Polenergia Group

CONSOLIDATED QUARTERLY REPORT

FOR Q3 2018

Jacek Głowacki – President of the Management Board

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Warsaw, November 14th 2018

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A. INTRODUCTION TO THE CONSOLIDATED QUARTERLY REPORT

1. Consolidated statement of profit or loss for the nine months ended September 30th 2018

In the nine months ended September 30th 2018, the Polenergia Group generated an adjusted (normalised) EBITDA of PLN 121.7m and net loss of PLN 8.5m, down by PLN 14.4m and PLN 12.1m, respectively, year on year.

	Polenergia Group's performance (PLNm)	9M 2018	9M 2017	Change y/y	Change y/y [%]	Q3 2018	Q3 2017	Change y/y	Change y/y [%]
	Revenue	**2,560.8**	**2,010.9**	**549.8**	**27%**	**987.0**	**668.4**	**318.6**	**48%**
	Including trading segment	2,133.8	**1,618.8**	**515.0**		**835.7**	**537.5**	**298.2**	55%
	Cost of sales	(2,485,5)	(1,930.1)	(555.4)	**29%**	(939.2)	(632.1)	(307.1)	49%
	Including trading segment	(2,141,1)	(1,602.8)	(538.3)		(826.1)	(527.8)	(298.3)	57%
	including operating expenses	(307.4)	(304.0)	(3.4)	1%	(92.2)	(97.0)	4.9	-5%
	Gross profit	**75.3**	**80.8**	**(5.6)**	-7%	**47.9**	**36.3**	**11.5**	**32%**
	Distribution costs and administrative expenses	(30.5)	(24.3)	(6.2)	26%	(9.4)	(7.8)	(1.6)	21%
	Other income/(expenses)	1.4	(90.5)	91.9	-102%	2.8	(96.2)	99.0	-103%
A	**Operating profit (EBIT)**	**46.2**	**(34.0)**	**80.1**	**236%**	**41.2**	**(67.7)**	**108.8**	**-161%**
	Depreciation and amortisation	71.8	73.1	(1.3)	-2%	23.7	24.1	(0.4)	-2%
	Impairment losses	16.4	99.1	(82.6)	-83%	(0.5)	99.1	(99.5)	-100%
	EBITDA	**122.4**	**138.2**	**(15.8)**	**-11%**	**64.4**	**55.5**	**8.9**	**17%**
	Purchase price allocation	(0.7)	(2.0)	**1.4**	-67%	-	**(0.7)**	0.7	**116%**
	Adjusted EBITDA**	**121.7**	**136.1**	**(14.4)**	**-11%**	**64.4**	**54.9**	**9.6**	**-19%**
B	Finance income	4.8	4.6	0.2	5%	1.7	0.8	0.9	-138%
C	Finance costs	(47.8)	(45.8)	(2.0)	4%	(11.9)	(14.7)	2.8	78%
A+B+C	**Profit/(loss) before tax**	**3.1**	**(75.2)**	**78.3**	**-104%**	**30.9**	**(81.6)**	**112.5**	
	Income tax	(16.4)	(9.0)	(7.3)	81%	(6.9)	(3.9)	(3.0)	
	Net profit/(loss)	**(13.2)**	**(84.2)**	**71.0**		**24.0**	**(85.5)**	**109.5**	
	Purchase price allocation	5.6	4.5	1.1		2.1	1.5	0.6	
	Elimination of unrealised exchange differences effect	0.2	(0.7)	0.9		(0.2)	0.1	(0.3)	
	Elimination of AMC loan valuation effect	6.8	2.1	4.7		(0.6)	0.7	(1.3)	
	Elimination of impairment loss related to biomass business	16.8	9.8	7.1		(0.0)	9.8	(9.8)	
	Elimination of impairment loss related to development business	(0.4)	89.3	(89.7)		(0.5)	89.3	(89.7)	
	Elimination of net effect on sale of offshore wind farms	(7.2)	-	(7.2)		(4.2)	-	(4.2)	
	Gain on sale of offshore wind farms	(12.0)	-	(12.0)		-	-	-	
	Income tax	4.8	-	4.8		(4.2)	-	(4.2)*	
	Adjusted net profit*	**8.5**	**20.6**	**(12.1)**		**20.6**	**15.8**	**4.7**	
	Adjusted EBITDA margin	**4.8%**	**6.8%**	**-2.0%**		**6.5%**	**8.2%**	**-1.7%**	
	Trading segment revenue	2,133.8	1,618.8	515.0		835.7	537.5	298.2	
	Trading segment costs of sale	(2,141.1)	(1,602.8)	(538.3)		(826.1)	(527.8)	(298.3)	
	Adjusted EBITDA (excluding trading segment)	**137.0**	**126.9**	**10.1**		**58.1**	47.4	**10.8**	
	Adjusted EBITDA margin (excluding trading segment)	**32.1%**	**32.4%**	**-0.3%**		**38.4%**	**36.2%**	**2.2%**	

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

The Polenergia Group's revenue for Q1-Q3 2018 was up 27% year on year, chiefly on higher revenue generated by the trading and conventional energy segments.

In the period under review, adjusted EBITDA was PLN 121.7m, down by PLN 14.4m year on year, mainly on lower sales of electricity resulting from closing a position due to significant price hikes in H1 2018, partly offset by improved EBITDA earned by the wind power and conventional energy segments.

The Polenergia Group's revenue for Q3 2018 was up 48% year on year, chiefly on higher revenue generated by the trading and conventional energy segments.

Adjusted EBITDA for the period came in at PLN 64.4m, up PLN 9.6m year on year, due mainly to improved EBITDA of the conventional energy segment.

The wind power segment saw its EBITDA rise by PLN 1.1m, primarily as a result of higher selling prices of green certificates and electricity as well as reduced operating expenses (mainly property tax), partially offset by a lower generation volume.

The conventional energy segment's EBITDA grew by PLN 8.4m, and by PLN 12.3m in Q3 alone, mainly due to higher income from the adjustment to gas cost compensation for 2017.

The trading segment's EBITDA for Q1–Q3 2018 went down by PLN 24.5m year on year as a result of lower sales of electricity caused by closing a position due to significant price hikes in H1 2018. In Q3, the segment's EBITDA fell by PLN 1.2m year on year. In order to reduce its risk exposure, the Group took steps to close loss-generating positions, limit trading until the electricity market stabilises, and expand the scope of monitoring and reporting the trading results and risk measures.

Year to date, the distribution segment's EBITDA was lower by PLN 1.0m. Relative to Q3 2017, EBITDA was PLN 0.2m lower due to higher energy procurement costs, offset by lower operating expenses.

YTD EBITDA of the biomass segment was down PLN 1.4m year on year, and by PLN 1.0m in the third quarter alone, driven mainly by deteriorating conditions on the biomass market, resulting in lower sales volumes and higher feedstock prices.

The development segment's EBITDA was roughly on a par with the previous year.

Unallocated Group management costs increased by PLN 5.9m year on year due to additional costs resulting from the sale of shares in the companies running offshore wind farm projects, services provided in connection with two tender offers for shares held in Q2–Q3 2018, and the impact of VAT settlements for 2017 and 2018.

As a consequence of these developments, the adjusted EBITDA margin (excluding the trading segment) stood at 32.1%, having declined 0.3pp year on year. In Q3 2018, the adjusted EBITDA margin stood at 38.4%, having increased 2.2pp year on year.

Net finance income/(costs) in the second and third quarter of 2018 deteriorated year on year by PLN 1.8m, which was mainly attributable to a charge made following remeasurement of the credit facilities of the Amon, Talia, Gawłowice, Skurpie, and Rajgród wind farms at amortised cost (a debt reprofiling effect), partially offset by lower interest expense.

A year-on-year change in income tax resulted mainly from the tax on profit from the sale of shares in off-shore wind farms projects, and non-recognition of a deferred tax asset attributable also to impairment losses in the biomass segment.

Also, net profit was affected by an impairment loss on the biomass segment's assets. As announced on July 2nd 2018 (see Current Report No. 19/2018), in view of changes in the regulatory and economic environment for biomass projects, a decision was made to recognise an impairment loss, chiefly on property, plant and equipment. The impairment loss was a non-cash charge.

Other key information regarding the Group's situation

The debt of the Group's portfolio companies is monitored on an ongoing basis. In June and July 2018, work on reprofiling the debt of the Amona, Talia, Gawłowice, Skurpie, and Rajgród wind farms was completed.

The restructuring of biomass projects is in progress. The sale of Biomasa Południe's and Biomasa Północ's assets was completed (in October 2018).

Negotiations are being held with prospective investors in Biomasa Wschód, in partnership with the bank financing the plant's operations.

Onshore wind farm projects (with a total capacity of 199 MW) and photovoltaic power plant projects (with a total capacity of 8 MW) are ready for participation in the auction-based system. The wind farm projects participated in an auction held on November 5th 2018. The Group is awaiting auction results. The photovoltaic power plant projects will participate in an auction scheduled for November 15th 2018.

A biomass-fired plant project (31 MW) and a photovoltaic power plant project (with a total capacity of 21 MW) are also being prepared for participation in auctions planned to be held in 2019.

In the distribution segment, an investment programme implemented in 2016 is progressing as planned. Polenergia Dystrybucja has developed a new investment plan for 2019–2022, which has been approved by the Supervisory Board.

In the conventional energy segment, work is under way to prepare for participation in three auctions planned for November − December 2018 with deliveries due in 2021, 2022 and 2023.

The Group is preparing the construction of two offshore wind farms (MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.) in the Baltic Sea, with a total capacity of up to 1,200 MWe. The time of launching the construction will depend on the effective date of the relevant regulatory regime. In addition, the Group is looking into the possibility of resuming preparatory work on the Polenergia Bałtyk I S.A. project.

9M 2018 (PLNm)	Wind power	Conventional Energy	Trading	Distribution	Biomass	Development	Unallocated Group management costs	Purchase price allocation	TOTAL
Revenue	99.1	246.6	2,133.8	64.7	13.6	0.0	2.3	0.7	2,560.8
Operating expenses	(77.7)	(185.1)	(2,141.1)	(54.1)	(15.2)	(0.3)	(4.5)	(7.6)	(2,485.5)
incl. depreciation and amortisation	(42.7)	(16.2)	(0.0)	(3.4)	(1.2)	-	(0.6)	(7.6)	(71.8)
Gross profit	**21.4**	**61.5**	**(7.3)**	**10.5**	**(1.6)**	**(0.2)**	**(2.2)**	**(6.9)**	75.3
Gross margin	*21.6%*	*25.0%*	*-0.3%*	*16.3%*	*n/a*	*n/a*	*n/a*	*n/a*	*2.9%*
Administrative expenses	(1.9)	(4.7)	(8.1)	(3.9)	(1.0)	(0.2)	(10.3)	-	(30.0)
Net other income/expenses	3.0	(0.8)	0.0	1.9	(15.6)	0.5	(0.1)	-	(11.1)
incl. impairment losses	-	-	-	-	(16.8)	0.4	-	-	(16.4)
Operating profit	**22.5**	**56.1**	**(15.3)**	**8.5**	**(18.1)**	**(0.0)**	**(12.6)**	**(6.9)**	**34.2**
EBITDA	**65.2**	**72.3**	**(15.3)**	**12.0**	**(0.0)**	**(0.4)**	**(12.0)**	**0.7**	**122.4**
EBITDA margin	*65.8%*	*29.3%*	*n/a*	*18.5%*	*n/a*	*n/a*	*n/a*	*n/a*	*4.8%*
Elimination of purchase price allocation effect	-	-	-	-	-	-	-	(0.7)	(0.7)
Elimination of the effect of sale of Zakrzów CHP Plant	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**65.2**	**72.3**	**(15.3)**	**12.0**	**(0.0)**	**(0.4)**	**(12.0)**	**-**	**121.7**
Adjusted EBITDA margin	*65.8%*	*29.3%*	*n/a*	*18.5%*	*n/a*	*n/a*	*n/a*	*n/a*	*4.8%*
Net finance income/(cost)	(43.1)	(1.5)	(4.4)	(1.3)	(0.2)	0.0	19.5	-	(31.1)
Profit/(loss) before tax	**(20.6)**	**54.5**	**(19.8)**	**7.2**	**(18.3)**	**0.0**	**6.9**	**(6.9)**	**3.1**
Income tax									(16.4)
Net profit/(loss) for period									(13.2)
Elimination of purchase price allocation effect									5.6
Elimination of unrealised exchange differences effect									0.2
Elimination of AMC loan valuation effect									6.8
Elimination of impairment loss related to biomass business									16.8

Elimination of impairment loss related to development business									(0.4)
Elimination of effect of offshore wind farm sale									(7.2)
Adjusted net profit									**8.5**

9M 2017 (PLNm)	Wind power	Conventional Energy	Trading	Distribution	Biomass	Development	Unallocated Group management costs	Purchase price allocation	TOTAL
Revenue	92.5	208.1	1,618.8	64.0	23.1	0.0	2.3	2.0	2,010.9
Operating expenses	(82.6)	(155.7)	(1,602.8)	(51.4)	(24.5)	(0.2)	(5.3)	(7.6)	(1,930.1)
incl. depreciation and amortisation	(42.7)	(16.1)	(0.0)	(3.2)	(2.8)	-	(0.7)	(7.6)	(73.1)
Gross profit	**10.0**	**52.4**	**16.0**	**12.6**	**(1.4)**	**(0.2)**	**(3.0)**	**(5.6)**	80.8
Gross margin	*10.8%*	*25.2%*	*1.0%*	*19.7%*	*-6.0%*	*n/a*	*n/a*	*n/a*	*4.0%*
Administrative expenses	(2.6)	(4.5)	(7.0)	(4.6)	(0.9)	(0.3)	(3.9)	-	(23.8)
Net other income/expenses	5.3	(0.2)	0.2	1.8	(9.0)	(89.3)	0.1	-	(91.0)
Incl. impairment losses	-	-	-	-	(9.8)	(89.3)	-	-	(99.1)
Operating profit	**12.7**	**47.8**	**9.2**	**9.8**	**(11.2)**	**(89.8)**	**(6.8)**	**(5.6)**	(34.0)
EBITDA	**55.3**	**63.9**	**9.2**	**13.0**	**1.3**	**(0.5)**	**(6.1)**	**2.0**	**138.2**
EBITDA margin	*59.8%*	*30.7%*	*0.6%*	*20.3%*	*5.8%*	*n/a*	*n/a*	*n/a*	*6.9%*
Elimination of purchase price allocation effect	-	-	-	-	-	-	-	(2.0)	(2.0)
Elimination of effect of sale of Zakrzów CHP Plant	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**55.3**	**63.9**	**9.2**	**13.0**	**1.3**	**(0.5)**	**(6.1)**	**-**	**136.1**
Adjusted EBITDA margin	*59.8%*	*30.7%*	*0.6%*	*20.3%*	*5.8%*	*n/a*	*n/a*	*n/a*	*6.8%*
Net finance income/(cost)	(39.3)	(1.7)	(2.0)	(1.4)	(0.4)	(0.0)	3.5	-	(41.2)
Profit/(loss) before tax	**(26.6)**	**46.1**	**7.2**	**8.4**	**(11.6)**	**(89.8)**	**(3.3)**	**(5.6)**	**(75.2)**
Income tax									(9.0)
Net profit/(loss) for period									**(84.2)**

Elimination of purchase price allocation effect	4.5
Elimination of unrealised exchange differences effect	(0.7)
Elimination of AMC loan valuation effect	2.1
Elimination of impairment loss related to biomass business	9.8
Elimination of impairment loss related to development business	89.3
Elimination of effect of offshore wind farm sale	-
Adjusted net profit	**20.6**

	Wind power	Conventional Energy	Trading	Distribution	Biomass	Development	Unallocated Group management costs	Purchase price allocation	TOTAL
Change y/y in adjusted EBITDA	**9.9**	**8.4**	**(24.5)**	**(1.0)**	**(1.4)**	**0.1**	**(5.9)**	**-**	**(14.4)**

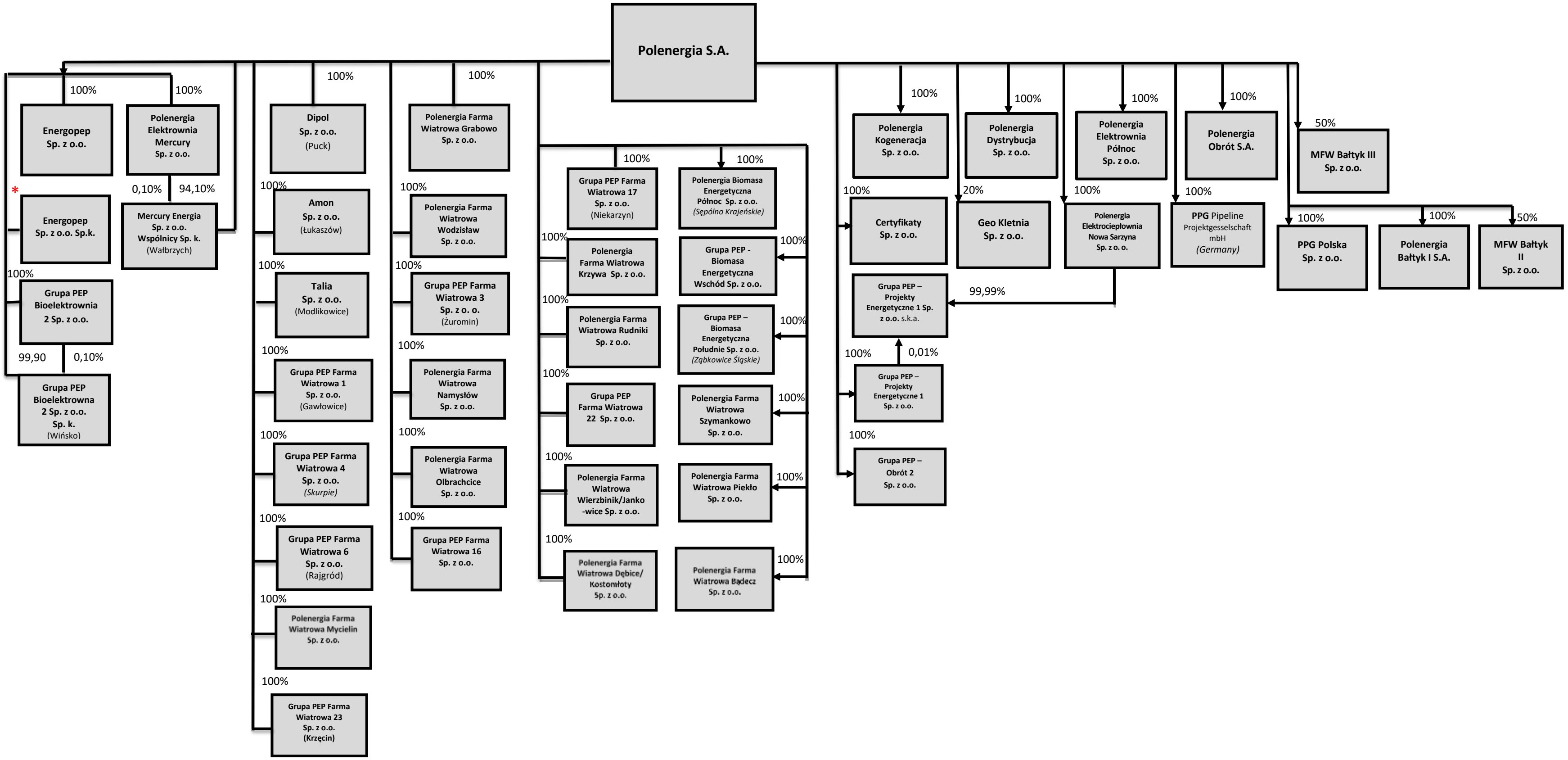
Q3 2018 (PLNm)	Wind power	Conventional Energy	Trading	Distribution	Biomass	Development	Unallocated Group management costs	Purchase price allocation	TOTAL
Revenue	28.2	98.0	835.7	21.2	3.0	0.0	0.9	-	987.0
Operating expenses	(26.7)	(60.6)	(826.1)	(17.9)	(3.7)	(0.1)	(1.5)	(2.5)	(939.2)
incl. depreciation and amortisation	(14.3)	(5.4)	(0.0)	(1.2)	(0.2)	-	(0.2)	(2.5)	(23.7)
Gross profit	**1.5**	**37.4**	**9.6**	**3.3**	**(0.6)**	**(0.1)**	**(0.6)**	**(2.5)**	**47.9**
Gross margin	*5.3%*	*38.1%*	*1.1%*	*15.4%*	*n/a*	*n/a*	*n/a*	*n/a*	*4.8%*
Administrative expenses	(0.6)	(1.3)	(3.1)	(1.2)	(0.2)	(0.1)	(2.7)	-	(9.2)
Net other income/expenses	0.7	(0.2)	(0.2)	1.6	0.2	0.4	(0.1)	-	2.5
Operating profit	**1.6**	**35.8**	**6.3**	**3.7**	**(0.6)**	**0.3**	**(3.4)**	**(2.5)**	**41.2**
EBITDA	**15.9**	**41.2**	**6.3**	**4.9**	**(0.5)**	**(0.2)**	**(3.2)**	**-**	**64.4**
EBITDA margin	*56.4%*	*42.1%*	*0.8%*	*22.9%*	*n/a*	*n/a*	*n/a*	*n/a*	*6.5%*
Elimination of purchase price allocation effect	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**15.9**	**41.2**	**6.3**	**4.9**	**(0.5)**	**(0.2)**	**(3.2)**	**-**	**64.4**
Adjusted EBITDA margin	*56.4%*	*42.1%*	*0.8%*	*22.9%*	*n/a*	*n/a*	*n/a*	*n/a*	*6.5%*
Net finance income/(cost)	(10.0)	(0.9)	(2.0)	(0.4)	(0.1)	(0.0)	15.0	-	1.7
Profit/(loss) before tax	**(8.4)**	**34.9**	**4.3**	**3.3**	**(0.7)**	**0.3**	**11.7**	**(2.5)**	**42.9**

Income tax									(6.9)
Net profit/(loss) for period									**24.0**
Elimination of purchase price allocation effect									2.1
Elimination of unrealised exchange differences effect									(0.2)
Elimination of AMC loan valuation effect									(0.6)
Elimination of impairment loss related to biomass business									(0.0)
Elimination of impairment loss related to development business									(0.5)
Elimination of effect of offshore wind farm sale									(4.2)
Adjusted net profit									**20.6**

Q3 2017 (PLNm)	Wind power	Conventional Energy	Trading	Distribution	Biomass	Development	Unallocated Group management costs	Purchase price allocation	TOTAL
Revenue	27.3	74.2	537.5	20.8	7.2	0.0	0.7	0.7	668.4
Operating expenses	(26.8)	(48.9)	(527.8)	(17.0)	(7.4)	(0.1)	(1.6)	(2.5)	(632.1)
incl. depreciation and amortisation	(14.1)	(5.3)	(0.0)	(1.1)	(0.9)	-	(0.2)	(2.5)	(24.1)
Gross profit	**0.5**	**25.3**	**9.7**	**3.8**	**(0.1)**	**(0.1)**	**(0.9)**	**(1.9)**	**36.3**
Gross margin	*1.8%*	*34.1%*	*1.8%*	*18.4%*	*n/a*	*n/a*	*n/a*	*n/a*	*5.4%*
Administrative expenses	(0.8)	(1.5)	(2.3)	(1.6)	(0.3)	(0.1)	(1.2)	-	(7.7)
Net other income/expenses	1.0	(0.2)	0.1	1.7	(9.7)	(89.1)	0.0	-	(96.3)
incl. impairment losses	-	-	-	-	(9.8)	(89.3)	-	-	(99.1)
Operating profit	**0.7**	**23.6**	**7.5**	**3.9**	**(10.2)**	**(89.3)**	**(2.1)**	**(1.9)**	**(67.7)**
EBITDA	**14.8**	**28.9**	**7.5**	**5.0**	**0.5**	**(0.0)**	**(1.9)**	**0.7**	**55.5**
EBITDA margin	*54.2%*	*39.0%*	*1.4%*	*24.1%*	*7.2%*	*n/a*	*n/a*	*n/a*	*8.3%*
Elimination of purchase price allocation effect	- -	-		-	-	-		(0.7)	(0.7)
Adjusted EBITDA	**14.8**	**28.9**	**7.5**	**5.0**	**0.5**	**(0.0)**	**(1.9)**	**-**	**54.9**
Adjusted EBITDA margin	*54.2%*	*39.0%*	*1.4%*	*24.1%*	*7.2%*	*n/a*	*n/a*	*n/a*	*8.2%*

Net finance income/(cost)	(13.8)	(0.5)	(0.6)	(0.5)	(0.1)	(0.0)	1.6	-	(14.0)
Profit/(loss) before tax	**(13.1)**	**23.1**	**6.9**	**3.5**	**(10.3)**	**(89.3)**	**(0.5)**	**(1.9)**	**(81.6)**
Income tax	-	-		-	-	-	-	-	(3.9)
Net profit/(loss) for period									**(85.5)**
Elimination of purchase price allocation effect									1.5
Elimination of unrealised exchange differences effect									0.1
Elimination of AMC loan valuation effect									0.7
Elimination of impairment loss related to biomass business									9.8
Elimination of impairment loss related to development business									-
Elimination of effect of offshore wind farm sale									-
Adjusted net profit									**15.8**
Change y/y in adjusted EBITDA	**1.1**	**12.3**	**(1.2)**	**(0.2)**	**(1.0)**	**(0.1)**	**(1.3)**	**-**	**9.6**

2. The Group's organisational structure



* 0,1% przysługuje spółce Energopep Sp. z o.o., 33,9 % POL-SA, 33% POL-D, 33% Dipol;

B. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30TH 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at September 30th 2018

Assets

	Note	Sep 30 2018	Dec 31 2017
I. Non-current assets		**2,040,839**	**2,049,507**
1. Property, plant and equipment		1,551,826	1,790,851
2. Intangible assets		22,134	30,146
3. Goodwill related to subordinated entities	4.8	109,613	184,613
4. Financial assets		168,110	14,609
5. Equity-accounted financial assets		161,838	-
6. Long-term receivables		4,251	4,489
7. Deferred tax assets		23,024	24,756
8. Accruals and deferred income		43	43
II. Current assets		**1,290,134**	**614,757**
1. Inventories		29,147	26,214
2. Trade receivables	7	109,985	123,091
3. Current tax asset		6,356	1,319
4. Other short-term receivables		59,575	39,995
5. Prepayments and accrued income		6,100	6,939
6. Current financial assets	4.9	743,042	119,301
7. Cash and cash equivalents		335,929	297,898
Total assets		**3,330,973**	**2,664,264**

Equity and liabilities

	Note	Sep 30 2018	Dec 31 2017
I. Equity		**1,169,309**	**1,181,988**
Equity attributable to owners of the parent		**1,168,387**	**1,181,062**
1. Share capital		90,887	90,887
2. Share premium		601,911	680,777
3. Capital reserve from valuation of options		13,207	13,207
4. Other capital reserves		402,809	401,970
5. Retained earnings/(deficit)		72,235	81,312
6. Net profit/(loss)		(13,243)	(87,726)
7. Translation reserve		581	635
Non-controlling interests		**922**	**926**
II. Non-current liabilities		**1,111,145**	**894,846**
1. Bank and other borrowings		805,240	705,504
2. Deferred tax liability		63,772	73,973
3. Provisions	7	22,159	22,907
4. Accruals and deferred income		54,166	56,565
5. Other liabilities		165,808	35,897
III. Current liabilities		**1,050,519**	**587,430**
1. Bank and other borrowings	4.10	106,325	298,013
2. Trade payables	4.10	157,689	129,613
3. Current tax liability	4.10	1,536	290
4. Other liabilities	4.10	766,118	139,972
5. Provisions	7	3,265	3,656
6. Accruals and deferred income		15,586	15,886
Total equity and liabilities		**3,330,973**	**2,664,264**

(PLN ’000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the nine months ended September 30th 2018

	Note	For 9 months ended Sep 30 2018	For 9 months ended Sep 30 2017	unaudited For 3 months ended Sep 30 2018	unaudited For 3 months ended Sep 30 2017
Revenue	4.1	2,560,762	2,010,923	987,006	668,410
Cost of sales	4.2	(2,485,489)	(1,930,091)	(939,154)	(632,071)
Gross profit		**75,273**	**80,832**	**47,852**	**36,339**
Other income	4.3	8,218	9,442	3,553	2,799
Distribution costs	4.2	(507)	(505)	(222)	(113)
Administrative expenses	4.2	(30,027)	(23,817)	(9,200)	(7,685)
Other expenses	4.4	(18,766)	(99,904)	(802)	(98,999)
Finance income	4.5	4,783	4,552	1,664	769
Finance costs	4.6	(47,837)	(45,793)	(11,941)	(14,737)
Gain on loss of control of subsidiaries	4.8	11,983	-	-	-
Profit/(loss) before tax		**3,120**	**(75,193)**	**30,904**	**(81,627)**
Income tax	7	(16,367)	(9,046)	(6,883)	(3,859)
Net profit/(loss)		**(13,247)**	**(84,239)**	**24,021**	**(85,486)**
Net profit for period		**(13,247)**	**(84,239)**	**24,021**	**(85,486)**
Net profit/(loss) attributable to:		**(13,247)**	**(84,239)**	**24,021**	**(85,486)**
Owners of the parent		(13,243)	(84,263)	24,016	(85,509)
Non-controlling interests		(4)	24	5	23
Earnings/(loss) per share:					
– diluted earnings for period attributable to owners of the parent		-0.29	-1.85	0.53	-1.88
– diluted earnings from continuing operations, attributable to owners of the parent		-0.29	-1.85	0.53	-1.88

(PLN ’000)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended September 30th 2018

	For 9 months ended		For 3 months ended	
			unaudited	unaudited
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net profit for period	**(13,247)**	**(84,239)**	**24,021**	**(85,486)**
Other comprehensive income that may be reclassified to profit or loss once specific conditions are met				
- Cash-flow hedges	839	1,188	650	462
- Translation differences	(54)	(32)	(5)	10
Net other comprehensive income	**785**	**1,156**	**645**	**472**
COMPREHENSIVE INCOME FOR THE PERIOD	**(12,462)**	**(83,083)**	**24,666**	**(85,014)**
Comprehensive income for period:	(12,462)	(83,083)	24,666	(85,014)
Owners of the parent	(12,458)	(83,107)	24,661	(85,037)
Non-controlling interests	(4)	24	5	23

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the nine months ended September 30th 2018

	Note	For 9 months ended Sep 30 2018	For 9 months ended Sep 30 2017
A. Cash flows from operating activities			
I. Profit/(loss) before tax		**3,120**	**(75,193)**
II. Total adjustments		**111,446**	**156,116**
1. Depreciation and amortisation	4.2	71,800	73,070
2. Foreign exchange (gains)/losses		592	(912)
3. Interest and profit distributions (dividends)		41,543	42,793
4. Gain/(loss) on investing activities		5,183	100,221
5. Income tax		(20,600)	2,358
6. Change in provisions		(1,139)	(1,837)
7. Change in inventories		(2,529)	8,385
8. Change in receivables	4.7	(769,748)	47,825
9. Change in current liabilities (net of borrowings)	4.7	786,856	(113,759)
10. Change in accruals and deferrals	4.7	(741)	(2,417)
11. Other adjustments		229	389
III. Net cash from operating activities (I+/-II)		**114,566**	**80,923**
B. Cash flows from investing activities			
I. Cash receipts		**104,106**	**7,116**
1. Disposal of intangible assets and property, plant and equipment		3,467	77
2. Proceeds from financial assets, including:		102,193	156
a) disposal of financial assets		101,447	-
b) repayment of long-term loans advanced		-	156
c) other cash provided by financial assets		746	-
3. Cash from disposal of a subsidiary		(1,554)	-
4. Other cash provided by investing activities		-	6,883
II. Cash payments		**44,628**	**21,746**
1. Acquisition of property, plant and equipment		18,040	21,724
2. Payments for financial assets, including:		26,588	22
a) acquisition of financial assets		26,588	22
III. Net cash from investing activities (I-II)		**59,478**	**(14,630)**
C. Cash flows from financing activities			
I. Cash receipts		**39,710**	**18,147**
1. Proceeds from borrowings		39,710	18,147
II. Cash payments		**175,634**	**141,359**
1. Repayment of borrowings		139,624	99,069
2. Payment of finance lease liabilities		421	592
3. Interest paid		34,761	40,149
4. Other cash payments related to financing activities		828	1,549
III. Net cash from financing activities (I-II)		**(135,924)**	**(123,212)**
D. Total net cash flows (A.III +/- B.III +/- C.III)		**38,120**	**(56,919)**
E. Net increase/decrease in cash, including:		**38,031**	**(56,886)**
- effect of exchange rate fluctuations on cash held		(89)	33
- cash classified as assets available for sale			
F. Cash at beginning of period		**297,898**	**380,862**
G. Cash at end of period, including:		**335,929**	**323,976**
- restricted cash	4.7	104,826	62,165

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External financing sources – bank borrowings (statement of cash flows)	For 9 months ended	
	Sep 30 2018	Sep 30 2017
item C.I.1 Proceeds from borrowings	39,710	18,147
item C.II.1 Repayment of borrowings	(139,624)	(99,069)
Change in external financing sources, including:	**(99,914)**	**(80,922)**
net increase in investment facilities	(121,769)	(107,269)
net increase/decrease in overdraft facility	21,855	26,347

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine months ended September 30th 2018

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net loss	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2018	**90,887**	**680,777**	**13,207**	**401,970**	**(6,414)**	**-**	**635**	**1,181,062**	**926**	**1,181,988**
Change in accounting policies in accordance with IFRS 9	-	-	-	-	(217)	-	-	(217)	-	(217)
Comprehensive income for period										
- Net profit/(loss) for period	-	-	-	-	-	(13,243)	-	(13,243)	(4)	(13,247)
- Other comprehensive income for period	-	-	-	839	-	-	(54)	785	-	785
Transactions with owners of the parent recognised directly in equity										
- Allocation of profit	-	(78,866)	-	-	78,866	-	-	-	-	-
As at Sep 30 2018	**90,887**	**601,911**	**13,207**	**402,809**	**72,235**	**(13,243)**	**581**	**1,168,387**	**922**	**1,169,309**

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net loss	Translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2017	**90,887**	**765,810**	**13,207**	**399,659**	**(3,721)**	**-**	**682**	**1,266,524**	**902**	**1,267,426**
Comprehensive income for period										
- Net profit/(loss) for period	-	-	-	-	-	(84,263)	-	(84,263)	24	(84,239)
- Other comprehensive income for period	-	-	-	1,188	-	-	(32)	1,156	-	1,156
Transactions with owners of the parent recognised directly in equity										
- Allocation of profit	-	(85,033)	-		85,033	-	-	-	-	-
As at Sep 30 2017	**90,887**	**680,777**	**13,207**	**400,847**	**81,312**	**(84,263)**	**650**	**1,183,417**	**926**	**1,184,343**

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

1.1 Duration of the Company and other Group companies

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

1.2 Periods covered by the interim condensed consolidated financial statements

These interim condensed consolidated financial statements cover the nine months ended September 30th 2018 and contain comparative data for the nine months ended September 30th 2017 and as at December 31st 2017. The statement of profit or loss and the notes to the statement of profit or loss cover the period of nine months ended September 30th 2018, as well as comparative data for the period of nine months ended September 30th 2017.

These interim condensed consolidated financial statements have been prepared on the assumption that the Company and the Group will continue as going concerns in the foreseeable future, that is for at least 12 months after the reporting period, i.e. September 30th 2018.

1.3 Authorisation of the financial statements

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on November 14th 2018.

1.4 Policies applied in the preparation of the financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and cover the nine months from January 1st to September 30th 2018, a comparative period from January 1st to September 30th 2017, as well as data as at December 31st 2017 presented in the statement of financial position. These interim condensed financial statements for the nine months ended September 30th 2018 have not been reviewed by an independent auditor, whereas the comparative data for the financial year ended December 31st 2017 have been audited.

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

- financial derivatives, measured at fair value,

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

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

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2017.

These interim condensed consolidated financial statements have been prepared using the same accounting policies and calculation methods as those applied in the most recent full-year financial statements, for the year ended December 31st 2017.

A number of new Standards, amendments to Standards and Interpretations were not yet effective for the annual periods ended December 31st 2018 and, consequently, they have not been applied in preparing these interim condensed consolidated financial statements. None of the new Standards, amendments to Standards, and Interpretations will have a material effect on the Group's financial statements.

The Group has applied IFRS 9 and IFRS 15 using the modified retrospective approach with effect from January 1st 2018. As permitted by the standard, the Group chose not to restate the comparative data. The data as at December 31st 2017 and for the third quarter of 2017 was prepared based on IAS 39 and IAS 18.

IFRS 9 is intended to replace IAS 39. The standard is effective for annual periods beginning on or after January 1st 2018.

The standard introduces the following categories for financial assets: measured at amortised cost and measured at fair value through profit or loss or at fair value through other comprehensive income. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments.

IFRS 9 introduces a new impairment recognition model based on expected credit losses.

The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss and the requirement that the effects of renegotiation of credit agreements that do not result in derecognition of the liabilities be recognised immediately in profit or loss.

Changes were also made to the hedge accounting model to factor in risk management.

1. Receivables – applying an expected loss impairment model

Under the impairment model applicable before December 31st 2017, an entity was required to assess whether objective evidence of impairment existed and (where such evidence was found) to estimate impairment based on expected cash flows. A description of the previously applied accounting policies and information on credit risk, past due receivables and impairment of trade receivables are provided in Notes 9.18, 20 and 39 to the 2017 Consolidated Financial Statements.

IFRS 9 requires that expected losses be estimated regardless of whether there is evidence of impairment. The standard provides for a three-stage approach to accounting for impairment of financial assets: (1) Stage 1 – where credit risk has not increased significantly since initial recognition and where entities are required to recognise 12 month ECL; (2) Stage 2 – where credit risk has increased significantly since initial recognition and where entities are required to recognise lifetime ECL; (3) Stage 3 – where a financial asset is credit impaired. The standard permits the use of a simplified approach to short-term receivables whereby they are classified as Stage 2.

Homogenous/smaller-balance trade receivables that have been classified as unimpaired based on a portfolio analysis (Stages 1 and 2) – impairment will be determined using a provision matrix based on historical data adjusted for forward-looking estimates.

Trade receivables with individually significant entities (customers purchasing large volumes of products in a given category, cooperation under long-term contracts) – impairment will be estimated on the basis of an analysis of receivables from each individual customer.

2. Credit facility renegotiation

Bank borrowings – the effects of renegotiating a credit facility agreement, previously recognised by adjusting the effective interest rate on the liabilities to account for the difference between the carrying amount of the liabilities and the discounted value of modified future payments over the expected financing period, are recognised immediately in profit or loss in accordance with IFRS 9. It was determined that amortised cost had to be adjusted using the effective interest rate determined as at the date of the credit facility agreement due to the modification made to the agreement. The effect of the above modification on the Group's consolidated financial statements as at January 1st 2018 was PLN 217 thousand.

No other items that would require alignment with IFRS 9 were identified.

IFRS 15 Revenue from Contracts with Customers is effective for annual periods beginning on or after January 1st 2018.

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

Revenue from grid connection fees

In the third quarter of 2018, the Group recognised revenue from grid connection fees when it was earned (upon completion of connection), in accordance with the accounting policies applied in previous years. There is no settled market practice as to how grid connection fees should be recognised under IFRS 15, although an approach whereby the fees would be recognised over time (over the useful lives of assets) is being considered. According to the Group's estimates, a change to accounting policies reflecting this approach would have reduced retained earnings by PLN 6.8m and increased deferred income by a corresponding amount of PLN 6.8m in the consolidated financial statements prepared as at September 30th 2018.

2. Adjusted EBITDA and adjusted net profit

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

The Group presents its EBITDA, adjusted EBITDA and adjusted net profit attributable to owners of the parent in order to show its performance without the effect of factors that are unrelated to the Group's core operations and that lead to no cash flows in the reporting period.

The Group defines EBITDA as profit before tax less finance income plus finance costs, plus depreciation and amortisation, plus impairment losses on non-financial non-current assets, which are not directly attributable to its operations. The definition is principally to ensure comparability of the metric which is the key performance measure used in the industry in which the Company and its Group operate. If circumstances arise enabling the Group to reverse an impairment loss on non-financial non-current assets not directly attributable to its operations, this will be reflected in the calculation of EBITDA.

EBITDA and adjusted EBITDA

	For 9 months ended		unaudited For 3 months ended	unaudited
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Profit/(loss) before tax	3,120	(75,193)	30,904	(81,627)
Finance income	(4,783)	(4,552)	(1,664)	(769)
Finance costs	47,837	45,793	11,941	14,737
Depreciation and amortisation	71,800	73,070	23,706	24,143
Gain on loss of control of subsidiaries	(11,983)	-	-	-
Impairment loss on development projects	(416)	89,287	(458)	89,287
Impairment loss related to biomass business	16,827	9,773	(14)	9,773
EBITDA	**122,402**	**138,178**	**64,415**	**55,544**
Purchase price allocation:				
Valuation of long-term contracts	(681)	(2,043)	-	(681)
Adjusted EBITDA	**121,721**	**136,135**	**64,415**	**54,863**

Adjusted net profit attributable to owners of the parent

	For 9 months ended		unaudited For 3 months ended	unaudited
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
NET PROFIT/(LOSS) attributable to owners of the parent	**(13,243)**	**(84,263)**	**24,016**	**(85,509)**
Net unrealised foreign exchange (gains)/losses	177	(740)	(205)	89
(Income)/costs from valuation of long-term bank borrowings	6,765	2,061	(592)	681
(Net gain) on loss of control of subsidiaries	(7,199)	-	(4,246)	-
Impairment loss on development projects	(416)	89,287	(458)	89,287
Impairment loss related to biomass business	16,827	9,773	(14)	9,773
Purchase price allocation:				
Depreciation and amortisation	7,596	7,596	2,532	2,532
Valuation of long-term contracts	(681)	(2,043)	-	(681)
Tax	(1,311)	(1,053)	(480)	(351)
Adjusted NET PROFIT/(LOSS) attributable to owners of the parent	**8,515**	**20,618**	**20,553**	**15,821**

3. Operating segments

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

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

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The Management Board monitors the respective segments' operating performance to make decisions on the allocation of resources, and evaluate the results of the allocation and the segments' operating performance. The Group defines EBITDA as profit before tax less finance income plus finance costs, plus depreciation and amortisation, plus impairment losses on non-financial non-current assets, which are not directly attributable to its operations. If circumstances arise enabling the Group to reverse an impairment loss on non-financial non-current assets not directly attributable to its operations, this will be reflected in the calculation of EBITDA. Income tax is monitored at the Group level and is not allocated to the operating segments. Unallocated assets comprise the Company's cash.

Prices used in transactions between the operating segments are determined on arm's length basis, as in the case of transactions with unrelated parties. All consolidation adjustments are allocated to the relevant segments.

Izba Rozliczeniowa Giełd Towarowych S.A. (the Warsaw Commodity Clearing House) is the only customer whose transactions with the Group have reached or exceeded 10% of the Group's total revenue. 99.9% of the segments' assets are located in Poland.

For 9 months ended Sep 30 2018	Wind power	Conventional energy	Trading	Distribution	Biomass	Development and implementation	Unallocated Group management costs *)	Purchase price allocation	Total
Revenue from sales to external customers	99,118	246,601	2,133,777	64,667	13,649	5	2,264	681	2,560,762
Gross profit/(loss)	**21,442**	**61,540**	**(7,283)**	**10,539**	**(1,567)**	**(248)**	**(2,235)**	**(6,915)**	**75,273**
Administrative expenses	(1,944)	(4,657)	(8,076)	(3,877)	(969)	(230)	(10,274)	-	(30,027)
Interest income/(expense)	(32,764)	(1,136)	(3,862)	(1,289)	(102)	89	6,428	-	(32,636)
Finance income/(costs) from unrealised foreign exchange gains or losses	(523)	90	132	84	1	(2)	-	-	(218)
Other finance income/(costs)	(9,844)	(488)	(712)	(108)	(67)	(42)	1,061	-	(10,200)
Other income/(expenses)	3,020	(814)	13	1,875	(15,560)	462	(51)	-	(11,055)
Profit/(loss) before tax	**(20,613)**	**54,535**	**(19,788)**	**7,224**	**(18,264)**	**29**	**6,912**	**(6,915)**	**3,120**
Income tax	-	-	-	-	-	-	(17,678)	1,311	(16,367)
Net profit/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,247)**
EBITDA **)	65,191	72,296	(15,297)	11,971	(23)	(432)	(11,985)	681	122,402
Segment assets	1,252,251	268,165	1,117,112	130,900	35,249	73,033	-	-	2,876,710
Unallocated assets	-	-	-	-	-	-	442,415	11,848	454,263
Total assets	**1,252,251**	**268,165**	**1,117,112**	**130,900**	**35,249**	**73,033**	**442,415**	**11,848**	**3,330,973**
Segment liabilities	906,228	103,637	1,042,545	71,401	8,730	489	-	-	2,133,030
Unallocated liabilities	-	-	-	-	-	-	714	27,920	28,634
Total liabilities	**906,228**	**103,637**	**1,042,545**	**71,401**	**8,730**	**489**	**714**	**27,920**	**2,161,664**
Depreciation and amortisation	42,673	16,227	49	3,434	1,246	-	575	7,596	71,800

*) Head office costs unallocated to other segments.

**) EBITDA is defined in Note 2.

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For 9 months ended Sep 30 2018	Wind power	Conventional energy	Trading	Distribution	Biomass	Development and implementation	Unallocated Group management costs *)	Purchase price allocation	Total
- revenue from sale and distribution of electricity	70,742	102,202	1,919,587	58,663	-	-	-	-	2,151,194
- income from compensation for stranded costs and cost of gas	-	119,576	-	-	-	-	-	-	119,576
- net revenue from sale and distribution of gas	-	-	204,461	5,204	-	-	-	-	209,665
- other	28,376	24,823	9,729	800	13,649	5	2,264	681	80,327
Total	**99,118**	**246,601**	**2,133,777**	**64,667**	**13,649**	**5**	**2,264**	**681**	**2,560,762**

For 9 months ended Sep 30 2017	Wind power	Conventional energy	Trading	Distribution	Biomass	Development and implementation	Unallocated Group management costs *)	Purchase price allocation	Total
Revenue from sales to external customers	92,517	208,132	1,618,769	63,971	23,145	5	2,341	2,043	2,010,923
Gross profit/(loss)	**9,951**	**52,435**	**16,012**	**12,577**	**(1,396)**	**(214)**	**(2,980)**	**(5,553)**	**80,832**
Administrative expenses	(2,627)	(4,459)	(7,007)	(4,634)	(883)	(285)	(3,922)	-	(23,817)
Interest income/(expense)	(35,992)	(1,381)	(907)	(1,260)	(181)	43	2,046	-	(37,632)
Finance income/(costs) from unrealised foreign exchange gains or losses	817	(12)	115	-	(1)	(5)	-	-	914
Other finance income/(costs)	(4,138)	(316)	(1,213)	(107)	(172)	(40)	1,463	-	(4,523)
Other income/(expenses)	5,340	(187)	206	1,815	(8,953)	(89,323)	135	-	(90,967)
Profit/(loss) before tax	**(26,649)**	**46,080**	**7,206**	**8,391**	**(11,586)**	**(89,824)**	**(3,258)**	**(5,553)**	**(75,193)**
Income tax	-	-	-	-	-	-	(10,099)	1,053	(9,046)
Net profit/(loss)	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**(84,239)**
EBITDA **)	55,339	63,856	9,236	13,001	1,347	(535)	(6,109)	2,043	138,178
Segment assets	1,386,946	286,298	209,141	136,434	56,628	204,437	1,917	-	2,281,801
Unallocated assets	-	-	-	-	-	-	359,752	21,972	379,807
Total assets	**1,386,946**	**286,298**	**209,141**	**136,434**	**56,628**	**204,437**	**359,752**	**21,972**	**2,661,608**

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Segment liabilities	1,021,445	156,820	175,676	70,654	10,732	5,337		-	1,440,664
Unallocated liabilities	-	-	-	-	-	-	3,744	32,857	36,601
Total liabilities	**1,021,445**	**156,820**	**175,676**	**70,654**	**10,732**	**5,337**	**3,744**	**32,857**	**1,477,265**
Depreciation and amortisation	42,675	16,067	25	3,243	2,806	-	658	7,596	**73,070**

*) Head office costs unallocated to other segments.

**) EBITDA is defined in Note 2.

For 9 months ended Sep 30 2017	Wind power	Conventional energy	Trading	Distribution	Biomass	Development and implementation	Unallocated Group management costs *)	Purchase price allocation	Total
- revenue from sale and distribution of electricity	72,288	94,293	1,412,404	56,946	-	-	-	-	1,635,931
- income from compensation for stranded costs and cost of gas	-	88,888	-	-	-	-	-	-	88,888
- net revenue from sale and distribution of gas	-	-	190,586	5,644	-	-	-	-	196,230
- other	20,229	24,951	15,779	1,381	23,145	5	2,341	2,043	89,874
Total	**92,517**	**208,132**	**1,618,769**	**63,971**	**23,145**	**5**	**2,341**	**2,043**	**2,010,923**

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4. Other notes

4.1 Revenue

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
- revenue from sale and distribution of electricity	2,151,194	1,635,931	831,219	543,341
- revenue from certificates of origin	43,828	41,517	16,635	16,835
- revenue from carbon dioxide emission allowances	287	318	(31)	(56)
- revenue from sale of heat	15,449	14,851	4,115	3,837
- revenue from consulting and advisory services	2,112	2,128	801	589
- income from lease and operator services	781	1,298	257	239
- revenue from sale of merchandise	471	2,847	193	187
- revenue from sale of pellets	13,128	20,282	2,852	7,054
- rental income	148	178	77	85
- income from compensation for stranded costs and cost of gas	119,576	88,888	60,710	39,102
- net revenue from sale and distribution of gas	209,665	196,230	67,384	54,274
- other	4,123	6,455	2,794	2,923
Total revenue	**2,560,762**	**2,010,923**	**987,006**	**668,410**

4.2 Operating expenses, by nature of expense

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
- depreciation and amortisation expense	71,800	73,070	23,706	24,143
- raw materials and consumables used	151,779	139,895	39,605	43,092
- services	37,250	41,343	12,979	13,377
- taxes and charges	17,178	19,918	5,744	6,617
- salaries and wages	23,547	23,839	8,361	8,062
- social security and other benefits	3,546	3,570	1,043	984
- other operating expenses	2,328	2,383	722	750
Total operating expenses by nature	**307,428**	**304,018**	**92,160**	**97,025**
- cost of merchandise and materials sold (+)	2,208,595	1,650,395	856,416	542,844
- distribution costs (-)	(507)	(505)	(222)	(113)
- administrative expenses (-)	(30,027)	(23,817)	(9,200)	(7,685)
Total cost of sales	**2,485,489**	**1,930,091**	**939,154**	**632,071**

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4.3 Other income

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
- reversal of impairment losses and write-downs, including:	1,255	71	774	30
- impairment losses on receivables	120	71	109	30
- impairment losses on property, plant and equipment	1,135	-	665	-
- provisions reversed, including:	565	72	-	72
- provision for site restoration	300	-	-	-
- other provisions	265	72	-	72
- other, including:	6,398	9,299	2,779	2,697
- compensation and additional charges	2,238	4,348	1,746	1,744
- settlement of grants	2,398	2,449	799	800
- gain on disposal of non-financial non-current assets	1,363	462	143	3
- reinvoicing	-	6	-	-
- other	369	2,034	61	150
Total other income	**8,218**	**9,442**	**3,553**	**2,799**

4.4 Other expenses

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
- impairment losses and write-downs, including:	18,119	99,086	328	98,858
- impairment losses on receivables	179	12	178	(44)
- inventory write-downs	394	240	(43)	240
- impairment losses on property, plant and equipment	17,546	98,834	193	98,662
- other, including:	647	818	474	141
- penalties, fines, compensation	-	2	-	-
- other development costs	182	129	81	34
- loss on disposal of non-financial non-current assets	37	460	37	80
- other	428	227	356	27
Total other expenses	**18,766**	**99,904**	**802**	**98,999**

4.5 Finance income

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
- income from interest on deposits and loans	3,671	3,529	1,172	1,248
- interest on finance leases	93	104	30	34
- foreign exchange differences, including:	615	886	63	(515)
- unrealised	217	843	(285)	(469)
- realised	398	43	348	(46)
- valuation of financial liabilities	390	1	390	-
- other	5	32	-	2
Total finance income	**4,783**	**4,552**	**1,664**	**769**

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4.6 Finance costs

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
- interest expense	36,400	41,265	11,826	13,512
- foreign exchange differences, including:	843	426	(199)	(145)
- unrealised	435	(71)	(539)	(360)
- realised	408	497	340	215
- fees and commissions	1,748	1,443	631	500
- valuation of financial liabilities *)	8,742	2,545	(341)	840
- other	104	114	24	30
Total finance costs	**47,837**	**45,793**	**11,941**	**14,737**

*) Related to bank borrowings measured at amortised cost.

4.7 Cash flows

Restricted cash	For 9 months ended	
	Sep 30 2018	Sep 30 2017
- cash for credit facility repayments	17,539	25,549
- cash for settlement of compensation for stranded costs	-	32,037
- cash on deposits	83,119	-
- cash for long- and medium-term overhauls	4,062	4,484
- other restricted cash	106	95
Total	**104,826**	**62,165**

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

Inventories:	For 9 months ended	
	Sep 30 2018	Sep 30 2017
- change in inventories in the statement of financial position	(2,933)	7,740
- recognition of inventories under non-current assets	404	645
Change in inventories in the statement of cash flows	**(2,529)**	**8,385**

Receivables:	For 9 months ended	
	Sep 30 2018	Sep 30 2017
- change in short-term and long-term receivables, net, in the statement of financial position	(6,236)	27,317
- change in investment receivables	-	121
- deconsolidation of sold subsidiary	(739)	-
- change in financial receivables	(762,845)	20,387
- change in other receivables	72	-
Change in receivables in the statement of cash flows	**(769,748)**	**47,825**

Liabilities:	For 9 months ended	
	Sep 30 2018	Sep 30 2017
- change in liabilities, net of borrowings, in the statement of financial position	784,133	(149,251)
- change in finance lease liabilities	412	482

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- change in investment commitments	110	33,433
- deconsolidation of sold subsidiary	1,177	-
- change in financial liabilities	1,024	1,577
Change in liabilities in the statement of cash flows	**786,856**	**(113,759)**

Accruals and deferrals:	For 9 months ended	
	Sep 30 2018	Sep 30 2017
- change in accruals and deferrals in the statement of financial position	(1,860)	(2,231)
- commissions on bank borrowings	383	(186)
- deconsolidation of sold subsidiary	736	-
Change in accruals and deferrals in the statement of cash flows	**(741)**	**(2,417)**

4.8 Goodwill

As at September 30th 2018, goodwill amounted to PLN 109m and was attributable to the following segments
and cash-generating units:
(i) PLN 40m – conventional energy segment − comprising Polenergia Elektrociepłownia Nowa Sarzyna;
(ii) PLN 25m – distribution segment – comprising Polenergia Dystrybucja and Polenergia Kogeneracja;
(iii) PLN 44m − trading segment − comprising Polenergia Obrót.

Goodwill of PLN 75m, comprising Polenergia Bałtyk I, MFW Polenergia Bałtyk II and MFW Polenergia Bałtyk III, was disclosed in the interim condensed consolidated statement of profit or loss in connection with sale of these companies described below.

On May 22nd 2018, Polenergia S.A. and Statoil Holding Netherlands B.V. ("Statoil") entered into a final agreement to transfer the ownership of 50% of shares (the "SPV Shares") held by the Company in each of the following companies: (i) MFW Bałtyk II Sp. z o.o. (formerly Polenergia Bałtyk II Sp. z o.o.) and (ii) MFW Bałtyk III Sp. z o.o. (formerly Polenergia Bałtyk III Sp. z o.o.) (jointly the "SPVs", or "Bałtyk II", "Bałtyk III"), which are executing projects to construct offshore wind farms on the Baltic Sea (the "Project") – for details, see Note 17 to the condensed consolidated financial statements for the six months ended June 30th 2018.

Gain on the loss of control of the subsidiaries was PLN 11,983 thousand and was disclosed in the consolidated statement of profit or loss as a separate item 'Gain on loss of control of subsidiaries' under continuing operations. As the subsidiaries were not carrying out any operations, they did not meet the criteria for recognition as discontinued operations in accordance with IFRS 5.

Gain on loss of control of subsidiaries was calculated as follows:

Sale price of 50% of shares in subsidiaries Bałtyk III and Bałtyk II	115,771
- cash received	94,275
- cash received (EUR 1,667 thousand)	7,167
- deferred payment (EUR 3,333 thousand)	14,329
- contingent consideration	-
Fair value measurement of retained shares in jointly-controlled entities, including	141,138
- 50% shares in Bałtyk III *	57,886
- 50% shares in Bałtyk II *	57,886
- 100% shares in Bałtyk I *	25,366
Net assets of subsidiaries as at the date of loss of control	244,926
Gain on loss of control of subsidiaries, including	**11,983**
- Gain on fair value measurement of retained shares	5,992

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* The fair value of the retained shares in MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. was determined based on the price of the 50% interest sold in the transaction (the price of a transaction with an unaffiliated party), while the fair value of the 100% interest in Polenergia Bałtyk I S.A. was determined based on the strike price of the call option.

4.9 Current financial assets

	Sep 30 2018	Dec 31 2017
- valuation of futures and forward contracts	743,042	119,301
Total current financial assets	**743,042**	**119,301**

4.10 Current liabilities

	Sep 30 2018	Dec 31 2017
- bank and other borrowings	106,325	298,013
- trade payables	157,689	129,613
- to related entities	240	576
- to other entities	157,449	129,037
- income tax payable	1,536	290
- other liabilities	766,118	139,972
- to the state budget	6,622	7,746
- prepaid deliveries	7,488	226
- other financial liabilities	228	339
- valuation of futures and forward contracts	738,855	111,293
- salaries and wages payable	497	1,414
- special accounts	108	43
- under settlement of long-term contracts	9,901	16,436
- other	2,419	2,475
Total current liabilities	**1,031,668**	**567,888**

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

The Polenergia Group operates in the following market segments:

- Wind power,
- Conventional energy,
- Trading,
- Distribution,
- Biomass,
- Development of building projects and project implementation.

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

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

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Moreover, the wind conditions, which determine the output of wind farms, are uneven during the year: in autumn and winter they are significantly better than in spring and summer. The wind farm sites were selected by the issuer based on professional wind measurements confirmed by independent and reputable experts. 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.

6. Interest-bearing borrowings

On July 12th 2018, Grupa PEP - Farma Wiatrowa 1 Sp. z o.o., Grupa PEP - Farma Wiatrowa 4 Sp. z o.o., and Grupa PEP - Farma Wiatrowa 6 Sp. z o.o. ("GSR") signed an annex to the credit facility agreement signed by these companies on October 4th 2013 with BOŚ S.A. and the European Bank for Reconstruction
and Development (the "Banks"), providing financing for the construction of the Gawłowice, Skurpie, and Rajgród wind farms (the "Facility"). Under the annex, the maturity date for all the Facility tranches was extended until December 29th 2032. The repayment schedule was changed accordingly.
As required by the Banks, on the same day the GSR made an additional prepayment under the Facility, totalling PLN 22,655 thousand, which was a condition for the execution of the annex.

On September 15th 2018, Polenergia Farma Wiatrowa Mycielin Sp. z o.o. ("Mycielin") made a prepayment of PLN 9,403 thousand under a facility advanced by a bank syndicate for the construction of the Mycielin wind farm. The total amount of prepayment was financed with funds received as compensation from VESTAS Poland Sp. z o.o.

7. Changes in accounting estimates

a) Effective tax rate

	For 9 months ended	
	Sep 30 2018	Sep 30 2017
Tax expense recognised in profit or loss, including:	**16,367**	**9,046**
Current tax	16,740	2,250
Deferred tax	(373)	6,796
Profit before tax	**3,120**	**(75,193)**
Tax expense at the effective rate of 19%	593	(14,287)
Adjustments to current income tax for prior years	20	(5)
Current tax of limited partnerships (spółka komandytowa)	-	-
Deferred tax (change) of limited partnerships (spółka komandytowa)	-	-
Non-tax-deductible costs:	**15,773**	**23,338**
- permanent differences	346	213
- tax assets on account of tax losses in Special Economic Zone	305	367
- temporary difference for which no tax asset/liability is recognised	15,122	22,758
Non-taxable income:	**(18)**	**-**
- other	(18)	-
Tax recognised in profit or loss	**16,368**	**9,046**

b) Change in provisions

Change in short- and long-term provisions

	Sep 30 2018	Dec 31 2017
Provisions at beginning of period	**26,563**	**28,572**
- provisions recognised	-	782
- provisions reversed	(1,139)	(2,791)
Provisions at end of period	**25,424**	**26,563**

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c) Trade and other receivables

In the period ended September 30th 2018, impairment losses on uncollectible trade receivables went down to PLN 2,145 thousand.

	Sep 30 2018	Dec 31 2017
At beginning of period	**2,340**	**2,281**
- increase	150	259
- use	(192)	(150)
- reversal	(153)	(50)
At end of period	**2,145**	**2,340**

Below is an analysis of trade receivables that were past due as at September 30th 2018, but not impaired.

	Total	stage 1	stage 2
Sep 30 2018	109,985	109,187	798
Dec 31 2017	123,091	122,748	343

Impairment is estimated using the expected loss model, as described in Note 1.4.

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

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

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

The Group does not issue any debt securities. As at the date of this report, the Parent did not issue any debt securities in the third quarter ended September 30th 2018.

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

No dividend was paid in the period of nine months ended September 30th 2018.

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

The total amount of the parent company guarantees (“PCGs”) provided by Kulczyk Investments (“KI”) for trade contracts concluded by Polenergia Obrót S.A. with CEZ and ENEA fell to EUR 2,000 thousand and PLN 5,000 thousand as at September 30th 2018. The PCGs expired upon Polenergia Obrót’s exit from the KI Group in July 2018, but remain in effect with respect to the contracts concluded prior to the exit date and not completed by September 30th 2018.
On January 2nd 2018, the PLN 49,000 performance bond issued to Grupa PEP Farma Wiatrowa 1 Sp. z o.o. on behalf of SGS Polska Sp. z o.o. expired.
On January 2nd 2018, the PLN 30,000 performance bond issued to Grupa PEP Farma Wiatrowa 6 Sp. z o.o. on behalf of SGS Polska Sp. z o.o. expired.
On January 31st 2018, the PLN 1,150,000 performance and warranty bond issued to Grupa PEP Farma Wiatrowa 6 Sp. z o.o. on behalf of Electrum Sp. z o.o. expired.

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On February 9th 2018, the PLN 8,400 performance and warranty bond issued to Grupa PEP Farma Wiatrowa 4 Sp. z o.o. on behalf of SGS Polska Sp. z o.o. expired.
On March 26th 2018, the PLN 8,400 performance and warranty bond issued to Grupa PEP Farma Wiatrowa 1 Sp. z o.o. on behalf of SGS Polska Sp. z o.o. expired.
On March 31st 2018, the PLN 458,300 bank guarantee issued to Grupa PEP Farma Wiatrowa 1 Sp. z o.o. on behalf of a consortium comprising ELECTRUM Sp. z o.o. and Zakład Wykonawstwa Sieci Elektrycznych MEGA-POL S.A. expired.
On March 31st 2018, the PLN 473,400 bank guarantee issued to Grupa PEP Farma Wiatrowa 1 Sp. z o.o. on behalf of ELECTRUM Sp. z o.o. expired.
On March 31st 2018, the PLN 498,300 performance bond issued to Grupa PEP Farma Wiatrowa 1 Sp. z o.o. on behalf of ELECTRUM Sp. z o.o. expired.
On February 28th 2018, the PLN 4,000,000 commercial guarantee issued to Polenergia Obrót S.A. on behalf of DUON Marketing and Trading S.A. expired.
On April 30th 2018, the warranty issued under the contract signed by Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o. with VESTAS Poland Sp. z o.o. for the supply of wind turbines expired.

On May 9th 2018, the guarantee issued upon instruction from AECOM Sp. z o.o. under the contract engineer services agreement related to the construction of a wind farm by Polenergia Farma Wiatrowa Mycielin Sp. z o.o. expired.

On July 24th 2018, the PLN 1,533.7 thousand guarantee issued upon instruction from SGS Polska Sp. z o.o. under the contract engineer services agreement related to the construction of a wind farm by Grupa PEP – Farma Wiatrowa 1 Sp. z o.o. expired.

On September 20th 2018, Polenergia Kogeneracja Sp. z o.o. received an annex under which the validity period of PGNiG Obrót Detaliczny Sp. z o.o.'s guarantee of payment for the purchased services, issued on December 27th 2016, was extended until November 30th 2019. Further, under the annex, the amount of the guarantee was reduced to PLN 1,373.4 thousand.

11. Proceedings pending before common courts of law, arbitration courts or governmental authorities, brought by or against the Company or its subsidiaries

The Company's subsidiaries Amon Sp. z o.o. (on May 22nd 2015) and Talia Sp. z o.o. (on May 21st 2015) brought separate court actions to declare invalid the termination notices issued by Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. under:

1) the agreement on sale of property rights incorporated in certificates of origin for electricity generated in a renewable energy source − the Łukaszów Wind Farm of December 23rd 2009, and the agreement on sale of electricity generated in a renewable energy source − the Łukaszów Wind Farm of December 23rd 2009, in respect of Amon;

2) the agreement on sale of property rights incorporated in certificates of origin for electricity generated in a renewable energy source − the Modlikowice Wind Farm of December 23rd 2009, and the agreement on sale of electricity generated in a renewable energy source − the Modlikowice Wind Farm of December 23rd 2009, in respect of Talia;

Subsequently, Amon Sp. z o.o. and Talia Sp. z o.o. changed their actions in such a way that, in addition to the initial action, they brought a new one, requesting payment of compensation for non-performance or improper performance of the abovementioned agreements, and then extended this request to cover subsequent periods of Polska Energia – Pierwszy Kompania Handlowa Sp. z o.o.'s non-performance of the agreements. Thus Amon Sp. z o.o. and Talia Sp. z o.o are currently claiming payment of PLN 40,478 thousand and PLN 26,769 thousand, respectively.

Towards the end of April 2018, Amon Sp. z o.o. and Talia Sp. z o.o., subsidiaries of the Company, brought an action against Tauron Polska Energia S.A. for premature termination of long-term contracts for sale of electricity and property rights between Polska Energia-Pierwsza Kompania Handlowa Sp. z o.o., a subsidiary of Tauron, and Amon and Talia. Amon is claiming payment of PLN 47,556 thousand in damages, together with interest and litigation costs, and determination of Tauron's liability for future losses, estimated at over PLN 158,000 thousand, so that the total amount claimed in the action by Amon exceeds PLN 205,000 thousand. Talia is claiming payment of PLN 31,299 thousand in damages, together with interest and litigation costs, and determination of Tauron's liability for future losses, estimated at just under PLN 107,000 thousand, so that the total amount claimed in the action by Talia exceeds PLN 138,000 thousand.

In the opinion of Amon and Talia, Tauron, as the sole shareholder of PKH and the entity behind the steps to terminate the long-term contracts, submit groundless termination notices and discontinue purchases by PKH of electricity and property rights under the contracts, as well as the entity which entrusted PKH and its liquidators with certain actions and knowingly benefited from the damage inflicted upon Amon and Talia, is responsible for the losses which Amon and Talia have incurred and are incurring as a result of the termination of the long-term contracts. In the opinion of Amon and Talia, their claims are therefore reasonable and deserve to be awarded in accordance with the actions brought by both companies.

Eolos Polska Sp. z o.o. filed for joint and several payment by the Company's subsidiaries, Certyfikaty Sp. z o.o. (on October 3rd 2016) and Polenergia Obrót S.A. (on February 1st 2017), of liquidated damages and amounts due totalling PLN 27,895 thousand under alleged non-performance of contracts which expired on January 5th 2016. It should be noted that in the statement of claim the plaintiff indicated that its claim could be higher due to the fact that the claimed liquidated damages would increase in subsequent years.

In their statement of defence, Certyfikaty sp. z o.o. and Polenergia Obrót S.A. argued that the claim lacked any merit, and Polenergia Obrót S.A. challenged the grounds cited by Eolos for the alleged joint and several liability of Polenergia Obrót S.A. and Certyfikaty sp. z o.o. The Company fully supports their position.

12. Significant related-party transactions

Key transactions with associates in the period ended September 30th 2018:

Sep 30 2018	Revenue
Polenergia Bałtyk I S.A.	66
MFW Bałtyk II Sp. z o.o.	517
MFW Bałtyk III Sp. z o.o.	559
Total	**1,142**

In the nine months ended September 30th 2018, the following material related-party transactions took place (all of them on an arm's length basis):

Sep 30 2018	Revenue	Costs	Receivables	Liabilities
KI ONE Spółka Akcyjna	-	278	-	55
Krucza Inwestycje KREH 1 Sp. z o.o. S.K.	-	1,143	-	3
Kulczyk Holding Sarl	668	-	236	-
Polenergia Usługi Sp. z o.o.	77	-	-	-
Ciech Sarzyna S.A.	11,245	1,008	-	-
Autostrada Eksploatacja S.A.	1,060	-	153	-
Polenergia International Sarl	226	-	227	-
Beyond.pl Sp. z o.o.	654	113	155	3
Total	**13,930**	**2,542**	**771**	**61**

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13. Loan sureties or guarantees issued by the issuer or its subsidiary where the aggregate value of such outstanding sureties and guarantees issued to a single entity or its subsidiary is significant

As at September 30th 2018, the Group did not issue any external guarantees.

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

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

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

In the Company's opinion, the following factors will materially affect its performance (consolidated and separate) in the coming quarters:

- macroeconomic situation in Poland,
- final legislative framework applicable to the Company's business,
- prices of electricity and green and yellow certificates,
- wind conditions in the areas where the Puck, Łukaszów, Modlikowice, Rajgród, Gawłowice, Skurpie and Mycielin Wind Farms are located,
- changes in the prices of natural gas and biomass and their availability,
- financial condition of the Company's customers,
- ability to obtain financing for the planned projects,
- EUR/PLN exchange rate and WIBOR/EURIBOR interest rates.

16. Objectives and policies of financial risk management

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

The Group enters into transactions involving derivative instruments, primarily forward contracts to hedge its currency and market price risks. The purpose of such transactions is to manage currency risk and market price risk (particularly in electricity trading) which arise in the course of the Group's operations and in connection with the sources of funding it uses.

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

16.1 Interest rate risk

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

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

The table below presents sensitivity of the Company's full-year profit before tax (in connection with floating-rate liabilities) to reasonably possible movements in interest rates, all other factors being equal.

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

period ended Sep 30 2018	Change	Effect on profit/loss before tax over 3 consecutive months (PLN '000)
1M WIBOR	1%	(1,815)
1M EURIBOR	1%	(50)
1M WIBOR	-1%	1,815
1M EURIBOR	-1%	50

period ended Sep 30 2017	Change	Effect on profit/loss before tax over 3 consecutive months (PLN '000)
1M WIBOR	1%	(2,072)
1M EURIBOR	1%	(64)
1M WIBOR	-1%	2,072
1M EURIBOR	-1%	64

16.2 Currency risk

The Group's currency risk involves primarily the risk of changes in the euro exchange rate with respect to its short currency position under bank deposits, investment commitments, and investment credit facilities.
As at September 30th 2018, the position was valued at EUR 4.8m. It is not hedged against changes in currency exchange rates.

Except in the case of the above unhedged currency position, when negotiating the terms of hedging derivatives, the Group seeks to match them with the terms of the hedged item, thus ensuring the maximum effectiveness of hedging.

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

	Exchange rate increase/decrease	Effect on profit/loss
Sep 30 2018 – EUR	+ PLN 0.01/EUR	(48)
	- PLN 0.01/EUR	48
Sep 30 2017 – EUR	+ PLN 0.01/EUR	(59)
	- PLN 0.01/EUR	59

In the period ended September 30th 2018, the Group realised finance costs of PLN 218 thousand from unrealised exchange differences.

Between September 30th and December 31st 2018, movements in the PLN/EUR exchange rate may affect the amount of unrealised exchange differences. The result on unrealised exchange differences as at December 31st 2018 will mainly depend on the difference between the PLN/EUR exchange rates of December 31st 2018 and September 30th 2018, with the appreciation/depreciation of the Polish złoty against the euro having a positive/negative effect on the net profit of approximately PLN 48 thousand for each PLN 0.01 of the difference relative to the exchange rate as at September 30th 2018.

16.3 Credit risk

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

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

As the Group's investment projects rely to a large extent on external financing, there is significant debt concentration at the Group. The contracted credit facilities provide for a number of financial covenants which have to be met by individual projects.

Given the current market environment, the possible consequences of the Act on Wind Farm Projects and the situation prevailing on the market of green certificates, there is a risk that the Group may breach the covenants with respect to certain projects.

The Group monitors the debt levels and compliance with covenants at individual companies, remaining in contact with the financing institutions.

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

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

16.4 Liquidity risk

The table below presents the Group's financial liabilities by maturity as at September 30th 2018 and December 31st 2017, based on undiscounted contractual payments.

Sep 30 2018	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	114,452	181,034	402,091	711,686	**1,409,263**
Other liabilities	766,014	104	165,808	-	**931,926**
Trade payables	157,689	-	-	-	**157,689**

Dec 31 2017	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	64,384	432,656	405,121	505,731	**1,407,892**
Other liabilities	139,587	386	14,120	-	**154,093**
Trade payables	129,613	-	-	-	**129,613**

Dipol

A surety agreement concluded between Polish Energy Partners S.A. (the legal predecessor of Polenergia S.A.) and Raiffeisen Bank Polska S.A. (the "Bank") as security for all payment obligations towards the Bank arising under a credit facility agreement for up to PLN 6.3m. If an event of default occurs, the surety provider must pay the outstanding amount owed to the Bank on the Bank's written demand for payment prepared in accordance with the form attached to the surety agreement. Before sending a payment notice, the Bank must call on the Company to pay the amount due within a specified time limit. The Company's Management Board is of the opinion that the surety provider's (Polenergia S.A.'s) obligations under the surety have expired and the Bank may not pursue claims against the surety provider under the agreement. However, taking into account the Bank's dissenting opinion on the matter, we find it prudent to consider Polenergia S.A. potentially liable under the surety, with the liability limited to PLN 6.3m.

Amon/Talia

(PLN '000)

Surety agreements (one for each of the Companies) signed by Polenergia S.A. with the financing banks as security for the banks' claims against Amon sp. z o.o. or Talia sp. z o.o., as the case may be, (the “Companies”) in respect of the principal and interest on the Long-Term Credit Facility, with an aggregate limit of PLN 6.7m for both companies. In the agreements, the surety amount is divided into separate amounts for each bank (depending on their respective exposures). The surety provider is obliged to make a payment if either Company fails to perform any of its payment obligations when due, after the bank sends the surety provider a payment notice specifying, *inter alia*, the amount of such Company’s due obligations.

GSR / Mycielin

The Equity Support and Subscription Agreement, where Polenergia S.A. as the Sponsor is a guarantor for the following companies: Grupa PEP Farma Wiatrowa 1 Sp. z o.o. (the Gawłowice project), Grupa PEP Farma Wiatrowa 4 Sp. z o.o. (the Skurpie project), Grupa PEP Farma Wiatrowa 6 sp. z o.o. (the Rajgród project), Polenergia Farma Wiatrowa Mycielin Sp. z o.o. (the Mycielin project) under: 1) an unconditional guarantee: obligation to top up the debt service reserve account in the event of default and failure to maintain the required DSRA balance, and 2) a conditional guarantee: if a condition specified in the agreement is met (the DSCR falls below the permitted level, a Non-Payment Default occurs), the Beneficiary (in most cases the company) may demand payment by the Sponsor. The obligation to pay covers all outstanding amounts under the credit facility agreement and the amount of the next principal and interest payment. Therefore, in practice, the Conditional Guarantee is limited to the amount of two principal and interest payments.

17. Capital management

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

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Group may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the period ended September 30th 2018 and in the year ended December 31st 2017, there were no changes in the capital structure management objectives, policies and processes.

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

	Sep 30 2018	Dec 31 2017
Interest-bearing borrowings	911,565	1,003,517
Less cash and cash equivalents	(335,929)	(297,898)
Net debt	**575,636**	**705,619**
Equity	1,169,309	1,181,988
Total equity	**1,169,309**	**1,181,988**
Equity and net debt	**1,744,945**	**1,887,607**
Leverage ratio	33%	37%

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

On October 30th 2018, Polenergia Biomasa Energetyczna Północ sold movables (mainly plant and equipment) for a total amount of PLN 600 thousand.

(PLN ’000)

C. OTHER INFORMATION TO THE CONSOLIDATED QUARTERLY REPORT

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

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

Key economic and financial data [PLNm]	9M 2018	9M 2017	Change
Revenue	2,560.8	2,010.9	549.8
EBITDA	122.4	138.2	(15.8)
Adjusted EBITDA	121.7	136.1	(14.4)
Net profit/(loss)	(13.2)	(84.2)	71.0
Adjusted net profit after elimination of purchase price allocation effect, unrealised exchange differences, impairment losses, loan valuation and discount valuation.	8.5	20.6	12.1

In comparison with the corresponding period of 2017, the Q1–Q3 2018 performance was driven by the following factors:

a) **EBITDA (down by PLN 15.8m):**

- The wind power segment saw its EBITDA rise by PLN 1.1m, primarily as a result of higher selling prices of green certificates and electricity, as well as reduced operating expenses, partially offset by a lower generation volume.
- The conventional energy segment's EBITDA grew by PLN 8.4m due to higher income from the adjustment to gas cost compensation for 2017.
- The trading segment's EBITDA went down by PLN 24.5m as a result of closing an electricity trading position due to significant price hikes in H1 2018.
- The distribution segment's EBITDA decreased by PLN 1.0m as a consequence of higher energy procurement costs, partially offset by lower operating expenses.
- Also the biomass segment's EBITDA deteriorated (down PLN 1.4m), chiefly due to lower pellet sales volumes and higher feedstock prices.
- The development segment recorded lower expenses (down by PLN 0.1m), allocated to profit or loss.
- Unallocated Group management costs increased by PLN 5.9m due to additional costs resulting from the sale of shares in the companies running offshore wind farm projects, services provided in connection with two tender offers for shares held in Q2–Q3 2018, and the impact of VAT settlements for 2017 and 2018.

b) **Adjusted EBITDA (down by PLN 14.4m):**

- The EBITDA effect described above (down by PLN 15.8m);
- Elimination of purchase price allocation effect (down by PLN 1.4m).

c) **Net profit /(loss) (up by PLN 71.0m) driven by:**

- Impact of EBITDA (down by PLN 15.8m);

(PLN '000)

- Lower depreciation and amortisation (by PLN 1.3m), primarily due to the absence of depreciation and amortisation of the Biomasa Południe project following the charge recognised in 2017;
- Effect of impairment losses (down PLN 82.6m), following mainly from an impairment loss related to the development business, recognised in 2017;
- Higher finance cost (up PLN 2.0m), driven by higher foreign exchange losses (up PLN 0.4m), higher commissions and other fees (up PLN 0.3m) and higher costs of financial liabilities measurement (up PLN 6.2m), partially offset by lower interest expense (down PLN 4.9m);
- Higher finance income (up PLN 0.2m) due to higher interest income (up PLN 0.1m) and other finance income (up PLN 0.4m), partially offset by the negative effect of foreign exchange differences (down PLN 0.3m);
- Effect of the sale of shares in the companies running off-shore wind farm projects (PLN 7.2m);
- Higher corporate income tax (up PLN 2.5m).

d) Adjusted net profit after elimination of the purchase price allocation effect, unrealised foreign exchange differences, impairment losses, measurement of bank borrowings and discount valuation (down by PLN 12.1m):

- Effect of higher net profit (up PLN 71.0m);
- Elimination of the purchase price allocation effect (up PLN 1.1m);
- Elimination of the effect of unrealised foreign exchange differences (up PLN 0.9m);
- Elimination of the effect of measurement of bank borrowings (up PLN 5.8m);
- Reversal of the effect of impairment losses (down PLN 82.6m);
- Elimination of the effect of sale of offshore wind farms (down PLN 7.2m);

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

WIND POWER

The wind power segment saw its EBITDA rise by PLN 1.1m, primarily as a result of higher selling prices of green certificates and electricity, as well as a drop in operating expenses, partially offset by a lower output.

Below is presented detailed information on individual wind farms:

Puck Wind Farm

Electricity output in Q3 2018 was lower year on year, which drove revenue down. The negative effect was partially offset by lower operating expenses, including mainly technical maintenance cost.

Łukaszów and Modlikowice Wind Farms

Electricity output in Q3 2018 was lower than in Q3 2017. A recorded rise in the prices of green certificates contributed to increases in revenue and EBITDA.

Gawłowice, Rajgród, and Skurpie Wind Farms

The operating performance of the Gawłowice, Rajgród and Skurpie Wind Farms in Q3 2018 declined year on year due to lower generation volumes. The decline was partially offset by lower property tax.

Mycielin Wind Farm

The Mycielin Wind Farm's operating performance in Q3 2018 improved on Q3 2017, mainly on the back of higher selling prices and lower property tax as well as lower technical maintenance cost (the lower maintenance fee is part of the compensation received from Vestas for the turbine damage in 2017). These effects were partially offset by lower output.

Krzęcin Wind Farm

The Krzęcin Wind Farm (6 MW) was acquired by the Group in May 2018. Since then, the farm's operating result has been positive, contributing to stronger performance of the entire segment.

CONVENTIONAL ENERGY

The conventional energy segment's EBITDA grew by PLN 8.4m, mainly due to higher income from the adjustment to gas cost compensation for 2017, affecting ENS's performance.

NOWA SARZYNA CHP PLANT (ENS)

Since the beginning of 2018, the plant has operated without any disruptions. The company's performance was affected by the compensation for stranded costs and gas compensation as described above.

ENS is preparing to take part in three auctions planned for November−December 2018 with deliveries due in 2021, 2022 and 2023.

Mercury Power Plant

Since the beginning of 2018, the plant has operated without any disruptions.

TRADING

The trading segment's YTD EBITDA fell by PLN 24.5m year on year. The decline was mainly a consequence of the loss on electricity trading in the wake of a sharp increase in electricity prices recorded in Q2 2018. In order to reduce its risk exposure, the Group took steps to close loss-generating positions, limit trading until the electricity market stabilises, and expand the scope of monitoring and reporting the trading results and risk measures.

The trading segment's performance depends on market prices, particularly the prices of electricity, certificates of origin, gas and CO_2 emission allowances.

DISTRIBUTION

The distribution segment's YTD EBITDA fell PLN 1.0m year on year, driven by higher energy procurement costs offset by lower operating expenses.

In Q3 2018, the distribution segment's EBITDA fell PLN 0.2m year on year, mainly as a result of higher energy procurement costs offset by lower operating expenses and the distribution business's improved performance.

BIOMASS

Compared with a year earlier, the biomass segment posted lower EBITDA (down PLN 1.4m), reflecting a decline in sales volumes, coupled with higher costs of raw materials.

Below is presented detailed information on the individual companies.

<u>Biomasa Energetyczna Północ</u>

The production volume of pellets was markedly lower than in the same period a year earlier. Additionally, higher feedstock prices led to a year-on-year drop in the plant's operating margin.

On October 30th, the Biomasa Południe assets were sold.

<u>Biomasa Energetyczna Wschód</u>

The production volume of pellets was significantly lower than in the same period a year earlier. Additionally, higher feedstock prices led to a year-on-year drop in the plant's operating margin.

The process to find an investor for Biomasa Wschód is underway. Negotiations are being held with prospective investors, in partnership with the bank financing the plant's operations.

DEVELOPMENT

<u>Onshore wind farms</u>

The Group has a portfolio of projects with an aggregate capacity of 199 MW which are in the final development phase, and for which building permits have been secured. The projects took part in an auction held on November 5th 2018. The Group is awaiting auction results.

<u>Photovoltaic farms</u>

The Group holds a portfolio of photovoltaic projects. Some of them (with a total capacity of 8 MW) will participate in the auction to be held in November 2018. Development work on the remaining projects (with a total capacity of 21 MW) will be continued in 2018 and 2019.

<u>Development of offshore wind farms</u>

The Group is preparing the construction of two offshore wind farms (MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.) in the Baltic Sea, with a total capacity of up to 1,200 MW. The time of launching the construction will depend on the effective date of the relevant regulatory regime. In addition, the Group is looking into the possibility of resuming preparatory work on the Polenergia Bałtyk I S.A. project.

In Q2 2018, an agreement was concluded to transfer 50% of shares in the companies running offshore wind farm development and construction projects to Statoil Holding Netherlands B.V., which was announced in Current Report No. 14/2018.

Biomass-fired power plant

The Group is working on a project to construct and operate a 31 MW biomass-fired power plant connected to the power grid. In 2017, the final building permit, which also covers a line for the evacuation of power into Tauron's grid, was issued for the project. In the second quarter of 2018, a decision on its admission to the auction process (prequalification) from the Energy Regulatory Office and a relevant integrated (IPPC) permit were secured.

It is possible that the Company will look for an investor interested in purchasing the project prior to, or on its winning, the auction.

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

The Company does not publish any performance forecasts for the coming years.

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

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

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

No.	Shareholder	Number of shares	Number of voting rights	% interest
1	Kulczyk Investment S.A.*	23,467,043	23,467,043	51.64%
2	China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7,266,122	7,266,122	15.99%
3	Nationale-Nederlanden	2,576,969	2 576,969	5.67%
4	Generali OFE	2,981,728	2,981,728	6.56%
5	Aviva OFE	3,732,000	3,732,000	8.21%
6	Other	5,419,685	5,419,685	11.93%
	Total	**45,433,547**	**45,433,547**	**100.00%**

* Through Mansa Investments Sp. z o.o., a subsidiary.
** Through Capedia Holdings Limited of Nicosia, Cyprus, a subsidiary.

On October 25th 2018, following the settlement of the purchase by Mansa Investments Sp. z o.o. of 655,286 Company shares in a tender offer for Company shares announced by Ms Dominika Kulczyk and Mansa Investments on August 27th 2018, Mansa Investments' shares in the Company's share capital and in the total vote at the Company's General Meeting increased by 1.44pp each.

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

In Q3 2018, there were no changes resulting from business combinations, acquisitions or disposals of Group entities, long-term investments, demergers, restructuring or discontinuation of operations.

7. General information

(PLN '000)

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

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

As at the date of issue of the financial statements, the composition of the parent's Management Board was as follows:

Jacek Głowacki	President of the Management Board
Michał Michalski	Member of the Management Board
Robert Nowak	Member of the Management Board
Jacek Suchenek	Member of the Management Board

On April 9th 2018, the Supervisory Board appointed the then Vice President of the Management Board, Mr Jacek Głowacki, as President of the Management Board.

On April 9th 2018, Mr Bartłomiej Dujczyński resigned from his position as Member of the Management Board.

On August 8th 2018, the Company's Supervisory Board appointed Mr Robert Nowak and Mr Jacek Suchenek as new members of the Company's Management Board.

As at September 30th 2018, the composition of the Parent's Supervisory Board was as follows:

Dominika Kulczyk	Chair of the Supervisory Board
Hans Schweickardt	Deputy Chair of the Supervisory Board
Marta Schmude – Olczak	Member of the Supervisory Board
Kajetan Stefan Obyrn	Member of the Supervisory Board
Michał Kawa	Member of the Supervisory Board
Brian Bode	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board

(PLN '000)

On July 6th 2018, Mr Tomasz Mikołajczak, Mr Łukasz Rędziniak, Mr Dominik Libicki, Mr Mariusz Nowak and Mr Dawid Jakubowicz resigned as Members of the Company's Supervisory Board, with effect as of July 12th 2018.

On July 13th 2018, the Extraordinary General Meeting appointed the following five Members of the Company's Supervisory Board: Ms Dominika Kulczyk, Ms Marta Schmude-Olczak, Mr Hans Schweickardt, Mr Kajetan D'Obyrn and Mr Michał Kawa.

On July 19th 2018, Ms Dagmara Gorzelana resigned as Member of the Company's Supervisory Board.

D. QUARTERLY FINANCIAL INFORMATION OF POLENERGIA S.A.

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION
As at September 30th 2018

Assets

	Sep 30 2018	Dec 31 2017
I. Non-current assets	**835,293**	**963,876**
Property, plant and equipment	1,111	1,237
Intangible assets	197	429
Financial assets	827,381	951,260
Long-term receivables	2,265	2,503
Deferred tax assets	4,339	8,447
II. Current assets	**245,927**	**215,001**
Inventories	10,362	10,362
Trade receivables	9,117	12,823
Income tax asset	4,821	-
Other short-term receivables	15,251	595
Prepayments and accrued income	1,804	3,879
Current financial assets	45,195	19,246
Cash and cash equivalents	159,377	168,096
Total assets	**1,081,220**	**1,178,877**

Equity and liabilities

	Sep 30 2018	31.01.2017
I. Equity	**1,065,980**	**1,118,067**
Share capital	90,887	90,887
Share premium	601,539	680,405
Capital reserve from valuation of options	13,207	13,207
Other capital reserves	349,478	349,478
Merger reserve	89,782	89,782
Retained deficit	(26,826)	(26,826)
Net loss	(52,087)	(78,866)
II. Non-current liabilities	**8,142**	**50,483**
Bank and other borrowings	-	42,295
Provisions	21	21
Other liabilities	8,121	8,167
III. Current liabilities	**7,098**	**10,327**
Trade payables	253	1,883
Other liabilities	945	1,283
Provisions	697	784
Prepayments and accrued income	5,203	6,377
Total equity and liabilities	**1,081,220**	**1,178,877**

(PLN '000)

INTERIM CONDENSED SEPARATE STATEMENT OF PROFIT OR LOSS
for the nine months ended September 30th 2018

			unaudited	unaudited
	For 3 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Revenue	10,605	12,233	3,473	3,785
Revenue	**10,605**	**12,233**	**3,473**	**3,785**
Cost of sales	(9,412)	(11,445)	(3,112)	(3,547)
Gross profit/(loss)	**1,193**	**788**	**361**	**238**
Other income	2	-	-	-
Administrative expenses	(12,949)	(7,206)	(3,583)	(2,197)
Other expenses	(61)	(68)	(50)	(2)
Finance income	60,872	59,279	4,717	6,359
including dividends	51,465	52,900	1,462	4,000
Finance costs	(92,251)	(132,699)	(1,633)	(105,789)
Profit/(loss) before tax	**(43,194)**	**(79,906)**	**(188)**	**(101,391)**
Income tax	(8,893)	1,643	275	100
Net profit/(loss)	**(52,087)**	**(78,263)**	**87**	**(101,291)**

INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the nine months ended September 30th 2018

			unaudited	unaudited
	For 3 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Net profit/(loss) for period	**(52,087)**	**(78,263)**	**87**	**(101,291)**
Other comprehensive income	**-**	**-**	**-**	**-**
COMPREHENSIVE INCOME FOR PERIOD	**(52,087)**	**(78,263)**	**87**	**(101,291)**

(PLN '000)

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY
for the nine months ended September 30th 2018

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Merger reserve	Retained deficit	Net loss	Total equity
As at Jan 1 2018	**90,887**	**680,405**	**13,207**	**349,478**	**89,782**	**(105,692)**	**-**	**1,118,067**
Comprehensive income for period								
Net loss for period	-	-	-	-	-	-	(52,087)	(52,087)
Transactions with owners of the parent recognised directly in equity								
Allocation of profit/(loss)	-	(78,866)	-	-	-	78,866	-	-
As at Jun 30 2018	**90,887**	**601,539**	**13,207**	**349,478**	**89,782**	**(26,826)**	**(52,087)**	**1,065,980**

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Merger reserve	Retained earnings/(deficit)	Net profit	Total equity
As at Jan 1 2017	**90,887**	**765,438**	**13,207**	**349,478**	**89,782**	**(111,859)**	**-**	**1,196,933**
Comprehensive income for period								
Net loss for period	-	-	-	-	-	-	(78,263)	(78,263)
Transactions with owners of the parent recognised directly in equity								
Allocation of profit/(loss)	-	(85,033)	-	-	-	85,033	-	-
As at Sep 30 2017	**90,887**	**680,405**	**13,207**	**349,478**	**89,782**	**(26,826)**	**(78,263)**	**1,118,670**

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INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS
for the nine months ended September 30th 2018

	For 9 months ended Sep 30 2018	For 9 months ended Sep 30 2017
A. Cash flows from operating activities		
I. Profit/(loss) before tax	**(43,194)**	**(79,906)**
II. Total adjustments	**28,811**	**90,308**
Depreciation and amortisation	576	-
Foreign exchange losses	(32)	656
Interest and profit distributions (dividends)	(56,364)	-
Loss on investing activities	91,605	(53,910)
Income tax	(9,606)	131,031
Change in provisions	(87)	-
Change in receivables	3,618	11,152
Change in current liabilities (net of borrowings)	(1,800)	(560)
Change in accruals and deferrals	901	1,852
III. Net cash from operating activities (I+/-II)	**(14,383)**	**10,402**
B. Cash flows from investing activities		
I. Cash receipts	**234,070**	**24,301**
1. Disposal of intangible assets and property, plant and equipment	140	1
2. Proceeds from financial assets, including:	213,958	24,300
- disposal of financial assets	101,447	-
- dividends and other profit distributions	8,662	22,900
- repayment of loans advanced	97,043	1,156
- interest	1,111	244
- other cash provided by financial assets	5,695	-
II. Cash payments	**228,207**	**35,929**
1. Acquisition of intangible assets and property, plant and equipment	357	19
2. Payments for financial assets, including:	227,850	35,910
- acquisition of financial assets	57,650	10,910
- loans advanced	170,200	25,000
III. Net cash from investing activities (I-II)	**5,863**	**(11,628)**
C. Cash flows from financing activities		
I. Cash receipts	**-**	**-**
II. Cash payments	**231**	**234**
1. Payment of finance lease liabilities	212	234
2. Interest	19	-
III. Net cash from financing activities (I-II)	**(231)**	**(234)**
D. Total net cash flows (A.III +/- B.III +/- C.III)	**(8,751)**	**(1,460)**
E. Net increase/decrease in cash, including:	**(8,719)**	**(1,460)**
- effect of exchange rate fluctuations on cash held	32	-
F. Cash at beginning of period	**168,096**	**167,264**
G. Cash at end of period (F+/- E), including:	**159,377**	**165,804**
- restricted cash	27	58

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OPERATING EXPENSES, BY NATURE OF EXPENSE

	For 9 months ended		For 3 months ended	
	Sep 30 2018	Sep 30 2017	Sep 30 2018	Sep 30 2017
Depreciation and amortisation	576	656	178	206
Raw materials and consumables used	213	164	77	51
Services	8,650	6,101	2,183	1,890
Taxes and charges	1,509	264	184	43
Salaries and wages	10,138	10,069	3,724	3,213
Social security and other benefits	1,198	1,310	332	308
Other expenses by nature	77	87	17	33
Total operating expenses by nature	**22,361**	**18,651**	**6,695**	**5,744**
Administrative expenses (-)	(12,949)	(7,206)	(3,583)	(2,197)
Total cost of sales	**9,412**	**11,445**	**3,112**	**3,547**

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