

Polenergia Group**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30TH 2015
WITH THE INDEPENDENT AUDITOR'S REVIEW REPORT**

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Warsaw, August 11th 2015

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1. Interim Condensed Consolidated Statement of Financial Position

As at June 30th 2015

ASSETS

	Notes	Jun 30 2015	Dec 31 2014
I. Non-current assets		2,198,580	1,968,359
1. Property, plant and equipment	15	1,927,405	1,706,722
2. Intangible assets	13	52,124	57,383
3. Goodwill related to subordinated entities	14	184,662	184,662
4. Financial assets	17	20,104	7,413
5. Equity-accounted financial assets		1,456	1,456
6. Non-current receivables	16	4,309	4,269
7. Deferred tax asset	24	8,437	6,353
8. Prepayments and accrued income		83	101
II. Current assets		639,371	763,935
1. Inventories	18	41,387	41,113
2. Trade receivables	19	127,575	109,042
3. Current tax asset	19	2,669	1,927
4. Other current receivables	19	83,024	69,251
5. Prepayments and accrued income	20	12,310	8,563
6. Current financial assets	21	56,285	117,230
7. Cash and cash equivalents	22	316,121	416,809
Total assets		2,837,951	2,732,294

EQUITY AND LIABILITIES

	Notes	Jun 30 2015	restated Dec 31 2014
I. Equity		1,371,383	1,333,984
1. Share capital	23	90,887	90,887
2. Share premium		786,134	802,909
3. Capital reserve from valuation of options		13,207	13,207
4. Other capital reserves	23	383,666	372,427
5. Retained earnings		60,349	22,188
6. Net profit		35,989	31,345
7. Non-controlling interests	23	965	948
8. Translation differences		186	73
II. Non-current liabilities		1,068,491	991,888
1. Bank and other borrowings	26	794,892	695,168
2. Deferred tax liability	24	66,604	57,150
3. Provisions	25	2,045	2,045
4. Accruals and deferred income	29	65,300	67,439
5. Other liabilities	10.1 , 27	139,650	170,086
III. Current liabilities		398,077	406,422
1. Bank and other borrowings	28	116,397	91,993
2. Trade payables	27	141,662	128,487
3. Income tax payable	27	22	1,064
4. Other liabilities	10.1 , 27	119,599	158,353
5. Provisions	25	3,682	3,070
6. Accruals and deferred income	29	16,715	23,455
Total equity and liabilities		2,837,951	2,732,294

2. Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30th 2015

	Notes	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
Revenue	31	1,304,941	54,175	654,698	23,719
Revenue from certificates of origin	31	50,405	20,295	22,859	8,551
Revenue		1,355,346	74,470	677,557	32,270
Cost of sales	32	(1,273,785)	(57,202)	(648,163)	(28,031)
Gross profit		81,561	17,268	29,394	4,239
Other income	33	3,354	2,437	1,789	1,077
Distribution costs	32	(481)	-	(120)	-
Administrative expenses	32	(14,942)	(5,286)	(6,897)	(2,167)
Other expenses	34	(2,131)	(1,107)	(750)	(204)
Finance income	35	4,956	2,226	744	1,209
Finance costs	36	(22,930)	(11,216)	(11,185)	(5,324)
Profit before tax		49,387	4,322	12,975	(1,170)
Income tax expense	24	(13,381)	1,709	(3,601)	1,530
Net profit		36,006	6,031	9,374	360
Net profit attributable to:		36,006	6,031	9,374	360
Owners of the parent		35,989	6,098	9,367	391
Non-controlling interests		17	(67)	7	(31)
- basic earnings for period attributable to owners of the parent		0.79	0.29	0.21	0.02
- diluted earnings for period attributable to owners of the parent		0.79	0.29	0.21	0.02

ADJUSTED EBITDA

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
Gross profit	81,561	17,268	29,394	4,239
Other income	3,354	2,437	1,789	1,077
Distribution costs	(481)	-	(120)	-
Administrative expenses	(14,942)	(5,286)	(6,897)	(2,167)
Other expenses	(2,131)	(1,107)	(750)	(204)
Operating profit	67,361	13,312	23,416	2,945
Depreciation and amortisation	41,559	14,457	20,808	7,240
EBITDA	108,920	27,769	44,224	10,185
Cost of securing financing	143	-	-	-
Purchase price allocation: Valuation of long-term contracts	1,206	-	603	-
Adjusted EBITDA	110,269	27,769	44,827	10,185

ADJUSTED NET PROFIT

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
NET PROFIT attributable to owners of the parent	35,989	6,098	9,367	391
Unrealised foreign exchange gains/losses	(588)	153	837	(127)
Tax on foreign exchange gains	112	(29)	(159)	24
Finance income from discount on sale of wind farm projects	-	(315)	-	(159)
Tax on discount on sale of wind farm projects	-	60	-	30
(Income)/expense from valuation of non-current bank borrowings	2,972	651	2,383	368
Tax on (income)/expense from valuation of non-current bank borrowings	(565)	(124)	(453)	(70)
Cost of securing financing	143	-	-	-
Tax	(27)	-	-	-
Purchase price allocation: Depreciation and amortisation	5,064	-	2,532	-
Valuation of long-term contracts	1,206	-	603	-
Tax	(1,194)	-	(597)	-
Adjusted NET PROFIT attributable to owners of the parent	43,112	6,494	14,513	457

ADJUSTED EBITDA and ADJUSTED NET PROFIT – measures not provided for in accounting standards

The Company presents its adjusted EBITDA and adjusted net profit as key measures of the Group's profitability used by its Management Board.

The Group defines EBITDA as operating profit before depreciation and amortisation. Operating profit is calculated as gross profit/(loss) - administrative expenses + other income - other expenses.

The Group defines adjusted net profit as net profit excluding non-cash economic events.

Since EBITDA is not defined in the IFRS, it may be calculated differently by other entities.

3. Interim Condensed Consolidated Statement of Other Comprehensive Income

For the six months ended June 30th 2015

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
Net profit for period	36,006	6,031	9,374	360
Other comprehensive income that may be reclassified to profit or loss once specific conditions are met				
- Cash-flow hedges	(1,964)	(14)	3,041	-
Net other comprehensive income	(1,964)	(14)	3,041	-
COMPREHENSIVE INCOME FOR PERIOD	34,042	6,017	12,415	360
Total comprehensive income for period:	34,042	6,017	12,415	360
Owners of the parent	34,025	6,084	12,408	391
Non-controlling interests	17	(67)	7	(31)

4. Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30th 2015

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Non-controlling interests	Translation differences	Total equity
As at Jan 1 2015	90,887	802,909	13,207	372,427	53,533	-	948	73	1,333,984
Total comprehensive income for period									
- Net profit for reporting period	-	-	-	-	-	35,989	17	-	36,006
- Other comprehensive income for period	-	-	-	1,964	-	-	-	-	1,964
- Allocation of profit	-	(16,091)	-	9,275	6,816	-	-	-	-
- Exchange differences on translating foreign operations	-	-	-	-	-	-	-	113	113
Transactions with owners of the parent recognised directly in equity									
- Share issue	-	(684)	-	-	-	-	-	-	(684)
As at Jun 30 2015	90,887	786,134	13,207	383,666	60,349	35,989	965	186	1,371,383

PLN 1,964 thousand of other comprehensive income is related to the valuation of cash-flow hedges, discussed in detail in Note 41.

For the six months ended June 30th 2014

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Retained earnings	Net profit	Non-controlling interests	Translation differences	Total equity
As at Jan 1 2014	42,628	78,521	13,207	370,469	9,398	-	1,038	-	515,261
Total comprehensive income for period									
- Net profit for financial year	-	-	-	-	-	6,098	(67)	-	6,031
- Other comprehensive income for period	-	-	-	(14)	-	-	-	-	(14)
- Allocation of profit	-	(12,790)	-	-	12,790,	-	-	-	-
As at Jun 30 2014	42,628	65,731	13,207	370,455	22,188	6,098	971	-	521,278

5. Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30th 2015

	Notes	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
A. Cash flows from operating activities			
I. Profit before tax		49,387	4,322
II. Total adjustments		1,577	26,787
1. Depreciation and amortisation	32	41,559	14,457
2. Foreign exchange losses		(670)	209
3. Interest and profit distributions (dividends)		18,636	9,960
4. Gain (loss) on investing activities		3,424	(30)
5. Income tax		(8,273)	288
6. Change in provisions		394	784
7. Change in inventories	38	(274)	5,843
8. Change in receivables	38	12,833	10,315
9. Change in current liabilities (net of borrowings)	38	(59,099)	(7,644)
10. Change in accruals and deferrals	38	(7,208)	(7,455)
11. Other adjustments		255	60
III. Net cash from operating activities (I+/-II)		50,964	31,109
B. Cash flows from investing activities			
I. Cash receipts		711	33
1. Disposal of intangible assets and property, plant and equipment		20	33
2. Proceeds from financial assets, including:		691	-
a) repayment of non-current loans advanced		660	-
b) interest		31	-
II. Cash payments		257,057	57,441
1. Acquisition of intangible assets and property, plant and equipment		256,551	57,297
2. Payments for financial assets, including:		506	144
a) acquisition of financial assets		31	144
b) non-current loans advanced		475	-
III. Net cash from investing activities (I-II)		(256,346)	(57,408)
C. Cash flows from financing activities			
I. Cash receipts		169,663	22,443
1. Proceeds from borrowings		169,663	22,443
II. Cash payments		65,063	44,041
1. Repayment of borrowings		45,929	34,479
2. Payment of finance lease liabilities		416	274
3. Interest		16,651	9,288
4. Other payments		2,067	-
III. Net cash from financing activities (I-II)		104,600	(21,598)
D. Total net cash flows (A.III+/-B.III+/-C.III)		(100,782)	(47,897)
E. Net increase/decrease in cash, including:		(100,688)	(47,890)
effect of exchange rate fluctuations on cash held		94	7
F. Cash at beginning of period		416,809	208,142
G. Cash at end of period, including:		316,121	160,252
- restricted cash	38	84,773	16,117

External financing sources - bank borrowings (statement of cash flows)	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
item C.I.2 Proceeds from borrowings	169,663	22,443
item C.II.2 Repayment of borrowings	(45,929)	(34,479)
Change in external financing sources, including:	123,734	(12,036)
net increase in investment facilities	108,157	(4,511)
net increase/decrease in VAT financing facility	7,413	206
net increase/decrease in overdraft facility	8,164	(7,731)

6. General information

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

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

- production and distribution of electricity (PKD 40.10),
- production and distribution of heat (steam and hot water) (PKD 40.30),
- construction and civil engineering (PKD 45.21),
- construction installation activities (PKD 45.3),
- other credit granting, excluding licensed activities and activities reserved for banks (PKD 65.22),
- research and development of natural sciences and engineering (PKD 73.10),
- development and sale of own real estate (PKD 70.11),
- operating of real estate on a fee or contract basis (PKD 70.32),
- accounting and bookkeeping activities (PKD 74.12),
- construction and process design, urban planning (PKD 74.20),
- business and management consultancy activities (PKD 74.14),
- other commercial activities n.e.c. (PKD 74.84),
- other education n.e.c. (PKD 80.42),
- wholesale of solid, liquid and gaseous fuels and related products (PKD 51.51).

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

6.1. Duration of the Company and other Group companies

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

6.2. Periods covered by the consolidated financial statements

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

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

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

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

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

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

7. Going concern

These interim condensed consolidated financial statements have been prepared on the assumption that the Company and the Group will continue as going concerns in the foreseeable future.

8. The Group's organisational structure

In the six months ended June 30th 2015, the Parent did not make any changes in the Group's organisational structure.

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

As part of the Closing:

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

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

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

- 100% of shares in Elektrociepłownia Nowa Sarzyna Sp. z o.o. – operator of the Nowa Sarzyna gas-fired CHP plant with a capacity of 116 MWe and 70 MWt;
- 100% of shares in Polenergia Kogeneracja Sp. z o.o. – a company whose business consists in natural gas distribution and trading; in the past it was engaged in cogeneration activities;
- 100% of shares in Elektrownia Północ Sp. z o.o. – a company responsible for the construction of a base-load coal-fired power plant with a capacity of approximately 1,600 (2*800) MWe;
- 100% of shares in Polenergia Dystrybucja Sp. z o.o. – a company whose business consists in distribution and sale of electricity;

-
- 100% of shares in Polenergia Obrót S.A. – a company whose business consists in trading in electricity, gas and certificates;
 - 100% of shares in Natural Power Association Sp. z o.o., a sole shareholder of: Polenergia Bałtyk I S.A. (formerly Bałtyk Północny S.A.), Polenergia Bałtyk II Sp. z o.o. (formerly Bałtyk Środkowy II Sp. z o.o.), Polenergia Bałtyk III Sp. z o.o. (formerly Bałtyk Środkowy III Sp. z o.o.) – companies responsible for the construction of offshore wind farms with a total capacity of up to 1,200 MWe, including 600 MWe by 2022, (the “Green Group”);
 - 100% of shares in PPG Pipeline Projektgesellschaft mbH;
 - 100% of shares in PPG Polska Sp. z o.o. – a company responsible for the construction of a pipeline connecting gas systems of Poland and Germany;
 - 20% of shares in GEO Kletnia Sp. z o.o. – a company responsible for the construction of a wind farm with a capacity of approximately 40 MW.

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

Purchase price allocation

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

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

As at the date of acquisition of control:

- assets and liabilities were measured at fair value;
- long-term contracts between Polenergia Obrót Sp. z o.o. and Dipol Sp. z o.o., Grupa PEP Farma Wiatrowa 1 Sp. z o.o. (Gawłowice), Grupa PEP Farma Wiatrowa 4 Sp. z o.o. (Skurpie), and Grupa PEP Farma Wiatrowa 6 Sp. z o.o. (Rajgród) were recognised in the consolidated financial statements as a gain. As the contracts existed at the level of higher-tier Group, according to IFRS they represented a relation between the parties to the business combination which was not a component of the business combination, and therefore had to be disclosed separately. In line with IFRS, if the acquisition of control leads to effective settlement of accounts between the merging entities, the acquirer discloses the gain or loss on the settlement in the consolidated financial statements;
- goodwill disclosed in the consolidated statement of financial position under ‘Goodwill related to subordinated entities’ was initially determined by comparing the allocated purchase price with the fair value of net assets. The goodwill amount is not final, as valuations are still being verified.

Purchase price		557,000	[1]
Net assets prior to fair value measurement		284,791	[2]
Goodwill prior to purchase price allocation		272,209	[3] = [1-2]
Purchase price allocation reducing the carrying amount of goodwill, including:		(88,432)	
Change in the fair value of assets and liabilities		Closing balance	95,232 [4]
Property, plant and equipment	Remeasurement of the carrying amount of property, plant and equipment at fair value	Property, plant and equipment	83,896
CO2 emission allowances	Free allocation of CO2 emission allowances	Intangible assets	3,500
Compensation	Compensation received by the Nowa Sarzyna CHP plant for the cost of gas and stranded costs related to the nature of its operations	Intangible assets	50,000
Relations with customers	Assets arising from periodic electricity sale contracts executed by Polenergia Dystrybucja	Intangible assets	4,500
Long-term contracts	Assets arising from periodic contracts for purchase/sale of green certificates, executed by Polenergia Obrót	Financial assets	6,840
Inventories	Remeasurement of the carrying amount of inventories at fair value	Inventories	(266)
Long-term contracts	Liabilities under periodic contracts for purchase/sale of green certificates, executed by Polenergia Obrót	Other non-current liabilities	(30,900)
Deferred tax	Deferred tax on the assets and liabilities listed above	Tax	(22,338)
Fair value allocated to profit or loss *)		Statement of profit or loss	
Intra-group long-term contracts		Revenue from certificates of origin	6,800 [5]
Total purchase price allocation		88,432	[6] = [4-5]
Initial goodwill disclosed in the statement of financial position		183,777	[7] = [3-6]

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

The table below presents the value of acquired assets and liabilities following remeasurement to fair value:

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

The goodwill recognised by the Group follows from its assumption that the discounted cash flows from operations of the acquired companies are higher than the value of the net assets acquired.

9. Authorisation of the financial statements

These consolidated financial statements were authorised for issue by the Parent's Management Board on August 11th 2015.

10. Applied accounting policies

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the Group's consolidated financial statements for the year ended December 31st 2014, save for the accounting policy amendments described in 10.1 and the amended standards and new interpretations effective for annual periods beginning on or after January 1st 2015, as listed in 10.2 and 10.3:

10.1. Changes in accounting policies

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

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

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

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

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

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

10.2. Application of new and amended standards and interpretations

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

a) IFRS Annual Improvements cycle 2011-2013

In December 2013, the International Accounting Standards Board published "Annual Improvements cycle 2011-2013", which contain changes to four standards. The amendments include changes in the presentation, recognition and measurement, as well as terminological and editing changes. The amendments are effective in the European Union for annual periods beginning on or after January 1st 2015. The changes have no material effect on the Group's consolidated financial statements.

b) IFRIC 21 Levies

IFRIC 21 Levies, published on May 20th 2013, is effective for annual periods beginning on or after June 17th 2014.

The interpretation clarifies the recognition of levies other than income tax. An obligating event is an event specified in law which creates the obligation to pay a levy. The fact that an entity will continue operations in the following period or prepares its financial statements on a going concern basis does not, in itself, create the obligation to recognise a liability for a levy. The same recognition rules apply to full-year and interim statements. Applying the interpretation to liabilities under emission allowances is optional. The changes have no material effect on the Group's consolidated financial statements.

10.3. Published standards and interpretations which are not yet effective and have not been adopted by the Group early

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

a) IFRS 9 Financial Instruments

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

The standard introduces a single model that has only two classification categories for financial assets: measurement at fair value or at amortised cost. Assets are classified at initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments.

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

The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss.

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

The Group will apply IFRS 9 following its endorsement by the European Union.

The effect of the change on the Group's consolidated financial statements cannot be reliably assessed.

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

b) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions, published by the International Accounting Standards Board in November 2013, are effective in the European Union for annual periods beginning on or after February 1st 2015.

Pursuant to the amendments, an entity may recognise employee contributions as a reduction in the service cost in the period in which the related service is rendered by an employee rather than allocate such contributions to periods of service, provided that the contribution amount is independent of the number of years of service rendered by the relevant employee. The Group will apply the amendments to IAS 19 as of January 1st 2016.

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

c) IFRS Annual Improvements cycle 2010-2012

In December 2013, the International Accounting Standards Board published "Annual Improvements cycle 2010-2012", which contain changes to seven standards. The amendments include changes in presentation, recognition and measurement, as well as terminological and editing changes. The amendments are effective in the European Union for annual periods beginning on February 1st 2015. The Group will apply the amendments to IFRS as of January 1st 2016.

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

d) IFRS 14 Regulatory Deferral Accounts

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

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

e) Amendments to IFRS 11 concerning acquisitions of interests in joint operations

Pursuant to the amended IFRS 11, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles of accounting for business combinations in accordance with IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.

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

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

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

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

f) Amendments to IAS 16 and IAS 38 concerning depreciation and amortisation

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

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

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

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

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

g) IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers, published by the International Accounting Standards Board on May 28th 2014, is effective for annual periods beginning on or after January 1st 2017.

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

The Group will apply IFRS 15 as of January 1st 2017.

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

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

h) Amendments to IAS 16 and IAS 41 concerning bearer plants

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

The amendments were published June 30th 2014 and are effective for annual periods beginning on or after January 1st 2016.

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

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

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

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

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

The amendments were published on August 12th 2014 and are effective for annual periods beginning on January 1st 2016.

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

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

As at the day of preparation of these consolidated financial statements, the amendment has not yet been endorsed by the European Union.

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

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

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

The amendments were published on September 11th 2014 and are effective for annual periods beginning on January 1st 2016.

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

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

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

k) IFRS Annual Improvements cycle 2012-2014

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

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

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

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

l) Amendments to IAS 1

On December 18th 2014, as part of its disclosure initiative, the International Accounting Standards Board published an amendment to IAS 1. The aim of the amendment is to explain the concept of materiality and to clarify that if an entity deems certain information immaterial, such information should not be disclosed even if its disclosure is required under a different IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and the statement of profit or loss and other comprehensive income may be aggregated or disaggregated depending on materiality. Additional guidelines are also introduced regarding presentation of subtotals in these statements. The amendments are effective for annual periods beginning on January 1st 2016.

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

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

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

m) Amendments to IFRS 10, IFRS 12 and IAS 28 Applying the Consolidation Exception

On December 18th 2014, the International Accounting Standards Board published a limited amendment. The amendment to IFRS 10, IFRS 12 and IAS 28 entitled Investment Entities: Applying the Consolidation Exception clarifies the requirements applicable to investment entities and facilitates certain other matters.

The standard provides that an entity should measure all investment entity subsidiaries at fair value through profit or loss. The standard also clarifies that where a higher-tier parent prepares and publishes financial statements, the consolidation exception applies irrespective of whether its subsidiaries are consolidated or measured at fair value through profit or loss, in accordance with IFRS

10, as part of the financial statements of a higher-tier or ultimate parent. The amendments are effective for annual periods beginning on January 1st 2016.

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

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

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

10.4. Basis of accounting

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and cover the six months from January 1st to June 30th 2015, a comparative period from January 1st to June 30th 2014, as well as the Q2 2015 and Q2 2014 data and the data as at December 31st 2014, presented in the statement of financial position. In accordance with the applicable laws, the interim condensed consolidated financial statements for the six months ended June 30th 2015 have been reviewed by an independent auditor, whereas the comparative data for the financial year ended December 31st 2014 have been audited.

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

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

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

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

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

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

10.5. Significant accounting judgements

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

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

In the six months ended June 30th 2015, the Group made no changes in its method of making judgements affecting the information presented in the consolidated financial statements. The amounts arrived at using professional judgement are presented in Note 16.

10.6. Significant estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below:

- Classification of certificates of origin and emission reduction units (Note 18),
- Depreciation/amortisation rates – depreciation/amortisation rates are set based on the anticipated useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, on the basis of current estimates.
- Impairment losses on receivables (Note 0),
- Provisions for disputes and unused holiday entitlements (Note 25),
- Financial assets and liabilities under forward contracts (Note 21),
- Compensation for stranded costs and compensation for the cost of consumption of collected natural gas and of uncollected natural gas (“cost of gas”) – the Company’s future operations are significantly influenced by the Agreement Terminating the Long-Term Electricity Supply Contract (“LTC”) with PGE Polska Grupa Energetyczna S.A. (previously Polskie Sieci Elektroenergetyczne S.A.), signed by the Management Board of Elektrociepłownia Nowa Sarzyna Sp. z o.o. on December 28th 2007 pursuant to the Act on Rules of Compensating for Costs Incurred by Energy Producers Due to Early Termination of Long-term Capacity and Electricity Purchase Contracts (“LTC Termination Act”), passed by the lower chamber of the Polish Parliament (the Sejm) on June 29th 2007. Under the Termination Agreement, the Company’s LCT was terminated on March 31st 2008 in exchange for compensation intended to cover stranded costs and the cost of gas. Under the LTC Termination Act, the maximum compensation payable to the Company is PLN 777.5m – to cover stranded costs, and PLN 340.7m – to cover the cost of gas. The Company calculates the amount of stranded costs and compensation for the cost of gas based on the formulas specified in Art. 30, 31, 45 and 46 of the LTC Termination Act. Due to the length of the period covered by the calculations, the estimated amounts may change; the amounts disclosed as at the end of the reporting period have been estimated based on the Company’s best knowledge and data available on that date.
- Deferred tax – the Group recognises a deferred tax asset if it is assumed that taxable income will be generated in the future against which the asset can be utilised. If taxable income deteriorates in the future, this assumption may prove invalid (Note 24),
- Impairment of assets – the Group carried out tests for impairment of non-current assets. This required an estimation of the value in use of the cash-generating unit to which these non-current assets belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows.

In the six months ended June 30th 2015, the Group made no changes in its method of making estimates affecting the information presented in the interim condensed consolidated financial statements, and the estimated amounts were presented in notes referred to above.

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

The measurement currency of the Parent and other companies covered by these consolidated financial statements, and the reporting currency of these consolidated financial statements is the Polish zloty (PLN).

10.8. Basis of consolidation

These consolidated financial statements incorporate the financial statements of Polenergia S.A. and the financial statements of its subsidiaries for the six months ended June 30th 2015. Subject to adjustments made to ensure compliance with IFRS, the financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of a similar nature. Adjustments are made in order to eliminate any discrepancies in the accounting principles applied by the companies.

Subsidiaries are fully consolidated starting from the date when the Parent obtains control over them and cease to be consolidated when that control is lost. Regarding the criteria used to assess if the Group's investees are controlled and, consequently, if the investees are subject to consolidation, the Group uses the control model as provided for in IFRS 10. The model focuses on determining whether the Group has power over the investee, is exposed to the risk of variable investment returns, has the right to the returns from its investment, and has the ability to affect the amount of the returns through its power over the investee. In particular, the Group takes into consideration the de facto control when assessing whether the power is exercised.

As at the date of inclusion of a subsidiary in the consolidated financial statements, its assets and liabilities are recognised at fair value. The difference between the fair value and the purchase price of such assets and liabilities is recognised as goodwill under a separate item of the consolidated statement of financial position.

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

10.9. Investments in associates

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

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

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

10.10. Goodwill

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

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

over net identifiable assets acquired and liabilities assumed as at the acquisition date.

Following the initial recognition, goodwill is carried at cost less cumulative impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or set of units to which goodwill has been allocated:

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

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

10.11. Intangible assets

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

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

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

Expected useful lives of intangible assets are as follows:

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

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

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

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

10.12. Property, plant and equipment

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

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

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

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

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

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

10.13. Property, plant and equipment under construction

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

10.14. Borrowing costs

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

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

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

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

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

10.16. Financial assets

Financial assets are classified into the following categories:

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

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

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

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

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

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

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

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

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

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

10.17. Impairment of financial assets

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

Assets carried at amortised cost

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

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

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

Financial assets carried at cost

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

Financial assets available for sale

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

10.18. Leases***The Group as a lessee***

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

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

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

The Group as a lessor

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

10.19. 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 goods 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.

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.

Due to the short operating cycle and high turnover, certificates of origin (see Section 10.29.6) and emission reduction units (see Section 0) are recognised as inventories.

10.20. Current and non-current receivables

Trade receivables other than lease receivables (for details see Section 10.18) are measured at amounts due less impairment losses.

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

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

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

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

10.21. Foreign currency transactions

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

Cash, bank borrowings and other monetary assets and liabilities denominated in foreign currencies are translated into the zloty as at the reporting date at the mid-market exchange rate quoted by the National Bank of Poland. Currency translation differences are recognised in finance income or costs, as appropriate. Changes in the fair value of derivatives designated as hedging instruments for hedge accounting purposes are recognised in accordance with applicable hedge accounting policies (see Note 41).

Non-monetary assets and liabilities recognised at historical cost 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 determining the fair value.

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

	Jun 30 2015	Dec 31 2014	Jun 30 2014
USD	3.7645	3.5072	3.0473
EUR	4.1944	4.2623	4.1609
GBP	5.9180	5.4648	5.1885

10.22. Cash and cash equivalents

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

10.23. Accruals and deferrals

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

10.24. Share capital

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

10.25. Provisions

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

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

10.26. Provisions for retirement gratuity and jubilee benefits

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

10.27. Interest-bearing borrowings and other debt instruments

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

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

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

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

10.28. Trade and other payables

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

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

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

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

10.29. Recognition of revenue

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

10.29.1. 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.

10.29.2. 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, the revenue under the contract is recognised only up to the amount of costs incurred that the Group expects to recover.

10.29.3. 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 life of the financial instrument) relative to the net carrying amount of a given financial asset.

10.29.4. Dividends

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

10.29.5. Grants

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

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

10.29.6. Certificates of origin

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

10.29.7. Recognition of compensation for stranded costs and cost of gas

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

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

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

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

10.29.8. Forward contracts

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

10.29.9. Recognition of carbon emission allowances

Free carbon emission allowances were not recognised in the statement of financial position when they were allotted or in the subsequent periods. As required under the Emissions Act, cost of payments for the allocation were recognised as an expense in the period in which it was incurred.

Revenue from sale of allotted allowances is recognised as revenue, and purchases of allowances are recognised as cost of sales (raw materials and consumables used). If emission allowances held by the Group as at end of the reporting period do not fully cover its actual CO₂ emissions in a given year, the Group recognises a provision for the costs of covering the deficit.

10.30. Taxes**10.30.1. Current income tax**

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

10.30.2. Deferred tax

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

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

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

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

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

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

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

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

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

10.30.3. Value added tax

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

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

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

10.31. 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, adjusted for the dilutive effect of all potential ordinary shares in the period, by the expected weighted average number of shares.

10.32. Contingent assets and liabilities

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

A contingent liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity;
- b) a present obligation that arises from past events but is not recognised in the financial statements because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

10.33. Emission allowances

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

10.34. Seasonality and cyclical nature of operations

The Group operates on the industrial power outsourcing market. Group's key customers use the heat and electricity supplied by the Group mostly for production purposes at their industrial facilities, and this business is not subject to seasonal fluctuations. Wind conditions, which determine the output of wind farms, are uneven during the year: in autumn and winter they are significantly better than in spring and summer. The wind farm sites were selected by the Group based on professional wind measurements confirmed by independent and reputable specialists. That said, there can be no assurance that the actual wind conditions will not be different than those used in the Group's models for specific investment projects.

11. Operating segments

For management purposes, the Group performed an analysis to identify operating segments, as a result of which it distinguished: the conventional energy segment comprising generation of electricity and heat, development and implementation segment, wind power segment, biomass segment responsible for the production of pellets from energy crops, distribution segment, and electricity and certificates of origin trading segment. Allocation to the above segments has not changed, but following the acquisition of the Neutron Group, the Group's operations now include new segments. Outsourcing activities have been presented as part of the conventional energy segment.

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

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

For the six months ended June 30th 2015	Conventional energy	Development and implementation	Biomass	Wind power	Distribution	Electricity sales and trading	Unallocated Group management costs*)	Total
Revenue from sales to external customers	167,198	494	31,440	71,410	79,231	1,005,862	(289)	1,355,346
Gross profit/(loss)	36,276	(195)	2,776	35,418	8,817	7,829	(9,360)	81,561
Administrative expenses	(3,465)	(324)	(473)	(649)	(2,300)	(4,394)	(3,337)	(14,942)
Interest income/(expense)	(2,311)	93	(352)	(12,435)	(989)	203	2,560	(13,231)
Finance income/(costs) from unrealised exchange gains/losses	(108)	22	5	667	-	2	-	588
Other finance income/(costs)	(2,067)	(137)	(235)	(2,519)	(31)	(881)	539	(5,331)
Other income/(expenses)	(529)	(274)	370	2,545	(710)	(14)	(646)	742
Profit (loss) before tax	27,796	(815)	2,091	23,027	4,787	2,745	(10,244)	49,387
Income tax expense	-	-	-	-	-	-	(13,381)	(13,381)
Net profit/(loss)	-	-	-	-	-	-	-	36,006
EBITDA (Operating profit/(loss) + depreciation and amortisation)**	41,564	(793)	4,654	59,947	7,770	3,433	(7,655)	108,920
Segment assets	333,461	734,484	75,293	920,245	121,282	213,896	-	2,398,661
Unallocated assets	-	-	-	-	-	-	439,290	439,290
Total assets	333,461	734,484	75,293	920,245	121,282	213,896	439,290	2,837,951

*) Including purchase price allocation

**) Operating profit/(loss) = gross profit/(loss) - administrative expenses + other income - other expenses

For the six months ended June 30th 2014	Conventional energy	Development and implementation	Biomass	Wind power	Unallocated	Total
Revenue from sales to external customers	5,803	16	34,777	33,874	-	74,470
Gross profit/(loss)	1,198	(242)	2,137	14,175	-	17,268
Administrative expenses	-	-	-	-	(5,286)	(5,286)
Interest income/(expense)	800	253	(611)	(8,064)	-	(7,622)
Finance income/(costs) from sale of wind farms	-	315	-	-	-	315
Finance income/(costs) from unrealised exchange gains/losses	-	(1)	-	(152)	-	(153)
Other finance income/(costs)	-	-	(237)	(1,148)	(145)	(1,530)
Other income/(expenses)	-	-	(302)	2,210	(578)	1,330
Profit (loss) before tax	1,998	325	987	7,021	(6,009)	4,322
Income tax expense	-	-	-	-	1,709	1,709
Net profit/(loss)	-	-	-	-	-	6,031
EBITDA (Operating profit/(loss) + depreciation and amortisation)*	2,548	(242)	3,672	27,655	(5,864)	27,769
Segment assets	65,192	331,484	75,214	416,576	-	888,466
Unallocated assets	-	-	-	-	59,818	59,818
Total assets	65,192	331,484	75,214	416,576	59,818	948,284

*) Operating profit/(loss) = gross profit/(loss) - administrative expenses + other income - other expenses

12. Earnings per share

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

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

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

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
Net profit	35,989	6,098
Weighted average number of ordinary shares	45,443,547	21,313,967
Earnings per ordinary share (PLN)	0.79	0.29

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
Weighted average number of ordinary shares	45,443,547	21,313,967
Dilutive effect	-	-
Diluted weighted average number of ordinary shares	45,443,547	21,313,967

13. Intangible assets

Jun 30 2015	development work	acquired permits, patents, licences and similar assets, including: software	intangible assets related to purchase price allocation *)	total intangible assets	
1. Gross intangible assets at beginning of period	865	3,450	281	58,000	62,315
a) increase, including:	-	80	-	-	80
- acquisition	-	80	-	-	80
b) decrease, including:	-	(109)	-	-	(109)
- other	-	(109)	-	-	(109)
2. Gross intangible assets at end of period	865	3,421	281	58,000	62,286
3. Cumulative depreciation at beginning of period	(475)	(1,169)	(269)	(3,288)	(4,932)
- Depreciation for current period	(42)	(364)	(1)	(4,932)	(5,338)
- decrease, including:	-	108	-	-	108
- other	-	108	-	-	108
4. Cumulative depreciation at end of the period	(517)	(1,425)	(270)	(8,220)	(10,162)
5. Impairment losses at beginning of period	-	-	-	-	-
6. impairment losses at end of period	-	-	-	-	-
7. net value of intangible assets at beginning of period	390	2,281	12	54,712	57,383
8. net value of intangible assets at end of period	348	1,996	11	49,780	52,124

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

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

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

14. Goodwill

GOODWILL

	Jun 30 2015	Dec 31 2014
- Dipol Sp. z o.o.	132	132
- Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	437	437
- Amon Sp. z o.o.	85	85
- Talia Sp. z o.o.	56	56
- Neutron Group	183,777	183,777
- Other	175	175
Total goodwill	184,662	184,662

GOODWILL

	Jun 30 2015	Dec 31 2014
- Goodwill arising on consolidation at beginning of period	184,662	899
- Increase (decrease) in goodwill arising on consolidation	-	183,763
Total goodwill	184,662	184,662

Goodwill related to subordinated entities, recognised as a result of the contribution of the Neutron Group assets to the Group, as described in more detail in Note 8, is attributable to the difference between the purchase price and the fair value of net assets acquired.

Goodwill following from the abovementioned transaction amounted to PLN 184m and was attributable to the following cash-generating segments:

- (i) PLN 75m – development segment – comprising PPG Pipeline Projektgesellschaft mbH, PPG Polska Sp. z o.o., and Natural Power Association Sp. z o.o. along with the subsidiaries;
- (ii) PLN 40m – conventional energy segment – comprising Elektrociepłownia Nowa Sarzyna;
- (iii) PLN 10m – distribution segment – comprising Polenergia Dystrybucja and Polenergia Kogeneracja;
- (iv) PLN 59m – trading segment – comprising Polenergia Obrót.

The abovementioned figures are provisional since, pursuant to IFRS 3, the acquiring entity is required to carry out fair value measurement of the acquired assets within 12 months from the acquisition date. In view of the above, the disclosed goodwill related to subordinated entities as well as its allocation to individual segments are approximate, and are subject to change within 12 months from the date of acquisition of the Neutron Group. The goodwill amount is not final, as valuations are still being verified.

The recoverable amount of individual operating segments and projects under development (except for the Elektrownia Północ power plant project) was estimated using the income approach, involving determination of the present value of discounted future cash flows for the owners of equity and external capital.

The valuation was based on long-term financial forecasts prepared for each tested asset individually, and on cost of capital commensurate with the risk related to each of the entities being valued. Depending on the nature of operations, cost of capital was assumed at 8.3-12.5%.

The future cash flows were estimated based on assumptions regarding market prices of coal, natural gas, CO2 emission allowances, electricity, and certificates of origin for electricity generated from renewable sources ("green certificates") and high-efficiency cogeneration ("yellow certificates") owned by the Group.

Operating activity

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

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

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

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

	Conventional energy	Distribution	Trade
Average annual increase/decrease in EBITDA over the detailed projection period	In the period 2015–2030: (5.7%), including: 2015–2020: (29.6%) 2021–2031: 12.5% ⁽¹⁾	1.9%	10.2%
Cash flow growth rate in the residual period	n.a.	1.1%	n.a.
Detailed projection period ⁽²⁾	2015 – 2031	2015 – 2022	2015 – 2030

⁽¹⁾ – The calculation presented in the table for the conventional energy segment has been made for full business years.

⁽²⁾ – Projection periods have been determined in consideration of the nature of the assets measured.

Projects under development

The following valuation methods have been adopted to test the projects under development:

- construction of the Bernau-Szczecin gas pipeline – income approach (discounted cash flow method) adjusted for discount related to the progress of work,
- construction of off-shore wind farms – income approach (discounted cash flow method) adjusted for discount related to the progress of work,
- construction of the Elektrownia Północ power plant – cost approach (carrying amount of net assets).

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

15. Property, plant and equipment

Jun 30 2015	land (including perpetual usufruct rights to land)	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	prepayments for property, plant and equipment under construction	total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	7,468	401,448	926,568	6,436	2,561	500,219	10,364	1,855,065
a) increase, including:	410	(6,104)	(4,671)	(160)	(136)	251,485	2	240,826
- acquisition	-	116	333	94	12	256,625	2	257,182
- transfer	410	1,435	3,701	-	-	(5,068)	-	478
- other	-	(7,655)	(8,705)	(254)	(148)	(72)	-	(16,834)
b) decrease, including:	(81)	(114)	(343)	(124)	(3)	(33)	(41)	(739)
- sale and liquidation	(81)	-	(29)	(124)	(3)	(24)	-	(261)
- transfer	-	(114)	(314)	-	-	(9)	(41)	(478)
2. Gross property, plant and equipment at end of period	7,797	395,230	921,554	6,152	2,422	751,671	10,325	2,095,152
3. Cumulative depreciation at beginning of period	-	(30,376)	(112,264)	(2,848)	(548)	(255)	-	(146,291)
- Depreciation for current period	-	(9,714)	(25,717)	(690)	(100)	-	-	(36,221)
- decrease, including:	-	7,655	8,668	346	154	(6)	-	16,817
- sale and liquidation	-	-	13	92	6	-	-	111
- other	-	7,655	8,655	254	148	(6)	-	16,706
4. Cumulative depreciation at end of the period	-	(32,435)	(129,313)	(3,192)	(494)	(261)	-	(165,695)
5. Impairment losses at beginning of period	-	(810)	(1,015)	-	-	(228)	-	(2,053)
6. Impairment losses at end of period	-	(810)	(1,015)	-	-	(228)	-	(2,053)
7. Net property, plant and equipment at beginning of period	7,468	370,262	813,289	3,588	2,013	499,736	10,364	1,706,722
8. Net property, plant and equipment at end of period	7,797	361,985	791,226	2,960	1,928	751,182	10,325	1,927,405

In the six months ended June 30th 2015, the Group incurred borrowing costs qualifying for capitalisation under initial value of property, plant and equipment, totalling PLN 2,539 thousand. The carrying amount of vehicles used under lease agreements as at June 30th 2015 was PLN 1,556 thousand.

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

In the year ended December 31st 2014, the Group incurred borrowing costs qualifying for capitalisation under initial value of property, plant and equipment, totalling PLN 7,885 thousand. The carrying amount of vehicles used under lease agreements as at December 31st 2014 was PLN 3,557 thousand.

16. Non-current receivables

	Jun 30 2015	Dec 31 2014
- receivables from other entities	4,309	4,269
- finance lease	3,073	3,203
- other receivables	1,236	1,066
Non-current receivables, net	4,309	4,269

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

17. Non-current financial assets

	Jun 30 2015	Dec 31 2014
- in other entities	20,104	7,413
- shares in non-listed companies	506	503
- loans advanced	469	-
- long-term contracts	19,129	6,910
Total non-current financial assets	20,104	7,413

18. Inventories

	Jun 30 2015	Dec 31 2014
- materials and merchandise	11,234	19,475
- certificates of origin	30,023	21,471
- prepaid deliveries	130	167
Total inventories, net	41,387	41,113
Inventory write-downs	1,219	1,921
Total inventories, gross	42,606	43,034

19. Current receivables

	Jun 30 2015	Dec 31 2014
- trade receivables	127,575	109,042
- to related entities	2,796	7,120
- from other entities	124,779	101,922
- income tax receivable	2,669	1,927
- other receivables	83,024	69,251
- to the state budget	53,817	41,738
- finance lease	294	292
- currency risk hedging	553	432
- under settlement of long-term contracts	22,692	21,818
- other	5,668	4,971
Total current receivables, net	213,268	180,220
- impairment losses on receivables	9,054	8,853
Total current receivables, gross	222,322	189,073

For information on related-party transactions, see Note 43.43

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

As at June 30th 2015, impairment losses on unrecoverable trade receivables went up to PLN 9,054 thousand from PLN 8,853 thousand as at December 31st 2014. Changes in impairment losses on trade receivables were as follows:

	Jun 30 2015	Dec 31 2014
At beginning of period	8,853	925
- Increase	201	8,282
- Use	-	(354)
At end of period	9,054	8,853

Presented below is a breakdown of trade receivables which were past due as at June 30th 2015 and December 31st 2014, but were not considered unrecoverable. Other receivables are not past due.

	Total	Not past due	Past due but recoverable				
			< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
Jun 30 2015	127,575	111,674	14,291	1,217	57	9	327
Dec 31 2014	109,042	101,112	6,904	266	116	197	447

20. Current prepayments and accrued income

	Jun 30 2015	Dec 31 2014
- insurance	626	3,411
- subscriptions	46	37
- wind turbine maintenance	1,553	949
- property tax, perpetual usufruct charges, lease payments	1,373	40
- accrued income	200	482
- accrued commissions	7,263	2,535
- other	1,249	1,109
Total current prepayments and accrued income	12,310	8,563

21. Current financial assets

	Jun 30 2015	Dec 31 2014
- loans advanced	2,479	3,022
- valuation of forward contracts *)	53,806	114,208
Total current financial assets	56,285	117,230

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

	For period ended Jun 30 2015	For period ended Jun 30 2014
Gain/(loss) on valuation of derivatives	1,909	-

	Jun 30 2015	Dec 31 2014
Current assets	53,806	114,208
Non-current assets	16,568	873
Total	70,374	115,081

	Jun 30 2015	Dec 31 2014
Current liabilities	40,703	100,987
Non-current liabilities	14,236	568
Total	54,939	101,555

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

- Level 1 – quoted prices in active markets for identical assets or liabilities (not adjusted),

- Level 2 – inputs other than quoted market prices included within Level 1 that are observable for the asset or liability in active markets,
- Level 3 – unobservable inputs for the asset or liability.

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

Class of financial instrument

Jun 30 2015	Level 2	Total
Current assets	53,806	53,806
Non-current assets	16,568	16,568
Total	70,374	70,374
Jun 30 2015	Level 2	Total
Current liabilities	40,703	40,703
Non-current liabilities	14,236	14,236
Total	54,939	54,939
Net fair value	15,435	15,435

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

Effect on profit/loss	For period ended Jun 30 2015	For period ended Jun 30 2014
Market price increase +1%	(576)	118
Market price decrease -1%	585	(50)

22. Cash and cash equivalents

	Jun 30 2015	Dec 31 2014
Cash and cash equivalents	316,121	416,809
- cash in hand and at banks	316,121	416,809
Total cash and cash equivalents	316,121	416,809

As at June 30th 2015, restricted cash of PLN 84,773 thousand was held in blocked bank accounts as security for repayment of credit facilities.

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

23. Share capital and statutory reserve funds/capital reserves

23.1. Share capital

Jun 30 2015

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

Dec 31 2014				
Series/issue	Type of shares	Number of shares	Par value of series/issue	
A	bearer	2,213,904	4,428	
B	bearer	2,304,960	4,610	
C	bearer	515,256	1,031	
D	bearer	566,064	1,132	
E	bearer	1,338,960	2,678	
F	bearer	544,800	1,090	
G	bearer	683,376	1,367	
H	bearer	288,000	576	
I	bearer	856,704	1,713	
J	bearer	3,835,056	7,670	
K	bearer	1,640,688	3,281	
L	bearer	3,144,624	6,289	
M	bearer	182,359	365	
N	bearer	69,922	140	
O	bearer	70,908	142	
P	bearer	89,500	179	
R	bearer	37,560	75	
S	bearer	147,026	294	
U	bearer	125,300	251	
W	bearer	143,200	286	
T	bearer	945,800	1,891	
Y	bearer	1,570,000	3,140	
Z	bearer	24,129,580	48,259	
Total number of shares		45,443,547		
Total share capital			90,887	
Par value per share (PLN)			2	

Shares of all series carry equal rights as to dividend and return on equity.

23.2. Significant shareholders

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

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

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

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

23.3. Other capital reserves

Other capital reserves have been created from profits generated in previous financial years

23.4. Undistributed profit and limitations on dividend payment

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

23.5. Non-controlling interests

	Jun 30 2015	Dec 31 2014
At beginning of period	948	1,038
- share in profit of subsidiaries	17	(90)
At end of period	965	948

23.6. Dividends paid and proposed

In the period ended June 30th 2015, the Parent did not pay out dividend. No dividends are expected to be paid by the Company in H2 2015.

24. Income tax

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
Current income tax	6,445	14	(2,458)	14
Current income tax expense	6,422	14	(2,439)	14
Adjustments to current income tax from previous years	23	-	(19)	-
Deferred income tax	6,936	(1,723)	6,059	(1,544)
Related to temporary differences and their reversal	6,936	(1,723)	6,059	(1,544)
Tax expense recognised in profit or loss	13,381	(1,709)	3,601	(1,530)

EFFECTIVE TAX RATE

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
Tax expense recognised in profit or loss, including:	13,381	(1,709)
Current income tax	6,445	14
Deferred tax	6,936	(1,723)
Profit before tax	49,387	4,322
Tax at the effective rate of 19% (2014: 19%)	9,384	821
Adjustments to current income tax from previous years	(23)	-
Non-tax-deductible costs:	(3,974)	310
- permanent differences	1	(24)
- tax assets on account of tax losses in Special Economic Zone	253	341
- tax asset on account of other tax losses	(4,228)	(7)
Non-taxable income:	-	2,220
- deferred tax liability on income of limited joint-stock partnerships (SKA)	-	2,220
Tax recognised in profit or loss	13,381	(1,709)

25. Provisions

	Jun 30 2015	Dec 31 2014
Non-current provisions		
- provision for retirement and similar benefits	879	879
- provision for site restoration	1,166	1,166
Total non-current provisions	2,045	2,045

Current provisions		
- provision for retirement and similar benefits	17	17
- provision for accrued holiday entitlements	2,558	2,446
- provision for litigations and grid losses	1,107	607
Total current provisions	3,682	3,070

Change in non-current and current provisions

	Jun 30 2015	Dec 31 2014
At beginning of period	5,115	2,135
- provisions recognised	738	3,344
- provisions released	(126)	(183)
- utilised	-	(181)
Provisions at end of period	5,727	5,115

26. Non-current liabilities under bank and other borrowings

As at June 30th 2015, non-current liabilities under bank and other borrowings totalled PLN 794,892 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	PLN '000	EUR '000	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	32,117	7,729	repayable in monthly instalments, final instalment payable on Jan 31 2021
Security: mortgage over property, registered pledge over moveables, pledge over shares in the Borrower, powers of attorney over bank accounts, assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety up to PLN 6,338 thousand issued by Polenergia S.A., assignment of claims under insurance policies.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	2,122	PLN	repayable in monthly instalments, final instalment payable on Dec 20 2018
Security: mortgage over property, registered pledge over moveables, pledge over shares in the Borrower, assignment of claims under project contracts, subordination of Polenergia S.A.'s claims to Lender's claims, block on funds in the special-purpose reserve account, surety up to PLN 11,500 thousand issued by Polenergia S.A., representation on submission to enforcement, assignment of existing and future claims under Insurance Policies, Product Sale Contracts, Production Line Contracts and Performance Bonds							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	7,201	PLN	repayable in monthly instalments, final instalment payable on Sep 30 2022
Security: mortgage over property, registered pledge over moveables, pledge over shares in the Borrower, assignment of claims under project contracts, powers of attorney over bank accounts, representation on submission to enforcement, assignment of claims under a property insurance policy							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	124,770	PLN	repayable in quarterly instalments by Dec 31 2026
Security: registered pledge over assets, pledge over shares in the Borrower and Talia Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 312,739.5 thousand issued by Talia Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, representation on submission to enforcement							

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Talia Sp. z o.o.	111,627	PLN	78,875	PLN	repayable in quarterly instalments by Sep 30 2026
Security: registered pledge over assets, pledge over shares in the Borrower and Amon Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 227,440.50 thousand issued by Amon Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, representation on submission to enforcement							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	172,000	PLN	134,002	PLN	repayable in quarterly instalments by Sep 29 2028
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A.)	Warsaw, London	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	300,600	PLN	195,882	PLN	repayable in quarterly instalments by Jun 29 2029
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	85,112	PLN	repayable in quarterly instalments by Sep 29 2028
The following instruments serve as common security for Grupa PEP Farma Wiatrowa 1 Sp. z o.o.'s, Grupa PEP Farma Wiatrowa 4 Sp. z o.o.'s and Grupa PEP Farma Wiatrowa 6 Sp. z o.o.'s credit facilities listed above: mortgage over property, registered pledge over moveables, pledge over shares in the Borrowers, assignment of claims under project contracts, equity contribution and sponsor support agreement, equity contribution subordination agreement, representation on submission to enforcement.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A., BANK of CHINA, Alior Bank S.A.)	Warsaw, London	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	257,800	PLN	0	PLN	repayable in quarterly instalments by Sep 15 2029
Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, equity contribution and sponsor support agreement, equity contribution subordination agreement, representation on submission to enforcement							

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	104,064	PLN	repayable in quarterly instalments by Apr 30 2019

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	1,983	PLN	repayable in quarterly instalments by July 31 2018

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

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	32,000	PLN	28,764	PLN	repayable in quarterly instalments by Nov 20 2018

Security: pledge over assets, pledge over shares in the Borrower, powers of attorney over bank accounts, representation on submission to enforcement

As at December 31st 2014, non-current liabilities under bank and other borrowings totalled PLN 695,168 thousand, including:

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

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

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	2,546	PLN	repayable in monthly instalments, final instalment payable on Dec 20 2018

Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, subordination of Polenergia S.A.'s claims to Lender's claims, block on funds in the special-purpose reserve account, surety of up to PLN 11,500 thousand issued by Polenergia S.A., representation on submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	7,643	PLN	repayable in monthly instalments, final instalment payable on Sep 30 2022

Security: mortgage over property, registered pledge over assets, pledge over shares in the Borrower, assignment of claims under project contracts, powers of attorney over bank accounts, representation on submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	128,396	PLN	repayable in quarterly instalments by Dec 31 2026

Security: registered pledge over assets, pledge over shares in the Borrower and Talia Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 312,739.5 thousand issued by Talia Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, representation on submission to enforcement

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wroclaw	Talia Sp. z o.o	111,627	PLN	81,184	PLN	repayable in quarterly instalments by Dec 31 2026
Security: registered pledge over assets, pledge over shares in the Borrower and Amon Sp. z o.o., conditional assignment of claims under project contracts, block on funds in the special-purpose reserve account, surety of up to PLN 6,758 thousand issued by Polenergia S.A., surety of up to PLN 227,440.50 thousand issued by Amon Sp. z o.o., subordination of Polenergia S.A.'s claims to Lender's claims, representation on submission to enforcement							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	Warsaw	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	142,700	PLN	132,324	PLN	repayable in quarterly instalments by Sep 29 2028
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A.)	Warsaw, London	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	271,400	PLN	69,127	PLN	repayable in quarterly instalments by Jun 29 2029
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	Warsaw	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	82,997	PLN	repayable in quarterly instalments by Sep 29 2028
The following instruments serve as common security for Grupa PEP Farma Wiatrowa 1 Sp. z o.o.'s, Grupa PEP Farma Wiatrowa 4 Sp. z o.o.'s and Grupa PEP Farma Wiatrowa 6 Sp. z o.o.'s credit facilities listed above: mortgage over property, registered pledge over moveables, pledge over shares in the Borrowers, assignment of claims under project contracts, equity contribution and sponsor support agreement, equity contribution subordination agreement, representation on submission to enforcement.							

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	123,142	PLN	repayable in quarterly instalments by Apr 30 2019

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	2,430	PLN	repayable in quarterly instalments by July 31 2018

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

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

Security: pledge over assets, pledge over shares in the Borrower, powers of attorney over bank accounts, representation on submission to enforcement

27. Liabilities

CURRENT LIABILITIES

	Jun 30 2015	restated Dec 31 2014
- bank and other borrowings	116,397	91,993
- trade payables	141,662	128,487
- to related entities	1,921	920
- to other entities, including:	139,741	127,567
- investment commitments	25,699	22,282
- income tax payable	22	1,064
- other liabilities	119,599	158,353
- to the state budget	3,888	4,295
- other financial liabilities	450	509
- valuation of forward contracts *)	40,703	100,987
- salaries and wages	574	1,850
- special accounts	206	60
- currency risk hedging	663	-
- under settlement of long-term contracts	24,889	3,015
- other	48,226	47,637
Current liabilities, total	377,680	379,897

OTHER NON-CURRENT LIABILITIES

	Jun 30 2015	restated Dec 31 2014
- under settlement of long-term contracts	87,852	127,004
- valuation of forward contracts *)	42,866	31,471
- risk hedging	6,511	8,904
- investment commitments	1,500	1,500
- other financial liabilities	921	1,207
Total other non-current liabilities	139,650	170,086

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

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

For more information on the data restated as at December 31st 2014, see Note 10.1.

Other liabilities do not bear interest.

28. Current liabilities under bank and other borrowings

As at June 30th 2015, current liabilities under bank and other borrowings totalled PLN 116,397 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	PLN '000	EUR '000	
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	5,932	1,428	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	5,600	PLN	2,438	PLN	by Dec 31 2015

Common security with investment credit facility, presented in note 'Non-current liabilities'.

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

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6,000	PLN	2,509	PLN	one-off repayment by Mar 31 2016

Security: mortgage over property, assignment of claims under insurance policies, pledge over inventories, powers of attorney over bank accounts, representation on submission to enforcement

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	14,856	PLN	867	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Amon Sp. z o.o.	168,493	PLN	6,574	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (Raiffeisen Bank Polska S.A., PKO BP S.A., BZ WBK S.A., DNB NORD S.A.)	Warsaw, Wrocław	Talia Sp. z o.o.	111,627	PLN	4,196	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	172,000	PLN	6,480	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
BOŚ Bank SA	Warsaw	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	28,500	PLN	19,370	PLN	by Jul 29 2016
Security: pledge over a VAT account, powers of attorney over a VAT account, representation on submission to enforcement							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
CONSORTIUM OF BANKS (EBRD, BOŚ S.A.)	Warsaw, London	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	300,600	PLN	2,299	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
EBRD	London	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	100,000	PLN	4,109	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Bank Zachodni WBK S.A.	Wrocław	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	31,700	PLN	0	PLN	by Sep 30 2016
Security: pledge over a VAT account, powers of attorney over a VAT account, representation on submission to enforcement							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	55,000	PLN	3,500	PLN	one-off repayment by Jul 29 2017
Common security with investment credit facility, presented in note 'Non-current liabilities'.							

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	37,889	PLN	long-term facility portion repayable in less than 12 months
Common security with investment credit facility, presented in note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	883	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Kogeneracja Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Jan 31 2016
Security: assignment of claims under project contracts							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Polenergia Obrót Sp. z o.o.	20,000	PLN	16,839	PLN	one-off repayment by Jan 31 2016
The following instruments serve as common security for the above credit facility and a guarantee facility: surety of up to PLN 120,000 thousand issued by Kulczyk Holding, powers of attorney over bank accounts, representation on voluntary submission to enforcement.							

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Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Polenergia Dystrybucja Sp. z o.o.	32,000	PLN	1,663	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	8,000	PLN	0	PLN	one-off repayment by Nov 20 2015

Common security with investment credit facility, presented in note 'Non-current liabilities'.

As at December 31st 2014, current liabilities under bank and other borrowings totalled PLN 91,993 thousand, including:

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount PLN '000	EUR '000	Maturity date
Raiffeisen Bank Polska S.A.	Warsaw	Dipol Sp. z o.o.	21,600	EUR	6,029	1,428	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Mar 27 2015
Common security with investment credit facility, presented in note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	5,600	PLN	3,670	PLN	by Dec 31 2015
Common security with investment credit facility, presented in note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
MBANK S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	11,810	PLN	849	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
PEKAO S.A.	Warsaw	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	6,000	PLN	4,209	PLN	one-off repayment by Mar 31 2016
Security: mortgage over property, assignment of claims under insurance policies, pledge over inventories, powers of attorney over bank accounts, representation on submission to enforcement							

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

For information on security, see note 'Non-current liabilities'.

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

For information on security, see note 'Non-current liabilities'.

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

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
MBANK	Warsaw	Grupa PEP – Farma Wiatrowa 1 Sp. z o.o.	31,500	PLN	6,689	PLN	one-off repayment by Nov 28 2015

For information on security, see note 'Non-current liabilities'.

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

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
BOŚ Bank S.A.	Warsaw	Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.	25,000	PLN	1,059	PLN	one-off repayment by Jul 29 2016

Security: pledge over a VAT account, powers of attorney over a VAT account, representation on submission to enforcement

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
MBANK	Warsaw	Grupa PEP – Farma Wiatrowa 6 Sp. z o.o.	24,500	PLN	4,209	PLN	one-off repayment by November 28th 2015

Security: block on a VAT account, powers of attorney over a VAT account, representation on voluntary submission to enforcement

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

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement '000	currency	Outstanding amount '000	currency	Maturity date
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	55,000	PLN	1,800	PLN	one-off repayment by Jul 29 2017

Common security with investment credit facility, presented in note 'Non-current liabilities'.

Polenergia Group

Interim condensed consolidated financial statements for the six months ended June 30th 2015

(PLN '000)

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	253,000	PLN	37,891	PLN	long-term facility portion repayable in less than 12 months
Common security with investment credit facility, presented in note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Elektrociepłownia Nowa Sarzyna Sp. z o.o.	4,373	PLN	881	PLN	long-term facility portion repayable in less than 12 months
For information on security, see note 'Non-current liabilities'.							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Kogeneracja Sp. z o.o.	5,000	PLN	0	PLN	one-off repayment by Jan 31 2016
Security: assignment of claims under project contracts							
Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Polenergia Obrót Sp. z o.o.	20,000	PLN	7,479	PLN	one-off repayment by Jan 31 2016
The following instruments serve as common security for the above credit facility and a guarantee facility: surety of up to PLN 120,000 thousand issued by Kulczyk Holding, powers of attorney over bank accounts, representation on voluntary submission to enforcement.							

Polenergia Group

Interim condensed consolidated financial statements for the six months ended June 30th 2015

(PLN '000)

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
Raiffeisen Bank Polska S.A.	Warsaw	Polenergia Dystrybucja Sp. z o.o.	32,000	PLN	1,414	PLN	long-term facility portion repayable in less than 12 months

For information on security, see note 'Non-current liabilities'.

Company name, form of incorporation	Registered office	Debtor	Facility/loan amount as per agreement		Outstanding amount		Maturity date
			'000	currency	'000	currency	
ING Bank Śląski S.A.	Katowice	Polenergia Dystrybucja Sp. z o.o.	8,000	PLN	0	PLN	one-off repayment by Nov 20 2015

Common security with investment credit facility, presented in note 'Non-current liabilities'.

29. Accruals and deferred income

	Jun 30 2015	Dec 31 2014
Non-current accruals and deferred income		
- deferred income - grants	65,300	67,439
Total non-current accruals and deferred income	65,300	67,439
Current accruals and deferred income		
	Jun 30 2015	Dec 31 2014
- future bonuses, salaries and wages	5,936	8,487
- services	2,312	3,896
- unused holiday entitlements	676	421
- deferred income - grants	4,075	4,075
- cost of purchase of CO2 emission allowances	1,661	-
- expenditure on property, plant and equipment	545	5,106
- other	1,510	1,470
Total current accruals and deferred income	16,715	23,455

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

The second grant of PLN 40,000 thousand was given in 2010 as additional funding for the "Łukaszów wind farm construction" project. As at December 31st 2014, the Group received PLN 39,887 thousand under the grant. The wind farm was launched at the end of 2011, and the grant amount recognised as deferred income is written off over the wind farm's useful life.

The third grant of PLN 40,000 thousand was given in 2010 as additional funding for the "Modlikowice wind farm construction" project. As at December 31st 2014, the Group received PLN 39,771 thousand under the grant. The wind farm was launched at the end of 2011, and the grant amount recognised as deferred income is written off over the wind farm's useful life.

30. Contingent liabilities

30.1. Guarantees and sureties issued

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

30.2. Litigations

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

-
- 1) Agreement for Sale of Property Rights Incorporated in Certificates of Origin Certifying Electricity Generation from Renewable Sources to the Łukaszów Wind Farm of December 23rd 2009 and the Agreement for sale of Electricity from a Renewable Energy Source to the Łukaszów Wind Farm of December 23rd 2009, in respect of Amon;
 - 2) Agreement for Sale of Property Rights Incorporated in Certificates of Origin Certifying Electricity Generation from Renewable Sources to the Modlikowice Wind Farm of December 23rd 2009 and the Agreement for sale of Electricity from a Renewable Energy Source to the Modlikowice Wind Farm of December 23rd 2009, in respect of Talia;

The proceedings are pending.

The Company's subsidiary, Grupa PEP – Biomasa Energetyczna Północ Sp. z o.o. is seeking a total of PLN 80,000 from its trading partners, as a refund of advance payments. The proceedings are pending. Moreover, the subsidiary is seeking payment of receivables of approximately PLN 420,000.00.

Due to the nature of its business which involves supplying electricity to end customers, the Company's subsidiary Polenergia Dystrybucja Sp. z o.o. is enforcing claims against a number of customers in relation to sale and distribution of electricity, for a total amount of approximately PLN 850,000 thousand. Furthermore, Polenergia Dystrybucja Sp. z o.o. has filed an action against one of its electricity suppliers, claiming a refund of the overpayments for electricity bought. The amount of the claim sought by the claimant was PLN 550 thousand. Although the respondent recognised the validity of the claim, they filed for a set-off of receivables from energy supplies in a different period. Polenergia Dystrybucja Sp. z o.o. recognises the respondent's counterclaim as groundless and believes to have paid the supplier all of the amounts due to the energy bought.

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

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

30.3. Tax settlements

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

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Group companies. In the Group's opinion, as at December 31st 2014 provisions created by the Group for identified and calculable tax risk were sufficient.

30.4. Capital expenditure

As at June 30th 2015, the Group estimates capital expenditure on property, plant and equipment in H2 2015 at approximately PLN 396m, and contracts have already been concluded for PLN 329m. The funds will be allocated primarily for the purchase of new machinery and equipment to be used in projects under construction, in particular for the purpose of financing: wind farm construction, development and commencement of construction work as part of new wind farm projects, and the development of projects contributed with the Neutron Group's assets.

30.5. Contractual obligationsSubsidiary ENS Sp. z o.o.:

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

Under an electricity sale agreement with GET EnTra Sp. z o.o. (formerly: Mercuria Energy Trading Sp. z o.o.; GET EnTra) of March 21st 2008, updated under Annex No. 6 of December 18th 2014, the Company agreed to supply the following electricity quantities:

- starting from 2010, no less than 754,000 MWh pa, including no less than 360,000 MWh in the Summer Season,
- starting from 2014, no less than 740,000 MWh pa, including no less than 340,000 MWh in the Summer Season.

In accordance with Annex 4 of April 12th 2011, the agreement expires on December 31st 2015 (the Annex provides for the option of its extension for further three full calendar years).

Under a heat sale agreement of March 25th 1998 with Ciech Sarzyna S.A. (formerly Zakłady Chemiczne Organika-Sarzyna S.A.), the Company agreed to supply heat. In the event of failure to supply the agreed heat volumes, the Company is required to compensate for losses incurred and documented by the customer, up to USD 2m. Under the Agreement, amended by Annex No. 6 of December 27th 2012, Annex No. 7 of October 9th 2013 and Annex No. 9 of April 1st 2015, in the periods covered by these financial statements, the Company was obliged to supply, and Ciech Sarzyna S.A. was obliged to collect (Minimum Required Purchase Volume) the following heat volumes:

- 2013–2014: 460,000 GJ pa,
- 2015: 370,000 GJ,
- 2016–2018: 400,000 GJ pa,
- since 2019 until the end of the agreement effective period: 460,000 GJ pa.

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

31. Revenue

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- revenue from sale of electricity	1,135,693	16,409	570,578	6,828
- revenue from sale of heat	17,871	2,871	6,988	842
- revenue from consulting and advisory services	912	-	121	-
- income from re invoicing and reimbursement of expenses	6	12	4	7
- income from lease and operator services	52	5	10	5
- revenue from sale of merchandise	3,401	4,341	1,862	2,054
- revenue from sale of pellets	28,025	30,412	13,226	13,915
- rental income	69	4	35	-
- income from compensation for stranded costs and cost of gas	76,995	-	37,017	-
- net revenue from sale of gas	41,520	-	24,806	-
- other	396	121	51	68
Total revenue	1,304,941	54,175	654,698	23,719

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- revenue from certificates of origin	45,872	20,295	22,148	8,551
- revenue from reduced CO2 emissions	4,533	-	711	-
Total revenue from certificates of origin	50,405	20,295	22,859	8,551

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- Poland	1,171,079	74,470	591,173	32,270
- Czech Republic	100,707	-	49,832	-
- Luxembourg	2,169	-	357	-
- Germany	69,949	-	31,345	-
- Switzerland	101	-	101	-
- Hungary	4,533	-	711	-
- United Kingdom	6,808	-	4,038	-
Total revenue	1,355,346	74,470	677,557	32,270

32. Expenses by nature

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- depreciation and amortisation expense	41,559	14,457	20,808	7,240
- raw materials and consumables used	130,587	21,859	62,380	10,117
- services	20,863	11,783	10,209	6,015
- taxes and charges	7,907	2,056	3,978	980
- salaries and wages	19,180	6,589	9,631	3,375
- social security and other benefits	3,031	829	1,477	426
- other expenses, by nature of expense	1,885	140	995	88
Total expenses by nature	225,012	57,713	109,478	28,241
- cost of merchandise and materials sold (+)	1,064,196	4,775	545,702	1,957
- distribution costs (-)	(481)	-	(120)	-
- administrative expenses (-)	(14,942)	(5,286)	(6,897)	(2,167)
Cost of products sold	1,273,785	57,202	648,163	28,031

33. Other income

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- other, including:	3,354	2,437	1,789	1,077
- compensations and additional charges	573	108	173	8
- settlement of grants	2,182	2,139	1,070	1,069
- gain on disposal of non-financial non-current assets	23	178	23	-
- other	576	12	523	-
Total other income	3,354	2,437	1,789	1,077

34. Other expenses

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- impairment losses and write-downs, including:	201	7	120	6
- impairment losses on receivables	201	-	120	-
- inventory write-downs	-	7	-	6
- other, including:	1,930	1,100	630	198
- penalties, fines, compensation	532	263	10	49
- other development costs	344	664	164	94
- loss on disposal of non-financial non-current assets	39	-	-	-
- other	1,015	173	456	55
Total other expenses:	2,131	1,107	750	204

35. Finance income

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- income from interest on deposits and loans	3,861	1,734	1,619	936
- interest on finance leases	83	89	41	89
- foreign exchange losses, including:	784	5	(976)	5
- unrealised	722	1	(983)	1
- realised	62	4	7	4
- valuation of financial liabilities*)	3	67	3	4
- income from discount	-	315	-	159
- other charges under sureties	43	16	43	16
- disposal of shares in a subsidiary	3	-	3	-
- other	179	-	11	-
Total finance income	4,956	2,226	744	1,209

*) applicable to bank borrowings measured with amortised cost method

36. Finance costs

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
- interest expense	17,175	9,356	7,462	4,618
- foreign exchange losses, including:	346	317	(89)	(29)
- unrealised	134	154	(146)	(126)
- realised	212	163	57	97
- fees and commissions	1,912	625	1,134	174
- impairment losses on shares	-	159	-	159
- valuation of financial liabilities *)	2,975	718	2,386	372
- other	522	41	292	30
Total finance costs	22,930	11,216	11,185	5,324

*) applicable to bank borrowings measured with amortised cost method

37. Adjusted EBITDA

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014	For the three months ended Jun 30 2015	For the three months ended Jun 30 2014
Gross profit	81,561	17,268	29,394	4,239
Other income	3,354	2,437	1,789	1,077
Distribution costs	(481)	-	(120)	-
Administrative expenses	(14,942)	(5,286)	(6,897)	(2,167)
Other expenses	(2,131)	(1,107)	(750)	(204)
Operating profit	67,361	13,312	23,416	2,945
Depreciation and amortisation	41,559	14,457	20,808	7,240
EBITDA	108,920	27,769	44,224	10,185
Cost of securing financing	143			
Purchase price allocation:				
Valuation of long-term contracts	1,206	-	603	-
Adjusted EBITDA	110,269	27,769	44,827	10,185

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

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

38. Cash flows

Restricted cash

	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
- cash for credit facility repayments	15,785	16,067
- cash for the settlement of compensation for stranded costs	60,436	-
- cash for long- and medium-term overhauls	4,917	-
- other restricted cash	3,635	50
Total	84,773	16,117

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

Inventories:	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
- change in inventories in the statement of financial position	(274)	5,665
- recognition of wind farm development under non-current assets	-	135
- inventories of the merged subsidiaries at beginning of period		43
Change in inventories in the statement of cash flows	(274)	5,843
Receivables:	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
- change in current and non-current receivables, net in the statement of financial position	(32,346)	10,971
- change in investment receivables	720	(656)
- change in financial receivables	44,459	-
Change in receivables in the statement of cash flows	12,833	10,315
Liabilities:	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
- change in liabilities, net of borrowings, in the statement of financial position	(56,015)	4,425
- change in finance lease payables	419	(230)
- change in investment liabilities	(6,353)	(11,825)
- change in financial liabilities	2,850	(14)
Change in liabilities in the statement of cash flows	(59,099)	(7,644)
Prepayments, accruals and deferrals:	For the six months ended Jun 30 2015	For the six months ended Jun 30 2014
- change in accruals and deferrals in the statement of financial position	(12,608)	(7,455)
- commissions on credit facilities	1,476	-
- property, plant and equipment under construction, not invoiced	4,606	-
- cost transferred to equity	(682)	-
Change in accruals and deferrals in the statement of cash flows	(7,208)	(7,455)

39. Objectives and policies of financial risk management

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

The Group enters into transactions involving derivative instruments, primarily forward contracts. The purpose of these transactions is to manage currency risk arising in the course of the Group's operations and resulting from the sources of financing it uses.

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

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

Interest rate risk

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

It is the Group's policy to manage its interest expense by using debt financing based on floating rates. The Group does not use derivative financial instruments to hedge interest rate risk.

The table below presents sensitivity of the Group's annual profit before tax (in connection with floating-rate liabilities) to reasonably possible movements in interest rates, assuming that other factors remain unchanged. The effect on the Group's equity is not presented.

period ended Jun 30 2015	<i>Increase/decrease (percentage points)</i>	<i>Effect on profit/loss before tax over the next 3 months (PLN '000)</i>
1M WIBOR	1 %	(1,871)
1M EURIBOR	1 %	(96)
1M WIBOR	-1%	1,871
1M EURIBOR	-1%	96
period ended Jun 30 2014		
1M WIBOR	1%	(704)
1M EURIBOR	1%	(110)
1M WIBOR	-1%	704
1M EURIBOR	-1%	110

Currency risk

The Group's currency risk involves primarily the risk of changes in the euro exchange rate with respect to its open passive currency position under bank deposits, investment commitments, and investment credit facilities. As at June 30th 2015, the position was valued at EUR 9.2 thousand. This position is not hedged against changes in currency exchange rates.

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

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

	<i>Exchange rate increase/decrease</i>	<i>Effect on profit/loss</i>
Jun 30 2015 – EUR	+ 0.01 PLN/EUR	(92)
	- 0.01 PLN/EUR	92
Jun 30 2014 – EUR	+ 0.01 PLN/EUR	(101)
	- 0.01 PLN/EUR	101

In the period of six months ended June 30th 2015, the Group realised finance income of PLN 588 thousand from unrealised exchange differences.

In the period June 30th–September 30th 2015, movements in the PLN/EUR exchange rate may significantly affect the amount of unrealised exchange differences. The result on unrealised exchange differences as at September 30th 2015 will mainly depend on the difference between the PLN/EUR exchange rates on June 30th and September 30th 2015, with the appreciation/depreciation of the Polish

złoty against the euro having a positive/negative effect on the net profit of ca. PLN 92 thousand for each PLN 0.01 of the difference relative to the exchange rate as at June 30th 2015 (PLN 4.1944/EUR).

Credit risk

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

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

The Group records no material concentration of credit risk.

Liquidity risk

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

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

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

Jun 30 2015	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	33,526	107,936	461,016	590,339	1,192,817
Other liabilities	207,248	268	51,733	-	259,249
Trade payables	141,658	-	4	-	141,662
Dec 31 2014	up to 3 months	from 3 to 12 months	from 1 year to 5 years	over 5 years	Total
Interest-bearing borrowings	52,707	78,349	427,328	497,926	1,056,310
Other liabilities	284,834	605	43,000	-	328,439
Trade payables	128,484	-	3	-	128,487

40. Financial Instruments

Fair values of individual financial instrument classes

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

	FAIR VALUE				
	Category (IAS 39)	Carrying amount		Fair value	
		Jun 30 2015	Dec 31 2014	Jun 30 2015	Dec 31 2014
Financial assets					
Forward contracts	Level 2	70,374	115,081	70,374	115,081
Forward	Level 2	1,122	432	1,122	432
Financial liabilities					
SWAPs	Level 2	6,511	9,804	6,511	9,804
Forward	Level 2	663	-	663	-
Forward contracts	Level 2	83,569	132,545	83,569	132,545

Level 2: The fair value is measured based on other inputs that are observable for the asset or liability, either directly or indirectly. As similar contracts are traded in an active market, the prices reflect the results of actual transactions in similar derivative instruments (Note 21).

The fair values of financial assets and liabilities do not differ materially from their respective carrying amounts:

- non-current receivables - trade and other receivables - other financial assets - cash and cash equivalents - bank and other borrowings - other non-current liabilities - trade and other payables.

Interest rate risk

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

Jun 30 2015

	INTEREST RATE RISK						
	<i>Below 1 year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-4 years</i>	<i>4-5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Floating-rate interest							
PLN bank borrowings	110,465	74,641	77,027	95,986	43,447	471,678	873,244
EUR bank borrowings	5,932	5,933	6,818	7,401	7,740	4,221	38,045
Fixed-rate interest							
Cash assets	316,121	-	-	-	-	-	316,121
Finance leases	288	437	600	640	684	424	3,073

Dec 31 2014

	INTEREST RATE RISK						
	<i>Below 1 year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-4 years</i>	<i>4-5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Floating-rate interest							
PLN bank borrowings	85,963	66,648	68,578	95,689	45,154	383,447	745,479
EUR bank borrowings	6,030	6,030	6,307	7,355	7,692	8,268	41,682
Fixed-rate interest							
Cash assets	416,809	-	-	-	-	-	416,809
Finance leases	294	437	600	640	684	548	3,203

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

41. Hedging

Cash-flow hedges

As at June 30th 2015, the Group held the following hedging instruments for cash flow hedge accounting purposes:

Currency risk hedging

Maturity date of the hedging instrument	Value of the hedge Currency purchase (EUR '000)	Hedging rate	Instrument
Jul 29 2015	1,013.7	4.3015	Forward
Jul 31 2015	3,041.0	4.2915	Forward
Aug 28 2015	1,636.0	4.1591	Forward
Aug 31 2015	2,027.4	4.2965	Forward
Sep 1 2015	5,208.8	4.1906	Forward
Sep 29 2015	4,105.0	4.1651	Forward
Sep 30 2015	1,013.7	4.3017	Forward
Oct 1 2015	15,626.3	4.1960	Forward
Oct 6 2015	4,075.0	4.1679	Forward
Oct 23 2015	821.0	4.1715	Forward
Nov 2 2015	15,145.1	4.2004	Forward
Nov 9 2015	815.0	4.1740	Forward
Nov 17 2015	815.0	4.1765	Forward
Dec 1 2015	3,906.6	4.2075	Forward
Jan 4 2016	2,604.4	4.2145	Forward
61,854			

Interest rate risk hedging:

Maturity date of the hedging instrument	Value of the hedge Transaction value in PLN '000	Interest rate hedged	Instrument
Apr 29 2019	113,344.00	4.95%	IRS
113,344			

The main purpose of hedging transactions is to mitigate the effect of exchange rate movements on the value of future, highly probable currency payments under an investment agreement and interest flows under credit facilities.

Hedge accounting seeks to eliminate the risk of an accounting mismatch upon recognition of the hedging instrument's and the hedged item's effect on the entity's net profit or loss.

As at June 30th 2015, the Group recognised PLN -1,964 thousand in other comprehensive income, which is a component of equity, under the effective portion of the hedging instrument at fair value. The result on the forward transaction settlement will be carried as property, plant and equipment under construction and will be charged to profit or loss throughout the depreciation period of ca. 20 years.

42. Capital management

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

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

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

	Jun 30 2015	Dec 31 2014
Interest-bearing borrowings	911,289	787,161
Less cash and cash equivalents	(316,121)	(416,809)
Net debt	595,168	370,352
Equity	1,371,383	1,333,984
Total equity	1,371,383	1,333,984
Equity and net debt	1,966,551	1,704,336
Leverage ratio	30%	22%

43. Significant related-party transactions

As at June 30th 2015, the Group included the following associates:

- Geo Kletnia Sp. z o.o.

As at June 30th 2015:

- PLN 8 thousand of trade receivables were attributable to Polenergia Usługi Sp. z o.o. (formerly Polenergia Sp. z o.o.)
- PLN 201 thousand of trade receivables were attributable to Polenergia International S.a.r.l.
- PLN 40 thousand of trade receivables were attributable to Polenergia International Biogaz Sp. z o.o.
- PLN 86 thousand of trade receivables were attributable to Polenergia Holding S.a.r.l.
- PLN 49 thousand of trade receivables were attributable to Polskie Biogazownie Energy Żorawina Sp. z o.o.
- PLN 47 thousand of trade receivables were attributable to Polskie Biogazownie S.A.
- PLN 12 thousand of trade receivables were attributable to Polskie Biogazownie Energy Żorawina Sp. z o.o.
- PLN 1,527 thousand of trade receivables and PLN 12,190 thousand of revenue were attributable to Zakłady Chemiczne Organika-Sarzyna S.A.
- advanced loan of PLN 2,141 thousand was attributable to Polenergia Holding S.A.

For information on transactions with members of the Parent's Management Board and Supervisory Board, see Note 46 and 47. **Error! Reference source not found.47**

44. Compensation for stranded costs and cost of gas

Compensation for stranded costs

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

- revised net carrying amount of power generating property, plant and equipment as at January 1st 2007,
- depreciation of power generating property, plant and equipment for the purposes of corporate income tax in the period January 1st 2007 – March 31st 2008,
- operating profit or loss in the adjustment period, calculated based on realised and forecast revenue from sale of electricity and operating expenses related to sales of electricity, adjusted for depreciation and amortisation for the purposes of corporate income tax,
- net carrying amount of power generating property, plant and equipment after the end of the adjustment period.

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

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

The amounts for the period ended December 31st 2014 cover the four months from September to December 2014, that is the period from the merger with the Neutron Group (for more information, see Note 8) to the reporting date.

	For period ended Jun 30 2015	For period ended Dec 31 2014
compensation for stranded costs, entered in the books	53,228	39,825

In H1 2015, the Company received the following payments as compensation for stranded costs from Zarządca Różliczeń S.A.:

	For period ended Jun 30 2015	For period ended Dec 31 2014
prepayment for Q3 2014	-	29,436
adjustment to stranded costs for previous year	-	42,101
prepayment for Q4 2014	29,436	-
prepayment for Q1 2015	6,514	-
Total	35,950	71,537

Compensation for cost of gas

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

	For period ended Jun 30 2015	For period ended Dec 31 2014
compensation for cost of gas, entered in the books	23 767	19 755

In H1 2015, the Company received the following payments as compensation for gas costs from Zarządca Rozliczeń S.A.:

	For period ended Jun 30 2015	For period ended Dec 31 2014
prepayment for Q3 2014	-	11,523
annual adjustment to costs of gas for previous year	-	12,958
prepayment for Q4 2014	11,523	-
prepayment for Q1 2015	11,371	-
Total	22,894	24,481

45. Workforce

Set out below is the Group's workforce (FTEs) by type of position as at June 30th 2015 and December 31st 2014:

	Jun 30 2015	Dec 31 2014
Management Board	4	4
Administrative division	128	127
Operating division	140	148
Total headcount	272	279

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

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

	Jun 30 2015	Dec 31 2014
Zbigniew Prokopowicz	1,241	1,495
Jacek Głowacki	571	508
Anna Kwarciańska	599	801
Michał Kozłowski	599	801
Total	3,010	3,605

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

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

	Jun 30 2015	Dec 31 2014
Tomasz Mikołajczak	27	54
Mariusz Nowak	18	36
Łukasz Rędziniak	18	36
Arkadiusz Jastrzębski	18	36
Marek Gabryjelski	18	36
Jacek Głowacki	-	24
Total	99	222

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

Members of the Company's Management and Supervisory Boards as at the date of release of the half-year report had the following holdings of shares in the Parent:

Shares	As at Jan 1 2015	Acquisitions	Decreases	As at Oct 11 2015
Management Board	-	12,000	-	12,000
Zbigniew Prokopowicz	-	12,000	-	12,000
Total	-	12,000	-	12,000

48. Carbon dioxide (CO₂) emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Both EU membership and the Kyoto protocol require Poland to participate in the emissions trading scheme. The emissions trading mechanism was introduced on January 1st 2005 upon the entry into force of Directive 2003/87/EC of the European Parliament and of the Council, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of December 22nd 2004. The Act was superseded by the Act on Trading in Greenhouse Gas Emission Allowances, dated April 28th 2011. On July 17th 2015, the Act on Trading in Greenhouse Gas Emission Allowances of June 12th 2015, defining the trading mechanisms applicable in the current settlement period (2013–2020) and implementing Directive 2009/29/EC into Polish legislation, was enacted.

The facilities owned by the Polenergia Group: Zakrzów CHP plant (number in the National Allocation Plan of Carbon Dioxide (CO₂) Emission Allowances: KPRU No.: PL 0075 05), Mercury power plant (KPRU No.: PL 0879 05), and Nowa Sarzyna CHP plant (KPRU No. PL 0472 05) are combustion installations with a rated thermal input in excess of 20 MW, participating in the EU emissions trading scheme.

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

The Zakrzów CHP plant was provisionally allocated 8,439 free allowances annually for 2013–2020 pursuant to Art. 10a. It should be noted that in 2013–2015 the number of allocated allowances was

reduced by half given the lower heat volume generated by the plant in 2012–2014. Given the reduced emissions of CO₂, the number of allowances allocated to the plant will be sufficient for the settlement of emission allowances.

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

The Nowa Sarzyna CHP plant was allocated free emission allowances under Art. 10a for 2013–2020 for CO₂ emission volumes of 34,256–22,495 tonnes of CO₂.

The Nowa Sarzyna CHP plant was also allocated CO₂ emission allowances under Art. 10c. However, as no investments by the CHP were included in the National Investment Plan, the allowances were not transferred to the operator's account.

In 2014, Polenergia's plants participating in the emissions trading emitted the following amounts of CO₂ (based on the annual emissions reports verified by independent auditors):

- Zakrzów CHP plant – 2,753 tonnes
- Mercury Power Plant – 30,176 tonnes
- Nowa Sarzyna CHP Plant – 334,582 tonnes of CO₂.

Since January 1st 2013, all the installations have operated under new CO₂ emission monitoring plans, approved by the competent authorities, which are compliant with the requirements of: Commission Regulation (EU) No. 601/2012 of June 21st 2012 on the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Commission Regulation (EU) No 600/2012 of 21 June 2012 on the verification of greenhouse gas emission reports and tonne-kilometre reports and the accreditation of verifiers pursuant to Directive 2003/87/EC of the European Parliament and of the Council.

49. Licences

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

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

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

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

On February 27th 2009, Polenergia Kogeneracja Sp. z o.o. received a decision of the President of URE on grant of a licence for trade in gaseous fuels from March 1st 2009 to December 31st 2025. The licence holder is authorised to conduct business consisting in sale of natural gas to customers in the town and municipality of Tomaszów Mazowiecki.

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

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

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

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

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

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

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

On October 21st 2014, Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. received a decision of the President of URE on grant of a licence for electricity production from October 21st 2014 to December 31st 2030. The activity permitted under the licence consists in electricity production at the Rajgród wind farm, a 25,300 MW renewable energy source.

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

50. Events after the end of the reporting period

As at the date of preparation of these interim consolidated financial statements, i.e. August 11th 2015, no events had occurred which should have been but were not disclosed in the accounting records for the reporting period.