements over a period exceeding 12 months from the balance sheet date as at 31 December 2023 and 31 December 2022, the drawdowns were classified as non-current liabilities.

In the year ended 31 December 2023, the Company carried out the following transactions relating to bank loans (at a nominal value), excluding overdraft facilities:

Lender	Year ended 31 December 2023	
	Drawdown	Repayment
Consortiums of banks	7 410	(8 100)
European Investment Bank	1 200	(111)
Bank Gospodarstwa Krajowego	1 500	(750)
Total, including:	**10 110**	**(8 961)**
Cash flows	7 900	(6 751)
Net settlement (without cash flow)	2 210	(2 210)

After the balance-sheet date the Company performed drawdowns under available loans in the total amount of PLN 150 million and repaid tranches in the total amount of PLN 1 050 million.

Signing loans agreements

On 16 February 2023, the Company concluded the working capital loan agreement with Bank Gospodarstwa Krajowego in the revolving loan facility for the amount of PLN 750 million. On 24 February 2023, the Company drew down all available financing, which was repaid on 2 October 2023 and the agreement expired. On 3 October 2023, the Company concluded a new working capital loan agreement with Bank Gospodarstwa Krajowego in the revolving loan facility for the amount of PLN 750 million with a repayment term of 3 October 2024. On 25 October 2023, the Company drew down all available funding.

After the balance sheet date, 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.

(in PLN million)

Overdrafts

In the year ended 31 December 2023, under annexes to the overdraft agreement, the amount of the overdraft limit was increased from PLN 250 million to PLN 500 million and the repayment term was extended to 2 October 2024. The Company also has available financing limit under the concluded overdraft agreements up to the amount of EUR 4 million, with the maturity date by 31 December 2024. As at 31 December 2023 and as at 31 December 2022, the Company did not have any debt under overdraft agreements.

31.2. Bonds issued

Investor	Interest rate	Currency	Nominal value of bonds issued in currency	Maturity date	Carrying amount	
					As at 31 December 2023	As at 31 December 2022
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	500	2024-2028	501	602
			420	2024-2029	421	491
A series bonds (TPE1025)	floating, based on WIBOR 6M	PLN	1 000	2025	1 011	1 014
Eurobonds	fixed	EUR	500	2027	2 192	2 362
Unsubordinated bonds					**4 125**	**4 469**
Bank Gospodarstwa Krajowego	floating, based on WIBOR 6M	PLN	400	2031[2]	401	401
European Investment Bank	fixed1	EUR	190	2034[2]	775	851
		PLN	400	2030[2]	396	381
		PLN	350	2030[2]	346	333
Subordinated bonds					**1 918**	**1 966**
Total bonds					**6 043**	**6 435**

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

Non-subordinated bonds

The Eurobonds with a nominal value of EUR 500 million have been admitted to trading on the regulated market of the London Stock Exchange, while the TPE1025 bonds with a nominal value of EUR 1 000 million are listed in the Catalyst alternative trading system operated by the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

Subordinated hybrid bonds

The bonds subscribed by the European Investment Bank (“EIB”) with a nominal value of EUR 190 million and PLN 750 million and by Bank Gospodarstwa Krajowego (“BGK”) with a nominal value of PLN 400 million are subordinated, which means that in the event of bankruptcy or liquidation of the issuer, the liabilities arising from the bonds will have priority of repayment only over the receivables of the Company shareholders. This, in turn positively affects the level of the net debt/EBITDA ratio since the bonds are excluded from the calculation of this ratio which is a covenant in some financing agreements concluded by the Company. Additionally, 50% of the subordinated bond amount has been classified by the rating agency as equity in the rating model, which has had a beneficial effect on the rating of the TAURON Group.

The Company additionally holds financing available under the subordinated bond emission scheme which was concluded in 2021 with Bank Gospodarstwa Krajowego up to the amount of PLN 450 million, which has not been used by the Company.

31.3. Debt agreement covenants

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

As at 31 December 2023, *the net debt/EBITDA* ratio amounted to 2.11, therefore the covenant was not maintained. At the end of the comparative period, the covenant was also met.

(in PLN million)

31.4. Loans received under the cash pool service

As at 31 December 2023 and as at 31 December 2022, the Company had current liabilities on account of cash pool transactions amounting to PLN 1 636 million and PLN 2 882 million, respectively. The liability arises from the Group's cash pool service mechanism, which is described in more detail, including the presentation of receivables arising from cash pool transactions, in Note 21.3 of these financial statements.

31.5. Loan from subsidiary

The liability of the Company amounting to PLN 726 million (EUR 167 million) as at 31 December 2023 relates to the long-term loan received from the subsidiary, Finanse Grupa TAURON Sp. z o.o. under the agreement concluded between TAURON Polska Energia S.A. and the subsidiary, Finanse Grupa TAURON Sp. z o.o. (formerly TAURON Sweden Energy AB (publ)). The loan agreement in the amount of EUR 167 million was concluded in 2014 and bears interest at a fixed rate while the interest is paid annually until the full repayment of the loan. The repayment deadline of the loan falls on 29 November 2029.

31.6. Lease liabilities

Lease liability relates mainly to the lease of office premises and warehouses and cars as well as perpetual usufruct right to land.

Ageing of the lease liability

	As at 31 December 2023	As at 31 December 2022
Within 1 year	10	11
Within 1 to 5 years	4	4
More than 5 years	7	5
Gross lease liabilities	**21**	**20**
Discount	(5)	(4)
Present value of lease payments	**16**	**16**

32. Other financial liabilities

SELECTED ACCOUNTING PRINCIPLES

Other financial liabilities include, among others: liabilities to companies due to settlements of the Tax Capital Group, payroll liabilities, deposits, security deposits, and collateral received, which are valued at the amount due, as a result of the immaterial impact of discounting.

	As at 31 December 2023	As at 31 December 2022
Liabilities arising from income tax settlements of the PGK companies	185	–
Valuation of guarantees and financial sureties	26	74
Wages and salaries as well as other employee related liabilities	9	8
Bid bonds, deposits and collateral received	6	9
Variation margin deposits arising from stock exchange transactions	–	41
Security margin deposits arising from bank settlements	–	8
Other	14	14
Total	**240**	**154**
Non-current	6	8
Current	234	146

Liabilities due to income tax settlements of the Tax Capital Group are described in more detail in Note 28 to these financial statements.

In accordance with IFRS 9 *Financial Instruments*, the Company measures guarantees and sureties issued at the amount of expected credit losses. The granted guarantees, sureties and other securities constituting the Company's contingent liabilities are described in more detail in Note 41 of these financial statements.

(in PLN million)

33. Liabilities to suppliers

SELECTED ACCOUNTING PRINCIPLES
Current liabilities to suppliers are recognised at the amount due.

	As at 31 December 2023	As at 31 December 2022 *(restated figures)*
Liabilities to subsidiaries, including:	672	757
TAURON Wytwarzanie S.A.	*427*	*520*
TAURON Ciepło Sp. z o.o.	*127*	*117*
TAURON Sprzedaż Sp. z o.o.	*21*	*66*
TAURON Sprzedaż GZE Sp. z o.o.	*3*	*7*
Other subsidiaries	*94*	*47*
Liabilities to other suppliers	307	662
Total	**979**	**1 419**

34. Other non-financial liabilities

SELECTED ACCOUNTING PRINCIPLES
Other non-financial liabilities include, in particular, liabilities on account of advances received which are settled by the delivery of goods as well as tax and fee settlements which include:

- VAT settlements;
- Tax settlements related to civil law transactions;
- Personal income tax and social security settlements;
- Other public law settlements.

	As at 31 December 2023	As at 31 December 2022
VAT	680	51
Liabilities due to write-down for the Price Difference Payment Fund	317	–
Advances for deliveries	–	1 536
Social security	7	6
Other	1	4
Total	**1 005**	**1 597**
Non-current	–	4
Current	1 005	1 593

The increase in VAT liabilities is related to:

- the reinstatement as of 1 January 2023 of the 23% VAT rate on electricity, heat and gas (until 31 December 2022 the reduced rate was 5%),
- the entry into force on 1 April 2023 of legislation introducing the reverse charge of VAT on transactions in, inter alia, trading in electricity and greenhouse gas emission allowances, covering, in particular, transactions where the Company purchases electricity on the exchange, with the simultaneous obligation to charge a 23% VAT rate on intra-group transactions.

Liabilities in respect of allowances for the Price Difference Payment Fund (the "Fund") relate to the Company's recognition of the costs of write-down to the Fund, as further described in Note 13 to these financial statements, in respect of which the payment date falls after the balance sheet date.

The decline in the balance of advances received for deliveries is related to the implementation of deliveries of CO_2 emission allowances to TAURON Wytwarzanie S.A. and the lack of transactions resulting in the obligation to receive advances for successive deliveries in the year ended 31 December 2023.

(in PLN million)

35. Provision for onerous contract

SELECTED ACCOUNTING PRINCIPLES

Provision for onerous contracts

The Company creates the provision for the onerous contract since it is a party to the agreement under which unavoidable costs of fulfilling the obligation outweigh the benefits to be obtained thereunder. The Company recognises and measures the current obligation under such agreement as a provision. The unavoidable costs arising from the contract comprise, at least, net costs of contract termination, corresponding to the costs of fulfilment of the contract or costs of any damages or penalties arising for the failure to fulfil it, whichever is lower. The unavoidable costs of meeting the obligation shall be increased by the value of the interest due if it can be estimated reliably.

The costs of fulfilling the contract include costs directly related to the contract. Costs directly related to the contract include:

- incremental costs of fulfilling this contract, e.g. labour and materials,
- allocation of other costs that relate directly to fulfilling the contracts (for example, the allocation of depreciation charges to an item of property, plant and equipment used, inter alia, to fulfil this agreement).

The provision for onerous contracts was created in the Company for contracts relating to the sale of CO_2 emission allowances to subsidiaries for the needs of their redemption of allowances.

	Year ended 31 December 2023	Year ended 31 December 2022
Opening balance	**281**	**222**
Unwinding of discount	5	13
Recognision/(Reversal) net	23	133
Utilisation	(309)	(87)
Closing balance	**–**	**281**
Non-current	–	28
Current	–	253

In the year ended 31 December 2023, in connection with the settlement of contracts with delivery dates in the first half of 2023 and the materialisation of the loss generated on the resale of allowances, the Company used the provision recognised as at 31 December 2022 for onerous contracts in the amount of PLN 281 million related to agreements for the sale of CO_2 emission allowances. The provision was recognised for onerous contracts related to CO_2 emission allowances under which, on the basis of transaction agreements concluded with subsidiaries, the unavoidable costs of fulfilling the obligation to supply CO_2 emission allowances to subsidiaries exceed the benefits to be received under these agreements. The provision was calculated as a difference between concluded transaction agreements for sales to subsidiaries and concluded contracts for the purchase of CO_2 emission allowances from the market measured at the current exchange rate.

The provision is mainly a consequence of portfolio restructuring transactions carried out in 2021 and 2022 due to the surplus of CO_2 emission allowances of the subsidiary, Nowe Jaworzno Grupa TAURON Sp. z o.o. (currently TAURON Wytwarzanie S.A.), in connection with the failure and shutdown of the 910 MW unit in Jaworzno, as a result of which the Company generated a profit upon performing the transaction, i.e. in 2021 and 2022.

36. Other provisions, accruals and governmental subsidies

SELECTED ACCOUNTING PRINCIPLES

Accruals and governmental subsidies

The Company recognises accruals mainly for bonuses and unused holiday leave.

Provisions for employee benefits

In accordance with the remuneration system adopted, employees of the Company are entitled to post-employment benefits: retirement and disability severance pay and benefits from the Company Social Benefits Fund. The provision for death compensation to which the family of the deceased employee is entitled is created in accordance with the terms and in the amount included in the Labour Code.

The current value of such liabilities as at the balance sheet day is calculated by an independent actuary. The accrued liabilities are equal to discounted future payments, that will be made in the future, including employee turnover, and pertain to the time remaining until the balance sheet day. Demographic information and employee turnover data are based on historical data. Actuarial gains and losses on post-employment benefits are fully charged to other comprehensive income.

Other provisions

Provisions are recognised if the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

(in PLN million)

	As at 31 December 2023	As at 31 December 2022
Accruals and governmental subsidies, including:	24	19
Accruals due to bonuses and salary changes	*9*	*9*
Provision for post-employment employee benefits	7	4
Other provisions	4	3
Total	**35**	**26**
Non-current	8	4
Current	27	22

EXPLANATORY NOTE TO THE STATEMENT OF CASH FLOWS

SELECTED ACCOUNTING PRINCIPLES

The statement on cash flows is prepared according to the indirect method.

37. Significant items of the statement of cash flows

37.1. Cash flows from operating activities

Change in working capital

	Year ended 31 December 2023	Year ended 31 December 2022 *(restated figures)*
Change in receivables	(570)	(293)
Change in inventories	60	(21)
Change in payables excluding loans	(1 098)	1 063
Change in other non-current and current assets	600	(554)
Change in deferred income, government grants and accruals	3	4
Change in provisions	(282)	61
Change in collaterals transferred to IRGiT	651	(515)
Change in working capital	**(636)**	**(255)**

37.2. Cash flows from investment activities

Loan granting

	Year ended 31 December 2023	Year ended 31 December 2022
Loans granted to companies:		
"MEGAWATT S.C." Sp. z o.o.	(289)	(133)
WIND T30MW Sp. z o.o.	(247)	–
Windpower Gamów Sp z o.o.	(244)	–
FF Park PV 1 Sp. z o.o.	(153)	(12)
TAURON Obsługa Klienta Sp. z o.o.	(130)	(95)
TAURON Inwestycje Sp. z o.o.	(83)	–
Wind T2 Sp. z o.o.	(46)	–
WIND T4 Sp. z o.o.	(43)	–
TAURON Wytwarzanie S.A.	–	(4 863)
TAURON Dystrybucja S.A.	–	(1 300)
Elekrociepłownia Stalowa Wola S.A.	–	(120)
Wind T1 Sp. z o.o.*	–	(106)
Polpower Sp. z o.o.*	–	(31)
TAURON Nowe Technologie S.A.	–	(50)
Other companies	(10)	(27)
Change in the balance of loans granted to subsidiaries under the long-term exposure cash pool agreement	–	78
Total	**(1 245)**	**(6 659)**

** In 2023, the following mergers of companies of the Renewable Energy Sources segment took place: on 11 April 2023, the incorporation of AVAL-1 Sp. z o.o. and Polpower Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered and on 2 October 2023, the incorporation of WIND T1 Sp. z o.o. by TAURON Ekoenergia Sp. z o.o. was registered, as further discussed in Note 2 of these financial statements.*

(in PLN million)

37.3. Cash flows from financial activities

Loans and borrowings repaid

	Year ended 31 December 2023	Year ended 31 December 2022
Repayment tranches of loans to:		
Consortiums of banks	(5 890)	(5 950)
Bank Gospodarstwa Krajowego	(750)	–
European Investment Bank	(111)	(111)
Total	**(6 751)**	**(6 061)**

Interest paid

	Year ended 31 December 2023	Year ended 31 December 2022
Interest paid in relation to loans and borrowings	(539)	(268)
Interest paid in relation to debt securities	(208)	(247)
Total	**(747)**	**(515)**

Borrowings

	Year ended 31 December 2023	Year ended 31 December 2022
The launch of financing under loan agreements:		
Consortiums of banks	5 200	7 340
European Investment Bank	1 200	1 600
Bank Gospodarstwa Krajowego	1 500	–
Erste Group Bank AG	–	500
Total	**7 900**	**9 440**

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

38. Financial instruments

SELECTED ACCOUNTING PRINCIPLES

Financial assets held by the Company under IFRS 9 *Financial Instruments* are classified into the following classes of financial instruments:

- financial assets measured at amortised cost
- financial assets measured at a fair value through profit or loss,

As at the balance sheet date, the Company had no financial assets measured at a fair value through other comprehensive income.

Financial assets in accordance with IFRS 9 *Financial Instruments* are classified upon initial recognition based on the cash flow characteristics (SPPI test) and the business model underlying the management of a given financial asset.

The equity instruments are measured at fair value through profit or loss in line with IFRS 9 *Financial Instruments*.

The Company divides the liabilities into the following classes:

- financial liabilities measured at a fair value through profit or loss;
- other financial liabilities, measured at amortised cost at each subsequent balance sheet date at amortised cost.

PROFESSIONAL JUDGEMENT AND ESTIMATES

The Company makes judgements regarding classification of financial instruments.

As at each reporting period end, the Company measures the fair value of assets and liabilities classified as measured at fair value and discloses the fair value of other financial instruments. The methodology fair value measurement is presented below.

The Company recognises an impairment loss upon initial recognition of a financial asset and then remeasures the loss amount as at each reporting day. The Company recognises the allowance for expected credit losses on financial assets measured at an amortized cost, including mostly for loans granted and receivables from customers. The measurement methodology is described in Notes 27 and 39.1.2 to these financial statements.

(in PLN million)

38.1. Carrying amount and fair value of categories and classes of financial instruments

Categories and classes of financial assets	As at 31 December 2023		As at 31 December 2022 *(restated figures)*	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets measured at amortized cost	**13 767**	**13 761**	**15 132**	**14 881**
Receivables from buyers	2 490	2 490	2 240	2 240
Loans granted to subsidiaries	9 966	9 960	10 942	10 691
Loans granted under cash pool agreement	869	869	1 950	1 950
Other financial assets	442	442	–	–
2 Financial assets measured at fair value through profit or loss (FVTPL)	**2 302**	**2 302**	**2 039**	**2 039**
Derivative instruments	142	142	257	257
Long-term shares	76	76	60	60
Loans granted to subsidiaries and jointly-controlled entities	1 576	1 576	648	648
Other financial assets	24	24	35	35
Cash and cash equivalents	484	484	1 039	1 039
3 Derivative hedging instruments	**299**	**299**	**592**	**592**
4 Financial assets excluded from the scope of IFRS 9 *Financial Instruments*	**15 444**		**15 656**	
Shares in subsidiaries	15 240		15 240	
Shares in jointly-controlled entities	204		416	
Total financial assets, of which in the statement of financial position:	**31 812**		**33 419**	
Non-current assets	**26 975**		**27 278**	
Shares	15 520		15 716	
Loans granted	11 273		11 172	
Derivative instruments	149		390	
Other financial assets	33		–	
Current assets	**4 837**		**6 141**	
Receivables from buyers	2 490		2 240	
Loans granted	1 138		2 368	
Derivative instruments	292		459	
Other financial assets	433		35	
Cash and cash equivalents	484		1 039	

Categories and classes of financial liabilities	As at 31 December 2023		As at 31 December 2022 *(restated figures)*	
	Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities measured at amortized cost	**18 735**	**18 563**	**19 627**	**19 157**
Arm's length loans, of which:	11 473	11 446	11 619	11 465
Bank loans	9 111	9 123	7 954	7 881
Liability under the cash pool loan	1 636	1 636	2 882	2 882
Loans from the subsidiary	726	687	783	702
Bonds issued	6 043	5 898	6 435	6 119
Liabilities to suppliers	979	979	1 419	1 419
Other financial liabilities	240	240	154	154
2 Financial liabilities measured at fair value through profit or loss (FVTPL)	**813**	**813**	**341**	**341**
Derivative instruments	813	813	341	341
3 Financial liabilities excluded from the scope of IFRS 9 *Financial Instruments*	**16**		**16**	
Liabilities under leases	16		16	
Total financial liabilities, of which in the statement of financial position:	**19 564**		**19 984**	
Non-current liabilities	**13 286**		**14 772**	
Debt	13 111		14 754	
Derivative instruments	169		10	
Other financial liabilities	6		8	
Current liabilities	**6 278**		**5 212**	
Debt	4 421		3 316	
Liabilities to suppliers	979		1 419	
Derivative instruments	644		331	
Other financial liabilities	234		146	

(in PLN million)

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

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 derivative instruments were measured in accordance with the methodology described in Note 22 to the financial statements.
IRS and CCIRS	2	
Forward FX contracts	2	
Commodity contracts (forward, futures)	1	
Shares	3	As a rule, the Company estimates the fair value of its shares in companies other than subsidiaries, jointly controlled entities and associates, not listed on active markets using the adjusted net assets method, taking into account its share in net assets and adjusting the value for significant factors affecting the valuation, such as such as discount for lack of control and discount for limited liquidity of the above instruments. In justified cases, the Company may adopt the historical cost as an acceptable approximation of the fair value of shares, when, in the Company's opinion, the key factors affecting the value of the shares have not changed as of the balance sheet date compared to the moment of initial recognition.
Loans granted to subsidiaries	2	The fair value of loans granted to subsidiaries classified as assets measured at fair value was measured as the present value of future cash flows generated in accordance with the repayment schedule by a given loan, discounted at the currently applicable interest rate. The input data is the interest rate curve from Refinitiv. The curve is shifted by the spread determined at the moment of financing initiation, resulting from the change from a fixed interest rate to a variable interest rate.
Loans granted to joint venture	3	The fair value of loans granted to the joint venture was measured as the present value of future cash flows, which include 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 capital expected for the business profile of the borrower.
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 performed as the present value of future cash flows discounted by the currently applicable interest rate for the specific bonds, loan or credit facility, i.e. applying market interest rates.
Loans granted to subsidiaries	2	The fair value of loans granted to subsidiaries classified as measured at amortized cost was generally measured as the present value of future cash flows generated in accordance with the repayment schedule by a given loan, discounted using the interest rate currently applicable to a given borrower.
	3	In justified cases, the Company allow fair value as closed to carry value, due to the carry value take in to account discounted future cash flows as at the balce sheet day (loans granted to subsidiaries of TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o. o.)

The fair value of other financial instruments as at 31 December 2023 and 31 December 2022 (except from those excluded from the scope of IFRS 9 *Financial instruments*) did not differ considerably from the figures presented in the financial statements for individual periods 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 subsidiaries and jointly-controlled entities excluded from the scope of IFRS 9 *Financial Instruments* are measured at cost less any impairment allowances.

In the year ended 31 December 2023 no changes occurred in the measurement methodology applied to the above financial instruments.

Change in the balance of financial assets whose measurement to fair value is classified at the 3rd level of the fair value hierarchy

	Year ended 31 December 2023		Year ended 31 December 2022	
	Not quoted shares	Loans granted	Not quoted shares	Loans granted
Opening balance	**60**	**206**	**51**	**99**
Gains (losses) for the period recognized in financial revenue/costs	–	151	(11)	(13)
Purchased / loans granted	16	–	20	120
Closing balance	**76**	**357**	**60**	**206**

(in PLN million)

There were no transfers between levels of the fair value hierarchy in the year ended 31 December 2023 or the year ended 31 December 2022.

38.2. Revenue, expenses, gain and loss items included in the statement of comprehensive income by category of financial instruments

Year ended 31 December 2023

	Assets / liabilities measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging instruments	Financial assets / liabilities excluded from the scope of IFRS 9	Total
Dividends	–	–	–	–	475	**475**
Interest income/(expense)	49	954	(1 155)	227	(1)	**74**
Commissions	–	–	(19)	–	–	**(19)**
Exchange differences	24	(1)	291	–	–	**314**
Impairment / revaluation[1]	(290)	(1 067)	49	–	(271)	**(1 579)**
Gain/(loss) on realized derivative instruments[2]	(164)	–	–	–	–	**(164)**
Net financial income/(costs)	**(381)**	**(114)**	**(834)**	**227**	**203**	**(899)**
Revaluation	(5)	25	–	–	–	**20**
Gain/(loss) on realized derivative instruments[2]	(7)	–	–	–	–	**(7)**
Net operating income/(costs)	**(12)**	**25**	**–**	**–**	**–**	**13**
Remeasurement of IRS	–	–	–	(287)	–	**(287)**
Other comprehensive income	**–**	**–**	**–**	**(287)**	**–**	**(287)**

[1]In scope of financial liabilities measured at amortizated cots consist of liabilited due to guarantee issued credit losses
[2]The Company recognises revenues and expense from commodity derivatives in operating activities. Revenue and expenses regarding other derivatives are ecognized under financial revenue/expenses.

Year ended 31 December 2022

	Assets / liabilities measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging instruments	Financial assets / liabilities excluded from the scope of IFRS 9	Total
Dividends	11	–	–	–	1 786	**1 797**
Interest income/(expense)	29	554	(798)	145	(1)	**(71)**
Commissions	–	–	(24)	–	–	**(24)**
Exchange differences	(21)	2	(107)	–	–	**(126)**
Impairment / revaluation[1]	(253)	(1 450)	(59)	–	(36)	**(1 798)**
Gain/loss on disposal of	–	–	–	–	56	**56**
Gain/(loss) on realized derivative instruments[2]	10	–	–	–	–	**10**
Net financial income/(costs)	**(224)**	**(894)**	**(988)**	**145**	**1 805**	**(156)**
Revaluation	13	(25)	–	–	–	**(12)**
Gain/(loss) on realized derivative instruments[2]	(18)	–	–	–	–	**(18)**
Net operating income/(costs)	**(5)**	**(25)**	**–**	**–**	**–**	**(30)**
Remeasurement of IRS	–	–	–	187	–	**187**
Other comprehensive income	**–**	**–**	**–**	**187**	**–**	**187**

[1]In scope of financial liabilities measured at amortizated cots consist of liabilited due to guarantee issued credit losses
[2]The Company recognises revenues and expense from commodity derivatives in operating activities. Revenue and expenses regarding other erivatives are recognized under financial revenue/expenses.

39. Objectives and principles of financial risk management

The financial risk is managed at the level of the TAURON Polska Energia S.A. Capital Group, which means that within the framework of financial risk management, the Company performs the functions assigned to it as a member of the TAURON Group and the management, control and monitoring functions assigned to it as the central unit.

Types of risk arising from financial instruments to which the Company is exposed in the course of its business:

- credit risk;
- liquidity risk;
- market risk, including:
  - interest rate risk,
  - exchange rate risk;
  - raw material and commodity price risk related to commodity derivative instruments.

Risks related to financial instruments which the Company and the TAURON Group are exposed to, including a description of the exposure and the risk management method are presented in the table below.

Risk exposure	Risk management	Regulation
	Credit risk	
Possible loss resulting from the counterparty default on contractual obligations. The credit exposure involves a default risk (the amount that may be lost as a result of non-payment for goods or services) and a replacement risk (the amount that may be lost if a delivery is not made or a service is not provided).	Credit risk management is aimed at limiting losses resulting from the deterioration of the financial situation of the TAURON Group's counterparties and mitigating the risk of credit exposures at risk of impairment. Commercial transactions of significant value are preceded by an assessment of the counterparty's creditworthiness, including an economic and financial analysis of the entity. Based on the assessment, the counterparty is granted a credit limit, which is a limit on the maximum credit exposure understood as the amount that may be lost if the counterparty fails to meet its contractual obligations within a specified period of time (taking into account the value of the collateral provided). Credit exposure is calculated for the current day and divided into exposure due to payment and exposure of replacement. The TAURON Group has a decentralised credit risk management system, which means that each risk owner is actively responsible for managing the credit risks that arise within their business scope, but control, monitoring and reporting is performed at the Company-wide level. The TAURON Group's Credit Risk Management Policy sets out the credit risk management procedures for the entire Group with the view to reduce the impact of the risk on the Group's strategic objectives. Based on the value of exposure and assessment of financial standing of each client, the value of credit risk to which the TAURON Group is exposed is calculated using statistical methods to determine value at risk based on the total loss probability distribution.	Credit risk management policy in the TAURON Group
	Liquidity risk	
Possible loss or limitation of the ability to make payments on a day-to-day basis due to an inappropriate volume or structure of liquid assets as compared to current liabilities or an insufficient level of the actual net proceeds from operating activities.	The liquidity situation of the Company and the TAURON Group is monitored on an on-going basis in terms of potential deviations against the assumed plans while the availability of external sources of financing whose amount significantly exceeds the expected demand in a short term mitigates the risk of losing liquidity. To this end, the Company applies the rules of determining the liquidity position both of individual companies and the entire TAURON Group which helps ensure funds that would cover any potential liquidity gaps by allocating funds between companies (cash-pooling mechanism) as well as using external financing. The Company also manages the financing risk, understood as no capability to obtain new funding, an increase in funding costs and the risk of terminating the existing funding agreements. To mitigate the financing risk, the Company's policy assumes obtaining funding for the TAURON Group in advance of the planned time of use, i.e. up to 12 months prior to the planned demand. The key objective of such policy is to ensure flexible selection of funding source, use favourable market conditions and reduce the risk related to the necessity to contract new liabilities on unfavourable financial terms.	Liquidity management policy of the TAURON Group

(in PLN million)

	Market risk - interest rate and currency risks	
The possibility of an adverse effect on the Group's performance through fluctuations in the fair value of financial instruments or the related future cash flows, driven by changes in interest rates or foreign exchange rates.	The TAURON Group manages currency and interest rate risks on the basis of the TAURON Group Financial Risk Management Policy developed and adopted for use, as well as the Risk Tolerance, the Global Limit for Financial Risk and its decomposition into individual types of financial risk approved by the Management Board. The key objective of management of such risks is to minimise the cash flow sensitivity of the Company and the TAURON Group to financial risk factors and to minimise financial cost and costs of hedging under transactions with the use of derivative instruments. For interest rate risk hedging transactions and where possible and economically justified, the Company uses derivatives whose characteristics allows the application of hedge accounting. The financial risk management policy of the TAURON Group has also introduced hedge accounting principles which set out the terms and conditions and types of hedge accounting, along with the accounting treatment of hedging instruments and hedged items, to be applied as part of hedge accounting under IFRS.	Financial risk management policy for the TAURON Group
	Market risk - price risk	
Unplanned volatility of the TAURON Group's operating result resulting from fluctuations in commodity market prices in individual areas of the TAURON Group's trading activities.	Effective management is ensured by a commercial risk management system linked in terms of organisation and information with the TAURON Group's strategy of hedging trading positions. The policy has introduced an early-warning system and risk-exposure limiting system in various trading areas. The basic operational measure of the market risk in the TAURON Group is the Value at Risk measure which determines the maximum allowed change in the value of the position over a given time period and with a given probability.	Commercial risk management policy for the TAURON Group

39.1. Credit risk

Classes of financial instruments that give rise to credit risk exposure with different characteristics are presented in the table below.

Financial asset classes	As at 31 December 2023	As at 31 December 2022 *(restated figures)*
Loans granted	12 411	13 540
Receivables from buyers	2 490	2 240
Cash and cash equivalents	484	1 039
Derivative instruments	441	849
Other financial assets	466	35

The credit risk related to financial assets of the Company results from the inability to make payment by the other party to the agreement and the maximum exposure to the risk is equal to the carrying amount of these instruments.

39.1.1 Credit risk related to receivables from customers

The Company monitors credit risk related to its operations on an ongoing basis, in line with the *Credit Risk Management Policy* adopted by the TAURON Group. As a result of the analysis of credit standing of counterparties with significant credit exposure, the conclusion of trading transactions resulting in an increase in credit exposure above the allocated exposure limit generally requires the establishment of a collateral.

In accordance with IFRS 9 *Financial Instruments*, the Company estimates and recognizes in the profit or loss allowances on expected credit losses. For strategic counterparties, the risk is estimated based on ratings assigned to counterparties using an internal scoring model, appropriately converted to probability of default. The Company expects that the historical performance information concerning other counterparties may reflect the credit risk that will be faced in future periods. The expected credit loss on receivables from customers is calculated upon recognition of such receivables in the statement of financial position and updated as at each subsequent reporting period end taking into account the forward looking aspect.

The exposure of the Company to credit risk related to receivables from customers, including the ageing of receivables from customers and information regarding impairment and risk concentration are presented in Note 27 to these financial statements.

Financial statements for the year ended 31 December 2023 compliant with the IFRS approved by the European Union (in PLN million)

39.1.2 Credit risk related to loans granted

Loans measured at amortised cost

As far as granted loans measured at amortized cost are concerned, the Company assesses the risk of insolvency on the part of the borrowers based on the ratings assigned to the counterparties using an internal scoring model, appropriately restated to account for the probability of default. The expected credit loss is calculated based on the time value of money.

For the purposes of determining the calculation horizon for expected credit losses, the potential material credit risk increases related to a certain financial asset are verified from the moment of initial recognition of such a financial asset.

Determinants for the occurrence of a significant increase in credit risk associated with an asset:

- the counterparty's internal or external rating as at the reporting period end having deteriorated by more than two rating levels compared to its rating upon initial recognition;
- the counterparty's probability of insolvency projected within one-year horizon as at the reporting period end being at least twice higher than as at the initial recognition date;
- receivables related to a given asset being overdue by more than 30 days.

If a given counterparty's receivables are overdue by more than 90 days, they are classified as bad debt, i.e. the 100% probability of insolvency is assigned to that counterparty. The loans granted by the Company as at 31 December 2023 and 31 December 2022 were not overdue.

Loans measured at a fair value

Loans classified as measured at fair value are measured using the discounted cash flow method, taking into account credit risk. The loans granted to subsidiaries are generally unsecured. The loans granted by the Company to the joint venture Elektrociepłownia Stalowa Wola S.A. are secured by blank promissory notes including promissory note declarations.

The Company's exposure to credit risk related to loans granted, including information on impairment losses as well as the classification to individual stages of creating the allowances for expected credit losses in line with the rating used in the Company, is presented below and in Note 21 to these financial statements.

Loans measured at amortised cost by ratings used in the Company

Year ended 31 December 2023

	Level 1: allowance equal to 12 monthly expected credit losses - no impairment	Level 2: allowance for expected credit losses over the life period - no impairment	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
A- do BBB-	5 861	–	–	–	**5 861**
BB+ do BB	1 283	–	–	–	**1 283**
BB- do B	675	–	–	3 068	**3 743**
B- do D	–	–	–	–	**–**
Gross value	**7 819**	**–**	**–**	**3 068**	**10 887**
impairment loss	(52)	–	–	–	**(52)**
Net value	**7 767**	**–**	**–**	**3 068**	**10 835**

Year ended 31 December 2022

	Level 1: allowance equal to 12 monthly expected credit losses - no impairment	Level 2: allowance for expected credit losses over the life period - no impairment	Level 3: allowance for expected credit losses over the life period - with impairment	Instruments purchased with an impairment	Total
A- do BBB-	5 911	–	–	–	**5 911**
BB+ do BB	1 114	–	–	–	**1 114**
BB- do B	1 912	681	7	3 635	**6 235**
B- do D	–	–	–	–	**–**
Gross value	**8 937**	**681**	**7**	**3 635**	**13 260**
impairment loss	(265)	(96)	(7)	–	**(368)**
Net value	**8 672**	**585**	**–**	**3 635**	**12 892**

(in PLN million)

39.1.3 Credit risk related to other financial assets

Derivatives

The entities with which the Company enters into derivative transactions to hedge the risks associated with changes in interest rates and exchange rates operate in the financial sector. These banks receive investment rating. The Company diversifies banks with whom derivative transactions are concluded.

Derivatives, which basis are non-financial assets, included in IFRS 9 *Financial Instruments*, involve futures (exchange market) and forward transactions (OTC). Exchange markets apply appropriate mechanisms to protect, in the form of initial and variation margin deposits. Under variation margin deposits, the Company provides and receives cash arising from changes in the measurement of the underlying instruments on an ongoing basis, which means that as at the end of the reporting period, credit risk does not occur in relation to futures transactions.

In the case of OTC instruments there is a credit risk related to the possibility of insolvency of the other party to the agreement. Therefore, commercial transactions of significant value are preceded by the assessment of the credit standing counterparty, including the economic and financial analysis of the entity. On the basis of the assessment, the counterparty is granted a credit limit, which is a limit of the maximum credit exposure. Execution of trade transactions resulting in an increase in credit exposure above the allocated exposure limit generally requires the establishment of collateral in accordance with the *Credit Risk Management Policy in the TAURON Group*.

Cash and cash equivalents

The Company manages its cash credit risk by diversifying the banks where surplus cash can be deposited while reducing the cost of holding cash in accounts. These banks receive investment rating.

The share of the three banks where the Company holds its largest cash balances was 99% as at 31 December 2023, of which the largest part of cash was held in accounts with the leading bank - 61%.

39.2. Liquidity risk

The Company maintains a balance between continuity, flexibility and cost of financing by using various sources of funding, which enable management of liquidity risk and mitigate adverse effects of its materialisation effectively. The Company pursues a policy of diversification of financing instruments but first of all it seeks to secure and ensure financing to enable the TAURON Group companies to meet current and future liabilities in the short and long term. Liquidity risk management is connected with planning and monitoring of cash flows in the short and long term and taking actions to ensure funds for the operation of the Group companies.

The Company carries out a centralised finance management policy, allowing effective management of an area within the entire Group. Among others, the Group has adopted *Liquidity management policy for the TAURON Group*, which facilitates optimization of liquidity management of the Group, consequently reducing the risk of liquidity loss by the Group in each of the companies included in the TAURON Group. Having implemented appropriate projection standards, the TAURON Group can precisely determine its liquidity position allowing to optimize the time of obtaining funding, maturity and types of deposit instruments, as well as an appropriate level of the liquidity provision.

Additionally, in order to mitigate a possibility of cash flow disruption and liquidity risk, the TAURON Group uses the cash pooling mechanism. The cash pooling structure enables the TAURON Group companies that experience short-term shortage of funds to use cash provided by companies with cash surplus, without the need to obtain borrowings from third parties.

In the Company's opinion, the occurrence of negative net working capital as at the balance sheet date does not generate any liquidity risk, taking into account that the Company has available funding under the concluded agreements. Agreements with funding available as at the balance sheet date and the use of funds are presented in the table below.

Type of financing	Purpose of financing	Funds availability termination year	Currency	As at 31 December 2023	
				Currency limit available (PLN/EUR)	Limit drawn upon
subordinated bond issuance scheme	current and investment expenditures	2024	PLN	450	–
revolving loans	current and investment expenditures (excluding coal assets)	2027	PLN	4 000	2 400
		2026	PLN	500	160
overdraft facility	current expenditures	2024	PLN	500	–
			EUR	4	–

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

(in PLN million)

Funds available under financing agreements indicated in the table above can be used for investment and corporate-wide purposes, including securing the Group's current liquidity position.

After the balance sheet date:

- on 10 January 2024, the Company concluded the loan agreement with Bank Gospodarstwa Krajowego for the amount of PLN 750 million. Under the loan agreement, the Company will be able to make drawdowns over a 2-year availability period. The funds made available under the loan agreement will be used to cover the TAURON Group's expenditures related to the financing or refinancing of expenditures in the area of renewable energy sources and the development of distribution networks (Notes 31.1 and 50);
- on 6 March 2024, the Company concluded an annex to the documentation of the programme for the issue of subordinated bonds up to PLN 450 million concluded in 2021 with Bank Gospodarstwa Krajowego. The annex extends the period allowing for performing the issue of subordinated bonds to 39 months from the date of signing of the documentation, i.e. from 11 March 2021.

The policy pursued with regard to the acquisition of financing sources enables, above all, an increase in the possibility of obtaining financing for general corporate purposes and capital expenditures, a reduction in the cost of external capital, a reduction in the amount and forms of collateral established on TAURON Group assets and covenants required by financial institutions and a reduction in administrative costs. The corporate finance model also makes it possible to acquire sources of financing that are not available to individual companies.

In 2023, the Company demonstrated full capacity to settle its liabilities on their maturity date.

The tables below show the ageing of the Company financial liabilities by non-discounted contractual payments.

Financial liabilities as at 31 December 2023

	Carrying amount	Contractual undiscounted payments	Including contractual undiscounted payments maturing during the period (from the reporting date)					
			less than 3 months	3 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Financial liabilities other than derivative instruments								
Interest-bearing loans, borrowings and bonds issued	**17 516**	**(20 250)**	(1 805)	(3 356)	(3 190)	(1 878)	(5 906)	(4 115)
Liabilities to suppliers	**979**	**(979)**	(979)	–	–	–	–	–
Other financial liabilities	**240**	**(240)**	(233)	–	(3)	(3)	–	(1)
Lease liabilities	**16**	**(21)**	(3)	(8)	(4)	–	–	(6)
Derivative financial liabilities								
Derivative instruments-commodity*	**125**	**–**	–	–	–	–	–	–
Derivative instruments-currency	**679**	**(679)**	(368)	(162)	(135)	(14)	–	–
Derivative instruments-CCIRS	**9**	**(20)**	–	(5)	(5)	(5)	(5)	–
Total	**19 564**	**(22 189)**	**(3 388)**	**(3 531)**	**(3 337)**	**(1 900)**	**(5 911)**	**(4 122)**

**The valuation of commodity derivatives on foreign exchanges is reflected on an ongoing basis in the amount of additional deposits made, which limits the value of contractual future payments.*

Financial liabilities as at 31 December 2022 *(restated data)*

	Carrying amount	Contractual undiscounted payments	Including contractual undiscounted payments maturing during the period (from the reporting date)					
			less than 3 months	3 -12 months	1 - 2 years	2 - 3 years	3 - 5 years	over 5 years
Financial liabilities other than derivative instruments								
Interest-bearing loans, borrowings and bonds issued	**18 054**	**(21 175)**	(3 007)	(1 015)	(2 718)	(3 157)	(7 806)	(3 472)
Liabilities to suppliers	**1 419**	**(1 419)**	(1 419)	–	–	–	–	–
Other financial liabilities	**154**	**(154)**	(144)	–	(3)	(3)	(3)	(1)
Lease liabilities	**16**	**(20)**	(3)	(7)	(4)	–	–	(6)
Derivative financial liabilities								
Derivative instruments-commodity*	**232**	**(92)**	(69)	(23)	–	–	–	–
Derivative instruments-currency	**109**	**(109)**	(39)	(67)	(3)	–	–	–
Total	**19 984**	**(22 969)**	**(4 681)**	**(1 112)**	**(2 728)**	**(3 160)**	**(7 809)**	**(3 479)**

**The valuation of commodity derivatives on foreign exchanges is reflected on an ongoing basis in the amount of additional deposits made, which limits the value of contractual future payments.*

As at 31 December 2023 and 31 December 2022, the Company had guarantees, sureties and collaterals granted to related companies for the total amount of PLN 1 061 million and PLN 1 491 million, respectively (excluding registered and financial pledges on shares). The most important items are described in Note 41 to these financial statements. Guarantees and collaterals granted by the Company are contingent liabilities and do not significantly affect the Company's liquidity risk.

(in PLN million)

39.3. Market risk

Market risk is associated with the possibility of a negative impact on the Company's results through fluctuations in the fair value of financial instruments or future cash flows associated with them due to changes in market prices.

The Company identifies the following types of market risk it is exposed to:

- interest rate risk;
- currency risk;
- raw material and commodity price risk related to commodity derivative instruments.

39.3.1 Interest rate risk

Interest rate risk relates to the possibility of changes in cash flows generated by floating rate bearing financial assets and liabilities, including changes in the Company's cost of servicing its financing.

The Company controls interest rate risk through a system of limits relating to the maximum potential loss due to a change in interest rates on the Company's total interest rate risk exposure.

The Company is exposed to interest rate risk in connection with raising of floating interest rate capital and depositing floating interest rate cash and granting floating and fixed interest rate loans. The Company is also exposed to the materialisation of the risk of lost benefits on fixed-rate debt if interest rates fall.

The purpose of interest rate risk management is to limit negative effects of market interest rate fluctuations on the Company's cash flows to an acceptable level and to minimize finance costs.

As the Company has adopted a dynamic financial risk management strategy where the hedged item is represented by cash flows relating to the exposure to the floating WIBOR 6M interest rate related to debt in floting intrest rate, the interest rate risk for a portion of interest cash flows has been reduced by the hedging IRS transactions concluded, described in detail in Note 22 hereto. IRS transactions concluded in order to hedge interest rate risk are subject to hedge accounting.

The Company enters into interest rate derivative transactions only to hedge its real risk exposure. The regulations binding in the Company do not allow it to enter into speculative transactions with regard to interest rate risk, i.e. transactions that would possibly generate additional profit resulting from a change in interest rates, while exposing the Company to the risk of incurring a loss on this account.

Financial instruments measured at a fair value are also exposed to interest rate risk: IRS, CCIRS and selected loans.

Financial instruments by interest rate type

Financial instruments	Year ended 31 December 2023			Year ended 31 December 2022		
	Fixed interest rate	Floating interest rate	Total	Fixed interest rate	Floating interest rate	Total
Financial assets						
Loans granted measured at amortized cost	9 966	869	**10 835**	10 942	1 950	**12 892**
Loans granted measured at fair value	1 576	–	**1 576**	648	–	**648**
Derivative instruments-IRS	–	299	**299**	–	592	**592**
Derivative instruments-CCIRS	–	–	**–**	–	21	**21**
Cash and cash equivalents	–	484	**484**	–	1 039	**1 039**
Financial liabilities						
Arm's length loans	1 795	9 678	**11 473**	1 960	9 659	**11 619**
Bonds issued	3 709	2 334	**6 043**	3 928	2 507	**6 435**
Derivative instruments-CCIRS	–	9	**9**	–	–	**–**
Leases liabilities	16	–	**16**	16	–	**16**

Financial liabilities bearing floatimg interest rates include floating-rate loans and bonds with a total nominal value of PLN 3 670 million, whose changes in cash flows from interest payments were secured by entering into an interest rate swap transaction. Accordingly, hedging transactions were also presented as floating rate instruments.

Other financial instruments of the Company, which are not included in the table above, are not interest bearing and therefore they are not subject to interest rate risk.

(in PLN million)

Analysis of sensitivity to interest rate risk

For the purposes of analyzing sensitivity to changes in market risk factors, the Company relies on the scenario analysis method. The Company relies on expert scenarios reflecting its judgment concerning the behaviour of individual market risk factors in the future. The scope of the analysis includes only those items which meet the IFRS definition of financial instruments.

In its sensitivity analysis of derivatives, the Company measures and monitors interest rate risk using the BPV (Basis Point Value) measure, which shows the change in fair value of derivatives due to a parallel shift of the yield curve by 0.01% (one basis point). In the sensitivity analysis for interest rate risk of other financial instruments, the Company applies a parallel shift of the interest rate curve by the potential possible change in reference interest rates over the horizon to the date of the next financial statements, i.e. by the average levels of reference interest rates in a given year.

The Company identifies its exposure to the risk of changes in WIBOR, EURIBOR, ESTRON and LIBOR USD interest rate, whereas as at 31 December 2023 and 31 December 2022, its exposure to changes in EURIBOR, ESTRON and LIBOR USD rates was insignificant.

The tables below present sensitivity of the gross profit/loss as well as other comprehensive income (gross) to reasonably potential changes in interest rates within a horizon until the date of the next financial statements, assuming that all other risk factors remain unchanged.

Classes of financial instruments	As at 31 December 2023		Sensitivity analysis for interest rate risk as at 31 December 2023		As at 31 December 2022		Sensitivity analysis for interest rate risk as at 31 December 2022	
			*Profit/(Loss) /Other comprehensive income**				*Profit/(Loss) /Other comprehensive income**	
	Carrying amount	Value at risk	WIBOR +651 bp	WIBOR -651 bp	Carrying amount	Value at risk	WIBOR +630 pb	WIBOR -630 pb
Financial assets								
Loans granted measured at amortized cost	10 835	869	57	(57)	12 892	1 950	123	(123)
Loans granted measured at fair value	1 576	1 576	(518)	954	648	648	(148)	262
Derivative instruments	441	299	1	(1)	849	613	1	(1)
Cash and cash equivalents	484	449	29	(29)	1 039	977	62	(62)
Financial liabilities								
Arm's length loans and borrowings	11 473	9 678	(630)	630	11 619	9 659	(609)	609
Bonds issued	6 043	2 334	(152)	152	6 435	2 507	(158)	158
Derivative instruments	813	9	–	–	341	–	–	–
Total			**(1 213)**	**1 649**			**(729)**	**843**

* *The sensitivity of other comprehensive income applies to financial derivative instruments of the Interest Rate Swap type covered by hedge accounting, as discussed in more detail in Note 22 of these financial statements.*

The risk exposure as at 31 December 2023 and as at 31 December 2022 is representative of the Company's risk exposure during the annual periods preceding these dates.

Reform of benchmarks

Pursuant to Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 *on indices to be used as reference indices in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014* (the "BMR Regulation"), which imposes new legal requirements related to the development and use of reference indices, banks have been obliged to add a fallback clause to their contracts in the event of a temporary or permanent cessation of the determination of the base rate or a change in its calculation method. The provisions of the fallback clause set out an alternative base rate or method of setting it, while ensuring the continued enforceability of the contract based on the variable rate formula.

In connection with the reform of reference indices in Poland, including the introduction on the Polish market of an alternative reference interest rate index, whose input is information representing overnight transactions, the National Working Group for Reference Index Reform (NGR) was established. The NGR's work aims to ensure that the development and application of the new benchmark interest rate is credible, transparent and reliable in accordance with the BMR Regulation. In September 2022, the NGR Steering Committee decided to select the WIRON (Warsaw Interest Rate Overnight) index based on the parameters of overnight deposit transactions as an alternative interest rate benchmark for the PLN market. In February 2023, the Polish Financial Supervision Authority announced that the WIRON index had become an interest rate benchmark within the meaning of the BMR Regulation. In October 2023, the NGR Steering Committee decided to postpone the completion of the transition from WIBOR to WIRON to the end of 2027.

(in PLN million)

As at 31 December 2023, the Company has no concluded financial instruments based on WIRON.

With regard to the interest rates affected by the reform of the interest rate benchmarks, the transition to the revised benchmarks will take place at the end of 2027 at the latest, the Company identifies as at 31 December 2023 an exposure to risks associated with the planned replacement of the WIBOR reference rate. As at 31 December 2023, the Company had debt agreements bearing floating interest rates using the relevant WIBOR reference rates, for which the financing period exceeds the cut-off date for WIBOR eligibility, i.e. the end of 2027, as presented in Notes 31.1 and 31.2 of these financial statements. With regard to the financing agreements that will be in force at the cut-off date for the possibility to use the WIBOR rate, these have appropriate provisions for the use of reference rates, or the Company is currently working on the appropriate implementation of such provisions in the relevant agreements.

In addition, as at the balance sheet date, the Company has entered into IRS derivatives covered by hedge accounting, as described in more detail in Note 22 of these financial statements, whose maturity partially exceeds the cut-off date for WIBOR eligibility, i.e. the end of 2027. In the Company's assessment of the above IRS derivatives, the reform of the benchmarks will not have a significant impact on the Company's costs and hedge effectiveness, given the symmetrical change in the benchmark in the hedging and hedged instruments.

The majority of the Company's liabilities under borrowings and bonds issued have maturities falling before the reference rate replacement date (in the case of hybrid bonds, taking into account redemption after the first financing period) until the end of 2027, i.e. before the final date of transition to the new reference rates. Similarly, the majority of the IRS instruments concluded at 31 December 2023 will be settled by the end of 2027. Information on the Company's liabilities as at 31 December 2023 based on WIBOR 6M and interest rate hedging contracts in relation to WIBOR 6M, maturing after 2027, is presented in the table below.

Financial instrument	Investor / borrowing institution	Reference indicator	Currency	Maturity, repayment or exercise date after the transition date	Nominal value of the liability / IRS valuation
					As at 31 December 2023
bonds	Bank Gospodarstwa Krajowego	WIBOR 6M	PLN	2028	100
				2028-2029	140
loan	Bank Gospodarstwa Krajowego	WIBOR 6M	PLN	2028-2033	600
	European Investment Bank	WIBOR 6M	PLN	2028-2041	2 023
Total nominal value of loans and bonds maturing after 2027					**2 863**
Interest Rate Swaps*	Financial institutions	WIBOR 6M	PLN	2028-2029	**22**

**IRS instruments, the exercise of which will take place after 2027 and whose fair value measurement (in the part relating to the period after 2027) as at 31 December 2023, amounted to PLN 22 million, concern the exchange of interest payments on the total nominal value of the liability in the amount of PLN 740 million.*

The Company does not hold any significant financial assets bearing a floating interest rate based on the benchmark rate covered by the benchmark reform.

Given the timing of the transition to the new reference rate (end of 2027) and the ongoing work on the appropriate implementation of contingency clauses in the relevant contracts, the risk of not being able to continue the operation of the aforementioned contracts, or the risk of additional costs affecting, among other things, liquidity risk and the risk of significant adverse changes in cash flows as a result of changes in reference rates, is assessed by the Company as low. The Company monitors the extent of the potential changes, but due to the timing of the mandatory transition will estimate the total impact on the financial statements of the Company at a later stage of progress.

39.3.2 Currency risk

The tables below present the Company's exposure to currency risk by particular classes of financial instruments as at 31 December 2023 and 31 December 2022. The Company's significant exposure relates to changes in the EUR/PLN exchange rate, mainly due to external financing incurred in EUR. The Company’s exposure to other currencies is immaterial.

(in PLN million)

	As at 31 December 2023			As at 31 December 2022 *(restated figures)*		
	Carrying amount	EUR		Carrying amount	EUR	
		in currency	in PLN		in currency	in PLN
Financial assets						
Receivables from buyers	2 490	–	–	2 240	1	4
Derivatives	441	29	125	849	50	236
Other financial assets	466	–	1	35	–	1
Cash and cash equivalents	484	6	28	1 039	13	59
Total	**3 881**	**35**	**154**	**4 163**	**64**	**300**
Financial liabilities						
Arm's length loans	11 473	167	726	11 619	167	783
Bonds issued	6 043	683	2 967	6 435	685	3 214
Liabilities to suppliers	979	5	23	1 419	–	–
Derivatives	813	29	125	341	49	232
Other financial liabilities	240	–	1	154	9	43
Total	**19 548**	**884**	**3 842**	**19 968**	**910**	**4 272**
Net currency position		**(849)**	**(3 688)**		**(846)**	**(3 972)**

Currency risk is related to the possibility of changes in the Company's cash flows, including changes in the cost of servicing debt in foreign currency and the cost of contracting CO_2 emission allowances, as well as changes in the valuation in PLN of debt raised in foreign currency.

The Company controls currency risk through a system of limits relating to the maximum potential loss due to a change in currency exchange rates on the Company's total currency risk exposure.

As part of its currency risk management, the Company uses forward contracts. The purpose of the transactions concluded was to hedge the Company against currency risk arising in the course of its commercial activities, primarily from the purchase of CO_2 emission allowances, and in the course of investment activities related to the implementation of projects in the area of renewable energy sources, as well as to hedge the foreign exchange exposure generated by interest payments on acquired financing in EUR.

The Company enters into derivative transactions hedging currency risk only to secure its real risk exposure. The regulations binding in the Company do not allow it to enter into speculative transactions with regard to currency risk, i.e. transactions that would possibly generate additional profit resulting from a change in interest rates, while exposing the Company to the risk of incurring a loss on this account.

The fair value measurement of currency forward contracts and CCIRS contracts is exposed to the risk of changes in the EUR/PLN exchange rate. Transactions entered into to hedge against currency risk are not subject to hedge accounting.

Currency risk sensitivity analysis

The analysis of sensitivity to changes in market risk factors is conducted by means of a scenario analysis. The Company relies on expert scenarios reflecting its judgement concerning the behaviour of individual market risk factors in the future. The scope of the analysis includes only those items which meet the IFRS definition of financial instruments.

The potential changes in foreign exchange rates have been determined within a horizon until the date of the next financial statements and calculated on the basis of annual implied volatility for FX options quoted on the interbank market for a given currency pair as at the end of the reporting period or, in the absence of available quoted market prices, on the basis of historical volatility for a period of one year preceding the balance sheet date.

The Company identifies its exposure to foreign currency risk related to EUR/PLN, USD/PLN, GBP/PLN, CZK/PLN. Significant risk exposure occurs for EUR; other currencies do not generate material risk for the Company.

The table below presents sensitivity of the gross financial profit/loss to reasonably possible changes in the EUR/PLN exchange rate within a horizon until the date of the next financial statements, assuming that all other risk factors remain unchanged.

(in PLN million)

Classes of finacial instruments	As at 31 December 2023		Sensitivity analysis for currency risk as at 31 December 2023		As at 31 December 2022 *(restated figures)*		Sensitivity analysis for currency risk as at 31 December 2022	
	Carrying amount	Value at risk	exchange rate EUR/PLN +7.35%	exchange rate EUR/PLN -7.35%	Carrying amount	Value at risk	exchange rate EUR/PLN +8.45%	exchange rate EUR/PLN -8.45%
Financial assets								
Derivatives	441	142	(2)	2	849	257	42	(42)
Other financial assets	466	1	–	–	35	1	–	–
Cash and cash equivalents	484	28	2	(2)	1 039	59	5	(5)
Financial liabilities								
Arm's length loans	11 473	726	(53)	53	11 619	783	(66)	66
Bonds issued	6 043	2 967	(218)	218	6 435	3 214	(272)	272
Liabilities to suppliers	979	23	(2)	2	1 419	–	–	–
Derivatives	813	813	495	(495)	341	341	480	(480)
Other financial liabilities	240	1	–	–	154	43	(4)	4
Total			**222**	**(222)**			**185**	**(185)**

The risk exposure as at 31 December 2023 and as at 31 December 2022 is representative of the Company's risk exposure during the annual periods preceding these dates.

39.3.3 Raw material and commodity price risk related to commodity derivative instruments

The Company concludes derivative contracts, with underlying instruments being commodities and raw materials. The exposure of the Company to price risk inherent in commodity derivative instruments is related to a risk of volatility in the fair value of the said instruments, driven by fluctuations of prices of the underlying raw materials/commodities. The Company limits price risk related to commodity derivatives by concluding offsetting transactions. The risk is limited to open long and short positions concerning a given commodity or raw material, i.e. concern unbalanced portfolio.

At 31 December 2023, the portfolio of concluded contracts is fully balanced. This minimises market risk in the commodity derivatives portfolio.

40. Operational risk

The Company is exposed to adverse effects of risks related to changes in cash flows and financial performance in the domestic currency due to changes in prices of goods in the open market position.

Commercial operational risk is managed at the level of the TAURON Group, which is discussed in more detail in Note 55 to the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2023. The Company manages its commercial risk following the *Commercial risk management policy* developed and adopted in the TAURON Group.

The Company's exposure to the risk of prices of goods reflects the volume of electricity and gas acquired. The volume and cost of electricity and gas acquired have been presented in the table below.

Fuel type	Unit	2023		2022	
		Volume	Purchase cost	Volume	Purchase cost
Electricity	MWh	36 015 893	29 345	45 640 428	24 725
Gas	MWh	4 478 401	1 439	4 311 642	1 306
Total			**30 784**		**26 031**

In terms of coal trading, the Company is not exposed to the price risk, as it acts as an agent generating revenue from agency services only.

(in PLN million)

OTHER INFORMATION

41. Contingent liabilities

As at 31 December 2023 and as at 31 December 2022, the contingent liabilities of the Company mainly resulted from the collaterals and guarantees granted to related parties and included:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	Validity	As at 31 December 2023	As at 31 December 2022
Corporate guarantees	Finanse Grupa TAURON Sp. z o.o.	Private placement investors	3.12.2029	730	788
	TAURON Czech Energy s.r.o.	ČEZ a.s.	31/01/2025	13	14
Registered pledges and financial pledge of shares in TAMEH HOLDING Sp. z o.o.	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG	31/12/2028	204	416
Liabilities arising from bank guarantees issued to subsidiaries	various subsidiaries	various entities	24.01.2024-28.07.2029	143	63
Liability arising from a bank guarantee issued to a jointly-controlled entitie	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	11/03/2024	50	300
Surety contracts	Elektrociepłownia Stalowa Wola S.A.	Bank Gospodarstwa Krajowego	-	–	187
			30/12/2024	7	7
	various subsidiaries	various entities	31.12.2023-23.11.2025	46	57
Blank promissory note with a promissory note declaration[1]	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice	28/02/2025	40	40
Comfort letter[2]	TAURON Czech Energy s.r.o.	PKO BP S.A., Czech Branch	28/02/2024	32	35

[1] In 2010, the Company issued a blank promissory note with a promissory note declaration to secure a loan agreement received by the subsidiary from the Regional Environmental Protection and Water Management Fund in Katowice. As at 31 December 2023, the remaining outstanding portion of the loan, amounting to PLN 2 million, is subject to a conditional redemption procedure. The security established will expire upon settlement of the conditional loan remission.
[2]After the balance sheet date, on 22 March 2024, the amount of security in the form of a declaration of patronage was reduced to CZK 120 million, constituting security for the framework agreement for granting bank guarantees for the period of its validity.

The most significant items of contingent liabilities include:

- The corporate guarantee granted in 2014 to secure the bonds of Finanse Grupa TAURON Sp. z o.o. (the so-called NSV). The guarantee shall be effective until 3 December 2029, i.e. the redemption date of the bonds and amounts to EUR 168 million (PLN 730 million), while the beneficiaries of the guarantee are the private placement investors, who purchased the bonds issued. In connection with the guarantee issued, the Company recognised a liability in the amount of expected credit losses, which amounted to PLN 17 million and PLN 34 million, respectively, as at 31 December 2023 and 31 December 2022 (Note 32).
- The registered pledges and the financial pledge established under the agreement concluded in 2015 on the shares held, representing 50% of the shares in the share capital of TAMEH HOLDING Sp. z o.o., in favour of RAIFFEISEN BANK INTERNATIONAL AG. The registered pledges are pledges with the highest priority of satisfaction on shares up to the highest amount of security in the amount of CZK 3 950 million and PLN 1 370 million, respectively. The agreement for the establishment of registered pledges and financial pledge was concluded in order to secure the transaction involving the agreement for term and working capital loans, which was concluded between TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as the original borrowers, TAMEH HOLDING Sp. z o.o. as the parent company and guarantor and RAIFFEISEN BANK INTERNATIONAL AG as the agent and collateral agent. The registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid throughout the period of the collateral period or until release by the pledgee, however, not later than on 31 December 2028.

  As at 31 December 2023, the carrying amount of shares in TAMEH HOLDING Sp. z o. o. amounts to PLN 204 million. As at the balance sheet date, as a result of impairment tests, the Company recognized an impairment loss on shares in the amount of PLN 212 million (Note 11).
- The liability arising from the issuance of a bank guarantee at the request of the Company up to the amount of PLN 50 million, as a collateral for the receivables of BGK resulting from 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.), effective from 18 December 2023 to 11 March 2024. In connection with the guarantee issued, the Company recognised

a liability in the amount of expected credit losses, which amounted to PLN 2 million as at 31 December 2023 (Note 32). In the comparable period, BGK's receivables were secured by a bank guarantee of up to PLN 300 million and a surety of up to PLN 187 million and the recognised liability in the amount of expected credit losses totalled PLN 40 million.

On 11 December 2023, the bank guarantee of up to PLN 457 million expired, in lieu of which, in order to secure BGK's receivables under the above loan agreement, pursuant to the deposit agreement of 8 December 2023 concluded between the Company and BGK, the Company provided a cash deposit of PLN 426 million on 11 December 2023. Due to the repayment of a loan instalment by Elektrociepłownia Stalowa Wola S.A. and the acceptance by BGK of a bank guarantee of up to PLN 50 million, the deposit had been partially returned by the balance sheet date. As at 31 December 2023, the amount of the deposit surrender reached PLN 346 million. Above deposit was described in Note 23 of this financial statements in scope of other financial assets.

After the balance sheet date, as part of the security for BGK's receivables arising from the above-described loan agreement, events occurred, including in particular the issuance of a bank guarantee for the amount of PLN 300 million with a validity period until 11 March 2025, as a result of which there was a further partial refund of the cash deposit in the amount PLN 325 million, conclusion of a new surety agreement with BGK up to a maximum amount of PLN 54 million valid until 11 March 2025, and transfer of an additional cash deposit to BGK in the amount of PLN 21 million.

As at the date of approval of these financial statements for publication, BGK's receivables arising from the loan agreement concluded on 8 March 2018 are secured by: a bank guarantee up to PLN 300 million, a surety up to a maximum amount of PLN 54 million and a deposit of PLN 42 million (i.e. security to the total amount of PLN 396 million).

Significant items of the Company's contingent liabilities due to court proceedings and concluded agreements:

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, or file separate calims for compensation.

As at the date of approval of these 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 533 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 closed session of three-judge Supreme Court 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.

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.

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 Sp. z o.o.

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

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

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

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

In 2017 and 2018, companies belonging to the Polenergia and Wind Invest groups filed actions against TAURON Polska Energia S.A. regarding payment of damages and determining liability for potential future losses resulting from tort, including unfair competition. According to the plaintiffs notices of termination submitted by the subsidiary 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 financial statements for publication, the amount of damages claimed in the lawsuits amounts 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 financial statements for publication, the Group's chances 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 future, potential 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.

(in PLN million)

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 Energy Regulatory Office.

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 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, and currently before the Court of Appeal in Katowice, 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 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%.

42. Collaterals for repayment of liabilities

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

Collateral	As at 31 December 2023	As at 31 December 2022
Declarations of submission to enforcement*	18 119	16 050
Bank account mandates	1 670	600
Bank guarantees	66	109
Blank promissory notes	4	4

**As at 31 December 2023, the item comprises collaterals relating to agreements for which, as at the balance sheet day, the liabilities were repaid in the total amount of PLN 2 285 million.*

Financial statements for the year ended 31 December 2023 compliant with the IFRS approved by the European Union (in PLN million)

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

Type of collateral	Description
Declarations of submission to enforcement	On 15 June 2023, a declaration of submission to enforcement was signed to secure the obligations of the Company to Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGiT") up to the amount of PLN 6 000 million, with the effective term until 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 December 2023 and 31 December 2022, bank guarantees totalling PLN 280 million and PLN 176 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 financial statements for publication, bank guarantees in the total amount of PLN 95 million are in force, with the validity dates falling maximum until 12 May 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	The transfer of CO_2 emission allowances to the IRGiT is established in order to cover the Company's liabilities on account of the security deposit payments due. As at 31 December 2023, the Group had no CO_2 emission allowances deposited in the IRGiT account. After the balance sheet day, the following events took place: • on 4 January and on 28 February 2024, the Company deposited the CO_2 emission allowances it holds in the total amount of 28 000 tons and 340 000 tons, respectively, on the IRGiT account; • on 1 February 2024, pursuant to 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., TAURON Wytwarzanie S.A. transferred the rights owned by it in the total amount of 1 105 000 tons to the IRGiT to secure the Company's liabilities for the due security deposit payments. As at the date of approval of these financial statements for publication, the total amount of CO_2 emission allowances deposited by the Group on the IRGiT account is 1 473 000 tons.

43. Investment liabilities

As at 31 December 2023 and as at 31 December 2022 the Company did not have any material investment liabilities.

44. Related party disclosures

44.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties, as presented in Note 2 to these financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's majority shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length terms.

The total value of transactions with the aforementioned entities and the balances of receivables and liabilities have been presented in the tables below.

(in PLN million)

Revenues and costs

	Year ended 31 December 2023	Year ended 31 December 2022 *(restated figures)*
Revenue from subsidiaries	**33 638**	**27 044**
Revenue from operating activities	32 210	24 440
Dividend income	443	1 729
Other finance income	985	875
Revenue from jointly-controlled entities	**244**	**1 000**
Revenue from State Treasury companies	**591**	**784**
Costs incurred with relation to transactions with subsidiaries	**(5 430)**	**(8 121)**
Costs of operating activities	(5 249)	(7 995)
Finance costs	(181)	(126)
Costs incurred with relation to transactions with jointly-controlled entities	**(487)**	**(518)**
Costs incurred with relation to transactions with State Treasury companies	**(830)**	**(1 292)**

Receivables and liabilities

	As at 31 December 2023	As at 31 December 2022 *(restated figures)*
Loans granted to subsidiaries and receivables from subsidiaries	**16 373**	**16 852**
Loans granted to subsidiaries	13 033	12 792
Loans granted under cash pool agreement	886	2 167
Receivables from buyers	2 359	1 893
Receivables arising from the TCG	78	–
Other financial assets	17	–
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	**760**	**744**
Receivables from State Treasury companies	**92**	**109**
Liabilities to subsidiaries	**3 208**	**5 939**
Loans received under cash pool services	1 621	2 859
Loans from the subsidiary	726	783
Liabilities to suppliers	672	757
Liabilities arising from the Tax Capital Group	185	–
Other financial liabilities	4	4
Other non-financial liabilities	–	1 536
Liabilities to jointly-controlled entities	**38**	**28**
Liabilities to State Treasury companies	**47**	**228**

The loans and receivables presented in the table above represent values before write-offs for expected credit losses or the measurement to the fair value.

Revenues from subsidiaries presented in the table include revenues from the sale of coal to TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., which are presented in the statement of comprehensive income, net of acquisition costs, at the surplus value representing intermediation fees, as described in Note 12 of these financial statements.

In the year ended 31 December 2023, the revenues from the State Treasury companies result, to a large extent, from transactions executed by the Company with Polskie Sieci Elektroenergetyczne S.A. - 98% of total revenue from State Treasury-owned companies.

In terms of costs incurred in connection with transactions with State Treasury-owned companies in the year ended 31 December 2023, the largest counterparties of TAURON Polska Energia S.A. were Polska Grupa Górnicza S.A., Polskie Sieci Elektroenergetyczne S.A. and Południowy Koncern Węglowy S.A. (formerly: TAURON Wydobycie S.A.) - 87% of the total costs incurred in purchase transactions with the State Treasury companies.

The Company conducts material transactions on the energy market 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.

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.

(in PLN million)

44.2. Remuneration of the executives

The amounts of remuneration and other benefits paid or payable to the Management Board, Supervisory Board and other key executives of the Company in the year ended 31 December 2023 and in the comparative period have been presented in the table below.

	Year ended 31 December 2023	Year ended 31 December 2022
Management Board	**10**	**7**
Short-term benefits (with surcharges)	9	6
Temination benefits	1	1
Supervisory Board of the Company	**1**	**1**
Short-term employee benefits (salaries and surcharges)	1	1
Other key management personnel	**15**	**13**
Short-term employee benefits (salaries and surcharges)	14	12
Temination benefits	–	–
Other	1	1
Total	**26**	**21**

The table above takes into account the amounts paid and payable by 31 December 2023. In accordance with the accounting policy adopted, the Company recognises the provisions for benefits on account of termination of management contracts due to members of the Management Board and other key management personnel that may be paid or due in subsequent reporting periods.

There are no transactions in the Company in respect of loans from the Company Social Benefits Fund (ZFŚS) granted to members of the Management Board, members of the Supervisory Board and other members of the key management staff.

In case of termination of the management contract, Members of the Company's Management Board are entitled, under the conditions specified therein, to severance pay, provided that they have held the position for at least twelve months before the termination of the management contract. Moreover, after ceasing to serve on the Company's Management Board, Members of the Management Board who served for at least six months are entitled to compensation for compliance with the non-competition clause.

45. Finance and capital management

Finance and capital management is carried out at the level of TAURON Polska Energia S.A. Capital Group. During the period covered by these financial statements, there were no significant changes in the objectives, principles and procedures of capital and financial management. Capital and finance management at the Group level is discussed in more detail in Note 59 of Additional Explanatory Notes to the Consolidated Financial Statements for the year ended 31 December 2023.

46. Structure of employment

The following note presents the average headcount for the annual periods ended 31 December 2023 and 31 December 2022.

	Year ended 31 December 2023	Year ended 31 December 2022
Administration	367	332
Sales	73	91
Total	**440**	**423**

The above table does not include persons covered by contracts for the provision of management services.

47. Fee of the certified auditor or the entity authorized to audit financial statements

Information on the statutory auditor's remuneration is presented in section 6, Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2023.

(in PLN million)

48. Structure of financial statements broken down by business activity type in line with Article 44 of the Energy Law

In accordance with Article 44.2 of the Act of 10 April 1997, *Energy Law* (the "Act"), TAURON Polska Energia S.A., as the energy company, is obliged to disclose specific items of the balance sheet and the statement of profit or loss broken down by individual types of business activity in notes to these financial statements.

In accordance with Article 44(2) of the Act, the Company has identified the two types of business activities, i.e.: trade in gaseous fuels and other activity.

The principles of preparing a statement of comprehensive income (statement of profit or loss) broken down by type of business activity

The Company keeps accounting records which enable separate calculation of expense and revenue and the profit/loss for individual types of activities.

The Company directly distinguished revenues from sales and own cost of goods, materials and services sold related to particular types of business.

Costs of sales related to the entire sales process carried out by the Company have been divided on a pro rata basis against the revenue on sales generated by the Company.

Other operating and financing activities have been identified as those related to other business activities of the Company.

Administrative expenses of the Company are incurred for the benefit of the entire TAURON Group, hence they have been recognized in the statement of comprehensive income as unallocated items and are not directly attributable to a specific business activity, as such attribution would be unjustified. Also CIT charged to profit or loss has been presented under unallocated items.

Statement of comprehensive income by type of activity for the financial year 2023

	Gas	Other activity	Unallocated items	Total
Sales revenue	1 431	32 883	–	**34 314**
Cost of sales	(1 439)	(32 485)	–	**(33 924)**
Profit on sale (loss)	**(8)**	**398**	**–**	**390**
Selling and distribution expenses	(1)	(32)	–	**(33)**
Administrative expenses	–	–	(116)	**(116)**
Other operating income and expenses	–	(11)	–	**(11)**
Operating profit (loss)	**(9)**	**355**	**(116)**	**230**
Dividend income	–	475	–	**475**
Interest income on loans	–	947	–	**947**
Interest expense on debt	–	(928)	–	**(928)**
Revaluation of shares	–	(271)	–	**(271)**
Revaluation of loans	–	(760)	–	**(760)**
Other finance income and costs	–	(330)	–	**(330)**
Profit (loss) before tax	**(9)**	**(512)**	**(116)**	**(637)**
Income tax expense	–	–	(1)	**(1)**
Net profit (loss)	**(9)**	**(512)**	**(117)**	**(638)**

Statement of comprehensive income by type of activity for the financial year 2022 ***(restated figures)***

	Gas	Other activity	Unallocated items	Total
Sales revenue	1 294	26 251	–	**27 545**
Cost of sales	(1 315)	(25 845)	–	**(27 160)**
Profit on sale	**(21)**	**406**	**–**	**385**
Selling and distribution expenses	(1)	(31)	–	**(32)**
Administrative expenses	–	–	(145)	**(145)**
Other operating income and expenses	–	(8)	–	**(8)**
Operating profit (loss)	**(22)**	**367**	**(145)**	**200**
Dividend income	–	1 797	–	**1 797**
Interest income on loans	–	544	–	**544**
Interest expense on debt	–	(654)	–	**(654)**
Revaluation of shares	–	(48)	–	**(48)**
Revaluation of loans	–	(1 462)	–	**(1 462)**
Other finance income and costs	–	(341)	–	**(341)**
Profit (loss) before tax	**(22)**	**203**	**(145)**	**36**
Income tax expense	–	–	31	**31**
Net profit (loss)	**(22)**	**203**	**(114)**	**67**

(in PLN million)

The principles of preparing a statement of financial position (balance sheet) broken down by type of business activity

The Company directly separated receivables from customers and liabilities to suppliers, other receivables and liabilities as well as derivatives related to individual types of business activities carried out by the Company.

Equity, provisions for employee benefits, cash, receivables and liabilities relating to taxes and charges and deferred tax asset / liability have been presented as unallocated items in the statement of financial position.

The remaining assets and liabilities are related to other activities of the Company.

Statement of financial position as at 31 December 2023 by type of activity

	Gas	Other activity	Unallocated items	Total
ASSETS				
Non-current assets, of which:	**1**	**27 021**	**86**	**27 108**
Shares	–	15 520	–	**15 520**
Loans granted	–	11 273	–	**11 273**
Derivative instruments	1	148	–	**149**
Other financial assets	–	33	–	**33**
Deferred tax assets	–	–	86	**86**
Current assets, of which:	**117**	**4 251**	**578**	**4 946**
Receivables from buyers	114	2 376	–	**2 490**
Income tax receivables	–	–	94	**94**
Loans granted	–	1 138	–	**1 138**
Derivative instruments	1	291	–	**292**
Other financial assets	2	431	–	**433**
Other non-financial assets	–	3	–	**3**
Cash and cash equivalents	–	–	484	**484**
TOTAL ASSETS	**118**	**31 272**	**664**	**32 054**
EQUITY AND LIABILITIES				
Equity	**–**	**–**	**11 450**	**11 450**
Non-current liabilities, of which:	**2**	**13 286**	**6**	**13 294**
Debt	–	13 111	–	**13 111**
Derivative instruments	2	167	–	**169**
Other financial liabilities	–	6	–	**6**
Other provisions, accruals, deferred income and government grants	–	2	6	**8**
Current liabilities, of which:	**22**	**6 598**	**690**	**7 310**
Debt	–	4 421	–	**4 421**
Liabilities to suppliers	21	958	–	**979**
Derivative instruments	1	643	–	**644**
Other financial liabilities	–	234	–	**234**
Other non-financial liabilities	–	315	690	**1 005**
Other provisions, accruals, deferred income and government grants	–	27	–	**27**
TOTAL EQUITY AND LIABILITIES	**24**	**19 884**	**12 146**	**32 054**

(in PLN million)

Statement of financial position as at 31 December 2022 *(restated figures)* by type of activity

	Gas	Other activity	Unallocated items	Total
ASSETS				
Non-current assets, of which:	**7**	**27 322**	**–**	**27 329**
Shares	–	15 716	–	**15 716**
Loans granted	–	11 172	–	**11 172**
Derivative instruments	7	383	–	**390**
Current assets, of which:	**14**	**5 761**	**1 118**	**6 893**
Receivables from buyers	9	2 231	–	**2 240**
Income tax receivables	–	–	79	**79**
Loans granted	–	2 368	–	**2 368**
Derivative instruments	4	455	–	**459**
Other financial assets	1	34	–	**35**
Other non-financial assets	–	601	–	**601**
Cash and cash equivalents	–	–	1 039	**1 039**
TOTAL ASSETS	**21**	**33 083**	**1 118**	**34 222**
EQUITY AND LIABILITIES				
Equity	**–**	**–**	**12 320**	**12 320**
Non-current liabilities, of which:	**7**	**14 811**	**4**	**14 822**
Debt	–	14 754	–	**14 754**
Derivative instruments	7	3	–	**10**
Other financial liabilities	–	8	–	**8**
Other non-financial liabilities	–	4	–	**4**
Other provisions, accruals, deferred income and government grants	–	–	4	**4**
Current liabilities, of which:	**44**	**6 977**	**59**	**7 080**
Debt	–	3 316	–	**3 316**
Liabilities to suppliers	40	1 379	–	**1 419**
Derivative instruments	4	327	–	**331**
Other financial liabilities	–	146	–	**146**
Other non-financial liabilities	–	1 534	59	**1 593**
Other provisions, accruals, deferred income and government grants	–	22	–	**22**
TOTAL EQUITY AND LIABILITIES	**51**	**21 788**	**12 383**	**34 222**

49. Other material information

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

In the year ended 31 December 2023, the TAURON Group carried out work with the aim to implement the government programme for the transformation of the Polish electricity sector (the “NABE Programme”) launched in April 2021 by the Ministry of State Assets (MAP). The programme aimed to separate coal assets from State Treasury-owned energy companies under the terms and conditions set out by the MAP in the document entitled “*The transformation of the electricity sector in Poland. Separation of coal generation assets from the companies with the State Treasury shareholding*”.

The NABE programme stipulated the acquisition of all assets related to the generation of energy in coal and lignite-fired power plants, including service companies providing services to them by the State Treasury from PGE Polska Grupa Energetyczna S.A., ENEA S.A., TAURON Polska Energia S.A. and Energa S.A. In order to implement the transaction, an internal reorganisation was carried out in the TAURON Group to integrate the assets to be seperated into a single entity, i.e. TAURON Wytwarzanie S.A.

All reorganization activities were carried out in the TAURON Group, ensuring full operational capacity of the companies that were intended to be separated from the structures of the TAURON Group, in accordance with the assumptions of the NABE Program.

On 14 July 2023, as part of the implementation of the NABE Programme the Company received from the State Treasury, represented by the Minister of State Assets, a proposal for a non-binding document (the “Document”) summarising the terms of the transaction for the acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A.

In particular, the Document includes a proposal for the purchase price of TAURON Wytwarzanie S.A. shares, the key economic and legal terms and conditions of conducting the transaction, including the key provisions of the preliminary sale agreement and the promised sale agreement, as well as the proposed mechanism for the settlement of TAURON Wytwarzanie S.A. debt to the Company. The value of the enterprise of TAURON Wytwarzanie S.A. (Enterprise Value) was determined according to a locked-box mechanism as at 30 September 2022. The Document received did not constitute an offer or commitment to enter into any contract. The value of the transaction in the Document consisted of two elements: the price for TAURON Wytwarzanie S.A. shares ("Sale Price") at a level of PLN 1 and the value of TAURON Wytwarzanie S.A. debt towards the Company as at the date of acquisition of the shares by the State Treasury ("Closing Date"), which was subject to repayment.

Due to the fact that the Document received by the Company provided for the reduction of TAURON Wytwarzanie S.A. debt to the level assumed in the transaction, an increase in the share capital of TAURON Wytwarzanie S.A. by PLN 7 million was registered on 18 August 2023, carried out through the issue of 652 000 shares of PLN 10 value and an issue price of PLN 1 000 per share. Coverage of the increase in the share capital of TAURON Wytwarzanie S.A. was effected by setting off (converting) a part of the existing debt of TAURON Wytwarzanie S.A. to the Company in the amount of PLN 652 million, which is described in more detail in Note 20 of these financial statements.

On 10 August 2023, the Company and the State Treasury signed a document (the "Term Sheet") summarising the key terms and conditions of the transaction of acquisition by the State Treasury of all the shares held by the Company in TAURON Wytwarzanie S.A. in order to establish the NABE. The key boundary conditions contained in the signed Term Sheet coincided with the terms of the Document, as described above. The Term Sheet also set out the conditions determining the conclusion of the preliminary agreement for the sale of TAURON Wytwarzanie S.A. shares to the State Treasury.

By the balance sheet date, the conditions precedent allowing the conclusion of the preliminary agreement had not been fulfilled. On 16 February 2024, the Government Legislation Centre announced the completion and withdrawal of the draft Act on the principles of granting guarantees by the State Treasury for NABE liabilities, which is of key importance in terms of ensuring the future financing of NABE and constitutes one of the conditions precedent for the signing of the promissory agreement for the sale of TAURON Wytwarzanie S.A. shares. On 20 February 2024, the Management Board of the Company adopted a resolution on closing the Company's program of separating the TAURON Group's coal generation assets to NABE.

As at 31 December 2023 and as at the date of approval of these financial statements for publication, the Company believes that the criteria of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* have not been met in the scope of classification of the shares of TAURON Wytwarzanie S.A. held by the Company as disposable assets classified as held for sale.

As at the balance sheet date, the Company shares in TAURON Wytwarzanie S.A. are fully written down and their carrying amount is PLN 0. The carrying amount of loans granted to TAURON Wytwarzanie S.A. and cash pool receivables as at 31 December 2023 amounts to the total of PLN 3 068 million.

Signing the agreement to the Letter of Intent concerning Elektrociepłownia Stalowa Wola S.A.

On 25 July 2023, an agreement (the "Memorandum of Understanding") was signed to the letter of intent concluded in August 2021 regarding Elektrociepłownia Stalowa Wola S.A. The Memorandum of Understanding was concluded between the Company, the subsidiaries, TAURON Wytwarzanie S.A. and TAURON Inwestycje Sp. z o.o. (current owner of 50% of shares in Elektrociepłownia Stalowa Wola S.A.), Orlen S.A. (legal successor of the previous party to the letter of intent, i.e. Polskie Górnictwo Naftowe i Gazownictwo S.A.) and PGNiG TERMIKA S.A. (an entity now part of Orlen Group).

The intention of the parties to the Memorandum of Understanding was to confirm the intention to continue (after the recent ownership changes) the talks planned in the letter of intent concerning a potential transaction of the sale by the TAURON Group to Orlen Group of its equity involvement in Elektrociepłownia Stalowa Wola S.A. and receivables on account of loans granted to Elektrociepłownia Stalowa Wola S.A. by the Company, including a potential development of a method of carrying out the potential transaction and its settlement acceptable to the parties. The Memorandum of Understanding excluded TAURON Wytwarzanie S.A. from the talks, included TAURON Inwestycje Sp. z o.o. and adjusted the principles of cooperation to the new legal and actual situation. The Memorandum of Understanding further indicates that the method of settlement of the potential transaction to be worked out by the parties may take into account, for example, the potential sale of 100% of the shares in PGNiG TERMIKA Energetyka Przemysłowa S.A. with its registered office in Jastrzębie Zdrój belonging to PGNiG TERMIKA S.A. to the company or companies in the TAURON Group.

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

In the year ended 31 December 2023, no significant impact of the COVID-19 pandemic on the TAURON Group was observed, including on the level of demand for electricity, the developments in prices on the markets of electricity and related products and trends in the level of overdue receivables of the Group's customers.

The situation related to the COVID-19 pandemic in the year ended 31 December 2023 did not affect the operations of individual Business Areas of TAURON Group.

The epidemiological emergency state caused by SARS-CoV-2 virus infections was lifted in Poland on 1 July 2023.

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

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

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

According to the TAURON Group's assessment, the indirect consequences of the war that affected or could have affected the TAURON Group in the year ended 31 December 2023 are as follows:

- implementation of national regulations in 2022 for 2023, with the aim of limiting electricity demand, introducing mechanisms to limit increases in electricity prices for end users, introducing margin restrictions for electricity generators and trading companies, including further regulatory interventions in the scope of support for electricity consumers proceeded in 2023. Mitigating activities in the scope of shaping draft regulations were carried out through consultations, among others within industry organisations. Actions were also taken to adapt the TAURON Group's commercial strategy to changes in the regulatory environment and to implement the technical and operational solutions imposed by these regulations,
- a decrease in the volume of energy sales and distribution as a result of reduced economic activity of Polish entrepreneurs in its part resulting from the occurrence of the war on the Ukrainian territory. In terms of risk mitigation, the Group took measures in the commercial aspect (balancing the sales position and product changes aimed at reducing the impact of changes in demand on the TAURON Group),
- an increase in trade receivables resulting mainly from a nominal rise in electricity selling prices relative to the situation observed in 2022,
- a change in the costs incurred and revenues generated from the production and sale of electricity in the 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, including in particular those resulting from the volatility of fuel prices and, consequently, the volatility of electricity prices.

The above consequences and the follow-up market changes have been translated and included in the assumptions as part of the Company's most recent impairment tests as at 31 December 2023. The increase in receivable balances and risks in terms of customer solvency were taken into account in the measurement of receivables.

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 war, 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.

50. Events after the balance sheet date

Signing of the loan agreement

After the balance sheet date, 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 loan agreement, the Company will be able to make drawdowns over a 2-year availability period. The Company will be able to utilise the funds once the standard conditions precedent for this type of financing have been met, and all of the funds made available under the loan agreement will be used to cover the TAURON Group's expenses related to the financing or refinancing of expenses in the area of renewable energy sources and the development of distribution networks.

As at the date of approval of these financial statements for publication, the Company has not drawn down available financing under the loan agreement.

Information on the acceptance of the offer by the leading shareholder of the ArcelorMittal Group, i.e. AM Global Holding S.à r.l., to acquire the shares in TAMEH HOLDING Sp. z o.o.

Subsequent to the balance sheet date, 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 of all shares owned by the Company, i.e. 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 Partner.

On 4 January 2024, the Company received a message sent on behalf of the Lead Partner indicating that the Lead Partner 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 Partner, which the Lead Partner 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.

Management Board

Katowice, 16 April 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