



**TAURON Polska Energia S.A. Supervisory Board's report
on evaluation of financial statements of TAURON Polska Energia S.A. prepared in
accordance with International Financial Reporting Standards for the year ended 31
December 2012 and the Management Board's report on operations of TAURON Polska
Energia S.A. for the financial year 2012 and Management Board's motion concerning
distribution of profit for the year 2012**

Katowice, March 2013

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1. Introduction

Acting pursuant to Article 382 § 3 of Commercial Companies Code and the Company's Articles of Association, the Supervisory Board evaluated the following documents in terms of their compliance with the ledgers, documents and the actual state of affairs:

- 1) Financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012,
- 2) Report of the Management Board on the operation of TAURON Polska Energia S.A. for the financial year 2012
- 3) Management' Boards motion concerning distribution of profit for the financial year 2012 and determination of the amount to be paid as dividend to shareholders.

At the same time, pursuant to § 20 section 1 item 5) of the Company's Articles of Association, the Supervisory Board gives opinion on economic rationale behind the Company's capital involvement in other entities incurred in 2012.

Examination of the financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012 has been carried out by Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, appointed by the Supervisory Board in resolution No. 365/II/2010 of 29 October 2010. The examination was performed by a certified auditor and included verification of documents that are the source of the amounts and information included in financial statements of the Company for the financial year 2012 and covered evaluation of the accuracy of the accounting principles and estimates adopted and applied by the Management Board of TAURON Polska Energia S.A.

The results of the examination are presented herein.

2. Evaluation of financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012.

The Supervisory Board have read and analyzed the financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012, covering:

- 1) Statement of comprehensive income for the year ended 31 December 2012 showing comprehensive income after tax in the amount of PLN 1,245,219 thousand and net profit for the year 2012 in the amount of PLN 1,435,188 thousand,
- 2) Statement of financial position for the year ended 31 December 2012, which shows assets and liabilities in the amount of PLN 25,758,069 thousand,
- 3) Statement of changes in equity for the year ended 31 December 2012 showing equity increase of PLN 700,810 thousand,
- 4) Statement of cash flows for the year ended 31 December 2012 showing net cash flow decrease of PLN 278,472 thousand,

5) Accounting policies (regulations) and other explanatory notes.

2.1 Statement of comprehensive income for the year ended 31 December 2012.

In the financial year 2012 the amounts in individual positions and their changes were as follows, compared to the year 2011:

- 1) revenues – total increase from PLN 8,845,148 thousand to PLN 9,889,872 thousand,
- 2) gross sales profit – decrease from PLN 182,138 thousand to PLN 178,917 thousand,
- 3) operating profit – decrease from PLN 81,830 thousand to PLN 47,110 thousand,
- 4) gross profit – increase from PLN 1,107,911 thousand to PLN 1,479,956 thousand,
- 5) net profit – increase from PLN 1,086,093 thousand to PLN 1,435,188 thousand.

Net profit of TAURON Polska Energia S.A. in 2012 amounted to PLN 1,435,188 thousand, which means an increase by 32.1% compared to 2011. Net profit margin (net profit to revenues ratio) amounted to 14.5% vs 12.3% in 2011.

Charges on the financial result have been determined correctly.

2.2 Statement of financial position as of 31 December 2012.

Statement of financial position prepared as of 31 December 2012 shows assets and liabilities in the amount of PLN 25,758,069 thousand.

On the side of assets the above amount includes:

- 1) fixed assets - PLN 22,997,644 thousand,
- 2) current assets - PLN 2,760,425 thousand.

On the side of liabilities the above amount includes:

- 1) equity - PLN 18,042,008 thousand,
- 2) long-term liabilities - PLN 5,280,856 thousand,
- 3) short-term liabilities - PLN 2,435,205 thousand.

As compared to 31 December 2011 the following changes in the structure of assets and funding sources were recorded:

On the side of assets:

- 1) fixed assets - increase by PLN 1,611,011 thousand,
- 2) current assets - increase by PLN 1,324,004 thousand.

On the side of liabilities:

- 1) equity - increase by PLN 700,810 thousand,
- 2) long-term liabilities - increase by PLN 1,140,529 thousand,
- 3) short-term liabilities - increase by PLN 1,093,676 thousand.

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

2.3 Statement of changes in equity for the year ended 31 December 2012.

Statement of changes in equity for the year ended 31 December 2012 shows equity increase of PLN 700,810 thousand. As of the end of the reporting period the equity amounts to PLN 18,042,008 thousand which represents 70.04% of total equity and liabilities. As of 31 December 2011 Company's total equity amounted to PLN 17,341,198 thousand which represented 75.98% of total equity and liabilities.

The data presented in the statement of changes in equity for the year ended 31 December 2012 is complete and reflect the actual state of affairs.

2.4 Statement of cash flows for the year ended 31 December 2012.

The cash level at the beginning of the year amounted to PLN -115,048 thousand and at the end of the year it amounted to PLN -393,520 thousand (decrease by PLN 278,472 thousand).

Cash flows in 2012 are presented below:

- 1) at the operating level, the Company spent PLN 415,360 thousand net,
- 2) in terms of investment, the Company spent PLN 88,054 thousand net,
- 3) in terms of financial operations, the Company generated net surplus of PLN 224,942 thousand.

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

The Supervisory Board confirms that the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2012 were prepared within the time required by the regulations and in accordance with the International Financial reporting Standards.

According to the opinion of the certified auditor, the financial statements of TAURON Polska Energia S.A. in all material aspects reflect in a clear and adequate manner all information necessary to evaluate the financial result on the operations, as well as assets and financial standing of the Company and has been prepared correctly and in accordance with applicable laws.

Compliance of the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2012 with ledgers, documents and actual state of affairs does not raise any reservations and is confirmed by positive opinion of the certified auditor.

By declaring compliance of financial statements with the ledgers and documents of the Company and International Financial Reporting Standards as well as the actual state of affairs, the Supervisory Board gives a positive opinion and recommends that the Ordinary General Meeting approve the presented financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2012.

3. Evaluation of Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2012

The Supervisory Board confirms that the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2012 was prepared in accordance with applicable regulations of the Accounting Law of 29 September 1994 and the Decree of the Minister of Finance on current and periodic information disclosed by issuers of securities of 19 February 2009.

The subject report presents in a clear and accurate manner the assets and the financial standing as well as development of the Company for the financial year 2012 and its compliance as to the scope of information disclosed therein has been confirmed by a certified auditor.

The subject report has been prepared in an accurate, objective manner as well as in accordance with the ledgers, documents and actual state of affairs.

In consequence, the Supervisory Board gives a positive opinion on the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2012 and recommends that the Ordinary General Meeting approve it.

4. Evaluation of the Management Board's motion to the General Meeting concerning distribution of net profit for the financial year 2012

The Supervisory Board have read the motion of the Company's Management Board concerning distribution of profit for the financial year 2012 in the amount of PLN 1,435,187,647.37 (say: one billion four hundred thirty five million one hundred eighty seven thousand six hundred forty seven and 37/100) and determination of the amount to be paid as dividend to shareholders, which stipulates to:

1. allocate the amount of PLN 262,882,409.10 (say: two hundred sixty two million eight hundred eighty two thousand four hundred nine and 10/100) from the net profit generated for the financial year 2012 to be paid as dividend to Company's shareholders, which means PLN 0.15 (say: fifteen grosz) per share,
2. allocate the amount of PLN 1,172,305,238.27 (say: one billion one hundred seventy two million three hundred five thousand two hundred thirty eight and 27/100) from the profit for the financial year 2012 to reserve capital,
3. determine dividend record day on 3 June 2013,

4. determine dividend payment day on 18 June 2013.

Considering Management Board's rationale concerning distribution of net profit for the financial year 2012 the Supervisory Board gives positive opinion and does not raise any reservations to the abovementioned motion.

5. Summary

Following the evaluation, the Supervisory Board is of the opinion that the financial statements referred to above were prepared:

- 1) in accordance with the actual state of affairs, reflect in a correct and adequate manner the results of the operations in the year 2012 as well as the financial standing and assets of the Company as of 31 December 2012;
- 2) in accordance with the regulations concerning preparation of financial statements that have impact on the form and content of consolidated financial statement, in particular the International Financial Reporting Standards.

Following the results of evaluation presented herein and the positive opinion of the certified auditor, the Supervisory Board recommends to the Ordinary General Meeting to approve the financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012 and the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2012.

At the same time, following its positive opinion the Supervisory Board recommends to the Ordinary General Meeting to allocate the net profit for the financial year 2012 as proposed in the motion of the Company's Management Board.

Katowice, 13 March 2013

Chairman of the Supervisory Board - Antoni Tajduś

Deputy Chairman of the Supervisory Board - Rafał Wardziński

Secretary of the Supervisory Board - Leszek Koziorowski

Member of the Supervisory Board - Jacek Kuciński

Member of the Supervisory Board - Marcin Majeranowski

Member of the Supervisory Board - Jacek Szyke

Member of the Supervisory Board - Marek Ściążko

Member of the Supervisory Board - Agnieszka Trzaskalska