



***Report of the Supervisory Board on the evaluation of
the Financial statements of TAURON Polska Energia S.A.,
Consolidated financial statements of TAURON Capital
Group, Report of the Management Board on operations of
TAURON Polska Energia S.A. and TAURON Capital Group
for the financial year ended 31 December 2020
including the motion of the Management Board
concerning the coverage of the net loss for the financial
year 2020***

30 March 2021

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1. Introduction

Acting pursuant to Article 382 § 3 of Commercial Companies Code and § 20(1)(3) of the Company Articles of Association, the Supervisory Board of TAURON Polska Energia S.A. (hereinafter referred to as: the Supervisory Board) hereby presents to the Ordinary General Meeting of TAURON Polska Energia S.A. *Report of the Supervisory Board on the evaluation of the Financial statements of TAURON Polska Energia S.A., Consolidated financial statements of TAURON Capital Group, Report of the Management Board on operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year ended 31 December 2020 including the motion of the Management Board concerning the coverage of the net loss for the financial year 2020*, containing the results of evaluation of the following documents:

- 1) *Financial statements of TAURON Polska Energia S.A. for the year ended on 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2020 compliant with International Financial Reporting Standards approved by the European Union,*
- 3) *Report of the Management Board on operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year ended 31 December 2020 ,*
- 4) *Motion of the Management Board concerning the coverage of the net loss for the financial year 2020.*

At the same time, pursuant to § 20(1)(6) of the Company Articles of Association, this report contains the opinion of the Supervisory Board on the economic appropriateness of the Company capital involvement in other commercial law entities in the financial year 2020.

The audit of the aforementioned reports of TAURON Polska Energia S.A. was carried out by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw (hereinafter referred to as the "statutory auditor", the "auditor"), selected by the Supervisory Board for the purpose of performing the audit of the standalone and consolidated financial statements of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2020.

The assignment of the statutory auditor was to examine the compliance of the financial statements and the Management Board report on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020 with the accounting principles (policy) adopted by TAURON Polska Energia S.A. and TAURON Capital Group as well as to state whether the financial statements present the financial standing and the economic situation as well as the financial result of TAURON Polska Energia S.A. and TAURON Capital Group in a reliable and clear manner in all material aspects.

2. ***Evaluation of the Financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union***

The Supervisory Board has read and analysed the *Financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards approved by the European Union*, comprising:

- 1) Statement of comprehensive income for the year ended on 31 December 2020 showing comprehensive negative income in the amount of PLN (3,685,022) thousand and net loss for the financial year 2020 in the amount of PLN (3,589,655) thousand,

- 2) Statement of financial position as at 31 December 2020, which indicates the total balance of assets and liabilities in the amount of PLN 28,708,142,
- 3) Statement of changes in equity for the year ended 31 December 2020 showing equity decrease of PLN 3,685,022 thousand,
- 4) Statement of cash flows for the year ended 31 December 2020 showing net cash flow change of PLN 693,864 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Statement of comprehensive income for the year ended on 31 December 2020

The table below presents the statement of comprehensive income.

Table no. 1 Statement of comprehensive income (data in thousand PLN)

Statement of comprehensive income	As at 31 December 2019	As at 31 December 2020
Revenue on sales	10,680,577	11,340,464
Gross profit (loss) on sales	249.438	(761.056)
Operating profit (loss)	101.102	(909.903)
Profit (loss) before tax	(346.207)	(3,527,630)
Net profit (loss)	(462.830)	(3,589,655)

Charges to the financial result have been determined correctly.

Statement of financial position as at 31 December 2020

The table below presents the statement of financial position.

Table no. 2 Statement of financial position (data in PLN thousand)

Statement of financial position	As at 31 December 2019	As at 31 December 2020
ASSETS		
Fixed assets	27,010,590	24,498,483
Current assets	3,474,539	4,209,659
TOTAL ASSETS	30,485,129	28,708,142
LIABILITIES		
Total equity	14,808,177	11,123,155
Long-term liabilities	10,947,500	13,074,803
Short-term liabilities	4,729,452	4,510,184
TOTAL LIABILITIES	30,485,129	28,708,142

The level of liabilities and their settlement cycle do not raise any concerns.

Statement of changes in equity for the year ended on 31 December 2020

The table below presents the statement of changes in equity.

Table no. 3 Statement of changes in equity (data in PLN thousand)

Statement of changes in equity	Year ended 31 December 2019	Year ended 31 December 2020
Opening balance of equity	15,259,836	14,808,177
Closing balance of equity	14,808,177	11,123,155

The data presented in the statement of changes in equity for the year ended on 31 December 2020 are complete and reflect the actual state of affairs.

Statement of cash flows for the year ended on 31 December 2020

The table below presents the statement of cash flows.

Table no. 4 Statement of cash flows (data in thousand PLN)

Statement of Cash Flows	Year ended 31 December 2019	Year ended 31 December 2020
Net cash from operating activities	(498,270)	907,446
Net cash from investment activities	74,699	(1,088,538)
Net cash from financial activities	1,934,525	(512,772)
Increase/(decrease) in net cash and cash equivalents	1,510,954	(693,864)
Cash opening balance	(1,560,034)	(49,080)
Cash closing balance	(49,080)	(742,944)

The Supervisory Board has no objections or reservations to the presented statement of cash flows.

Following the review of the *Financial statements of TAURON Polska Energia S.A. for the year ended on 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union*, as well as having read the opinion of the independent statutory auditor and the report on audit of the aforementioned financial statements, the Supervisory Board positively evaluates the said financial statements in terms of their compliance with the ledgers, documents and the actual state of affairs.

In view of the foregoing, the Supervisory Board recommends that the Ordinary General Meeting approves the *Financial Statements of TAURON Polska Energia S.A. for the year ended 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union.*

3. Evaluation of the Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020 compliant with International Financial Reporting Standards approved by the European Union

The Supervisory Board has read and analysed the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020 compliant with International Financial Reporting Standards approved by the European Union* comprising:

- 1) Consolidated statement of comprehensive income for the year ended 31 December 2020 showing the total income in the amount of PLN (2,675,883) thousand and net loss for the financial year 2020 in the amount of PLN (2,487,877) thousand,
- 2) Consolidated statement of financial standing as at 31 December 2020, which indicates the total balance of assets and liabilities in the amount of PLN 39,411,064 thousand,
- 3) Consolidated statement of changes in equity for the year ended 31 December 2020 showing equity decrease by the amount of PLN 2,680,395 thousand,
- 4) Consolidated statement of cash flows for the year ended 31 December 2020 showing cash flow decrease by the amount of PLN 308,224 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Consolidated statement of comprehensive income for the year ended 31 December 2020

The table below presents the consolidated statement of comprehensive income.

Table no. 5 Consolidated statement of comprehensive income (data in PLN thousand)

Consolidated statement of comprehensive income	As at 31 December 2019	As at 31 December 2020
Revenue on sales	19,558,292	20,850,008
Operating profit (loss)	295,454	(1,731,977)
Profit (loss) before tax	(15,368)	(2,374,123)
Net profit (loss)	(11,683)	(2,487,877)

Charges to the financial result have been determined correctly.

Consolidated statement of financial position as at 31 December 2020

The table below presents the consolidated statement of financial position.

Table no. 6 Consolidated statement of financial position (data in PLN thousand)

Consolidated statement of financial position	As at 31 December 2019	As at 31 December 2020
ASSETS		
Fixed assets	35,052,287	31,736,391
Current assets	6,865,478	7,674,673
TOTAL ASSETS	41,917,765	39,411,064
LIABILITIES		
Total equity	19,092,660	16,412,265
Long-term liabilities	14,963,274	15,687,376
Short-term liabilities	7,861,831	7,311,423
TOTAL LIABILITIES	41,917,765	39,411,064

The level of liabilities and their settlement cycle do not raise any concerns.

Consolidated statement of changes in equity for the year ended on 31 December 2020

The table below presents the consolidated statement of changes in equity.

Table no. 7 Consolidated statement of changes in equity (in PLN thousand)

Consolidated statement of changes in equity	Year ended 31 December 2019	Year ended 31 December 2020
Opening balance of equity	18,428,481	19,092,660
Closing balance of equity	19,092,660	16,412,265

The data included in the consolidated statement of changes in equity for the year ended 31 December 2020 are complete and consistent with the actual state of affairs.

Consolidated statement of cash flows for the year ended on 31 December 2020

The table below presents the consolidated statement of cash flows.

Table no. 8 Consolidated statement of cash flows (data in PLN thousand)

Consolidated statement of cash flows	Year ended 31 December 2019	Year ended 31 December 2020
Net cash from operating activities	2,035,575	4,041,979
Net cash from investment activities	(4,534,738)	(3,976,568)
Net cash from financial activities	2,894,792	(373.635)
Increase/(decrease) in net cash and cash equivalents	395.629	(308.224)
Cash opening balance	807.972	1,203,601
Cash closing balance	1,203,601	895.377

The Supervisory Board does not raise any objections or reservations to the presented consolidated statement of cash flows.

The Supervisory Board, having reviewed the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union*, as well as having read the Audit Report of the Independent Statutory Auditor, positively assesses the financial statements in question in terms of their compliance with the ledgers and documents and the actual state of affairs.

In connection with the foregoing, the Supervisory Board recommends that the Ordinary General Meeting approves the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union*.

4. Evaluation of the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020

The Supervisory Board, having considered the Report of the *Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020*, positively assesses the report in terms of its compliance with the books and documents, as well as with the actual state of affairs. The report presents the economic, financial and development situation of TAURON Polska Energia S.A. and TAURON Capital Group in a reliable and clear manner, and its completeness and compliance with the information disclosed in the report has been confirmed by the statutory auditor.

Therefore, the Supervisory Board recommends that the Ordinary General Meeting approves the Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020.

Pursuant to Article 49b(9) and Article 55(2c) of the *Accounting Act of 29 September 1994*, TAURON Polska Energia S.A. prepared the *Report on non-financial information of the TAURON Capital Group for 2020* in a separate document.

The above Report has been prepared in accordance with Article 49b(1) and Article 55(2)(b)-(e) of the *Accounting Act of 29 September 1994*, as amended, which implements the guidelines of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial information, together with additional, later guidelines, including the Communication of the European Commission 2019/C 209/01 of 20 June 2019 with guidelines for reporting non-financial information: Supplement on reporting climate-related information and Global Reporting Index guidelines - GRI Standards (core level).

5. Justification for the evaluation of the reports

The Supervisory Board of TAURON Polska Energia S.A. positively assessed the following documents presented by the Management Board of the Company and concluded that they are consistent with the books, documents and facts:

- 1) *Financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020 compliant with International Financial Reporting Standards approved by the European Union,*
- 3) *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020,*

The above reports were also subject to verification, analysis and evaluation by the Audit Committee of the Supervisory Board of the Company, which recommended that the Supervisory Board issue a positive evaluation.

In fulfilling its statutory obligations under *the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight*, the Audit Committee supervised the financial reporting process, the effectiveness of internal control systems and risk management systems, as well as internal audit, including tasks aimed at ensuring the reliability of the financial reporting process.

As part of the process related to the audit of financial statements, the Audit Committee regularly met with representatives of the auditing company auditing financial statements of the Company and the TAURON Capital Group, monitoring and discussing the course of audit processes. In addition, the Audit Committee reviewed the audit reports presented by the audit firm and the additional report for the financial year 2020 prepared for the Audit Committee and the Company management in accordance with the provisions of Regulation 537/2014 and the Act on Statutory Auditors of 11 May 2017.

The basis for the Supervisory Board's positive assessment of the financial statements of TAURON Polska Energia S.A. and the Consolidated financial statements of the TAURON Polska Energia S.A. Capital Group for the financial year 2020 were the reports of the independent statutory auditor on the audit of the above mentioned statements in accordance with which :

- 1) the financial statements give a true and fair view of the financial position of TAURON Polska Energia S.A. and TAURON Polska Energia S.A. Capital Group as at 31 December 2020 and its financial result for the financial year from 1 January 2020 to 31 December 2020 in accordance with International Accounting Standards, International Financial Reporting Standards and related

interpretations published in the form of regulations of the European Commission and adopted accounting principles (policy),

- 2) the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020 have been prepared on the basis of properly maintained accounting ledgers
- 3) the financial statements are consistent in form and content with the laws applicable to TAURON Polska Energia S.A. and the TAURON Polska Energia S.A. Capital Group and the *Articles of Association of TAURON Polska Energia S.A.*

In addition, in the auditor's opinion, the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020*, was prepared in accordance with applicable laws and is consistent with the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2020 and with the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2020.

The aforementioned financial statements were prepared within the time limit defined in relevant regulations and in compliance with the International Financial Reporting Standards which were approved by the European Union. The accuracy of drawing up the said financial statements in terms of their compliance with the ledgers, documents and the actual state of affairs does not raise any objections

and is confirmed by information contained in the auditor's report on the audit of the aforementioned report.

The Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020 was prepared in accordance with the applicable provisions of the *Accounting Act of 29 September 1994 and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent.*

6. Evaluation of the Management Board motion to the General Meeting concerning the coverage of net loss for the financial year 2020

The Supervisory Board has reviewed the motion of the Management Board to the General Meeting to cover the net loss of TAURON Polska Energia S.A. for the financial year 2020 comprising the period from 1 January 2020 to 31 December 2020 in the amount of PLN 3,589,655,351.89 (in words: three billion five hundred and eighty-nine million six hundred and fifty-five thousand three hundred and fifty-one zloty 89/100) from the Company supplementary capital.

Taking into account the justification of the Management Board of the Company regarding the manner of covering the net loss for the financial year 2020, the Supervisory Board positively assesses and has no objections to the above mentioned proposal.

7. The opinion of the Supervisory Board on the economic appropriateness of the Company capital involvement in other commercial law entities in the financial year 2020

Acting pursuant to § 20(1)(6) of the Company Articles of Association, the Supervisory Board positively evaluates the capital involvement of TAURON Polska Energia S.A. in other commercial law entities in the financial year 2020 as presented in the table below.

Table no. 9 Capital involvement in the financial year 2020.

Corporate venture capital (CVC) funds

In 2020, TAURON Polska Energia S.A. continued to invest in corporate venture capital (CVC) funds. The Funds were established in 2018 under agreements concluded, among others, by TAURON Polska Energia S.A., Polski Fundusz Rozwoju [Polish Development Fund] and EEC Magenta spółka z ograniczoną odpowiedzialnością (Managing Entity). The main objective of its activities is to support innovation in the energy sector. The above is implemented through the participation of the Company in two funds established under the PFR Starter FIZ and BRIDGE VC / PFR NCBR CVC programmes. Their objective is to provide support to innovative businesses, including by enabling them to participate in acceleration programmes, investing in start-ups under the PFR Starter FIZ programme, and ensuring further financing rounds under the PFR NCBR CVC programme.

Ultimately, the capitalisation of the fund established under the PFR Starter FIZ programme will amount to PLN 50 million, and for the fund created under the PFR NCBR CVC programme - PLN 160 million. The share of TAURON Polska Energia S.A. in the funds shall not exceed 25% (the Company involvement not higher than PLN 12.45 million) and 49% (the Company involvement not higher than PLN 78.37 million) respectively.

The investments of TAURON Polska Energia S.A. Are implemented through the acquisition of newly issued shares of EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo - akcyjna (hereinafter referred to as EEC Magenta CVC) and EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo - akcyjna (hereinafter referred to as EEC Magenta Starter).

TAURON Polska Energia S.A. contributed to the aforementioned entities:

- **to EEC Magenta CVC:** in 2020, the amount of PLN 8,166,500.00, i.e. a **total of PLN 19,116,515.00 from the establishment;**
- **to EEC Magenta Starter:** in 2020, the amount of PLN 947,200.00, i.e. a **total of PLN 2,005,450.00 from the establishment;**

as shown below:

EEC Magenta CVC

Increase in the company capital by the amount of PLN 5,972,000.00 (4 May 2020), of which:

TAURON Polska Energia S.A.	for PLN 2,925,800.00, took up 29,258 shares
EEC Ventures sp. z o.o. 2 sp. k.	for PLN 60,200.00, took up 1,790 shares
PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Closed-End Private Assets Investment Fund]	for PLN 2,986,000.00, took up 29,860 shares

Increase in the company capital by the amount of PLN 2,000,000.00 (28 May 2020), of which:

TAURON Polska Energia S.A.	for PLN 979,500.00, took up 9,795 shares
EEC Ventures sp. z o.o. 2 sp. k.	for PLN 20,500.00, took up 601 shares
PFR NCBR CVC Fundusz Inwestycyjny	for PLN 1,000,000.00, took up 10,000 shares

Zamknięty Aktywów Niepublicznych
[Closed-End Private Assets Investment
Fund]

Increase in the company capital by the amount of PLN 8,700,000.00 (24 September 2020), of which:

TAURON Polska Energia S.A.	for PLN 4,261,200.00, took up 42,612 shares
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EEC Ventures sp. z o.o. 2 sp. k.	for PLN 88,800.00, took up 2.571 shares
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PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Closed-End Private Assets Investment Fund]	for PLN 4,350,000.00, took up 43,500 shares
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Share capital structure after the above-mentioned transactions:

TAURON Polska Energia S.A.: 48.03%, EEC Ventures2: 2.94%, PFR NCBR CVC: 49.03%

EEC Magenta Starter

Increase in the company capital by the amount of PLN 575,000.00 (2 March 2020), of which:

TAURON Polska Energia S.A.	for PLN 143,200.00, took up 1,432 shares;
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EEC Ventures sp. z o.o. sp. k.	for PLN 17,200.00, took up 172 shares
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PFR Starter Fundusz Inwestycyjny Zamknięty [Closed-End Investment Fund]	for PLN 414,600.00, took up 4,146 shares
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Increase in the company capital by the amount of PLN 2,528,900.00 (27 August 2020), of which:

TAURON Polska Energia S.A.	for PLN 629,700.00, took up 6,297 shares
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EEC Ventures sp. z o.o. sp. k.	for PLN 75,900.00, took up 759 shares
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PFR Starter Fundusz Inwestycyjny Zamknięty [Closed-End Investment Fund]	for PLN 1,823,300.00, took up 18,233 shares
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Increase in the company capital by the amount of PLN 700,000.00 (23 December 2020), of which:

TAURON Polska Energia S.A.	for PLN 174,300.00, took up 1,743 shares
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EEC Ventures sp. z o.o. sp. k.	for PLN 21,000.00, took up 210 shares
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PFR Starter Fundusz Inwestycyjny Zamknięty [Closed-End Investment Fund]	for PLN 504,700.00, took up 5,047 shares
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Share capital structure after the above-mentioned transactions:

TAURON Polska Energia S.A.: 24.90%, EEC Ventures2: 3.00%, PFR Starter: 72.10%.

Construction of a new 910 MW unit in Jaworzno

The construction of the new 910 MW unit in Jaworzno was carried out by the company Nowe Jaworzno Grupa TAURON sp. z o.o. In order to ensure the continuity of the company investments, TAURON Polska Energia S.A. contributed to capitalisation of the company in accordance with the schedule below:

Due to the fact that the July 2019 share capital increase of the company Nowe Jaworzno Grupa TAURON sp. z o.o. exhausted the financing model adopted in the Investment Agreement with the participation of PFR (Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Infrastructure Investment Fund - Capital Closed-End Investment Fund of Non-Public Assets] and PFR Inwestycje Fundusz Inwestycyjny Zamknięty [PFR Investment Closed-End Investment Fund]), further capital increases are implemented by TAURON Polska Energia S.A., which is obliged to contribute to capitalisation of the company Nowe Jaworzno Grupa TAURON sp. z o.o. to the extent necessary to complete the construction of the 910 MW unit in Jaworzno. The capital increases of 2 March 2020 and 3 December 2020 were related to the need to cover the expenses arising from the unit construction project.

Increase in the company capital by the amount of PLN 445,100,000.00 (2 March 2020), of which:

TAURON Polska Energia S.A.	took up 91.020 shares for PLN 455,100,000.00
PFR (Fundusz Inwestycji Infrastrukturalnych - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycyjny Zamknięty)	The pre-emptive right to subscribe to the newly created shares for this shareholder was excluded

Increase in the company capital by the amount of PLN 190,000,000.00 (3 December 2020), of which:

TAURON Polska Energia S.A.	took up 38.000 shares for PLN 190,000,000.00
PFR (Fundusz Inwestycji Infrastrukturalnych - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych and PFR Inwestycje Fundusz Inwestycyjny Zamknięty)	The pre-emptive right to subscribe to the newly created shares for this shareholder was excluded

Capital structure after the transaction: TAURON Polska Energia S.A.: 86.29%, PFR: 13.71%

The 910 MW unit in Jaworzno was commissioned. The unit operates in the Polish power system.

Fulfilment of transaction conditions - sale of shares in PGE EJ 1 sp. z o.o.

On 3 September 2014, PGE Polska Grupa Energetyczna S.A. (hereinafter referred to as: PGE), KGHM Polska Miedź S.A. (hereinafter referred to as: KGHM), ENEA S.A. (hereinafter referred to as: ENEA) and TAURON Polska Energia S.A. (collectively, the "Partners") concluded the Shareholders' Agreement aimed at implementing an investment comprising the preparation of the investment process, the construction, the operation and decommissioning after commercial

operation of a nuclear power plant in Poland with the capacity of approximately 3,000 MW . TAURON, KGHM and ENEA purchased from PGE 10% of shares each (30% of shares in total) in PGE EJ 1 sp. z o.o. (the "Company", "PGE EJ1"). The remaining 70% of shares in PGE EJ 1 sp. z o.o. are held by PGE.

On 1 October 2020, TAURON Polska Energia S.A. and other Shareholders holding shares in PGE EJ 1 signed a letter of intent with the State Treasury concerning the acquisition of 100% shares in the Company. The intention of the Shareholders and the State Treasury was to conclude the transaction by the end of 2020, since the financing of the transaction was to be carried out from the resources of the Reprivatisation Fund referred to in Article 56(1) of the Act of 30 August 1996 *on Commercialisation and certain rights of employees*.

In connection with preparations related to the sale of all shares in PGE EJ 1 by the existing shareholders, on 23 November 2020 the Extraordinary Meeting of Shareholders of the Company was held, during which a resolution on share capital increase was adopted.

In accordance with the assumptions resulting from the expectations of the State Treasury as the Buyer, i.e. due to the lack of legal possibility to disburse funds from the Reprivatisation Fund for purposes other than the purchase of shares, in particular for the repayment of debt financing or financing of the current activity of the purchased entity, the recapitalisation took place in the framework of preparation for the transaction and was aimed at:

- repayment of debt of PGE EJ 1 due to loans granted to the Company by the Shareholders - by mutual offsetting of the Company receivables on account of recapitalisation and the Shareholders' receivables on account of loan agreements including interest;
- covering the demand of PGE EJ 1 company for funds necessary to maintain its financial liquidity in 2020 and partially in 2021, i.e. for the period of 4-6 months of operations of the Company after the transaction.

The recapitalisation process was carried out at first (within the transaction) due to the necessity to register the capital increase, since new shares could have been the subject of the transaction with the State Treasury only after registration of the capital contribution (and thereby, the new shares) by the court, which results from Article 16 of the Code of Commercial Companies.

The increase in the company capital by the amount of PLN 379,999,230.00 was performed (23 November 2020), of which:

TAURON Polska Energia S.A.	took up 269.503 shares for PLN 37,999,923.00
PGE Polska Grupa Energetyczna S.A.	took up 1,886,521 shares for PLN 265,999,461.00
KGHM Polska Miedź S.A.	took up 269.503 shares for PLN 37,999,923.00
ENEA S.A.	took up 269.503 shares for PLN 37,999,923.00

Capital structure after the transaction: TAURON Polska Energia S.A.: 10%, PGE Polska Grupa Energetyczna S.A.: 70%, KGHM Polska Miedź S.A.: 10%, ENEA S.A.: 10%.

Until 31 December 2020, the transaction of disposal of shares to the benefit of the State Treasury described above was not completed and the parties still continued discussions in execution of the letter of intent. Following the entry into force on 1 January 2021 of the amendment to Article 69h(1) of the Act of 30 August 1996 *on Commercialisation and certain rights of employees*, enabling financing, also in 2021, of the acquisition of shares in companies by the State Treasury from the

funds of the Reprivatisation Fund, the executive act issued under Article 69h(4) of that Act ceased to be effective.

The Regulation of the Minister of Finance, Funds and Regional Policy of 10 March 2021 on the *detailed manner of proceeding in the scope of acquisition or subscription of shares by the State Treasury from the funds of the Reprivatisation Fund in 2021*, in force since 13 March 2021, will enable the transaction to be conducted in accordance with the assumptions formulated in the letter of intent regarding the source of its financing.

On 26 March 2021, TAURON Polska Energia S.A. and the other shareholders of PGE EJ 1 signed the agreement with the State Treasury for the sale of 100% of shares in PGE EJ 1 (the "Agreement"). Pursuant to the Agreement, TAURON Polska Energia S.A. sold all 532,523 shares held in PGE EJ 1 constituting 10% of the share capital and representing 10% of votes at the Meeting of Shareholders of PGE EJ 1 to the State Treasury. The sale price for 100% of shares in PGE EJ 1 amounted to PLN 531,362,000.00, of which PLN 53,136,200.00 was assigned to TAURON Polska Energia S.A. The selling price will be subject to adjustment on the basis of the PGE EJ 1 valuation updated as at the transaction closing date. However, it is assumed that the potential adjustment will not have a significant impact on the final selling price.

Furthermore, on 26 March 2021, TAURON Polska Energia S.A. and the other shareholders of PGE EJ 1 concluded an annex to the agreement of 15 April 2015 with this company regarding the support of PGE EJ 1 by its shareholders in connection with claims arising from the cooperation of PGE EJ 1 with the WorleyParsons consortium. In accordance with this annex, proportionally to the number of shares of the existing shareholders in the share capital of PGE EJ 1:

- those shareholders will be liable to that company for the obligations; or
- those shareholders will be authorised to receive the benefits

that may potentially arise as a result of the settlement of the dispute with the WorleyParsons consortium

- to the level of claims (including interest) determined as at 26 March 2021.

The sale of shares in PGE EJ 1 represents the implementation of one of the strategic directions of TAURON Polska Energia S.A.

Fulfilment of the concession condition of the President of the Energy Regulatory Office for the company Polska Energia - Pierwsza Kompania Handlowa sp. z o.o.

The core business of Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (hereinafter referred to as: PKH) comprises trading in electricity and property rights in the domestic market. Pursuant to the decision of the President of the Energy Regulatory Office of 12 April 2000, subsequently amended by decision of 18 September 2008 - PKH, for the first time, obtained a concession for electricity trading in the whole country, valid until 15 April 2020. Further extension of the concession decision validity period was the basic premise enabling the company to conduct business activity in the field of trading in electricity and thus its existence and execution of rights and obligations in the field of trading in electricity.

In the course of the licensing procedure - in accordance with the regulations of the Energy Law Act in force - the President of the Energy Regulatory Office made the issuance of a positive decision dependent on, among others, the fact that PKH proved *that it possessed sufficient financial resources to guarantee the correct performance of the licensed activity*, i.e. at the level of PLN 10,000,000.00 of equity. Moreover, in accordance with the terms and conditions of the decision of the President of the Energy Regulatory Office of 16 March 2020 granting the licence for trading in electricity to PKH for the

next 10-year period (i.e. until 16 April 2030), PKH is obliged to hold sufficient financial resources to carry out the licensed activity properly, i.e. to have equity at the level of PLN 10,000,000.00, which corresponds to the provisions of the Energy Law Act. In view of the foregoing, TAURON Polska Energia S.A. capitalised PKH by making additional contributions to its shares in accordance with the table below:

TAURON Polska Energia S.A. (8 January 2020)	contribution of additional payments at a level of 1.67 times the par value of one share, i.e. in the amount of PLN 10,020.00 per each share held, i.e. in the total amount of PLN 8,016,000.00
TAURON Polska Energia S.A. (16 June 2020)	contribution of additional payments at a level of 2.0 times the par value of one share, i.e. in the amount of PLN 12,000.00, i.e. in the total amount of PLN 9,600,000.00

The capitalisation of PKH was necessary to fulfil and maintain the concession condition of the President of the Energy Regulatory Office and enabled the correct conduct of the licensed activities in the field of trading in electricity.

**Ensuring the continued operation of Marselwind sp. z o.o.
- companies of the Tax Capital Group**

Marselwind sp. z o.o. (hereinafter referred to as: Marselwind) is a SPV established in connection with potential reorganisation projects in TAURON Capital Group. Marselwind is a part of the TAURON Tax Capital Group (hereinafter: the PGK).

Due to the fact that:

- the composition of the PGK may not be reduced during the term of the PGK agreement;
- Marselwind does not conduct any operations, therefore, it does not generate any revenue;

in order to ensure its continued operation, TAURON Polska Energia S.A. contributed additional capital to the company in accordance with the table below:

TAURON Polska Energia S.A. (2 September 2020)	contribution of additional payments at a level of 1.00 times the par value of one share, i.e. in the amount of PLN 50.00 per each share held, i.e. in the total amount of PLN 110,000.00
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Structure of Marselwind capital: TAURON Polska Energia S.A.: 100%

8. Summary

As a result of the evaluation performed, the Supervisory Board concludes that the reports concerning TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020 in all material aspects:

- 1) present reliably and clearly all information significant for the assessment of the economic and financial situation of TAURON Polska Energia S.A. and TAURON Capital Group, as well as its financial result for the financial year 2020,
- 2) comply with the form and content of the legal regulations governing the preparation of such reports,
- 3) were prepared on the basis of accurately maintained accounting ledgers in accordance with the applicable accounting principles.

Based on the results of the evaluation contained in this report and the information and positive opinion of the statutory auditor contained in the reports on the audit of the financial statements of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2020, the Supervisory Board recommends to the Ordinary General Meeting to approve:

- 1) *Financial statements of TAURON Polska Energia S.A. for the year ended on 31 December 2020 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2020 compliant with International Financial Reporting Standards approved by the European Union,*
- 3) *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2020.*

At the same time, in connection with the issuance of a positive assessment, the Supervisory Board recommends that the Ordinary General Meeting should cover the net loss for the financial year 2020 in the manner specified in the motion of the Management Board of the Company, i.e. from the supplementary capital of the Company.

30 March 2021

Chairman of the Supervisory Board - Andrzej Kania

Vice Chairperson of the Supervisory Board - Teresa Famulska

Secretary of the Supervisory Board - Katarzyna Taczanowska

Member of the Supervisory Board - Ryszard Madziar

Member of the Supervisory Board - Grzegorz Peczkis