



***TAURON Polska Energia S.A. Supervisory Board report
on evaluation of consolidated financial statements of
TAURON Polska Energia S.A. Capital Group, the
Management Board report on operations of TAURON
Polska Energia S.A. Capital Group
and the Consolidated Report of TAURON Polska Energia S.A.
Capital Group on payments to governments for the year ended
31 December 2016***

Katowice, March 2017

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1. Introduction

Acting pursuant to Article 382 § 3 of Commercial Companies Code and § 20(1)(3) of the Company Articles of Association, the Supervisory Board of TAURON Polska Energia S.A. (hereinafter referred to as Supervisory Board) presents to the General Meeting the *Supervisory Board report on evaluation of consolidated financial statements of TAURON Polska Energia S.A. Capital Group, the Management Board report on operations of TAURON Polska Energia S.A. Capital Group and the Consolidated Report of TAURON Polska Energia S.A. Capital Group on payments to governments for the year ended 31 December 2016*, containing the results of evaluation of the following documents:

- 1) *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards approved by the European Union,*
- 2) *Report of the Management Board on operations of TAURON Polska Energia S.A. Capital Group for the financial year 2016,*
- 3) *Consolidated Report of TAURON Polska Energia S.A. Capital Group on payments to governments for the year ended 31 December 2016.*

Examination of the aforementioned statements of TAURON Polska Energia S.A. Capital Group specified in items 1) - 2) above, was carried out by Deloitte Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with its registered office in Warsaw (hereinafter referred to as the certified auditor), appointed by the Supervisory Board to examine the separate and consolidated financial statements of TAURON Polska Energia S.A. and TAURON Polska Energia S.A. Capital Group for the financial year 2016.

The task of the certified auditor was to examine and present the opinion on the compliance of the consolidated financial statements for the financial year 2016 with the accounting principles (policy) adopted by TAURON Polska Energia S.A. Capital Group, as well as whether the financial standing, assets and financial results of TAURON Polska Energia S.A. Capital Group are presented in an accurate and clear manner in all relevant aspects.

The Supervisory Board presents the results of the evaluation performed in this report.

2. **Evaluation of the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards approved by the European Union***

The Supervisory Board has read and analysed the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards approved by the European Union*, covering:

- 1) Consolidated statement of comprehensive income for the year ended 31 December 2016 showing positive comprehensive income in the amount of PLN 647,885 thousand and net profit for the financial year 2016 in the amount of PLN 370,137 thousand,
- 2) Consolidated statement of financial standing as at 31 December 2016, which indicates the total balance of assets and liabilities in the amount of PLN 33,456,894,
- 3) Consolidated statement of changes in equity for the year ended 31 December 2016 showing equity increase by the amount of PLN 631,161 thousand,
- 4) Consolidated statement of cash flows for the year ended 31 December 2016 showing net cash flow increase by the amount of PLN 27,018 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Consolidated statement of comprehensive income for the year ended 31 December 2016

The table below presents the consolidated statement of comprehensive income.

Table no. 1 Consolidated statement of comprehensive income (data in thousand PLN)

Consolidated statement of comprehensive income	Status as at 31 December 2016	Status as at 31 December 2015
Revenue on sales	17,646,489	18,264,440
Gross profit (loss) on sales	1,929,027	(764,522)
Operating profit (loss)	801,522	(1,901,216)
Gross profit (loss)	508,861	(2,187,771)
Net profit (loss)	370,137	(1,804,215)

Charges on the financial result have been determined correctly.

Consolidated statement of financial standing as at 31 December 2016

The table below presents the consolidated statement of financial standing.

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

Consolidated statement of financial standing	Status as at 31 December 2016	Status as at 31 December 2015
ASSETS		
Fixed assets	29,148,253	28,124,185
Current assets	4,308,641	3,947,248
TOTAL ASSETS	33,456,894	32,071,433
LIABILITIES		
Total equity	16,679,318	16,048,157
Long-term liabilities	11,968,719	8,583,950
Short-term liabilities	4,808,857	7,439,326
TOTAL LIABILITIES	33,456,894	32,071,433

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

Consolidated statement of changes in equity for the year ended 31 December 2016

The table below presents consolidated statement of changes in equity.

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

Consolidated statement of changes in equity	Year ended 31 December 2016	Year ended 31 December 2015
Opening balance of equity	16,048,157	17,996,564
Closing balance of equity	16,679,318	16,048,157

The data presented in the consolidated statement of changes in equity for the year ended 31 December 2016 are complete and reflect the actual state of affairs.

Consolidated statement of cash flows for the year ended 31 December 2016

The table below presents the consolidated statement of cash flows.

Table no 4. Consolidated statement of cash flows (data in PLN thousand)

Consolidated statement of cash flows	Year ended 31 December 2016	Year ended 31 December 2015
Net cash flows from operating activities	3,064,215	3,387,458
Net cash flows from investment activities	(3,627,458)	(3,942,122)
Net cash flows from financial activities	590,261	(525,692)
Increase/(decrease) in net cash and cash equivalents	27,018	(1,080,356)
Cash opening balance	327,715	1,408,071
Cash closing balance	354,733	327,715

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

Following the in-depth analysis of the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards approved by the European Union*, the Supervisory Board positively evaluates the said financial statements in terms of their compliance with the ledgers, documents and the actual state of affairs.

At the same time, the Supervisory Board declares that the aforementioned financial statements were prepared within the time limit specified in relevant regulations and in compliance with the International Financial Reporting Standards approved by the European Union. The compliance of the consolidated financial statements with the ledgers, documents and the actual state of affairs does not raise any objections and is confirmed

by the positive opinion of the certified auditor.

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

Taking into account the foregoing, the Supervisory Board recommends that the Ordinary General Meeting approve the *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2016, compliant with the International Financial Reporting Standards approved by the European Union.*

3. Evaluation of the Management Board report on operations of TAURON Polska Energia S.A. Capital Group for the financial year 2016

Following the in-depth analysis of the *Management Board report on operations of TAURON Polska Energia S.A. Capital Group for the financial year 2016*, the Supervisory Board positively evaluates the said report in terms of its compliance with the ledgers, documents and the actual state of affairs. The said report presents in a clear and accurate manner the economic and the financial standing as well as development outlook of TAURON Polska Energia S.A. Capital Group and its compliance in the scope of information disclosed therein has been confirmed by the certified auditor.

At the same time, the Supervisory Board declares that the aforementioned report was prepared in compliance with applicable provisions of the Accounting Act of 29 September 1994 and the Regulation of the Minister of Finance of 19 February 2009 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

Taking into account the foregoing, the Supervisory Board recommends that the Ordinary General Meeting approve the *Management Board report on operations of TAURON Polska Energia S.A. Capital Group for the financial year 2016.*

4. Evaluation of the Consolidated Report of TAURON Polska Energia S.A. Capital Group on payments to governments for the year ended 31 December 2016

Following the in-depth analysis of the *Consolidated report of TAURON Polska Energia S.A. Capital Group on payments to governments for the year ended 31 December 2016*, positively evaluates the said statements in terms of its compliance with applicable provisions of the Accounting Act of 29 September 1994.

Taking into account the foregoing, the Supervisory Board recommends that the Ordinary General Meeting approve the *Consolidated Report of TAURON Polska Energia S.A. Capital Group on payments to governments for the year ended 31 December 2016.*

5. Summary

Following the evaluation, the Supervisory Board recognises that the financial statements of TAURON Polska Energia S.A. Capital Group for the financial year 2016 in all relevant aspects:

- 1) present in a clear and reliable manner all information necessary to evaluate the economic, financial standing and the financial result of TAURON Polska Energia S.A. Capital Group for the financial year 2016,
- 2) comply with the applicable laws and regulations that define their preparation,
- 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 the Ordinary General Meeting to approve: *Consolidated financial statements of TAURON Polska Energia S.A. Capital Group, compliant with International Financial Reporting Standards for the financial year ended 31 December 2016, Management Board report on operations of TAURON Polska Energia S.A. Capital Group for the financial year 2016 and Consolidated Report of TAURON Polska Energia S.A. Capital Group on payments to governments for the year ended 31 December 2016.*

Katowice, 15 March 2017

Chairwoman of the Supervisory Board -	Beata Chłodzińska
Vice-Chairwoman of the Supervisory Board -	Anna Mańk
Secretary of the Supervisory Board -	Jacek Szyke
Member of the Supervisory Board -	Stanisław Bortkiewicz
Member of the Supervisory Board -	Leszek Kozirowski
Member of the Supervisory Board -	Jan Płudowski
Member of the Supervisory Board -	Jacek Rawecki
Member of the Supervisory Board -	Stefan Świątkowski
Member of the Supervisory Board -	Agnieszka Woźniak