



**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 2015 and Management Board's motion
concerning distribution of profit for the year 2015**

Katowice, March 2016

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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 2015* 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 2015,
- 2) Report of the Management Board on the operations of TAURON Polska Energia S.A. for the financial year 2015,
- 3) Management' Boards motion concerning covering the loss for the financial year 2015.

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 2015.

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 2015 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 2015.

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 2015, covering:

- 1) Statement of comprehensive income for the year ended 31 December 2015 showing negative comprehensive income in the amount of PLN 3,384,188 thousand and net loss for the year 2015 in the amount of PLN 3,453,908 thousand,
- 2) Statement of financial position for the year ended 31 December 2015, which shows assets and liabilities in the amount of PLN 26,474,156 thousand,
- 3) Statement of changes in equity for the year ended 31 December 2015 showing equity decrease of PLN 3,647,070 thousand,
- 4) Statement of cash flows for the year ended 31 December 2015 showing net cash flow decrease of PLN 748,110 thousand,
- 5) Accounting policies (regulations) and other explanatory notes.

Statement of comprehensive income for the year ended 31 December 2015.

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 2015	As of 31 December 2014
Sales revenue	9,173,030	8,689,799
Profit (loss) on sale	(12,652)	162,944
Operating profit (loss)	(124,292)	58,652
Profit (loss) before tax	(3,450,794)	1,172,527
Net profit (loss)	(3,453,908)	1,146,443

Charges on the financial result have been determined correctly.

Statement of financial position as of 31 December 2015.

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 2015	As of 31 December 2014
ASSETS		
Non-current assets	24,866,370	26,617,011
Current assets	1,607,786	3,723,519
TOTAL ASSETS	26,474,156	30,340,530
EQUITY AND LIABILITIES		
Total equity	16,592,497	20,239,567
Non-current liabilities	5,069,118	7,511,096
Current liabilities	4,812,541	2,589,867
TOTAL EQUITY AND LIABILITIES	26,474,156	30,340,530

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

Statement of changes in equity for the year ended 31 December 2015.

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 on 31 December 2015	Year ended on 31 December 2014
Equity at the beginning of the period	20,239,567	19,443,162
Equity at the end of the period	16,592,497	20,239,567

The data presented in the statement of changes in equity for the year ended 31 December 2015 is complete and reflect the actual state of affairs.

Statement of cash flows for the year ended 31 December 2015.

The table below presents statement of cash flows.

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

Statement of cash flows	Year ended on 31 December 2015	Year ended on 31 December 2014
Net cash from operating activities	157,609	4,463
Net cash from investing activities	(318,640)	(438,236)
Net cash from financing activities	(587,079)	1,701,129
Net increase (decrease) in cash and cash equivalents	(748,110)	1,267,356
Cash at the beginning of the period	68,935	(1,198,421)
Cash at the end of the period	(679,175)	68,935

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 2015 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 2015.

3. Evaluation of Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2015

Having carefully analyzed the report on operations of TAURON Polska Energia S.A. for the financial year 2015 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 2015.

4. Evaluation of the Management Board's motion to the General Meeting concerning covering the loss for the financial year 2015

The Supervisory Board have read the motion of the Company's Management Board expressed in resolution of the Management Board No. 130/IV/2016 of 9 March 2016 requesting to cover the net loss of the Company for the financial year 2015 covering the period from 1 January 2015 to 31 December 2015 in the amount of PLN 3,453,908,315.26 (say three billion four hundred fifty three million nine hundred eight thousand three hundred fifteen and 26/100) from the Company's reserve capital.

Considering Management Board's rationale concerning covering the loss for the financial year 2015 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 2015

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 2015. 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 2015:

Table No. 5. Investments executed in the year 2015.

No.	Investment	Description
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No.	Investment	Description
1.	Purchase of shares in Biomasa Grupa TAURON sp. z o.o.	<p>On 14 January 2015, the Company purchased 4,267 shares of Biomasa Grupa TAURON company, representing 100% of share in the share capital, from its subsidiary, TAURON Wytwarzanie.</p> <p>On 1 July 2015 the District Court in Rzeszów, 12th Commercial Department of the National Court Register issued decision to enter the merger of the following companies to the register: Energopower sp. z o.o. (the Acquiring Company) with Biomasa GT company (the Acquired Company). At the same time, the name of the enterprise name of the Acquiring Company was changed to "Biomasa Grupa TAURON sp. z o.o.". As a result of the above merger TAURON Polska Energia S.A., as the sole partner took over 179,100 shares in the said company.</p> <p>The purpose of implementation of the abovementioned processes was to achieve 100% direct share in the share capital of the company in order to include it in the Tax Capital Group. It was also one of the stages of reorganization related to biomass in the TAURON Group.</p>
2.	Purchase of shares in PGE EJ 1 sp. z o.o.	<p>On 15 April 2015 the company purchased from PGE Polska Grupa Energetyczna S.A. 146,000 shares in PGE EJ 1 sp. z o.o., representing 10% of its equity.</p> <p>On 7 August 2015 the District Court in Warsaw, 12th Commercial Department of the National Court Register issued decision to enter the increase of share capital of PGE EJ1 sp. Z o.o. in the register. As a result of the said increase TAURON Polska Energia S.A. took over 49,450 new shares in the subject company, representing 10% of the newly created shares.</p> <p>The abovementioned processes were executed as part of execution of joint enterprise with PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A., the purpose of which was to prepare and execute investment consisting in building and operation of the first nuclear power plant in Poland of approx. 3,000 MWe capacity.</p>
3.	Taking over of shares in Nowe Brzeszcze Grupa TAURON sp. z o.o. (previously: R S G sp. z o.o.)	<p>On 5 August 2015 District Court Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register issued decision to register company R S G sp. z o.o. established on 31 July 2015 by TAURON Polska Energia S.A., who as the sole partner of the abovementioned company took over 1,000 shares in this company, constituting 100% of its share capital.</p> <p>On 31 December 2015 District Court Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register issued decision to enter increase of share capital of Nowe Brzeszcze Grupa TAURON sp. z o.o. in the register. As a result of this process TAURON Polska Energia S.A. took over 20,000 shares in the said company.</p> <p>On 31 December 2015 Extraordinary General Meeting of Nowe Brzeszcze Grupa TAURON adopted resolution to increase share capital of the company. On 29 January 2016 District Court Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register issued decision to enter the capital increase in the register. As a result of this proces TAURON Polska Energia S.A. took over 29,000 shares in the said company.</p> <p>The abovementioned processes were executed as part of regular and systematic implementation of restructuring and acquisition processes, the purpose of which is to guarantee growth in all segments of TAURON Group's operations.</p>

No.	Investment	Description
4.	Taking over of shares in Enpower sp. z o.o.	<p>On 5 May 2015 District Court Katowice-Wschód in Katowice, 8th Commercial Department of the National Court Register issued decision to enter increase of share capital of Enpower sp. z o.o. in the register. As a result of the abovementioned proces TAURON Polska Energia S.A., as the sole partner, took over 400 shares in the said company.</p> <p>The purpose of execution of the abovementioned process was to provide funds to the said company to run its operations.</p>
5.	Taking over of shares in TAURON Sweden AB (publ)	<p>On 13 July 2015 Extraordinary General Meeting of TAURON Sweden Energy AB (publ) adopted resolution on increase of share capital of that company. As a result of that process TAURON Polska Energia S.A., as the sole shareholder, took over 6,645,000 shares in the said company.</p> <p>The abovementioned increase of share capital was related to the process of acquisition of financing for TAURON Capiotal Group on the German market.</p>

The above processes are in line with the implemented "TAURON Group's Corporate Strategy".

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 2015 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 2015;
- 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 2015 and the Management Board's report on operations of TAURON Polska Energia S.A. for the financial year 2015.

At the same time, taking into account the positive opinion, the Supervisory Board recommends to the Ordinary General Meeting to cover the loss for the financial year 2015 as proposed in the motion of the Company's Management Board.

Katowice, 8 March 2016

Chairwoman of the Supervisory Board	-	Beata Chłodzińska
Deputy Chairwoman of the Supervisory Board	-	Anna Mańk
Secretary of the Supervisory Board	-	Jacek Szyke

Member of the Supervisory Board	-	Anna Biesialska
Member of the Supervisory Board	-	Michał Czarnik
Member of the Supervisory Board	-	Maciej Koński
Member of the Supervisory Board	-	Leszek Kozirowski
Member of the Supervisory Board	-	Wojciech Myślecki
Member of the Supervisory Board	-	Renata Wiernik-Gizicka.....