

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

**Polenergia S.A.**

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL  
FINANCIAL REPORTING STANDARDS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT PERFORMED**

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*Michał Michalski – President of the  
Management Board*

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*Iwona Sierżęga – Member of the  
Management Board*

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*Tomasz Kietliński - Member of the  
Management Board*

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*Piotr Maciołek - Member of the  
Management Board*

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*Jarosław Bogacz - Member of the  
Management Board*

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*Agnieszka Grzeszczak – Director  
Accounting Department*

Warsaw, 30 March 2021

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**1. Balance sheet**
**As at 31 December 2020**
**ASSETS**

	Note	31.12.2020	31.12.2019
<b>I. Non-current assets</b>		<b>973 285</b>	<b>875 134</b>
Tangible fixed assets	16	8 931	9 024
Intangible assets	15	16	74
Financial assets	18	953 563	861 854
Long term receivables		1 945	1 856
Deferred income tax assets	25	8 830	2 326
<b>II. Current assets</b>		<b>232 562</b>	<b>271 051</b>
Trade receivables	20	16 325	12 218
Income tax receivable	20	91	-
Other short term receivables	20	504	909
Prepayments and accrued income	21	4 796	4 148
Short term financial assets	22	86 216	16 700
Cash and equivalent	23	124 630	237 076
<b>Total assets</b>		<b>1 205 847</b>	<b>1 146 185</b>

**EQUITY AND LIABILITIES**

	Note	31.12.2020	31.12.2019
<b>I. Shareholders' equity</b>		<b>1 173 782</b>	<b>1 117 680</b>
Share capital	24	90 887	90 887
Share premium account		557 611	557 611
Reserve capital from option measurement		13 207	13 207
Other capital reserves		393 019	349 478
Capital from merger		89 782	89 782
Retained profit (loss)		(26 826)	(26 826)
Net profit/(loss)		56 102	43 541
<b>II. Long term liabilities</b>		<b>7 072</b>	<b>15 397</b>
Provisions		421	21
Lease liabilities		6 651	6 816
Other liabilities		-	8 560
<b>III. Short term liabilities</b>		<b>24 993</b>	<b>13 108</b>
Trade payables	26	1 263	602
Income tax payable	26	-	422
Lease liabilities	26	1 874	1 263
Other liabilities	26	11 935	2 870
Provisions		1 565	910
Accruals and deferred income	27	8 356	7 041
<b>Total equity and liabilities</b>		<b>1 205 847</b>	<b>1 146 185</b>

## 2. Profit and loss account

### For the year ended on 31 December 2020

	Note	For 12 months ended	
		31.12.2020	31.12.2019
Revenues from contracts with clients	29	20 239	29 069
<b>Sales revenues</b>		<b>20 239</b>	<b>29 069</b>
Cost of goods sold	30	(14 464)	(24 098)
<b>Gross sales profit</b>		<b>5 775</b>	<b>4 971</b>
Other operating revenues	31	361	2 333
General overheads	30	(20 550)	(15 324)
Other operating expenses	32	(137)	(2 166)
Financial income	33	68 116	86 749
including dividend		49 852	58 657
Financial costs	34	(3 923)	(29 818)
<b>Profit before tax</b>		<b>49 642</b>	<b>46 745</b>
Income tax	25	6 460	(3 204)
<b>Net profit</b>		<b>56 102</b>	<b>43 541</b>

#### Earnings (loss) per share:

– basic earnings (loss) for period attributable to parent company shareholders	1,23	0,96
– diluted earnings (loss) for period attributable to parent company shareholders	1,23	0,96

## 3. Statement of other comprehensive income

### For the year ended on 31 December 2020

	For 12 months ended	
	31.12.2020	31.12.2019
<b>Net profit</b>	<b>56 102</b>	<b>43 541</b>
<b>Other net comprehensive income</b>	<b>-</b>	<b>-</b>
<b>COMPREHENSIVE INCOME FOR PERIOD</b>	<b>56 102</b>	<b>43 541</b>

Polenergia S.A.  
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(PLN k)

#### 4. Changes in equity statement

##### For the year ended on 31 December 2020

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Capital from merger	Retained loss	Net profit	Total equity
<b>As at January 2020</b>	90 887	557 611	13 207	349 478	89 782	16 715	-	1 117 680
<b>Other comprehensive income for period</b>								
Net loss for reporting period	-	-	-	-	-	-	56 102	56 102
<b>Transactions with owners of the parent recognized directly in equity</b>								
Allocation of profit/loss	-	-	-	43 541	-	(43 541)	-	-
<b>As at 31 December 2020</b>	90 887	557 611	13 207	393 019	89 782	(26 826)	56 102	1 173 782

##### For the year ended on 31 December 2019

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Capital from merger	Retained loss	Net profit	Total equity
<b>As at January 2019</b>	90 887	601 539	13 207	349 478	89 782	(70 754)	-	1 074 139
<b>Other comprehensive income for period</b>								
Net profit for reporting period	-	-	-	-	-	-	43 541	43 541
<b>Transactions with owners of the parent recognized directly in equity</b>								
Allocation of profit/loss	-	(43 928)	-	-	-	43 928	-	-
<b>As at 31 December 2019</b>	90 887	557 611	13 207	349 478	89 782	(26 826)	43 541	1 117 680

## 5. Statement of cash flows

### For the year ended on 31 December 2020

	Noty	For 12 months ended	
		31.12.2020	31.12.2019
<b>A.Cash flow from operating activities</b>			
<b>I.Profit (loss) before tax</b>		<b>49 642</b>	<b>46 745</b>
<b>II.Total adjustments</b>		<b>(58 095)</b>	<b>(29 715)</b>
Depreciation		1 989	1 776
Foreign exchange losses (gains)		-	29
Interest and profit shares (dividends)		(51 407)	(59 423)
Losses (gains) on investing activities		(8 009)	7 401
Income tax		(557)	3 981
Changes in provisions		1 055	143
Changes in inventory		-	10 362
Changes in receivables	35	(3 910)	5 964
Changes in short term liabilities, excluding bank loans and borrowings	35	2 077	386
Changes in accruals		667	(334)
<b>III.Net cash flows from operating activities (I+/-II)</b>		<b>(8 453)</b>	<b>17 030</b>
<b>B.Cash flows from investing activities</b>			
<b>I. Cash in</b>		<b>183 620</b>	<b>251 179</b>
1. Disposals of intangibles and tangible fixed assets		31	170
2. From financial assets, including:		183 589	251 009
- disposal of financial assets		1 557	34 007
- dividends and shares in profits		49 852	58 657
- repayment of loans given		66 407	121 427
- interest		969	709
- other inflows from financial assets	35	64 804	36 209
<b>II.Cash out</b>		<b>285 694</b>	<b>238 047</b>
1. Acquisition of intangible and tangible fixed assets		1 318	99
2. For financial assets, including:		284 376	237 948
- acquisition of financial assets		157 874	104 578
- loans given		126 502	133 370
<b>III.Net cash flows from investing activities (I-II)</b>		<b>(102 074)</b>	<b>13 132</b>
<b>C.Cash flows from financing activities</b>			
<b>I.Cash in</b>		-	-
<b>II.Cash out</b>		<b>1 919</b>	<b>1 615</b>
1. Lease payables		1 522	1 412
2. Interest		397	203
<b>III.Net cash flows from financing activities (I-II)</b>		<b>(1 919)</b>	<b>(1 615)</b>
<b>D.Total net cash flows (A.III+/-B.III+/-C.III)</b>		<b>(112 446)</b>	<b>28 547</b>
<b>E.Increase/decrease in cash in the balance sheet, including:</b>		<b>(112 446)</b>	<b>28 521</b>
- change in cash due to f/x differences		-	(26)
<b>F.Cash at the beginning of period</b>		<b>237 076</b>	<b>208 555</b>
<b>G.Cash at the end of period, including:</b>		<b>124 630</b>	<b>237 076</b>
- restricted cash	35	64	96

## 6. General

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"), was founded by way of executing a Notarized Deed on 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, 24/26 Krucza St.

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

Polenergia S.A. is a parent company of the first Polish private energy sector group consisting of vertically integrated companies operating in the area of energy generation using both conventional and renewable sources, as well as in the areas of distribution and trading in electrical energy.

The lifetime of the Company is unlimited.

### 6.1. Periods covered by these financial statements

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

Composition of the Company Management Board as at 31 December 2020:

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.

## **7. Going concern assumption**

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

Polenergia S.A. is a holding company with business focusing mainly on investments in the companies operating in the area of generation of energy from renewable and conventional sources, as well as distributions, trading and sale of energy. In addition, the Company provides support services to subsidiaries.

In view of the COVID-19 pandemic, risk factors that may potentially impact the business and financial performance of the Company 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 Company has so far been highly resilient to adverse macroeconomic environment caused by the COVID-19 pandemic. The financial performance achieved in 2020 shows that the partial lockdown of the Polish economy has had no material impact on the functioning of the Company.

## **8. Identification of consolidated financial statements**

The Company prepared consolidated financial statements for the year ended 31 December 2020 which was approved for publication on 30 March 2021. The parent company of the Company is Mansa Investments Sp. z o.o. with registered office in Warsaw, Krucza 24/26. The superior parent company that prepares consolidated financial statements is Kulczyk Holding S.à r.l. with registered office in Luxembourg. The ultimate parent entity controlling the Group is Ms. Dominika Kulczyk.

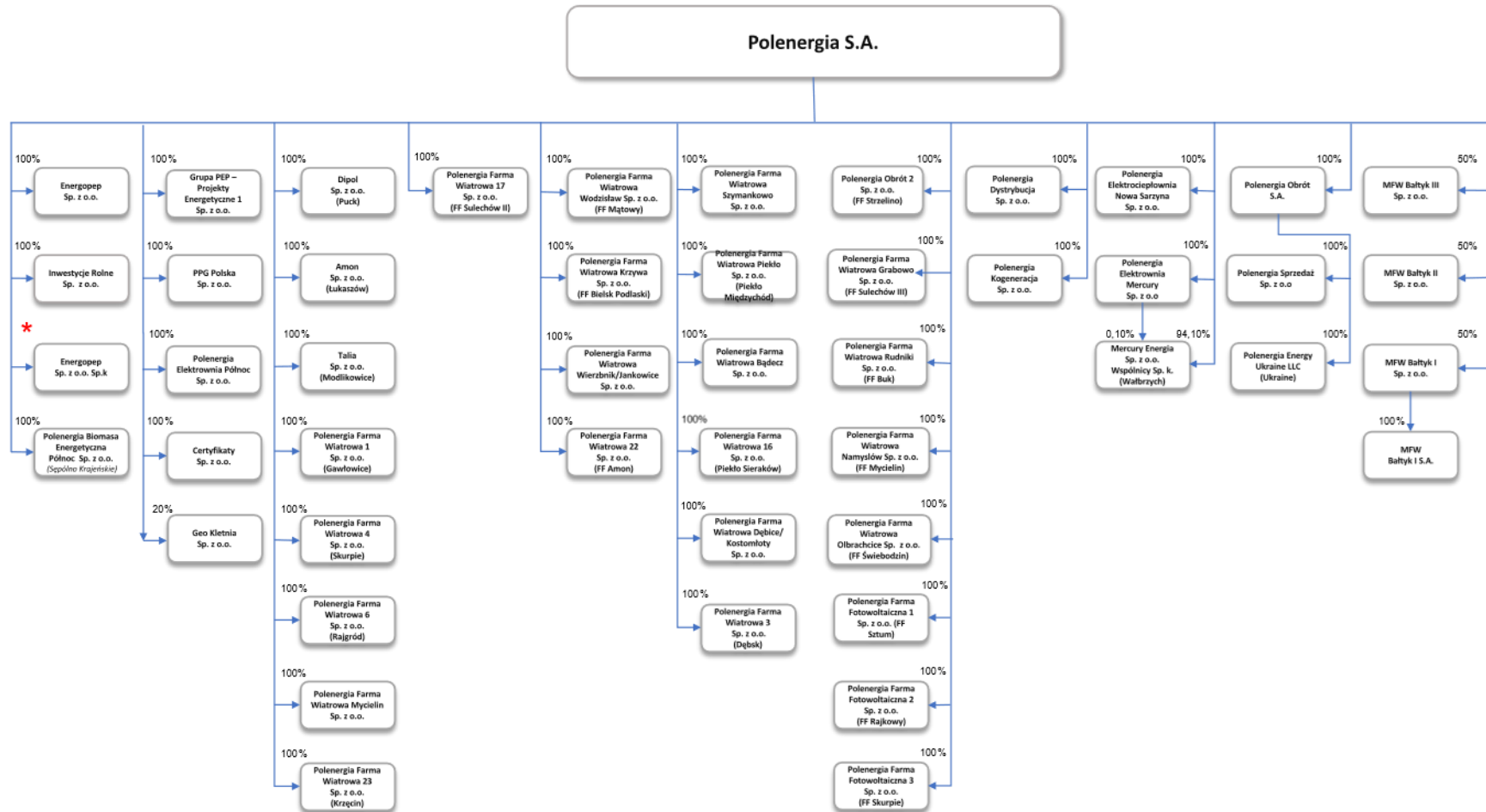
## **9. Approval of the financial statements**

These financial statements were approved for publication by the Management Board on 30 March 2021.

## **10. Company investments**

As at 31 December 2020 the Company held investments in the following subsidiaries:

Polenergia S.A.  
 Financial statements for the year ended on 31 December 2020  
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\*0,1% przykazuje spółce Energocep Sp. z o.o., 33,9 % POL-SA, 33% POL-D, 32% Dipol

## **11. Accounting principles (policy) applied**

The accounting principles (policies) applied in preparation of the financial statements are consistent with those applied in 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.

### **11.1. New and modified standards and interpretations applied**

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.

### **11.2. The rules underlying these financial statements**

These financial statements have been prepared in accordance with the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) approved by the European Union.

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

According to the applicable provisions of law, these financial statements for the financial year ended on 31 December 2020, together with the comparable data for the financial year ended on 31 December 2019 have been audited by chartered auditor.

These financial statements have been prepared in line with the historical cost principle.

### **11.3. Significant measures based on professional judgment**

Certain information provided in these consolidated financial statements are based on the Company's assessment and professional judgment. So derived estimates may often not reflect the actual performance.

### **11.4. 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:

- impairment of investments in subsidiaries and jointly controlled entities - referred to in more detail in Note 19,
- impairment of loans given
- deferred tax resulting from uncertainty regarding the value of assets and liabilities in the balance sheet, as well as the assets from tax loss clearance what will be settled against future tax gains estimated based on the Company's assumptions,
- trade receivables impairment losses - referred to in more detail in Note 20.

The uncertainty of estimates stems mainly from the macroeconomic assumptions, as well as those assumptions which are unique for the Company and applied when measuring assets and liabilities.

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In the year ended 31 December 2020 no changes were made in determining the Company's estimates that would impact any information disclosed in the consolidated financial statements.

#### **11.5. Measurement currency and currency of the financial statements**

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

#### **11.6. 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 Company 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

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.

#### **11.7. 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.

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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	20 years
Plant and equipment	2.5–20 years
Vehicles	2.5–5 years
Other non-current fixed assets	5–7 years

Residual values, useful lives and methods of depreciation of 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.

#### **11.8. Impairment losses on non-financial fixed assets**

An assessment is made by the Company 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 Company 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 Company 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.

#### **11.9. Investments in subsidiaries, associates and jointly controlled entities**

Investments in subsidiaries, associates and jointly controlled entities include holding interest in entities that are not listed on active market. Such interest is disclosed in the balance sheet at historical cost less impairment losses, if any.

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As at each end of reporting period day the Company performs an analysis of shares it holds in subsidiaries and jointly controlled entities for identification of any indications of impairment of a given project.

In case such indications have been identified, for such projects the Company performs an analysis including, without limitation, a comparison of the share value with the net asset worth of subsidiaries or, where the shares value exceeds the net assets of a company, with the financial projections developed. i.e. impairment tests for the tested businesses.

The impairment loss is recognized as an amount of the excess of the balance sheet value of an asset over its recoverable amount. The recoverable amount is the higher of the two: the assets' fair value less selling expenses or their value in use.

Those shares which have been identified as impaired are evaluated on each end of reporting period day for indications of a potential reversal of such impairment loss.

#### **11.10. Financial assets**

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

##### **Recognition and derecognition**

Financial assets are recognized whenever the Company 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 Company 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 Company 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" under profit or loss. Expected credit losses are recognized in line with the accounting principle referred to in Note 11.13 and presented under item "impairment of financial assets". In particular, the Company classifies the following under that category:

- trade debtors other than those subject to factoring
- 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.

##### ***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.

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**11.11. Lease*****The Company as a lessor***

When acting as a lessor, the Company classifies contracts under financial lease. Lease is recognized as financial lease if it involves transfer of substantially all risk and benefits from the ownership of the underlying asset. Otherwise, lease is treated as operating lease.

***The Company as a lessee***

The assets leased by the Company include office premises and vehicles. Usually, contracts are entered into for a definite term, between 3 and 6 years, with an option to extend such contract, as referred to hereinbelow.

Recognition of lease payables

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

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

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 Company 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 Company considered the following contractual features: type, tenor, currency and potential spread the Company would have to pay to any financial institution providing financing.

Lease payments are allocated between the principal and finance cost. Lease payables have been recognized in the balance sheet in a dedicated position. The finance costs are charged to profit or loss throughout the term of the lease contract so as to achieve fixed periodic interest rate on the outstanding balance of the amount payable for each given period.

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.

Recognition of the right-of-use assets

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

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

The right-of-use assets are 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.



### 11.12. Inventory

Inventories include materials and goods, prepayments for deliveries and development expenses for wind farms whose operating potential has been deemed probable.

### 11.13. 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 Company uses impairment losses throughout the entire lifetime of a given financial instrument.

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

### 11.14. Foreign currency transactions

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

Cash, bank loans and other monetary assets and liabilities denominated in currencies other than Polish zloty are translated into Polish zlotys at the average rate quoted by NBP. Foreign exchange differences on translation are recognized in finance income or cost, as appropriate.

Non-cash assets and liabilities recognized at historical cost denominated in foreign currencies are disclosed at historical foreign exchange rate as at the transaction day. Non-cash assets and liabilities recognized at fair value denominated in foreign currencies are translated to their fair value at the exchange rate prevailing on the measurement day.

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

### 11.15. Cash

Cash and cash equivalents disclosed in the statement of cash flows comprise cash in hand, bank deposits, shares in investment funds, 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.



**11.16. Prepayments and Accruals**

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

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

**11.17. Share capital and capital reserves**

Share capital is shown in the amount defined in the 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. Declared capital contributions to be made in future are disclosed as called up but unpaid capital.

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

**11.18. Undistributed profit and limitations on dividend payment**

Under the Polish Commercial Companies Code, the Company is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the Company financial statements should be contributed to statutory reserve funds, until the funds reach at least one-third of the 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, may only be spent to cover the loss disclosed in the financial statements and may not be used for any other purpose.

As at 31 December 2020 there are no other restrictions that would apply to distribution of dividend

**11.19. Provisions**

Provisions are recorded whenever the Company is under an existing obligation (by operation of law or by common practice) resulting from past events and when it is certain or very likely that performance of such obligation will necessitate the outflow of resources with inherent economic benefits and when it is possible to provide a reliable estimation of the amount of such obligation.

Where expenditure required to settle the obligation is expected by the Company 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.

**11.20. Provision for length-of-service awards and retirement pays**

In accordance with the company remuneration systems, the Company employees are entitled to retirement pays. Retirement pays are one-off benefits, paid out when an employee retires. Amounts of

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such retirement pays depend on the length of service and the average remuneration of the employee. The Company recognizes a provision for future 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.

### **11.21. 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.

### **11.22. Trade payables and other payables**

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 financial liabilities of the Company 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 Company 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 Company 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 Company 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.

**11.23. Financial guarantee contracts as per IFRS 9**

The Company enters into financial guarantee contracts, e.g. surety where it undertakes to indemnify the creditor against any loss that may arise in connection with the default in payment by the relevant companies.

Such contracts are measured at fair value, according to IFRS 9. Such fair value has been estimated to be the present value of future payments subject to a discount rate based on the risk rate for the assets. The measurement of the present value of payments on account of sureties has been presented in Note 28.1 Guarantees and sureties granted.

**11.24. Recognition of revenue**

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 accounting policies applicable to individual revenue categories have been listed below.

**11.24.1. Sale of merchandise and products**

Revenues are recognized at the time the obligation to perform is met (or during such performance) by way of delivery of a promised thing or service to the customer.

**11.24.2. Provision of services**

Revenues from performance of continuous services are recognized in the period they refer to when the obligation was met.

**11.24.3. 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.

**11.24.4. Dividends**

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

**11.24.5. Rental (lease) income**

Revenues from rental (lease) are recognized on a straight line basis throughout the lease term for contracts in progress.

**11.25. Taxes****11.25.1. Current tax**

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

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**11.25.2. 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 Company 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.

**11.25.3. 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.

**11.26. Earnings per share**

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

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

**11.27. Contingent liabilities and assets**

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.

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.

**12. Operating segments**

The Company's business is comprised in a single operating segment. Sales revenues include mainly the services provided, ) referred to in more detail in Note 29. Sales revenues exceeding 10% of the total revenues are true of the company Polenergia Farma Wiatrowa 3 Sp. z o.o.

**13. Earnings per share**

Between the balance sheet date and the date of these financial statements there were no transactions dealing with ordinary shares or potential ordinary shares.

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

**EARNINGS (LOSS) PER SHARE**

	<b>For 12 months ended</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Net profit (loss)	56 102	43 541
Average weighted number of ordinary shares	45 443 547	45 443 547
Profit (Loss) per ordinary share (in PLN)	1,23	0,96
	<b>For 12 months ended</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
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

**14. Distribution of profit**

On 17 April 2020 the Ordinary General Meeting of the Company resolved to transfer the profit for 2019 of PLN 43,541 to other capital reserves.

**15. Intangible Assets**

	<b>31.12.2020</b>	<b>concessions, patents, licenses and similar entitlements obtained, including:</b>		<b>total intangibles</b>
		<b>software</b>		
<b>1. Gross value of intangible assets at beginning of period</b>	<b>2 283</b>	<b>46</b>		<b>2 283</b>
a) reductions (due to)	(116)	-		(116)
- sale and retirement	(116)	-		(116)
<b>2. Gross value of intangible assets at end of period</b>	<b>2 167</b>	<b>46</b>		<b>2 167</b>
<b>3. Cumulative depreciation at beginning of period</b>	<b>(2 209)</b>	<b>(46)</b>		<b>(2 209)</b>
- current period depreciation	(5)	-		(5)
- reductions (due to)	63	-		63
- sale and retirement	63	-		63
<b>4. Cumulative depreciation at end of period</b>	<b>(2 151)</b>	<b>(46)</b>		<b>(2 151)</b>
<b>5. Impairment losses at beginning of period</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>6. Impairment losses at end of period</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>7. Net value of intangible assets at beginning of period</b>	<b>74</b>	<b>-</b>		<b>74</b>
<b>8. Net value of intangible assets at end of period</b>	<b>16</b>	<b>-</b>		<b>16</b>

31.12.2019	concessions, patents, licenses and similar entitlements obtained, including:		total intangibles
	software		
<b>1. Gross value of intangible assets at beginning of period</b>	2 283	46	2 283
a) increase (due to)	-	-	-
<b>2. Gross value of intangible assets at end of period</b>	2 283	46	2 283
<b>3. Cumulative depreciation at beginning of period</b>	(2 160)	(46)	(2 160)
- current period depreciation	(49)	-	(49)
<b>4. Cumulative depreciation at end of period</b>	(2 209)	(46)	(2 209)
<b>5. Impairment losses at beginning of period</b>	-	-	-
<b>6. Impairment losses at end of period</b>	-	-	-
<b>7. Net value of intangible assets at beginning of period</b>	123	-	123
<b>8. Net value of intangible assets at end of period</b>	74	-	74

**16. Tangible fixed assets**

31.12.2020	building, premises and civil and water engineering	plant and machinery	vehicles	other non- current fixed assets	total non-current fixed assets
<b>1. Gross value of non-current fixed assets at beginning of period</b>	<b>8 654</b>	<b>728</b>	<b>2 661</b>	<b>788</b>	<b>12 831</b>
a) increases (due to)	943	346	538	67	1 894
- purchase	-	346	538	67	951
- other	943	-	-	-	943
b) reductions (due to)	-	(49)	(225)	(178)	(452)
- sale and retirement	-	(49)	(225)	(178)	(452)
<b>2. Gross value of non-current fixed assets at end of period</b>	<b>9 597</b>	<b>1 025</b>	<b>2 974</b>	<b>677</b>	<b>14 273</b>
<b>3. Cumulative depreciation at beginning of period</b>	<b>(1 621)</b>	<b>(497)</b>	<b>(997)</b>	<b>(692)</b>	<b>(3 807)</b>
- current period depreciation	(1 256)	(119)	(573)	(36)	(1 984)
- reductions (due to)	-	46	225	178	449
- sale and retirement	-	46	225	178	449
<b>3. Cumulative depreciation at end of period</b>	<b>(2 877)</b>	<b>(570)</b>	<b>(1 345)</b>	<b>(550)</b>	<b>(5 342)</b>
<b>4. Impairment losses at beginning of period</b>	-	-	-	-	-
<b>6. Impairment losses at end of period</b>	-	-	-	-	-
<b>7. Net value of non-current fixed assets at beginning of period</b>	<b>7 033</b>	<b>231</b>	<b>1 664</b>	<b>96</b>	<b>9 024</b>
<b>8. Net value of non-current fixed assets at end of period</b>	<b>6 720</b>	<b>455</b>	<b>1 629</b>	<b>127</b>	<b>8 931</b>



31.12.2019	building, premises and civil and water engineering	plant and machinery	vehicles	other non- current fixed asstes	total non-current fixed assets
<b>1. Gross value of non-current fixed assets at beginning of period</b>	<b>845</b>	<b>578</b>	<b>1 544</b>	<b>784</b>	<b>3 751</b>
impact of implementing IFRS 16	2 852	-	-	-	2 852
<b>1. Gross value of non-current fixed assets at beginning of period</b>	<b>3 697</b>	<b>578</b>	<b>1 544</b>	<b>784</b>	<b>6 603</b>
a) increases (due to)	4 957	150	1 413	4	6 524
- purchase	-	150	1 413	4	1 567
- other	4 957	-	-	-	4 957
b) reductions (due to)	-	-	(296)	-	(296)
- sale and retirement	-	-	(296)	-	(296)
<b>2. Gross value of non-current fixed assets at end of period</b>	<b>8 654</b>	<b>728</b>	<b>2 661</b>	<b>788</b>	<b>12 831</b>
<b>3. Cumulative depreciation at beginning of period</b>	<b>(387)</b>	<b>(408)</b>	<b>(965)</b>	<b>(616)</b>	<b>(2 376)</b>
- current period depreciation	(1 234)	(89)	(328)	(76)	(1 727)
- reductions (due to)	-	-	296	-	296
- sale and retirement	-	-	296	-	296
<b>4. Cumulative depreciation at end of period</b>	<b>(1 621)</b>	<b>(497)</b>	<b>(997)</b>	<b>(692)</b>	<b>(3 807)</b>
<b>5. Impairment losses at beginning of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>6. Impairment losses at end of period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7. Net value of non-current fixed assets at beginning of period</b>	<b>458</b>	<b>170</b>	<b>579</b>	<b>168</b>	<b>1 375</b>
<b>8. Net value of non-current fixed assets at end of period</b>	<b>7 033</b>	<b>231</b>	<b>1 664</b>	<b>96</b>	<b>9 024</b>

In the period between 1 January 2019 and 31 December 2019 the total depreciation cost of the right-of-use assets amounted to PLN 1,469 k. Interest expense on lease payables increased, with the respective amount of PLN 202 k.

The cost related to short-term lease and low-price lease borne in the same period amounted to PLN 18 k and were recognized under overheads in the profit and loss account.

## 17. Right-of-use assets

The tangible fixed asset worth includes the right of use assets of the following carrying amount, with the following underlying asset categories, which were subject to the following depreciation in 2020:

Right-of-use assets under lease	31.12.2020	31.12.2019
Other real estate	6 431	7 596
Vehicles	1 557	2 032
<b>Total</b>	<b>7 988</b>	<b>9 628</b>

Right-of-use amortization under lease	For 12 months ended	
	31.12.2020	31.12.2019
Other real estate	1 170	1 151
Vehicles	573	318
<b>Total</b>	<b>1 743</b>	<b>1 469</b>

The most significant lease contracts in progress in 2020 include the rental of office space and the lease-to-own of the vehicles. The lease fees are subject to variable interest rate calculated against WIBOR.

## 18. Long term financial assets

The Company reviews its investment in subsidiaries based on their net assets as at the balance sheet date. Should indications of impairment be identified, the Company estimates the recoverable value. As a result of the occurrence of such indications with respect to selected interests, the Company reviewed the recoverability of its investments in those subsidiaries.

	31.12.2020	31.12.2019
- share or stock in non-listed companies	951 729	852 054
- loans given	1 834	9 800
<b>Total long term financial assets</b>	<b>953 563</b>	<b>861 854</b>

Shares or stock are disclosed in the balance sheet at historical cost less impairment, if any, while loans are measured at amortized cost using the effective interest rate method, less impairment, if any.

Shares or stock in non-listed companies:

	31.12.2020	31.12.2019
As at the beginning of the period	852 054	825 262
- capital increase	158 199	241 378
- return of supplementary payments towards capital	(62 804)	(36 209)
- sale of shares	(141)	(14 275)
- Redemption of shares	(2 000)	-
- decrease of impairment loss	8 980	-
- increase of impairment loss	(2 559)	(164 102)
<b>As at the end of the period</b>	<b>951 729</b>	<b>852 054</b>

	31.12.2020			31.12.2019		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
In subsidiaries	996 075	(259 018)	737 057	980 871	(321 489)	659 382
In joint ventures	214 672	-	214 672	192 672	-	192 672
In associates	1 500	(1 500)	-	1 500	(1 500)	-
<b>Total</b>	<b>1 212 247</b>	<b>(260 518)</b>	<b>951 729</b>	<b>1 175 043</b>	<b>(322 989)</b>	<b>852 054</b>

Company	Country od residence	book value of investment		Direct percentage share in the capital (relevant voting rights)	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Kom.	Poland	800	800	94,1%	94,1%
Polenergia Farma Wiatrowa 23 Sp. z o.o.	Poland	1 117	1 117	100%	100%
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	Poland	2 873	345	100%	100%
Polenergia Farma Wiatrowa 17 Sp. z o.o.	Poland	7 499	7 499	100%	100%
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	Poland	955	635	100%	100%
Polenergia Farma Wiatrowa 22 Sp. z o.o.	Poland	265	-	100%	100%
Polenergia Farma Wiatrowa Wierzbnik/ Jankowice Sp. z o.o.	Poland	126	126	100%	100%
Polenergia Farma Wiatrowa 16 Sp. z o.o.	Poland	2 873	10	100%	100%
Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	Poland	234	184	100%	100%
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	Poland	16 197	51 461	100%	100%
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	Poland	39 557	12 117	100%	100%
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	Poland	116 819	125 439	100%	100%
Polenergia Kogeneracja Sp. z o.o.	Poland	1 627	3 627	100%	100%
Dipol Sp. z o.o.	Poland	3 320	15 891	100%	100%
Amon Sp. z o.o.	Poland	17 642	13 172	100%	100%
Talia Sp. z o.o.	Poland	11 361	11 361	100%	100%
Polenergia Farma Wiatrowa 1 Sp. z o.o.	Poland	109 484	109 484	100%	100%
Polenergia Farma Wiatrowa 3 Sp. z o.o.	Poland	123 665	28 950	100%	100%
Polenergia Farma Wiatrowa 4 Sp. z o.o.	Poland	18	18	100%	100%
Polenergia Farma Wiatrowa 6 Sp. z o.o.	Poland	73 531	73 531	100%	100%
Polenergia Farma Wiatrowa Wodzisław Sp. z o.o.	Poland	517	517	100%	100%
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	Poland	2 140	730	100%	100%
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	Poland	284	134	100%	100%
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	Poland	385	385	100%	100%
MFW Bałtyk II Sp. z o.o.	Poland	68 032	53 832	50%	50%
MFW Bałtyk III Sp. z o.o.	Poland	131 860	124 560	50%	50%
MFW Bałtyk I Sp. z o.o.	Poland	14 780	14 280	50%	50%
Polenergia Dystrybucja Sp. z o.o.	Poland	68 819	68 819	100%	100%
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	Poland	78 591	78 591	100%	100%
Polenergia Obrót S.A.	Poland	51 556	51 556	100%	100%
Polenergia Elektrownia Północ Sp. z o.o.	Poland	210	105	100%	100%
Certyfikaty Sp. z o.o.	Poland	-	2 021	100%	100%
Energopep Sp. z o.o.	Poland	117	96	100%	100%
Polenergia Elektrownia Mercury Sp. z o.o.	Poland	201	160	100%	100%
Polenergia Bioelektrownia 2 Sp. z o.o.	Poland	-	130	-	100%
Grupa PEP Projekty Energetyczne 1 Sp. z o.o.	Poland	237	209	100%	100%
Polenergia Obrót 2 Sp. z o.o.	Poland	1 682	162	100%	100%
Polenergia Farma Fotowoltaiczna 1 Sp. z o.o.	Poland	65	-	100%	-
Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	Poland	1 135	-	100%	-
Polenergia Farma Fotowoltaiczna 3 Sp. z o.o.	Poland	65	-	100%	-
Inwestycje Rolne Sp. z o.o.	Poland	1 075	-	100%	-
Polenergia Farma Fotowoltaiczna 4 Sp. z o.o.	Poland	5	-	100%	-
Polenergia Farma Fotowoltaiczna 5 Sp. z o.o.	Poland	5	-	100%	-
Polenergia Farma Fotowoltaiczna 6 Sp. z o.o.	Poland	5	-	100%	-
<b>Total</b>		<b>951 729</b>	<b>852 054</b>		

### Financial asset impairment loss test in subsidiaries

As at 31 December 2020 the Company reviewed its investments in subsidiaries based on their net assets. Wherever indications of impairment were identified, the Company applied impairment tests to

fixed assets which gave the result of no impairment of the tested assets. The test was performed with respect to interest in subsidiaries whose net assets as at the balance sheet date have value below that of the shares held by the Company. The utility value estimated based on the cash flow projections of individual projects was the base for the measurement of the recoverable value of individual interests.

The test was performed based on the present value of estimated operating cash flows of individual businesses. The calculations were performed based on detailed forecasts for the entire lifetime of the companies or until 2050, in case the lifetime goes beyond 2050.

The key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2020 included:

- 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	Key assumptions	Level of discount rate assumed in test as at: 31 December 2020	Level of discount rate assumed in test as at: 31.12.2019
Polenergia Dystrybucja	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%	5.48%
Polenergia Obrót	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.		
	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.	8.90%	9.65%
	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. Generation of electricity at a price fixed due to the successful RES auction in 2020 for a period of 15 years.		
FW Piekło (Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o.)	Electricity generation volumes resulting from the generation capabilities and productivity assumed based on the windiness reports. 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. 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
FW Dębsk (Polenergia Farma Wiatrowa 3 Sp. z o.o.) FW Szymankowo (Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.)	Electricity generation volumes resulting from the generation capabilities and productivity assumed based on the windiness reports. Sale of electricity at a price fixed due to the successful RES auction in 2019 for a period of 15 years with wholesale energy prices. 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.	5.64%	N/A

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

The recoverable values of the companies Polenergia Dystrybucja, Polenergia Obrót, Polenergia Farma Wiatrowa 3 (project Dębsk) and Polenergia Farma Wiatrowa Szymankowo are higher than the value of interest held by the Company in them.

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 the subsidiaries: Polenergia Dystrybucja, Polenergia Obrót, Polenergia Farma Wiatrowa 3 and Polenergia Farma Wiatrowa Szymankowo the increase of the WACC by 1 percentage point or a change of the electricity price by 1% will entail no changes in the assessment whether any impairment occurred.

The recoverable value of the Piekło project was estimated at PLN 5.7m which triggered a reversal of the impairment of the shares in Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. of PLN 4.5m.

## Financial asset impairment loss test in jointly controlled entities

As at 31 December 2020, the Company analyzed the indications of impairment of financial assets of the companies under joint control. No indications were identified with respect to those assets that would necessitate an impairment test.

### 19. Financial assets impairment losses

On 30 December 2020 the Company made a decision to make a reversal of an impairment loss of the shares in the companies Polenergia Farma Wiatrowa Piekło Sp. o.o and Polenergia Farma Wiatrowa 16 Sp. z o.o. (Piekło Project) worth PLN 4.5m. The reversal of the impairment loss is a non-cash operation. It resulted in an increase to the Company performance account under the item financial income. This decision is based on the fact that a RES auction was won which fixed the sales price of electricity for 15 years ahead.

In addition, the Management Board decided to make an impairment loss with respect to the subsidiary Certyfikaty Sp. z o.o. of PLN 2m, in view of the fact that the net asset value of the subsidiary was lower than the value of shares and to make a reversal of the impairment of the subsidiary Amon Sp. z o.o. of PLN 4.4m in view of the increased net asset value of that subsidiary.

### 20. Short term receivables

	31.12.2020	31.12.2019
- trade receivables	16 325	12 218
- from related entities	16 221	12 133
- from other entities	104	85
- income tax receivable	91	-
- other receivables	504	909
- lease	232	431
- other	272	478
<b>Total net short-term receivables</b>	<b>16 920</b>	<b>13 127</b>
- receivables remeasured write-downs	3 567	3 606
<b>Total gross short-term receivables</b>	<b>20 487</b>	<b>16 733</b>

For transactions with associates see Note 40.

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

As at 31 December 2019, impairment losses on uncollectible trade receivables amounted to PLN 3,567 (in 2019: PLN 3,606k).

	31.12.2020	31.12.2019
<b>As at the beginning of the period</b>	<b>3 606</b>	<b>3 607</b>
- Increase	-	2 095
- Reversal	(39)	(2 096)
<b>As at the end of the period</b>	<b>3 567</b>	<b>3 606</b>

Below is a classification of trade receivables into impairment stages:

	Total	stage 2	stage 3
31.12.2020	16 325	16 303	22
31.12.2019	12 218	11 938	280

Changes of the carrying amount of trade receivables within the current reporting period have been presented in the table below:

Trade receivables - gross value	31.12.2020	31.12.2019
<b>As at the beginning of the period</b>	<b>15 824</b>	<b>14 472</b>
Generated	28 383	38 115
Paid	(24 315)	(36 763)
<b>As at the end of the period</b>	<b>19 892</b>	<b>15 824</b>

The expected credit losses as at 31 December 2020 are as follows:

Receivables from corporate contracting parties					
31.12.2020	Total	0-30 days	30-60 days	60-90 days	>90 days
Receivables	19 892	16 295	-	8	3 589
Expected credit losses	(3 567)	-	-	-	(3 567)

## 21. Prepayments and Accruals

	31.12.2020	31.12.2019
- insurance	297	275
- subscriptions	43	45
- accrued revenue	4 417	3 813
- other	39	15
<b>Total</b>	<b>4 796</b>	<b>4 148</b>

As at 31 December 2020 accrued revenues of PLN 4,363 k (2019: PLN 3.813k) result from the provision of services to subsidiaries.

## 22. Short term financial assets

	31.12.2020	31.12.2019
held in subsidiaries	86 216	15 727
- loans given	86 216	15 727
held in other entities	-	973
- loans given	-	973
<b>Total short term financial assets</b>	<b>86 216</b>	<b>16 700</b>

Loans are measured at amortized cost using the effective interest rate less impairment, if any.

## 23. Cash and equivalent

	31.12.2020	31.12.2019
Cash and equivalent, including:	124 630	237 076
- cash at hand and in bank	124 630	237 076
<b>Total</b>	<b>124 630</b>	<b>237 076</b>

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

As at 31 December 2020 restricted cash amounted to PLN 64k (2019: PLN 96k).

The Company applies a three-level model 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.

## 24. Share capital and capital reserves

### 24.1. Significant shareholders

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 OFE	2 570 000	2 570 000	5,66%
4 Generali OFE	3 000 000	3 000 000	6,60%
5 Aviva OFE Aviva Santander	3 732 687	3 732 687	8,21%
6 Others	2 303 604	2 303 604	5,07%
<b>Total</b>	<b>45 443 547</b>	<b>45 443 547</b>	<b>100%</b>

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

Shares of all series carry equal preferred rights and have been fully paid up.

## 25. Income tax

### 25.1. Tax charges

	For 12 months ended	
	31.12.2020	31.12.2019
Current income tax	44	426
Current income tax charge	-	426
Adjustments to prior years current income tax	44	-
Deffered income tax	(6 504)	2 778
Related to temporary differences and their reversal	(6 504)	2 778
<b>Income tax charged to the profit and loss account</b>	<b>(6 460)</b>	<b>3 204</b>



**25.2. Deferred income tax**

Deferred income tax	Balance sheet		Profit and loss account	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Deferred income tax provision				
Tangible fixed assets	1 566	1 629	(63)	1 402
Receivables	839	770	69	166
Cash	-	-	-	(5)
Loans	-	54	(54)	(241)
Lease receivables	395	435	(40)	(44)
<b>Deferred income tax provision before tax</b>	<b>2 800</b>	<b>2 888</b>	<b>(88)</b>	<b>1 278</b>
Deferred income tax assets				
Tangible fixed assets	702	745	(43)	(114)
Borrowings	1 039	1 110	(71)	(57)
Liabilities	1 817	1 641	176	1 559
Provisions	2 180	1 718	462	154
Retained assets	5 892	-	5 892	(3 042)
<b>Deferred income tax asset</b>	<b>11 630</b>	<b>5 214</b>	<b>6 416</b>	<b>(1 500)</b>
Deferred income tax expense			(6 504)	2 778
Net deferred tax (assets)/provision	(8 830)	(2 326)		
			<b>31.12.2020</b>	<b>31.12.2019</b>
Deferred income tax liability				
with maturity following 12 months			1 961	2 118
with maturity within 12 months			839	770
Deferred income tax asset				
with maturity following 12 months			4 763	1 641
with maturity within 12 months			6 867	3 573
<b>Deferred income tax liabilities (assets) (net)</b>			<b>(8 830)</b>	<b>(2 326)</b>

### 25.3. Effective tax rate

	For 12 months ended	
	31.12.2020	31.12.2019
<b>Income tax charged to the profit and loss account, including</b>	<b>(6 460)</b>	<b>3 204</b>
Current tax	44	426
Deferred tax	(6 504)	2 778
<b>Profit (Loss) before tax</b>	<b>49 642</b>	<b>46 745</b>
Tax on gross profit at effective tax rate of 19%	9 432	8 882
Adjustments to prior years current income tax	(44)	-
Current tax of limited partnerships	(20)	(164)
Deferred tax (change) of limited partnerships	93	78
<b>Non-deductible costs:</b>	<b>6 279</b>	<b>(5 560)</b>
- permanent differences	(2 825)	132
- temporary difference on which no tax asset/provision is established *)	9 104	(5 692)
<b>Non-taxable income:</b>	<b>9 584</b>	<b>11 324</b>
- dividends	9 472	11 145
- other	112	179
<b>Income tax in the profit and loss account</b>	<b>(6 460)</b>	<b>3 204</b>

\*) refers mostly to the differences between the bookkeeping and tax values of financial fixed assets

### 26. Short term liabilities

	31.12.2020	31.12.2019
- trade payables	1 263	602
- from related entities	102	-
- from other entities	1 161	602
- income tax payable	-	422
- lease liabilities	1 874	1 263
- other liabilities	11 935	2 870
- budget payments receivable	2 862	2 561
- payroll payable	-	2
- special funds	34	12
- other	9 039	295
<b>Total short term liabilities</b>	<b>15 072</b>	<b>5 157</b>

For transactions with associates see Note 40.

Trade payables bear no interest and are typically settled within 14 days.

Other liabilities bear no interest, except for the lease payables.

### 27. Prepayments and Accruals

	31.12.2020	31.12.2019
- future bonuses, salaries and wages	7 223	5 573
- cost of services	1 133	1 444
- other	-	24
<b>Total short term accruals and deferred income</b>	<b>8 356</b>	<b>7 041</b>

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**28. Contingent liabilities****28.1. Guarantees and sureties granted**Amon Sp. z o.o. and Talia Sp. z o.o.

On 27 December 2012 the Company issued a surety for the blank promissory note issued by Talia Sp. z o.o. to "Agro-Tak" Zagrodno Bronisław Tabisz Leszek Kachniarz s.j. on account of the existing lease agreement, with the term until 7 December 2035. The maximum amount under the promissory note is capped at PLN 500k.

As at 31 December 2020 there were no liabilities under the a/m agreement, but the fair value of the compensation related to the surety agreement was subject to measurement which showed PLN 52.3k.

On 21 April 2015 the Company issued a surety for the blank promissory note issued by Amon Sp. z o.o. to Przedsiębiorstwo Rolne Łukaszów on account of the existing lease agreement with the term until 22 June 2035. The maximum amount under the promissory note is capped at PLN 900k.

As at 31 December 2020 there were no liabilities under the a/m agreement, but the fair value of the surety agreement was subject to measurement which showed PLN 91.2k

On 29 June 2018 the Company issued a surety for the liabilities of Amon Sp. z o.o. and Talia Sp. z o.o. under the loan agreements both companies entered into on 1 June 2010 as amended, in particular following the amendment of 28 June 2018 in connection with the amendment and restatement of said loan agreement. The surety was granted to both companies up to the total amount of PLN 6,700k; with the fair value of the surety agreement subject to measurement which gave PLN 563k for both companies in total.

Polenergia Obrót S.A.

On 30 May 2017 the Company entered into an agreement with Polenergia Obrót S.A. subsidiary (hereinafter POLO) for the issue of the guarantee facility to the contractors of POLO. The guarantees issued under the a/m agreement have been capped at PLN 45,000 k. This Agreement has been entered into for indefinite term.

Under the a/m cap, as at 31 December 2020, the Company remained the issuer of: a guarantee to EDF Trading Limited for EUR 2,000k extended on 18 March 2020

- and expiring on 31 March 2021;
- a guarantee to PKN Orlen S.A. for PLN 2,000k extended on 18 June 2020 and expiring on 28 February 2022;
- a guarantee to CEZ a.s. for PLN 3,000k extended on 10 July 2020 and expiring on 31 January 2022;
- a guarantee to CEZ a.s. for PLN 1,000k extended on 17 January 2020 and expiring on 28 February 2022; - a guarantee to CEZ a.s. for PLN 1,000k extended on 17 January 2020 and expiring on 31 January 2021;
- a guarantee to PGE Obrót S.A. for PLN 1,000k extended on 19 November 2019 and expiring on 30 September 2021;
- a guarantee to PGE Obrót S.A. for PLN 1,000k extended on 2 December 2019 and expiring on 30 June 2022.

Measurement covered the fair value of the guarantees issued at 31 December 2020 totaling PLN 138k.

On 30 September 2020 the Company issued a surety for the liabilities of POLO under the overdraft facility granted by Bank Pekao S.A. capped at PLN 60,000k with final maturity until 30 September 2021. As at 31 December 2020, measurement applied to the fair value of the surety which amounted to PLN 264.7k.

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### Cap on auction guarantees

On 29 November 2019 the Company signed entered into a Framework Agreement with mBank S.A. ("mBank") governing venue terms of the Company use of the capped auction deposit guarantees that were necessary for the special purpose vehicles of Polenergia Group ("SPVs") to participate in December 2019 in electricity auctions as required by the current Regulations of such auctions approved by the President of the Energy Regulatory Authority ("ERO President").

The available limit for auctions is PLN 13,762 k and the availability period commences on the day of execution of the framework agreement until 30 November 2020, with the maximum tenor of such guarantee not exceeding 40 months. The ultimate validity date of a guarantee may not go beyond 29 March 2024.

On 2 December and 5 December 2019 mBank issued 27 guarantees under said limit totaling PLN 13,762 k thus using the entire available guarantee amount. On 10 and 18 February 2020, due to a failure to win the auction which was secured by the a/m guarantees, ERO President returned part of the guarantees totaling PLN 2,056.4k, whereupon 3 active guarantees remained in place in the aggregate amount of PLN 11,706k with the maximum validity date of 31 January 2023. As at 31 December 2020, measurement applied to the fair value of the guarantees which amounted to PLN 170.8k.

On 20 November 2020 the Company entered into a Agreement for the guarantee overdraft with Santander Bank Polska S.A. ("Santander") which governs the terms of issuing auction deposit guarantees required from the SPVs of Polenergia Group ("SPVs") to participate in auctions for the sale of electricity in December 2020, requisite under the currently applicable terms of such auctions, as approved by the President of the Energy Regulatory Office.

The auction overdraft is capped at PLN 10,000, with the availability since the day of executing the agreement until 20 November 2021. The maximum tenor of a guarantee may not exceed 38 months.

On 20 November, 21 November and 23 November 2020, under the a/m overdraft, Santander, acting to order of the Company, issued 29 guarantees in total to the aggregate amount of PLN 2,492.7k with the maximum tenor until 31 January 2024. As at 31 December 2020, measurement applied to the fair value of the guarantees which amounted to PLN 52.6k.

All guarantees covered by the a/m overdraft were issued to order of the Company to secure auction obligations of SPVs towards ERO President .

### PCG guarantees for turbine suppliers

On 6 November 2019 the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. („FW Szymankowo”), for the benefit of the companies Siemens Gamesa Renewable Energy Sp. z o.o. and Siemens Gamesa Renewable Energy A/S, valid until 31 May 2022. As at 31 December 2020 the outstanding amount under contract was EUR 4,459.6k net of VAT, with measurement applying to the fair value of the guarantees of PLN 286.3k.

On 14 July 2020 the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa 3 Sp. z o.o. („FW 3”), for the benefit of the company Vestas Poland Sp. z o.o., valid until 31 July 2022. As at 31 December 2020 the outstanding amount under contract was EUR 87,506.3k net of VAT, with measurement applying to the fair value of the guarantees of PLN 6,281.6k.

On 30 October 2020 the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. („FW Dębice/Kostomłoty”), for the benefit of the company Vestas Poland Sp. z o.o., valid until 31 August 2022. As at 31 December 2020 the outstanding amount under contract was EUR 21,955.5k net of VAT, with measurement applying to the fair value of the guarantees of PLN 1,677.0.

### Surety for SPVs

On 14 April 2020 the Company issued a surety to Mansa Investments Sp. z o.o. for the repayment of the following loans:

- 
- the loan given to the SPV Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. for the financing of construction of the Szymankowo wind farm up to the maximum amount of PLN 17,000k with maximum tenor until 30 December 2042, with measurement applying to the fair value of the surety as at 31.12.2020 and amounting to PLN 7,023.7k.
  - the loan given to the SPV Polenergia Farma Wiatrowa 3 Sp. z o.o. for the financing of construction of the Dębsk wind farm in the amount of PLN 172,000k; the surety was given up to the maximum amount of PLN 258,000k and with maximum tenor until 30 December 2042, with measurement applying to the fair value of the surety as at 31.12.2020 and amounting to PLN 29,970k;
  - the loan given to the SPV Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. for the financing of construction of the Dębice/Kostomłoty wind farm in the amount of PLN 10,000k; the surety was given up to the maximum amount of PLN 15,000k and with maximum tenor until 30 December 2042, with measurement applying to the fair value of the surety as at 31.12.2020 and amounting to PLN 542.9k.

#### Project support agreements

On 5 November 2019 the Company entered into the project support agreement with the banks that granted the loan to Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. for the construction of the Szymankowo wind farm. Under said agreement the Company gave a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 22,538.8k. The surety expires on the day of completion of the project's construction phase, i.e. on 31 October 2021. As at 31 December 2020, measurement applied to the fair value of the surety which amounted to PLN 150.2k.

On 10 July 2020 the Company entered into the project support agreement with the banks that granted the loan to Polenergia Farma Wiatrowa 3 Sp. z o.o. for the construction of the Dębsk wind farm. Under said agreement the Company gave a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 54,071.5k. The surety expires on the day of completion of the project's construction phase, i.e. on 30 June 2022. As at 31 December 2020, measurement applied to the fair value of the surety which amounted to PLN 647.1k.

On 30 September 2020 the Company entered into the project support agreement with the banks that granted the loan to Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. for the construction of the Dębice/Kostomłoty wind farm. Under said agreement the Company gave a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 13,535.5k. The surety expires on the day of completion of the project's construction phase, i.e. on 10 October 2022. As at 31 December 2020, measurement applied to the fair value of the surety which amounted to PLN 197.0k

#### **28.2. Litigation**

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.

On 7 May 2020 the District Court in Warsaw issued the payment order in injunction proceedings for the payment of PLN 956k of unpaid amounts due for the lease of a gas turbine. The payment order is enforceable.

#### **28.3. Tax settlements**

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorized to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within

public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Company on top of the existing ones. The Company is of the opinion that as at 31 December 2020 sufficient provisions were established for the recognized and quantifiable tax risk.

#### 28.4. Capital expenditure

As at 31 December 2020, the Company plans the Company's capital expenditure on property, plant and equipment in 2021 will reach ca. PLN 130m in total. Such amount shall mainly be allocated to project development in the area of, without limitation, offshore and onshore wind power generation.

#### 29. Sales revenues

	For 12 months ended	
	31.12.2020	31.12.2019
- revenue from consulting and advisory services	18 964	17 911
- revenue from lease	1 225	794
- revenue from wind farm development	-	10 359
- other	50	5
<b>Total revenue from clients</b>	<b>20 239</b>	<b>29 069</b>
<b>Total sales revenue</b>	<b>20 239</b>	<b>29 069</b>

#### 30. Cost according to type

	For 12 months ended	
	31.12.2020	31.12.2019
- depreciation	1 989	1 776
- materials and power consumption	437	410
- third party services	9 333	18 995
- taxes, duties and fees	616	1 203
- salaries	20 464	15 248
- social security and other benefits	2 132	1 648
- other cost by type	43	142
<b>Total cost by type</b>	<b>35 014</b>	<b>39 422</b>
- general overheads (-)	(20 550)	(15 324)
<b>Total cost of goods sold</b>	<b>14 464</b>	<b>24 098</b>

#### 31. Other operating revenues

	For 12 months ended	
	31.12.2020	31.12.2019
- reversal of impairment losses, including:	39	2 096
- expected credit loss	39	2 096
- other, including:	322	237
- gains on disposal of non financial fixed assets	24	170
- other	298	67
<b>Total other operating revenues</b>	<b>361</b>	<b>2 333</b>

### 32. Other operating revenues

	For 12 months ended	
	31.12.2020	31.12.2019
- asset impairment losses, including:	-	2 095
- expected credit loss	-	2 095
- other, including:	137	71
- donations	41	49
- other	96	22
<b>Total other operating costs</b>	<b>137</b>	<b>2 166</b>

### 33. Financial income

	For 12 months ended	
	31.12.2020	31.12.2019
- financial revenues from dividends and profit sharing earnings	49 852	58 657
- financial income from interest on deposit and loans	4 212	6 362
- interest from lease	215	121
- other surety - related fees	3 592	1 877
- disposal of shares in subsidiaries and jointly controlled entities	1 078	19 732
- other	9 167	-
<b>Total financial revenue</b>	<b>68 116</b>	<b>86 749</b>

In the period ended 31 December 2020 the Company received dividend distributions and advance payments against expected profit from the following companies:

	For 12 months ended	
	31.12.2020	31.12.2019
Dipol Sp. z o.o.	6 500	2 700
Polenergia Farma Wiatrowa 23 Sp. z o.o.	-	1 266
Polenergia Farma Wiatrowa Mycielín Sp. z o.o.	10 490	14 691
Polenergia Farma Wiatrowa 4 Sp. z o.o.	4 870	-
Polenergia Farma Wiatrowa 1 Sp. z o.o.	9 858	-
Polenergia Farma Wiatrowa 6 Sp. z o.o.	5 134	-
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	13 000	40 000
<b>Total</b>	<b>49 852</b>	<b>58 657</b>

### 34. Financial expenses

	For 12 months ended	
	31.12.2020	31.12.2019
- interest expenses	880	763
- f/x differences, including:	562	57
- unrealized	558	27
- realized	4	30
- commission and other fees	316	87
- financial assets impairment losses	2 165	28 911
<b>Total financial cost</b>	<b>3 923</b>	<b>29 818</b>

### 35. Cash flows

Cash flows from investing activities - other inflows from financial assets	For 12 months ended	
	31.12.2020	31.12.2019
Remuneration for the redemption of shares	2 000	-
Refund of additional capital contributions	62 804	36 209
<b>Total</b>	<b>64 804</b>	<b>36 209</b>

Restricted cash	For 12 months ended	
	31.12.2020	31.12.2019
Company Social Fund cash	32	10
cash on VAT accounts - split-payment	32	86
<b>Total</b>	<b>64</b>	<b>96</b>

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

Receivables:	31.12.2020	31.12.2019
Change in short-term and long-term net receivables in the balance sheet	(3 791)	5 964
Change in receivables resulting from sale of financial assets	(119)	-
<b>Change in receivables in the statement of cash flows</b>	<b>(3 910)</b>	<b>5 964</b>

Liabilities:	31.12.2020	31.12.2019
Change in liabilities excluding borrowings and bank loans in the balance sheet	1 612	8 811
Change in lease liabilities	944	(7 865)
Change in investment commitments	(479)	(560)
<b>Change in liabilities in the statement of cash flows</b>	<b>2 077</b>	<b>386</b>

### 36. Debt

Debt payables include mainly lease. Lease payables are recognized as the present value of the outstanding lease fees. The financial expenses are recognized under profit/loss and charged to the financial expenses.

31.12.2020	Lease
<b>As at the beginning of the period</b>	<b>8 079</b>
Inflows from debt incurred	1 409
financing received	1 409
Interest accruing	397
Debt payments	(1 918)
principal repayments	(1 521)
interest paid	(397)
Exchange rate differences	8
Valuation	550
<b>As at the end of the period</b>	<b>8 525</b>



<b>31.12.2019</b>	<b>Lease</b>
<b>As at the beginning of the period</b>	<b>3 179</b>
Inflows from debt incurred	6 312
otrzymane finansowanie	6 312
Interest accruing	203
Debt payments	(1 615)
principal repayments	(1 412)
interest paid	(203)
<b>As at the end of the period</b>	<b>8 079</b>

### 37. Objectives and policies of financial risk management

Financial instruments held or issued by the Company may bring about occurrence of one or several types of material risks.

The key financial instruments used by the Company include credit and short-term deposits. The primary purpose of such financial instruments is to maintain funds to finance the Company's operations. The Company also holds other financial instruments, such as trade payables and receivables and loans arising directly in the course of its business.

The major types of risk arising out of the Group's financial instruments include: interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Management Board establishes and verifies rules for managing each of these types of risk; the rules are briefly discussed below. The Company also monitors the risk of market prices with respect to all financial instruments it holds.

#### 37.1. Interest rate risk

The Company's exposure to the risk of fluctuation of interest rates relates primarily to its long-term financial liabilities and loans given.

<b>31.12.2020</b>	<b>Change</b>	<b>Change in profit/loss before tax within the consecutive 12 months in PLN K</b>
WIBOR 1M	1%	248
WIBOR 1M	-1%	(248)

The Company does not hedge against the risk using financial derivatives.

#### 37.2. Foreign exchange risk

The foreign exchange risk in the Company is very low as only insignificant transactions are denominated in foreign currency. The Company has no major open foreign exchange position in its balance sheet. On the other hand, most of the revenues and costs of the Company are realized in Polish Zlotys.

#### 37.3. Credit risk

The Company enters into 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 Company's exposure to bad debt risk is insignificant.

With respect to the Company's other financial assets, such as cash and cash equivalents, loans granted, credit risk is related to the counterparty's inability to pay, with the maximum exposure to such risk being

equal to the carrying amount of such instruments. The Company holds cash in bank accounts solely in reputable financial institutions. Loans are given to associates for which the risk of non-payment is minimized by their business. In addition, the Company bears the credit risk in connection with the sureties given to associates whose business and financial performance are monitored on an ongoing basis. The impact of Covid-19 pandemic has been described in Section 7.

### 37.4. Liquidity risk

The Company monitors the risk of its funds being insufficient to pay liabilities at maturity through periodic liquidity planning tool. 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 Company aims at balancing the continuity and flexibility of financing by using different funding sources, such as, for example lease contracts. On top of that, the liquidity risk also includes the guarantees and sureties issued by the Company and referred to in more detail in Note 28.1.

The table below shows the Company's financial liabilities (except for the guarantees and sureties issued as referred to in Note 28.1) as at 31 December 2020 and as at 31 December 2019 according to their maturity based on contractual undiscounted payments.

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
Other liabilities	11 935	-	-	-	11 935
Liabilities for deliveries and services	1 263	-	-	-	1 263
Leasing	528	1 434	6 793	534	9 289

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
Other liabilities	2 870	-	8 560	-	11 430
Liabilities for deliveries and services	602	-	-	-	602
Leasing	425	1 163	5 694	1 735	9 017

## 38. Financial instruments

### 38.1. Loans given

The Company extended the following loans:

#### As at 31.12.2020

Borrower	Date of loan	Loan balance	Interest rate	Repayment commencement date
Polenergia Dystrybucja Sp. z o.o.	20.11.2014	1 834	8,12% fixed interest	Bullet repayment 31.12.2026
Mercury Energia Sp. z o.o., Sp.K.	01.12.2006	4 000	Wibor 3M + 2,21 %	31.12.2021
Polenergia Farma Wiatrowa 3 Sp. z o.o.	16.10.2020	82 216	Wibor 3M + 2,4 %	31.03.2021
<b>Total</b>		<b>88 050</b>		

**As at 31.12.2019**

Borrower	Date of loan	Lon balance	Interest rate	Repayment commencement date
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	01.02.2016	4 339	Wibor 3M + 4,5%	Once the Borrower commences business operations, however no earlier than on 1.01.2020
Inwestycje Rolne Sp. z o.o.	10.12.2014	83	Wibor 3M + 2%	31.12.2020
	20.03.2015	548	Wibor 3M + 2,28%	31.12.2020
	24.06.2016	342	Wibor 3M + 2,28%	31.12.2020
Polenergia Dystrybucja Sp. z o.o.	20.11.2014	1 456	8,12% fixed interest	Bullet repayment 31.12.2026
Mercury Energia Sp. z o.o., Sp.K.	01.12.2006	4 000	00.01.1900	31.12.2021
Polenergia Farma Wiatrowa 17 Sp z o.o.	25.06.2019	14 766	Wibor 3M + 2,21 %	30.06.2020
Polenergia Bałtyk I S.A.	17.06.2019	961	Wibor 3M + 3,22 %	31.12.2020
Pozostałe	26.03.2013	5	Wibor 3M + 2%	On first demand of Lender
<b>Total</b>		<b>26 500</b>		

**38.2. Financial assets**

In the period ended 31 December 2020 the following share capital increases and additional contribution refunds in subsidiaries occurred:

Company	Share capital increase	Refund of additional share capital contributions	Sale of shares	Redemption of shares
Polenergia Bioelektrownia 2 Sp. z o.o Sp. Kom.	538	-	-	-
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	880	-	-	-
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	320	-	-	-
Polenergia Farma Wiatrowa 22 Sp. z o.o.	265	-	-	-
Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	50	-	-	-
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	6 350	41 614	-	-
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	27 440	-	-	-
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	-	8 620	-	-
Polenergia Kogeneracja Sp. z o.o.	-	-	-	2 000
Dipol Sp. z o.o.	-	12 570	-	-
Polenergia Farma Wiatrowa 3 Sp. z o.o.	94 715	-	-	-
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	1 410	-	-	-
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	150	-	-	-
MFW Bałtyk II Sp. z o.o.	14 200	-	-	-
MFW Bałtyk III Sp. z o.o.	7 300	-	-	-
MFW Bałtyk I Sp. z o.o.	500	-	-	-
Polenergia Elektrownia Północ Sp. z o.o.	105	-	-	-
Energopep Sp. z o.o.	21	-	-	-
Polenergia Elektrownia Mercury Sp. z o.o.	41	-	-	-
Polenergia Bioelektrownia 2 Sp. z o.o.	11	-	141	-
Grupa PEP Projekty Energetyczne 1 Sp. z o.o.	28	-	-	-
Polenergia Obrót 2 Sp. z o.o.	1 520	-	-	-
Polenergia Farma Fotowoltaiczna 1 Sp. z o.o.	65	-	-	-
Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	1 135	-	-	-
Polenergia Farma Fotowoltaiczna 3 Sp. z o.o.	65	-	-	-
Inwestycje Rolne Sp. z o.o.	1 075	-	-	-
Polenergia Farma Fotowoltaiczna 4 Sp. z o.o.	5	-	-	-
Polenergia Farma Fotowoltaiczna 5 Sp. z o.o.	5	-	-	-
Polenergia Farma Fotowoltaiczna 6 Sp. z o.o.	5	-	-	-
<b>Total</b>	<b>158 199</b>	<b>62 804</b>	<b>141</b>	<b>2 000</b>

### 38.3. Interest rate risk

In the table below the fair value is determined of the Company's financial instruments exposed to the interest rate risk, according to aging categories.

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
Interest bearing loans given	86 216	-	-	-	-	-	86 216
Leasing	1 874	2 005	1 482	1 427	1 314	423	8 525
Fixed interest rate	<1rok	1-2 lat	2-3 lat	3-4 lat	4-5 lat	>5 lat	Ogółem
Cash assets	124 630	-	-	-	-	-	124 630
Interest bearing loans given	-	-	-	-	-	1 834	1 834
Leasing	232	256	282	311	343	653	2 077

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
Interest bearing loans given	14 766	1 934	4 005	-	-	5 795	26 500
Leasing	1 248	1 295	1 530	1 128	1 197	1 681	8 079
Fixed interest rate	<1rok	1-2 lat	2-3 lat	3-4 lat	4-5 lat	>5 lat	Ogółem
Cash assets	237 076	-	-	-	-	-	237 076
Lease	211	232	256	282	311	995	2 287

The variable interest rate of financial instruments is updated at less than one year intervals. Other financial instruments of the Company that have not been shown in the tables above bear no interest, thus they are not exposed to the interest rate risk.

### 39. Capital management

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

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust its capital structure, the Company may make changes regarding dividend distribution, return the capital to the shareholders, or issue new shares. In the years ended 31 December 2020 and 31 December 2019, no changes were made in the capital structure management objectives, policies and processes.

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

	31.12.2020	31.12.2019
Less cash and cash equivalents	(124 630)	(237 076)
<b>Net debt</b>	<b>(124 630)</b>	<b>(237 076)</b>
Share capital	1 173 782	1 117 680
<b>Total capital</b>	<b>1 173 782</b>	<b>1 117 680</b>
<b>Capital and net debt</b>	<b>1 049 152</b>	<b>880 604</b>
Leverage ratios	-12%	-27%

#### 40. Information on significant transactions with associates

Significant transactions closed by the Company with associates in individual periods have been shown in the table below:

31.12.2020	Sale to related entities	Financial costs	Financial income	Receivables from related entities
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Kom.	161	-	122	26
Polenergia Farma Wiatrowa 1 Sp. z o.o.	797	-	-	328
Polenergia Farma Wiatrowa 3 Sp. z o.o.	2 812	-	1 366	2 961
Polenergia Farma Wiatrowa 4 Sp. z o.o.	1 012	-	-	514
Polenergia Farma Wiatrowa 6 Sp. z o.o.	667	-	-	216
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	253	-	-	232
Amon Sp. z o.o.	324	-	-	196
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	204	-	-	302
Dipol Sp. z o.o.	478	-	-	85
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	183	-	-	193
Polenergia Farma Wiatrowa 17 Sp. z o.o.	409	-	215	220
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	2 048	-	278	2 244
Polenergia Farma Wiatrowa 23 Sp. z o.o.	202	-	-	41
Talia Sp. z o.o.	259	-	-	143
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	1 408	-	-	1 480
Polenergia Farma Wiatrowa Mycielín Sp. z o.o.	826	-	-	369
Polenergia Kogeneracja Sp. z o.o.	757	-	-	101
MFW Bałtyk I S.A.	945	-	-	896
MFW Bałtyk II Sp. z o.o.	1 608	-	-	2 074
MFW Bałtyk III Sp. z o.o.	1 637	-	-	2 075
Polenergia Dystrybucja Sp. z o.o.	2 075	-	378	184
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	728	-	-	64
Polenergia Obrót S.A.	1 502	479	-	368
Kulczyk Holding S. a r. l.	252	-	-	4
Polenergia International S. a r. l.	190	-	-	264
Polenergia Usługi Sp. z o.o.	135	-	-	27
Mansa Investments Sp. z o.o.	632	-	-	99
Others	683	-	-	515
<b>Total</b>	<b>23 187</b>	<b>479</b>	<b>2 359</b>	<b>16 221</b>

The interest in and loans given to associates are referred to in Note 38.1 and Note 38.2.

All transactions with associates have been executed on arm's length terms.

The related party controlling the Company is Mansa Investments. The superior level entity that prepares consolidated financial statements of the Group is Kulczyk Holding Sarl with registered office in Luxembourg.

The ultimate parent entity controlling the Group is Ms. Dominika Kulczyk.

#### 41. Employment

As at 31 December 2020 and as at 31 December 2019 the Company employees divided into professional groups included:

	31.12.2020	31.12.2019
Parent company Management Board *)	5	2
Parent company employees **)	54	52
<b>Total</b>	<b>59</b>	<b>54</b>

\*) includes 1 person remaining in office as Management Board member as a result of appointment

\*\*) includes maternity leave employees

#### 42. Information on the total amount of remuneration and awards (in cash or in kind) paid to the members of the managing and supervising authorities of the Company

In the years 2020 and 2019 the remuneration paid to the Management Board Members amounted to:

	31.12.2020	31.12.2019
Michał Michalski	2 497	1 904
Iwona Sierżęga	1 332	702
Tomasz Kiełtński	506	-
Piotr Maciołek	506	-
Jarosław Bogacz	190	-
Robert Nowak *)	1 422	1 069
Jacek Głowacki	-	757
<b>Total</b>	<b>6 453</b>	<b>4 432</b>

\*) Mr. Robert Nowak was receiving 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.

In the years 2020 and 2019 the remuneration paid to the Supervisory Board Members amounted to:

	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
<b>Total</b>	<b>388</b>	<b>418</b>

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

In the period 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.

#### 44. 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 service	31.12.2020	31.12.2019
Audit and verification of the financial statements	97	181

#### 45. 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 the promoting of 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 deficit 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 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.