

***Report of the Supervisory Board on the evaluation of
the Financial statements of TAURON Polska Energia S.A.,
Consolidated financial statements of the TAURON Capital
Group, Report of the Management Board on activities of
TAURON Polska Energia S.A.
and the TAURON Capital Group
for the financial year ended 31 December 2019
including rationale
and the motion of the Management Board concerning the
coverage of net loss for the financial year 2019***

Katowice, 31 March 2020

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1. Introduction

Acting pursuant to Article 382 § 3 of Commercial Companies Code and § 20(1)(3) of the Company's Articles of Association, the Supervisory Board of TAURON Polska Energia S.A. (hereinafter referred to as the "Supervisory Board") hereby presents to the Ordinary General Meeting of TAURON Polska Energia S.A. the Supervisory Board's Report on evaluation of the Financial Statements of TAURON Polska Energia S.A., Consolidated Financial Statements of the TAURON Capital Group, the Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the year ended 31 December 2019 including rationale and the motion of the Management Board concerning the coverage of net loss for the financial year 2019, containing the results of evaluation of the following documents:

- 1) *the Financial Statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *the Consolidated Financial Statements of the TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union,*
- 3) *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019,*
- 4) *Motion of the Management Board concerning the coverage of net loss for the financial year 2019.*

At the same time, pursuant to § 20(1)(6) of the Company's Articles of Association, this report contains the Supervisory Board's opinion on the economic appropriateness of the Company's capital involvement in other commercial law entities in the financial year 2019.

The audit of the aforementioned reports of TAURON Polska Energia S.A. was carried out by Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw (hereinafter referred to as the "statutory auditor", "auditor"), selected by the Supervisory Board for the purpose of performing the audit of the standalone and consolidated financial statements

of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019.

The assignment of the statutory auditor was to examine the compliance of the financial statements and the Management Board's report on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019 with the accounting principles (policy) adopted by TAURON Polska Energia S.A. and the TAURON Capital Group as well as to state whether the financial statements present the financial standing and the economic situation as well as the financial result of TAURON Polska Energia S.A. and the TAURON Capital Group in a reliable and clear manner in all material aspects.

2. ***Evaluation of the Financial Statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union***

The Supervisory Board has read and analysed the *Financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union*, comprising:

- 1) Statement of comprehensive income for the year ended 31 December 2019 showing negative comprehensive income in the amount of PLN (451,659) thousand and net loss for the financial year 2018 in the amount of PLN (462,830) thousand,

- 2) Statement of financial position as at 31 December 2019, which indicates the total balance of assets and liabilities in the amount of PLN 30,485,129 thousand,
- 3) Statement of changes in equity for the year ended 31 December 2019 showing equity decrease by the amount of PLN 451,659 thousand,
- 4) Statement of cash flows for the year ended 31 December 2019 showing net cash increase of PLN 1,510,954 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Statement of comprehensive income for the year ended 31 December 2019

The table below presents the statement of comprehensive income.

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

Statements of comprehensive income	As at 31 December 2019	As at 31 December 2018
Sales revenue	10,680,577	8,618,642
Gross profit (loss) on sales	249,438	145,994
Operating profit (loss)	101,102	22,659
Profit (loss) before tax	(346,207)	(1,732,283)
Net profit (loss)	(462,830)	(1,709,853)

The charges to the financial result were determined correctly.

Statement of financial position as at 31 December 2019

The table below presents the statement of financial position.

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

Statement of financial position	As at 31 December 2019	As at 31 December 2018
ASSETS		
Non-current assets	27,010,590	27,166,500
Current assets	3,474,539	2,346,490
TOTAL ASSETS	30,485,129	29,512,990
EQUITY AND LIABILITIES		
Total equity	14,808,177	15,259,836
Non-current liabilities	10,947,500	8,533,790
Current liabilities	4,729,452	5,719,364
TOTAL EQUITY AND LIABILITIES	30,485,129	29,512,990

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

Statement of changes in equity for the year ended 31 December 2019

The table below presents the statement of changes in equity.

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

Statement of changes in equity	Year ended 31 December 2019	Year ended 31 December 2018
Opening balance equity	15,259,836	16,989,355
Closing balance equity	14,808,177	15,259,836

The data included in the statement of changes in equity for the year ended 31 December 2019 is complete and consistent with the actual state of affairs.

Statement of cash flows for the year ended 31 December 2019

The table below presents the statement of cash flows.

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

Statement of cash flows	Year ended 31 December 2019	Year ended 31 December 2018
Net cash from operating activities	(498,270)	(125,146)
Net cash from investing activities	74,699	(720,432)
Net cash from financing activities	1,934,525	844,776
Net increase / (decrease) in cash and cash equivalents	1,510,954	(802)
Cash and cash equivalents at the beginning of the period	(1,560,034)	(1,559,232)
Closing balance of cash	(49,080)	(1,560,034)

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

Following the review of the *Financial statements of TAURON Polska Energia S.A. for the year ended on 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union*, as well as having read the opinion of the independent statutory auditor and the report on audit of the aforementioned financial statements, the Supervisory Board positively evaluates the said financial statements in terms of their compliance with the ledgers, documents and the actual state of affairs.

In view of the above, the Supervisory Board recommends that the Ordinary General Meeting approves the *Financial Statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union.*

3. Assessment of the Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2019 compliant with the 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. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union*, comprising:

- 1) Consolidated statement of comprehensive income for the year ended 31 December 2019 showing comprehensive income in the amount of PLN (113,536) thousand and net loss for the financial year 2019 in the amount of PLN (11,683) thousand,
- 2) Consolidated statement of financial position as at 31 December 2019, which indicates the total balance of assets and liabilities in the amount of PLN 41,917,765 thousand,
- 3) Consolidated statement of changes in equity for the year ended 31 December 2019 showing equity increase by the amount of PLN 664,179 thousand,
- 4) Consolidated statement of cash flows for the year ended 31 December 2019 showing cash increase of PLN 395,629 thousand,
- 5) Accounting principles (policy) and additional explanatory notes.

Consolidated statement of comprehensive income for the year ended 31 December 2019

The table below presents the consolidated statement of comprehensive income.

Table No. 5. Consolidated statement of comprehensive income (data in PLN thousand)

Consolidated statement of comprehensive income	As at 31 December 2019	As at 31 December 2018
Sales revenue	19,558,292	18,121,748
Gross profit (loss) on sales	1,246,406	1,684,601
Operating profit (loss)	295,454	790,729
Profit (loss) before tax	(15,368)	504,647
Net profit (loss)	(11,683)	207,045

The charges to the financial result were determined correctly.

Consolidated statement of financial position as at 31 December 2019

The table below presents the consolidated statement of financial position.

Table No. 6. Consolidated statement of financial position (data in PLN thousand)

Consolidated statement of financial position	As at 31 December 2019	As at 31 December 2018
ASSETS		
Non-current assets	35,052,287	32,596,304
Current assets	6,865,478	4,501,173
TOTAL ASSETS	41,917,765	37,097,477
EQUITY AND LIABILITIES		
Total equity	19,092,660	18,428,481
Non-current liabilities	14,963,274	11,382,254

Consolidated statement of financial position	As at 31 December 2019	As at 31 December 2018
Current liabilities	7,861,831	7,286,742
TOTAL EQUITY AND LIABILITIES	41,917,765	37,097,477

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 2019

The table below presents the consolidated statement of changes in equity.

Table No. 7. Consolidated statement of changes in equity (data in PLN thousand)

Consolidated statement of changes in equity	Year ended 31 December 2019	Year ended 31 December 2018
Opening balance equity	18,428,481	18,147,214
Closing balance equity	19,092,660	18,428,481

The data included in the consolidated statement of changes in equity for the year ended 31 December 2019 is complete and consistent with the actual state of affairs.

Consolidated statement of cash flows for the year ended 31 December 2019

The table below presents the consolidated statement of cash flows.

Table No. 8. Consolidated statement of cash flows (data in PLN thousand)

Consolidated statement of cash flows	Year ended 31 December 2019	Year ended 31 December 2018
Net cash from operating activities	2,035,575	2,222,621
Net cash from investing activities	(4,534,738)	(3,387,402)
Net cash from financing activities	2,894,792	1,171,400
Net increase (decrease) in cash and cash equivalents	395,629	6,619
Cash and cash equivalents at the beginning of the period	807,972	801,353
Closing balance of cash	1,203,601	807,972

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

The Supervisory Board, having reviewed the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended on 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union*, as well as having read the Independent Auditor's Audit Report, positively assesses the financial statements in question in terms of their compliance with the ledgers and documents and the actual state of affairs.

In connection with the foregoing, the Supervisory Board recommends that the Ordinary General Meeting approves the *Consolidated Financial Statements of TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union*.

4. Evaluation of the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019*

The Supervisory Board, having considered the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019*, positively assesses the report in terms of its compliance with the ledgers and documents, as well as with the actual state of affairs. The report presents the economic, financial and development situation of TAURON Polska Energia S.A. and the TAURON Capital Group in a reliable and clear manner, and its completeness and compliance with the information disclosed in the report has been confirmed by the statutory auditor.

Therefore, the Supervisory Board recommends that the Ordinary General Meeting approves the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019.*

Pursuant to Article 49B(9) and Article 55(2c) of the *Accounting Act of 29 September 1994*, TAURON Polska Energia S.A. prepared the *Report on non-financial information of the TAURON Capital Group for 2019* in a separate document.

The above Report has been prepared in accordance with Article 49b(1) and Article 55(2b-e) of the *Accounting Act of 29 September 1994*, as amended, which implements the guidelines of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 on the disclosure of non-financial information, together with additional, later guidelines, including the Communication of the European Commission 2019/C 209/01 of 20 June 2019 with guidelines for reporting non-financial information: Supplement on reporting climate-related information and Global Reporting Index guidelines - GRI Standards (core level).

5. Justification for the evaluation of the reports

The Supervisory Board of TAURON Polska Energia S.A. positively assessed the following documents presented by the Management Board of the Company and concluded that they are consistent with the ledgers, documents and actual state of affairs:

- 1) *the Financial Statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *the Consolidated Financial Statements of the TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union,*
- 3) *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019,*

The above reports were also subject to verification, analysis and evaluation by the Audit Committee of the Supervisory Board of the Company, which recommended that the Supervisory Board issue a positive evaluation.

In fulfilling its statutory obligations under the Act of 11 May 2017 on statutory auditors, audit firms and public oversight, the Audit Committee supervised the financial reporting process, the effectiveness of internal control systems and risk management systems, as well as internal audit, including tasks aimed at ensuring the reliability of the financial reporting process.

As part of the process related to the audit of financial statements, the Audit Committee regularly met with representatives of the audit firm auditing financial statements of the Company and the TAURON Capital Group, monitoring and discussing the course of audit processes. In addition, the Audit Committee reviewed the audit reports presented by the audit firm and the additional report for the

financial year 2019 prepared for the Audit Committee and the Company's management in accordance with the provisions of Regulation 537/2014 and the Act on Statutory Auditors of 11 May 2017.

The basis for the Supervisory Board's positive assessment of the Financial statements of TAURON Polska Energia S.A. and the Consolidated financial statements of the TAURON Polska Energia S.A. Capital Group for the financial year 2019 were the reports of the independent statutory auditor on the audit of the above mentioned statements in accordance with which:

- 1) the financial statements give a true and fair view of the financial position of TAURON Polska Energia S.A. and the TAURON Polska Energia S.A. Capital Group as at 31 December 2019 and its financial result for the financial year from 1 January 2019 to 31 December 2019 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission and adopted accounting principles (policy),
- 2) the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 have been prepared on the basis of properly maintained accounting ledgers,
- 3) the financial statements are consistent in form and content with the laws applicable to TAURON Polska Energia S.A. and the TAURON Polska Energia S.A. Capital Group and the *Articles of Association* of TAURON Polska Energia S.A.

In addition, in the auditor's opinion, the *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019*, was prepared in accordance with applicable laws and is consistent with the financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 and with the consolidated financial statements of the TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2019.

The aforementioned financial statements were prepared within the time limit defined in relevant regulations and are in compliance with the International Financial Reporting Standards which were approved by the European Union. The accuracy of preparing the said financial statements in terms of their compliance with the ledgers, documents and the actual state of affairs does not raise any objections

and is confirmed by information contained in the independent statutory auditor's report on the audit of the aforementioned statements.

The Report of the Management Board on the operations of TAURON Polska Energia S.A. and TAURON Capital Group for the financial year 2019 was prepared in accordance with the applicable provisions of the *Accounting Act of 29 September 1994* and the *Regulation of the Minister of Finance of 29 March 2018 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*.

6. Evaluation of the Management Board motion to the General Meeting concerning the coverage of net loss for the financial year 2019

The Supervisory Board has reviewed the motion of the Management Board to the General Meeting to cover the net loss of TAURON Polska Energia S.A. for the financial year 2019 covering the period from 1 January 2019 to 31 December 2019 in the amount of PLN 462,830,170.74 (in words: four

hundred and sixty-two million eight hundred and thirty thousand one hundred and seventy zloty 74/100) from the Company's supplementary capital.

Taking into account the justification of the Management Board of the Company concerning the coverage of net loss for the financial year 2019, the Supervisory Board positively assesses the above mentioned motion and has no objections to it.

7. The opinion of the Supervisory Board on the economic appropriateness of the Company capital involvement in other commercial law entities in the financial year 2019

Acting pursuant to § 20(1)(6) of the Articles of Association, the Supervisory Board positively evaluates the capital involvement of TAURON Polska Energia S.A. in other commercial law entities in the financial year 2019 as presented in the table below.

Table No. 9. Capital involvement in the financial year 2019.

Corporate venture capital (CVC) fund

In 2019, TAURON Polska Energia S.A. continued to invest in a corporate venture capital (CVC) fund. The fund was established in 2018 under agreements concluded, among others, by TAURON Polska Energia S.A., Polski Fundusz Rozwoju [Polish Development Fund] and EEC Magenta spółka z ograniczoną odpowiedzialnością (Managing Entity). The main objective of its activities is to support innovation in the energy sector. The above is done through the participation of the Company in two funds established under the PFR Starter FIZ and BRIDGE VC / PFR NCBR CVC programmes. Their objective is to provide support to innovative businesses, including by enabling them to participate in acceleration programmes, investing in start-ups under the PFR Starter FIZ programme, and ensuring further financing rounds under the PFR NCBR CVC programme.

Ultimately, the capitalisation of the fund established under the PFR Starter FIZ programme will be PLN 50 million, and of the fund created under the PFR NCBR CVC programme - PLN 160 million. The share of TAURON Polska Energia S.A. in the funds shall not exceed 25% (the Company's involvement not higher than PLN 12.45 million) and 49% (the Company's involvement not higher than PLN 78.37 million) respectively.

The investments of TAURON Polska Energia S.A. took place through the acquisition of newly issued shares of EEC Magenta spółka z ograniczoną odpowiedzialnością 2 ASI spółka komandytowo - akcyjna (hereinafter referred to as "EEC Magenta CVC") and EEC Magenta spółka z ograniczoną odpowiedzialnością ASI spółka komandytowo - akcyjna (hereinafter referred to as "EEC Magenta Starter").

TAURON Polska Energia S.A. contributed to the above-mentioned entities:

- **to EEC Magenta CVC:** in 2019 the amount of PLN 10,926,000.00, i.e. **a total of PLN 10,950,015.00 from the establishment;**
- **to EEC Magenta Starter:** in 2019 the amount of PLN 1,045,800.00, i.e. **a total of PLN 1,058,250.00 from the establishment;**

as shown below:

EEC Magenta CVC

Increase in the company's capital by PLN 9,748,857.00 (25/01/2019), of which:

TAURON Polska Energia S.A. for **PLN 4,775,100.00**, took up 47,751 shares;

EEC Ventures sp. z o.o. 2 sp. k. for PLN 99,557.00, took up 2,933 shares;

PFR NCBR CVC Fundusz Inwestycyjny
Zamknięty Aktywów Niepublicznych
[Closed-End Private Assets Investment
Fund] for PLN 4,874,200.00, took up 48,742 shares;

Increase in the company's capital by PLN 12.558.018,00 (27/09/2019), of which:

TAURON Polska Energia S.A. for **PLN 6,150,900.00**, took up 61,509 shares;

EEC Ventures sp. z o.o. 2 sp. k. for PLN 128,118.00, took up 3,774 shares;

PFR NCBR CVC Fundusz Inwestycyjny
Zamknięty Aktywów Niepublicznych
[Closed-End Private Assets Investment
Fund] for PLN 6,279,000.00, took up 62,790 shares;

Capital structure after the above-mentioned transactions:

TAURON Polska Energia S.A.: 48.03%, EEC Ventures 2: 2.95%, PFR NCBR CVC: 49.02%.

EEC Magenta Starter

Increase in the company's capital by PLN 3,575,000.00 (15/01/2019), of which:

TAURON Polska Energia S.A. for **PLN 890,200.00**, took up 8,902 shares;

EEC Ventures sp. z o.o. sp. k. for PLN 107,200.00, took up 1,072 shares;

PFR Starter Fundusz Inwestycyjny
Zamknięty [Closed-End Investment Fund] for PLN 2,577,600.00, took up 25,776 shares;

Increase in the company's capital by PLN 625.000,00 (23/08/2019), of which:

TAURON Polska Energia S.A. for **PLN 155,600.00**, took up 1556 shares;

EEC Ventures sp. z o.o. sp. k. for PLN 18,800.00, took up 188 shares;

PFR Starter Fundusz Inwestycyjny
Zamknięty [Closed-End Investment Fund] for PLN 450,600.00, took up 4506 shares;

Capital structure after the above-mentioned transactions:

TAURON Polska Energia S.A.: 24.90%, EEC Ventures: 3.00%, PFR Starter: 72.10%.

Acquisition of wind farms by companies of the TAURON Polska Energia S.A. Capital Group

The TAURON Group Companies: TEC1 sp. z o.o., TEC2 sp. z o.o., TEC3 sp. z o.o. acquired Polish partnerships owning wind farms and German partnerships being their limited partners (“design companies”). TEC1, TEC2 and TEC3 took over all the rights and obligations of the existing shareholders in the design companies while acquiring the bank’s receivables from the design companies.

The total installed capacity of the acquired farms is 180 MW. The transaction which took place is part of the update of strategic directions which supplement the TAURON Group Strategy for 2016-2025, which provides for a significant increase in the share of low- and zero-emission sources in the structure of installed generation capacity of the TAURON Capital Group.

The total acquisition price was agreed in the transaction documentation for EUR 137.1 million.

The transaction was financed from the funds coming from the recapitalisation of the above mentioned companies by TAURON Polska Energia S.A. with the amount of PLN 600,975,000.00, i.e.:

TEC1 sp. z o.o.

The Company was established on 04/03/2019 by TAURON Polska Energia S.A., which for the amount of PLN 25,000.00 took up all 500 shares. On 02/09/2019 the company’s capital was increased by PLN 700,000.00, for which TAURON Polska Energia S.A. took up 140 shares.

Capital structure after the transaction: TAURON Polska Energia S.A.: 100%.

TEC2 sp. z o.o.

The Company was established on 04/03/2019 by TAURON Polska Energia S.A., which for the amount of PLN 25,000.00 took up all 500 shares. On 02/09/2019 the company’s capital was increased by PLN 200.000,00, for which TAURON Polska Energia S.A. took up 40 shares.

Capital structure after the transaction: TAURON Polska Energia S.A.: 100%.

TEC3 sp. z o.o.

The Company was established on 04/03/2019 by TAURON Polska Energia S.A., which for the amount of PLN 25,000.00 took up all 500 shares. On 02/09/2019 the company’s capital was increased by PLN 600.000.000,00, for which TAURON Polska Energia S.A. took up 120.000 shares.

Capital structure after the transaction: TAURON Polska Energia S.A.: 100%.

Construction of a new 910 MW unit in Jaworzno

Construction of a new 910 MW unit in Jaworzno is carried out through Nowe Jaworzno Grupa TAURON sp. z o.o. In order to ensure the continuity of the company’s investments, TAURON Polska Energia S.A. together with PFR (Fundusz Inwestycji Infrastrukturalnych [Infrastructure Investment Fund] - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Capital Closed-End Private Assets Investment Fund] and PFR Inwestycje Fundusz Inwestycyjny Zamknięty [Closed-End Investment Fund]) recapitalised the company as shown below:

Increase in the company’s capital by PLN 773.075.000,00 (12/07/2019), of which:

TAURON Polska Energia S.A. for PLN 250,000,000.00, took up 50,000

	shares;
PFR (Fundusz Inwestycji Infrastrukturalnych [Infrastructure Investment Fund] - Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych [Capital Closed-End Private Assets Investment Fund] and PFR Inwestycje Fundusz Inwestycyjny Zamknięty [Closed-End Investment Fund])	for PLN 523,075,000.00, took up 104,615 shares;

The amount of the capital increase by PFR (the Funds) was complemented by PLN 880,000,000.00, i.e. the limit of PFR's involvement under the investment contract (PFR recapitalised NJGT with the amounts of: PLN 100,000,000.00 on 20/12/2018 and PLN 256,925,000.00 on 25/02/2019). The total amount of the required NJGT recapitalisation exceeded the limit of the Funds' involvement agreed in the investment contract, therefore the recapitalisation was implemented by TAURON Polska Energia S.A. to the extent exceeding this limit.

Capital structure after the transaction: TAURON Polska Energia S.A.: 84.76%, PFR: 15.24%

Establishment of Finanse Grupa TAURON sp. z o.o.

On 23/01/2019 the company Finanse Grupa TAURON sp. z o.o. was established. (hereinafter referred to as "FGT"), in which the share capital of PLN 100,000.00 was fully covered by TAURON Polska Energia S.A. with a cash contribution equal to the nominal value of the taken-up shares.

The newly established FGT company, as part of the cross-border merger of the Group companies, took over TAURON Sweden Energy AB (publ) (hereinafter referred to as "TSE"). As a result of the merger of FGT with TSE, FGT took over all receivables and liabilities of TSE, including the liability resulting from the bonds issued by TSE in the amount of EUR 168,000,000 and the liability resulting from the loan granted to TAURON Polska Energia S.A.

The cross-border merger of the above mentioned companies was aimed at achieving significant organisational and economic benefits for TAURON Group, including, among others:

- reduction of operating costs, i.e. elimination of costs related to the maintenance of TSE and its headquarters outside Poland, keeping separate accounts by the employed entity from outside the TAURON Capital Group (ledgers kept on the basis of Swedish accounting regulations), legal services, translations of documents related to TSE operations;
- streamlining the decision-making process, in particular by eliminating the need to adapt individual actions to the legal requirements of two jurisdictions (i.e. Polish and Swedish);
- clearly defining the tax residence (eliminating double taxation).

The cross-border merger was registered in the National Court Register on 23/08/2019.

FGT capital structure: TAURON Polska Energia 100%.

8. Summary

As a result of the assessment, the Supervisory Board concludes that the reports concerning TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019 in all material aspects:

- 1) present reliably and clearly all information significant for the assessment of the economic and financial situation of TAURON Polska Energia S.A. and the TAURON Capital Group, as well as its financial result for the financial year 2019,
- 2) comply with the form and content of the legal regulations governing the preparation of such reports,
- 3) were prepared on the basis of accurately maintained accounting ledgers in accordance with the applicable accounting principles.

Based on the results of the assessment contained in this report and the information and positive opinion of the statutory auditor contained in the reports on the audit of the financial statements of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019, the Supervisory Board recommends to the Ordinary General Meeting to approve:

- 1) *the Financial Statements of TAURON Polska Energia S.A. for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union,*
- 2) *the Consolidated Financial Statements of the TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2019 compliant with the International Financial Reporting Standards approved by the European Union,*
- 3) *Report of the Management Board on the operations of TAURON Polska Energia S.A. and the TAURON Capital Group for the financial year 2019.*

At the same time, in connection with the issuance of a positive assessment, the Supervisory Board recommends that the Ordinary General Meeting should cover the net loss for the financial year 2019 in the manner specified in the motion of the Management Board of the Company, i.e. from the Company's supplementary capital.

Katowice, 31 March 2020

President of the Supervisory Board - Beata Chłodzińska

Vice-President of the Supervisory Board - Teresa Famulska
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Secretary of the Supervisory Board - Jacek Szyke

Member of the Supervisory Board - Barbara Łasak-Jarszak
.....

Member of the Supervisory Board - Grzegorz Peczkis

Member of the Supervisory Board - Jan Płudowski

Member of the Supervisory Board - Marcin Szlenk

Member of the Supervisory Board - Andrzej Śliwka

Secretary of the Supervisory Board - Katarzyna Taczanowska
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