Polenergia Group

CONSOLIDATED FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31ST 2015

WITH THE AUDITOR'S OPINION

Zbigniew Prokopowicz – *President of the Management Board*	*Jacek Głowacki –* *Vice-President of the Management Board*
Michał Kozłowski – *Vice-President of the Management Board*	*Anna Kwarcińska –* *Vice-President of the Management Board*
	Agnieszka Grzeszczak – Head of Accounting

Warsaw, February 17th 2016

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1. Consolidated statement of financial position

As at December 31st 2015

ASSETS

	Notes	Dec 31 2015	restated Dec 31 2014
I. Non-current assets		**2,447,691**	**1,968,359**
1. Property, plant and equipment	15	2,192,218	1,706,722
2. Intangible assets	13	49,469	57,383
3. Goodwill related to subordinated entities	14	184,619	184,662
4. Financial assets	17	5,817	7,413
5. Equity-accounted financial assets		-	1,456
6. Non-current receivables	16	4,577	4,269
7. Deferred tax asset	24	10,912	6,353
8. Prepayments and accrued income		79	101
II. Current assets		**750,679**	**763,935**
1. Inventories	18	47,040	41,113
2. Trade receivables	19	158,513	109,042
3. Current tax asset	19	2,776	1,927
4. Other current receivables	19	64,621	69,251
5. Prepayments and accrued income	20	11,416	8,563
6. Current financial assets	21	104,217	117,230
7. Cash and cash equivalents	22	362,096	416,809
Total assets		**3,198,370**	**2,732,294**

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EQUITY AND LIABILITIES

	Notes	Dec 31 2015	restated Dec 31 2014
I. Equity		**1,397,251**	**1,333,984**
Equity attributable to owners of the parent		**1,396,298**	**1,333,036**
1. Share capital	23	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	23	378,069	372,427
5. Retained earnings		60,350	22,188
6. Net profit		67,370	31,345
7. Translation differences		281	73
Non-controlling interests	**23**	**953**	**948**
II. Non-current liabilities		**1,302,808**	**991,888**
1. Bank and other borrowings	26	1,026,551	695,168
2. Deferred tax liability	24	66,242	57,150
3. Provisions	25	2,207	2,045
4. Accruals and deferred income	29	63,161	67,439
5. Other liabilities	27	144,647	170,086
III. Current liabilities		**498,311**	**406,422**
1. Bank and other borrowings	28	121,336	91,993
2. Trade payables	27	178,347	128,487
3. Income tax payable	27	6,670	1,064
4. Other liabilities	27	166,301	158,353
5. Provisions	25	4,216	3,070
6. Accruals and deferred income	29	21,441	23,455
Total equity and liabilities		**3,198,370**	**2,732,294**

(PLN '000)

2. Consolidated statement of profit or loss

For the year ended December 31st 2015

	Notes	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	unaudited For the 3 months ended Dec 31 2015	unaudited For the 3 months ended Dec 31 2014
Revenue from sale of electricity, heat, gas and other revenue	31	2,640,918	865,133	687,336	614,019
Revenue from sale of certificates of origin	31	131,518	69,380	52,779	30,958
Revenue		**2,772,436**	**934,513**	**740,115**	**644,977**
Cost of sales	32	(2,599,123)	(856,707)	(685,310)	(601,026)
Gross profit		**173,313**	**77,806**	**54,805**	**43,951**
Other income	33	8,354	5,872	1,466	1,622
Distribution costs	32	(805)	(362)	(243)	(295)
Administrative expenses	32	(34,476)	(19,500)	(10,767)	(8,699)
Other expenses	34	(13,739)	(8,392)	(10,954)	(6,419)
Finance income	35	7,432	7,612	1,604	3,807
Finance costs	36	(49,037)	(29,509)	(14,812)	(11,727)
Profit before tax		**91,042**	**33,527**	**21,099**	**22,240**
Income tax expense	24	(23,667)	(2,272)	(6,461)	(6,026)
Net profit		**67,375**	**31,255**	**14,638**	**16,214**
Net profit attributable to:		**67,375**	**31,255**	**14,638**	**16,214**
Owners of the parent		67,370	31,345	14,660	16,226
Non-controlling interests		5	(90)	(22)	(12)
Earnings per share:					
Weighted average number of ordinary shares		45,443,547	29,357,160	45,443,547	29,357,160
- basic/diluted earnings for period attributable to owners of the parent		1.48	1.07	0.32	0.55

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Consolidated statement of comprehensive income

			unaudited	unaudited
	For the 12 months ended Dec 31 2015	**For the 12 months ended Dec 31 2014**	**For the 3 months ended Dec 31 2015**	**For the 3 months ended Dec 31 2014**
Net profit for period	**67,375**	**31,255**	**14,638**	**16,214**
Other comprehensive income that may be reclassified to profit or loss once specific conditions are met				
- Cash-flow hedges	(3,632)	1,958	225	1,972
- Translation differences	208	73	2	130
Net other comprehensive income	**(3,424)**	**2,031**	**227**	**2,102**
COMPREHENSIVE INCOME FOR PERIOD	**63,951**	**33,286**	**14,865**	**18,316**
Total comprehensive income for period:	63,951	33,286	14,865	18,316
Owners of the parent	63,946	33,376	14,887	18,328
Non-controlling interests	5	(90)	(22)	(12)

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3. Additional data

Adjusted EBITDA and adjusted net profit – performance metrics not defined in accounting standards

EBITDA, adjusted EBITDA and adjusted net profit attributable to owners of the parent are not defined in the IFRS and may be computed differently by other entities. The use of 'Adjusted EBITDA', 'EBITDA' and 'Adjusted net profit attributable to owners of the parent', as well as the definitions and purpose of these metrics, are discussed in Note 37.

EBITDA AND ADJUSTED EBITDA

			unaudited	unaudited
	For the 12 months ended Dec 31 2015	**For the 12 months ended Dec 31 2014**	**For the 3 months ended Dec 31 2015**	**For the 3 months ended Dec 31 2014**
Profit before tax	91,042	33,527	21,099	22,240
Finance income	(7,432)	(7,612)	(1,604)	(3,807)
Finance costs	49,037	29,509	14,812	11,727
Depreciation and amortisation	87,660	50,036	24,486	23,727
EBITDA	220,307	105,460	58,793	53,887
Cost of financing	176	-	3	-
Purchase price allocation:				
Intra-group long-term contracts	-	(6,800)	-	-
Valuation of long-term contracts	2,412	804	603	603
Adjusted EBITDA	222,895	99,464	59,399	54,490

ADJUSTED NET PROFIT attributable to owners of the parent

			unaudited	unaudited
	For the 12 months ended Dec 31 2015	**For the 12 months ended Dec 31 2014**	**For the 3 months ended Dec 31 2015**	**For the 3 months ended Dec 31 2014**
NET PROFIT attributable to owners of the parent	67,370	31,345	14,660	16,226
Unrealised foreign exchange gains/losses	4	908	266	630
Finance income from discount on sale of wind farm projects	-	(519)	-	(133)
(Income)/costs from valuation of non-current bank borrowings	1,535	2,031	140	990
Cost of financing	143	-	3	-
Purchase price allocation:				
Depreciation and amortisation	10,124	3,374	2,528	2,530
Intra-group long-term contracts	-	(6,800)	-	-
Valuation of long-term contracts	2,412	804	603	603
Tax	(2,387)	(794)	(596)	(595)
Adjusted NET PROFIT attributable to owners of the parent	79,201	30,349	17,604	20,251

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4. Consolidated statement of changes in equity

For the year ended December 31st 2015

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Translation differences	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2015	**90,887**	**802,909**	**13,207**	**372,427**	**53,533**	**-**	**73**	**1,333,036**	**948**	**1,333,984**
Total comprehensive income for period										
- Net profit for reporting period	-	-	-	-	-	67,370	-	67,370	5	67,375
- Other comprehensive income for period	-	-	-	(3,632)	-	-	208	(3,424)	-	(3,424)
Transactions with owners of the parent recognised directly in equity										
- Share issue	-	(684)	-	-	-	-	-	(684)	-	(684)
- Allocation of profit	-	(16,091)	-	9,274	6,817	-	-	-	-	-
As at Dec 31 2015	**90,887**	**786,134**	**13,207**	**378,069**	**60,350**	**67,370**	**281**	**1,396,298**	**953**	**1,397,251**

PLN 3,632 thousand of other comprehensive income is related to the valuation of cash-flow hedges, discussed in detail in Note 41.

PLN 16,091 thousand is related to the distribution of the parent’s net profit for 2014, discussed in detail in Note 23.4.

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For the year ended December 31st 2014

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Translation differences	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2014	**42,628**	**78,521**	**13,207**	**370,469**	**9,398**	**-**	**-**	**514,223**	**1,038**	**515,261**
Total comprehensive income for the year										
- Net profit for financial year	-	-	-	-	-	31,345	-	31,345	(90)	31,255
- Other comprehensive income for period	-	-	-	1,958	-		73	2,031	-	2,031
Transactions with owners of the parent recognised directly in equity										
- Share issue	48,259	737,178	-	-	-	-	-	785,437	-	785,437
- Allocation of profit	-	(12,790)	-	-	12,790	-	-	-	-	-
As at Dec 31 2014	**90,887**	**802,909**	**13,207**	**372,427**	**22,188**	**31,345**	**73**	**1,333,036**	**948**	**1,333,984**

PLN 1,958 thousand of other comprehensive income is related to the valuation of cash-flow hedges, discussed in detail in Note 41

(PLN '000)

5. Consolidated statement of cash flows

For the year ended December 31st 2015

	Notes	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
A. Cash flows from operating activities			
I. Profit before tax		**91,042**	**33,527**
II. Total adjustments		**134,654**	**45,978**
1. Depreciation and amortisation	32	87,660	50,036
2. Foreign exchange losses (gains)		122	540
3. Interest and profit distributions (dividends)		37,560	21,566
4. Gain (loss) on investing activities		13,162	1,578
5. Income tax		(14,989)	(3,292)
6. Change in provisions		1,111	1,971
7. Change in inventories	38	(5,927)	(3,521)
8. Change in receivables	38	(38,323)	(7,596)
9. Change in current liabilities (net of borrowings)	38	55,045	(6,103)
10. Change in accruals and deferrals	38	(1,000)	(9,838)
11. Other adjustments		233	637
III. Net cash from operating activities (I+/-II)		**225,696**	**79,505**
B. Cash flows from investing activities			
I. Cash receipts		**1,569**	**107,198**
1. Disposal of intangible assets and property, plant and equipment		757	107
2. Proceeds from financial assets, including:		812	-
a) repayment of non-current loans advanced		662	-
b) interest		150	-
3. Cash from acquisition of a subsidiary		-	105,246
4. Other cash receipts related to investing activities		-	1,845
II. Cash payments		**603,107**	**444,906**
1. Acquisition of property, plant and equipment		602,477	442,521
2. Payments for financial assets, including:		630	535
a) acquisition of financial assets		144	452
b) non-current loans advanced		486	83
3. Other payments related to investing activities		-	1,850
III. Net cash from investing activities (I-II)		**(601,538)**	**(337,708)**
C. Cash flows from financing activities			
I. Cash receipts		**459,647**	**548,706**
1. Net proceeds from issue of shares, other equity instruments and additional contributions to equity		-	240,000
2. Proceeds from borrowings		459,647	308,706
II. Cash payments		**138,606**	**81,695**
1. Repayment of borrowings		96,411	56,968
2. Payment of finance lease liabilities		1,028	731

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3. Interest		37,224	23,115
4. Other payments		3,943	881
III. Net cash from financing activities (I-II)		**321,041**	**467,011**
D. Total net cash flows (A.III+/-B.III+/-C.III)		**(54,801)**	**208,808**
E. Net increase/decrease in cash, including:		**(54,713)**	**208,667**
- effect of exchange rate fluctuations on cash held		88	(141)
F. Cash at beginning of period		**416,809**	**208,142**
G. Cash at end of period, including:		**362,096**	**416,809**
- restricted cash	38	129,430	92,989

External financing sources - bank borrowings (statement of cash flows)	**For the 12 months ended Dec 31 2015**	**For the 12 months ended Dec 31 2014**
item C.I.2 Proceeds from borrowings	459,647	308,706
item C.II.2 Repayment of borrowings	(96,411)	(56,968)
Change in external financing sources, including:	**363,236**	**251,738**
net increase in investment facilities	356,266	252,840
net increase/decrease in VAT financing facility	20,054	6,881
net increase/decrease in overdraft facility	(13,084)	(7,983)

6. General information

The Polenergia Group (the "Group") comprises Polenergia S.A. (formerly Polish Energy Partners S.A.), with the company name change entered in the National Court Register on September 11th 2014 (the "Company", the "parent"), and its subsidiaries. The Company was established under a notary deed of July 17th 1997. The Company is entered in the National Court Register maintained by the District Court for the Capital City of Warsaw, 13th 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, entered in the register on November 20th 2013, is at ul. Krucza 24/26 in Warsaw.

Polenergia shares are listed on the Warsaw Stock Exchange.

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),
- 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.

6.1. Duration of the Company and other Group companies

The Company and all Group companies have been established for an indefinite period.

6.2. Periods covered by the consolidated financial statements

These consolidated financial statements cover the year ended December 31st 2015 and contain comparative data for the year ended December 31st 2014.

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As at December 31st 2015, the composition of the parent's Management Board was as follows:

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

As at December 31st 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
Mariusz Nowak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Rafał Andrzejewski	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board
Dawid Jakubowicz	Member of the Supervisory Board.

On November 5th 2015, Mr Marek Gabryjelski resigned from his membership in the Company's Supervisory Board for personal reasons.

7. Going concern

These 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. December 31st 2015.

8. The Group's organisational structure

As at December 31st 2015, the Group was composed of the following companies:

Company	Registered office	Business profile	Direct or indirect percentage interest in share capital and total vote
Dipol Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Interpep EC Zakrzów Sp. z o.o. Sp. Komandytowa	ul. Krucza 24/26, Warsaw	Production of heat and electricity	100%
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	ul. Krucza 24/26, Warsaw	Production of heat and electricity	94.2%
Energopep Sp. z o.o., Sp. Komandytowa	ul. Krucza 24/26, Warsaw	Trade in property rights	100%
Energopep Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production of heat and electricity	100%
Polenergia Elektrownia Mercury Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of heat and electricity	100%

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Polenergia Elektrociepłownia Zakrzów Sp. z o.o. (formerly: Interpep EC Zakrzów Sp. z o.o.)	ul. Krucza 24/26, Warsaw	Production and distribution of heat and electricity	100%
Grupa PEP – Finansowanie Projektów Sp. z o.o.	ul. Krucza 24/26, Warsaw	Other credit granting	100%
Polenergia Biomasa Energetyczna Północ Sp. z o.o.	ul. Krucza 24/26, Warsaw	Wholesale of solid, liquid and gaseous fuels and related products	100%
Grupa PEP – Biomasa Energetyczna Południe Sp. z o.o.	ul. Krucza 24/26, Warsaw	Wholesale of solid, liquid and gaseous fuels and related products	100%
Grupa PEP – Biomasa Energetyczna Wschód Sp. z o.o.	ul. Krucza 24/26, Warsaw	Wholesale of solid, liquid and gaseous fuels and related products	100%
Grupa PEP – Bioelektrownia 2 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Activities of head offices and holding companies	100%
Grupa PEP – Bioelektrownia 2 Sp. z o.o. Sp.K.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Uprawy Energetyczne Sp. z o.o.	ul. Krucza 24/26, Warsaw	Growing of non-perennial crops	100%
Grupa PEP – Farma Wiatrowa 1 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Polenergia Farma Wiatrowa Łomża Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 5 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 6 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Polenergia Farma Wiatrowa Wodzisław Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 7 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%

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Polenergia Farma Wiatrowa Grabowo Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 8 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 9 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Polenergia Farma Wiatrowa Namysłów Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 10 Sp.z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 11 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Polenergia Farma Wiatrowa Klukowo Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 12 Sp.z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 13 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 14 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 15 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Farma Wiatrowa 16 Sp. z o.o., formerly: Morka Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 17 Sp. z o.o., formerly: Juron Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 18 Sp. z o.o., formerly: Zonda Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Polenergia Farma Wiatrowa Krzywa Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa 19 Sp. z o.o., Nauto Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 20 Sp. z o.o., formerly: Erato Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Polenergia Farma Wiatrowa Rudniki Sp. z o.o., formerly: Farma Wiatrowa 21, Jugo Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%

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Grupa PEP – Farma Wiatrowa 22 Sp. z o.o., formerly: Autan Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 23 Sp. z o.o., formerly: Solano Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Amon Sp. z o.o.	ul. Pucka 4, Łebcz	Production and distribution of electricity	100%
Talia Sp. z o.o.	ul. Pucka 4, Łebcz	Production and distribution of electricity	100%
Grupa PEP Development Projektów Sp. z o.o., formerly: Polish Energy Partners SA Development Projektów SKA	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Grupa PEP - Finansowanie Projektów 1 Sp. z o.o., formerly: Polish Energy Partners SA Finansowanie Projektów SKA	ul. Krucza 24/26, Warsaw	Other credit granting	100%
Grupa PEP Aktywa Finansowe Sp. z o.o.	ul. Krucza 24/26, Warsaw	Other credit facilities	100%
Grupa PEP – Projekty Energetyczne 1 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Certyfikaty Sp.z o.o., formerly: Grupa PEP – Obrót 1 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Grupa PEP – Obrót 2 Sp. z o.o.	ul. Krucza 24/26, Warsaw	Energy sector services	100%
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o., formerly: Pepino Sp. z o.o.	Al. Wojska Polskiego 156, Szczecin	Production and distribution of electricity	100%
Polenergia Farma Wiatrowa Piekło Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa Piekło Sp. z o.o., Bise Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Polenergia Farma Wiatrowa Wierzbnik/Jankowice Sp. z o.o., formerly: Grupa PEP– Farma Wiatrowa Wierzbnik/Jankowice Sp. z o.o., Euros Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Polenergia Farma Wiatrowa Mycielin Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o., Monsun Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Polenergia Farma Wiatrowa Bądecz Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa Bądecz Sp. z o.o.,	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%

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Karif Sp. z o.o.			

Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o., formerly: Grupa PEP – Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o., Mistral Sp. z o.o.	ul. Krucza 24/26, Warsaw	Production and distribution of electricity	100%
Neutron Sp. z o.o.	ul. Krucza 24/26, Warsaw	Activities of holding companies	100%
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (formerly: Elektrociepłownia Nowa Sarzyna Sp. z o.o.)	ul. Ks. J.Popiełuszki 2, Nowa Sarzyna	Energy sector services	100%
Polenergia Kogeneracja Sp. z o.o.	ul. Krucza 24/26, Warsaw	Distribution of and trade in natural gas	100%
Polenergia Elektrownia Północ Sp. z o.o.	ul. Krucza 24/26, Warsaw	Development of a base-load coal-fired power plant	100%
Polenergia Dystrybucja Sp. z o.o.	ul. Krucza 24/26, Warsaw	Distribution and sale of electricity	100%
Polenergia Obrót Sp. z o.o.	ul. Krucza 24/26, Warsaw	Trade in electricity, natural gas and certificates	100%
Polenergia Bałtyk I S. A.	ul. Krucza 24/26, Warsaw	Development of a wind farm	100%
Polenergia Bałtyk II Sp. z o.o.	ul. Krucza 24/26, Warsaw	Development of a wind farm	100%
Polenergia Bałtyk III Sp. z o.o.	ul. Krucza 24/26, Warsaw	Development of a wind farm	100%
PPG Pipeline Projektgesselschaft mbH	Hamburg, Stadthausbrücke 1−3	Development of a gas pipeline	100%
PPG Polska Sp. z o.o.	ul. Krucza 24/26, Warsaw	Development of a gas pipeline	100%
Associate			
Geo Kletnia Sp. z o.o.	ul. Krucza 24/26, Warsaw	Development of a wind farm	20%

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: Polenergia Bałtyk I S.A. (formerly Bałtyk Północny S.A.), Polenergia Bałtyk II Sp. z o.o. (formerly Bałtyk Środkowy II Sp. z o.o.), Polenergia Bałtyk III Sp. z o.o. (formerly 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.

Contribution of the above assets to the Company was a common-control transaction under IFRS 3. The transaction was accounted for using the acquisition method, by allocating the purchase price to the fair value of net assets acquired. with the resulting difference classified as goodwill.

Purchase price allocation

The Company as the parent, and its subsidiaries, including the wholly-owned Neutron Group, conduct operations related to the energy industry. The contribution of the Neutron Group to the Company and the financial involvement of the Key Investor mark another step in the implementation of the Company's long-term strategy to create an integrated group operating in all segments of the energy market, with a particular exposure to generation of energy from renewable sources and the regulated electricity and gas infrastructure.

Control of the Neutron Group was acquired on August 27th 2014.

As at the date of acquisition of control:

- assets and liabilities were measured at fair value;
- long-term contracts between Polenergia Obrót Sp. z o.o. and Dipol Sp. z o.o. Grupa PEP Farma Wiatrowa 1 Sp. z o.o. (Gawłowice), Grupa PEP Farma Wiatrowa 4 Sp. z o.o. (Skurpie), Grupa PEP Farma Wiatrowa 6 Sp. z o.o. (Rajgród) were recognised in the consolidated financial statements as a gain. As the contracts existed at the level of higher-tier Group, according to IFRS they represented a relation between the parties to the business combination which was not a component of the business combination, and therefore had to be disclosed separately. In line with IFRS, if the acquisition of control leads

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to effective settlement of accounts between the merging entities, the acquirer discloses the gain or loss on the settlement in the consolidated financial statements;

- goodwill disclosed in the consolidated statement of financial position under 'Goodwill related to subordinated entities' was determined by comparing the allocated purchase price with the fair value of net assets. Goodwill determined in this manner is treated as the final value.

Purchase price	**557,000**	[1]
Net assets prior to fair value measurement	**284,791**	[2]
Goodwill prior to purchase price allocation	**272,209**	[3] = [1-2]
Purchase price allocation reducing the carrying amount of goodwill, including:	**(88,432)**	

Change in the fair value of assets and liabilities		**Closing balance**	**95,232**	[4]
Property, plant and equipment	Remeasurement of the carrying amount of property, plant and equipment at fair value	Property, plant and equipment	83,896	
CO_2 emission allowances	Free allocation of CO_2 emission allowances	Intangible assets	3,500	
Compensation	Compensation received by the Nowa Sarzyna CHP plant for the cost of gas and stranded costs related to the nature of its operations	Intangible assets	50,000	
Relations with customers	Assets arising from periodic electricity sale contracts executed by Polenergia Dystrybucja	Intangible assets	4,500	
Long-term contracts	Assets arising from periodic contracts for purchase/sale of green certificates, executed by Polenergia Obrót	Financial assets	6,840	
Inventories	Remeasurement of the carrying amount of inventories at fair value	Inventories	(266)	
Long-term contracts	Liabilities under periodic contracts for purchase/sale of green certificates, executed by Polenergia Obrót	Other non-current liabilities	(30,900)	
Deferred tax	Deferred tax on the assets and liabilities listed above	Tax	(22,338)	
Fair value allocated to profit or loss *)		**Statement of profit or loss**		
Intra-group long-term contracts		Revenue from certificates of origin	**6,800**	[5]
Total purchase price allocation			**88,432**	[6] = [4-5]
Initial goodwill disclosed in the statement of financial position			**183,777**	[7] = [3-6]

*) Refers to the recognition of long-term contracts described above.

The amounts of acquired assets and assumed liabilities are presented below after remeasurement to fair value. The fair values of the other acquired assets and assumed liabilities as at the date on which control was acquired did not differ materially from their net carrying amounts:

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Goodwill represents the potential of projects taken over on acquisition.

Purchase price	**557,000**
Assets, including:	**1,080,847**
Property, plant and equipment	639,706
Intangible assets	58,981
Financial assets	83,952
Inventories	13,060
Other assets	179,902
Cash and cash equivalents	105,246
Liabilities, including:	**700,824**
Bank and other borrowings	213,856
Deferred tax liability	50,412
Other liabilities	436,556
Fair value allocated to profit or loss	**6,800**
Fair value of net assets acquired:	**373,223**
Goodwill arising on consolidation	**183,777**

As at December 31st 2015, the Group tested goodwill for impairment.

The Neutron Group's consolidated statement of profit or loss for four months ended December 31st 2014, i.e. from the acquisition of control

The Neutron Group data presented below covers the period of four months, i.e. from the Transaction Date (for more details on the Transaction, see below.) The revenues and costs presented below were disclosed in the Group's consolidated statement of profit or loss for the period December 31st 2014. The Neutron Group data presented below do not include adjustments to fair value as at the Transaction date.

	For period from acquisition of control to Dec 31 2014
Revenue	761,457
Revenue from certificates of origin	16,679
Revenue	**778,136**
Cost of sales	(743,938)
Gross profit	**34,198**
Other income	136
Distribution costs	(362)
Administrative expenses	(8,047)
Other expenses	(3,795)
Finance income	997
Finance costs	(5,405)
Profit before tax	**17,722**
Income tax expense	(4,144)
Net profit	**13,578**

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If the Transaction had been completed on January 1st 2014, the Polenergia Group's revenue for the 12 months ended December 31st 2014 would have totalled PLN 2,659,038 thousand, with net profit of PLN 49,569 thousand. The presented data do not include adjustments to fair value as at the Transaction date.

9. Authorisation of the financial statements

These consolidated financial statements were authorised for issue by the parent's Management Board on February 17th 2016.

10. Applied accounting policies

The accounting policies applied in preparing these consolidated financial statements are consistent with the policies applied in preparing the Group's full-year consolidated financial statements for the year ended December 31st 2014, save for the changes in accounting policies and the amended standards and new interpretations effective for annual periods beginning on or after January 1st 2015, as described below:

Changes in accounting policies

In H1 2015, the Company resolved to change the accounting policies applied in the presentation of liabilities towards Zarządca Rozliczeń ("LTC settlement liabilities"), in accordance with the Act of June 29th 2007 on Rules of Compensating Costs Incurred by Energy Producers Due to Early Termination of Long-Term Capacity and Electricity Purchase Agreements and to account for compensation for stranded costs. Pursuant to applicable regulations, ENS Sp. z o.o. will receive compensation under LTCs until 2020. The balance of settlements of long-term contracts is calculated as at each reporting date based on the Company's best knowledge and represents an estimate of future settlements (receipts or payments) with Zarządca Rozliczeń. As the estimates are dependent on a number of factors with a significant effect on changes in the value of liabilities/receivables determined as at individual reporting dates, the Company presented the settlements as current. In H1 2015, the Company decided to change its accounting policy by dividing liabilities under LTC settlements into non-current and current. The current portion is the amount of liabilities estimated by the Company to be settled within the next 12 months, while the remaining amount, which is not due to Zarządca Rozliczeń and is not expected to be settled within the next 12 months, is presented under non-current liabilities.

The Company believes that the presentation of LTC settlement liabilities as non-current or current gives a more reliable view of its financial position.

The change in accounting policies was applied retrospectively. Presented in the table below is the effect of the change in accounting policies on the Polenergia Group's statement of financial position prepared as at December 31st 2014:

	before change **Dec 31 2014**	change	after change **Dec 31 2014**
Other non-current liabilities	43,082	127,004	170,086
Other current liabilities	285,357	(127,004)	158,353

The change in accounting policies has no effect on the consolidated statement of profit or loss and consolidated statement of comprehensive income for 2014 or the Group's equity as at December 31st 2014.

The opening balance for 2014 also remains unaffected by the change in accounting policies.

Application of new and amended standards and interpretations

In these consolidated financial statements, the following new and amended standards and interpretations effective as of January 1st 2015 were applied for the first time:

- **IFRS Annual Improvements cycle 2011-2013**

  In December 2013, the International Accounting Standards Board issued 'IFRS Annual Improvements cycle 2011-2013', which contain changes to four standards. The amendments include changes in the presentation, recognition, measurement and terminology, as well as editorial changes.

  The new interpretation has no material effect on the Group's consolidated financial statements, as it will not affect its accounting policy with respect to levies.

- **IFRIC 21 Levies**

  The interpretation clarifies the recognition of levies other than income tax. An obligating event is an event specified in law which creates the obligation to pay a levy. The fact that an entity will continue operations in the following period or prepares its financial statements on a going concern basis does not, in itself, create the obligation to recognise a liability for a levy. The same recognition rules apply to full-year and interim statements. Applying the interpretation to liabilities under emission allowances is optional.

  The changes have no significant effect on the Group's consolidated financial statements.

New standards and interpretations issued but not yet effective

In these consolidated financial statements, the Group resolved not to early adopt the following published standards, interpretations or amendments to existing standards prior to their effective date:

- **IFRS 9 Financial Instruments**

  IFRS 9 replaces IAS 39. The standard is effective for annual periods beginning on or after January 1st 2018. The standard introduces a single model that has only two classification categories for financial assets: measurement at fair value or at amortised cost. Assets are classified at initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments. IFRS 9 introduces a new impairment recognition model based on expected credit losses. The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss. Changes were also made to the hedge accounting model to factor in risk management.

  The Group does not expect the new standard to have a material effect on its consolidated financial statements. Due to the nature of the Group's business and the type of its financial assets, the classification and measurement of the Group's financial assets are not expected to change under IFRS 9.

  As at the date of preparation of these consolidated financial statements, IFRS 9 had not been endorsed by the European Union.

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

  Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, published by the International Accounting Standards Board in November 2013, are effective in the European

Union for annual periods beginning on or after February 1st 2015. Pursuant to the amendments, an entity may recognise employee contributions as a reduction in the service cost in the period in which the related service is rendered by an employee rather than allocate such contributions to periods of service, provided that the contribution amount is independent of the number of years of service rendered by the relevant employee.

The Group will apply the amendments to IAS 19 as of January 1st 2016.

It is expected that at the time of the initial application, the changes will have no material effect on the Group's consolidated financial statements.

- **IFRS Annual Improvements cycle 2010-2012**

  In December 2013, the International Accounting Standards Board issued 'IFRS Annual Improvements cycle 2010-2012', which contain changes to seven standards. The amendments include changes in the presentation, recognition, measurement and terminology, as well as editorial changes. The amendments are effective in the European Union for annual periods beginning on or after February 1st 2015.

  The Group will apply the amendments as of January 1st 2016.

  The amendments are not expected to have a material effect on the Group's consolidated financial statements.

- **IFRS 14 Regulatory Deferral Accounts**

  IFRS 14 is effective for annual periods beginning on or after January 1st 2016. The standard permits an entity which is a first-time adopter of IFRS to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRS and do not account for such activities, in accordance with the published IFRS 14, amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of comprehensive income.

  The Group will apply the amendments to IFRS as of January 1st 2016.

  The Group expects that the interim standard will have no material effect on its consolidated financial statements as it is applicable only to first-time IFRS adopters.

- **Amendments to IFRS 11 concerning acquisitions of interests in joint operations**

  Pursuant to the amended IFRS 11, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles of accounting for business combinations in accordance with IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. The amendment is effective in the EU for annual periods beginning on January 1st 2016.

  The Group will apply the amendment as of January 1st 2016.

  The Group expects that the amendments will have no material effect on its consolidated financial statements as the Group is not party to any joint arrangements.

- **Amendments to IAS 16 and IAS 38 concerning depreciation and amortisation**

  The amendment clarifies that revenue-based depreciation and amortisation is inappropriate, as revenue generated from operating a business that uses particular assets also reflects factors other than consumption of economic benefits generated by the assets.

  The amendment is effective in the EU for annual periods beginning on January 1st 2016.

  The Group will apply the amendment as of January 1st 2016.

  The Group does not expect the amendments to have a material effect on its consolidated financial statements as it does not apply revenue-based depreciation and amortisation.

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers, published by the International Accounting Standards Board on May 28th 2014, is effective for annual periods beginning on or after January 1st 2018.

The provisions of IFRS 15 will apply to all contracts giving rise to revenue. The fundamental rule provided for in the new standard is that revenue is to be recognised upon transfer of goods or services to a customer at a transaction price. Any goods or services sold in bundles that are distinct within the bundle are to be recognised separately, and any discounts and rebates on the transaction price should be applied to specific bundle items. If the amount of revenue is variable, in accordance with the new standard, such variable amounts are recognised under revenue, provided that it is highly probable that the revenue will not be reversed in the future as a result of revaluation. Furthermore, pursuant to IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and settled over the period in which the contract's benefits are consumed.

The Group will apply IFRS 15 as of January 1st 2018.

The Group does not expect the standard to have a material effect on its consolidated financial statements.

As at the date of preparation of these consolidated financial statements, IFRS 15 had not been endorsed by the European Union.

- **Amendments to IAS 16 and IAS 41 concerning bearer plants**

The amendments require that certain bearer plants, such as grape vines, rubber trees and oil palms (i.e. plants that crop for many years, are not for sale as seedlings and are not harvested), be recognised in accordance with IAS 16 Property, plant and equipment, as their cultivation is analogous to production. Therefore, pursuant to the amendments, such plants are included in the scope of IAS 16 and IAS 41, while their crop remains under IAS 41.

The amendments are effective in the EU for annual periods beginning on January 1st 2016.

The Group will apply the amendment as of January 1st 2016.

Given that the Group's operations do not involve bearer plants, the Group expects that the amendments will have no material effect on its consolidated financial statements.

- **Amendments to IAS 27 concerning the equity method in an entity's separate financial statements**

IAS 27 permits the use of the equity method as one of optional methods of accounting for investments in subsidiaries, associates and jointly controlled entities in separate financial statements.

The amendments are effective in the EU for annual periods beginning on January 1st 2016.

The Group will apply the amendment as of January 1st 2016.

The Group does not expect the amendments to have a material effect on its consolidated financial statements as it plans to continue to measure investments in subsidiaries, joint ventures and associates in the separate financial statements at cost.

- **Amendments to IFRS 10 and IAS 28 concerning sales or contributions of assets between an investor and its associate or joint venture**

The amendments address the current inconsistency between IFRS 10 and IAS 28. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests.

The amendments were issued on September 11th 2014. The effective date of the amended regulations has not yet been set by the International Accounting Standards Board.

The Group will apply the amended regulations from their effective date set by the International Accounting Standards Board.

The Group does not expect the amendments to have a material effect on its consolidated financial statements as it does not plan to enter into any transactions covered by the amendments.

- **IFRS Annual Improvements cycle 2012-2014**

In September 2014, the International Accounting Standards Board issued 'IFRS Annual Improvements cycle 2012-2014', which contain amendments to four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The amendments are not expected to have a material effect on the Group's consolidated financial statements.

- **Amendments to IAS 1**

In December 2014, as part of its disclosure initiative, the International Accounting Standards Board issued an amendment to IAS 1. The aim of the amendment is to explain the concept of materiality and to clarify that if an entity deems certain information immaterial, such information should not be disclosed even if its disclosure is required under a different IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and the statement of profit or loss and other comprehensive income may be aggregated or disaggregated depending on materiality. Additional guidelines are also introduced regarding presentation of subtotals in these statements. The amendments are effective in the European Union for annual periods beginning on or after January 1st 2016.

The amendments are not expected to have a material effect on the Group's consolidated financial statements.

- **IFRS 16 Leases**

IFRS 16 Leases, published by the International Accounting Standards Board on January 13th 2016, is effective for annual periods beginning on or after January 1st 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. As a result of all lease transactions, the lessee recognises a right-of-use asset and a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS and provides a single lessee accounting model requiring lessees to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and (b) amortisation of the leased asset separately from interest on lease liability in the statement of profit or loss.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance, accounting for leases as appropriate.

The Group will apply the amended regulations from their effective date set by the International Accounting Standards Board.

The amendments are not expected to have a material effect on the consolidated financial statements.

As at the date of preparation of these consolidated financial statements, the amendment had not been endorsed by the European Union.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception**

In December 2014, the International Accounting Standards Board issued a limited amendment. The amendment to IFRS 10, IFRS 12 and IAS 28 entitled 'Investment Entities: Applying the Consolidation Exception' clarifies the requirements applicable to investment entities and facilitates certain other matters.

The standard provides that an entity should measure all investment entity subsidiaries at fair value through profit or loss. The standard also clarifies that where a higher-tier parent prepares and publishes financial statements, the consolidation exception applies irrespective of whether its subsidiaries are consolidated or measured at fair value through profit or loss, in accordance with IFRS 10, as part of the financial statements of a higher-tier or ultimate parent. The amendments are effective for annual periods beginning on January 1st 2016.

The amendments are not expected to have a material effect on the Group’s consolidated financial statements.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective.

10.1. Basis of accounting

These consolidated financial statements have been prepared in accordance with the EU-endorsed International Accounting Standards / International Financial Reporting Standards (IAS/IFRS) and include data for the 12 months from January 1st to December 31st 2015 and comparative data for the period from January 1st to December 31st 2014, as well as data for Q4 2015 and Q4 2014. In accordance with the applicable laws, the financial statements for the financial year ended December 31st 2015, including the comparative data for the financial year ended December 31st 2014, were audited by a qualified auditor. Data for Q4 2015 and the comparative data for Q4 2014 were not audited by a qualified auditor.

These consolidated financial statements have been prepared on the historical cost basis, except with respect to the following significant items of the statement of financial position:

- financial derivatives, measured at fair value,

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 keep their accounts in accordance with the accounting policies defined in the Polish Accountancy Act of September 29th 1994, as amended (the “Act”), and secondary legislation issued thereunder (the “Polish Accounting Standards”). In these consolidated financial statements certain adjustments have been made to bring the financial statements of these companies into conformity with the IFRS, which are not disclosed in their books of account.

10.2. Significant accounting judgements

Certain information presented in these consolidated financial statements is based on the Group’s estimates and professional judgement. The amounts determined in that manner will often differ from actual results. The judgements and estimates with the largest impact on the valuation and recognition of assets and liabilities include:

- Classification and valuation of leases – the Group as the lessor – the Group classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which substantially all the risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of a given transaction;
- Receivables from the sale of wind farms – the date of collecting the receivables depends on the fulfilment of agreement terms.

In the year ended December 31st 2015, the Group made no changes in its method of making judgements affecting the information presented in the consolidated financial statements. The amounts arrived at using professional judgement are presented in Note 19.

10.3. Significant estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period which carry a significant risk of a material adjustment being required in the carrying amounts of assets and liabilities in the next financial year are discussed below:

- Impairment losses on wind farm development projects (Note 185),
- Classification of certificates of origin and emission reduction units (Note 49),
- Depreciation/amortisation rates – depreciation/amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.
- Impairment losses on receivables (Note 19),
- Provisions for disputes and unused holiday entitlements (Note 25),
- Financial assets and liabilities under forward contracts (Note 21),
- Compensation for stranded costs and compensation for the cost of consumption of collected natural gas and of uncollected natural gas ("cost of gas") – the Company's future operations are significantly influenced by the Agreement Terminating the Long-Term Electricity Supply Contract ("LTC") with PGE Polska Grupa Energetyczna S.A. (previously Polskie Sieci Elektroenergetyczne S.A.), signed by the Management Board of Elektrociepłownia Nowa Sarzyna Sp. z o.o. on December 28th 2007 pursuant to the Act on Rules of Compensating for Costs Incurred by Energy Producers Due to Early Termination of Long-term Capacity and Electricity Purchase Contracts ("LTC Termination Act"), passed by the lower chamber of the Polish Parliament (the Sejm) on June 29th 2007. Under the Termination Agreement, the Company's LCT was terminated on March 31st 2008 in exchange for compensation intended to cover stranded costs and the cost of gas. Under the LTC Termination Act, the maximum compensation payable to the Company is PLN 777.5m – to cover stranded costs, and PLN 340.7m – to cover the cost of gas. The Company calculates the amount of stranded costs and compensation for the cost of gas based on the formulas specified in Art. 30, 31, 45 and 46 of the LTC Termination Act. Due to the length of the period covered by the calculations, the estimated amounts may change (as described in more detail in Note 34); the amounts disclosed as at the end of the reporting period have been estimated based on the Company's best knowledge and data available on that date.
- Deferred tax – the Group recognises a deferred tax asset if it is assumed that taxable income will be generated in the future against which the asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid (Note 24),
- Impairment of assets – the Group carried out tests for impairment of non-current assets. This required an estimation of the value in use of the cash-generating unit to which these non-current assets belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows.

In the period ended December 31st 2015, the Group made no changes in its method of making estimates affecting the information presented in the consolidated financial statements, and the estimated amounts were presented in notes referred to above.

10.4. Measurement currency and reporting currency of the consolidated financial statements

The functional currency of the parent and other companies covered by these consolidated financial statements and the reporting currency of these consolidated financial statements is the Polish złoty (PLN) or the euro (EUR) (in the case of PPG Pipeline Projektgesselschaft mbH).

10.5. Basis of consolidation

These consolidated financial statements include the financial statements of Polenergia S.A. and the financial statements of its subsidiaries for the year ended December 31st 2015. Subject to adjustments made to ensure compliance with IFRS, the financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of a similar nature. Adjustments are made in order to eliminate any discrepancies in the accounting principles applied by the companies.

Subsidiaries are fully consolidated starting from the date when the parent obtains control over them and cease to be consolidated when that control is lost. The parent controls a subsidiary when it is exposed or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group ceases to consolidate a subsidiary once it ceases to control the subsidiary.

Acquisition of control of an entity representing a business within the meaning of IFRS 3 is accounted for with the acquisition method. As at the date of inclusion of a subsidiary in the consolidated financial statements, its identifiable assets and liabilities are recognised at fair value. The difference between the fair value of such assets and liabilities and the purchase price also determined at fair value, non-controlling interests and the fair value of previously held interests is recognised as goodwill under a separate item of the consolidated statement of financial position.

Any balances and transactions of significant value between Group companies, including unrealised gains from intra-Group transactions, have been fully eliminated. Unrealised losses are eliminated unless they are indicative of impairment.

10.6. Investments in associates

Shares in associates are accounted for with the equity method. Associates are those entities over which the parent has significant influence, either directly or indirectly through its subsidiaries, but which are neither its subsidiaries nor joint ventures. The financial statements of associates serve as the basis for equity method valuation of the interests held by the parent. The financial year of associates and of the parent is the same.

Investments in associates are recognised in the statement of financial position at cost, increased by subsequent changes in the parent's share in net assets of the entities, less impairment losses, if any. The parent's share in profits or losses of associates is reflected in the statement of profit or loss. An adjustment to the carrying amount may also be necessary in the case of a change in the proportion of the interest held in an associate following changes in the associate's other comprehensive income. Investments in associates are tested for impairment whenever there is indication of impairment or indication that any previously recognised impairment loss does not need to be recognised any longer.

If a change is recognised directly in equity of associates, the parent recognises its share in each change and, if applicable, discloses it in the statement of changes in equity.

10.7. Goodwill

Goodwill arising on acquisition is initially recognised at cost, equal to the excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree,

over net identifiable assets acquired and liabilities assumed as at the acquisition date.
Following the initial recognition, goodwill is carried at cost less cumulative impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.
As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or set of units to which goodwill has been allocated:

- corresponds to the lowest level at which goodwill is monitored for internal management purposes, and
- is not greater than a single operating segment, determined in accordance with IFRS 8 Operating Segments.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the Group recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the cash-generating unit's business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. In such a case goodwill disposed of is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

10.8. Intangible assets

Intangible assets which are separately acquired or produced (if they meet the criteria for being recognised as development expenditure) are initially recognised at cost. Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any. With the exception of capitalised development expenditure, expenditure on intangible assets produced by the Group is not capitalised and is charged to expenses in the period in which it was incurred.

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised over their useful lives and tested for impairment each time there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those that are not used are tested for impairment annually at the level of the separate asset or the relevant cash generating unit.

Expected useful lives of intangible assets are as follows:

Patents, licences	1 year
Software	2-5 years
Other intangible assets	5 years

Expenditure on research activities is charged to the statement of profit or loss as incurred. Costs of development work performed with respect to a given project are carried forward if they are expected to be recovered in the future. After initial recognition of expenditure on development work, the historical cost model is applied, which requires that assets be disclosed at cost less accumulated depreciation/amortisation and impairment. Any expenditure carried forward is amortised over the period during which income is expected to be generated from the sale of a given project.

The carrying amount of development costs is reviewed for impairment annually if the asset is not yet in use, or more frequently if an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Gains or losses from derecognition of an intangible asset are measured as the difference between net proceeds from the sale of the asset and its carrying amount, and are recognised in the statement of profit or loss upon derecognition of the asset.

10.9. Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses, if any.

The initial value of an item of property, plant and equipment is represented by its cost, which includes all costs directly related to its acquisition and bringing it to working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are fulfilled. Costs incurred after an item of property, plant and equipment has been placed in service, such as costs of maintenance or repair, are charged to profit or loss when incurred.

Upon acquisition, items of property, plant and equipment are divided into components of material value which can be assigned different economic useful lives. The cost of overhauls is also deemed a component.

Items of property, plant and equipment, other than land, are depreciated using the straight-line method over their estimated useful lives.

Buildings and structures	20 years
Plant and equipment	2.5−20 years
Vehicles	2.5−5 years
Other property, plant and equipment	5−7 years

Residual values, useful lives and methods of depreciation of items of property, plant and equipment are reviewed annually and, if necessary, adjusted with effect from the beginning of the next financial year.

Each item of property, plant and equipment is accounted for separately and depreciated over its useful life.

An item of property, plant and equipment can be derecognised on disposal or when no future economic benefits are expected from its further use. Any gains or losses on derecognition of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are disclosed in profit or loss of the period of derecognition.

10.10. Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost or aggregate cost incurred in the course of their production or acquisition, less impairment losses. Investment materials are carried as property, plant and equipment under construction. Property, plant and equipment under construction are not depreciated until completed and placed in service. Wind farm development expenditure is also recognised as property, plant and equipment under construction.

10.11. Borrowing costs

The costs of bank and other borrowings which may be directly attributed to an acquisition, construction or production of a qualifying asset are capitalised as part of the cost of such asset. Borrowing costs comprise interest and foreign exchange gains or losses up to an amount equal to the adjustment to interest expense. Borrowing costs comprise interest and foreign exchange gains or losses up to an amount equal to the adjustment to interest expense.

10.12. Impairment losses on non-financial non-current assets

An assessment is made at the end of each reporting period to determine whether there is any indication that any of non-financial non-current assets may be impaired. If the Group finds that there is such indication, or if the Group is required to perform annual impairment tests, it estimates the recoverable amount of a given asset or the cash-generating unit to which a given asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups.

If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised, reducing the asset's carrying amount to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Group assesses at the end of each reporting period whether there is any indication that previously recognised impairment of an asset no longer exists or should be reduced. If such indication exists, the Group estimates the asset's recoverable amount. A recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an impairment loss is immediately recognised as income in profit or loss.

Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

10.13. Financial assets

Financial assets are classified into the following categories:

- Financial assets held to maturity,
- Financial assets at fair value through profit or loss,
- Loans and receivables
- Financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity, other than:

- financial assets that have been designated at fair value through profit or loss upon initial recognition,
- financial assets designated as available for sale,

- financial assets that qualify as loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.

A financial asset at fair value through profit or loss is a financial asset that meets either of the following conditions:

a) it is classified as held for trading. Financial assets are classified as held for trading if they:
- have been acquired principally for the purpose of being sold in the near future,
- are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
- are derivative instruments (except for those which are part of hedge accounting or financial guarantee contracts),

b) it has been assigned to this category on initial recognition, in accordance with IAS 39.

An entire contract can be designated as financial assets at fair value through profit or loss if it contains one or more embedded derivative instruments. This does not apply to situations where an embedded derivative does not materially affect the cash flows of the contract or its separation is prohibited. Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the assets are part of a group of financial assets that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial assets contain embedded derivative instruments which should be presented separately.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets if their maturity does not exceed 12 months after the end of the reporting period. Loans and receivables with maturities exceeding 12 months from the end of the reporting period are classified as non-current assets.

Financial assets available for sale are non-derivative financial assets which have been classified as available for sale, or which do not belong to any of the previous three categories. Financial assets available for sale are recognised at fair value (without deducting the sale transaction costs), determined by reference to their market value as at the reporting date. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment losses, if any. The positive or negative difference between the fair value of available-for-sale financial assets (if they have a market price derived from an active market or their fair value can be otherwise established in a reliable manner) and their cost is recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in other expenses.

Any purchase or sale of financial assets is recognised at the transaction date. On initial recognition, financial assets are recognised at fair value plus – in the case of financial assets other than those at fair value through profit or loss – transaction costs directly attributable to the purchase.

A financial asset is derecognised from the statement of financial position upon expiry or transfer of contractual rights to cash flows from the asset following a transaction whereby the Group transferred substantially all risks and rewards related to that financial asset, which usually takes place upon sale of the instrument or where all cash flows attributable to the instrument are transferred to a third party.

10.14. Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that the value of loans and receivables measured at amortised cost has been impaired, an impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition).

The carrying amount of the asset is reduced directly or by recognising an impairment loss, which is charged to profit or loss.

The Group first determines whether there exists an objective indication of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. Assets that are individually tested for impairment and for which an impairment loss has been recognised or it has been concluded that the previously recognised impairment loss will not change, are not taken into account in collective testing of assets for impairment.

If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed.

Reversal of an impairment loss is recognised in profit or loss, in so far as the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

If there exists an objective indication of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial assets available for sale

If there exists an objective indication of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal payments) and its current fair value, reduced by any impairment losses previously recognised in profit or loss, is removed from equity and taken to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale may not be recognised in the statement of profit or loss. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively attributed to an event that occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the reversal amount is recognised in profit or loss.

10.15. Hedge accounting

The Group hedges cash flows against interest rate movements related to future loan repayments (by exchanging the floating interest rate under a loan agreement for a fixed interest rate) and against exchange rate movements related to foreign-currency loan repayments. The derivates designated as hedging instruments are an interest rate swap and a currency forward.

For more information on hedge accounting, see Note 41.

In 2015, in accordance with its adopted "Hedge Accounting Guidelines", the Group measured hedge effectiveness both ex-post (retrospectively) and ex-ante (prospectively), using the dollar offset method.

For accounting purposes, effectiveness is measured with the use of the 'hypothetical derivative' method. The method compares the change in fair value of an Interest Rate Swap (IRS) designated as a hedging instrument and the change in fair value of a hypothetical IRS on a cumulative basis from the inception of the hedging relationship. The hypothetical IRS has terms identical to those of the hedged item, and its fair value at the inception of the hedging relationship is nil.

Hedge ineffectiveness is calculated by comparing the cumulative change in fair value of the IRS designated as a hedging instrument and the cumulative change in fair value of the 'ideal' hypothetical IRS, in each case starting from the inception of the hedging relationship.

Subsequent to the inception of the hedging relationship, gains or losses arising on remeasurement of fair value of the hedging instrument are recorded based on determination what portion of the change in its carrying amount reflects the effective portion of the hedge. The determination is made as at each date of preparation of financial statements/reporting date on a cumulative basis from the inception of the hedging relationship until that date. The Company determines the effective and ineffective portion of the hedge taking into account changes in its clean fair value, which is its fair value less unrealised interest accruals.

The effective portion of the change in fair value of the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in profit or loss.

Fair values of the derivatives disclosed in the statement of financial position are presented in Note 41.

10.16. Leases

The Group as a lessee

Finance leases, which transfer substantially all the risks and rewards incidental to the ownership of the leased asset to the Group, are recognised in the statement of financial position at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is taken directly to profit or loss.

Property, plant and equipment used under finance leases are depreciated over the shorter of their estimated useful life and the lease term.

Leases under which the lessor retains substantially all risks and rewards resulting from the ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.

The Group as a lessor

Assets leased out under a finance lease are presented as receivables in an amount equal to the net investment in the lease. Lease payments are apportioned between the finance income and the reduction of the lease receivable. The finance charge and finance income are taken directly to profit or loss.

10.17. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing materials inventories to their present location and condition are included in the cost of the inventories and measured at cost determined using the weighted average cost formula.

Net realisable value is the selling price realisable as at the reporting date, net of VAT and excise duty, less any rebates, discounts and other similar items, and less estimated costs to complete and costs to sell.

Being assets held for sale in the course of core operations, certificates of origin (see Section 10.27.2) and emission reduction units (see Section 10.31) are recognised as inventories.

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10.18. Current and non-current receivables

Trade receivables other than lease receivables (for details see Section 10.16) are measured at amounts due less impairment losses.

Receivables are remeasured to account for the probability of their payment and impairment losses are recognised where necessary. Impairment losses on receivables are charged to other expenses or finance costs, depending on the nature of the receivables.

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.

Receivables from the state budget are presented as other current receivables, except for corporate income tax receivable, disclosed as a separate item of the statement of financial position.

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. If the discount method is applied, any increase in the amount of the receivables reflecting the passage of time is recognised as finance income.

10.19. Foreign currency transactions

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the rate of exchange prevailing on the transaction date.

Cash, bank borrowings and other monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency as at the reporting date at the exchange rate prevailing on the transaction date (for entities having the Polish złoty as their functional currency, the mid rate quoted by the NBP is used). Foreign exchange differences on translation and settlement of positions are recognised in finance income or costs, as appropriate. Changes in the fair value of derivatives designated as hedging instruments for hedge accounting purposes are recognised in accordance with applicable hedge accounting policies (see Note 41).

The following exchange rates were used to determine the carrying amounts:

	Dec 31 2015	**Dec 31 2014**
USD	3.9011	3.5072
EUR	4.2615	4.2623
GBP	5.7862	5.4648

10.20. Cash and cash equivalents

Cash and cash equivalents disclosed in the consolidated statement of cash flows comprise cash in hand, bank deposits maturing in up to three months, and treasury bills and bonds not classified as investing activities.

10.21. Accruals and deferrals

The Group recognises prepayments where costs relate to future reporting periods. Accrued expenses are recognised at probable amounts of current-period liabilities.

10.22. Share capital

Share capital is disclosed at its amount defined in the parent's Articles of Association and entered in the national court register. Any difference between the fair value of consideration received and the par value of shares is recognised in statutory reserve funds under share premium account. Amounts paid for share repurchases are charged to equity and disclosed in the statement of financial position as treasury shares.

10.23. Provisions

Provisions are recognised if Group companies have a legal or constructive obligation resulting from a past event and when it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where expenditure required to settle the obligation is expected to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be actually received. Cost related to a given provision is recognised in profit or loss net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognised as finance costs.

10.24. Provisions for retirement gratuity and jubilee benefits

In accordance with company remuneration systems, Group employees are entitled to jubilee and retirement gratuity benefits. Jubilee benefits are paid after a specific period of employment, whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. Amounts of such benefits depend on the length of service and the average remuneration of an employee. The Company recognises a provision for future retirement gratuity and jubilee benefit obligations in order to allocate costs to the periods to which they relate. According to IAS 19, jubilee benefits are classified as other long-term employee benefits, whereas retirement gratuity benefits – as defined post-employment benefit plans. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.

10.25. Interest-bearing borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.

Amortised cost includes the cost of obtaining the funding as well as any discounts or premiums obtained in connection with the liability.

Any gains or losses are taken to profit or loss when the liability is derecognised or accounted for using the effective interest rate method.

10.26. Trade and other payables

Current trade payables are reported at nominal amounts payable. Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded derivatives, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately.

Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

The Group derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires. When a debt instrument between the same parties is replaced by another instrument whose terms are substantially different, the Group treats such replacement as if the former financial liability was extinguished and recognises a new liability. Similarly, material modifications to the terms of a contract concerning an existing financial liability are presented as extinguishment of the former and recognition of a new financial liability. Any differences in the respective carrying amounts arising in connection with the replacement are charged to profit or loss.

Other non-financial liabilities include in particular value added tax payable to tax authorities and liabilities under prepayments received, to be settled by supplying merchandise or property, plant and equipment or by rendering of services. Other non-financial liabilities are recognised at amounts due.

10.27. Recognition of revenue

Revenue is recognised to the extent it is probable that the Company will receive economic benefits which can be reliably measured. Revenue is recognised at fair value of the consideration received or receivable, net of value added tax (VAT), excise tax and discounts. Revenue recognition is also subject to the criteria presented below.

10.27.1 Sale of merchandise and products

Revenue from sale of products and merchandise, including electricity, heat and pellets, is recognised when significant risks and rewards incidental to the ownership of merchandise or products have been transferred to the customer, and if the revenue amount can be reliably estimated.

10.27.2 Certificates of origin

Due to the short operating cycle and high turnover, green certificates of origin and yellow certificates of origin for energy produced by high-efficiency gas-fired cogeneration sources are measured at fair value and recognised as operating income and current assets (inventories) when energy is generated, to the extent it is probable that the Group will receive the related economic benefits.

10.27.3 Recognition of compensation for stranded costs and cost of gas

Compensation for stranded costs, which the Group is entitled to receive under the LTC Termination Act (for details, see Note 10.3 and Note 44), is recognised as revenue on a systematic basis over the accounting period pro rata to estimated operating profit or loss from the sale of electricity, capacity and ancillary services, net of accumulated depreciation of non-current assets used in these operations.

In any given accounting period the revenue may not exceed the lower of: (a) cumulative compensation receivable, estimated in accordance with the rules of final settlement set out in Art. 31.1 of the LTC Termination Act, and (b) the maximum amount of compensation that the entity may receive in accordance with Schedule 2 to the LTC Termination Act.

In a corresponding entry, compensation for stranded costs is recognised as a receivable from Zarządca Rozliczeń S.A. Prepayments of compensation for stranded costs, made in equal quarterly instalments in cash, are recognised as a decrease in receivables disclosed in prior periods. The balance shown in the settlement account of Zarządca Rozliczeń S.A. as at each reporting date is the best estimate of net receivables owed to or net payables due from the Company, reflecting the amounts of compensation actually received.

Compensation for the costs referred to in Art. 44 of the LTC Termination Act that are incurred by gas-fired units ("cost of gas") is recognised as revenue on a systematic basis over the accounting period, based on actual quantities of electricity and costs of gas and coal. If actual data is not available as at the reporting date, the most up-to-date estimates are used instead. The other policies for recognising and accounting for compensation for cost of gas are the same as those applied to compensation for stranded costs.

10.27.4 Forward contracts

Forward contracts to buy or sell electricity (including physical-delivery contracts) entered into by the subsidiary Polenergia Obrót are classified as derivatives and accounted for in accordance with standards applicable to derivative instruments, as electricity traded under the contracts is readily convertible into cash.

Contracts to buy and sell electricity entered into by the other Group companies fall outside the scope of IAS 39 based on the 'own use' exemption.

Accordingly, such contracts are measured at fair value, with changes in fair value recognised in profit or loss. Gains and losses on the valuation of outstanding contracts as at the reporting date are recognised on a net basis under revenue or cost of sales, as appropriate. Valuation gains and losses are recognised on a net basis under revenue or cost of sales, as appropriate. Valuation is performed with respect to the outstanding part of the contracts, which is broken down into current portion (to be settled within 12 months from the reporting date), and non-current portion (to be settled in subsequent years).

Typically, the contracts are settled on a gross basis through physical delivery of electricity.

Transactions under electricity sale contracts which are settled during the year through physical delivery of electricity are disclosed as revenue at amounts receivable under the contracts (on contract settlement, revenue is adjusted for the previously recognised gains and losses from revaluation of electricity sale derivatives).

Cost of electricity purchase contracts which are settled during the year through physical purchase of electricity is presented under cost of sales at the purchase price (on contract settlement, cost of sales is adjusted for the previously recognised gains and losses from revaluation of electricity purchase derivatives).

10.27.5 Recognition of carbon emission allowances

Free carbon emission allowances were not recognised in the statement of financial position when they were allotted or in the subsequent periods. As at the Neutron acquisition date, CO_2 emission allowances were measured at fair value and disclosed under intangible assets.

Revenue from sale of allowances acquired for resale is recognised as revenue, and the cost of allowances sold is recognised as cost of sales (raw materials and consumables used). If emission allowances held by the Group as at end of the reporting period do not fully cover its actual CO_2 emissions in a given year, the Group recognises a provision for the costs of covering the deficit.

For more information on CO_2 emission allowances, see Note 49.

10.27.6 Interest

Interest income is recognised gradually as it accrues (using the effective interest rate method, the effective interest rate being one that discounts future cash flows over the estimated life of the financial instrument) relative to the net carrying amount of a given financial asset.

10.27.7 Dividends

Dividends are recognised when the shareholder's right to receive payment is established,

10.27.8 Grants

If there is reasonable certainty that a grant will be received and that all related conditions will be fulfilled, grants are recognised at fair value.

If a grant concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset in equal annual instalments.

10.28. Taxes

10.28.1 Current income tax

Current tax asset and income tax payable for the current period and for previous periods are measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and tax legislation that have been enacted or substantively enacted at the end of the reporting period.

10.28.2 Deferred tax

For the purposes of financial reporting, the Group calculates deferred tax using the balance-sheet liability method in relation to temporary differences existing as at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts as disclosed in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- in the case of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses brought forward, to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax credits and tax losses can be utilised:

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither accounting profit before tax nor taxable income (tax loss), and
- in the case of deductible temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is reduced to the extent it is no longer probable that sufficient taxable income will be generated to allow the deferred tax asset to be realised in full or in part. As at the end of each reporting period, any unrecognised deferred tax asset is reassessed and recognised to the extent that it is probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or liability, based on tax rates (and tax legislation) effective at the end of the reporting period or tax rates (and tax legislation) which at the reporting date are certain to be effective in the future.

Income tax on items posted directly to equity is recognised in equity rather than in profit or loss.

Deferred tax assets and deferred tax liabilities are offset by the Group if and only if has a legally enforceable right to offset current tax assets and income tax payable, and the deferred tax relates to the same tax payer and the same taxation authority.

10.28.3 Value added tax

Revenue, expenses, assets and liabilities are recognised net of VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables, which are recognised inclusive of the VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

10.29. Earnings per share

Earnings per share for a reporting period are calculated by dividing the net profit attributable to owners of the parent for the period by the weighted average number of shares outstanding in the period.

Diluted earnings per share for a period are calculated as the quotient of net profit adjusted for changes in net profit attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) and the weighted average number of ordinary shares outstanding in the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares, including warrants under the management stock option plan).

10.30. Contingent assets and liabilities

A contingent liability is understood as an obligation to make a payment or provide a service which may arise upon the occurrence or non-occurrence of certain future events. Contingent liabilities are not recognised in the statement of financial position, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of resources embodying economic benefits is negligible.

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;

b) a present obligation that arises from past events but is not recognised in the financial statements because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent receivables are not recognised in the statement of financial position, but information on them is disclosed if the inflow of resources embodying economic benefits is likely to occur.

10.31. Emission allowances

The Group recognises a provision for emission allowances if it has a deficit of allowances. A surplus of allowances received free of charge over actual emissions, if any, is recognised as an off-balance-sheet item.

10.32. Seasonality and cyclical nature of operations

The Group operates on the industrial power outsourcing market. 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. 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 Group 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.

11. Operating segments

For management purposes, the Group performed an analysis to identify operating segments, as a result of which it identified the following operating segments, corresponding to the reportable segments:

- conventional energy segment comprising the generation of electricity and heat,
- development and implementation segment comprising the development and construction of wind farms, a conventional power plant and a gas pipeline,
- wind power segment comprising the generation of electricity,
- biomass segment responsible for the production of pellets from energy crops,
- distribution segment comprising the distribution and sale of electricity to commercial, industrial and household customers,
- electricity and certificates of origin trading segment.

Allocation to the above segments has not changed, but following the acquisition of the Neutron Group, the Group’s operations now include new segments.

The Management Board monitors the respective segments’ operating performance to make decisions on the allocation of resources, and evaluate the results of the allocation and the segments’ operating results. The basis for the evaluation is operating profit or loss before depreciation/amortisation, which is to a certain extent measured differently than the operating profit or loss in the consolidated financial statements, as indicated in the table below. Income tax is monitored at the Group level and is not allocated to the operating segments. Unallocated assets comprise the Company’s cash.

Prices used in transactions between the operating segments are determined on arm’s length basis, as in the case of transactions with unrelated parties. All consolidation adjustments are allocated to the relevant segments.
Izba Rozliczeniowa Giełd Towarowych S.A. (the Warsaw Commodity Clearing House) is the only customer whose transactions with the Group have reached or exceeded 10% of the Group’s total revenue. 99.9% of the segments’ assets are located in Poland.

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For the 12 months ended Dec 31 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	327,530	9	60,466	150,921	155,391	2,072,439	5,680	2,772,436
Gross profit/(loss)	**76,228**	**(447)**	**5,705**	**71,951**	**17,692**	**16,151**	**(13,967)**	**173,313**
Administrative expenses	(7,059)	(1,018)	(1,170)	(2,576)	(6,127)	(9,982)	(6,544)	(34,476)
Interest income/(expense)	(7,752)	172	(557)	(28,154)	(1,518)	378	3,636	(33,795)
Finance income/(costs) from unrealised exchange gains/losses	(96)	34	4	53	-	-	-	(5)
Other finance income/(costs)	(598)	(82)	(436)	(4,445)	(186)	(1,790)	(268)	(7,805)
Other income/(expenses)	(1,221)	(9,455)	563	4,275	(295)	255	(312)	(6,190)
Profit (loss) before tax	**59,502**	**(10,796)**	**4,109**	**41,104**	**9,566**	**5,012**	**(17,455)**	**91,042**
Income tax expense	-	-	-	-	-	-	(23,667)	(23,667)
Net profit/(loss)	-	-	-	-	-	-	-	**67,375**
EBITDA **)	86,815	(10,910)	9,072	123,213	15,138	6,459	(9,480)	220,307
Segment assets	358,427	570,295	75,289	1,268,754	140,174	251,631	-	2,664,570
Unallocated assets	-	-	-	-	-	-	533,800	533,800
Total assets	**358,427**	**570,295**	**75,289**	**1,268,754**	**140,174**	**251,631**	**533,800**	**3,198,370**

*) Including purchase price allocation and other unallocated

**) EBITDA is defined in Note 37

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For the 12 months ended Dec 31 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	131,361	52	66,958	80,673	46,887	604,288	4,294	934,513
Gross profit/(loss)	**14,689**	**(433)**	**3,979**	**36,659**	**6,043**	**10,053**	**6,816**	**77,806**
Administrative expenses	(1,935)	(464)	-	-	(2,243)	(3,253)	(11,605)	(19,500)
Interest income/(expense)	1,940	227	(1,040)	(17,115)	(886)	209	-	(16,665)
Finance income/(costs) from sale of wind farms	-	641	-	-	-	-	-	641
Finance income/(costs) from unrealised exchange gains/losses	61	(30)	-	(1,144)	-	(8)	-	(1,121)
Other finance income/(costs)	(778)	(80)	(416)	(3,093)	(20)	(437)	72	(4,752)
Other income/(expenses)	(815)	(1,111)	(1,739)	4,094	(2,454)	(829)	(28)	(2,882)
Profit (loss) before tax	**13,162**	**(1,250)**	**784**	**19,401**	**440**	**5,735**	**(4,745)**	**33,527**
Income tax expense	-	-	-	-	-	-	(2,272)	(2,272)
Net profit/(loss)	-	-	-	-	-	-	-	**31,255**
EBITDA **)	31,787	(2,006)	5,961	65,947	2,610	5,978	(4,817)	105,460
Segment assets	531,726	597,433	86,382	896,744	144,051	257,101	-	2,513,437
Unallocated assets	-	-	-	-	-	-	218,857	218,857
Total assets	**531,726**	**597,433**	**86,382**	**896,744**	**144,051**	**257,101**	**218,857**	**2,732,294**

*) Including purchase price allocation
**) EBITDA is defined in Note 37

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12. Earnings per share

Basic earnings per share are calculated as the quotient of net profit attributable to holders of ordinary shares in the Group and the weighted average number of ordinary shares outstanding in the period.

Diluted earnings per share are calculated as the quotient of net profit attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) and the weighted average number of ordinary shares outstanding in the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares, including warrants under the management stock option plan).

Presented below is data on the net profit and shares applied to calculate basic and diluted earnings per share:

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
Net profit	67,370	31,345
Weighted average number of ordinary shares	45,443,547	29,357,160
Earnings per ordinary share (PLN)	1.48	1.07

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
Weighted average number of ordinary shares	45,443,547	29,357,160
Dilutive effect	-	-
Diluted weighted average number of ordinary shares	45,443,547	29,357,160

(PLN '000)

13. Intangible assets

INTANGIBLE ASSETS

Dec 31 2015	development work	acquired permits, patents, licences and similar assets, including:	software	intangible assets related to purchase price allocation *)	total intangible assets
1. Gross intangible assets at beginning of period	**865**	**3,450**	**281**	**58,000**	**62,315**
a) increase, including:	-	2,750	6	-	2,750
- acquisition	-	102	6	-	102
- other	-	2,648	-	-	2,648
b) decrease, including:	-	(109)	-	-	(109)
- other	-	(109)	-	-	(109)
2. Gross intangible assets at end of period	**865**	**6,091**	**287**	**58,000**	**64,956**
3. Cumulative amortisation at beginning of period	**(475)**	**(1,169)**	**(269)**	**(3,288)**	**(4,932)**
- Amortisation for current period	(84)	(716)	(1)	(9,864)	(10,664)
- decrease, including:	-	109	-	-	109
- other	-	109	-	-	109
4. Cumulative amortisation at end of period	**(559)**	**(1,776)**	**(270)**	**(13,152)**	**(15,487)**
5. impairment losses at beginning of period	-	-	-	-	-
6. impairment losses at end of period	-	-	-	-	-
7. net value of intangible assets at beginning of period	**390**	**2,281**	**12**	**54,712**	**57,383**
8. net value of intangible assets at end of period	**306**	**4,315**	**17**	**44,848**	**49,469**

(PLN '000)

INTANGIBLE ASSETS

Dec 31 2014	development work	acquired permits, patents, licences and similar assets, including:	software	intangible assets related to purchase price allocation *)	total intangible assets
1. Gross intangible assets at beginning of period	**865**	**1,825**	**281**	**-**	**2,690**
a) increase, including:	-	1,625	-	58,000	59,625
- acquisition	-	1,607	-	-	1,607
- acquisition through contribution	-	-	-	58,000	58,000
- other	-	18	-	-	18
2. Gross intangible assets at end of period	**865**	**3,450**	**281**	**58,000**	**62,315**
3. Cumulative amortisation at beginning of period	**(389)**	**(863)**	**(269)**	**-**	**(1,252)**
- Amortisation for current period	(86)	(306)	-	(3,288)	(3,680)
4. Cumulative amortisation at end of period	**(475)**	**(1,169)**	**(269)**	**(3,288)**	**(4,932)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**
6. impairment losses at end of period	**-**	**-**	**-**	**-**	**-**
7. net value of intangible assets at beginning of period	**476**	**962**	**12**	**-**	**1,438**
8. net value of intangible assets at end of period	**390**	**2,281**	**12**	**54,712**	**57,383**

*) For a detailed breakdown of intangible assets, see Note 8.8

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14. Goodwill

GOODWILL

	Dec 31 2015	Dec 31 2014
- Dipol Sp. z o.o.	132	132
- Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437
- Amon Sp. z o.o.	85	85
- Talia Sp. z o.o.	56	56
- Neutron Group	183,777	183,777
- Other	132	175
Total goodwill	**184,619**	**184,662**

GOODWILL

	Dec 31 2015	Dec 31 2014
- Goodwill arising on consolidation at beginning of period	**184,662**	**899**
- Increase (decrease) in goodwill arising on consolidation	(43)	183,763
Total goodwill	**184,619**	**184,662**

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 8, 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;

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

As at December 31st 2015, the Group tested goodwill for impairment.

The valuation was based on long-term financial forecasts prepared for each tested asset individually, and on cost of capital commensurate with the risk related to each of the entities being valued.

The future cash flows were estimated based on assumptions regarding market prices of coal, natural gas, CO_2 emission allowances, electricity, and certificates of origin for electricity generated from renewable sources ("green certificates") and high-efficiency cogeneration ("yellow certificates") held by the Group, which are consistent with the long-term projections used by the Group and which were made based on market assumptions.

Operating activity

The value of the operating segments was estimated using the income approach, involving determination of the present value of discounted future cash flows for the owners of equity and external capital, and it reflects the value in use.

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It has been assumed that until May 2020 the conventional energy segment will operate under the provisions of the LTC Termination Act. After 2020, the generation assets (1 gas turbine, 1 steam turbine) will be also used, apart from their use for co-generation of heat and electricity, as an intervention power reserve (turbine 2) and as means of rebuilding the national power system.

The future cash flows in the trading segment were estimated for individual portfolios (trading portfolio, wind farms portfolio, etc.).

The estimates were based on the forecasts regarding the prices of electricity, certificates of origin, and fuels held by the Group, based on market data.

The main assumptions that were made for the purpose of these tests are presented in the table below.

	Conventional energy	Distribution	Trade
Average annual increase/decrease in EBITDA over the detailed projection period	In the period 2016-2030: - 2016-2019: 1.0% - 2019-2030: (9.7%)	3.2%	In initial years of the forecast, EBITDA stable at levels close to 2015 In subsequent periods, growth resulting from price assumptions
Cash flow growth rate in the residual period	n.a.	0.4%	n.a.
Detailed projection period(1)	2016 – 2030	2016 – 2022	2016 – 2050
Discount rate(2)	8.0%	8.3%	10.0%

(1) – Projection periods have been determined in consideration of the nature of the assets measured. They are based on the Group's long-term operating and business strategies adopted for each segment, the specific nature of the assets and, with respect to the conventional energy segment, changes in the operating activities expected to take place from 2021 onwards following expiry of the long-term contracts.
(2) – The discount rate presented in the table takes account of tax, and it served to discount post-tax cash flows. This approach is equivalent to applying a pre-tax discount rate to pre-tax cash flows.

Projects under development

The value of projects under development was estimated using the income approach, involving determination of the present value of discounted future cash flows for the owners of equity and external capital. The estimated value reflects fair value less costs to sell. The fair value was classified in Level 3 of the fair value hierarchy.

For projects under development, including the construction of the Bernau-Szczecin gas pipeline and the construction of off-shore wind farms, the income approach was applied (discounted cash flow method adjusted for discount related to the progress of work).

Cost of capital was assumed in the range of 7.0%−11.4%.

	Bernau-Szczecin gas pipeline	Offshore wind farms
Projection period	30 years from the launch of operation	25 years from the launch of operation
Project launch	January 2020	January 2022 (600 MW) and January 2026 (600 MW)

No impairment of goodwill was identified as a result of the impairment test.

(PLN '000)

15. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

Dec 31 2015	land	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	prepayments for property, plant and equipment under construction	total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	**7,468**	**401,448**	**926,568**	**6,436**	**2,561**	**500,219**	**10,364**	**1,855,065**
a) increase, including:	**410**	**92,923**	**251,229**	**1,559**	**73**	**585,056**	**76**	**931,326**
- acquisition	-	149	5,357	1,559	71	586,193	76	593,405
- transfer	410	92,774	245,854	-	-	(1,137)	-	337,901
- other	-	-	18	-	2	-	-	20
b) decrease, including:	**(81)**	**(8,201)**	**(9,271)**	**(1,276)**	**(792)**	**(357,598)**	**(1,231)**	**(378,450)**
- sale and liquidation	(81)	(432)	(253)	(1,022)	(3)	(24)	-	(1,815)
- other	-	(7,655)	(8,722)	(254)	(789)	(16,944)	(12)	(34,376)
- transfer	-	(114)	(296)	-	-	(340,630)	(1,219)	(342,259)
2. Gross property, plant and equipment at end of period	**7,797**	**486,170**	**1,168,526**	**6,719**	**1,842**	**727,677**	**9,209**	**2,407,941**
3. Cumulative depreciation at beginning of period	**-**	**(30,376)**	**(112,264)**	**(2,848)**	**(548)**	**(255)**	**-**	**(146,291)**
- Depreciation for current period	-	(20,560)	(54,500)	(1,398)	(538)	-	-	(76,996)
- decrease, including:	-	7,704	8,694	1,143	922	(9)	-	18,454
- sale and liquidation	-	49	42	889	5	-	-	985
- other	-	7,655	8,652	254	917	(9)	-	17,469
4. Cumulative depreciation at end of period	**-**	**(43,232)**	**(158,070)**	**(3,103)**	**(164)**	**(264)**	**-**	**(204,833)**
5. Impairment losses at beginning of period	**-**	**(810)**	**(1,015)**	**-**	**-**	**(228)**	**-**	**(2,053)**
- increase	-	-	-	-	-	(8,838)	-	(8,838)
6. Impairment losses at end of period	**-**	**(810)**	**(1,015)**	**-**	**-**	**(9,066)**	**-**	**(10,891)**
7. Net property, plant and equipment at beginning of period	**7,468**	**370,262**	**813,289**	**3,588**	**2,013**	**499,736**	**10,364**	**1,706,722**
8. Net property, plant and equipment at end of period	**7,797**	**442,128**	**1,009,441**	**3,616**	**1,678**	**718,347**	**9,209**	**2,192,218**

In the year ended December 31st 2015, the Group incurred borrowing costs qualifying for capitalisation under initial value of property, plant and equipment, totalling PLN 11,776 thousand.
As at December 31st 2015, land and buildings worth PLN 439,512 thousand were encumbered with mortgages securing the repayment of credit facilities.
The carrying amount of vehicles used under lease agreements as at December 31st 2015 was PLN 2,408 thousand.

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PROPERTY, PLANT AND EQUIPMENT

Dec 31 2014	land	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	prepayments for property, plant and equipment under construction	total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	**3,147**	**134,493**	**398,829**	**5,033**	**1,014**	**113,203**	**-**	**655,720**
a) increase, including:	**4,321**	**267,642**	**527,927**	**2,389**	**2,182**	**844,821**	**10,335**	**1,659,617**
- acquisition	-	484	687	2,135	518	444,006	8	447,838
- acquisition through merger	4,321	145,159	190,912	304	1,651	304,495	10,327	657,169
- transfer	-	121,422	336,353	-	12	96,492	-	554,279
- other	-	577	(25)	(50)	1	(172)	-	331
b) decrease, including:	**-**	**(687)**	**(188)**	**(986)**	**(635)**	**(457,805)**	**29**	**(460,272)**
- sale and liquidation	-	(661)	(188)	(986)	(93)	-	-	(1,928)
- other (including finance lease)	-	(26)	-	-	(407)	-	-	(433)
- transfer	-	-	-	-	(135)	(457,805)	29	(457,911)
2. Gross property, plant and equipment at end of period	**7,468**	**401,448**	**926,568**	**6,436**	**2,561**	**500,219**	**10,364**	**1,855,065**
3. Cumulative depreciation at beginning of period	**-**	**(18,591)**	**(79,096)**	**(2,692)**	**(489)**	**(156)**	**-**	**(101,024)**
- Depreciation for current period	-	(11,986)	(33,280)	(939)	(151)	-	-	(46,356)
- decrease, including:	-	201	112	783	92	(99)	-	1,089
- sale and liquidation	-	201	420	944	94	-	-	1,659
- other (including finance lease)	-	-	(308)	(161)	(2)	(99)	-	(570)
4. Cumulative depreciation at end of period	**-**	**(30,376)**	**(112,264)**	**(2,848)**	**(548)**	**(255)**	**-**	**(146,291)**
5. Impairment losses at beginning of period	**-**	**(466)**	**(1,015)**	**-**	**-**	**(228)**	**-**	**(1,709)**
- increase	-	(344)	-	-	-	-	-	(344)
6. Impairment losses at end of period	**-**	**(810)**	**(1,015)**	**-**	**-**	**(228)**	**-**	**(2,053)**
7. Net property, plant and equipment at beginning of period	**3,147**	**115,436**	**318,718**	**2,341**	**525**	**112,819**	**-**	**552,987**
8. Net property, plant and equipment at end of period	**7,468**	**370,262**	**813,289**	**3,588**	**2,013**	**499,736**	**10,364**	**1,706,722**

In the year ended December 31st 2014, the Group incurred borrowing costs qualifying for capitalisation under initial value of property, plant and equipment, totalling PLN 7,885 thousand.
As at December 31st 2014, land and buildings worth PLN 217,341 thousand were encumbered with mortgages securing the repayment of credit facilities.
The carrying amount of vehicles used under lease agreements as at December 31st 2014 was PLN 3,557 thousand.

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16. Non-current receivables

	Dec 31 2015	Dec 31 2014
- receivables from other entities	4,577	4,269
- finance lease	2,941	3,203
- other receivables	1,636	1,066
Non-current receivables, net	**4,577**	**4,269**

The finance lease item refers to the lease of a turbine in the Zakrzów CHP plant project.

17. Non-current financial assets

	Dec 31 2015	Dec 31 2014
- shares in non-listed companies	516	503
- loans advanced	461	-
- long-term contracts	4,840	6,910
Total non-current financial assets	**5,817**	**7,413**

18. Inventories

	Dec 31 2015	Dec 31 2014
- materials and merchandise	13,217	19,475
- certificates of origin	32,485	21,471
- property rights	1,038	-
- prepaid deliveries	300	167
Total inventories, net	**47,040**	**41,113**
Inventory write-downs	952	1,921
Total inventories, gross	**47,992**	**43,034**

The operating cycle for a wind farm development project may be longer than 12 months.

In line with its new business model, the Group implements wind farm development projects for own needs. Expenditure on such projects is recognised under property, plant and equipment.
In connection with the termination by Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. of agreements providing for the sale of property rights by Amon and Talia, certificates of origin generated at these companies (described at greater length in Note 30.2) are measured at the lower of their cost or market price.

(PLN '000)

19. Current receivables

	Dec 31 2015	Dec 31 2014
- trade receivables	158,513	109,042
- from related entities	8,071	7,120
- from other entities	150,442	101,922
- income tax receivable	2,776	1,927
- other receivables	64,621	69,251
- from the state budget	55,327	41,738
- finance lease	294	292
- expenditure on property, plant and equipment under finance lease	285	432
- under settlement of long-term contracts	3,679	21,818
- other	5,036	4,971
Total current receivables, net	**225,910**	**180,220**
- impairment losses on receivables	7,779	8,853
Total current receivables, gross	**233,689**	**189,073**

For information on related-party transactions, see Note 43.43

Trade receivables bear no interest and are typically payable within 7–45 days.

As at December 31st 2015, impairment losses on unrecoverable trade receivables decreased to PLN 7,779 thousand from PLN 8,853 thousand as at December 31st 2014. Changes in impairment losses on trade receivables were as follows:

	Dec 31 2015	Dec 31 2014
At beginning of period	**8,853**	**925**
- Increase	265	8,282
- Use	(1,339)	(354)
At end of period	**7,779**	**8,853**

Presented below is a breakdown of trade receivables which were past due as at December 31st 2015 and December 31st 2014, but were not considered unrecoverable. Other receivables are not past due.

	Total	Not past due	Past due but recoverable				
			< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
Dec 31 2015	158,513	151,567	5,925	388	174	129	330
Dec 31 2014	109,042	101,112	6,904	266	116	197	447

(PLN '000)

20. Current prepayments and accrued income

	Dec 31 2015	Dec 31 2014
- insurance	3,686	3,411
- subscriptions	17	37
- wind turbine maintenance	1,261	949
- property tax, perpetual usufruct charges, lease payments	13	40
- accrued income	423	482
- accrued commissions	4,770	2,535
- other	1,246	1,109
Total current prepayments and accrued income	**11,416**	**8,563**

Commissions to be spread over time relate to investment credit facilities in the case of which the full amount of the facility has not yet been drawn down, and therefore the facilities have not yet been valued at amortised cost.

21. Current financial assets

	Dec 31 2015	Dec 31 2014
- loans advanced	2,473	3,022
- valuation of forward contracts	101,744	114,208
Total current financial assets	**104,217**	**117,230**

*) Forward contracts to buy or sell electricity entered into by Polenergia Obrót S.A., a subsidiary, are classified as derivatives and are governed by standards applicable to derivative instruments. Accordingly, such contracts are measured at fair value, with changes in fair value recognised in profit or loss. Valuation gains and losses are presented on a net basis and recognised under revenue or cost of sales, as appropriate. Valuation is performed with respect to the outstanding part of the contracts, which is broken down into current portion (to be settled within 12 months from the reporting date), and non-current portion (to be settled in subsequent years).

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
Gain/(loss) on valuation of derivatives	1,299	6,159

	Dec 31 2015	Dec 31 2014
Current assets	101,744	114,208
Non-current assets	4,840	873
Total	**106,584**	**115,081**

	Dec 31 2015	Dec 31 2014
Current liabilities	88,171	100,987
Non-current liabilities	3,588	568
Total	**91,759**	**101,555**

(PLN '000)

The table below includes information on financial assets and liabilities which the Group measures at fair value and classifies at specific levels of the fair value hierarchy:

- Level 1 – quoted prices in active markets for identical assets or liabilities (not adjusted),
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability in active markets,
- Level 3 – unobservable inputs for the asset or liability.

Derivatives are pairs of forward contracts (long and short positions) entered into on stock exchanges for speculative purposes. They are measured on the basis of a model using market parameters, i.e. the market price of the instrument discounted using interest rates (Level 2). The effect of unobservable inputs, if any, on the valuation of derivatives was negligible.

Class of financial instrument

Dec 31 2015	Level 2	Total
Current assets	101,744	101,744
Non-current assets	4,840	4,840
Total	**106,584**	**106,584**

Dec 31 2015	Level 2	Total
Current liabilities	88,171	88,171
Non-current liabilities	3,588	3,588
Total	**91,759**	**91,759**
Net fair value	**14,825**	**14,825**

The table below presents the sensitivity of profit/loss to potential movements in market prices of electricity and gas. The calculation was performed with respect to forward contracts to buy or sell electricity, classified as derivatives measured at fair value.

Effect on profit/loss	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
Market price increase +1%	296	118
Market price decrease -1%	(293)	(50)

22. Cash and cash equivalents

	Dec 31 2015	Dec 31 2014
Cash and cash equivalents	362,096	416,809
- cash in hand and at banks	362,096	416,809
Total cash and cash equivalents	**362,096**	**416,809**

As at December 31st 2015, restricted cash of PLN 129,430 thousand was held in blocked bank accounts as security for repayment of credit facilities (2014: PLN 92,989 thousand).

Cash at banks earns interest at floating rates linked to interest rates for overnight deposits. Current deposits are placed for various periods, from one day to one month, depending on the Group's immediate cash requirement, and earn interest at agreed interest rates.

(PLN '000)

23. Share capital and statutory reserve funds/capital reserves

23.1 Share capital

Dec 31 2015

Series/issue	Type of shares	Number of shares	Par value of series/issue
A	bearer	2,213,904	4,428
B	bearer	2,304,960	4,610
C	bearer	515,256	1,031
D	bearer	566,064	1,132
E	bearer	1,338,960	2,678
F	bearer	544,800	1,090
G	bearer	683,376	1,367
H	bearer	288,000	576
I	bearer	856,704	1,713
J	bearer	3,835,056	7,670
K	bearer	1,640,688	3,281
L	bearer	3,144,624	6,289
M	bearer	182,359	365
N	bearer	69,922	140
O	bearer	70,908	142
P	bearer	89,500	179
R	bearer	37,560	75
S	bearer	147,026	294
U	bearer	125,300	251
W	bearer	143,200	286
T	bearer	945,800	1,891
Y	bearer	1,570,000	3,140
Z	bearer	24,129,580	48,259
Total number of shares		**45,443,547**	
Total share capital			90,887
Par value per share (PLN)			2

(PLN '000)

Dec 31 2014

Series/issue	Type of shares	Number of shares	Par value of series/issue
A	bearer	2,213,904	4,428
B	bearer	2,304,960	4,610
C	bearer	515,256	1,031
D	bearer	566,064	1,132
E	bearer	1,338,960	2,678
F	bearer	544,800	1,090
G	bearer	683,376	1,367
H	bearer	288,000	576
I	bearer	856,704	1,713
J	bearer	3,835,056	7,670
K	bearer	1,640,688	3,281
L	bearer	3,144,624	6,289
M	bearer	182,359	365
N	bearer	69,922	140
O	bearer	70,908	142
P	bearer	89,500	179
R	bearer	37,560	75
S	bearer	147,026	294
U	bearer	125,300	251
W	bearer	143,200	286
T	bearer	945,800	1,891
Y	bearer	1,570,000	3,140
Z	bearer	24,129,580	48,259
		45,443,547	
Total number of shares			90,887
Par value per share (PLN)			2

Shares of all series carry equal rights.

23.2 Significant shareholders

Shareholders holding 5% or more of the total number of shares:

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**	

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

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

(PLN '000)

23.3 Other capital reserves

Other capital reserves have been accumulated through contributions from profits generated in previous financial years and recognition of an upward revaluation of derivatives hedging future cash flows (for further information on the hedges, see Note 41).

23.4 Undistributed profit and limitations on dividend payment

Under the Polish Commercial Companies Code, the parent is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the separate financial statements of the parent should be contributed to statutory reserve funds, until the funds reach at least one-third of the parent's share capital. While it is the General Meeting that resolves how to use statutory reserve funds and capital reserves, a part of statutory reserve funds equal to one-third of the share capital, i.e. PLN 30,296 thousand, may be used exclusively to cover a loss disclosed in separate financial statements and may not be used for any other purposes. The 2014 loss was covered from the statutory reserve funds, i.e. from the share premium account.

In view of the increasingly stronger financial performance of the Polenergia Group and the declarations of intent to share the Group's profits with shareholders, the Management Board of Polenergia S.A. decided the recommend to the Supervisory Board payment of dividend for 2015 in the amount of PLN 22,721 thousand, i.e. PLN 0.5 per share.

23.5 Non-controlling interests

	Dec 31 2015	Dec 31 2014
At beginning of period	**948**	**1,038**
- share in profit of subsidiaries	5	(90)
At end of period	**953**	**948**

23.6 Dividends paid and proposed

In the periods ended December 31st 2015 and December 31st 2014, the parent did not pay any dividends. No dividends are expected to be paid by the Company in 2016.

24. Income tax

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
Current income tax	19,721	8,567	2,088	1,310
Current income tax expense	19,698	8,567	2,088	1,310
Adjustments to current income tax from previous years	23	-	-	-
Deferred income tax	3,946	(6,295)	4,373	4,716
Related to temporary differences and their reversal	3,946	(6,295)	4,373	4,716
Tax expense recognised in profit or loss	23,667	2,272	6,461	6,026

(PLN '000)

	Opening balance	Statement of profit or loss	Capital	Closing balance
Deferred income tax	**Jan 01 2015**			**Dec 31 2015**
Deferred tax liability				
Property, plant and equipment	85,356	4,468	-	89,824
Intangible assets	11,020	(1,874)	-	9,146
Receivables	13,123	289	-	13,412
Cash	(585)	87	-	(498)
Borrowings	3,776	4,896	-	8,672
Lease receivables	421	(49)	-	372
Liabilities	(2,771)	(531)	-	(3,302)
Other	1,442	632	-	2,074
Gross deferred tax liability	**111,782**	**7,918**	-	**119,700**
Offset				**(53,458)**
Deferred tax liability				**66,242**
Deferred tax asset				
Property, plant and equipment	2,190	(97)	-	2,093
Inventories	4	(1)	-	3
Receivables	341	848	-	1,189
Loans	3,235	3,667	-	6,902
Liabilities	29,179	459	(587)	29,051
Provisions	3,856	3,355	-	7,211
Lease assets	11	(7)	-	4
Retained deficit	10,143	(3,524)	-	6,619
Accruals and deferred income	12,026	(728)	-	11,298
Gross deferred tax asset	**60,985**	**3,972**	**(587)**	**64,370**
Offset				**(53,458)**
Deferred tax asset				**10,912**
Deferred tax expense		**3,946**		
Net deferred tax (asset)/liability	**50,797**		**587**	**55,330**

(PLN '000)

	Opening balance	Statement of profit or loss	Deferred tax related to the purchase price allocation	Acquired through merger	Closing balance
Deferred income tax	**Jan 1 2014**				**Dec 31 2014**
Deferred tax liability					
Property, plant and equipment	24,027	(1,311)	15,940	46,700	85,356
Intangible assets	-	-	11,020	-	11,020
Receivables	1,801	4,940	1,300	5,082	13,123
Cash	5	(594)	-	4	(585)
Borrowings	2,842	(48)	-	982	3,776
Lease receivables	712	(291)	-	-	421
Liabilities	2,725	370	(5,871)	5	(2,771)
Other	-	(332)	(51)	1,825	1,442
Gross deferred tax liability	**32,112**	**2,734**	**22,338**	**54,598**	**111,782**
Deferred tax asset					
Property, plant and equipment	1,587	(108)	-	711	2,190
Inventories	-	4	-	-	4
Receivables	(11)	101	-	251	341
Loans	(8)	2,448	-	795	3,235
Liabilities	2,125	6,517	-	20,537	29,179
Provisions	2,238	299	-	1,319	3,856
Lease assets	-	11	-	-	11
Retained deficit	5,304	1,023	-	3,816	10,143
Prepayments, accruals and deferrals	13,292	(1,266)	-	-	12,026
Gross deferred tax asset	**24,527**	**9,029**	**-**	**27,429**	**60,985**
Deferred tax expense		**(6,295)**			
Net deferred tax (asset)/liability	**7,585**				**50,797**

The timing difference on property, plant and equipment and intangible assets is related to remeasurement of the assets at fair value when accounting for the acquisition of the Neutron Group and accelerated tax depreciation/amortisation.

The timing difference on liabilities is related mostly to recognition of liabilities when accounting for the acquisition of the Neutron Group.

The earliest date when the loss carried forward in respect of which a deferred tax asset of PLN 526 thousand has been calculated, is 2017.

The Group did not recognise a deferred tax asset with respect to some of its tax losses, of PLN 5,674 thousand (conservative approach).

(PLN '000)

	Dec 31 2015	Dec 31 2014
Deferred tax assets:		
- to be realised after 12 months	44,665	44,747
- to be realised within 12 months	19,705	16,238
Deferred tax liabilities:		
- to be settled after 12 months	121,426	113,696
- to be settled within 12 months	(1,726)	(1,914)
Deferred tax liabilities (net)	**55,330**	**50,797**

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
Tax expense recognised in profit or loss, including:	23,667	2,272
Current income tax	19,720	8,571
Deferred tax	3,947	(6,299)
Profit before tax	**91,042**	**33,527**
Tax at the effective rate of 19% (2014: 19%)	17,298	6,370
Adjustments to current income tax from previous years	23	-
Tax of limited partnerships (spółka komandytowa)		
Non-tax-deductible costs:	**6,346**	**(1,260)**
- permanent differences	1,060	(1,123)
- tax assets on account of tax losses in Special Economic Zone	(597)	207
- tax asset on account of other tax losses	5,883	949
- effect of the purchase price allocation	-	(1,293)
Non-taxable income:	**-**	**(2,838)**
- deferred tax liability on income of limited joint-stock partnerships	-	(2,838)
Tax recognised in profit or loss	**23,667**	**2,272**

25. Provisions

	Dec 31 2015	Dec 31 2014
Non-current provisions		
- provision for retirement and similar benefits	1,041	879
- provision for site restoration	1,166	1,166
Total non-current provisions	**2,207**	**2,045**
Current provisions		
- provision for retirement and similar benefits	17	17
- provision for accrued holiday entitlements	2,567	2,446
- provision for litigation and grid losses	1,632	607
Total current provisions	**4,216**	**3,070**

(PLN '000)

Change in non-current and current provisions

	Dec 31 2015	Dec 31 2014
At beginning of period	**5,115**	**2,135**
- provisions recognised	1,425	3,344
- provisions reversed	(117)	(183)
- provisions utilised	-	(181)
Provisions at end of period	**6,423**	**5,115**

26. Non-current liabilities under bank and other borrowings

Dec 31 2015

Non-current liabilities under bank and other borrowings totalled PLN 1,026,551 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	29,621	7,015	repayable in monthly instalments, final instalment payable on Dec 31 2021

Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, powers of attorney over bank accounts, assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,338 thousand issued by Polenergia S.A.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	1,698	PLN	repayable in monthly instalments, final instalment payable on Dec 20 2018

Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, subordination of Polenergia S.A.'s claims to Lender's claims, block on funds in the special-purpose reserve account, surety of up to PLN 7,800 thousand issued by Polenergia S.A., statement on voluntary submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	6,741	PLN	repayable in monthly instalments, final instalment payable on Sep 30 2022
Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, powers of attorney over bank accounts, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	120,094	PLN	repayable in quarterly instalments by Dec 31 2026
Security: registered pledge over assets, pledge over shares in the Borrower and Talia Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 312,739.5 thousand issued by Talia Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Talia Sp. z o.o.	111,627	PLN	75,643	PLN	repayable in quarterly instalments by Dec 31 2026

Security: registered pledge over assets, pledge over shares in the Borrower and Amon Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 227,440.50 thousand issued by Amon Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, statement on voluntary submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	172,000	PLN	158,349	PLN	repayable in quarterly instalments by Jun 29 2029

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A.)	Warsaw, London	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	300,600	PLN	264,272	PLN	repayable in quarterly instalments by Jun 29 2029

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	82,858	PLN	repayable in quarterly instalments by Sep 29 2028

The following instruments serve as common security for Grupa PEP Farma Wiatrowa 1 Sp. z o.o.'s, Grupa PEP Farma Wiatrowa 4 Sp. z o.o.'s and Grupa PEP Farma Wiatrowa 6 Sp. z o.o.'s credit facilities listed above: mortgage over property, registered pledge over moveables, pledge over shares in the Borrowers, assignment of claims under project contracts, equity contribution and sponsor support agreement, equity contribution subordination agreement, statement on voluntary submission to enforcement.

Company name, form of incorporation	Registered office	-	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A., Bank of China, Alior Bank SA)	Warsaw, London	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	239,400	PLN	169,859	PLN	repayable in quarterly instalments by Sep 29 2028

Security: registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, equity contribution and sponsor support agreement, equity contribution subordination agreement, statement on voluntary submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	85,063	PLN	repayable in quarterly instalments by Apr 2019

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	1,542	PLN	repayable in quarterly instalments by July 2018

The following instruments serve as common security for Elektrownia Nowa Sarzyna Sp. z o.o.'s credit facilities listed above: mortgage over property, pledge over moveables, pledge over shares in the Borrower, statement on voluntary submission to enforcement.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja SA	41,000	PLN	30,811	PLN	repayable in quarterly instalments by Nov 20 2018

Security: pledge over assets, pledge over shares in the Borrower, statement on voluntary submission to enforcement

Dec 31 2014

Non-current liabilities under bank and other borrowings totalled PLN 695,168 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	35,656	8,443	repayable in instalments, final instalment payable on Dec 31 2021

Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, powers of attorney over bank accounts, assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,338 thousand issued by Polenergia S.A.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	2,546	PLN	repayable in monthly instalments, final instalment payable on Dec 20 2018
Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, subordination of Polenergia S.A.'s claims to Lender's claims, block on funds in the special-purpose reserve account, surety of up to PLN 11,500 thousand issued by Polenergia S.A., statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	7,643	PLN	repayable in monthly instalments, final instalment payable on Sep 30 2022
Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, powers of attorney over bank accounts, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	128,396	PLN	repayable in quarterly instalments by Dec 31 2026
Security: registered pledge over assets, pledge over shares in the Borrower and Talia Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 312,739.5							

thousand issued by Talia Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, statement on voluntary submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Talia Sp. z o.o.	111,627	PLN	81,184	PLN	repayable in quarterly instalments by Dec 31 2026

Security: registered pledge over assets, pledge over shares in the Borrower and Amon Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 227,440.50 thousand issued by Amon Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, statement on voluntary submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	142,700	PLN	132,324	PLN	repayable in quarterly instalments by Sep 29 2028

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A.)	Warsaw, London	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	271,400	PLN	69,127	PLN	repayable in quarterly instalments by Jun 29 2029

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	82,997	PLN	repayable in quarterly instalments by Sep 29 2028

The following instruments serve as common security for Grupa PEP Farma Wiatrowa 1 Sp. z o.o.'s, Grupa PEP Farma Wiatrowa 4 Sp. z o.o.'s and Grupa PEP Farma Wiatrowa 6 Sp. z o.o.'s credit facilities listed above: mortgage over property, registered pledge over moveables, pledge over shares in the Borrowers, assignment of claims under project contracts, equity contribution and sponsor support agreement, equity contribution subordination agreement, statement on voluntary submission to enforcement.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	123,142	PLN	repayable in quarterly instalments by Apr 2019

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	2,430	PLN	repayable in quarterly instalments by July 2018

The following instruments serve as common security for Elektrownia Nowa Sarzyna Sp. z o.o.'s credit facilities listed above: mortgage over property, pledge over moveables, pledge over shares in the Borrower, statement on voluntary submission to enforcement.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	32,000	PLN	29,723	PLN	repayable in quarterly instalments by Nov 20 2018

Security: pledge over assets, pledge over shares in the Borrower, statement on voluntary submission to enforcement

Amon Sp. z o.o. ("Amon") and Talia Sp. z o.o. ("Talia", jointly the "Companies") are parties – as Sellers – to the following agreements:

1. Agreements on sale of electricity generated in a renewable energy source, dated December 23rd 2009 (the "PPA Agreements"), and
2. Agreements on sale of property rights incorporated in certificates of origin for electricity generated in a renewable energy source, dated December 23rd 2009 (the "CPA Agreements"),

under which Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji (in liquidation) ("PKH") is the other party (the Buyer).

PKH took certain steps with a view to discontinuing the performance of the CPA Agreements and PPA Agreements. Specifically, on March 18th 2015, PKH submitted notices stating that it terminated the CPA Agreements and the PPA Agreements, and ceased to perform the agreements. In the Companies' opinion, the notices submitted by PKH have no legal effect and thus the CPA Agreements and PPA Agreements should continue to be performed. Therefore, they took steps available under law to protect their interests and to reinstate the full force and effect of the Agreements, and also to obtain compensation for the losses they have suffered.

In connection with the now completed projects consisting in construction of the Łukaszów Wind Farm and the Modlikowice Wind Farm, the Companies are parties (as Borrowers) to the Credit Facilities Agreement dated June 1st 2010 (the "Credit Facilities Agreement"). Given the fact that the PPA Agreements and CPA Agreements are not currently being performed by PKH, the Companies failed to meet one of the financial covenants, namely that relating to the Debt Service Coverage Ratio at the end of 2015.

As at the date of these financial statements, the Companies received a confirmation from the syndicate that provides them with the financing (the "Syndicate") to the effect that no Event of Default under the Credit Facilities Agreement had been declared by the Syndicate and that the Syndicate had refrained from exercising any of the rights available to it in the case of occurrence of an Event of Default under the Credit Facilities Agreement.

Under Annex No. 5 to the Credit Facilities Agreement dated November 20th 2015, the Companies and the Syndicate agreed to enter into negotiations in good faith with a view to making long-term arrangements that would comprehensively govern the mutual relations between the Companies and the Syndicate in connection with the non-performance of the PPA Agreements and the CPA Agreements by PKH, which will ultimately lead to executing a relevant annex to the Credit Facilities Agreement. The financial means held by the Companies at the reporting date will enable them to service the debt for more than 12 months. Moreover, given the current levels of electricity and green certificate prices, the servicing of the Company's debt is guaranteed until 2024.

The situation discussed above has no effect on any other credit facility agreement to which any of the Polenergia Group companies are party; in particular, it does not trigger an event of default under any other credit facility agreement.

As at the reporting date, the Companies had control of the cash in their current accounts. Their control of the other funds was restricted in favour of the Banks, in accordance with the provisions of the Credit Facilities Agreement.

(PLN '000)

27. Liabilities

CURRENT LIABILITIES

	Dec 31 2015	restated Dec 31 2014
- bank and other borrowings	121,336	91,993
- trade payables	178,347	128,487
- to related entities	2,023	920
- to other entities, including:	176,324	127,567
- investment commitments	16,231	22,282
- income tax payable	6,670	1,064
- other liabilities	166,301	158,353
- to the state budget	6,771	4,295
- other financial liabilities	539	509
- valuation of forward contracts *)	88,171	100,987
- salaries and wages	1,564	1,850
- special accounts	53	60
- currency risk hedging	6,065	-
- under settlement of long-term contracts	29,218	3,015
- other	33,920	47,637
Current liabilities, total	**472,654!**	**379,897**

OTHER NON-CURRENT LIABILITIES

	Dec 31 2015	restated Dec 31 2014
- under settlement of long-term contracts	105,334	127,004
- valuation of forward contracts *)	30,856	31,471
- risk hedging	5,618	8,904
- investment commitments	1,500	1,500
- other financial liabilities	1,339	1,207
Total other non-current liabilities	**144,647**	**170,086**

*) For more information on the valuation of forward contracts, see Note 21.21

Trade payables do not bear interest and are typically payable within 14 days.

For more information on the data restated as at December 31st 2014, see Note 10.

Other liabilities do not bear interest.

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28. Current liabilities under bank and other borrowings

Dec 31 2015

Current liabilities under bank and other borrowings totalled PLN 121,336 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	6,028	1,428	repayable in instalments, final instalment payable on Dec 31 2021
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	3,500	PLN	188	PLN	by Dec 31 2016
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	849	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6,000	PLN	759	PLN	one-off repayment by Mar 31 2016
Security: mortgage over property, assignment of claims under insurance policies, pledge over inventories, powers of attorney over bank accounts, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	902	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	6,918	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Talia Sp. z o.o.	111,627	PLN	4,415	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	172,000	PLN	7,784	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
BOŚ Bank S.A.	Warsaw	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	28,500	PLN	311	PLN	one-off repayment by Jul 29 2016
Security: pledge over a VAT account, powers of attorney over a VAT account, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A.)	Warsaw, London	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	300,600	PLN	9,466	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	4,304	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Bank Zachodni WBK S.A.	Wrocław	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	31,700	PLN	31,700	PLN	one-off repayment by Jul 29 2016
Security: pledge over a VAT account, powers of attorney over a VAT account, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A., Bank of China, Alior Bank SA)	Warsaw, London	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	239,400	PLN	2,345	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	55,000	PLN	4,800	PLN	one-off repayment by Jul 29 2017
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	37,977	PLN	long-term facility portion repayable in less than 12 months
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	883	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Kogeneracja Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Jan 31 2017
Security: assignment of claims under project contracts							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Polenergia Obrót S.A.	20,000	PLN	0	PLN	one-off repayment by Aug 18 2016
The following instruments serve as common security for the above credit facility and a guarantee facility: assignment of claims under sale agreements, powers of attorney over bank accounts, statement on voluntary submission to enforcement.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	41,000	PLN	1,707	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	8,000	PLN	0	PLN	one-off repayment by Nov 20 2016
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Dec 31 2014

Current liabilities under bank and other borrowings totalled PLN 91,993 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	6,030	1,428	repayable in instalments, final instalment payable on Dec 31 2021
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Mar 27 2015
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	5,600	PLN	3,670	PLN	by Dec 31 2015
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	849	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6,000	PLN	4,209	PLN	one-off repayment by Mar 31 2016
Security: mortgage over property, assignment of claims under insurance policies, pledge over inventories, powers of attorney over bank accounts, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	833	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	6,260	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Talia Sp. z o.o.	111,627	PLN	3,996	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	31,500	PLN	6,689	PLN	one-off repayment by Nov 28 2015
Security: pledge over a VAT account, powers of attorney over a VAT account, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	142,700	PLN	2,911	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
BOŚ Bank S.A.	Warsaw	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	25,000	PLN	1,059	PLN	one-off repayment by Jul 29 2016
Security: pledge over a VAT account, powers of attorney over a VAT account, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	24,500	PLN	4,209	PLN	one-off repayment by November 28th 2015
Security: pledge over a VAT account, powers of attorney over a VAT account, statement on voluntary submission to enforcement							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	1,814	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	55,000	PLN	1,800	PLN	one-off repayment by Jul 29 2017
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	37,891	PLN	long-term facility portion repayable in less than 12 months
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	881	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Kogeneracja Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Jan 31 2016
Security: assignment of claims under project contracts							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			‘000	currency	‘000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Polenergia Obrót S.A.	20,000	PLN	7,479	PLN	one-off repayment by Jan 31 2016
The following instruments serve as common security for the above credit facility and a guarantee facility: surety of up to PLN 120,000 thousand issued by Kulczyk Holding, powers of attorney over bank accounts, statement on voluntary submission to enforcement.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			‘000	currency	‘000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	32,000	PLN	1,414	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note ‘Non-current liabilities’.							

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			‘000	currency	‘000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	8,000	PLN	0	PLN	one-off repayment by Nov 20 2015
Common security with investment credit facility, presented in note ‘Non-current liabilities’.							

(PLN '000)

29. Accruals and deferrals

	Dec 31 2015	Dec 31 2014
Non-current accruals and deferred income		
- deferred income - grants	63,161	67,439
Total non-current accruals and deferred income	**63,161**	**67,439**

Current accruals and deferred income

	Dec 31 2015	Dec 31 2014
- future bonuses, salaries and wages	11,494	8,487
- services	2,987	3,896
- unused holiday entitlements	724	421
- deferred income - grants	4,075	4,075
- liabilities	415	-
- expenditure on property, plant and equipment	1,141	5,106
- other	605	1,470
Total current accruals and deferred income	**21,441**	**23,455**

The Group has received three grants. The first grant of PLN 5,900 thousand was given in 2005 as additional funding for the "22 MW Puck wind power plant" project. The power plant was launched at the end of 2006, and the grant amount recognised as deferred income is written off over the power plant's useful life.

The second grant of PLN 40,000 thousand was given in 2010 as additional funding for the "Łukaszów wind farm construction" project. As at December 31st 2015, the Group received PLN 39,887 thousand under the grant. The wind farm was launched at the end of 2011, and the grant amount recognised as deferred income is written off over the wind farm's useful life.

The third grant of PLN 40,000 thousand was given in 2010 as additional funding for the "Modlikowice wind farm construction" project. As at December 31st 2015, the Group received PLN 39,771 thousand under the grant. The wind farm was launched at the end of 2011, and the grant amount recognised as deferred income is written off over the wind farm's useful life.

30. Contingent liabilities

30.1 Guarantees and sureties issued

As at December 31st 2015, the Group did not issue any external guarantees.

30.2 Litigation

The Company's subsidiaries Amon Sp. z o.o. and Talia Sp. z o.o. brought court action to declare invalid the notices issued by Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. on the termination of:

1) the Agreement on Sale of Property Rights Incorporated in Certificates of Origin for Electricity Generated in a Renewable Energy Source − the Łukaszów Wind Farm of December 23rd 2009, and the Agreement on Sale of Electricity Generated in a Renewable Energy Source −the Łukaszów Wind Farm of December 23rd 2009, in respect of Amon;

2) the Agreement on Sale of Property Rights Incorporated in Certificates of Origin for Electricity Generated in a Renewable Energy Source − the Modlikowice Wind Farm of December 23rd 2009, and the Agreement on Sale of Electricity Generated in a Renewable Energy Source − the Modlikowice Wind Farm of December 23rd 2009, in respect of Talia;

This did not result in Amon and Talia being unable to sell the electricity and certificates of origin, because electricity can be sold to a last-resort supplier at a price determined by the President of the Energy Regulatory Office, while green certificates can be sold through the power exchange or otherwise to other parties. While the price of electricity sold to a last-resort supplier is slightly higher than the price paid under contracts with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji, the current market price of green certificates is significantly lower than the price paid by Polska Energia. Also, market prices may be volatile. As it is not possible to foresee future market prices, the consequences of change of the customer for electricity and green certificates sold by Talia and Amon cannot be reliably predicted. The proceedings are pending.

The Company's subsidiary, Grupa PEP – Biomasa Energetyczna Północ Sp. z o.o. is seeking a total of PLN 80,000 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 420,000.00. The above amount is not reflected in the Company's profit and loss account.

Due to the nature of its business which involves supplying electricity to end consumers, 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 approximately PLN 850,000 thousand. The above amount is not reflected in the Company's statement of financial position. Furthermore, Polenergia Dystrybucja Sp. z o.o. has filed a claim against one of its electricity suppliers, demanding a refund of overpayments for delivered electricity. The amount of the claim is approximately PLN 550 thousand. The defendant recognised the claim, but also filed for a set-off of receivables for energy supplied in a different period. Polenergia Dystrybucja Sp. z o.o. recognises the defendant's counterclaim as groundless and believes to have paid the supplier all amounts due from it for supplied energy.

The Company's subsidiary Polenergia Obrót S.A. has secured an enforceable title against one customer for the amount of PLN 5,000 thousand, with respect to which the enforcement proceedings are pending. The above amount is not reflected in the Company's profit and loss account.

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 party, for payment of penalty for breach of contract. The amount in dispute is PLN 100,000.

Whirlpool Polska Sp. z o.o., a trading partner of Interpep EC Zakrzów Sp. z o.o. spółka komandytowa ("Interpep"), the Company's subsidiary, has been seeking payment of PLN 2,886,275 from Interpep as a refund of allegedly undue consideration paid to Interpep. Proceedings in this case have been conducted before the Court of Arbitration at the Polish Chamber of Commerce. In the subsidiary's opinion, the claim is clearly unfounded and should be dismissed.

30.3 Tax settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Group companies. As at December 31st 2015, the Group did not identify any tax risk for which a provision should be recognised.

30.4 Capital expenditure

As at December 31st 2015, the Group planned to spend ca. PLN 117m on property, plant and equipment in 2016. The funds will be allocated primarily for the purchase of new machinery and equipment to be used in projects under construction, in particular for the purpose of financing: wind farm construction, development and commencement of construction work as part of new wind farm projects, and the development of projects contributed with the Neutron Group’s assets.

30.5 Contractual obligations

Subsidiary ENS Sp. z o.o.:

On March 20th 1998, ENS Sp. z o.o. entered into a long-term agreement with PGNiG S.A. under which it is obliged to order contractual gas volumes of no less than 180m m3 annually and no more than 210m m3 annually. In each contractual year, the Company is required to pay for the minimum annual gas volume, equal to 90% of the ordered annual gas volume. The agreement expires on December 24th 2019.

On March 21st 2008, the Company entered into an agreement on sale of electricity with GET EnTra Sp. z o.o. Annex No. 6 of December 18th 2014 provides for electricity sales volume of no less than 740,000 MWh annually as of 2014, including no less than 340,000 MWh in the summer period. In accordance with Annex No. 8 of November 5th 2015, the agreement term ends on December 31st 2016.

Under a heat sale agreement of March 25th 1998 with Ciech Sarzyna S.A. (formerly Zakłady Chemiczne Organika-Sarzyna S.A.), the Company agreed to supply heat. In the event of failure to supply the agreed heat volumes, the Company is required to compensate for losses incurred and documented by the customer, up to USD 2m. Under the agreement, as amended by Annex No. 9 of April 1st 2015, the Company and Ciech Sarzyna S.A. agreed to, respectively, supply and collect the following heat volumes (the Minimum Required Purchase Volume): 370,000 GJ pa in 2015, 400,000 GJ pa in 2016-2018, and 460,000 GJ pa starting from 2019 until the end of the agreement term.

On October 30th 2013, the Company renewed the heat supply agreement with Zakład Gospodarki Komunalnej Nowa Sarzyna Sp. z o.o. The agreement expires on June 3rd 2020. Under the agreement, in each contractual year, the customer is obliged to collect and pay for, and the supplier is obliged to supply, at least 55,000 GJ of heat (Minimum Required Purchase Volume). Additionally, in no contractual year is the supplier (the Company) obliged to supply more than 120,000 GJ of heat (Maximum Required Supply Volume).

(PLN ‘000)

31. Revenue

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- revenue from sale of electricity	2,310,277	696,555	609,243	524,755
- revenue from sale of heat	31,220	18,001	7,844	12,805
- revenue from consulting and advisory services	2,885	903	1,335	68
- income from reinvoicing and reimbursement of expenses	-	20	-	5
- income from lease and operator services	212	5	149	-
- revenue from sale of merchandise	5,566	8,107	1,882	1,275
- revenue from sale of straw	1	-	-	-
- revenue from sale of pellets	54,872	58,686	13,029	14,872
- rental income	56	44	13	31
- income from compensation for stranded costs and cost of gas	152,023	59,580	33,181	42,581
- net revenue from sale of gas	83,139	19,287	20,557	14,021
- other	667	3,945	103	3,606
Total revenue	**2,640,918**	**865,133**	**687,336**	**614,019**

Revenue from sale of electricity includes gains from revaluation of electricity sale derivatives.

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- revenue from certificates of origin	120,308	68,085	46,600	30,813
- revenue from carbon dioxide emission allowances	11,210	1,295	6,179	145
Total revenue from certificates of origin	**131,518**	**69,380**	**52,779**	**30,958**

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- Poland	2,393,865	821,771	631,095	622,108
- Czech Republic	196,550	68,450	47,392	12,467
- Luxembourg	3,643	1,787	612	76
- Germany	143,018	33,122	44,170	4,887
- Switzerland	101	1,005	-	1,005
- Hungary	11,211	1,295	6,180	1,150
- United Kingdom	24,048	7,083	10,666	3,284
Total revenue	**2,772,436**	**934,513**	**740,115**	**644,977**

(PLN '000)

32. Expenses, by nature of expense

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- depreciation and amortisation expense	87,660	50,036	24,486	23,727
- raw materials and consumables used	248,784	119,675	61,274	68,795
- services	38,438	33,164	10,939	13,334
- taxes and charges	16,169	6,462	4,405	1,953
- salaries and wages	40,787	23,436	11,687	10,978
- social security and other benefits	5,427	3,043	1,248	1,593
- other expenses, by nature of expense	3,762	1,408	977	920
Total expenses by nature	**441,027**	**237,224**	**115,016**	**121,300**
- cost of merchandise and materials sold (+)	2,193,377	639,345	581,304	488,720
- distribution costs (-)	(805)	(362)	(243)	(295)
- administrative expenses (-)	(34,476)	(19,500)	(10,767)	(8,699)
Total cost of sales	**2,599,123**	**856,707**	**685,310**	**601,026**

33. Other income

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- reversal of impairment losses and write-downs, including:	1,129	573	123	-
- impairment losses on receivables	60	-	-	-
- inventory write-downs	1,069	573	123	-
- provisions reversed, including:	1,143	-	-	-
- provisions for litigation	164	-	-	-
- other provisions	979	-	-	-
- other, including:	6,082	5,299	1,343	1,622
- compensations and additional charges	631	626	157	442
- settlement of grants	4,324	4,278	1,069	1,070
- revenue from lease of property, plant and equipment	710	-	-	-
- gain on disposal of non-financial non-current assets	73	190	21	12
- other	344	205	96	98
Total other income	**8,354**	**5,872**	**1,466**	**1,622**

(PLN '000)

34. Other expenses

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- impairment losses and write-downs, including:	10,915	3,708	10,153	3,677
- impairment losses on receivables	265	1,456	13	1,433
- inventory write-downs	1,812	906	1,302	898
- impairment losses on property, plant and equipment	8,838	1,346	8,838	1,346
- other, including:	2,824	4,684	801	2,742
- penalties, fines, compensation	1,158	462	450	85
- assigned compensation	7	398	6	398
- other development costs	629	717	245	34
- loss on disposal of non-financial non-current assets	106	115	-	115
- other	924	2,992	100	2,110
Total other expenses:	**13,739**	**8,392**	**10,954**	**6,419**

Impairment losses on receivables in 2015 in the amount of PLN 265 thousand (2014: PLN 1,456 thousand) are related to trade receivables from energy distribution and trading.

In 2015, impairment losses on property, plant and equipment of PLN 8,838 thousand related to development of wind farms; for the most part, the impairment losses related to the Wojcieszyn project (PLN 7.7m), in the case of which, following repeal of the Local Zoning Plan, there are no grounds to locate the project on the properties held by the Company under a lease (in 2014 PLN 344 thousand related to property, plant and equipment of Polenergia Kogeneracja Sp. z o.o., while PLN 1,002 thousand related to development of a wind farm project).

35. Finance income

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- income from interest on deposits and loans	6,283	6,609	1,287	3,482
- interest on finance leases	163	174	40	47
- foreign exchange losses, including:	274	56	(162)	49
- unrealised	148	50	(206)	49
- realised	126	6	44	-
- valuation of financial liabilities*)	536	126	444	59
- income from discount	-	641	-	165
- consideration for cancellation of shares	1	-	1	-
- other	174	6	(7)	5
Total finance income	**7,432**	**7,612**	**1,604**	**3,807**

*) applicable to bank borrowings measured with amortised cost method

(PLN '000)

36. Finance costs

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014	For the 3 months ended Dec 31 2015	For the 3 months ended Dec 31 2014
- interest expense	40,241	23,274	11,303	8,578
- foreign exchange losses, including:	251	1,422	(60)	872
- unrealised	153	1,171	122	827
- realised	98	251	(182)	45
- fees and commissions	3,597	1,406	587	543
- impairment losses on shares	1,500	159	1,500	-
- valuation of financial liabilities *)	2,431	2,634	709	1,282
- other	1,017	614	773	452
Total finance costs	**49,037**	**29,509**	**14,812**	**11,727**

*) applicable to bank borrowings measured with amortised cost method

37. Adjusted EBITDA and adjusted net profit

EBITDA, ADJUSTED EBITDA and ADJUSTED NET PROFIT attributable to owners of the parent – performance metrics not defined in accounting standards

The Group presents its EBITDA, adjusted EBITDA and adjusted net profit attributable to owners of the parent in order to show its performance without the effects of factors that are unrelated to the Group's core operations (to which the forecasts published in current reports during the period relate) and that lead to no cash flows in the reporting period.

EBITDA, adjusted EBITDA and adjusted net profit attributable to owners of the parent are not defined in the IFRS and may be computed differently by other entities.

The Group defines EBITDA as pre-tax profit less finance income plus finance costs, before depreciation and amortisation. Adjusted EBITDA is determined by eliminating from EBITDA the effects of economic events that have no effect on the Group's core operations and that lead to no cash flows in the reporting period. These eliminations relate to:

- Accounting for the cost of acquisition as at the acquisition date (elimination of the gain recognised as at the acquisition date in connection with previously existing relations, elimination of the costs / income recognised in connection with accounting for forward contracts recognised at fair value as at the acquisition date),
- Costs of financing other than debt financing at project companies,
- Operating result generated due to a change in the Group's strategy after publication of the forecast.

The Group defines adjusted net profit attributable to owners of the parent as net profit clear of the effects of the following economic events:

- Accounting for the cost of acquisition as at the acquisition date (elimination of depreciation/amortisation of adjustments made in connection with fair value measurement of acquired non-current assets, elimination of the gain recognised as at the acquisition date in connection with previously existing relations, elimination of the costs / income recognised in connection with accounting for forward contracts recognised at fair value as at the acquisition date, including the effect of deferred tax on the above items),

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- Effect of measurement of non-current receivables under wind farm sale transactions (discount),
- Net finance income/costs related to measurement of borrowings using the amortised cost method (the spreading over time of historically incurred commissions on financing obtained),
- Unrealised foreign exchange differences (this item was not taken into account for the purposes of the forecast),
- Costs of financing other than debt financing at project companies,
- Operating result generated due to a change in the Group's strategy after publication of the forecast,
- The effect of income tax on the above economic events.

In the current financial year, when determining adjusted EBITDA and adjusted net profit, the Group eliminated the following transactions/ events:

- Effect of accounting for the cost of acquisition in connection with contribution of the Neutron Group assets in Q3 2014 (described at greater length in Note 8),
- Costs of financing related to the abandoned bond issue programme (item not taken into account for the purposes of the forecast),
- Net finance income/costs related to measurement of borrowings using the amortised cost method (the spreading over time of historically incurred commissions on financing obtained) at the following companies: Amon Sp. z o.o., Talia Sp. z o.o., Grupa PEP Farma Wiatrowa 1 Sp. z o.o., Grupa PEP Farma Wiatrowa 4 Sp. z o.o., Grupa PEP Farma Wiatrowa 6 Sp. z o.o., Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. and Polenergia Dystrybucja Sp. z o.o.
- Unrealised foreign exchange differences (item not taken into account for the purposes of the forecast),
- Income from settlement of discount on non-current receivable arising under a wind farm sale transaction (relates to 2014 and earlier years),
- The effect of income tax on the above economic events.

38. Cash flows

Restricted cash

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
- cash for credit facility repayments	32,062	16,472
- cash for the settlement of compensation for stranded costs	91,646	73,548
- cash for long- and medium-term overhauls	2,141	2,909
- other restricted cash	3,581	60
Total	**129,430**	**92,989**

(PLN '000)

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 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
- change in inventories in the statement of financial position	(5,927)	78,771
- recognition of wind farm development under non-current assets	-	(95,484)
- inventories of the merged subsidiaries at beginning of period	-	13,326
- other	-	(134)
Change in inventories in the statement of cash flows	**(5,927)**	**(3,521)**

Receivables:

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
- change in current and non-current receivables, net in the statement of financial position	(45,149)	(125,002)
- receivables of the merged subsidiaries as at the merger date	-	114,882
- change in investment receivables	-	172
- change in financial receivables	6,826	3,436
- change in other receivables	-	(1,084)
Change in receivables in the statement of cash flows	**(38,323)**	**(7,596)**

Liabilities:

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
- change in liabilities, net of borrowings, in the statement of financial position	32,369	435,887
- change in finance lease payables	1,032	733
- change in investment commitments	17,006	(19,386)
- liabilities of the merged subsidiaries as at the merger date	-	(399,263)
- change in financial liabilities	4,638	(24,074)
Change in liabilities in the statement of cash flows	**55,045**	**(6,103)**

Prepayments, accruals and deferrals:

	For the 12 months ended Dec 31 2015	For the 12 months ended Dec 31 2014
- change in accruals and deferrals in the statement of financial position	(9,123)	8,625
- commissions on credit facilities	5,823	124
- accruals and deferrals of the merged subsidiaries at beginning of period	-	(1,838)
- property, plant and equipment under construction, not invoiced	3,002	(5,181)
- cost transferred to equity	(683)	(11,568)
- other	(19)	-
Change in accruals and deferrals in the statement of cash flows	**(1,000)**	**(9,838)**

39. 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 enters into transactions involving derivative instruments, primarily forward contracts to hedge its currency and market prices risks. The purpose of these transactions is to manage the currency risk and the risk of market prices which arise in the course of the Group's operations and in connection with the sources of financing it uses.

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.

Interest rate risk

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

It is the Group's policy to manage its interest expense by using debt financing based on floating rates. To hedge interest payments under its borrowings, the Group uses financial derivatives.

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. The effect on the Group's equity is not presented.

period ended Dec 31 2015	***Increase/decrease (percentage points)***	***Effect on pre-tax profit/loss over 12 consecutive months (PLN '000)***
1M WIBOR	1%	(9,804)
1M EURIBOR	1%	(360)
1M WIBOR	-1%	9,804
1M EURIBOR	-1%	360

period ended Dec 31 2014		
1M WIBOR	1%	(6,026)
1M EURIBOR	1%	(421)
1M WIBOR	-1%	6,026
1M EURIBOR	-1%	421

(PLN '000)

Currency risk

The Group's currency risk involves primarily the risk of changes in the euro exchange rate with respect to its short currency position under bank deposits, investment commitments, and investment credit facilities. As at December 31st 2015, the position was valued at EUR 8.4 thousand. This position is not hedged against changes in currency exchange rates.

Except in the case of the above unhedged currency position, in negotiating the terms of hedging derivatives, the Group seeks to match those terms with the terms of the hedged position, thus ensuring the maximum effectiveness of hedging; for more detailed information, see Note 41.

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***
Dec 31 2015 − EUR	+ 0.01 PLN/EUR	(84)
	- 0.01 PLN/EUR	84
Dec 31 2014 − EUR	+ 0.01 PLN/EUR	(99)
	- 0.01 PLN/EUR	99

In the year ended December 31st 2015, the Group incurred finance costs of PLN 5 thousand under unrealised exchange differences.

In the period December 31st 2015–March 31st 2016, movements in the PLN/EUR exchange rate may significantly affect the amount of unrealised exchange differences. The result on unrealised exchange differences as at March 31st 2016 will mainly depend on the difference between PLN/EUR exchange rates on December 31st 2015 and March 31st 2016, with the appreciation/depreciation of the Polish złoty against the euro having a positive/negative effect on the net profit at a rate of ca. PLN 84 thousand for each PLN 0.01 of the difference relative to the exchange rate as at December 31st 2015 (PLN 4.2615/EUR).

Credit risk

The Group executes transactions only with reputable companies enjoying sound credit standing. Each customer who wishes to trade on credit terms is subject to credit verification procedures. Moreover, thanks to ongoing monitoring of receivable balances, the Group's exposure to the risk of unrecoverable receivables is insignificant.

With respect to the Group's other financial assets, such as cash and cash equivalents, financial assets available for sale and certain derivative instruments, credit risk is related to the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such instruments.

The Group records no material concentration of credit risk.

Cash at banks is held with well-rated banks. There is no concentration of credit risk, because the Group deals with several reputable banks.

Trade receivables are owed mainly by customers having good credit ratings with whom the Group maintains continued business links.

(PLN '000)

Liquidity risk

The Group monitors the risk of its funds being insufficient to pay liabilities as they fall due using periodic liquidity planning. This planning takes into consideration maturities of both investments and financial assets (e.g. receivables, other financial assets) and forecast cash flows from operating activities.

The Group aims to balance financing continuity and flexibility by using different financing sources, including account overdrafts, credit facilities, finance lease agreements and lease agreements with a purchase option.

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

Dec 31 2015	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	65,421	100,668	541,029	768,931	**1,476,049**
Other liabilities	161,393	4,908	39,313	-	**205,614**
Trade payables	178,344	-	3	-	**178,347**

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	157,830	605	43,000	-	**201,435**
Trade payables	128,484	-	3	-	**128,487**

40. Financial Instruments

Fair values of individual financial instrument classes

The table below compares carrying amounts and fair values of all of the Group's financial instruments, by classes and categories of assets and liabilities.

	Category under IAS 39	Carrying amount Dec 31 2015	Carrying amount Dec 31 2014	Fair value Dec 31 2015	Fair value Dec 31 2014
Financial assets					
Forward contracts	Level 2	106,584	115,081	106,584	115,081
Financial liabilities					
Bank borrowings	Level 2	1,147,887	787,161	1,147,887	787,161
SWAPs	Level 2	5,618	9,804	5,618	9,804
Forward	Level 2	6,065	-	6,065	-
Forward contracts	Level 2	111,027	101,555	111,027	101,555

Level 2: The fair value is measured based on other inputs that are observable for the asset or liability, either directly or indirectly. As similar contracts are traded in an active market, the prices reflect results of actual transactions in similar derivative instruments. The fair value of borrowings is determined

using their amortised cost, i.e. an analysis of future cash flows discounted using the effective interest rate.

The fair values of current and non-current receivables and liabilities approximate their carrying amounts.

Interest rate risk

The table below presents the carrying amounts of the Group's financial instruments exposed to the interest rate risk, by maturity. Their classification into individual years reflects the dates when the borrowings mature.

Dec 31 2015

INTEREST RATE RISK

Floating-rate interest	*<1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
PLN bank borrowings	115,308	90,184	94,051	97,509	63,538	651,648	1,112,238
EUR bank borrowings	6,028	6,305	7,353	7,690	8,044	229	35,649
Fixed-rate interest	*<1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets	362,096	-	-	-	-	-	362,096
Finance leases	294	288	303	318	333	1,699	2,941

Dec 31 2014

INTEREST RATE RISK

Floating-rate interest	*<1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
PLN bank borrowings	85,964	66,648	68,578	95,689	45,154	383,443	745,476
EUR bank borrowings	6,029	6,030	6,307	7,355	7,692	8,272	41,685
Fixed-rate interest	*<1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets	416,809	-	-	-	-	-	416,809
Finance leases	294	437	600	640	684	548	3,203

Interest rates for financial instruments earning interest at floating rates are updated in periods of less than one year.

41. Hedging

Cash-flow hedges at fair value

As at December 31st 2015, the Group held the following hedging instruments for cash flow hedge accounting purposes:

Maturity date of the hedging instrument	Value of the hedge Currency purchase (EUR '000)	Hedging rate	Instrument
Mar 31 2016	2,604.38	4.2145	Forward
Mar 31 2016	1,953.28	4.2265	Forward
Mar 31 2016	2,604.38	4.2262	Forward
	7,162.04		

The fair value of the hedge as at the reporting date is PLN 6,065 thousand and is disclosed in current liabilities.

The main purpose of the hedging transactions is to mitigate the effect of exchange rate movements on the value of future highly probable foreign-currency payments under investment agreements.

Hedge accounting seeks to eliminate the risk of an accounting mismatch upon recognition of the hedging instrument’s and the hedged item’s effect on the entity’s net profit or loss. The result on the forward transaction settlement will be carried as property, plant and equipment under construction and will be charged to profit or loss throughout the depreciation period of ca. 20 years.

Interest rate risk hedging.

Maturity date of the hedging instrument	Value of the hedge (PLN ‘000)	Interest rate hedged	Instrument
Apr 29 2019	98,164.00	4.95%	IRS
Jun 15 2021	143,649.00	3.07%	IRS
	241,813.00		

The fair value of the hedge as at the reporting date is PLN 5,618 thousand and is disclosed in non-current liabilities.

The purpose of the hedging transactions is to mitigate the effect of interest rate movements on the value of future highly probable loan repayments.

Hedge accounting seeks to eliminate the risk of an accounting mismatch upon recognition of the hedging instrument’s and the hedged item’s effect on the entity’s net profit or loss. The result of the hedging transaction will be taken to statement of profit or loss on exercise of the hedge.

As at December 31st 2015, the Group recognised PLN 3,632 thousand in other comprehensive income (2014: PLN 1,958 thousand) being a component of equity, on account of the effective portion of the hedging instrument’s fair value as at the reporting date.

42. 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 Group may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the year ended December 31st 2015 and financial year ended December 31st 2014, there were no changes in the capital structure management objectives, policies and processes.

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 less cash and cash equivalents.

	Dec 31 2015	Dec 31 2014
Interest-bearing borrowings	1,147,887	787,161
Less cash and cash equivalents	(362,096)	(416,809)
Net debt	**785,791**	**370,352**
Equity	1,397,251	1,333,984
Total equity	**1,397,251**	**1,333,984**
Equity and net debt	**2,183,042**	**1,704,336**

(PLN '000)

Leverage ratio	36%	22%

A change of the leverage ratio results from contracting investment credit facilities. The leverage ratio level is consistent with the financing policy of the Group.

43. Significant related-party transactions

As at December 31st 2015, GEO Kletnia Sp. z o.o was an associated entity.

Transactions with related parties in the year ended December 31st 2015:

	Costs	Revenue
Ciech Sarzyna S.A.	2,674	28,210
Ciech S.A.	-	1,194
Soda Polska Ciech S.A.	-	19,273
Alwernia S.A.	-	3,011
Ciech Vitrosilicon S.A.	-	2,855
Ciech Pianki Sp. z o.o.	-	272
Ciech Transclean Sp. z o.o.	-	12
Krucza Inwestycje KREH 1 Sp. z o.o. S.K.	2,388	-
Kulczyk Holding	470	-
Kulczyk Investments	1,692	-
Polenergia Holding	608	791
Polenergia International	-	575
Polskie Biogazownie Energy Żórawina	1,003	66
Polskie Biogazownie Energy Zalesie	2,332	19
Polenergia Biogaz	13	152
Polenergia Usługi Sp.z o.o.	7	70
Polskie Biogazownie SA	-	34
Crumbleton Limited	-	29
Mansa International Sp. z o.o.	-	17
Ocorel Ltd	-	15
Total	**11,187**	**56,595**

For information on transactions with members of the parent's Management Board and Supervisory Board, see Notes 46 and 47.

44. Compensation for stranded costs and cost of gas

Compensation for stranded costs

ENS Sp. z o.o. – a subsidiary − calculates stranded costs for the period April 2008–May 2020 ("adjustment period") using formulas specified in Art. 30 and Art. 31 of the LTC Termination Act. The estimate is based on the following items:

- revised net carrying amount of power generating property, plant and equipment as at January 1st 2007,
- depreciation of power generating property, plant and equipment for the purposes of corporate income tax in the period January 1st 2007 − March 31st 2008,

(PLN '000)

- operating profit or loss in the adjustment period, calculated based on realised and forecasted revenue from sale of electricity and operating expenses related to sales of electricity, adjusted for depreciation and amortisation for the purposes of corporate income tax,
- net carrying amount of power generating property, plant and equipment after the end of the adjustment period.

The maximum amount of stranded costs calculated as described above is allocated to individual years (including 2015) according to the Company's allocation method (based on operating profit or loss for a given year).

Due to the length of the period covered by the calculations, the estimated amounts may change; the amounts disclosed as at the end of the reporting period have been estimated based on the Company's best knowledge and data available on that date.

	For the period ended Dec 31 2015
compensation for stranded costs, entered in the books	96,059

In 2015, the Company received the following payments as compensation for stranded costs from Zarządca Rozliczeń S.A.:

	For the period ended Dec 31 2015
prepayment for Q4 2014	29,436
prepayments for Q1-Q4 2015	26,057
Settlement for the previous year	45,098
Total	**100,591**

Compensation for cost of gas

The amount of compensation for the cost of gas is estimated as the product of gross electricity generated by the Company in the period using gas fuel (less electricity used to generate heat), the difference between the Company's average cost of gas and the average cost of coal in coal-fired centrally dispatched generating units, and the adjustment coefficient referred to in the LTC Termination Act.

	For the period ended Dec 31 2015
compensation for cost of gas, entered in the books	55,964

(PLN '000)

In 2015, the Company received the following payments as compensation for cost of gas from Zarządca Rozliczeń S.A.:

	For the period ended Dec 31 2015
prepayment for Q4 2014	11,523
prepayments for Q1-Q4 2015	45,482
Settlement of compensation for cost of gas for the previous year	17,098
Total	**74,103**

45. Workforce

Set out below is the Group's workforce by type of position as at December 31st 2015 and December 31st 2014:

	Dec 31 2015	Dec 31 2014
Management Board	4	4
Administrative division	123	127
Operating division	145	148
Total headcount	**272**	**279**

46. Information on the total amount of remuneration and awards (in cash or in kind) paid or payable to members of the Management and Supervisory Boards of the parent

In 2015 and 2014, remuneration of members of Management Board of the parent and Subsidiaries was as follows:

	Dec 31 2015	Dec 31 2014
Zbigniew Prokopowicz	1,989	1,495
Jacek Głowacki	1,885	508
Anna Kwarcińska	949	801
Michał Kozłowski	949	801
Total	**5,772**	**3,605**

Certain Management Board members are party to a mutual agreement on termination of employment within the next 6-12 months. If a Management Board member being a party to such agreement resigns, the Company is required to pay severance pay equal to 50% of remuneration received by such Management Board member over the last 12 months.

(PLN '000)

In 2015 and 2014, remuneration of members of the parent's Supervisory Board was as follows:

	Dec 31 2015	Dec 31 2014
Jacek Głowacki	-	24
Arkadiusz Jastrzębski	36	36
Tomasz Mikołajczak	54	54
Mariusz Nowak	36	36
Marek Gabryjelski	31	36
Łukasz Rędziniak	36	36
Dawid Jakubowicz	2	-
Orest Nazaruk	2	-
Total	**197**	**222**

47. Transactions with members of the Group's Management and Supervisory Boards, their spouses, siblings, ascendants, descendants, or other closely related persons

In the year ended December 31st 2015, no transactions were entered into with members of the Management and Supervisory Boards, their spouses, siblings, ascendants, descendants, or other closely related parties.

48. Fees paid or payable to the auditor or auditing firm

The table below presents fees paid or payable to qualified auditors of financial statements for the year ended December 31st 2015 and December 31st 2014, by type of service:

Type of service	Dec 31 2015	Dec 31 2014
Review and audit of financial statements	478	865
Other services	-	70

49. Carbon dioxide (CO_2) emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Both EU membership and the Kyoto protocol require Poland to participate in the emissions trading scheme. The emissions trading mechanism was introduced on January 1st 2005 upon the entry into force of Directive 2003/87/EC of the European Parliament and of the Council, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of December 22nd 2004. The Act was superseded by the Act on Trading in Greenhouse Gas Emission Allowances, dated April 28th 2011. The trading period 2013–2020 is regulated by the Act on Trading in Greenhouse Gas Emission Allowances of June 12th 2015.

The facilities owned by the Polenergia Group: Zakrzów CHP plant (number in the National Allocation Plan of Carbon Dioxide (CO_2) Emission Allowances: KPRU No.: PL 0075 05), Mercury power plant (KPRU No.: PL 0879 05), and Nowa Sarzyna CHP plant (KPRU No. PL 0472 05) are combustion installations with a rated thermal input in excess of 20 MW, participating in the EU emissions trading scheme.

In the current trading period 2013–2020, pursuant to Directive 2003/87/EC of the European Parliament and of the Council, amended by Directive 2009/29/EC of the European Parliament and of the Council of April 23rd 2009:

The Zakrzów CHP plant was provisionally allocated from 7, 956 free EUAs in 2013 to 6,957 in 2020 pursuant to Art.10a (the difference is due to application of the adjustment coefficient). It should be noted that in 2013–2016 the number of allocated allowances was reduced by half given the lower heat volume generated by the plant in 2012–2015. Given the reduced emissions of CO_2, the number of allowances allocated to the plant will be sufficient for the settlement of emission allowances.

Pursuant to Art. 10c – by way of derogation – the Mercury power plant, as an electricity producer and an installation included in the list of the National Investment Plan, received emission allowance allocations, which, in line with the EC Decision, will be reduced to 0 in 2020. The Mercury power plant was not allocated emission allowances for 2013–2015, as the plant upgrades specified in the application form were not completed.

The Nowa Sarzyna CHP plant was allocated free emission allowances under Art. 10a for 2013–2020 for CO_2 emission volumes of 34,256 tonnes of CO_2 in 2013 to 22,495 tonnes in 2020.

As at the day of the Transaction, CO_2 emission allowances were measured at their fair value and presented as intangible assets.

The Nowa Sarzyna CHP plant was also allocated CO_2 emission allowances under Art. 10c. However, as no investments by the CHP were included in the National Investment Plan, the allowances were not transferred to the operator's account.

The preliminary unaudited reports of CO_2 emissions (obligatory submission of audited annual reports to the National Centre for Emissions Balancing and Management ("KOBIZE") by March 31st each year for the preceding year) for the Mercury power plant, the Zakrzów CHP plant and the Nowa Sarzyna CHP plant indicate that in 2015 the plants produced the following amounts of emissions:

• Zakrzów CHP plant − 2,930 tonnes;

• Mercury power plant - 33,331 tonnes.

Nowa Sarzyna CHP plant - 334,529 tonnes. , Since January 1st 2013, all the installations have operated under new CO_2 emission monitoring plans, approved by the competent authorities, which are compliant with the requirements of: Commission Regulation (EU) No. 601/2012 of June 21st 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Commission Regulation (EU) No 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council.

Pursuant to the Act on Trading in Greenhouse Gas Emission Allowances of June 12th 2015, the plants covered by the system are obligated to apply for emissions trading permits, which are to replace the existing permits and monitoring plans, within 12 months from the effective date of the Act.

Allocation of CO_2 emission allowances to be used until 2020:

Zakrzów CHP plant – 21,958 tonnes

Nowa Sarzyna CHP plant – 159,101 tonnes.

50. Licences

On October 4th 2001, Polenergia Obrót S.A. received a decision of the President the Energy Regulatory Office on grant of a licence for trade in electricity from October 10th 2001 to October 10th 2021. The licence holder is authorised to conduct, for profit and on its own behalf, in an organised and continuous manner, commercial business activity consisting in sale of electricity to customers in Poland.

On July 20th 2005, Interpep EC Zakrzów Sp. z o.o., Spółka komandytowa received a decision of the President of the Energy Regulatory Office on grant of a licence for heat generation from July 25th 2005 to July 25th 2015. The activity permitted under the licence consists in heat generation at the Wrocław - based Zakrzów CHP plant, with thermal input of 23.2 MWt. The fuel used by the plant is high-methane natural gas. The company filed a request with the President of the Energy Regulatory Office for extension of the licence until July 25th 2030. On November 6th 2014, the Group received a decision of the President of the Energy Regulatory Office on grant of a licence for heat generation by the Zakrzów CHP plant from July 26th 2015 to July 25th 2030.

On January 8th 2007, Dipol Sp. z o.o. received a decision of the President of the Energy Regulatory Office on grant of a licence for electricity production from January 10th 2007 to January 10th 2022. The activity permitted under the licence consists in electricity production at the Gnieżdżewo wind farm, a 22,000 MW renewable energy source.

On December 22nd 2008, Polenergia Dystrybucja Sp. z o.o. received a decision of the President of the Energy Regulatory Office on grant of a licence for trade in electricity from December 29th 2008 to December 31st 2025.

On February 27th 2009, Polenergia Kogeneracja Sp. z o.o. received a decision of the President of the Energy Regulatory Office on grant of a licence for trade in gaseous fuels from March 1st 2009 to December 31st 2025. The licence holder is authorised to conduct business consisting in sale of natural gas to customers in the town and municipality of Tomaszów Mazowiecki. On October 14th 2015, Polenergia Kogeneracja Sp. z o.o. received a decision of the President of the Energy Regulatory Office on amendment to the licence allowing the company to extend its business activity to the territory of Poland.

On February 27th 2009, Polenergia Kogeneracja Sp. z o.o. received a decision of the President of the Energy Regulatory Office on grant of a licence for distribution of gaseous fuels from March 1st 2009 to December 31st 2025. The licence holder is authorised to conduct business consisting in distribution of gaseous fuels to customers in the town and municipality of Tomaszów Mazowiecki over medium-pressure and high-pressure networks.

On July 20th 2009, Polenergia Dystrybucja Sp. z o.o received a decision of the President of the Energy Regulatory Office on grant of a licence for distribution of electricity from July 20th 2009 to December 31st 2025.

On February 1st 2012, Amon Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from February 1st 2012 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Łukaszów wind farm, a 34,000 MW renewable energy source.

On February 1st 2012, Talia Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from February 1st 2012 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Modlikowice wind farm, a 24,000 MW renewable energy source.

On February 13th 2014, Polenergia Obrót S.A. received a decision of the President of the Energy Regulatory Office on grant of a licence for trade in gaseous fuels from February 17th 2014 to December 31st 2030. Under the licence, the licence holder conducts business consisting in sale in gaseous fuels to customers in Poland.

On March 13th 2014, PPG Polska Sp. z o.o. received a decision of the President of the Energy Regulatory Office on grant of a licence for trade in gaseous fuels from March 17th 2014 to December 31st 2030. Under the licence, the licence holder conducts business consisting in sale of gaseous fuels to customers in Poland.

On May 27th 2014, Polenergia Obrót S.A. received a decision of the President of URE on grant of a licence for trade in natural gas with foreign partners for the period from June 1st 2014 to December 31st 2030. Under the licence, the licence holder conducts business consisting in trade in natural gas with foreign partners.

On October 21st 2014, Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from October 21st 2014 to December

31st 2030. The activity permitted under the licence consists in electricity production at the Rajgród wind farm, a 25,300 MW renewable energy source.

On December 12th 2014, Grupa PEP - Farma Wiatrowa 1 Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from December 12th 2014 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Gawłowice wind farm, a 41,400 MW renewable energy source.

On August 31st 2015, Grupa PEP - Farma Wiatrowa 1 Sp. z o.o. received a decision of the President of the Energy Regulatory Office on grant of a licence for electricity production from August 31st 2015 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Skurpie wind farm, a 36,800 MW renewable energy source. On December 17th 2015, Grupa PEP – Farma Wiatrowa 4 Sp. z o.o. received a decision of the President of the Energy Regulatory Office on amendment to the licence allowing the company to increase the installed capacity to 43,700 MW.

51. Events after the end of the reporting period

As at the date of preparation of these consolidated financial statements, i.e. February 17th 2016, no events had occurred which should have been but were not disclosed in the accounting records for the reporting period.