



**Supervisory Board's report
on evaluation of financial statements of TAURON Polska Energia S.A.
and the Management Board's report on operations of TAURON Polska Energia S.A.
for the financial year ended 31 December 2014 and Management Board's motion
concerning distribution of profit for the year 2014**

Katowice, March 2015

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1. Introduction

Acting pursuant to Article 382 § 3 of Commercial Companies Code and § 20 section 1 item 3) the Company's Articles of Association, the Supervisory Board of TAURON Polska Energia S.A. (hereinafter Supervisory Board) presents to the Ordinary General Meeting the *Supervisory Board's report on evaluation of financial statements of TAURON Polska Energia S.A. and the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year ended 31 December 2014* which includes the results of evaluation of the following documents:

- 1) Financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014,
- 2) Report of the Management Board on the operations of TAURON Polska Energia S.A. for the financial year 2014,
- 3) Management' Boards motion concerning distribution of profit for the financial year 2014 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 2014.

Examination of the financial statements of TAURON Polska Energia S.A. was carried out by Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw (hereinafter certified auditor), appointed by the Supervisory Board to examine standalone financial statements of TAURON Polska Energia S.A. and consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the financial years 2013, 2014 and 2015.

The task of the certified auditor was to examine and present opinion on compliance of the financial statements for the financial year 2014 with the accounting principles adopted by TAURON Polska Energia S.A., as well as whether the financial standing, assets and financial results of TAURON Polska Energia S.A. are presented in an accurate and clear manner in all relevant aspects.

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 2014.

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 2014, covering:

- 1) Statement of comprehensive income for the year ended 31 December 2014 showing comprehensive income after tax in the amount of PLN 1,129,389 thousand and net profit for the year 2014 in the amount of PLN 1,146,443 thousand,
- 2) Statement of financial position for the year ended 31 December 2014, which shows assets and liabilities in the amount of PLN 30,340,530 thousand,
- 3) Statement of changes in equity for the year ended 31 December 2014 showing equity increase of PLN 796,405 thousand,
- 4) Statement of cash flows for the year ended 31 December 2014 showing net cash flow increase of PLN 1,267,356 thousand,
- 5) Accounting policies (regulations) and other explanatory notes.

Statement of comprehensive income for the year ended 31 December 2014.

The table below presents statement of comprehensive income.

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

Statement of comprehensive income	As of 31 December 2014	As of 31 December 2013	Change (2014 – 2013)
Sales revenue	8,689,799	10,909,760	(2,219,961)
Profit (loss) on sale	162,944	386,424	(223,480)
Operating profit (loss)	58,652	266,802	(208,150)
Profit (loss) before tax	1,172,527	1,696,522	(523,995)
Net profit (loss)	1,146,443	1,688,972	(542,529)

Charges on the financial result have been determined correctly.

Statement of financial position as of 31 December 2014.

The table below presents statement of financial position.

Table No. 2. Statement of financial position (in PLN thousand).

Statement of financial position	As of 31 December 2014	As of 31 December 2013	Change (2014 – 2013)
ASSETS			
Non-current assets	26,617,011	25,968,345	648,666
Current assets	3,723,519	1,993,786	1,729,733
TOTAL ASSETS	30,340,530	27,962,131	2,378,399
EQUITY AND LIABILITIES			
Total equity	20,239,567	19,443,162	796,405
Non-current liabilities	7,511,096	5,576,565	1,934,531
Current liabilities	2,589,867	2,942,404	(352,537)
TOTAL EQUITY AND LIABILITIES	30,340,530	27,962,131	2,378,399

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

Statement of changes in equity for the year ended 31 December 2014.

The table below presents statement of changes in equity.

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

Statement of changes in equity	Year ended 31 December 2014	Year ended 31 December 2013
Equity at the beginning of the period	19,443,162	18,042,008
Equity at the end of the period	20,239,567	19,443,162
Change in equity (end of the period – beginning of the period)	796,405	1,401,154

The data presented in the statement of changes in equity for the year ended 31 December 2014 is complete and reflect the actual state of affairs.

Statement of cash flows for the year ended 31 December 2014.

The table below presents statement of cash flows.

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

Statement of cash flows	Year ended 31 December 2014	Year ended 31 December 2013
Net cash from operating activities	4,463	534,186
Net cash from investing activities	(438,236)	(1,059,910)
Net cash from financing activities	1,701,129	(279,177)
Net increase (decrease) in cash and cash equivalents	1,267,356	(804,901)
Cash at the beginning of the period	(1,198,421)	(393,520)
Cash at the end of the period	68,935	(1,198,421)

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

Having carefully analyzed the financial statements of TAURON Polska Energia S.A. prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 and having read the opinion and the report of the certified auditor, the Supervisor Board positively evaluates the said financial statements in terms of compliance with the ledgers, documents and actual state of affairs.

At the same time, the Supervisory Board declares that the abovementioned financial statements was prepared within the time specified in relevant regulations and in compliance with International Financial Reporting Standards approved by the European Union. Compliance of the financial statements with ledgers, documents and actual state of affairs does not raise any objections and is confirmed by positive opinion of the certified auditor.

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 TAURON Polska Energia S.A. and has been prepared correctly and in accordance with applicable laws.

Taking the above into account, the Supervisory Board recommends that the Ordinary General Meeting approve the presented financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2014.

3. Evaluation of Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2014

Having carefully analyzed the report on operations of TAURON Polska Energia S.A. for the financial year 2014 the Supervisory Board positively evaluates the said report in terms of its compliance with the ledgers, documents and actual state of affairs. The said report presents in a clear and accurate manner the assets and the financial standing as well as development of TAURON Polska Energia S.A. and its compliance as to the scope of information disclosed therein has been confirmed by a certified auditor.

At the same time, the Supervisory Board declares that the abovementioned financial statements were prepared in compliance with applicable provisions of the Accounting Act of 29 September 1994 and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information disclosed by issuers of securities.

In consequence, the Supervisory Board recommends that the Ordinary General Meeting approve the Management Board's report on the operations of TAURON Polska Energia S.A. for the financial year 2014.

4. Evaluation of the Management Board's motion to the General Meeting concerning distribution of net profit for the financial year 2014

The Supervisory Board have read the motion of the Company's Management Board expressed in resolution of the Management Board No. 82/IV/2015 of 16 March 2015 requesting:

1. to distribute net profit for the financial year 2014 in the amount of PLN 1,146,442,624.92 (say: one billion one hundred forty six million four hundred forty two thousand six hundred twenty four and 92/100) as follows:
 - 1) to 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) to be paid as dividend to Company's shareholders, which means PLN 0.15 (say: fifteen grosz) per share,

- 2) to allocate the amount of PLN 883,560,215.82 (say: eight hundred eighty three million five hundred sixty thousand two hundred fifteen and 82/100) to reserve capital,
2. determine dividend record day on 22 July 2015,
3. determine dividend payment day on 12 August 2015.

Considering Management Board's rationale concerning distribution of net profit for the financial year 2014 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 2014

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 2014. The purpose of transactions conducted in the abovementioned year was to take full control over companies that are material for the interest of the TAURON Capital Group. The table below presents capital investments carried out in the year 2014:

Table No. 5. Investments executed in the year 2014.

L.p.	Investment	Description
1.	Purchase of TAURON Wydobycie S.A. shares	<p>On 15 January 2014 the General Meeting of Kompania Węglowa S.A. approved of the sale of 16,730,525 registered shares of TAURON Wydobycie S.A. which constituted 47.52% of its equity, thus the last condition was met for transfer of ownership of the said shares to TAURON Polska Energia S.A.</p> <p>At the same time, on 28 August 2014 the Company purchased from its subsidiary TAURON Wytwarzanie S.A. 18,473,553 shares of TAURON Wydobycie S.A., constituting 52.48% in its equity.</p> <p>The purpose behind purchase of shares of the abovementioned companies was to gain full control over the company which is material for TAURON Capital Group, and which is a part of the value chain and pursues strategic objectives in the Mining segment.</p>
2.	Squeeze out of TAURON Ciepło S.A. shares	<p>On 14 March 2014 the General Meeting of the TAURON Ciepło S.A. company adopted the resolution concerning the compulsory purchase of shares of this company held by shareholders representing no more than 5% of the share capital by the majority shareholder – TAURON Polska Energia S.A.</p> <p>Walne Zgromadzenie TAURON Ciepło S.A. w dniu 14 marca 2014r. podjęło uchwałę w sprawie przymusowego wykupu akcji tej spółki, będących własnością akcjonariuszy reprezentujących nie więcej niż 5% kapitału zakładowego przez akcjonariusza większościowego – TAURON Polska Energia S.A.</p> <p>As a result of implementation of the said process, TAURON became the sole shareholder of TAURON Ciepło S.A., holding 100% shares in the initial capital of this company.</p>

L.p. Investment	Description
3. Squeeze out of TAURON Wytwarzanie S.A. shares	<p>On 24 April 2014 the Ordinary GM of TAURON Wytwarzanie adopted the resolution concerning the compulsory purchase (squeeze out) of shares of this company held by shareholders representing no more than 5% of the share capital by the majority shareholder – TAURON Polska Energia S.A.</p> <p>As a result of execution of the said process, TAURON Polska Energia S.A. became the sole shareholder of TAURON Wytwarzanie, holding 100% share in the share capital of this company.</p>
4. Taking over shares in TAMEH HOLDING sp. z o.o. and TAMEH POLSKA sp. z o.o.	<p>On 31 July 2014 the District Court for Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register issued the decision on registration in the Register of Entrepreneurs of the companies: TAMEH HOLDING sp. z o.o. and TAMEH POLSKA sp. z o.o., established on 3 July 2014 by TAURON which, as the sole shareholder of the aforementioned companies, took over 100% shares in each of them.</p> <p>On 10 December 2014 the District Court Katowice – Wschód in Katowice, 8th Commercial Department of the National Court Register issued the decision on entering the division of the following companies to the register: TAURON Wytwarzanie, TAURON Ciepło and ArcelorMittal Poland S.A. (ArcelorMittal) (Divided Companies) through the apportionment, pursuant to Article 529 § 1 item 4 of the Commercial Companies Code, of their partial assets and their assignment to the TAMEH POLSKA company (Acquiring Company). As a result of this process TAURON Polska Energia S.A. acquired 3,293,313 new shares of TAMEH POLSKA sp. z o.o.</p> <p>On 19 December 2014 the District Court Katowice - Wschód in Katowice, 8th Commercial Department of the National Court Register issued the decision on increasing of the TAMEH HOLDING, as a result of the process TAURON Polska Energia S.A. acquired 3,293,378 shares in the share capital of TAMEH Holding in exchange for the in-kind contribution in the form of 3,293,363 shares of TAMEH POLSKA.</p> <p>The abovementioned processes were carried out as part of shared project with ArcelorMittal Poland S.A. whose purpose is to establish a company executing investments and operational tasks in industrial energy sector.</p>
5. Purchase of Kopalnia Wapienia Czatkowice sp. z o.o. shares	<p>On 28 August 2014, TAURON purchased 30,812 shares of KW Czatkowice company from the subsidiary, the TAURON Wytwarzanie, representing 100% share in the initial capital of this company.</p> <p>As a result of the aforementioned transaction, TAURON directly holds 100% shares in the initial capital of KW Czatkowice</p>
6. Purchase of Marselwind sp. z o.o. shares	<p>On 22 September 2014 the District Court Katowice - Wschód in Katowice, 8th Commercial Department of the National Court Register issued the decision on registering of a limited liability company, Marselwind sp. z o.o., in the Register of Entrepreneurs, established on 3 September 2014 by TAURON Polska Energia S.A. which, as the sole shareholder, took over 100% shares in its share capital.</p> <p>The company was established in order to enable the implementation of the project comprising the division of the company TAURON EKOENERGIA, through the apportionment of an organized part of the enterprise in the form of wind farms and its contribution to the Marselwind company.</p>

L.p.	Investment	Description
7.	Purchase of TAURON Sweden Energy AB shares on 14 November 2014	TAURON Sweden Energy AB with its registered office in Stockholm was registered, in which TAURON Polska Energia S.A., as the sole founder, acquired all 55 thousand shares representing 100% of its share capital. TAURON Sweden Energy was established in order to participate in the process associated with the acquisition of financing for TAURON Capital Group in the German market.

The above processes are in line with the implemented “TAURON Group’s Corporate Strategy” and their purpose 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 of TAURON Polska Energia S.A. for the financial year 2014 in all relevant aspects:

- 1) present in a clear and accurate manner all information necessary to evaluate the assets, financial standing and financial result on the operations of the TAURON Polska Energia S.A. in financial year 2014;
- 2) comply with applicable laws and regulations that define their form and contents;
- 3) were prepared based on properly maintained ledgers in accordance with applicable accounting principles.

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 2014 and the Management Board’s report on operations of TAURON Polska Energia S.A. for the financial year 2014.

At the same time, taking into account the positive opinion, the Supervisory Board recommends to the Ordinary General Meeting to distribute net profit for the financial year 2014 as proposed in the motion of the Company’s Management Board.

Katowice, 11 March 2015

Chairman of the Supervisory Board - Antoni Tajduś

Deputy Chairman of the Supervisory Board - Agnieszka Woś

Secretary of the Supervisory Board - Jacek Szyke

Member of the Supervisory Board	-	Andrzej Gorgol
Member of the Supervisory Board	-	Maciej Koński
Member of the Supervisory Board	-	Leszek Koziorowski
Member of the Supervisory Board	-	Michał Michalewski
Member of the Supervisory Board	-	Marek Ściążko
Member of the Supervisory Board	-	Maciej Tybura