

In case of divergence between the language versions, the Polish version shall prevail.

Polenergia S.A. Group

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR A 6-MONTH PERIOD ENDED 30 JUNE 2019
INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR**

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Warsaw, 13 August 2019

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1. Interim condensed consolidated balance sheet

As at 30 June 2019

ASSETS

	Note	30.06.2019	31.12.2018
I. Non-current assets		1 904 912	1 877 422
1. Tangible fixed assets	10	1 614 675	1 589 271
2. Intangible assets	11	14 178	19 466
3. Subordinated entities goodwill	12	69 613	69 613
4. Financial assets	14	25 711	22 538
5. Financial assets measured using the equity method		167 826	161 838
6. Long term receivables		3 981	4 146
7. Deferred income tax assets	17	8 885	10 507
8. Prepayments and accrued income		43	43
Current assets		711 572	1 176 860
1. Inventories		29 636	34 971
2. Trade receivables		80 633	116 010
3. Income tax receivable		2 954	5 849
4. Other short term receivables		72 877	59 863
5. Prepayments and accrued income		11 294	5 927
6. Short term financial assets	14	239 419	642 383
7. Cash and equivalent		274 759	311 857
Total assets		2 616 484	3 054 282

EQUITY AND LIABILITIES

	Note	30.06.2019	31.12.2018
I. Shareholders' equity		1 231 223	1 185 741
Equity attributable to the shareholders of the parent company		1 230 297	1 184 838
1. Share capital		90 887	90 887
2. Share premium account		557 983	601 911
3. Reserve capital from option measurement		13 207	13 207
4. Other capital reserves		403 023	402 612
5. Retained profit (loss)		119 567	72 235
6. Net profit (loss)		45 630	3 404
7. F/X translation differences		-	582
Non-controlling interests		926	903
II. Long term liabilities		975 726	954 389
1. Bank loans and borrowings	19	762 018	792 259
2. Deferred income tax provision	17	70 846	69 196
3. Provisions	18	22 298	22 302
4. Accruals and deferred income		51 697	53 367
5. Other liabilities		68 867	17 265
III. Short term liabilities		409 535	914 152
1. Bank loans and borrowings	19	59 970	113 119
2. Trade payables		80 717	129 391
3. Income tax payable		74	345
4. Other liabilities		248 462	646 593
5. Provisions	18	3 179	10 587
6. Accruals and deferred income		17 133	14 117
Total equity and liabilities		2 616 484	3 054 282

2. Interim condensed consolidated profit and loss account

For the year ended 30 June 2019

	Note	For 6 months ended		unaudited	unaudited
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
Sales revenues	21	1 304 229	1 573 756	589 564	826 943
Cost of goods sold	22	(1 209 862)	(1 546 335)	(558 420)	(823 036)
Gross sales profit		94 367	27 421	31 144	3 907
Other operating revenues	23	3 625	4 665	1 864	3 368
Selling expense	22	(342)	(285)	(98)	(125)
General overheads	21	(18 793)	(20 827)	(9 589)	(11 820)
Other operating expenses	24	(2 759)	(17 964)	(1 488)	(17 604)
Financial income	25	3 296	3 119	1 473	1 830
Financial costs	26	(24 841)	(35 896)	(12 575)	(22 024)
Profit on loss of control over subsidiaries		-	11 983	-	11 983
Profit (loss) before tax		54 553	(27 784)	10 731	(30 485)
Income tax	17	(8 900)	(9 484)	(2 065)	(6 888)
Net profit (loss)		45 653	(37 268)	8 666	(37 373)
Net profit (loss) attributed to:		45 653	(37 268)	8 666	(37 373)
Parent company shareholders		45 630	(37 259)	8 640	(37 359)
Non-controlling shareholders	23	(9)	(9)	26	(14)
Earnings (loss) per share:					
Weighted average of ordinary shares		45 443 547	45 443 547	45 443 547	45 443 547
- basic earnings (loss) for period attributable to parent company shareholders		1,00	-0,82	0,19	-0,82
- diluted earnings (loss) for period attributable to parent company shareholders		1,00	-0,82	0,19	-0,82

Interim condensed consolidated statement of comprehensive income

	For 6 months ended		unaudited	unaudited
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Net profit (loss) for period	45 653	(37 268)	8 666	(37 373)
Other comprehensive income that may be reclassified to profit and loss account once specific conditions are met				
Cash flow hedges	411	189	292	224
F/X translation differences	(582)	(49)	-	(21)
Other net comprehensive income	(171)	140	292	203
COMPREHENSIVE INCOME FOR PERIOD	45 482	(37 128)	8 958	(37 170)
Comprehensive income for period:	45 482	(37 128)	8 958	(37 170)
Parent company shareholders	45 459	(37 119)	8 932	(37 156)
Non-controlling shareholders	23	(9)	26	(14)

3. Interim condensed consolidated statement of changes in equity

For the period ended 30 June 2019

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit (loss)	F/X translation differences	Equity attributable to the shareholders of the parent company	Non-controlling interest	Total equity
As at January 2019	90 887	601 911	13 207	402 612	75 639	-	582	1 184 838	903	1 185 741
Comprehensive income for reporting period										
- Net profit (loss) for reporting period	-	-	-	-	-	45 630	-	45 630	23	45 653
- Other comprehensive income for period	-	-	-	411	-	-	(582)	(171)	-	(171)
Transactions with owners of the parent recognized directly in equity										
- Allocation of profit/loss	-	(43 928)	-	-	43 928	-	-	-	-	-
As at 30 June 2019	90 887	557 983	13 207	403 023	119 567	45 630	-	1 230 297	926	1 231 223

PLN 411 k of other comprehensive income is related to the measurement of cashflow hedges.

PLN 43,928 k is related to the allocation of the parent's net profit for 2018.

For the period ended 30 June 2018

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit (loss)	F/X translation differences	Equity attributable to the shareholders of the parent company	Non-controlling interest	Total equity
As at January 2018	90 887	680 777	13 207	401 970	(6 414)	-	635	1 181 062	926	1 181 988
Change of accounting principles in line with IFRS 9	-	-	-	-	(217)	-	-	(217)	-	(217)
As at 1 January 2018 (converted)	90 887	680 777	13 207	401 970	(6 631)	-	635	1 180 845	926	1 181 771
Comprehensive income for reporting period										
- Net profit (loss) for reporting period	-	-	-	-	-	(37 259)	-	(37 259)	(9)	(37 268)
- Other comprehensive income for period	-	-	-	189	-	-	(49)	140	-	140
Transactions with owners of the parent recognized directly in equity										
- Allocation of profit/loss	-	(78 866)	-	-	78 866	-	-	-	-	-
As at 30 June 2018	90 887	601 911	13 207	402 159	72 235	(37 259)	586	1 143 726	917	1 144 643

PLN 189 k of other comprehensive income is related to the measurement of cashflow hedges.

PLN 78,866 k is related to the allocation of the parent's net profit for 2017.

The change of accounting principles affecting the figure of PLN 217k results from renegotiation of the facility agreement which used to be disclosed as an adjustment of the effective interest rate of a liability in order to settle the delta between the balance sheet value of such liability and the discounted modified future payments throughout the expected financing term is recognized under financial result on a one-off basis, according to IFRS 9. It was found necessary to recalculate the depreciated cost using the effective interest rate determined as at the execution day of the facility agreement in connection with the modification of such facility agreement that took place.

4. Interim condensed consolidated statement of cash flows

For the period ended 30 June 2019

	For 6 months ended	
	30.06.2019	30.06.2018
A.Cash flow from operating activities		
I.Profit (loss) before tax	54 553	(27 784)
II.Total adjustments	43 195	55 382
1.Depreciation	50 998	48 094
2.Foreign exchange losses (gains)	(33)	1 146
3.Interest and profit shares (dividends)	23 522	32 979
4.Losses (gains) on investing activities	(606)	4 859
5. Income tax	(3 102)	(14 392)
6.Changes in provisions	(7 412)	(1 139)
7.Changes in inventory	5 335	1 444
8.Changes in receivables	422 538	(341 191)
9.Changes in short term liabilities, excluding bank loans and borrowings	(443 456)	330 490
10.Changes in accruals	(3 615)	(6 920)
11. Other adjustments	(974)	12
III.Net cash flows from operating activities (I+/-II)	97 748	27 598
B.Cash flows from investing activities		
I. Cash in	184	103 914
1. Disposal of intangibles and tangible fixed assets	170	3 326
2. From financial asstes, including:	-	102 142
a) disposal of financial asstes	-	101 447
b) other inflows from financial asstes	-	695
3. Cash from disposal of subsidiary	-	(1 554)
4. Other investment inflows	14	-
II.Cash out	25 142	16 027
1. Acquisition of tangible fixed assets	19 057	10 154
2. For financial asstes, including:	6 085	5 873
a) acquisition of financial assets	6 085	5 873
III.Net cash flows from investing activities (I-II)	(24 958)	87 887
C.Cash flows from financing activities		
I.Cash in	19 391	44 301
1.Loans and borrowings	19 391	44 301
II.Cash out	129 253	109 148
1.Repayment of loans and borrowings	104 257	84 129
2.Lease payables	4 280	300
3.Interest	20 483	24 117
4.Other financial expenses	233	602
III.Net cash flows from financing activities (I-II)	(109 862)	(64 847)
D.Total net cash flows (A.III+/-B.III+/-C.III)	(37 072)	50 638
E.Increase/decrease in cash in the balance sheet, including:	(37 098)	50 443
- change in cash due to f/x differences	(26)	(195)
F.Cash at beginning of period	311 857	297 898
G.Cash at end of period, including:	274 759	348 341
- restricted cash	29 720	64 836

5. The rules underlying the interim condensed consolidated financial statements

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and cover the six month period from 1 January to 30 June 2019 and the comparative period from 1 January to 30 June 2018, while also including data for the second quarters of 2019 and 2018, and with respect to the balance sheet - as at 31 December 2018. In accordance with the applicable laws, these interim condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed by an independent auditor, while the comparative data for the financial year ended 31 December 2018 have been audited by an independent auditor.

These consolidated financial statements have been prepared in accordance with the historical cost method, except for the following material items in the balance sheet:

- derivatives which have been measured at fair value.

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

Some entities within the Group keep their own accounting books in line with the accounting policies (principles) set forth by the Accounting Act of 29 September 1994 (the "Act") as amended and rules issued based on such Act ("Polish Accounting Standards"). These consolidated financial statements include adjustments which have not been included in the Group entities' accounting books, in order to align the financial statements of such entities with the requirements of IFRS.

These interim condensed consolidated financial statements have been prepared on the assumption that the Company and the Group companies will continue as going concerns in the foreseeable future, that is for at least 12 months after the reporting date, i.e. 30 June 2019.

6. Accounting principles applied

The accounting principles applied by the Group have been outlined in the consolidated financial statements of Polenergia Group for 2018 published on 4 March 2019. Said Financial Statements provided detailed information on the principles and methods of measuring assets and liabilities, as well as measuring the financial result, the method of preparing financial statements and compiling comparable data. Such principles have been applied on a consistent basis, except for the adoption of IFRS 16 Lease

6.1. Changes to International Financial Reporting Standards

As of 1 January 2019 the Group adopted a new financial reporting standard IFRS 16 Lease. According to the transition provisions in IFRS 16, the new principles were adopted retrospectively, with recognition of the cumulative effect of initial implementation of the new standard under equity as at 1 January 2019. Consequently, there has been no adjustment of the comparative data for the financial year 2018 (modified retrospective approach).

Recognition of lease payables

The Group recognizes lease payables due to lease that was earlier classified under "operating lease" in line with the principles of IAS 17 Leases. Such payables have been measured at the present value of the outstanding lease payments as at the inception of IFRS 16 application. Discounting using the marginal interest range of the Group as at 1 January 2019 was applied.

As at the initial recognition, lease payments included in the lease liability measurement include the following types of payments for the right to use the underlying asset throughout the lease term:

- fixed lease payments less any lease incentives receivable,

-
- variable lease payments dependent on market indices,
 - amounts expected to be paid as guaranteed residual value of the leased asset,
 - purchase option exercise price, provided sufficient certainty exists as to such exercise,
 - penalties for termination of lease if the lessee may exercise termination option.

In order to derive the discount rates under IFRS 16, the Group has assumed that the discount rate should reflect the cost of such financing as would be incurred to purchase the leased asset. When estimating the discount rate, the Group considered the following contractual features: type, tenor, currency and potential spread the Group would have to pay to any financial institution providing financing.

As at 1 January 2019 the discount rates derived by the Group were within the range of (depending on the terms of contract):

- for PLN-denominated contracts: between 3.86% and 6.18%
- for EUR-denominated contracts: 4.54 %

The risk-free rate (RFR) has been estimated based on treasury bonds.

The Group applied simplified principles regarding short-term leases (not exceeding 12 months) and such leases where the value of the underlying asset is low - for those leases the Group has not recognize financial liabilities and relevant right-of-use assets. Respective lease payments are recognized as an expense over the lease term on a straight-line basis. The lease payables have been recognized in the balance sheet under other payables. Interest on lease payables have been recognized in the profit and loss account under other finance costs.

Recognition of the right-of-use assets

Right-of-use assets are measured at cost.

As at 1 January 2019 the Group adopted asset recognition at the amount of liabilities adjusted for any temporary amounts recognized to date in the balance sheet.

The right-of-use assets have been recognized in the balance sheet under the same item where the base assets owned by the Company would be recognized. Depreciation of the right-of-use assets has been recognized under the profit and loss account under the same items where costs of the similar type are recognized.

Application of estimates and judgments

Implementation of IFRS 16 requires certain estimates, judgments and calculations which impact on the measurement of finance lease liabilities and right-of-use assets. They include, without limitation:

- assessment of lease payments as fixed, variable or de facto fixed,
- assessment whether a given contract provides for a lease in line with IFRS 16,
- determination of term of contracts (including indefinite term contracts and extendable contracts),
- determination of the discount rate applied to future cash flows,
- determination of the depreciation rate.

Application of practical expedients

At the initial application of IFRS 16 the Group has taken advantage of the following practical expedients permitted by the standard:

- a single discount rate shall be applied to the lease contract portfolio which share similar characteristics,
- operating lease contracts with the outstanding lease term not exceeding 12 months as at 1 January 2019 have been recognized as short term lease,

Impact on the financial position report as at 1 January 2019

The impact of IFRS 16 implementation on the recognition of additional financial liabilities and relevant right-of-use assets is shown in the tables below:

Operating lease commitments disclosed as at 31 December 2018	90 444
Discounted using the lessee's incremental borrowing rate of at the date of initial application	49 877
Finance lease liabilities recognised as at 31 December 2018	563
Lease liability recognised as at 1 January 2019	50 440
Of which are:	
Current liabilities	5 057
Non-current lease liabilities	45 383
Right-of-use assets under lease	1.01.2019
Land real estate	45 964
Perpetual usufruct of the land	269
Other real estate	3 090
Plant and machinery	103
Vehicles	438
Other	13
Total	49 877

Impact on equity

The implementation of IFRS 16 has no impact on retained profit and equity as at 1 January 2019 in view of the recognition of the right-of-use assets and lease liabilities in identical amounts.

Impact on financial ratios

As practically all lease contracts have been recognized in the Group's balance sheet, implementation of IFRS 16 by the Group has impacted its ratios, including debt to equity ratio. In addition, following implementation of IFRS 16, measurement of profit changed (including, without limitation, operating profit, EBITDA), as well as operating cash flows. The Group reviewed the impact of those changes on the compliance with the covenants in loan agreements to which the Group is a party and identified no risk of breach of said covenants. The Group reviewed the impact of IFRS 16 on the deferred tax and identified no differences as at the inception date.

In the period between 1 January 2019 and 30 June 2019 the total depreciation cost of the right-of-use assets amounted to PLN 2,210 K. Interest expense on lease payables increased, with the respective amount of PLN 650k in the first half of 2019.

6.2. Functional and reporting currency

The functional currency and the reporting currency of these consolidated financial statements is Polish Zloty.

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

Cash, bank borrowings and other monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency as at the end of the reporting

period date at the exchange rate prevailing on the transaction date (for entities having the Polish zloty as their functional currency, the average rate quoted by the NBP is used). Foreign exchange differences on translation and settlement of items are recognized in finance income or cost, as appropriate. Changes in the measurement of derivatives designated as hedging instruments for hedge accounting purposes are recognized in accordance with the applicable hedge accounting policies.

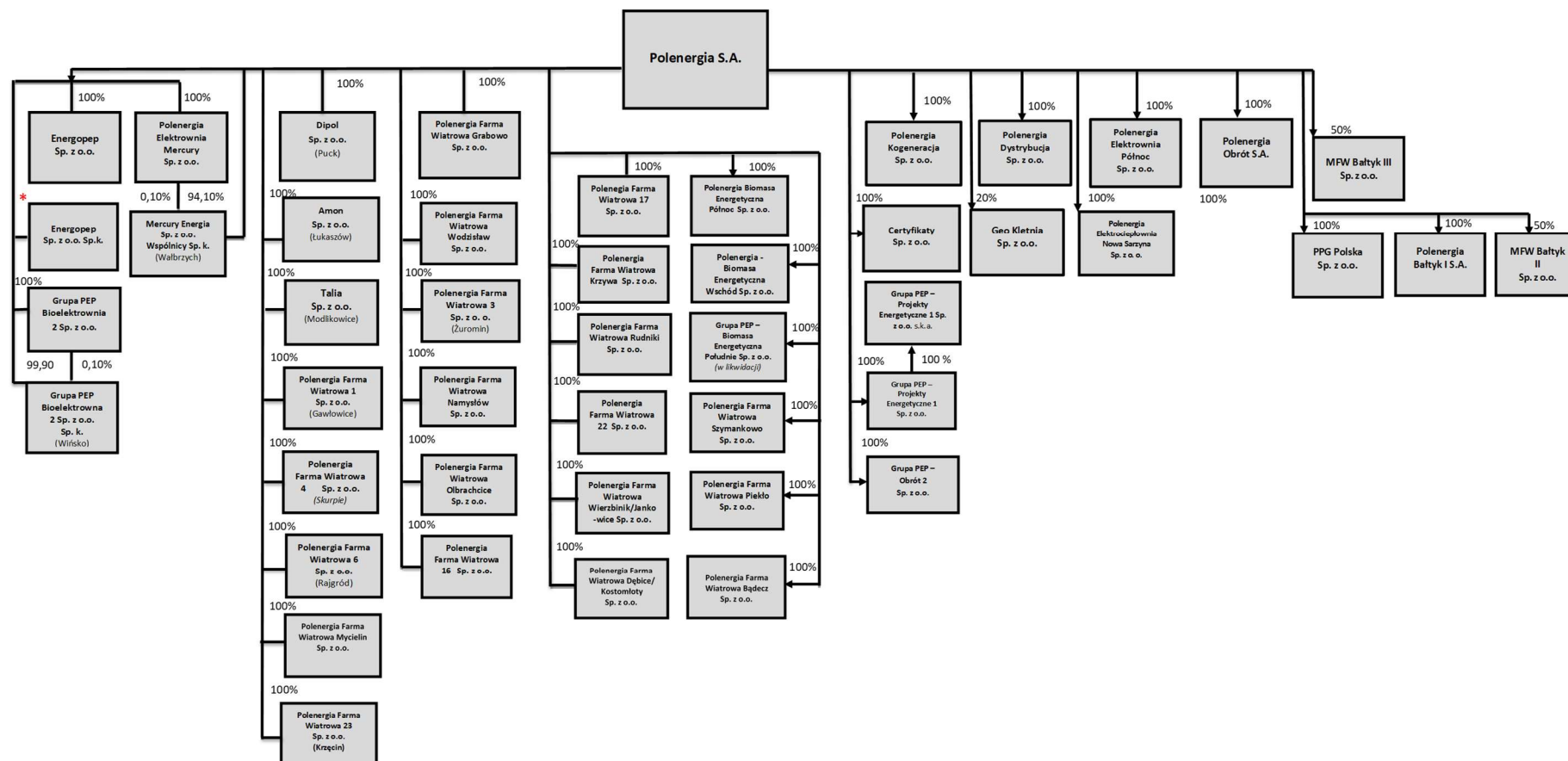
The following exchange rates were used for measurement purposes:

	30.06.2019	31.12.2018	30.06.2018
USD	3.7336	3.7597	3.7440
EUR	4.2520	4.3000	4.3616
GBP	4.7331	4.7895	4.9270

6.3. Seasonality and cyclical nature of operations

The Group operates on the industrial power outsourcing market. The Group's key customers use heat and electricity supplied by the Group for production purposes at their industrial facilities. Heat and electricity supply 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 Group resolved to build wind farms in locations selected based on professional wind measurements confirmed by independent and reputable experts. However, 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.

7. Organizational structure of the Group



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

8. Adjusted EBITDA and Adjusted Net Profit

Neither the level of EBITDA, nor the adjusted EBITDA nor the adjusted net profit allocated to the parent company shareholders have been defined in IFRS, hence these figures may be derived differently by other entities.

EBITDA and ADJUSTED EBITDA

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit/(loss) before tax	54 553	(27 784)	10 731	(30 485)
Financial revenues	(3 296)	(3 119)	(1 473)	(1 830)
Financial costs	24 841	35 896	12 575	22 024
Depreciation/Amortization	50 998	48 094	25 454	24 050
Profit on loss of control over subsidiaries	-	(11 983)	-	(11 983)
Development - related impairment loss	782	42	329	(205)
Biomass - related impairment loss	(27)	16 841	(21)	16 841
EBITDA	127 851	57 987	47 595	18 412
Purchase price allocation:				
Long term contract measurement	-	(681)	-	-
Adjusted EBITDA	127 851	57 306	47 595	18 412

ADJUSTED NET PROFIT (LOSS) attributed to parent shareholders

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
NET PROFIT (LOSS) attributed to parent shareholders	45 630	(37 259)	8 640	(37 359)
Unrealized foreign exchange net (gains)/losses	172	382	9	369
(Income)/Cost from measurement of long-term borrowings	678	7 357	342	6 703
(Net profit) on loss of control over subsidiaries	-	(2 953)	-	(2 953)
Development - related impairment loss	782	42	329	(205)
Biomass - related impairment loss	(27)	16 841	(21)	16 841
Purchase price allocation:				
Depreciation/Amortization	5 064	5 064	2 532	2 532
Long term contract measurement	-	(681)	-	-
Tax	(960)	(831)	(480)	(480)
Adjusted NET PROFIT (LOSS) attributed to parent shareholders	51 339	(12 038)	11 351	(14 552)

EBITDA, adjusted EBITDA and adjusted net profit attributable to owners of the parent are not defined in the accounting standards

The Group presents data on its EBITDA, adjusted EBITDA and the adjusted net profit allocated to the parent company shareholders in order to present the Group's results to the exclusion of certain elements that have no impact on the core business of the Group and that lead to no cashflows in the reporting period.

Neither the level of EBITDA, nor the adjusted EBITDA nor the adjusted net profit allocated to the parent company shareholders have been defined in IFRS, hence these figures may be derived differently by other entities. The foregoing indices have been defined in the consolidated financial statements of Polenergia Group for 2018 published on 4 March 2019.

9. Operating segments

For management purposes, the Group has made an analysis aimed at identifying relevant segments. As a result of such analysis, the following operating segments have been identified, being identical with the reporting segments:

- wind power segment, involving production of electricity,
- conventional energy segment comprising the generation of heat and electricity,
- trading segment dealing with the sale of electricity, certificates of origin and other energy market instruments,
- distribution segment comprising the distribution and sale of electricity to commercial, industrial and household customers,
- development and implementation segment comprising the development and construction of onshore wind farms, offshore wind farms and photovoltaic power plants.

After the development of the biomass segment comprising the production of pellet from energy plants had been abandoned, the Management Board resolved to refrain from identifying such segment and to include the results of those operations under “Unallocated” item.

The Management Board has been separately monitoring the operating performance of the segments in order to make decisions regarding allocation of resources, evaluation of the effects of such allocation and the operating performance. The basis for the evaluation of the operating performance is operating profit or loss plus depreciation/amortization, which are, to some 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 segments. Unallocated assets comprise the Company's cash.

Transaction prices used in transactions between the operating segments are determined on an arm's length basis, similarly to the transactions with non-related parties. Any and all consolidation adjustments are allocated to individual segments.

The Warsaw Commodity Clearing House is the only customer with whom the Group generated no less than 10% of total revenues of the Group. 99.9% of assets of the segments are located in Poland.

For 6 months ended 30.06.2019	Wind Power	Conventional Energy	Trading and energy sales	Distribution	Development and implementation activity	Unallocated *)	Purchase price allocation	Total
Sales revenue from external customers	115 828	143 991	991 168	46 198	4	7 040	-	1 304 229
Net sales profit (loss)	61 836	22 919	10 397	6 912	(152)	(2 481)	(5 064)	94 367
General overheads	(1 588)	(3 285)	(4 707)	(2 784)	(286)	(6 143)	-	(18 793)
Interest income/(expense)	(20 273)	(370)	(330)	(919)	71	2 135	-	(19 686)
Financial revenue/(expense) on unrealized f/x differences	130	(123)	(191)	-	(1)	(27)	-	(212)
Other financial revenue/(expense)	(1 695)	(284)	(1 056)	(130)	667	851	-	(1 647)
Other operating revenue/(expense)	1 803	(627)	209	570	(785)	(646)	-	524
Profit/loss before tax	40 213	18 230	4 322	3 649	(486)	(6 311)	(5 064)	54 553
Income tax	-	-	-	-	-	(9 860)	960	(8 900)
Net profit/loss	-	-	-	-	-	-	-	45 653
EBITDA **)	93 463	29 819	5 935	7 172	(441)	(8 097)	-	127 851
Segment assets	1 330 676	249 994	375 272	132 099	88 302	-	-	2 176 343
Unallocated assets	-	-	-	-	-	435 881	4 260	440 141
Total assets	1 330 676	249 994	375 272	132 099	88 302	435 881	4 260	2 616 484
Segment liabilities	895 203	55 810	305 742	83 334	9 698	-	-	1 349 787
Unallocated liabilities	-	-	-	-	-	15 320	20 154	35 474
Total liabilities	895 203	55 810	305 742	83 334	9 698	15 320	20 154	1 385 261
Depreciation/Amortization	31 412	10 812	36	2 474	-	1 200	5 064	50 998

*) HQ costs not allocated to other segments and biomass

**) EBITDA - definition in Note 8

Polenergia S.A. Group
Interim condensed consolidated financial statements for the period ended 30 June 2019
(PLN K)

For 6 months ended 30.06.2019		Wind Power	Conventional Energy	Trading and energy sales	Distribution	Development and implementation activity	Unallocated *)	Total
- revenue from sale and distribution of electricity	over time	81 737	96 604	960 260	43 111	-	-	1 181 712
- revenue from certificates of origin	over time	34 066	(26)	4 848	-	-	10	38 898
- revenue from CO2 emission allowances	point in time	-	-	559	-	-	-	559
- revenue from sale of heat	over time	-	11 518	-	-	-	-	11 518
- revenue from consulting and advisory services	over time	-	-	-	-	-	2 002	2 002
- revenue from lease and operator services	over time	-	-	-	445	-	-	445
- revenue from sale of merchandise	point in time	-	-	-	-	-	35	35
- revenue from sale of pellets	over time	-	-	-	-	-	4 901	4 901
- revenue from lease	over time	7	-	-	-	4	87	98
- revenue from stranded costs and cost of gas	over time	-	35 801	-	-	-	-	35 801
- revenue from sale and distribution of gas	over time	-	-	21 043	2 626	-	-	23 669
- other revenue	point in time	18	94	4 458	16	-	5	4 591
Total sales revenues		115 828	143 991	991 168	46 198	4	7 040	1 304 229

For 6 months ended 30.06.2018	Wind Power	Conventional Energy	Trading and energy sales	Distribution	Development and implementation activity	Unallocated *)	Purchase price allocation	Total
Sales revenue from external customers	70 965	148 581	1 298 073	43 463	4	11 989	681	1 573 756
Net sales profit (loss)	19 960	24 161	(16 841)	7 263	(171)	(2 568)	(4 383)	27 421
General overheads	(1 365)	(3 334)	(4 965)	(2 665)	(174)	(8 324)	-	(20 827)
Interest income/(expense)	(22 246)	(645)	(2 159)	(861)	78	3 821	-	(22 012)
Gain on loss of control over subsidiaries	-	-	-	-	-	11 983	-	11 983
Financial revenue/(expense) on unrealized f/x differences	(972)	185	317	-	(2)	-	-	(472)
Other financial revenue/(expense)	(9 933)	(148)	(612)	(72)	(30)	502	-	(10 293)
Other operating revenue/(expense)	2 297	(588)	205	251	31	(15 780)	-	(13 584)
Profit/loss before tax	(12 259)	19 631	(24 055)	3 916	(268)	(10 366)	(4 383)	(27 784)
Income tax	-	-	-	-	-	(10 315)	831	(9 484)
Net profit/loss	-	-	-	-	-	-	-	(37 268)
EBITDA **)	49 315	31 055	(21 567)	7 120	(272)	(8 345)	681	57 987
Segment assets	1 307 136	236 150	637 446	132 133	72 054	38 460	-	2 423 379
Unallocated assets	-	-	-	-	-	474 748	14 380	489 128
Total assets	1 307 136	236 150	637 446	132 133	72 054	513 208	14 380	2 912 507
Segment liabilities	959 572	102 143	597 135	69 911	396	7 830	-	1 736 987
Unallocated liabilities	-	-	-	-	-	2 477	28 400	30 877
Total liabilities	959 572	102 143	597 135	69 911	396	10 307	28 400	1 767 864
Depreciation/Amortization	28 423	10 816	34	2 271	-	1 486	5 064	48 094

*) HQ costs not allocated to other segments and biomass

**) EBITDA - definition in Note 8

Polenergia S.A. Group

Interim condensed consolidated financial statements for the period ended 30 June 2019

(PLN K)

For 6 months ended 30.06.2018		Wind Power	Conventional Energy	Trading and energy sales	Distribution	Development and implementation activity	Unallocated *)	Purchase price allocation	Total
- revenue from sale and distribution of electricity	over time	51 864	70 732	1 158 203	39 176	-	-	-	1 319 975
- revenue from certificates of origin	over time	19 094	7 548	(130)	-	-	-	681	27 193
- revenue from CO2 emission allowances	point in time	-	-	318	-	-	-	-	318
- revenue from sale of heat	over time	-	11 334	-	-	-	-	-	11 334
- revenue from consulting and advisory services	over time	-	-	-	-	-	1 311	-	1 311
- revenue from lease and operator services	over time	-	-	-	524	-	-	-	524
- revenue from sale of merchandise	point in time	-	-	-	-	-	278	-	278
- revenue from sale of pellets	over time	-	-	-	-	-	10 276	-	10 276
- revenue from lease	over time	7	-	-	-	4	60	-	71
- revenue from stranded costs and cost of gas	over time	-	58 866	-	-	-	-	-	58 866
- revenue from sale and distribution of gas	over time	-	-	138 529	3 752	-	-	-	142 281
- other revenue	point in time	-	101	1 153	11	-	64	-	1 329
Total sales revenues		70 965	148 581	1 298 073	43 463	4	11 989	681	1 573 756

10. Non-current fixed assets

30.06.2019	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non- current fixed assets	non-current fixed assets under construction	total non- current fixed assets
1. Gross value of non-current fixed assets at beginning of period	7 026	587 994	1 394 568	3 353	(342)	267 170	2 259 769
impact of the implementation of IFRS 16	46 233	3 090	102	424	14	14	49 877
Gross value of non-current fixed assets at beginning of period	53 259	591 084	1 394 670	3 777	(328)	267 184	2 309 646
a) increases (due to)	-	326	2 083	942	30	19 932	23 313
- purchase	-	196	1 036	942	10	19 932	22 116
- transfers	-	130	1 047	-	20	-	1 197
b) reductions (due to)	-	(2)	(62)	(360)	(27)	(1 275)	(1 726)
- sale and retirement	-	-	(56)	(360)	-	-	(416)
- other	-	(2)	(6)	-	(27)	(78)	(113)
- transfers	-	-	-	-	-	(1 197)	(1 197)
2. Gross value of non-current fixed assets at end of period	53 259	591 408	1 396 691	4 359	(325)	285 841	2 331 233
3. Cumulative depreciation at beginning of period	-	(114 765)	(337 501)	(2 359)	995	(106)	(453 736)
- current period depreciation	(1 279)	(12 227)	(31 825)	(300)	(79)	-	(45 710)
- reductions (due to)	-	1	62	332	10	-	405
- sale and retirement	-	-	56	332	-	-	388
- other	-	1	1	-	-	-	2
- transfers	-	-	5	-	10	-	15
3. Cumulative depreciation at end of period	(1 279)	(126 991)	(369 264)	(2 327)	926	(106)	(499 041)
4. Impairment losses at beginning of period	-	(8 355)	(6 850)	(46)	(44)	(201 467)	(216 762)
- increase	-	-	-	-	-	(781)	(781)
- reduction	-	-	-	27	-	(1)	26
6. Impairment losses at end of period	-	(8 355)	(6 850)	(19)	(44)	(202 249)	(217 517)
7. Net value of non-current fixed assets at beginning of period	7 026	464 874	1 050 217	948	609	65 597	1 589 271
impact of the implementation of IFRS 16	46 233	3 090	102	424	14	14	49 877
Net value of non-current fixed assets at beginning of period	53 259	467 964	1 050 319	1 372	623	65 611	1 639 148
8. Net value of non-current fixed assets at end of period	51 980	456 062	1 020 577	2 013	557	83 486	1 614 675

In the six months ended 30 June 2019, the Group incurred borrowing costs qualifying for capitalization under initial value of non-current fixed assets, totaling PLN 139 k. In the six-month period ended 30 June 2019, land and buildings worth PLN 449,139 k were encumbered with mortgages securing repayment of credit facilities.

31.12.2018	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non- current fixed assets	non-current fixed assets under construction	prepayments for non-current fixed assets under construction	total non-current fixed assets
1. Gross value of non-current fixed assets at beginning of period	7 797	589 682	1 397 655	4 829	459	431 466	626	2 432 514
a) increases (due to)	-	7 315	15 643	462	239	21 317	-	44 976
- purchase	-	2 193	8 963	450	225	21 317	-	33 148
- transfers	-	5 122	6 680	12	14	-	-	11 828
b) reductions (due to)	(771)	(9 003)	(18 730)	(1 938)	(1 040)	(185 613)	(626)	(217 721)
- sale and retirement	(771)	(9 003)	(19 116)	(1 552)	(255)	-	-	(30 697)
- other	-	-	-	-	(767)	(173 578)	(626)	(174 971)
- transfers	-	-	386	(386)	(18)	(12 035)	-	(12 053)
2. Gross value of non-current fixed assets at end of period	7 026	587 994	1 394 568	3 353	(342)	267 170	-	2 259 769
3. Cumulative depreciation at beginning of period	-	(94 137)	(283 261)	(3 035)	347	(106)	-	(380 192)
- current period depreciation	-	(22 353)	(61 710)	(536)	5	-	-	(84 594)
- reductions (due to)	-	1 725	7 470	1 212	643	-	-	11 050
- sale and retirement	-	3 373	12 052	1 212	236	-	-	16 873
- other	-	(1 648)	(4 587)	-	412	-	-	(5 823)
- transfers	-	-	5	-	(5)	-	-	-
3. Cumulative depreciation at end of period	-	(114 765)	(337 501)	(2 359)	995	(106)	-	(453 736)
4. Impairment losses at beginning of period	-	(24 771)	(58 715)	(24)	(11)	(177 951)	-	(261 472)
- increase	-	(8 303)	(8 184)	(157)	(50)	(24 795)	-	(41 489)
- reduction	-	24 719	60 049	135	17	1 279	-	86 199
6. Impairment losses at end of period	-	(8 355)	(6 850)	(46)	(44)	(201 467)	-	(216 762)
7. Net value of non-current fixed assets at beginning of period	7 797	470 774	1 055 679	1 770	795	253 409	626	1 790 851
8. Net value of non-current fixed assets at end of period	7 026	464 874	1 050 217	948	609	65 597	-	1 589 271

In the 12-month period ended 31 December 2018, the Group incurred borrowing costs qualifying for capitalization under initial value of non-current fixed assets, totaling PLN 225 k.

In the 12-month period ended 31 December 2018, land and buildings worth PLN 464,685 k were encumbered with mortgages securing repayment of credit facilities.

The carrying amount of vehicles used under lease contracts as at 31 December 2018 was PLN 1,491 k.

On 23 May 2018, the Group acquired the infrastructure of the Krzęcin Wind Farm. As at 31 December 2018 the non-current fixed assets of said project amounted to PLN 2,135 k.

As a result of the sale transaction referred to in Note 19, the amount of such non-current fixed assets decreased by PLN 130,835 k.

11. Intangible Assets

A review of the intangible assets of the Company performed as at 30 June 2019 showed no grounds for performing impairment test.

12. Goodwill

As at 30 June 2019 goodwill amounted to PLN 69,613 k ; an impairment-related analysis was performed which showed no grounds for goodwill impairment test.

13. Short term receivables

As at 30 June 2019, impairment losses on uncollectible trade receivables were increased up to PLN 3,108 k compared to PLN 2,077 k as at 31 December 2018. Changes in impairment losses on receivables included the following:

	30.06.2019	31.12.2018
As at the beginning of the period	2 077	2 340
- Increase	1 166	276
- Application	(14)	(193)
- Reversal	(121)	(346)
As at the end of the period	3 108	2 077

Below is a classification of trade receivables into impairment stages:

	Total	Step 1	Step 2
30.06.2019	80 633	79 696	937
31.12.2018	116 010	114 824	1 186

14. Financial instruments measured at fair value

Fair value of futures and forward contracts

Futures and forward contracts to buy or sell electricity, gas and CO² entered into by Polenergia Obrót S.A. subsidiary are classified as derivatives and are accounted for in accordance with the standards applicable to derivative instruments. Accordingly, such contracts are measured at fair value, with changes in fair value recognized under the profit and loss account. Gains or losses on the measurement of contracts are disclosed on a net basis under revenue or selling expenses, as appropriate. Measurement is performed with respect to the outstanding part of the contracts broken down into a current portion to be completed within 12 months from the reporting date, and a long term portion to be completed in subsequent years.

The table below includes information on financial assets and liabilities 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 (no adjustment),
- Level 2 – assets and liabilities measurement inputs other than quoted market prices included under Level 1 that are observable for the variables from active markets,

- Level 3 – assets and liabilities measurement inputs determined otherwise than based on the variables from active markets.

Derivatives are pairs of futures contracts (long and short positions) entered into on stock exchanges for speculative purposes and measured with the model using market parameters, i.e. the market price of an instrument discounted using relevant interest rates (Level 2). The impact of unobserved data, if any, was immaterial to the measurement of derivatives.

Financial instrument category

30.06.2019	Level 2	Total
Short term assets	239 339	239 339
Long term assets	21 868	21 868
Total	261 207	261 207

30.06.2019	Level 2	Total
Short term liabilities	230 920	230 920
Long term liabilities	20 634	20 634
Total	251 554	251 554

Net fair value	9 653	9 653
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The abovementioned long term and short term asset and liability figures do not include all items that add up to the asset and liability amount in the consolidated balance sheet as at 30 June 2019.

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

Impact on profit/loss	30.06.2019	30.06.2018
Market price increase by 1%	(46)	(695)
Market price decrease by 1%	46	695

Fair value of other financial assets and liabilities enumerated below is not materially different from their carrying amount:

- long term receivables,
- trade debtors and other receivables.
- cash and equivalent,
- bank loans and borrowings,
- trade creditors and other payables.

Category		Carrying amount		Fair Value	
		30.06.2019	31.12.2018	30.06.2019	31.12.2018
Financial asstes					
Futures and forward contracts	Level 2	261 207	661 276	261 207	661 276
Financial liabilities					
Bank	Level 2	821 988	905 378	821 988	905 378
SWAP	Level 2	3 023	3 472	3 023	3 472
Futures and froward contracts	Level 2	251 554	640 293	251 554	640 293

15. Significant shareholders

Shareholders holding 5% or more of the total number of shares as at the date of issue of these condensed consolidated financial statements include:

No	Shareholder	Number of shares held	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	23 467 043	23 467 043	51,64%
2	China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7 266 122	7 266 122	15,99%
3	Nationale Nederlanden	2 570 000	2 570 000	5,66%
4	Generali OFE	3 000 000	3 000 000	6,60%
5	Aviva OFE	3 732 687	3 732 687	8,21%
6	NN Investment Partners TFI	2 278 095	2 278 095	5,01%
7	Others	3 129 600	3 129 600	6,89%
Total		45 443 547	45 443 547	100,00%

*) Kulczyk Holding S.à r.l. holds 100 % of shares in Mansa Investments sp. z o.o.

**) through a subsidiary Capedia Holdings Limited of Nicosia, Cyprus.

16. Dividends paid and proposed

No dividends were paid by the parent in the six-month period ended 30 June 2019. No dividends are intended to be paid by the parent in 2019.

17. Income tax

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Current income tax	5 725	13 243	4 889	12 808
Current income tax charge	5 716	13 223	4 879	12 806
Adjustments to prior years current income tax	9	20	10	2
Deferred income tax	3 175	(3 759)	(2 824)	(5 920)
Related to temporary differences and their reversal	3 175	(3 759)	(2 824)	(5 920)
Income tax charged to the profit and loss account	8 900	9 484	2 065	6 888

	Balance sheet	Profit and loss account	Capital	Balance sheet
	01.01.2019			30.06.2019
Deferred income tax				
Deferred income tax provision				
Tangible fixed assets	78 971	7 316	-	86 287
Intangible assets	3 524	(937)	-	2 587
Receivables	11 615	3 377	-	14 992
Cash	(598)	(5)	-	(603)
Loans and borrowings	(4 004)	(77)	-	(4 081)
Lease receivables	236	(30)	-	206
Liabilities	(4 694)	61	-	(4 633)
Other	2 170	(1 750)	-	420
Inventories	935	(325)	-	610
Deferred income tax provision before tax	88 155	7 630	-	95 785
Compensation				(24 939)
Deferred income tax provision				70 846
Deferred income tax assets				
Tangible fixed assets	4 835	(2 964)	-	1 871
Inventories	(188)	(197)	-	(385)
Receivables	1 108	24	-	1 132
Borrowings	(4 098)	6	-	(4 092)
Liabilities	1 826	8 941	(97)	10 670
Provisions	4 085	625	-	4 710
Retained assets	12 348	(1 696)	-	10 652
Prepayments	9 550	(284)	-	9 266
Deferred income tax asset	29 466	4 455	(97)	33 824
Compensation				(24 939)
Deferred income tax assets				8 885
Deferred income tax expense		3 175		
Net deferred tax (assets)/provision	58 689		97	61 961

The temporary difference related to tangible fixed assets and intangible assets follows from remeasurement of the assets at fair value and accelerated tax depreciation/amortization.

EFFECTIVE TAX RATE

	For 6 months ended	
	30.06.2019	30.06.2018
Income tax charged to the profit and loss account, including	8 900	9 484
Current tax	5 725	13 243
Deferred tax	3 175	(3 759)
Profit (Loss) before tax	54 553	(27 784)
Tax on gross profit at effective tax rate of 19%	10 365	(5 279)
Adjustments to prior years current income tax	9	20
Current tax of limited partnerships	249	-
Non-deductible costs:	(1 723)	14 743
- permanent differences	253	285
- asset from tax losses in the Special Economic Zone	23	142
- temporary difference on which no tax asset/provision is established *)	(1 999)	14 316
Income tax in the profit and loss account	8 900	9 484

*) This item concerns mainly non-recognition of a deferred tax asset related to impairment losses on non-financial fixed assets, non-recognition of a deferred tax asset if there is a risk related to deduction of losses in the future, as well as the effect of sale of MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. in the first half of 2018.

18. Provisions

	30.06.2019	31.12.2018
Long term provisions		
- pension plan and related provision	1 159	1 163
- litigation provision	21 139	21 139
Total long term provisions	22 298	22 302
Short term provisions		
- pension plan and related provision	212	214
- accrued holiday leave provision	1 175	1 298
- litigation and grid losses provision	1 792	1 793
- other provisions	-	7 282
Total short term provisions	3 179	10 587

Change in long term and short term provisions

	30.06.2019	31.12.2018
Provisions at beginning of the period	32 889	26 563
- recognition of provisions	-	7 463
- reversal of provisions	(7 412)	(1 094)
- application provisions	-	(43)
Provisions at end of the period	25 477	32 889

19. Bank loans and other borrowing liabilities

In the period covered by these interim condensed consolidated financial statements or thereafter there has been no occurrence of events of default on payment of any principal or interest, nor any breach of the terms and conditions of any facility agreement, except for the loan to Polenergia Biomasa Wschód Sp. z o.o. referred to in Note 28 in the Consolidated Financial Statements for the year ended 31 December 2018. As at 30 June 2019 the credit facility payables of Biomasa amounted to PLN 4,267 k and given the fact that as at the reporting date the company did not meet the covenants under the facility agreement, they have been fully included under short-term liabilities in the consolidated financial statements.

On 31 January 2019, 28 February 2019, 29 March 2019, 29 April 2019 and 28 June 2019 Polenergia Biomasa Energetyczna Wschód Sp. z o.o. („BEW”) entered into a number of annexes to the Investment Facility Agreement 2011/34 entered into on 10 October 2011 with Bank PEKAO S.A. („Pekao”). The provisions of such annexes establish collaterals for the repayment under the abovementioned facility agreement, such as assignment of receivables under contract, registered pledge on a collection of movables, freezing of funds on BEW account, financial pledge on accounts, establishing debt service reserve and subordinating payables to Polenergia S.A. to payables to Pekao under the investment facility.

On 26 April 2019 Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. („ENS”) entered into an annex to the revolving loan facility agreement executed on 29 July 2011 with ING Bank Polska S.A. („ING”). According to the annex, the facility is capped at PLN 20.000 k with the final repayment date on 30 April 2020. The facility was granted for the purpose of financing current operations of ENS. The facility is secured with registered pledge on bank accounts, registered pledge on company assets, registered pledge on the shares in the company, assignment as collateral, statement of submission to enforcement

proceedings. The interest rate of the facility is based on WIBOR prevailing on the drawdown date of a tranche.

In the period ended 30 June 2019 repayments of loans took place in operating wind farms amounting to PLN 37m, in Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. amounting to PLN 37m and in Polenergia Obrót Sp. z o.o. amounting to PLN 28m. Proceeds from loans incurred refer to Polenergia Obrót Sp. z o.o. - PLN 12m and Polenergia Dystrybucja Sp. z o.o. - PLN 7m.

20. Contingent liabilities

20.1 Guarantees and sureties granted

As at 30 June 2019 the Group has not issued any third party guarantees.

20.2 Litigation

During the 6-month period ended 30 June 2019 the Company's subsidiary Polenergia Biomasa Energetyczna Północ Sp. z o.o. entered into court settlements in the proceedings for payment of the amounts of PLN 420 k and PLN 65 k. The provisions of the settlement agreements stipulate that in the first case the amount due of EUR 90 k shall be paid in six instalments in the second half of 2019, while in the other case payment has been split into three instalments, the first of which has already been paid, the remaining two being PLN 30 k each, scheduled for the end of October 2019 and 2020. Also, in the first half of 2019 another case where Polenergia Biomasa Energetyczna Północ Sp. z o.o. pursues payment of PLN 146 k was referred to mediation.

Within the 6-month period ended 30 June 2019 the Company's subsidiary Polenergia Dystrybucja Sp. z o.o. was paid more than PLN 171 k by one of the electricity suppliers as a result of part of the judgment of the District Court in Gdańsk dated 4 September 2018 concerning refund of the overpayment for energy supplied having become final and binding.

In the first half of 2019 the Supreme Court accepted the cassation complaint of the other party against the judgment of the Court of Appeal in Gdańsk dated 7 February 2018 in the case instituted by the Company's subsidiary Polenergia Elektrownia Północ Sp. z o.o. for payment of liquidated damages upon a breach of contract. Based on the abovementioned judgement, the collection enforced by the bailiff resulted in recovery of almost the entire amount due.

20.3 Capital expenditure

As at 30 June 2019, it is the Company's intention that the Polenergia Group's capital expenditure on fixed assets should total PLN 71 million by the end of 2019. Such expenditure shall be appropriated mostly to the implementation of the investment program in the distribution segment and to the construction of a photovoltaic power plant projects, as well as the development of further projects in the area of offshore and onshore wind power and photovoltaics. Should a decision be made to build onshore wind farms, the expenditure may be increased. It is the Group's aim to finance individual projects under the project finance formula involving debt financing. Enticing investors who would take shareholdings in the projects and participate in financing the construction has not been excluded, either.

20.4 Contractual obligations

Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. subsidiary

On 2 April 2019 the Company entered into a framework agreement for the sale of methane rich gas fuel with PGNiG Supply & Trading GmbH Sp. z o.o. Oddział w Polsce [Polish Branch] and on 4 April 2019 the Company entered into an individual contract (based on the framework agreement) for the year 2020 for the purchase of 1.62 TWh of gas

21. Sales revenue

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
- revenue from sale and distribution of electricity	1 181 712	1 319 975	544 158	691 317
- revenue from certificates of origin	38 898	27 193	12 129	16 582
- revenue from CO2 emission allowances	559	318	229	337
- revenue from sale of heat	11 518	11 334	4 691	4 370
- revenue from consulting and advisory services	2 002	1 311	980	1 044
- revenue from lease and operator services	445	524	226	271
- revenue from sale of merchandise	35	278	-	132
- revenue from sale of pellets	4 901	10 276	2 637	5 165
- revenue from lease	98	71	33	25
- revenue from stranded costs and cost of gas	35 801	58 866	16 648	32 175
- revenue from sale and distribution of gas	23 669	142 281	5 966	74 815
- other revenue	4 591	1 329	1 867	710
Total sales revenue	1 304 229	1 573 756	589 564	826 943

Revenue from sale and distribution of electricity includes income from electricity sale derivatives.

Due to the Act of 28 December 2018 on the amendment to the excise tax act and certain other acts (PL OJ 2018 item 2538) and in accordance with the provisions of the executive regulation, the subsidiary Polenergia Dystrybucja Sp. z o.o. recognized a reduction of sales revenue and additional revenue from the price delta amount, which added up in total to an estimate of PLN 698 k, including the price delta, financial compensation, weighted average market prices and prices applicable as at 30 June 2018. At the same time, based on the Management Board estimate, the provisions for contracts generating payables in light of the wording of the Act and the Regulation in the second half of 2019 would not be material and will be offset by compensation, therefore they have not been included in the consolidated financial statements as at 30 June 2019.

22. Cost according to type

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
- depreciation	50 998	48 094	25 454	24 050
- materials and power consumption	104 326	112 174	45 438	55 306
- third party services	22 318	24 271	11 452	12 669
- taxes, duties and fees	11 894	11 434	6 280	3 703
- salaries	15 903	15 186	8 293	7 250
- social security and other benefits	2 639	2 503	1 300	1 139
- other cost by type	1 298	1 606	625	850
Total cost by type	209 376	215 268	98 842	104 967
- merchandise and materials sold (+)	1 019 621	1 352 179	469 265	730 014
- selling expenses (-)	(342)	(285)	(98)	(125)
- general overheads (-)	(18 793)	(20 827)	(9 589)	(11 820)
Total cost of goods sold	1 209 862	1 546 335	558 420	823 036

23. Other operating revenues

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
- reversal of impairment losses, including:	147	481	27	481
- receivables remeasured write-downs	121	11	6	11
- non-current fixed assets impairment losses	26	470	21	470
- reversal of provisions, including:	35	565	35	265
- litigation provision	30	-	30	-
- site reclamation	-	300	-	-
- other	5	265	5	265
- other, including:	3 443	3 619	1 802	2 622
- compensation and additional payments	709	492	507	350
- grant settlement	1 621	1 599	822	799
- gains on disposal of non financial fixed assets	171	1 220	170	1 218
- other	942	308	303	255
Total other operating revenues	3 625	4 665	1 864	3 368

24. Other operating expenses

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
- asset impairment losses, including:	1 933	17 791	1 335	17 510
- receivables	1 152	1	1 006	(33)
- inventories	-	437	-	437
- non-current fixed assets *)	781	17 353	329	17 106
- other, including:	826	173	153	94
- penalties, fines compensation payable	4	-	4	(1)
- other development-related cost	127	101	48	68
- loss on disposal of non-financial fixed assets	4	-	4	-
- other	691	72	97	27
Total other operating costs	2 759	17 964	1 488	17 604

*) tangible fixed assets impairment loss of PLN 17,353 k, described in more detail in the condensed consolidated financial statements for the period ended 30 June 2018.

25. Financial income

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
- financial income from interest on deposit and loans	2 347	2 499	1 262	1 402
- interest from lease	56	63	28	31
- fx differences, including:	194	552	187	396
- unrealized	106	502	129	319
- realized	88	50	58	77
- other	699	5	(4)	1
Total financial revenue	3 296	3 119	1 473	1 830

26. Financial expenses

	For 6 months ended		For 3 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
- interest expenses	22 089	24 574	11 128	12 233
- fx differences, including:	627	1 042	374	828
- unrealized	318	974	140	775
- realized	309	68	234	53
- commission and other fees	1 079	1 117	491	619
- measurement of financial liabilities *)	837	9 083	422	8 276
- other	209	80	160	68
Total financial cost	24 841	35 896	12 575	22 024

*) refers to bank loans measured at amortized cost; the amount of PLN 9,083 k has been described in more detail in the condensed consolidated financial statements for the period ended 30 June 2018.

27. Liquidity risk

The Group monitors the risk of its funds being insufficient to pay liabilities as they fall due through periodic liquidity planning. Such tool takes into account the maturities of investments and financial assets (e.g. accounts receivable, other financial assets) and forecast cash flows from operating activities.

The Group aims at balancing the continuity and flexibility of financing by using different funding sources, including account overdrafts, credit facilities, finance lease contracts and lease-to-own contracts.

The table below shows the Group's financial liabilities by maturity as at 30 June 2019 and 31 December 2018, based on undiscounted contractual payments.

30.06.2019	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	59 497	69 168	376 878	632 711	1 138 254
Other liabilities	259 644	9 098	48 587	-	317 329
Liabilities for deliveries and services	80 717	-	-	-	80 717

31.12.2018	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	84 523	177 057	398 166	675 205	1 334 951
Other liabilities	640 197	390	23 271	-	663 858
Liabilities for deliveries and services	129 391	-	-	-	129 391

28. Information on related party transactions

Transactions with associates in the period ended 30 June 2019 include:

30.06.2019	Revenues	Receivables
Polenergia Baltyk I S.A.	214	214
MFW Baltyk II Sp. z o.o.	566	566
MFW Baltyk III Sp. z o.o.	568	568
Total	1,348	1,348

On 20 December 2018 the Parent entered into a preliminary conditional sale contract ("Preliminary Contract") concerning 50% of shares ("the Shares") in the Parent's subsidiary Polenergia Baltyk I S.A. which has been pursuing an offshore wind farm construction project in the Baltic Sea. The Preliminary

Contract provides for the execution of a final contract that would transfer the ownership title to the Shares held by the Parent to Wind Power. The total base sales price of the SPV shares is PLN 33,351 k. The execution of the final contract for the transfer of Shares is contingent upon the fulfilment of certain conditions precedent, including: (i) each party obtaining unconditional consent of the President of the Competition and Consumer Protection Authority to establish a joint venture and (ii) obtaining a valid and binding registration with the Court of Registration of a resolution concerning transformation of SPV from joint stock company into a limited liability company. On 5 March 2019 the Parent and Wind Power AS ("Wind Power") obtained an unconditional consent of the President of the Competition and Consumer Protection Authority to establish a joint venture. Obtaining such consent by the Company and Wind Power was tantamount to the fulfilment of one of the conditions precedent to the SPV Share sale transaction. In view of the fact that as at 30 June 2019 the other condition precedent remained unfulfilled, the transaction has not been recognized in these financial statements, while due to the loss of control resulting from the issuing of call option (described in more detail in the consolidated financial statements for the year ended 31 December 2018 in Note 18), the carrying amount of the net assets of SPV, i.e. PLN 25,367 k was derecognized while the fair value of the retained shares (100% of the retained shares) has been measured as at the moment of the loss of control at fair value. The shares are measured at the reporting date using the equity method and are disclosed under equity-accounted financial assets in the consolidated statement of financial position.

Transactions with related parties in the period ended 30 June 2019 include:

30.06.2019	Revenues	Receivables
Kulczyk Holding Sarl	431	121
Polenergia International Sarl	181	181
Total	612	302

For information on transactions with members of the parent's Management Board and Supervisory Board, see Notes 29 and 30.

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

In the period ended 30 June 2019 and the year ended 31 December 2018, remuneration of members of the Management Board of the parent and subsidiaries, and of the Supervisory Board was as follows:

Management Board	30.06.2019	31.12.2018
Michał Michalski	967	1 330
Robert Nowak	555	325
Iwona Sierżęga	280	-
Jacek Głowacki	1 125	2 208
Barłomiej Dujczyński	-	1 567
Jacek Suchenek	-	444
Total	2 927	5 874

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 party to such agreement resigns, the Company is required to pay a severance benefit equal to 100% of the remuneration received by such Management Board member over the last 6-12 months.

Supervisory Board	30.06.2019	31.12.2018
Hans E. Schweickardt	42	-
Marta Schmude-Olczak	40	-
Orest Nazaruk	28	36
Brian Bode	25	36
Marjolein Helder	22	-
Adrian Dworzyński	12	-
Arkadiusz Jastrzębski	11	36
Kajetan d'Obyrn	17	-
Michał Kawa	17	-
Dagmara Gorzelana	-	20
Tomasz Mikołajczak	-	29
Mariusz Nowak	-	19
Łukasz Rędziniak	-	19
Dawid Jakubowicz	-	19
Dominik Libicki	-	19
Total	214	233

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

In the period ended 30 June 2019, there were no transactions with members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants, or other closely related persons.

31. Material events after the reporting date

On 25 July 2019 the District Court in Gdańsk issue a partial and preliminary judgment in the case instituted by the Company's subsidiary Amon Sp. z o.o. versus Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. (PKH). In such judgment the Court granted the claim of Amon Sp. z o.o. in that part which referred to the ruling ineffective the notices of termination made by the company Polska Energia – Pierwsza Kompania Handlowa of the Contract for the Sale of Proprietary Interest in Certificates of Origin Confirming Generation of Electrical Energy in a Renewable Energy Source - Wind Farm in Łukaszów dated 23 December 2009 and the Contract for the Sale of Electrical Energy Generated in a Renewable Energy Source - Wind Farm in Łukaszów dated 23 December 2009, entered into with Amon Sp. z o.o. Thus, said termination notices have no legal effect of terminating both contracts, which consequently, after the expiry of the termination period, i.e. following 30 April 2015 shall remain in full force with respect to all their provisions and they shall be binding upon parties. The Court also determined that in principle the claims for damages raised by Amon Sp. z o.o. against PKH on account of non-performance by PKH of the Contracts for the Sale of Proprietary Interest were justified. Said judgment is not yet valid and binding and may be complained against.

On 30 July 2019 the subsidiary Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. ("ENS") received a decision of the President of the Energy Regulatory Office on the consumption cost of the collected natural gas and uncollected natural gas for 2018 due to ENS under the Act of 29 June 2007 on the terms of reimbursement of costs generated by the producers due to the accelerated termination of long term contracts for the sale of power and electricity (PL OJ 2018 item 1571 as amended) and the decision of the President of the Energy Regulatory Office on the determination of the annual adjustment factor with respect to the stranded costs for 2018. The abovementioned annual adjustments determined for ENS for 2018 totals ca. PLN 39.8 m.