

RESOLUTION NO. 108/VI/2022
of the Management Board of TAURON Polska Energia S.A.
of 29 March 2022

***concerning: the motion to the General Meeting of TAURON Polska Energia S.A.
regarding distribution of profit for the financial year 2021.***

Acting pursuant to § 14(2)(15) in connection with § 20(1)(2) and § 40 of the Articles of Association of TAURON Polska Energia S.A. and Article 382 § 3 and Article 395 § 2(2) of the Commercial Companies Code, the Management Board of the Company resolves as follows:

§ 1

1. The Ordinary General Meeting of TAURON Polska Energia S.A. is hereby requested to decide on distribution of net profit of the Company for the financial year 2021 covering the period from 1 January 2021 to 31 December 2021 in the amount of PLN 259,887,168.39 (in words: two hundred fifty nine million eight hundred eighty seven thousand one hundred sixty eight zlotys 39/100), by allocating it in full to the supplementary capital of the Company.
2. The justification of the motion referred to in section 1 is attached hereto.

§ 2

The Supervisory Board of TAURON Polska Energia S.A. is hereby requested to evaluate the motion concerning the method of distribution of net profit of the Company for the financial year 2021, referred to in § 1 hereof.

§ 3

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

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

§ 4

Vice President of the Management Board, Krzysztof Surma 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 5 votes for.

Signatures of Management Board Members present at the meeting:

Acting President of the Management Board – Artur Michałowski
Vice President of the Management Board

Vice President of the Management Board – Patryk Demski

Vice President of the Management Board – Krzysztof Surma

Vice President of the Management Board – Jerzy Topolski

Vice President of the Management Board – Artur Warzocha

JUSTIFICATION

of the motion of the Management Board to the Ordinary General Meeting of TAURON Polska Energia S.A. concerning distribution of net profit for the financial year 2021 by allocating it in full to the Company's supplementary capital

Pursuant to TAURON Group's Strategy adopted in 2016 as well as the adopted (in relation thereto) and announced dividend policy, the goal of TAURON Polska Energia S.A. ("TAURON", "Company") is to pay, in long term perspective, a dividend to shareholders at the level of 40% of consolidated net profit. However, the Management Board, in its recommendation to the General Meeting concerning the method of distribution of the generated net profit has also taken the following into account:

- the Group's liquidity position,
- market situation,
- implementation of investment policy,
- cost and availability of financing,
- legal requirements and provisions of financing agreements, in particular those concerning the maximum allowed debt level ratio,
- requirement to maintain investment grade rating.

The consolidated financial statements of TAURON Group prepared for the year ended on 31 December 2021 presented net result in the amount of PLN 259,887,168.39. However, taking the abovementioned factors into account, in particular the TAURON Group's development plan covering implementation of the adopted investment program that requires significant financial expenditure, the management board of TAURON Polska Energia recommends to the General Meeting to distribute TAURON's net profit by its allocation in full to the Company's supplementary capital.

Every year TAURON Group executes an ambitious investment program in the Distribution Segment. It includes both connecting new users and upgrade of the existing infrastructure. Additionally, from 2019 TAURON has been implementing the so-called TAURON's Green Turn, i.e. investment program whose purpose is to increase the share of low- and zero-emission sources in the generation portfolio of TAURON Group to almost 30% in 2025 and over 65% in 2030. Implementation of transformation towards renewable energy sources requires significant expenditures, and the return on those expenditures will be realized in a long term perspective. The time gap resulting from various dates of expenditures and returns is financed in part from funds generated from operating activities which are not paid in the form of dividend, and in part it is supplemented by long term external financing. Acquisition and handling of financing requires that the covenants imposed by financial institutions be

met, in particular related to maintaining a specified net debt/ EBITDA ratio and maintaining the investment grade rating by TAURON. To meet the abovementioned covenants and simultaneously execute intensive investment program it is necessary to retain the generated results in the Company.

Proposed distribution of net profit for 2021 that stipulates allocation of the entire profit to supplementary capital is in line with the announced dividend policy. In the coming years TAURON Group plans to actively respond to the challenges of the power sector, including the more and more stringent climate and environment policy of the European Union. TAURON Group's activities will focus on sustainable operations by continued implementation of the Green Turn and increase of installed low- and zero- emission capacities. In the scope of system heating, we assume transformation of generation sources to low-emission fuels and meeting the regulatory requirements for effective heating systems. In electricity distribution we assume allocation of significant expenditures to grid development and upgrade to improve the quality and reliability of supply, including grid adjustment to the increasing installed capacity in renewable sources. As a result of the above, the largest portion of expenses will be allocated to the segments of distribution and renewable energy sources.

Allocation of net profit for 2021 to supplementary capital is additionally motivated by TAURON's pursuit to maintain investment grade rating – potential payment of dividend, including for 2021, has been indicated by Fitch rating agency as a factor that could have impact on downgrade of TAURON's rating. The funds retained within the Company not only would be used directly to execute investment, but also would reduce the need for further financing and at the same time reduce the increase of the debt ratio. Thus they would help meet the financial covenant in the coming years that was imposed by financial institutions while implementing the planned investments at the same time.

Taking the above into account, it is justified to distribute net profit for the financial year 2021 in the amount of PLN 259,887,168.39 (in words: two hundred fifty nine million eight hundred eighty seven thousand one hundred sixty eight zlotys and 39/100) and allocate it in full to supplementary capital of the Company amounting to PLN 2,749,095,649.54 as of 31 December 2021.

Signatures of Management Board Members:

- Acting President of the Management Board – Artur Michałowski
Vice President of the Management Board

- Vice President of the Management Board – Patryk Demski

- Vice President of the Management Board – Krzysztof Surma

- Vice President of the Management Board – Jerzy Topolski

- Vice President of the Management Board – Artur Warzocha