

***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 activities of
TAURON Polska Energia S.A. and TAURON Capital Group
for the financial year ended on 31 December 2018 including
rationale and the motion of the Management Board
concerning the method of covering the net loss for the
financial year 2018***

Katowice, 2 April 2019

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1. Introduction

Acting pursuant to Article 382 § 3 of Commercial Companies Code and § 20(1)(3) of the Company's 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. *the Supervisory Board's Report on evaluation of the Financial Statements of TAURON Polska Energia S.A., Consolidated Financial Statements of TAURON Capital Group and the Report of the Management Board on the operations of TAURON Polska Energia S.A. for the year ended 31 December 2018 including rationale and the motion of the Management Board concerning the method of covering net loss for the financial year 2018*, 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 2018 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 2018 compliant with the 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 2018,*
- 4) *Motion of the Management Board concerning the method of covering net loss for the financial year 2018.*

At the same time, pursuant to § 20(1)(6) of the Company's Articles of Association, this report contains the Supervisory Board's opinion on the economic appropriateness of the Company's capital involvement in other commercial law entities in the financial year 2018.

The audit of the aforementioned reports of TAURON Polska Energia S.A. was carried out by Ernst & Young Audyty Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw (hereinafter referred to as: the certified auditor, 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 TAURON Capital Group for the financial year 2018.

The assignment of the certified auditor was to examine the compliance of the financial statements and the Management Board's report on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2018 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 2018 compliant with the International Financial Reporting Standards as endorsed 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 2018 compliant with the International Financial Reporting Standards approved by the European Union*, comprising:

- 1) Statement of comprehensive income for the year ended on 31 December 2018 showing negative comprehensive income in the amount of PLN 1,729,519 thousand and net loss for the financial year 2018 in the amount of PLN 1,709,853 thousand,
- 2) Statement of financial standing as at 31 December 2018, which indicates the total balance of assets and liabilities in the amount of PLN 29,512,990 thousand,
- 3) Statement of changes in equity for the year ended on 31 December 2018 showing equity decrease by the amount of PLN 2,118,070 thousand, including decrease resulting from application of IFRS 9: PLN 388,551 thousand,
- 4) Statement of cash flows for the year ended on 31 December 2018 showing net cash decrease of PLN 802 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Statements of comprehensive income for the year ended 31 December 2018

The table below presents the statement of comprehensive income.

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

Statement of comprehensive income	Status as at 31 December 2018	Status as at 31 December 2017
Sales revenue	8,618,642	7,792,025
Gross profit (loss) on sales	145,994	377,318
Operating profit (loss)	22,659	262,788
Gross profit (loss)	(1,732,283)	919,565
Net profit (loss)	(1,709,853)	854,351

Charges to the financial result have been determined correctly.

Statement of financial standing as at 31 December 2018

The table below presents the statement of financial standing.

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

Statement of financial standing	Status as at 31 December 2018	Status as at 31 December 2017
AKTYWA		
Fixed assets	27.166.500	27.371.684
Current assets	2.346.490	2.949.690
TOTAL ASSETS	29.512.990	30.321.374
LIABILITIES		
Total equity	15.259.836	17.377.906
Long-term liabilities	8.533.790	9.530.787
Short-term liabilities	5.719.364	3.412.681
TOTAL LIABILITIES	29.512.990	30.321.374

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 2018

The table below presents the statement of changes in equity.

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

Statement of changes in equity	Year ended on 31 December 2018	Year ended on 31 December 2017
Opening balance of equity	16.989.355	16.530.268
Closing balance of equity	15.259.836	17.377.906

The data presented in the statement of changes in equity for the year ended on 31 December 2018 is complete and reflects the actual state of affairs.

Statement of cash flows for the year ended on 31 December 2018

The table below presents the statement of cash flows.

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

Statement of cash flows	Year ended on 31 December 2018	Year ended on 31 December 2017
Net cash from operating activities	(125.146)	246.027
Net cash from investment activities	(720.432)	(1.353.288)
Net cash from financial activities	844.776	593.470
Increase/(decrease) in net cash and cash equivalents	(802)	(513.791)
Cash opening balance	(1.559.232)	(1.045.441)
Cash closing balance	(1.560.034)	(1.559.232)

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 2018 compliant with the International Financial Reporting Standards approved by the European Union*, as well as having read the opinion of the 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 connection with the foregoing, the Supervisory Board recommends to the Ordinary General Meeting the approval of the *Financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2018 compliant with 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 on 31 December 2018 compliant with the International Financial Reporting Standards approved by the European Union

The Supervisory Board has read and analyzed the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2018 compliant with the International Financial Reporting Standards approved by the European Union*, comprising:

- 1) Consolidated statement of comprehensive income for the year ended on 31 December 2018 showing negative comprehensive income in the amount of PLN 182,523 thousand and net profit for the financial year 2018 in the amount of PLN 207,045 thousand,
- 2) Consolidated statement of financial standing as at 31 December 2018, which indicates the total balance of assets and liabilities in the amount of PLN 37,097,477 thousand,
- 3) Consolidated statement of changes in equity for the year ended on 31 December 2018 showing equity increase by the amount of PLN 360,668 thousand, including decrease resulting from application of IFRS 15: PLN 179,837 thousand,
- 4) Consolidated statement of cash flows for the year ended on 31 December 2018 showing net cash increase of PLN 6,619 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Consolidated statement of comprehensive income for the year ended on 31 December 2018

The table below presents the consolidated statement of comprehensive income.

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

Consolidated statement of comprehensive income	As at 31 December 2018	As at 31 December 2017
Sales revenue	18.121.748	17.424.551
Gross profit (loss) on sales	1.684.601	2.912.344
Operating profit (loss)	790.729	1.879.321
Gross profit (loss)	504.647	1.757.652
Net profit (loss)	207.045	1.382.946

Charges to the financial result have been determined correctly.

Consolidated statement of financial standing as at 31 December 2018

The table below presents the consolidated statement of financial standing.

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

Consolidated statement of financial standing	As at 31 December 2018	As at 31 December 2017
ASSETS		
Fixed assets	32.541.865	31.048.542
Current assets	4.555.612	4.786.474
TOTAL ASSETS	37.097.477	35.835.016
LIABILITIES		
Total equity	18.428.481	18.067.813

Consolidated statement of financial standing	As at 31 December 2018	As at 31 December 2017
Long-term liabilities	11.382.254	12.739.852
Short-term liabilities	7.286.742	5.027.351
TOTAL LIABILITIES	37.097.477	35.835.016

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 2018

The table below presents the statement of changes in equity.

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

Consolidated statement of changes in equity	Year ended on 31 December 2018	Year ended on 31 December 2017
Opening balance of equity	18.147.214	16.679.318
Closing balance of equity	18.428.481	18.067.813

The data presented in the consolidated statement of changes in equity for the year ended on 31 December 2018 is complete and reflects the actual state of affairs.

Consolidated statement of cash flows for the year ended on 31 December 2018

The table below presents the consolidated statement of cash flows.

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

Consolidated statement of cash flows	Year ended on 31 December 2018	Year ended on 31 December 2017
Net cash from operating activities	2.056.766	3.558.667
Net cash from investment activities	(3.221.547)	(3.871.676)
Net cash from financial activities	1.171.400	759.629
Increase/(decrease) in net cash and cash equivalents	6.619	446.620
Cash opening balance	801.353	354.733
Cash closing balance	807.972	801.353

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

Following the review of the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2018 compliant with the International Financial Reporting Standards approved by the European Union*, as well as having read the opinion of the 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 connection with the foregoing, the Supervisory Board recommends to the Ordinary General Meeting the approval of the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2018 compliant with 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 2018*

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 2018*, 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 the 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 auditor.

Therefore, the Supervisory Board recommends to the Ordinary General Meeting of Shareholders to approve the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2018*.

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 on 31 December 2018 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 2018 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 2018,*

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 on Statutory Auditors, Audit Firms and Public Oversight of 11 May 2017*, 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 2018 prepared for the Audit Committee and the Company's 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 2018 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 the TAURON Polska Energia S.A. Capital Group as at 31 December 2018 and its financial result for the financial year from 1 January 2018 to 31 December 2018 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 on 31 December 2018 have been prepared on the basis of properly maintained accounting records,
- 3) The financial statements are consistent in form and content with the applicable laws and the TAURON Polska Energia S.A. Capital Group and TAURON Polska Energia S.A. regulations 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 2018*, 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 2018 and with the consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2018.

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 2018 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 2018

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 2018 covering the period from 1 January 2018 to 31 December 2018 in the amount of PLN 1,709,852,955.76 (in words: one billion seven hundred and nine million eight hundred and fifty-two thousand nine hundred and fifty-five zlotys 76/100) 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 2018, the Supervisory Board positively assesses and does not comment on 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 2018

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 2018 as presented in the table below illustrating the description and purpose of capital investment.

Table no 9. Capital investment in the financial year 2018

Description of the investment and its purpose

Acquisition of new shares of Nowe Brzeszcze Grupa TAURON sp. z o.o.

In 2018., TAURON Polska Energia S.A. tripled its shareholding in the increased share capital of Nowe Jaworzno Grupa TAURON sp. z o.o.:

On 29 March 2018, the Extraordinary General Meeting of Shareholders of Nowe Jaworzno Grupa TAURON sp. z o.o. adopted a resolution on increasing the share capital of the company by the amount of PLN 3,500,000.00 by way of establishing 70,000 new shares with a nominal value of PLN 50.00 each and a total nominal value of PLN 3,500,000.00. All the new shares were taken up by the existing sole shareholder of the company - TAURON Polska Energia S.A. for the price of PLN 5,000.00 for each share, i.e. for the total price of PLN 350,000,000.00. The surplus of price for taking up each share in the increased share capital of the Company over its nominal value, at a level of PLN 4,950.00 per share, i.e. in the total amount of PLN 346,500,000.00 was transferred to the supplementary capital of the Company.

On 27/04/2018, the District Court Katowice-Wschód, 8th Commercial Division, registered the increase in the share capital of Nowe Jaworzno Grupa TAURON sp. z o.o. in the National Court Register.

On 11 October 2018 the Extraordinary General Meeting of Shareholders of Nowe Jaworzno Grupa TAURON sp. z o.o. adopted a resolution on increasing the share capital of the company by the amount of PLN 3,500,000.00 by way of establishing 70,000 new shares with a nominal value of PLN 50.00 each and a total nominal value of PLN 3,500,000.00. All the new shares were taken up by the existing sole shareholder of the company - TAURON Polska Energia S.A. for the price of PLN 5,000.00 for each share, i.e. for the total price of PLN 350,000,000.00. The surplus of price for taking up each share in the increased share capital of the Company over its nominal value, at a level of PLN 4,950.00 per share, i.e. in the total amount of PLN 346,500,000.00 was transferred to the supplementary capital of the Company.

On 23/10/2018, the District Court Katowice-Wschód, 8th Commercial Department, registered the increase in the share capital of Nowe Jaworzno Grupa TAURON sp. z o.o. in the National Court Register.

On 18/12/2018, the Extraordinary General Meeting of Shareholders of Nowe Jaworzno Grupa TAURON sp. z o.o. adopted a resolution on increasing the share capital of the company by the amount of PLN 3,600,000.00 by way of establishing 72,000 new shares with a nominal value of PLN 50.00 each and a total nominal value of PLN 3,600,000.00. All the new shares were taken up by the existing sole shareholder of the Company - TAURON Polska Energia S.A. for the price of PLN 5,000.00 for each share, i.e. for the total price of PLN 360,000,000.00. The surplus of price for taking up each share in the increased share capital of the Company over its nominal value, at a level of PLN 4,950.00 per share, i.e. in the total amount of PLN 356,400,000.00 was transferred to the supplementary capital of the Company.

On 31 December 2018, the District Court Katowice-Wschód, 8th Commercial Department, registered the increase in the share capital of Nowe Jaworzno Grupa TAURON sp. z o.o. in the National Court Register.

The company capital injection is a form of financing the company's investment in the construction of a new 910 MW unit in Jaworzno. This form of financing results from the model adopted by TAURON and the Investment Agreement concluded between TAURON, NJGT and the Investment Funds managed by the Polish Development Fund (Polski Fundusz Rozwoju S.A.).

Acquisition of new shares in TAURON Dystrybucja Serwis S.A.

On 18 June 2018, the Extraordinary General Meeting of TAURON Dystrybucja Serwis S.A. adopted a resolution on increasing the share capital of the company from PLN 5,101,003.00 to PLN 9,494,173.00, i.e. by PLN 4,393,170.00, through the issue of new 4,393,170 Series "H" registered shares numbered from 1 (one) to 4,393,170 with a nominal value of PLN 1.00 each, i.e. with a total nominal value of PLN 4,393,170.00. The total issue price of "H" series price shares amounted to PLN 100.00. All the new shares were acquired by way of a closed subscription by the company's sole shareholder - TAURON Polska Energia S.A. The surplus of the issue price of each H-series share in the increased share capital of the Company over its nominal value of PLN 99.00 per share, i.e. in the total amount of PLN 434,923,830.00 was transferred to the supplementary capital of the Company.

On 22 August 2018, the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Department registered the increase in the share capital of TAURON Dystrybucja Serwis S.A. in the National Court Register.

The purpose of the capital injection was to enable the company to finance the purchase of road lighting infrastructure from TAURON Dystrybucja S.A. as part of the project to reorganise the management of lighting assets.

Description of the investment and its purpose**Acquisition of new shares in TAURON Wytwarzanie S.A.**

On 09 August 2018, the Extraordinary General Meeting of TAURON Wytwarzanie S.A. adopted a resolution on increasing the share capital of the company from 1,494,459,310.00 PLN to 1,502,259,310.00 PLN, i.e. by 7,800,000.00 PLN, through the issue of new 780,000 registered shares of series "F", non-preference shares, with a nominal value of 10 PLN each, i.e. with a total value of 7,800,000.00 PLN.

All series "F" shares were taken up by TAURON Polska Energia S.A. at the issue price of PLN 1,000.00 per share, i.e. for the total amount of PLN 780,000,000.00. The surplus of the issue price of each series "F" share in the increased share capital of the company over its nominal value of PLN 990.00 per share, i.e. in the total amount of PLN 772,200,000.00 was transferred to the supplementary capital of the company.

On 19 October 2018, the District Court for Katowice - East in Katowice, 8th Commercial Department, registered the increase in the share capital of TAURON Wytwarzanie S.A. in the National Court Register.

The purpose of the capital injection to the was to improve the financial liquidity of the company, as well as to repay the debt incurred in previous years for investment tasks

Acquisition of new shares in TAURON Wydobywanie S.A.

On 26 April 2018, the Extraordinary General Meeting of TAURON Wydobywanie S.A. adopted a resolution on increasing the share capital of the company from PLN 357,110,780.00 to PLN 360,510,780.00, i.e. by PLN 3,400,000.00 through the issue of new 340,000 registered shares with a nominal value of PLN 10.00 each, i.e. with a total nominal value of PLN 3,400,000.00. All the shares were taken up by TAURON Polska Energia S.A. for the price of PLN 1,000,000.00 per share, i.e. for the total amount of PLN 340,000,000.00. The surplus of the issue price of shares in the increased share capital of the company over their nominal value, in the total amount of PLN 336,600,000.00 was transferred to the supplementary capital of the company.

On 25 May 2018, the District Court Katowice-Wschód, 8th Commercial Department, registered the increase in the share capital of TAURON Wydobywanie S.A. in the National Court Register.

The purpose of the capital injection to the company was to finance strategic investment projects carried out in the company and to improve the company's liquidity situation.

Acquisition of new shares in TAURON EKOENERGIA sp. z o.o.

1. On 30 January 2018, the District Court for Wrocław-Fabryczna in Wrocław, 9th Commercial Department, registered in the National Court Register the change in the share capital of TAURON EKOENERGIA sp. z o.o. restoring its amount to the state before the division of the company by separating and transferring the separated assets constituting an organized part of the enterprise to Marselwind sp. z o.o. The change in the share capital of TAURON EKOENERGIA sp. z o.o. was registered in the National Court Register. z o.o. and the related reduction of the share capital of TAURON EKOENERGIA sp. z o.o. adopted by the Extraordinary General Meeting of TAURON EKOENERGIA sp. z o.o. by virtue of Resolution No. 1/2015 of 9 February 2015.

In connection with the restoration of the share capital from before the division of the company, the capital was increased from PLN 444,888,000.00 to PLN 573,423,000.00, and the number of shares held by the sole shareholder - TAURON Polska Energia S.A. increased from 444,888 to 573,423.

2. On 2 March 2018, the District Court for Wrocław-Fabryczna in Wrocław, 9th Commercial Department registered the increase in the share capital of TAURON EKOENERGIA sp. z o.o. in the National Court Register, adopted by the Extraordinary General Meeting of Shareholders of the company on 24 October 2017. The share capital of the company was increased by PLN 10,000,000 through the creation of 10,000 new shares with a nominal value of PLN 1,000 each and a total nominal value of PLN 10,000,000. All new shares at the price of PLN 100,000 for each share, i.e. for the total amount of PLN 1,000,000,000 were taken up by the existing sole shareholder of the company - TAURON Polska Energia S.A.

The surplus of the acquisition price of each new share in the increased share capital of the company over its nominal value, amounting to PLN 99,000 for each new share, i.e. in the total amount of PLN 990,000,000,000, was transferred to the supplementary capital of the company.

The purpose of the capital injection was to refinance a significant part of the company's intra-group debt resulting from incurring costs for the construction and acquisition of wind farms in earlier periods and at the same time to fulfil one of the objectives of the issue of Eurobonds in July 2017.

Description of the investment and its purpose

Surcharges to shares of Polska Energia - Pierwsza Kompania Handlowa sp. z o.o.

On 1 March 2018, the Extraordinary General Meeting of Shareholders of Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. adopted a resolution on the contribution by the sole shareholder, i.e. TAURON Polska Energia S.A., of additional payments in 1.25 times the nominal value of each single share, i.e. in the amount of PLN 7,500.00 per share, i.e. in the total amount of PLN 6,000,000.00. Cash within the framework of surcharges was paid by TAURON Polska Energia S.A. on 7 March 2018.

The purpose of the additional payments was to improve the company's financial standing and ensure financing of its operations, thus eliminating the risk of occurrence of premises for the company bankruptcy.

Acquisition of new shares in En-Energia I sp. z o.o.

On 24 January 2018, the District Court for Katowice-Wschód, 8th Commercial Department, registered in the National Court Register the increase of share capital of En-Energia I sp. z o.o., adopted by the Extraordinary General Meeting of Shareholders on 15 December 2017. The share capital of the company was increased from PLN 5,000.00 to PLN 5,800.00, i.e. by PLN 800.00 through the creation of 16 new shares of PLN 50.00 each, with a total nominal value of PLN 800.00. All new shares were taken up by TAURON Polska Energia S.A. at the price of PLN 5,000.00 for each share, i.e. for the total amount of PLN 80,000.00.

The surplus of the acquisition price of each new share in the increased share capital of the company over its nominal value of PLN 4,950.00 per each new share, i.e. in the total amount of PLN 79,200.00 was transferred to the supplementary capital of the company.

The purpose of the capital injection was to enable the company to continue its business activity in the future (no business activity by the company and therefore no revenue generation).

Acquisition of new shares in En-Energia II sp. z o.o.

On 22 January 2018, the District Court for Katowice-Wschód, 8th Commercial Department, registered the increase of the share capital of En-Energia II sp. z o.o. in the National Court Register, as adopted by the Extraordinary General Meeting of Shareholders of En-Energia II sp. z o.o. on 15 December 2017. The share capital of the company was increased from PLN 5,000.00 to PLN 5,800.00, i.e. by PLN 800.00 through the creation of 16 new shares of PLN 50.00 each, with a total nominal value of PLN 800.00. All new shares were taken up by TAURON Polska Energia S.A. at the price of PLN 5,000.00 for each share, i.e. for the total amount of PLN 80,000.00.

The surplus of the acquisition price of each new share in the increased share capital of the company over its nominal value of PLN 4,950.00 per each new share, i.e. in the total amount of PLN 79,200.00 was transferred to the supplementary capital of the company.

The purpose of the capital injection was to enable the company to continue its business activity in the future (no business activity by the company and therefore no revenue generation).

Acquisition of new shares in En-Energia III sp. z o.o.

On 8 March 2018, the District Court for Katowice-Wschód, 8th Commercial Department, registered in the National Court Register the increase of the share capital of En-Energia III sp. z o.o., adopted by the Extraordinary General Meeting of Shareholders on 15 December 2017. The share capital of the company was increased from PLN 5,000.00 to PLN 5,800.00, i.e. by PLN 800.00 through the creation of 16 new shares of PLN 50.00 each, with a total nominal value of PLN 800.00. All new shares were taken up by TAURON Polska Energia S.A. at the price of PLN 5,000.00 for each share, i.e. for the total amount of PLN 80,000.00.

The surplus of the acquisition price of each new share in the increased share capital of the company over its nominal value of PLN 4,950.00 per each new share, i.e. in the total amount of PLN 79,200.00 was transferred to the supplementary capital of the company.

The purpose of the capital injection was to enable the company to continue its business activity in the future (no business activity by the company and therefore no revenue generation).

Acquisition of new shares in En-Energia IV sp. z o.o.

Description of the investment and its purpose

On 26 February 2018, the District Court for Katowice-Wschód, 8th Commercial Department, registered in the National Court Register the increase of the share capital of En-Energia IV sp. z o.o., adopted by the Extraordinary General Meeting of Shareholders on 15 December 2017. The share capital of the company was increased from PLN 5,000.00 to PLN 5,800.00, i.e. by PLN 800.00 through the creation of 16 new shares of PLN 50.00 each, with a total nominal value of PLN 800.00. All new shares were taken up by TAURON Polska Energia S.A. at the price of PLN 5,000.00 for each share, i.e. for the total amount of PLN 80,000.00.

The surplus of the acquisition price of each new share in the increased share capital of the company over its nominal value of PLN 4,950.00 per each new share, i.e. in the total amount of PLN 79,200.00 was transferred to the supplementary capital of the company.

The purpose of the capital injection was to enable the company to continue its business activity in the future (no business activity by the company and therefore no revenue generation).

Acquisition of increased nominal value of shares in ElectroMobility Poland S.A.

In 2018, TAURON Polska Energia S.A. twice took up the increased nominal value of shares held in ElectroMobility Poland S.A.:

1. On 3 January 2018, the Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution on increasing the share capital of the company from PLN 10,000,000.00 to PLN 30,000,000.00, i.e. by PLN 20,000,000.00 through increasing the nominal value of the existing shares from PLN 1,000.00 each to PLN 3,000.00 each. TAURON Polska Energia S.A. took up, proportionally to the shares held, the increased nominal value of 2,500 shares held from the total amount of PLN 2,500,000.00 to the total amount of PLN 7,500,000.00, i.e. in the total amount of PLN 5,000,000.00.

On 23 April 2018 District Court for the capital City of Warsaw, 12th Commercial Department of the National Court Register, registered the increase in the share capital of ElectroMobility Poland SA in the National Court Register.

2. On 4 October 2018, the Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution on increasing the share capital of the company from PLN 30,000,000.00 to PLN 70,000,000.00, i.e. by PLN 40,000,000.00 through increasing the existing nominal value of one share of PLN 3,000.00 by PLN 4,000.00 to the nominal value of one share of PLN 7. PLN 000.00, under which TAURON Polska Energia S.A. took up, proportionally to the shares held, the increased nominal value of 2,500 shares held from the total amount of PLN 7,500,000.00 to the total amount of PLN 17,500,000.00, i.e. in the total amount of PLN 10,000,000.00, in exchange for a cash contribution of PLN 10,000,000.00.

On 7 January 2019, the District Court for the capital City of Warsaw, 12th Commercial Department of the National Court Register, registered the increase in the share capital of ElectroMobility Poland SA in the National Court Register.

The capital injection to the company resulted from the annexes to the Investment Agreement concluded between the company and the shareholders and were aimed at securing funds for the Company to start implementing activities related to the project of construction of a Polish electric car.

Acquisition of new shares in PGE EJ 1 sp. z o.o.

On 9 August 2018, the Extraordinary General Meeting of Shareholders of PGE EJ 1 sp. z o.o. adopted a resolution on increasing the share capital of the company from PLN 310,858,470.00 to PLN 370,858,200.00, i.e. by PLN 59,999,730.00, through the creation of 425,530 new shares with a nominal value of PLN 141.00 per share and a total nominal value of PLN 59,999,730.00. All the new shares were taken up and paid for by the shareholders in proportion to the contributed shares, while TAURON Polska Energia S.A. took up and paid for 10% of the new shares, i.e. 42,553 shares for PLN 5,999,973.00.

On 11 September 2018, the District Court for the capital City of Warsaw, 12th Commercial Department, registered the increase in the share capital of PGE EJ 1 sp. z o.o. in the National Court Register.

The purpose of the capital injection to the company was to enable further operations (due to the specific nature of the company, including the initial phase of the Programme for the construction of the first nuclear power plant in Poland, the company will generate revenues after the investment is completed).

Acquisition of new shares in Magenta Grupa TAURON sp. z o.o.

On 11 January 2018, the District Court Katowice-Wschód, 8th Commercial Department, registered in the National Court Register the increase in the share capital of Magenta Grupa TAURON sp. z o.o., adopted by the Extraordinary General Meeting of the company on 24 October 2017. The share capital of the company was increased from PLN 500,000.00 to PLN 1,500,000.00, i.e. by PLN 1,000,000.00 through the creation of 20,000 new shares of PLN 50.00 each, with a total nominal value of PLN 1,000,000.00. All new shares were taken up by the existing sole shareholder of the company, i.e. TAURON Polska Energia S.A. at the price of PLN 450.00 per each share, i.e. the total amount of PLN 9,000,000.00.

The surplus of the acquisition price of each new share in the increased share capital of the Company over its nominal value of PLN 400.00 per each new share, i.e. in the total amount of PLN 8,000,000.00 was transferred to the supplementary capital of the Company.

The purpose of the capital injection to the company was to enable the company to continue its business activities and to cover the company losses exceeding the sum of supplementary and reserve capitals and half of the company share capital.

Establishment of EEC Magenta limited liability company ASI limited joint-stock partnership

On 26 October 2018, PFR Starter Fundusz Inwestycyjny Zamknięty with its registered office in Warsaw (Public Investor), TAURON Polska Energia S.A. (Private Investor), EEC Ventures spółka z ograniczoną odpowiedzialnością spółka Komandytowa with its registered office in Warsaw (Investor of the Management Team) and EEC Magenta Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (General Partner) - established EEC Magenta Spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo - akcyjna. TAURON Polska Energia S.A. took up 12,450 shares in the Company with a nominal value of PLN 1.00 each in exchange for a cash contribution equal to the nominal value of the shares taken up, i.e. for PLN 12,450.00. TAURON Polska Energia S.A. holds 24.90% of the share capital and votes at the General Meeting of Shareholders.

EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo - akcyjna was registered in the National Court Register by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register on 21 December 2018.

The establishment of the company is in line with the Strategy of TAURON Group for 2016 - 2025 and is aimed at expanding the cooperation of TAURON Group with innovative companies, the science sector and R&D institutions as well as supporting the development of new businesses.

EEC Magenta Limited Liability Company 2 ASI Limited Joint-Stock Partnership

On 26 October 2018, PFR NCBR CVC Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych with its registered office in Warsaw (Public Investor), TAURON Polska Energia S.A. (Corporate Investor), EEC Ventures Spółka z ograniczoną odpowiedzialnością 2 Spółka Komandytowa with its registered office in Warsaw (Investor of the Management Team), EEC Magenta Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (General Partner) - established EEC Magenta spółka z ograniczoną odpowiedzialnością 2ASI spółka komandytowo - akcyjna.

TAURON Polska Energia S.A. took up 24,015 shares in the company with a nominal value of PLN 1.00 each in exchange for a cash contribution equal to the nominal value of the shares taken up, i.e. for PLN 24,015.00. TAURON Polska Energia S.A. holds 48.03% of the share capital and votes at the General Meeting of Shareholders.

EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo - akcyjna was registered in the National Court Register by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register on 9 January 2019.

The establishment of the company is in line with the Strategy of TAURON Group for 2016 - 2025 and is aimed at expanding the cooperation of TAURON Group with innovative companies, the science sector and R&D institutions as well as supporting the development of new businesses.

8. Summary

As a result of the assessment, the Supervisory Board concludes that the reports concerning TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2018 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 the TAURON Capital Group, as well as its financial result for the financial year 2018,
- 2) comply with the form and content of the legal regulations governing the preparation of such reports,
- 3) were drawn up on the basis of accurately maintained accounting books in accordance with the applicable accounting principles.

Based on the results of the assessment contained in this report and the information and positive opinion of the 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 2018, the Supervisory Board recommends to the Ordinary General Meeting of Shareholders to approve:

- 1) *The Financial statements of TAURON Polska Energia S.A. for the year ended on 31 December 2018 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *The consolidated financial statements of the TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2018 compliant with the 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 2018.*

At the same time, in connection with the issuance of a positive assessment, the Supervisory Board recommends that the Ordinary General Meeting of Shareholders should cover the net loss for the financial year 2018 in the manner specified in the motion of the Management Board of the Company, i.e. from the Company's supplementary capital.

Katowice, 2 April 2019.

Chairwoman of the Supervisory Board - Beata Chłodzińska

Vice Chairwoman of the Supervisory Board - Teresa Famulska

Secretary of the Supervisory Board - Jacek Szyke

Member of the Supervisory Board - Radosław Domagalski - Łabędzki

Member of the Supervisory Board - Barbara Łasak - Jarszak

Member of the Supervisory Board - Paweł Pampuszko

Member of the Supervisory Board - Jan Płudowski

Member of the Supervisory Board - Marcin Szlenk

Member of the Supervisory Board - Agnieszka Woźniak