POLENERGIA

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 ON 31 DECEMBER 2019

INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT PERFORMED

Michał Michalski – President of the Management Board

Iwona Sierżęga – Member of the Management Board

Tomasz Kietliński - Member of the Management Board

Piotr Maciołek - Member of the Management Board

Jarosław Bogacz - Member of the Management Board

Agnieszka Grzeszczak – Director Accounting Department

Warsaw, 10 March 2020

CONTENTS

(PLN K)

1. Balance sheet

as at 31 December 2019

ASSETS

	Note	31.12.2019	31.12.2018
I. Non-current assets		**875 134**	**844 764**
Tangible fixed assets	17	9 024	1 375
Intangible assets	16	74	123
Financial assets	18	861 854	836 002
Long term receivables		1 856	2 160
Deferred income tax assets	25.2	2 326	5 104
II. Current assets		**271 051**	**247 842**
Inventories	19	-	10 362
Trade receivables	20	12 218	10 865
Income tax receivable	20	-	3 986
Other short term receivables	20	909	7 922
Prepayments and accrued income	21	4 148	3 152
Short term financial assets	22	16 700	3 000
Cash and equivalent	23	237 076	208 555
Total assets		**1 146 185**	**1 092 606**

EQUITY AND LIABILITIES

	Note	31.12.2019	31.12.2018
I. Shareholders' equity		**1 117 680**	**1 074 139**
Share capital	24.1	90 887	90 887
Share premium account		557 611	601 539
Reserve capital from option measurement		13 207	13 207
Other capital reserves		349 478	349 478
Capital from merger		89 782	89 782
Retained profit (loss)		(26 826)	(26 826)
Net profit (loss)		43 541	(43 928)
II. Long term liabilities		**15 397**	**301**
Provisions		21	21
Other liabilities		15 376	280
III. Short term liabilities		**13 108**	**18 166**
Trade payables	26	602	760
Income tax payable		422	-
Other liabilities	26	4 133	10 260
Provisions		910	767
Accruals and deferred income	27	7 041	6 379
Total equity and liabilities		**1 146 185**	**1 092 606**

(PLN K)

2. Profit and loss account

For the year ended on 31 December 2019

	Note	For 12 months ended 31.12.2019	31.12.2018
Sales revenues	29	29 069	17 215
Sales revenues		**29 069**	**17 215**
Cost of goods sold	30	(24 098)	(12 794)
Gross sales profit		**4 971**	**4 421**
Other operating revenues	31	2 333	12
General overheads	30	(15 324)	(17 209)
Other operating expenses	32	(2 166)	(3 693)
Financial income	33	86 749	108 460
including dividend	33	58 657	65 465
Financial costs	34	(29 818)	(126 956)
Proft (loss) before tax		**46 745**	**(34 965)**
Income tax	25.1	(3 204)	(8 963)
Net profit (loss)		**43 541**	**(43 928)**

Earnings (loss) per share:	14		
– basic earnings (loss) for period attributable to parent company shareholders		0,96	-0,97
– diluted earnings (loss) for period attributable to parent company shareholders		0,96	-0,97

3. Statement of other comprehensive income

For the year ended on 31 December 2019

	For 12 months ended 31.12.2019	31.12.2018
Net profit (loss)	**43 541**	**(43 928)**
Other net comprehensive income	**-**	**-**
COMPREHENSIVE INCOME FOR PERIOD	**43 541**	**(43 928)**

(PLN K)

4. Changes in equity statement

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
As at January 2019	**90 887**	**601 539**	**13 207**	**349 478**	**89 782**	**(70 754)**	**-**	**1 074 139**
Other comprehensive income for period								
Net loss for reporting period	-	-	-	-	-	-	43 541	43 541
Transactions with owners of the parent recognized directly in equity								
Allocation of profit/loss	-	(43 928)	-	-	-	43 928	-	-
As at 31 December 2019	**90 887**	**557 611**	**13 207**	**349 478**	**89 782**	**(26 826)**	**43 541**	**1 117 680**

For the year ended 31 December 2018

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Capital from merger	Retained loss	Net loss	Total equity
As at January 2018	**90 887**	**680 405**	**13 207**	**349 478**	**89 782**	**(105 692)**	**-**	**1 118 067**
Other comprehensive income for period								
Net loss for reporting period	-	-	-	-	-	-	(43 928)	(43 928)
Transactions with owners of the parent recognized directly in equity								
Allocation of profit/loss	-	(78 866)	-	-	-	78 866	-	-
As at 31 December 2018	**90 887**	**601 539**	**13 207**	**349 478**	**89 782**	**(26 826)**	**(43 928)**	**1 074 139**

(PLN K)

5. Statement of cash flows

For the year ended on 31 December 2019

	Noty	For 12 months ended 31.12.2019	31.12.2018
A.Cash flow from operating activities			
I.Profit (loss) before tax		**46 745**	**(34 965)**
II.Total adjustments		**(29 715)**	**18 048**
Depreciation	30	1 776	748
Foreign exchange losses (gains)		29	25
Interest and profit shares (dividends)		(59 423)	(72 121)
Losses (gains) on investing activities		7 401	95 841
Income tax		3 981	(9 606)
Changes in provisions		143	(17)
Changes in inventory		10 362	-
Changes in receivables	35	5 964	2 139
Changes in short term liabilities, excluding bank loans and borrowings	35	386	310
Changes in accruals		(334)	729
III.Net cash flows from operating activities (I+/-II)		**17 030**	**(16 917)**
B.Cash flows from investing activities			
I. Cash in		**251 179**	**349 746**
1. Dipsosal of intangibles and tangible fixed asstes		170	140
2. From financial assets, including:		251 009	329 634
- disposal of financial asstes		34 007	108 612
- dividends and shares in profits		58 657	22 662
- repayment of loans given		121 427	189 043
- interest		709	1 418
- other inflows from financial assets	35	36 209	7 899
3. Other investment inflows	35	-	19 972
II.Cash out		**238 047**	**291 959**
1. Acquisition of intangible and tangible fixed assets		99	719
2. For financial assets, including:		237 948	291 240
- acquisition of financial assets		104 578	71 040
- loans given		133 370	220 200
III.Net cash flows from investing activities (I-II)		**13 132**	**57 787**
C.Cash flows from financing activities			
I.Cash in		**-**	**-**
II.Cash out		**1 615**	**386**
1.Lease payables		1 412	341
2.Interest		203	45
III.Net cash flows from financing activities (I-II)		**(1 615)**	**(386)**
D.Total net cash flows (A.III+/-B.III+/-C.III)		**28 547**	**40 484**
E.Increase/decrease in cash in the balance sheet, including:		**28 521**	**40 459**
- change in cash due to f/x differences		**(26)**	**(25)**
F.Cash at the beginning of period		**208 555**	**168 096**
G.Cash at the and of period, including:	23	**237 076**	**208 555**
- restricted cash	35	96	5

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 2019 and comprise comparable financial data for the year ended on 31 December 2018.

Composition of the Company Management Board as at 31 December 2019:

Michał Michalski – President of the Management Board

Iwona Sierżęga – Member of the Management Board

On 23 January 2019 the Company received a resignation of Mr. Jacek Głowacki from his position as the President of the Management Board. Concurrently, during the meeting on 23 January 2019, the Supervisory Board appointed Mr. Michał Michalski President of the Management Board and Ms. Iwona Sierżęga Member of the Management Board. On 16 December 2019 Mr. Robert Nowak filed his resignation from his position of the Member of the Company 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 2019:

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

Marta Schmude - Member of the Supervisory Board

On 7 January 2019 Mr. Michał Kawa resigned from his position of the Member of the Company Supervisory Board.

On 8 January 2019 Extraordinary General Meeting dismissed Mr. Kajetan D'Obyrn from the Supervisory Board and appointed Ms. Marjolein Helder and Mr. Sebastian Kulczyk Members of the Supervisory Board.

On 17 April 2019 Extraordinary General Meeting appointed Mr. Adrian Dworzyński Member of the 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 2019.

8. Identification of consolidated financial statements

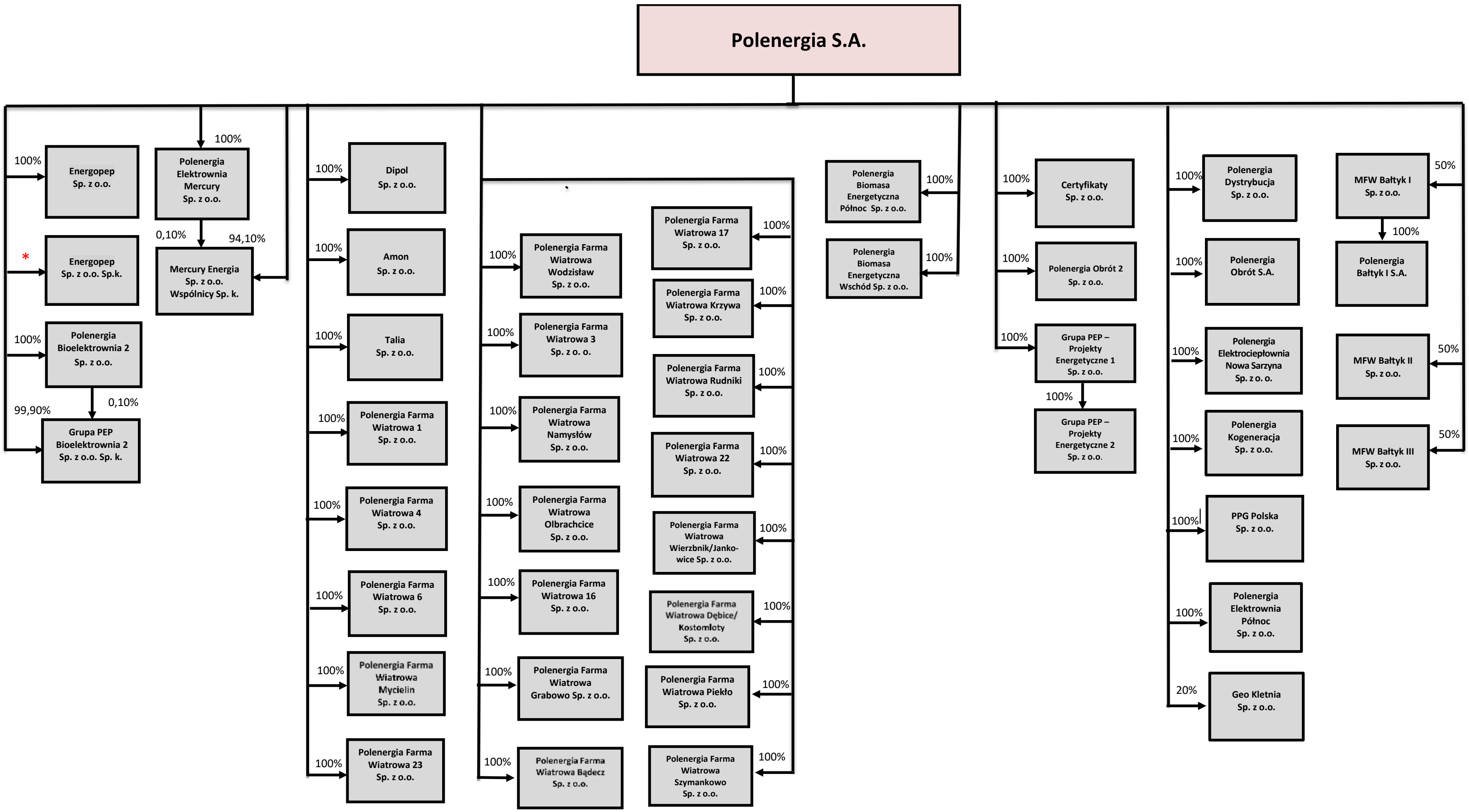
The Company prepared consolidated financial statements for the year ended on 31 December 2019 which was approved for publication on 9 March 2020. The parent company of the Company is Mansa Investments Sp. z o.o. with registered office in Warsaw, Krucza 24/26. The superior parent company that prepares consolidated financial statements is Kulczyk Holding S.à r.l. with registered office in Luxembourg, 32-34 Boulevard Grande-Duchesse Charlotte. 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 9 March 2020.

10. Company investments

As at 31 December 2019 the Company held investments in the following subsidiaries:



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

11. 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 2018, except for the adoption of new and amended standards referred to in Note 11.1. The new accounting principles applied as of 1 January 2019 have been discussed in the relevant Notes.

11.1. New and modified standards and interpretations applied

a) new and emended standards adopted by the Company

In the one-year reporting period commencing on 1 January 2019 the Company applied for the first time the following standards and modifications of the standards:

- IFRS 16 *Leases*,
- *Prepayment Features with Negative Compensation* -Amendments to IFRS 9,
- *Long-term Interests in Associates and Joint Ventures* **-** Amendments to IAS 28
- *Annual Improvements to IFRS Standards* 2015–2017 Cycle,
- *Plan Amendment, Curtailment or Settlement* -Amendments to IAS 19,
- IFRIC 23 *Uncertainty over Income Tax Treatments.*

The Company also decided earlier to adopt the following modifications:

- Definition of “Material” - Amendments to IAS 1 and IAS 8.

The Company changed the rules it applies due to the adoption of IFRS 16. The Company decided to retroactively apply the new rules together with the aggregate impact of applying such standard recognized on the first day of its application as at 1 January 2019. Such impact has been presented in Note 12. Other abovementioned amendments had no impact on the amounts disclosed in previous periods and no material impact should be expected also on the current period or any future periods.

b) new standards and interpretations not yet applied

A number of new accounting and interpretation standards have been publish that are not mandatory for reporting periods ending on 31 December 2019 and that have not been adopted by the Company earlier. 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 2019 together with the comparable data for the financial year ended on 31 December 2018 have been audited by chartered auditor.

These financial statements have been prepared in accordance with the historical cost method, except for the following material items in the balance sheet: loans and borrowings measured at adjusted acquisition price.

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 34,
- impairment of other financial assets - referred to in more detail in Note 11.13.
- wind farm development capex write-downs (Note 34)
- deferred tax
- trade receivables impairment losses - referred to in more detail in Note 20.

In the year ended on 31 December 2019 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 measurement currency and the reporting 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

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

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.

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 item of non-current fixed assets can be derecognized in the balance sheet upon disposal or when no future economic benefits are expected from its further use. Any gains or losses on derecognition of an asset from the balance sheet (derived from the delta between net proceeds from its sale, if any, and the carrying amount of the asset) are disclosed in the profit and loss account of the period in which derecognition took place.

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. Such recoverable amount is determined for individual assets, unless a given asset does not independently generate cash flows being largely independent from those generated by other assets or asset groups. 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, hence their fair value cannot be reliably measured. Such interest is disclosed in the balance sheet at historical cost less impairment losses, if any.

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 with the financial projections developed 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.

Debt instruments - Financial assets measured at amortized cost

SPPI (solely payment of principal and interest) debt instruments are measured at amortized cost. Interest revenue is measured using the effective interest rate method and disclosed under "interest revenue" under profit or loss. Impairment losses are recognized in line with the accounting principle referred to in Note 11.13 and presented under item "impairment losses 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 "

Debt instruments - Financial assets measured 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.

Equity instruments - Financial assets measured at fair value through other comprehensive income

Following the initial recognition, the Company measures all equity instrument investments at fair value. The Company chose to present gains and losses from change of the fair value of equity instruments under other comprehensive income. Such choice results in gains and losses on account of changes of the fair value not being reclassified subsequently to profit or loss when the investment is no longer recognized. Dividends on such investments are recognized under profit or loss when the right of the Company to receive distribution is established. Impairment losses (and their reversal) with respect to equity investments measured at fair value thorough other comprehensive income are not presented independently from other changes of fair value.

11.11. Lease

The Company has changed its accounting principles with respect to the recognition of lease contracts where the Company is the Lessee, in view of the enactment of IFRS 16 "Lease". The effect of such change has been described in Note 12.

Accounting policy applied to the year 2018

Until 2018, lease of tangible fixed assets used to be classified as financial lease or operating lease.

Finance leases, which transfer substantially all the risks and rewards incidental to the ownership of the leased asset onto the Company, used to be recognized in the balance sheet at the inception of the lease at the lower of: the fair value of the non-current asset leased or the present value of the minimum lease payments. Lease payments had been apportioned between the finance charge and the reduction of the outstanding liability under lease so as to produce a fixed interest rate on the remaining balance of the liability. The finance charge had been taken directly to profit and loss account.

Non-current fixed assets in use under finance leases used to be depreciated over the shorter of their estimated useful life and the lease term.

Lease contracts under which the lessor retained substantially all risks and rewards resulting from the ownership of the leased asset had been classified as operating leases. Operating lease payments had been recognized as an expense in the profit and loss account over the lease term on a straight-line basis.

Accounting policy applied to the year 2019

The Company as a lessor

Lease contracts, which include rental contracts under which the Company retains all risks and rewards resulting from the ownership of the leased asset, are classified as operating leases. Lease expenses are recognized in current cost, while revenue generated by the leased object is recognized in revenue of a given period.

The Company as a lessee

As of 1 January 2019 the lease is recognized as an asset under the right of use, with a corresponding liability as at the day such lease was given to the Company.

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 incremental 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 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 under Other payables. 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 XXX.

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.

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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 same items where costs of the similar type are recognized.

11.12. Inventories

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. This standard permits certain simplified classification of short-term receivables and recognize them under Stage 2.

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.

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

Trade receivables from individually significant entities (customers buying large volume of goods in a given segment, cooperation based on long-term contracts) - estimation of impairment, if any, is based on an analysis of trade receivables from individual customers.

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:

	12/31/2019	**31.12.2018**
USD	3.7977	3.7597
EUR	4.2585	4.3000
GBP	4.9971	4.7895

11.15. Cash and cash equivalents

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

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

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 spend to cover the loss disclosed in the financial statements and may not be used for any other purpose. The 2018 loss was covered from statutory reserve funds, i.e. from share premium.

As at 21 December 2019 there are no 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.

Provision for length-of-service awards and retirement pays

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

11.20. 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 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. According to IAS 19, retirement pays are classified as defined post-employment benefit plans. Accrued obligations are equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.

11.21. 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 cost of obtaining the loan or the borrowing, 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. 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.

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 cancelled 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. 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.

11.23.1. Sale of merchandise and products

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

11.23.2. Provision of services

Revenue from the provision of services is recognized based on the progress status of a given service. In case the outcome of a contract cannot be reliably estimated, revenue from such contract is recognized only to the amount of cost the Company believes is recoverable.

11.23.3. 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.

11.23.4. Dividends

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

11.23.5. Rental (lease) income

Income from investment real estate lease is recognized on a straight line basis throughout the lease term for contracts in progress.

11.24. Taxes

11.24.1. 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.

11.24.2. 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.

11.24.3. 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.

11.25. 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).

11.26. 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. Changes of the accounting principles (policy) applied

This Note clarifies the impact of adopting IFRS 16 Lease on the Company's financial statements.

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

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

As at 1 January 2019 the discount rate derived by the Company for EUR denominated contracts was 4.54%. The risk-free rate (RFR) has been estimated based on Eurobonds.

As at 1 January 2019 the Company adopted asset recognition at the amount of liabilities adjusted for any amounts previously recognized in the balance sheet.

(PLN K)

Application of estimates and judgments

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

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

Application of practical expedients

At the initial application of IFRS 16 the Group applied the following practical expedients permitted by the standard:

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

Impact on the financial position report as at 1 January 2019

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

Operating lease	31.12.2019	31.12.2018
Up to 1 year	-	1 859
From 1 year to 5 years	-	2 478
Total	**-**	**4 337**
Operating lease commitments disclosed as at 31 December 2018		**4 337**

Discounted using the lesse's incremental borrowing rate of at the date of initial application	2 852
Finance lease liabilities recognised as at 31 December 2018	327
Lease liability recognised as at 1 January 2019	**3 179**
Of which are:	
Current liabilities	1 473
Non-current lease liabilities	1 706

Right-of-use assets under lease	1.01.2019
Other real estate	2 852
Total	**2 852**

Impact on equity

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

Impact on financial ratios

As practically all lease contracts have been recognized in the Company's balance sheet, implementation of IFRS 16 by the Company has impacted its balance sheet ratios, including debt to equity ratio. In addition, following implementation of IFRS 16, measurement of profit changed (including, without limitation, operating profit, EBITDA), as well as operating cash flows. The Company reviewed the impact of IFRS 16 on the deferred tax and identified no differences as at the inception date.

(PLN K)

13. Operating segments

The Company's business in comprised in a single operating segment.

14. 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

	For 12 months ended	
	12/31/2019	31.12.2018
Net Profit Margin %	43,541	(43,928)
Average weighted number of ordinary shares	45,443,547	45,443,547
Profit (Loss) per ordinary share (in PLN)	0.96	(0.97)

	For 12 months ended	
	12/31/2019	31.12.2018
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

15. Distribution of profit

On 17 April 2019 the Ordinary General Meeting of Company Shareholders resolved that the loss for 2018 would be fully covered from the reserve capital.

(PLN K)

16. Intangible Assets

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

31.12.2018	concessions, patents, licenses and similar entitlements obtained, including:	software	total intangibles
1. Gross value of intangible assets at beginning of period	2 283	46	2 283
2. Gross value of intangible assets at end of period	2 283	46	2 283
3. Cumulative depreciation at begining of period	(1 854)	(46)	(1 854)
- current period depreciation	(306)	-	(306)
4. Cumulative depreciation at end of period	(2 160)	(46)	(2 160)
5. Impairment losses at beginning of period	-	-	-
6. Impairment losses at end of period	-	-	-
7. Net value of intangible assets at beginning of period	429	-	429
8. Net value of intangible assets at end of period	123	-	123

(PLN K)

17. Tangible fixed assets

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

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.

(PLN K)

31.12.2018	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	total non-current fixed assets
1. Gross value of non-current fixed assets at beginning of period	**845**	**452**	**1 502**	**649**	**3 448**
a) increases (due to)	-	133	450	135	718
- purchase	-	133	450	135	718
b) reductions (due to)	-	(7)	(408)	-	(415)
- sale and retirement	-	(7)	(408)	-	(415)
2. Gross value of non-current fixed assets at end of period	**845**	**578**	**1 544**	**784**	**3 751**
3. Cumulative depreciation at beginning of period	**(304)**	**(346)**	**(1 030)**	**(531)**	**(2 211)**
- current period depreciation	(83)	(69)	(205)	(85)	(442)
- reductions (due to)	-	7	270	-	277
- sale and retirement	-	7	270	-	277
3. Cumulative depreciation at end of period	**(387)**	**(408)**	**(965)**	**(616)**	**(2 376)**
4. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**
6. Impairment losses at end of period	**-**	**-**	**-**	**-**	**-**
7. Net value of non-current fixed assets at beginning of period	**541**	**106**	**472**	**118**	**1 237**
8. Net value of non-current fixed assets at end of period	**458**	**170**	**579**	**168**	**1 375**

The carrying amount of vehicles used under lease contracts as at 31 December 2018 was PLN 567 k.

(PLN K)

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 in relation to selected shares, the Company reviewed the recoverability of its investments in these subsidiaries.

	31.12.2019	31.12.2018
- share or stock in non-listed companies	852 054	825 262
- loans given	9 800	10 740
Total long term financial assets	**861 854**	**836 002**

Shares or stock are recognized in the balance sheet at historical cost less any impairment, while loans are valued at amortized cost using the effective interest method and reduced by any impairment losses.

Shares in unlisted companies:

	31.12.2019	31.12.2018
As at the beginning of the period	825 262	938 842
- capital increase	241 378	70 220
- return of supplementary payments towards capital	(36 209)	(6 945)
- sale of shares	(14 275)	(154 704)
- decrease of impairment loss	-	30 456
- increase of impairment loss	(164 102)	(52 607)
As at the end of the period	**852 054**	**825 262**

	31.12.2019			31.12.2018		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
In subsidiaries	980 871	(321 489)	659 382	796 816	(172 508)	624 308
In joint ventures	192 672	-	192 672	200 954	-	200 954
In associates	1 500	(1 500)	-	1 500	(1 500)	-
Total	**1 175 043**	**(322 989)**	**852 054**	**999 270**	**(174 008)**	**825 262**

(PLN K)

Company	Country od residence	book value of investment		Direct percentage share in the capital (relevant voting rights)	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Energopep Sp. z o.o. Sp. Kom.	Polska	-	-	33,9%	33,9%
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Kom.	Polska	800	800	94,1%	94,1%
Polenergia Biolektrownia 2 Sp. z o.o Sp. Kom.	Polska	-	-	100%	100%
Polenergia Farma Wiatrowa 23 Sp. z o.o.	Polska	1 117	2 117	100%	100%
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	Polska	345	-	100%	100%
Polenergia Farma Wiatrowa 17 Sp. z o.o.	Polska	7 499	798	100%	100%
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	Polska	635	35	100%	100%
Polenergia Farma Wiatrowa 22 Sp. z o.o.	Polska	-	-	100%	100%
Polenergia Farma Wiatrowa Wierzbnik/ Jankowice Sp. z o.o.	Polska	126	126	100%	100%
Polenergia Farma Wiatrowa 16 Sp. z o.o.	Polska	10	-	100%	100%
Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	Polska	184	94	100%	100%
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	Polska	51 461	6 801	100%	100%
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	Polska	12 117	12 107	100%	100%
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	Polska	125 439	125 439	100%	100%
Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	Polska	-	17 308	100%	100%
Polenergia Kogeneracja Sp. z o.o.	Polska	3 627	3 627	100%	100%
Dipol Sp. z o.o.	Polska	15 891	15 891	100%	100%
Amon Sp. z o.o.	Polska	13 172	13 172	100%	100%
Talia Sp. z o.o.	Polska	11 361	11 361	100%	100%
Polenergia Farma Wiatrowa 1 Sp. z o.o.	Polska	109 484	109 484	100%	100%
Polenergia Farma Wiatrowa 3 Sp. z o.o.	Polska	28 950	28 940	100%	100%
Polenergia Farma Wiatrowa 4 Sp. z o.o.	Polska	18	18	100%	100%
Polenergia Farma Wiatrowa 6 Sp. z o.o.	Polska	73 531	73 531	100%	100%
Polenergia Farma Wiatrowa Wodzisław Sp. z o.o.	Polska	517	517	100%	100%
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	Polska	730	100	100%	100%
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	Polska	134	69	100%	100%
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	Polska	385	385	100%	100%
Polenenergia Bałtyk I S.A.	Polska	-	28 550	-	100%
MFW Bałtyk II Sp. z o.o.	Polska	53 832	49 806	50%	50%
MFW Bałtyk III Sp. z o.o.	Polska	124 560	122 598	50%	50%
MFW Bałtyk I Sp. z o.o.	Polska	14 280	-	50%	-
Polenergia Biomasa Energetyczna Północ Sp. z o.o.	Polska	-	-	100%	100%
Polenergia Biomasa Energetyczna Południe Sp. z o.o	Polska	-	-	-	100%
Polenergia Biomasa Energetyczna Wschód Sp. z o.o.	Polska	-	-	100%	100%
Polenergia Dystrybucja Sp. z o.o.	Polska	68 819	68 819	100%	100%
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	Polska	78 591	78 591	100%	100%
Polenergia Obrót S.A.	Polska	51 556	51 556	100%	100%
PPG Pipeline Projektgesellschaft mbH	Niemcy	-	-	-	100%
PPG Polska Sp. z o.o.	Polska	-	-	100%	100%
Polenergia Elektrownia Północ Sp. z o.o.	Polska	105	-	100%	100%
Certyfikaty Sp z.o.o.	Polska	2 021	2 021	100%	100%
Energopep Sp. z o.o.	Polska	96	68	100%	100%
Polenergia Elektrownia Mercury Sp. z o.o.	Polska	160	145	100%	100%
Polenergia Biolektrownia 2 Sp. z o.o.	Polska	130	107	100%	100%
Geokletnia sp.z o.o.	Polska	-	-	20%	20%
Grupa PEP Projekty Energetyczne 1 Sp. z o.o.	Polska	209	119	100%	100%
Polenergia Obrót 2 Sp. z o.o.	Polska	162	162	100%	100%
Total		**852 054**	**825 262**		

On 22 May 2018, the Company and Statoil Holding Netherlands B.V. ("Statoil") entered into a final agreement to transfer the ownership of 50% of shares (the "SPV Shares") held by the Company in each of the following companies: (i) MFW Bałtyk II Sp. z o.o. (formerly: Polenergia Bałtyk II sp. z o.o. and (ii) MFW Bałtyk III Sp. z o.o. (formerly: Polenergia Bałtyk III sp. z o.o.) (hereinafter collectively referred to as "SPV" or "Bałtyk II", "Bałtyk III"), which pursue offshore wind farm projects ("Project") in the Baltic

(PLN K)

Sea. The sale of SPV shares took place as part of the parties' cooperation in their joint performance of the Project ("Transaction")

On the same day, the ownership title to SPV Shares was transferred onto Statoil Holding Netherlands. Also on the same day, the following agreements were concluded: (i) Development and Execution Services Agreements between each of the SPVs and Statoil New Energy Service Centre B.V. (an entity of the Statoil Group) providing for the development and execution of offshore wind farm projects on the Baltic Sea, (ii) maintenance agreements between each of the SPVs and the Company, and (iii) shareholder agreements for each of the SPVs, between the Company, Statoil Holding Netherlands and each of the SPVs, respectively.

Concurrently Polenergia S.A. issued an option for the benefit of Statoil for the acquisition of 50% of the shares in Polenergia Bałtyk I S.A. subsidiary, As at 31 December 2018 this option was not exercised, however on 20 December 2018 a preliminary contingent agreement for the sale of 50% of the shares in Polenergia Bałtyk I S.A. subsidiary. The execution of the final transfer contract was contingent upon the fulfilment of certain conditions precedent, including: (i) each party obtaining unconditional consent of the President of the Competition and Consumer Protection Authority to close the transaction and (ii) obtaining a valid and binding registration with the Court of Registration of a resolution concerning transformation of SPV from joint stock company into a limited liability company.

On 20 December 2019 the Company entered into the final contract with Wind Power AS for the sale of 50% of shares in the Company's subsidiary MFW Bałtyk I Sp. z o.o. which as at the day of the foregoing transaction was the sole shareholder of the company Polenergia Bałtyk I S.A.

The effect of the sale of MFW Bałtyk I Sp. z o.o. on the Company performance is presented below:

	31.12.2019
Price of sale of 50% of shares (cash received)	34 007
Cost of sale of 50% of shares	(14 275)
Profit on the sale of shares	**19 732**

Financial asset impairment loss test in subsidiaries

As at 31 December 2019 the Company analyzed the involvement in subsidiaries based on their net assets. If the premises of impairment were identified, the Company performed impairment tests of financial fixed assets, as a result of which no impairment of the tested assets was found.
The test was performed with respect to involvement in the companies whose net assets as at the balance sheet date have value below that of the shares held by the Company. The utility value underlies the measurement of the recoverable value of individual shares.

The test was performed based on the present value of estimated operating cash flows from the activities of individual businesses. Calculations were performed based on detailed forecasts for the entire lifetime of the companies.
Key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2019:

- Energy prices: the wholesale energy price path until 2022 is based on quotations for forward contracts (CAGR ca. 3.9%). Beyond 2022 the Compound Annual Growth Rate of ca. 2.8% was assumed based on the available forecasts of an independent business advisor.
- Green certificate prices: in 2020 they are derived from the internal forecasts of the Company. Beyond 2021 the Compound Annual Growth Rate of ca. -1.4% was assumed based on the available forecasts of an independent business advisor.

(PLN K)

Company	Key assumptions	Level of discount rate assumed in test as at: 31 December 2019	Level of discount rate assumed in test as at: 31 December 2018
Polenergia Dystrybucja	The WRA figure adopted for the forecast is based on the level which incorporates historical capex plus capex intended for the years 2020-2026. In distribution, the weighted average cost of capital has been assumed at the regulatory level of WACC published by the regulatory authority URE. 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. 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 2020-2050.	5.48%	5.48%
Polenergia Obrót	The margin in trading in 2020 assumes implementation of the commercial strategy based on short-term trading and structured transactions. The margin on assets covers the extension of PPAs to include other wind assets. Additional margin in the areas connected with partial return to proprietary trading, geographical expansion in trading and more intense involvements 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. The period of detailed projections refers to the years 2020-2050.	9.65%	9.65%

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

Recoverable values of the distribution and trading segments are higher than the value of shares held by the Company.

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 case of involvement in subisidiaries Polenergia Dystrybucja and Polenergia Obrót the increase of the WACC by 1 percentage point or a change of the electricity price by 1% with no further changes of the remaining drivers will not entail any changes of shares value at balance sheet.

(PLN K)

Financial asset impairment loss test in jointly controlled entities

The tests were performed based on the present value of estimated operating cash flows. Calculations were performed based on detailed forecasts for the entire lifetime of the companies. Macroeconomic and operating assumptions adopted in the forecasting process are updated as often as any indications occur in the market for updating same. The forecasts incorporate also any changes of law known as at the day of the test.

Company	Key assumptions	Level of discount rate assumed in test as at: 31.12. 2019	Level of discount rate assumed in test as at: 31.12.2018
MFW Bałtyk II sp. z o.o. („Bałtyk II") and MFW Bałtyk III sp. z o.o. („Bałtyk III")	The Group holds a 50% interest in companies developing offshore wind farm projects on the Baltic Sea, totaling up to 1,200 MW and has been continuing development work together with its partner, Equinor. 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 that the offshore wind farm projects will operate for 23 years following the go-live date (January 2025). The go-live is preceded by a 2-year construction period. The total installed capacity has been assumed at 1,200 MW. The cost of capital for the project at the stage of an investment decision has been assumed at the level expected by European offshore wind farm sector investors.	11%	11%

The recoverable value determined as at 31 December 2019 based on prepared financial projections exceeds their carrying amount of shares in jointly controlled entities.

Financial assets impairment losses related to 2019

On 30 December 2019 the Company made a decision about an impairment loss of the shares in the company Polenergia Farma Wiatrowa Bądecz sp. z o.o. ("Bądecz Project"). The recoverable value corresponding to fair value less costs to sell as at 31 Dec. 2019 was PLN 0.00. Therefore, the impairment loss amount is PLN 17.3 m. The impairment loss is a non-cash charge. The charge was made to the profit and loss account under financial expenses. The decision made is a consequence of the risk assessment in relation to the implementation of the Bądecz Project.

In addition, during 2019 the Company granted a loan and increased the share capital through a set-off procedure in its subsidiary Energopep Sp. z o.o. with the resulting account balance of PLN 9.5m in order to discharge liabilities of such subsidiary. Subsequently in view of the difficult situation of Energopep Sp. z o.o. in that it has a prior years' long term contract in force for the purchase of green certificates at a fixed price, with the concurrent drop in market prices of certificates in the current period, impairment loss of shares was recognized in full amount resulting in a zero net value. (the total financial costs in this respect amounted to PLN 9.5 m in 2019 and included the impairment loss on the shares PLN 146.3 mand the reversal of the loan impairment PLN 136.8 m).

(PLN K)

The total value of impairment due to involvement in subsidiaries amounted to PLN 28.9 in 2019.

19. Inventories

None of the categories of inventories was used as collateral for any loans in the year ended on 31 December 2019 or in the year ended on 31 December 2018. As at 31 December 2019 and as at 31 December 2018 there existed no inventories that would be measured at net sales prices.

20. Short term receivables

	31.12.2019	31.12.2018
- trade receivables	12 218	10 865
- from related entities	12 133	10 185
- from ather entities	85	680
- income tax receivable	-	3 986
- other receivables	909	7 922
- lease	431	362
- other *)	478	7 560
Total net short-term receivables	**13 127**	**22 773**
- receivables remeasured write-downs	3 606	3 607
Total gross short-term receivables	**16 733**	**26 380**

*) as at 31 December 2018 under item Other, the amount of PLN 7,165 k are receivables on sale of interest in MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. As at 31 December 2019 those receivables were fully paid.

For related party transactions 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 3,606k (in 2018: PLN 3,607k).

	31.12.2019	31.12.2018
As at the beginning of the period	**3 607**	**114**
- Increase	2 095	3 607
- Application	-	(114)
- Reversal	(2 096)	-
As at the end of the period	**3 606**	**3 607**

Below is a classification of trade receivables into impairment stages:

	Total	stage 2	stage 3
31.12.2019	12 218	11 938	280
31.12.2018	10 865	10 217	648

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

(PLN K)

Trade receivables - gross value	31.12.2019	31.12.2018
As at the beginning of the period	**14 472**	**12 937**
Generated	38 115	26 577
Paid	(36 763)	(25 042)
As at the end of the period	**15 824**	**14 472**

The default ratios and the calculation of credit losses as at 31 December 2019 have been presented in the table below:

		Receivables from corporate contracring parties			
31.12.2019	Total	0-30 days	30-60 days	60-90 days	>90 days
Receivables	15 824	12 286	3	32	3 503
Expected credit losses	(3 606)	(369)	-	(15)	(3 222)

21. Prepayments

	31.12.2019	31.12.2018
- insurance	275	180
- subscriptions	45	32
- accrued revenue	3 813	2 936
- other	15	4
Total	**4 148**	**3 152**

As at 31 December 2019 accrued revenues of PLN 3,813 k (2018: PLN 2,936 k) result from the provision of services to subsidiaries.

22. Short term financial assets

	31.12.2019	31.12.2018
held in subsidiaries	15 727	3 000
- loans given	15 727	3 000
held in other entities	973	-
- loans given	973	-
Total	**16 700**	**3 000**

Loans are valued at amortized cost using the effective interest method and reduced by any impairment losses.

23. Cash and equivalent

	31.12.2019	31.12.2018
Cash and equivalent, including:	237 076	208 555
- cash at hand and in bank	237 076	208 555
Total	**237 076**	**208 555**

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 2019 restricted cash amounted to PLN 96 k (2018: PLN 5 k).

(PLN K)

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	Capedia Holding Limited **)	7,266,122	7,266,122	15.99%
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	5,407,695	5,407,695	11.90%
	Total	**45,443,547**	**45,443,547**	**100%**

*) Kulczyk Holding S.à r.l. holds 100 % of shares in Mansa Investments sp. z o.o.
**) The parent company for Capedia Holding Limited is China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF.

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	
	31.12.2019	31.12.2018
Current income tax	426	5 620
Current income tax charge	426	5 620
Deffered income tax	2 778	3 343
Related to temporary differences and their reversal	2 778	3 343
Income tax charged to the profit and loss account	**3 204**	**8 963**

(PLN K)

25.2. Deferred income tax

Deferred income tax	Balance sheet		Profit and loss account	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Deferred income tax provision				
Tangible fixed assets	1 629	227	1 402	(34)
Receivables	770	604	166	(103)
Cash	-	5	(5)	5
Loans	54	295	(241)	19
Lease receivables	435	479	(44)	(62)
Deferred income tax provision before tax	**2 888**	**1 610**	**1 278**	**(175)**
Deferred income tax assets				
Tangible fixed assets	745	859	(114)	(105)
Borrowings	1 110	1 167	(57)	(45)
Liabilities	1 641	82	1 559	11
Provisions	1 718	1 564	154	32
Retained assets	-	3 042	(3 042)	(3 411)
Deferred income tax asset	**5 214**	**6 714**	**(1 500)**	**(3 518)**
Deferred income tax expense			2 778	3 343
Net deferred tax (assets)/provision	(2 326)	(5 104)		

	31.12.2019	31.12.2018
Deferred income tax liability		
with maturity following 12 months	2 118	1 001
with maturity within 12 months	770	609
Deferred income tax asset		
with maturity following 12 months	1 641	1 603
with maturity within 12 months	3 573	5 111
Deferred income tax liabilities (assets) (net)	**-2 326**	**-5 104**

(PLN K)

25.3. Effective tax rate

	For 12 months ended	
	31.12.2019	31.12.2018
Income tax charged to the profit and loss account, including	**3 204**	**8 963**
Current tax *)	426	5 620
Deferred tax	2 778	3 343
Profit (Loss) before tax	**46 745**	**(34 965)**
Tax on gross profit at effective tax rate of 19%	8 882	(6 643)
Current tax of limited partnerships	(164)	(12)
Deferred tax (change) of limited partnerships	78	112
Non-deductible costs:	**(5 560)**	**(33 931)**
- permanent differences	132	(142)
- temporary difference on which no tax asset/provision is established **)	(5 692)	(33 789)
Non-taxable income:	**11 324**	**18 225**
- dividends	11 145	12 438
- other	179	5 787
Income tax in the profit and loss account	**3 204**	**8 963**

*) in 2018 current tax stemmed mostly from the sale of 50% interest in MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.

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

26. Short term liabilities

	31.12.2019	31.12.2018
- trade payables	602	760
- from other entities	602	760
- income tax payable	422	-
- other liabilities	4 133	10 260
- budget payments receivable	2 561	1 881
- lease liabilities	1 263	47
- payroll payable	2	34
- special funds	12	2
- other *)	295	8 296
Total short term liabilities	**5 157**	**11 020**

*) The liability of PLN 8,560 k on account of the transfer of the general partner's interest in Energopep Sp. z o.o., Sp. k. was moved at the end of 2019 to long-term liabilities due to the execution of an annex which provided for the extension of maturity.

For related party transactions see Note 40.

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

Other liabilities bear no interest, either.

27. Accruals

	31.12.2019	31.12.2018
- future bonuses, salaries and wages	5 573	5 154
- cost of services	1 444	1 196
- other	24	29
Total short term accruals and deferred income	**7 041**	**6 379**

28. Contingent liabilities

28.1. Guarantees and sureties granted

Grupa PEP - Farma Wiatrowa 1 Sp. z o.o. [FW 1]

On 28 November 2013 the Company issued contingent surety to debt financing of FW 1 (referred to in more detail in Note 28 of the consolidated financial statements), except that the exercise of the surety-based liability may not take place earlier or otherwise than in accordance with the original repayment schedule. The exercise of the surety is triggered by the occurrence of certain events provided for in the agreement which have not yet materialized as at 31 December 2019.

On 31 December 2015 prerequisites were met for the feeding of the FW 1 debt service reserve account with cash, however the Company exercised an available option in the facility agreement and decided at that time that it would issue a surety rather than place cash on the debt service reserve account. On 1 March 2019 and 20 August 2019, the Company placed cash on the debt service reserve account, in two tranches, up to the full required level, whereupon the surety issued was reduced, with the first tranche, and subsequently expired, with the second.

Grupa PEP - Farma Wiatrowa 6 Sp. z o.o. [FW 6]

On 28 November 2013 the Company issued contingent surety to debt financing of FW 6 (referred to in more detail in Note 28 of the consolidated financial statements), except that the exercise of the surety-based liability may not take place earlier or otherwise than in accordance with the original repayment schedule. The exercise of the surety is triggered by the occurrence of certain events provided for in the agreement which have not yet materialized as at 31 December 2019.

On 31 December 2015 prerequisites were met for the feeding of the FW 6 debt service reserve account with cash, however the Company exercised an available option in the facility agreement and decided at that time that it would issue a surety rather than place cash on the debt service reserve account. On 20 August 2019, the Company placed cash on the debt service reserve account, up to the full required level, whereupon the surety issued expired.

Grupa PEP - Farma Wiatrowa 4 Sp. z o.o. [FW 4]

On 28 November 2013 the Company issued contingent surety to debt financing of FW 4 (referred to in more detail in Note 28 of the consolidated financial statements), except that the exercise of the surety-based liability may not take place earlier or otherwise than in accordance with the original repayment schedule. The exercise of the surety is triggered by the occurrence of certain events provided for in the agreement which have not yet materialized as at 31 December 2019.

On 31 March 2016 prerequisites were met for the feeding of the FW 4 debt service reserve account with cash, however the Company exercised an available option in the facility agreement and decided at that time that it would issue a surety rather than place cash on the debt service reserve account. On 1 March 2019 and 20 August 2019, the Company placed cash on the debt service reserve account, in two tranches, up to the full required level, whereupon the surety issued was reduced, with the first tranche, and subsequently expired, with the second.

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 to “Agro-Tak” Zagrodno Bronisław Tabisz Leszek Kachniarz s.j. on account of the existing lease agreement. The maximum amount under the promissory note is capped at PLN 500 k.

As at 31 December 2019 the unpaid amount under the Agreement was PLN 0.5 k.

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

As at 31 December 2019 there was no unpaid amount under the Agreement. 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 (referred to in more detail in Note 28 of the consolidated financial statements). The surety was issued up to the total amount of PLN 6,700 k for both companies in aggregate.

Polenergia Farma Wiatrowa Mycielin Sp. z o.o.

On 2 April 2015 the Company issued contingent surety to debt financing of FW Mycielin (referred to in more detail in Note 28 of the consolidated financial statements), except that the exercise of the surety-based liability may not take place earlier or otherwise than in accordance with the original repayment schedule. In addition, there are provisions in the loan agreement which permit permanent release of this guarantee under certain conditions which have not yet been met.

The exercise of the surety is triggered by the occurrence of certain events provided for in the agreement. As at 31 December 2019 such events have not yet materialized which means that the surety will not be triggered for the nearest two interest periods.

The surety expires on the day of full repayment of the abovementioned debt financing.

As at 30 June 2016 prerequisites were met for the feeding of the FW Mycielin debt service reserve account with cash. Cash was transferred to the debt service reserve in the required amount and consequently the surety was not exercised until 31 December 2019.

Grupa PEP - Farma Wiatrowa 3 Sp. z o.o. [FW 3]

On 10 April 2014, acting to order of the Company, mBank S.A. issued a bank guarantee to ENERGA OPERATOR S.A. Said guarantee covered payment of liabilities by FW 3 under the farm's grid connection agreement with ENERGA OPERATOR S.A. The guarantee expired on 31 December 2015.

In 2016 the validity of the guarantee was extended until 15 February 2019 and on that very day the guarantee expired irrevocably.

Dipol Sp. z o.o.

In Q4 2017 as a result of the completed reprofiling process of Dipol, an amended loan agreement was signed. In the amended documentation the surety by Polenergia S.A. up to PLN 6.3 m was retained, yet in the documentation itself Polenergia S.A. made a carve-out that in its opinion such surety was not effective.

Polenergia Obrót S.A.

On 30 May 2017 the Company entered into an agreement with POLO subsidiary 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.

On 19 June 2017 the Company issued a guarantee under a guarantee facility agreement executed by the Company with POLO, covering the performance of obligations under current and future contracts entered into and to be entered into with EDF Trading Limited. The guarantee was issued with the cap of EUR 1,000 k and the expiration date agreed on 31 March 2019. On 20 February 2019 the validity of said guarantee was extended until 31 March 2020 with concurrent increase of the guaranteed amount to EUR 2,000 k.

On 21 November 2017 the Company issued a guarantee under a guarantee facility agreement executed by the Company with POLO, covering the performance of obligations under current and future contracts entered into and to be entered into with PKN ORLEN S.A. The guarantee was issued to the amount of PLN 5,000 k and it was supposed to expire on 28 February 2019. On 8 April 2019 the guarantee was renewed with the same amount and the expiration date of 29 February 2020.

On 6 December 2017 the Company issued a guarantee under a guarantee facility agreement executed by the Company with POLO, covering the performance of obligations under current and future contracts entered into and to be entered into with ENEA TRADING SP. Z O.O. The guarantee was issued to the amount of PLN 5,000 k and it shall expire on 29 February 2020.

On 27 September 2018 and on 5 October and 31 October 2018 the Company issued 3 guarantees under a guarantee facility agreement executed by the Company with POLO, covering the performance of obligations under the contracts entered into with CEZ a.s. Those guarantees were was issued to the total amount of EUR 4,000 k and they expire on 31 January 2020.

On 18 December 2018 the Company issued a guarantee under a guarantee facility agreement executed by the Company with POLO, covering the performance of obligations under current and future contracts entered into and to be entered into with AXPO. The guarantee was issued to the amount of EUR 400 k and it shall expire on 28 February 2020.

On 19 November and 2 December 2019 the Company issued guarantees under a guarantee facility agreement executed by the Company with POLO, covering the performance of obligations under current and future contracts entered into and to be entered into with PGE. The two guarantees were issued for the amount of PLN 1,000 k each and they shall expire on 31 September 2021 and on 30 June 2022, respectively.

Cap on auction guarantees

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

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 not exceeding 40 months and the ultimate validity date not exceeding 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.

All guarantees were issued to order of the Company to secure auction obligations of SPVs towards PURE.

28.2. Litigation

On 8 March 2019 the District Court in Warsaw allowed the action filed by Nationale Nederlanden PTE SA for declaring invalidity of part of Resolution No. 2 of the Company Extraordinary General Meeting 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 Company filed an appeal against said judgment requesting that it be set aside and pointing out to the breach of substantive and procedural law. During the hearing on 28 January 2020 the Court of Appeals dismissed the appeal filed by Polenergia S.A. The judgment is valid and binding. The outcome of this litigation has no impact on the financial statements.

In October 2019 the Company filed an action to the District Court in Warsaw for payment of PLN 956 k on account of the lease of a gas turbine that had not been paid for. This case is pending.

(PLN K)

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 2019 sufficient provisions were established for the recognized and quantifiable tax risk.

28.4. Capital expenditure

As at 31 December 2019, the Company plans the Company's capital expenditure on property, plant and equipment in 2020 to total ca. PLN 246 m. 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	
	31.12.2019	31.12.2018
- revenue from consulting and advisory services	17 911	16 523
- revenue from sale of wind farms development	10 359	-
- revenue from lease	794	662
- other revenue	5	30
Total sales revenue	**29 069**	**17 215**

30. Cost according to type

	For 12 months ended	
	31.12.2019	31.12.2018
- depreciation	1 776	748
- materials and power consumption	410	326
- third party services	18 995	11 489
- taxes, duties and fees	1 203	1 694
- salaries	15 248	14 099
- social security and other benefits	1 648	1 498
- other cost by type	142	149
Total cost by type	**39 422**	**30 003**
- general overheads (-)	(15 324)	(17 209)
Total cost of goods sold	**24 098**	**12 794**

(PLN K)

31. Other operating revenues

	For 12 months ended	
	31.12.2019	31.12.2018
- reversal of impairment losses, including:	2 096	-
- receivables remeasured write-downs	2 096	-
- other, including:	237	12
- gains on disposal of non financial fixed assets	170	1
- other	67	11
Total other operating revenues	**2 333**	**12**

32. Other operating expenses

	For 12 months ended	
	31.12.2019	31.12.2018
- asset impairment losses, including:	2 095	3 607
- receivables	2 095	3 607
- other, including:	71	86
- donations	49	72
- other	22	14
Total other operating costs	**2 166**	**3 693**

33. Financial income

	For 12 months ended	
	31.12.2019	31.12.2018
- financial revenues from dividends and profit sharing earnings	58 657	65 465
- financial income from interest on deposit and loans	6 362	10 508
- interest from lease	121	122
- other surety - related fees	1 877	1 909
- disposal of shares in subsidiaries and jointly controlled entities *)	19 732	-
- other**)	-	30 456
Total financial revenue	**86 749**	**108 460**

*) referred to in more detail in Note 18,

**) reversal of the impairment loss on the shares in the company Polenergia FW Mycielin Sp. z o.o. 29.3 m and in the company Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o. 1.1 m

In the period ended on 31 December 2019 the Company received dividend distributions and advance payments against expected profit from the following companies:

	For 12 months ended	
	31.12.2019	31.12.2018
Polenergia Dystrybucja Sp. z o.o.	2 700	5 462
Polenergia Farma Wiatrowa 23 Sp. z o.o.	1 266	-
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	14 691	-
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	40 000	60 003
Total	**58 657**	**65 465**

(PLN K)

34. Financial expenses

	For 12 months ended	
	31.12.2019	31.12.2018
- interest expenses	763	583
- f/x differences, including:	57	4
- unrealized	27	(25)
- realized	30	29
- commission an other fees	87	33
- financial assets impairment losses	28 911	87 177
- other *)	-	39 159
Total financial cost	**29 818**	**126 956**

*) Of which in 2018 PLN 38.9 m is the result of the sale of 50% interest in MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.

35. Cash flows

Cash flows from investing activities - other investment inflows	For 12 months ended	
	31.12.2019	31.12.2018
Inflow from bills of exchange	-	19 972
Total	**-**	**19 972**

Cash flows from investing activities - other inflows from financial assets	For 12 months ended	
	31.12.2019	31.12.2018
Refund of additional capital contributions	36 209	7 899
Total	**36 209**	**7 899**

Restricted cash	For 12 months ended	
	31.12.2019	31.12.2018
Company Social Fund cash	10	5
cash on VAT accounts - split-payment	86	-
Total	**96**	**5**

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

Receivables:	31.12.2019	31.12.2018
Change in short-term and long-term net receivables in the balance sheet	5 964	(5 026)
Change in receivables resulting from sale of financial assets	-	7 165
Change in receivables in the statement of cash flows	**5 964**	**2 139**

Liabilities:	31.12.2019	31.12.2018
Change in liabilities excluding borrowings and bank loans in the balance sheet	8 811	(33)
Change in lease liabilities	(7 865)	343
Change in investment commitments	(560)	-
Change in liabilities in the statement of cash flows	**386**	**310**

(PLN K)

36. Debt

Debt payables include mainly borrowings and lease. Debt payables are initially recognized at fair value net of transaction costs associated with the procurement of financing. After such initial recognition, financial liabilities are measured at amortized cost using the effective interest rate. The financial expenses are charged to profit and loss under financial expenses, except for those costs that are related to the financing of production of fixed assets (in line with the policy referred to in Note 11/7).

31.12.2019	Borrowings	Leasing	Total
As at the beginning of the period	**-**	**3 179**	**3 179**
Inflows from debt incurred	-	6 312	6 312
financing received	-	6 312	-
Interest accruing	-	203	203
Debt payments	-	(1 615)	(1 615)
principal repayments	-	(1 412)	(1 412)
interest paid	-	(203)	(203)
As at the end of the period	**-**	**8 079**	**8 079**

31.12.2018	Borrowings	Finance lease	Total
As at the beginning of the period	**42 295**	**372**	**42 667**
Inflows from debt incurred	-	298	298
otrzymane finansowanie	-	298	298
Interest accruing	508	45	553
Debt payments	-	(388)	(388)
principal repayments	-	(343)	(343)
interest paid		(45)	(45)
Other non-cash changes	(42 803)	-	(42 803)
As at the end of the period	**-**	**327**	**327**

Other non-cash changes include a set-off of the loan from a related entity as part of the dividend distribution from such entity. For most of the debt liabilities, fair value is no materially different from the carrying amount, because interest payable on such loans is similar to current market interest rates, or such liabilities are short-term ones.

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 procure funds to finance the Company's operations. The Company also holds other financial instruments, such as trade payables and receivables arising directly in connection with its activities.

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.

31 December 2019	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
3 M WIBOR	1%	248
3 M WIBOR	-1%	(248)

The Company does not hedge against the risk of 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 executes transactions only with reputable 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, credit risk is related to the counterparty's inability to pay, the maximum exposure to such risk being equal to the carrying amount of such instruments. The Company executes transactions involving financial instruments only with reputable financial institutions.

There is no material credit risk concentration in the Company.

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 includes also 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 2019 and as at 31 December 2018 according to their maturity based on contractual undiscounted payments.

(PLN K)

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 sevices	602	-	-	-	**602**
Leasing	425	1 163	5 694	1 735	**9 017**

31.12.2018	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Other liabilities	10 260	-	280	-	**10 540**
Liabilities for deliveries and sevices	760	-	-	-	**760**

38. Financial instruments

38.1. Loans given

The Company extended the following loans:

As at 31 Dec. 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	Wibor 3M + 2,21 %	31.12.2021
Polenergia Farma Wiatrowa 17 Sp z o.o.	25.06.2019	14 766	Wibor 3M + 2,4 %	30.06.2020
Polenergia Bałtyk I S.A	17.06.2019	961	Wibor 3M + 3,22 %	31.12.2020
Other	26.03.2013	5	Wibor 3M + 2%	On first demand of Lender
Total		**26 500**		

As at 31 Dec. 2018

Borrower	Date of loan	Lon balance	Interest rate	Repayment commencement date
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	01.02.2016	4 135	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	80	Wibor 3M + 2%	31.12.2020
	20.03.2015	533	Wibor 3M + 2,28%	31.12.2020
	24.06.2016	326	Wibor 3M + 2,28%	31.12.2020
Polenergia Dystrybucja Sp. z o.o.	20.11.2014	1 157	8,12% fixed interest	Bullet repayment 31.12.2026
Mercury Energia Sp. z o.o., Sp.K.	01.12.2006	4 500	Wibor 3M + 2,21 %	31.12.2021
Polenergia Obrót S.A.	21.05.2018	3 000	Wibor 3M + 3,22 %	31.12.2019
Other	26.03.2013	9	Wibor 3M + 2%	On first demand of Lender
Total		**13 740**		

(PLN K)

38.2. Financial assets

In the period ended on 31 December 2019 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
Energopep Sp. z o.o. Sp. Kom.	7 860		
Polenergia Biolektrownia 2 Sp. z o.o Sp. Kom.	1 090	-	-
Polenergia Farma Wiatrowa 23 Sp. z o.o.	-	1 000	-
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	893	548	-
Polenergia Farma Wiatrowa 17 Sp. z o.o.	6 701	-	-
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	600	-	-
Polenergia Farma Wiatrowa 22 Sp. z o.o.	1 045	-	-
Polenergia Farma Wiatrowa 16 Sp. z o.o.	4 038	4 029	-
Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	90	-	-
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	48 448	3 788	-
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	5 719	5 709	-
Polenergia Farma Wiatrowa 3 Sp. z o.o.	21 145	21 135	-
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	630	-	-
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	65	-	-
MFW Bałtyk II Sp. z o.o.	4 026	-	-
MFW Bałtyk III Sp. z o.o.	1 962	-	-
MFW Bałtyk I Sp. z o.o.	5	-	14 275
Polenergia Elektrownia Północ Sp. z o.o.	105	-	-
Energopep Sp. z o.o.	28	-	-
Polenergia Elektrownia Mercury Sp. z o.o.	15	-	-
Polenergia Biolektrownia 2 Sp. z o.o.	23	-	-
Grupa PEP Projekty Energetyczne 1 Sp. z o.o.	90	-	-
Total	**104 578**	**36 209**	**14 275**

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 ageing categories.

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
Lease	1,248	1,295	1,530	1,128	1,197	1,681	8,079
Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	237,076	-	-	-	-	-	237,076
Lease	211	232	256	282	311	995	2,287

(PLN K)

31.12.2018

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	3,000	947	4,500	-	-	5,293	13,740
Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	208,555	-	-	-	-	-	208,555
Financial lease	318	333	350	367	385	769	2,522

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 2019 and 31 December 2018, 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.

	31.12.2019	31.12.2018
Less cash and cash equivalents	(237 076)	(208 555)
Net debt	**(237 076)**	**(208 555)**
Share capital	1 117 680	1 074 139
Total capital	**1 117 680**	**1 074 139**
Capital and net debt	**880 604**	**865 584**
Leverage ratios	-27%	-24%

(PLN K)

40. Information on significant related party transactions

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

31.12.2019	Sale to related entities	Financial costs	Financial income	Receivables from related entities
Entities over which Company has control or material influence:				
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Kom.	196	-	166	31
Polenergia Biomasa Energetyczna Wschód Sp. z o.o.	117	-	-	-
Polenergia Bioelektrownia 2 Sp. z o.o., Sp. Kom.	142	-	-	319
Polenergia Farma Wiatrowa 1 Sp. z o.o.	977	-	-	368
Polenergia Farma Wiatrowa 3 Sp. z o.o.	1 409	-	-	1 463
Polenergia Farma Wiatrowa 4 Sp. z o.o.	1 133	-	-	566
Polenergia Farma Wiatrowa 6 Sp. z o.o.	804	-	-	243
Amon Sp. z o.o.	312	-	-	19
Polenergia Farma Wiatrowa 22 Sp. z o.o.	26	-	-	139
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	404	-	-	471
Dipol Sp. z o.o.	536	-	-	101
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	126	-	-	185
Polenergia Farma Wiatrowa 17 Sp. z o.o.	382	-	278	446
Polenergia Farma Wiatrowa 16 Sp. z o.o.	260	-	-	267
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	11 232	-	203	902
Polenergia Farma Wiatrowa 23 Sp. z o.o.	258	-	-	43
Talia Sp. z o.o.	249	-	-	19
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	746	-	-	769
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	1 031	-	-	470
Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	85	-	-	104
Polenergia Kogeneracja Sp. z o.o.	970	-	-	156
Polenergia Bałtyk I S.A.	529	-	6	247
MFW Bałtyk II Sp. z o.o.	1 446	-	-	1 584
MFW Bałtyk III Sp. z o.o.	1 469	-	-	1 593
Polenergia Dystrybucja Sp. z o.o.	2 100	-	299	379
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	856	-	-	71
Polenergia Obrót S.A.	1 226	560	543	340
Kulczyk Holding S. a r. l.	756	-	-	47
Polenergia International S. a r. l.	466	-	-	477
Polenergia Usługi Sp. z o.o.	147	-	-	19
Mansa Investments Sp. z o.o.	124	-	-	19
Others	267	-	-	276
Total	**30 781**	**560**	**1 495**	**12 133**

(PLN K)

31.12.2018	Sale to related entities	Financial costs	Financial income	Receivables from related entities
Entities over which Company has control or material influence:				
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Kom.	226	-	212	49
Polenergia Biomasa Energetyczna Północ Sp. z o.o.	603	-	-	105
Polenergia Biomasa Energetyczna Wschód Sp. z o.o	543	-	-	277
GRUPA PEP-Bioelektrownia 2 Sp. z o.o., Sp. Kom.	793	-	778	-
Polenergia Farma Wiatrowa 1 Sp. z o.o.	899	-	-	382
Polenergia Farma Wiatrowa 3 Sp. z o.o.	362	-	-	435
Polenergia Farma Wiatrowa 4 Sp. z o.o.	987	-	-	591
Polenergia Farma Wiatrowa 6 Sp. z o.o.	653	-	-	250
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	84	-	-	130
Amon Sp. z o.o.	314	-	-	216
Polenergia Farma Wiatrowa 22 Sp. z o.o.	944	-	-	-
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	401	-	-	439
Dipol Spółka z o.o.	522	-	-	130
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	282	-	-	276
Polenergia Farma Wiatrowa 17 Sp. z o.o.	372	-	-	367
Polenergia Farma Wiatrowa 16 Sp. z o.o.	162	-	-	194
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o	370	-	167	398
Polenergia Farma Wiatrowa 23 Sp. z o.o.	283	-	-	52
Talia Sp. z o.o.	248	-	-	151
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o	279	-	-	323
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	938	-	-	550
Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	108	-	-	157
Polenergia Kogeneracja Sp. z o.o.	703	-	-	62
Polenergia Bałtyk I S.A.	113	-	-	247
MFW Bałtyk II Sp. z o.o.	964	-	-	1 158
MFW Bałtyk III Sp. z o.o.	1 040	-	-	1 205
Polenergia Dystrybucja Sp. z o.o.	1 726	-	238	275
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	822	507	-	129
Polenergia Obrót S.A.	1 320	-	329	291
Polenergia Elektrownia Północ Sp. z o.o.	141	-	-	166
Kulczyk Holding S. a r. l.	1 012	-	-	154
Polenergia International S. a r. l.	423	-	-	706
PPG Pipeline Projektgesellschaft mbH	20	-	-	25
Polenergia Usługi Sp. z o.o.	110	-	-	15
Others	281	-	-	281
Total	**19 048**	**507**	**1 724**	**10 186**

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

All transactions with related parties 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 2019 and as at 31 December 2018 the Company employees divided into professional groups included:

	31.12.2019	31.12.2018
Parent company Management Board	2	3
Parent company employees *)	52	53
Total	**54**	**56**

*) maternity leave employees included

(PLN K)

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 2019 and 2018 the remuneration paid to the Management Board Members amounted to:

	31.12.2019	31.12.2018
Michał Michalski	1 904	1 332
Robert Nowak	1 069	325
Iwona Sierżęga	702	-
Jacek Głowacki	757	1 106
Bartłomiej Dujczyński	-	1 567
Jacek Suchenek	-	444
Total	**4 432**	**4 774**

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. Following their resignation as members of the Management Board, Mr. Bartłomiej Dujczyński and Mr. Jacek Suchenek received appropriate severance pays.

In the years 2019 and 2018 the remuneration paid to the Supervisory Board Members amounted to:

	31.12.2019	31.12.2018
Hans E. Schweickardt	78	-
Marta Schmude	70	-
Orest Nazaruk	70	36
Brian Bode	61	36
Marjolein Helder	52	-
Adrian Dworzyński	42	-
Arkadiusz Jastrzębski	11	36
Kajetan d'Obyrn	17	-
Michał Kawa	17	-
Dagmara Gorzelana	-	20
Tomasz Mikołajczak	-	29
Mariusz Nowak	-	19
Łukasz Rędziniak	-	19
Dawid Jakubowicz	-	19
Dominik Libicki	-	19
Total	**418**	**233**

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 on 31 December 2019, there were no transactions with members of the Management Board and Supervisory Board.

(PLN K)

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 2019 and the year ended on 31 December 2018, broken down into the type of service:

Type of service	31.12.2019	31.12.2018
Audit and verification of the financial statements	181	164
Other services	-	-

45. Material events after the reporting date

By the date of preparation of these financial statements, i.e. by 9 March 2020, no events occurred which would not have been disclosed in the accounting books of the reporting period.