Polenergia Group

**DIRECTORS' REPORT ON
THE OPERATIONS OF
THE POLENERGIA GROUP
FOR THE YEAR ENDED DECEMBER 31ST 2014**

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Warsaw, March 11th 2015

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1. Consolidated statement of profit or loss for the twelve months ended December 31st 2014;

Presented below is the consolidated statement of profit or loss, which has been prepared to illustrate the Group's financial performance assuming that the Transaction took place on January 1st 2013. For a description of individual Neutron Group assets contributed to the Polenergia Group, see Sections 3 and 4 of this Report.

The presented performance data can serve as a basis for a complete analysis of the economic effects of the Transaction and give a full picture of the scale of the combined entities' operations over the twelve-month period, together with comparative data.

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

- The Transaction Closing, described in more detail in Note 3, took place on January 1st 2013;
- The purchase price allocation effect was recognised for the period of twelve months ended December 31st 2014.

Polenergia Group's performance (assuming that the acquisition date is the beginning of the full-year reporting period)	For period ended December 31st 2014	For period ended December 31st 2013	Change y/y	
Revenue	2,566,553	1,072,517	1,494,036	
Revenue from certificates of origin	92,485	45,515	46,970	
Revenue	**2,659,038**	**1,118,032**	**1,541,006**	
including trading segment	2,001,767	492,169	1,509,598	
Cost of sales, including	(2,541,397)	(1,014,893)	(1,526,504)	
trading segment	(1,992,662)	(482,168)	(1,510,494)	
Gross profit	**117,641**	**103,139**	**14,502**	
Other income	7,149	5,950	1,199	
Administrative expenses	(28,364)	(32,691)	4,327	
Other expenses	(9,121)	(10,306)	1,185	
EBITDA	**173,386**	**138,967**	**34,419**	
Elimination of income from lease of turbine		(1,403)	1,403	A
Elimination of purchase price allocation effect	(4,388)	-	(4,388)	B
Adjusted EBITDA*	**168,998**	**137,564**	**31,434**	
Finance income	13,309	28,015	(14,706)	
Finance costs	(43,420)	(47,934)	4,514	
Profit (loss) before tax	**57,194**	**46,173**	**11,021**	
Income tax expense	(7,625)	(7,757)	132	
Net profit (loss)	**49,569**	**38,416**	**11,153**	
Elimination of purchase price allocation effect	3,352	-	3,352	A
Elimination of income from lease of turbine		(1,136)	1,136	B
Elimination of unrealised exchange differences effect	928	829	100	C
Elimination of discount income effect	(519)	(1,703)	1,183	D
Elimination of loan valuation effect	1,106	(3,869)	4,974	E
Adjusted net profit*	**54,436**	**32,537**	**21,899**	
Adjusted EBITDA (excluding trading segment)	**162,085**	**133,597**	**28,488**	
Adjusted EBITDA margin (excluding trading segment)	**24.7%**	**21.3%**	**3.3%**	

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

A Elimination of purchase price allocation effect (assuming the acquisition was settled on January 1st 2014)
B Income from lease of turbine at the Zakrzów CHP plant recognised as a one-off item in 2013
C Unrealised exchange differences on a foreign currency-denominated loan
D Income from settlement of discount on deferred sale
E Loan valuation resulting in material finance income in 2013 and in material finance cost in 2014

Consolidated adjusted EBITDA and net profit grew significantly on the previous year, by PLN 31.4m (22.9%) and PLN 21.9m (more than 67.3%) respectively.

The significant increase in EBITDA was driven primarily by:

- Improved performance in the **wind power segment** (up by PLN 14.1m) following placement in service of the Gawłowice and Rajgród wind farms;

- Substantial growth in the **distribution** segment (up by PLN 5.4m) resulting from higher sales and distribution volumes following the inclusion of new facilities and increase in average distribution rates;

- Better results in the **biomass** segment associated with restructuring carried out in 2013, which resulted in a reduction in the unit cost of production. Together with the increased volume of sales, it helped boost EBITDA for 2014 by PLN 5.4m yoy;

- Improved performance delivered by the **trading** segment (up PLN 2.9m), reflecting higher trading volumes;

- Improved performance in the **development** segment (up by PLN 2.1m) resulting from cost reduction and different cost allocation;

An analysis of performance data for the four quarters of 2014 shows a significant increase in profitability (at the EBITDA margin level). As a result of the developments described above, the adjusted EBITDA margin (excluding trading operations, which are characterised by minimum unit margins and very high transaction volumes, accounting for 75% of the Group's revenue in the twelve months of 2014) grew by over 3 pp in the reporting period, from 21.3% to 24.7%.

As of 2015, the Group's performance data will include the results generated by the wind farms in Gawłowice and Rajgród (placed in service in Q4 2014), which are expected to achieve electricity sales of some 192 GWh in 2015 (assuming wind conditions are consistent with expectations). Results for 2016 will additionally include the effects of the Skurpie project, to be launched towards the end of 2015, which will contribute an additional 103 GWh in electricity sales. The three wind farms will significantly improve the Group's EBITDA, which will rise further following a 14 MWe capacity upgrade, expected to increase electricity sales by another 38 GWh.

The most significant progress was achieved on the following key development projects:

Onshore wind farms

- Two onshore wind projects with a total capacity of close to 67 MW (Gawłowice and Rajgród) were placed in service at the end of 2014, increasing the total installed capacity to around 147 MW.
- Construction of the 36.8 MW Skurpie wind farm commenced; the project will be placed in service by the end of 2015.
- Development of a further 114 MW of wind capacity (Mycielin/Grabowo/Piekło + G/S extension) was completed, with construction expected to commence in 2015.
- Polenergia has a portfolio of wind assets with a capacity of 678 MW, comprising:

- 284 MW of wind farms to be completed by the end of 2015 or beginning of 2016; if this schedule is met, the farms will be ready to participate in their first auction in 2016;
- 394 MW of wind farms ready to participate in auctions in 2017−2018.

Off-shore wind farms

- The most advanced offshore wind project in Poland.
- In July 2014, a grid connection agreement for 1,200 MW was signed with PSE.
- The site of the Bałtyk Środkowy II and Bałtyk Środkowy III projects was agreed with civil and military aviation authorities, and location permits were secured for the entire route of the submarine connection cable.
- A complete set of final reports were received from contractors who performed environmental surveys for BS III. Work on the environmental impact report is in progress. The goal is to obtain the environmental permit by the end of 2016.
- Offshore wind farm provisions contained in the RES Act currently in force suggest that the industry has the policy makers' support (dedicated auctions for technologies with a capacity utilisation factor of more than 4,000 MWh/MW/year effectively exclude all technologies except offshore wind and biomass-fired generation; possibility of taking part in an auction with only an environmental permit secured without the need to hold a building permit; offshore wind construction period extended to 72 months).
- Offshore wind farms are a vital part of Poland's energy strategy and, together with the Group's onshore portfolio assets, will be key contributors to meeting the 2030 carbon emission target set under the EU Climate Package of 43% below the 2005 level.

Bernau-Szczecin gas pipeline

- The project may significantly help diversify Poland's gas supply sources, and in the context of geopolitical instability last year, it gained additional relevance.
- The project also fits in with the wider gas network integration plans for Central and Eastern Europe (North-South and West-East energy corridors), which will make Poland an important transit country in the region.
- We are waiting for the Ministry of Economy to confirm its approval of the project execution with Gaz System (effectively the 'green light' from the government).
- An open season is planned in 2015, which will enable further steps to be taken to commence project construction in 2017 and commissioning in 2020.

Presented on the next page is a breakdown of the Group's consolidated performance in 2013 and 2014 by operating segments.

For period ended December 31st 2014	Conventional energy	Development	Biomass	Wind power	Distribution	Trading	Unallocated management costs	Purchase price	TOTAL
Revenue	365.5	0.1	67.0	80.7	139.7	2 001.8	0.0	4.4	2,659.0
Operating expenses	-314.2	-0.5	-63.0	-44.0	-120.2	-1 992.7	3.3	-10.1	-2,541.4
incl. depreciation and amortisation	43.1	0.0	3.7	25.2	3.9	0.0	-	10.1	86.1
Gross profit	**51.3**	**-0.5**	**4.0**	**36.7**	**19.5**	**9.1**	**3.3**	**-5.7**	**117.6**
Administrative expenses	-6.0	-0.4	-	-	-6.3	-1.4	-14.3	-	-28.4
Net other income/expenses	-0.7	-0.8	-1.7	4.1	-2.1	-0.8	0.1	-	-2.0
Operating profit	**44.6**	**-1.7**	**2.2**	**40.8**	**11.1**	**6.9**	**-10.8**	**-5.7**	**87.3**
EBITDA	87.7	-1.7	6.0	66.0	15.0	6.9	-10.8	4.4	173.4
Elimination of purchase price allocation effect								-4.4	-4.4
Adjusted EBITDA	87.7	-1.7	6.0	66.0	15.0	6.9	-10.8	-	169.0
Net finance income/cost	-0.4	0.8	-1.5	-21.4	-2.1	-1.0	-4.7	-	-30.1
Profit (loss) before tax	**44.2**	**-0.9**	**0.8**	**19.4**	**9.1**	**5.9**	**-15.5**	**-5.7**	**57.2**
Income tax expense	-	-	-	-	-	-	-	-	-7.6
Net profit (loss) for period	-	-	-	-	-	-	-	-	49.6
Elimination of purchase price allocation effect									3.4
Elimination of unrealised exchange differences effect									0.9
Elimination of discount income effect									-0.5
Elimination of loan valuation effect									1.1
Adjusted net profit	-	-	-	-	-	-	-	-	54.4

For period ended December 31st 2013	Conventional energy	Development	Biomass	Wind power	Distribution	Trading	Unallocated management costs	Purchase price	TOTAL
Revenue	358.8	-	59.6	64.9	142.5	492.2	-	-	1,118.0
Operating expenses	-305.9	-0.4	-58.3	-40.2	-128.0	-482.2	-	-	-1,014.9
incl. depreciation and amortisation	43.1	0.0	3.8	22.5	3.4	0.0	-	-	72.9
Gross profit	**52.9**	**-0.4**	**1.3**	**24.7**	**14.6**	**10.0**	**-**	**-**	**103.1**
Administrative expenses	-6.1	-1.0	-	-	-7.5	-6.1	-12.0	-	-32.7
Net other income/expenses	-0.8	-2.4	-4.6	4.7	-0.9	0.0	-0.5	-	-4.4
Operating profit	**46.1**	**-3.8**	**-3.2**	**29.4**	**6.3**	**3.9**	**-12.5**	**-**	**66.1**
EBITDA	89.2	-3.8	0.6	51.9	9.6	4.0	-12.5		139.0
Elimination of income from lease of turbine	-1.4								-1.4
Adjusted EBITDA	87.8	-3.8	0.6	51.9	9.6	4.0	-12.5		137.6
Net finance income/cost	0.8	2.6	-2.2	-15.4	-2.6	-2.3	-0.8	-	-19.9
Profit (loss) before tax	**46.9**	**-1.2**	**-5.4**	**14.0**	**3.6**	**1.6**	**-13.3**	**-**	**46.2**
Income tax expense	-	-	-	-	-	-	-	-	-7.8
Net profit (loss) for period	-	-	-	-	-	-	-	-	38.4
Elimination of income from lease of turbine									-1.1
Elimination of unrealised exchange differences effect									0.8
Elimination of discount income effect									-1.7
Elimination of loan valuation effect									-3.9
Adjusted net profit	-	-	-	-	-	-	-	-	32.5

Adjusted EBITDA yoy	-0.1	2.1	5.4	14.1	5.4	2.9	1.7	0.0	31.4

2. Legal environment

For details on legislative acts that are relevant to the Polenergia Group's business, see „Description of material risk factors and threats".

3. The Group's organisational structure

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

As part of the Closing:

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

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

The Contribution made in exchange for Contribution Shares ("Contribution Shares") 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 Polenergia Elektrownia Północ Sp. z o.o. (previously: Elektrownia Północ Sp. z o.o.) – a company responsible for the development of a base-load coal-fired power plant with a target 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. (previously Bałtyk Północny S.A.), Polenergia Bałtyk Sp. z o.o. (previously Bałtyk Środkowy II Sp. z o.o.), Polenergia Bałtyk III Sp. z o.o. (previously Bałtyk Środkowy III Sp. z o.o.) – companies responsible for the development 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 development of a pipeline connecting the gas systems of Poland and Germany;
- 20% of shares in GEO Kletnia Sp. z o.o. – a company responsible for the development of a wind farm with a capacity of approximately 40 MW.

On September 11th 2014, the District Court for the Capital City of Warsaw registered the amendments to the Company's Articles of Associations made under a resolution of the Company's General Meeting dated August 18th 2014, including the Company's share capital increase to PLN 90,887,094.00, through the issue of 24,129,580 Series Z shares, and change of the Company's name to Polenergia SA.

On February 27th 2015, the Management Board of the Warsaw Stock Exchange (the "WSE") passed a resolution under which, as of March 3rd 2015:

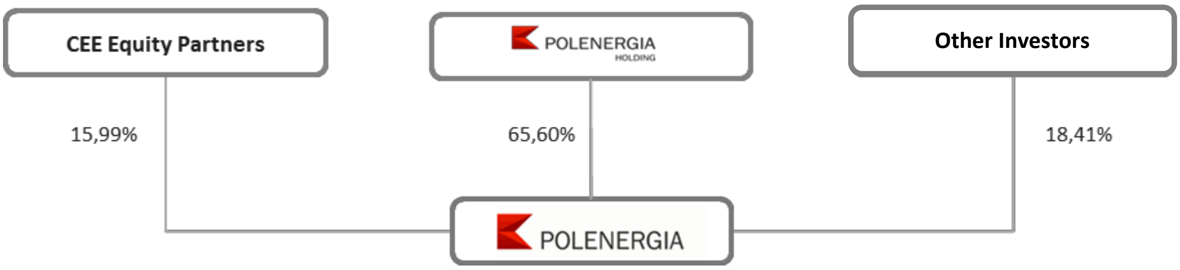
24,129,580 Series Z ordinary bearer shares in the Company were introduced to trading on the WSE.

4. The Group's development strategy

4.1 Introduction

The Polenergia Group ("Polenergia", the "Group") was formed on August 18th 2014 through the integration of assets of the Polenergia Holding Group and Polish Energy Partners S.A. Concurrently, the subscription for 15.99% of new shares by CEE Equity Partners fund ("CEE Equity") for PLN 240m provided capital required for business development. Following the integration of Polenergia Holding's assets and the investment made by CEE Equity Partners, the shareholding structure is as follows:

Figure 1: Shareholding structure after the subscription for new shares by Polenergia Holding and CEE Equity



The new Group pursues a long-term strategy to create an integrated power 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. This will ensure stable revenue streams and returns from operations. The Management Board intends to pay dividend to shareholders regularly as of 2017.

A substantial part of profit generated by the Group will be used to finance the equity for realisation of new projects, with the balance raised through debt financing. At the same time, the Group pursues a long-term goal of maintaining an adjusted consolidated net debt to EBITDA ratio of less than 3x (after accounting for full-year profit or loss on all wind farms commissioned after 2016).

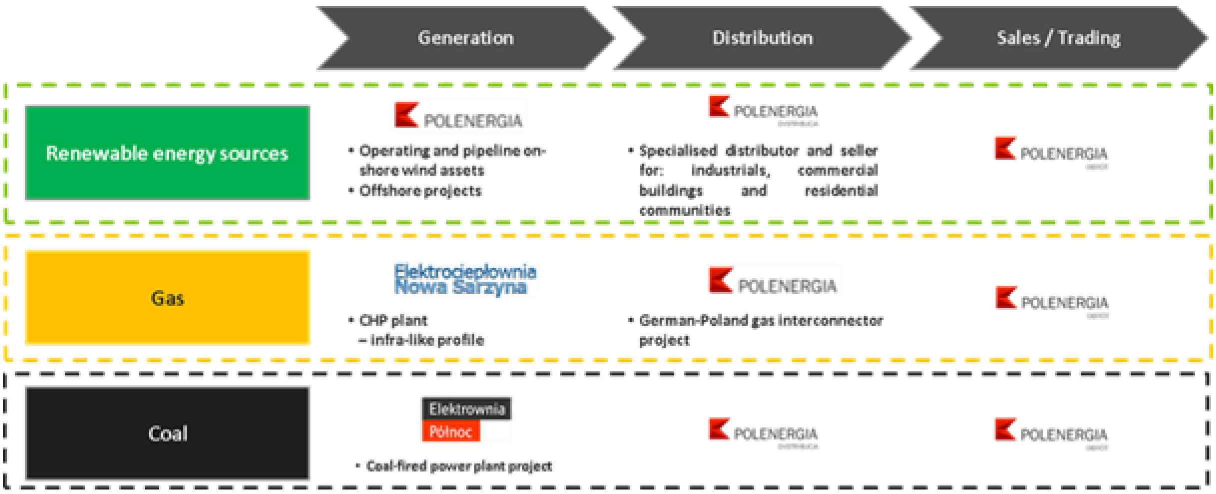
4.2 Development strategy

Polenergia operates in the power sector, pursuing a long-term strategy to create an integrated power 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.

Polenergia's portfolio of operational generation assets, as well as its projects which are to be launched in the future, are expected to generate revenue from sales of energy and certificates under long-term contracts and stable revenue from regulated distribution and transmission operations, which significantly mitigates the risk related to market price fluctuations. The value growth strategy is also supported by a significant improvement of the regulatory environment in the areas of renewable energy and cogeneration.

The Group is the only vertically integrated power group listed on the WSE and independent of the Polish State Treasury. Its objective is to have its shares included in the WIG50 exchange index. The Group is distinguished by a strong presence in the RES segment, a portfolio of predictable and significant gas-fired generation assets, the ability to earn stable revenue from regulated distribution and transmission assets, high management efficiency, cost control, and robust profit margins achieved through its presence across the value chain.

Figure 2 Value chain of the vertically integrated Group



Source: the Company.

The Group will seek to maximise performance and profitability through a presence at all levels of the integrated electricity supply chain – from RES-based generation with guaranteed electricity sales from priority access to the grid, and a gas-fired CHP plant that is a stable, regulated revenue source and can be a balancing source for the RES, through the regulated and stable distribution segment, to activities involving physical delivery of electricity to own customer base and physical trading in electricity, property rights, and gas – and by leveraging the resulting synergies. Regardless of its focus on RES, in order to adapt its business model to the realities of the Polish energy market, the Group intends to maintain and develop a diversified portfolio of generation assets relying on natural gas (Nowa Sarzyna CHP plant) and, potentially, coal (Elektrownia Północ power plant), if relevant signals come from the market.

The Group also plans to establish an interconnection between the Polish and German gas systems, which will secure stable revenue from distribution and transmission services and will help the Group to substantially increase gas trading revenue. The interconnector will help diversify the sources of gas supply to Poland, which is in line with the strategic objective of Poland's energy policy.

The Group intends to continue its pioneering development projects in Poland, such as the construction of the first offshore wind farms. The Group's offshore wind farm project is the most advanced among all projects of this type currently in progress in Poland.

Depending on the prevailing market conditions, the Group will consider diversification of its generation assets by building a state-of-the-art coal-fired power plant (Elektrownia Północ Power Plant), which would rely on the abundant indigenous reserves of hard coal (supplied under a long-term contract) as its fuel source.

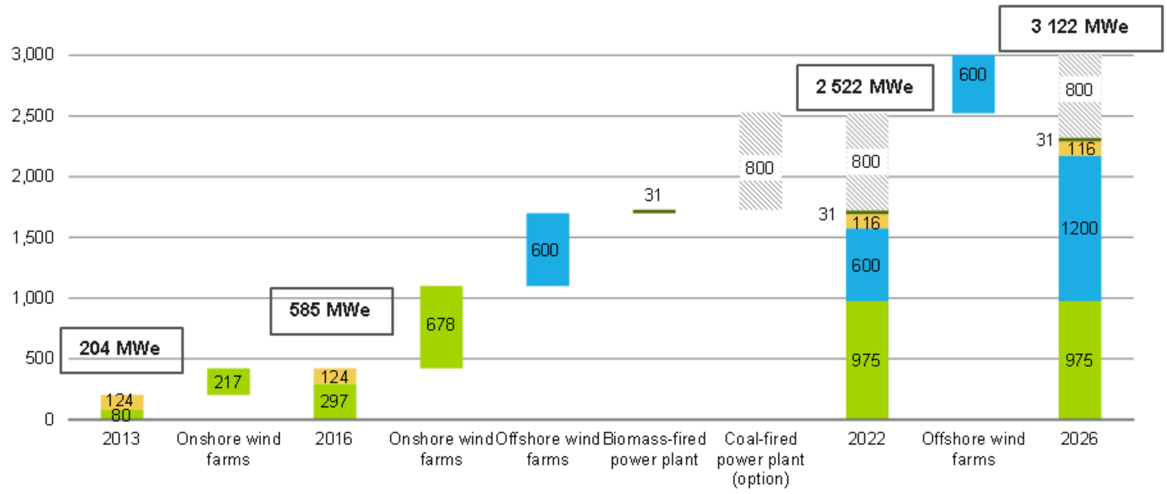
When implementing its investment projects, the Group intends to remain particularly focused on controlling operating costs to achieve high cost efficiency of its business.

The Group's long-term strategy provides for the building of an integrated power group operating in all segments of the energy market, with a particular exposure to renewable energy generation and the regulated electricity and gas infrastructure. This will ensure stable revenue streams and return on the operations. This objective is to be implemented through a number of initiatives, including in particular:

- Development of power generating sources: with a particular focus on RES,
- Maximisation of profit margins through control of the entire value chain: balancing the risk profile, maximising margins by leveraging synergies offered by the vertically integrated energy value chain, and stability of the regulated part of the Group's business, and
- Diversification of fuel sources and growth of the business.

The Group intends to intensively develop its power generation capacities, particularly in the RES segment. According to the generation capacity growth forecast presented below, the Group plans to own onshore wind farms with an aggregate capacity of 297 MWe by 2016, and potentially reach an aggregate generation capacity of 975 MWe for onshore wind farms and 600 MWe for offshore wind farms by 2022. Between 2016 and 2022, the total generation capacity built by the Group may increase from 421 MWe to a maximum of 2.5 GWe. The Group assumes that the offshore wind farm project will be implemented in cooperation with an external partner that will acquire a 50% interest in the project after all necessary approvals and permits are obtained (i.e. when the project is ready for construction). The Company does not exclude the option of selling the 100% interest in the project. The Group's plans provide for the sale of the coal-fired power plant in 2018. However, if appropriate signals come from the market, the Group could continue the project, subject to the shareholders' prior consent.

Figure 3 The Group's generation capacities (MWe) in 2013, 2016, and potential generation capacities (MWe) by 2022 and 2026, by type of power generation sources



** Offshore wind farms: the chart reflects 100% of installed capacity, while the Group intends to keep a 50% interest.*

Source: the Company.

A key objective of the strategy is growth in the Group's value, supported by a significant improvement of the regulatory environment in the areas of energy generation from renewable sources and cogeneration. The value growth strategy will be implemented in the following two phases:

Phase1, implemented until 2016 through:

- Launching new onshore wind farm capacity of 217 MWe, including:
  - the first two wind farms with a total capacity of 66.7 MWe (Rajgród and Gawłowice) were placed in service in Q4 2014, while the remaining 36.8 MWe (Skurpie wind farm) is under construction and will be placed in service in Q4 2015, increasing electricity sales in 2015 and 2016 by some 209 GWh and another 116 GWh, respectively;
  - 113.8 MWe, for which financing is being raised, is expected to be placed in service by the end of 2015. It is anticipated that these projects will contribute 368 GWh to the Group's total electricity sales.
- Executing the connection agreement in August 2014 and obtaining an environmental permit for 1,200 MWe offshore wind farms;
- Completing the development phase to reach the ready-for-construction status, including acquiring financing, for a Germany-Poland pipeline with an annual transmission capacity of up to 5bn cubic metres.

Implementation of Phase 1 will require some PLN 400m in own funding, of which approximately 70% will be spent on onshore wind farms. The financing has been partially secured following the Key Investor's subscription for shares in exchange for a cash contribution of PLN 240m. The funds will be used to finance onshore wind farms. The remaining amount will be financed with own funds (it cannot be ruled out that capital will be raised by way of an issue of shares in the future) and with debt (e.g. bonds, bank borrowings).

Phase 2, to be implemented in 2017−2022 through:

- Planned launching of another 678 MWe capacity of onshore wind farms;
- Launching 600 MWe capacity of offshore wind farms, and completing the development phase to reach the ready-for-construction status for another 600 MWe. The Group assumes that the offshore wind farm project will be implemented in cooperation with an external partner that will acquire a 50% interest in the project after all necessary approvals and permits are obtained (i.e. when the project is ready for construction). The Company does not exclude the option of selling a100% interest in the project;

- Launching the Germany-Poland pipeline with an annual transmission capacity of up to 5bn cubic metres.

The Management Board expects that Phase 2 will be financed with own funds (it cannot be ruled out that capital will be raised by way of an issue of shares in the future) and with debt (e.g. bonds, bank borrowings). The Group intends to develop, build and maintain offshore wind farms in cooperation with a partner that will acquire a 50% interest in the project after it is ready for construction. Once the project is made ready for construction, the Group may also choose to sell its entire interest to distribute the profit earned as dividend to the shareholders to avoid future capital needs related to construction financing. The decisions to build or sell offshore wind farms will be made by the shareholders once the project is made construction-ready.

A substantial part of profit generated by the Group will be used to finance the development of new projects, with the balance raised through debt financing. At the same time, the Group pursues a long-term goal of maintaining an adjusted consolidated net debt to EBITDA ratio of less than 3x over a long term (after accounting for full-year profit or loss on all commissioned wind farms).

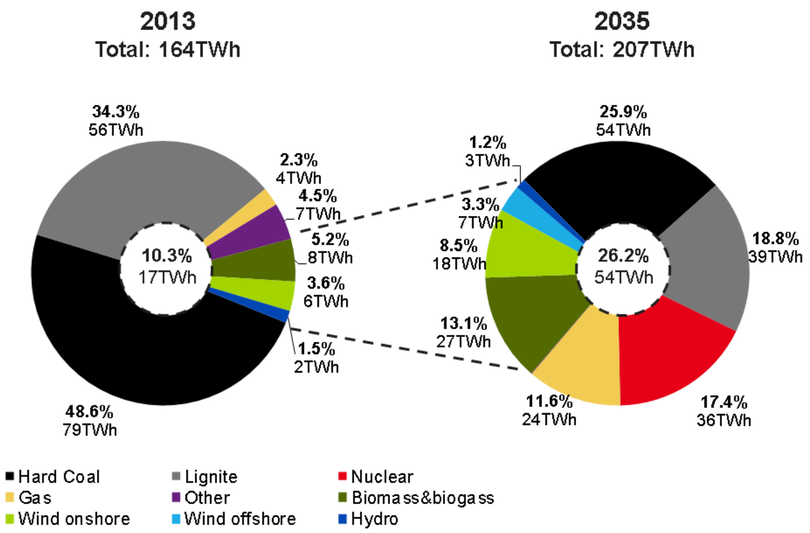
The Group intends to become the largest independent vertically integrated power group in Central Europe. Over the past few years, Poland’s energy sector has been undergoing consolidation, and this may continue into the future. Privatisation of the Polish power sector has not been completed, and the State Treasury remains the majority shareholder in the country’s four largest energy groups and other energy assets. The Group will carefully monitor developments in the market, also from the point of view of its potential participation in privatisation processes. Possible acquisitions are not ruled out, if attractive investment opportunities emerge which fit well with the Group’s strategy. Using its competence as a vertically integrated group, including with respect to optimum management of operating costs and capturing internal synergies, as well as its experience in acquisitions, the Group may become a potential attractive Polish investor in further privatisation transactions executed in the Polish power sector or involving other energy assets.

4.1 Market and regulatory environment

4.3.1 RES sector prospects in Poland

The Management Board believes Poland to be one of the most attractive markets for RES development in Europe, given the low share of RES in the country's overall energy mix. Hence, the Group's strategy will focus on increasing installed generation capacities within this segment. In the Management Board's opinion, given the climate and geographic conditions prevailing in Poland, the most promising RES generation development directions are onshore and offshore wind generation and energy generation from biomass. Accordingly, the Group will seek to build new generation capacities in these areas, with RES generation assets expected to have the largest share in the Group's generation capacity structure after 2016. This development direction is consistent with the forecast growth of the RES share in Poland's electricity output, which should increase from 10.3% in 2013 to 26.2% in 2035, as presented in the chart below.

Figure 4 Share of RES in Poland's electricity output (%)



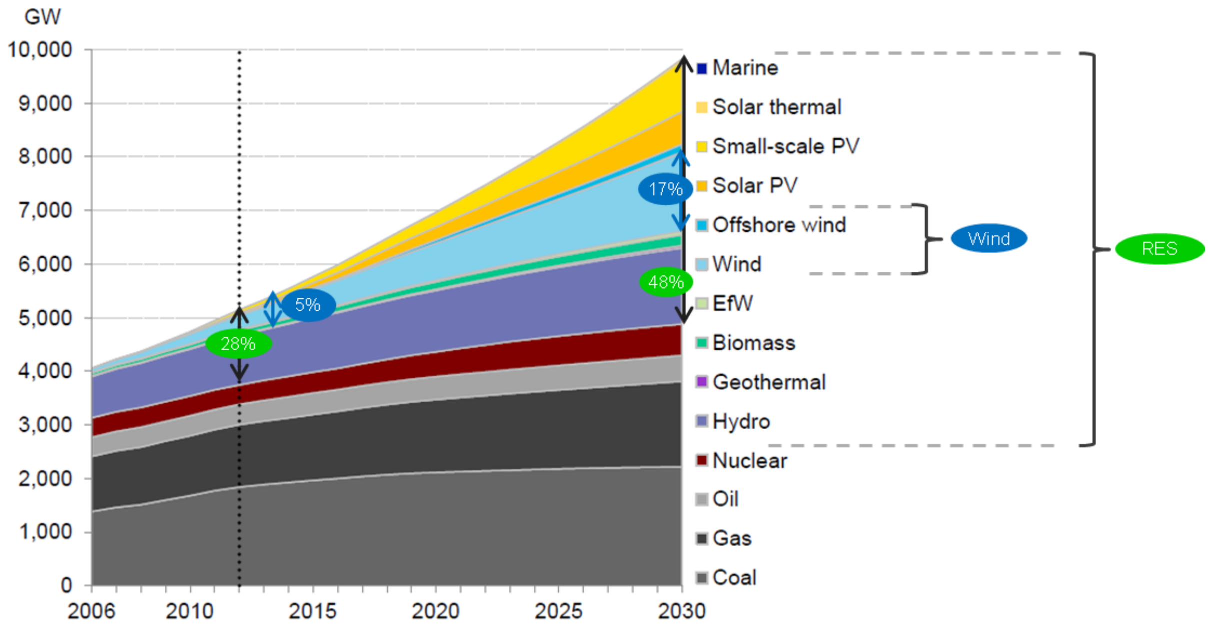
Source: ARE (data for December 2013), Polish power market scenarios, Reference Scenario, Redpoint, December 2013 (data for 2035).

In the Management Board's opinion, in the near future the development of RES generation in Poland will be additionally supported by Poland's obligation to meet the objectives of the EU climate policy by 2020 and 2030, as well as by the new support system for RES projects provided for in the RES Act, which on February 20th 2015 was passed by the lower chamber of the Polish Parliament (the Sejm) and submitted to the President for signing into law.

4.3.2 EU energy policy

The dynamic growth of RES, in particular wind power generation, is a global trend, seen also in Western Europe and Central and Eastern European countries. According to the Bloomberg New Energy Finance (BNEF) forecast, the share of RES in the total global installed generation capacities will increase from 28% in 2012 to 48% in 2030. The new RES generation assets will be dominated by wind farms: based on the forecast, their share in the total global capacities will grow from 5% in 2012 to 17% in 2030.

Figure 5 Total installed capacity of global generating assets, by power source (GWe)



Source: Global Renewable Energy Market Outlook 2013, Bloomberg New Energy Finance http://about.bnef.com/presentations/global-renewable-energy-market-outlook-2013-fact-pack-2/

Over the next few years, the development of RES generation in Poland will be additionally supported by Poland's obligation to meet the objectives of the EU climate policy, which mainly provides for reducing greenhouse gas emissions, with a simultaneous reduction of electricity prices and improvement in the security of supplies. These objectives are being pursued primarily through the development of RES generation and low-emission technologies.

Implementation of the objectives of the EU climate policy until 2020 has been provided for in the assumptions for Poland's Energy Policy until 2030 and the National Renewable Energy Action Plan. The share of renewable energy in gross final energy consumption should amount to 15.5% by 2020. Within this overall target, 19.1% of electricity should be generated from RES (with the target share of renewables in energy consumed for heating purposes at 17.1%, and in energy for transport purposes at 10.1%). Currently (as at the end of December 2013) as little as 10.3% of electricity generated in Poland comes from RES, which attests to the need to develop the RES generation market. Furthermore, this objective is also a part of Poland's Energy Policy until 2030, which highlights the need to limit the role of conventional fuels in power generation by substituting them with RES.

In an attempt to stimulate sustainable economic growth, the European Commission has engaged in consultations on new, more ambitious goals concerning reduction of greenhouse gas emissions and target levels of energy from RES in the total energy output until 2030. In line with the European Commission's proposal adopted at the Brussels climate summit in October 2014, the EU Member States will be obliged to implement solutions enabling greenhouse gas emissions to be reduced by 40% relative to 1990. A 27% target will also be set for the share of RES in total energy consumption at the EU level.

The pace of emissions reduction under the EU-ETS system, currently at 1.74% year on year, is also to increase by 2020, to 2.2% year on year. Even though certain countries receive emission allowances free of charge under special regulations, no country is exempted from the obligation to reduce greenhouse gas emissions. At present, the most cost-effective method with the highest potential to reduce emissions under the EU-ETS scheme is the substitution of conventional energy sources with renewable ones, with wind farms being the most economically viable option.

The overall target, according to which 27% of energy consumed is to be generated from RES by 2030, will be implemented by developing electricity-generating RES, whose share in the EU's total energy consumption is to reach 45% in 2030.

Both targets are very ambitious. In the opinion of the Management Board, efforts undertaken to meet them will result in dynamic development of the RES sector in Poland, which will have a positive effect on the Group's business.

EU will discuss its climate targets again during the global climate summit to be held in December 2015 in Paris. It is expected that current goals will not be lowered following the summit.

Irrespective of the EU climate policy, coal will for a long time remain the major fuel and price benchmark in the Polish energy sector. Given the CO2 emissions limits, this will drive up prices of black energy while improving the profitability of energy generation from RES and at new efficient power plants fired with coal, gas and biomass, which should benefit the Group. Wind will continue to be the key RES technology in Poland, given the attractive wind conditions, decreasing capital expenditures and the government's long-term support.

4.3.3 RES Act

To create conditions conducive to effective development of RES installations in Poland and to narrow the gap between the RES power generation sectors in Poland and the majority of EU member states, the RES Act was drafted.

On April 8th 2014, the Polish Council of Ministers approved the RES Draft Bill, having introduced self-amendments on June 11th 2014, on July 8th 2014 the RES Draft Bill was submitted to the lower chamber of the Polish Parliament (the Sejm), and on February 20th 2015 the Bill was finally passed and submitted to the President for signing into law.

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

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

The new support system will enable stable planning of the increase of RES capacities, and the predictable long-term operating conditions for the new units will help improve their access to financing. A short summary of the impact of the new regulations included in the RES Act is given below:

<u>Projects in Operation and in Construction (Green Certificates system)</u>

- Projects in operation and development/construction: Green certificates system is optional for all projects commissioned before the new renewable regulations become effective (which is before 1st January 2016) .;
- Long Term Support Maintained: 15 years from date of operation, continuation of Green Certificates System
- High level of Substitution Fee: frozen at c. PLN300/MWh (after indexation in 2014)
- Provisions for re-balancing of Green Certificate supply & demand which will lead to stabilization of green certificate prices on the level of Substitution Fee:
    - <u>Supply</u>: significant limitation of qualification for certificates which will eliminate c.50% of supply through elimination of support for hydro plants above 5 MW capacity, and reduction of support for biomass co-firing to 0.5 per MWh if share of biomass in fuel mix (calorific value) is below 20%
    - <u>Demand</u>: renewable obligation target for sales to final customers set at at 14% in 2015, 15% in 2016 and 20% in 2017 and will be determined annually based on the projected amount of

electricity to be generated from RES therefore allowing to balance demand and supply of green certificates. The option to pay the Substitution Fee will be removed in the event of certificate prices falling in average below 75% of the fee value in the period of 3 month preceding the obligation fulfilment date. Unfavourable tax treatment of costs resulting from Substitution Fee will be introduced this will result in increasing demand for Green Certificates and increasing its prices to the level close to the substitution Fee. Market prognosis used by the Management longterm assume that new RES regulations will keep green certificate prices on the level of Substitution Fee (c. PLN 300/MWh)

- Bilateral Contracts permitted: New regulations allow to sell certificates under long term contracts
- Option to move to the Auction system: all projects under the green certificates system will have the opportunity to move to an auction system (besides the co-combustion installations, if the share of biomass energy in the fuel mix of the installation is less than 20%).

New Projects: (auction system)

- Long Term Support Maintained: support for 15 years from date of operation in auction system giving fixed price contracts for 15 years
- Transparent auction system mechanics:
  - Target amount of energy produced in five 3-year settlement periods will be auctioned
  - Ministry of Economy will determine every year the Reference Price for each technology taking into account average CAPEX and OPEX for standardized project
  - only offers with proposed price equal or lower than the Reference Price for given technology will be taken into account
  - all technologies will be able to participate in the auction mechanism
  - pool of offers with lowest prices that meets the volume under given auction will be granted contracts based on the winning offer price for 15 years with price indexed annually (CPI)
- Bilateral Contracts permitted: producer will be able to sell the electricity to anyone, either in the market for example in billateral contracts (including energy groups) or to Seller which will be obliged to buy it. Differences between the price achieved through auction and the market prices (determined based on TGE quotations) will be settled by a Governmental Agency (contract for difference mechanism)
- Envisaged offshore auctions:
  - Dedicated auctions for technologies producing more than 4000 MWh per annum (effectively excluding all technologies except offshore and dedicated biomass);
  - Ability to participate in the auctions at environmental decision stage without the requirement of a building permit will decrease development risk;
  - Extended construction period to 72 months (allowing for construction of offshore farms)

The auction-based scheme for new projects ensures fixed prices with guaranteed profits, eliminating the risk of market price volatility. In the Management Board’s opinion, the mechanisms designed to regulate demand and supply will gradually eliminate the oversupply of green certificates prevailing since 2011−2012.

Effect of the RES Act on the Group

The proposed regulatory changes (primarily those introduced by the RES Act) and RES policies will affect the Group in the following way:

- Operating projects: green certificates issued for a period of 15 years provide attractive financial flows for both existing wind farms (146.7 MW) and projects under construction and development (150.6 MW) to be launched by 2015. (ie. according to estimates by the Board before the planned entry into force of the RES Law);
- The choice between existing and new support system: the existing renewable energy generation units have the ability to move at any time to the feed-in tariffs system (ie. surcharge of value between the price offered in the auction and the market price) by participating in the auction, if the feed-in tariffs will be economically more advantageous than the prices obtained in the present system of support. If the renewable generating unit will not win the auction, it remains in

the system of green certificates under the same conditions with the option of joining the next auction;

- No risk of changes in market prices of energy in auction system: tariff guaranteed by the auction system for new projects will be based on a fixed and inflation indexed annually price for the duration of support (no risk associated with changes in the prices of electricity);
- Focusing on key area of activity: as the LCOE for onshore wind farms is the lowest among all renewable energy technologies, and is expected to decline further, it is expected that this technology (together with biomass) will dominate the new system of support. In addition, it is anticipated that support for offshore wind farms, is to be regulated with separate rules for projects that begin after 2020 - this is in line with the Group's strategy, which involves the development of offshore projects with the agreed conditions of connection to the network and completion in the years 2022 -2026;
- Potential of additional return on operational efficiency: based on the Regulatory Impact Assessment published by the Ministry of Economy, together with the historical draft version of the Renewable Act, reference prices should be determined taking into account the average rate of return IRR of 12% assuming an average gross yield of 27%. Projects of the Group's portfolio have an additional competitive advantage due to a higher average productivity;
- Synergies at the level of commercial activity: the additional profits and income stability are achieved through cooperation with the company Polenergia Obrót. Draft Law does not implement any restrictions on who to sell energy and / or green certificates.

5. OVERVIEW OF THE GROUP'S BUSINESS

5.1.1 Principal business activities, products and services

The Group operates in the power sector. Inclusion of Polenergia Holding S.àr.l's assets into the Group structure has produced a strong vertically integrated and operationally diversified power group.

The holding structure is and will remain the characteristic feature of the Group. Within this structure, the Company is the Parent, managing individual special purpose vehicles and providing support in the areas of administration, finance and accounting.

The Group's operations include the following key business segments (by type of activity and energy carriers used):

	Generation	Transmission and	Sales and trading
Energy from renewable energy sources (RES)	• Power generation at onshore wind farms • Power generation at offshore wind farms(1) • Power generation from biomass(2)	• Regulated distribution of electricity • Regulated distribution of gas • Natural gas transmission (Bernau-Szczecin gas pipeline)(4)	• Wholesale trade in and sale of electricity to end customers • Trade in certificates of origin for electricity from renewable energy sources • Trade in gas
Energy from gas	• Electricity and heat generation (Zakrzów CHP plant and Mercury power plant) • Electricity and heat generation (Nowa Sarzyna CHP plant)		
Energy from coal	• Hard coal-fired electricity generation (Polenergia Elektrownia Północ power plant)(3)		

(1) Planned projects. Construction expected to start in 2020 for Polenergia Bałtyk III and in 2024 for Polenergia Bałtyk II; launch of operations in 2022 and 2026, respectively. The Group assumes that the offshore wind farm project will be implemented in cooperation with a partner that will acquire a 50% interest in the project after all necessary approvals and permits are obtained (i.e. when the project is ready for construction). The Company does not exclude the option of selling the 100% interest in the project.

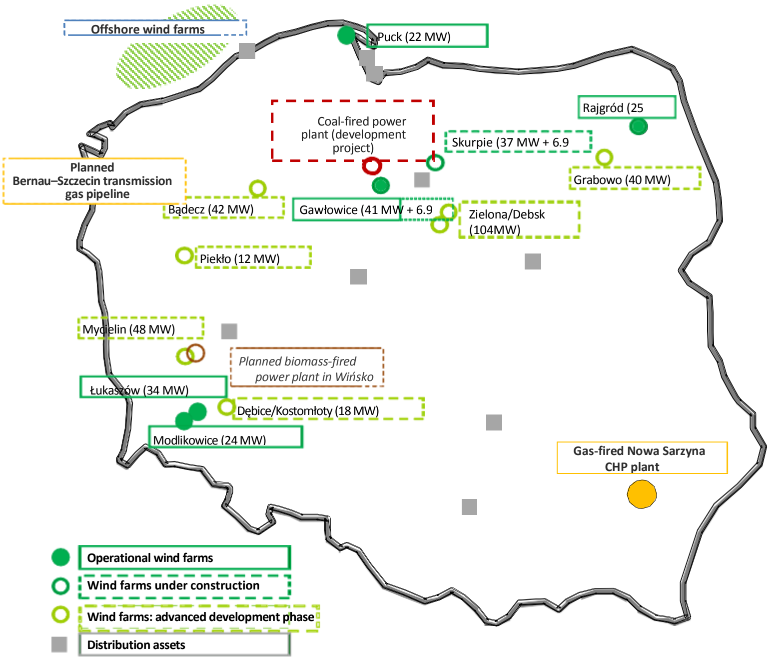
(2) Planned project. The Project will be implemented if the auction is won in a new support system in accordance with the provisions of the RES Act;

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

(4) Planned project. Construction expected to start in 2017; launch of operations planned for 2020.

The Group operates across Poland, particularly at locations offering the greatest energy potential, including the best wind-resource sites in the Baltic Sea, the windiest regions in Poland, selected coal and gas locations, as well as the most attractive urban and commercial locations in the distribution network and in the end-customer base. The Group's operations are synergistically integrated and optimised.

Figure 6: Locations of the Group's key assets and projects



Source: the Company.

** The map does not show onshore wind farms in early/middle advanced development phase, with a total capacity of 514 MWe.*

Presented below is a detailed description the Group's business by segments, reflecting the Group's vertically integrated profile in accordance with Figure 'Value chain of the vertically integrated Group', which can be found in the 'The Group's development strategy' section.

5.2 Generation segment

The segment's operations focus on three areas:

Energy from renewable energy sources (RES)

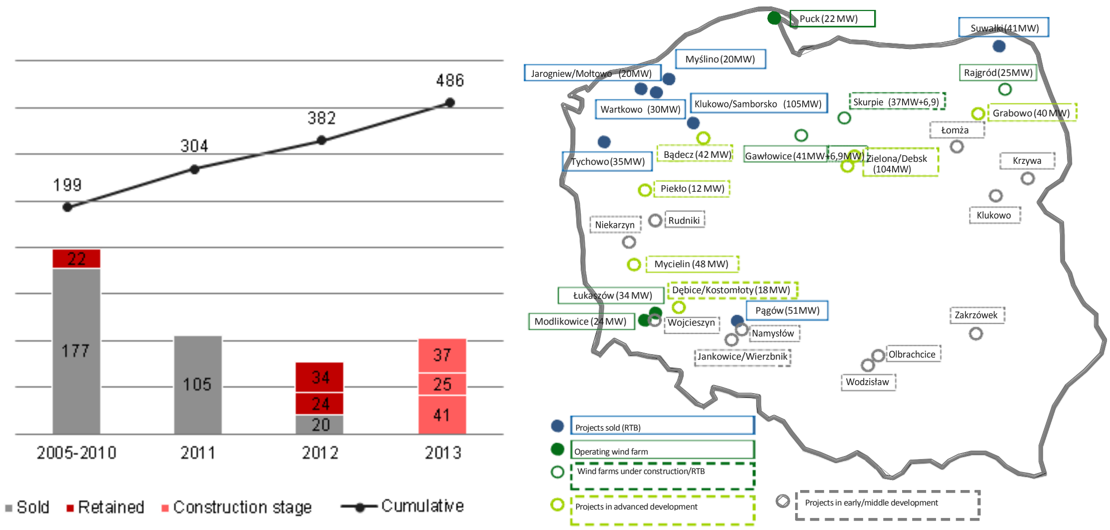
Power generation at onshore wind farms

Seeing the significant growth potential for the RES electricity market, resulting from Poland's environmental protection-related obligations (the Kyoto Protocol, Climate Package), the Group has been developing operations in the segment of development and construction of wind farms.

In the last 10 years, the Group has acquired substantial expertise in the area of wind farm development, preparing investments with a total capacity of 486 MWe, some of which were sold prior to construction. Three wind farm projects were retained and are currently operational (80 MWe). In addition, in Q4 2014 the Rajgród wind farm (25.3 MWe) and Gawłowice wind farm (41.4 MWe) were placed in service.

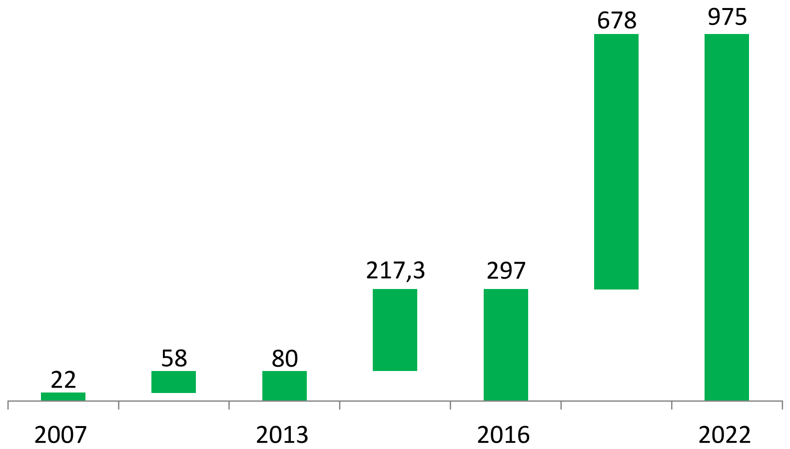
The Group's portfolio includes 23 onshore wind farm projects with an aggregate capacity of 975 MWe, as illustrated by the figure below.

Figure 7 Farms developed by the Group; onshore wind farms in Poland



Source: the Company.

Figure 8 Estimated increase in the installed capacity of wind farms operated by the Group (MWe)



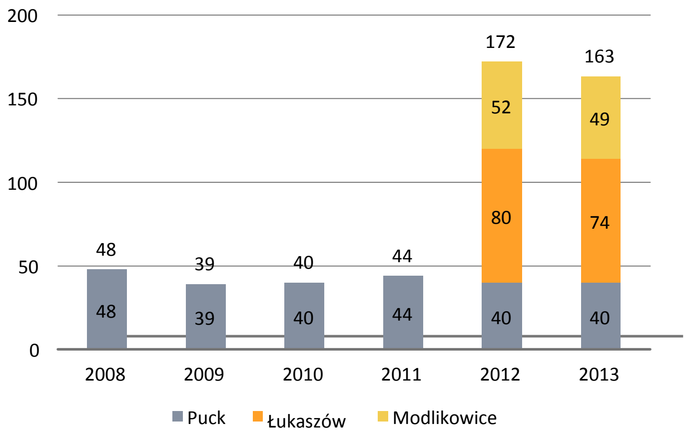
Source: the Company.

Wind farm projects (147 MWe) completed by 2014

The Group owns five operational wind farms, located in Puck, Łukaszów, Modlikowice, Rajgród and Gawłowice, with capacities of 22 MWe, 34 MWe, 24 MWe, 25.3 MWe and 41.4 MWe respectively, and total capacity of 146.8 MWe.

All projects were funded with debt financing provided by financial institutions with an international presence. The farms supply electricity under long-term contracts with customers.

Figure 9 Electricity generation at the Group's existing wind farms (GWh)



Source: the Company.

Puck WF

The Puck wind farm is located in Gnieżdżewo in the Municipality of Puck. It was placed in service in 2006. Its 22 MWe generating capacity is supported by 11 Gamesa G80 wind turbines, each with a capacity of 2 MWe. The historical wind power indicator (P-50 load factor) for the project is 22%. The farm operator is Dipol, an SPV controlled (wholly owned) by the Company. The Puck WF generates electricity and supplies it to the local electricity distributor, which is an Energa Group company, and the certificates of origin are sold to a Group company.

Łukaszów WF

The Łukaszów wind farm is located in the Municipality of Zagrodno in the County of Złotoryja. Placed in service in December 2011, and has a capacity of 34 MWe. The farm operates 17 Vestas V90 wind turbines, each with a capacity of 2 MWe. The target wind power indicator (the P-50 load factor)
50) for the project is 29%. The farm operator is Amon, an SPV controlled (wholly owned) by the Company. The Łukaszów WF has entered into a long-term contract for the sale of electricity and green certificates with Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji (in liquidation), which is a Tauron Polska Energia Group company.

Modlikowice WF

The Modlikowice wind farm is located in the Municipality of Zagrodno in the County of Złotoryja. Placed in service in December 2011, it has a capacity of 24 MWe. The farm operates 12 Vestas V90 wind turbines, each with a capacity of 2 MWe. The target wind power indicator (the P-50 load factor) for the project is 28%. The farm operator is Talia, an SPV controlled (wholly owned) by the Company. The Modlikowice WF has entered into a long-term contract for the sale of electricity and green certificates with Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji (in liquidation), which is a Tauron Polska Energia Group company.

Gawłowice WF

The Gawłowice wind farm is located in the villages of Zielnowo, Gawłowice and Gziki, in the Municipality of Radzyń Chełmiński (the County of Grudziądz, Province of Bydgoszcz). The total capacity of the project is 41.4 MWe, supported by 18 2.3 MWe Siemens turbines. The target wind power indicator (the P-50 load factor) for the project is 40%. The farm operator is Grupa PEP-Farma Wiatrowa 1 Sp. z o. o., an SPV controlled (wholly owned) by the Company. Construction work commenced in September 2013, and the project was commissioned at the end of 2014. Sales of the electricity and green certificates to be generated by the project are secured under 15-year long-term contracts concluded with a Group company. The Group intends to extend the wind farm's capacity by another 6.9 MWe, to be placed in service by the end of 2015.

Rajgród WF

The Rajgród wind farm is located in the villages of Turczyn, Łazarze, Kołaki, Kosiły and Bukowo, in the Municipality of Rajgród (the County of Grajewo, Province of Białystok). The project with a total capacity of

25.3 MWe operates 11 2.3 MWe Siemens turbines. Its target wind power indicator (the P-50 load factor) is 33%. The farm operator is Grupa PEP-Farma Wiatrowa 6 Sp. z o. o., an SPV controlled (wholly owned) by the Company. Construction work commenced in September 2013, and the project was commissioned in October 2014. Its electricity output and green certificates are to be sold under 15-year long-term contracts concluded with a Group company.

Project under construction (Skurpie wind farm - 36.8 MWe):

The Skurpie wind farm (36.8 MWe) is under construction and will be placed in service in Q4 2015.

The Skurpie wind farm will be located in the village of Skurpie in the Municipality of Płośnica (the County of Działdowo, Province of Olsztyn). The project with a total capacity of 36.8 MWe will comprise 16 2.3 MWe Siemens turbines. Its target wind power indicator (the P-50 load factor) is 36%. The farm operator is to be Grupa PEP-Farma Wiatrowa 4 Sp. z o. o., an SPV controlled (wholly owned) by the Company. In July 2014, the Group executed contracts for the financing and construction of the Skurpie WF. The construction work commenced in July 2014, and the Group expects to launch generation in Q4 2015. Sales of electricity produced by the project and the green certificates will be secured under 15-year long-term contracts concluded with a Group company. The Group intends to expand the wind farm's capacity by another 6.9 MWe, to be placed in service by the end of 2015.

WF projects in an advanced development stage (277.8 MWe, including expansion of wind farms under construction by 13.8 MWe):

- 113.8 MWe, (Mycielin wind farm, Piekło wind farm, Grabowo wind farm, expansion of Gawłowice and Skurpie wind farms) for which financing is being raised, is expected to be placed in service by the end of 2015. It is anticipated that these projects will contribute 368 GWh to the Group's total electricity sales.
- 164 MWe, currently in development and expected to be placed in operation by the end of 2017.

Mycielin WF

The Mycielin wind farm with a total capacity of 48 MWe will be located in south-eastern Poland. Steps are being taken to obtain financing for the project. The Group expects construction to commence in Q1 2015 and that the wind farm will be placed in service by the end of 2015.

Grabowo WF

The Grabowo wind farm will be located in the Province of Białystok. The farm's total capacity will be 40 MWe. Steps are being taken to obtain financing for the project. The Group expects construction to commence in Q1 2015 and that the wind farm will be placed in service by the end of 2015.

Piekło WF

The Piekło wind farm with a total capacity of 12 MWe will be located in the Province of Poznań. The process of obtaining financing for the project has commenced. The Group expects construction to commence in Q1 2015 and that the wind farm will be placed in service by the end of 2015.

Bądecz WF

The Bądecz wind farm will be located in the Province of Poznań. The farm's total capacity will be 42 MWe. It is expected to be placed in service by the end of 2017.

Kostomłoty/Dębice WF

The Kostomłoty/Dębice wind farm will be located in the Province of Wrocław. The farm's total capacity will be 18 MWe. It is expected to be placed in service by the end of 2017.

Zielona/Dębsk WF

The Zielona/Dębsk wind farm with a total capacity of 104 MWe will be located in the Municipality of Żuromin (the County of Żuromin, Province of Warsaw). The farm's total capacity will be 104 MWe.

Szymankowo WF

The 53 MWe Szymankowo wind farm, located in northern Poland, is a project which will be sold to a buyer from outside of the Group. The decision to sell it had been made before the Group modified its strategy. At present, the project is in an advanced development stage, and expected to be sold in 2016.

Other wind farm projects

The Group also owns 11 projects in early or middle-advanced development stages (with a total capacity of 514 MWe), planned to be completed in 2017–2022.

Given the nature of the investment processes, the projects as currently planned may be replaced with other projects, offering better technological parameters.

Power generation at off-shore wind farms (operations in early stages of development)

The Group plans to build two off-shore wind farms on the Baltic Sea with an aggregate capacity of up to 1,200 MWe, including 600 MWe by 2022 and 600 MWe by 2026, for which a grid connection agreement has already been signed with Polskie Sieci Elektroenergetyczne S.A. The Group intends to develop off-shore wind farms in cooperation with a project partner that will acquire a 50% interest in the project after key permits and approvals are obtained and the project reaches an advanced stage of development, materially increasing in value. The Company does not exclude the option of selling up to 100% interest in the project.

The Management Board believes that the development of off-shore wind farms is a natural and the most effective way to meet the targets set out in the EU Climate Policy, such as reduced greenhouse gas emissions and larger share of RES in energy consumption. By creating new jobs in the high technology sector, investments in off-shore wind farms have a significant impact on the economy. Furthermore, it is estimated that at least 50% of the components necessary to complete the projects will be manufactured in Poland.

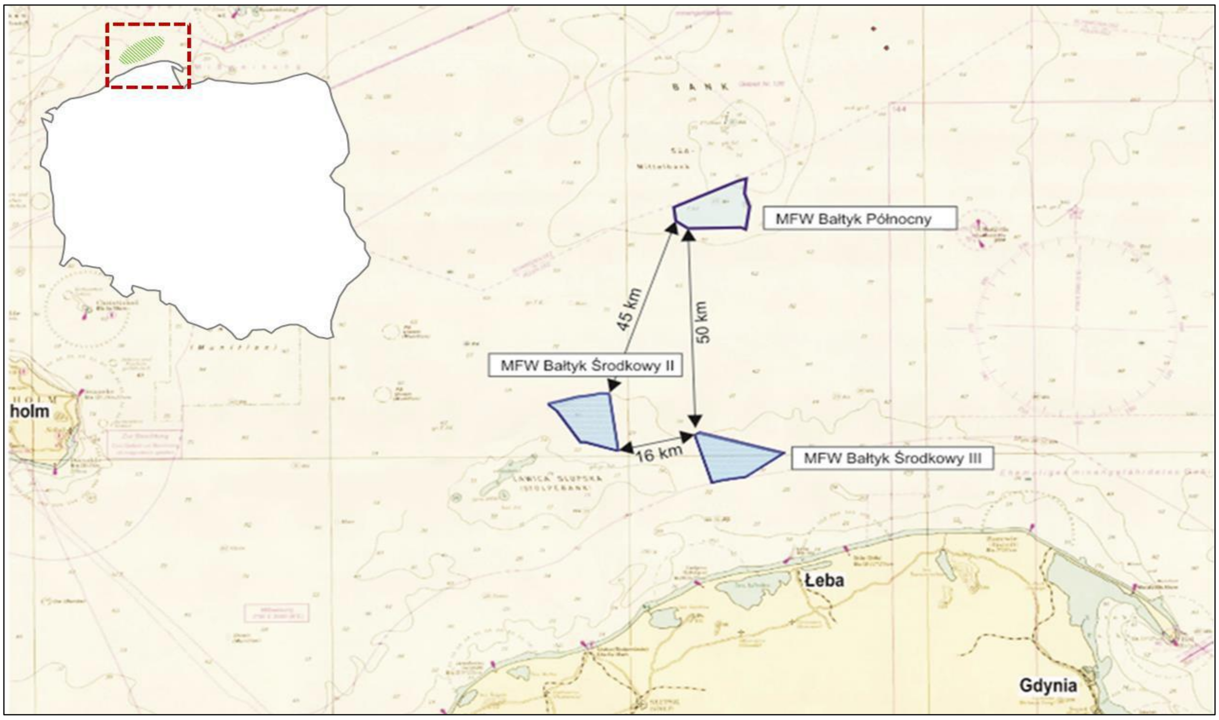
In the Management Board's opinion, the potential of off-shore wind farms has been recognised by the authors of the RES Act, which provides for auction mechanisms for off-shore wind farms, including:

- Dedicated auctions for technologies with a capacity utilisation factor of more than 4,000 MWh/MWe/year, which will effectively exclude all technologies except offshore wind and biomass-fired generation;
- Possibility of taking part in an auction with only an environmental permit secured without the need to hold a building permit, which will mitigate the development risk;
- Construction period extended to 72 months (sufficient to develop offshore wind farms).

The off-shore wind farm projects constructed by the Group(i.e. Polenergia Bałtyk II and Polenergia Bałtyk III) are the most advanced in terms of preparatory work among all projects of this type currently implemented in Poland.

Compared with onshore wind farms, off-shore farms are characterised by much better wind conditions. Further, in the opinion of the Management Board, the Group has secured access to some of the windiest locations available in the Polish economic zone of the Baltic Sea, as shown on the maps below, where the Group's off-shore wind farms can be seen to be located in wind zones characterised by wind speeds in the region of 8–9 m/s. The Group plans to construct two off-shore wind farms on the Baltic Sea with an aggregate capacity of 1.2 GWe, including 600 MWe by 2022, for which a grid connection agreement has already been signed with Polskie Sieci Elektroenergetyczne S.A. The Group assumes that the offshore wind farm project will be implemented in cooperation with a partner that will acquire a 50% interest in the project after all key approvals and permits are obtained and the project reaches an advanced stage of development, materially increasing in value. The Company does not exclude the option of selling the 100% interest in the project.

Figure 10: Location of the planned off-shore wind farms



Source: the Company.

Implementation of off-shore wind farm projects requires appropriate infrastructure and experience, as such projects are characterised by different scale and technology requirements than on-shore wind farms.

The Group has a number of competitive advantages resulting from its pioneer experience in developing off-shore wind farm projects, such as:

- obtaining the first building permits for artificial islands, with the most attractive conditions in terms of wind speeds, foundation depth, environmental impact, etc.;
- obtaining the first grid connection conditions, which allows the Group to plan the fastest completion of work on substantial connection capacities;
- signing a grid connection agreement;
- thanks to the most advanced environmental impact assessment process, the Group is likely to receive the first environmental decisions for its off-shore wind farms in the Polish economic zone of the Baltic Sea in 2015;
- the most advanced process of securing the cable route for power output.

Accordingly, the Group’s projects are characterised by a relatively high likelihood of:

- participating in and winning the first auctions;
- incurring the least amount of environmental risk;
- constructing and launching off-shore wind farms before the competition;
- benefiting from the support system for the full 15-year period;
- achieving the highest rate of return on investment in the sector.

For both projects executed by the Group, permits to construct and use artificial islands, structures and equipment in Polish sea areas have been obtained,

the scope of an environmental report has been determined, and the related analyses are under way. A description of the projects is presented below:

Figure 11: Project overview

Project Name	Bałtyk Środkowy III	Bałtyk Środkowy II
Actually planned capacity (MW)	600	600
Number of turbines	c.100	c.100
Distance to the shore	22 km	37 km
Net area	116.6 km ^{2}	122 km ^{2}
Depth	25-39m	23-41m
Average wind speed	9 – 10 m/s	9 – 10 m/s

Source: the Company.

For Polenergia Bałtyk III, the terms of connection of 1.2 GWe capacity to Polskie Sieci Elektroenergetyczne S.A.'s grid, including 600 MWe by 2022 and 600 MWe by 2026, have been received and a grid connection agreement has already been signed with PSE. Polenergia Bałtyk III has also obtained permits to lay and maintain sub-sea cables within the territorial waters for cables forming a part of the sub-sea infrastructure to transmit electricity from the Bałtyk Środkowy II and Bałtyk Środkowy III off-shore wind farms to the onshore National Grid Słupsk Wierzbięcino substation, and for cables forming a part of external connection infrastructure of the Bałtyk Środkowy III off-shore wind farm, and a decision defining the location and maintenance methods for sub-sea cables in the exclusive economic zone for the project 'External connection infrastructure of the Bałtyk Środkowy III off-shore wind farm'. The project is thus at a more advanced stage of preparation than any other off-shore wind farm project being developed in Poland.

The Group intends to develop off-shore wind farms in cooperation with a project partner that will acquire a 50% interest in the project after key permits and approvals are obtained and the project reaches an advanced stage of development, materially increasing its value. The Company also does not exclude the option of selling the 100% interest in the project.

Power generation from biomass (planned operations)

The Group is currently developing a project to construct a biomass-fired power plant with a capacity of approximately 31 MWe in Wińsko in the Province of Wrocław. All administrative permits necessary for the commencement of construction work have been obtained. The project is in an early stage of execution. The power plant has contracts in place for the supply of over 60% of the required feedstock. The project will be implemented if the auction is won in a new support system in accordance with the provisions of the RES Act. The planned lifetime of the plant is 30 years. The Group assumes that the electricity generated at the plant will be sold to selected companies of the Group.

Energy from gas

In the course of its operations, the Group has developed a business model whereby gas-fired CHP or power plants are constructed for specific customers, who are the main or sole users of the energy generated by the plants.

This model may involve different arrangements, including:

- Takeover of a plant from the customer, its upgrade, and then generation of electricity and heat, which is sold to the customer;
- Construction of a plant as a greenfield project, and then generation and sale of electricity and heat to the customer.

In the area of generation of energy from gas, the Group owns three projects.

Nowa Sarzyna CHP plant

Launched in 2000, the Nowa Sarzyna CHP plant is a gas-fired plant operated by a Group company and located in Nowa Sarzyna (Municipality of Nowa Sarzyna, County of Leżajsk). The capacity of the turbines installed at the plant is 116 MWe for electricity and 70 MWt for heat. The plant uses state-of-the-art technological solutions and equipment. Its production process is fully automated. The plant operates two 43.4 MWe gas turbines with waste heat recovery boilers and one 44.8 MWe steam turbine. The turbines work in a combined gas and steam cycle (CCGT technology).

The Nowa Sarzyna CHP plant's revenue depends heavily on the following four trading partners:

a) GET EnTra sp. z o.o. (formerly: Mercuria Energy Trading Sp. z o.o., with which the plant has signed a medium-term contract for the sale of electricity, expiring on December 31st 2015 and providing for an optional extension; to be taken over by Polenergia Obrót;

b) Zarządca Rozliczeń S.A., from which the Company receives funds under the Act on Long-Term Contracts to cover stranded costs and the cost of gas; Zarządca Rozliczeń S.A. is an entity established to handle the RES generation support system;

c) Zakłady Chemiczne Organika-Sarzyna S.A., with which the plant has signed a long-term contract for the supply of heat, expiring in 2020.

d) Zakład Gospodarki Komunalnej Nowa Sarzyna Sp. z o.o., with which the plant has signed a long-term contract for the supply of heat for heating purposes, expiring in 2020.

The Group projects that after 2020 (when the assets are fully amortised), the Nowa Sarzyna CHP plant will be able to operate for at least another 15 years. Over that period it may be used as:

- a source of balancing power within the Group (supporting the significantly increased capacities of the wind farms),
- an intervention power reserve and regulatory power reserve for the national power system,
- a means of protecting and rebuilding the national power system, or
- an energy source continuing to generate power in the base mode.

Zakrzów CHP plant

The Zakrzów CHP plant is located in Wrocław. It is managed by Interpep EC Zakrzów and has been supplying electricity and heat to Whirlpool since 2000. Under a long-term contract concluded with Whirlpool, the Group constructed a CHP plant on a turn-key basis, together with the necessary infrastructure (gas pipeline and connections).

The Zakrzów CHP plant's total installed capacity is 29 MWt of heat output in the form of hot water. The Zakrzów CHP plant generates energy from natural gas supplied by PGNiG. Whirlpool is the sole user of the energy generated by the plant.

Mercury Power Plant

The Mercury Power Plant is located in Wałbrzych; it is managed by Mercury Energia. The plant was placed in service in July 2006. It is operated under a contract concluded between the Group and Wałbrzyskie Zakłady Koksownicze Victoria (WZK Victoria) for the supply of coke-oven gas and electricity. The contract is valid until December 31st 2021.

In 2006, on premises owned by WZK Victoria, the Group built a power unit consisting of a gas-fired boiler and steam turbine with a capacity of over 8 MWe. The unit generates electricity from coke-oven gas, which is a by-product of coke production at WZK Victoria and was previously combusted purposelessly. Thus, the Group contributes to environmental protection, while ensuring cost-effective supplies of electricity to its partner. Mercury Energia sells electricity to WZK Victoria and to EnergiaPro Gigawat, a local electricity distributor.

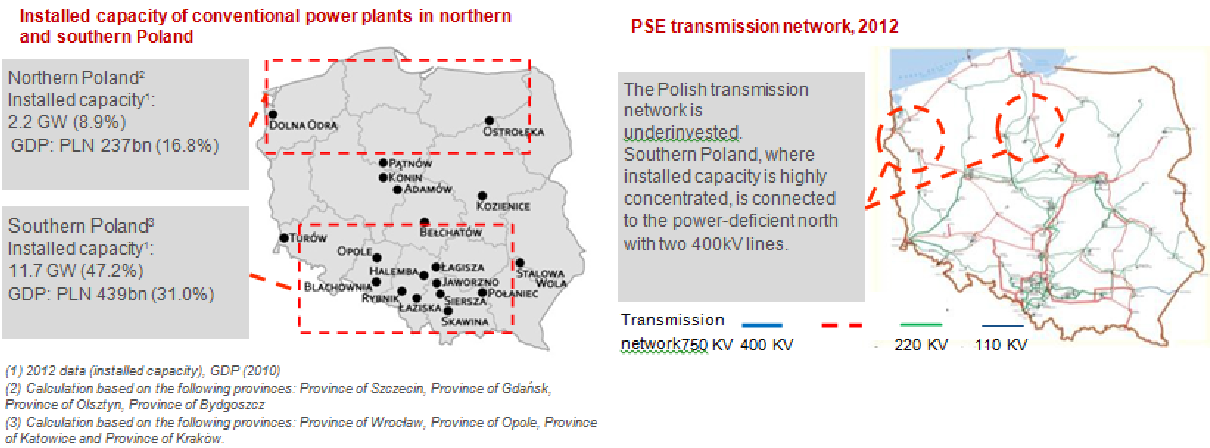
Energy from coal

The Group is developing a hard-coal fired power plant in northern Poland. Ultimately, the Elektrownia Północ power plant project will comprise two supercritical coal-fired units with a capacity of approximately 800 MWe each. The project involves the development and construction of a hard-coal fired commercial power plant that will be the most modern facility of this type in Poland (estimated plant efficiency of approximately 45%). The project is being executed by an SPV, Polenergia Elektrownia Północ.

In accordance with Poland's Energy Policy, coal is to remain the chief source of electricity in Poland. However, many of the existing utility power plants will be forced to shut down their coal-fired units, built in the 1960s and 1970s, due to natural wear and tear. The Polish market may then see a shortage of new coal-fired generating capacities.

The choice of the project's location was preceded by an analysis of local energy markets in different regions of Poland; the Pomerania region was identified as the one with the largest deficit of stable generation capacities. Therefore, a decision was made to locate the new facility in the Municipality of Pelplin in the Province of Gdańsk.

Figure 12: Location of the Polenergia Elektrownia Północ power plant and other conventional power generating units in Poland



Source: the Company, based on GUS and PSE data.

The project will be executed under an EPC contract, operated on the basis of a long-term contract for the supply of coal and a long-term contract for the sale of electricity, and financed with bank loans under a project finance scheme.

The Group holds land (223 ha) for the project location, as well as decisions on environmental requirements; a grid connection agreement has also been signed. The Group expects that a new building permit will be issued and become final by the end of 2015. The Group executed a 20-year contract for the supply of hard coal with the Bogdanka hard coal mine, located in eastern Poland. Furthermore, the Group plans to sign a long-term contract for the sale of electricity to secure financing of the investment on a project finance basis.

On December 5th 2013, the Group executed a contract with the Alstom Group for the delivery of the first phase of the Polenergia Elektrownia Północ power plant project, consisting in the construction of the first 800 MWe unit. Under the contract, the date of commencing construction work will be determined by the Group. As at the end of September 2014, the Group incurred PLN 80.7m in relation to the Elektrownia Północ project.

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

5.3 Transmission and distribution segment

Regulated distribution of electricity

The Group conducts its electricity distribution activities through Polenergia Dystrybucja. In addition to trading in electricity across Poland, the company's business involves electricity distribution based on its own power infrastructure, located primarily in Warsaw and its vicinity, in Pomerania: the region of Gdańsk and Gdynia, as well as in Świnoujście, Kraków, Wrocław and Leszno. Polenergia Dystrybucja also sells electricity to end users.

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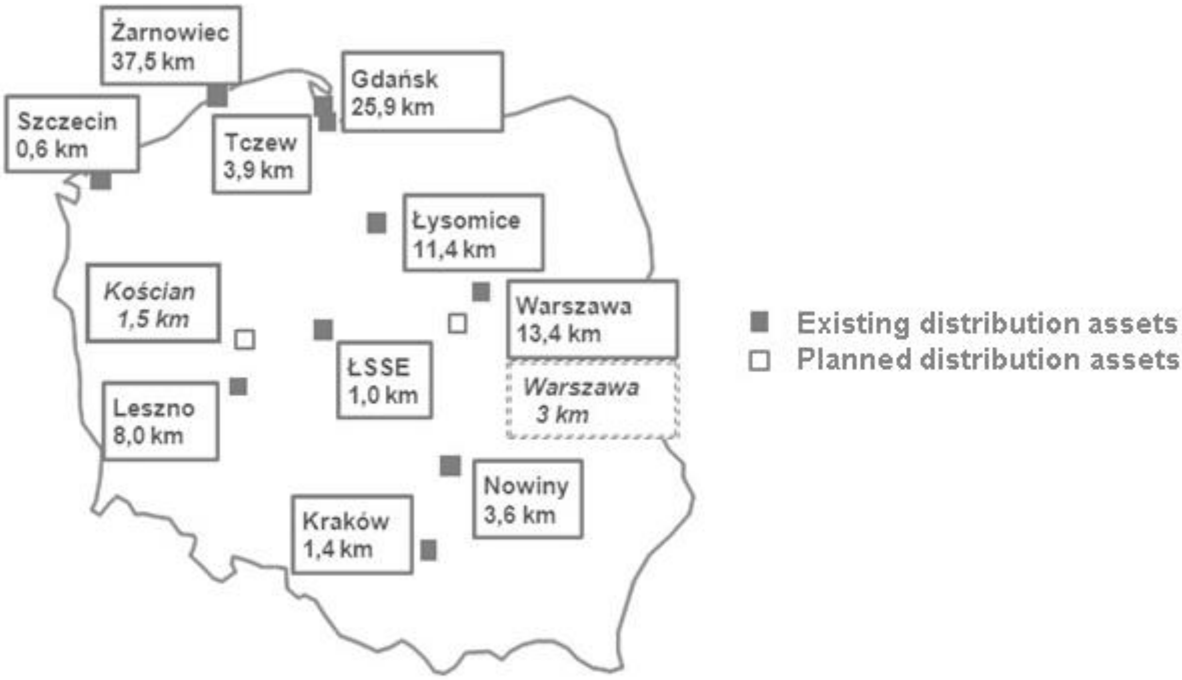
Figure 13: Location of the Group's key distribution assets and length of the distribution network



Source: the Company.

The Group operates under licences for trade in and distribution of electricity, granted by the President of URE (the Energy Regulatory Office). Its target customer group includes shopping malls, office buildings, industrial buildings, warehouses, as well as housing developers. For the purpose of supplying power to its customers, the Group cooperates with local Distribution System Operators, from which it purchases distribution of electricity over high or medium-voltage lines, |and then further distributes the electricity via its own networks.

The Group owns almost 111 kilometres of distribution network and provides services to some 8,300 end users. Its Regulatory Asset Base (RAB) is PLN 66m. The Group distributes approximately 235 GWh of electricity annually over its own network. In 2014, the Group assumed a return on RAB of 86% in the distribution tariff. The Group estimates that it will recognise a 100% return on RAB (PLN 76m) in the tariff by 2015.

Regulated distribution of gas

The Group conducts activities in the area of gas distribution and sale through Polenergia Kogeneracja. The Group's revenue is generated from distribution and sale of natural gas in the City and Municipality of Tomaszów Mazowiecki, to the Ceramika Paradyż Sp. z o.o. and Paradyż Sp. z o.o. production plants.

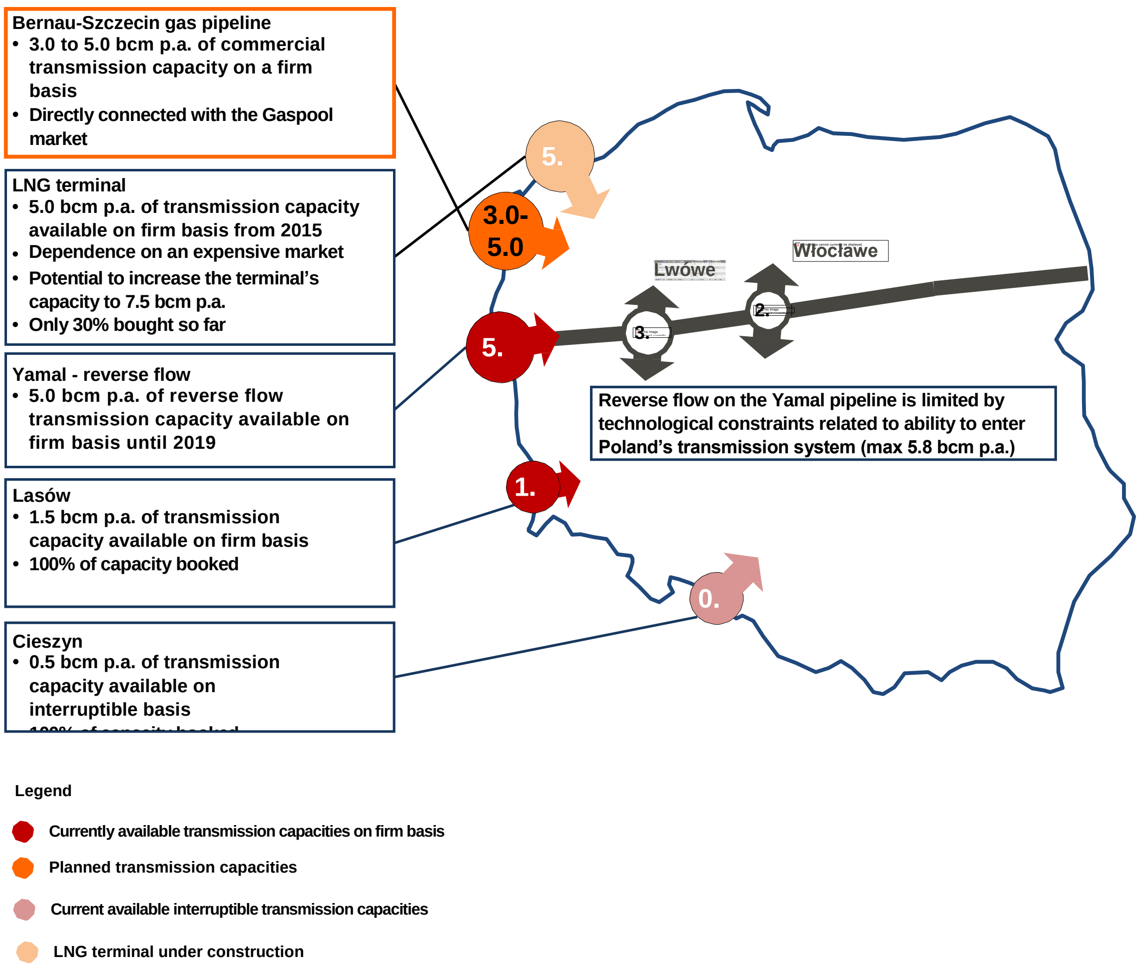
Natural gas transmission (planned operations)

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

The interconnector project involves construction of a gas pipeline connecting the Polish and German transmission systems, enabling the physical flow of gas from Western Europe to the east. In this way, customers in Poland (and potentially in neighbouring countries to the east and south of Poland) will gain access to the German Gaspool and NCG spot markets. This will allow them to purchase gas at competitive prices and from various suppliers, thus significantly improving their energy security and ensuring diversified supplies of this strategic commodity from different countries.

Poland's current gas infrastructure is underdeveloped in terms of its interconnection capacities with Western Europe's gas systems. In addition, the vast majority of Polish gas supplies comes from Russia. The Bernau-Szczecin gas pipeline will significantly expand Poland's infrastructure for importing gas from Western Europe, enabling greater diversification of Polish gas supplies. In addition, the project will be part of the planned process of gradual deregulation of the Polish gas market, required under the EU regulations. In the Group's opinion, the market can realistically accommodate another gas interconnector linking Polish and Western European gas systems, which would benefit not only Poland, but also its neighbouring countries – the Baltic states, Ukraine, Lithuania, the Czech Republic, and Slovakia.

Figure 14: Available and planned natural gas transmission capacities from Germany to Poland



Source: the Company.

The interconnector project is becoming increasingly important because of the ongoing expansion of natural gas transmission infrastructure in Central Europe, executed as part of the North-South Corridor. The expansion is an opportunity to use the infrastructure now in development to further integrate the local markets and create a West-East transmission corridor, which would materially improve the energy security of the entire region.

The North-South Corridor, which is the largest project designed to integrate the power systems of Central European countries, covers Poland, the Czech Republic, Slovakia, Hungary and Croatia. The Corridor comprises two LNG terminals, a number of two-way inter-system gas connections and domestic gas pipelines, which either already exist or are at varying stages of completion. In the long term, the Corridor is expected to stimulate the creation of a single gas market and enhance the security of gas supplies in the region. Originally, one of the new sources of gas for the region was to be the Nabucco Pipeline, but currently its future remains uncertain.

Figure 15: Bernau-Szczecin gas pipeline as a part of the North-South Corridor

Source: the Company.

Arguments supporting incorporation of the Bernau-Szczecin gas pipeline into the North-South Corridor project include:

- improved energy security in Central Europe;
- further reduction of Poland's dependence on supplies from Russia;
- possibility of launching gas transmission from Western Europe and the LNG terminal in Świnoujście to Ukraine, resulting in Ukraine's reduced dependence on Russian gas;
- stronger integration of the Ukrainian transmission system with the European network;
- stronger integration of the Polish market with the German gas market;
- possibility of creating a common market for Central and Eastern Europe;
- enhancement of Poland's position as a transmission country integrating the regional infrastructure;
- higher utilisation rate of the infrastructure developed for the purposes of the North-South Corridor.

The final decision on whether to proceed with the Bernau-Szczecin project will depend on the Group's obtaining decisions on the terms of its implementation and further operation that ensure the assumed profitability of the venture.

The gas pipeline will run from Börnicke, Germany, through Schwennenz (at the border of the countries), to Police, Poland. The total length of its route will be approximately 150 kilometres. In line with the project, the gas pipeline will have a diameter of DN 700 and a nominal pressure of PN 100, enabling transmission of 5 billion cubic metres of gas annually.

Valid building permits have been obtained for the entire German leg of the project and approximately 80% of its Polish section, and access to land has been secured for some 50% of the land envisaged for the project in Poland and Germany.

Construction of the gas pipeline will allow the Group to earn revenue from both gas transmission (providing access to the gas pipeline capacity) and gas trading. The Group will transmit gas on the German side. In Poland, according to the draft of the new gas legislation, the transmission infrastructure will be owned by the transmission system operator (OGP Gaz-System S.A.), which will also be responsible for gas transmission.

The project's implementation is conditional upon the following factors:

- Obtaining a decision on the terms of connection to the existing gas networks in Poland and Germany, ensuring the possibility of transmitting at least 3 billion cubic metres of gas annually, starting from August 2015;
- Obtaining exemptions from regulatory requirements, both in Poland and Germany;
- Obtaining, in open season procedures, firm commitments from customers to purchase gas in amounts guaranteeing a return on the investment.

Currently, the Group is well advanced in the process of obtaining the necessary administrative approvals and permits which will enable it to implement the project and achieve the expected rate of return. In Poland, PPG Polska Sp. z o.o. has obtained a gas fuel trading licence, which is valid until December 31st 2030. With respect to the German section of the gas pipeline, the Group is seeking partial exemption from the unbundling obligation (obligation to separate the transmission and distribution functions between different economic entities), the TPA (third-party access) obligation, and the obligation to submit tariffs for approval. The Group also plans to commence an open season procedure to determine the demand for gas to be delivered via the interconnector under contracts for periods of approximately 15-20 years.

The Group is taking steps to launch construction in 2017 and commence operations in 2020. The expected tariff-based depreciation period of the project is 20 years.

5.4 Sales and trading segment

Wholesale trade in electricity

Though Polenergia Obrót, the Group is engaged in wholesale trade in electricity in Poland. In the future, the Group may expand its operations to Germany and other geographical markets. The trading business consists primarily in physical trade and electricity supplies and is conducted based on agreements (mainly framework agreements) executed with third parties and Group companies.

Polenergia Obrót's activities mainly involve:

- Offtake of electricity from Group companies and its sale on the market,
- Wholesale trading based on transactions opened and closed on the market (proprietary trading).

As part of its core activities, the company executes contracts for electricity both on the power exchange and in the over-the-counter market (bilateral OTC transactions). Since October 2013, Polenergia Obrót has participated directly in transactions executed on the Polish Power Exchange of Warsaw (Towarowa Giełda Energii S.A.) as its member.

Trade in certificates of origin for electricity from renewable energy sources

Through Polenergia Obrót, the Group engages in the management and trading of property rights for electricity generated from renewable sources (green certificates), including as support for Group companies. The companies are also involved in trading in cogeneration certificates.

Polenergia Obrót's activities mainly involve:

- Collection of certificates relating to projects owned by the Group and their sale on the market,
- Purchase of certificates under long-term contracts with third parties and their sale on the market,
- Management of a portfolio of certificates held for trading for the Group companies (agency activities).

Trade in gas

Activities in this area are currently carried out by Polenergia Kogeneracja, and in the future will be also carried out by Polenergia Obrót.

Polenergia Obrót will operate in Poland and then also in Germany. It has obtained a licence to trade in gas fuels (February 13th 2014) and a licence to trade in natural gas with foreign partners (May 27th 2014) issued by way of decisions of the President of the Energy Regulatory Office.

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

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

Key economic and financial data	Period from Jan 1 to Dec 31 2014	Period from Jan 1 to Dec 31 2013	Change
Revenue	934.5	139.5	795.0
EBITDA incl. purchase price allocation effect	105.5	44.9	60.5
Adjusted EBITDA excl. purchase price allocation effect	**99.5**	**44.9**	**54.5**
Net profit attributable to owners of the parent	31.3	6.0	25.4
Net profit after elimination of purchase price allocation effect	27.9	6.0	22.0
Net profit after elimination of purchase price allocation effect and unrealised exchange differences	**28.8**	**6.8**	**22.0**
Net profit after elimination of purchase price allocation effect, unrealised exchange differences, loan valuation and discount valuation	**30.3**	**1.2**	**29.1**

In comparison with 2013, 2014 performance was driven by the following factors:

a) EBITDA (up by PLN 60.5m):

- Better performance of the renewable energy segment (total EBITDA up by PLN 14.1m) primarily driven by the launch (in Q4 2014) of the Gawłowice and Rajgród wind farms with an aggregate capacity of 66.7 MW;

- Lower EBITDA (by PLN 1.8m) of the cogeneration projects (currently the conventional energy segment) chiefly due to a decline in the productivity of the Mercury power plant and Zakrzów CHP plant and one-off recognition of income from turbine leasing in the previous year;

- Higher EBITDA (by PLN 5.4m) in the biomass segment thanks to increased revenue (higher volumes) and lower unit production costs, as well as impairment losses recognised in the previous year.

- The result of the head office and other activities did not change significantly year on year (up by PLN 0.1m);

- Impact of the contributed assets on performance in the period September–December 2014 (Elektrownia Nowa Sarzyna, PE-Dystrybucja, PE-Obrót) – combined contribution to EBITDA of PLN 36.9m, of which the conventional energy, trading and distribution segments generated PLN 28.8m, PLN 6.0m and PLN 2.4m, respectively.

- Effect of allocating the purchase price of Neutron (PLN 6.0m, including PLN 6.8m from recognition of the valuation of long-term contracts.

b) Net profit after elimination of the purchase price allocation effect, unrealised exchange differences, loan valuation and discount valuation (up by PLN 29.1m):

- Impact of EBITDA excl. the purchase price allocation effect (up by PLN 54.5m);
- Higher (by PLN 17.5m) depreciation and amortisation, net of depreciation and amortisation related to the purchase price allocation (in an amount of PLN 3.4m), which is connected with the launch of new wind farms and takeover of the Neutron Group's assets;
- Lower interest income (by PLN 1.3m);
- Negative effect of realised exchange differences (down by PLN 0.3m);
- Higher (by PLN 0.8m) interest expense, primarily due to the launch of new wind farms partially financed with debt and the recognition of new businesses (Nowa Sarzyna CHP Plant and Polenergia-Dystrybucja); the effect was partially offset by lower liabilities attributable to the other wind energy projects and lower interest rates;
- Lower fee and commission expense (down PLN 0.5m)
- Higher other finance costs (up PLN 0.8m)
- Higher CIT, including the operations referred to above (up PLN 5.2m).

c) Net profit (up by PLN 25.4m):

- Impact of net profit after elimination of the purchase price allocation effect, unrealised exchange differences, loan valuation and discount valuation (up by PLN 29.1m);
- Purchase price allocation (positive effect of PLN 6.0m);
- Negative effect of unrealised exchange differences (of PLN 0.1m);
- Lower income from settlement of discount (down by PLN 1.5m);
- Negative effect of loan valuation (of PLN 7.3m) – the performance data for 2013 include finance income on loan valuation, while the valuation for the same period of 2014 was negative, leading to the recognition of finance cost;
- Amortisation and depreciation on purchase price allocation (of PLN 3.4m);
- Positive effect of income tax on events listed above (PLN 2.5m);
- Other (positive effect of PLN 0.1m).

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

CONVENTIONAL ENERGY

Nowa Sarzyna CHP Plant

The Nowa Sarzyna CHP Plant's performance figures have been included in the Polenergia Group's performance data since September 2014. The plant operated in line with the schedule. Total EBITDA for the period was PLN 28.8m.

Mercury power plant

Mercury power plant's operating result for the current period was lower than the previous year's due to lower electricity sales volumes resulting from limited supply and lower calorific value of the coking gas supplied by WZK Victoria.

Zakrzów CHP plant

Zakrzów CHP plant's operating result (and thus also EBITDA) recorded in the current reporting period was down year on year owing to lower demand for heat from the key customer.

WIND POWER

Puck wind farm

The Puck wind farm generated slightly more electricity in 2014 than in 2013 due to more favourable wind conditions, which translated into a higher operating result.

Łukaszów and Modlikowice wind farms

In 2014, electricity output at the two wind farms was broadly flat on the previous year.

Rajgród WF

In August 2014, the start-up of the Rajgród wind farm with a total capacity of 25.3 MW commenced. The project's total EBITDA for 2014 was PLN 5.3m.

Gawłowice WF

The Gawłowice wind farm commenced generation in 2014 and generated EBITDA of PLN 8.8m by the end of 2014.

DISTRIBUTION

Polenergia Dystrybucja's and Polenergia Kogeneracja's figures have been included in the Polenergia Group's performance data since September 2014. Both companies operated in line with the schedule and generated EBITDA of PLN 2.4m in the period.

SALES AND TRADING

September was the first month when Polenergia Obrót's figures were included in the Polenergia Group's performance data. Total EBITDA in the period September−December 2014 amounted to PLN 6.0m.

BIOMASS

Biomasa Energetyczna Północ

The plant in Sępólno Krajeńskie delivered better performance than in the previous year, primarily due to higher sales volumes and lower unit production costs (chiefly lower cost of straw and transport).

Biomasa Energetyczna Południe

The plant in Ząbkowice Śląskie delivered better performance than in the corresponding period of the previous year thanks to higher sales volumes and selling prices and lower unit production cost (chiefly lower cost of straw, transport and technical support). Performance in the corresponding period was adversely affected by impairment losses.

Biomasa Energetyczna Wschód

The plant in Zamość improved its performance on the previous year primarily on the back of higher sales volumes and lower unit production costs (chiefly lower cost of straw). Performance in the corresponding period of 2013 was adversely affected by inventory write-downs.

DEVELOPMENT AND IMPLEMENTATION

Onshore wind farms

In 2014, as well as in previous periods, the Company focused on the expansion of its portfolio of wind farms.

All projects currently at the development stage, scheduled for completion between 2014 and 2021, have a combined capacity of approximately 1,000 MW. The following documents have been obtained for the projects: local land development plans, environmental permits, grid connection conditions and building permits for projects with an aggregate capacity of 95.8 MW; local land developments plans, environmental permits and grid connection conditions for projects with a total capacity of 382.32 MW; a local land development plan and grid connection conditions for a project with a capacity of 51 MW; a local land development plan for a 69 MW project; grid connection conditions and an environmental permit for a 9 MW project; and grid connection conditions for an 18 MW project.

Construction of a 37 MW wind farm in Skurpie began in Q3 2014. On July 24th 2014, an agreement was signed with Siemens Sp. z o.o. for the delivery and installation of wind turbines for the farm. Furthermore, on July 29th 2014, documents were signed with the European Bank for Reconstruction and Development ('EBRD') and Bank Ochrony Środowiska S.A. ('BOŚ') in connection with the accession of BOŚ to the credit facility agreement of October 4th 2013. EBRD and BOŚ will provide a credit facility of up to PLN 271.4m to finance the Skurpie wind farm. The financing will be disbursed following satisfaction of specific conditions precedent by the borrowers and the Company.

The 25.3 MW wind farm in Rajgród entered the start-up stage in Q3 2014. It was formally placed in service in October 2014. The 41.4 MW wind farm in Gawłowice entered the start-up stage in October and began operations in December 2014.

On January 7th 2015, an annex was executed to the supply and installation contract with Siemens Sp. z o.o., providing for the supply and installation of three additional 2.3 MW wind turbines at the Skurpie wind farm (a total addition of 6.9 MW). As a result, the installed capacity of the Skurpie wind farm is to reach 43.7 MW by the end of 2015.

On February 9th 2015, a contract for the delivery and installation of wind turbines and a contract on technical support and availability of wind turbines for the Mycielin wind farm (48 MW) were executed with Vestas-Poland Sp. z o.o.

On February 11th 2015, a contract for the construction of the Mycielin wind farm was executed with a consortium of Erbud S.A. and Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.

On March 6th 2015, an annex to the financial documentation of October 4th 2013 was executed with EBRD and BOŚ. Under the annex, the value of the financing granted by EBRD and BOŚ was increased by PLN 32.2m and PLN 26.3m, respectively. The additional funds will be used to finance the expansion of the Gawłowice and Skurpie projects (2 x 6.9 MW).

The process of acquiring financing for further projects with an aggregate capacity of 100 MW (new projects) is also nearing completion.

Development of off-shore wind farms

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

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

Construction of the Bernau-Szczecin gas pipeline

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

The pipeline would be placed in service in 2020.

Development of the Elektrownia Północ power plant project

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

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

Biomass-fired power plant

As regards the development of outsourcing and generation of energy from biomass, the Polenergia Group is working on a project providing for the construction and operation of a 30 MW biomass-fired power plant connected to the power grid. The location of the facility has already been selected, and the Group has obtained an environmental permit, grid connection conditions and a final building permit. Negotiations concerning a grid connection agreement are under way.

The project will be implemented if the auction is won in a new support system in accordance with the provisions of the RES Act.

For detailed information on the portfolio of projects, see Sections 1−4.

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

The Polenergia Group has not published any performance forecasts for 2014.

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

For more information on factors with a material bearing on financial performance, see Section 6 of this Report.

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

No.	Shareholder	Shares	Voting rights	% share
1	Kulczyk Investment S.A.*	29,811,757	29,811,757	65.60%
2	China – Central and Eastern Europe Investment Co-operation Fund SCS SICAV	7,266,122	7,266,122	15.99%
3	Generali OFE	2,943,731	2,943,731	6.48%
4	Aviva OFE	3,060,872	3,060,872	6.74%
5	Other	2,361,065	2,361,065	5.20%
	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.

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

In the period ended December 31st 2014, a business combination was completed. For more information, see Section 3.

12. General information on the Group

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

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

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

13. The Issuer's Group, consolidated entities, as well as changes in the Group's organisation and reasons for such changes

For a description of the Issuer's Group, refer to Note 8 to the consolidated financial statements.

14. Structure of assets, equity and liabilities in the consolidated statement of financial position, including from the perspective of the Group's liquidity

	Name	Description	Value
1	Return on equity – ROE	Net profit/loss / Average annual equity	3.4%
2	Net margin	Net profit/loss / Revenue	3.3%
3	Liquidity − Liquidity ratio I (current ratio)	Total current assets / Current liabilities	1.4
4	Average collection period (days)	average annual trade receivables x 365 days / revenue from sales of finished goods and merchandise	28
5	Debt to assets	(total equity and liabilities - equity)*100 / total assets	51.2%

15. Description of material risk factors and threats, including information on the degree of the Company's exposure to such risks or threats

Risk factors related to the Polenergia Group's business environment

Risk of competition

Given the current legal environment resulting in a steady increase in demand for energy from RES and the expected implementation of an auction system for new RES capacities, competition in this market segment is expected to intensify. As part of its business, the Polenergia Group operates wind farms and currently has new wind farm projects under development and construction. Owing to certain weather and environmental constraints, wind farms are considered to be - with biomass combustion - an energy source providing the most opportunities for green energy generation in Poland. It is likely that West European and US companies, which have gathered relevant experience on other markets, will seek to invest in the construction of new wind farms in Poland.

Proper location of a wind power project is extremely important for its future profitability. This is why in recent years the Group has invested in the project portfolio and enhanced its wind farm project development team.

On the Polish market, the Polenergia Group has unique experience in the execution of outsourcing projects, including preparation and implementation of optimally customised technological solutions, as well as development of appropriate legal, tax and financial structures, which gives the Group a significant competitive edge. The Polenergia Group is also committed to ensuring the highest quality of its services, consistent improvement of qualifications in the field of state-of-the-art technologies and enhancement of management methods.

With respect to its operations in the production of pellets and generation of electricity from biomass, the Group may be forced to compete with other entities for the raw agricultural and forestry materials used in these operations. As the supply of agricultural and forestry raw materials is limited, an increase in their prices or a shortage of supply cannot be ruled out.

Risk related to the economic environment in Poland

The achievement of the Polenergia Group's strategic goals and financial performance of the Group are subject to macroeconomic factors which remain beyond the control of the Group's companies. These factors include the GDP level, inflation rate, general economic conditions in Poland, and legislative changes. Any unfavourable changes in macroeconomic variables or legal regulations may contribute to lower than planned revenue of the Polenergia Group or higher costs of operations.

Risk of foreign exchange rate movements

As at the date of this Report, the Group was not a party to any significant sale contracts providing for payments in the euro.

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.

Companies of the Polenergia Group do not hedge against non-monetary differences resulting from the fair value measurement of their non-monetary assets and liabilities denominated in foreign currencies as at the reporting date. 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, all other factors being equal, is presented in Note 39 to the consolidated financial statements.

Risk of interest rate movements

The proportion of debt in the Group's financing structure is substantial. In line with the Polenergia Group's strategy of maximising its return on equity, more than 50% of the value of projects pursued by the Group is financed with debt. In accordance with the credit facility agreements entered into by Group companies, interest under credit facilities provided to them is based on variable rates. Any significant increase in market interest rates above the values forecast by the Polenergia Group and factored into its project budgets may have a negative effect on the Group's financial performance. The Polenergia Group is aware of the existence of this risk and takes measures to mitigate it and prevent its potential negative consequences by constantly monitoring the situation on the money market, effectively managing its finances, and introducing into its agreements with clients provisions on the client's participation in the interest rate risk. At the same time, the Group monitors market interest rates on an ongoing basis and may hedge against interest rate movements in order to reduce the costs of servicing of its financial liabilities, provided that such solution guarantees the expected return on its investment projects.

Risk associated with price volatility and availability of raw materials used in production

At present, Polenergia and companies of its Group use natural gas and coke gas for the generation of electricity and heat. Moreover, agricultural biomass is used for the production of pellets.

The Polenergia Group uses natural gas for the generation of heat and electricity at the Nowa Sarzyna CHP Plant and Zakrzów CHP Plant. In Poland, the PGNiG Group companies are the main suppliers of gaseous fuel, which is primarily imported from Russia and, to a lesser extent, produced by PGNiG. Any potential problems on the part of PGNiG with supplying the amount of gaseous fuel necessary to satisfy the existing demand may lead to limitations on its supply to customers. In such cases, the Polenergia Group may fail to fulfil its obligation to supply heat to its customers.

The risk of supply limitations is negligible, but in connection with the announced freeing of gas prices, PGNiG is expected to be exempted from the requirement to apply tariffs to prices for gas purchases of more than 2.5m cubic metres. The exemption will apply to purchases made by the Nowa Sarzyna CHP Plant and Zakrzów CHP Plant. Thanks to the introduction of the TPA (third party access) rule, the Group companies are able to procure natural gas from sources other than PGNiG. The freeing of gas prices is bound to result in a fall of prices for industrial users, similar to the developments on the electricity market. Changes in prices are followed by at least 30-45 days before heat tariffs are appropriately adjusted.

Moreover, through Polenergia Kogeneracja, the Group distributes natural gas to the Ceramika Paradyż and Paradyż facilities in Tomaszów Mazowiecki. Hence, any changes in prices of natural gas affect the margin on these sales in the short term. However, volatility of the margin realised by Polenergia Kogeneracja is effectively mitigated by the requirement to submit tariffs for the distribution and sales of natural gas.

The Group uses coke gas to generate electricity at the Mercury Power Plant. The coke gas is supplied by WZK Victoria. Given possible fluctuations in the amount of coke gas supplied, caused by technical constraints (coke gas production is proportional to coke production), the Group is exposed to the risk that the available amounts of this feedstock may vary, which would affect the amount of electricity generated and thus the Group's performance.

The PEP Biomasa Energetyczna Północ (GPBE) Group, the PEP Biomasa Energetyczna Południe (GPBEP) Group and the PEP Biomasa Energetyczna Wschód (GPBEW) Group, subsidiaries of Polenergia S.A., use agricultural biomass to produce pellets for the energy sector. Pellets are made from cereal, maize and rape straw. The main suppliers of straw are agricultural holdings in the vicinity of the production facilities. The prices and supply of straw may be negatively affected by the amount of cereal, maize and rape crops, as well as adverse weather conditions.

The Polenergia Group mitigates this risk by conducting thorough research and analyses of the availability of straw on local agricultural markets and diversifying its supply sources. Additionally, the companies apply pricing formulas for the supplies of pellets to their customers, under which the price of pellets depends both on the price of straw and the inflation rate.

Polenergia S.A. and the Group companies use mechanisms which protect them against adverse effects of raw material price fluctuations. In principle, their sale prices of electricity, heat and fuel produced from agricultural biomass are related to the prices of natural gas and straw. However, it cannot be ruled out that in spite of the protection mechanisms used, raw material price fluctuations may adversely affect the financial performance of Polenergia S.A. and the Group.

Risk related to Poland's energy market

The energy market in Poland is only partially regulated. While the heat market is fully regulated, the electricity and gas markets are only partly controlled by the appropriate authorities. One of them is the President of the Energy Regulatory Office (Urząd Regulacji Energetyki, "URE") – a central government authority appointed by the Prime Minister. By operation of the Energy Law, the President of URE is competent for fuel and energy market regulation and for promotion of competition in the energy sector. The scope of competence of the President of URE includes granting, changing and revoking licences for production, storage, transmission, trade in and distribution of fuels and electricity, as well as oversight of entities regulated under the Energy Law in terms of fulfilment of duties resulting from the Energy Law and secondary legislation. The President of URE also has the power to agree to the development plans of energy enterprises, resolve disputes between energy enterprises as well as between them and end users, as well as approve and oversee tariffs applied by energy enterprises in terms of their compliance with applicable regulations, including the rule of protection of consumers against unreasonable price levels. The President of URE is also entitled to impose penalties, including significant fines, on licensed enterprises. Therefore, the Company cannot definitely rule out the risk of the President of URE exercising his powers with respect to Polenergia and the Group in a manner unfavourable to them. However, the Company mitigates the risk by making every effort to fulfil its obligations under the Energy Law and secondary legislation.

Given the advanced stage of implementation of competitive market mechanisms in the power generation sector, enterprises licensed to generate electricity are exempted from the requirement to submit their price tariffs for approval; nonetheless, tariffs are still mandatory for electricity supplied to households. It should be stressed, however, that tariffs for electricity generated by the Polenergia Group are not subject to approval by the President of URE, given that the electricity is supplied to trading companies and industrial users. The provisions of the Energy Law, as currently applicable, generally provide for the coverage of reasonable costs of operations.
Any possible legislative changes may prove unfavourable to the Group; however, Polenergia has very limited ability to influence decisions taken in this respect at the EU and national level.

Risk related to approval of the heat tariff by the President of URE

The Polenergia Group companies which generate heat are required to submit their heat tariffs for approval by the President of URE. Pursuant to the applicable laws, a tariff should cover the expected reasonable costs of heat generation in a particular tariff period, while ensuring a return on capital.

Approval of tariffs by the President of URE is aimed to protect consumers against an unreasonable increase in heat prices. In practice, tariffs are calculated by the President of URE based on certain assumptions, which may diverge from real costs of operations incurred by the Polenergia Group companies. Therefore, there is a risk that the President of URE approves a tariff which is insufficient to ensure an appropriate return on capital or even to cover the heat generation costs. There is also a risk of delay in approval of a tariff for a new tariff period, which in consequence means that the producer is forced to apply the tariff applicable in the previous tariff period, which may not ensure the expected return on capital. If such risk materialises, the financial performance of the Polenergia Group may be worse than expected.
The risk related to the heat tariff affects only the Zakrzów CHP Plant, while the risk related to the tariff for distribution of natural gas affects Polenergia Kogeneracja. The potential impact of these risks on the performance of the Polenergia Group is limited, given the relatively small share of the EBIDTA on sale of heat generated at Zakrzów CHP Plant and the EBIDTA on distribution of gas at Polenergia Kogeneracja in the Group’s total revenue.

Risk of changes in the legal and regulatory environment of the energy sector

The operations of the Group’s companies are subject to numerous Polish, EU and international regulations. Laws, regulations, decisions, positions, opinions, interpretations, guidelines, etc., applicable to the Group’s business, are subject to frequent changes (the Energy Law, with secondary legislation, has been substantially amended several dozen times since its enactment in 1997). A number of the regulations applicable to the Group’s business are relatively recent enactments, and therefore there is no established practice for their application (which may lead to their being improperly interpreted and applied).

Factors relevant to the Group’s operations also include decisions issued by competent authorities, in particular the President of URE (Energy Regulatory Office), which are characterised by a high level of arbitrariness and thus are often subject to legal disputes. The Group is exposed to the risk of failure to align its business with changing laws and regulations, with all its consequences, and of enactment of new regulations that would curtail the support system for the technologies developed in Poland.

The Act on Renewable Energy Sources, passed by the lower house of the Polish Parliament and pending signature by the President of Poland, introduces a number of changes to the support system for renewable energy sources, relative to the currently applicable regulations with respect to both existing and planned renewable energy sources. The proposed changes may prove to have an adverse effect on investors, including the Group, who are pursuing projects related to renewable energy sources. With respect to existing renewable energy sources, the changes include:

- setting of the support period under the green certificates scheme to 15 years, counted from the date on which energy for which a certificate of origin was granted is generated for the first time;
- removal of the mechanism under which the emission charge (determining the market value of green certificates) is indexed by the inflation rate; this will result in lower revenue from the sale of green certificates;
- possible ongoing control of the RES requirement (which creates the demand for green certificates) based on, among other things, the current share of electricity and fuels generated from renewable energy sources in the power sector and transport, as well as on energy prices on the competitive market.

Under the RES Act, the following regulations will be applicable to new RES sources built after January 1st 2016:

- the requirement to participate in auctions, where the support level granted will largely depend on competition on the RES market;
- as much as 25% of energy generated from RES eligible for support will have to originate from small sources of up to 1 MW;
- the drafted provisions may discriminate against sources using less than 4,000 MWh/MW/year of the installed capacity, in particular wind sources.

It should be stressed here that the enactment of the RES Act will generally have a positive effect on the Company's business, especially as a result of the fact that the period of regulatory uncertainty will be over. However, given that the RES Act includes the above mentioned regulations, the Company will need to undertake a number of steps to adjust to the new regulatory environment. It cannot be ruled out that the legislative changes may, in certain areas, contribute to a lower than expected return on investment in renewable energy sources.

Risk of oversupply of green certificates on the market and the level of their market prices

The system of support for renewable energy sources in Poland is chiefly based on a mechanism involving green certificates, i.e. tradable property rights allocated to producers for generating electricity from a renewable energy source. Demand for green certificates comes from entities (mainly those selling electricity to end users) which, under the Energy Law, are required to redeem a specified number of green certificates or else pay a relevant emission charge. In principle, redemption of green certificates is a better option as they also bear entitlement to an excise duty deduction, from which renewable energy is exempted (the deductible amount currently stands at PLN 20/MWh). If the number of outstanding green certificates is lower than implied by the requirement for their redemption or payment of an emission charge, the market price of green certificates will be close to the amount of the emission charge, or may even be higher. In line with our earlier expectations, the oversupply of green certificates continued in 2014, which kept their market price much below the emission charge set by the President of URE at PLN 300.03. Currently, the market price of green certificates stabilised at around PLN 155/MWh, which represents our estimated average lowest price of green certificates that would ensure economic viability of burning and co-burning of biomass. If the mechanisms designed to limit the supply of green certificates, as provided for in the RES Act, enter into force, the prices of green certificates are expected to rise gradually to around 75% of the emission charge, or PLN 225.00/MWh.

Risk of proposed regulatory change under which the system of support for co-firing technologies would be limited

Part of the Group's business consists in the purchase and processing of biomass for resale. Demand for the biomass sold by the Group is driven by the current system of support for renewable energy sources, which promotes, among other things, technologies for co-firing coal and biomass. Under the system, power utilities generating electricity based on such technologies are allocated a specified number of green certificates (property rights incorporated in certificates of origin). The Group companies' trading partners are electricity producers and entities supplying biomass to electricity producers co-firing coal and biomass. The proposed changes to the support system provide for significant limitation of the support for such technologies. The implementation of such legislative changes would reduce demand for biomass.

Risk of proposed regulatory change under which a support system for conventional generation sources would be created − the 'capacity market'

In Poland, investment in conventional generation capacities is hampered, mainly on account of low margins on electricity generation (especially for generation based on natural gas and hard coal). Measures implemented by PSE in recent years (supplemental non-spinning reserve) and several investment decisions made by energy companies controlled by the Polish State Treasury have reduced the risk of insufficient reserve capacities. However, there is a need to implement long-term measures to mitigate the risk of disruptions on the capacity market after 2020 by stimulating investment in the construction of new generation capacities and retaining the existing sources in operation. Depending on the adopted solutions and their implementation timeline (e.g. CFDs (contracts for difference), payments for new capacities, payments for reserve capacities, a decentralised or centralised capacity market), the attractiveness of new conventional projects, such as Elektrownia Północ, may change significantly.

These circumstances may have a material adverse effect on the Group's operations, performance, financial standing or growth prospects.

Risk of legislative changes

Polenergia S.A. believes that certain threats may be posed by frequently changing legal regulations and their varied, often contradictory, interpretations. Any potential legislative changes, in particular where they concern the laws regulating business activity, tax laws, labour laws, commercial laws, including commercial companies and capital markets laws, as well as environmental protection laws, may have an adverse effect on the operations of Polenergia S.A. and its Group. It should be noted that Polish laws are at the final stage of being harmonised with the requirements of the European Communities laws, which affects the legal environment in which the Polenergia Group operates. In addition, changes made to Polish laws result from legal acts that are introduced to the Polish legal system under the Community regulations. In particular, the implementation of new business regulations may entail problems with their interpretation, inconsistent court rulings or unfavourable interpretations adopted by public authorities.

It should also be stressed that, in addition to general laws regulating each business, the operations conducted by the Polenergia Group are governed by specific regulations under the Polish Energy Law and the related secondary legislation. These regulations are not formulated precisely, and so in many cases they do no lend themselves to straightforward interpretation, which may cause problems with their application. They are also subject to frequent changes, which makes the Polenergia Group's legal environment not entirely stable. Consequently, there is a risk that future changes in the state policy and related changes in legal regulations may have an adverse effect on the operations of Polenergia S.A. and individual Polenergia Group companies.

Risk related to unstable tax system

The regulations in the Polish tax system are frequently changed, the wording of many tax regulations is not sufficiently clear and there is no unequivocal interpretation of some tax provisions. The interpretation of tax regulations is subject to frequent changes, and the practices of tax authorities and judicial decisions concerning the application of tax regulations still lack consistency. One of the aspects of insufficient clarity of tax regulations is the fact that there are no provisions regulating formal procedures of final verification whether tax liabilities for a given period have been correctly calculated. Tax returns and actually paid amounts of tax may be inspected by tax authorities for five years from the end of the year in which the tax was due.

Following Poland's accession to the European Union, Polish regulations, including the tax legal framework, have been adjusted to the EU standards and aligned with the regulations applicable in other EU Member States. The process is still continued and may result in further stabilisation of the Polish tax regime, which may significantly reduce the risk of instability of the tax system.

The risk related to the unstable tax system, and in particular the risk of tax authorities adopting a different interpretation of tax laws than that assumed by the Polenergia Group, exists and may have an adverse effect on the Group's operations, financial standing, performance or growth prospects.

Risk related to the necessity of meeting environmental regulations

The business operations of Polenergia S.A. and individual Group companies are subject to a number of environmental regulations. In particular, the Company and the Group may be required to obtain integrated permits, permits for air emissions of gases and particulate matter, or waste generation and management permits. Further, under the EU Emissions Trading Scheme, participation permits had to be obtained for installations used in the course of the operations of Polenergia and other Group companies.

Ensuring compliance with environmental protection regulations may require expenditure to prepare the relevant applications and adjust the Group's installations to the applicable requirements. At the date of approval of the quarterly report, Polenergia S.A. and its subsidiaries secured all relevant environmental permits.

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. Trading in emissions commenced on January 1st 2005 upon the implementation 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 into the Atmosphere, dated December 22nd 2004. The Act was superseded by the Act on Trading in

Greenhouse Gas Emission Allowances, dated April 28th 2011. At present, work is under way on a legislative act regulating trade in emission allowances in the current trading period (ETS III 2013−2020). The draft bill has been approved by the Council of Ministers.
Plants owned by the Polenergia Group:

a. Zakrzów CHP Plant (National Allocation Plan (KPRU) No.: PL 0075 05),
b. Mercury Power Plant (KPRU No.: PL 0879 05),
c. Nowa Sarzyna CHP Plant (KPRU No.: PL 0472 05).

All three are combustion installations with a rated thermal input in excess of 20 MW participating in the EU emissions trading scheme.

a. 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 the Council of April 23rd 2009, the Zakrzów CHP Plant was provisionally allocated 8,439 free annual allowances pursuant to Art. 10a (2013−2020). Under the Regulation of the Council of Ministers of March 31st 2014 listing installations other than those for electricity generation covered by the greenhouse gas emissions trading scheme in the trading period beginning on January 1st 2013, along with the number of allowances allocated to them, the number of free emission allowances allocated to the Zakrzów plant, modified by a correction factor, was as follows:

- 2013 - 7,956
- 2014 - 7,817
- 2015 - 7,678
- 2016 - 7,536
- 2017 - 7,394
- 2018 - 7,249
- 2019 - 7,103
- 2020 - 6,957

It should be noted that in 2013−2015, the number of allocated allowances was reduced by half given the lower heat volume generated by the plant in 2012−2014 (with the plant's annual output at 25%-50% of the initial level). Should production increase to over 50%, the number of EUA allowances allocated in future trading periods will be adjusted back to 100% of the initial amount. The emission allowances allocated for 2013 and 2014 were transferred to the operator's account in April 2014.

b. In accordance with the derogation under Art. 10c of Directive 2003/87/EC, the Mercury Power Plant, as an electricity producer, was provisionally allocated 22,344 emission allowances for 2013, with the allocation gradually decreasing to 0 in 2020.
Under the Regulation of the Council of Ministers of April 8th 2014 listing electricity generating installations covered by the greenhouse gas emissions trading scheme in the trading period beginning on January 1st 2013, along with the number of allowances allocated to them, the number of free emission allowances allocated to the Mercury Power Plant, modified by a correction factor, was as follows:

- 2013 - 17,763
- 2014 - 16,420
- 2015 - 14,272
- 2016 - 10,859
- 2017 - 8,217
- 2018 - 6,548
- 2019 - 4,869
- 2020 - 0

The Mercury Power Plant was not allocated any emission allowances for 2013−2015 as no Investments specified in the National Investment Plan were carried out.

c. The Nowa Sarzyna CHP Plant was allocated free emission allowances pursuant to Art. 10a and Art. 10c of Directive 2003/87/EC of the European Parliament and of the Council.
Under the Regulation of the Council of Ministers of March 31st 2014 listing installations other than those for electricity generation covered by the greenhouse gas emissions trading scheme in the trading period beginning on January 1st 2013, along with the number of allowances allocated to

them, the number of free emission allowances allocated to the Nowa Sarzyna CHP Plant, modified by a correction factor, was as follows:

- 2013 - 34,256
- 2014 - 32,448
- 2015 - 30,681
- 2016 - 28,959
- 2017 - 27,278
- 2018 - 25,642
- 2019 - 24,046
- 2020 - 22,495

The emission allowances allocated for 2013 and 2014 were transferred to the operator's account in April 2014.

Under the Regulation of the Council of Ministers of April 8th 2014 listing electricity generating installations covered by the greenhouse gas emissions trading scheme in the trading period beginning on January 1st 2013, along with the number of allowances allocated to them, the number of free emission allowances allocated to the Nowa Sarzyna CHP Plant, modified by a correction factor, was as follows:

- 2013 - 145,048
- 2014 - 134,082
- 2015 - 116,082
- 2016 - 88,676
- 2017 - 67,103
- 2018 - 53,468
- 2019 - 39,758
- 2020 - 0

Given that no Investments specified in the National Investment Plan were carried out, no free allowances were transferred to the operator's account.

The installations listed above submit annual reports to the electronic National Database for Emissions of Greenhouse Gases and Other Substances and reviewed annual reports on CO2 emissions. As of January 1st 2013, all the installations are also subject to new CO2 emissions monitoring plans, approved by competent authorities and compliant with 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 June 21st 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.

Risks related to the operations of Polenergia

Risk related to problems with securing financing for investment projects

Polenergia S.A. seeks to finance individual projects under a project finance model which assumes a 70% share of external financing and 30% of its own contribution. The construction of more wind farms or biomass-fired power plants, upgrade of existing plants and development of projects related to the outsourcing of heat and power generation will require considerable funds. New projects will be financed with bank borrowings, own funds, issue of shares (provided that the share price reflects the company's fair value) and disposal of shares in selected projects.

Polenergia's experience in preparing investment projects and securing their financing proves that professionally prepared project business plans and good relations with financial institutions make it possible to ensure appropriate financing of individual projects.

In the case of difficulties with finding potential share buyers, unsuccessful issue of shares or problems with obtaining bank borrowings, the Polenergia Group is able to postpone the execution of individual investment projects. If such circumstances occur, Polenergia S.A. will consider other forms of financing its planned projects, including temporary reversal of the proportions between sold and kept shares.

Risk of new projects' failure

The Polenergia Group is pursuing an intensive development plan, which involves a significant number of investment projects in power generation outsourcing, development and construction of wind farms and production of pellets from agricultural biomass. Projects pursued by the Polenergia Group require significant capital expenditure. It is particularly high in the case of development and construction of wind farms - the area in which the Group is planning to expand and is currently running a number of projects. Polenergia makes decisions to commence the development stage of a project on the basis of detailed financial models, technical analyses and expert reports prepared by its dedicated Wind Farm Development Department. Such analyses include a series of assumptions, related to power generation volume, revenue, production costs, required investment amount and costs of its financing. There is a risk that Polenergia S.A. may adopt assumptions more favourable than actual conditions, which would cause the Polenergia Group to achieve a lower than expected return on investment in a specific project. Moreover, the costs of preparing a project, even before the development stage, are also significant, especially in the wind farm construction segment. A project's failure would prevent the Group from recovering such costs.

The Wind Farm Development Department has extensive experience in all aspects of project preparation and implementation, such as development, plant operation and financing. Polenergia S.A. consistently improves its project management methods and is extremely careful in selecting the locations for wind farm projects in order to minimise the risk of achieving an unsatisfactory return on investment and the risk of incurring significant costs of project preparation without ascertaining the feasibility of project implementation. Furthermore, in January 2013, Polenergia S.A. took over a team of employees experienced in the process of developing wind farms from EPA Wind Sp. z o.o, a leading developer of wind farm projects in Poland. Consequently, the Company gained access to information on the best locations of wind farms, the results of wind measurements and practical experience in building wind farms in Poland.

Risk of failure to carry out or delays in carrying out investment plans

One of the key elements of the Polenergia Group's development strategy are investment projects related to outsourcing of the generation of industrial power and power from renewable sources.

Delays in carrying out its investment projects or their abandonment involve a risk of failing to achieve the assumed operating objectives in the expected time frame, which in turn might lead to the Polenergia Group's achievement of worse financial results than those it would have posted if such projects had ended as planned.

Intending to meet its investment plans, the Group takes steps to minimise this risk (such as precise planning and analysing factors which may affect the achievement of objectives, ongoing monitoring of results and immediate responding to any signals showing that the achievement of objectives is at risk). The Management Board is particularly diligent in preparing individual projects, working on each and every technological detail and ensuring appropriate financing.

Risk of competition in seeking locations for wind farm projects

As a result of strengthening the support for renewable energy generation in the EU and Poland, wind projects have become more financially attractive, which in turn has led to increased competition for project locations. However, since the Company started operating in the wind farm development sector as early as in 2003, it is expert in finding locations and has an extensive portfolio of defined wind farm projects. Moreover, Polenergia S.A. has a strong in-house team of employees experienced in wind farm development. As a result, the Company believes it will be able to complete the assumed development of projects with a total capacity of ca. 1,000 MW by 2021.

Risk related to dependence on key customers

Each power generation project developed and implemented by Polenergia S.A. is, in practice, prepared for one or more customers, i.e. manufacturing companies. With the expansion of the Group's operations, its foothold on the market of RES power generation and the Group's electricity trading company, the share of industrial customers in its total revenue will decrease. Currently, industrial customers do not account for more than 10% of the Polenergia Group's total revenue.

Risk related to customers' financial standing

In the industrial power generation outsourcing segment, the Polenergia Group generates revenue based on long-term power and heat supply agreements concluded with one or several customers. The financial standing of customers and their ability to settle liabilities towards companies of the Polenergia Group is, therefore, of key significance for the success of the Group's projects, its financial results and financial standing. A sudden drop in energy consumption by a customer may also affect energy production efficiency.

Prior to concluding an outsourcing contract and launching a project, Polenergia S.A. thoroughly verifies its potential customers, sometimes with the support of external consultants, checking their ability to settle liabilities towards Polenergia S.A., and prospects for the industries they operate in. The Polenergia Group is very careful in selecting customers, making sure they represent industries with good market prospects. The Company meticulously analyses a prospective customer's industrial processes, as well as power and heat demand. Both parties work together for several months before the launch of a project.

Risk related to the liquidation of a trading partner

According to the information held by the Company, on July 2nd 2014 the general meeting of Polska Energia – Pierwsza Kompania Handlowa sp. z o.o., the sole customer for the electricity and green certificates generated by the Modlikowice WF (operated by Talia) and the Łukaszów WF (operated by Amon), passed a resolution to dissolve and wind up the company, and on October 27th 2014, Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. w likwidacji (in liquidation) filed an insolvency petition. The petition was dismissed by the court.
Even if Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji is declared bankrupt or wound up, Talia and Amon will still be able to sell their energy and certificates. All electricity produced by the Modlikowice WF and Łukaszów WF can be sold to a supplier of last resort at a price announced by the President of URE, while green certificates can be sold on a commodity exchange or otherwise to entities other than Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. w likwidacji. Accordingly, the Management Board believes that the Modlikowice WF and Łukaszów WF will be able to sell their electricity and green certificates even if their current customer is declared insolvent or liquidated. 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. Although contracts with Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. w likwidacji were concluded for a fixed period until March 1st 2027, it is equally impossible to predict the period when the two companies will suffer a decline in earnings without knowing what the last-resort prices of electricity and market prices of green certificates will be in the period.

The companies are of the opinion that Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. w likwidacji may not unilaterally avoid performing the contracts in a legal way as part of its liquidation procedure or close the winding-up process before it terminates the contracts with the consent of the other party (Amon or Talia). But if this is the case, Amon and Talia may still sell their electricity and green certificates as discussed earlier and may pursue claims for damages.

Assuming that the low prices of green certificates recorded in 2014 continue throughout 2015 and that the Modlikowice WF and Łukaszów WF operate at the same low wind speeds as in 2014, and further considering the difference between the market prices and the contractual prices of green certificates, the possible liquidation or insolvency of the only customer for electricity and green certificates produced by the wind farms would result in Talia's and Amon's net profit for 2015 being reduced by approximately PLN 4m and PLN 6m, respectively.

Seasonality risk

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 Polenergia S.A. 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.

Risk of temporary production stoppages due to malfunction, damage or loss of property, plant and equipment

A serious malfunction, damage, partial or total loss of the Group's property, plant and equipment may result in temporary suspension of operations. In such cases, the Group may find it difficult to perform its agreements in a timely manner, which may result in enforcement of contractual penalties. Such situations may not only impair the quality of customer service, but may also lead to significant deterioration of financial performance.
The Group has insurance coverage against loss of gross margin and also holds property insurance so that any property damage, loss or failure is at least partly compensated.

Polenergia S.A. and the members of its Group believe that they have insurance policies that provide sufficient protection against risks inherent in respective business activities. However, there can be no assurance that the value of losses caused by events against which the Group is insured will not exceed the sums insured. Further, the occurrence of events beyond the existing insurance coverage cannot be ruled out, which may force the Company to spend significant amounts to restore the resulting losses.

Risk of adverse weather conditions affecting electricity generation at the wind farms operated by the Group

The volume of electricity generated by a wind farm depends primarily on local wind characteristics. These may prove less favourable than expected and result in the actual volume of electricity generated falling below the projected volume.
These circumstances may have a material adverse effect on the Group's operations, performance, financial standing or growth prospects.

Risk related to loss of key personnel

Polenergia S.A.'s and other Group companies' business operations are chiefly based on the knowledge and experience of highly qualified personnel. In connection with the shortage of industrial energy outsourcing specialists on the market and given that the specialists employed at the Group may receive job and pay offers from the existing or future competitors, there exists a risk of loss of staff of fundamental importance to Polenergia S.A.'s and its Group's development. If the risk materialised, this could adversely affect the Group's performance and execution of its strategy.

The risk of loss of key personnel is mitigated through:

- very strong corporate culture ensuring employee loyalty,
- a remuneration system that serves to incentivise staff and reward loyalty, and
- knowledge management and extensive training programmes.

Risk related to facility operations

In operating an industrial facility, there exists the risk of the facility not being able to achieve the target efficiency and availability parameters and failing to meet the terms of relevant power supply contracts. Polenergia S.A.'s past experience suggests that the risk of unexpected accidents resulting in the facilities' operating budgets being exceeded is low. In an effort to mitigate this risk, Group companies continually hone their operating procedures and maintain insurance coverage or use clauses in their contracts allowing them to pass any unplanned costs and expenses onto subcontractors.

Cash flow hedge risk

The main purpose of hedging transactions is to mitigate the effect of exchange rate movements on the value of future, highly probable currency payments under an investment agreement for the delivery of turbines for two projects which are currently in progress.

As at December 31st 2014, the Group held the following hedging instruments for cash flow hedge accounting purposes:

Maturity date of the hedging instrument	Value of hedge Currency purchase (EUR '000)	Hedged rate	Instrument
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	1,013.7	4.2686	Forward
Mar 31 2015	5,068.4	4.2686	Forward
May 29 2015	5,068.4	4.2795	Forward
May 29 2015	5,068.4	4.2795	Forward
Jun 30 2015	1,013.7	4.2861	Forward
Jun 30 2015	5,068.4	4.2861	Forward
Jun 30 2015	1,013.7	4.2861	Forward
Jul 31 2015	1,013.7	4.2915	Forward
Jul 31 2015	1,013.7	4.2915	Forward
Jul 31 2015	1,013.7	4.2915	Forward
Aug 31 2015	1,013.7	4.2965	Forward
Aug 31 2015	1,013.7	4.2965	Forward
Sep 30 2015	1,013.7	4.3017	Forward
	32,438		

The main purpose of hedging transactions is to mitigate the effect of exchange rate movements on the value of future, highly probable currency payments under an investment agreement.
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 net profit or loss.
As at December 31st 2014, the Group recognised PLN 431.7 thousand in other comprehensive income (2013: PLN 2,235 thousand), which is a component of equity, under the effective portion of the hedging instrument at fair value. The result on the forward transaction 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.

16. Statement of compliance with corporate governance rules

a) The corporate governance rules applicable to the Company and the place where the rules are publicly available

Code of Best Practice for WSE Listed Companies.
The Code is available at: http://corp-gov.gpw.pl/

b) Degree of the Company's non-compliance with the corporate governance rules referred to in Section 16.a), specification of the rules not complied with, and reasons for the non-compliance

The Company does not broadcast its General Meetings, nor does it record the meetings. Given the substantial costs of broadcasting and recording the General Meeting, the Company does not plan to change its policy in this respect. In the Company's opinion, the current method of notifying shareholders of the proceedings of the General Meeting, consisting in publication of the text of adopted resolutions, is sufficient.

The composition of the Supervisory Board is determined independently by the Company shareholders, and as the shareholders decided not to appoint any women to the Supervisory Board, the Company does not comply with recommendation I.9 and does not publish information referred to in II.1.2a.

As the Company Articles of Association do not provide for participation in the General Meeting via the Internet, the Company does not follow recommendation IV.10.

c) Key features of the Company's internal control and risk management systems used in the preparation of separate and consolidated financial statements

The Management Board is responsible for the Company's internal control and risk management systems applied in the preparation of financial statements.

Periodic financial statements and management reports are prepared by the Accounting Department and the Internal Control, Reporting, Modelling and Analysis Department, under supervision of Chief Financial and Administration Director, who is also a Management Board member.

All financial data contained in the financial statements are sourced from the financial and accounting system, in which all business events are recorded in accordance with the accounting policy approved by the Management Board, based on the International Financial Reporting Standards. The documents are reviewed by authorised persons in terms of their formal, accounting and substantive correctness.

The effectiveness of the internal control system is protected through a number of measures and internal procedures adopted by the Company's Management Board. Such measures concern, for instance, circulation of accounting records, purchases made on behalf of the Company, assuming obligations by the Company, stock-taking, disposal of the Company's non-current assets and items, decision-making and budgeting.

Data security is ensured by continuous review and update of access rights limitations and the strength of the password system protecting financial and accounting records, as well as by the Company's procedures for data backup and storage.

Full-year and half-year (consolidated and separate) financial statements are subject to audit (annual reports) or review (half-year reports) by an independent auditor appointed by the Supervisory Board under the authorisation provided for in the Articles of Association.

Prior to publication, audited full-year financial statements of the Company are approved by the Management and Supervisory Boards.

After the accounting closing of each calendar month, the Company prepares management reports including an analysis of key financial data and ratios and a comparison of current financial performance with the adopted budget, along with an explanation of budget deviations, if any. Each month, management reports are distributed among the members of the Management and Supervisory Boards.

The Company's internal control mechanisms enable early identification, assessment and mitigation of risk and ensure accuracy of information presented in financial statements.

Thanks to this, the Company's financial statements are reliable, correct and clear, as confirmed by auditor's opinions.

d) Shareholders directly or indirectly holding significant holdings of shares, along with an indication of the numbers of shares and percentages of the Company's share capital held by such shareholders, and the numbers of votes and percentages of the total vote that such shares represent at the General Meeting

For detailed information on shareholders directly or indirectly holding significant holdings of shares, see Note 23.2 to the consolidated financial statements.

e) Holders of any securities conferring special control rights, and description of those rights

The Company has not issued any securities conferring special control powers.

f) Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities

The Company is aware of no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

g) Any restrictions on transfer of ownership rights to the Company's securities

There are no restrictions on transfer of ownership rights to the Company's securities

h) Rules governing the appointment and removal of the Company's management personnel and such personnel's powers, particularly the power to make decisions to issue or buy back shares

The Management Board consists of one to five members, including the President and Vice-President of the Management Board. The Management Board is appointed for a three-year term of office. The Management Board members are not appointed for a joint term of office.

The Supervisory Board appoints and determines the number of members of the Management Board.

The Management Board manages the Company's business and represents it before third parties.

Any matters related to the management of the Company which do not fall within the exclusive scope of competence of the General Meeting or the Supervisory Board under the law or the Articles of Association fall within the scope of powers and responsibilities of the Management Board.

The Management Board is not authorised to make decisions on share issue.

i) Rules governing amendments to the Articles of Association

Any amendment to the Articles of Association requires a resolution of the General Meeting adopted by a ¾ majority of votes.

j) Manner of operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the rules stipulated in the rules of procedure of the General Meeting if such rules have been adopted, unless the relevant information follows directly from legal regulations

Manner of operation of the General Meeting

The General Meeting operates pursuant to (i) the Commercial Companies Code, (ii) other generally applicable laws, (iii) the Articles of Association and (iv) the Rules of Procedure of the General Meeting.

Certificates of deposit confer the right to participate in the General Meeting. A certificate of deposit should specify the number of shares held and contain a clause prohibiting the issue of such shares until the General Meeting is closed. A shareholder may attend the General Meeting provided that they submit a certificate of deposit at the Company's registered office at least one week prior to the date of the Meeting. Shareholders may participate in the General Meeting in person or by proxy. The power of proxy to participate in the General Meeting should be made in writing. Furthermore, a document confirming authorisation of the persons granting the power of proxy to represent a shareholder should be attached to the powers of proxy granted by legal persons or partnerships.

Resolutions are voted on by the General Meeting in an open ballot. Resolutions are voted on in a secret ballot if the law so requires (e.g. personnel matters) or upon a shareholder's request.

General Meetings are convened by placing a notice on the company's website and in the manner prescribed for disclosure of current information in accordance with the provisions of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies. Such an notice should be published at least twenty-six days prior to the date of the General Meeting.

Key powers of the General Meeting

The powers of the General Meeting are stipulated in Art. 20.1. of the Company's Articles of Association and include:

a) reviewing and approving the Directors' Report and the Company's financial statements;

b) approving performance of duties by the Supervisory and Management Board members;

c) passing resolutions on distribution of profit or coverage of loss;

d) setting up and releasing special accounts;

e) determining the rules and amounts of remuneration of Supervisory Board members;

f) changing the Company's business objects;

g) amending the Company's Articles of Association;

h) increasing or reducing the share capital;

i) merging or transforming the Company;

j) dissolving and liquidating the Company;

k) issuing bonds, including convertible bonds;

l) appointing liquidators;

ł) making all decisions concerning claims for redress of any damage inflicted on formation of the Company, or in the management or supervision of the Company.

m) disposing of the Company's business or a substantial part thereof;

n) considering matters put forward by the Supervisory or Management Boards, or by shareholders.

The General Meeting is also authorised to appoint and remove members of the Supervisory Board (pursuant to Art. 10.2 of the Articles of Association). Furthermore, pursuant to Art. 368.1 of the Commercial Companies Code, the General Meeting may remove a member of the Management Board.

Shareholders' rights and the manner of exercising those rights

Shareholders' key rights include the right to participate in and exercise the voting right at the General Meeting.

Moreover, a shareholder or shareholders representing at least 10% of the share capital may request that the General Meeting be convened and that certain matters be placed on the agenda of the General Meeting (Art. 400.1 of the Commercial Companies Code).

Shareholders also have the right to appeal against General Meeting's resolutions or to move for declaring such resolutions null and void.

k) Composition and activities of the Company's management, supervisory or administrative bodies and of their committees; changes in their composition over the last financial year

Supervisory Board

Composition

No.	Name and surname	Position
1.	Tomasz Mikołajczak	Chairman of the Supervisory Board
2.	Łukasz Rędziniak	Deputy Chairman of the Supervisory Board
3.	Marek Gabryjelski	Member of the Supervisory Board
4.	Arkadiusz Jastrzębski	Member of the Supervisory Board
5.	Mariusz Nowak	Member of the Supervisory Board
6.	Rafał Andrzejewski	Member of the Supervisory Board

On August 31st 2014, Jacek Głowacki resigned from the Supervisory Board.

On September 30th 2014, the Company was notified that China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF of Luxembourg, acting in accordance with Art. 10.2.b of the Articles of Association, appointed Rafał Andrzejewski to the Company's Supervisory Board.

The Supervisory Board is composed of six to nine members. The number of Supervisory Board members for a given term of office is determined by the General Meeting. The term of office of the Supervisory Board is 3 (three) years), except for the first term of office of the Supervisory Board, which is 1 (one) year. The Supervisory Board members are not appointed for a joint term of office.

The Supervisory Board members are appointed and removed in the following manner:
a) a shareholder holding shares representing at least 33% of the Company's share capital has the right to appoint and remove two members of the Supervisory Board, including the Chairman, by submitting to the Company a relevant written statement. If more than one shareholder holds shares representing at least 33% of the Company's share capital, the Chairman of the Supervisory Board is appointed by the shareholder holding the largest number of Company shares;

b) China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF of Luxembourg, the Grand Duchy of Luxembourg, (the „Fund") has the right to appoint and remove one member of the Supervisory Board by submitting to the Company a relevant written statement;

c) other members of the Supervisory Board are appointed and removed by the General Meeting;

d) the right to appoint and remove members of the Supervisory Board referred to in a) and b) above may not be exercised jointly by the same entity or entities which are members of a single group.

At least two members of the Supervisory Board should meet the independence criteria described in the Code of Best Practice for WSE Listed Companies, attached as Appendix to Resolution No. 19/1307/2012 of the WSE Board of November 21st 2012, or in a document which will replace the Code, and in particular such members may not have, in line with the representation by Kulczyk Investment S.A. („KI") submitted to the Company, any economic, family or other links with Kulczyk Investment S.A. which may influence the position of a Supervisory Board member with regard to any matters discussed by the Board.
An Audit Committee operates within the Supervisory Board. The Audit Committee is composed of three members. The Audit Committee comprises the Supervisory Board member referred to in Art. 10.2.b of the Articles of Association.

Composition of the Audit Committee

No.	Name and surname	Position
1.	Mariusz Nowak	Chairman of the Audit Committee
2.	Marek Gabryjelski	Member of the Audit Committee
3.	Rafał Andrzejewski	Member of the Audit Committee

Rules of operation

The Supervisory Board operates pursuant to (i) the Commercial Companies Code, (ii) other generally applicable laws, (iii) the Articles of Association and (iv) the Rules of Procedure for the Supervisory Board.

An Audit Committee has been established within the Supervisory Board, comprising the following members: (i) Mariusz Nowak – Chairman, (ii) Rafał Andrzejewski – Member, and (iii) Marek Gabryjelski – Member.

The powers and responsibilities of the Supervisory Board shall include, without limitation:

a) assessment of the Company's financial statements for the previous financial year;

b) issue of opinions on the Directors' Report and Management Board recommendations concerning the distribution of profit (payment of dividend) or coverage of loss, on draft resolutions proposed to the General Meeting, and on other important materials presented to the shareholders in connection with the General Meeting;

c) review and approval of annual operational and financial plans for the Company ('Company Budget') and for individual Projects ('Project Budget') in which the Company invests, and any material changes thereto, as well as requesting the Management Board to present detailed reports on performance of the plans

('Project' means a company, business or venture engaged in the generation, transmission or distribution of electricity or heat, or in the supply, trade in or distribution of fuels, in which the Company is a shareholder, developer or manager;

c^1) granting of consent for the Company to incur capital expenditure in an amount exceeding the equivalent of USD 100,000 (one hundred thousand US dollars), as calculated at the mid-exchange rate announced by the National Bank of Poland for the transaction date ('Exchange Rate'), on a company, business or venture that is not a Project;

d) review and approval of the Company's strategic growth plans;

e) submission to the General Meeting of written reports on findings of the assessments referred to in item a) and b) above;

f) appointment, removal from office and suspension from duties of Management Board members, including the President, Vice-President or the entire Management Board;

g) determination of the number of Management Board members for the next term of office;

h) determination of the amount of remuneration and other benefits for Management Board members;

i) when all members of the Management Board have been removed from office or suspended from duties or when the Management Board is unable to operate for other reasons, delegation of one or more Supervisory Board members to temporarily perform the duties of the Management Board;

j) granting consent to sale, lease, exchange, or other disposal of the Company's assets, including the Company's interest in a Project, as part of a single or series of related transactions, with a market value exceeding
USD 100,000 (one hundred thousand US dollars), as calculated at the mid-exchange rate

announced by the National Bank of Poland for the transaction date ('Exchange Rate');

k) granting consent to the Company for the taking out of bank loans, taking out or advancing of other loans, and taking on other debt, save for (i) liabilities incurred in the ordinary course of business in respect of the provision of services or the delivery of goods, (ii) taxes not yet due and payable, (iii) other current liabilities, where the portion not provided for in the Company's approved budget does not exceed the PLN equivalent of USD 250,000 (two hundred and fifty thousand US dollars), as translated at the Exchange Rate;

l) granting consent to the Company for incurring expenditure in a cumulative amount exceeding the PLN equivalent of USD 250,000.00 (two hundred and fifty thousand), as translated at the Exchange Rate, as part of a single or series of related transactions, other than expenditure provided for in the Company's approved annual budget or arising in the Company's ordinary course of business, with the proviso that capital expenditure is not construed as expenditure incurred in the Company's ordinary course of business;

m) granting consent to the Company for participation in legal transactions with any of the following:

i) an entity in which the Company holds, directly or indirectly, shares or other equity interests, unless the shares or equity interests represent 100% (one hundred per cent) of the share capital of such entity;

ii) a member of the Company's Management Board;

iii) a member of the Supervisory Board;

n) granting consent to the Company for entering into an agreement establishing a partnership under civil law, general partnership, limited partnership, into a profit-sharing or revenue-sharing agreement or any similar agreement whereunder the Company's revenue or profit is or may be shared with other persons or entities;

o) granting consent to the Company for the establishment of branches or subsidiaries, acquisition or subscription for shares or equity interests in other companies, and entry into partnership agreements with entities other than companies in which the Company holds, directly or indirectly, 100% (one hundred per cent) of the share capital;

p) granting consent to the Company for the issue of sureties or guarantees or other encumbrance on its assets if the cumulative amount of such sureties, guarantees or other encumbrances exceeds or may exceed the PLN equivalent of USD 100,000.00 (one hundred thousand US dollars), as translated at the Exchange Rate, unless such sureties, guarantees or other encumbrances are provided for in the Company's approved budget;

r) selection or change of the Company's auditor;

s) granting consent to the appointment of commercial proxies and approving the amount of remuneration of the commercial proxies;

t) granting consent to the execution, material amendment or termination of an agreement with a value exceeding the PLN equivalent of USD 500,000 (five hundred thousand US dollars), as translated at the Exchange Rate, and which is made for the provision of power services, purchase of energy, facility management, lease of assets, turn-key procurement and delivery, equipment maintenance and operation, contracting a bank loan or other borrowings or supply of fuel, as well as any other agreements relating to a Project involving the Company, including any changes to orders under turn-key procurement and delivery agreements, unless any of the above is provided for in the Company's approved budget;

u) approving the terms and conditions of Project financing and any material amendments to such terms and conditions;

v) granting consent to a material change to the accounting policies applied by the Company;

w) approving any acquisition or disposal by the Company of a property, perpetual usufruct right or interest in a property, unless such acquisition or disposal was provided for in the Company's or a Project's approved budget.

Management Board

Composition

	Name and surname	Position
1.	Zbigniew Prokopowicz	President of the Management
2.	Jacek Głowacki	Vice-President of the
3.	Anna Kwarcińska	Vice-President of the
4.	Michał Kozłowski	Vice-President of the

17. Proceedings pending before common courts of law, arbitration courts or public administration authorities, including information concerning:

a. proceedings relating to liabilities or receivables of the Company or its subsidiary with a value equal to at least 10% of the Company's equity, specifying the subject matter of the proceedings and the Company's position

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

b. two or more proceedings relating to liabilities or receivables with a total value equal to at least 10% of the Company's equity, specifying the total value of the proceedings separately for liabilities and receivables, as well as the Company's position, and – for the most significant proceedings relating to liabilities and receivables – the subject matter of the proceedings, value of the claim, date of institution, and parties to the proceedings

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

c. other proceedings

Due to the nature of its business which involves supplying electricity to end customers, the Company's subsidiary Polenergia Dystrybucja Sp. z o.o. is enforcing claims against a number of customers in relation to sale and distribution of electricity, for a total amount of ca. PLN 850,000.00.

The Company's subsidiary Polenergia Obrót S.A. has secured an enforceable title against one customer for the total amount of PLN 5,000,000.00, with respect to which enforcement proceedings are pending.

18. Key products, merchandise and services, their values and volumes, and the respective shares of individual products, merchandise and services (where relevant) or their groups in the Group's total revenue, as well as the changes of the above in the financial year

NET REVENUE FROM SALE OF PRODUCTS (BY TYPE) [PLNm]		**Dec 31 2014**	**Dec 31 2014**
Net revenue from sales of electricity		696.6	74.54%
Electricity sold	[MWh]	4,303,692	
Net revenue from sale of heat		18,0	1,93%
Heat sold	[GJ]	201,620	

Revenue from sale of pellet	58.7	6.28%
Net revenue from certificates of origin	68.1	7.29%
Income from stranded costs and costs of gas	59.6	6.38%
Net revenue from sale of gas	19.3	2.07%
Revenue from sales of merchandise	8.1	0.87%
Net revenue from consulting projects	0.9	0.10%
Net revenue from sale of carbon dioxide emission allowances	1.3	0.14%
Other revenue	**3.9**	**0.42%**
Total net revenue from sale of products	934.5	**100.00%**

19. Information on the Company's markets, broken down into domestic and foreign markets, on the Company's supply sources for production materials, goods and services, including information on dependence, if any, on any single customer or supplier, or a group of customers or suppliers, and where the share of a single customer or supplier in total revenue equals or exceeds 10% of total revenue – the name of such supplier or customer, its share in total sales or purchases, and its formal links with the Company

Domestic customers accounted for 100% of the production and services sold by the Company in 2014. Given the specific nature of its business involving the production and sale of heat and electricity to the specific customer, each industrial power outsourcing project developed and implemented by the Company is, in practice, prepared for one or more customers, i.e. production companies. As the Group's operations develop, the market of RES power generation expands and the Group's electricity trading company grows its operations, the share of individual customers in revenue will decrease. Currently, no customer accounts for more than 10% of the Group's total revenue.

The main raw materials used by the Group to produce heat, electricity and biomass pellets are currently natural gas and straw.
The Group is not dependent on any single straw supplier. The Group purchases natural gas from PGNiG S.A., but is also able to purchase gas fuel on the market. The Group is dependent on the transmission networks of the PGNIG Group.

Below are presented other suppliers of goods and services which accounted for 10% or more of the Group's total revenue in 2014.

Supplier	Transaction	Type of link with the Group	2014
SIEMENS SP. Z O.O.	Purchase of turbines for wind farm projects	no link	32%

20. Agreements significant for the issuer's business, including agreements between shareholders (partners), insurance contracts, collaboration or cooperation agreements, of which the issuer is aware

In compliance with the requirements set out in the Minister of Finance's Regulation dated February 19th 2009 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, the Issuer publishes information on significant agreements in the form of current reports.

21. Issuer's organisational or equity links with other entities and main domestic and foreign investments (securities, financial instruments, intangible assets and property), including equity investments outside the issuer's group of related entities, and a description of the methods of financing thereof, and structure of main equity deposits or major investments within the issuer's group in the financial year

The Group's equity structure is presented in the financial statements. For the Issuer's equity links, see Note 8 to the consolidated financial statements.

22. Significant transactions concluded by the issuer or the issuer's subsidiaries with related parties on non-arms' length terms, including the amounts and other details of such transactions - the obligation is deemed fulfilled by referring to the part of the financial statements in which such information is provided

For related-party transactions, see Note 43 to the consolidated financial statements.

23. Bank and other borrowing agreements concluded and terminated in the financial year, including at least the amounts, types, interest rates, currencies and maturity dates of the borrowings

For the Group's bank and other borrowings, see Notes 26-28 to the consolidated financial statements.

24. Loans granted in the financial year, in particular loans granted to the issuer's related entities, including at least the amounts, types, interest rates, currencies and maturity dates of the loans

Loans granted are presented in Note 40.2 to the separate financial statements and Note 21 to the consolidated financial statements.

25. Sureties and guarantees issued and obtained in the financial year, including without limitation sureties and guarantees issued for the benefit of the issuer's related entities

For loan or borrowing sureties or guarantees issued by the issuer or the issuer's subsidiary to a single entity or its subsidiaries, see Note 31.1 to the separate financial statements and Note 30.1 to the consolidated financial statements.

The sureties and guarantees obtained are presented below:

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
Beta Sp. z o.o. and Alfa Sp. z o.o./Elektrownia Połaniec – GDF Suez Energia Polska S.A.	Rights to the Project Sale Agreement	PLN 10,000,000	Dec 31 2020 (or payment of the total amount for which surety has been issued)
KSG Agro Polska Sp. z o.o./KSG Agro SA	Licence agreement	-	Dec 31 2025
Consortium of ERBUD SA and PBDI SA/ Sopockie Towarzystwo Ubezpieczeniowe Ergo Hestia	Construction work contract – construction of Gawłowice WF	PLN 1,648,755.75	Dec 13 2019

Electrum sp. z o.o. /PKO Bank Polski SA	Electrical work contract – construction of Gawłowice WF	PLN 996,563.50 PLN 498,281.75	until Apr 01 2015 until Mar 31 2018
Consortium of Electrum sp. z o.o. and MegaPol SA/Raiffeisen Bank Polska SA	Electrical work contract – construction of Gawłowice WF	PLN 916,669.80 PLN 458,334.90	until Apr 01 2015 until Mar 31 2018

Responsible entity/issuer of surety or guarantee	**Basis**	**Value**	**Period**
SGS Polska sp. z o.o./ Societe Generale Corporate & Investment Banking	Contract for contract engineer services - construction of Gawłowice WF	PLN 165,000.00 PLN 49,500.00	until Feb 02 2015 until Jan 02 2018
Consortium of ERBUD SA and PBDI SA/ Sopockie Towarzystwo Ubezpieczeniowe Ergo Hestia	Construction work contract – construction of Rajgród WF	PLN 966,407.76	Dec 27 2019
Electrum sp. z o.o. /Raiffeisen Bank Polska SA	Construction work contract – construction of Rajgród WF	PLN 2,300,100.00 PLN 1,150,050.00	until Feb 01 2015 until Jan 31 2018
SGS Polska sp. z o.o./ Societe Generale Corporate & Investment Banking	Contract for contract engineer services - construction of Rajgród WF	PLN 100,000.00 PLN 30,000.00	until Jan 15 2015 until Jan 02 2018
Siemens sp. z o.o./ Siemens Aktiengesellschaft	Turbine supply contract – Gawłowice WF	Current contract value	Dec 29 2019
Siemens sp. z o.o./ Siemens Aktiengesellschaft	Turbine supply contract – Rajgród WF	Current contract value	Dec 29 2019
Siemens sp. z o.o./ Siemens Aktiengesellschaft	Turbine supply contract – Skurpie WF	Current contract value	Nov 20 2020

Polenergia Obrót SA./ Kulczyk Holding	Guarantee line and overdraft facility agreement	PLN 120,000,000.00	Dec 31 2021
SGS Polska sp. z o.o./ Societe Generale Corporate & Investment Banking	Contract for contract engineer services - construction of Skurpie WF	PLN 153,750.00	until Jul 24 2018
Electrum sp. z o.o. / PKO Bank Polski SA	Electrical work contract – construction of Skurpie WF	PLN 2,419,410.00 PLN 1,209,705.00	until Jan 30 2016 until Jan 31 2019

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
Consortium of ERBUD SA and PBDI SA/ Sopockie TU Ergo Hestia	Construction work contract – construction of Skurpie WF	PLN 2,610,592.00	Nov 30 2015
Polenergia Obrót SA./ Kulczyk Holding & Kulczyk Investment	Guarantee line and overdraft facility agreement Trade contract sureties	PLN 120,000,000.00 EUR 9,000,000	Dec 31 2021
Freepoint Commodities Europe LLP / Freepoint Commodities LLC	Trade contract	EUR 5,000,000.00	

26. For issues of securities in the period covered by the report - description of the issue proceeds use until the date of preparation of the report on operations

In the period covered by this report (i.e. 2014) series Z securities were issued, described in more detail in Section 3.

27. Description of differences between the financial performance presented in the annual report and the financial forecasts for the year, published earlier (PLNm)

In 2014, the Company did not publish any financial forecasts.

28. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the ability to repay liabilities, as well as an identification of threats, if any, and measures used or intended to be used to mitigate such threats

The most important part of the issuer and the issuer's group's financial liabilities are bank borrowings, described in more detail in the financial statements. All liabilities of the issuer and the issuer's group are settled without any major delay. In the financial year 2014, there were no threats to the issuer's ability to pay its liabilities when due.

29. Evaluation of feasibility of investment plans, including equity investments, in the context of available funds, taking into consideration possible changes in the investment financing structure

The Polenergia Group aims to develop an investment financing structure with a 70% share of credit facilities and a 30% share of equity.

As at December 31st 2014, the Group planned to spend ca. PLN 960m on property, plant and equipment in 2015. The funds will be allocated mainly to purchases of new plant and equipment for the Group's projects, and in particular to the financing of wind farm construction and development of further projects, especially in the area of wind power.

30. Assessment of factors and non-recurring events with a bearing on results for the financial year, along with the extent to which such factors or non-recurring events affected the results, and an overview of events which had a material effect on the issuer's operations and results in the financial year or which may have a material effect on the issuer's operations in future years

Events with a material effect on the Issuer's business and financial performance are presented in Sections 6 and 7. All of them are typical for the Issuer's business.

31. Overview of external and internal factors significant to the development of the issuer's business and description of the development prospects until at least the end of the financial year following the financial year for which the financial statements included in the annual report have been prepared, taking into consideration the issuer's market strategy, and an overview of the development policy of the issuer's group

External factors significant to the development of the Group

Development prospects of Poland's RES sector and the EU energy policy

The EU energy policy and the RES sector's development prospects are described in more detail in Section 4 of this report.

Competitive position

The Group's unique experience and competence in the development, financing and management of energy-related projects (both RES and in other market segments) should provide the Group a competitive edge.

Availability of financing for the projects under development

The Issuer seeks to finance individual projects under a project finance scheme which assumes a 70% share of external financing and 30% of its own share. The construction of more wind farms, upgrade of existing plant and development of projects related to the outsourcing of heat and power generation will require considerable funds. New projects will be financed with bank borrowings, own funds, issue of shares (provided that the share price reflects the company's fair value) and disposal of shares in selected projects.

The Issuer's experience in preparing investment projects and securing their financing proves that professionally-prepared project business plans and good relations with financial institutions make it possible to ensure appropriate financing of individual projects.

In case of difficulties with finding potential share buyers, unsuccessful issue of shares or problems with obtaining bank borrowings, the Polenergia Group is able to postpone the execution of individual investment projects. If such circumstances occur, the Issuer will consider other forms of financing its planned projects, including temporary reversal of the proportions between sold and retained shares.

Internal factors significant to the development of the Group

Operating efficiency of facilities

Polenergia S.A. monitors the operation of the facilities under its management on an ongoing basis and is therefore able to promptly respond to any threats to the achievement of their planned efficiency and availability, and prevent potential non-compliance with contractual terms of energy supplies. Furthermore, the Group improves the facility operation procedures, enters into insurance contracts, or in the concluded contracts includes provisions enabling transfer any potential additional costs of operation to its subcontractors.

Development of new projects

Development and management of new projects are key to the ability to compete on the industrial power outsourcing market and the renewable energy market, and thus to the future financial performance. The Polenergia Group employs highly qualified management and engineering staff, committed to the implementation of the Group's strategy. Within almost ten years of operation, Polenergia S.A. has built an experienced Project Development Team, which guarantees continuity of work on new projects and its successful implementation, and has gained experience, unique on the Polish market, enabling it to customize the solutions it offers by applying state-of-the-art energy technologies and legal solutions. Moreover, the Issuer regularly improves the efficiency of the Group's operations through such measures as application of modern IT solutions for project budgeting and cost monitoring.

Description of the Group's business development prospects

The business development policy of the Issuer's Group is presented in more detail in Section 4 of this report.

32. Changes in basic management rules of the issuer and its group

In the financial year 2014, there were no changes to the basic management rules of the Issuer or the Group.

33. Agreements concluded between the issuer and its management staff, providing for compensation in the event of resignation or removal from office without a good reason, or when resignation or removal from office is caused by acquisition of the issuer by another company

Mr Zbigniew Prokopowicz, President of the Management Board, is party to an employment contract concluded with the Company. The contract is for an indefinite term and may be terminated by each of the parties upon a twelve-month notice.

Mr Jacek Głowacki is party to an employment contract concluded with the Company. The contract is for an indefinite term. It may be terminated upon a six-month notice.

Ms Anna Kwarcińska is party to an employment contract concluded with the Company. The contract is for an indefinite term. It may be terminated upon a twelve-month notice.

Mr Michał Kozłowski is party to an employment contract concluded with the Company. The contract is for an indefinite term. It may be terminated upon a twelve-month notice.

34. Value of remuneration, bonuses or benefits, including those under incentive or bonus schemes based on the issuer's equity, including schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or potentially payable, separately for each member of the issuer's management and supervisory body, recognised as costs or resulting from distribution of profit; if the issuer is the parent, shareholder in a jointly-controlled entity or significant investor - separately, information on the value of remuneration and bonuses received for the performance of functions in the governing bodies of subsidiaries; if relevant information is presented in the financial statements - the obligation is deemed fulfilled by referring to the part of the financial statements in which such information is provided

For the remuneration of members of the management and supervisory bodies, see Note 46 to the consolidated financial statements.

35. Total number and nominal value of all shares of the issuer and shares in the issuer's related entities, held by members of the issuer's management and supervisory bodies (separately for each person)

As at December 31st 2014, members of the issuer's management and supervisory bodies did not hold any shares in the Company.

36. Agreements known to the issuer (including those concluded after the end of the reporting period) which may result in changes in the proportions of shares held by the current shareholders and bondholders.

The Issuer is not aware of any agreements which may result in a future change to the current shareholder structure.

37. Employee stock ownership plan control system

The Company currently does not have any employee stock ownership plan in place.

38. Information on an entity authorised to audit financial statements:

a) the date of entering into an agreement with an entity authorised to audit financial statements, on audit or review of financial statements or consolidated financial statements, and the term of the agreement

Agreement of July 4th 2014 between Polish Energy Partners S.A. and KPMG Audyt Sp. z o.o. sp. k. with its registered office in Warsaw, ul. Chłodna 51, 00-867 Warsaw, on review of interim separate and consolidated financial statements.

Agreement of October 20th 2014 between Polenergia S.A. and KPMG Audyt Sp. z o.o. sp. k. with its registered office in Warsaw, ul. Chłodna 51, 00-867 Warsaw, on review of interim separate and consolidated financial statements.

Agreement of November 20th 2014 between Polenergia S.A. and KPMG Audyt Sp. z o.o. sp. k. with its registered office in Warsaw, ul. Chłodna 51, 00-867 Warsaw, on audit of the Company's financial statements for the year ended December 31st 2014 and audit of the consolidated financial statements for the year ended December 31st 2014.

Moreover, individual Group companies concluded agreements with KPMG Audyt Sp. z o.o. sp. k. with its registered office in Warsaw, ul. Chłodna 51, 00-867 Warsaw, and PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warsaw, on audits of financial statements for the year ended December 31st 2014.

b) Remuneration of entity authorised to audit financial statements, paid or payable for the financial year

The total remuneration resulting from the above agreements is PLN 1,020,000.

39. Material off-balance sheet items by entity, type and value

Off-balance sheet items by entity, type and value are presented in Note 30 to the consolidated financial statements.