

RESOLUTION NO. 86/V/2020
of the Management Board of TAURON Polska Energia S.A.
of 30 March 2020

concerning: the motion to the Ordinary General Meeting of TAURON Polska Energia S.A.
regarding covering the net loss incurred by TAURON Polska Energia S.A. for
the financial year 2019

Acting pursuant to § 14(2)(15) and § 35(1)(3) of the Articles of Association of TAURON Polska Energia S.A. and Article 382 § 3, Article 395 § 2(2) of the Commercial Companies Code, the Management Board of the Company resolves as follows:

§ 1

The Ordinary General Meeting of TAURON Polska Energia S.A. is hereby requested to decide on covering the net loss incurred by TAURON Polska Energia S.A. for the financial year 2019, spread over the period from 1 January 2019 to 31 December 2019 in the amount of PLN (462,830,170.74) (in words: four hundred sixty two million eight hundred thirty thousand one hundred seventy zlotys 74/100), from the supplementary capital of the Company.

§ 2

Pursuant to § 20(1)(2) of the Articles of Association of TAURON Polska Energia S.A., the Supervisory Board of TAURON Polska Energia S.A. is hereby requested to evaluate the motion concerning the method of covering net loss of the Company for the financial year 2019, referred to in § 1 hereof.

§ 3

The execution of this resolution is entrusted, respectively to the scope of responsibilities, to:

- 1) Executive Director for Corporate Affairs,
- 2) Executive Director for Accounting and Taxes,
- 3) Executive Director for Finance.

§ 4

The Vice-President of the Management Board, Marek Wadowski will supervise the execution of this resolution.

§ 5

The Resolution shall enter into force as of the day of its adoption.

The resolution was adopted in an open ballot by 3 votes for.

Signatures of Management Board Members present at the meeting:

President of the Board – Filip Grzegorzczak

Vice-President of the Board – Jarosław Broda

Vice-President of the Board – Marek Wadowski

**RATIONALE TO THE MOTION OF TAURON POLSKA ENERGIA S.A. MANAGEMENT BOARD
ADDRESSED TO THE GENERAL MEETING
CONCERNING COVERING THE NET LOSS FOR THE FINANCIAL YEAR 2019**

The financial statements of TAURON Polska Energia S.A. prepared for the financial year ended 31 December 2019 showed net loss in the amount of PLN (462,830,170.74) million.

The main reason for the negative financial result was the need to recognise in the financial statements the created revaluation write-downs on the shares in subsidiaries and the need to reduce the carrying amount of debt financing instruments granted to TAURON Wydobywanie S.A. to the total amount of PLN 1,492,712 thousand, as a result of the asset impairment tests carried out as at 30 June and 31 December 2019 and the measurement as at the balance sheet date of the aforementioned debt financing instruments.

The impairment tests carried out as at 30 June 2019 and 31 December 2019 and the measurement as at 31 December 2019 regarding the loans showed the appropriateness of:

- creation of a revaluation write-down on TAURON Wydobywanie shares in the amount of PLN (99,058) thousand;
- creation of a revaluation write-down on shares in TAURON Ciepło in the amount of PLN (168,140) thousand;
- reversal of an impairment loss on shares in TAURON EKOENERGIA in the amount of PLN 185,172 thousand;
- measurement reduction and creation of a revaluation write-down for debt financing instruments granted to TAURON Wydobywanie S.A. in the amount of PLN (1,410,686) thousand.

The need to reduce the carrying amount of the shares and debt financing instruments granted to TAURON Wydobywanie S.A. in 2019 resulted mainly from the following circumstances:

- update of technical and economic assumptions, mainly in terms of exploitation plans and availability of deposits;
- update of market assumptions regarding the cost of capital.

The need to write down TAURON Ciepło Sp. z o.o. shares in 2019 resulted mainly from updating market assumptions regarding the cost of capital.

The reversal of the impairment loss on TAURON Ekoenergia Sp. z o.o. shares in 2019 was possible for the following reasons:

- changes regarding renewable energy sources (the manner of calculating a substitution fee) which positively affect the financial results of assets based on renewable energy sources;
- a fundamental change in market factors related to energy generation from renewable sources meaning a competitive advantage over conventional generation.

The supplementary capital recognised in the Company's financial statements for the year ended 31 December 2019, mainly created from profits for previous years currently amounts to PLN 6,801,581,172.17 and allows for covering the loss presented in the Company's financial statements.

Taking into account Article 395 and Article 396 of the Commercial Companies Code, according to which the supplementary capital is created to cover losses, and its use is decided by the Company's General Meeting, it is reasonable for the Management Board to apply to the General Meeting to cover the net loss of PLN (462,830,170.74) recognised in the Company's financial statements from the reserve capital.

Pursuant to resolution No. 27/V/2020 of 31 March 2020, the Supervisory Board of TAURON Polska Energia S.A. has positively evaluated the motion of the Management Board to the Company's General Meeting, expressed in resolution No. 86/V/2020 of 30 March 2020 concerning net loss coverage from the supplementary capital of the Company.