



***Additional information to
TAURON Polska Energia Capital Group's extended and
consolidated Q1 2018 report***

May 16, 2018

Table of contents

1. TAURON Capital Group's organization	3
1.1 Basic information on TAURON Capital Group.....	3
1.2 Units subject to consolidation	4
1.3 TAURON Capital Group and material changes to its structure	5
2. Basic information on TAURON Polska Energia	8
2.1 Composition of the Management Board and the Supervisory Board of TAURON Polska Energia	8
2.2 Structure of the share capital.....	9
2.3 Shareholders holding at least 5% of the total number of votes	10
2.4 List of shareholdings by members of the Management Board and the Supervisory Board	10
2.5 Subject of TAURON Polska Energia's operations.....	11
3. TAURON Capital Group's operations	13
3.1 TAURON Capital Group's lines of business (segments).....	13
3.2 Implementation of TAURON Capital Group's capital expenditures program	15
4. Analysis of TAURON Capital Group's financial position and assets	19
4.1 Selected financial data of TAURON Polska Energia and TAURON Capital Group	19
4.2 Key operating data of TAURON Capital Group	21
4.3 Sales structure by lines of business	22
4.4 TAURON Capital Group's financial position after Q1 2018.....	23
4.4.1 Analysis of the financial position	23
4.4.2 Financial results by lines of business	27
4.4.2.1 Mining segment.....	28
4.4.2.2 Generation segment.....	29
4.4.2.3 Distribution segment	31
4.4.2.4 Supply segment	33
4.4.2.5 Other operations	34
4.4.3 Assets.....	35
4.4.4 Cash flows	39
4.5 Factors and events, including those of unusual nature, with a material impact on the abbreviated financial statements.....	41
4.6 Factors that, according to the Issuer, may impact its earnings over at least the next quarter ...	41
4.7 Management Board's position on the ability to meet forecasts of results for the given year	43
5. Other information and events that occurred in Q1 2018	43
5.1 Significant achievements or failures of the Issuer that occurred in Q1 2018	43
5.2 Other events that occurred in Q1 2018	45
5.3 Market and regulatory environment.....	46
6. Information and events that occurred after the balance sheet day	50
7. Proceedings pending before the court, competent arbitration authority or public administration authority	50
8. Information on transactions with related entities	52
9. Information on granted guarantees, loan or credit co-signings (sureties, endorsements).....	52
10. Other information that, according to the Issuer, could be significant for the evaluation of the staffing, assets, financial position, financial result and changes thereof as well as information that is material to evaluate the ability of the Issuer's Capital Group to meet its obligations.....	52

1. TAURON Capital Group's organization

1.1 Basic information on TAURON Capital Group

As of March 31, 2018, the key subsidiaries of TAURON Polska Energia Capital Group, besides the parent company, TAURON Polska Energia S.A. (Company, TAURON), included 19 subsidiaries subject to consolidation. Furthermore, as of March 31, 2018 the Company held, directly or indirectly, shares in the other 37 companies

The main companies subject to consolidation included: TAURON Wydobywanie S.A. (TAURON Wydobywanie) dealing with hard coal mining, TAURON Wytwarzanie S.A. (TAURON Wytwarzanie) dealing with generation of electricity from conventional sources and biomass co-firing, TAURON Ekoenergia sp. z o.o. (TAURON Ekoenergia) dealing with generation of electricity from renewable sources, TAURON Dystrybucja S.A. (TAURON Dystrybucja) providing electricity distribution services, TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż) and TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE) dealing with the supply of electricity to retail customers, TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta), dealing with customer service as well as providing intra-group services in the area of accounting, HR and IT, and TAURON Ciepło sp. z o.o. (TAURON Ciepło) dealing with generation, distribution and supply of heat.

Furthermore, TAURON Capital Group included 11 other subsidiaries subject to consolidation, dealing, inter alia, with electricity trading as well as extraction of limestone and stone (rocks) for construction purposes.

TAURON Capital Group has put into place a Business Model that defines the Group's operational (management) assumptions and outlines the split of tasks and responsibilities among the defined units:

Corporate Center – the superior organizational unit responsible for managing the Group's operations and taking the most important decisions affecting the Group, Lines of Business, Shared Services Centers and TAURON Capital Group's subsidiaries;

Lines of Business – TAURON Group's seven core lines of business defined in accordance with the electricity and heat production value chain's links, i.e.: Trading, Mining, Generation, Renewable Energy Sources (RES), Heat, Distribution and Supply;

Shared Services Centers – units responsible for the provision of specific support services (e.g. accounting, IT, HR and payroll, insurance, customer service) for the benefit of the Group's other units.

The Business Model's structure is underpinned by five defined process streams that TAURON Group's operations are to focus on, i.e.: Strategy, Finance, Asset Management and Development, Customer and Corporate Support, Trading. The objective of defining such process streams is to place more emphasis on cross-sectional issues, relating to more than one Line of Business.

TAURON Group's primary normative act is TAURON Group's Code adopted by the Company's Management Board that governs its performance, ensuring the accomplishment of its goals based on specially designed solutions with respect to managing TAURON Group's entities, including in particular, defining the objectives of the subsidiaries' operations that would enable achieving the results assumed.

The companies listed below obtained the TAURON Group member status as of the date of adopting the resolutions on joining TAURON Group by their general meetings/ shareholder meetings.

As of March 31, 2018, the following subsidiaries were included in TAURON Group:

List of subsidiaries included in TAURON Group

#	Subsidiary name	Date of joining TAURON Group
1.	TAURON Sprzedaż sp. z o.o.	26.10.2010
2.	TAURON Obsługa Klienta sp. z o.o.	26.10.2010

#	Subsidiary name	Date of joining TAURON Group
3.	TAURON EKOENERGIA sp. z o.o.	26.10.2010
4.	TAURON Wytwarzanie S.A.	28.10.2010
5.	TAURON Czech Energy s.r.o.	10.11.2010
6.	TAURON Dystrybucja S.A.	6.12.2010
7.	Kopalnia Wapienia „Czatkowice” sp. z o.o.	5.01.2011
8.	TAURON Wydobywanie S.A.	13.01.2011
9.	TAURON Sprzedaż GZE sp. z o.o.	24.01.2012
10.	TAURON Ubezpieczenia sp. z o.o.	17.09.2013
11.	TAURON Ciepło sp. z o.o.	16.10.2013
12.	TAURON Dystrybucja Pomiary sp. z o.o.	19.11.2013
13.	TAURON Ekoservis sp. z o.o.	19.11.2013
14.	Spółka Usług Górniczych sp. z o.o.	4.12.2013
15.	TAURON Dystrybucja Serwis S.A.	17.12.2013
16.	SCE Jaworzno III sp. z o.o.	19.12.2014
17.	Biomasa Grupa TAURON sp. z o.o.	1.07.2015
18.	TAURON Serwis sp. z o.o.	22.12.2016
19.	Nowe Jaworzno Grupa TAURON sp. z o.o.	6.10.2017
20.	Marselwind sp. z o.o.	6.10.2017
21.	Wsparcie Grupa TAURON sp. z o.o.	16.10.2017

TAURON Group's standing Committees operating within TAURON Group include:

1. Investment Committee,
2. Risk Committee.

The above Committees were established in order to enable conducting of the operations in accordance with TAURON Group's operational integrity assumptions, in compliance with the law and interests of TAURON Group and those of its stakeholders.

The Committees' primary task is to oversee the implementation by all of TAURON Group's members of consistent actions in compliance with TAURON Group's Code and in the interest of TAURON Group. The Committees' detailed tasks are defined in the by-laws of their operations adopted by the Company's Management Board.

1.2 Units subject to consolidation

As of March 31, 2018, the parent company - TAURON Polska Energia - and the following subsidiaries were subject to consolidation:

1. TAURON Wydobywanie S.A.
2. TAURON Wytwarzanie S.A.
3. Nowe Jaworzno Grupa TAURON sp. z o.o.
4. TAURON Ekoenergia sp. z o.o.
5. Marselwind sp. z o.o.
6. TAURON Ciepło sp. z o.o.
7. TAURON Dystrybucja S.A.

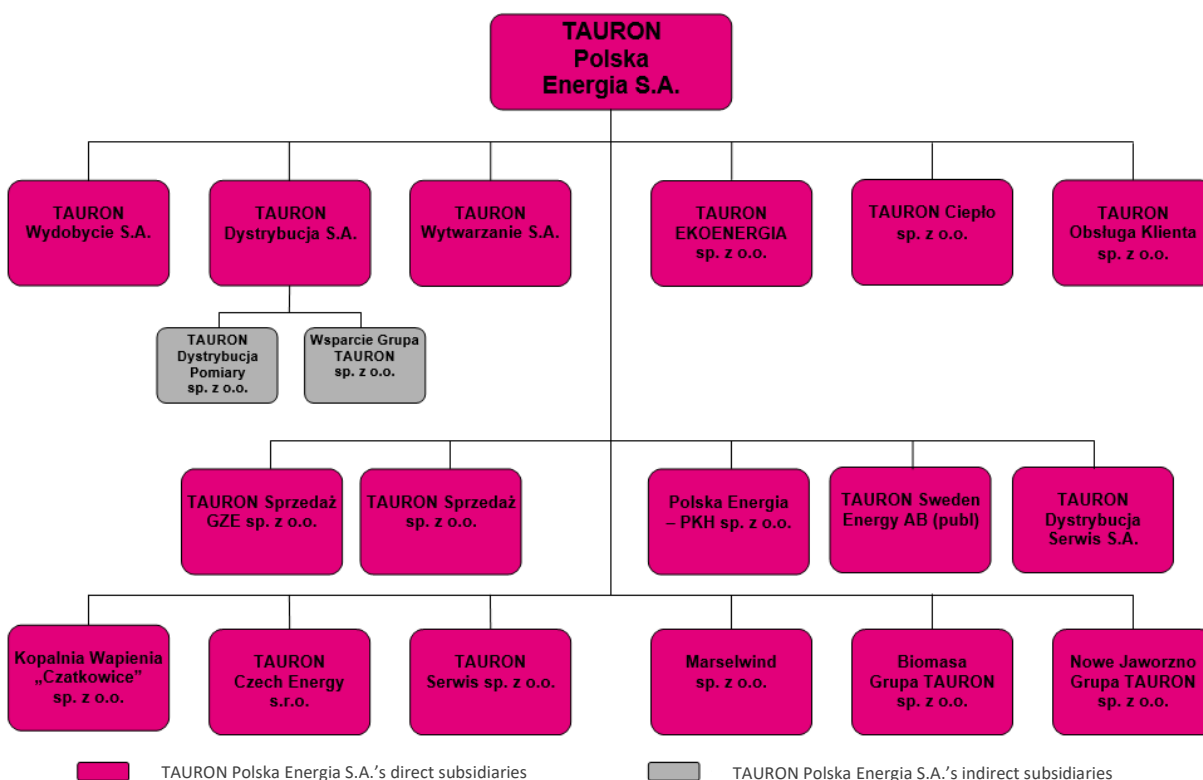
8. TAURON Dystrybucja Serwis S.A.
9. TAURON Dystrybucja Pomiary sp. z o.o.
10. TAURON Sprzedaż sp. z o.o.
11. TAURON Sprzedaż GZE sp. z o.o.
12. TAURON Czech Energy s.r.o.
13. TAURON Obsługa Klienta sp. z o.o.
14. Kopalnia Wapienia „Czatkowice” sp. z o.o.
15. Polska Energia – Pierwsza Kompania Handlowa sp. z o.o.
16. TAURON Sweden Energy AB (publ)
17. Biomasa Grupa TAURON sp. z o.o.
18. TAURON Serwis sp. z o.o.
19. Wsparcie Grupa TAURON sp. z o.o.

TAURON Capital Group also holds stakes in joint ventures: Elektrociepłownia Stalowa Wola S.A. and TAMEH HOLDING sp. z o.o. Capital Group (composed of TAMEH HOLDING sp. z o.o., holding a 100% stake in the capital and the governing body of the subsidiaries: TAMEH POLSKA sp. z o.o. and TAMEH Czech s.r.o.), that are valued using the equity method in the consolidated financial statements.

1.3 TAURON Capital Group and material changes to its structure

The below figure presents TAURON Capital Group’s structure, including the subsidiaries subject to consolidation, as of March 31, 2018.

TAURON Capital Group’s structure, including the subsidiaries subject to consolidation, as of March 31, 2018



TAURON Capital Group also holds stakes in joint ventures: Elektrociepłownia Stalowa Wola S.A. and TAMEH HOLDING sp. z o.o., TAMEH POLSKA sp. z o.o. and TAMEH Czech s.r.o. (TAMEH Czech) that are valued using the equity method in the consolidated financial statements.

Changes to TAURON Capital Group's organization

Increase of the share capital of ElectroMobility Poland S.A.

On January 3, 2018 the Extraordinary General Meeting of the Shareholders of ElectroMobility Poland S.A. passed a resolution on increasing the company's share capital from PLN 10 000 000 to PLN 30 000 000, i.e. by PLN 20 000 000, by way of increasing the nominal value of the existing shares from PLN 1 000 per share up to PLN 3 000 per share, as part of which TAURON Polska Energia S.A. took up, in proportion to the shares held, the increased nominal value of 2 500 shares held from the total amount of PLN 2 500 000 up to the total amount of PLN 7 500 000, i.e. in the total amount of PLN 5 000 000.

The increase of the share capital was registered in the National Court Register (KRS) on April 23, 2018.

Increase of the share capital of Magenta Grupa TAURON sp. z o.o.

On January 11, 2018, the District Court for Katowice – Wschód, 8th Commercial Department, registered in the National Court Register an increase in the share capital of Magenta Grupa TAURON sp. z o.o., passed by the Extraordinary General Meeting of the company's shareholders on October 24, 2017. The subsidiary's share capital was increased from PLN 500 000 to PLN 1 500 000, i.e. by PLN 1 000 000, by way of issuance of 20 000 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 1 000 000. All of the new shares were taken up by the subsidiary's existing sole shareholder, i.e. TAURON Polska Energia S.A. at the price of PLN 450 per share, i.e. for the total amount of PLN 9 000 000.

The surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 400 per each new share, i.e. in the total amount of PLN 8 000 000, was allocated to the company's spare capital.

Increase of the share capital of En-Energia II sp. z o.o.

On January 22, 2018, the District Court for Katowice – Wschód, 8th Commercial Department, registered in the National Court Register an increase in the share capital of En-Energia II sp. z o.o., passed by the Extraordinary General Meeting of the company's shareholders on December 15, 2017. The subsidiary's share capital was increased from PLN 5 000 to PLN 5 800, i.e. by PLN 800, by way of issuance of 16 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 800. All of the new shares were taken up by TAURON Polska Energia S.A. at the price of PLN 5 000 per share, i.e. for the total amount of PLN 80 000.

The surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 4 950 per each new share, i.e. in the total amount of PLN 79 200, was allocated to the company's spare capital.

Increase of the share capital of En-Energia I sp. z o.o.

On January 24, 2018, the District Court for Katowice – Wschód, 8th Commercial Department, registered in the National Court Register an increase in the share capital of En-Energia I sp. z o.o., passed by the Extraordinary General Meeting of the company's shareholders on December 15, 2017. The subsidiary's share capital was increased from PLN 5 000 to PLN 5 800, i.e. by PLN 800, by way of issuance of 16 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 800. All of the new shares were taken up by TAURON at the price of PLN 5 000 per share, i.e. for the total amount of PLN 80 000.

The surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 4 950 per each new share, i.e. in the total amount of PLN 79 200, was allocated to the company's spare capital.

Restoring the share capital of TAURON EKOENERGIA sp. z o.o. to the level from before the company's split.

On January 30, 2018 the District Court for Wrocław - Fabryczna in Wrocław, 9th Commercial Department, registered in the National Court Register a change in the share capital of TAURON EKOENERGIA sp. z o.o., restoring its value to the level from before the company's split by spinning off and transferring to Marselwind sp. z o.o. of the spun off asset components constituting an organized part of the enterprise and the decrease of the share capital of TAURON EKOENERGIA sp. z o.o. related thereto, passed by the Extraordinary General Meeting of the shareholders of TAURON EKOENERGIA sp. z o.o. on February 9, 2015, by way of resolution no. 1/2015. Due to the restoration of the share capital from before the company's split the capital was increased from PLN 444 888 000 to PLN 573 423 000 and the number of shares held by the sole shareholder of the company - TAURON Polska Energia S.A. increased from 444 888 shares to 573 423 shares.

Increase of the share capital of Komfort Zarządzanie Aktywami sp. z o.o.

On February 15, 2018, the District Court for Katowice – Wschód, 8th Commercial Department, registered in the National Court Register an increase in the share capital of Komfort Zarządzanie Aktywami passed by the Extraordinary General Meeting of the company's shareholders on December 8, 2017. The subsidiary's share capital was increased from PLN 5 000 to PLN 52 500, i.e. by PLN 47 500, by way of issuance of 950 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 47 500. All of the new shares were taken up by the existing sole shareholder of the company - TAURON Dystrybucja Pomiarów at the price of PLN 100 per share, i.e. for the total amount of PLN 95 000, where the surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 50 per each new share, i.e. in the total amount of PLN 47 500, was allocated to the company's spare capital.

Increase of the share capital of En-Energia IV sp. z o.o.

On February 26, 2018, the District Court for Katowice – Wschód, 8th Commercial Department, registered in the National Court Register an increase in the share capital of En-Energia IV sp. z o.o., passed by the Extraordinary General Meeting of the company's shareholders on December 15, 2017. The subsidiary's share capital was increased from PLN 5 000 to PLN 5 800, i.e. by PLN 800, by way of issuance of 16 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 800. All of the new shares were taken up by TAURON Polska Energia S.A. at the price of PLN 5 000 per share, i.e. for the total amount of PLN 80 000.

The surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 4 950 per each new share, i.e. in the total amount of PLN 79 200, was allocated to the company's spare capital.

Contribution of additional payments to the capital of Polska Energia – Pierwsza Kompania Handlowa sp. z o.o.

On March 1, 2018, the Extraordinary General Meeting of the shareholders of Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. passed a resolution on contributing by the company's sole shareholder, i.e. TAURON Polska Energia S.A., of additional payments in the amount equal to 1.25 times the nominal value of each share, i.e. in the amount of PLN 7 500 to each share held, i.e. in the total amount of PLN 6 000 thou.

The funds (additional payments) were contributed by TAURON Polska Energia S.A. on March 7, 2018.

Increase of the share capital of TAURON EKOENERGIA sp. z o.o.

On March 2, 2018, the District Court for Wrocław – Fabryczna in Wrocław, 9th Commercial Department, registered in the National Court Register an increase in the share capital of TAURON EKOENERGIA sp. z o.o. passed by the Extraordinary General Meeting of the company's shareholders on October 24, 2017. The subsidiary's share capital was increased by PLN 10 000 000 by way of issuing 10 000 new shares with the nominal value of PLN 1 000 each and the total nominal value of PLN 10 000 000. All the new shares were taken up by the existing sole shareholder of the company - TAURON Polska Energia S.A. at the price of PLN 100 000 per share, i.e. for the total amount of PLN 1 000 000 000, where the surplus of the price of

taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 99 000 per each new share, i.e. in the total amount of PLN 990 000 000, was allocated to the company's spare capital.

Increase of the share capital of En-Energia III sp. z o.o.

On March 8, 2018, the District Court for Katowice – Wschód, 8th Commercial Department, registered in the National Court Register an increase in the share capital of En-Energia III sp. z o.o passed by the the Extraordinary General Meeting of the company's shareholders on December 15, 2017. The subsidiary's share capital was increased by from PLN 5 000 to PLN 5 800, i.e. by PLN 800, by way of issuing 10 000 new shares with the nominal value of PLN 1 000 each and the total nominal value of PLN 10 000 000. All of the new shares were taken up by TAURON at the price of PLN 5 000 per share, i.e. for the total amount of PLN 80 000.

The surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 4 950 per each new share, i.e. in the total amount of PLN 79 200 was allocated to the company's spare capital.

Increase of the share capital of Nowe Jaworzno Grupa TAURON sp. z o.o.

On March 29, 2018, the Extraordinary General Meeting of the Shareholders of Nowe Jaworzno Grupa TAURON sp. z o.o. passed a resolution on increasing the company's share capital by PLN 3 500 000 by way of issuance of 70 000 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 3 500 000. All of the new shares were taken up by the existing sole shareholder of the company - TAURON Polska Energia S.A. at the price of PLN 5 000 per share, i.e. for the total amount of PLN 350 000 000.

The surplus of the price of taking up each new share in the company's increased share capital above its nominal value in the amount of PLN 4 950 per each new share, i.e. in the total amount of PLN 346 500 000, was allocated to the company's spare capital.

The increase of the share capital of Nowe Jaworzno Grupa TAURON Sp. z o.o. was registered in the National Court Register (KRS) on April 27, 2018.

Increase of the share capital of TAURON Wydobycie S.A.

On April 26, 2018, the Extraordinary General Meeting of TAURON Wydobycie S.A. passed a resolution on increasing the company's share capital from PLN 357 110 780.00 to PLN 360 510 780.00, i.e. by PLN 3 400 000.00 by way of issuance of 340 000 new registered shares with the nominal value of PLN 10.00 per share, i.e. with the total nominal value of PLN 3 400 000.00. All of the shares will be taken up by TAURON Polska Energia S.A. at the price of PLN 1 000 per share, i.e. for the total amount of PLN 340 000 000.00, where the surplus of the price of taking up each new share in the company's increased share capital above their nominal value in the total amount of PLN 336 600 000.00 will be allocated to the company's spare capital.

2. Basic information on TAURON Polska Energia

2.1 Composition of the Management Board and the Supervisory Board of TAURON Polska Energia

Composition of the Management Board as of March 31, 2018 and as of the day of publishing this information:

- | | |
|----------------------|---|
| 1. Filip Grzegorzcyk | - President of the Management Board |
| 2. Jarosław Broda | - Vice-President of the Management Board for Asset Management and Development |
| 3. Kamil Kamiński | - Vice-President of the Management Board for Customer and Corporate Support |

4. Marek Wadowski - Vice-President of the Management Board for Finance

Changes to the Management Board's composition in Q1 2018 and by the day of publishing this information

No changes to the Management Board's composition took place in Q1 2018 and by the day of publishing this information.

Composition of the Supervisory Board as of March 31, 2018:

- | | |
|---------------------------------|---|
| 1. Beata Chłodzińska | - Chair of the Supervisory Board |
| 2. Teresa Famulska | - Deputy Chair of the Supervisory Board |
| 3. Jacek Szyke | - Secretary of the Supervisory Board |
| 4. Radosław Domagalski-Łabędzki | - Member of the Supervisory Board |
| 5. Barbara Łasak-Jarszak | - Member of the Supervisory Board |
| 6. Paweł Pampuszko | - Member of the Supervisory Board |
| 7. Jan Płudowski | - Member of the Supervisory Board |
| 8. Agnieszka Woźniak | - Member of the Supervisory Board |

Composition of the Supervisory Board as of the day of publishing this information:

- | | |
|---------------------------------|---|
| 1. Beata Chłodzińska | - Chair of the Supervisory Board |
| 2. Teresa Famulska | - Deputy Chair of the Supervisory Board |
| 3. Jacek Szyke | - Secretary of the Supervisory Board |
| 4. Radosław Domagalski-Łabędzki | - Member of the Supervisory Board |
| 5. Barbara Łasak-Jarszak | - Member of the Supervisory Board |
| 6. Paweł Pampuszko | - Member of the Supervisory Board |
| 7. Jan Płudowski | - Member of the Supervisory Board |
| 8. Marcin Szlenk | - Member of the Supervisory Board |
| 9. Agnieszka Woźniak | - Member of the Supervisory Board |

Changes to the Supervisory Board's composition in Q1 2018 and by the day of publishing this information

No changes to the Supervisory Board's composition took place in Q1 2018. On April 16, 2018, the Ordinary General Meeting of the Company appointed Mr. Marcin Szlenk to the Company's Supervisory Board of the 5th term.

2.2 Structure of the share capital

As of March 31, 2018, the share capital of TAURON Polska Energia S.A. amounted to PLN 8 762 746 970.00 and it was divided into 1 752 549 394 shares with the nominal value of PLN 5.00 per share, including 1 589 438 762 ordinary bearer shares of AA series and 163 110 632 ordinary registered shares of BB series.

2.3 Shareholders holding at least 5% of the total number of votes

In accordance with the notifications received from the Company, as of the date of publishing this interim report, i.e. as of May 16, 2018, the structure of shareholders holding at least 5 per cent of the total number of votes at the General Meeting of the Company, either directly or indirectly, through subsidiaries, is as follows:

Structure of shareholders of TAURON Polska Energia

Shareholders	Number of shares held	Percentage share in share capital	Number of votes held	Percentage share in the total number of votes
State Treasury	526 848 384*	30.06%	526 848 384	30.06%
KGHM Polska Miedź S.A.	182 110 566**	10.39%	182 110 566	10.39%
Nationale-Nederlanden Otwarty Fundusz Emerytalny (Open Pension Fund)	88 742 929***	5.06%	88 742 929	5.06%

*in accordance with the shareholder's notification of February 28, 2013

**in accordance with the shareholder's notification of March 23, 2011

***in accordance with the shareholder's notification of December 28, 2011

Since the day of publishing the previous periodical report, i.e. since March 13, 2018, until the day of publishing this report there were no changes in the ownership structure of substantial blocks of the Company's shares.

2.4 List of shareholdings by members of the Management Board and the Supervisory Board

Members of the Management Board

As of the day of publishing this quarterly report i.e. as of May 16, 2018, the members of TAURON Polska Energia's Management Board did not hold any shares or rights to the Company's shares. Since the day of publishing the previous periodical report, i.e. since March 13, 2018, until the day of publishing this report there were no changes to the number of shares or rights to the Company's shares held by the members of the Management Board.

Members of the Supervisory Board

As of the day of publishing this quarterly report i.e. as of May 16, 2018, the members of TAURON Polska Energia's Supervisory Board did not hold any shares or rights to the Company's shares. Since the day of publishing the previous periodical report, i.e. since March 13, 2018, until the day of publishing this report there were no changes to the number of shares or rights to the Company's shares held by the members of the Supervisory Board.

2.5 Subject of TAURON Polska Energia's operations

TAURON Polska Energia's core business operations include:

- 1) operations of head offices and holding companies, excluding financial holding companies (PKD 70.10 Z),
- 2) electricity trading (PKD 35.14 Z),
- 3) fuels and derivative products wholesale trading (coal and biomass trading) (PKD 46.71 Z),
- 4) gas fuel trading (PKD 35.23 Z).

As a parent entity TAURON is performing the consolidation and management function within TAURON Capital Group.

The Company's core operations, besides managing TAURON Capital Group, include wholesale trading of electricity and electricity related products, gas, CO2 emission allowances and production fuels in order to maximize the financial results from the operations conducted in this area.

As a result of implementing its business model and centralizing functions TAURON concentrated many competences related to TAURON Capital Group's subsidiaries' operations and it currently carries out operations, among others, in the following areas:

- 1) wholesale trading of electricity and electricity related products, in particular with respect to commercial services provided to the subsidiaries, securing the needs with regard to fuels, including gas fuel, CO2 emission allowances and certificates of electricity origin,
- 2) procurement management,
- 3) finance management,
- 4) corporate risk management,
- 5) IT model management,
- 6) coordinating research and development works carried out by TAURON Capital Group,
- 7) advisory services with respect to accounting and taxes,
- 8) legal services,
- 9) audit.

The above functions are gradually downsized at TAURON Capital Group's subsidiaries. The centralization is aimed at improving TAURON Capital Group's efficiency.

The Company's priority is to focus on purchasing and selling of electricity for the needs of hedging the buy and sell positions of TAURON Capital Group's subsidiaries and on proprietary wholesale electricity trading. Electricity sales performed by the Company during the first quarter of 2018 were mainly to the following subsidiaries: TAURON Sprzedaż and TAURON Sprzedaż GZE.

Electricity trading, both for the needs of entities that are members of TAURON Capital Group as well as proprietary trading, is carried out mainly on the Polish Power Exchange (Towarowa Giełda Energii S.A.) and on brokerage platforms operating on the Polish market. Additionally, the Company is trading in electricity contracts on the European Energy Exchange (EEX) and by carrying out electricity trading on the available international links it is present on the most important European spot and intraday wholesale markets - EPEX spot and NordPool spot.

TAURON's competences also include management, for the needs of TAURON Capital Group, of certificates of origin that constitute a confirmation of electricity generation from renewable sources, including from the ones that use agricultural biogas, using high-efficiency co-generation, gas-fired co-generation, mining methane-fired or biomass-gas fired co-generation.

The Company is a competence center with respect to management and trading in CO2 emission allowances for TAURON Capital Group's subsidiaries. Due to the centralization of trading in emission allowances a synergy effect was obtained that involves optimizing the costs of using the resources of entities that are members of TAURON Capital Group. Along with the centralization of this function at TAURON the Company is responsible for clearing CO2 emission allowances on behalf of its subsidiaries, securing the emission needs of its subsidiaries taking into account the allowances allocated and the

support in the process of acquiring the allowance quotas for the subsequent periods. In order to accomplish the above mentioned goals the Company is an active participant of trading in CO2 emission allowances.

In addition, TAURON also acts as a Market Operator (maker) and the entity responsible for trade balancing for TAURON Capital Group's subsidiaries and for external customers with respect to electricity. The function of the Market Operator and the entity responsible for trade balancing is performed based on the transmission Agreement concluded with the Transmission System Operator (TSO) – PSE. The Company currently holds exclusive generation capacity with respect to meeting trading and technical requirements, is responsible for optimizing generation, i.e. selecting generation units for operation as well as for the relevant distribution of loads in order to perform the contracts concluded, taking into account technical conditions of the generation units, grid constraints and other factors, under various time horizons. As part of services provided for the Generation segment the Company participates in preparing overhaul schedules, available (dispatchable) capacity schedules as well as production plans for the generation units, under various time horizons, as well as in agreeing them with the relevant grid operator.

In accordance with the adopted business model TAURON is performing the management function with respect to production fuel procurement management for the needs of TAURON Capital Group's generation entities.

In the first quarter of 2018 approximately 53% of coal supplies for electricity and heat production was satisfied by coal from TAURON Capital Group's own coal mines. The balance of the demand was covered from external sources.

The Company is expanding its operations with respect to trading in gas fuel. With respect to gas wholesale trading TAURON has been an active participant of the gas market since obtaining the license in 2012. It is actively conducting trading operations on the domestic market, i.e. on the Polish Power Exchange (Towarowa Giełda Energii S.A.) and on the OTC market. The Company is also conducting trading operations on the European natural gas market.

Furthermore, the Company is conducting trading operations in the Gasoil Futures contracts based on the valuations of the diesel oil. The product is available on the ICE Futures Europe platform that TAURON has been a member of since 2012. The Gasoil contracts can be used by the market participants both as a hedging instrument as well as a trading tool. The Gasoil products are characterized by high liquidity and contract prices are a price reference for all the trade distillates in Europe and beyond.

Moreover, the Company is trading in crude oil market products: Brent Crude, WTI Crude, the pricing of which is tied to oil prices, and Heating Oil – a product priced based on the heating oil quotations. With respect to the above mentioned products trading is focused not only on trading in individual contracts (outright) but also on trading in spreads, created both between given products as well as calendar spreads that correspond to the dates of settling (clearing) individual contracts.

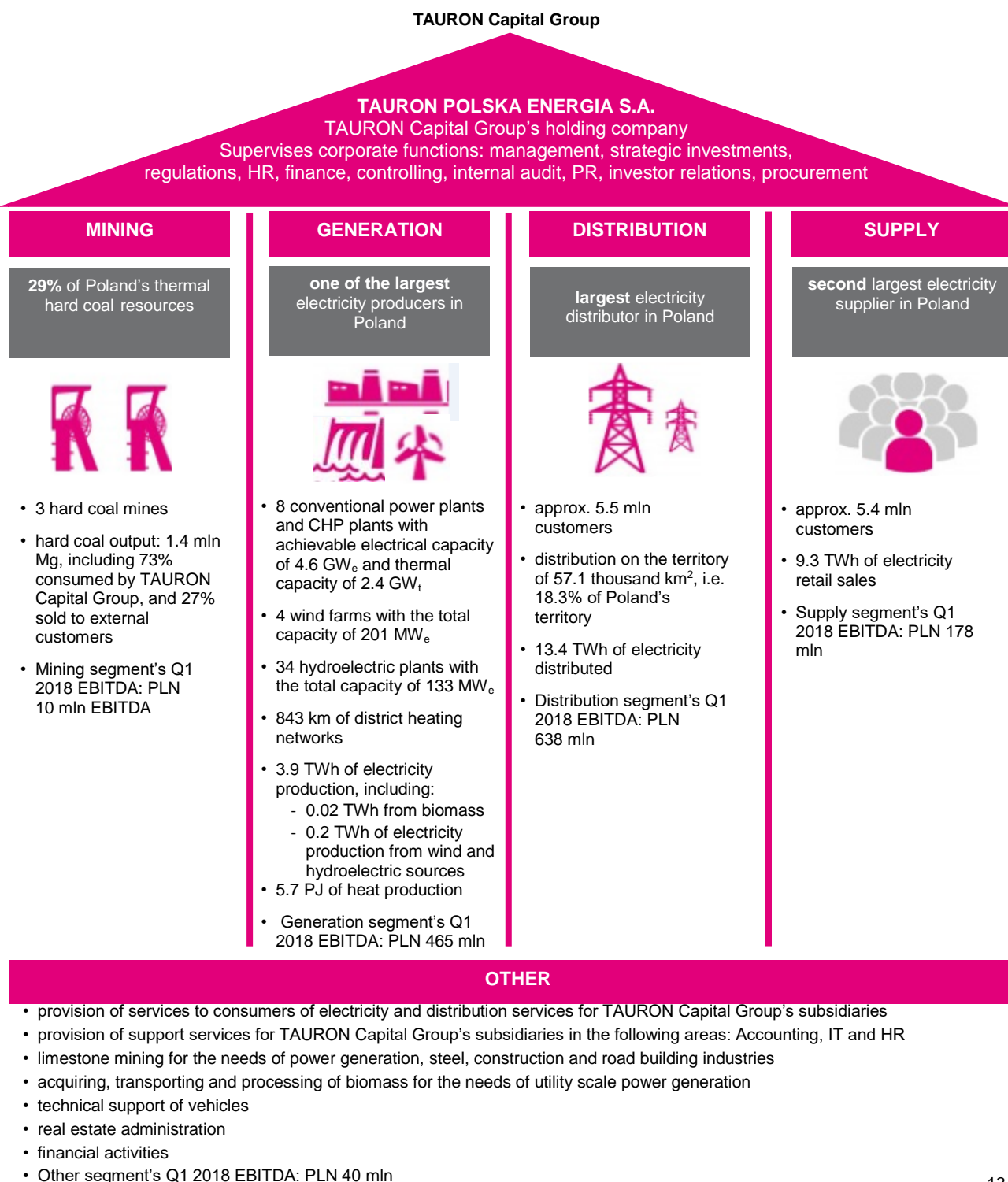
The Company is present on the most important European wholesale gas markets within the areas of Gaspool, New Connect Germany (NCG) and Tittle Transfer Facility (TTF) hubs. Through PRISMA and GSA auction platforms the Company purchases interconnector capacity enabling cross-border trading in gas and physical deliveries of gas for the needs of TAURON Capital Group's subsidiaries and consumers. TAURON Capital Group's competences with respect to gas sales are split: TAURON conducts wholesale gas trading on the domestic and European markets through access to exchanges and sources of gas, while TAURON Sprzedaż conducts comprehensive gas sales to the final consumers.

Due to the implementation of the new Strategy the mass market has become an important area of the Company's operations. The Company is expanding its competences by planning the retail market sales, developing a range of products and services as well as tools to support the sales process on this market. Activities related to research and development are also an important element associated with this area.

3. TAURON Capital Group's operations

3.1 TAURON Capital Group's lines of business (segments)

TAURON Polska Energia Capital Group is a vertically integrated energy group located in the south of Poland. TAURON Capital Group conducts its operations in all key segments of the energy market (excluding electricity transmission which is the sole responsibility of the Transmission System Operator (TSO)), i.e. hard coal mining as well as electricity and heat generation, distribution and trading.



For the needs of reporting TAURON Capital Group's results from operations TAURON Group's operations are split into the following five Segments, hereinafter also referred to as Lines of Business:



Mining segment, comprising mainly hard coal mining, enriching and selling in Poland with such operations conducted by TAURON Wydobycie S.A. (TAURON Wydobycie).



Generation segment, comprising mainly electricity generation using conventional sources, including co-generation, as well as electricity generation from renewable energy sources, including biomass burning and co-firing, and hydroelectric power plants and wind farms. The segment also includes heat generation, distribution and supply. This segment's operations are conducted by TAURON Wytwarzanie S.A. (TAURON Wytwarzanie), TAURON Ciepło sp. z o.o. (TAURON Ciepło) and TAURON EKOENERGIA sp. z o.o. (TAURON EKOENERGIA). The segment also includes TAURON Serwis sp. z o.o. (TAURON Serwis) subsidiary, dealing primarily with the overhauls of the generation equipment, and Nowe Jaworzno Grupa TAURON Sp. z o.o. (Nowe Jaworzno GT) responsible for the construction of the new power generation unit at Jaworzno



Distribution segment, comprising electricity distribution using the distribution grids located in the south of Poland. The operations are conducted by TAURON Dystrybucja S.A. (TAURON Dystrybucja). This segment also includes the following subsidiaries: TAURON Dystrybucja Serwis S.A. (TAURON Dystrybucja Serwis) and TAURON Dystrybucja Pomiary sp. z o.o. (TAURON Dystrybucja Pomiary).



Supply segment, comprising electricity and natural gas supply to the final consumers and wholesale trading of electricity, natural gas and related products, as well as trading and management of CO₂ emission allowances, property rights arising from certificates of origin confirming electricity generation from renewable sources and in cogeneration as well as property rights arising from energy efficiency certificates and fuels. The operations in this segment are conducted by the following subsidiaries: TAURON Polska Energia S.A. (TAURON or the Company), TAURON Sprzedaż sp. z o.o. (TAURON Sprzedaż), TAURON Sprzedaż GZE sp. z o.o. (TAURON Sprzedaż GZE) and TAURON Czech Energy s.r.o. (TAURON Czech Energy).

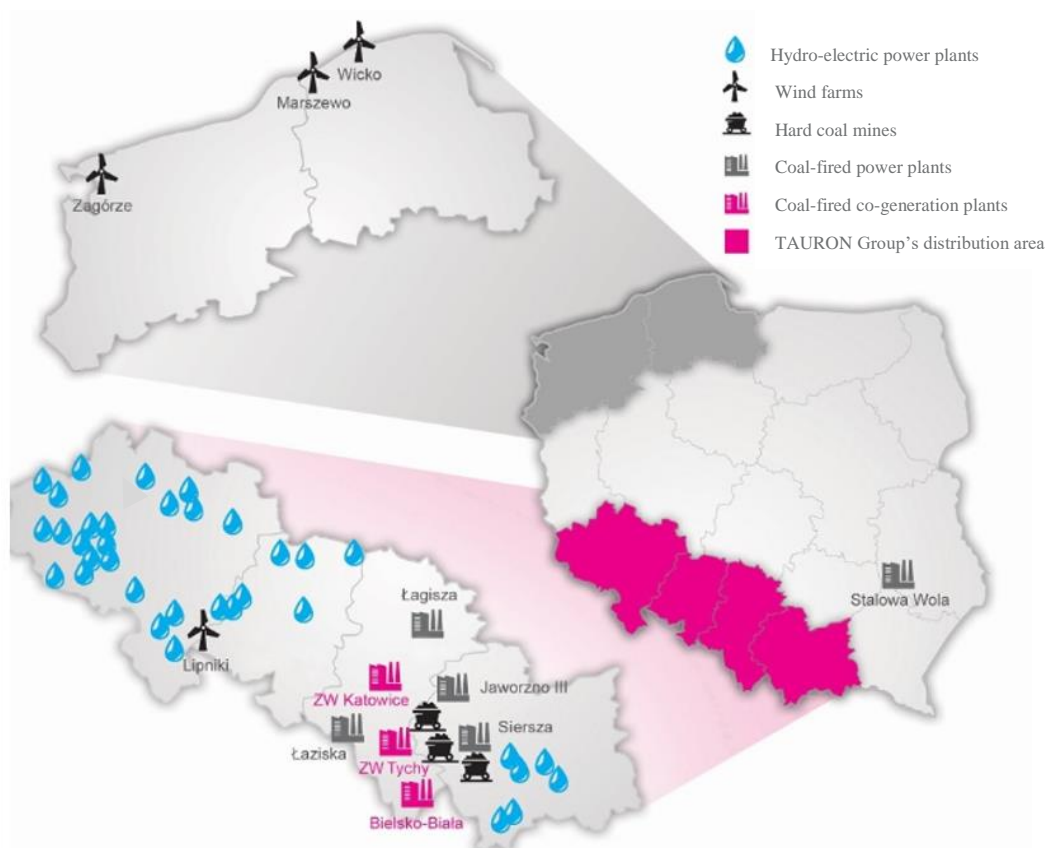


Other operations, comprising, among others, customer service for TAURON Capital Group's customers, provision of support services for TAURON Capital Group's subsidiaries with respect to accounting, HR and ICT, conducted by TAURON Obsługa Klienta sp. z o.o. (TAURON Obsługa Klienta) subsidiary, as well as operations related to extraction of stone, including limestone, for the needs of power generation, steel, construction and road building industries as well as production of sorbing agents for wet flue gas desulphurization installations and for use in fluidized bed boilers, carried out by Kopalnia Wapienia "Czatkowice" sp. z o.o. (KW Czatkowice) subsidiary. This segment also includes the following subsidiaries: TAURON Sweden Energy AB (publ) (TAURON Sweden Energy), dealing with financial operations, Biomasa Grupa TAURON sp. z o.o., (Biomasa Grupa TAURON), dealing mainly with biomass acquisition, transportation and processing, Wsparcie Grupa TAURON sp. z o.o. (Wsparcie Grupa TAURON, formerly: KOMFORT-ZET sp. z o.o.) dealing primarily with real estate administration as well as the technical support of vehicles and Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. (PEPKH).

TAURON Capital Group conducts its operations and generates its revenue mainly from electricity and heat supply and distribution, electricity and heat generation, as well as from hard coal sales.

The below figure presents the location of TAURON Capital Group's key assets as well as the distribution area where TAURON Dystrybucja conducts operations as the Distribution System Operator.

Location of TAURON Capital Group's key assets



3.2 Implementation of TAURON Capital Group's capital expenditures program

Key strategic investment projects underway

The below table presents the activities carried out by TAURON Capital Group by March 31, 2018 in connection with the implementation of the key strategic investment projects.

Key strategic investment projects' work progress

#	Investment project	Work progress
1.	<p>Construction of a 449 MWe CCGT unit, including a 240 MWt heat generation component at Stalowa Wola (Project implemented jointly with the strategic partner - Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG))</p> <p>Contractor: the contract with Abener Energia S.A. was terminated. The project's completion is envisaged under the EPCM formula (contract manager) with a consortium of companies Energoprojekt Katowice – Energopomiar Gliwice.</p> <p>Planned project completion date: 2019</p> <p>Work progress: 86%</p> <p>Expenditures incurred: PLN 1 040.1 mln</p>	<p>Maintenance works were conducted on installed machines and devices on an ongoing basis, works related to the startup of the auxiliary devices were conducted, power supply was provided to the unit's switchgears and negotiations with the suppliers and sub-suppliers of the main devices were conducted. The concept of the project's completion under the contract manager - EPCM formula and the contractors' contracting was prepared.</p> <p>EPCM service agreement with the Energopomiar Gliwice - Energoprojekt Katowice consortium was concluded. EPCM commenced performance of the services. In December 2017 ECSW announced, with the EPCM support, the first proceeding aimed at selecting the critical path contractor – startup group. Another tender proceeding was announced in March 2018.</p> <p>The proceeding aimed at selecting the contractor to construct the cooling water's duct was completed. IDS-BUD S.A. was selected. The contractor is carrying out works at the construction site.</p> <p>In conjunction with the decision on the construction of the backup</p>

# Investment project	Work progress
	<p>heat source a proceeding to select a general contractor was announced.</p> <p>All liabilities under ECSW's loan agreements towards the financing banks (EIB, EBRD, Pekao) were repaid. Upon the crediting of the financing institutions' bank accounts the suspending conditions were met and at the same time the documents came into force, i.e. the agreement on establishing the basic boundary conditions of the project's restructuring among TAURON, PGNiG and ECSW, the amendment to the electricity sale agreement among TAURON, PGNiG and ECSW and the amendment to the gas fuel supply agreement between PGNiG and ECSW.</p> <p>On March 8, 2018 Bank Gospodarstwa Krajowego and the project's partner (PGNiG) granted a loan to ECSW in the total amount of PLN 900 mln.</p>
<p>2. Construction of a new 910 MW_e power generation unit for supercritical parameters at Jaworzno III Power Plant (TAURON Wytwarzanie)</p> <p>Contractor: RAFAKO S.A. and MOSTOSTAL WARSZAWA S.A. Consortium</p> <p>Planned project completion date: 2019</p> <p>Work progress: 61%</p> <p>Expenditures incurred: PLN 3 520 mln</p>	<p>In Q1 2018 a key element of the implementation of the construction was the reporting by the General Contractor of the readiness to conduct the boiler water test. The boiler water test was completed in April with a positive result.</p> <p>On March 28, 2018 TAURON Polska Energia signed with Investment Funds managed by the Polish Development Fund (Polski Fundusz Rozwoju - PFR) an investment agreement and a shareholder agreement defining the terms of engagement in the implementation of the construction of a 910 MW power generation unit at Jaworzno. PFR will invest up to PLN 880 mln in the project.</p> <p>In Q1 the focus was on installing the unit's technological process related parts and continuing the construction works. The installation of the boiler room's roof was completed. The construction of the building's siding (panels) enclosure and the installation of the technological process related components such as: air and flue gases ducts, dust mixture ducts, flue gases denitrification system, coal mills, carburization system and piping, were continued. Installation works were conducted in the machine room with respect to the turbine set, pipelines, condensate polishing station and ion exchange regeneration station as well as electrical systems' installation works were continued. Construction works, finishing works and installation of the equipment was continued with respect to the electrical devices' building and the unit's control room. The erection of the technological process related installations (systems) was conducted as part of the cooling tower. The installation of the technological process related components and the electrical part was continued at the cooling water pump station building and at the water conditioning (treatment) station. With respect to the FGD (Flue Gases Desulphurization) system construction works related to the Eurosiló gypsum storage buildings, limestone powder tanks, wastewater treatment plant, absorber pumping station and electrical switchgear were conducted. Also, the installation of the technological process related absorber equipment (furnishing), absorber pumping station, emergency drainage tank, Eurosiló and limestone powder tanks was continued.</p> <p>Installation and construction works with respect to the auxiliary and accompanying systems were continued with respect to: carburization, de-ashing, compressed air system, piping flyovers (bridges), water treatment and wastewater purification station, ignition oil system, office building, telecommunications network, water supply (feeding) system and power take-off system.</p>
<p>3. Construction of the "Grzegorz" shaft (TAURON Wydobyćie) including the infrastructure (above the ground and underground) and the accompanying headings</p> <p>Contractor: KOPEX Przedsiębiorstwo Budowy Szybów S.A. FAMUR Pemug Sp. z o.o. (main task – Stage I), LINTER S.A. Consortium</p> <p>Planned project completion date: 2023</p> <p>Work progress: 20%</p>	<p>Works related to excavating the heading (adit) to the "Grzegorz" shaft on the 540 m level were continued.</p> <p>General Contractor of the construction of the shaft, including the above the ground infrastructure, was selected - KOPEX Przedsiębiorstwo Budowy Szybów S.A. and Famur Pemug Sp. z o.o. The construction site was handed over to the General Contractor. The Contractor prepared the ground freezing plate, completed ground drainage and began drilling freezing holes.</p>

#	Investment project	Work progress
Expenditures incurred: PLN 110.1 mln		
4.	<p>Construction of the 800 m level at Janina Coal Mine in Libiąż (TAURON Wydobyćie).</p> <p>Contractor: Mostostal Zabrze GPBP S.A. and SIEMAG TECBERG POLSKA S.A. consortium (construction of the ultimate above the ground and underground infrastructure including the Janina VI shaft mine shaft elevator), KOPEX S.A. i KOPEX Przedsiębiorstwo Budowy Szybów S.A. (task completed – shaft drilling)</p> <p>Planned project completion date: 2020</p> <p>Work progress: 58%</p> <p>Expenditures incurred: PLN 299.9 mln</p>	<p>Works associated with shaft deepening, construction and furnishing were completed. The horizontal headings drilling on the 800 m level is underway. The contractor to complete the construction of the shaft's above the ground and underground infrastructure, including the mine shaft elevator, was selected, design agreements are being worked on prior to the handover of the construction site.</p>
5.	<p>Brzeszcze CAPEX Program</p> <p>Contractors: TRANS-JAN, FAMUR and KOPEX Machinery consortium, FAMUR and KPRGiBSz consortium, MAS and Carbospec consortium</p> <p>Planned program completion date: 2025</p> <p>Work progress: 29%</p> <p>Expenditures incurred: PLN 153,9 mln</p>	<p>A new wall shearer in the 510 seam was launched. The works related to the alteration of the ventilation excavations are continued. The primary compressor station as well as the water and ash mixture dumping station were commissioned. The mine's upgraded Mining Rescue Station was commissioned and the mine dewatering system was upgraded. The reactive power compensation was completed.</p>
6.	<p>Implementing heat production at unit no. 10 and construction of peaking and backup boilers at Łagisza Power Plant</p> <p>Contractor: proceedings to select General Contractors to carry out individual scopes are underway.</p> <p>Planned project completion date: 2020</p> <p>Work progress: 14%</p> <p>Expenditures incurred: PLN 0.5 mln</p>	<p>The project's goal is to adapt unit no. 10 at Łagisza Power Plant to produce heat by upgrading the turbine and installing heat-producing heaters at unit no. 10's turbine, in order to heat heating water using the steam extracted from the turbine's flow section and upgrading the heating station. Securing of the heat supply during the peak demand and/or during the scheduled or emergency shutdown of unit no. 10 from operation will be carried out as part of the construction of the peaking and backup boilers.</p> <p>All of the main tender proceedings to select contractors to carry out individual tasks have been announced. Currently preparations are underway to announce the proceeding to select the Contract Engineer is underway.</p>
7.	<p>Low Emission Elimination Program (PLNE – Program Likwidacji Niskiej Emisji) on the territory of the Silesia and Dąbrowa conurbation</p> <p>Contractors: Contractors are being selected to carry out individual projects.</p> <p>Planned project completion date: 2023</p> <p>Work progress: 4%</p> <p>Expenditures incurred: PLN 5.0 mln</p>	<p>The program is carried out on the territory of the following cities: Będzin, Chorzów, Czeladź, Dąbrowa Górnicza, Katowice, Siemianowice Śląskie, Sosnowiec, Świętochłowice.</p> <p>The scope of the project includes construction and alteration of the district heating networks: transmission ones, housing estate ones and connections, as well as construction of heating nodes to the extent required to connect heat consumers. Connecting of 183 MWt of thermal capacity to the district heating network as well as an expansion of heat supply and distribution is planned. The program's goal is to reduce smog in the Silesia and Dąbrowa conurbation.</p> <p>TAURON Ciepło signed a funding agreement for the amount of approximately PLN 141 mln. The total funds envisaged to carry out the program amount to approximately PLN 250 mln.</p> <p>Connections of new heat consumers under the program are implemented on an ongoing basis. Currently connection agreements for approximately 15 MW_t have been concluded.</p>

Nuclear power plant construction project

On February 15, 2017 PGE EJ 1's share capital increase was registered in the National Court Register, in line with the resolution passed by the Extraordinary GM of the PGE EJ 1 special purpose vehicle on December 21, 2016. The share capital was increased from PLN 275 859 450 to PLN 310 858 470, i.e. by PLN 34 999 020, by way of issuance of 248 220 new shares with the nominal value of PLN 141 per share and the total nominal value of PLN 34 999 020. TAURON took up 24 822 new shares with the nominal value of PLN 141 per share and the total nominal value of PLN 3 499 902, paid for by cash in the amount of PLN 3 499 902.

On September 3, 2014 TAURON, ENEA S.A. (ENEA) and KGHM Polska Miedź S.A. (Business Partners) concluded the Partners' (Shareholders') Agreement governing the rules of cooperation in the implementation of Poland's first nuclear power plant construction project. On April 15, 2015 the above entities concluded the agreement on the purchase of shares in PGE EJ 1 - a special purpose vehicle responsible for preparing and implementing an investment project involving the construction and operation of a nuclear power plant with the capacity of approximately 3 thousand MWe (Project). Each Business Partner acquired from PGE a 10% stake (30% of shares in total) in the PGE EJ 1 special purpose vehicle. TAURON paid PLN 16 044 000 for the acquired stake. This way one of the commitments under the Partners' Agreement, according to which the parties undertook to jointly, in proportion to the stakes held, finance operations as part of a project milestone, was fulfilled

The Partners' Agreement envisages that the successive decisions related to the project, including the decision on the declaration to further continue participation in a subsequent project stage by the individual parties (including TAURON), will be taken following the completion of the preliminary stage.

PGE EJ 1 was carrying out the scope of works related to conducting environmental and siting research at Żarnowiec and Lubiatowo-Kopalino sites.

Coal gasification project

On April 20, 2017 TAURON and Grupa Azoty S.A. signed a letter of intent defining the general rules of commencing cooperation aimed at implementing the coal gasification project. The letter of intent expressed the readiness of the parties to undertake talks and sign further agreements, including agreements related to setting up a joint special purpose vehicle (SPV) to carry out the project. The letter of intent had been in force until December 31, 2017. In spite of the elapse of the letter's validity term the parties are continuing their cooperation with respect to the project's implementation.

The product of the technological process system that the letter of intent is applicable to is primarily the synthesis gas (syngas) with the composition that would allow using it directly to produce hydrogen, ammonia, methanol or other chemicals. The parties came to the conclusion that the current natural gas consumption in the nitrogen fertilizers manufacturing industry could partly be replaced with the synthesis gas (syngas) obtained as a result of coal gasification. This opens new prospects for the mining industry, increasing Poland's security of electricity supply by developing low emission technology.

TAURON has declared its participation in the project's implementation in accordance with the rules that will be defined by the parties in separate agreements, including assuming selecting and completing an installation that would ensure maximizing the use of hard coal coming from TAURON Capital Group's coal mines. If TAURON is not able to provide appropriate quantity or parameters of coal required by the installation, it shall be permitted to supplement the supply with coal coming from other suppliers.

413 MWe CCGT unit construction project including a 266 MWt, heat production unit at Łagisza Power Plant's site

In September 2016, as part of the priority to ensure TAURON Capital Group's financial stability, the CCGT unit construction project at Łagisza Power Plant was halted. The project's stopping was due to the loss of its business justification. The project continues to maintain the halted project status and it will be possible to resume it in case the regulatory and market environment turns favorable. In Q1 2018 analyses related to a possibility to resume the project in connection with the coming into force of the December 8, 2017 capacity market law were conducted.

Capital expenditures

In Q1 2018 TAURON Capital Group's capital expenditures reached PLN 569 mln and were approx. 10.6% lower than the expenditures incurred in the same period of last year that had reached PLN 636 mln. This is primarily due to the decreased capex in the Generation line of business, while higher capital expenditures were reported in the Mining segment. The capital expenditures in the Distribution line of business were comparable to last year's outlays in this segment.

The below table presents selected capital expenditures incurred in Q1 2018, the highest outlays by value, by TAURON Capital Group's lines of business.

Selected capital expenditures incurred in Q1 2018 by lines of business

Item	Capital expenditures (PLN m)
Distribution	
Existing grid assets' upgrades (refurbishments) and replacements	140
Construction of new connections	116
Generation	
Construction of new capacity at Jaworzno III Power Plant (910 MW)	190
CAPEX on upgrades (refurbishments) and replacements as well as components at TAURON Wytwarzanie	8
New facility connections	4
Connecting facilities heated using low emission sources to the district heating networks	2
Investment projects related to the expansion and maintenance of district heating networks	2
Mining	
Brzeszcze Coal Mine's Investment Program	16
Construction of the "Grzegorz" shaft, including the infrastructure and the accompanying headings	13
Construction of the 800 m level at Janina Coal Mine	7

4. Analysis of TAURON Capital Group's financial position and assets

4.1 Selected financial data of TAURON Polska Energia and TAURON Capital Group

Selected financial data of TAURON Polska Energia and TAURON Capital Group

SELECTED FINANCIAL DATA	in PLN '000		in EUR '000	
	2018 period from 01.01.2018 to 31.03.2018	2017 period from 01.01.2017 to 31.03.2017 <i>(converted data)</i>	2018 period from 01.01.2018 to 31.03.2018	2017 period from 01.01.2017 to 31.03.2017 <i>(converted data)</i>
Selected consolidated financial data of TAURON Polska Energia S.A. Capital Group				
Sales revenue	4 825 532	4 591 081	1 154 876	1 070 407
Operating profit (loss)	875 486	810 794	209 527	189 036
Pre-tax profit (loss)	791 098	819 107	189 330	190 974
Net profit (loss)	636 669	640 535	152 371	149 340
Net profit (loss) attributable to shareholders of the parent company	636 153	639 830	152 248	149 176
Net profit (loss) attributable to non-controlling shares	516	705	123	164
Other total income	(6 895)	(15 565)	(1 650)	(3 629)
Total aggregate income	629 774	624 970	150 721	145 711

TAURON Polska Energia Capital Group
Additional information to the extended and consolidated Q1 2018 report

Total aggregate income attributable to shareholders of the parent company	629 256	624 261	150 597	145 546
Total aggregate income attributable to non-controlling shares	518	709	124	165
Profit per share (in PLN/EUR) (basic and diluted)	0.36	0.37	0.09	0.09
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	663 260	875 703	158 735	204 169
Net cash flows from investing activities	(982 170)	(1 537 015)	(235 059)	(358 354)
Net cash flows from financing activities	(51 946)	452 241	(12 432)	105 440
Increase/(decrease) in net cash and equivalents	(370 856)	(209 071)	(88 756)	(48 745)
	As of 31.03.2018	As of 31.12.2017	As of 31.03.2018	As of 31.12.2017
Fixed assets	30 898 227	31 048 542	7 341 862	7 444 087
Current assets	4 582 568	4 786 474	1 088 884	1 147 588
Total assets	35 480 795	35 835 016	8 430 746	8 591 675
Share capital	8 762 747	8 762 747	2 082 154	2 100 925
Equity attributable to shareholders of the parent company	18 744 706	18 036 446	4 454 011	4 324 354
Equity attributable to non-controlling shares	32 282	31 367	7 671	7 520
Total equity	18 776 988	18 067 813	4 461 682	4 331 874
Long term liabilities	12 219 070	12 738 264	2 903 426	3 054 080
Short term liabilities	4 484 737	5 028 939	1 065 638	1 205 720
Total liabilities	16 703 807	17 767 203	3 969 064	4 259 801
Selected financial data of TAURON Polska Energia S.A. on a standalone basis				
	in PLN '000		in EUR '000	
	2018 period from 01.01.2018 to 31.03.2018	2017 period from 01.01.2017 to 31.03.2017	2018 period from 01.01.2018 to 31.03.2018	2017 period from 01.01.2017 to 31.03.2017
Sales revenue	1 924 505	1 908 605	460 584	444 990
Operating profit (loss)	(30 082)	193 182	(7 199)	45 040
Gross profit (loss)	(40 803)	323 923	(9 765)	75 522
Net profit (loss)	(42 502)	277 713	(10 172)	64 749
Other total income	(10 553)	(3 425)	(2 526)	(799)
Total aggregate income	(53 055)	274 288	(12 698)	63 950
Profit per share (in PLN/EUR) (basic and diluted)	(0,02)	0,16	(0,00)	0,04
Weighted average number of shares (in pcs) (basic and diluted)	1 752 549 394	1 752 549 394	1 752 549 394	1 752 549 394
Net cash flows from operating activities	(28 028)	315 051	(6 708)	73 454
Net cash flows from investing activities	1 066 706	(729 825)	255 291	(170 158)
Net cash flows from financing activities	(51 694)	459 076	(12 372)	107 033
Increase/(decrease) in net cash and equivalents	986 984	44 302	236 211	10 329

	As of 31.03.2018	As of 31.12.2017	As of 31.03.2018	As of 31.12.2017
Fixed assets	26 847 148	27 371 684	6 379 268	6 562 537
Current assets	3 201 621	2 949 690	760 751	707 207
Total assets	30 048 769	30 321 374	7 140 019	7 269 744
Share capital	8 762 747	8 762 747	2 082 154	2 100 925
Equity	16 936 300	17 377 906	4 024 308	4 166 464
Long term liabilities	9 466 663	9 530 787	2 249 415	2 285 067
Short term liabilities	3 645 806	3 412 681	866 296	818 212
Total liabilities	13 112 469	12 943 468	3 115 711	3 103 279

The above Q1 2018 and Q1 2017 financial data was converted into EUR according to the following principles:

- individual items of the statement of financial standing - at the average NBP exchange rate announced on March 30, 2018 - PLN/EUR 4.2085 (as of December 29, 2017 - PLN/EUR 4.1709),
- individual items of the statement of comprehensive income and the statement of cash flows - at the exchange rate representing the arithmetic mean of average NBP exchange rates announced on the last day of each month of the financial period from January 1, 2018 to March 31, 2018 - PLN/EUR 4.1784 (for the period from January 1, 2017 to March 31, 2017: PLN/EUR 4.2891).

4.2 Key operating data of TAURON Capital Group

In Q1 2018 TAURON Capital Group posted the following key operating data:

Key operating data of TAURON Capital Group

Item	Unit	Q1 2018	Q1 2017	% change 2018/2017
Commercial coal production	mIn Mg	1.42	1.51	94%
Electricity generation (gross production)	TWh	3.94	4.89	81%
Generation of electricity from renewable sources	TWh	0.24	0.33	73%
<i>Production from biomass</i>	<i>TWh</i>	<i>0.02</i>	<i>0.10</i>	<i>23%</i>
<i>Production from hydroelectric power plants and wind farms</i>	<i>TWh</i>	<i>0.22</i>	<i>0.23</i>	<i>94%</i>
Heat generation	PJ	5.68	5.30	107%
Electricity distribution	TWh	13.42	13.31	101%
Electricity supply (by the Supply and Generation Segments)	TWh	12.03	11.93	101%
- <i>retail sales</i>	<i>TWh</i>	<i>9.28</i>	<i>9.12</i>	<i>102%</i>
- <i>wholesale</i>	<i>TWh</i>	<i>2.75</i>	<i>2.81</i>	<i>98%</i>
Number of customers - Distribution	'000.	5 546	5 487	101%

4.3 Sales structure by lines of business

The below table presents TAURON Capital Group's Q1 2018 sales volumes and structure broken down into individual lines of business (segments).

TAURON Capital Group's sales volumes and structure broken down into individual lines of business (segments)

Item	Unit	Q1 2018	Q1 2017	% change 2018/2017
Mining segment's hard coal sales	mIn Mg	1.43	1.79	80%
Generation segment's electricity and heat sales	TWh	3.80	4.81	79%
	PJ	7.69	7.49	103%
Distribution segment's distribution services sales	TWh	13.42	13.31	101%
Supply segment's electricity retail sales	TWh	9.27	9.12	102%

Mining segment

Core business operations conducted by TAURON Capital Group's Mining segment comprise mining, enrichment and sales of hard coal as well as sales of methane as accompanying fossil from the Brzeszcze deposit.

TAURON Capital Group operates three coal mines: ZG Sobieski, ZG Janina and ZG Brzeszcze. The above coal mines are the producers of the hard coal offered for sale on the market as large size lump coal, medium size lump coal and thermal coal dust.

Q1 2018 hard coal sales volume reached 1.43 mln Mg, which was a 20% decline as compared to the same period of 2017 as a consequence of a lower production output and a lower opening inventory level. Coal sales to TAURON Group reached 1.04 mln Mg which meant that 53% of coal produced was sold to TAURON Capital Group's subsidiaries, while the balance of the sales was placed on the external market.

Commercial coal production in the reported period reached 1.42 mln Mg, i.e. it was 6% lower than in the same period of last year as a result of the occurrence of difficult geological conditions at ZG Janina and a delay in the startup of one of coal faces at ZG Sobieski.

Generation segment

Core operations conducted by TAURON Capital Group's Generation segment comprise electricity and heat generation using:

- 1) hard coal- and biomass-fired power plants and combined heat and power plants,
- 2) hydroelectric power plants,
- 3) wind farms.

Total achievable capacity of the Generation segment's generating units reached 5.0 GW of electric capacity and 2.4 GW of thermal capacity at the end of March 2018. Generation segment is also conducting heat transmission and distribution operations.

In the first quarter of 2018 the Generation segment produced 3.9 TWh of electricity, i.e. 19% less than last year (4.9 TWh), which was due to lower sales from own production year on year and the adopted trading strategy.

Production from RES reached 0.24 TWh, i.e. 27% less as compared to last year (0.33 TWh) which was due to the reduction of biomass burning.

Sales of electricity from own production, including electricity purchased for trading, reached 3.8 TWh in the first quarter of 2018, i.e. a 21% decline in relation to the same period of 2017. Purchased electricity resale volume was lower than in 2017 (0.3 TWh in the first quarter of 2018; 0.4 TWh in the first quarter of 2017).

Heat sales reached 7.7 PJ in the first quarter of 2018, i.e. 3% more versus the same period of last year which was due to lower outside temperatures year on year and a higher consumer demand.

53% of the Generation segment's demand for coal to be used to generate electricity and heat was covered with hard coal coming from the Group's own coal mines in the first quarter of 2018. The balance of the demand was covered from external sources.

Distribution segment

TAURON Capital Group is Poland's largest electricity distributor, both in terms of electricity volume delivered as well as revenue from distribution operations. Distribution segment is operating large area distribution grids, located in the south of Poland.

In the first quarter of 2018 the Distribution segment delivered, in total, approximately 13.4 TWh of electricity, including 12.9 TWh to the final consumers (this data does not take into account 0.11 TWh resulting from the dissolving of the 2006 provision in the G group). During this period the Distribution segment provided distribution services to 5.55 mln consumers. In the same period of last year the Distribution segment delivered, in total, 13.3 TWh of electricity to 5.49 mln consumers, including 12.6 TWh to the final consumers. The increase in the volume delivered to the final consumers year on year is due to the GDP growth and increased electricity consumption by industrial consumers.

Supply segment

Supply segment is conducting its operations on the domestic and foreign markets, comprising wholesale trading and retail sales of electricity and natural gas as well as other energy market products, property rights arising from certificates of electricity origin, CO₂ emission allowances and fuels. Supply segment is supplying electricity to business and mass customer segments, including to households. Additionally, the Supply segment supplies electricity to TAURON Dystrybucja S.A. to cover grid losses related to electricity distribution.

In the first quarter of 2018 the Supply segment subsidiaries supplied, in total, 9.3 TWh of retail electricity to 5.4 mln customers, both households as well as businesses, i.e. 2% more than in the same period of last year.

4.4 TAURON Capital Group's financial position after Q1 2018

4.4.1 Analysis of the financial position

The below table presents an analysis of TAURON Capital Group's financial position in Q1 2018 as compared to the end of 2017.

Structure of the interim abbreviated consolidated statement of the financial position

Consolidated statement of the financial position	As of March 31, 2018	As of December 31, 2017	% change (2018 / 2017)
ASSETS			
Fixed assets	87.1%	86.6%	101%
Current assets	12.9%	13.4%	97%
TOTAL ASSETS	100.0%	100.0%	
LIABILITIES			
Equity attributable to shareholders of the parent company	52.8%	50.3%	105%
Non-controlling shares	0.1%	0.1%	104%
Total equity	52.9%	50.4%	105%

Consolidated statement of the financial position	As of March 31, 2018	As of December 31, 2017	% change (2018 / 2017)
Long term liabilities	34.4%	35.5%	97%
Short term liabilities	12.6%	14.0%	90%
Total liabilities	47.1%	49.6%	95%
TOTAL LIABILITIES	100.0%	100.0%	
Financial liabilities	9 084 738	9 059 844	100%
Net financial liabilities	8 418 557	8 042 225	105%
Net debt/EBITDA ratio	2.28	2.27	up by 0.01
Current liquidity ratio	1.02	0.95	up by 0.07

As of March 31, 2018, fixed assets represented 87% of total assets, which meant a slight increase versus the end of 2017 (by 0.5 pp). The share of current assets declined slightly and represented 13% of total assets.

In the structure of liabilities as of March 31, 2018 liabilities represented 47% of total liabilities, with long-term liabilities representing 34% and short-term liabilities 13% of the balance sheet total, which meant a slight change of the structure of external capital versus the end of 2017 when such shares were, respectively: 36% and 14%.

In relation to the end 2017 in the first quarter of 2018 net financial liabilities rose 4.7%, which in conjunction with good EBITDA generated in Q1 2018 led to slight increase the net debt/EBITDA ratio.

The current liquidity ratio rose to 1.02. The Company's liquidity is not at risk, the indicators continue to stay at a safe level.

Consolidated statement of comprehensive income

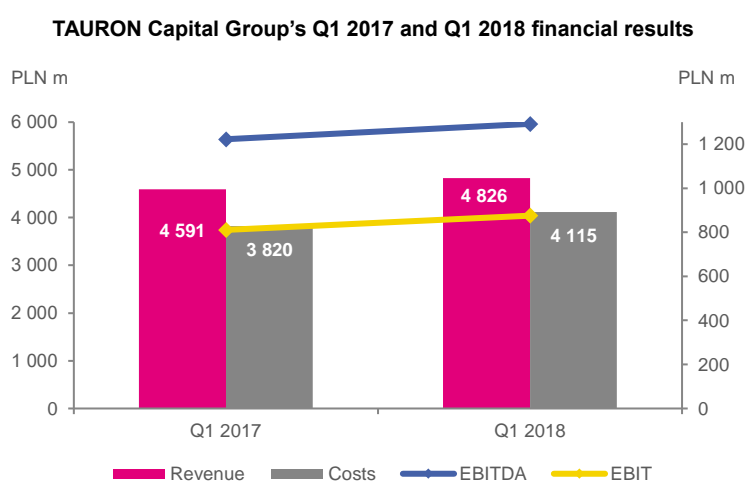
The below table presents selected items of the consolidated statement of comprehensive income of TAURON Capital Group for the period of 3 months ended on March 31, 2018, as well as the comparative data for the period of 3 months ended on March 31, 2017. These items are provided in accordance with the interim abbreviated consolidated financial statements of TAURON Capital Group, compliant with the International Financial Reporting Standards, for the period of 3 months ended on March 31, 2018.

Interim abbreviated consolidated statement of comprehensive income

Item (PLN '000)	Q1 2018 (unaudited)	Q1 2017 (unaudited)	% change (2018 /2017)
Sales revenue	4 825 532	4 591 081	105%
Own cost of sales	(4 115 323)	(3 819 788)	108%
Other operating revenues and costs	140 035	2 260	6 196%
Share in joint ventures' profits	25 242	37 241	68%
Operating profit (loss)	875 486	810 794	108%
<i>Operating profit margin (%)</i>	<i>18.1%</i>	<i>17.7%</i>	<i>103%</i>
Cost of interest on debt	(38 403)	(50 073)	77%
Other financial revenue and costs	(45 985)	58 386	-
Gross profit (loss)	791 098	819 107	97%
<i>Gross profit margin (%)</i>	<i>16.4%</i>	<i>17.8%</i>	<i>92%</i>
Income tax	(154 429)	(178 572)	86%
Net profit (loss) for the period	636 669	640 535	99%
<i>Net profit margin (%)</i>	<i>13.2%</i>	<i>14.0%</i>	<i>95%</i>

Item (PLN '000)	Q1 2018 (unaudited)	Q1 2017 (unaudited)	% change (2018 /2017)
Total income for the period	629 774	624 970	101%
Profit attributable to:			
Shareholders of the parent entity	636 153	639 830	99%
Non-controlling shares	516	705	73%
EBIT and EBITDA			
EBIT	875 486	810 794	108%
EBITDA	1 292 243	1 222 482	106%

The below figure presents TAURON Capital Group's Q1 2018 financial results as compared to the same period of 2017.

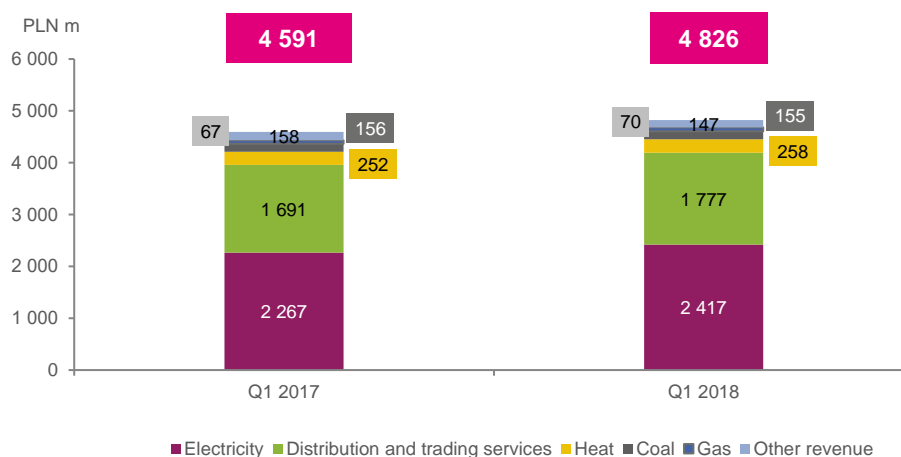


In the first quarter of 2018 TAURON Capital Group generated 5% higher revenue than reported in the first quarter of 2017. The main factors impacting the level of revenue generated:

1. higher electricity sales revenue due to an increase of sales volume outside the Group (among others due to an increase, as of January 1, 2018, of the obligation to sell electricity on the power exchange – the so-called power exchange obligation – for electricity generators from 15% to 30%) and an increase of electricity sales price year on year,
2. higher revenue from the distribution services sales due to an increase of the distribution services sales volume.

The below figure presents TAURON Capital Group's revenue structure in the first quarter of 2018 as compared to the first quarter of 2017.

TAURON Capital Group's revenue structure in the first quarter of 2017 and in the first quarter of 2018



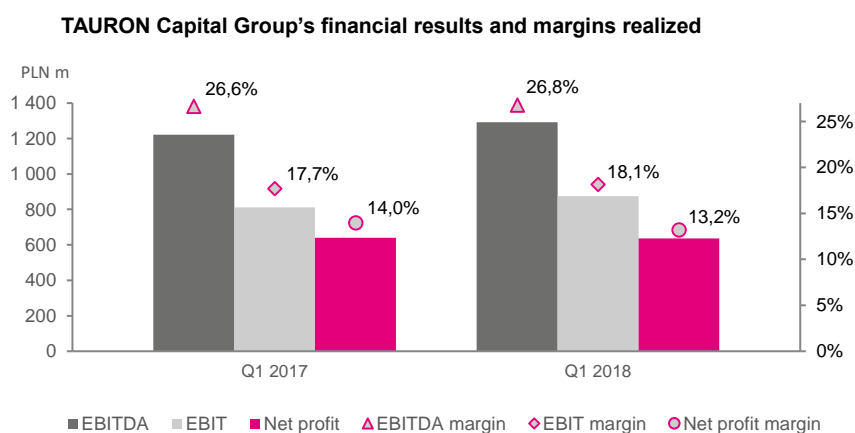
In the first quarter of 2018 the costs of TAURON Capital Group's operations reached PLN 4.1 billion, i.e. they were 7.7% higher than the costs incurred in the first quarter of 2017. The main reason for the rising costs was a higher value of goods and materials sold, mainly due to the higher volume of electricity sold and a higher purchase price, higher costs related to an obligation to redeem (retire) the certificates of origin of electricity and CO₂ emission allowances as well as of the distribution service, which was due to the larger volume sales. The above increases were partly offset by the lower labor costs as a result of dissolving the provision related to employee benefits in accordance with the collective bargaining agreement signed by the Generation segment's subsidiary.

EBITDA and EBIT margins generated in the first quarter of 2018 reached, respectively, 26.8% and 18.1%, and they were higher than the margins generated in the same period of last year by, accordingly, 0.2 pp and 0.5 pp. The net profit margin realized reached 13.2% and was lower by 0.8 p.p., which was due to higher financial costs than in the first quarter of 2017, mainly as a consequence of taking into account, in the current quarter, of the negative FX differences and the surplus of impairment charges (write-downs) booked.

In accordance with the consolidated statement of comprehensive income presented, the total income of TAURON Capital Group, taking into account the net profit increased or decreased by the change in value of hedging instruments, FX differences arising from the conversion of a foreign unit and the other revenues, after tax, reached PLN 630 mln in the first quarter of 2018, as compared to PLN 625 mln generated in the same period of 2017.

Total income attributable to the shareholders of the parent company reached PLN 629 mln, as compared to PLN 624 mln posted a year ago, while the net profit attributable to the shareholders of the parent company was PLN 636 mln, as compared to PLN 640 mln posted in the same period of last year.

The below figure presents TAURON Capital Group's financial results and the margins generated in the first three quarter of 2018 as compared to the first quarter of 2017.



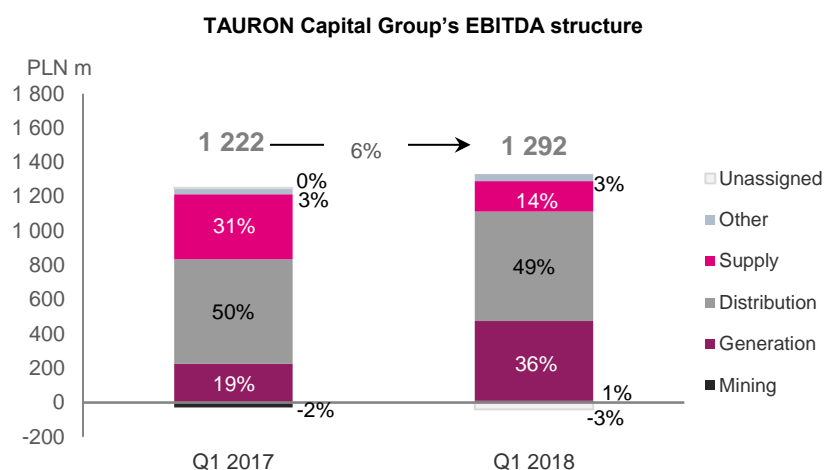
4.4.2 Financial results by lines of business

The below table below presents TAURON Capital Group's EBITDA by individual lines of business (business segments) in Q1 2018, compared to the same period of 2017. The data for the individual segments do not include consolidation exclusions.

TAURON Capital Group's EBITDA by individual lines of business (business segments)

EBITDA (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
Mining	10 338	(29 453)	-
Generation	465 312	227 907	204%
Distribution	638 113	607 011	105%
Supply	177 788	379 971	47%
Other	39 703	35 726	111%
Unassigned items and exclusions	(39 011)	1 320	-
Total EBITDA	1 292 243	1 222 482	106%

The below figure presents TAURON Capital Group's EBITDA structure in the first quarter of 2017 and in the first quarter of 2018.



The Distribution segment as well as the Generation and Supply segments make the biggest contributions to TAURON Capital Group's EBITDA.

4.4.2.1 Mining segment

The below table presents the Mining segment's results.

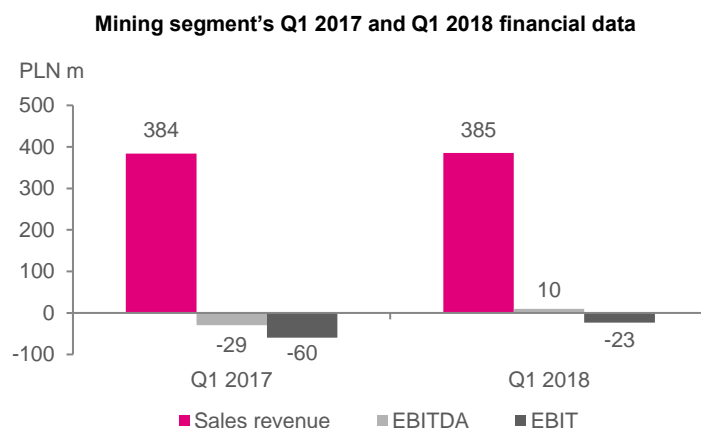
Mining segment's results			
Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
Mining			
Sales revenue	385 243	384 093	100%
<i>coal – large and medium size lump coal</i>	104 167	112 775	92%
<i>thermal coal</i>	248 189	248 349	100%
<i>other products, materials and services</i>	32 887	22 969	143%
EBIT	(23 376)	(59 645)	-
Depreciation and write-offs	33 714	30 192	112%
EBITDA	10 338	(29 453)	-

Mining segment's EBITDA and EBIT were better in the first quarter of 2018 than in the same period of 2017. The results posted were impacted by the following factors:

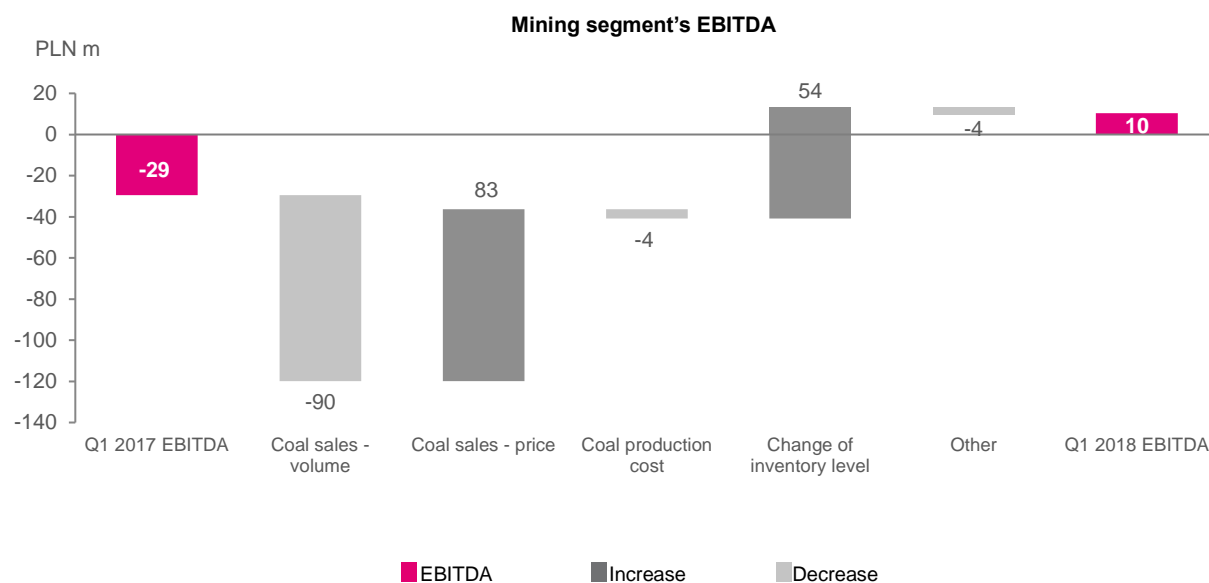
- 1) 20% lower commercial coal sales volume,
- 2) 22% higher coal unit average price which offset the decreased revenue due to the lower coal sales volume,
- 3) higher commercial coal total production costs as a result of higher costs of: consumption of materials (purchase on the market of a larger volume of coal for processing by 64 thousand Mg), renting of machines and devices (higher daily rent rates), labor (higher costs of the provision related to unused vacations and lower utilization of own personnel during the preparatory works), demethanization, in conjunction with the implementation of coal extraction on two coal faces by Brzeszcze Coal Mine in the first quarter of 2018 and the other services,

4) selling in the first quarter of 2018 of coal from the current production (low inventory level at the end of 2017), with the commercial coal sales and production realized at the same level (1.4 mln Mg). In the first quarter of 2017 a substantial part of coal sold came from the inventory which led to recognizing then the value of inventory as own cost.

The below figure presents the Mining segment's Q1 2018 financial data versus Q1 2017.



The below figure presents the Mining segment's EBITDA including the significant factors impacting the change year on year.



4.4.2.2 Generation segment

The below table presents the Generation segment's results.

Generation segment's results			
Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
Generation			
Sales revenue	1 172 183	1 220 701	96%
<i>electricity</i>	791 818	838 213	94%

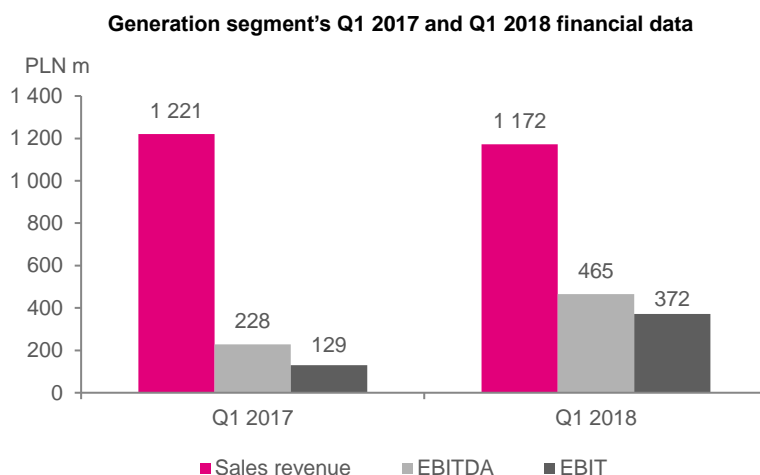
Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
heat (incl. heat transmission)	335 642	327 985	102%
property rights related to certificates of electricity origin	32 205	37 163	87%
other	12 518	17 340	72%
EBIT	371 666	129 499	287%
Depreciation and write-offs	93 646	98 408	95%
EBITDA	465 312	227 907	204%

In the first quarter of 2018 the Generation segment's sales revenue was 4% lower as compared to the same period of last year, mainly due to lower revenue from electricity sales (lower sales volume).

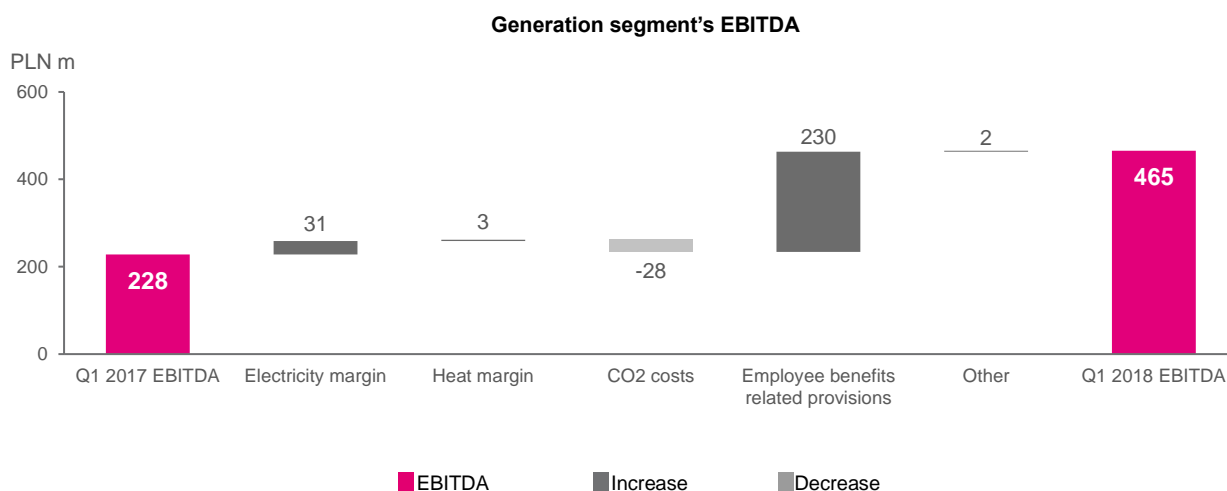
Generation segment's Q1 2018 EBITDA and EBIT were higher in the first quarter of 2018 than in the same period of last year. The results posted were affected by the following factors:

- 1) higher margin on electricity – primarily due to a higher electricity sales price year on year,
- 2) higher margin on heat – higher heat and transmission services volume (due to the lower outside temperature during (Q1 2017: +0.6°C, Q1 2018: 0.0°C) and higher heat sales prices and higher rates for transmission services,
- 3) higher costs of the CO₂ reserve year on year – which is the result of a smaller number of free CO₂ emission allowances (1.7 mln of free electricity related emission allowances were settled (redeemed) in Q1 2017), lower CO₂ emission volume (lower electricity production year on year) and higher prices of emission allowances year on year,
- 4) dissolving of the provision related to employee benefits (cash equivalent for free of charge use of electricity (employee tariff), service anniversary awards and the Company's Social Benefits Fund) at TAURON Wytwarzanie – a one-off event,
- 5) other (mainly lower costs of the provision related to the Voluntary Redundancy Program and lower costs of electrical damages year on year).

The below figure presents the Generation segment's Q1 2018 financial data versus Q1 2017.



The below figure presents the Generation segment's EBITDA including the significant factors impacting the change year on year.



4.4.2.3 Distribution segment

The below table presents the Distribution segment's results.

Distribution segment's results

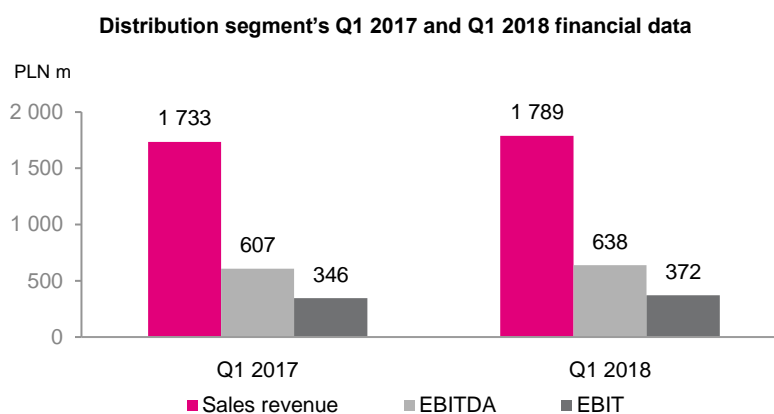
Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
Distribution			
Sales revenue	1 788 837	1 733 421	103%
<i>distribution services</i>	1 715 706	1 640 520	105%
<i>connection fees</i>	15 376	23 999	64%
<i>street lighting maintenance</i>	29 374	28 448	103%
<i>other services</i>	28 381	40 454	70%
EBIT	371 565	345 611	108%
Depreciation and write-offs	266 548	261 400	102%
EBITDA	638 113	607 011	105%

In the first quarter of 2018 the Distribution segment reported a 7% sales revenue increase as compared to the same period of 2017, while EBIT and EBITDA rose 8% and 5%, respectively. The results posted were affected by the following factors:

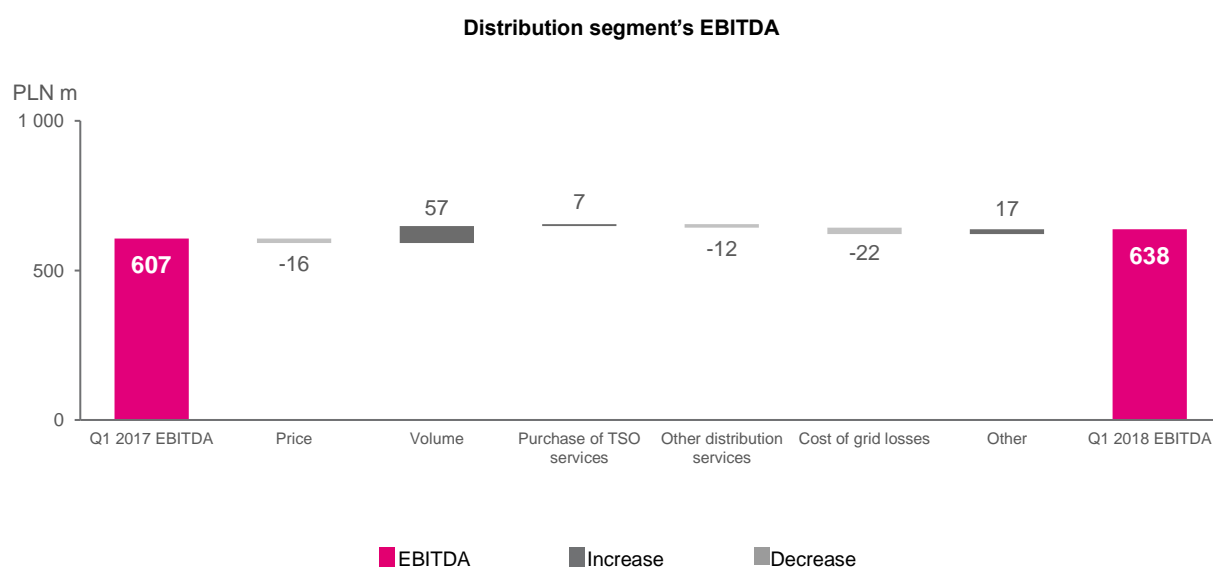
- 1) increase of supplies to final consumers, mainly in the A and B tariff groups as a result of the GDP growth, which had a direct impact on increased electricity consumption by industrial consumers,
- 2) decrease of the average rate for the distribution service sales to the final consumers,
- 3) lower costs of purchasing transmission services, among others due to the zero rate of the RES fee in 2018,
- 4) decrease of revenue from connection fees and revenue due to fixing collisions as a result of delays in completing investment projects,

- 5) increase of the balancing difference indicator that is the result of a specific deviation between electricity fed and recovered from the DSO grid in Q1 2017 where with respect to the outflows the estimated level of sales to the low voltage consumers was recognized that was higher than the consumption of electricity by such consumers (visible on the revenue side in the electricity balance),
- 6) increase of the price of balancing electricity losses as a result of the intra-Group electricity purchase and resale prices,
- 7) increase of the costs of tax on grid assets due to an increase of the assets' value as a consequence of the investment projects conducted,
- 8) decline of other fixed costs, including lower labor costs, costs of tree cutting and costs of service by TAURON Group's Shared Services Centers,
- 9) increase of the result from the other operations taking into account dissolving of the provision related to the court proceeding.

The below figure presents the Distribution segment's Q1 2018 financial data versus Q1 2017.



The below figure presents the Distribution segment's EBITDA including the significant factors impacting the change year on year.



4.4.2.4 Supply segment

The below table presents the Supply segment's results.

Supply segment's results			
Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
Supply			
Sales revenue	3 453 663	3 617 437	95%
<i>electricity, including:</i>	<i>2 275 148</i>	<i>2 284 423</i>	<i>100%</i>
<i>electricity retail supply revenue</i>	<i>2 057 187</i>	<i>1 997 168</i>	<i>103%</i>
<i>greenhouse gases emission allowances</i>	<i>107</i>	<i>495</i>	<i>22%</i>
<i>fuels</i>	<i>277 238</i>	<i>421 260</i>	<i>66%</i>
<i>distribution service (transferred)</i>	<i>887 668</i>	<i>896 388</i>	<i>99%</i>
<i>other services, incl. commercial (trading) services</i>	<i>13 502</i>	<i>14 871</i>	<i>91%</i>
EBIT	175 782	377 274	47%
Depreciation and write-offs	2 006	2 697	74%
EBITDA	177 788	379 971	47%

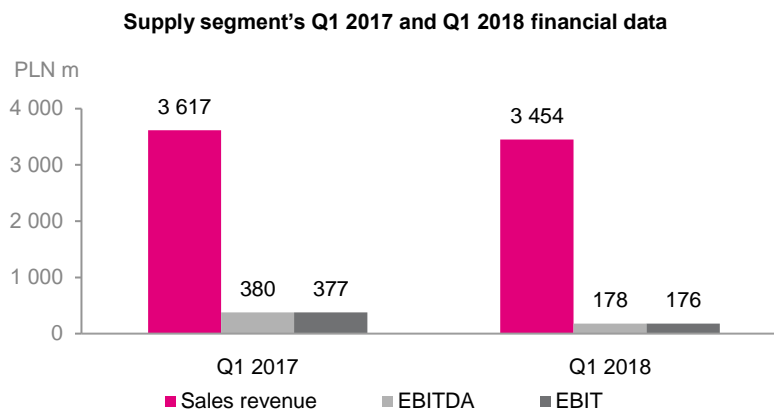
In the first quarter of 2018 the Supply segment's sales revenue was 5% lower as compared to the same period of last year, mainly due to the lower fuel sales revenue as a result of the lower sales volume which was due to the change of the coal supply organization model - solely coal volume purchased on the market passes through the Supply segment. Meanwhile electricity sales revenue was slightly lower than in the same period of last year (0.4% decline) due to lower electricity wholesale revenue (lower sales volume) and higher revenue from electricity retail sales (higher volume and higher average sales prices).

Supply segment's EBITDA and EBIT were significantly lower in the first quarter of 2018 than in the same period of 2017 which was primarily due to the dissolving of the ECSW provision in Q1 2017. The results posted were affected by the following factors:

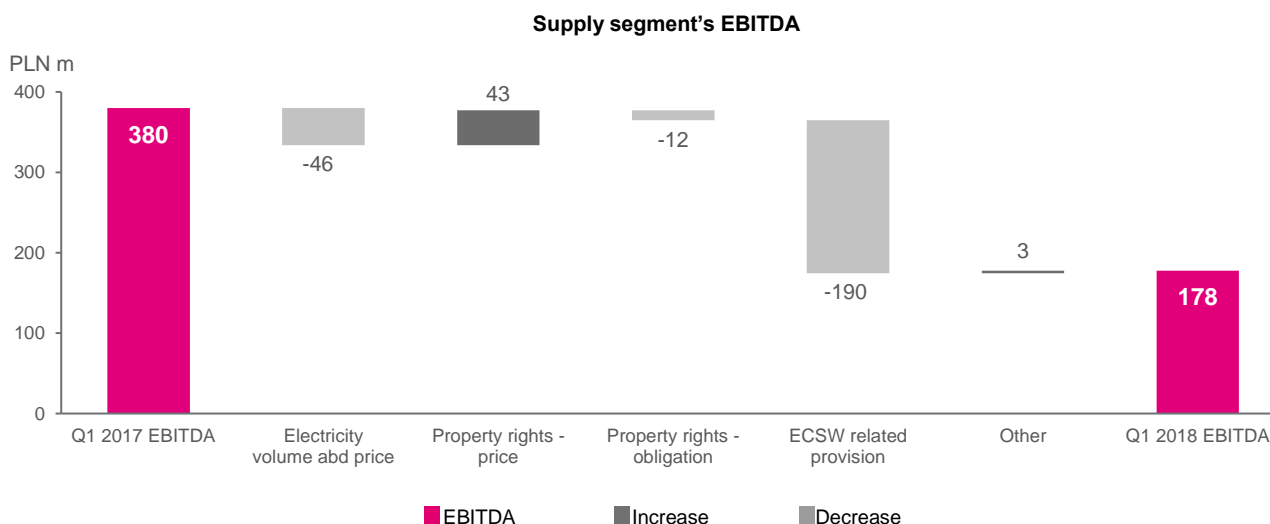
- 1) electricity volume and prices – a negative impact on the result is due to an increase of electricity market prices which led to a faster pace of purchase price increases versus sales prices increase. This situation has a direct impact on the margin decline in the mass customers segment (a large share of customers with a fixed electricity sales price), along with the simultaneous drop of the total electricity sales volume by 0.5 TWh year on year (from 11.2 TWh to 10.8 TWh, including retail sales volume – an increase by 0.2 TWh and wholesale volume – a decrease by 0.6 TWh),
- 2) property rights' prices – a positive impact on the result due to taking advantage of the favorable market situation, mainly with respect to the "green" certificates (purchase of PMOZE to meet the redemption obligation at lower prices),
- 3) obligation to redeem property rights – a negative impact on the result as a consequence of an increase of the obligation for the "green" certificates from 15.40% to 17.50%, for the "violet" certificates from 1.8% to 2.3%, for the "yellow" certificates from 7.0% to 8.0%, maintaining of the obligation to redeem certificates from co-generation for the "red" certificates at 23.2% and a decrease of the obligation for PMOZE-BIO from 0.60% to 0.50%,
- 4) dissolving of the provision related to the agreements that gave rise to charges stemming from the joint venture (ECSW) in the first quarter of 2017 led to increasing the Supply segment's financial result by PLN 190 mln as a consequence of the agreement between TAURON and PGNiG with respect to the gas and electricity agreements and amendments to the multi-year gas and electricity agreements related to the CCGT unit's construction project at Stalowa Wola coming into force,

5) other – the recognized result on the other commercial products and lower costs of sales.

The below figure presents the Supply segment's Q1 2018 financial data versus Q1 2017.



The below figure presents the Supply segment's EBITDA including the significant factors impacting the change year on year.



4.4.2.5 Other operations

The below table presents the results of the subsidiaries assigned to the Other operations.

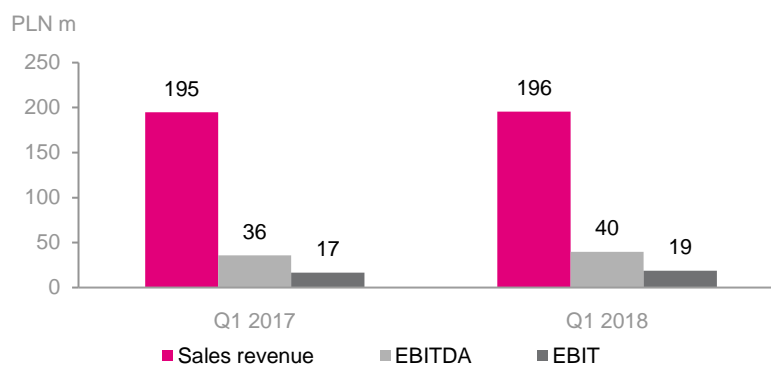
Other operations subsidiaries' results			
Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
Other			
Sales revenue	195 553	194 781	100%
<i>customer service services</i>	<i>49 751</i>	<i>47 845</i>	<i>104%</i>
<i>support services</i>	<i>105 015</i>	<i>94 501</i>	<i>111%</i>
<i>aggregates</i>	<i>23 099</i>	<i>21 512</i>	<i>107%</i>

Item (PLN '000)	Q1 2018	Q1 2017	% change (2018 /2017)
<i>biomass</i>	5 953	20 805	29%
<i>other revenue</i>	11 735	10 117	116%
EBIT	18 860	16 735	113%
Depreciation and write-offs	20 843	18 991	110%
EBITDA	39 703	35 726	111%

Other operations' subsidiaries' Q1 2018 sales revenue was slightly higher than in the same period of last year (0.4% increase), which was primarily due to the higher sales of support services provided by the Shared Services Centers for TAURON Group's subsidiaries. This increase was to a large degree offset by the lower biomass sales volume.

The below figure presents the Other segment's Q1 2017 financial data versus Q1 2017.

Other segment's Q1 2018 and Q1 2017 financial data



4.4.3 Assets

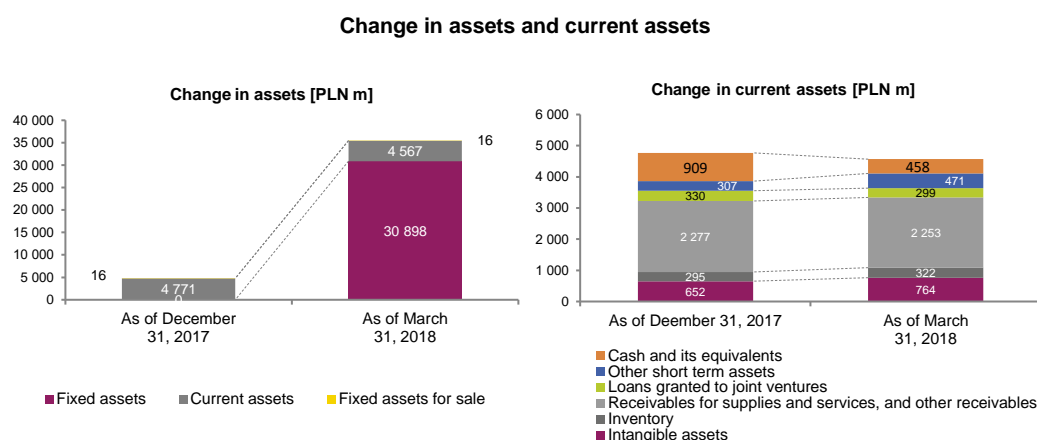
The below table presents the consolidated statement of financial position as of March 31, 2018, as compared to December 31, 2017.

Interim abbreviated consolidated statement of financial position – assets (material items)

Statement of financial position (PLN '000)	As of March 31, 2018	As of December 31, 2017	% change (2018 / 2017)
ASSETS			
Fixed assets	30 898 227	31 048 542	100%
Tangible fixed assets	28 233 340	28 079 886	101%
Current assets	4 582 568	4 786 474	96%
Cash and equivalents	457 909	909 249	50%
Fixed assets and the group's assets for disposal, classified as held for trade	15 727	15 910	99%
TOTAL ASSETS	35 480 795	35 835 016	99%

As of March 31, 2018, TAURON Capital Group's statement of financial position shows the balance sheet total that is at a level close to that of December 31, 2017.

The below figure presents the change in assets and current assets as of March 31, 2018, as compared to December 31, 2017.



Fixed assets are the biggest item of assets at the end of March 2018, representing 87% of the balance sheet total. As compared to the end of last year the value of fixed assets is lower by PLN 150 mln (0.5 pp) as a consequence of the changes in the below analytical fixed asset items:

- 1) tangible fixed assets – an increase by 1% is the result of investment projects implemented by TAURON Capital Group's subsidiaries,
- 2) certificates of origin of electricity and gas emission allowances to be redeemed (retired) – a decline by 85% due to the reclassifying, mainly of the CO₂ emission allowances as current assets in order to fulfill the obligation related to the redemption of the above mentioned assets,
- 3) loans granted to joint ventures – a drop by 23% due to the valuation in accordance with IFRS 9,
- 4) value of stocks and shares in joint ventures – an increase by 6% due to the inclusion of a share in the profit of TAMEH HOLDING,
- 5) other long-term non-financial assets - a decline by 9% due to applying the fair value valuation principles according to IFRS 9, which is more broadly described in note 8 to the consolidated financial statements,

The following factors had an impact on the decline in the value of current assets by PLN 204 mln (4%):

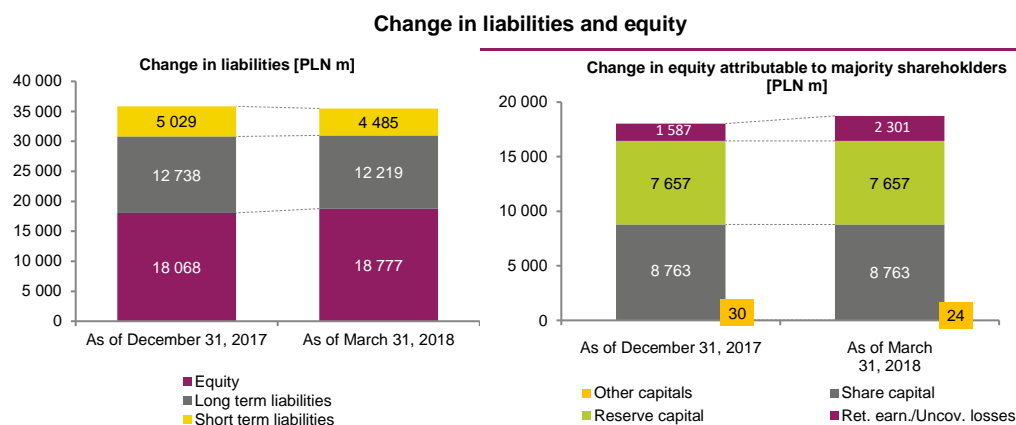
- 1) balance of cash on hand and equivalents – a decline by 50%. The reasons for the change are described in section 4.4.4 of this report related to the cash flow statement,
- 2) loans granted to joint ventures – a drop by 9% due to the asset valuation in accordance with IFRS 9,
- 3) certificates of origin of electricity and CO₂ emission allowances to be redeemed (retired) - an increase by 17% which is the result of settling (fulfilling) the obligation due to CO₂ emissions for 2017 and the production and purchasing of the property rights and purchasing of CO₂ emission allowances in order to fulfill the redemption obligation for this year,
- 4) inventory – an increase by 9% as a result of the higher level of inventory at the Generation segment's subsidiaries,
- 5) other financial assets – an increase by 33% as a result of an increase in the value of the valuation of the derivatives and the value of initial deposits related to the forward contracts on the futures market,
- 6) other non-financial assets – an increase by 105%, mainly due to the cyclical setting up of contributions towards the Company's Social Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych).

The below table presents interim consolidated statement of financial position - liabilities.

Interim consolidated statement of financial position - liabilities (material items)

Statement of financial position (PLN '000)	As of March 31, 2018	As of December 31, 2017	% change (2018 / 2017)
LIABILITIES			
Equity attributable to shareholders of the parent entity	18 744 706	18 036 446	104%
Non-controlling stakes	32 282	31 367	103%
Total equity	18 776 988	18 067 813	104%
Long-term liabilities	12 219 070	12 738 264	96%
Liabilities due to debt	9 467 201	9 501 414	100%
Short-term liabilities	4 484 737	5 028 939	89%
Liabilities due to debt	319 055	351 382	91%
Total liabilities	16 703 807	17 767 203	94%
TOTAL LIABILITIES	35 480 795	35 835 016	99%

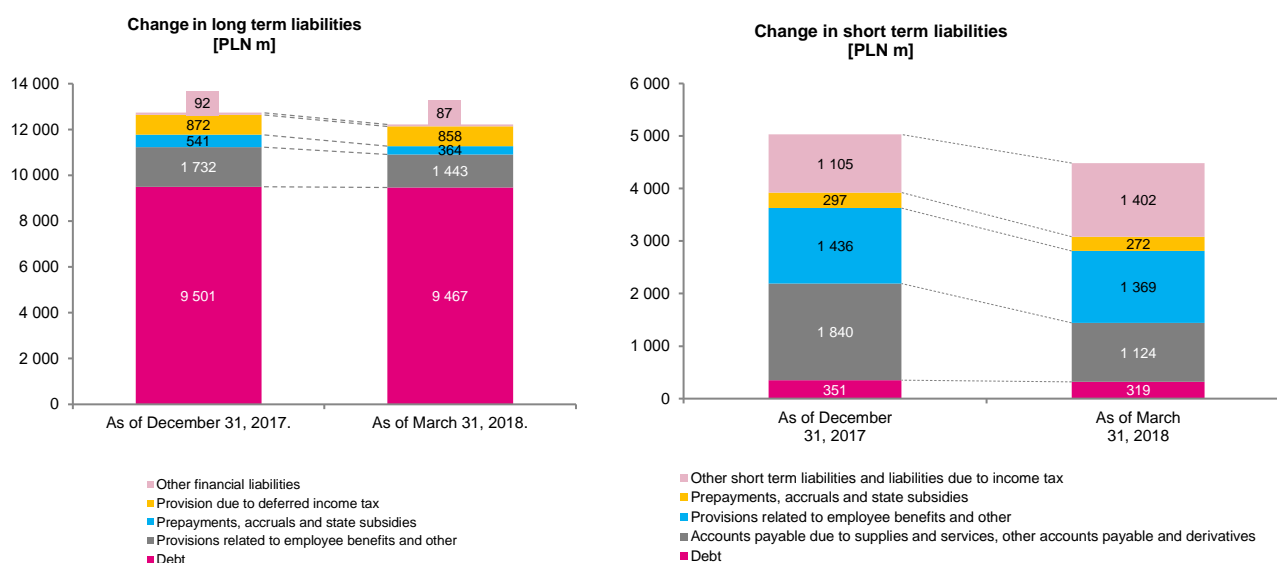
The below figure presents a change in the liabilities and equity as of March 31, 2018 and December 31, 2017.



Similar as in previous years equity is still a significant source of financing assets and its share in the balance sheet total increased to 52.9%.

The below figure presents the change in liabilities as of March 31, 2018 and December 31, 2017.

Change in liabilities



The value of TAURON Capital Group's long term liabilities declined by PLN 519 mln (4%) in Q1 2018 mainly due to the following factors:

- 1) provisions – a 17% drop as a result of a reduction of the level of provisions related to employee benefits due to the signed agreement with the workforce,
- 2) liabilities due to deferred tax – a 2% decrease.

The value of TAURON Capital Group's short term liabilities fell by PLN 544 mln (11%) mainly due to the following factors:

- 1) liabilities due to debt – a decrease by 9% as a result of repaying loan installments and accrued interest,
- 2) investment related liabilities – a drop by 70% and accounts payable towards suppliers – a drop by 15%,
- 3) provisions – a decline by 5%, which is the result of having used up the provision set up in 2017 related to the liabilities due to gas emissions in conjunction with the fulfillment by the subsidiaries of the statutory obligation and setting up the provision related to the obligations due to gas emissions for the current year and the provision due to the obligation to submit the certificates of origin for redemption for the first quarter of 2018,
- 4) liabilities due to taxes and fees – an increase by 40%, which is the result of higher liabilities due to corporate income tax and VAT as well as lower liabilities due to social security,
- 5) financial liabilities – an increase by 12%.

4.4.4 Cash flows

Consolidated cash flow statement

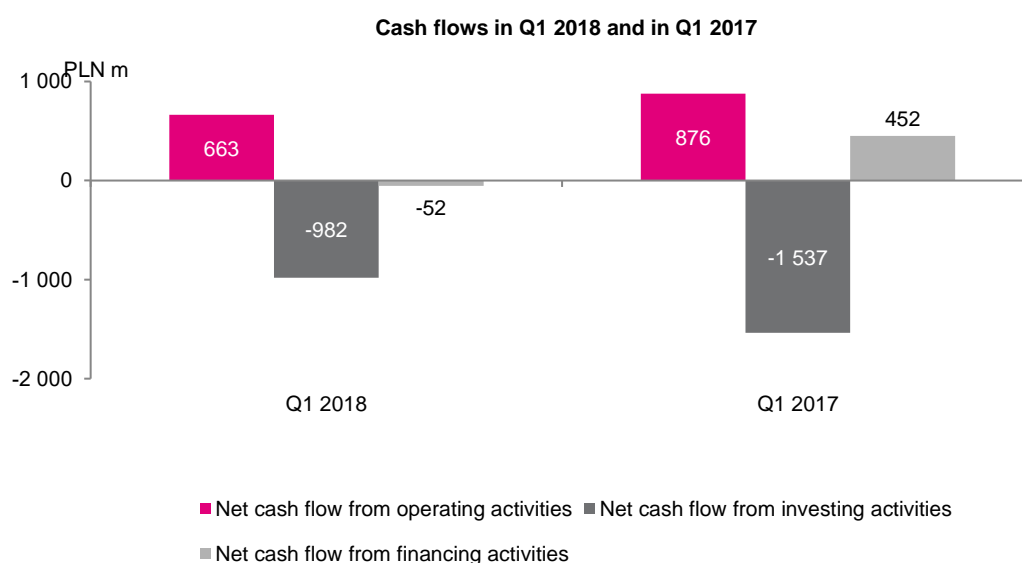
The below table presents selected information from the interim abbreviated cash flow statement for the first 3 months of 2018 as compared to the same period of 2017.

Interim abbreviated cash flow statement (PLN '000)

Cash flow statement (PLN '000)	As of March 31, 2018	As of December 31, 2017	% change (2018 / 2017)
Cash flows from operating activities			
Gross profit / (loss)	791 098	819 107	97%
Adjustments	(127 838)	56 596	-
Net cash flow from operating activities	663 260	875 703	76%
Cash flows from investing activities			
Sale of tangible fixed assets and intangible assets	3 584	10 092	36%
Purchase of tangible fixed assets and intangible assets	(945 670)	(1 251 411)	76%
Loans granted	(31 800)	(292 742)	11%
Net cash flow from investing activities	(982 170)	(1 537 015)	64%
Cash flows from financing activities			
Issuance of debt securities	0	500 000	0%
Repayment of loans/credits	(36 251)	(22 462)	161%
Interest paid	(10 030)	(12 677)	79%
Net cash flow from financing activities	(51 946)	452 241	-
Increase/(decrease) in net cash and equivalents	(370 856)	(209 071)	177%
Cash opening balance	801 353	354 733	226%
Cash closing balance	430 497	145 662	296%

The total amount of all net cash flows from operating, investing and financing activities in the first quarter of 2018 was a negative value and reached PLN (370.9) mln.

The below figure presents cash flows in the first quarter of 2018 and of 2017.



Cash flows from operating activities in the reporting period were lower by 24% than the cash flows generated in the same period of last year. The following factors had the biggest impact on the change in this item of the cash flow statement:

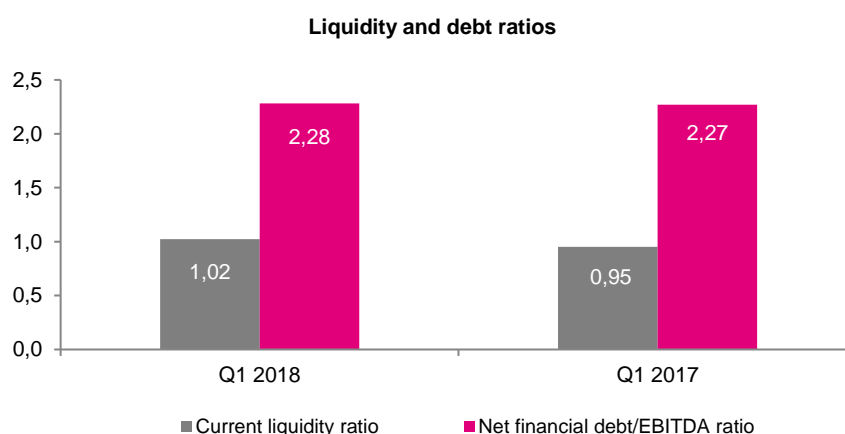
- 1) change of inventory level (impact on the cash flow statement PLN -167 mln) due to a reduction of the inventory level in the first quarter of 2017 which was related to high sales during this period and commercial coal inventory sales by TAURON Wydobycie,
- 2) negative change to the accounts receivable and accounts payable balance in the amount of PLN -96 mln, mainly as a result of the payment of accounts receivable towards the suppliers,
- 3) payment of income tax lower by PLN 19 mln which was due to the advance payments on account of the December 2017 income tax made by the Tax Capital Group in the amount of PLN 20 mln in the first quarter of 2018, while in the first quarter of 2017 the Group made advance payments on account of the income tax in the amount of PLN 39 mln. Additionally, in the first quarter of 2018 the Group received a refund of the overpaid advance payments for 2016 in the amount of PLN 79 mln.

Expenditures for the purchase of tangible fixed assets have the biggest impact on the cash flows related to investing activities and they were lower by 24% in the reporting period than the expenditures incurred in the same period of 2017. In the current period the highest expenditures were incurred by the Generation and Distribution segments. Additionally, in the first quarter of 2017 TAURON Group granted a loan to Elektrociepłownia Stalowa Wola S.A. to be used for an early repayment by the loan taker of its liabilities under loan agreements concluded in order to finance the construction of the combined heat and power generating unit at Stalowa Wola which did not take place in the reporting period.

The negative cash balance related to financing activities is mainly due to the repayment of loan installments to the European Investment Bank in the amount of PLN 35.2 mln and interest paid in the amount of PLN 10 mln. In the first quarter of 2018 TAURON Capital Group did not conduct an issue of debt securities, in contrast to the first quarter of 2017 when it issued bonds with the nominal value of PLN 500 mln.

In spite of the negative cash flows value it can be stated that TAURON Capital Group continues its expansion process and keeps strengthening its market position. It should be noted that the value of cash flows from operating activities is positive and therefore it allows TAURON Capital Group to finance its ongoing operations on its own. In the period under review TAURON Capital Group did not acquire any external funds. The current liquidity ratio and the net debt to EBITDA ratio continue to be at a safe level.

The below figure presents the liquidity and net debt to EBITDA ratios in the first quarter of 2018 and 2017.



TAURON Capital Group is effectively managing its financial liquidity using a central financing model put in place and the central financial risk management policy. TAURON Capital Group is using a *cash pooling* mechanism in order to minimize potential cash flow disruptions and the risk of liquidity loss. TAURON Capital Group is using various sources of funding, such as, for example, overdrafts, bank loans, loans from

environmental funds, bond issues, financial lease agreements and lease agreements with a purchase option.

4.5 Factors and events, including those of unusual nature, with a material impact on the abbreviated financial statements

Dissolving of the provision related to employee benefits at TAURON Wytwarzanie S.A.

On April 6, 2018 TAURON Wytwarzanie S.A. (TAURON's subsidiary) made a decision to dissolve a provision in the amount of PLN 168 mln related to the cash equivalent for the subsidized consumption of electricity by retirees, pensioners and other entitled persons that are not employees (a positive impact on the Generation segment's EBIT in the first quarter of 2018).

In addition, the financial results reported by the Generation segment in the first quarter of 2018 were impacted by the following events:

- TAURON Wytwarzanie concluded agreements with the workforce, amending labor contracts under which no service anniversary awards would be paid out. Due to the above TAURON Wytwarzanie paid out applicable damages to the employees and dissolved the provision, which led to an increase of the Generation segment's EBIT by PLN 43 mln,
- TAURON Wytwarzanie dissolved the provision related to the Company's Social Benefits Fund (Zakładowy Fundusz Świadczeń Socjalnych) for former employees in the amount of PLN 18 mln.

4.6 Factors that, according to the Issuer, may impact its earnings over at least the next quarter

External factors

As in the past the following external factors will primarily impact the results from TAURON Capital Group's operations:

- 1) macroeconomic situation, in particular in Poland, as well as the economic situation of the area where TAURON Capital Group is conducting its operations and at the European Union and global economy level, including changes of interest rates, FX rates, etc., impacting the valuation of assets and liabilities recognized by the Company in the statement of financial position,
- 2) political environment, in particular in Poland as well as in the European Union, including positions and decisions taken by public administration institutions and authorities, for example: Office for Competition and Consumer Protection (UOKiK), Energy Regulatory Office (ERO) and the European Commission,
- 3) changes to the regulations related to the energy sector as well as changes to the legal environment, including: tax law, commercial law, environmental protection law,
- 4) introduction of the generation capacity remuneration mechanism (the so-called capacity market) and the decisions on the future shape of the operational capacity reserve (OCR) and the cold intervention reserve mechanisms,
- 5) support system for electricity generation by high efficiency co-generation plants, leading, on one hand, to the costs of redeeming the "red" and "yellow" certificates for electricity suppliers to the final consumers, and, on the other hand, to the revenue from the sales of the "red" and "yellow" certificates for electricity generators using co-generation plants. The current support system is in force until the end of 2018; no information is available on its shape beyond 2018,
- 6) new RES support system, the so-called RES auctions,

- 7) situation in the power sector, including the operations and measures undertaken by competition on the power market,
- 8) number of CO₂ emission allowances allocated free of charge, as well as prices of emission allowances purchased – in case of a deficit of free emission allowances,
- 9) electricity prices on the wholesale market,
- 10) electricity and hard coal sales prices as well as distribution tariffs under the DSO regulatory model adopted, as factors impacting the level of revenues,
- 11) prices of certificates of origin of electricity from renewable sources and co-generation,
- 12) energy related commodity prices,
- 13) environment protection requirements,
- 14) new non-energy products,
- 15) science (research) and technical progress,
- 16) demand for electricity and other energy market products, including changes due to seasonal factors and weather conditions.

Internal factors

The following internal factors impacting the results from TAURON Capital Group's operations are most significant:

- 1) actions with respect to optimizing processes taken by all of TAURON Capital Group's subsidiaries,
- 2) implementation of the Efficiency Improvement Program aimed at reducing TAURON Capital Group's operating expenses in 2016-2018, including the consolidation and restructuring projects, the Voluntary Redundancy Programs for the workforce,
- 3) steadfast implementation of the Strategy and achieving of the assumed financial and non-financial effects,
- 4) decisions with respect to the implementation of key investment projects, in particular with respect to the construction of new generation capacity and refurbishing the existing generation capacity, construction of new connections and upgrading (refurbishing) the existing distribution grids, district heating networks, construction of underground headings,
- 5) marketing activities with respect to acquiring new customers and loyalty building measures aimed at retaining the existing customers,
- 6) centralizing TAURON Capital Group's financial management, with the support of such tools as: central model of financing, financial liquidity management policy using a cash pooling mechanism, risk management policy in the financial area, insurance policy,
- 7) ability to obtain debt financing on international markets,
- 8) Tax Capital Group's operations, primarily aimed at optimizing the fulfilment of the obligations associated with the payment of the corporate income tax by TAURON Capital Group's key subsidiaries,
- 9) TAURON's procurement management, in particular management of fuel purchases for the needs of TAURON Capital Group's generation entities,
- 10) geological and mining conditions of hard coal extraction,
- 11) potential failures of TAURON Capital Group's equipment, installations and grids.

TAURON Capital Group's operations are characterized by seasonality which is applicable, in particular, to heat production, distribution and supply, electricity distribution and supply to individual consumers and hard coal sales to individual consumers for heating purposes. Heat sales depend on weather conditions, in particular on air temperature, and are higher in the autumn and winter season. Volume of electricity supply to individual consumers depends on the length of day which usually makes electricity supply to this group of consumers lower in the spring and summer season and higher in the autumn and winter season.

Hard coal sales to individual consumers are higher in the autumn and winter season. The seasonality of TAURON Capital Group's other lines of business is low.

The impact of the above mentioned factors on the financial result achieved in the first quarter of 2018 is described in section 4 of this report. The effects of this impact are visible both in the short term perspective as well as in the long term outlook.

4.7 Management Board's position on the ability to meet forecasts of results for the given year

TAURON Capital Group did not publish any forecasts of 2018 financial results. TAURON Capital Group's financial position is stable and no negative events which could pose any threat to the continuity of its business operations or cause a significant deterioration of its financial position occurred.

The detailed description of the financial position understood as ensuring the provision of funds for both the operating as well as the investing activities is provided in section 4 of this document.

5. Other information and events that occurred in Q1 2018

5.1 Significant achievements or failures of the Issuer that occurred in Q1 2018

Conclusion of the coal purchase agreement with Polska Grupa Górnicza S.A.

On January 18, 2018, a coal purchase agreement was signed between TAURON and Polska Grupa Górnicza S.A. with the subject of the agreement being the purchase of thermal coal for the production needs of TAURON Capital Group's power generating units. The estimated value of coal supplies in the 2018-2021 time frame, based on the coal price agreed for 2018, will reach the net amount of approximately PLN 2.15 billion. The coal price was agreed for the first year of the agreement's term, while in the subsequent years the coal price would be indexed based on the formula included in the agreement, taking into account changes of the market conditions. The above agreement was concluded for an indefinite period of time and it provides for liquidated damages in the amount of 10 percent of the value of unrealized deliveries in the given year.

Financing for Elektrociepłownia Stalowa Wola subsidiary

As part of actions related to obtaining new financing for the CCGT unit construction project at Stalowa Wola, Elektrociepłownia Stalowa Wola (ECSW, Loan Taker), i.e. entity in which TAURON holds indirectly, via its TAURON Wytwarzanie S.A. subsidiary, a 50% stake in the share capital; signed a loan agreement with BGK and PGNiG on March 8, 2018.

Under the above mentioned agreement BGK and PGNiG will grant the Loan Taker a loan in the amount of PLN 450 mln each, to be used to refinance the Loan Taker's debt towards TAURON and PGNiG (PLN 600 mln) and to cover the Loan Taker's new capital expenditures aimed at completing the project (PLN 300 mln). The date of the final loan repayment shall be June 14, 2030.

The loan agreement provides for the funds to be paid out to the Loan Taker after the suspending conditions have been met, with one of them being presenting to BGK of a bank guarantee issued at TAURON's instruction and securing the Loan Taker's debt towards BGK. The bank guarantee will be renewed annually, and its value will not exceed PLN 517.5 mln.

On April 26, 2018 (an event occurring past the balance sheet date) the Company received from BGK information that all the suspending conditions defined in the above mentioned loan agreement have been met.

Signing of amendments related to the bond issue program

On March 9, 2018 TAURON signed amendments to the agency and custody agreement as well as to the underwriting agreement were signed, the result of which was an extension by some banks of the period of availability of the funds under the bond issue program ("Program").

This means that the maximum value of the Program:

- a) is PLN 6.27 billion until December 31, 2020 (this amount did not change as a result of signing the amendments),
- b) is PLN 6.07 billion until December 31, 2021 (it had been PLN 5.32 billion before the amendments were signed),
- c) is PLN 5.82 billion until December 31, 2022 (it had been PLN 2.45 billion before the amendments were signed).

The margin of the financing under the Program did not change due to the signing of the amendments.

The amendments were signed with the following banks taking part in the Program: Bank Handlowy in Warsaw S.A., Bank BGŻ BNP Paribas S.A., Bank Zachodni WBK S.A., CaixaBank S.A. (Joint Stock Company) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A., mBank S.A., MUFG Bank (Europe) N.V., MUFG Bank (Europe) N.V. S.A. Branch in Poland and Powszechna Kasa Oszczędności Bank Polski S.A.

Signing of the transaction documentation related to the investment of the Closed-end Investment Funds managed by Polski Fundusz Rozwoju S.A. (Polish Development Fund) in the company carrying out the 910 MW power generating unit construction project in Jaworzno

On March 28, 2018 TAURON and Nowe Jaworzno Grupa Tauron sp. z o.o. ("Special Purpose Vehicle") and Fundusz Inwestycji Infrastrukturalnych – Kapitałowy Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund – Non-public Assets Closed-end Equity Investment Fund) and Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Infrastructure Investments Fund - Non-public Assets Closed-end Debt (Fixed Income) Investment Fund) (collectively the "Funds"), a part of whose investment portfolio is managed by Polski Fundusz Rozwoju S.A. (Polish Development Fund), signed the transaction documentation defining the terms of the Funds' equity investment in the Special Purpose Vehicle that is carrying out the 910 MW power generation unit construction project in Jaworzno ("Unit").

The transaction documentation includes the Investment Agreement and the Shareholders Agreement, along with appendices thereto, including the drafts of a multi-year Electricity Sale Agreement and a multi-year Coal Sale Agreement that are to be concluded by TAURON and the Special Purpose Vehicle.

Investment Agreement defines the terms and conditions of the Funds' equity investment in the Special Purpose Vehicle. This investment assumes the Funds joining the Special Purpose Vehicle and their participation in the subsequent recapitalizations of the Special Purpose Vehicle, by taking up the newly created shares in exchange for financial contributions up to the total maximum amount of PLN 880 mln, i.e. PLN 440 mln by each of the Funds. The Funds' stake in the Special Purpose Vehicle's share capital, as of the day the Unit is commissioned, should reach approx. 14%, while TAURON's stake shall in no case drop below 50% + 1 share. TAURON will be obligated to ensure the Special Purpose Vehicle's recapitalization to the extent required to complete the Unit's construction project after the Funds have achieved the equity exposure in the amount equal to the above mentioned maximum level.

Investment Agreement makes joining the Special Purpose Vehicle by the Funds contingent on the fulfillment of specific suspending conditions. The suspending conditions include obtaining a consent of the President of the Office of Competition and Consumer Protection for the concentration, issuing by the Head of the National Revenue Administration (NRA) of the decision on approving the terms of the Electricity Sale Agreement as an advanced pricing agreement ("APA Decision"), concluding by TAURON and the Special Purpose Vehicle of the specified agreements, including the Electricity Sale Agreement and the Coal Sale

Agreement, as well as completing (or ensuring completing) by TAURON of the specified activities by the Special Purpose Vehicle's corporate bodies (authorities). The suspending conditions are to be fulfilled within 4 months from the day of concluding the Investment Agreement, excluding the condition related to obtaining the APA Decision which is to be fulfilled within 7 months.

Shareholders Agreement defines the principles of corporate governance in the Special Purpose Vehicle. This agreement grants the Funds, among others, a personal entitlement to appoint, suspend in their duties and dismiss one member of the Management Board and one member of the Supervisory Board of the Special Purpose Vehicle. It also defines a catalogue of matters for the completion of which by the Special Purpose Vehicle a unanimous resolution of the Management Board, the Supervisory Board or the General Meeting of Shareholders of the Special Purpose Vehicle will be required. Shareholders Agreement will come into force on the day the Funds join the Special Purpose Vehicle.

Joining the Special Purpose Vehicle by the Funds will trigger the so-called Lock-up Period (lasting, as a principle, 7 years from that date), during which the Shareholders of the Special Purpose Vehicle will not be allowed to sell shares in the Special Purpose Vehicle without a consent of the other Shareholders (except for cases explicitly indicated in the Shareholders Agreement). After the Lock-up Period has elapsed TAURON will have the right to buy all the shares in the Special Purpose Vehicle held by the Funds for a price determined in accordance with the provisions of the Shareholders Agreement.

The drafts of the Electricity Sale Agreement and the Coal Sale Agreement assume implementing the business model of the Special Purpose Vehicle's functioning agreed upon in the Investment Agreement, assuming that:

- Special Purpose Vehicle will, as a principle, be selling its entire volume of electricity generated by the Unit to TAURON, excluding the volume of electricity covered by the so-called power exchange obligation and the volume covered by the liabilities of the Special Purpose Vehicle towards Polskie Sieci Elektroenergetyczne S.A. (power transmission system operator),
- TAURON will have the ability to operationally control and deploy the Unit's net generation capacity, including the ability to influence (control) the volume of electricity generated in the long and short term,
- electricity price will be set at a level that will enable the Special Purpose Vehicle to reach the assumed return on assets, taking into account the tax regulations related to transfer pricing,
- under the Coal Sale Agreement TAURON will provide long term supplies of hard coal, as the Unit's primary fuel, for the Special Purpose Vehicle, including for the needs of generating electricity covered by the power exchange obligation and maintaining mandatory fuel inventory levels.

The above agreements constitute long term sale agreements and they will be in force from the day they are concluded until the end of the year in which the 30-year period running from the beginning of the normal commercial operation of the Unit elapses, and their early termination may take place on the conditions specified therein.

5.2 Other events that occurred in Q1 2018

Selection of certified auditor

On February 26, 2018 TAURON's Supervisory Board selected the audit company Ernst & Young Audyt Polska Limited Liability Company Limited Joint-Stock Partnership ("Ernst & Young") to conduct an audit of the standalone and consolidated financial statements of TAURON for the financial year 2018 and a review of the interim standalone and consolidated financial statements of TAURON for the period ending on June 30, 2018.

The selection of Ernst & Young to conduct an audit of the standalone and consolidated financial statements of the Company took place in conjunction with the need to bring the agreement concluded with Ernst &

Young on auditing the financial statements for the financial year 2017 in line with the requirements of the regulations of art. 66 clause 5 of the law of September 29, 1994 on accounting in the version given thereto by the law of May 11, 2017 on certified auditors, audit companies and public supervision, including with respect to the period for which the first audit agreement should be concluded (i.e. for a period not shorter than 2 years).

5.3 Market and regulatory environment

Market environment

Situation on the energy market

In the first quarter of 2018 electricity consumption in the National Power System (KSE) amounted to 45 088 GWh and it was 2.8% higher as compared to the corresponding period of last year. This change was mainly due to lower temperatures observed in the first quarter of 2018, when the average temperature reached -0.9°C, versus 2.2°C in the first quarter of 2017. Domestic power plants produced 43 536 GWh of electricity in the first quarter of 2018, i.e. 1.7% less than last year. Electricity imports reached 1 554 GWh.

In the period under review hard coal-fired power plants produced 21 839 GWh, i.e. 1% more than a year ago when the production had reached 21 627 GWh. Meanwhile lignite-fired power plants reported a production output decline by 1 748 GWh (i.e. a 12.5% drop year on year), which was due to the liquidation of the Adamów power plant.

Newly commissioned gas-fired power plants in Płock and Włocławek contributed to a 65% rise of electricity production from this source – from 1 577 GWh in the first quarter of 2017 to 2 598 GWh in the first quarter of 2018.

Due to the poorer wind conditions wind farms reported a drop of production output by 338 GWh (9.6%) year on year. The wind farms' achievable capacity reached 5.78 GW at the end of March 2018 versus 5.77 GW at the end of March last year. In the first quarter of 2018 the production output from wind sources covered 7% of domestic electricity consumption (8% in the first quarter of 2017).

Electricity prices on the wholesale market

The average electricity price on the SPOT market reached 184.44 PLN/MWh (43.91 EUR/MWh) in the first quarter of 2018 and it increased by 29.55 PLN/MWh (i.e. by 7.04 EUR/MWh) year on year. Rising electricity prices on the SPOT market were also reported on the majority of power exchanges in the neighboring countries. This trend was caused by high commodity prices, including coal, and a significant increase of the CO₂ emission allowances prices.

In Germany on the EPEX spot exchange electricity prices reached 35.50 EUR/MWh on average, i.e. they were lower by 5.81 EUR/MWh than in the first quarter of 2017 (2.45 EUR/MWh higher than in the fourth quarter of 2017). This decline – in spite of increased costs of generation of electricity from conventional sources – was a consequence of a record volume of electricity generated from renewable sources. In the first quarter of 2018 wind farms and photovoltaic power plants produced more than 38 TWh of electricity in Germany.

In the first quarter of 2018 the domestic forward contracts market was characterized by a high price volatility. The average price of the reference BASE_Y-19 forward contract reached 179.28 PLN/MWh in January, in February – despite the fact that electricity prices were supported by a strong and continuing upward trend of commodity prices – the contract price dropped to 177.32 PLN/MWh. Meanwhile in March the average contract price reached 189 PLN/MWh, which was a reaction to the publishing of the PSCMI1 coal price index for the January – February 2018 time frame and low temperatures.

The increase of base contract prices had an impact on the rising prices of all electricity future contracts. PEAK_Y-19 contract reached a record-breaking level of 245.75 PLN/MWh at the end of March 2018, while BASE_Q4-18, only during the first quarter of 2018, rose from 171 PLN/MWh to almost 200 PLN/MWh. Continued high prices of coal and CO₂ emission allowances effectively supported high electricity prices all the way until the end of the first quarter of 2018.

Prices of CO₂ emission allowances

The first quarter of 2018 was for the CO₂ emission allowances market a period of a continued upward trend that had commenced in June 2017. During the period under review the EUA prices were within the 7.59 EUR/MgCO₂ – 14.13 EUR/MgCO₂ range. The average price in January reached 8.34 EUR/MgCO₂, in February 9.48 EUR/MgCO₂, and in March it went up to 11.55 EUR/MgCO₂. A factor that supported the upward trend included market estimates indicating an increase of the system emissions in 2017 as a consequence of improved economic conditions in the European Union countries.

Prices of CO₂ emission allowances were also affected by the regulatory and market factors. The MiFID II packet of regulations came into force as of the beginning of the year, aimed at strengthening the financial instruments markets. As a result, CO₂ emission allowances became a financial instrument. Additionally, at the European Union level, in the first quarter of 2018 works were underway aimed at adopting a directive on the EU ETS emission allowances trading system that would come into force 20 days following its publishing in the European Union's Official Journal. Furthermore, the European Commission officially confirmed that the CO₂ emission allowances held by Great Britain would not be marked, as it had been proposed previously.

Prices of property rights

During the first quarter of 2018 the OZEX_A index for green property rights continued its upward trend. Having reached its minimal level in January (45.53 PLN/MWh), in March the index rose by as much as 75% to 79.59 PLN/MWh. The average weighted price for the first three months of this year, as compared to the fourth quarter of 2017, increased by 45%, reaching 63.04 PLN/MWh, with the trade volume reaching 2 977 GWh. The certificates register balance, published by TGE, at the end of March reached the largest, so far, surplus of 31.43 TWh (taking into account the blocked certificates: 30.20 TWh). The substitution fee set for 2018 is 48.53 PLN/MWh, and the obligation rate related to the quantity share of electricity generated from the RES installations rose, in accordance with the regulation, to 17.5%, in contrast to the obligation rate related to the production of electricity from agricultural biogas that dropped to 0.5%. The prices of the TGEozebio index fluctuated around 318 PLN/MWh in the past quarter, thus exceeding the substitution fee by 18 PLN/MWh. The trading volume reached 104.67 GWh in this period. The blue certificates register balance was almost 335 GWh at the end of March, and taking into account the certificates blocked for redemption – 322.26 GWh.

The prices of the cogeneration property rights were stable and stayed at the level close to the substitution fees. The prices of the property rights confirming electricity generation, in 2017, from high-efficiency gas-fired cogeneration (yellow certificates) moved within the 117-118 PLN/MWh range at the end of March 2018, while the substitution fee was 120 PLN/MWh in this case. The prices of violet certificates, granted for electricity produced from cogeneration units fired using methane or gas obtained from biomass processing, reached approx. 55 PLN/MWh (substitution fee: 56 PLN/MWh) on average in 2017. The average weighted price of red certificates (granted for electricity produced from the other cogeneration sources) reached 9.82 PLN/MWh at the end of the quarter, with the substitution fee at the level of 10 PLN/MWh.

In the first quarter of 2018 the prices on the white property rights market were highly volatile. The prices of white certificates doubled from 450.16 PLN/toe in January to reach the high of 900 PLN/toe in February. The prices stabilized in March and the weighted average price reached 675 PLN/toe. In the first quarter of this year the weighted average TGEef index price was 713 PLN/toe, with the trading volume reaching 112 429 toe. The substitution fee set for 2018 is 1 575 PLN/toe.

Intense works on the Act on the amendment to the renewable energy sources act and some other acts were continued in the first quarter of 2018. The draft act prepared by the government was submitted to the Parliament on March 26.

Gas prices on the wholesale market

The average price of gas on the Next Day Market of the Polish Power Exchange (TGE - Towarowa Gielda Energii S.A.) reached PLN 104.45 PLN/MWh in the first quarter of 2018, an increase by more than PLN 15 as compared to the corresponding period of 2017. High gas prices at the end of February and at the beginning of March were reported all over Europe due to a strong cooling down. Much greater demand for gas at the end of the winter season, when gas storage facilities were to a large degree empty, led to an

increase of the spot contract price to the levels never seen before. The SPOT prices quickly rose by approx. 60%, breaking the psychological level of 200 PLN/MWh. Very high prices were observed for a week and then dropped to the previous levels (approx. 90 PLN/MWh). The second cold weather wave arrived in the middle of March, which led to an increase of prices to approx. 110 PLN. The average March price reached its highest level since the beginning of the listing of gas contracts on the Polish Power Exchange (TGE) (121.72 PLN/MWh). Rising demand also resulted in a record-breaking trading volume that reached almost 6.8 TWh in the first quarter of 2018 (+6% year on year), with the highest trading volume reported in March (almost 3 TWh). On the forward market – in contrast to contracts with shorter delivery dates – the highest prices in the first quarter were reached in January. The price of the reference one year contract dropped from 86 PLN/MWh at the beginning of the year to approx. 80 PLN/MWh in February, and then bounced back to the level of 85 PLN/MWh by the end of the quarter.

Regulatory environment

Act on Renewable Energy Sources (RES)

The works, commenced in June 2017, related to an amendment of the act on renewable energy sources (RES act), passed on February 20, 2015, were continued in the first quarter of 2018. The proposed amendments adapt the regulations of the RES act to the requirements defined in the aid regulations issued by the European Commission. The amended draft defined, among others, a new rule on cumulating public aid, a new split into auction baskets, additional support rules were proposed in the form of Feed in Tariff (FIT) and Feed in Premium (FIP) tariffs for electricity generators from renewable sources dedicated for micro and small RES installations that use stable and predictable energy sources (hydroelectricity, biogas, agricultural biogas) with an installed capacity lower than 500 kW – FIT and a capacity not lower than 500 kW and lower than 1 MW – FIP.

On December 13, 2017, based on the EU state aid regulations, the European Commission approved the Polish program concerning energy from renewable sources. The decision by the European Commission led to intensification of works on the amendment of the RES act. Therefore, in the first quarter of 2018 successive versions of the RES act amendment draft were published, partly accommodating the comments submitted during public and inter-ministry consultations. Material changes from TAURON Group's point of view introduced in these drafts include enabling participating in the RES auction for dedicated biomass burning installations with installed capacity of more than 50 MW and defining the obligation to burn biomass of agricultural origin for existing biomass installations at the level of 10% per annum. The published amendment draft also presents data on the RES auctions planned to be held in 2018, i.e. the maximum value and volume of electricity planned to be purchased by way of auctions split into individual baskets and the level of reference prices for the individual RES installations.

The amendment draft, following the approval by the Council of Ministers, was sent to the Parliament to be worked upon.

Act on promoting electricity from high efficiency cogeneration

A draft act on promoting electricity from high efficiency cogeneration, aimed at improving quality of the environment, including air quality, in Poland as a result of improving the efficiency of the use of fuels to produce electricity and heat, was published on April 5, 2018. Developing of a new support system for cogeneration is also the result of the need to replace the existing, in force until the end of 2018, solution (i.e. the support in the form of issued certificates of origin).

As part of the new solutions it is proposed that separate support mechanisms for the new and existing installations as well as for the group of projects with the capacity of up to 1 MW will be introduced.

- It is foreseen that for the group of new installations a mechanism based on auctions in which investors will be rewarded with a 15-year electricity sale guarantee for the price they bid (the so-called pay-as-bid model) will be introduced. Auctions are to be conducted separately in three fuel baskets, and also separately for installations in three installed electric capacity ranges: 1-5 MW, 5-20 MW, and also 20-50 MW.
- The mechanism proposed for the existing cogeneration installations assumes offering a guaranteed bonus (premium) that will, as a principle, cover the financial gap between the costs of producing

electricity from the high efficiency cogeneration units and the electricity market price. The bonus (premium) amount will be set annually by way of an ordinance. The set bonus (premium) will be due for the period remaining until the elapse of the 15-year support period, taking into account the time the given unit has taken advantage of the existing system of certificates of origin.

- For the cogeneration installation with the capacity of up to 1 MW it is envisaged that a constant bonus (premium) to be added to the electricity price will be introduced. The bonus (premium) is to be identical for all the installations irrespective of their capacity, nevertheless a differentiation based on the type of fuel used is foreseen. The bonus (premium) will be due for the period remaining until the elapse of the 15-year support period, taking into account the time the given unit has taken advantage of the existing system of certificates of origin.
- Large units, with the capacity of at least 50 MW, will be covered by the support system in the form of a bonus (premium) set individually.

The Ministry of Energy is planning that the Council of Ministers will adopt the draft act by the end of the second quarter of this year and that the parliamentary works will be completed at the beginning of the fourth quarter of 2018.

Act on the greenhouse gases emission allowances trading system

The Government's Legislation Center (Rządowe Centrum Legislacji) published on its website, in the first quarter of 2018, a draft amendment of the act of June 12, 2015 on the greenhouse gases emission allowances trading system and some other acts. The goal of the proposed changes – after two years of applying the act – was to align the national regulations related to the greenhouse gases emission allowances trading system to the prevailing economic and social conditions. The modifications include introducing more precise provisions in order to ease the interpretation, adapt the statutory terms to the current realities, facilitate the information flow between installations operators and official bodies (authorities) as well as between official bodies (authorities) themselves.

With respect to settling the CO₂ emission allowances under the derogations the following changes to the act were proposed:

- list of entities authorized to carry out investment tasks was limited – the possibility to carry out tasks under the National Investment Plan (Krajowy Plan Inwestycyjny - KPI) by a special purpose vehicle was deleted,
- requirements with respect to verifying compliance indicators were tightened, more restrictive requirements will have an impact in case the settlement period is extended or the National Investment Plan (KPI) is changed,
- possibility to change generation capacity for tasks carried out under the National Investment Plan (KPI) was introduced,
- possibility to replace halted tasks or tasks leading to not achieving compliance indicators with other tasks carried out under the National Investment Plan (KPI) and balance the CO₂ allocations with them was added
- possibility to exceed the limit of investment costs defined for the tasks under the National Investment Plan (KPI) was blocked.

The draft act has already completed the stage of reaching agreements (obtaining approvals) and public consultations, and the process of government administration bodies (authorities) providing feedback is underway.

6. Information and events that occurred after the balance sheet day

Ordinary General Meeting of the Shareholders of TAURON Polska Energia S.A.

An Ordinary General Meeting of the Shareholders of TAURON Polska Energia S.A., was held on April 16, 2018 during which decisions were taken on, among others:

- approving TAURON's 2017 standalone and consolidated financial statements,
- distributing the 2017 profit in such a manner that it was allocated in whole to TAURON's reserve capital,
- granting acknowledgment of the fulfillment of duties to all members of the Management Board and the Supervisory Board who performed functions in TAURON's corporate bodies in 2017,
- increasing the membership of TAURON's Supervisory Board to 9 members and appointing Mr. Marcin Szlenk as its member.

Publishing of the estimated (flash) financial results

On April 26, 2018, the Company published TAURON Polska Energia Capital Group's selected estimated Q1 2018 consolidated financial data and operating data.

7. Proceedings pending before the court, competent arbitration authority or public administration authority

In the first quarter of 2018 no material proceedings were initiated at TAURON Capital Group before the court, competent arbitration authority or public administration authority concerning obligations and liabilities of the Company or its subsidiary.

Below the Company presents material proceedings pending in the first quarter of 2018 and initiated in earlier periods.

Submission of the lawsuit in connection with the termination of long term contracts against Polska Energia Pierwsza Kompania Handlowa sp. z o.o. subsidiary and TAURON Polska Energia S.A.

In 2014 a lawsuit was submitted by Dobiesław Wind Invest sp. z o.o. against Polska Energia Pierwsza Kompania Handlowa sp. z o.o. (PE-PKH) and TAURON to prevent the imminent danger of damage. The claim of the law suit was to obligate the Company to revoke the liquidation of Polska Energia Pierwsza Kompania Handlowa sp. z o.o. under liquidation proceeding. An alternative claim of the lawsuit was to obligate TAURON to provide a collateral (security) by depositing with the court (impounding) of PLN 183 391 thou.

On March 8, 2017, the liquidation of the company was revoked by way of the decision of the General Meeting of Shareholders of PEPKH. In view of the revoking of the company's liquidation in accordance with the decision of the Regional Court in Kraków issued during the March 15, 2017 hearing an exchange of letters between the parties of the dispute took place, aimed at defining their positions in view of the change that had occurred in the company, and during this exchange the plaintiff upheld the lawsuit's claim.

On August 2, 2017, a submission was made to the Company's power of attorney appointed in the above lawsuit, of a pleading of Dobiesław Wind Invest sp. z o.o. containing a change to the lawsuit. The plaintiff changed the lawsuit's claim in such a manner that it had withdrawn its original legal action against PE-PKH subsidiary, while it changed the legal action against the Company from the claim to prevent the imminent danger of damage into the claim for the payment of compensation. Dobiesław Wind Invest sp. z o.o. is demanding payment of PLN 34 700 thou. including statutory interest accrued from the day the claim was filed until the payment date. Furthermore, the plaintiff is demanding determination that the Company is liable towards Dobiesław Wind Invest sp. z o.o. for damages that may arise in the future, estimated by the plaintiff in the amount of approximately PLN 254 000 thou. (and stemming from the Company's alleged

torts), and that injunctive relief be granted against TAURON for the amount of approximately PLN 254 000 thou. in case the court does not find the Company liable for the damages that may arise in the future.

The factual basis for the lawsuit, according to the plaintiff, is the termination by PE-PKH subsidiary of the long term contracts for the sale of electricity and property rights.

The completed assessment of the justification for the claims contained in the lawsuit indicates that they are completely groundless. During the October 4, 2017 hearing the court, in accordance with TAURON's motion, severed a new lawsuit's claim against TAURON for separate proceedings. With respect to the original claims against TAURON and PE-PKH (demand to revoke the liquidation), the court assigned the case to a closed hearing to dismiss the lawsuit.

Following the balance sheet day, i.e. April 12, 2018, the court issued the decision according to which it dismissed this proceeding in whole against PE-PKH, and against TAURON it dismissed the case with respect to the Company's obligations to revoke the liquidation of PE-PKH.

In view of the court's need to evaluate extensive evidence, conduct an analysis of the legal issue so far unresolved by the judicial decisions it should be asserted that expressing an assessment of the expected outcome of the proceeding would be, at the current stage, premature, however it is highly likely that the court's ruling will be in favor of the defendants.

Submission of the lawsuits in connection with the termination of long term contracts against TAURON Polska Energia S.A.

On July 20, 2017 the Company received the lawsuit of June 29, 2017 of Gorzyca Wind Invest sp. z o.o. against TAURON for payment of damages in the amount of PLN 39 700 thou. and determination of liability for damages that may arise in the future due to torts, including unfair competition acts, estimated by the plaintiff to be worth PLN 465 900 thou. The case is pending before the Regional Court in Katowice. On September 18, 2017 the Company filed the response to the lawsuit (statement of defense) in which it submitted a motion to, among others, have the case dismissed in whole as being obviously groundless. On December 1, 2017 Gorzyca Wind Invest sp. z o.o. filed an answer to the response to the lawsuit (statement of defense) in which it maintained its position stated in the lawsuit and rejected the position and argumentation of the Company presented in the response to the lawsuit (statement of defense).

Based on the decision of the Regional Court in Katowice o February 8, 2018 the lawsuit of Gorzyca Wind Invest sp. z o.o. against TAURON is closed to the public, the announcement of the verdict ending the proceeding in this case will be made publicly.

On August 21, 2017, the Company received the lawsuit of June 29, 2017 of Pękanino Wind Invest sp. z o.o. against TAURON for payment of damages in the amount of PLN 28 500 thou. and determination of liability for damages that may arise in the future due to torts, including unfair competition acts, estimated by the plaintiff to be worth PLN 201 600 thou. On October 5, 2017, the Company filed the response to the lawsuit (statement of defense) in which it submitted a motion to, among others, have the case dismissed in whole as being obviously groundless. On December 1, 2017, Pękanino Wind Invest sp. z o.o. filed an answer to the response to the lawsuit (statement of defense) in which it maintained its position stated in the lawsuit and rejected the position and argumentation of the Company presented in the response to the lawsuit (statement of defense). On April 16, 2018, the first hearing was held during which the court dismissed the motions to have the case suspended and to close the hearing to the public. The case is pending.

On October 16, 2017, the Company received the lawsuit of June 29, 2017 of Nowy Jarosław Wind Invest sp. z o.o. against TAURON for payment of damages in the amount of PLN 27 000 thou. and determination of liability for damages that may arise in the future due to torts, including unfair competition acts, estimated by the plaintiff to be worth PLN 197 800 thou. On December 28, 2017, the Company filed the response to the lawsuit in which it submitted a motion to, among others, have the case dismissed in whole as being obviously groundless. The date of the first hearing was set as May 30, 2018.

The factual basis for all the lawsuits, according to the plaintiffs, is the termination by the PE-PKH subsidiary of the long term contracts for the purchase of electricity and property rights arising from certificates of

origin, and the total amount of the future damages suffered by all of the Wind Invest group companies will amount, according to the plaintiffs, to PLN 1 212 900 thou.

As of the day of approving this report for publishing the Company's chances to obtain a positive resolution in the disputes should be viewed positively, i.e. these chances are 70%.

Additionally, the description of other pending proceedings involving the Company or its subsidiary that do not represent material proceedings taking into account the scale of TAURON Capital Group's operations and its financial results is provided in the financial statements.

8. Information on transactions with related entities

All transactions with related entities are concluded at arm's length. Detailed information on transactions with related entities is provided in note 47 of the Consolidated interim financial statements for the period of 3 months ended on March 31, 2018

9. Information on granted guarantees, loan or credit co-signings (sureties, endorsements)

In the first quarter of 2018 neither TAURON Polska Energia, nor its subsidiaries granted any loan or credit co-signings (sureties, endorsements) or guaranties – jointly to a single entity or such entity's subsidiary, where the total value of existing co-signings (sureties, endorsements) or guaranties would be significant for TAURON Capital Group.

10. Other information that, according to the Issuer, could be significant for the evaluation of the staffing, assets, financial position, financial result and changes thereof as well as information that is material to evaluate the ability of the Issuer's Capital Group to meet its obligations

Besides the reported events indicated above in this document no other events had occurred since January 1, 2018 until the day this report was published, that could be material for the evaluation of TAURON Capital Group's ability to meet its obligations.

TAURON's Management Board's position is that the information presented in this report describes the staffing, assets and financial position of the Company in a comprehensive manner and that no other events occurred, undisclosed by the Company, that could be relevant for the evaluation of its situation.