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POLENERGIA S.A.

**INTERIM CONDENSED STANDALONE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020
INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR**

Michał Michalski – President of the
Management Board

Iwona Sierżęga – Member of the
Management Board

Tomasz Kietliński - Member of the
Management Board

Piotr Maciołek - Member of the
Management Board

Jarosław Bogacz - Member of the
Management Board

Agnieszka Grzeszczak – Director
Accounting Department

Warsaw, 12 August 2020

1. Interim condensed balance sheet

as at 30 June 2020

ASSETS

	Note	30.06.2020	31.12.2019
I. Non-current assets		883 552	875 134
Tangible fixed assets		9 129	9 024
Intangible assets		70	74
Financial assets	2.5	869 251	861 854
Long term receivables		1 743	1 856
Deferred income tax assets		3 359	2 326
II. Current assets		274 541	271 051
Trade receivables		8 063	12 218
Income tax receivable		20	-
Other short term receivables		877	909
Prepayments and accrued income		2 208	4 148
Short term financial assets	2.5	2 003	16 700
Cash and equivalent		261 370	237 076
Total assets		1 158 093	1 146 185

EQUITY AND LIABILITIES

	Note	30.06.2020	31.12.2019
I. Shareholders' equity		1 132 654	1 117 680
Share capital		90 887	90 887
Share premium account		557 611	557 611
Reserve capital from option measurement		13 207	13 207
Other capital reserves		393 019	349 478
Capital from merger		89 782	89 782
Retained profit (loss)		(26 826)	(26 826)
Net profit/(loss)		14 974	43 541
II. Long term liabilities		15 693	15 397
Provisions	2.4	21	21
Other liabilities		15 672	15 376
III. Short term liabilities		9 746	13 108
Trade payables		311	602
Income tax payable		-	422
Other liabilities		2 358	4 133
Provisions	2.4	1 323	910
Accruals and deferred income		5 754	7 041
Total equity and liabilities		1 158 093	1 146 185

Interim condensed profit and loss account

for the 6-month period ended on 30 June 2020

	Note	For 6 months ended		For 3 months ended	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
Revenues from contracts with clients		7 736	7 682	3 845	3 767
Sales revenues		7 736	7 682	3 845	3 767
Cost of goods sold		(7 110)	(7 096)	(3 615)	(2 334)
Gross sales profit		626	586	230	1 433
Other operating revenues		63	1 277	1	1 277
General overheads		(8 896)	(7 948)	(4 543)	(5 331)
Other operating expenses		(12)	(1 276)	(8)	(1 234)
Financial income		23 057	4 875	14 689	2 007
including dividend		19 500	-	13 000	-
Financial costs		(826)	(10 591)	(661)	(9 300)
Profit (loss) before tax		14 012	(13 077)	9 708	(11 148)
Income tax	2.3	962	568	617	265
Net profit (loss)		14 974	(12 509)	10 325	(10 883)
Earnings (loss) per share:					
- basic earnings (loss) for period attributable to parent company shareholders		0,33	-0,28	0,23	-0,24
- diluted earnings (loss) for period attributable to parent company shareholders		0,33	-0,28	0,23	-0,24

Interim condensed statement of other comprehensive income

for the 6-month period ended on 30 June 2020

	For 6 months ended		For 3 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
			unaudited	unaudited
Net profit (loss)	14 974	(12 509)	10 325	(10 883)
Other net comprehensive income	-	-	-	-
COMPREHENSIVE INCOME FOR PERIOD	14 974	(12 509)	10 325	(10 883)

Interim condensed statement of changes in equity

for the 6-month period ended on 30 June 2020

	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 2020	90 887	557 611	13 207	349 478	89 782	16 715	-	1 117 680
Other comprehensive income for period								
Net loss for reporting period	-	-	-	-	-	-	14 974	14 974
Transactions with owners of the parent recognized directly in equity								
Allocation of profit/loss	-	-	-	43 541	-	(43 541)	-	-
As at 30 June 2020	90 887	557 611	13 207	393 019	89 782	(26 826)	14 974	1 132 654

for the 6-month period ended on 30 June 2020

	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 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	-	-	-	-	-	-	(12 509)	(12 509)
Transactions with owners of the parent recognized directly in equity								
Allocation of profit/loss	-	(43 928)	-	-	-	43 928	-	-
As at 30 June 2019	90 887	557 611	13 207	349 478	89 782	(26 826)	(12 509)	1 061 630

Notes to the interim condensed standalone financial statements presented on pages 7 through 12 form an integral part of these financial statements

Interim condensed statement of cash flows

for the 6-month period ended on 30 June 2020

	For 6 months ended	
	30.06.2020	30.06.2019
A.Cash flow from operating activities		
I.Profit (loss) before tax	14 012	(13 077)
II.Total adjustments	(15 782)	16 613
Depreciation	953	915
Foreign exchange losses (gains)	-	25
Interest and profit shares (dividends)	(19 929)	(594)
Losses (gains) on investing activities	116	8 735
Income tax	(513)	3 981
Changes in provisions	413	(118)
Changes in receivables	4 299	4 363
Changes in short term liabilities, excluding bank loans and borrowings	(1 774)	(1 092)
Changes in accruals	653	398
III.Net cash flows from operating activities (I+/-II)	(1 770)	3 536
B.Cash flows from investing activities		
I. Cash in	49 144	110 792
1. Disposals of intangibles and tangible fixed assets	31	170
2. From financial assets, including:	49 113	110 622
- dividends and shares in profits	19 500	-
- repayment of loans given	14 488	74 000
- interest	555	413
- other inflows from financial assets	14 570	36 209
II.Cash out	22 139	162 751
1. Acquisition of intangible and tangible fixed assets	318	942
2. For financial assets, including:	21 821	161 809
- acquisition of financial assets	18 139	54 229
- loans given	3 682	107 580
III.Net cash flows from investing activities (I-II)	27 005	(51 959)
C.Cash flows from financing activities		
I.Cash in	-	-
II.Cash out	941	903
1. Lease payables	739	840
2. Interest	202	63
III.Net cash flows from financing activities (I-II)	(941)	(903)
D.Total net cash flows (A.III+/-B.III+/-C.III)	24 294	(49 326)
E.Increase/decrease in cash in the balance sheet, including:	24 294	(49 351)
- change in cash due to f/x differences	-	(25)
F.Cash at the beginning of period	237 076	208 555
G.Cash at the end of period, including:	261 370	159 204
- restricted cash	87 721	47

2. Notes and Explanations

2.1 Accounting principles (policy) applied

These interim condensed financial statements of the Company as at 30 June 2020 comply with International Accounting Standard 34.

The accounting principles applied have been outlined in the financial statements for 2019 published on 9 March 2020. Said Financial Statements provided detailed information on the principles and methods of measuring assets and liabilities, as well as measuring the financial result, the method of preparing financial statements and compiling comparable data. Such principles have been applied on a consistent basis.

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.

2.2 Seasonality and cyclical nature of operations

Seasonality and cyclical nature of operations have no significant impact on the Company business.

2.3 Income tax

	For 6 months ended		For 3 months ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Current income tax	71	5	13	5
Current income tax charge	71	5	13	5
Deferred income tax	(1 033)	(573)	(630)	(270)
Related to temporary differences and their reversal	(1 033)	(573)	(630)	(270)
Income tax charged to the profit and loss account	(962)	(568)	(617)	(265)

	For 6 months ended	
	30.06.2020	30.06.2019
Income tax charged to the profit and loss account, including	(962)	(568)
Current tax	71	5
Deferred tax	(1 033)	(573)
Profit (Loss) before tax	14 012	(13 077)
Tax on gross profit at effective tax rate of 19%	2 662	(2 485)
Current tax of limited partnerships	(249)	(265)
Deferred tax (change) of limited partnerships	262	196
Non-deductible costs:	(99)	(1 838)
- permanent differences	(99)	195
- temporary difference on which no tax asset/provision is established *)	-	(2 033)
Non-taxable income:	3 710	(10)
- dividends	3 705	-
- other	5	(10)
Income tax in the profit and loss account	(962)	(568)

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

2.4 Provisions

	30.06.2020	31.12.2019
Long term provisions		
- pension plan and related provision	21	21
Total long term provisions	21	21

Short term provisions

- pension plan and related provision	12	12
- accrued holiday leave provision	1 311	898
Total short term provisions	1 323	910

Change in long term and short term provisions

	30.06.2020	31.12.2019
Provisions at the beginning of the period	931	788
- recognition of provisions	413	261
- reversal of provisions	-	(118)
Provisions at the end of the period	1 344	931

2.5 Amounts having a significant impact on the items of assets, liabilities, equity, net financial result or cash flows

a) Financial assets

	30.06.2020	31.12.2019
- share or stock in non-listed companies	855 630	852 054
- loans given	13 621	9 800
Total long term financial assets	869 251	861 854

	30.06.2020	31.12.2019
held in subsidiaries	2 003	15 727
- loans given	2 003	15 727
held in other entities	-	973
- loans given	-	973
Total short term financial assets	2 003	16 700

A review of the financial assets of the Company performed as at 30 June 2020 showed no grounds for performing impairment test.

In the 6-month period ended 30 June 2020, the Company granted the following loans:

- on 14 April 2020, the loan to the company Polenergia Bioelektrownia 2 Sp. z o.o. Sp. Komandytowa of PLN 81.7k,
- on 27 April 2020, the loan to the company Inwestycje Rolne Sp. z o.o of PLN 30k,
- on 6 May 2020, the loan to the company Polenergia Bioelektrownia 2 Sp. z o.o. Sp. Komandytowa of PLN 60k,
- on 26 June 2020, the loan to the company Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. of PLN 3,510k.

On 15 May 2020 the Company entered into a loan agreement with Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. („ENS”), under which the Company opened a credit facility to ENS, available on demand, with the total debt capped at PLN 15,000k. As at 30 June 2020 ENS made no drawdowns on such loan facility.

	For 6 months ended	
Cash flows from investing activities - other inflows from financial assets	30.06.2020	30.06.2019
Refund of additional capital contributions	14 570	36 209
Total	14 570	36 209

	For 6 months ended	
Cash flows from investing activities - other outflows from financial assets	30.06.2020	30.06.2019
Additional capital and capital increase	18 139	54 229
Total	18 139	54 229

b) Right-of-use assets

Right-of-use assets under lease	30.06.2020	31.12.2019
Other real estate	6 900	6 658
Vehicles	1 503	1 663
Total	8 403	8 321

c) Liabilities

	30.06.2020	31.12.2019
- trade payables	311	602
- from other entities	311	602
- income tax payable	-	422
- other liabilities	2 358	4 133
- budget payments receivable	492	2 561
- lease liabilities	1 476	1 263
- payroll payable	-	2
- special funds	94	12
- other	296	295
Total short term liabilities	2 669	5 157

	30.06.2020	31.12.2019
- lease liabilities	7 112	6 816
- other financial liabilities	8 560	8 560
Total other long term liabilities	15 672	15 376

d) Fair value

As at 30 June 2020 the Company held no financial instruments that would be measured at fair value.

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

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

2.6 Changes to estimates

In the 6-month period ended 30 June 2020, the Group made no significant changes to its estimates.

2.7 Dividend distribution

No dividends were paid by the parent in the 6-month period ended 30 June 2020. No dividends are intended to be paid by the parent in the second half-year of 2020.

2.8 Revenue and profit/loss in individual operating segments

The main source of revenue for the Company is the service provision business. Given low complexity of its business, the Company does not distinguish any segments other than the core one.

2.9 Information on changes in contingent liabilities or contingent assets

On 10 February 2020 the President of the Energy Regulatory Office returned the auction guarantees issued to order of the Company by mBank S.A. for Polenergia Farma Wiatrowa 16 Sp. z o.o. and Polenergia Farma Wiatrowa Piekło Sp. z o.o. By the same token, said guarantees expired on that day.

On 18 February 2020 the President of the Energy Regulatory Office returned the auction guarantees issued to order of the Company by mBank S.A. for Polenergia Farma Wiatrowa Grabowo Sp. z o.o. and Polenergia Farma Wiatrowa 17 Sp. z o.o. By the same token, said guarantees expired on that day.

On 14 April 2020 the Company issued a surety to the company Mansa Investments Sp. z o.o. ("Mansa") for the liabilities of Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. under a loan given to it by Mansa in the amount of PLN 51,000k in accordance with the loan agreement dated 14 April 2020. The surety is capped at PLN 76,000k and expires eventually on 30 December 2042.

On 14 April 2020 the Company issued a surety to the company Mansa Investments Sp. z o.o. ("Mansa") for the liabilities of Polenergia Farma Wiatrowa 3 Sp. z o.o. under a loan given to it by Mansa in the amount of PLN 172,000k in accordance with the loan agreement dated 14 April 2020. The surety is capped at PLN 258,000k and expires eventually on 30 December 2042.

On 14 April 2020 the Company issued a surety to the company Mansa Investments Sp. z o.o. ("Mansa") for the liabilities of Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. under a loan given to it by Mansa in the amount of PLN 10,000k in accordance with the loan agreement dated 14 April 2020. The surety is capped at PLN 15,000k and expires eventually on 30 December 2042.

On 29 May 2020, DNB Bank Polski S.A. ("DNB"), acting to order of the Company, issued a guarantee in relation to the contract for the supply of wind turbines entered into by Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. with Siemens Gamesa Renewable Energy Sp. z o.o. and Siemens Gamesa Renewable Energy A/S for the amount of EUR 18,284.6k expiring on 31 July 2020, which was extended until 31 August 2020. As security for said guarantee, the Company paid a deposit to DNB corresponding to 108% of the guarantee amount, i.e. PLN 87,634.7.

2.10 Information on related party transactions

30.06.2020	Sale to related entities	Financial income	Receivables from related entities
Polenergia Farma Wiatrowa 1 Sp. z o.o.	336	-	280
Polenergia Farma Wiatrowa 3 Sp. z o.o.	814	-	832
Polenergia Farma Wiatrowa 4 Sp. z o.o.	435	-	374
Polenergia Farma Wiatrowa 6 Sp. z o.o.	270	-	221
Amon Sp. z o.o.	139	-	123
Dipol Sp. z o.o.	193	-	138
Polenergia Farma Wiatrowa 17 Sp. z o.o.	160	-	137
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	564	129	623
Talia Sp. z o.o.	110	-	94
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	492	-	498
Polenergia Farma Wiatrowa Mycielín Sp. z o.o.	362	-	308
Polenergia Kogeneracja Sp. z o.o.	268	-	199
Polenergia Bałtyk I S.A.	323	22	323
MFW Bałtyk II Sp. z o.o.	580	-	580
MFW Bałtyk III Sp. z o.o.	595	-	581
Polenergia Dystrybucja Sp. z o.o.	784	177	404
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	261	-	213
Polenergia Obrót S.A.	669	-	360
Kulczyk Holding S. a r. l.	195	-	31
Polenergia International S. a r. l.	149	-	626
Mansa Investments Sp. z o.o.	207	-	112
Others	763	73	928
Total	8 669	401	7 985

Loans granted to associates have been described in Note 2.5.

2.11 Impact of COVID-19 on the financial statements

In view of the COVID-19 outbreak, risk factors that may potentially impact the business and financial performance of the Company have been being monitored and identified on an ongoing basis.

Towards the end of Q1 2020 most of the Company employees switched to remote working using telecommunications means, while the regular staffing level was maintained. All vital operating processes have been on schedule, with significant management processes handled remotely.

Until the publication day of these statements, the Management Board has identified no material adverse impact of COVID-19 on the business and financial results of the Company.

2.12 Events following the reporting date

On 10 July 2020 the Company, acting under a tri-party Support Agreement among Polenergia S.A., Polenergia Farma Wiatrowa 3 sp. z o.o. and the syndicate agent - mBank S.A., issued a Cost Overrun Guarantee by Polenergia Farma Wiatrowa 3 Sp. z o.o. („FW3”) capped at PLN 54,071k.