



**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 2013 and the Management Board's report on operations of TAURON Polska
Energia S.A. for the financial year 2013 and Management Board's motion concerning
distribution of profit for the year 2013**

Katowice, April 2014

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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 2013,
- 2) Report of the Management Board on the operation of TAURON Polska Energia S.A. for the financial year 2013,
- 3) Management' Boards motion concerning distribution of profit for the financial year 2013 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 2013.

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 2013 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. 23/III/2013 of 13 March 2013. 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 2013 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 2013.

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 2013, covering:

- 1) Statement of comprehensive income for the year ended 31 December 2013 showing comprehensive income after tax in the amount of PLN 1,752,308 thousand and net profit for the year 2013 in the amount of PLN 1,688,972 thousand,
- 2) Statement of financial position for the year ended 31 December 2013, which shows assets and liabilities in the amount of PLN 27,962,131 thousand,
- 3) Statement of changes in equity for the year ended 31 December 2013 showing equity increase of PLN 1,401,154 thousand,

- 4) Statement of cash flows for the year ended 31 December 2013 showing net cash flow decrease of PLN 804,901 thousand,
- 5) Accounting policies (regulations) and other explanatory notes.

2.1 Statement of comprehensive income for the year ended 31 December 2013.

In the financial year 2013 the amounts in individual positions and their changes were as follows, compared to the year 2012:

- 1) revenues – total increase from PLN 9,889,872 thousand to PLN 10,909,760 thousand,
- 2) gross sales profit – increase from PLN 178,917 thousand to PLN 386,424 thousand,
- 3) operating profit – increase from PLN 47,110 thousand to PLN 266,802 thousand,
- 4) gross profit – increase from PLN 1,479,956 thousand to PLN 1,696,522 thousand,
- 5) net profit – increase from PLN 1,435,188 thousand to PLN 1,688,972 thousand.

Charges on the financial result have been determined correctly.

2.2 Statement of financial position as of 31 December 2013.

Statement of financial position prepared as of 31 December 2013 shows assets and liabilities in the amount of PLN 27,692,131 thousand.

On the side of assets the above amount includes:

- 1) fixed assets - PLN 25,968,345 thousand,
- 2) current assets - PLN 1,993,786 thousand.

On the side of liabilities the above amount includes:

- 1) equity - PLN 19,443,162 thousand,
- 2) long-term liabilities - PLN 5,576,565 thousand,
- 3) short-term liabilities - PLN 2,942,404 thousand.

As compared to 31 December 2012 the following changes in the structure of assets and funding sources were recorded:

On the side of assets:

- 1) fixed assets - increase by PLN 2,970,701 thousand,
- 2) current assets - decrease by PLN 766,639 thousand.

On the side of liabilities:

- 1) equity - increase by PLN 1,401,154 thousand,
- 2) long-term liabilities - increase by PLN 295,709 thousand,
- 3) short-term liabilities - increase by PLN 507,199 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 2013.

Statement of changes in equity for the year ended 31 December 2013 shows equity increase of PLN 1,401,154 thousand versus 1 January 2013. As of the end of the reporting period the equity amounts to PLN 19,443,162 thousand.

The data presented in the statement of changes in equity for the year ended 31 December 2013 is complete and reflect the actual state of affairs.

2.4 Statement of cash flows for the year ended 31 December 2013.

The cash level at the beginning of the year 2013 amounted to PLN -393,520 thousand and at the end of the year it amounted to PLN -1,198,421 thousand (decrease by PLN 804,901 thousand).

Cash flows in 2013 are presented below:

- 1) at the operating level, the Company generated a surplus in the amount of PLN 534,186 thousand net,
- 2) in terms of investment operations, the Company spent PLN 1,059,910 thousand net,
- 3) in terms of financial operations, the Company spent PLN 279,177 thousand net.

Supervisory Board has no objections or reservations to the presented consolidated statement of cash flows for the year ended on 31 December 2013.

The Supervisory Board confirms that the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2013 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 2013 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 2013.

3. Evaluation of Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2013

The Supervisory Board confirms that the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2013 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 2013 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 2013 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 2013

The Supervisory Board have read the motion of the Company's Management Board concerning distribution of profit for the financial year 2013 in the amount of PLN 1,688,971,471.53 (say: one billion six hundred eighty eight million nine hundred seventy one thousand four hundred seventy one and 53/100) 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 2013 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 1,426,089,062.43 (say: one billion four hundred twenty six million eighty nine thousand sixty two and 43/100) from the profit for the financial year 2013 to reserve capital,
3. determine dividend record day on 14 August 2014,
4. determine dividend payment day on 4 September 2014.

Considering Management Board's rationale concerning distribution of net profit for the financial year 2013 the Supervisory Board gives positive opinion and does not raise any reservations to the abovementioned motion.

5. Supervisory Board's opinion on economic rationale behind the Company's capital involvement in other entities incurred in 2013

Acting pursuant to § 20 section 1 item 5) of the Company's Articles of Association the Supervisory Board gives positive opinion on TAURON Polska Energia S.A.'s capital involvement in other entities incurred in 2013. Key capital involvement includes the following events:

1. On 2 January 2013 part of assets belonging to TAURON Wytwarzanie S.A. (divided company) were transferred to TAURON Ciepło S.A. (acquiring company) pursuant to Article 529 § 1 item 4 of Commercial Companies Code. As a result, the equity of TAURON Ciepło S.A. was increased and the equity of TAURON Wytwarzanie S.A. was decreased. At the same time share of TAURON Polska Energia S.A. in TAURON Ciepło S.A.'s equity increased from 88.27% to 91.79% and its share in TAURON Wytwarzanie S.A.'s equity decreased from 99.72% to 99.70%.
2. On 5 February 2013 equity decrease of TAURON Wytwarzanie S.A. was registered in National Court Register, which took place by redemption of own shares purchased pursuant to Article 418¹ of Commercial Companies Code. As a result of the above, share of TAURON Polska Energia S.A. in TAURON Wytwarzanie S.A.'s equity increased to 99.77%.
3. On 6 May 2013 the Company purchased from its direct subsidiary TAURON Wytwarzanie S.A. 750 shares of PKE Broker sp. z o.o. constituting 100% of its equity.
4. On 10 December 2013 agreement was signed for purchase of 16,730,525 registered shares of TAURON Wydobycie S.A. (previously Południowy Koncern Węglowy S.A.) by TAURON Polska Energia S.A. from Kompania Węglowa S.A. The purchased shares constituted 47.52% of equity and authorized to 31.99% of votes at the General Meeting. Transfer of ownership over TAURON Wydobycie S.A. to TAURON Polska Energia S.A. took place on 22 January 2014 following fulfillment of conditions precedent.
5. On 11 December 2013 TAURON Polska Energia S.A. purchased from TAURON Ciepło S.A. 36,179 shares of Przedsiębiorstwo Energetyki Ciepłej sp. z o.o. in Tychy, which constituted 1.2% in their equity.
6. On 20 December 2013 TAURON Polska Energia S.A. purchased from the municipality of Dąbrowa Górnicza 5,327,271 ordinary registered shares of TAURON Ciepło S.A. As a result TAURON Polska Energia S.A.'s share in their equity increased to 90.09%.

The above processes are in line with the implemented "TAURON Group's Corporate Strategy for 2011-2015 with outlook until 2020" and their aim was to streamline organizational structure of the TAURON Group.

6. 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 2013 as well as the financial standing and assets of the Company as of 31 December 2013;
- 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 2013 and the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2013.

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 2013 as proposed in the motion of the Company's Management Board.

Katowice, 17 March 2014

Chairman of the Supervisory Board	-	Antoni Tajduś
Deputy Chairman of the Supervisory Board	-	Agnieszka Woś
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

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Agnieszka Trzaskalska