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

Polenergia S.A. Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR

Michał Michalski – President of the Management Board	*Iwona Sierżęga – Member of the Management Board*
Tomasz Kietliński - Member of the Management Board	*Piotr Maciołek - Member of the Management Board*
Jarosław Bogacz - Member of the Management Board	
Agnieszka Grzeszczak – Director Accounting Department	

Warsaw 30 March 2021

Contents

(PLN k)

1. Consolidated balance sheet

As at 31 December 2020

ASSETS	Note	31.12.2020	restated data 31.12.2019
I. Non-current assets		**2 229 951**	**1 928 357**
1. Tangible fixed assets	14	1 946 761	1 678 081
2. Intangible assets	15	4 746	9 281
3. Subordinated entities goodwill	16	69 566	69 613
4. Financial assets	18	21 358	10 159
5. Financial assets measured using the equity method	19	175 143	153 643
6. Long term receivables	20	3 498	3 842
7. Deferred income tax assets	28	8 836	3 695
8. Prepayments and accrued income		43	43
II. Current assets		**788 498**	**598 736**
1. Inventories	21	36 836	38 331
2. Trade receivables	22	77 041	85 667
3. Income tax receivable	22	976	789
4. Other short term receivables	22	142 154	45 662
5. Prepayments and accrued income	23	5 712	6 434
6. Short term financial assets	24	151 432	76 148
7. Cash and equivalent	26	374 347	345 705
Total assets		**3 018 449**	**2 527 093**

(PLN k)

EQUITY AND LIABILITIES

	Note	31.12.2020	31.12.2019
I. Shareholders' equity		**1 418 368**	**1 295 244**
Equity attributable to the shareholders of the parent company		**1 417 468**	**1 294 316**
1. Share capital	27	90 887	90 887
2. Share premium account		557 983	557 983
3. Reserve capital from option measurement		13 207	13 207
4. Other capital reserves		459 811	403 661
5. Retained profit (loss)		185 037	119 567
6. Net profit		110 551	109 011
7. F/X translation differences		(8)	-
Non-controlling interests		**900**	**928**
II. Long term liabilities		**1 189 190**	**981 939**
1. Bank loans and borrowings	30	934 036	732 400
2. Deferred income tax provision	28	74 419	68 416
3. Provisions	29	23 420	22 392
4. Accruals and deferred income	32	46 897	50 100
5. Lease liabilities		97 815	97 308
6. Futures and forward contracts measurement		9 886	7 587
7. Other liabilities	31	2 717	3 736
III. Short term liabilities		**410 891**	**249 910**
1. Bank loans and borrowings	30	71 368	50 015
2. Trade payables	31	99 969	74 339
3. Income tax payable	31	1 079	5 565
4. Lease liabilities	31	11 240	8 519
5. Futures and forward contracts measurement	31	132 721	71 832
6. Other liabilities	31	69 169	20 764
7. Provisions	29	3 064	2 108
8. Accruals and deferred income	32	22 281	16 768
Total equity and liabilities		**3 018 449**	**2 527 093**

(PLN k)

2. Consolidated profit and loss account

For the year ended on 31 December 2020

	Note	For 12 months ended 31.12.2020	31.12.2019
			restated data
Revenues from contracts with clients	36	1 785 480	2 491 086
Other revenues	36	25 866	105 491
Sales revenues		1 811 346	2 596 577
Cost of goods sold	37	(1 603 852)	(2 384 448)
Gross sales profit		**207 494**	**212 129**
Other operating revenues	38	11 872	8 652
Selling expense	37	(543)	(550)
General overheads	37	(48 425)	(38 434)
Other operating expenses	39	(4 908)	(21 354)
Financial income	40	5 115	5 767
Financial costs	41	(44 273)	(49 535)
Profit on loss of control over subsidiaries		-	20 204
Profit before tax		**126 332**	**136 879**
Income tax	28	(17 846)	(27 843)
Net profit from continuing operations		**108 486**	**109 036**
Discontinued activity			
Profit from discountinued operating activites		307	-
Profit on disposal of discountinued opeations		1 730	-
Net profit		**110 523**	**109 036**
Net profit attributed to:		**110 523**	**109 036**
Parent company shareholders		110 551	109 011
Non-controling shareholders		(28)	25
Earnings per share:			
Weghted average of ordinary shares		45 443 547	45 443 547
– basic earnings (loss) for period attributable to parent company shareholders		2,43	2,40
– diluted earnings (loss) for period attributable to parent company shareholders		2,43	2,40

(PLN k)

Consolidated statement of comprehensive income

	For 12 months ended 31.12.2020	31.12.2019
Net profit for period	**110 523**	**109 036**
Other comprehensive income that may be reclassified to profit and loss account once specific conditions are met		
Cash flow hedges	12 609	1 049
F/X translation differences	(8)	(582)
Other net comprehensive income	**12 601**	**467**
COMPREHENSIVE INCOME FOR PERIOD	**123 124**	**109 503**
Comprehensive income for period:	123 124	109 503
Parent company shareholders	123 152	109 478
Non-controlling shareholders	(28)	25

(PLN k)

3. Consolidated statement of changes in equity

For the year ended on 31 December 2020

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit	F/X translattion differences	Equity attributable to the shareholders of the parent company	Non-controlling interest	Total equity
As at January 2020	**90 887**	**557 983**	**13 207**	**403 661**	**228 578**	**-**	**-**	**1 294 316**	**928**	**1 295 244**
Comprehensive income for reporting period										
- Net profit (loss) for reporting period	-	-	-	-	-	110 551	-	110 551	(28)	110 523
- Other comprehensive income for period	-	-	-	12 609	-	-	(8)	12 601	-	12 601
Transactions with owners of the parent recognized directly in equity										
- Alocation of profit/loss	-	-	-	43 541	(43 541)	-	-	-	-	-
As at 31 December 2020	**90 887**	**557 983**	**13 207**	**459 811**	**185 037**	**110 551**	**(8)**	**1 417 468**	**900**	**1 418 368**

(PLN k)

For the year ended on 31 December 2019

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit	F/X translattion 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	-	-	-	-	-	109 011	-	109 011	25	109 036
- Other comprehensive uncome foe period	-	-	-	1 049	-	-	(582)	467	-	467
Transactions with owners of the parent recognized directly in equity										
- Alocation of profit/loss	-	(43 928)	-	-	43 928	-	-	-	-	-
As at 31 December 2019	**90 887**	**557 983**	**13 207**	**403 661**	**119 567**	**109 011**	**-**	**1 294 316**	**928**	**1 295 244**

(PLN k)

4. Consolidated statement of cash flows

For the year ended on 31 December 2020

	Note	For 12 months ended 31.12.2020	31.12.2019
A.Cash flow from operating activities			
I.Profit (loss) before tax		**128 369**	**136 879**
II.Total adjustments		**75 788**	**125 769**
1.Depreciation		96 344	101 453
2.Foreign exchange losses (gains)		188	34
3.Interest and profit shares (dividends)		38 682	45 168
4.Losses (gains) on investing activities		(4 932)	(2 951)
5. Income tax		(21 042)	(11 774)
6.Changes in provisions		2 072	(8 388)
7.Changes in inventory		(455)	(3 360)
8.Changes in receivables		(159 140)	621 561
9.Changes in liabilities, excluding bank loans and borrowings		122 016	(615 449)
10.Changes in accruals		3 403	(547)
11. Other adjustments		(1 348)	22
III.Net cash flows from operating activities (I+/-II)		**204 157**	**262 648**
B.Cash flows from investing activities			
I. Cash in		**3 108**	**36 765**
1. Disposal of intangibles and tangible fixed assets		106	233
2. From financial asstes, including:		3 733	36 518
a) disposal of financial asstes		1 557	34 007
b) repayment of long-term loans given		2 100	1 945
c) interest		76	566
3. Cash from disposal of subsidiary		(731)	-
4. Other investment inflows		-	14
II.Cash out		**356 856**	**93 661**
1. Acquisition of tangible fixed assets		332 015	86 612
2. For financial asstes, including:		24 841	7 049
a) acquisition of financial assets		24 669	6 094
b) long term loans given		172	955
III.Net cash flows from investing activities (I-II)		**(353 748)**	**(56 896)**
C.Cash flows from financing activities			
I.Cash in		**347 776**	**14 540**
1.Loans and borrowings		347 776	14 540
II.Cash out		**169 542**	**186 417**
1.Repayment of loans and borrowings		126 052	140 561
2.Lease payables		7 047	5 954
3.Interest		35 869	39 586
4.Other financial expenses		574	316
III.Net cash flows from financing activities (I-II)		**178 234**	**(171 877)**
D.Total net cash flows (A.III+/-B.III+/-C.III)		**28 643**	**33 875**
E.Increase/decrease in cash in the balance sheet, including:		**28 642**	**33 848**
- change in cash due to f/x differences		(1)	(27)
F.Cash at beginning of period		**345 705**	**311 857**
G.Cash at end of period, including:		**374 347**	**345 705**
- restricted cash	42	34 402	41 643

(PLN k)

5. General

Polenergia S.A. Group (the "Group") comprises Polenergia S.A. (former Polish Energy Partners S.A), business name altered by way of an inscription in the National Court Register (KRS) dated 11 September 2014 (the "Company", the "parent company") and its subsidiaries. The Company was founded under a Notarized Deed of 17 July 1997. The Company has been registered with the National Court Register kept by the District Court for the city of Warsaw, Commercial Division XII of the National Court Register under number KRS 0000026545. The Company was assigned the statistical number REGON 012693488. The registered office of the Company is located in Warsaw at Krucza 24/26; since 20 November 2013.

Stock of Polenergia S.A. is listed at the Warsaw Stock Exchange.

The Polenergia Group consists of vertically integrated companies operating in the area of energy generation using both renewable and conventional sources, as well as in the areas of distribution and trading in electrical energy. The Group was formed in the process of consolidating two asset groups controlled by Kulczyk Holding S.àr.l (former Polenergia Holding S.àr.l) with registered office in Luxembourg i.e. Polish Energy Partners S.A. (with focus on the development and operation of renewable energy sources, in particular wind farms) and Grupa Polenergia (with focus on the generation, distribution, sale of and trading in electrical energy and certificates of origin and developing offshore wind farms).

Lifetime of the Company, as well as all member companies of the Group is unlimited.

These consolidated financial statements were approved for publication by the parent company Management Board on 30 March 2020.

5.1. Periods covered by the consolidated financial statements

These consolidated financial statements cover the year ended 31 December 2020 and comprises comparable financial data for the year ended 31 December 2019.

Composition of the parent company Management Board as at 31 December 2020 was as follows:

Michał Michalski	President of the Management Board
Iwona Sierżęga	Member of the Management Board
Tomasz Kietliński	Member of the Management Board
Piotr Maciołek	Member of the Management Board
Jarosław Bogacz	Member of the Management Board

On 22 January 2020 the Supervisory Board appointed Messrs. Piotr Maciołek, Tomasz Kietliński and Jarosław Bogacz Members of the Management Board.

Composition of the parent company Supervisory Board as at 31 December 2020 was as follows:

Dominika Kulczyk - Chair of the Supervisory Board

Hans E. Schweickardt - Deputy Chair of the Supervisory Board

Brian Bode - Member of the Supervisory Board

Adrian Dworzyński - Member of the Supervisory Board

Marjolein Helder - Member of the Supervisory Board

Sebastian Kulczyk - Member of the Supervisory Board

Orest Nazaruk - Member of the Supervisory Board

Grzegorz Piotr Stanisławski - Member of the Supervisory Board

On 1 September 2020 Ms. Marta Schmude resigned from her position of the Member of the Company Supervisory Board.

On 17 November 2020 Mr. Grzegorz Stanisławski was appointed Member of the Supervisory Board.

On 25 February 2021 Mr. Grzegorz Stanisławski was removed from office as Member of the Supervisory Board, with concurrent appointment of Ms. Emmanuelle Rouchel as Member of the Supervisory Board.

On 26 February 2021 Mr. Brian Bode resigned from his position of the Member of the Company Supervisory Board.

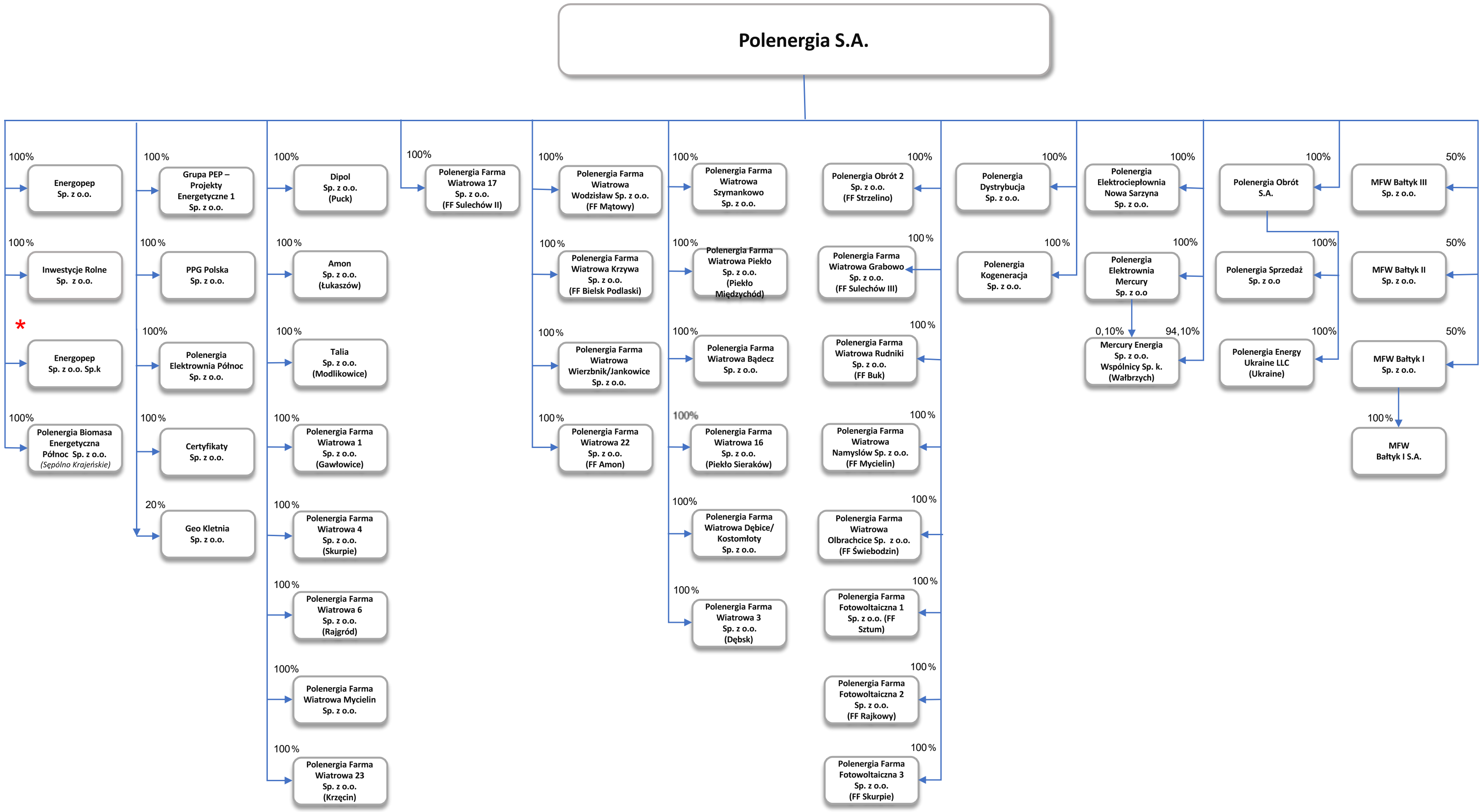
6. Going concern assumption

These consolidated financial statements have been prepared based on the going concern assumption for the Company and the Group companies in foreseeable future, that is for no fewer than 12 months following the reporting day, i.e. following 31 December 2020.

In view of the COVID-19 outbreak, risk factors that may potentially impact the business and financial performance of the Group have been being monitored and identified on an ongoing basis. The Management Board has taken measures to mitigate the adverse impact of the coronavirus, however the final severity and magnitude of such impact are difficult to estimate.

The Management Board is of the opinion that Polenergia Group has so far been highly resilient to adverse macroeconomic environment caused by the COVID-19 outbreak. Good financial performance achieved in 2020 shows that the partial lockdown of the Polish economy has had no material impact on the functioning of the key operating segments of the Group. The drop of the national demand for electricity driven, among others, by the reduced production in industrial plants and less consumption in shopping malls, has had its visible impact on the day-to-day operation of the distribution segment only. Nevertheless, the Group assumes no adverse impact of the pandemic on the long-term development prospects of that segment, therefore a new investment plan was adopted and debt funds were procured for its implementation.

7. The Group's organizational structure



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

8. Accounting principles (policy) applied

The accounting principles (policies) applied in the preparation of the financial statements are consistent with those applied in the preparation of the Company financial statements for the year ended 31 December 2019. The new accounting principles applied as of 1 January 2020 have been discussed in the relevant Notes.

8.1. New and modified standards and interpretations applied

New standards and interpretations applicable to the annual periods commencing 1 January 2020 or thereafter.

The International Accounting Standards Board amended the financial reporting standards with respect to hedging, in connection of the intended reform of the reference interest rate (WIBOR, LIBOR, etc.) Such reference rates often become a hedged position, for example where an IRS hedging instrument is applied. The intended replacement of the existing interest rates with new reference rates raised doubts as to whether an intended transaction is still highly probable, or whether there are still future cash flows expected as hedged, or whether there is an economic link between the hedged position and the hedging position. The change in the standards provides that it should be assumed in the entity's estimations that the change of reference rates was not to materialize and as such it would have no impact on the compliance with the hedge accounting requirements.

The changes apply to annual periods commencing 1 January 2020 and thereafter. As the Group has applied the IRS instrument to hedge the interest rate of loans contracted in its hedge accounting, implementation of the change will permit continuing the hedge accounting, despite the uncertainty regarding the replacement of the existing reference rates. The reference rates subject to the reform with respect of which the Company applies this relief include WIBOR.

New standards and interpretation not yet applied.

Until the date of these financial statements, new or amended standards and interpretations were published which apply to annual periods subsequent to 2020, however, not yet approved by the European Union. The Company believes those standards will have no material impact on the entity in this or in future reporting periods, nor on any foreseeable future transactions.

8.2. Significant measures based on professional judgment

Certain information provided in these consolidated financial statements are based on the Group’s assessment and professional judgment. Estimates so derived may often not reflect the actual performance. The assumptions and assessments that were of biggest importance during the measurement and recognition of assets and liabilities include:

- grid connection fee revenues which are distinct performance obligation, therefore they are recognized as revenue at the time a grid connection invoice is issued. This approach reflects best the economic sense of such transaction. When evaluating the grid connection service and the grid availability service from the perspective whether they are separate performance commitments, the Management Board considered the following arguments: (i) the amount of the grid connection fee is regulated by ERO, (ii) the customer who will pay the connection fee to Polenergia Dystrybucja Sp. z o.o. has no obligation to purchase energy from Polenergia Dystrybucja Sp. z o.o. (as it may be bought with other energy suppliers). As a result, revenues from the grid connection fee are recognized at a certain point in time where the customer requests Polenergia Dystrybucja Sp. z o.o. connect him/her to the grid. If the market practice changes, i.e. such revenues are recognized in time throughout the economic useful life of the assets, such practice shall be taken into account when recognizing revenues. As refers recognition of the connection fee revenue in accordance with IFRS 15, no market practice has yet been established unequivocally, however an approach has been considered, according to which the connection fees shall be recognized in time, i.e. over the useful life of the assets. According to the Group's estimates, the potential impact of the change of accounting policies in this respect on the consolidated financial statements as at 31 December 2020 would entail reduction of the retained profit balance of PLN 13.1 M corresponding to the recognition of future revenues of PLN 13.1m.

In the year ended on 31 December 2020 no changes were made in determining the Group's judgment with respect to information disclosed in the consolidated financial statements, with the professional judgment-derived amounts being specified in Note 18.

8.3. Significant measures based on estimates

The underlying assumptions regarding the future and other key uncertainty factors as at the balance sheet date have been discussed below. They are connected with a material risk of significant adjustment of balance sheet assets and liabilities in the immediately following financial year and include:

- classification of certificates of origin and the carbon emission reduction units (Note 52),
- depreciation rates - the depreciation rates are determined based on the expected useful economic life of tangible fixed assets and intangibles. The Group performs review of the adopted economic useful life periods annually, based on the current estimates.
- provisions for disputes, holiday leaves (Note 29)
- provisions for obligations relating to sale of energy, assets and financial liabilities under forward contracts (Notes 18, 24 and 31),
- financial assets and liabilities under forward contracts (notach 18,24 i 31),
- funds to pay stranded costs and funds to pay consumption cost of received natural gas and cost of non-received natural gas ("gas costs"); a material impact on the Company's future business will be exerted by the Contract Terminating the Long-term Contract for the Supply of Electrical Energy ("LTC") executed with PGE Polska Grupa Energetyczna S.A. (former Polskie Sieci Elektroenergetyczne S.A.) which was signed by the Management of Elektrociepłownia Nowa Sarzyna Sp. z o.o. Heat Plant on 28 December 2007, according to the Act adopted by the Polish Parliament on 29 June 2007 on the terms of paying the costs borne by the producers in connection with accelerated termination of long term contracts for the sale of capacity and electrical energy ("LTC Termination Act"). By virtue of the Termination Act, the Company's long term contract was terminated on 31 March 2008 against compensation covering the stranded costs and the funds to pay the cost of received natural gas and the gas costs. The Act provides for the Company's compensation capped at PLN 777.5m for stranded costs and PLN 340.7 M for gas costs. The Company calculates its stranded cost compensation as well as one covering the gas costs based on the formulae specified in articles 30, 31, 45 and 46 of the LTC Termination Act. Given the duration of the period the calculations pertain to, estimates are subject to fluctuation (as described in more detail in Note 44); the amounts recognized as at the balance sheet date are estimates according to the best knowledge of the Company and according to data available as at the balance sheet day,
- deferred tax - the Group recognized a deferred tax asset based on the assumption that tax gain will occur in the future permitting its application. Less successful tax gain performance in the future could lead to such assumption becoming unfounded (Note 28),
- impairment losses on non-financial fixed assets - for goodwill, the Group performed impairment tests, while for other non-financial fixed assets the Group analyzed the indications of impairment of fixed assets, and where such indications were found, impairment tests for non-financial fixed assets were performed (Note17),
- trade receivables impairment losses - calculation and measurement of expected the credit losses with regard to trade receivables is the area that requires significant judgment on the choice of proper methodology and input data. For a detailed description of the measurement methodology of expected credit losses applied by the Group see Note 8.19. In the models used by the Group mostly the historical information from the market data systems of the Group is used.

- Lease term - When measuring the lease payable, the Group estimates the lease term which covers:

  - irrevocable lease term,
  - terms, where a lease extension option exists, provided there is sufficient certainty to assume that the lessee will exercise such option,
  - terms, where a lease termination option exists, provided there is sufficient certainty to assume that the lessee will not exercise such option.

  In its assessment whether the Group will exercise its option to extend or will not exercise its option to terminate, the Group considers all material facts and circumstances which are an economic incentive for the Group to exercise or not exercise a given option. The items considered include, without limitation:

  - contractual terms regarding lease fees in optional terms,
  - significant investments in the leased object,
  - termination costs,
  - the significance of the underlying asset for the Group's business,
  - terms of exercising the option.

  The lease payable disclosed in the consolidated balance sheet reflects the best estimates with respect to the lease term, however any future change of circumstances may result in an increased or reduced lease payable and in recording a corresponding adjustment under the right of use assets.

In the year ended 31 December 2020 no changes were made in the way of determining the Group's estimates that would impact any information disclosed in the consolidated financial statements, with the estimates-derived amounts being specified in the notes referred to hereinabove.

8.4. Measurement currency and currency of the consolidated financial statements

The functional currency of the parent company and other companies (except for the company Polenergia Energy Ukraine LLC) included in these consolidated financial statements, as well as the reporting currency of these consolidated financial statements, is Polish Zloty.

8.5. Rules of consolidation

These consolidated financial statements include the financial statements of Polenergia S.A. and the financial statements of its subsidiaries prepared in each case for the year ended on 31 December 2020. The financial statements of subsidiaries, upon incorporation of adjustments to align them to IFRS, are prepared for the same reporting period as applies to the financial statements of the parent company, using consistent accounting principles and based on single accounting principles applied to transactions and economic events of similar nature. In order to eliminate any discrepancies whatsoever, amendments are made to the applied accounting principles.

Subsidiaries are subject to full consolidation in the period since control has been gained over them by the parent company until such control ceases. The parent company exercises control over a subsidiary in the event it is exposed or is entitled to variable return on its involvement with such entity and is capable of exerting influence on such entity by way of exercising its power over it. Subsidiaries are subject to full consolidation until control is transferred onto the group.

Obtaining control over an entity within the meaning of IFRS 3 is accounted for using the acquisition method. Identifiable assets and liabilities of a subsidiary as at the day it is included in the consolidated financial statements are recognized at fair value. The difference between the fair value of such assets and liabilities and the acquisition price determined also at fair value, shares giving no control and the fair value of previously held shares results in goodwill which is disclosed under an individual item of the consolidated balance sheet.

All material balances and transactions between the entities within the Group, including unrealized profits form transactions within the Group have been fully eliminated. Unrealized losses are eliminated, unless they prove any impairment.

8.6. Investments in Associates and jointly controlled entities

Shares and interests in associates are measured using the equity method. Associates are entities over which the parent company has, directly or through subsidiaries, significant influence and which are neither its subsidiaries nor joint ventures. The financial statements of associates are the basis for the measurement of the shares held by the Parent Company using the equity method. The associates and the Parent Company have the same financial year.

Investments in associates are recognized in the balance sheet at purchase price increased to include any subsequent changes of interest of the parent company in the net assets of those entities, less impairment losses, if any. Also, adjustment of the carrying amount may be necessary in view of the change of the proportion of the interest in an associate resulting from any changes in other total comprehensive income of such entity A test of an investment in associates for impairment is held whenever there are indications that such impairment occurred or that any impairment loss disclosed in the preceding years is no longer required. The profit and loss account reflects the share in the business performance of associates.

In case a change is recognized directly under equity of associates, the parent company recognizes its interest in every such change and, if applicable, discloses it in the statement of changes in equity.

8.7. Goodwill

Goodwill arising on acquisition of an entity is initially recognized at acquisition cost, equal to the excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- if a business combination takes place in stages, the acquisition date fair value of the equity interest in the acquiree previously held by the acquirer

over net identifiable assets acquired and liabilities assumed as at the acquisition date.
Following the initial recognition, goodwill is carried at acquisition cost less any cumulative impairment losses. Goodwill is tested for impairment annually, or more frequently if there are any conditions for testing are met. Goodwill is not amortized.
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 a group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes, and
- is no greater than a single operating segment defined 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 impairment loss is recognized. In the event goodwill comprises part of a cash-generating unit and part of the cash-generating unit's business is sold, the goodwill attributable to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on the sale of such part of business. In such a case goodwill disposed of is measured based on the relative value of the operations disposed of and the value of the part of the cash-generating unit retained.

8.8. Intangible Assets

Intangible assets which have been separately acquired or produced (provided they meet the criteria for being recognized as development expenditure) are initially recognized at acquisition or production cost. The acquisition cost of intangible assets acquired in a business combination transaction is equivalent to their fair value as at the date of the combination. Following initial recognition, intangible assets are recognized at acquisition or production cost less accumulated amortization and impairment losses, if any. With the exception of capitalized development expenditure, expenditure on intangible assets produced by the Company is not capitalized and is charged to expenses in the period it was incurred.

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortized over their useful lives and tested for impairment each time there is an indication of impairment. The amortization period and method with respect to intangibles 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 amortization period or amortization method, as appropriate, and are accounted for as changes in accounting estimates. Amortization charges on intangible assets with definite useful lives are recognized under profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those which are not used are tested for impairment annually with respect to individual assets or at the level of the relevant cash generating unit.

Expected useful lives are as follows:

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

Expenditures on research activities are charged to the profit and loss account at the time they are incurred. Development expenditures in connection with a given project are carried forward provided that they may be expected to be recovered in the future. After initial recognition of development expenditures, the historical cost model is applied which requires that assets be disclosed at acquisition cost less accumulated depreciation/amortization and accumulated impairment. Any expenditures carried forward are amortized over the expected period of generating sales revenue under a given project.

The development expenditures are reviewed for impairment annually in case a given asset has not yet been used, 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.

Any gain or loss on the disposal of intangibles is determined by way of subtracting the carrying amount of the disposed intangible fixed asset from net proceeds from such disposal. Such gain or loss is recognized in the profit and loss under other operating revenue or other operating costs at the time the buyer takes control over such disposed intangible asset, in line with the requirements of IFRS 15 (see item "Sales revenue" in this section of notes to the financial statements). The amount of consideration payable as part of the intangible disposal transaction is determined in line with the requirements of IFRS 15 concerning the determining of the transaction price.

8.9. Non-current fixed assets

Non-current fixed assets are measured at acquisition cost/production cost less depreciation and impairment losses, if any.

The initial value of non-current fixed assets is represented by their acquisition cost plus all costs directly related to such acquisition and bringing such assets to the working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognized when incurred if relevant recognition criteria are fulfilled. Costs incurred after a non-current fixed asset has been placed in service, such as costs of maintenance or repair, are charged to the profit and loss account when incurred.

Upon acquisition, non-current fixed assets are divided into components of material value which can be assigned various economic useful lives. The overhaul cost is also deemed a component thereof.

non-current fixed assets other than land property are depreciated using the straight-line method over their estimated useful lives.

Buildings, structures, premises and civil engineering structures	40 years
Plant and equipment	2.5−40 years
Vehicles	2.5−5 years
Other non-current fixed assets	5−7 years

Residual values, useful lives and methods of depreciation of non-current fixed assets are reviewed annually and, if necessary, adjusted effective as of the beginning of the financial year just ended.

Individual fixed assets are recognized separately and depreciated over their useful lives.

Any gain or loss on the disposal of non-current fixed assets is determined by way of subtracting the carrying amount of such non-current fixed asset from net proceeds from such disposal. Such gain or loss is recognized in the profit and loss under other operating revenue or other operating costs at the time the buyer takes control over such disposed non-current asset, in line with the requirements of IFRS 15 (see item "Sales revenue" in this section of notes to the financial statements). The amount of consideration payable as part of the intangible disposal transaction is determined in line with the requirements of IFRS 15 concerning the determining of the transaction price.

8.10. Non-current fixed assets under construction

Non-current fixed assets under construction are measured at the amount of aggregate costs directly attributable to their acquisition or production, less impairment losses, if any. Investment materials are also recognized as non-current fixed assets under construction. Non-current fixed assets under construction are not depreciated until completed and placed in service. Wind farm development expenditure is also recognized as non-current fixed assets under construction.

8.11. Borrowing costs

The costs of bank and other borrowings resulting from loans and borrowings incurred which may be directly attributed to acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition or production 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.

8.12. Impairment losses on non-financial fixed assets

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

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less selling costs of such asset or unit, or its value in use. In the event the carrying amount of an asset exceeds its recoverable amount, impairment takes place and an impairment loss is recognized, 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 a given asset. Impairment losses with respect to assets in continuing operations are recognized in those expense categories which are consistent with the function of the impaired asset.

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

8.13. Financial assets

The Group categorizes financial assets as follows:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through profit or loss,
- Financial assets measured at fair value under other comprehensive income,

The classification depends on the model the Group has adopted for financial instrument management and the terms of contractual cash flows from such instruments. The Group reclassifies investments in debt instruments only when the asset management model changes.

Recognition and derecognition

Financial assets are recognized whenever the Group becomes a party to contractual provisions of a given instrument. Financial assets are excluded from accounting books when the right to generate cash flows on account of such financial assets expired or were transferred and the Group transferred substantially all the risk and all benefits attributable to the ownership title.

Measurement as at the initial recognition

On initial recognition, financial assets are recognized by the Group at fair value plus – in the case of financial assets other than those measured at fair value through profit or loss – any transaction costs directly attributable to the purchase of such financial asset. Transaction costs attributable to financial assets measured at fair value through profit or loss are recognized in profit or loss.

Financial assets measured at amortized cost

Debt instruments held to obtain contractual cash flows that include solely payment of principal and interest (SPPI), are measured at amortized cost. Interest revenue is measured using the effective interest rate method and disclosed under "interest revenue" presented under profit or loss in Note 40. Expected credit losses are recognized in line with the accounting principle referred to in Note 8.14 and presented under item "impairment of financial assets". In particular, the Group classifies the following under that category:

- trade receivables,
- loans that meet the SPPI requirement test which are disclosed, in line with the business model, as "held in order to generate cash flows",
- cash and equivalent.

Short-term trade debtors, excepting lease receivables, referred to in more detail in section 8.16, are measured at amortized cost.

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 recognized as financial income.

Financial assets at fair value through profit or loss

Those assets which do not meet the measurement criteria at amortized cost or at fair value under other comprehensive income are measured at fair value through profit or loss.

Under this category the Group classifies derivatives, except those allocated to hedge accounting.

8.14. Hedge accounting

The Group chose the option to apply hedge accounting according to IAS 39. The Group hedges cash flows against interest rate movements related to future loan repayments (by way of exchanging the floating interest rate under a loan agreement for a fixed interest rate) and against exchange rate volatility related to foreign currency loan repayments. The hedging instruments include derivatives, interest rate swap and a currency forward.

For more information on hedge accounting, see Note 25.

During the period ended on 31 December 2020, in accordance with its adopted 'Hedge Accounting Guidelines', the Group measured hedge effectiveness both ex-post (retrospectively) and ex-ante (prospectively), using the dollar offset method.

For accounting purposes, effectiveness is measured using the hypothetical derivative method. Such method compares the changes in the fair value of an Interest Rate Swap (IRS) designated as a hedging instrument and the changes in the fair value of a hypothetical IRS transaction on a cumulative basis from the inception of the hedging relationship. The terms of such hypothetical IRS transaction are identical to those of the hedged item and its fair value at the inception of the hedging relationship is nil.

Hedge ineffectiveness is calculated by comparing the cumulative change in the fair value of the hedging IRS and the cumulative change in the fair value of the 'ideal' hypothetical IRS transaction, in each case starting from the inception of the hedging relationship.

Subsequent to the inception of the hedging relationship, gains or losses arising on remeasurement of the fair value of the hedging instrument are recorded based on determination what portion of the change in its carrying amount reflects the effective portion of the hedge. This is made from time to time as at each date of preparation of financial statements/end of reporting period date on a cumulative basis from the hedge commencement date until a given day. The Company determines the effective and ineffective portions of the hedge taking into account changes in its "pure" fair value, which is its fair value less the accrued portion of the nearest forthcoming interest payments under a derivative.

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized in profit and loss account.

For information on the fair value of the financial derivatives disclosed in the balance sheet, see Note 25.

8.15. Joint arrangements

Investments in joint arrangements are classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each investing party. The Group has performed an assessment of its joint arrangements and classified them as joint ventures. Joint ventures are measured using the equity method.

According to such method, interests in joint ventures are initially recognized at cost and subsequently adjusted to reflect the share of the Group in the profit or loss and in the changes of other comprehensive income in the period following acquisition. When the Group's share in losses of a joint venture is equal to or exceeds the Group's interest in such joint venture (including all long-term shares which, in fact, are part of the net investment), the Group ceases to recognize any further losses, unless it has incurred liabilities or has made payments on behalf of the joint ventures.

Unrealized gains on transaction between the Group and its joint ventures are eliminated to the extent reflecting the Group's shares in such joint ventures. Also unrealized losses are eliminated, unless a transaction provides evidence of impairment of the transferred asset. Where necessary, the accounting principles applied by joint ventures have been changed to align the presentation with the accounting principles applicable by the Group.

8.16. Lease

The Group as a lessee

The Group holds on lease office spaces, land and vehicles. Usually, contracts are entered into for a definite term, between 4 and 22 years, with an option to extend such contract, as referred to hereinbelow. With respect to contracts for an indefinite term, the Group estimates the lease term based on the anticipated useful life of the leased assets.

Recognition of lease payables

Lease payables are measured at their present value at initial recognition. Lease payables include the NPV of the following lease payments:

- 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.

Lease payments related to the lease extension option are also included in the measurement of liability, provided that sufficient certainty exists that such option will be realized.

Lease payments are discounted at the lease discount rate, or in the event it is impossible to easily determine such rate, the lessee's incremental rate is applied. The Group has assumed that the incremental discount rate should reflect the cost of such financing as would be incurred to finance the 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.

Payments related to short-term lease of equipment and vehicles, as well as the lease of low value assets are recognized under cost, according to a straight line method, in the profit and loss account. Short-term lease denotes lease contracts with the term of 12 or fewer months. Low value assets include computer hardware the value of which does not exceed PLN 20k.

Lease payables have been recognized in the balance sheet in dedicated position. Interest on lease payables have been recognized in the profit and loss account under other finance costs.

Recognition of the right-of-use assets

The right-of-use assets are measured at cost which includes:

- the initial measurement amount of the payable,
- any lease payments made on or before the commencement date less the lease incentives received,
- any upfront direct costs,
- reclamation costs

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 items: costs of goods sold, general costs, fixed assets under construction.

8.17. Inventory

Inventory is measured at the lower of the acquisition/production cost and net realizable value. Costs incurred in bringing materials inventories to their present location and condition are included in and increase the cost of the inventories and measured at acquisition cost determined using the weighted average formula.

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

Being assets held for sale in the course of core business, certificates of origin are recognized as inventories.

8.18. Impairment of financial assets

IFRS 9 requires that the expected loss on financial assets is estimated notwithstanding whether or not any indications giving rise to such impairment loss occurred. Said standard provides for a 3-stage classification of financial assets, impairment-wise: (1) Stage 1 – where credit risk has not increased significantly since initial recognition and where entities are required to determine ECL based on a 12-month insolvency risk; (2) Stage 2 – where credit risk has increased significantly since initial recognition and where entities are required to determine ECL based on the lifetime insolvency risk; (3) Stage 3 – where a financial asset is credit impaired.

The 3-stage model is applied to all financial assets excepting short term trade receivables for which the Group uses impairment losses throughout the entire lifetime of a given financial instrument.

Homogeneous/fragmented trade receivables which have been estimated, upon a portfolio analysis, to be unimpaired (Stage 2) - estimation of impairment , if any, is based on the application of an impairment matrix against historical data adjusted for future impacts.

Trade receivables from individually significant entities (customers buying large volume of goods in a given segment, with cooperation based on long-term contracts) (Stage 2) - estimation of expected impairment is based on an analysis of contracting parties' insolvency risk.

The entity also applies the 3-stage model to cash, however in this case, the Management Board believes that impairment is immaterial.

8.19. Other non-financial assets

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

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

8.20. Cash

Cash and cash equivalents disclosed in the consolidated statement of cash flows comprise cash in hand, bank deposits maturing in up to three months, treasury bills and bonds not classified as investing activities. Cash at bank deposits meet the SPPI test and the “held to collect” business model test, therefore they are measured at amortized cost less the impairment loss determined as per the expected loss model.

8.21. Capital

Share capital is recognized at its amount defined in the parent's Statutes and entered in the court register. Any difference between the fair value of consideration received and the par value of shares is recognized in statutory reserve funds under share premium account. Where shares are repurchased, relevant payment amounts are charged to equity and disclosed in the balance sheet as treasury shares.

Other capital reserves have been accumulated through contributions from profits generated in previous financial years and through revaluation of derivatives hedging future cash flows (for further information on the hedges, see Note 41.

8.22. Provisions

Provisions are recognized if Group companies have an obligation (legal or constructive) resulting from past events and when it is certain or highly probable that an outflow of funds embodying economic benefits will be required to settle such obligation, and when a reliable estimate can be made of the amount of such obligation.
Where expenditure required to settle the obligation is expected by the Group to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognized as a separate asset only when virtual certainty exists that it will be actually received. Cost related to a given provision is recognized 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 recognized as finance costs.

Emission allowances provision.

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

Provision for length-of-service awards and retirement pays

In accordance with the company remuneration systems, the Group employees are entitled to length-of- service awards and retirement pays . Length-of-service awards are paid after a specific period of employment. Retirement pays are one-off benefits, paid out when an employee retires. Amounts of such benefits and awards depend on the length of service and the average remuneration of the employee. The Company recognizes a provision for future length-of-service award and retirement pay obligations in order to allocate costs to the periods to which they relate. Accrued obligations are equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.
The present value of provisions as at each reporting date is estimated by an independent actuary. Accrued provisions are equal to the amount of discounted future payments that relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data. The impact of the measurement of the provision on future retirement pay obligations and jubilee awards are recognized under profit//loss.

8.23. Prepayments and Accruals

Prepayments are recognized in case the Group bears expenses that refer to the future reporting periods, in particular they include estimated accrued revenues, technical service settlements, insurance and subscriptions settlements.

Accruals are recognized at probable amounts of current-period liabilities, in particular they include estimated future premiums and costs of third party services, settlements of subsidies and settlements of compensatory payments.

8.24. Interest-bearing bank loans, borrowings and other debt instruments

All bank loans, borrowings and other debt instruments are initially recognized at fair value net of transaction costs associated with such loan or borrowing.

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

Amortized cost includes the incremental costs, as well as any discounts or premiums obtained in connection with the liability.

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

If contractual terms of a financial liability are modified in a way that does not result in derecognition of the existing liability, the gain or loss is immediately recognized in profit or loss at an amount equal to the difference between the present value of modified and original cash flows, discounted using the original effective interest rate.

8.25. Trade creditors and other financial liabilities

Short-term trade payables are recognized at nominal amounts payable in view of a negligible discount effect.

Financial liabilities measured 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 measured 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 recognizing 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, whenever they cannot be measured separately.

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

The Group derecognizes a financial liability when it has been extinguished, that is when the obligation specified in the contract has either been discharged or canceled or has expired. When an existing 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 recognizes a new liability. Similarly, material modifications to the terms of a contract concerning an existing financial liability are presented by the Group as the original liability being extinguished and a new financial liability being recognized. Any differences in the respective carrying amounts arising in connection with such replacement are charged to the profit and loss account.

Other non-financial liabilities include, in particular, value added tax payable to tax authorities and liabilities under prepayments received, to be settled through the supplies of merchandise, services or fixed assets. Other non-financial liabilities are recognized at their amounts due.

8.26. Revenue from Contracts with Customers

The principles in IFRS 15 refer to any and all revenue yielding contracts. The core principle of the new standard is that revenue is recognized at the moment of transfer of control over the goods or services to a customer in the amount of the transaction price. Any goods or services which are sold in packages but can be identified separately in a package must be recognized individually, on top of that any discounts and rebates affecting the transaction price must in principle be allocated to individual elements of the package.

The Group generates revenues from the following sources:

Revenue from connection fees

In the year ended on 31 December 2020 the Group was recognizing connection fee revenue on a one-off basis when such revenue was generated (i.e. utility connection took place), in line with the accounting policy, similarly to previous years (for detailed information see Note 8.3).

Revenue from sale of energy, heat, pellets and green certificates

Revenue from sale of products and merchandise, including electricity, heat and pellets, is recognized in time and are a performance obligation.

Futures and forward contracts

The subsidiary enters into forward contracts and relevant stock exchanges. Whenever a contract is executed, it is categorized into a relevant portfolio. Contracts are divided into two groups:

- The energy and gas purchase and sale contracts entered into by Polenergia Obrót remain outside the scope of the IFRS 9 standard based on an exemption from IFRS 9 of the purchase/sale for the company's own purpose, given the fact the energy purchased and sold under such contracts is not easily exchangeable for cash (it involves a physical delivery of energy). Such contracts are recognized and measured as per IFRS 15, with the accounting principles applicable to those contract described in the section "Revenues from sale of energy under forward contracts"
- Energy and gas purchase and sale contracts recognized and measured as per IFRS 9.

Futures and forward contracts to buy or sell electricity unrealized as at the reporting date are accounted for by the Group as derivatives , falling into the standards for derivative instruments, due to the fact that the energy traded under such contracts is readily convertible into cash. Typically, such transactions are performed through physical delivery of energy and settled on a gross basis.

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 unrealized contracts are measured as at the reporting day at fair value, with changes in value recognized in the profit and loss account. Gains or losses on the measurement of the unrealized contracts as at the reporting date are recognized on a net basis under Revenue from forward contracts measurement.

Transactions under electricity sale contracts which are settled during the year through physical delivery from contracts with customers are disclosed as Revenue from customer contracts in the amounts receivable under the contracts (i.e. sales revenues on contract settlement.

Cost of electricity purchase contracts which are settled during the year through physical purchase of electricity is presented under “COGS - cost of goods sold” at the purchase price (i.e. on contract settlement).

8.27. Other revenues

The Group generates other revenues from:

Recognition of compensation for stranded costs and cost of gas

Compensation for stranded costs, which the Group is entitled to receive under the LTC Termination Act (for details, see Note 47), is recognized in correspondence with revenue from sale of products. Such revenue is recognized on a systematic basis over the accounting period pro rata to the estimated operating profit or loss from sale of electricity, capacity and system-related services, net of accumulated depreciation of the fixed assets employed in such operations.

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

In a corresponding entry, compensation for stranded costs is recognized as receivable from Zarządca Rozliczeń S.A Prepayments of compensation for stranded costs, made in equal quarterly installments in cash, are recognized 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 receivables owed to or 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 recognized in correspondence with revenue from sale of products. The amount of such revenues is recognized on a systematic basis over the reporting period, based on actual quantities of electricity and costs of gas and coal. Whenever actual data is not available as at the reporting date, the most up-to-date estimates are used instead. Other policies of recognizing and accounting for compensation for cost of gas are the same as those applied to recognition of compensation for stranded costs.

Recognition of carbon emission allowances

Free carbon emission allowances were neither recognized in the balance sheet when they were allotted nor in subsequent periods.

Revenue from sale of allowances acquired for resale is recognized as revenue, and the cost of allowances sold is recognized as COGS (raw materials and energy consumed). If emission allowances held by the Group as at end of the reporting period do not fully cover its actual CO_2 emissions in a given year, the Group recognizes a provision for the costs of covering the deficit.

Interest

Interest gains are recognized gradually as interest accrues (using the effective interest rate method, where the effective interest rate is one which discounts future cash flows over the estimated life of the financial instruments) relative to the net carrying amount of a given financial asset.

Dividends

Dividends are recognized when the shareholders' rights to receive distribution are established.

Subsidies on account of certificates of origin

Due to the short operating cycle and high turnover, green energy certificates of origin are measured at fair value and recognized under cost of goods sold as revenue from the granted certificates of origin and current assets (inventories) when energy is generated, to the extent it is probable that the Group will receive the related economic benefits.

Subsidized tangible fixed assets

If there is reasonable certainty that subsidies will be received and that all related conditions will be met, subsidies are recognized at fair value.

If a subsidy relates to a cost item, it is recognized as income in matching with the expenses it is intended to compensate for. Where the subsidy relates to an asset, its fair value is credited to a deferred income account and subsequently it is released to the profit and loss account under other operating revenues over the expected useful life of the relevant asset in equal annual installments.

8.28. Taxes

Current tax

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

Deferred tax

For the purposes of financial reporting, deferred tax is calculated 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 provision is recognized for all taxable temporary differences:

- except where the deferred tax liability provision arises from the initial recognition of goodwill or the initial recognition of an asset or liability attributable to a transaction other than business combination and, at the time of the transaction, affecting neither the pre-tax profit/loss nor the taxable profit or loss, and
- in the case of taxable temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized 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 utilized:

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability attributable to a transaction other than business combination, and, at the time of the transaction, affects neither the pre-tax profit/loss nor the taxable profit or the tax loss, and
- in the case of deductible temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognized 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 utilized.

The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is gradually reduced to the extent it is no longer probable that sufficient taxable income will be generated to allow the deferred tax asset to be realized in full or in part. As at the end of each reporting period, any unrecognized deferred tax asset is reassessed and recognized 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 liability provisions are calculated using tax rates expected to be effective at the time of realization of the asset or liability, based on tax rates (and tax legislation) effective at the end of the reporting period or tax rates (and tax legislation) which at the reporting date are certain to be effective in the future.

Income tax on items posted directly to equity is recognized in equity rather than in the profit and loss account.

Deferred tax assets and deferred tax liability provisions are offset by the Group if and only if has a legally enforceable right to offset current tax asset and income tax payable, and the deferred tax relates to the same taxpayer and the same tax authority.

Value added tax

Revenue, expenses, assets and liabilities are recognized 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 recognized as part of the acquisition price of a given asset or as part of the cost item, and
- in the case of receivables and payables which are recognized inclusive of VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is disclosed in the balance sheet under receivables or payables, as appropriate.

8.29. Earnings per share

Earnings per share for each reporting period are calculated by dividing the net profit attributable to the shareholders of the parent for a given period by the weighted average number of shares outstanding in the period.

Diluted earnings per share for a period are calculated as the quotient of net profit adjusted for changes in 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 preferred shares convertible into ordinary shares, including warrants under the management stock option plan).

8.30. 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 recognized in the balance sheet, however information on contingent liabilities is disclosed, unless the probability of the outflow of resources embodying economic benefits is negligible.

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A contingent liability is:

- a plausible 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; or
- a present obligation that arises from past events but has not been recognized in the financial statements because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to perform the obligation, or

(ii) the amount of the obligation (liability) cannot be measured with sufficient reliability.

Contingent receivables are not recognized in the balance sheet, but information on contingent receivables is disclosed if the inflow of resources embodying economic benefits is likely to occur.

8.31. 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. During 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 be no different than those used in the Group's models for specific investment projects.

8.32. Foreign currency transactions

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 at the balance sheet date into the functional currency 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 fair value of derivatives designated as hedging instruments for hedge accounting purposes are recognized in accordance with the applicable hedge accounting policies (see Note 25).

The following exchange rates were used for measurement purposes:

	31.12.2020	31.12.2019
USD	3.7584	3.7977
EUR	4.6148	4.2585
GBP	5.1327	4.9971

9. Correction of a mistake

In these consolidated financial statements, the following corrections were made of mistakes that had an impact on the financial data disclosed in comparative periods:

(PLN k)

	before change 31.12.2019	change	after change 31.12.2019
Tangible fixed assets	1 678 081	47 332	1 630 749
Long term lease liabilities	97 308	42 510	54 798
Short term lease liabilities	8 519	4 822	3 697

In view of the fact that the Group decided to retroactively apply the new IFRS 16 standard with aggregated effect of the first application of said standard as at 1 January 2019, the Group recognized additional right of use assets and lease payables.

10. Abandoned business

The amounts presented in the consolidated income statement under the item concerning the abandoned business (namely "Profit on abandoned operating activities") refer to revenues and costs in connection with the business of the companies which were sold in 2020, that is: Polenergia Biomasa Energetyczna Wschód Sp. z o.o., Polenergia Bioelektrownia 2 Sp. z o.o., Polenergia Bioelektrownia 2 Sp. z o.o. Sp.K.

11. Adjusted Consolidated EBITDA and Adjusted Consolidated Net Profit

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.

	For 12 months ended	
	31.12.2020	31.12.2019
Profit before tax	126 332	136 879
Fianancial revenues	(5 115)	(5 767)
Financial costs	44 273	49 535
Depreciation/Amortization	96 344	101 453
Profit on loss of control over subsidiaries	-	(20 204)
Development - related impairment loss	(5 077)	17 280
Biomass - related impairment loss	-	(46)
EBITDA	**256 757**	**279 130**

ADJUSTED NET PROFIT atributed to parent shareholders

	For 12 months ended	
	31.12.2020	31.12.2019
NET PROFIT attributed to parent shareholders	**110 551**	**109 011**
Unrealized foreign exchange net (gains)/losses	32	35
(Income)/Cost from measurement of long-term borrowings	1 400	1 372
Development - related impairment loss	(5 077)	17 280
Biomass - related impairment loss	-	(46)
Purchase price allocation:		
Depreciation/Amortization	5 053	10 128
Tax	(961)	(1 920)
Adjusted NET PROFIT attributed to parent shareholders	**110 998**	**115 656**

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 Group defines EBITDA as profit before tax less the Financial income plus financial expense plus depreciation plus impairment losses of non-financial fixed assets (including goodwill). This definition is aimed, in the first place, at ensuring comparative nature of the key parameter for the industry in which the Issuer and its Group operates, in view of the fact that in these financial statements the Group excluded profit from loss of control over subsidiaries from EBITDA.

The Adjusted EBITDA index is determined by eliminating from EBITDA any impact of economic events not affecting the core business of the Group and having no connection with cash flows in the reporting period including, in particular:

- Accounting for the purchase price as at the acquisition day (eliminating the profit recognized as at the acquisition day on account of formerly existing relations, elimination of cost/revenue on forward contract clearance recognized at fair value as at the acquisition day),
- Operating result resulting from the change in the Group's strategy.

The Group defines Adjusted Net Profit attributable to shareholders of the parent as net profit clear of any effects of the following economic events:

- Accounting for the purchase price as at the acquisition day (elimination of depreciation/amortization of adjustments made in connection with fair value measurement of acquired fixed assets, elimination of the profit recognized as at the acquisition day in connection with previously existing relations, elimination of cost/revenue on forward contract clearance recognized at fair value as at the acquisition day), including the effect of deferred tax on the above items),
- Impairment losses on non-financial fixed assets, including goodwill
- Net finance profit/loss related to measurement of borrowings using the amortized cost method (the spreading over time of historically incurred commissions on financing obtained),
- Unrealized foreign exchange gains or losses (this item has not been included in the forecast),
- Operating result resulting from the change in the Group's strategy,
- Impact of income tax on the economic events listed above.

12. Operating segments

On 18 May 2020 the Supervisory Board approved the Strategy of Polenergia Group for the years 2020-2024 prepared by the Issuer’s Management Board (“Polenergia Group Strategy”). When devising the Polenergia Group Strategy, current and forecast situation in the power sector was considered, the analysis of the macroeconomic, marketplace and regulatory environment was performed and assumptions were made regarding the directions of the sector’s development in the next five years’ time horizon. The Polenergia Group Strategy was prepared so as to enable the Group to reach the optimal level of development while maintaining stable financial standing. Facing a huge transformation process of the Polish energy market, it is an ambition of Polenergia Group to support any efforts related to the Polish energy transformation process and the development of low-emission economy.

In view of the above, for management purposes, the Group redefined its business areas dividing them into operational segments, while data for the year ended on 31 December 2019 was transposed so as to ensure its comparability.

The following operating segments have been identified, being identical with the reporting segments:

- Onshore wind farms - development, construction and maintenance of facilities generating electrical energy from onshore wind,

- Onshore wind farms - development, construction and maintenance of facilities generating electrical energy from onshore wind,
- Photovoltaics - development, construction and maintenance of facilities generating electrical energy using the solar radiation,
- Gas and clean fuels - development, construction and maintenance of facilities generating electrical energy in gas cogeneration and development work in the manufacture of hydrogen and generation of energy from hydrogen based on the renewable sources originating energy,
- Trading and sales - commercial business in terms of trading in electricity and certificates of origin, as well as in other energy market instruments, as well as sale of electricity to industrial customers and provision of market access services to energy producers using renewable energy sources,
- Distribution - provision of electrical energy and gas distribution and sale services to commercial, industrial and household customers,

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. Such evaluation is based on the EBITDA result and gross sale profit or loss. Income tax is monitored at the Group level and is not allocated to operating segments. Company's cash is disclosed under Unallocated Assets.

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 (Izba Rozliczeniowa Giełd Towarowych) is the only customer with whom the Group generated no less than 10% of total revenues of the Group.

(PLN k)

For 12 months ended 31.12.2020	RES Generation			Gas and Clean Fuels	Trading and sales	Distribution	Unallocated	Purchase price allocation	Total
	On shore wind farms	Photovoltaics	Off shore wind farms						
Revenues from contracts with clients	254 427	3 286	-	251 421	1 172 698	95 338	8 311	-	1 785 481
Other revenues	-	-	-	13 827	12 038	-	-	-	25 865
Total revenues	254 427	3 286	-	265 248	1 184 736	95 338	8 311	-	1 811 346
Net sales profit (loss)	**151 059**	**1 628**	**-**	**7 760**	**37 079**	**14 185**	**836**	**(5 053)**	**207 494**
General overheads	(2 613)	(209)	-	(6 720)	(16 190)	(6 455)	(16 238)	-	(48 425)
Interest income/(expense)	(33 618)	(501)	-	(48)	158	(2 152)	1 931	-	(34 230)
Other financial revenue/(expense)	(3 311)	(74)	-	1 223	(3 004)	(638)	876	-	(4 928)
Other operating revenue/(expense)	5 728	4	-	(1 728)	1 084	665	668	-	6 421
Profit/loss before tax	**117 245**	**848**	**-**	**487**	**19 127**	**5 605**	**(11 927)**	**(5 053)**	**126 332**
Income tax	-	-	-	-	-	-	(18 061)	215	(17 846)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**108 486**
EBITDA *)	212 479	2 248	-	18 637	22 114	13 987	(12 708)	-	256 757
Segment assets	1 951 585	30 018	175 143	217 406	300 760	171 498	172 039	-	3 018 449
Segment liabilities	1 165 151	15 208	-	59 897	227 342	106 727	25 755	-	1 600 080
Depreciation/Amortization	63 418	825	-	19 325	141	5 593	1 989	5 053	96 344

*) EBITDA - definition in Note 11

(PLN k)

restated data

For 12 months ended 31.12.2019	RES Generation			Gas and Clean Fuels	Trading and sales	Distribution	Unallocated	Purchase price allocation	Total
	On shore wind farms	Photovoltaics	Off shore wind farms						
Revenues from contracts with clients	211 485	-	-	221 657	1 944 004	93 773	20 167	-	2 491 086
Other revenues	-	-	-	96 714	8 777	-	-	-	105 491
Total revenues	211 485	-	-	318 371	1 952 781	93 773	20 167	-	2 596 577
Net sales profit (loss)	**114 150**	**(72)**	**-**	**69 201**	**24 767**	**14 124**	**87**	**(10 128)**	**212 129**
General overheads	(3 470)	(7)	-	(7 202)	(10 445)	(6 218)	(11 092)	-	(38 434)
Interest income/(expense)	(40 327)	-	-	(337)	(131)	(1 986)	3 511	-	(39 270)
Gain on loss of control over subsidiaries	-	-	-	-	-	-	20 204		20 204
Other financial revenue/(expense)	(2 748)	(17)	-	(881)	(2 100)	(280)	1 527	-	(4 499)
Other operating revenue/(expense)	(13 579)	57	-	(1 881)	396	2 164	(409)	-	(13 252)
Profit/loss before tax	**54 026**	**(39)**	**-**	**58 900**	**12 487**	**7 804**	**13 828**	**(10 128)**	**136 878**
Income tax	-	-	-	-	-	-	(29 763)	1 920	(27 843)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109 035**
EBITDA *)	177 726	(22)	-	80 653	14 805	15 076	(9 108)	-	279 130
Segment assets	1 269 595	23 288	153 643	239 999	165 016	144 052	484 168	-	2 479 761
Segment liabilities	864 317	16 063	-	51 862	121 444	83 793	27 036	20 002	1 184 517
Depreciation/Amortization	63 345	-	-	20 535	87	5 006	2 352	10 128	101 453

(PLN k)

For 12 months ended 31.12.2020		RES Generation		Gas and Clean Fuels	Trading and sales	Distribution	Unallocated	Total
		On shore wind farms	Photovoltaics					
- revenue from sale and distribution of electricity	over time	158 560	3 286	228 784	1 091 979	86 568	-	1 569 177
- revenue from certificates of orgin	over time	95 769	-	1 005	16 799	-	-	113 573
- revenue from sale of heat	point in time	-	-	21 452	-	-	-	21 452
- revenue from consulting and advisory services	over time	-	-	-	-	-	5 538	5 538
- revenue from lease and operator services	over time	-	-	-	-	4 235	-	4 235
- revenue from sale and distribution of gas	over time	-	-	-	61 625	4 384	-	66 009
- revenue from sale of merchandise	over time	-	-	-	-	-	2 536	2 536
- revenue from lease	over time	46	-	-	-	-	237	283
- other	over time	52	-	180	2 294	151	-	2 677
Total revenue from clients		**254 427**	**3 286**	**251 421**	**1 172 697**	**95 338**	**8 311**	**1 785 480**
- revenues from the valuation of futures contracts	over time	-	-	-	164	-	-	164
- revenues from the stranded costs and cost of gas	over time	-	-	13 827	-	-	-	13 827
- revenues from CO2 emission allowances	point in time	-	-	-	11 875	-	-	11 875
Total other revenue		**-**	**-**	**13 827**	**12 039**	**-**	**-**	**25 866**
Total sales revenue		**254 427**	**3 286**	**265 248**	**1 184 736**	**95 338**	**8 311**	**1 811 346**

(PLN k)

restated data

For 12 months ended 31.12.2019		RES Generation On shore wind farms	Gas and Clean Fuels	Trading and sales	Distribution	Unallocated	Total
- revenue from sale and distribution of electricity	over time	151 397	199 639	1 889 063	87 177	-	2 327 276
- revenue from certificates of orgin	over time	60 068	(26)	16 300	-	10	76 352
- revenue from sale of heat	point in time	-	21 855	-	-	-	21 855
- revenue from consulting and advisory services	over time	-	-	-	-	4 863	4 863
- revenue from lease and operator services	over time	-	-	-	1 666	-	1 666
- revenue from sale and distribution of gas	over time	-	-	30 646	4 903	-	35 549
- revenue from sale of merchandise	over time	-	-	-	-	35	35
- revenue from sale of pellets	over time	-	-	-	-	15 051	15 051
- revenue from lease	over time	20	-	-	-	195	215
- other	over time	-	189	7 995	27	13	8 224
Total revenue from clients		**211 485**	**221 657**	**1 944 004**	**93 773**	**20 167**	**2 491 086**
- revenues from the valuation of futures contracts	over time	-	-	8 024	-	-	8 024
- revenues from the stranded costs and cost of gas	over time	-	96 714	-	-	-	96 714
- revenues from CO2 emission allowances	point in time	-	-	753	-	-	753
Total other revenue		**-**	**96 714**	**8 777**	**-**	**-**	**105 491**
Total sales revenue		**211 485**	**318 371**	**1 952 781**	**93 773**	**20 167**	**2 596 577**

(PLN k)

13. Earnings per share

	For 12 months ended	
	31.12.2020	31.12.2019
Net profit	110 551	109 011
Average weighted number of ordinary shares	45 443 547	45 443 547
Profit per ordinary share (in PLN)	2,43	2,40

	For 12 months ended	
	31.12.2020	31.12.2019
Average weighted number of ordinary shares	45 443 547	45 443 547
Effect of dilution	-	-
Diluted weighted average number of ordinary shares	45 443 547	45 443 547

(PLN k)

14. Non-current fixed assets

31.12.2020	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	non-current fixed assets under construction	total non-current fixed assets
1. Gross value of non-current fixed assets at beginning of period	**105 987**	**620 361**	**1 406 151**	**5 621**	**(1 409)**	**308 136**	**2 444 847**
a) increases (due to)	**4 993**	**10 269**	**9 685**	**1 481**	**208**	**317 529**	**377 792**
- purchase	-	69	2 018	1 096	208	317 529	354 547
- transfers	-	8 883	7 667	385	-	-	16 935
- other	4 993	1 317	-	-	-	-	6 310
b) reductions (due to)	**(1 449)**	**(13 833)**	**(12 800)**	**(2 175)**	**(825)**	**(64 461)**	**(95 543)**
- sale and refirement	(1 449)	(12 347)	(11 531)	(1 908)	(368)	(21 823)	(49 426)
- other	-	-	(3)	(267)	(457)	(250)	(977)
- transfers	-	(1 486)	(1 266)	-	-	(42 388)	(45 140)
2. Gross value of non-current fixed assets at end of period	**109 531**	**616 797**	**1 403 036**	**4 927**	**(2 026)**	**561 204**	**2 727 096**
3. Cumulative depreciation at beginning of period	**(4 715)**	**(138 207)**	**(389 688)**	**(2 267)**	**1 732**	**(106)**	**(533 251)**
- current period depreciation	(3 198)	(25 142)	(60 891)	(1 162)	16	-	(90 377)
- reductions (due to)	(2 290)	4 027	4 385	1 493	553	5	8 173
- sale and refirement	-	4 027	4 385	1 493	312	5	10 222
- other	(2 290)	-	-	-	-	-	(2 290)
- transfers	-	-	-	-	241	-	241
3. Cumulative depreciation at end of period	**(10 203)**	**(159 322)**	**(446 194)**	**(1 936)**	**2 301**	**(101)**	**(615 455)**
4. Impairment losses at beginning of period	**-**	**(8 355)**	**(6 850)**	**-**	**(44)**	**(218 266)**	**(233 515)**
- increase	-	-	-	-	-	(113)	(113)
- reduction	-	8 011	6 850	-	44	53 843	68 748
6. Impairment losses at end of period	**-**	**(344)**	**-**	**-**	**-**	**(164 536)**	**(164 880)**
7. Net value of non-current fixed assets at beginning of period	**101 272**	**473 799**	**1 009 613**	**3 354**	**279**	**89 764**	**1 678 081**
8. Net value of non-current fixed assets at end of period	**99 328**	**457 131**	**956 842**	**2 991**	**275**	**396 567**	**1 946 761**

In the year ended 31 December 2020, the Group incurred external borrowing costs qualifying for capitalization under initial value of non-current fixed assets, totaling PLN 17,089k, with land and buildings worth PLN 482,769k encumbered with mortgages securing repayment of credit facilities.

(PLN k)

restated data

31.12.2019	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	non-current fixed assets under construction	total non-current fixed assets
1. wartość brutto rzeczowych aktywów trwałych na początek okresu	**7 026**	**587 994**	**1 394 568**	**3 353**	**(342)**	**267 170**	**2 259 769**
2. wpływ wdrożenia MSSF 16	**98 961**	**3 090**	**103**	**438**	**13**	**-**	**102 605**
3. wartość brutto rzeczowych aktywów trwałych na początek okresu	**105 987**	**591 084**	**1 394 671**	**3 791**	**(329)**	**267 170**	**2 362 374**
a) zwiększenia (z tytułu)	**-**	**32 456**	**20 689**	**2 725**	**41**	**80 699**	**136 610**
- nabycie	-	196	8 673	2 739	21	77 967	89 596
- transfery	-	27 303	12 016	-	20	-	39 339
- inne	-	4 957	-	(14)	-	2 732	7 675
b) zmniejszenia (z tytułu)	**-**	**(3 179)**	**(9 209)**	**(895)**	**(1 121)**	**(39 733)**	**(54 137)**
- sprzedaż i likwidacja	-	-	(9 803)	(895)	(8)	-	(10 706)
- inne	-	(2)	(5)	-	(1 113)	(78)	(1 198)
- transfery	-	(3 177)	599	-	-	(39 655)	(42 233)
4. wartość brutto rzeczowych aktywów trwałych na koniec okresu	**105 987**	**620 361**	**1 406 151**	**5 621**	**(1 409)**	**308 136**	**2 444 847**
5. skumulowana amortyzacja (umorzenie) na początek okresu	**-**	**(114 765)**	**(337 501)**	**(2 359)**	**995**	**(106)**	**(453 736)**
- amortyzacja okresu bieżącego	(3 069)	(24 212)	(63 014)	(732)	130	-	(90 897)
- zmniejszenia (z tytułu)	(1 646)	770	10 827	824	607	-	11 382
- sprzedaż i likwidacja	-	-	9 019	824	8	-	9 851
- inne	(1 646)	-	-	-	-	-	(1 646)
- transfery	-	770	1 808	-	599	-	3 177
6. skumulowana amortyzacja (umorzenie) na koniec okresu	**(4 715)**	**(138 207)**	**(389 688)**	**(2 267)**	**1 732**	**(106)**	**(533 251)**
7. odpisy z tytułu utraty wartości na początek okresu	**-**	**(8 355)**	**(6 850)**	**(46)**	**(44)**	**(201 467)**	**(216 762)**
- zwiększenie	-	-	-	-	-	(17 515)	(17 515)
- zmniejszenie	-	-	-	46	-	716	762
8. odpisy z tytułu utraty wartości na koniec okresu	**-**	**(8 355)**	**(6 850)**	**-**	**(44)**	**(218 266)**	**(233 515)**
9. wartość netto rzeczowych aktywów trwałych na początek okresu	**7 026**	**464 874**	**1 050 217**	**948**	**609**	**65 597**	**1 589 271**
wpływ wdrożenia MSSF 16	98 961	3 090	103	438	13	-	102 605
10. wartość netto rzeczowych aktywów trwałych na początek okresu	**105 987**	**467 964**	**1 050 320**	**1 386**	**622**	**65 597**	**1 691 876**
11. wartość netto rzeczowych aktywów trwałych na koniec okresu	**101 272**	**473 799**	**1 009 613**	**3 354**	**279**	**89 764**	**1 678 081**

In the year ended 31 December 2019 the Group experienced cost of external financing qualifying for capitalization and inclusion in the initial value of non-current fixed assets totaling PLN 265 k, , with land and buildings worth PLN,585k encumbered with a mortgage securing repayment of loans, total depreciation cost for the right-of-use assets of PLN 4,918k, with an increase in interest expenses on lease payables which amounted to PLN 916k.

(PLN k)

Right-of-use assets under lease	31.12.2020	31.12.2019
Land real estate	78 733	49 459
Perpetual usufruct of the land	1 662	269
Other real estate	6 904	6 833
Plant and machinery	156	259
Vehicles	2 706	3 233
Other	-	13
Total	**90 161**	**60 066**

In the year ended 31 December 2019 the mistake described in detail in Note 9 was corrected.

15. Intangible Assets

31.12.2020	concessions, patents, licenses and similar entitlements obtained, including:	software	prepayments for intangibles	intangible assets from purchase price allocation	total intangibles
1. Gross value of intangible assets at beginning of period	**9 068**	**800**	**-**	**58 000**	**67 068**
a) increase (due to)	1 448	54	37	-	1 485
- purchase	54	54	37	-	91
- other	1 394	-	-	-	1 394
2. Gross value of intangible assets at end of period	**10 400**	**854**	**37**	**58 000**	**68 437**
3. Cumulative depreciation at begining of period	**(5 179)**	**(141)**	**-**	**(52 608)**	**(57 787)**
- current period depreciation	(1 179)	(66)	-	(4 789)	(5 967)
4. Cumulative depreciation at end of period	**(6 295)**	**(207)**	**-**	**(57 397)**	**(63 691)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**
- increase	-	-	-	-	-
- reduction	-	-	-	-	-
6. Impairment losses at end of period	**-**	**-**	**-**	**-**	**-**
7. Net value of intangible assets at beginning of period	**3 889**	**659**	**-**	**5 392**	**9 281**
8. Net value of intangible assets at end of period	**4 105**	**647**	**37**	**603**	**4 746**

31.12.2019	concessions, patents, licenses and similar entitlements obtained, including:	software	intangible assets from purchase price allocation	total intangibles
1. Gross value of intangible assets at beginning of period	**8 697**	**763**	**58 000**	**66 697**
a) increase (due to)	371	37	-	371
- purchase	55	37	-	55
- other	316	-	-	316
2. Gross value of intangible assets at end of period	**9 068**	**800**	**58 000**	**67 068**
3. Cumulative depreciation at begining of period	**(4 487)**	**(56)**	**(42 744)**	**(47 231)**
- current period depreciation	(692)	(85)	(9 864)	(10 556)
4. Cumulative depreciation at end of period	**(5 179)**	**(141)**	**(52 608)**	**(57 787)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**
- increase	-	-	-	-
- reduction	-	-	-	-
6. Impairment losses at end of period	**-**	**-**	**-**	**-**
7. Net value of intangible assets at beginning of period	**4 210**	**707**	**15 256**	**19 466**
8. Net value of intangible assets at end of period	**3 889**	**659**	**5 392**	**9 281**

(PLN k)

16. Goodwill

	31.12.2020	31.12.2019
- Goodwill from consolidation at baginning of period	69 613	69 613
- Decrease of goodwill from sale of assets	47	-
Total goodwill	**69 566**	**69 613**

As at 31 December 2020 goodwill amounted to PLN 69.6m and was attributable to the following cash-generating units (segments):

- PLN 25m - distribution - including the companies Polenergia Dystrybucja and Polenergia Kogeneracja;
- PLN 44 m - trading - including the company Polenergia Obrót.

Goodwill impairment test

As at 31 December 2020 a goodwill impairment test was performed which showed no impairment of the asset in question. The test was performed with respect to fixed assets and intangibles plus goodwill for those operating segments to which, as at 31 December 2020, goodwill had been allocated. The utility value estimated based on the cash flow projections of individual projects underlies the measurement of the recoverable value of individual cash generating centers.

The test was performed based on the present value of estimated operating cash flows. Calculations were performed based on detailed forecasts with the projections horizon until 2050 or for the entire lifetime of the companies.
Key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2020 and for individual segments:

– Energy prices: the wholesale energy price path until 2023 is based on quotations for forward contracts, as well as the Company's best knowledge(CAGR of ca. 5.1%). Beyond 2023 the annual growth rate of ca. 2.7% was assumed based on the available forecasts of independent business advisors.
– Green certificate prices: the market price path for certificates is based on the forecasts of an independent business advisor (CAGR ca. -1,6%)

Company worth in segment	Key assumptions	Level of discount rate assumed in test as at: 31 December 2020	Level of discount rate assumed in test as at: 31 December 2019
Distribution	The RAB figure adopted for the forecast is based on the level which incorporates historical capex plus capex intended for the years 2021-2026. In distribution, the weighted average cost of capital has been assumed at the regulatory level of WACC published by the regulatory authority ERO. In subsequent years changes in WACC have been assumed resulting from the variation of interest rates on the market. Average energy sales margins in real terms have been assumed at the historic margin levels less the potential competitive pressure attributable to that specific marketplace.	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja	5,48% Polenergia Dystrybucja 5,06% Polenergia Kogeneracja

(PLN k)

	Increased volume of energy sold due to capital expenditures effected. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. The period of detailed projections refers to the years 2021-2050.		
Trading	The margin in trading in 2021 assumes implementation of the commercial strategy based on short-term trading and structured transactions. The margin on assets covers the extension of PPAs to include other wind assets. Additional margin in the areas connected with partial return to proprietary trading, geographical expansion in trading, sales to strategic customers and more intense involvement in renewable energy sources. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. In the trading segment, the period of detailed projections refers to the years 2021-2050.	8.90%	9.65%

The assumptions made are in line with the long-term projection used by the Group.

Recoverable values for distribution and trading segments exceed the values of fixed assets and intangibles increased to include goodwill. As at 31 December 2020, the impairment test was performed which showed no impairment of goodwill in those segments.

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the utility value of the tested assets is exerted mainly by the fluctuations of the discount rate (WACC) and fluctuations of electricity prices.
According to the estimates of the Management Board, in Distribution and Trading the increase of the WACC by 1 percentage point or a change of the electricity price by 1% r will entail no changes in the assessment whether any impairment occurred.

17. The asset impairment test held as at 31 December 2020

The Group performed an analysis of indications of fixed assets impairment as at 31 December 2020. No indications were found with respect to the assets held by the Company that would made it necessary to perform an impairment test with respect to tangible and intangible fixed assets.

With respect to the Companies developing the Piekło wind farm project which obtained support in a RES auction of 2020, indications were found for partial reversal of the impairment write-down dating 2018.

With respect to those cash generating units in which goodwill was recognized, the process of impairment tests has been discussed in Note 16.

(PLN k)

Company	Key assumptions	Level of discount rate assumed in test as at: 31 December 2020	Level of discount rate assumed in test as at: 31 December 2019
Piekło Wind Farm (Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o.)	Sale of electricity at a price fixed due to the successful RES auction in 2020 for a period of 15 years with wholesale energy prices. Electricity generation volumes resulting from the generation capabilities and productivity assumed based on the windiness reports. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. It has been assumed the power plant will operate for 30 years of its go-live.	8.43%	N/A

The recoverable amount with respect to Piekło project has been estimated at PLN 5.7m. Based on such estimate, the reversal of the valuation allowance was made for the companies Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. in that very amount.

18. Long term financial assets

	31.12.2020	31.12.2019
- share or stock in non-listed companies	3 245	423
- loans given **)	-	5
- futures contracts *)	14 946	9 731
- derivative instruments	3 167	-
Total long term financial assets	**21 358**	**10 159**

*) measured at fair value through profit or loss

**) measured at amortized cost

19. Financial assets measured using the equity method

Polenergia S.A. and Wind Power AS (hereinafter the "Shareholders") participate in a joint venture (JV) involving the development of offshore wind farms (the "Project") in the Baltic Sea. The Shareholders hold, directly or indirectly, 50% shares/stock each in the companies MFW Bałtyk I S.A. MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.

The table below shows the carrying amount of the Group's investments in the joint venture:

	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Open balance as at 1 January	**69 798**	**69 662**	**14 183**	**153 643**
Capital contribiutions	7 300	14 200	-	**21 500**
Closing balance as at 31 December	**77 098**	**83 862**	**14 183**	**175 143**

As at 31 December 2020 and as at 31 December 2019 net assets of the subsidiaries (MFW Bałtyk II Sp. z o. o., MFW Bałtyk III Sp. z o. o., MFW Bałtyk I S.A.) comprised:

(PLN k)

31.12.2020	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Non-current fixed assets - capital expenditure for wind farm under	108 677	120 131	30 599	**259 407**
Other receivables	5 579	4 048	788	**10 415**
Cash	3 126	5 257	304	**8 687**
Liabilities	(18 415)	(29 541)	(3 152)	**(51 108)**
Accruals	(24)	(24)	(44)	**(92)**
Total net assets	**98 943**	**99 871**	**28 495**	**227 309**

31.12.2019	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Non-current fixed assets - capital expenditure for wind farm under	84 831	71 513	27 819	**184 163**
Other receivables	2 059	2 139	190	**4 388**
Cash	9 156	9 396	887	**19 439**
Liabilities	(11 538)	(11 391)	(1 218)	**(24 147)**
Accruals	(10)	(10)	(31)	**(51)**
Total net assets	**84 498**	**71 647**	**27 647**	**183 792**

The subsidiaries (MFW Bałtyk II Sp. z o. o., MFW Bałtyk III Sp. z o. o., MFW Bałtyk I S.A.) in the financial year ended 31 December 2020 carried out no operating activity, hence generated no profit/loss and, as a result, they had no impact whatsoever on the measurement of the shares using the equity method.

20. Long term receivables

	31.12.2020	31.12.2019
- receivables from other entities	3 498	3 842
- lease	1 845	1 856
- other receivables	1 653	1 986
Net long term receivables	**3 498**	**3 842**

21. Inventories

	31.12.2020	31.12.2019
- materials and merchandise	7 450	10 804
- certificates of origin	28 971	27 335
- prawa majątkowe	342	151
- prepayments for deliveries	73	41
Total net inventories	**36 836**	**38 331**
- inventory remeasured write-downs	185	559
Total gross inventories	**37 021**	**38 890**

(PLN k)

22. Short term receivables

	31.12.2020	31.12.2019
- trade receivables	77 041	85 667
- from related entities	5 557	4 038
- from ather entities	71 484	81 629
- income tax receivable	976	789
- other receivables	142 154	45 662
- budget payments receivable	51 780	15 191
- lease	232	431
- LTC settlement	18 282	11 379
- other	71 860	18 661
Total net short-term receivables	**220 171**	**132 118**
- receivables remeasured write-downs	3 681	2 770
Total gross short-term receivables	**223 852**	**134 888**

Financial assets (IFRS 9) include trade receivables and bad debt allowances, with other receivables including financial assets (other than IFRS 9).

For transactions with associates see Note 46.

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

As at 31 December 2020 impairment losses on trade receivables deemed uncollectible were increased up to PLN 3,681k compared to PLN 2,770k as at 31 December 2019.

Below is a classification of trade receivables into impairment model stages:

	Total	Step 2	Step 3
Gross value as at 1.1.2020	88 437	85 126	3 311
Arisen	76 537	76 537	1 137
Paid	(84 252)	(85 389)	-
Gross value as at 31.12.2020	80 722	76 274	4 448

The table below shows the amounts of default and the calculation of expected credit losses as at 31 December 2020 and as at 31 December 2019.

		Receivables from individual customers			
	Total	Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2020	23 265	20 957	421	94	1 793
Expected credit losses	1 688	-	-	-	1 688
31.12.2019	15 904	14 492	-	157	1 255
Expected credit losses	1 180	-	-	-	1 180

		Receivables from corporate customers			
	Total	Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2020	56 546	54 519	19	264	1 744
Expected credit losses	1 993	-	-	249	1 744
31.12.2019	72 533	70 349	97	31	2 056
Expected credit losses	1 590	-	-	-	1 590

(PLN k)

Because of the COVID-19 pandemic, increased risk of expected credit losses in the distribution segment was considered in the year ended 31 December 2020.

23. Short term prepaid expenses

	31.12.2020	31.12.2019
- insurance	3 204	3 241
- subscriptions	43	46
- maintenance	439	1 615
- real estate tax, perpetual usufruct charges, lease payments	2	3
- accrued revenue	1 069	1 022
- accrued commissions	56	165
- other	899	342
Total prepayments and accrued income	**5 712**	**6 434**

24. Short term financial assets

	31.12.2020	31.12.2019
- derivative instruments	15 296	-
- loans given	-	1 934
- futures and forward contracts measurement	136 136	74 214
Total short term financial assets	**151 432**	**76 148**

25. Fair values of assets and liabilities

Fair value of futures and forward contracts

Futures and forward contracts to buy or sell electricity entered into by Polenergia Obrót S.A., a subsidiary, are classified as derivatives, in line with IFRS 9 - Financial 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.

	For 12 months ended	
	31.12.2020	31.12.2019
Result of measurement of derivatives	164	(7 543)

	31.12.2020	31.12.2019
Short term assets	136 136	74 214
Long term assets	14 946	9 731
Total	**151 082**	**83 945**

	31.12.2020	31.12.2019
Short term liabilities	132 721	71 832
Long term liabilities	9 886	7 587
Total	**142 607**	**79 419**

(PLN k)

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

- 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 2: The fair value is measured based on other inputs that are observable either directly or indirectly. As similar contracts are traded in an active market, the prices reflect results of actual transactions in similar derivative instruments. The fair value of loans is determined at amortized cost i.e. the discounted cash flow analysis at the assumed effective interest rate as a discount rate.

Forward contracts are 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. The impact of applying unobserved data, if any, was immaterial to the measurement of derivatives (level 2).

Fair values of other financial assets and liabilities

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	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Financial asstes					
Futures and forward contracts	Level 2	151 082	83 945	151 082	83 945
Financial liabilities					
Bank	n/a	1 005 404	782 415	1 005 404	782 415
IRS	Level 2	8 407	2 236	8 407	2 236
Futures and froward contracts	Level 2	142 607	79 419	142 607	79 419

Hedging

As at 31 December 2020, the Group recognized PLN 12,609 thousand (2019: PLN 1,049 thousand) in other comprehensive income being a component of equity, on account of the effective portion of the hedging instrument's fair value.
Hedging transactions are entered into with a view to mitigate the impact of:

- interest rate variation on the amount of the future highly probable payments of loan installments.
- foreign exchange rate changes on the amount of the future highly probable foreign currency denominated payments under the investment agreements.

Hedge accounting seeks to eliminate the risk of an accounting mismatch between the time when gains or losses on a hedging instrument and those on the hedged item are recognized.
As at 31 December 2020, the Group held the following hedging instruments for hedge accounting purposes.

Interest rate risk hedges

Maturity date of hedging instrument	Hedged value (in thousands of PLN)	Interest rate hedged	Instrument
26.02.2027	16 893	1,25%	IRS
29.09.2025	78 844	0,52%	IRS
10.09.2035	9 000	1,20%	IRS
29.03.2028	157 210	0,79%	IRS
29.06.2026	40 651	0,56%	IRS
30.06.2034	13 933	0,89%	IRS
26.02.2027	4 202	11,25%	IRS
15.12.2028	27 434	0,75%	IRS
15.06.2021	105 615	3,07%	IRS
11.06.2035	123 300	1,10%	IRS
Total	**577 082**		

Cash flow hedges

Maturity date of hedging instrument	Hedged value (in thousands of EUR)	Exchange rate hedged	Instrument
2021.03	2 211 EUR	4,4225	Forward
2021.04	2 936 EUR	4,4254	Forward
2021.05	2 288 EUR	4,4860	Forward
2021.06	1 487 EUR	4,4291	Forward
2021.08	725 EUR	4,4368	Forward
2021.09	28 630 EUR	4,4401	Forward
2021.10	19 751 EUR	4,4436	Forward
2021.11	9 513 EUR	4,4464	Forward
2021.12	21 113 EUR	4,4998	Forward
2022.01	7 429 EUR	4,4532	Forward
2022.02	10 853 EUR	4,5426	Forward
2022.03	1 087 EUR	4,4600	Forward
2022.06	775 EUR	4,5734	Forward
2022.07	517 EUR	4,5752	Forward
Total	**109 315 EUR**		

26. Cash and equivalent

	31.12.2020	31.12.2019
Cash and equivalent	374 347	345 705
- cash at hand and in bank	374 347	345 705
Total cash and equivalent	**374 347**	**345 705**

For more information on restricted cash of PLN 34,402k, see Note 42 (2019: PLN 41,643k).

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

(PLN k)

The Group applies a three-level model (referred to in more detail in Note 8.18) with respect to cash, however, in the opinion of the Management Board, such allowance is immaterial, because the Company avails itself of reputable financial institutions only.

27. Share capital and statutory reserve funds/capital reserves

Shareholders holding 5% or more of the total number of shares as at the date of issue of these 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	BIF IV Europe Holdings Limited	10 370 213	10 370 213	22,82%
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	Others	2 303 604	2 303 604	5,07%
	Total	**45 443 547**	**45 443 547**	**100,00%**

*) Kulczyk Holding S.à r.l. indirectly holds 100 % of shares in the company Mansa Investments Sp. z o.o.

Undistributed profit and limitations on dividend distributions

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 standalone financial statements of the parent should be contributed to the statutory reserve fund, until the fund reaches at least one-third of the parent's share capital. While it is the General Meeting that resolves how to spend such statutory reserve funds and capital reserves, part of statutory reserve funds equal to one-third of the share capital i.e. PLN 30.296, may only be spent to cover the loss disclosed in the standalone financial statements and may not be distributed for any other purpose.

Non-controlling interest

	31.12.2020	31.12.2019
As at the beginning of period	**928**	**903**
- share in subsidiaries profi/loss	(28)	25
As at the end of period	**900**	**928**

Dividends distributed and proposed

No dividend was distributed by the parent in the 12-month period ended on 31 December 2020. No dividend is intended to be distributed by the parent in 2021.

28. Income tax

	For 12 months ended	
	31.12.2020	31.12.2019
Current income tax	16 368	22 060
Current income tax charge	16 285	22 051
Adjustments to prior years current income tax	83	9
Deffered income tax	1 478	5 783
Related to temporary differences and their reversal	1 478	5 783
Income tax charged to the profit and loss account	17 846	27 843

(PLN k)

	Balance sheet	Profit and loss account	Capital	Balance sheet
Deferred income tax	**01.01.2020**			**31.12.2020**
Deferred income tax provision				
Tangible fixed assets	90 337	2 553	-	92 890
Intangible assets	1 650	(910)	-	740
Receivables	10 708	1 456	-	12 164
Cash	(603)	-	-	(603)
Loans and borrowings	(4 488)	(150)	-	(4 638)
Lease receivables	192	(40)	-	152
Liabilities	(5 161)	1 028	-	(4 133)
Other	(458)	88	-	(370)
Inventories	1 331	(53)	-	1 278
Deferred income tax provision before tax	**93 508**	**3 972**	**-**	**97 480**
Compensation				**(23 061)**
Deferred income tax provision				**74 419**
Deferred income tax assets				
Tangible fixed assets	1 401	(216)	-	1 185
Inventories	(182)	138	-	(44)
Receivables	1 290	(15)	-	1 275
Borrowings	(4 114)	100	-	(4 014)
Liabilities	13 210	(479)	616	13 347
Provisions	2 820	1 251	-	4 071
Retained assets	5 364	2 242	-	7 606
Prepayments	8 998	(527)	-	8 471
Deferred income tax asset	**28 787**	**2 494**	**616**	**31 897**
Compensation				**(23 061)**
Deferred income tax assets				**8 836**
Deferred income tax expense		**1 478**		
Net deferred tax (assets)/provision	**64 721**		**(616)**	**65 583**

The temporary difference related to tangible fixed assets and intangible assets follows from the assets measured due to the purchase price allocation and accelerated tax depreciation/amortization.

EFFECTIVE TAX RATE

	For 12 months ended 31.12.2020	31.12.2019
Income tax charged to the profit and loss account, including	**17 846**	**27 843**
Current tax	16 368	22 060
Deferred tax	1 478	5 783
Profit (Loss) before tax	**126 332**	**136 879**
Tax on gross profit at effective tax rate of 19%	24 003	26 007
Adjustments to prior years current income tax	84	9
Adjustments to prior years deferred income tax	647	-
Non-deductible costs:	**(6 776)**	**2 016**
- permanent differences	2 601	987
- asset from tax losses in the Special Economic Zone	-	(225)
- temporary difference on which no tax asset/provision is established	(9 377)	1 254
Non-taxable income:	**(112)**	**(189)**
- other	(112)	(189)
Income tax in the profit and loss account	**17 846**	**27 843**

(PLN k)

29. Provisions

	31.12.2020	31.12.2019
Long term provisions		
- pension plan and related provision	2 281	1 253
- litigation provision	21 139	21 139
Total long term provisions	**23 420**	**22 392**
Short term provisions		
- pension plan and related provision	12	212
- accrued holiday leave provision	3 052	1 684
- litigation and grid losses provision	-	212
Total short term provisions	**3 064**	**2 108**

Change in long term and short term provisions

	31.12.2020	31.12.2019
Provisions at beginning of the period	**24 500**	**32 889**
- recognition of provisions	2 618	607
- reversal of provisions	(634)	(8 996)
Provisions at end of the period	**26 484**	**24 500**

The long-term provision for litigation originates from the prudent approach to the case vs. Eolos Sp. z o.o.

(PLN k)

30. Bank loans and other borrowing liabilities

31.12.2020

Bank	Company	Long term liability	Short term liability	Ineterst rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	-	-	WIBOR 1W / 1M + margin	31.07.2021	Registered pledge over bank accounts, registered pledge over assets, pledge over Borrower's shares, assignment of claims over project documents, statement of voluntary submission to enforcement
PEKAO SA	Polenergia Obrót S.A.	-	-	WIBOR 1M + margin	30.09.2021	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	54 856	2 955	WIBOR 3M + margin	20.11.2027	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	77 264	2 535	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of colantary submussion to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	45 973	1 817	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of colantary submussion to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 1 Sp. z o.o.	94 780	6 404	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	169 524	11 546	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 6 Sp. z o.o.	51 044	3 449	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	128 377	15 282	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	13 861	805	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	-	-	WIBOR 3M + margin	30.06.2035	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	-	-	WIBOR 1M + margin	30.12.2021	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee

(PLN k)

Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI, EBOiR)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	130 535	1 465	WIBOR 3M + margin	10.09.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	-	18 875	WIBOR 1M + margin	30.06.2022	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
mBank S.A.	DIPOL Sp. z o.o.	12 588	5 104	WIBOR 1M + marża	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
mBank S.A.	Polenergia Farma Wiatrowa 23 Sp. z o.o.	3 281	1 131	WIBOR 1M + marża	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Europejski Bank Odbudowy i Rozwoju, Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	10 000	-	WIBOR 3M + marża	10.06.2037	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	-	-	WIBOR 1M + marża	31.03.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	-	WIBOR 3M + marża	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	-	WIBOR 1M + marża	30.06.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
Mansa Investments Sp. z o.o.	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	51 865	-	fixed interest rate	31.12.2039	Surety agreement Polenergia S.A., submissions to execution borrower and surety
Mansa Investments Sp. z o.o.	Polenergia Farma Wiatrowa 3 Sp. z o.o.	90 088	-	fixed interest rate	31.12.2039	Surety agreement Polenergia S.A., submissions to execution borrower and surety
Mansa Investments Sp. z o.o.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	-	fixed interest rate	31.12.2039	Surety agreement Polenergia S.A., submissions to execution borrower and surety
Total		**934 036**	**71 368**			

(PLN k)

31.12.2019

Bank	Company	Long term liability	Short term liability	Ineterst rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	0	0	WIBOR 1W / 1M + margin	31.07.2020	Registered pledge over bank accounts, registered pledge over assets, pledge over Borrower's shares, assignment of claims over project documents, statement of voluntary submission to enforcement
PEKAO SA	Polenergia Obrót S.A.	0	139	WIBOR 1M + margin	30.09.2020	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	51 991	2 955	WIBOR 3M + margin	19.11.2027	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
Raiffeisen Bank International AG (Spółka Akcyjna) Oddział w Polsce	Dipol Sp. z o.o.	9 854	4 923	EURIBOR 1M + margin	31.12.2021	Mortgage over real property, registered pledge over assets, pledge over Borrower's shares, powers of attorney over bank accounts, assignment of claims under project contracts, frozen funds in tge special-purpose rezerve account, surety of up to PLN 6,338 thousand issued by Polenergia S.A. (yet in the relevant documentation Polenergia S.A. made a carve-out that in the sponsor's opinion said surety was non effective). EUR denominated facility
Konsorcjum bankowe ('Raiffeisen Bank International AG (Spółka Akcyjna) Oddział w Polsce, PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	92 207	2 186	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of colantary submussion to enforcement
Konsorcjum bankowe ('Raiffeisen Bank International AG (Spółka Akcyjna) Oddział w Polsce, PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	54 877	1 607	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of colantary submussion to enforcement
PEKAO SA	Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	0	3 579	WIBOR 3M + margin	30.09.2022	Mortgage over real property, registered pledge over assets, pledge over Borrower's shares, assignment of claims under project contracts, financial pledge and powers of attorney over bank accounts, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	112 228	5 763	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A.)	Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	200 868	10 455	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	60 457	3 105	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOR, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	149 918	15 303	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of voluntary submission to enforcement
Total		**732 400**	**50 015**			

On 26 February 2020, the companies Dipol Sp. z o.o. („Dipol") and Polenergia Farma Wiatrowa 23 Sp. z o.o. („FW23") entered into a facility agreement with mBank S.A. for the total overdraft capped at PLN 32,800k to be allocated to:

- refinancing of the outstanding amount of the facility extended to Dipol by Raiffeisen Bank International AG (taken over from Raiffeisen Bank Polska S.A.) under the agreement dated 23 November 2005 for the purpose of financing the construction of a 22 MW wind farm in Puck, with the debt as at the refinancing day amounting to EUR 3,284.5 k including accrued interest,
- partial refinancing of the equity contribution of Polenergia S.A. to Dipol and funding the debt service reserve as required by the a/m facility agreement,
- partial refinancing of the equity contribution of Polenergia S.A. to FW23.

The facility was disbursed on 5 March 2020 in the amount of PLN 21,583.2k at a request of Dipol and in the amount of PLN 5,145k at a request of FW23. The disbursements of the a/m amounts made the facility reach the contractual cap of the funds to be drawn down.

The maturity of the a/m facility for both companies has been contractually agreed to be 26 February 2027.

On 18 March 2020, the companies Dipol and FW23 concluded interest rate hedging transactions corresponding to 95% of the of the facility amount.

On 18 April 2020 Mansa Investments sp. z o.o signed loan agreements with the Group companies:

- Polenergia Farma Wiatrowa 3 sp. z o.o. for PLN 172,000k,
- Polenergia Farma Wiatrowa Szymankowo sp. z o.o. for PLN 51,000k,
- Polenergia Farma Wiatrowa Dębice-Kostomłoty sp. z o.o. for PLN 10,000k,

The principal is to be allocated to pay the expenses related to the construction of the wind farm projects, with maturity of each loan being 30 December 2039.

On 30 April 2020 the company Polenergia Farma Wiatrowa Mycielin Sp. o.o., (Mycielin) concluded interest rate swap transactions corresponding to 90% of the incurred loan amount.

On 19 May 2020, the company Polenergia Farma Wiatrowa 17 Sp. o.o. ("FW17") concluded interest rate swap transactions corresponding to 95% of the incurred loan amount.

On 30 June 2020, the company Polenergia Farma Wiatrowa 4 Sp. o.o. ("FW4") concluded interest rate swap transactions corresponding to 80% of the incurred loan amount.

On 10 July 2020 the company Polenergia Farma Wiatrowa 3 Sp. z o.o. („FW3") signed a facility agreement with a syndicate of banks including EBRD, ING Bank Śląski S.A., mBank S.A. (acting also as the facility agent, the security agent and the accounts bank), Santander Bank Polska S.A., which put at the disposal of FW3:

- an investment loan tranche up to PLN 480,000k provided with the availability term since the day of execution of the agreement until 30 December 2022 with final maturity on 10 July 2037, for the purpose of financing the cost of the 121MW wind farm project construction located near the village of Dębsk;
- an investment loan tranche up to PLN 480,000k provided with the availability term since the day of execution of the agreement until 30 December 2022 with final maturity on 10 July 2037, for the purpose of financing the construction cost of the 121MW wind farm project located near the village of Dębsk;

As at 31 December 2020 the utilization of the loan under the investment tranche available was PLN 10k, with 0 utilization of the VAT tranche.

On 2 November 2020 the company concluded an interest rate swap transaction corresponding to 90% of the incurred facility amount.

On 29 July 2020 Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. ("ENS") entered into Annex 6 to the facility agreement of 29 July 2011 with ING Bank Śląski S.A. Such Annex extended the availability of the loan under the a/m facility agreement in the amount of PLN 20,000k until 30 July 2021.

On 29 July 2020 the company FW Szymankowo entered into an amending agreement to the facility agreement of 5 November 2019 which:

- increased the amount of the available investment loan tranche from PLN 107,000k up to PLN 171,000k provided with the availability term since the day of execution of the agreement until 30 September 2021 with final maturity on 10 September 2036, for the purpose of financing the cost of the 38.5 MW wind farm project construction located near the village of Szymankowo;
- increased the amount of the available investment loan tranche from PLN 20,000k up to PLN 27,000k provided, with the availability term since the day of execution of the agreement until 31 March 2022 and with final maturity on 30 June 2022, for the purpose of financing the cost of the VAT on the abovementioned project costs.

As at 31 December 2020 the utilization of the loan under the investment tranche available was PLN 132k, with PLN 18.9k of utilization of the VAT tranche.

On 18 August 2020 the company concluded an interest rate swap transaction corresponding to 90% of the incurred facility amount.

On 6 August 2020 the companies Polenergia Farma Wiatrowa 1 Sp. z o.o. („FW1”), and Polenergia Farma Wiatrowa 6 Sp. z o.o. („FW6”) concluded interest rate swap transactions up to the level corresponding to 80% of the amount of their loans incurred.

On 30 September 2020 Polenergia Obrót S.A. executed Annex 7 extending the tenor of the multifacet overdraft until 30 September 2021 (the “Annex”). In addition, the Annex increased the overdraft limit up to the maximum of PLN 300,000k in that it may be split up to the maximum amount of PLN 60,000k for overdraft and up to the maximum amount of PLN 260,000k for guarantees, however the maximum debt amount under both limits cannot exceed the abovementioned cap.

On 30 September 2020 Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. („FW Kostomłoty”) entered into a facility agreement with mBank S.A. which made the following facilities available to the company:

- an investment loan tranche up to PLN 125,000k provided with the availability term since the day of execution of the agreement until 30 September 2022 with final maturity on 1 September 2037, for the purpose of financing the cost of the 27 MW wind farm project construction located near the village of Kostomłoty;
- an investment loan tranche up to PLN 125,000k provided with the availability term since the day of execution of the agreement until 30 September 2022 with final maturity on 1 September 2037, for the purpose of financing the construction cost of the 27 MW wind farm project located near the village of Kostomłoty;

As at 31 December 2020, the utilization of the a/m loan under the available tranches was 0.

(PLN k)

31. Trade payables and other payables

	31.12.2020	31.12.2019
- bank loans and borrowings	71 368	50 015
- trade payables	99 969	74 339
- from related entities	553	-
- from other entities	99 416	74 339
- income tax payable	1 079	5 565
- lease liabilities	11 240	8 519
- futures and forward contracts measurement	132 721	71 832
- other liabilities	69 169	20 764
- budget payments receivable	13 880	14 933
- prepayments for deliveries	36 542	502
- payroll payable	929	1 527
- special funds	34	22
- risk hedging	7 190	-
- LTC settelment	1 604	-
- other	8 990	3 780
Total short term liabilities	**385 546**	**231 034**

	31.12.2020	31.12.2019
- risk hedging	1 217	2 236
- investment liabilities	1 500	1 500
Total other long term liabilities	**2 717**	**3 736**

Financial liabilities (IFRS 9) include trade payables and investment liabilities, with other liabilities including financial liabilities (other than IFRS 9).

32. Accruals

	31.12.2020	31.12.2019
Long term accruals and deferred income		
- deferred income - grants	46 897	50 100
Total long term accruals and deferred income	**46 897**	**50 100**

Short term accruals and deferred income

	31.12.2020	31.12.2019
- future bonuses, salaries and wages	11 726	8 495
- third party services	3 884	3 596
- accrued holiday	-	410
- deferred income - grants	3 192	3 190
- settlement of the substitution fee	2 750	-
- capex for non-current fixed assets	284	285
- other	445	792
Total short term accruals and deferred income	**22 281**	**16 768**

33. Contingent liabilities

Guarantees and sureties granted

As at 31 December 2020 the Group has issued no third party guarantees.

Contractual obligations

On 15 May 2020 Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (Polenergia ENS") and Polenergia Obrót S.A. („Polenergia Obrót") entered into an Agreement for the Provisions of Portfolio Management Services and Sale of Electricity, Gas Fuels and Emission Allowances ("SLA Agreement"). The SLA Agreement has been entered into for indefinite term. Under the SLA Agreement, Polenergia Obrót will provide the following services to Polenergia ENS: (i) optimizing electricity generation in all generation plants belonging to Polenergia ENS; (ii) managing the sales process of electricity generated in the generation plants belonging to Polenergia ENS; (iii) co-building optimized position of Polenergia ENS on the balancing market of electricity and gas, together with Polenergia ENS; (iv) managing the portfolio and concluding commercial transactions with respect to CO_2 emission allowances; (v) managing the portfolio and concluding commercial transactions with respect to gas fuel; The cooperation between Polenergia ENS and Polenergia Obrót is aimed at maximizing the margin resulting from the optimizing of the electricity generation in the generating plants of Polenergia ENS with due regard to flexibility of such generating plants of Polenergia ENS, as well as the expertise and experience of Polenergia Obrót in terms of generating asset portfolio management. In view of the fact that deliveries were performed throughout the year ended 31 December 2020, respective revenues have been recognized in line with IFRS 15.

On 29 May 2020, Polenergia Farma Wiatrowa 3 Sp.. (the „Wind Farm") entered into a contract with the consortium including ELECTRUM Sp. o.o. and „P.U. JAREX" Sp. z o.o. (the "Consortium") concerning the construction of Dębsk Wind Farm with the aggregate installed capacity of 121 MW (the "Contract"). The Contract provides for the performance by the Consortium of comprehensive assembly and electrical works, as well as the required construction works for Wind Farm, on the end-user transformer substation 30/110 kV together with the MV, HV cable grid and optical fiber network for the purpose of developing Dębsk Wind Farm.

On 4 June 2020, Polenergia Farma Wiatrowa 3 sp. z o.o. (the „Wind Farm") entered into a contract with the consortium including Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. and ERBUD S.A (the "Consortium") concerning the construction of Dębsk Wind Farm with the aggregate installed capacity of 121 MW (the "Contract").The Contract provides for the performance by the Consortium of the works for the Wind Farm, including comprehensive construction works in terms of building the foundations to accommodate wind turbines, making the roads suitable for oversize vehicle transport, upgrading the existing roads, building new service roads, assembly platforms necessary for the development of the Dębsk Wind Farm.

On 19 June 2020 Polenergia Farma Wiatrowa 3 sp. z o.o. (the „Wind Farm") entered into contracts with Vestas - Poland Sp. z o.o :

- for the supply, deployment and launching of 55 V110 2.2 wind turbines of 2.2MW each (121 MW in aggregate). Performance of said contract is envisaged for the period between October 2020 and June 2022;
- a contract for the active output management of wind turbines ("AOM") for the Wind Farm. AOM covers the provision of maintenance services for the abovementioned wind turbines for a term of 30 years following the go-live, including the scheduled inspections, repairs, supply of maintenance items and spare parts, remote oversight and other related activities. Vestas - Poland Sp. z o.o. also guarantees the required availability level of turbines under the servicing agreement and should such requirements not be met, it shall pay compensation to Wind Farm.

On 6 October Polenergia Farma Wiatrowa Dębice/Kostomłoty spółka z o.o. (the „Wind Farm" entered into the following contracts with Vestas - Poland Sp. z o.o:

- a contract for the supply, deployment and launching of 9 V136-3.0MW wind turbines of the capacity of 27 MW in aggregate. Performance of said contract is envisaged for the period between Q1 2020 and Q3 2022.
- a contract for the active output management of wind turbines (“AOM”) for the Wind Farm. AOM covers the provision of maintenance services for the abovementioned wind turbines for a term of 30 years following the go-live, including the scheduled inspections, repairs, supply of maintenance items and spare parts, remote oversight and other related activities. Vestas - Poland Sp. z o.o. also guarantees the required availability level of turbines under the servicing agreement and should such requirements not be met, it shall pay compensation to the Wind Farm.

On 29 January 2021 the subsidiary Polenergia Farma Wiatrowa Dębice/Kostomłoty spółka z ograniczoną odpowiedzialnością (the "Wind Farm") entered into a contract with Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. („PBDI”) for the construction of the Kostomłoty Wind Farm, comprising 9 wind power plants of the aggregate installed capacity of 27 MW ("BoP"). Performance of said agreement is scheduled until 30 September 2022. BoP provides for the performance by PBDI for the Wind Farm of: comprehensive construction works in terms of building the foundations to accommodate wind turbines, making the roads suitable for oversize vehicle transport, upgrading the existing roads, building new service roads, assembly platforms and performing assembly and power works, as well as the required construction works on the GPO 20/110 kV station, with medium-voltage, high-voltage cable network and optical fiber network necessary for the implementation of the Wind Farm.

On 29 January 2021 the company MFW Bałtyk I S.A. („Company”), controlled by MFW Bałtyk I Sp. z o.o., in which the Issuer holds 50% of shares, developing the offshore wind farm project MFW Bałtyk I (Bałtyk Północny) („MFW Project”), entered into an agreement with the company Polskie Sieci Elektroenergetyczne S.A. („Operator”) for the connection of the MFW Project to the Operator's grid („Agreement”). According to the Agreement, the total maximum power output of the MFW Project has been determined at 1560MW. The Agreement identifies, without limitation, the investments the Company and Operator are bound to make in order to ensure connection and power take-off for MFW Project, as well as other terms and conditions of connection, including those relating to the procurement of land by the Operator for the network investments. The Agreement includes standard provisions applied by the Operator for this type of contracts, in particular:

- It does not provide any guarantee of the power take-off until the Operator expands its grid;
- The Company will have to pay the connection fee equal to the actual connection expenses borne by the Operator. The Agreement provides for the terms of settling the fee and verifying its amount;
- The Agreement identifies the termination events which involve, in principle a breach by the Company of material obligations thereunder or abandonment of the MFW Project implementation.;
- Any delay of the connection is subject to liquidated damages due to both parties, respectively.

34. Litigation

Talia Sp. z o.o. - The District Court in Gdańsk, with a partial and preliminary judgment of 6 March 2020 allowed the claim in that part which referred to ruling ineffective the notices of termination made by the company Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. („PKH”) of the following contracts: 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 Modlikowice dated 23 December 2009 and the Contract for the Sale of Electrical Energy Generated in a Renewable Energy Source - Wind Farm in Modlikowice dated 23 December 2009. The Court also determined that in principle the claims for damages raised by Talia against PKH on account of non-performance by PKH of the Contracts for the Sale of Proprietary Interest were justified. The judgment is not yet final and binding. The Company currently pursues its claim for payment of PLN 46,078k.

Amon Sp. z o.o. and Talia Sp. z o.o. - On 29 December 2020 the companies filed with the District Court in Katowice a change of claim against Tauron Polska Energia S.A covering indemnity claims following

31 December 2017. The grounds for the liability in tort of Tauron is the cessation of the performance by Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o., a subsidiary of Tauron, of long-term contracts for the sale of electricity generated in renewable sources and long-term contracts for the sale of property rights under the certificates of origin confirming that energy has been generated in renewable sources, entered into with the companies Amon and Talia. Under the abovementioned modification the pursued claims for compensation including interest increased to amount, for Amon PLN 78,204k (increase by PLN 30,648k) and for Talia PLN 53,127k (increase by PLN 21,828k). The disputed amount, including the estimates regarding determination of Tauron's liability for future damages as at the day of filing the claim is, for Amon, more than PLN 326m, and for Talia, more than PLN 160m.

Polenergia Dystrybucja Sp. z o.o. - On 4 January 2021 the Court of Appeals in Gdańsk delivered to the Company's subsidiary a cassation complaint of one of the energy suppliers against the judgment of the Court of Appeals in Gdańsk dated 7 November 2019 that dismissed the appeal of such supplier against the a/m company in the case for the recovery of the overpayment for energy supplied and the ordered the energy supplier to pay PLN 548k to the a/m company, of which the unchallenged part has already been paid.

Polenergia Biomasa Energetyczna Północ Sp. z o.o. entered into a court settlement before a mediator in the court proceedings resulting in the other party’s payment of PLN 150k to Polenergia Biomasa Energetyczna Północ Sp. z o.o.

Polenergia Elektrownia Północ Sp. z o.o. - On 21 September 2020 the District Court in Gdańsk delivered to the Company's subsidiary the reply of the respondent to the a/m company's claim filed in 2019 for payment of liquidated damages of PLN 500k. In November 2020 the case was referred to a mediator, upon consent of both parties. Two mediation meetings were held, with both parties participating. The mediation was extended by the District Court in Gdańsk for another three months, upon consent of both parties. Another mediation meeting has been scheduled for 25 March 2021. On 4 March 2021 Polenergia Elektrownia Północ Sp. z o.o received a payment demand for PLN 1.5m with interest until 2 August 2019. This issue refers to additional payment for the purchase of real estate by Polenergia Elektrownia Północ Sp. z o.o in 2011. The position of the Management Board of Polenergia Elektrownia Północ Sp. z o.o remains that the demand is groundless and ineffective, because in January 2021 Polenergia Elektrownia Północ Sp. z o.o exercised the right to reduce the price, by way of delivering a statement of effecting a price reduction by PLN1.5m to the sellers of the real estate in question.

The case instituted by EOLOS Polska Sp. z o.o. in Warsaw against Certyfikaty Sp. z o.o. in Warsaw, Polenergia Obrót S.A. in Warsaw, Polenergia Usługi Sp. z o.o. in Warsaw for payment has been pending before the District Court in Warsaw Commercial Division XX. The hearing date scheduled for 20 November 2020 was subsequently canceled. The next hearing has been scheduled for 24 March 2021 and will be held online, which the Court adjourned the case without a time limit.

Polenergia S.A. - On 28 January 2020 the Court of Appeals in Warsaw, Commercial Division VII, dismissed the appeal of Polenergia S.A. against the judgment of 8 March 2019 issued by the District Court in Warsaw in the case for declaring invalidity of part of Resolution No. 2 of the Extraordinary General Meeting of Polenergia S.A. dated 13 July 2018, i.e. with respect to the amendment to Art. 10.2 letter (a) of the Statutes made under item 4) of the a/m Resolution. The judgment is final and binding.

35. Capital expenditure

As at 31 December 2020, the Group’s intention is that the aggregate capital expenditure on fixed assets in 2020 should total ca. PLN 750 million. Such amounts shall mainly be allocated to projects development in the area of, without limitation, onshore and offshore wind power generation, photovoltaics and the investment program implementation in the distribution segment.

In the year ended 31 December 2020, the subsidiaries:

- Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. developing a 13.2 MW Piekło wind farm project.

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- Polenergia Farma Wiatrowa 17 Sp. z o.o. and Polenergia Farma Wiatrowa Grabowo Sp. z o.o., developing the portfolios of the photovoltaic farm projects Sulechów II and Sulechów III with total capacity of 21.5 MW,
- Polenergia Farma Wiatrowa Rudniki Sp. z o.o. developing the portfolio of the photovoltaic farm projects Buk I with total capacity of 6.4 MW,

succeeded in the auctions launched in accordance with the Act of 20 February 2015 on renewable energy sources (PL OJ 2020 item 261 as emended). Thus, these projects became entitled to have any negative balance with respect to the price bid in auction compensated for electricity scheduled to be generated in a 15-year period. It will be possible for them to exercise such entitlement after the conditions are met consisting in building the facilities, obtaining the operating permit and the concession for generating electricity. As at 31 December 2020 the abovementioned conditions have not been met.

36. Sales revenue

	For 12 months ended	
	31.12.2020	31.12.2019
- revenue from sale and distribution of electricity	1 569 177	2 327 276
- revenue from certificates of orgin	113 573	76 352
- revenue from sale of heat	21 452	21 855
- revenue from consulting and advisory services	5 538	4 863
- revenue from lease and operator services	4 235	1 666
- revenue from sale and distribution of gas	66 010	35 549
- revenue from sale of merchandise	2 535	35
- revenue from sale of pellets	-	15 051
- revenue from lease	283	215
- other	2 677	8 224
Total revenue from clients	**1 785 480**	**2 491 086**
- revenues from the valuation of futures contracts	164	8 024
- revenues from the stranded costs and cost of gas	13 827	96 714
- revenues from CO2 emission allowances	11 875	753
Total other revenue	**25 866**	**105 491**
Total sales revenue	**1 811 346**	**2 596 577**

Under "revenue from sale and distribution of electricity" revenues are recognized that result from the invoices issued in relation to the sale of energy under forward contracts measured at fair value. Respectively, the costs resulting from the invoices related to the purchase of energy under forward contracts are disclosed under the item "value of goods and material sold".

(PLN k)

37. Cost according to type

	For 12 months ended	
	31.12.2020	31.12.2019
- depreciation	96 344	101 453
- materials and power consumption	155 058	196 606
- third party services	41 090	45 634
- taxes, duties and fees	21 099	21 682
- salaries	41 713	34 603
- social security and other benefits	5 346	4 899
- other cost by type	1 816	2 359
Total cost by type	**362 466**	**407 236**
- marchandise and materials sold (+)	1 292 529	2 027 742
- selling certificates of orgin	92 477	(58 684)
- income from granted certificates of orgin	(94 652)	47 138
- selling expenses (-)	(543)	(550)
- general overheads (-)	(48 425)	(38 434)
Total cost of goods sold	**1 603 852**	**2 384 448**

38. Other operating revenues

	For 12 months ended	
	31.12.2020	31.12.2019
- reversal of impairment losses, including:	5 880	1 422
- expected credit loss	70	660
- non-current fixed assets impairment losses	5 810	762
- reversal of provisions, including:	495	1 615
- litigation provision	295	1 610
- site reclamation	200	-
- other	-	5
- other, including:	5 497	5 615
- compensation and additional payments	1 020	820
- grant settelment	3 235	3 233
- gains on disposal of non financial fixed assets	80	227
- other	1 162	1 335
Total other operating revenues	**11 872**	**8 652**

39. Other operating revenues

	For 12 months ended	
	31.12.2020	31.12.2019
- asset impairment losses, including:	1 304	19 357
- expected credit loss	571	1 361
- non-current fixed assets	733	17 996
- other, including:	3 604	1 997
- penalties, fines compensation payable	1	174
- other development-related cost	3 315	298
- loss on disposal of non-financial fixed assets	-	5
- other	288	1 520
Total other operating costs	**4 908**	**21 354**

(PLN k)

40. Financial income

	For 12 months ended	
	31.12.2020	31.12.2019
- financial income from interest on deposit and loans	2 384	4 656
- interest from lease	215	121
- f/x differences, including:	774	139
- unrealized	55	75
- realized	719	64
- other surety - related fees	13	1
- other	1 729	850
Total financial revenue	**5 115**	**5 767**

41. Financial expenses

	For 12 months ended	
	31.12.2020	31.12.2019
- interest expenses	36 829	44 111
- f/x differences, including:	2 325	804
- unrealized	95	118
- realized	2 230	686
- commission an other fees	2 933	2 237
- financial asset impairment losses	144	-
- measurement of financial liabilities *)	1 728	1 694
- other	314	689
Total financial cost	**44 273**	**49 535**

*) refers to bank loans measured at amortized cost

42. Cash flows

Restricted cash	For 12 months ended	
	31.12.2020	31.12.2019
- cash frozen for loan repayment	23 569	28 115
- frozen cash for deposit	32	4 917
- frozen cash for long-term and mid-term refurbishment	6 674	3 273
- other frozen cash	4 127	5 338
Total	**34 402**	**41 643**

(PLN k)

43. Reconciliation of changes in liabilities due to financing operations

31.12.2020	Bank Loans	Loans	Lease	Total
As at the beginning of the period	**782 415**	**-**	**105 827**	**888 242**
Inflows from debt incurred	208 375	139 400	5 049	352 824
financing received	208 375	139 400	5 049	352 824
Interest accruing	33 528	2 553	5 239	41 320
Debt payments	(159 457)	-	(11 502)	(170 959)
prncipal repayments	(125 993)	-	(7 999)	(133 992)
interest paid	(33 464)	-	(3 503)	(36 967)
Exchange rate differences on debt denominated in foreign currency	181	-	8	189
Valuation	2 054	-	4 420	6 474
Other	(3 645)	-	14	(3 631)
As at the end of the period	**863 451**	**141 953**	**109 055**	**1 114 459**

dane
przekształcone

31.12.2019	Bank Loans	Lease	Total
As at the beginning of the period	**905 378**	**104 250**	**1 009 628**
Inflows from debt incurred	14 540	7 523	22 063
financing received	14 540	7 523	22 063
Interest accruing	38 699	927	39 626
Debt payments	(179 228)	(6 873)	(186 101)
prncipal repayments	(140 561)	(5 954)	(146 515)
interest paid	(38 667)	(919)	(39 586)
Exchange rate differences on debt denominated in foreign currency	(127)	-	(127)
Valuation	3 153	-	3 153
As at the end of the period	**782 415**	**105 827**	**888 242**

44. Objectives and policies of financial risk management

In addition to derivatives, the key financial instruments used by the Group include bank loans, cash and short-term deposits. The primary purpose of such financial instruments is to procure funds to finance the Group's operations. The Group also holds other financial instruments, such as trade payables and receivables arising in connection with its operations.

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

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

Interest rate risk

The Group's exposure to the risk of market interest rates volatility concerns primarily its long-term financial liabilities.

The Group manages its interest expense by using debt financing based on variable interest rates. To hedge interest payments under its borrowings, the Group uses financial derivatives.

The table below presents sensitivity of the full-year profit before tax (in connection with floating-rate liabilities) to reasonably possible movements in interest rates, all other factors being equal. The effect on the Group's equity is not presented.

31.12.2020	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
WIBOR 3M	1%	(2 833)
WIBOR 3M	-1%	2 833

31.12.2019	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
WIBOR 1M	1%	(6 530)
EURIBOR 1M	1%	(126)
WIBOR 1M	-1%	6 530
EURIBOR 1M	-1%	126

In the table below the fair value is determined of the Group's financial instruments exposed to the interest rate risk, according to aging categories. The breakdown into individual years reflects the maturity of the loan

31.12.2020

INTEREST RATE RISK							
Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	71 368	63 790	70 103	83 080	87 741	487 369	863 451
Lease	11 240	9 724	8 959	8 273	7 718	63 141	109 055
Loans received	-	-	-	-	-	141 953	141 953
Fixed interest rate	*<1rok*	*1–2 lat*	*2-3 lat*	*3-4 lat*	*4-5 lat*	*>5 lat*	*Ogółem*
Cash assets	374 347	-	-	-	-	-	374 347
Lease	232	256	282	311	343	653	2 077

(PLN k)

restated
data
31.12.2019

INTEREST RATE RISK

Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	45 092	44 051	46 204	52 060	58 948	521 283	767 638
Bank credits in EUR	4 923	9 854	-	-	-	-	14 777
Lease	8 519	6 414	6 045	5 912	5 749	73 188	105 827
Fixed interest rate	*<1rok*	*1–2 lat*	*2-3 lat*	*3-4 lat*	*4-5 lat*	*>5 lat*	*Ogółem*
Cash assets	345 705	-	-	-	-	-	345 705
Lease	8 576	232	256	282	311	995	10 652

Foreign exchange risk

The Group's currency risk boils down to the risk of fluctuations of the Euro exchange rate with respect to its short currency position under: bank deposits, investment commitments and investment loan facilities; this foreign exchange risk has not been identified as significant.

Credit risk

The Group transactions with companies enjoying sound credit standing. All customers willing to avail themselves of a supplier credit are subject to detailed credit check procedures. Moreover, thanks to ongoing monitoring of receivables, the Group's exposure to bad debt risk is insignificant. Trade receivables are owed mainly by customers having good credit ratings with whom the Group maintains continued business relations. The impact of Covid-19 pandemic has been described in Section 6.

Cash at bank is held with creditworthy banking institutions.

Risk related to breach of covenants

As the Group's investment projects rely to a large extent on external financing, there is significant debt concentration at the Group level. The existing loan agreements provide for a number of financial covenants which have to be met by the respective projects.

Given the current market environment, and the situation prevailing on the green certificates market, there is a risk that the Group may breach the covenants with respect to certain projects.

The Group monitors the debt levels and compliance with covenants at individual companies on an ongoing basis and remains in contact with the financing institutions.

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 31 December 2020 and 31 December 2019, based on maturity in terms of undiscounted contractual payments.

(PLN k)

31.12.2020	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	24 270	62 655	389 411	935 452	**1 411 788**
Other liabilities	200 844	1 131	11 386	1 132	**214 493**
Liabilities for deliveries and sevices	99 969	-	-	-	**99 969**
Lease liabilities	8 934	2 677	41 781	116 402	**169 794**

restated data

31.12.2019	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	21 405	65 609	343 427	631 838	**1 062 279**
Other liabilities	92 595	-	11 324	-	**103 919**
Liabilities for deliveries and sevices	74 339	-	-	-	**74 339**
Lease liabilities	5 067	2 268	32 729	98 454	**138 518**

45. Capital management

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

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Group may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the year ended on 31 December 2020 or in the financial year ended on 31 December 2019, no changes were made in the objectives, policies and processes in this area.

The Group has been monitoring 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 and loans less cash and cash equivalents.

	31.12.2020	31.12.2019
Interest under borrowings	1,005,404	782,415
Less cash and cash equivalents	(374,347)	(345,705)
Net debt	**631,057**	**436,710**
Share capital	1,418,368	1,295,244
Total capital	**1,418,368**	**1,295,244**
Capital and net debt	**2,049,425**	**1,731,954**
Leverage ratios	31%	25%

46. Information on significant transactions with associates

Major transactions with jointly controlled parties in the period ended on 31 December 2020 include:

31.12.2020	Revenues	Receivables
MFW Bałtyk I S.A.	945	896
MFW Bałtyk II Sp. z o.o.	1 607	2 074
MFW Bałtyk III Sp. z o.o.	1 609	2 075
Total	**4 161**	**5 045**

(PLN k)

Major transactions with associates in the period ended on 31 December 2020 include:

31.12.2020	Revenues	Receivables	Libilities
Mansa Investments Sp. z o.o.	632	99	426
Kulczyk Holding Sarl	252	4	-
Polenergia Usługi Sp. z o.o.	135	27	-
Polenergia International Sarl	190	264	-
Polenergia International CEE Sarl	13	11	81
Total	**1 222**	**405**	**507**

Major transactions with parties where personal relations exist, in the period ended on 31 December 2020 include:

31.12.2020	Revenues	Receivables	Libilities
Autostrada Eksploatacja S.A.	2 789	-	-
Beyond.pl Sp. z o.o.	1 349	406	-
Ciech Sarzyna S.A.	6 686	1 637	115
Ciech Pianki Sp. z o.o.	395	98	-
Ciech Vitrosilicon S.A.	4 076	977	-
Ciech Soda Polska S.A.	43 236	7 652	-
Ciech Żywice Sp. z o.o.	19 289	3 642	61
Total	**77 820**	**14 412**	**176**

For information on transactions with members of the parent's Management Board and Supervisory Board, see Notes 49, 50.

47. Compensation for stranded costs and cost of gas

Compensation for stranded costs

Polenergia Elektrociepłownia Nowa Sarzyna 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:

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

The maximum amount of stranded costs calculated as described above is subsequently allocated to individual years (including to 2020 pro rata to the effective period of original LTC) 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.

	For 12 months ended 31.12.2020

booked compensation of gas costs	5,317

In 2020, the Company received from / paid to Zarządca Rozliczeń S.A. the following payments/amounts related to compensation for stranded costs:

	For 12 months ended 31.12.2020
advances for quarter 1- 4 of 2020	6,000
clearance for previous year	(8,734)
Total	**(2,734)**

Compensation for cost of gas

The amount of compensation for the cost of gas is estimated as the product of gross electricity generated by the Company in the period using gas fuel covered by the 'minimum take' clause, the difference between the Company's average cost of gas and the average cost of coal in coal-fired centrally managed generating units, and the adjustment coefficient referred to in the LTC Termination Act.

	For 12 months ended 31.12.2020
booked compensation of gas costs	8,511

In 2020, the Company received from Zarządca Rozliczeń S.A. the following payments related to compensation for gas costs:

	For 12 months ended 31.12.2020
clearance for previous year	11,262
Total	**11,262**

48. Employment

As at 31 December 2020 and as at 31 December 2019 the Group's employees divided into professional groups and recalculated into full-time jobs included:

	31.12.2020	31.12.2019
Parent company Management Board	5	2
Parent company employees	54	52
Subsidiaries employees	113	131
Total headcount	**172**	**185**

Maternity leave employees included.

49. Information on the total amount of remuneration and awards (in cash or in kind) paid or payable to members of the managing and supervising authorities of the parent

In the period ended 31 December 2020 and in the year ended 31 December 2019, remuneration of members of the Management Board of the Parent and of the members of the Supervisory Board was as follows:

(PLN k)

Management Board	31.12.2020	31.12.2019
Michał Michalski	2 497	1 904
Iwona Sierżęga	1 332	702
Tomasz Kietlinski	773	-
Piotr Maciołek	795	-
Jarosław Bogacz	795	-
Robert Nowak *)	1 422	1 069
Jacek Głowacki	-	1 126
Total	**7 614**	**4 801**

*) Mr. Robert Nowak receives relevant payments due to his resignation from his position in the Management Board on 16 December 2019.

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 30% - 100% of the remuneration received by such Management Board member over the last 12 months.

Supervisory Board	31.12.2020	31.12.2019
Hans E. Schweickardt	72	78
Marta Schmude	40	70
Orest Nazaruk	84	70
Brian Bode	72	61
Marjolein Helder	60	52
Adrian Dworzyński	60	42
Arkadiusz Jastrzębski	-	11
Kajetan d'Obyrn	-	17
Michał Kawa	-	17
Total	**388**	**418**

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

In the year ended 31 December 2020, there were no transactions with members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants, or other closely related persons.

51. Information on remuneration of a certified auditor or entity authorized to audit the financial statements

The table below shows the fees of the entity authorized to audit financial statements paid or payable for the year ended on 31 December 2020 and the year ended on 31 December 2019, broken down into the type of service:

Type of services	31.12.2020	31.12.2019
Audit and review of financial statements	582	566
Other services	-	12

52. Information on CO_2 emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Poland's membership in EU and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The emissions trading scheme was introduced on 1 January 2005 with

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 22 December 2004. The current period, EU ETS 2013-2020, is governed by the Act of 12 June 2015 on the System of Trading in Allowances for Greenhouse Gases Emission.

Plants owned by the Polenergia Group: EL Mercury (KPRU: PL 0879 05) and EC Nowa Sarzyna (KPRU: PL 0472 05) are combustion installations with a rated thermal input exceeding 20 MW participating in the EU Emissions Trading Scheme.

EC Nowa Sarzyna: according to Art. “10c” the installation of EC Nowa Sarzyna obtained CO_2 allowance allotments, however due to the lack of investments in the National Investment Plan those free-of-charge allotments were not transferred to the account of the installation owner.

EC Nowa Sarzyna receive an allotment of free-of-charge allowances under Article “10a” for the years 2013-2020 in the respective numbers: from 34,256 (in 2013) to 22,495 (in 2020) EUA.

In 2020 EC Nowa Sarzyna emitted 364,651 tons of carbon dioxide (the report has not yet been audited by an independent reviewer DNV).

In view of the beginning of another payment period in 2021, in May 2019 EC Nowa Sarzyna filed an application for an allotment of free-of-charge emission allowances for the years 2021 - 2025. Currently, the European Commission is in the process of verifying applications. Also, as required by the Act of 4 July 2019 on the Amendment of the Act on the System of Trading in Allowances for Greenhouse Gases Emission and certain other acts, EC Nowa Sarzyna requested and obtained (on 2 December 2019) approval of the monitoring methodology plan.

53. Material events after the reporting date

The project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (jointly the "Project Companies") in which Polenergia S.A. holds 50% of shares, developing - under a joint venture of Polenergia S.A and Wind Power AS, a company of the Equinor ASA group - the projects of construction of two offshore wind farms with the intended aggregate installed capacity of 720MW each ("MFW"), filed on 5 March 2021, after relevant analyses and corporate decisions, their requests to the President of the Energy Regulatory Office ("ERO President") under the procedure provided for in the Act of 17 December 2020 on promoting electricity generation in offshore wind farms (the "MFW Act") for the award, pursuant to a decision of the ERO President, of the entitlement to have any negative balance compensated with respect to electricity generated in an offshore wind farm and fed into the grid ("Support") ("Requests"). The Support will apply to electricity generated in MFW and will be tantamount to the granting of the entitlement to have the negative balance compensated resulting from the difference between the price of electric energy specified for a given project in the decision of the ERO President that will be issued at a further procedural stage (adjusted annually for inflation) ("Support Price") and the periodic reference price identified in line with the terms specified by the MFW Act. According to the MFW Act, the Minister for climate shall determine, by way of a regulation, the maximum price for electric energy generated in an offshore wind farm and fed into the grid in Polish Zlotys per 1 mWh, that will underlie the settlement of the entitlement to have the negative balance compensated under a Support scheme granted in response to the requests for the Support filed until 31 March 2021 (the "Maximum Price"). As at the day of publishing these consolidated financial statements, the regulation specifying the Maximum Price has not yet been issued. In view of the above, after such regulation specifying the Maximum Price is issued and published, depending on the amount of such Maximum Price, the Project Companies, after analyzing the issue and obtaining the requisite corporate approvals, shall make an ultimate decision whether or not to sustain the requests for Support filed. In their Requests for Support, the Project Companies made a commitment to generate and feed into the grid for the first time electrical energy generated in their offshore wind farms or parts thereof upon obtaining the concession, for 7 years since the publication of the decision specifying the Support Price by the ERO President. The abovementioned commitment is secured by each of the Project Companies with a financial collateral in the form of a bank guarantee up to the total amount of PLN 43,200k for each of the Project Companies. The abovementioned collateral, with respect to the PLN 21,600k for each of the Project Companies, was established in the form of a bank guarantee issued under the guarantee cap of Polenergia S.A. which made a commitment vis a vis the bank to refund the amount corresponding to the amount of the guarantee paid out in case the ERO President should exercise it.