POLENERGIA

Polenergia S.A.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED DECEMBER 31ST 2017

WITH THE AUDITOR'S OPINION

Jacek Głowacki – Vice President of the Management Board

Bartłomiej Dujczyński – Member of the Management Board

Michał Michalski – Member of the Management Board

Agnieszka Grzeszczak – Head of Accounting

Warsaw, February 20th 2018

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1. Statement of financial position

As at December 31st 2017

Assets

	Note	Dec 31 2017	Dec 31 2016
I. Non-current assets		**963,876**	**1,055,369**
Property, plant and equipment	16	1,237	1,631
Intangible assets	15	429	734
Financial assets	17	951,260	1,042,709
Long-term receivables	19	2,503	2,854
Deferred tax assets	24.2	8,447	7,434
Prepayments and accrued income		-	7
II. Current assets		**215,001**	**227,227**
Inventories	18	10,362	10,362
Trade receivables	19	12,823	21,295
Other short-term receivables	19	595	315
Prepayments and accrued income	20	3,879	2,125
Current financial assets	21	19,246	25,866
Cash and cash equivalents	22	168,096	167,264
Total assets		**1,178,877**	**1,282,596**

Equity and liabilities

	Note	Dec 31 2017	Dec 31 2016
I. Equity		**1,118,067**	**1,196,933**
Share capital	23.1	90,887	90,887
Share premium		680,405	765,438
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		(78,866)	(85,033)
II. Non-current liabilities		**50,483**	**65,292**
Borrowings	26	42,295	57,000
Provisions	25	21	21
Other liabilities		8,167	8,271
III. Current liabilities		**10,327**	**20,371**
Borrowings	27	-	13,386
Trade payables	27	1,883	441
Other liabilities		1,283	1,090
Provisions	25	784	717
Accruals and deferred income	28	6,377	4,737
Total equity and liabilities		**1,178,877**	**1,282,596**

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2. Statement of profit or loss

For the year ended December 31st 2017

	Note	For 12 months ended Dec 31 2017	Dec 31 2016	unaudited For 3 months ended Dec 31 2017	unaudited Dec 31 2016
Revenue	30	19,184	23,738	6,951	6,102
Revenue		**19,184**	**23,738**	**6,951**	**6,102**
Cost of sales	31	(14,892)	(19,842)	(3,447)	(4,516)
Gross profit/(loss)		**4,292**	**3,896**	**3,504**	**1,586**
Other income	32	44	3,807	44	1,859
Administrative expenses	31	(11,118)	(8,437)	(3,912)	(1,007)
Other expenses	33	(184)	(12,584)	(116)	(9,738)
Finance income	34	115,047	39,505	55,768	3,093
including dividends		106,451	30,240	53,551	-
Finance costs	35	(187,960)	(113,474)	(55,261)	(69,583)
Loss before tax		**(79,879)**	**(87,287)**	**27**	**(73,790)**
Income tax	24.1	1,013	2,254	(630)	(1,888)
Net loss		**(78,866)**	**(85,033)**	**(603)**	**(75,678)**
Earnings/(loss) per share:					
- basic (for period)		-1.74	-1.87	-0.01	-1.67
- diluted (for period)		-1.74	-1.87	-0.01	-1.67

3. Statement of comprehensive income

For the year ended December 31st 2017

	For 12 months ended Dec 31 2017	Dec 31 2016	unaudited For 3 months ended Dec 31 2017	unaudited Dec 31 2016
Net profit/(loss) for period	**(78,866)**	**(85,033)**	**(603)**	**(75,678)**
Other comprehensive income	**-**	**-**	**-**	**-**
COMPREHENSIVE INCOME FOR PERIOD	**(78,866)**	**(85,033)**	**(603)**	**(75,678)**

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4. Statement of changes in equity

For the year ended December 31st 2017

	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 2017	**90,887**	**765,438**	**13,207**	**349,478**	**89,782**	**(111,859)**	**-**	**1,196,933**
Comprehensive income for period								
Net loss for period	-	-	-	-	-	-	(78,866)	(78,866)
Transactions with owners of the parent recognised directly in equity								
Allocation of profit/(loss)	-	(85,033)	-	-	-	85,033	-	-
As at Dec 31 2017	**90,887**	**680,405**	**13,207**	**349,478**	**89,782**	**(26,826)**	**(78,866)**	**1,118,067**

For the year ended December 31 2016

	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 2016	**90,887**	**786,134**	**13,207**	**372,199**	**89,782**	**(47,522)**	**-**	**1,304,687**
Comprehensive income for period								
Net loss for period	-	-	-	-	-	-	(85,033)	(85,033)
Transactions with owners of the parent recognised directly in equity	-	-	-	-	-	-	-	-
Allocation of profit/(loss)	-	(20,696)	-	-	-	20,696	-	-
Payment of dividends	-	-	-	(22,721)	-	-	-	(22,721)
As at Dec 31 2016	**90,887**	**765,438**	**13,207**	**349,478**	**89,782**	**(26,826)**	**(85,033)**	**1,196,933**

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5. Statement of cash flows

For the year ended December 31st 2017

	Note	For 12 months ended Dec 31 2017	Dec 31 2016
A. Cash flows from operating activities			
I. Profit/(loss) before tax		**(79,879)**	**(87,287)**
II. Total adjustments		**88,879**	**87,454**
Depreciation and amortisation	31	859	1,344
Foreign exchange losses		-	(4)
Interest and profit distributions (dividends)		(108,165)	(48,876)
Loss on investing activities		185,858	64,021
Change in provisions		67	(2,385)
Change in inventories		-	1,727
Change in receivables	36	8,543	12,941
Change in current liabilities (net of borrowings)	36	1,824	(3,283)
Change in accruals and deferrals		(107)	(1,086)
III. Net cash from operating activities (I+/-II)		**9,000**	**167**
B. Cash flows from investing activities			
I. Cash receipts		**88,818**	**156,849**
1. Disposal of intangible assets and property, plant and equipment		46	442
2. Disposals of investment property and intangible assets		-	1,514
3. Proceeds from financial assets, including:		88,772	154,893
- disposal of financial assets		-	3,921
- dividends and other profit distributions		76,451	65,240
- repayment of long-term loans advanced		1,656	-
- interest		318	1,542
- other cash provided by financial assets	36	10,347	84,190
II. Cash payments		**96,655**	**26,503**
1. Acquisition of intangible assets and property, plant and equipment		162	505
2. Payments for financial assets, including:		96,493	25,998
- acquisition of financial assets		17,993	22,181
- long-term loans advanced		78,500	3,817
III. Net cash from investing activities (I-II)		**(7,837)**	**130,346**
C. Cash flows from financing activities			
I. Cash receipts		**-**	**-**
II. Cash payments		**331**	**23,659**
1. Dividends and other distributions to owners		-	22,721
2. Payment of finance lease liabilities		291	938
3. Interest		40	-
III. Net cash from financing activities (I-II)		**(331)**	**(23,659)**
D. Total net cash flows (A.III +/- B.III +/- C.III)		**832**	**106,854**
E. Net increase/decrease in cash, including:		**832**	**106,858**
- effect of exchange rate fluctuations on cash held		**-**	**4**
F. Cash at beginning of period		**167,264**	**60,406**
G. Cash at end of period (F+/- E), including:		**168,096**	**167,264**
- restricted cash	36	20	24

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6. General information

Polenergia S.A., formerly Polish Energy Partners S.A. (the change of the name was entered in the National Court Register on September 11th 2014) (the "Company"), was established under a notarial 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, 12th 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, Warsaw.

The Company's principal busness activity includes:

- 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).

6.1. Duration of the Company

The Company has been established for an indefinite time.

6.2. Periods covered by these separate financial statements

These financial statements cover the year ended December 31st 2017 and contain comparative data for the year ended December 31st 2016.

6.3. Composition of the Management and Supervisory Boards

As at December 31st 2017 and as at the date of signing these financial statements, the Company's Management Board consisted of:

Jacek Głowacki	Vice President of the Management Board
Bartłomiej Dujczyński	Member of the Management Board
Michał Michalski	Member of the Management Board

As at December 31st 2017, the Company's Supervisory Board consisted of:

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Tomasz Mikołajczak	Chairman of the Supervisory Board
Łukasz Rędziniak	Deputy Chairman of the Supervisory Board
Mariusz Nowak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Brian Bode	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board
Dawid Jakubowicz	Member of the Supervisory Board
Dominik Libicki	Member of the Supervisory Board
Dagmara Gorzelana	Member of the Supervisory Board

7. Going concern

These financial statements were prepared on the assumption that the Company would continue as a going concern in the foreseeable future, that is for at least 12 months after the reporting date, i.e. December 31st 2017.

8. Identification of the consolidated financial statements

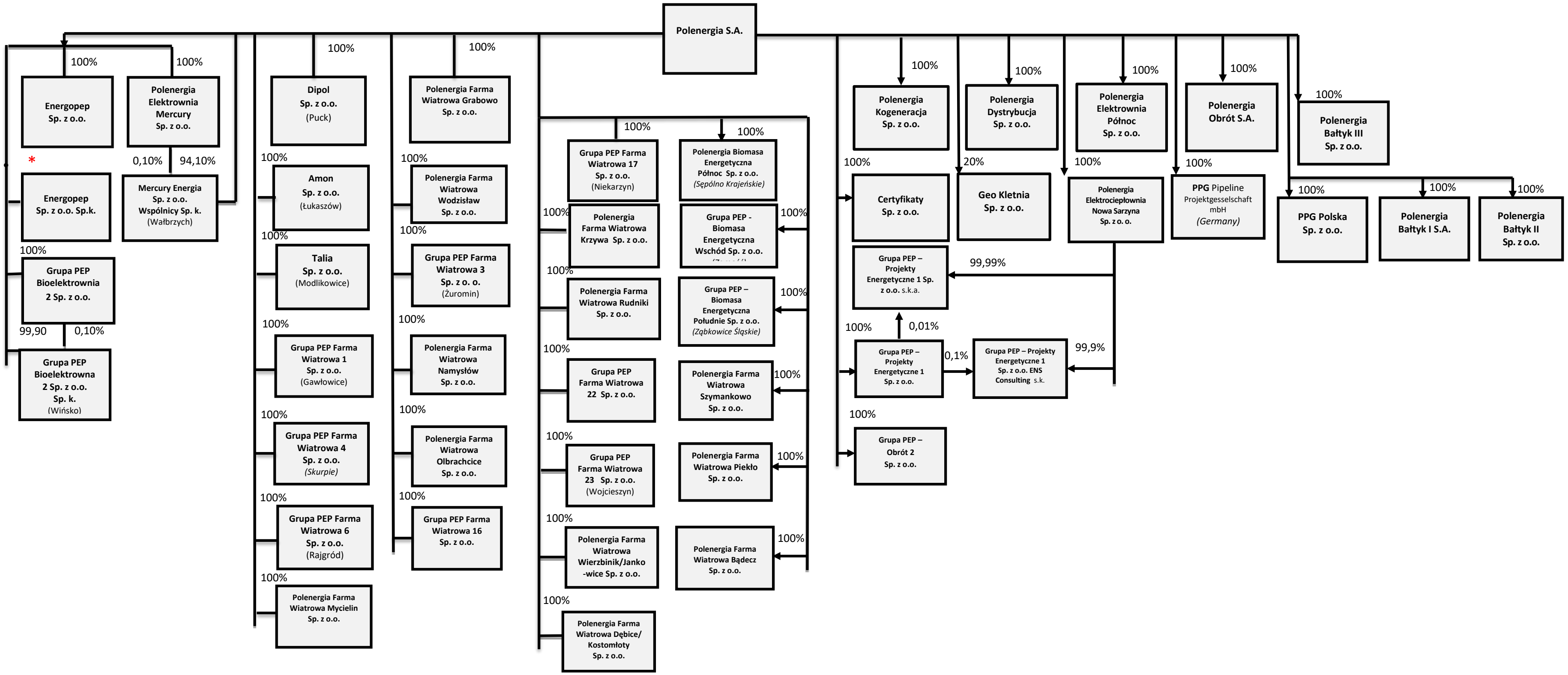
The consolidated financial statements for the year ended December 31st 2017 were prepared by the Company and authorised for issue on February 20th 2018.

9. Approval of the financial statements

These financial statements were authorised for issue by the Management Board on February 20th 2018.

10. Company's investments

As at December 31st 2017, the Company held investments in the following subsidiaries:



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

11. Applied accounting policies

The accounting policies applied in preparing these financial statements are consistent with the policies applied in preparing the Company's full-year financial statements for the year ended December 31st 2016.

11.1. Application of new and amended standards and interpretations

Application of new and amended standards and interpretations

The following amended standards effective as of January 1st 2017 were applied for the first time in these financial statements:

a) Amendments to IAS 7: disclosure initiative

The amendments to IAS 7 are effective for annual periods beginning on or after January 1st 2017 and require entities to disclose a reconciliation of changes in liabilities arising from financing activities.

The disclosure is made in Note 37.

b) Amendments to IAS 12 related to the recognition of deferred tax assets for unrealised losses

The amendments to IAS 12 clarify the requirements concerning recognition of a deferred tax asset for unrealised losses on debt instruments. An entity is required to recognise a deferred tax asset for unrealised losses if they result from discounting cash flows related to debt instruments using a market interest rate, also if it intends to hold such debt instruments to maturity and the collection of the principal does not trigger any tax payments. The economic benefit embodied in the related deferred tax asset results from the ability of the holder of the debt instruments to achieve future gains (by unwinding the discount) without paying taxes on those gains.

It is expected that the amendments will not have a material impact on the Company's financial statements.

Standards and interpretations in issue but not yet effective and not adopted early by the Company

In these financial statements, the Company resolved not to adopt early any of the following standards, interpretations or amendments to existing standards prior to their effective date:

a) IFRS 9 *Financial Instruments*

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 a single model that has only two classification categories for financial assets: measurement at fair value or at amortised cost. 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.

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

The Company will apply IFRS 9 as of January 1st 2018.

In Q4 2017, the Company carried out a preliminary analysis of the impact of IFRS 9. The precise amounts of adjustments were not determined but the estimates performed indicate that the standard will have no material impact on the Company's financial statements. It was found that adjustments may need to be calculated for the following items:

- 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.
- Loans advanced – the need to calculate impairment losses will be determined according to the expected loss model. Recognition of impairment losses, if any, will be based on an analysis of the financial standing of individual borrowers.

Based on the calculations performed, relationship history and credit risk assessment, the Company determined that impairment would be immaterial and its amount would be close to PLN 0.00.

No other requirements of alignment with IFRS 9 were identified. However, as a result of the changes discussed above, the Group will need to modify its accounting policies, adapt its recordkeeping systems and procedures, develop new disclosures and calculate deferred tax on the identified adjustments.

b) Amendments to IFRS 9: *prepayment features with negative compensation*

The amendments to IFRS 9 are effective for annual periods beginning on or after January 1st 2019, with an early adoption option. The amended IFRS 9 allows entities to measure financial assets with negative compensation prepayment features at amortised cost or fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss.

The Company will apply the amendments as of January 1st 2019.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

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

c) IFRS 15 *Revenue from Contracts with Customers*

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

The provisions of IFRS 15 will apply to all contracts giving rise to revenue. The fundamental rule provided for in the new standard is that revenue is to be recognised upon transfer of goods or services to a customer at a transaction price. Any goods or services 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.

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

The Company analysed IFRS 15 and expects that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

d) Clarifications to IFRS 15 *Revenue from Contracts with Customers*

Clarifications to IFRS 15 *Revenue from Contracts with Customers* were issued on April 12th 2016 and apply to financial statements prepared after January 1st 2018.

The clarifications to IFRS 15 provide additional information and explanations concerning the main points of MSSF 15, such as identification of individual performance obligations in the contract, determination whether the entity is an agent or a principal under the contract, or accounting for revenue from licences.

Besides additional clarifications, also exemptions and simplifications for first-time adopters were introduced.

The Company will apply the clarifications to IFRS 15 as of January 1st 2018.

The Company analysed IFRS 15 and expects that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

e) IFRS 16 *Leases*

IFRS 16 *Leases* is effective for annual periods beginning on or after January 1st 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. Upon commencement of any lease, a lessee is required to recognise a right-of-use asset and a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model requiring lessees to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and (b) amortisation of the leased asset separately from interest on lease liability in the statement of profit or loss.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance, with each of them subject to different accounting treatment.

The Company will apply IFRS 16 as of January 1st 2019.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

f) IFRS 17 *Insurance Contracts*

IFRS 17 *Insurance Contracts*, issued by the International Accounting Standards Board on May 18th 2017, is effective for annual periods beginning on or after January 1st 2021.

New IFRS 17 will replace existing IFRS 4, which allows for a variety of practice in accounting for insurance contracts. IFRS 17 will substantially change the accounting of all entities that deal with insurance contracts and investment agreements.

The Company will apply IFRS 17 following its endorsement by the European Union.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

g) Amendments to IFRS 2: *classification and measurement of share-based payment transactions*

The amendments to IFRS 2 are effective for annual periods beginning on or after January 1st 2018. The amendments provide guidance on measurement at fair value of a liability under cash-settled share-based payment transactions, reclassification from cash-settled share-based payment transactions to equity-settled share-based payment transactions, and recognition of an employee's tax liability under share-based transactions.

The Company will apply the amendments as of January 1st 2018.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

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

h) Amendments to IFRS 4: *applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments to IFRS 4 *Insurance Contracts* address concerns about issues arising from implementing IFRS 9 *Financial Instruments*. The released amendments to IFRS 4 complement the options already existing in the standards and seek to prevent temporary fluctuations in insurance companies' results caused by adoption of IFRS 9.

The Company will apply the amendments as of January 1st 2018.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

i) IFRS Annual Improvements cycle 2014−2016

In December 2016, the International Accounting Standards Board issued 'Annual Improvements to IFRSs cycle 2014−2016', containing amendments to three standards: IFRS 12 *Disclosure of Interest in Other Entities*, IFRS 1 *First-time Adoption of IFRS*, and IAS 28 *Investments in Associates and Joint Ventures*.

The improvements contain clarifications and changes to the scope of the standards, recognition and measurement, as well as terminological and editorial changes.

The Company will apply the amendments.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

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

j) Amendments to IAS 40: *transfers of investment property*

Amendments to IAS 40 clarify the requirements for transfers to and from investment properties. The amendments are effective for annual periods beginning on or after January 1st 2018.

The Company will apply the amendments as of January 1st 2018.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

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

k) Amendments to IAS 28 *Investments in Associates and Joint Ventures*

The amendments are effective for annual periods beginning on or after January 1st 2019. Amendments to IAS 28 *Investments in Associates and Joint Ventures* clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which it does not apply the equity method. The Board has also published an example illustrating the application of IFRS 9 and IAS 28 to long-term interests in an associate or joint venture.

The Company will apply the amendments as of January 1st 2019.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

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

l) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 provides guidance applicable when an entity receives or pays consideration in advance in a foreign currency. The guidelines are effective for annual periods beginning on or after January 1st 2018.

The Company will apply the amendments as of January 1st 2018.

It is expected that the change will not have a material impact on the Company's financial statements upon the first adoption of the standard.

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

m) IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The guidelines are effective for annual periods beginning on or after January 1st 2019.

The Company will apply the amendments as of January 1st 2019.

It is expected that the change will not have a material impact on the Company's financial statements.

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

n) IFRS 14 *Regulatory Deferral Accounts*

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

Under the European Union's decision, IFRS 14 will not be endorsed.

o) Amendments to IFRS 10 and IAS 28: *sale or contribution of assets between an investor and its associate or joint venture*

The amendments address the current inconsistency between IFRS 10 and IAS 28. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business.

Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests.

The amendments were issued on September 11th 2014, with no effective date set by the International Accounting Standards Board.

As at the date of these financial statements, endorsement of the amendments had been postponed by the European Union.

11.2. Basis of accounting

These financial statements were prepared in accordance with the EU-endorsed International Accounting Standards / International Financial Reporting Standards (IAS/IFRS).

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").

These financial statements for the year ended December 31st 2017, including the comparative data for the year ended December 31st 2016, were audited by a qualified auditor in accordance with the applicable laws. The data for Q4 2017 and the comparative data for Q4 2016 were not audited by a qualified auditor.

These financial statements were prepared on the historical cost basis, except with respect to the following material items of the statement of financial position: borrowings measured at amortised cost.

11.3. Significant judgements

Certain information presented in these financial statements is based on the Company’s estimates and professional judgement. The amounts so determined may differ from actual results.

11.4. Significant estimates

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

- Impairment losses on wind farm development projects (Note 18),
- Deferred tax,
- Impairment of assets – described in detail in Note 11.9,
- Impairment of financial assets – described in detail in Note 11.13.

In the year ended December 31st 2017, there were no changes in the method used by the Company to make estimates affecting the information presented in its financial statements and the estimated amounts are presented in the notes referred to above.

11.5. Measurement currency and reporting currency of the financial statements

The Company’s measurement currency and the reporting currency of these financial statements is the Polish złoty.

11.6. Intangible assets

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

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

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

Expected useful lives of intangible assets are as follows:

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

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

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

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

11.7. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. In the case of perpetual usufruct rights to land, the cost is understood as the purchase price of the rights as specified in the decision issued by the respective municipality at the time of its granting.

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

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

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

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

Residual values, useful lives and methods of depreciation of assets are reviewed annually and, if necessary, adjusted with effect as of the beginning of the financial year just ended.

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

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

11.8. Property, plant and equipment under construction

Items of property, plant and equipment under construction are measured at the amount of aggregate costs directly attributable to their acquisition or production, less impairment losses, if any. Investment materials are carried as property, plant and equipment under construction. Property, plant and equipment under construction is not depreciated until completed and placed in service.

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

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

The recoverable amount of an asset or cash-generating unit is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised, reducing the asset's carrying amount to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Company assesses at the end of each reporting period whether there is any indication that previously recognised impairment losses on an asset no longer exist or should be reduced. If such indication exists, the Company estimates the asset's recoverable amount. A recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an impairment loss is immediately recognised as income in profit or loss. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

11.10. Investment property

Investment property is initially measured at cost, including transaction costs. The carrying amount of investment property includes the cost of replacement of component parts of the property at the moment it is incurred, provided the recognition criteria are met, but does not include day-to-day maintenance costs.

Following initial recognition, the value of investment property is decreased by depreciation and impairment.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits from its disposal are expected. Any gains or losses arising from derecognition of investment property are taken to profit or loss in the period of the derecognition.

Assets are reclassified as investment property only when there is a change in use, evidenced by the end of owner-occupation, execution of an operating lease agreement or completion of construction/production of the property. If owner-occupied property (where the owner is the Company) becomes investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of the change in use.

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

Investment properties, other than land, are depreciated using the straight-line method over their estimated useful lives.

Buildings and structures	14 years
Plant and equipment	2.5−14 years

Residual values, useful lives and methods of depreciation of investment properties are reviewed annually and, if necessary, adjusted with effect as of the beginning of the financial year just ended.

Each item of investment property is accounted for separately and depreciated over its useful life.

11.11. Investments in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates refer to equity interests in entities that are not listed on an active market; therefore, their fair value cannot be reliably determined. Such interests are disclosed in the statement of financial position at historical cost less impairment, if any.

11.12. Financial assets

Financial assets are classified into the following categories:

- Financial assets held to maturity,
- Loans and receivables,
- Financial assets available for sale.

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

- Financial assets that have been designated at fair value through profit or loss upon initial recognition,
- Financial assets designated as available for sale,
- Financial assets that qualify as loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.
A financial asset at fair value through profit or loss is a financial asset that meets any of the following conditions:

a) it is classified as held for trading. Financial assets are classified as held for trading if they:

- Have been acquired principally for the purpose of being sold in the near future,
- Are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
- are derivative instruments (except for those which are part of hedge accounting or financial guarantee contracts).

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

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Changes in amounts of such financial instruments are taken directly to profit or loss as finance income or finance costs. An entire contract can be designated as financial asset at fair value through profit or loss if it contains one or more embedded derivative instruments. This does not apply to situations where an embedded derivative does not materially affect the cash flows of the contract or its separation is prohibited. Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, (ii) the assets are part of a group of financial assets that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial assets contain embedded derivative instruments which should be presented separately.

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

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

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

Financial assets are derecognised if the Company loses control of the contractual rights that constitute a given financial instrument, which usually takes place upon sale of the instrument or where all cash flows attributable to the given instrument are transferred to a third party.

11.13. Impairment of financial assets

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

Assets carried at amortised cost

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

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

If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed. Reversal of an impairment loss is recognised in profit or loss in so far as the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

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

Financial assets available for sale

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

11.14. Leases

The Company as a lessor

Leases (including rental agreements) under which the Company retains all risks and rewards resulting from the ownership of the leased asset are classified as operating leases. Lease costs are expensed as incurred, while income from a leased asset is recognised as income for the period.

The Company as a lessee

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

Non-current assets used under finance leases are depreciated over the shorter of their estimated useful life and the lease term.

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

11.15. Inventories

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

The cost of finished products and work-in-progress includes the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity utilisation.

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

Items disclosed under inventories include materials and merchandise, prepaid deliveries and expenditure on wind farm development projects where their usefulness is assessed as probable.

11.16. Short-term and long-term receivables

Trade receivables are measured at amounts due less impairment losses.

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

Receivables that have been cancelled, have become time-barred or unrecoverable reduce the amount of any impairment losses previously recognised on such receivables.

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

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

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

11.17. Foreign currency transactions

Transactions denominated in currencies other than the Polish złoty are translated into PLN at the exchange rate prevailing on the transaction date.

Cash, bank borrowings and other monetary assets and liabilities denominated in foreign currencies are translated into the złoty as at the reporting date at the average exchange rate quoted by the National Bank of Poland. Currency translation differences are recognised in finance income or costs, as appropriate.

Non-monetary assets and liabilities recognised at historical cost denominated in a foreign currency are disclosed at the historical exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of fair value measurement.

The following exchange rates were used for fair value measurement:

	Dec 31 2017	Dec 31 2016
USD	3.4813	4.1793
EUR	4.1709	4.4240
GBP	4.7001	5.1445

11.18. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows comprise cash in hand, bank deposits, investment fund units, treasury bills and bonds not classified as investing activities.

11.19. Accruals and deferrals

The Company recognises costs and income as prepayments and accrued income where they relate to future reporting periods. Accrued expenses are recognised at probable amounts of current-period liabilities.

11.20. Share capital

Share capital is disclosed at its amount defined in the Company's Articles of Association and entered in the National Court Register. Any difference between the fair value of consideration received and the par value of shares is recognised under statutory reserve funds in share premium account. Amounts paid for share repurchases are charged to equity and disclosed in the statement of financial position as treasury shares. Declared but outstanding contributions to equity are disclosed under called-up share capital not paid.

11.21. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from past events, and it is certain or highly probable that the settlement of this obligation will result in an outflow of resources embodying economic benefits, and the amount of the obligation can be reliably estimated.

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

11.22. Provision for severance payments and length-of-service awards

In accordance with company remuneration systems, Company employees are entitled to severance payments. Severance payments are one-off benefits, paid out when an employee retires. The amount of such benefits depends on the length of service and the average remuneration of the employee. The Company recognises a provision for future severance payment obligations in order to allocate costs to the periods to which they relate. According to IAS 19, severance payments are classified as defined post-employment benefit plans. Accrued obligations are equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.

11.23. Interest-bearing borrowings and other debt instruments

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

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

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

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

11.24. Trade and other payables

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

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

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

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

11.25. Recognition of revenue

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

11.25.1. Sale of merchandise and products

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

11.25.2. Rendering of services

Revenue from rendering of services is based on the percentage of service completion. When the outcome of the contract cannot be estimated reliably, revenue under the contract is recognised only up to the amount of costs incurred that the Company expects to recover.

11.25.3. Interest

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

11.25.4. Dividends

Dividends are recognised when the shareholders' rights to receive payment are established.

11.25.5. Income from rental (operating leases)

Income from lease (rental) of investment property is recognised over the lease term on a straight-line basis.

11.25.6. Grants

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

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

11.26. Taxes

11.26.1. Current tax

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

11.26.2. Deferred tax

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

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

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

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

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

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

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

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

Deferred tax asset and deferred tax liability are offset by the Company if and only if it has a legally enforceable right to offset current tax asset and income tax payable, and the deferred tax relates to the same tax payer and the same taxation authority.

11.26.3. Value added tax

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

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

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

11.27. Earnings per share

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

Diluted earnings per share for a reporting period are calculated by dividing net profit for the period, adjusted for the dilutive effect of all potential ordinary shares, by the expected weighted average number of shares.

11.28. Contingent assets and liabilities

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

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

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12. Operating segments

The Company operates in a homogeneous operating segment.

13. Earnings per share

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

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

In the period from the reporting date to the date of these financial statements, there were no transactions involving ordinary shares or potential ordinary shares.

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

EARNINGS (LOSS) PER SHARE:

	For 12 months ended	
	Dec 31 2017	Dec 31 2016
Net loss	**(78,866)**	**(85,033)**
Weighted average number of ordinary shares	45,443,547	45,443,547
Loss per ordinary share (PLN)	(1.74)	(1.87)

	For 12 months ended	
	Dec 31 2017	Dec 31 2016
Weighted average number of ordinary shares	45,443,547	45,443,547
Dilutive effect	-	-
Diluted weighted average number of ordinary shares	**45,443,547**	**45,443,547**

14. Distribution of profit

On March 30th 2017, the Annual General Meeting of the Company resolved that the 2016 loss would be covered in full from statutory reserve funds.

15. Intangible assets

Dec 31 2017	Acquired permits, patents, licences and similar assets, including:		Total intangible assets
		software	
1. Gross intangible assets at beginning of period	**2,274**	**46**	**2,274**
a) increase, including:	9	-	9
- acquisition	9	-	9
2. Gross intangible assets at end of period	**2,283**	**46**	**2,283**
3. Cumulative amortisation at beginning of period	**(1,540)**	**(46)**	**(1,540)**
- amortisation for current period	(314)	-	(314)
4. Cumulative amortisation at end of period	**(1,854)**	**(46)**	**(1,854)**
5. Impairment losses at beginning of period	-	-	-
6. Impairment losses at end of period	-	-	-
7. Net intangible assets at beginning of period	**734**	-	**734**
8. Net intangible assets at end of period	**429**	-	**429**

(PLN '000)

Dec 31 2016	Acquired permits, patents, licences and similar assets, including:		Total intangible assets
		software	
1. Gross intangible assets at beginning of period	**2,122**	**64**	**2,122**
a) increase, including:	170	-	170
- acquisition	170	-	170
b) decrease, including:	**(18)**	**(18)**	**(18)**
- sale and retirement	(18)	(18)	(18)
2. Gross intangible assets at end of period	**2,274**	**46**	**2,274**
3. Cumulative amortisation at beginning of period	**(1,236)**	**(64)**	**(1,236)**
- amortisation for current period	(322)	-	(322)
- decrease, including:	18	18	**18**
- sale and retirement	18	18	18
4. Cumulative amortisation at end of period	**(1,540)**	**(46)**	**(1,540)**
5. Impairment losses at beginning of period	-	-	**-**
6. Impairment losses at end of period	**-**	**-**	**-**
7. Net intangible assets at beginning of period	**886**	**-**	**886**
8. Net intangible assets at end of period	**734**	**-**	**734**

(PLN '000)

16. Property, plant and equipment

For period ended Dec 31 2017	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	- prepayments for property, plant and equipment under construction	Total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	**845**	**455**	**1,554**	**649**	**-**	**-**	**3,503**
a) increase, including:	-	18	134	-	-	-	152
- acquisition	-	18	134	-	-	-	152
b) decrease, including:	-	(21)	(186)	-	-	-	(207)
- sale and retirement	-	(21)	(186)	-	-	-	(207)
2. Gross property, plant and equipment at end of period	**845**	**452**	**1,502**	**649**	**-**	**-**	**3,448**
3. Cumulative depreciation at beginning of period	**(221)**	**(291)**	**(901)**	**(459)**	**-**	**-**	**(1,872)**
a) depreciation for current period	(83)	(75)	(316)	(72)	-	-	(546)
b) decrease, including:	-	20	187	-	-	-	207
- sale and retirement	-	20	187	-	-	-	207
4. Cumulative depreciation at end of period	**(304)**	**(346)**	**(1,030)**	**(531)**	**-**	**-**	**(2,211)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
6. Impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Net property, plant and equipment at beginning of period	**624**	**164**	**653**	**190**	**-**	**-**	**1,631**
8. Net property, plant and equipment at end of period	**541**	**106**	**472**	**118**	**-**	**-**	**1,237**

The carrying amount of vehicles used under finance leases as at December 31st 2017 was PLN 448 thousand.

(PLN '000)

For period ended Dec 31 2016	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	- prepayments for property, plant and equipment under construction	Total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	**1,093**	**717**	**3,252**	**662**	**228**	**64**	**6,016**
a) increase, including:	-	64	317	10	-	-	391
- acquisition	-	64	253	10	-	-	327
- transfer	-	-	64	-	-	-	64
b) decrease, including:	(248)	(326)	(2,015)	(23)	(228)	(64)	(2,904)
- sale and retirement	-	(326)	(1,551)	(23)	(228)	-	(2,128)
- other	(248)	-	(464)	-	-	-	(712)
- transfer	-	-	-	-	-	(64)	(64)
2. Gross property, plant and equipment at end of period	**845**	**455**	**1,554**	**649**	**-**	**-**	**3,503**
3. Cumulative depreciation at beginning of period	**(386)**	**(523)**	**(1,777)**	**(394)**	**-**	**-**	**(3,080)**
a) depreciation for current period	(83)	(90)	(521)	(88)	-	-	(782)
b) decrease, including:	248	322	1,397	23	-	-	1,990
- sale and retirement	-	322	933	23	-	-	1,278
- other	248	-	464	-	-	-	712
4. Cumulative depreciation at end of period	**(221)**	**(291)**	**(901)**	**(459)**	**-**	**-**	**(1,872)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**(228)**	**-**	**(228)**
a) increase	-	-	-	-	-	-	-
b) decrease	-	-	-	-	228	-	228
6. Impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Net property, plant and equipment at beginning of period	**707**	**194**	**1,475**	**268**	**-**	**64**	**2,708**
8. Net property, plant and equipment at end of period	**624**	**164**	**653**	**190**	**-**	**-**	**1,631**

(PLN '000)

17. Non-current financial assets

	Dec 31 2017	Dec 31 2016
- shares in non-listed companies	938,842	1,037,296
- loans advanced	12,347	5,000
- guarantees issued to subsidiaries	71	413
Total non-current financial assets	**951,260**	**1,042,709**

For information on non-current financial assets, see Note 39.2.

In the period ended December 31st 2017, the Company recognised impairment losses on shares in subsidiaries totalling PLN 105,659 thousand (2016: PLN 93,944 thousand), as described in more detail in Note 35.

In the period ended December 31st 2017, the Company advanced a PLN 78,500,000 long-term loan to Energopep Sp. z o.o. Spółka Komandytowa. As at December 31st 2017, the loan was written off due to impairment – for more information, see Note 35.

18. Inventories

	Dec 31 2017	Dec 31 2016
- wind farm development projects*)	10,362	10,362
Total inventories	**10,362**	**10,362**
- inventory write-downs	1,681	1,681
Total inventories, gross	**12,043**	**12,043**
*) The operating cycle of a development process may be longer than 12 months.		

No category of inventories served as security for bank borrowings in the years ended December 31st 2017 and December 31st 2016. As at December 31st 2017 and December 31st 2016, no inventories were measured at net realisable value.

19. Short-term receivables

	Dec 31 2017	Dec 31 2016
- trade receivables	12,823	21,295
- from related entities	12,504	20,928
- from other entities	319	367
- other receivables	595	315
- finance lease	347	308
- other	248	7
Total short-term receivables, net	**13,418**	**21,610**

For information on related-party transactions, see Note 41.

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

As at December 31st 2017 and December 31st 2016, no impairment losses were recognised on trade receivables. Below is an analysis of trade receivables that were past due as at December 31st 2017 and December 31st 2016, but not deemed unrecoverable.

(PLN '000)

	Total	Not past due	Past due but recoverable				
			Less than 30 days	30–60 days	60–90 days	90–120 days	Over 120 days
Dec 31 2017	12,823	11,516	150	87	83	85	902
Dec 31 2016	21,295	17,571	83	57	3,078	59	447

As at December 31st 2017, long-term finance lease receivables stood at PLN 2,503 thousand (2016: PLN 2,854 thousand).

20. Prepayments and accrued income

	Dec 31 2017	Dec 31 2016
- insurance	192	182
- subscriptions	39	16
- accrued income	3,579	1,862
- other	69	65
Total prepayments and accrued income	**3,879**	**2,125**

As at December 31st 2017, accrued income of PLN 3,579 thousand (2016: PLN 1,862 thousand) was recognised in connection with services provided to subsidiaries.

21. Current financial assets

	Dec 31 2017	Dec 31 2016
- in subsidiaries	19,246	25,230
- loans advanced	-	8,000
- promissory notes	19,246	17,230
- in other entities	-	636
- loans advanced	-	636
Total current financial assets	**19,246**	**25,866**

22. Cash and cash equivalents

	Dec 31 2017	Dec 31 2016
Cash and cash equivalents, including:	168,096	167,264
- cash in hand and at banks	168,096	167,264
Total cash and cash equivalents	**168,096**	**167,264**

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

As at December 31st 2017, restricted cash totalled PLN 20 thousand (2016: PLN 24 thousand).

(PLN '000)

23. Share capital and capital reserves

23.1. Share capital (structure)

December 31st 2017

SHARE CAPITAL (STRUCTURE)

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

December 31st 2016

SHARE CAPITAL (STRUCTURE)

Series/issue	Type of shares	Number of shares	Par value of series/issue
A	bearer	2,213,904	4,428
B	bearer	2,304,960	4,610
C	bearer	515,256	1,031
D	bearer	566,064	1,132
E	bearer	1,338,960	2,678
F	bearer	544,800	1,090
G	bearer	683,376	1,367

(PLN '000)

H	bearer	288,000	576
I	bearer	856,704	1,713
J	bearer	3,835,056	7,670
K	bearer	1,640,688	3,281
L	bearer	3,144,624	6,289
M	bearer	182,359	365
N	bearer	69,922	140
O	bearer	70,908	142
P	bearer	89,500	179
R	bearer	37,560	75
S	bearer	147,026	294
U	bearer	125,300	251
W	bearer	143,200	286
T	bearer	945,800	1,891
Y	bearer	1,570,000	3,140
Z	bearer	24,129,580	48,259
Total number of shares		**45,443,547**	
Total share capital			90,887
Par value per share (PLN)			2

23.2. Major shareholders

No.	Shareholder	Number of shares	Number of voting rights	% interest
1	Kulczyk Investment S.A.*	22,811,757	22,811,757	50.20%
2	China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7,266,122	7,266,122	15.99%
3	Nationale Netherlanden OFE	2,576,969	2,576,969	5.67%
4	Generali OFE	2,943,731	2,943,731	6.48%
5	Aviva OFE	3,560,000	3,560,000	7.83%
6	Others	6,284,968	6,284,968	13.83%
	Total	**45,443,547**	**45,443,547**	**100.00%**

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

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

23.3. Other capital reserves

Other capital reserves have been accumulated from statutory contributions from profits generated in previous financial years.

23.4. Undistributed profit and limitations on dividend payment

Under the Polish Commercial Companies Code, the Company is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the Company's financial statements should be contributed to statutory reserve funds, until the funds reach at least one-third of the Company's share capital. While it is the General Meeting that resolves how to use statutory reserve funds and capital reserves, a part of statutory reserve funds equal to one-third of the share capital may be used exclusively to cover a loss disclosed in the financial statements and may not be allocated for any other purpose. The 2016 loss was covered from statutory reserve funds, i.e. from share premium.

(PLN '000)

As at December 31st 2017, there were no other limitations on dividend payment.

24. Income tax

24.1. Tax expense

	For 12 months ended		For 3 months ended	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
Current income tax	-	-	-	-
Current income tax expense	-	-	-	-
Deferred income tax	(1,013)	(2,254)	630	1,888
Related to temporary differences and their reversal	(1,013)	(2,254)	630	1,888
Tax expense recognised in profit or loss	**(1,013)**	**(2,254)**	**630**	**1,888**

24.2. Deferred income tax

Deferred income tax	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
Deferred tax liability				
Property, plant and equipment	261	318	(57)	(238)
Receivables	-	-	-	(590)
Loans	276	1,019	(743)	(5,134)
Lease receivables	541	601	(60)	(14)
Liabilities	-	-	-	(252)
Revenue	707	355	352	(709)
Gross deferred tax liability	**1,785**	**2,293**	**(508)**	**(6,937)**
Deferred tax asset				
Property, plant and equipment	964	1,011	(47)	(336)
Receivables	-	1	(1)	1
Loans	1,212	1,248	(36)	(5,237)
Liabilities	71	107	(36)	(839)
Provisions	1,532	1,221	311	(1,581)
Retained deficit	6,453	6,139	314	3,309
Gross deferred tax asset	**10,232**	**9,727**	**505**	**(4,683)**
Deferred tax expense			(1,013)	(2,254)
Net deferred tax (asset)/liability	(8,447)	(7,434)		

The earliest date when it may be possible to offset losses carried forward in respect of which a deferred tax asset of PLN 3.3m was recognised, is 2018.

Tax losses for which a deferred tax asset was recognised expire in the following years:

(PLN '000)

Year	Amount
2018	371
2019	412
2020	1,399
2021	3,496
2022	775

	Dec 31 2017	Dec 31 2016
Deferred tax liability		
to be realised after 12 months	1,078	1,938
to be realised within 12 months	707	355
Deferred tax assets		
to be realised after 12 months	3,298	3,177
to be realised within 12 months	6,935	6,550
Deferred tax asset/liability, net	(8,448)	(7,434)

24.3. Effective tax rate

Reconciliation of income tax on profit (loss) before tax at statutory tax rate to income tax at effective tax rate:	For 12 months ended	
	Dec 31 2017	Dec 31 2016
Tax expense recognised in profit or loss, including:	(1,013)	(2,254)
Deferred tax	(1,013)	(2,254)
Loss before tax	**(79,879)**	**(87,287)**
Tax expense at the rate of 19% (2015: 19%)	(15,177)	(16,585)
Current tax of limited partnerships (spółka komandytowa)	1,469	134
Deferred tax (change) of limited partnerships (spółka komandytowa)	50	(189)
Non-tax-deductible costs:	**(35,909)**	**(21,865)**
- other permanent differences*	(15,745)	(3,931)
- temporary difference on which no tax asset is recognised**	(20,075)	(17,849)
- deferred tax adjustment	(89)	(85)
Non-taxable income:	**20,226**	**7,589**
- dividends	20,226	5,746
- other	-	1,843
Tax at the effective tax rate	**(1,013)**	**(2,254)**

*Permanent difference related to impairment losses on loans advanced.

**Temporary differences related to impairment losses on shares which are not held for sale in the period.

25. Provisions

	Dec 31 2017	Dec 31 2016
Long-term provisions		
Provision for retirement and similar benefits	21	21
Total long-term provisions	**21**	**21**

	Dec 31 2017	Dec 31 2016
Short-term provisions		
Provision for retirement and similar benefits	12	12
Provision for accrued holiday entitlements	772	705
Total short-term provisions	**784**	**717**

Change in long- and short-term provisions

	Dec 31 2017	Dec 31 2016
Provisions at beginning of period	738	3,123
Provisions recognised	87	-
Provisions reversed	(20)	(2,385)
Provisions at end of period	**805**	**738**

26. Non-current liabilities under borrowings

Dec 31 2017

Company name, form of incorporation	Outstanding amount		Interest rate	Maturity date
	'000	currency		
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	42,295	PLN	3M WIBOR	April 2019
Total	**42,295**	**PLN**		

Dec 31 2016

Company name, form of incorporation	Outstanding amount		Interest rate	Maturity date
	'000	currency		
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	57,000	PLN	3M WIBOR	April 2019
Total	**57,000**	**PLN**		

(PLN '000)

27. Current liabilities

	Dec 31 2017	Dec 31 2016
- borrowings	-	13,386
- trade payables	1,883	441
- to related entities	285	35
- to other entities	1,598	406
- other liabilities	1,283	1,090
- to the state budget	760	488
- other financial liabilities	205	291
- salaries and wages payable	20	1
- special accounts	3	8
- other	295	302
Total current liabilities	**3,166**	**14,917**

For information on related-party transactions, see Note 41.

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

Other liabilities do not bear interest.

28. Accruals and deferred income

	Dec 31 2017	Dec 31 2016
- future bonuses, salaries and wages	5,247	3,095
- services	1,102	888
- other	28	754
Total short-term accruals and deferred income	**6,377**	**4,737**

29. Contingent liabilities

29.1. Guarantees and sureties issued

Grupa PEP – Farma Wiatrowa 1 Sp. z o.o.

On November 28th 2013, the Company issued a conditional surety for FW1's liabilities under a credit facility agreement (described in more detail in Note 27 to the consolidated financial statements) subject to the condition that obligations under the surety may be performed no earlier than as provided for in the original repayment schedule and only in accordance with that schedule. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2017, no such events had occurred.

As at December 31st 2015, the conditions for depositing cash in the FW1 debt service reserve account were fulfilled. Using the option provided for in the credit facility agreement, the Company decided to issue a surety instead of depositing cash in the debt service reserve account. As at December 31st 2017, the surety amounted to PLN 4,325 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

Grupa PEP – Farma Wiatrowa 6 Sp. z o.o.

On December 20th 2012, at the request of the Company, mBank issued a guarantee, valid from December 31st 2012, for payment by Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. ("FW6") of its liabilities to PGE Dystrybucja S.A. under the grid connection agreement.

The guarantee expires on December 31st 2019.

The guarantee amount is reduced gradually as the agreement is settled.

On November 28th 2013, the Company issued a conditional surety for FW6's liabilities under a credit facility agreement (described in more detail in Note 27 to the consolidated financial statements) subject to the condition that obligations under the surety may be performed no earlier than as provided for in the original repayment schedule and only in accordance with that schedule. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2017, no such events had occurred.

As at December 31st 2015, the conditions for depositing cash in the FW6 debt service reserve account were fulfilled. Using the option provided for in the credit facility agreement, the Company decided to issue a surety instead of depositing cash in the debt service reserve account. As at December 31st 2017, the surety amounted to PLN 2,250.3 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.

On November 28th 2013, the Company issued a conditional surety for FW4's liabilities under a credit facility agreement (described in more detail in Note 27 to the consolidated financial statements) subject to the condition that obligations under the surety may be performed no earlier than as provided for in the original repayment schedule and only in accordance with that schedule. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2017, no such events had occurred.

On March 31st 2016, the conditions for depositing cash in the FW4 debt service reserve account were fulfilled. Using the option provided for in the credit facility agreement, the Company decided to issue a surety instead of depositing cash in the debt service reserve account.

As at December 31st 2017, the surety amounted to PLN 6,719.3 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

Amon Sp. z o.o. and Talia Sp. z o.o.

On December 27th 2012, the Company provided a surety for a blank promissory note issued by Talia Sp. z o.o. ("Talia") to Agro-Tak Zagrodno Bronisław Tabisz Leszek Kachniarz sj. in connection with an existing lease agreement. The maximum amount of the promissory note is PLN 500 thousand.

As at December 31st 2017, the Company had no liabilities under the agreement.

On April 25th 2014, the Company signed a surety agreement for repayment of a credit facility advanced to Amon Sp. z o.o. ("Amon") and Talia by a bank syndicate consisting of Raiffeisen Bank Polska S.A., Bank Zachodni WBK S.A., DNB BANK POLSKA S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. for an aggregate amount of PLN 6,757.7 thousand, covering the liabilities of the two companies. The Company's Management Board is uncertain about the effectiveness of the surety. However, as no explicit decision had been issued in that matter, it found it prudent to consider the Company potentially liable.

Under the agreement, the surety is to remain in effect no longer than until the fulfilment of the conditions specified in the surety agreement, but no longer than until December 31st 2029.

Given that the agreements on sale of electricity generated in a renewable energy source of December 23rd 2009 (the "PPA Agreements") and the agreements on sale of property rights incorporated in certificates of origin for electricity generated in a renewable energy source of December 23rd 2009 (the "CPA Agreements") with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji (in liquidation) (“PKH”) as the buyer are not being performed by PKH, the companies failed to meet the contractual financial covenants as at the end of 2016, which constitutes an event of default under the credit facilities agreement. As at the date of these financial statements, the syndicate refrained from exercising any of the rights available to it in the case of occurrence of an event of default under the credit facilities agreement.

Under Annex No. 5 to the credit facilities agreement of November 20th 2015, the Companies and the syndicate agreed to enter into negotiations in good faith with a view to making long-term arrangements that would comprehensively govern the mutual relations between the Companies and the syndicate in connection with the non-performance of the PPA Agreements and the CPA Agreements by PKH, which will ultimately lead to executing a relevant annex to the credit facilities agreement. The Companies are currently negotiating possible restructuring of that debt.

As at the time of preparing these financial statements, the companies signed a term sheet specifying key terms for debt reprofiling with the banks. The amended credit facilities agreement is expected to be signed towards the end of Q1 or beginning of Q2 2018.

On April 21st 2015, the Company provided a surety for a blank promissory note issued by Amon to Przedsiębiorstwo Rolne Łukaszów in connection with an existing lease agreement. The maximum amount of the promissory note is PLN 900 thousand.

As at December 31st 2017, the Company had no liabilities under the agreement.

Polenergia Farma Wiatrowa Mycielin Sp. z o.o.

On April 2nd 2015, the Company issued a conditional surety for FW Mycielin’s liabilities under a credit facility agreement (described in more detail in Note 26 to the consolidated financial statements) with the proviso that obligations under the surety may be performed no earlier than provided for in the original repayment schedule and only in accordance with that schedule. In addition, the credit facility agreement stipulates certain conditions for cancellation of the guarantee. None of these conditions were fulfilled.

It was agreed that the surety would take effect upon the occurrence of events specified in the agreement. As such events had occurred, as at December 31st 2017 the surety was effective for an amount equal to total debt service amount for the next two interest periods in accordance with the finance document.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

As at June 30th 2016, the conditions concerning the requirement to place cash in the FW Mycielin debt service reserve account were fulfilled. The required amount was placed in cash, so the surety for the debt service reserve account was not used.

Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.

On April 10th 2014, at the request of the Company, mBank S.A. issued a bank guarantee for the benefit of ENERGA OPERATOR S.A. to secure repayment of the liabilities of Grupa PEP − Farma Wiatrowa 3 Sp. z o.o. (FW3) under a grid connection agreement executed with ENERGA OPERATOR S.A. The guarantee expired on December 31st 2015.

In 2016, the guarantee term was extended until February 15th 2019.

The guarantee amount is reduced gradually as the agreement is settled; as at December 31st 2017, it stood at PLN 699.2 thousand.

Dipol

In the fourth quarter of 2017, the re-profiling of the Dipol Wind Farm having been completed, the credit facility agreement was amended. Under the amended documentation, Polenergia S.A.’s surety of up to PLN 6.3m was maintained, but in the same documentation Polenergia S.A. noted that the sponsor believes the surety to be invalid.

(PLN '000)

29.2. Litigation

As at December 31st 2017, the Company was not party to any court proceedings.

29.3. Tax settlements

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

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Company. The Company believes that as at December 31st 2017 it had recognised sufficient provisions for identified and calculable tax risk.

29.4. Capital expenditure

As at December 31st 2017, the Company plans the Group's capital expenditure on equity investments to total PLN 60m in 2018. The amount will largely be allocated to an investment programme in the Distribution segment and on project development, including in offshore and onshore wind power generation.

30. Revenue

	For 12 months ended		For 3 months ended	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
net revenue from consulting and advisory services	18,408	22,002	6,862	6,026
net rental income	720	1,703	86	74
other	56	33	3	2
Total net revenue	**19,184**	**23,738**	**6,951**	**6,102**

31. Expenses, by nature of expense

	For 12 months ended		For 3 months ended	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
depreciation and amortisation expense	859	1,344	203	236
raw materials and consumables used	233	314	69	80
services	9,418	8,361	3,317	2,201
taxes and charges	362	140	98	63
salaries and wages	13,349	16,084	3,280	2,649
social security and other benefits	1,655	1,845	345	251
other	134	191	47	43
Total expenses by nature	**26,010**	**28,279**	**7,359**	**5,523**
Administrative expenses (-)	(11,118)	(8,437)	(3,912)	(1,007)

(PLN ‘000)

Total cost of sales	**14,892**	**19,842**	**3,447**	**4,516**

32. Other income

	For 12 months ended		For 3 months ended	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
- reversal of impairment losses and write-downs, including:	-	1,808	-	1,808
- impairment losses on receivables	-	1,808	-	1,808
- provisions reversed, including:	-	1,166	-	-
- provision for site restoration	-	1,166	-	-
- other, including:	44	833	44	51
- settlement of grants	-	20	-	20
- gain on disposal of non-financial non- assets	44	541	44	29
- other	-	272	-	2
Total other income	**44**	**3,807**	**44**	**1,859**

33. Other expenses

	For 12 months ended		For 3 months ended	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
- impairment losses and write-downs, including:	114	12,474	114	9,711
- impairment losses on receivables	114	9,668	114	9,668
- inventory write-downs	-	1,724	-	43
- impairment losses on investment property	-	1,082	-	-
- other:	70	110	2	27
- donations	4	3	-	-
- loss on disposal of non-financial non-current assets	-	-	(1)	-
- other	66	107	3	27
Total other expenses	**184**	**12,584**	**116**	**9,738**

34. Finance income

	For 12 months ended		For 3 months ended	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
- finance income from dividends and other profit distributions	106,451	30,240	53,551	-
- income from interest on deposits and loans	6,359	3,969	1,685	2,595
- interest on finance leases	136	150	32	36
- foreign exchange losses, including:	5	-	(7)	-
- unrealised	-	-	-	4
- realised	5	-	(7)	(4)
- other charges under sureties	2,096	2,131	507	462
- disposal of shares in a subsidiary	-	3,015	-	-
Total finance income	**115,047**	**39,505**	**55,768**	**3,093**

In the period ended December 31st 2017, the Company received dividends from the following companies:

(PLN '000)

Polenergia Dystrybucja Sp. z o.o.	11,041
Dipol Sp. z o.o.	4,500
Polenergia Obrót S.A.	4,000
GRUPA PEP – Farma Wiatrowa 4 Sp. z o.o.	9,943
GRUPA PEP – Farma Wiatrowa 1 Sp. z o.o.	35,026
GRUPA PEP – Farma Wiatrowa 6 Sp. z o.o.	11,941
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	30,000
Total	**106,451**

35. Finance costs

		For 12 months ended		For 3 months ended
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
- interest expense	1,949	56	375	6
- foreign exchange losses, including:	-	13	-	13
- unrealised	-	4	-	4
- realised	-	9	-	9
- fees and commissions	39	81	8	29
- impairment loss on financial assets	185,901	113,243	54,871	69,517
- other	71	81	7	18
Total finance costs	**187,960**	**113,474**	**55,261**	**69,583**

On September 26th 2017, the Company's Management Board resolved to recognise an impairment loss of PLN 8.5m on shares held in Polenergia Farma Wiatrowa Grabowo Sp. z o.o. following a decision to abandon plans to construct a wind farm in Grabowo.

On October 18th 2017, based on market conditions and economic reasons, the Company's Management Board resolved to recognise an impairment loss of PLN 81m on shares held in Polenergia Elektrownia Północ Sp. z o.o.

On October 18th 2017, the Company's Management Board resolved to recognise an impairment loss of PLN 15.8m on shares held in Grupa PEP Biomasa Energetyczna Południe Sp. z o.o. following a decision to discontinue the company's biomass pellet production business.

In the period ended December 31st 2017, given the negative amount of net assets, a PLN 80m impairment loss was recognised on a loan granted in 2017 to Energopep Sp. z o.o. Spółka Komandytowa. Additionally, for the same reason, PLN 0.5m impairment losses were recognised on shares in the Development segment companies.

36. Cash flows

Cash flows from operating activities – other adjustments	For 12 months ended	
	Dec 31 2017	Dec 31 2016
Gain/(loss) on business combination	-	63,049
Total other adjustments	**-**	**63,049**

Cash flows from investing activities - other cash provided by financing activities	For 12 months ended	
	Dec 31 2017	Dec 31 2016
Refund of additional equity contributions	10,347	84,190

(PLN ‘000)

Total	**10,347**	**84,190**

Restricted cash	For 12 months ended	
	Dec 31 2017	Dec 31 2016
Cash of the Social Benefits Funds	20	24
Total	**20**	**24**

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

	For 12 months ended	
Receivables:	Dec 31 2017	Dec 31 2016
Change in net short-term and long-term receivables in the statement of financial position	8,543	12,738
Change in lease receivables	-	203
Change in receivables in the statement of cash flows	**8,543**	**12,941**

	For 12 months ended	
Liabilities:	Dec 31 2017	Dec 31 2016
Change in current liabilities (net of borrowings) in the statement of financial position	1,531	(4,223)
Change in finance lease payables	293	940
Change in liabilities in the statement of cash flows	**1,824**	**(3,283)**

37. Debt

Financing liabilities include mainly finance lease liabilities and non-bank borrowings. Financing liabilities are initially recognised at fair value less transaction cost incurred to obtain the financing. Following initial recognition, such liabilities are measured at amortised cost with the use of the effective interest rate. Finance costs are charged to profit or loss, except for costs relating to the construction of property, plant and equipment (in accordance with the policy presented in Note 11.7).

For period ended Dec 31 2017	Loans	Finance leases	Total
At beginning of period	**70,386**	**562**	**70,948**
Increase in debt	-	101	101
financing received	-	101	101
Interest accrued	1,909	40	1,949
Debt-related payments	-	(331)	(331)
principal repayments	-	(291)	(291)
interest payments	-	(40)	(40)
Other non-cash adjustments	(30,000)	-	(30,000)
At end of period	**42,295**	**372**	**42,667**

For period ended Dec 31 2016	Loans	Finance leases	Total
At beginning of period	**96,928**	**1,184**	**98,112**
Increase in debt	-	316	316
financing received	-	316	316
Interest accrued	3,458	-	3,458
Debt-related payments	-	(938)	(938)
principal repayments	-	(938)	(938)
Other non-cash adjustments	(30,000)	-	(30,000)
At end of period	**70,386**	**562**	**70,948**

Other non-cash adjustments relate to offsetting a loan from a related entity against dividend from that entity.

38. Objectives and policies of financial risk management

Financial instruments held or issued by the Company may give rise to one or more types of significant risk.

The main financial instruments used by the Company include finance leases and lease contracts with a purchase option, cash and short-term deposits. Their primary purpose is to secure financial resources to finance the Company's operations. The Company also holds other financial instruments, such as trade payables and receivables arising in connection with its activities.

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

38.1. Interest rate risk

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

Period ended Dec 31 2017	***Increase/decrease*** **(percentage points)**	***Effect on profit/loss before tax over 12 consecutive months (PLN '000)***
1M WIBOR	1%	802
1M WIBOR	-1%	(802)

The Company does not use derivative financial instruments to hedge the interest rate risk.

38.2. Currency risk

Due to the fact that only transactions of insignificant value are executed in foreign currencies, the currency risk is very low. The Company has no significant open foreign currency position, and the majority of its revenue and expenses are denominated in the Polish złoty.

38.3. Credit risk

The Company executes transactions only with reputable companies with a sound credit standing. Every customer who wishes to trade on credit is subject to detailed procedures to assess their creditworthiness. Moreover, thanks to ongoing monitoring of receivables, the Company's exposure to the risk of unrecoverable receivables is insignificant.

With respect to the Company's other financial assets, such as cash and cash equivalents and financial assets available for sale, the credit risk is related to the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such instruments. The Company enters into transactions in financial instruments only with reputable financial institutions.

There is no material concentration of credit risk at the Company.

(PLN '000)

38.4. Liquidity risk

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

The Company aims to balance the continuity of financing with its flexibility by using different financing sources, including account overdrafts, credit facilities, bonds, preference shares, finance leases and lease contracts with a purchase option. Liquidity risk also involves guarantees and sureties issued by the company, described in more detail in Note 29.1.

The table below presents the Company's financial liabilities by maturity as at December 31st 2017 and December 31st 2016, based on undiscounted contractual payments.

Dec 31 2017	up to 3 months	from 3 to 12 months	from 1 year to 5 years	Total
Interest-bearing borrowings	338	1,033	42,746	**44,117**
Other liabilities	1,283	-	8,167	**9,450**
Trade and other payables	1,883	-	-	**1,883**

Dec 31 2016	up to 3 months	from 3 to 12 months	from 1 year to 5 years	Total
Interest-bearing borrowings	715	15,572	60,855	**77,142**
Other liabilities	1,090	-	8,271	**9,361**
Trade and other payables	441	-	-	**441**

(PLN '000)

39. Financial instruments

39.1. Loans advanced

The Company advanced the following loans:

As at December 31st 2017

Borrower	Date	Outstanding amount	Interest rate	Start of repayments
Polenergia Farma Wiatrowa Szymankowo Spółka z ograniczoną odpowiedzialnością (formerly: PEPINO Spółka z ograniczoną odpowiedzialnością)	Feb 1 2016	3,968	3M WIBOR + 4.5%	After commencement of the borrower's operations, no earlier than as of Jan 1 2020
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	Dec 10 2014	77	3M WIBOR + 2%	Dec 31 2020
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	Mar 20 2015	511	3M WIBOR + 2.28%	Dec 31 2020
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	Jun 24 2016	313	3M WIBOR + 2.28%	Dec 31 2020
Polenergia Dystrybucja Spółka z ograniczoną odpowiedzialnością	Nov 20 2014	919	fixed, 8.12%	one-off repayment Dec 31 2026
Mercury Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa	Dec 1 2006	6,500	3M WIBOR + 2.21%	Dec 31 2021
Other	Mar 26 2013 Feb 3 2015	59	3M WIBOR + 2%	On first demand of the lender
		12,347		

(PLN '000)

As at December 31st 2016

Borrower	Date	Outstanding receivables	Interest rate	Start of repayments
Polenergia Farma Wiatrowa Szymankowo Spółka z ograniczoną odpowiedzialnością (formerly: PEPINO Spółka z ograniczoną odpowiedzialnością)	Feb 1 2016	3,800	3M WIBOR + 4.5%	After commencement of the borrower's operations
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	Apr 22 2013	1,048	1M WIBOR + 2%	On first demand of the lender
Polenergia Dystrybucja Spółka z ograniczoną odpowiedzialnością	Nov 20 2014	730	fixed, 8.12%	one-off repayment Dec 31 2026
Mercury Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa	Dec 1 2006	8,000	1M WIBOR + 2.21%	Dec 31 2017
Other	Mar 26 2013 Feb 3 2015	58	1M WIBOR + 2%	On first demand of the lender
		13,636		

(PLN '000)

39.2. Financial assets

In the period ended December 31st 2017, the following subsidiaries had their share capitals increased and returned additional contributions to equity:

Company	Share capital increase	Return of equity contributions
Grupa PEP FW 23 Sp. z o.o.	351	-
Polenergia FW Piekło Sp. z o.o.	380	2,300
Grupa PEP FW 17 Sp. z o.o.	155	-
Polenergia FW Rudniki Sp. z.o.o.	75	-
Grupa PEP FW 22 Sp. z o.o.	50	-
Grupa PEP FW Wierzbnik / Jankowice Sp. z o.o.	240	-
Grupa PEP FW 16 Sp. z o.o. (Morka)	4,000	-
Polenergia FW Krzywa Sp. z.o.o.	165	-
Polenergia FW Szymankowo Sp. z.o.o.	660	-
Polenergia FW Dębice / Kostomłoty Sp. z.o.o.	750	-
Polenergia FW Bądecz Sp. z.o.o.	425	-
Grupa PEP FW 3 Sp. z o.o.	1,800	-
Grupa PEP FW 4 Sp. z o.o.	-	2,047
Polenergia FW Grabowo Sp. z.o.o.	350	6,000
Polenergia FW Namysłów Sp. z.o.o.	10	-
Polenergia Bałtyk I S.A.	150	-
Polenergia Bałtyk II Sp. z o.o.	3,550	-
Polenergia Bałtyk III Sp. z o.o.	4,050	-
Polenergia Elektrownia Mercury Sp. z o.o.	10	-
Grupa PEP Biolektrownia 2 Sp. z o.o.	17	-
Grupa PEP Projekty Energetyczne 1 Sp. z o.o.	25	-
Total	**17,213**	**10,347**

39.3. Interest rate risk

The table below presents the carrying amounts of the Company's financial instruments exposed to the interest rate risk, by maturity.

Dec 31 2017

INTEREST RATE RISK							
Floating-rate interest	*< 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Interest-bearing loans advanced	-	-	960	6,500	-	4,887	12,347
Interest-bearing loans received	-	42,295	-	-	-	-	42,295
Fixed-rate interest	*< 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets	168,096	-	-	-	-	-	168,096
Promissory notes in issue	19,246	-	-	-	-	-	19,246
Finance leases	303	318	333	350	367	1,179	2,850

(PLN '000)

Dec 31 2016

INTEREST RATE RISK

Floating-rate interest	*< 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets							-
PLN bank borrowings	-	-	-	-	-	-	-
Interest-bearing loans advanced	8,636	470	-	-	-	4,530	13,636
Interest-bearing loans received	13,386	-	57,000	-	-	-	70,386

Fixed-rate interest	*< 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets	167,264	-	-	-	-	-	167,264
Promissory notes in issue	17,230	-	-	-	-	-	17,230
Finance leases	308	303	318	333	350	1,550	3,162

Interest rates for financial instruments earning interest at floating rates are updated in periods of less than one year. The other financial instruments held by the Company, not disclosed in the tables above, do not bear interest and, consequently, are not exposed to the interest rate risk.

40. Capital management

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

The Company manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the years ended December 31st 2017 and December 31st 2016, there were no changes in the capital structure management objectives, policies and processes.

The Company 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 Company's net debt includes interest-bearing borrowings less cash and cash equivalents.

	Dec 31 2017	**Dec 31 2016**
Interest-bearing borrowings	42,295	70,386
Less cash and cash equivalents	(168,096)	(167,264)
Net debt	**(125,801)**	**(96,878)**
Equity	1,118,067	1,196,933
Total equity	**1,118,067**	**1,196,933**
Equity and net debt	**992,266**	**1,100,055**
Leverage ratio	-13%	-9%

(PLN ‘000)

41. Material related-party transactions

The table below presents the Company’s material related-party transactions:

RELATED-PARTY TRANSACTIONS

Dec 31 2017	Sales to related parties	Finance costs	Finance income	Receivables from related parties
Entity over which the Company exercises control or has significant influence:				
Mercury Energia Sp. z o.o. i Wspólnicy, Spółka komandytowa	190	-	292	31
Polenergia Biomasa Energetyczna Północ Sp. z o.o. (GRUPA PEP – Biomasa Energetyczna Północ Spółka z o.o.)	476	-	-	82
GRUPA PEP – Biomasa Energetyczna Południe Spółka z o.o.	485	-	-	131
GRUPA PEP-Biomasa Energetyczna Wschód Spółka z o.o.	465	-	-	158
GRUPA PEP-Bioelektrownia 2 Sp. z o.o., Spółka komandytowa	1,072	-	1,236	1,084
GRUPA PEP – Farma Wiatrowa 1 Sp. z o.o.	1,328	-	-	513
Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.	361	-	-	431
Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.	1,415	-	-	718
GRUPA PEP – Farma Wiatrowa 6 Sp. z o.o.	930	-	-	292
Polenergia Farma Wiatrowa Grabowo Sp. z o.o. (Grupa PEP Farma Wiatrowa 8 Sp. z o.o.)	287	-	-	328
Grupa PEP Obrót 2 Sp. z o.o.	305	-	-	6
Amon Sp. z o.o.	451	-	-	740
Polenergia Farma Wiatrowa Piekło Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Piekło Sp. z o.o.)	245	-	-	271
Dipol Spółka z o.o.	514	-	-	109
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o (Pepino Sp. z o.o.)	156	-	168	174
Talia Sp. z o.o.	380	-	-	590
Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.)	246	-	-	271
Polenergia Farma Wiatrowa Mycielin Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Mycielin Sp. z o.o.)	1,077	-	-	546
Polenergia Farma Wiatrowa Bądecz Sp. z o.o. (GRUPA PEP – Farma Bądecz Sp. z o.o.)	251	-	-	276
Polenergia Kogeneracja Sp. z o.o.	911	-	-	142
Polenergia Bałtyk I S.A.	103	-	-	112
Polenergia Bałtyk II Sp. z o.o.	796	-	-	805
Polenergia Bałtyk III Sp. z o.o.	748	-	-	736
Polenergia Dystrybucja Sp. z o.o.	2,279	-	189	393
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	1,003	1,909	-	51
Polenergia Obrót S.A.	814	-	-	118
Polenergia Elektrownia Północ Sp. z o.o.	199	-	-	274
Polskie Biogazownie S.A.	47	-	-	114
Polenergia Biogaz Sp. z o.o.	108	-	-	15
Polenergia Holding S.à r.l	268	-	-	(20)
Polenergia International S.à r.l	1,365	-	-	1,181
PPG Pipeline Projektgesellschaft mbH	64	-	-	97
Polenergia Usługi Sp. z o.o.	126	-	-	21
Mansa Investments Sp. z o.o.	15	-	-	2
Other	1,742	-	-	1,921
Total	**21,222**	**1,909**	**1,885**	**12,713**

For information on shares and loans advanced to related parties, see Note 17

For information on loans received from related parties, see Note 26.

All related-party transactions were executed on an arm’s length terms.

The related party which has control over the Company is Mansa Investments. Polenergia Holding Sarl with its registered office in Luxembourg is a higher-tier parent consolidating the Group, and Kulczyk Investments is the ultimate parent.

42. Workforce

The Company’s workforce by employee groups as at December 31st 2017 and December 31st 2016:

	Dec 31 2017	Dec 31 2016
Management Board	3	3
Parent’s employees*)	49	57
Total headcount	**52**	**60**

*) The data includes employees on maternity leaves.

(PLN '000)

43. Total amount of remuneration and awards (in cash or in kind) paid to members of the Company's Management and Supervisory Boards

In 2017 and 2016, remuneration of the Company's Management Board members was as follows:

	Dec 31 2017	Dec 31 2016
Jacek Głowacki	864	1,021
Bartłomiej Dujczyński	1,293	656
Michał Michalski	792	114
Zbigniew Prokopowicz	-	3,987
Anna Kwarcińska	-	1,745
Michał Kozłowski	-	1,834
Total	**2,949**	**9,357**

Certain Management Board members are party to a mutual agreement on termination of employment within the next 3–12 months. If a Management Board member being a party to such agreement resigns, the Company is required to pay a severance benefit equal to 100% of the remuneration received by such Management Board member over the last 12 months.

In 2017 and 2016, remuneration of the Company's Supervisory Board members was as follows:

	Dec 31 2017	Dec 31 2016
Tomasz Mikołajczak	54	54
Mariusz Nowak	36	36
Łukasz Rędziniak	36	36
Dawid Jakubowicz	36	36
Dominik Libicki	36	28
Orest Nazaruk	36	36
Arkadiusz Jastrzębski	36	36
Brian Bode	36	28
Dagmara Gorzelana	36	28
Total	**342**	**318**

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

In the period ended December 31st 2017, no transactions were entered into with members of the Management and Supervisory Boards.

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

The table below presents fees paid or payable to qualified auditors of financial statements for the year ended December 31st 2017 and December 31st 2016, by type of service:

Type of service	Dec 31 2017	Dec 31 2016
Review and audit of financial statements	164	164

46. Events after the reporting period

As at the date of preparation of these financial statements, i.e. February 20th 2018, no events had occurred which should have been but were not disclosed in the accounting records for the reporting period.