

RESOLUTION NO. 86/VI/2021
of the Management Board of TAURON Polska Energia S.A.
of 29 March 2021

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 2020 and to the Supervisory Board to provide an opinion thereupon.

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) and 396 § 5 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 2020, spread over 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 eighty nine million six hundred fifty five thousand three hundred fifty one zloty 89/100), 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 2020, 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

Acting 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 2 votes for.

Signatures of Management Board Members present at the meeting:

Acting President of the Management Board – Marek Wadowski

Vice President of the Management Board

**SUBSTANTIATION OF THE MOTION OF THE MANAGEMENT BOARD OF TAURON
POLSKA ENERGIA S.A. ADDRESSED TO THE GENERAL MEETING
CONCERNING THE COVERAGE OF THE NET LOSS FOR THE FINANCIAL YEAR 2020**

The Financial statements of TAURON Polska Energia S.A. (the “Company”) drawn up for the financial year ended on 31 December 2020 indicated the net loss in the amount of PLN (3 589 655 351.89).

The main reasons affecting the financial result were the following events:

- recognition of an allowance due to revaluation to fair value of fixed assets classified as held for sale, including mainly shares in TAURON Ciepło Sp. z o.o. in the amount of PLN 1 394 167 thousand. The necessity to create the allowance is related to the fact that the estimated fair value of the company based on the information gathered in the course of the conducted market process of the sale of shares in TAURON Ciepło Sp. z o.o., less the costs of sale, is lower than the previous book value of the exposure held on account of shares and granted loans,
- recognition of an impairment loss of shares and interests in companies of TAURON Wytwarzanie S.A. in the amount of PLN 194 467 thousand and TAURON Ekoenergia Sp. z o.o. in the amount of PLN 376 106 thousand, as a result of impairment tests performed, indicating a loss of the carrying amount of the shares and interests in the above companies,
- recognition of the net cost of revaluation of loans in the amount of PLN 1 453 476 thousand, mainly related to the valuation of loans granted to TAURON Wydobywanie S.A. PLN 1 159 739 thousand and Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 222 361 thousand. Recognition of the above cost is the result of the analyses carried out as at 31 December 2020, which showed the legitimacy of reducing the carrying amount of loans granted by TAURON Polska Energia S.A. for TAURON Wydobywanie S.A. and for Elektrociepłownia Stalowa Wola. Moreover, the costs were affected by the recognition in accordance with IFRS 9 *Financial Instruments* of a loss due to the modification of financial instruments in the amount of PLN 62 131 thousand in connection with the amendments to the contractual provisions of intra-group loans,

- recognition of costs of the provision for an onerous contract, i.e. a long-term agreement for the purchase by TAURON Polska Energia S.A. of electricity generated in the 910 MW unit in Jaworzno (the "Agreement") in the amount of PLN 1,109,897 thousand. The conclusion of the Agreement was related to the transaction notified by TAURON Polska Energia S.A. in current reports No. 11/2018 of 28 March 2018 and No. 24/2018 of 26 July 2018. The analyses performed showed the legitimacy of creating the provision in the company separate financial statements for 2020,
- recognition of the dividend income for the total amount of PLN 1 082 031 thousand.

Taking into account Articles 395 and 396 of the Code of Commercial Companies, pursuant to which the supplementary capital is created to cover losses, while the General Meeting of the Company decides on its use, it is reasonable for the Management Board of the Company to apply to the Ordinary General Meeting of TAURON Polska Energia S.A. to cover the net loss in the amount of PLN (3 589 655 351.89) recognised in the financial statements of the Company from the supplementary capital.

Pursuant to resolution No. 25/ V/2021 of 30 March 2020, the Supervisory Board of TAURON Polska Energia S.A. has positively evaluated the motion of the Management Board to the General Meeting of the Company, expressed in resolution Np. 86/V/2021 of 29 March 2021 concerning the coverage of net loss incurred by the Company from the supplementary capital of the Company.

Signatures of the Management Board Members:

Acting President of the Management Board – Marek Wadowski

Vice President of the Management Board

Vice President of the Management Board – Jerzy Topolski