Polenergia Group

CONSOLIDATED QUARTERLY REPORT

FOR Q3 2015

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Warsaw, November 5th 2015

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A. INTRODUCTION TO THE CONSOLIDATED QUARTERLY REPORT

1. Consolidated statement of profit or loss for the three and nine months ended September 30th 2015

Presented below is the consolidated statement of profit or loss for the first nine months of 2015. The presented comparative data for the first three quarters of 2014 has been prepared to present the Group's financial performance assuming that the merger of the assets of Polish Energy Partners S.A. and Neutron Sp. z o.o. took place on January 1st 2014. For a description of individual Neutron Group assets contributed to the Polenergia Group, see Section A.2 of this Report. The presented performance data can serve as a basis for a complete analysis of the economic effects of the Transaction and give a full picture of the scale of the combined entities' operations, together with comparative data.

The consolidated financial information has been prepared based on the following assumptions:

- The Transaction Closing, described in more detail in Note A.2, took place on January 1st 2014.
- In comparative data, the purchase price allocation effect was recognised in Q1 2014.

In Q3 2015, the Polenergia Group generated **an adjusted EBITDA and net profit of PLN 53.2m and PLN 20.7m, respectively, up on the corresponding period of the previous year respectively by PLN 19.8m and PLN 13.1m.**

Year to date consolidated adjusted EBITDA and net profit reached PLN 163.5m and PLN 63.8m respectively, having grown significantly year on year, by PLN 49.1m (43%) in the case of EBITDA and PLN 28.9m (83%) in the case of net profit.

Polenergia Group's performance (assuming that the acquisition date is the beginning of the full-year reporting period) (PLN '000)	9M 2015	9M 2014	Change y/y	Q3 2015	Q3 2014	Change y/y	
Revenue	1,953,582	1,948,447	5,135	648,641	549,233	99,408	
Revenue from certificates of origin	78,739	65,268	13,471	28,334	19,914	8,420	
Revenue	**2,032,321**	**2,013,715**	**18,606**	**676,975**	**569,147**	**107,828**	
including trading segment	1,517,667	1,539,208	(21,541)	511,805	419,882	91,923	
Cost of sales	(1,913,813)	(1,936,378)	22,565	(640,028)	(549,812)	(90,216)	
including trading segment	(1,506,417)	(1,533,259)	26,842	(508,384)	(416,644)	(91,740)	
Gross profit	**118,508**	**77,337**	**41,171**	**36,947**	**19,335**	**17,612**	
Other income	6,326	5,546	780	3,453	1,956	1,497	
Administrative expenses	(23,709)	(23,317)	(392)	(8,767)	(8,425)	(342)	
Other expenses	(2,785)	(2,524)	(261)	(654)	(1,004)	350	
Operating profit	**98,340**	**57,042**	**41,298**	**30,979**	**11,862**	**19,117**	
Depreciation and amortisation	63,174	62,351	823	21,615	20,985	630	
EBITDA	**161,514**	**119,393**	**42,121**	**52,594**	**32,847**	**19,747**	
Elimination of purchase price allocation effect	1,809	(4,991)	6,800	603	603	-	A
Cost of securing corporate financing	173		173	30	-		E
Adjusted EBITDA *	**163,496**	**114,402**	**49,094**	**53,227**	**33,450**	**19,777**	
Finance income	5,828	7,923	(2,095)	872	2,013	(1,141)	
Finance costs	(34,225)	(30,267)	(3,958)	(11,295)	(10,521)	(774)	
Profit (loss) before tax	**69,943**	**34,698**	**35,245**	**20,556**	**3,354**	**17,202**	
Income tax expense	(17,206)	(1,607)	(15,599)	(3,825)	1,156	(4,981)	
Net profit (loss)	**52,737**	**33,091**	**19,646**	**16,731**	**4,510**	**12,221**	
Elimination of purchase price allocation effect	7,614	814	6,800	2,538	2,538	-	A
Elimination of unrealised exchange differences effect	(262)	279	(541)	214	155	59	B
Elimination of discount income effect	-	(386)	386	-	(131)	131	C
Elimination of loan valuation effect	3,557	1,041	2,516	1,150	514	636	D
Cost of securing corporate financing	140	-	140	24	-		E
Adjusted net profit*	**63,786**	**34,839**	**28,947**	**20,657**	**7,586**	**13,071**	
Adjusted EBITDA (excluding trading segment)	**158,435**	**112,580**	**45,855**	**51,599**	**31,056**	**20,543**	
Adjusted EBITDA margin (excluding trading segment)	**30.8%**	**23.7%**	**7.1%**	**31.2%**	**20.8%**	**10.4%**	

*) Adjusted for non-cash/one-off income (expenses) recognised in a given financial year.

A Elimination of purchase price allocation effect (assuming the acquisition was settled on January 1st 2014)
B Unrealised foreign exchange differences on a foreign currency-denominated loan
C Elimination of income from settlement of non-current receivable discount
D AMC loan valuation
E Cost of securing corporate financing

As regards the Group's EBITDA, a major increase in the **wind power segment** should be highlighted (up by PLN 44.5m, including by PLN 12.2m in Q3 alone), resulting mainly from the launch of new wind farms (Gawłowice and Rajgród) in the second half of 2014 and the Skurpie project in 2015, and to better wind conditions on other wind farms. The segment's performance in Q3 2015 was negatively affected by the PLN 8.2m revaluation (to reflect current market prices) of the inventory of certificates in the Amon and Talia projects, following non-performance of the certificates' purchase agreements by Polska Kompania Handlowa.

Year to date, the **conventional energy** segment's operating performance was slightly better compared with Q3 2014.

Operating performance of the Nowa Sarzyna CHP plant was similar to last year's, and was a function of a higher adjustment to the gas costs compensation for 2014 received in Q3 2015 **(which translated into the segment's higher year-on-year performance in Q3),** and higher yellow certificate income (vs. no such income in January - April 2014) offset by lower gas costs compensation income for 2015 and lower stranded costs (termination of long-term contracts) compensation income (due to lower prices of gas and a higher loss on electricity generation).

The **Distribution** segment's performance in Q3 2015 improved year on year. In the first nine months of the year, performance was in line with expectations, and at the core business level it was similar to that reported in 2014. The slight decline was primarily the effect of positive events relating to final settlements with customers in Q1 2014.

In the first nine months of the year, the **trading segment's** EBITDA went up by PLN 3.2m year on year, mainly in connection with the enhanced optimisation of electricity trading within the Group and a new trading strategy providing for reduced volumes and focus on the most profitable segments of the electricity and gas markets. In Q3 2015, the segment's performance was down year on year, mainly due to higher commission and licence cots.

The **biomass segment's** EBITDA for the first nine months of 2015 was PLN 2.8m higher year on year. The segment's performance in Q3 2015 improved by PLN 1.9m mostly, due to lower cost of purchase of straw and optimisation measures which translated into a lower unit production cost of pellets.

An analysis of performance data as at the end of Q3 2015 shows a significant increase in profitability (at the EBITDA margin level). As a result of the developments described above, **the adjusted EBITDA margin** (excluding trading operations, which are characterised by minimum unit margins and very high transaction volumes, accounting for more than 75% of the Group's revenue in the first nine months of 2015) grew by over 7pp in the reporting period, **from 23.7% to 30.8%**, which was mainly attributable to the launch of new wind farms.

In Q3 alone, the EBITDA margin was 31.2%, up by more than 10pp on the same period of the previous year.

The lower net finance income is attributable to higher interest expense, partly related to the launch of new projects, partly offset due to lower interest rates and lower debt balance on other projects.

Higher tax expense resulted from the recognition in the profit/(loss) for 2014 of a reversal of a provision for deferred tax liability related to the revenue of limited joint-stock partnerships and the fact that a tax asset to offset a part of tax losses incurred in 2015 was not recognised (conservative approach); in Q3 2015 alone, the effective tax rate was about 19%.

Given that the adjusted EBITDA for the last twelve months (from October 1st 2014 to September 30th 2015) was PLN 218.1m, and the Group's net debt as at September 30th 2015 amounted to PLN 574.3m, the net debt/EBITDA ratio stood at 2.63x.

At present, wind farms with a total capacity of 61.8 MWe are under construction (Mycielin wind farm, extension of Gawłowice and Skurpie wind farms). They are expected to be placed in service by the end of 2015.

Presented on the next pages is a breakdown of the Group's consolidated performance in Q3 2015 and in the first nine month of 2015 by operating segments.

9M 2015 (PLNm)	Conventional energy	Development	Biomass	Wind power	Distribution	Trade	Unallocated management costs	Purchase price allocation	TOTAL
Revenue	247.6	0.3	45.5	98.5	119.1	1,517.7	1.6	2.0	2,032.3
Operating expenses	-188.5	-0.8	-40.4	-55.6	-105.6	-1,506.4	-5.0	-11.4	-1,913.8
incl. depreciation and amortisation	-13.7	-	-3.0	-35.0	-2.9	-0.0	-1.0	-7.6	-63.2
Gross profit	**59.1**	**-0.5**	**5.2**	**42.9**	**13.5**	**11.3**	**-3.4**	**-9.4**	118.5
Administrative expenses	-5.2	-0.5	-0.7	-1.6	-3.6	-6.4	-5.7	-	-23.7
Net other income/expenses	-0.9	-0.2	0.9	3.7	0.1	0.2	-0.2	-	3.5
Operating profit	**53.0**	**-1.2**	**5.3**	**45.0**	**10.0**	**5.0**	**-9.4**	**-9.4**	98.3
EBITDA	66.7	-1.2	8.3	80.0	12.9	5.1	-8.4	-1.8	161.5
Elimination of costs of securing financing							0.2		0.2
Elimination of purchase price allocation effect								1.8	1.8
Adjusted EBITDA	66.7	-1.2	8.3	80.0	12.9	5.1	-8.2	-	163.5
Net finance income	-6.6	0.1	-0.8	-22.6	-1.3	-1.0	3.9	-	-28.4
Profit (loss) before tax	**46.4**	**-1.1**	**4.5**	**22.4**	**8.6**	**4.0**	**-5.5**	**-9.4**	**69.9**
Income tax expense									-17.2
Net profit (loss) for period									52.7
Elimination of purchase price allocation effect									7.6
Elimination of discount income effect									-
Elimination of loan valuation effect									3.6
Elimination of costs of securing financing									0.1
Adjusted net profit									63.8

(PLN '000)

9M 2014 (PLNm)	Conventional energy	Development	Biomass	Wind power	Distribution	Trade	Unallocated management costs	Purchase price allocation	TOTAL
Revenue	268.3	0.7	50.8	45.2	104.4	1,539.2	0.1	5.0	2,013.7
Operating expenses	-227.8	-0.6	-47.7	-29.9	-89.5	-1,533.3	-0.0	-7.6	-1,936.4
incl. depreciation and amortisation	-32.1	-0.0	-2.8	-16.9	-2.9	-0.0	-	-7.6	-62.4
Gross profit	**40.5**	**0.1**	**3.1**	**15.3**	**14.9**	**5.9**	**0.1**	**-2.6**	**77.3**
Administrative expenses	-4.5	-0.7	-	-	-4.5	-4.2	-9.5	-	-23.3
Net other income/expenses	-0.2	0.3	-0.4	3.3	0.6	0.0	-0.6	-	3.0
Operating profit	**35.9**	**-0.3**	**2.7**	**18.6**	**11.0**	**1.8**	**-10.0**	**-2.6**	**57.0**
EBITDA	68.0	-0.3	5.5	35.5	14.0	1.8	-10.0	5.0	119.4
Elimination of purchase price allocation effect								-5.0	-5.0
Adjusted EBITDA	68.0	-0.3	5.5	35.5	14.0	1.8	-10.0	-	114.4
Net finance income	-2.6	0.9	-1.2	-13.9	-1.3	-0.8	-3.4	-	-22.3
Profit (loss) before tax	**33.3**	**0.6**	**1.5**	**4.7**	**9.7**	**1.0**	**-13.4**	**-2.6**	**34.7**
Income tax expense									-1.6
Net profit (loss) for period									33.1
Elimination of purchase price allocation effect									0.8
Elimination of unrealised exchange differences effect									0.3
Elimination of discount income effect									-0.4
Elimination of loan valuation effect									1.0
Adjusted net profit									34.8
Adjusted EBITDA yoy	-1.2	-0.9	2.8	44.5	-1.1	3.2	1.8	0.0	49.1

(PLN '000)

Q3 2015 (PLNm)	Conventional energy	Development	Biomass	Wind power	Distribution	Trade	Unallocated management costs	Purchase price allocation	TOTAL
Revenue	80.4	-0.2	14.1	27.1	39.8	511.8	1.9	2.0	677.0
Operating expenses	-57.6	-0.1	-11.7	-19.7	-35.2	-508.4	-2.2	-5.2	-640.0
incl. depreciation and amortisation	-4.4	-	-1.0	-12.4	-0.9	-0.0	-0.4	-2.5	-21.6
Gross profit	**22.8**	**-0.3**	**2.4**	**7.4**	**4.6**	**3.4**	**-0.4**	**-3.1**	36.9
Administrative expenses	-1.7	-0.2	-0.2	-1.0	-1.3	-2.0	-2.4	-	-8.8
Net other income/expenses	-0.4	0.0	0.5	1.2	0.8	0.2	0.4	-	2.8
Operating profit	**20.8**	**-0.4**	**2.7**	**7.7**	**4.1**	**1.6**	**-2.3**	**-3.1**	31.0
EBITDA	25.2	-0.4	3.7	20.0	5.1	1.6	-1.9	-0.6	52.6
Elimination of costs of securing financing							0.0		0.0
Elimination of purchase price allocation effect								0.6	0.6
Adjusted EBITDA	25.2	-0.4	3.7	20.0	5.1	1.6	-1.9	-	53.2
Net finance income	-2.1	0.1	-0.2	-8.3	-0.3	-0.3	0.8	-	-10.4
Profit (loss) before tax	**18.6**	**-0.3**	**2.5**	**-0.7**	**3.8**	**1.3**	**-1.5**	**-3.1**	**20.6**
Income tax expense									-3.8
Net profit (loss) for period									16.7
Elimination of purchase price allocation effect									2.5
Elimination of discount income effect									-
Elimination of loan valuation effect									1.2
Elimination of costs of securing financing									0.0
Adjusted net profit									20.7

(PLN ‘000)

Q3 2014 (PLNm)	Conventional energy	Development	Biomass	Wind power	Distribution	Trade	Unallocated management costs	Purchase price allocation	TOTAL
Revenue	85.9	0.7	16.0	11.4	35.9	419.9	0.1	-0.6	569.1
Operating expenses	-73.7	-0.3	-15.0	-10.2	-31.4	-416.6	0.0	-2.5	-549.8
incl. depreciation and amortisation	-10.9	-	-0.9	-5.6	-1.0	-0.0	-	-2.5	-21.0
Gross profit	**12.2**	**0.3**	**1.0**	**1.1**	**4.5**	**3.2**	**0.1**	**-3.1**	**19.3**
Administrative expenses	-1.6	-0.3	-	-	-1.5	-0.9	-4.2	-	-8.4
Net other income/expenses	-0.1	0.1	-0.1	1.1	0.1	0.0	-0.0	-	0.9
Operating profit	**10.5**	**0.1**	**0.9**	**2.2**	**3.1**	**2.4**	**-4.1**	**-3.1**	**11.9**
EBITDA	21.4	0.1	1.8	7.8	4.0	2.4	-4.1	-0.6	32.8
Elimination of purchase price allocation effect								0.6	0.6
Adjusted EBITDA	21.4	0.1	1.8	7.8	4.0	2.4	-4.1	-	33.5
Net finance income	-1.4	0.3	-0.3	-4.6	-0.4	-0.2	-1.9	-	-8.5
Profit (loss) before tax	**9.1**	**0.4**	**0.5**	**-2.4**	**2.6**	**2.2**	**-6.0**	**-3.1**	**3.4**
Income tax expense									1.2
Net profit (loss) for period									4.5
Elimination of purchase price allocation effect									2.5
Elimination of unrealised exchange differences effect									0.2
Elimination of discount income effect									-0.1
Elimination of loan valuation effect									0.5
Adjusted net profit									7.6
Adjusted EBITDA yoy	3.8	-0.5	1.9	12.2	1.1	-0.8	2.2	0.0	19.8

(PLN '000)

2. The Group’s organisational structure

On August 27th 2014, the Company and Capedia Holdings Limited of Nicosia, Cyprus (the “Investor”) finalised (“Closing”) the transaction provided for in their investment agreement of July 18th 2014 (the “Agreement”).

As part of the Closing:

1) the Investor subscribed for 7,266,122 new shares in the Company at an issue price of PLN 33.03 per share, for a total of PLN 240,000,009.66 paid in cash;

2) Elektron Sp. z o.o. of Warsaw subscribed for 16,863,458 new shares in the Company at an issue price of PLN 33.03 per share, in exchange for a non-cash contribution in the form of 100% of shares in Neutron Sp. z o.o. of Warsaw (a subsidiary of Polenergia Holding S.a.r.l. of Luxembourg, which is controlled by Kulczyk Investments S.A.) with a total value of PLN 557,000,017.74 (“Contribution”).

The Contribution made in exchange for the shares (“Contribution”) comprised 100% of shares in Neutron Sp. z o.o., a holding company with the following shareholdings in the following companies:

- 100% of shares in Elektrociepłownia Nowa Sarzyna Sp. z o.o. – operator of the Nowa Sarzyna gas-fired CHP plant with a capacity of 116 MWe and 70 MWt;
- 100% of shares in Polenergia Kogeneracja Sp. z o.o. – a company whose business consists in natural gas distribution and trading; in the past it was engaged in cogeneration activities;
- 100% of shares in Elektrownia Północ Sp. z o.o. – a company responsible for the construction of a base-load coal-fired power plant with a capacity of approximately 1,600 (2*800) MWe;
- 100% of shares in Polenergia Dystrybucja Sp. z o.o. – a company whose business consists in distribution and sale of electricity;
- 100% of shares in Polenergia Obrót S.A. – a company whose business consists in trading in electricity, gas and certificates;
- 100% of shares in Natural Power Association Sp. z o.o., a sole shareholder of: Bałtyk Północny S.A., Bałtyk Środkowy II Sp. z o.o., Bałtyk Środkowy III Sp. z o.o. – companies responsible for the construction of offshore wind farms with a total capacity of up to 1,200 MWe, including 600 MWe by 2022, (the “Green Group”);
- 100% of shares in PPG Pipeline Projektgesselschaft mbH;
- 100% of shares in PPG Polska Sp. z o.o. – a company responsible for the construction of a pipeline connecting gas systems of Poland and Germany;
- 20% of shares in GEO Kletnia Sp. z o.o. – a company responsible for the construction of a wind farm with a capacity of approximately 40 MW.

3. The Group’s development strategy

The Group’s development strategy and an overview of the Group’s business is presented on the Company’s website at http://www.polenergia.pl/pol/pl/prezentacje,Investors/Presentations section.

B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30TH 2015

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at Sep 30 2015

	Sep 30 2015	restated Dec 31 2014
I. Non-current assets	**2,300,437**	**1,968,359**
1. Property, plant and equipment	2,027,655	1,706,722
2. Intangible assets	49,464	57,383
3. Goodwill related to subordinated entities	184,633	184,662
4. Financial assets	23,425	7,413
5. Equity-accounted financial assets	1,456	1,456
6. Non-current receivables	4,377	4,269
7. Deferred tax asset	9,349	6,353
8. Prepayments and accrued income	78	101
II. Current assets	**714,049**	**763,935**
1. Inventories	45,005	41,113
2. Trade receivables	127,616	109,042
3. Current tax asset	1,867	1,927
4. Other current receivables	42,356	69,251
5. Prepayments and accrued income	12,934	8,563
6. Current financial assets	83,282	117,230
7. Cash and cash equivalents	400,989	416,809
Total assets	**3,014,486**	**2,732,294**

	Sep 30 2015	restated Dec 31 2014
I. Equity	**1,390,027**	**1,333,984**
1. Share capital	90,887	90,887
2. Share premium	786,134	802,909
3. Capital reserve from valuation of options	13,207	13,207
4. Other capital reserves	385,558	372,427
5. Retained earnings	60,350	22,188
6. Net profit	52,710	31,345
7. Non-controlling interests	975	948
8. Translation differences	206	73
II. Non-current liabilities	**1,155,257**	**991,888**
1. Bank and other borrowings	886,424	695,168
2. Deferred tax liability	60,172	57,150
3. Provisions	2,045	2,045
4. Accruals and deferred income	64,231	67,439
5. Other liabilities	142,385	170,086
III. Current liabilities	**469,202**	**406,422**
1. Bank and other borrowings	88,910	91,993
2. Trade payables	166,167	128,487
3. Income tax payable	6,804	1,064
4. Other liabilities	175,167	158,353
5. Provisions	3,857	3,070
6. Accruals and deferred income	28,297	23,455
Total equity and liabilities	**3,014,486**	**2,732,294**

(PLN '000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the nine months ended September 30th 2015

	Notes	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
Revenue	3.1	1,953,582	251,114	648,641	196,939
Revenue from certificates of origin	3.2	78,739	38,422	28,334	18,127
Revenue		**2,032,321**	**289,536**	**676,975**	**215,066**
Cost of sales	3.3	(1,913,813)	(255,681)	(640,028)	(198,479)
Gross profit		**118,508**	**33,855**	**36,947**	**16,587**
Other income	3.4	6,888	4,250	3,534	1,813
Distribution costs	3.3	(562)	(67)	(81)	(67)
Administrative expenses	3.3	(23,709)	(10,801)	(8,767)	(5,515)
Other expenses	3.5	(2,785)	(1,973)	(654)	(866)
Finance income	3.6	5,828	3,805	872	1,579
Finance costs	3.7	(34,225)	(17,782)	(11,295)	(6,566)
Profit before tax		**69,943**	**11,287**	**20,556**	**6,965**
Income tax expense		(17,206)	3,754	(3,825)	2,045
Net profit		**52,737**	**15,041**	**16,731**	**9,010**

Net profit attributable to:	**52,737**	**15,041**	**16,731**	**9,010**
Owners of the parent	52,710	15,119	16,721	9,021
Non-controlling interests	27	(78)	10	(11)
Earnings per share:				
− basic earnings for period attributable to owners of the parent	1.16	0.63	0.37	0.38
− basic earnings from continuing operations for period attributable to owners of the parent	1.16	0.63	0.37	0.38

(PLN '000)

ADJUSTED EBITDA

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
Gross profit	118,508	33,855	36,947	16,587
Other income	6,888	4,250	3,534	1,813
Distribution costs	(562)	(67)	(81)	(67)
Administrative expenses	(23,709)	(10,801)	(8,767)	(5,515)
Other expenses	(2,785)	(1,973)	(654)	(866)
Operating profit	**98,340**	**25,264**	**30,979**	**11,952**
Depreciation and amortisation	63,174	26,309	21,615	11,852
EBITDA	**161,514**	**51,573**	**52,594**	**23,804**
Cost of securing financing	173	-	30	-
Purchase price allocation:				
Intra-group long-term contracts	-	(6,800)	-	(6,800)
Valuation of long-term contracts	1,809	201	603	201
Adjusted EBITDA	**163,496**	**44,974**	**53,227**	**17,205**

ADJUSTED NET PROFIT

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
NET PROFIT attributable to owners of the parent	**52,710**	**15,119**	**16,721**	**9,021**
Unrealised foreign exchange gains/losses	(323)	343	265	190
Tax on foreign exchange gains	61	(65)	(51)	(36)
Finance income from discount on sale of wind farm projects	-	(476)	-	(161)
Tax on discount on sale of wind farm projects	-	90	-	30
(Income)/expense from valuation of non-current bank borrowings	4,391	1,285	1,419	634
Tax on (income)/expense from valuation of non-current bank borrowings	(834)	(244)	(269)	(120)
Cost of securing financing	173	-	30	-
Tax	(33)	-	(6)	-
Purchase price allocation:				
Depreciation and amortisation	7,596	844	2,532	844
Intra-group long-term contracts	-	(6,800)	-	(6,800)
Valuation of long-term contracts	1,809	201	603	201
Tax	(1,791)	(199)	(597)	(199)
Adjusted NET PROFIT attributable to owners of the parent	**63,759**	**10,098**	**20,647**	**3,604**

EBITDA is the key measure of the Group's profit. The Group defines EBITDA as operating profit before depreciation and amortisation. Since EBITDA is not defined in the IFRS, it may be calculated differently by other entities.

The adjusted items presented above are profit figures adjusted through the elimination of non-monetary items.

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended September 30th 2015

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
Net profit for period	**52,737**	**15,041**	**16,731**	**9,010**
Other comprehensive income that may be reclassified to profit or loss once specific conditions are met				
- Cash-flow hedges	(3,857)	(175)	(1,893)	(161)
Net other comprehensive income	**(3,857)**	**(175)**	**(1,893)**	**(161)**
COMPREHENSIVE INCOME FOR PERIOD	**48,880**	**14,866**	**14,838**	**8,849**
Total comprehensive income for period:	48,880	14,866	14,838	8,849
Owners of the parent	48,853	14,944	14,828	8,860
Non-controlling interests	27	(78)	10	(11)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS for the nine months ended September 30th 2015

	Notes	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
A. Cash flows from operating activities			
I. Profit before tax		**69,943**	**11,287**
II. Total adjustments		**127,353**	**24,199**
1. Depreciation and amortisation	3.3	63,174	26,309
2. Foreign exchange losses		(61)	334
3. Interest and profit distributions (dividends)		24,767	15,261
4. Gain (loss) on investing activities		4,347	20
5. Income tax		(11,886)	(661)
6. Change in provisions		569	1,126
7. Change in inventories	3.8	(3,892)	(6,491)
8. Change in receivables	3.8	23,100	(861)
9. Change in current liabilities (net of borrowings)	3.8	30,708	(1,854)
10. Change in accruals and deferrals	3.8	(3,639)	(9,230)
11. Other adjustments		166	246
III. Net cash from operating activities (I+/-II)		**197,296**	**35,486**
B. Cash flows from investing activities			
I. Cash receipts		**1,041**	**105,279**
1. Disposal of intangible assets and property, plant and equipment		221	33
2. Proceeds from financial assets, including:		820	-
a) repayment of non-current loans advanced		662	-
b) interest		148	-
c) other proceeds from financial assets		10	-
3. Cash from acquisition of a subsidiary		-	105,246
II. Cash payments		**375,633**	**348,515**
1. Acquisition of intangible assets and property, plant and equipment		375,108	348,326
2. Payments for financial assets, including:		525	189
a) acquisition of financial assets		45	189
b) non-current loans advanced		480	-
III. Net cash from investing activities (I-II)		**(374,592)**	**(243,236)**
C. Cash flows from financing activities			
I. Cash receipts		**270,437**	**522,529**
1. Net proceeds from issue of shares, other equity instruments and additional contributions to equity		-	240,000
2. Proceeds from borrowings		270,437	282,529
II. Cash payments		**108,953**	**77,954**
1. Repayment of borrowings		80,636	62,444
2. Payment of finance lease liabilities		748	367
3. Interest		24,514	15,143
4. Other payments		3,055	-
III. Net cash from financing activities (I-II)		**161,484**	**444,575**
D. Total net cash flows (A.III+/-B.III+/-C.III)		**(15,812)**	**236,825**
E. Net increase/decrease in cash, including:		**(15,820)**	**236,812**
- effect of exchange rate fluctuations on cash held		(8)	(13)
F. Cash at beginning of period		**416,809**	**208,142**
G. Cash at end of period, including:		**400,989**	**444,954**
- restricted cash	3.8	120,543	98,069

External financing sources - bank borrowings (statement of cash flows)	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
item C.I.2 Proceeds from borrowings	270,437	282,529
item C.II.2 Repayment of borrowings	(80,636)	(62,444)
Change in external financing sources, including:	**189,801**	**220,085**
net increase in investment facilities	205,563	184,740
net increase/decrease in VAT financing facility	(7,349)	43,175
net increase/decrease in overdraft facility	(8,413)	(7,830)

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine months ended September 30th 2015

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Non-controlling interests	Translation differences	Total equity
As at Jan 1 2015	**90,887**	**802,909**	**13,207**	**372,427**	**53,533**	**-**	**948**	**73**	**1,333,984**
Total comprehensive income for period									
- Net profit for reporting period	-	-	-	-	-	52,710	27	-	52,737
- Other comprehensive income for period	-	-	-	3,857	-	-	-	-	3,857
- Allocation of profit	-	(16,091)	-	9,274	6,817	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	133	133
Transactions with owners of the parent recognised directly in equity									
- Share issue	-	(684)	-	-	-	-	-	-	(684)
As at Sep 30 2015	**90,887**	**786,134**	**13,207**	**385,558**	**60,350**	**52,710**	**975**	**206**	**1,390,027**

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Non-controlling interests	Translation differences	Total equity
As at Jan 1 2014	**42,628**	**78,521**	**13,207**	**370,469**	**9,398**	**-**	**1,038**	**-**	**515,261**
Total comprehensive income for period									
- Net profit for financial year	-	-	-	-	-	15,119	(78)	-	15,041
- Other comprehensive income for period	-	-	-	(175)	-	-	-	-	(175)
- Allocation of profit	-	(12,790)	-	-	12,790	-	-	-	-
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	(57)	(57)
Transactions with owners of the parent recognised directly in equity									
- Share issue	48,259	737,178	-	-	-	-	-	-	785,437
As at Sep 30 2014	**90,887**	**802,909**	**13,207**	**370,294**	**22,188**	**15,119**	**960**	**(57)**	**1,315,507**

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1. Policies applied in the preparation of the interim condensed consolidated financial statements

1.1 Duration of the Company and other Group companies

The Company and all of its related entities have been established for an indefinite period.

1.2 Periods covered by the interim condensed consolidated financial statements

These interim condensed consolidated financial statements cover the nine months ended September 30th 2015 and contain comparative data for the nine months ended September 30th 2014 and as at December 31st 2014. The statement of profit or loss and the notes to the statement of profit or loss cover the period of nine months ended September 30th 2014, as well as comparative data for the period of nine months ended September 30th 2014.

These interim condensed consolidated financial statements have been prepared on the assumption that the Company and the Group will continue as going concerns in the foreseeable future, that is for at least 12 months after the end of the reporting period, i.e. September 30th 2015.

1.3 Authorisation of the financial statements

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on November 5th 2015.

1.4 Policies applied in the preparation of the financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and cover the nine months from January 1st to September 30th 2015, a comparative period from January 1st to September 30th 2014, as well as the data as at December 31st 2014 presented in the statement of financial position. These interim condensed financial statements for the nine months ended September 30th 2015 have not been reviewed by an independent auditor, whereas the comparative data for the financial year ended December 31st 2014 have been audited.

These interim condensed consolidated financial statements have been prepared in compliance with the historical cost convention, except for the following material items in the statement of financial position:

- financial derivatives, measured at fair value,
- certificates of origin (green certificates), measured at fair value,
- borrowings, measured at adjusted cost.

The International Financial Reporting Standards comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").

Some of the Group companies maintain their accounting books in accordance with the policies set out in the Polish Accounting Act of September 29th 1994 (the "Act") as amended, and the regulations issued thereunder ("Polish GAAP"). These interim condensed consolidated financial statements include a number of adjustments not included in the accounting books of the Group companies, which were made to bring the financial statements of those companies into conformity with Group's accounting policy.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2014.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and calculation methods as those applied in the most recent full-year financial statements, for the year ended December 31st 2014.

A number of new Standards, amendments to Standards and Interpretations were not yet effective for the annual periods ended December 31st 2015 and, consequently, they have not been applied in preparing these interim condensed consolidated financial statements. None of the new Standards, amendments to Standards, and Interpretations will have a material effect on the Group's financial statements.

1.5 The Group's organisational structure

In the third quarter ended September 30th 2015, there were no changes in the Group's organisational structure.

2. Operating segments

For management purposes, the Group performed an analysis to identify potential operating segments, as a result of which it distinguished: the conventional energy segment comprising generation of electricity and heat, development and implementation segment, wind power segment, biomass segment responsible for the production of pellets from energy crops, distribution segment, and electricity and certificates of origin trading segment. The table below presents key data on the operations of these segments:

For the nine months ended September 30th 2015	Conventional energy	Development and implementation	Biomass	Wind power	Distribution	Electricity sales and trading	Unallocated Group management costs *)	Total
Revenue from sales to external customers	247,615	309	45,545	98,499	119,052	1,517,667	3,634	2,032,321
Gross profit/(loss)	**59,090**	**(456)**	**5,154**	**42,857**	**13,467**	**11,250**	**(12,854)**	**118,508**
Administrative expenses	(5,158)	(523)	(716)	(1,609)	(3,577)	(6,417)	(5,709)	(23,709)
Interest income/(expense)	(3,401)	120	(470)	(19,345)	(1,299)	262	3,075	(21,058)
Finance income/(costs) from unrealised exchange gains/losses	(4)	42	4	260	-	21	-	323
Other finance income/(costs)	(3,204)	(105)	(328)	(3,530)	(46)	(1,282)	833	(7,662)
Other income/(expenses)	(891)	(227)	899	3,723	60	205	(228)	3,541
Profit (loss) before tax	**46,432**	**(1,149)**	**4,543**	**22,356**	**8,605**	**4,039**	**(14,883)**	**69,943**
Income tax expense	-	-	-	-	-	-	(17,206)	(17,206)
Net profit/(loss)	-	-	-	-	-	-	-	**52,737**
EBITDA (Operating profit/(loss) + depreciation and amortisation)**	66,734	(1,206)	8,312	79,962	12,853	5,061	(10,202)	161,514
Segment assets	360,267	518,221	77,165	1,232,775	135,067	239,346	-	2,562,841
Unallocated assets	-	-	-	-	-	-	451,645	451,645
Total assets	**360,267**	**518,221**	**77,165**	**1,232,775**	**135,067**	**239,346**	**451,645**	**3,014,486**

*) Including purchase price allocation

**) Operating profit/(loss), i.e. gross profit/(loss) - administrative expenses + other income - other expenses

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For the nine months ended September 30th 2014	Conventional energy	Development and implementation	Biomass	Wind power	Distribution	Electricity sales and trading	Unallocated Group management costs *)	Total
Revenue from sales to external customers	38,218	744	50,801	45,233	11,559	137,430	5,551	289,536
Gross profit/(loss)	**5,850**	**185**	**3,139**	**15,304**	**1,422**	**1,356**	**6,599**	**33,855**
Administrative expenses	(448)	(99)	-	-	(432)	(455)	(9,367)	(10,801)
Interest income/(expense)	1,027	368	(822)	(12,049)	(157)	64	-	(11,569)
Finance income/(costs) from sale of wind farms	-	476	-	-	-	-	-	476
Finance income/(costs) from unrealised exchange gains/losses	(25)	(5)	-	(301)	-	(12)	-	(343)
Other finance income/(costs)	(305)	(2)	(375)	(1,566)	(5)	(123)	(165)	(2,541)
Other income/(expenses)	(67)	(10)	(422)	3,280	52	(1)	(622)	2,210
Profit (loss) before tax	**6,032**	**913**	**1,520**	**4,668**	**880**	**829**	**(3,555)**	**11,287**
Income tax expense	-	-	-	-	-	-	3,754	3,754
Net profit/(loss)	-	-	-	-	-	-	-	**15,041**
EBITDA (Operating profit (loss) + depreciation and amortisation)**	11,628	76	5,477	35,497	1,383	902	(3,390)	51,573
Segment assets	385,664	865,294	84,392	409,696	116,337	173,366	-	2,034,749
Unallocated assets	-	-	-	-	-	-	642,567	642,567
Total assets	**385,664**	**865,294**	**84,392**	**409,696**	**-**			**2,677,316**

*) Including purchase price allocation

**) Operating profit/(loss), i.e. gross profit/(loss) - administrative expenses + other income - other expenses

(PLN '000)

3. Other notes

3.1 Revenue

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- revenue from sale of electricity	1,701,034	171,800	565,341	155,391
- revenue from sale of heat	23,376	5,196	5,505	2,325
- revenue from consulting and advisory services	1,550	835	638	835
- income from reinvoicing and reimbursement of expenses	11	15	5	3
- income from lease and operator services	63	5	11	-
- revenue from sale of merchandise	3,684	6,832	283	2,491
- revenue from sale of straw	1	-	-	-
- revenue from sale of pellets	41,843	43,814	13,818	13,402
- rental income	43	13	15	9
- income from compensation for stranded costs and cost of gas	118,842	16,999	41,847	16,999
- net revenue from sale of gas	62,582	5,266	21,062	5,266
- other	553	339	116	218
Total revenue	**1,953,582**	**251,114**	**648,641**	**196,939**

3.2 Revenue from certificates of origin

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- revenue from certificates of origin	73,708	37,272	27,836	16,977
- revenue from carbon dioxide emission allowances	5,031	1,150	498	1,150
Total revenue from certificates of origin	**78,739**	**38,422**	**28,334**	**18,127**

3.3 Expenses, by nature of expense

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- depreciation and amortisation expense	63,174	26,309	21,615	11,852
- raw materials and consumables used	187,510	50,880	56,923	29,021
- services	27,499	19,830	6,636	8,047
- taxes and charges	11,764	4,509	3,857	2,453
- salaries and wages	29,100	12,458	9,920	5,869
- social security and other benefits	4,179	1,450	1,148	621
- other expenses, by nature of expense	2,785	488	900	348
Total expenses by nature	**326,011**	**115,924**	**100,999**	**58,211**
- cost of merchandise and materials sold (+)	1,612,073	150,625	547,877	145,850
- distribution costs (-)	(562)	(67)	(81)	(67)
- administrative expenses (-)	(23,709)	(10,801)	(8,767)	(5,515)
Cost of products sold	**1,913,813**	**255,681**	**640,028**	**198,479**

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3.4 Other income

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- reversal of impairment losses and write-downs, including:	1,006	573	1,006	573
- impairment losses on receivables	60	-	60	-
- inventory write-downs	946	573	946	573
- provisions released, including:	1,143	-	1,143	-
- for litigations	164	-	164	-
- other	979	-	979	-
- other, including:	4,739	3,677	1,385	1,240
- compensations and additional charges	474	184	14	76
- settlement of grants	3,255	3,208	1,073	1,069
- revenue from lease of property, plant and equipment	710	-	200	-
- gain on disposal of non-financial non-current assets	52	178	29	-
- other	248	107	69	95
Total other income	**6,888**	**4,250**	**3,534**	**1,813**

3.5 Other expenses

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- impairment losses and write-downs, including:	762	31	561	24
- impairment losses on receivables	252	23	51	23
- inventory write-downs	510	8	510	1
- other, including:	2,023	1,942	93	842
- penalties, fines, compensation	708	377	176	114
- assigned compensation	1	-	1	-
- other development costs	384	683	40	19
- loss on disposal of non-financial non-current assets	106	-	67	-
- other	824	882	(191)	709
Total other expenses:	**2,785**	**1,973**	**654**	**866**

3.6 Finance income

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- income from interest on deposits and loans	4,996	3,127	1,135	1,393
- interest on finance leases	123	127	40	38
- foreign exchange losses, including:	436	7	(348)	2
- unrealised	354	1	(368)	-
- realised	82	6	20	2
- valuation of financial liabilities*)	92	67	89	-
- income from discount	-	476	-	161
- other charges under sureties	-	-	-	(16)
- other	181	1	(44)	1
Total finance income	**5,828**	**3,805**	**872**	**1,579**

*) applicable to bank borrowings measured with amortised cost method

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3.7 Finance costs

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
- interest expense	26,177	14,696	9,002	5,340
- foreign exchange losses, including:	311	550	(35)	233
- unrealised	31	344	(103)	190
- realised	280	206	68	43
- fees and commissions	3,010	863	1,098	238
- impairment losses on shares	-	159	-	-
- valuation of financial liabilities *)	4,483	1,352	1,508	634
- other	244	162	(278)	121
Total finance costs	**34,225**	**17,782**	**11,295**	**6,566**

*) applicable to bank borrowings measured with amortised cost method

3.8 Cash flows

Restricted cash

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
- cash for credit facility repayments	15,940	15,922
- cash for the settlement of compensation for stranded costs	97,605	79,224
- cash for long- and medium-term overhauls	3,379	2,897
- other restricted cash	3,619	26
Total	**120,543**	**98,069**

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Explanation of differences between changes in certain items in the statement of financial position and changes in the statement of cash flows

Inventories:	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
- change in inventories in the statement of financial position	(3,892)	(19,765)
- recognition of wind farm development under non-current assets	-	135
- inventories of the merged subsidiaries at beginning of period	-	13,326
- other	-	(187)
Change in inventories in the statement of cash flows	**(3,892)**	**(6,491)**

Receivables:	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
- change in current and non-current receivables, net in the statement of financial position	8,213	(131,598)
- receivables of the merged subsidiaries at beginning of period	-	114,882
- change in investment receivables	-	(364)
- change in financial receivables	14,887	16,219
Change in receivables in the statement of cash flows	**23,100**	**(861)**

Liabilities:	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
- change in liabilities, net of borrowings, in the statement of financial position	26,793	419,697
- change in finance lease payables	752	(137)
- change in investment liabilities	(2,374)	3,060
- change in financial liabilities	5,537	(25,211)
- liabilities of subsidiaries consolidated for the first time at beginning of period	-	(399,263)
Change in liabilities in the statement of cash flows	**30,708**	**(1,854)**

Prepayments, accruals and deferrals:	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
- change in accruals and deferrals in the statement of financial position	(2,714)	21,346
- commissions on credit facilities	1,437	2,650
- grants	434	-
- accruals and deferrals of the merged subsidiaries at beginning of period	-	(1,838)
- property, plant and equipment under construction, not invoiced	(2,114)	(19,825)
- cost transferred to equity	(682)	(11,563)
Change in accruals and deferrals in the statement of cash flows	**(3,639)**	**(9,230)**

3.9 Goodwill

Goodwill related to subordinated entities, recognised as a result of the contribution of the Neutron Group assets to the Group, as described in more detail in Note 2, is attributable to the difference between the purchase price and the fair value of net assets acquired.
Goodwill following from the abovementioned transaction amounted to PLN 184m and was attributable to the following cash-generating segments:
(i) PLN 75m − development segment − comprising PPG Pipeline Projektgesellschaft mbH, PPG Polska Sp. z o.o., and Natural Power Association Sp. z o.o. along with the subsidiaries;
(ii) PLN 40m – conventional energy segment − comprising Elektrociepłownia Nowa Sarzyna;
(iii) PLN 25m – distribution segment – comprising Polenergia Dystrybucja and Polenergia Kogeneracja;

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(iv) PLN 44m − trading segment − comprising Polenergia Obrót.

4. Notes explaining seasonal or cyclic nature of the issuer's operations in the reporting period

The Polenergia Group operates in the following market segments:

- Conventional power generation
- Development of building projects and project implementation
- Biomass
- Wind power generation
- Distribution
- Energy trading and sale

Of these, conventional and wind power generation are seasonal by nature.

Polenergia Group's key customers use the heat and electricity supplied by the Group mostly for production purposes at their industrial facilities, and this business is not subject to seasonal fluctuations. However, a small proportion of heat delivered by the Group is used for heating purposes, both by industrial and municipal customers. Those delivery patterns are seasonal, with higher consumption of heat in the first and the fourth quarters of the financial year. However, this seasonality does not have a material effect on the Group's financial performance.

Moreover, wind conditions, which determine the output of wind farms, are uneven during the year: in autumn and winter they are significantly better than in spring and summer. The wind farm sites were selected by the issuer based on professional wind measurements confirmed by independent and reputable specialists. That said, there can be no assurance that the actual wind conditions will not be different than those used in the Group's models for specific investment projects.

5. Interest-bearing borrowings

On July 31st 2015, Grupa PEP – Farma Wiatrowa 1 Sp. z o.o. ("FW1"), Grupa PEP – Farma Wiatrowa 4 Sp. z o.o. ("FW4"), and Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. ("FW6"), executed an annex to the credit facility agreement of October 4th 2013, as amended on March 6th 2015, with Bank Ochrony Środowiska SA and the European Bank for Reconstruction and Development. The purpose of the annex was to clarify the provisions concerning the introduction of the new definition of margin in the credit facility agreement.
On August 18th 2015, Polenergia Obrót SA ("POLOSA") and Bank Polska Kasa Opieki S.A. (PEKAO) signed a PLN 120,000 thousand multi-purpose credit facility agreement. The new agreement will replace the current agreement with Raiffeisen Bank Polska SA ("Raiffeisen").
On September 24th 2015, Polenergia Biomasa Energetyczna Północ sp. z o.o. signed a PLN 2,000 thousand working capital credit facility agreement with Raiffeisen, replacing the PLN 5,000 thousand facility agreement which expired in March 2015 and adapting the financing to the company's current needs.

6. Changes in accounting estimates

a) Effective tax rate

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
Tax expense recognised in profit or loss, including:	17,206	(3,754)
Current income tax	17,633	7,257
Deferred tax	(427)	(11,011)
Profit before tax	**69,943**	**11,287**
Tax at the effective rate of 19% (2014: 19%)	13,289	2,145
Adjustments to current income tax from previous years	(23)	-
Non-tax-deductible costs:	**(3,894)**	**2,543**
- permanent differences	(608)	1,604
- tax assets on account of tax losses in Special Economic Zone	672	(209)
- tax asset on account of other tax losses	(3,958)	(145)
- effect of purchase price allocation	-	1,293
Non-taxable income:	**-**	**3,356**
- deferred tax liability on income of limited joint-stock partnerships	-	3,356
Tax recognised in profit or loss	**17,206**	**(3,754)**

b) Change in provisions

Change in current and non-current provisions

	Sep 30 2015	30.09.2014
Provisions at beginning of period	**5,115**	**2,135**
- provisions recognised	913	3,344
- provisions released	(126)	(183)
- utilised	-	(181)
Provisions at end of period	**5,902**	**5,115**

(PLN '000)

c) Trade and other receivables

In the period ended September 30th 2015, impairment losses on unrecoverable trade receivables were PLN 8,076 thousand.

	Sep 30 2015	Dec 31 2014
At beginning of period	**7,829**	**925**
- Increase	247	7,258
- Use	-	(354)
At end of period	**8,076**	**7,829**

Presented below is a breakdown of trade receivables past due as at September 30th 2015, for which no impairment losses have been recognised.

	Total	Not past due	Past due but recoverable				
			< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
Sep 30 2015	127,616	122,464	3,828	339	104	546	335
Dec 31 2014	109,042	101,112	6,904	266	116	197	447

Receivables past due more than 120 days relate mainly to the distribution business, which is characterised by a large number of clients and in the case of which impairment losses are recognised as follows:

- Receivables past due from 181 to 270 days – 25%
- Receivables past due from 271 to 365 days – 50%
- Receivables past due more than 365 days – 100%

Receivables which have been cancelled, have become time-barred or unrecoverable, for which no impairment losses have been recognised (or where recognised impairment losses do not cover the full amount receivable), are posted to other expenses or finance costs, as appropriate.

d) Valuation of contracts on purchase and sale of electricity and green certificates

Forward contracts as derivative instruments are measured at fair value, with changes in fair value recognised in profit or loss. Valuation was performed with respect to the outstanding part of the contracts, with a break-down into current and non-current portion.

7. Issue, redemption and repayment of debt and equity securities

The Group does not issue any debt securities. As at the date of this report, the Parent did not issue any debt securities in the third quarter ended September 30th 2015.

8. Dividend paid or declared- aggregate and per share amounts, separately for ordinary and preference shares

No dividend was paid in the period of nine months ended September 30th 2015.

(PLN ‘000)

9. Changes in contingent liabilities or contingent assets subsequent to the end of the previous financial year

In Q3 2015, there were no changes in the Group's contingent liabilities.

In connection with the commissioning of the wind farms supplied by Siemens sp. z o.o. as part of the Skurpie Wind Farm construction project, including project extension through the addition of additional three wind turbines, the contingent asset in the form of the guarantee received from Siemens Aktiengesellschaft was reduced to 25% of the contract value.

10. Proceedings pending before common courts of law, arbitration courts or public administration authorities, including the following information:

Information on proceedings relating to liabilities or receivables of the issuer or its subsidiary with a value representing 10% or more of the issuer's equity, specifying the subject matter of the proceedings and the issuer's position.

Amon Sp. z o.o. is party to proceedings instigated by Amon Sp. z o.o. to determine the ineffectiveness of termination by Polska Energia – Polska Kompania Handlowa Sp. z o.o. of agreements between Polska Energia – Polska Kompania Handlowa Sp. z o.o. and Amon Sp. z o.o. concerning the sale by Amon Sp. z o.o. to Polska Energia – Polska Kompania Handlowa Sp. z o.o. of (i) electricity generated by the Łukaszów Wind Farm, and (ii) the property rights incorporated in the certificates of origin for electricity confirming generation of renewable energy by the Łukaszów Wind Farm. The litigation value has been determined as the agreements' value until the end of their original term (i.e. until 2027), and amounts to PLN 376,621,551. In the Issuer's opinion, the claim is well-founded and should be granted by the Court.

Talia Sp. z o.o. is party to proceedings instigated by Talia Sp. z o.o. to determine the ineffectiveness of termination by Polska Energia – Polska Kompania Handlowa Sp. z o.o. of agreements between Polska Energia – Polska Kompania Handlowa Sp. z o.o. and Talia Sp. z o.o. concerning the sale by Talia Sp. z o.o. to Polska Energia – Polska Kompania Handlowa Sp. z o.o. of (i) electricity generated by the Modlikowice Wind Farm, and (ii) the property rights incorporated in the certificates of origin for electricity confirming generation of renewable energy by the Modlikowice Wind Farm. The litigation value has been determined as the agreements' value until the end of their original term (i.e. until 2027), and amounts to PLN 249,762,472.00. In the Issuer's opinion, the claim is well-founded and should be granted by the Court.

Information on two or more proceedings relating to liabilities or receivables with a total value of 10% or more of the issuer's equity, specifying the total value of all proceedings involving receivables and all proceedings involving liabilities, together with the issuer's position and – for the proceeding relating to liabilities and receivables of the highest value – their subject matter, value, date of commencement, and parties to the proceedings

There were no proceedings relating to liabilities or receivables with a total value equal to at least 10% of the Company's equity.

Other proceedings

The Company's subsidiary, Grupa PEP – Biomasa Energetyczna Północ Sp. z o.o. is seeking a total of PLN 80 thousand from its trading partners, as a refund of advance payments. The proceedings are pending. Moreover, the subsidiary is seeking payment of receivables of approximately PLN 420,000.

Due to the nature of its business which involves supplying electricity to end customers, the Company's subsidiary Polenergia Dystrybucja Sp. z o.o. is enforcing claims against a number of customers in relation to sale and distribution of electricity, for a total amount of ca. PLN 850,000.

The Company's subsidiary Polenergia Obrót S.A. has secured an enforceable title against one customer for the total amount of PLN 5,000, with respect to which enforcement proceedings are pending.

Moreover, the Company's subsidiary Elektrownia Północ Sp. z o.o. is in dispute concerning obliging the other party to a preliminary property sale agreement to execute the final sale agreement. Elektrownia Północ Sp. z o.o. has initiated proceedings against the same person, for payment of penalty for breach of contract. The amount in dispute is PLN 100,000.

The Company's subsidiary has been sued by its trading partner for payment of PLN 2.88m by way of return of undue performance. In the subsidiary's opinion, the claim is unfounded. The proceedings are pending.

11. Significant related-party transactions

As at September 30th 2015 and December 31st 2014, the Group did not have any associates involved in material related-party transactions.
In the nine months ended September 30th 2015, the following material related-party transactions took place:

	Revenue	Expenses	Receivables	Liabilities
Ciech Sarzyna S.A.	19,055	1,958	1,583	236
Ciech S.A	537	-	417	-
Krucza Inwestycje KREH 1 Sp. z o.o. S.K.	-	1,697	-	-
Polenergia Holding Sarl	386	-	-	-

12. Loan sureties or guarantees issued by the issuer or its subsidiary where the aggregate value of such outstanding sureties and guarantees issued to a single entity or its subsidiary represents 10% or more of the issuer's equity

As at September 30th 2015, the Group did not issue any external guarantees.

13. Other information the issuer considered material to the assessment of its human resources, assets, financial standing and financial performance, and changes in any of the foregoing, as well as information material to the assessment of the issuer's ability to fulfil its obligations

In the issuer's opinion, there is no information material to the assessment of its ability to fulfil its obligations other than the information presented in this report.

14. Factors which in the issuer's opinion will affect its performance over at least the next quarter

In the Company's opinion, the following factors will have a material effect on its performance (consolidated and separate) in the coming quarters:

- macroeconomic situation in Poland
- final wording of the RES Bill and the related secondary legislation
- prices of electricity and green and yellow certificates
- wind conditions in the areas where the Puck, Łukaszów, Modlikowice, Rajgród, and Gawłowice wind farms are located
- changes in the price of natural gas and biomass and their availability
- financial standing of the Company's customers
- ability to obtain financing for the planned projects
- EUR exchange rates.

(PLN '000)

15. Objectives and policies of financial risk management

Apart from derivatives, the key financial instruments used by the Group include credit facilities, cash, and short-term deposits. The primary purpose of holding those financial instruments is to secure financial resources to finance the Group's operations. The Group also holds other financial instruments, such as trade payables and receivables arising in connection with its activities.

The Group also enters into transactions on derivatives, such as forwards, aimed to manage the foreign exchange risk, and swaps, aimed to manage the interest rate risk.

In accordance with a policy followed by the Group currently and throughout the reporting period, the Group does not trade in financial instruments.

The key risks connected with the Group's financial instruments are: interest rate risk, liquidity risk, currency risk, and credit risk. The Management Board verifies and establishes rules for managing each of these types of risk; the rules are briefly discussed below. The Group also monitors the risk of market prices with respect to the financial instruments it holds.

15.1 Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its non-current financial liabilities.

The table below presents sensitivity of the Group's annual profit before tax (in connection with floating-rate liabilities) to reasonably possible movements in interest rates, assuming that other factors remain unchanged.

period ended Sep 30 2015	*Increase/decrease (percentage points)*	*Effect on profit/loss before tax over the next 3 months (PLN '000)*
1M WIBOR	1%	(2,000)
1M EURIBOR	1%	(93)
1M WIBOR	-1%	2,000
1M EURIBOR	-1%	93

period ended Sep 30 2015	*Increase/decrease (percentage points)*	*Effect on profit/loss before tax over the next 3 months (PLN '000)*
1M WIBOR	1%	(1,407)
1M EURIBOR	1%	(107)
1M WIBOR	-1%	1,407
1M EURIBOR	-1%	107

15.2 Currency risk

The Group's currency risk involves primarily to the risk of changes in the euro exchange rate with respect to its open passive currency position under currency deposit transactions, investment liabilities, and investment credit facilities. As at September 30th 2015, the position was valued at EUR 8.8m.

The position is not hedged against exchange rate changes, as it is related to the balance-sheet valuation of assets and liabilities denominated in foreign currencies.

The table below presents the sensitivity of the Group's profit/loss before tax (due to changes in the fair value of monetary assets and liabilities) to reasonably possible movements in the euro exchange rate, with all other factors unchanged.

	Exchange rate increase/decrease	Effect on profit/loss
Sep 30 2015 – EUR	+ 0.01 PLN/EUR	(88)
	- 0.01 PLN/EUR	88
Sep 30 2014 – EUR	+ 0.01 PLN/EUR	(98)
	- 0.01 PLN/EUR	98

In the period ended September 30th 2015, the Group realised finance income of PLN 323 thousand from unrealised exchange differences.

In September 30th 2015–December 31st 2015, movements in the PLN/EUR exchange rate may affect the amount of unrealised exchange differences. The result on unrealised exchange differences as at December 31st 2015 will mainly depend on the difference between the PLN/EUR exchange rates on December 31st 2015 and September 30th 2015, with the appreciation/depreciation of the Polish złoty against the euro having a positive/negative effect on the net profit of ca. PLN 88 thousand for each PLN 0.01 of the difference relative to the exchange rate as at September 30th 2015 (PLN 4.2386 /EUR).

15.3 Liquidity risk

The table below presents the Group's financial liabilities by maturity as at September 30th 2015 and December 31st 2014, based on undiscounted contractual payments.

Sep 30 2015	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	31,750	90,026	467,901	648,434	**1,238,111**
Other liabilities	175,064	205	142,283	-	**317,552**
Trade payables	166,163	-	4	-	**166,167**

Dec 31 2014	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	52,707	78,349	427,328	497,926	**1,056,310**
Other liabilities	284,834	605	43,000	-	**328,439**
Trade payables	128,484	-	3	-	**128,487**

16. Capital management

The primary objective behind the Group's capital management is to maintain good credit rating and safe capital ratios, in order to support the Group's operations and build shareholder value.

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may make changes regarding dividend distributions, return capital to the shareholders, or issue new shares. In the period ended September 30th 2015 and in the year ended December 31st 2014, there were no changes in the capital structure management objectives, policies and processes.

(PLN '000)

The Group monitors its capital position using the leverage ratio, calculated as the ratio of net debt to the sum of total equity and net debt. The Group's net debt includes interest-bearing borrowings, cash and cash equivalents.

	Sep 30 2015	Dec 31 2014
Interest-bearing borrowings	975,334	787,161
Less cash and cash equivalents	(400,989)	(416,809)
Net debt	**574,345**	**370,352**
Equity	1,390,027	1,333,984
Total equity	**1,390,027**	**1,333,984**
Equity and net debt	**1,964,372**	**1,704,336**
Leverage ratio	29%	22%

17. Events subsequent to the date as at which these interim condensed financial statements were prepared, which have not been presented in the statements but may have a material bearing on future financial performance

As at the date of preparation of these interim condensed consolidated financial statements, i.e. November 5th 2015, no events had occurred which should have been but were not disclosed in the accounting records for the reporting period.

(PLN '000)

C. OTHER INFORMATION TO THE CONSOLIDATED QUARTERLY REPORT

1. Discussion of key financial and economic data contained in the interim financial statements, in particular factors and events, including non-recurring ones, with a material effect on the Issuer's operations and profits earned or losses incurred in the financial year; discussion of development prospects in a period covering at least the next financial year.

Key economic and financial data concerning the issuer's performance:

Key economic and financial data [PLNm]	**Jan 1– Sep 30 2015**	**Jan 1– Sep 30 2014**	**Change**
Revenue	2,032.3	289.5	1,742.8
EBITDA	161.5	51.6	109.9
Adjusted EBITDA excl. purchase price allocation effect and costs of securing financing	**163.5**	**45.0**	**118.5**
Net profit attributable to owners of the parent	52.7	15.1	37.6
Net profit attributable to owners of the parent after elimination of purchase price allocation effect	**60.4**	**9.2**	**51.2**
Net profit after elimination of purchase price allocation effect, costs of securing financing, unrealised exchange differences, loan valuation and discount valuation	**63.8**	**10.1**	**53.7**

In comparison with the corresponding period of 2014, performance in the first nine months of 2015 was driven by the following factors:

a) EBITDA (up by PLN 109.9m):

- The markedly better performance in the renewable energy segment (up PLN 44.5m) was driven chiefly by the Gawłowice and Rajgród wind farms placed in service in H2 2014 and the Skurpie project coming on stream in Q3 2015. This performance accounts for the revaluation of unsold certificates in the Amon and Talia projects following non-performance of the certificates' purchase agreements by Polska Kompania Handlowa (a negative effect of PLN 8.2m);
- The PLN 55.1m higher EBITDA in the conventional energy segment, following the recognition of the results of Nowa Sarzyna CHP plant, contributed to the Group in H2 2014;
- Performance of the trade and distribution segments, contributed in H2 2014 (PE-Dystrybucja, PE-Kogeneracja, PE-Obrót), which added PLN 15.6m to the 2015 EBITDA;
- Improved performance of the biomass segment (up PLN 2.8m), mostly on the back of lower prices of raw materials;
- Higher costs of the development segment, up by PLN 1.3m, related to the recognition of the costs of offshore wind farm construction projects and the Bernau-Szczecin gas pipeline (both contributed to the Group in H2 2014);
- PLN 6.8m increase in unallocated Group management costs, attributable to the recognition of the positive purchase price allocation effect in 2014 (the difference on this item is PLN -8.4m yoy).

(PLN '000)

b) Adjusted EBITDA (up by PLN 118.5m):

- Impact of EBITDA described above (up by PLN 109.9m);
- Higher costs of securing financing (minus PLN 0.2m yoy);
- Elimination of the purchase price allocation effect (a difference of PLN -8.4m yoy).

c) Net profit after elimination of the purchase price allocation effect, unrealised exchange differences, loan valuation and discount valuation (up by PLN 53.7m):

- Impact of EBITDA excluding the purchase price allocation effect and the costs of securing financing (up by PLN 118.5m);
- Higher depreciation and amortisation excluding depreciation and amortisation on purchase price allocation (up PLN 30.1m) was driven by the launch of new wind farm projects and recognition of contributed assets;
- Higher interest income (up PLN 1.9m) followed from higher average annualized balance of cash and cash equivalents;
- Higher interest and commission expense (up PLN 13.6m) following the recognition of cost of debt servicing, contributed assets and launch of new wind farm projects;
- Higher income tax (PLN 23.2m) is attributable to materially higher profit before tax as well as to the recognition in 2014 of reversal of a deferred tax liability related to the revenue of limited joint-stock partnerships;
- Other factors (positive effect of PLN 0.2m).

d) Net profit (up by PLN 37.6m):

- Impact of net profit after elimination of the purchase price allocation effect, unrealised exchange differences, loan valuation and discount valuation (up by PLN 53.7m);
- Positive effect of unrealised exchange differences (of PLN 0.7m);
- Lower income from discount (down PLN 0.5m);
- Negative effect of loan valuation (of PLN 3.1m) – chiefly on the back of valuation of loans taken out to finance the Gawłowice and Rajgród projects (recognised as of H2 2014);
- Costs of purchase price allocation (negative effect of PLN 15.2m, including PLN 6.8m on amortisation/depreciation);
- Positive effect of income tax on events listed above (PLN 2.2m);
- Cost of securing financing and other costs (minus PLN 0.2m).

2. Brief description of significant achievements or failures in the reporting period, including identification of key events

CONVENTIONAL ENERGY

Nowa Sarzyna CHP plant

In Q3 2015, the plant operated as planned. The 2014 adjustment to compensation for gas costs obtained by the Company was slightly higher than expected.

Mercury power plant

Mercury power plant’s operating result for Q3 and for the first nine months of 2015 was higher than the previous year’s due to higher electricity sales volumes resulting from increased supply of the coking gas supplied by WZK Victoria.

Zakrzów CHP plant

The operating result (and EBITDA) of the Zakrzów CHP plant was roughly unchanged year on year, both in Q3 and in the first nine months of 2015.

WIND POWER

Puck wind farm

Both in Q3 and in the first nine months of 2015, electricity output of the Puck wind farm was higher year on year, which translated into an improved operating result.

Łukaszów and Modlikowice wind farms

In Q3 and in the first nine months of 2015, electricity output at these two wind farms was higher than that recorded in the corresponding periods of the previous year.

In Q3, the farms made a revaluation of their inventory of certificates (to reflect their market prices) following non-performance of the certificate purchase agreements by Polska Kompania Handlowa (the negative effect on EBITDA was about PLN 8.2m, on net profit − about PLN 6.6m).

Gawłowice and Rajgród wind farms

Gawłowice and Rajgród wind farms launched operations in H2 2014, and therefore their Q3 2015 result is the main factor behind the higher EBITDA recorded by the Polenergia Group.

Skurpie wind farm

The 36.8MW Skurpie wind farm came on stream in Q3 2015 (extension of the farm, to add another 6.9MW of capacity, is ongoing and scheduled for completion by the end of 2015).

DISTRIBUTION

In Q3 2015, Polenergia Dystrybucja and Polenergia Kogeneracja operated in line with the plan. The companies were contributed to the Group in H2 2014.

SALES AND TRADING

The segment's operations went on without any disruptions. Polenergia Obrót was contributed to the Group in H2 2014.

BIOMASS

The segment's aggregated performance materially improved year on year (in the first nine months of 2015, EBITDA rose by PLN 2.8m). Below is presented detailed information on individual companies.

Biomasa Energetyczna Północ

In Q3 2015, the company generated sales revenue close to the previous quarter's level. Concurrently, the price of straw fell in the quarter, which had a positive effect on the company's operating performance. In the first nine months of the year, the sales volume of company-produced pellet was lower than in the same period a year earlier. Despite lower average selling prices, the plant's operating margin was similar to the previous year's figure, chiefly because of lower prices of raw materials, optimised costs of transport, and lower cost of maintenance.

Biomasa Energetyczna Południe

In Q3 2015, the company generated sales revenue close to the previous quarter's level. Concurrently, lower straw prices had a positive effect on the company's operating performance. For the first nine months of the year, the company's revenue remained stable year on year. Despite lower average pellet selling prices, the drop in the cost of raw materials and improved calorific value of the product enabled the company to generate an operating profit and operating margin similar to those achieved last year.

Biomasa Energetyczna Wschód

In Q3 2015, the company reported higher sales volumes under the annual supply schedule. Concurrently, the price of straw fell in the quarter, which had a positive effect on the company's operating performance. Despite a drop in average pellets selling prices, the above favourable developments, combined with lower costs of maintenance, contributed to the company's improved operating performance and margin for the first three quarters of 2015 compared with the same period a year earlier.

DEVELOPMENT AND IMPLEMENTATION

Onshore wind farms

In Q3 2015, as well as in previous periods, the Company continued the efforts to expand its portfolio of wind farms.

At present, wind farms with a total capacity of 61.8 MW are under construction (extension of Gawłowice wind farm and Skurpie wind farm, construction of Mycielin wind farm)

The projects currently under development have a combined capacity of approximately 875 MW. The following documents have been obtained for the projects: local land development plans, environmental permits, grid connection conditions and building permits for projects with an aggregate capacity of 105 MW; local land developments plans, environmental permits and grid connection conditions for projects with a total capacity of 301 MW; a local land development plan and grid connection conditions for a project with a capacity of 51 MW; a local land development plan for projects with a total capacity of 69

MW; grid connection conditions and an environmental permit for projects with a total capacity of 37 MW project. From among those referred to above, projects with a total capacity of 105 MW are the subject of appeal procedures concerning environmental permits, and projects with a total capacity of 51 MW are the subject of appeal procedures concerning grid connection conditions.

Development of off-shore wind farms

The Group plans to construct two off-shore wind farms on the Baltic Sea (Bałtyk Środkowy II and Bałtyk Środkowy III) with an aggregate capacity of up to 1,200 MWe, including 600 MWe by 2022 and 600 MWe by 2026.

The off-shore wind farm project is of a long-term nature: the first wind farm is planned to be placed in service in 2022. The Group assumes that the project will be implemented in cooperation with a partner that will acquire a 50% interest in the project after all necessary approvals and permits are obtained (i.e. when the project is ready for construction). The Group does not exclude the option of selling the 100% interest in the project to increase dividend distributions to the shareholders.

Construction of the Bernau-Szczecin gas pipeline

The Group is considering construction of the Bernau-Szczecin gas pipeline, which would connect the Polish and German transmission systems. With a planned annual throughput capacity of 3-5 billion cubic metres, it would help diversify gas supplies to Poland, enabling gas imports from Germany, as well as exports of gas imported to Poland through the LNG terminal which is now under construction in Świnoujście.

The pipeline would be placed in service in 2020.

Development of the Elektrownia Północ Power Plant project

The Group is developing a hard-coal fired power plant in northern Poland. Ultimately, the Elektrownia Północ power plant project will comprise two 800 MWe power generating units.

The Group's plans provide for the sale of the coal-fired power plant in 2018. However, if appropriate signals come from the market, the Group could continue the project, subject to the shareholders' prior consent.

3. Management Board's position on the feasibility of meeting any previously published forecasts for a given year in light of the results presented in the quarterly report

The Management Board upholds its 2015 performance forecast published in the current report of March 11th 2015 and announces that in the nine months ended September 30th 2015 the forecast was performed as follows:

Item [PLNm]	2015 Forecast (full year)	Q3 2015 actual performance	Actual performance after Q3 (%)
Adjusted EBITDA	204.0	163.5	80 %
Adjusted net profit	72.4	63.8	88 %

(PLN '000)

4. Factors and events, especially of non-recurring nature, with a material bearing on financial performance

For more information on factors with a material bearing on financial performance, see Section A.1 and C.1-2 of this Report.

5. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of total voting rights at the General Meeting of the issuer as at the date of issue of the quarterly report, including information on the number of shares held by those shareholders, their interests in the share capital, the resulting number of votes at the General Meeting and their share in total voting rights at the General Meeting, and any changes in the ownership structure of major holdings of the issuer shares after the issue of the previous quarterly report

No.	Shareholder	Number of shares	Number of voting rights	% interest
1	Kulczyk Investment S.A.*	22,811,757	22,811,757	50.20%
2	China – Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7,266,122	7,266,122	15.99%
3	ING OFE	2,576,969	2,576,969	5.67%
4	Generali OFE	2,943,731	2,943,731	6.48%
5	Aviva OFE	3,060,872	3,060,872	6.74%
6	Other	6,784,096	6,784,096	14.93%
	Total	**45,443,547**	**45,443,547**	**100.00%**

* Through Mansa Investments Sp. z o.o., a subsidiary

** Through Capedia Holdings Limited of Nicosia, Cyprus, a subsidiary

6. Effects of changes in the Group's structure, including changes resulting from mergers, acquisitions or disposals of Group entities, long-term investments, demergers, restructuring or discontinuation of operations

In Q3 2015, ended September 30st 2015, there were no changes resulting from business combinations, acquisitions or disposals of Group entities, long-term investments, demergers, restructuring or discontinuation of operations.

7. General information

The Polenergia Group, formerly Polish Energy Partners S.A. (the company registered the change of its name with the National Court Register on September 11th 2014), (the "Group") comprises Polenergia S.A. (the "Company", the "Parent") and its subsidiaries. The Company was established under a notary deed of July 17th 1997. It is entered in the National Court Register maintained by the District Court for the Capital City of Warsaw, 20th Commercial Division of the National Court Register, under KRS No. 0000026545. The Company's Industry Identification Number (REGON) is 012693488. The Company's registered office is at ul. Krucza 24/26 in Warsaw.

According to the entry in the National Court Register, the Company's business comprises:

- production and distribution of electricity (PKD 40.10),
- production and distribution of heat (steam and hot water) (PKD 40.30),
- construction and civil engineering (PKD 45.21),
- construction installation activities (PKD 45.3),
- other credit granting, excluding licensed activities and activities reserved for banks (PKD 65.22),
- research and development of natural sciences and engineering (PKD 73.10),
- development and sale of own real estate (PKD 70.11),

(PLN '000)

- operating of real estate on a fee or contract basis (PKD 70.32),
- accounting and bookkeeping activities (PKD 74.12),
- construction and process design, urban planning (PKD 74.20),
- business and management consultancy activities (PKD 74.14),
- other commercial activities n.e.c. (PKD 74.84),
- other education n.e.c. (PKD 80.42),
- wholesale of solid, liquid and gaseous fuels and related products (PKD 51.51).

The scope of activities of the subsidiaries is related to the operations of the Parent.

8. Composition of the Parent's Management and Supervisory Boards

As at September 30th 2015, the composition of the Parent's Management Board was as follows:

Zbigniew Prokopowicz	President of the Management Board
Jacek Głowacki	Vice-President of the Management Board
Anna Kwarcińska	Vice-President of the Management Board
Michał Kozłowski	Vice-President of the Management Board

As at September 30th 2015, the composition of the Parent's Supervisory Board was as follows:

Tomasz Mikołajczak	Chairman of the Supervisory Board
Łukasz Rędziniak	Deputy Chairman of the Supervisory Board
Marek Gabryjelski	Member of the Supervisory Board
Mariusz Nowak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Rafał Andrzejewski	Member of the Supervisory Board

9. Legal environment

9.1 Introduction

The operations of the Group companies are subject to numerous Polish and EU regulations. The Polish regulations include, in particular, the following legal acts:

- the Energy Law with the secondary legislation;
- the LTC Act;
- the Geological and Mining Law;
- the Act on Marine Areas of the Republic of Poland and Maritime Administration;
- the Act on Trading in Greenhouse Gas Emission Allowances, dated April 28th 2011;
- the Act on the System of Managing Emissions of Greenhouse Gases and Other Substances, dated July 17th 2009;.
- the Environmental Protection Law;
- the Environmental Impact Assessment Act;
- the Act on Prevention of Environmental Damage;
- the Nature Conservation Act.

(PLN '000)

The EU regulations include:

- Directive 2009/72/EC of the European Parliament and of the Council of July 13th 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC;
- Directive 2009/28/EC of the European Parliament and of the Council of April 23rd 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC;
- Directive 2010/75/EU of the European Parliament and of the Council of November 24th 2010 on industrial emissions (integrated pollution prevention and control);
- Directive 2004/35/EC of the European Parliament and of the Council of April 21st 2004 on environmental liability with regard to the prevention and remedying of environmental damage;
- Directive 2011/92/EU of the European Parliament and of the Council of December 13th 2011 on the assessment of the effects of certain public and private projects on the environment;
- Directive 2009/29/EC of the European Parliament and of the Council of April 23rd 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community;
- Directive 2003/87/EC of the European Parliament and of the Council of October 13th 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC.

The key laws and regulations affecting the Group's operations are presented and briefly discussed in this section.

9.2 Key regulations applicable to the mining sector

The main legislative act governing the activities of the energy sector in Poland is the Energy Law, along with its secondary legislation. The Energy Law lays down the rules governing the development of the state's energy policy, rules and conditions for supply and use of fuels and energy, including heat, and operation of energy companies, and specifies the authorities competent for fuel and energy management. The purpose of the Energy Law is to create conditions for the sustainable development of the country, its energy security, efficient and rational use of fuels and energy, development of competition, prevention of negative consequences of natural monopolies, respect for environmental protection requirements and obligations arising from international agreements, as well as to balance the interests of energy companies with those of fuel and energy consumers.

The Energy Law also sets forth the rules for the development of the national energy policy, which is drafted and approved by the Council of Ministers every four years. On November 10th 2009, the Council of Ministers approved Poland's Energy Policy until 2030, which sets out the key directions of the energy policy and measures for its implementation.

The power sector is also subject to European Law, and particularly Directive 2009/72/EC of the European Parliament and of the Council of July 13th 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (OJ L 211/55 of August 14th 2009), as well as regulations adopted as part of the third energy package.

9.2.1 Regulatory body for the Polish energy sector

The regulatory body whose remit includes fuel and energy management and promotion of competition is the President of URE (Polish Energy Regulatory Authority), a central government authority. The President of URE is appointed by the Prime Minister from among candidates selected in an open and competitive recruitment procedure, on the recommendation of the minister competent for economy. The President of URE is also removed by the Prime Minister.

In particular, the responsibilities of the President of URE include:

- Granting and revoking of licenses,
- Approval of gas, electricity and heat tariffs and oversight of their application,

- Supervision of compliance with the requirement to redeem certificates of origin or pay the emission charge (i.e. supervision of the mechanism of support for renewable energy sources),
- Approval of the Grid Code,
- Resolution of certain disputes between energy companies and between energy companies and consumers (for instance disputes concerning refusal to connect a consumer to the grid),
- Imposition of fines on energy companies in accordance with the rules set out in the Energy Law,
- Issuance and redemption of certificates of origin and co-generation certificates of origin.

If an energy company is found to be in breach of its obligations under the Energy Law, the President of URE may impose on the company a fine which may not exceed 15% of the previous fiscal year's revenue of that company, and if the fine is charged in connection with licensed activities, it may not exceed 15% of the company's revenue derived from its licensed activities in the previous fiscal year. The President of URE may also impose a fine on the head of an energy company, which, however, may not exceed 300% of their monthly remuneration. In determining the amount of a fine, the President of URE takes into account the extent of the adverse effects of the breach, the company's culpability, its previous practice and financial standing. The President of URE may decide not to impose a fine if the extent of adverse effects of the breach is insignificant and the company has ceased to be in breach of the law or has performed its obligation.

9.2.2 Licences

In accordance with the Energy Law, a licence is required, with certain exceptions specified therein, to conduct the following business activities:

- Electricity or heat generation,
- Electricity or heat transmission or distribution,
- Trade in electricity or heat.

Licences are granted by the President of URE to an applicant that meets the conditions specified in the Energy Law, provided that no circumstances occur, as specified in the Energy Law, that would prevent the granting of a licence. Licences are granted for a fixed term of at least 10 years, and 50 years as a maximum, unless an application for a shorter term is filed. Energy companies may apply for licence extension not later than 18 months prior to licence expiry. Where so stipulated by the Energy Law, the President of URE may, or in certain cases is required to, revoke the licence or modify its scope.

Licence holders pay annual fees to the state budget, charged to their operating expenses. A relevant regulation of the Council of Ministers determines the amount and method of collection by the President of URE of annual fees payable by licence holding energy companies. The amount of the annual fee is calculated based on the energy company's revenues, as derived from activities covered by the licence. The fee for each type of activity covered by the licence may not be lower than PLN 200 nor higher than PLN 1,000 thousand. If multiple activities requiring a licence are conducted, the final fee is the total of fees for the individual activities.

9.2.3 Tariffs

The prices and rates charged for the supply of electricity, heat or gas fuel to consumers are specified by energy companies in tariffs approved by the President of URE or determined on the competitive market (in the case of entities exempt from the obligation to submit their tariffs for approval to the President of URE).

Licence holders determine electricity, heat and gas fuels tariffs, which are subject to approval by the President of URE, on their own initiative or at the request of the President of URE, and indicate a proposed validity period for the tariffs. In accordance with the Energy Law, energy companies determine electricity, heat and gas fuels tariffs, as applicable, depending on their scope of business, on terms provided for in the Energy Law and relevant secondary legislation. Tariffs should be calculated in a way ensuring the coverage of energy companies' reasonable operating expenses (related to the activity subject to the tariff, e.g. heat generation) and a reasonable return on capital employed in that activity, coverage of reasonable expenses incurred by distribution and transmission system operators in connection with the performance of their tasks, and protection of customers' interests against unreasonably high prices and charge rates. The detailed rules for calculating tariffs are set out in the

Polish Energy Law and relevant secondary legislation The President of URE approves the tariffs or rejects them if a tariff is found to be incompliant with the Energy Law and its secondary legislation.

The President of URE may exempt an energy company from the obligation to submit its tariffs for approval if the President of URE confirms that the energy company operates in a competitive environment, or may revoke an exemption if the conditions justifying the exemption are no longer met. The exemption may apply to a specific part of the business conducted by the energy company, to the extent to which that business is conducted on the competitive market.

The President of URE had exercised that right on numerous occasions, gradually exempting power sector companies from the obligation to submit their tariffs for approval. In consequence, the obligation to submit tariffs for approval to the President of URE applied only to the tariffs of those power sector companies whose business consisted in the transmission and distribution of electricity, as well as tariffs related to sale of electricity to customers who do not conduct business activities, mainly households (G tariff group).

A Group company (Polenergia Dystrybucja), in connection with its business activity involving electricity distribution and sale of electricity to households, is required to submit electricity tariffs for approval to the President of URE.

In the heat sector, the President of URE has not granted any exemptions from the obligation to submit tariffs for approval, hence the tariffs concerning all types of heat-related operations are required to be submitted for approval by the President of URE. This obligation also applies to the heat producers from the Group.

In the gas sector, the President of URE ruled that the obligation to submit tariffs for approval should not apply to gas fuel trading a commodity exchange (or a regulated market). As regards gas fuel trading between trading companies and LNG trading, the President of URE stated that the exemption is granted to the interested energy company upon application to the President of URE. As a result, the obligation to submit tariffs for approval applies to one Group company (Polenergia Kogeneracja), which operates in the area of gas fuel trading and distribution.

It is not certain whether an exemption from the obligation to submit tariffs for approval involves an exemption from the obligation to determine the tariffs in line with the regulations of the Energy Law and relevant secondary legislation. In accordance with the relevant provisions of the Energy Law, the President of URE has the right to grant an exemption from the obligation to submit tariffs for approval, but not from the obligation to apply tariffs. In practice, however, a different interpretation is applied, according to which an exemption from the obligation to submit electricity tariffs for approval is tantamount to an exemption from the obligation to apply tariffs. As a consequence, a number of entities operating on the market (including Group companies) in business activities for which the President of URE exempted them from the obligation to submit tariffs for approval, began to apply prices and rates determined on the competitive market, which may not meet all the requirements set out in the Energy Law and relevant secondary legislation pertaining to the method of determination and calculation of such tariffs.

9.2.4 Right to free choice of suppliers and the right of access to the grid (TPA)

The Energy Law, implementing in this respect the EU legislation, provides for the right of free choice of supplier and access to the grid.

The right of free choice of supplier means that consumers may purchase electricity from a supplier of their choice (producer, trading company). In accordance with the right of access to the grid, energy companies involved in electricity transmission or distribution are obliged to provide all customers and energy traders, on a non-discriminatory basis, with transmission or distribution services on the terms and in the scope specified in applicable laws. Energy transmission and distribution services are provided on a contractual basis.

9.2.5 Grid connection

Pursuant to the Energy Law, energy companies involved in energy transmission or distribution are required to conclude, on a non-discriminatory basis, a grid connection agreement with entities applying for grid connection if it is technically and economically feasible to make the connection and supply energy and the applicant satisfies the conditions for grid connection and receipt of energy. If an energy company refuses to conclude a grid connection agreement, it is obliged to immediately send a written notification of the refusal to the President of URE and the entity applying for connection, specifying the reasons for the refusal.

At the request (meeting the conditions defined in the Energy Law and the secondary legislation thereto) of the entity applying for connection, if it is technically and economically feasible to make the connection and supply energy and the applicant satisfies the conditions for grid connection and receipt of energy, the energy company issues grid connection conditions valid for two years from delivery. In the validity period, the grid connection conditions represent a conditional obligation of the energy company to conclude the grid connection agreement.

Energy companies involved in energy transmission or distribution are obliged to ensure the execution and financing of grid construction and extension, including for the purpose of connecting the entity applying for connection, on the terms specified in detail in the secondary legislation to the Energy Law and in assumptions to local governments' electricity and heat supply plans or in local governments' electricity and heat supply plans.

Any disputes concerning, among other things, refusal to conclude a grid connection agreement are resolved by the President of URE at the request of either party.

Grid connection is subject to a fee set in accordance with the Energy Law. Grid connection of power generation facilities is subject to a fee calculated on the basis of the actual connection cost, except for renewable energy sources with an installed capacity of 5 MWe or less and cogeneration units with an installed electrical capacity of less than 1 MWe, which are subject to a fee equal to a half of the fee calculated on the basis of the actual costs incurred.

If an energy company refuses to conclude a grid connection agreement due to economic infeasibility, the energy company may charge a connection fee in an amount agreed upon with the entity applying for connection in the grid connection contract.

An applicant for connection to the electricity grid with a source whose rated voltage is higher than 1kV is required to make an advance payment towards the grid connection fee. The advance is calculated at the rate of PLN 30 per each kilowatt of connected load as specified in the grid connection application. However, the total amount of the advance may not exceed the expected grid connection fee, subject to a PLN 3m cap.

9.2.6 Supplier of last resort

Pursuant to the Energy Law, a supplier of last resort (in the power sector) is an energy which holds a licence for trade in electricity and provides comprehensive services to household consumers of electricity or gas fuels who do not exercise their right to choose their supplier. A comprehensive service is provided under an agreement that incorporates the provisions of an agreement on the sale of energy and an agreement on the provision of energy transmission or distribution services.

A supplier of last resort is required, to the extent specified in secondary legislation to the Energy Law, to purchase energy from renewable energy sources connected to the grid located within the area of such supplier's activity, offered by energy companies holding generation licences (or entered in the relevant register if such entity generates electricity from agricultural biogas). Electricity is purchased for the average price quoted on a competitive market in the previous calendar year, as announced by the President of URE (2014: PLN 181.55 per 1 MWh).

The supplier of last resort is selected (or appointed where the tender does not result in supplier selection) in accordance with the detailed procedure set forth in the Energy Law, the supplementary legislation thereto and applicable transitional provisions.

9.2.7 Requirement of public sale of electricity by producers

In accordance with the Energy Law, an energy company engaged in generation of electricity is required to sell at least 15% of electricity produced in a given year on a commodity exchange, within the meaning of the Act on Commodity Exchanges of October 26th 2000, or on a market organised by the entity operating the regulated market in Poland.

In addition, an energy company engaged in generation of electricity which is entitled to receive funds to cover its stranded costs under the Act on Rules of Compensating Costs Incurred by Energy Producers Due to Early Termination of Long-Term Capacity and Electricity Purchase Agreements, dated June 29th 2007, is required to sell any generated volumes of electricity which are not required to be sold on a commodity exchange in a manner ensuring public and equal access to such electricity, in an open auction, on a market organised by the entity operating the regulated market in Poland or on a commodity exchange, within the meaning of the Act on Commodity Exchanges of October 26th 2000.

This obligation does not apply to electricity:

- Supplied by the energy company engaged in generation of electricity to an end user via a direct line;
- Produced from a renewable energy source;
- Produced in a cogeneration process with an average annual efficiency of conversion of chemical energy of the fuel into electrical or mechanical energy and useful heat in cogeneration above 52.5%;
- Used by the energy company engaged in generation of electricity for its own needs;
- Necessary for power system operators to perform the activities specified in the Energy Law;
- Produced in a generating unit with a total installed capacity of up to 50 MWe.

The President of URE may also exempt an energy company from the above requirement to the extent related to generation of electricity sold in performance of long-term obligations under contracts executed with financial institutions with a view to implementing projects related to electricity generation, or generated to meet the needs of a transmission system operator and used to ensure proper functioning of the national power grid, provided that such exemption does not cause a material distortion of competition on the electricity market or a disruption on the balancing market.

Group companies are not subject to the requirement of public sale of electricity as they generate electricity from renewable energy sources or because their units have low installed capacities. Also Elektrociepłownia Nowa Sarzyna is not subject to the requirement of public sale of electricity as the capacity of any of its three generating units does not exceed 50 MWe. The rightfulness of the exemption from the requirement has been confirmed by the decision of the President of URE.

9.2.8 Fuel stocks

In accordance with the Energy Law, an energy company engaged in generation of electricity or heat is obliged to maintain fuel stocks at a level which allows it to maintain continuity of the electricity or heat supplies to customers. The precise quantities of hard coal, lignite and fuel oil stocks to be maintained are specified in a relevant regulation of the minister competent for economy.

The Energy Law defines situations in which stocks can be reduced as well as situations where they must be replenished. Compliance with the requirement to maintain specific amounts of fuel stocks can be inspected by the President of URE. If it is found that an energy company fails to meet the requirement, the President of URE may, among other things, impose a fine of no more than 15% of the company's revenue derived from licensed activities in the previous fiscal year.

9.2.9 Laws applicable to energy from renewable energy sources and cogeneration

Energy from renewable sources

In accordance with the Energy Law, a supplier of last resort is required, to the extent specified in a relevant regulation, to purchase electricity produced from renewable energy sources connected to the distribution or transmission network located within the area of such supplier's activity, offered by energy companies holding a licence for its generation (or entered in the relevant register if such entity generates agricultural biogas or electricity from agricultural biogas). Electricity is purchased for the average price quoted on a competitive market in the previous calendar year, as announced each year by the President of URE (2014: PLN 181.55 per 1 MWh).

Energy companies specified in the Energy Law (mainly energy companies engaged in the generation of or trade in electricity and selling electricity to end users connected to the grid in Poland) are also required, to the extent specified in the regulations issued on the basis of the Energy Law, to obtain certificates of origin or else pay a relevant emission charge.

The requirement to obtain certificates of origin and submit them for redemption to the President of URE, or else to pay an emission charge, is considered satisfied if in a given year the share of the total volume of electricity credited under the certificates submitted for redemption, or of the emission charge paid by the energy company, in the energy company's total annual volume of electricity sales to end users is at least equal to the values specified in a relevant regulation issued by the Minister of Economy.

Certificates of origin are issued by the President of URE at the request of the energy company engaged in generation of electricity from renewable sources, submitted through the power system operator in charge of the operating area where the renewable energy source specified in the request is located.

Property rights incorporated in certificates of origin arise as of the first-time registration of the certificates in a relevant account of the certificates of origin register, and inure to the benefit of the holder of that account. Property rights incorporated in certificates of origin are transferable and represent a commodity as defined in the Act on Commodity Exchanges of October 26th 2000.

An alternative to fulfilling the requirement laid down in the Energy Law by way of certificates redemption is the payment of a relevant emission charge. A unit emission charge (per 1 MWh) is indexed each year by the inflation rate and published by the President of URE. The unit emission charge published by the President of URE in 2014 is PLN 300.03 per 1 MWh.

An emission charge is the product of the unit emission charge (2014: PLN 300.03 per 1 MWh) and the difference between the volumes of electricity in MWh resulting from the requirement to obtain certificates of origin and submit them for redemption.

If a supplier of last resort fails to comply with the obligation to purchase electricity generated from renewable energy sources, the supplier is subject to a fine amounting to no less than the product of the average selling price of electricity for the previous calendar year, expressed in PLN per 1 MWh, and the difference between the volume of electricity produced from renewable energy sources and offered for sale, expressed in MWh, and the volume of electricity produced from renewable energy sources and purchased in a given year, expressed in MWh.

If the requirement to obtain certificates of origin and submit them for redemption by the President of URE is not complied with, the company is obliged to pay an emission charge. If the requirement is not complied with and the emission charged is not paid, the company is subject to a fine equal to or higher than the product of 1.3 and the difference between the emission charge due and actually paid.

In addition, in accordance with the assumptions of the climate and energy package, the share of renewable energy in the EU energy mix is expected to increase to 20% by 2020. Directive 2009/28/EC of the European Parliament and of the Council of April 23rd 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC (OJ L 140, 2009, p. 16), sets a different target share for each Member State. In the case of Poland, the target share of energy from renewable sources in final consumption is 15%, to be achieved by 2020.

The Act on Renewable Energy Sources (the RES Act) was passed by the Polish Parliament on February 20th 2015 and became effective on May 4th 2015, with the main part of the Act, concerning the new support system for energy from renewable energy sources (RES), to enter into force as of January 1st 2016.

The RES Act provides for maintaining the existing RES support system based on green certificates for installations commissioned before the provisions of Chapter 4 of the RES Act enter into force, i.e. before January 1st 2016. Concurrently, in order to maintain high prices of the certificates, the RES Act contains mechanisms that should reduce the oversupply of the certificates by increasing the demand (higher redemption requirements), limiting the supply (limited support for biomass co-firing and hydroelectric power plants), and restricting the possibility of paying the emission charge if prices of certificates are lower than 75% of the emission charge amount.

In addition, all installations participating in the old support system will be able to switch to the new auction-based support system that will be the only available support system for the installations commissioned after January 1st 2016. The key objective behind the system is to provide a 15-year period of support for the RES installations that win the auctions, during which they will be guaranteed to receive compensation for the difference between the auction price and the price of energy on the market.

Under the RES Act, the system of green certificates is available for all wind farm projects commissioned before the RES Act enters into force, i.e. before January 1st 2016. The green certificate rights exist for a period of 15 years from the date of launching electricity generation for which it was possible to obtain green certificates (continuation of the green certificates system). All projects under the existing certificate system will be allowed to switch to the auction-based system.

The new, auction-based, system will give project operators the ability to obtain the right to receive compensation for the difference between the auction price and the market price in the period of 15 years from the date of launching operations. The price obtained in an auction will be indexed.

The target volume of energy for which an auction is held will be determined five times for three-year periods; Every year, the Ministry of Economy will set a reference price for each technology, taking into account the average capital expenditure and operating costs for standard projects; Only bids with prices equal to or lower than the reference price for a given technology will be considered; All technologies will be able to participate in the same auctions.

Electricity from high-efficiency cogeneration

The Energy Law also provides for a system of support for units producing electricity in high-efficiency cogeneration, which is similar to the support system for renewable energy sources. The system is also based on a certificates of origin scheme:

- 'Yellow certificates' are issued for cogeneration units fired with gaseous fuels or having a total installed capacity of less than 1 MWe,
- 'Violet certificates' are issued for cogeneration units fired with methane released and captured during underground mining operations in active, inactive or decommissioned coal mines, or gas obtained from biomass processing, within the meaning of Art. 2.1.2 of the Act on Biocomponents and Liquid Biofuels,
- 'Red certificates' are issued for units other than those described above (mainly coal- and biomass-fired units).

The system of support under the red and yellow certificates scheme will operate until June 30th 2019.

Similarly to green certificates, energy companies specified in the Energy Law (mainly energy companies engaged in the generation or trade in electricity and selling electricity to end users connected to the grid in Poland) are required, to the extent specified in the applicable legal regulations, to obtain cogeneration certificates of origin or else pay a relevant emission charge.

The requirement to obtain cogeneration certificates of origin and submit them for redemption to the President of URE, or else to pay an emission charge, is considered satisfied if in a given year the share of the total volume of electricity credited under the cogeneration certificates submitted for redemption, or of the emission charge paid by the energy company, in the energy company's total annual volume of electricity sales to end users is at least equal to the values specified in a relevant act (amending the Energy Law).

The Energy Law also governs the calculation of the amount of a relevant emission charge (which is different for individual types of certificates), origination of property rights incorporated in certificates of origin for electricity produced in high-efficiency cogeneration, and fines for non-compliance with the requirement to redeem cogeneration certificates of origin or pay a relevant emission charge.

9.2.10 Stranded costs

The LTC Act defines the terms of compensating costs incurred by energy producers due to early termination of long-term capacity and electricity purchase agreements, as specified in Appendix 1 to the Act, including the terms of:

- Early termination of long-term contracts;
- Financing of costs which arose due to early termination of long-term contracts ('stranded costs');
- Payment of funds to compensate for stranded costs;
- Calculation, adjustment and settlement of stranded costs;
- The operation of 'Zarządca Rozliczeń Spółka Akcyjna', the company set up to operate the stranded cost settlement system.

Pursuant to the LTC Act, electricity producers who were parties to LTCs securing a specified revenue stream during the contract term had an option of voluntary termination of those contracts in exchange for payment of compensation for stranded costs arising from their termination, under a relevant compensation scheme. Under the LTC Act, 'stranded costs' are expenses incurred by an electricity producer which are not covered by revenues from sale of electricity, capacity reserves or system services on the competitive market after early termination of a long-term contract, and which result from investments in electricity generation assets made by the producer before May 1st 2004.

In the Group, Elektrociepłownia Nowa Sarzyna is a producer of electricity which receives funds to cover its stranded costs; it will participate in the compensation scheme until 2020.

The LTC Act specifies the maximum level of stranded costs for individual producers (PLN 777,535 thousand for Elektrociepłownia Nowa Sarzyna), as well as the maximum amount of expenses incurred by producers who use natural gas to generate electricity, resulting both from the use of collected gas and from uncollected gas (PLN 340,655 thousand for Elektrociepłownia Nowa Sarzyna).

9.3 Ownership of infrastructure for transmission or distribution of electricity

Under the general rule set forth in the Civil Code, any infrastructure permanently attached to land forms part of that land and, as such, is owned by the land owner. Art. 49 of the Civil Code provided for one exception to that rule, according to which (in the version effective before 2008), any facilities used to supply or collect water, steam, gas or electricity, and other similar infrastructure, did not form part of the property if they constituted the assets of an enterprise. Due to the ambiguity and differing interpretations of that provision, entrepreneurs occupied land without holding any legal title thereto, which led to disputes over the ownership of transmission infrastructure located on such properties. Under the 2008 amendment to the Civil Code, the above provision was slightly modified and, at the same time, a paragraph was added under which a person who bore the costs of construction of transmission infrastructure and remains its owner may demand that an entrepreneur who has connected that infrastructure to its own network acquire the ownership title thereto, for an appropriate consideration, unless agreed otherwise by the parties concerned. The demand to transfer the ownership of such infrastructure may also be made by the entrepreneur.

Despite expanding the rights of persons directly or indirectly involved in infrastructure development, the above provision still gives rise to certain ambiguities. On the one hand, it eliminates the general rule that any infrastructure permanently attached to land forms part of that land, but on the other hand it should not be interpreted as automatically entailing the transfer of ownership title to transmission infrastructure to the entrepreneur upon its connection to the entrepreneur's network. A direct agreement between the parties concerned is still required to settle that issue.

9.4 Transmission easement

The provisions on transmission easement were included in the Civil Code in August 2008, filling the legal vacuum connected with the lack of regulations that would govern the legal relations between transmission companies and owners of the properties on which transmission infrastructure is situated. The amendment offered the possibility of establishing transmission easements both for existing infrastructure and for planned investments, thus facilitating the planning of new energy projects.

Under the transmission easement regulations, a property may be encumbered for the benefit of an enterprise that has built (or intends to build) transmission infrastructure, including any structures and installations forming part of transmission lines used to supply and collect liquids, steam, gas or electricity, as well as other infrastructure used for similar purposes, in such a way that the enterprise may use the property within the specified scope, in accordance with the intended purpose of such infrastructure.

Transmission easement is established on the basis of an agreement, executed as a notary deed, between the enterprise and the owner of land on which transmission infrastructure is located, or is planned to be located. In a case where transmission easement is necessary for the use of transmission infrastructure but the owner of the property refuses to enter into the relevant agreement, the company may demand that the agreement be concluded against remuneration.

One downside of the transmission easement regime is the requirement to secure easements from the owners of all parcels of land crossed by a power line, which is frequently a considerable number of people. To facilitate the process of acquiring legal title to the property to be crossed by a power line, the lawmakers are currently considering the possibility of introducing the so-called transmission corridors (see the following section: Transmission corridors).

9.5 Transmission corridors

As indicated in the document setting out the rationale for the draft Act on Transmission Corridors of June 6th 2012 prepared by the Ministry of Economy (available together with the rationale by the Government Legislation Centre from http://legislacja.rcl.gov.pl/lista/2/projekt/23511), the Ministry is considering the possibility of introducing so-called ‘transmission corridors’ into the Polish legal framework, in order to address the needs of Polish society and economy. Among other things, transmission corridors would eliminate difficulties related to the acquisition of legal title to the property on which power lines are to be installed. According to the draft, the new Act would introduce the mechanism of an administrative decision under which a single permit for the establishment of a transmission corridor would be issued, covering the required number of land parcels to be crossed by a planned power transmission line. In addition, the draft provides that such a decision may also incorporate other decisions required in the development process, including building permits and a decision approving the building permit documentation (planning permission). As a result, the investor would not need to go through the lengthy procedure of obtaining a number of separate administrative decisions, which often can be very time-consuming, since it would obtain all the required permits by way of a single decision, which is expected to facilitate the development process.

Beneficiaries of the new Act will include transmission entrepreneurs, i.e. individuals, legal persons and organisational units which possess transmission infrastructure or implement investment projects related to transmission infrastructure.

9.6 Environmental protection

The Group’s operations are extensively regulated under Polish environmental protection laws (including with respect to the protection of air, water, land surface, animals and plants, as well as protection against noise and electromagnetic fields). They transpose, in full or in part, a number of EU laws, including specifically: (i) Directive 2008/98/EC of the European Parliament and of the Council of November 19th 2008 on waste and repealing certain Directives (OJ EU L 312 of November 22nd 2008), (ii) Directive 2010/75/EU of the European Parliament and of the Council of November 24th 2010 on industrial emissions (integrated pollution prevention and control) (OJ EU L 334 of December 17th 2010), (iii) Directive 2004/35/EC of the European Parliament and of the Council of April 21st 2004 on environmental liability with regard to the prevention and remedying of environmental damage (OJ EU L 143 of April 30th 2004), (iv) Directive 85/337/EEC of the Council of June 27th 1985 on the assessment of the effects of certain public and private projects on the environment (OJ EU L 175 of July 5th 1985), (v) Directive 92/43/EEC of the Council of May 21st 1992 on the conservation of natural habitats and of wild fauna and flora (OJ EU L 206 of July 22nd 1992), (vi) Directive 79/409/EEC of the Council of April 2nd 1979 on the conservation of wild birds (OJ EU L 103 of April 25th 1979), (vii) Directive 2000/60/EC of the European Parliament and of the Council of October 23rd 2000 establishing a framework for Community action in the field of water policy (OJ EU L 327 of December 22nd 2000), (viii) Directive 2003/87/EC of the European Parliament and of the Council of October 13th 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ EU L 275 of October 25th 2003).

The individual national laws on environmental protection regulate the environmental issues both during the development process and the operation of a completed project. They form a framework for the protection of the environment as a whole and of its individual components (by defining environmental quality standards and methods for assessing their achievement, as well as measures designed to ensure that those standards are respected or restored), and specify the administrative procedures and requirements applicable in this area.

This section contains a summary of the key national laws and regulations on environmental protection which are relevant to the Group’s operations.

9.6.1 Environmental Protection Law

The Environmental Protection Law is the main legal act regulating environmental issues. It sets forth the rules of environmental protection and the conditions for using environmental resources, including, in particular: (i) the principles of setting the conditions for release of certain substances or energy into the environment, (ii) the principles of determining costs related to the use of the environment, (iii) the duties of public authorities and environmental protection institutions, and (iv) liability for damaging or negative environmental impact, as well as sanctions imposed for non-compliance with the above rules.

The provisions of the Environmental Protection Law apply not only to completed projects (and their operation), but also to the implementation phase, i.e. the investment and construction process, which may have a negative impact on the environment. Already at the construction stage, the investor implementing a project is obliged to ensure compliance with all the environmental regulations in force in the area where the works are being carried out. Under the Environmental Protection Law, newly built or modified installations cannot be placed in service unless and until they meet the applicable environmental requirements.

In the operating phase, the investor may be required to obtain sector-specific permits or an integrated permit specifying the emission limits for all substances or types of energy and the environmental impact conditions (required for installations whose operation − due to its nature or scale − may lead to significant pollution of the environment as a whole or of its individual components; in the power industry, an integrated permit is required for any combustion unit with a rated thermal input of over 50 MWt), and may be required to pay environmental charges (charges for using the natural environment). Pursuant to the Environmental Protection Law, a sector-specific environmental permit is required, as a rule, to operate an installation which: (i) releases gases or dust into the air, (ii) releases effluents into the ground or waters, (iii) generates waste, unless that installation is already covered by an integrated permit. In addition, in cases specified in the Environmental Protection Law, a user of the natural environment is required to pay environmental charges, at rates applying in the period in which the use of the environment took place.

The Environmental Protection Law also provides for civil, criminal and administrative liability for violation of its provisions or for non-compliance with any permits issued thereunder. For instance, where a given activity causes significant deterioration of the environment or poses a threat to human life or health, a decision is issued ordering that the activity be terminated to the extent necessary to prevent any further deterioration of the environment. The law also specifies situations where the operation of an installation may be optionally suspended (including in a case where the entity concerned releases any substances or energy into the environment without the required permit or does not comply with the conditions of such a permit). In addition, the Environmental Protection Law contains provisions on administrative fines imposed, among other things, for exceeding or breaching the conditions for the use of the environment, as well as on increased environmental charges, for example where the required permits have not been obtained.

9.6.2 Environmental Impact Assessment Act

The Environmental Impact Assessment Act specifies, in particular: (i) the principles and procedures for the disclosure of information about the environment and its protection, (ii) the principles and procedures applying to environmental impact assessments, (iii) the rules of public participation in environmental protection, and (iv) the public authorities competent for the above areas. It also defines the procedure and rules for issuing decisions on environmental conditions (specifying the environmental conditions to be met by a project).

Under the Environmental Impact Assessment Act, a decision on environmental conditions is required to implement any projects which always have a significant environmental impact or which may potentially have a significant environmental impact. Such projects are specified in detail (in terms of their possible environmental impacts) in the Regulation of the Council of Ministers of November 9th 2010 on projects with significant environmental impact (Dz.U. No. 213, item 1397). Typically, a decision on environmental conditions is obtained prior to other decisions, including the building permit, planning permit and water permit necessary to build any hydro-engineering structures or facilities.

Where a contemplated project may always have a significant environmental impact, an environmental impact assessment is performed in the course of the procedure related to the issuance of a decision on environmental conditions. Where a planned project may potentially have a significant environmental impact, an environmental impact assessment is performed if the competent authority decides that such an assessment is required. In addition, an assessment is required for projects other than those referred to above in relation to their impact on Natura 2000 sites (i.e. Special Protection Areas for birds, Special Areas of Conservation for habitats, or Sites of Community Importance established to protect the population of wild birds, natural habitats, or any species of Community importance) in a case where a contemplated project may have a significant impact on a Natura 2000 site but is not directly related to the protection of that site and does not result from its protection. An environmental impact assessment for a given project identifies, reviews and evaluates, among other things: (i) the direct and indirect impacts of the project on the environment and on human health and living conditions, (ii) the possibilities and methods of preventing and mitigating the negative environmental impacts of the project, and (iii) the required monitoring measures. An assessment of the impact of a given project on a Natura 2000 site identifies, reviews and evaluates the impact of the project on the Natura 2000 site.

In a decision on environmental conditions for a project, which is issued following the environmental impact assessment, the competent authority specifies, in particular: (i) the type and location of the project, (ii) the conditions for using the site during the implementation and operation/use phase, and (iii) in a case where the environmental impact assessment indicates the need to: a) provide environmental offsets (compensatory measures) − the competent authority states that such offsets are necessary, or b) prevent, mitigate and monitor the environmental impacts of the project − the competent authority imposes the obligation to take such measures. In addition, in a decision on environmental conditions the competent authority may oblige the applicant to submit a post-implementation report, specifying its scope and submission deadline. In a case where an environmental impact assessment has not been performed, a decision on environmental conditions will contain a statement of the competent authority to the effect that an environmental impact assessment is not required for the project.

9.6.3 Natura 2000 sites

The Natura 2000 programme was established with a view to protecting the rich natural heritage of EU Member States (by protecting the most valuable and endangered habitats and species of plants and animals), and to implementing a cohesive policy for the protection of natural resources within the EU. The key objective behind the programme is to create a network of protected areas in order to preserve certain types of natural habitats as well as animal and plant species considered to be of value and importance. Within the meaning of the Nature Conservation Act, the network of Natura 2000 sites includes: (i) Special Protection Areas for birds, (ii) Special Areas of Conservation for habitats, and (iii) Sites of Community Importance. These all belong to the European network of protected areas.

The legal regulations on Natura 2000 sites provide for a number of restrictions on the implementation of projects within or near Natura 2000 sites. As a rule, it is prohibited to pursue any activities which may have, individually or in combination with other activities, a significant negative impact on the protected natural resources within a Natura 2000 site, and particularly may: (i) cause the condition of natural habitats or habitats of animal and plant species protected within the designated Natura 2000 site to deteriorate, (ii) adversely affect the species protected within the designated Natura 2000 site, or (iii) adversely affect the integrity of the Natura 2000 site or its links to other areas. However, it should also be noted that the designation of an area as a Natura 2000 site does not preclude the use of that area or its surroundings for economic purposes. Subject to certain conditions (including performance of an assessment of the impact of the contemplated project on Natura 2000 sites and obtaining the necessary permits), investment projects may be located within such areas.

9.6.4 Act on Prevention of Environmental Damage

The Act on Prevention of Environmental Damage specifies the scope of responsibility for preventing and remedying environmental damage. The provisions of the Act apply to the direct threat of environmental damage or to actual environmental damage (caused by activities which pose a risk of environmental damage, or by other activities if they concern protected species or protected natural habitats and are caused by the user of the natural environment). The provisions of the Act do not apply, inter alia, in cases where more than 30 years have passed since the emission or event which caused a direct threat of environmental damage or actual environmental damage.

The Act imposes the following obligations on a user of the natural environment: (i) the obligation to take preventive measures in the event of a direct threat of environmental damage, (ii) the obligation to take remedial action or measures aimed at mitigating the effects of environmental damage and at preventing any subsequent environmental damage and any adverse impacts on human health, or any further deterioration of the functioning of the affected components of the environment, where the environmental damage has already occurred, (iii) the obligation to notify the environmental protection authority of any direct threat of environmental damage or of the occurrence of environmental damage, as well as of the completion of preventive or remedial measures, and (iv) the obligation to consult and agree the conditions for implementing remedial action with the environmental protection authority.

In line with the overriding rule of the environmental policy − namely the 'polluter pays' principle, any costs of preventive or remedial measures are paid by the user of the environment.

9.6.5 Nature Conservation Act

The Nature Conservation Act defines the objectives, rules and forms of protection of animate and inanimate nature as well as landscape (including Natura 2000 sites). It also defines the measures taken to protect nature, the authorities competent for and services dedicated to its protection, as well as the rules governing management of its components and resources.

9.6.6 Water Law

The Water Law sets forth the principles of water management, development and protection of water resources, as well as water consumption and management of water resources. Moreover, the Water Law regulates issues related to ownership rights to waters and water-covered land. The Water Law provides for some legal instruments designed to facilitate the management of water resources, the most important of these being water permits. Water permits are required for: (i) any special use of waters, (ii) regulation of water courses, (iii) construction of hydraulic engineering structures, as well as (iv) discharge of wastewater into waters or the ground. A water permit defines the purpose and scope of the use of waters, the terms of exercising the awarded rights, and the obligations which must be fulfilled to protect environmental resources and safeguard the interests of the local community and the economy.

9.6.7 Waste Act

The key piece of legislation governing the management of waste is the Waste Act. The Waste Act defines a range of measures designed to protect the environment, human life and health, measures intended to prevent or mitigate the negative impact of the generation of waste and its management on the environment and human health, as well as measures aimed to contain the overall effects of consumption of resources and improve the efficiency of their use.

As far as the ways of handling waste are concerned, the Waste Act imposes a certain hierarchy of actions. First, generation of waste should be prevented and the quantity of generated waste and its negative impact on human life and health and on the natural environment should be limited. Waste whose generation cannot be prevented should be recycled, while waste which cannot be recycled should be disposed of. Waste should be managed in compliance with the 'proximity principle'. In line with the 'proximity principle', waste should first be processed at the place where it was generated. Any waste which cannot be processed at the place where it was generated should be transferred to the closest location where it can be processed, with due regard given to the waste management hierarchy and with the application of the best available technique or technology.

Furthermore, the Waste Act describes the waste management duties of waste owners (including their generators), as well as public administration bodies. Pursuant to the Act, any waste generator has the duty to manage the waste it has generated. The waste generator or another waste owner may engage another entity (meeting specific requirements) the perform its waste management duties. A relevant permit is required for generation of waste (i) with a weight of over 1 Mg per year - in the case of hazardous waste, or (ii) with a weight of over 5,000 Mg per year - in the case of non-hazardous waste, if such waste is generated in connection with the operation of an installation (unless an integrated permit has been issued for the installation). As a rule, a relevant permit is also required to conduct operations involving the collection of waste and its processing.

A catalogue of waste along with a list of hazardous waste and the manner of classifying waste is defined in the Regulation of the Minister of Environment on the catalogue of waste, dated September 27th 2001 (Dz.U. No. 112, item 1206).

9.6.8 Act on Protection of Agricultural and Forest Land

The Act on Protection of Agricultural and Forest Land defines the rules governing the protection of agricultural and forest land and reclamation of such land, as well as the rules for improving such land's value in use. The Act also defines the manner in which the designation of some agricultural and forest land may be changed into non-agricultural or non-forest land, as well as the manner of excluding land allocated for non-agricultural and non-forest purposes from agricultural or forest production.

9.6.9 CO2 emissions

The operation of a number of industrial installations, especially power sector installations, which emit pollutants (such as greenhouse gases), leads to irreversible changes in the natural environment (including climate changes). The main instrument of the EU's policy in the area of climate protection designed to reduce emissions of greenhouse gases into the air is the European Union Emissions Trading Scheme.

Poland's national regulations with respect to emissions of greenhouse gases, implementing the relevant EU regulations, are set out primarily in: (i) the Act on Greenhouse Gas Emission Allowances Trading, dated April 28th 2011 (Dz.U. No. 122, item 695) and (ii) the Act on the System of Managing Emissions of Greenhouse Gases and Other Substances (Dz.U. No. 130, item 1070, as amended).

These two Acts define, in particular: (i) the rules governing the management of emissions of greenhouse gases and other substances, (ii) the rules governing the operation of the greenhouse gas emissions trading scheme (the "scheme"), (iii) the list of greenhouse gases and other substances released into the air which are covered by the management system, (iv) the types of installations covered by the system or the types of activities conducted in the installations covered by the system in the trading period starting January 1st 2013, as well as the threshold values referring to the installations' production capacities or activities, and the greenhouse gases assigned to a given installation or activity.

It needs to be noted, however, that the Polish regulations provide for only partial implementation of Directive 2009/29/EC of the European Parliament and of the Council of April 23rd 2009 amending Directive 2003/87/EC so as to improve and extend the greenhouse gas emission allowance trading scheme of the Community (OJ EU L 140 of June 5th 2009), because they do not include the basic principles underlying the scheme in the 2013−2020 trading period, beginning on January 1st 2013. Relevant regulations have not yet been implemented.

Generally, the scheme covers emissions of greenhouse gases from those installations whose operations involve the emission of such gases and which meet the threshold values referring to production capacities. With respect to carbon dioxide emissions, such installations include fuel combustion installations, other than those burning hazardous or municipal waste, with a rated thermal input in excess of 20 MWt (e.g. power plants or CHP plants). In order to be able to release a given quantity of carbon dioxide into the air, entities operating such installations must hold an appropriate number of emission allowances (corresponding to their actual CO2 emission volumes). Allowances may be either obtained through free allocation or purchased. In the current trading period (2013-2020), in the case of installations for electricity production, the proportion of allowances purchased relative to those obtained free of charge is generally assumed to increase every year, so that in 2020 all emission allowances will be purchased. In the third trading period (2013−2020), auctioning is assumed to be the key method of allocating emission allowances for installations generating electricity.

With respect to the free allocation of allowances, by virtue of its decision of January 22nd 2014, the European Commission conditionally accepted Poland's application for transitional allocation of free carbon dioxide emission allowances as part of the scheme for the power sector (installations for electricity production) for 2013−2019.

D. QUARTERLY FINANCIAL INFORMATION OF POLENERGIA S.A.

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION as at Sep 30 2015

Assets

	Sep 30 2015	Dec 31 2014
I. Non-current assets	**1,420,141**	**1,253,065**
Property, plant and equipment	2,649	2,761
Intangible assets	976	1,252
Investment property	2,445	2,803
Financial assets	1,401,995	1,236,903
Non-current receivables	2,941	3,203
Deferred tax asset	9,135	6,143
II. Current assets	**117,902**	**285,943**
Inventories	17,500	17,500
Trade receivables	15,765	18,688
Other current receivables	646	3,516
Accruals and deferred income	2,804	4,449
Current financial assets	18,187	25,343
Cash and cash equivalents	63,000	216,447
Total assets	**1,538,043**	**1,539,008**

Equity and liabilities

	Sep 30 2015	Dec 31 2014
I. Equity	**1,249,421**	**1,263,111**
Share capital	90,887	90,887
Share premium	786,134	802,909
Capital reserve from valuation of options	13,207	13,207
Other capital reserves	372,199	372,199
Net loss	(13,006)	(16,091)
II. Non-current liabilities	**2,902**	**2,846**
Bank and other borrowings	1,000	1,000
Provisions	1,187	1,187
Other liabilities	715	659
III. Current liabilities	**285,720**	**273,051**
Bank and other borrowings	274,098	259,264
Trade payables	324	1,033
Other liabilities	1,514	1,702
Provisions	1,938	2,042
Accruals and deferred income	7,846	9,010
Total equity and liabilities	**1,538,043**	**1,539,008**

(PLN '000)

INTERIM CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS
for the nine months ended September 30th 2015

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
Revenue	20,476	5,212	7,097	2,535
Cost of sales	(16,426)	(349)	(4,969)	(126)
Gross profit	**4,050**	**4,863**	**2,128**	**2,409**
Other income	1,237	173	1,080	18
Administrative expenses	(9,885)	(11,771)	(3,702)	(5,417)
Other expenses	(270)	(95)	357	(46)
Finance income	5,203	16,555	1,364	1,458
including dividends	-	13,095	-	-
Finance costs	(16,333)	(17,147)	(6,026)	(5,827)
Loss before tax	**(15,998)**	**(7,422)**	**(4,799)**	**(7,405)**
Income tax expense	2,992	5,429	911	2,388
Net loss	**(13,006)**	**(1,993)**	**(3,888)**	**(5,017)**

INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended September 30th 2015

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014	For the three months ended Sep 30 2015	For the three months ended Sep 30 2014
Net profit (loss) for period	**(13,006)**	**(1,993)**	**(3,888)**	**(5,017)**
Net other comprehensive income	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR PERIOD	**(13,006)**	**(1,993)**	**(3,888)**	**(5,017)**

(PLN '000)

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
for the nine months ended September 30th 2015

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net loss	Total equity
As at Jan 1 2015	**90,887**	**802,909**	**13,207**	**372,199**	**(16,091)**	**-**	**1,263,111**
Total comprehensive income for period							
Net profit for reporting period	-	-	-	-	-	(13,006)	(13,006)
Allocation of profit	-	(16,091)	-	-	16,091	-	-
Transactions with owners of the parent recognised directly in equity							
Share issue	-	(684)	-	-	-	-	(684)
As at Sep 30 2015	**90,887**	**786,134**	**13,207**	**372,199**	**-**	**(13,006)**	**1,249,421**

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net loss	Total equity
As at Jan 1 2014	**42,628**	**78,521**	**13,207**	**372,199**	**(12,790)**	**-**	**493,765**
Total comprehensive income for period							
Net profit for financial year	-	-	-	-	-	(1,993)	(1,993)
Allocation of profit	-	(12,790)	-	-	12,790	-	-
Transactions with owners of the parent recognised directly in equity							
Share issue	48,259	737,178	-	-	-	-	785,437
As at Sep 30 2014	**90,887**	**802,909**	**13,207**	**372,199**	**-**	**(1,993)**	**1,277,209**

(PLN '000)

INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS
for the nine months ended September 30th 2015

	For the nine months ended Sep 30 2015	For the nine months ended Sep 30 2014
A. Cash flows from operating activities		
I. Loss before tax	**(15,998)**	**(7,422)**
II. Total adjustments	**19,583**	**11,639**
Depreciation and amortisation	1,267	1,033
Foreign exchange losses	-	(1)
Interest and profit distributions (dividends)	13,400	2,473
Loss on investing activities	1,351	-
Income tax expense	-	293
Change in provisions	(104)	1,087
Change in inventories	-	(4,871)
Change in receivables	4,208	19,407
Change in current liabilities (net of borrowings)	(337)	289
Change in accruals and deferrals	(202)	(8,071)
III. Net cash from operating activities (I+/-II)	**3,585**	**4,217**
B. Cash flows from investing activities		
I. Cash receipts	**18,750**	**29,761**
1. Proceeds from financial assets, including:	16,903	13,095
– disposal of financial assets	100	-
– dividends and other profit distributions	-	13,095
– repayment of non-current loans advanced	14,107	-
– interest	148	-
– other proceeds from financial assets	2,548	-
2. Other cash receipts related to investing activities	1,847	16,666
II. Cash payments	**175,278**	**63,981**
1. Acquisition of intangible assets and property, plant and equipment	619	1,215
2. Payments for financial assets, including:	174,659	62,766
– acquisition of financial assets	168,033	62,766
– non-current loans advanced	6,626	-
III. Net cash from investing activities (I-II)	**(156,528)**	**(34,220)**
C. Cash flows from financing activities		
I. Cash receipts	**-**	**240,000**
1. Net proceeds from issue of shares and other equity instruments	-	240,000
II. Cash payments	**504**	**349**
1. Payment of finance lease liabilities	504	349
III. Net cash from financing activities (I-II)	**(504)**	**239,651**
D. Total net cash flows (A.III+/-B.III+/-C.III)	**(153,447)**	**209,648**
E. Net increase/decrease in cash, including:	**(153,447)**	**209,649**
- effect of exchange rate fluctuations on cash held	**-**	**1**
F. Cash at beginning of period	**216,447**	**34,703**
G. Cash at end of period (F+/- E), including:	**63,000**	**244,352**
- restricted cash	50	50

(PLN '000)