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

Polenergia S.A. Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR

Michał Michalski – President of the Management Board

Iwona Sierżęga – Member of the Management Board

Tomasz Kietliński - Vice President of the Management Board

Piotr Maciołek - Member of the Management Board

Jarosław Bogacz - Member of the Management Board

Agnieszka Grzeszczak – Director Accounting Department

Warsaw, 7 April 2022

Contents

(PLN k)

1. Consolidated balance sheet

As at 31 December 2021

ASSETS

	Note	31.12.2021	31.12.2020
I. Non-current assets		**3 333 889**	**2 229 951**
1. Tangible fixed assets	13	2 514 987	1 946 761
2. Intangible assets	14	6 392	4 746
3. Subordinated entities goodwill	15	69 129	69 566
4. Financial assets	17	453 753	21 358
5. Financial assets measured using the equity method	18	283 593	175 143
6. Long term receivables	19	2 554	3 498
7. Deferred income tax assets	27	3 438	8 836
8. Prepayments and accrued income		43	43
II. Current assets		**2 273 292**	**788 498**
1. Inventories	20	45 078	36 836
2. Trade receivables	21	219 909	77 041
3. Income tax receivable	21	10 061	976
4. Other short term receivables	21	353 753	142 154
5. Prepayments and accrued income	22	8 261	5 712
6. Short term financial assets	23	1 248 864	151 432
7. Cash and equivalent	25	387 366	374 347
Total assets		**5 607 181**	**3 018 449**

(PLN k)

EQUITY AND LIABILITIES

	Note	31.12.2021	31.12.2020
I. Shareholders' equity		**1 857 092**	**1 418 368**
Equity attributable to the shareholders of the parent company		**1 857 092**	**1 417 468**
1. Share capital	26	90 887	90 887
2. Share premium account		557 983	557 983
3. Reserve capital from option measurement		13 207	13 207
4. Other capital reserves	26	618 105	459 811
5. Retained profit (loss)		239 486	185 037
6. Net profit		337 376	110 551
7. F/X translation differences		48	(8)
Non-controlling interests		**-**	**900**
II. Long term liabilities		**1 609 033**	**1 189 190**
1. Bank loans and borrowings	29	1 020 429	934 036
2. Deferred income tax provision	27	105 420	74 419
3. Provisions	28	23 380	23 420
4. Accruals and deferred income	31	43 704	46 897
5. Lease liabilities		207 556	97 815
6. Futures and forward contracts measurement		207 044	9 886
7. Other liabilities	30	1 500	2 717
III. Short term liabilities		**2 141 056**	**410 891**
1. Bank loans and borrowings	29	413 922	71 368
2. Trade payables	30	230 946	99 969
3. Income tax payable	30	14 475	1 079
4. Lease liabilities	30	11 734	11 240
5. Futures and forward contracts measurement	30	1 216 122	132 721
6. Other liabilities	30	211 512	69 169
7. Provisions	28	3 647	3 064
8. Accruals and deferred income	22	38 698	22 281
Total equity and liabilities		**5 607 181**	**3 018 449**

(PLN k)

2. Consolidated profit and loss account

For the period ended 31 December 2021

	Note	For 12 months ended 31.12.2021	31.12.2020
Revenues from contracts with clients	35	3 096 316	1 785 480
Other revenues	35	902 737	25 866
Sales revenues		**3 999 053**	**1 811 346**
Cost of goods sold	36	(3 656 955)	(1 603 852)
Gross sales profit		**342 098**	**207 494**
Other operating revenues	37	4 546	11 872
Selling expense	36	(538)	(543)
General overheads	36	(77 275)	(48 425)
Other operating expenses	38	(34 923)	(4 908)
Financial income	39	230 274	5 115
Financial costs	40	(44 130)	(44 273)
Profit before tax		**420 052**	**126 332**
Income tax	27	(85 525)	(17 846)
Net profit from continuing operations		**334 527**	**108 486**
Discontinued activity			
Profit/Loss from discountinued operating activites	9	(1 626)	307
Profit on disposal of discountinued opeations	9	4 379	1 730
Net profit attributed to:		**337 280**	**110 523**
Parent company shareholders		337 376	110 551
Non-controling shareholders		(96)	(28)
Earnings per share:			
– basic earnings (loss) for period attributable to parent company shareholders		7,42	2,40
– diluted earnings (loss) for period attributable to parent company shareholders		7,42	2,40

(PLN k)

Consolidated statement of other comprehensive income

	For 12 months ended	
	31.12.2021	31.12.2020
Net profit for period	**337 280**	**110 523**
Other comprehensive income that may be reclassified to profit and loss account once specific conditions are met		
Cash flow hedges	102 669	12 609
F/X translation differences	56	(8)
Other net comprehensive income	**102 725**	**12 601**
COMPREHENSIVE INCOME FOR PERIOD	**440 005**	**123 124**
Comprehensive income for period:	440 005	123 124
Parent company shareholders	440 101	123 152
Non-controlling shareholders	(96)	(28)

(PLN k)

3. Consolidated statement of changes in equity

For the period ended 31 December 2021

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit	F/X translattion differences	Equity attributable to the shareholders of the parent company	Non-controlling interest	Total equity
As at January 2021	**90 887**	**557 983**	**13 207**	**459 811**	**295 588**	**-**	**(8)**	**1 417 468**	**900**	**1 418 368**
Comprehensive income for reporting period										
- Net profit (loss) for reporting period	-	-	-	-	-	337 376	-	337 376	(96)	337 280
- Other comprehensive income for period	-	-	-	102 669	-	-	56	102 725		102 725
Transactions with owners of the parent recognized directly in equity										
- Other	-	-	-	(477)	-	-	-	(477)	(804)	(1 281)
- Alocation of profit/loss	-	-	-	56 102	(56 102)	-	-	-	-	-
As at 31 December 2021	**90 887**	**557 983**	**13 207**	**618 105**	**239 486**	**337 376**	**48**	**1 857 092**	**-**	**1 857 092**

(PLN k)

For the period ended 31 December 2020

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

(PLN k)

4. Consolidated statement of cash flows

For the period ended 31 December 2021

	Noty	For 12 months ended 31.12.2021	31.12.2020
A.Cash flow from operating activities			
I.Profit (loss) before tax		**422 805**	**128 369**
II.Total adjustments		**(277 975)**	**75 788**
1.Depreciation		93 272	96 344
2.Foreign exchange losses (gains)		(11)	188
3.Interest and profit shares (dividends)		29 558	38 682
4.Losses (gains) on investing activities		(203 747)	(4 932)
5. Income tax		(69 995)	(21 042)
6.Changes in provisions		755	2 072
7.Changes in inventory		(8 606)	(455)
8.Changes in receivables		(1 702 018)	(159 140)
9.Changes in liabilities, excluding bank loans and borrowings		1 565 017	122 016
10.Changes in accruals		11 420	3 403
11. Other adjustments		6 380	(1 348)
III.Net cash flows from operating activities (I+/-II)		**144 830**	**204 157**
B.Cash flows from investing activities			
I. Cash in		**229 872**	**3 108**
1. Disposal of intangibles and tangible fixed assets		58	106
2. From financial asstes, including:		231 705	3 733
a) disposal of financial asstes		227 375	1 557
b) repayment of long-term loans given		4 000	2 100
c) interest		64	76
d) other inflows from financial asstes		266	-
3. Cash from disposal/liquidation of subsidiary		(1 891)	(731)
II.Cash out		**755 848**	**356 856**
1. Acquisition of tangible fixed assets		576 995	332 015
2. For financial asstes, including:		178 853	24 841
a) acquisition of financial assets		178 853	24 669
b) long term loans given		-	172
III.Net cash flows from investing activities (I-II)		**(525 976)**	**(353 748)**
C.Cash flows from financing activities			
I.Cash in		**805 508**	**347 776**
1.Loans and borrowings		805 508	347 776
II.Cash out		**411 341**	**169 542**
1.Repayment of loans and borrowings		373 565	126 052
2.Lease payables		5 461	7 047
3.Interest		32 099	35 869
4.Other financial expenses		216	574
III.Net cash flows from financing activities (I-II)		**394 167**	**178 234**
D.Total net cash flows (A.III+/-B.III+/-C.III)		**13 021**	**28 643**
E.Increase/decrease in cash in the balance sheet, including:		**13 019**	**28 642**
- change in cash due to f/x differences		(2)	(1)
F.Cash at beginning of period		**374 347**	**345 705**
G.Cash at end of period, including:		**387 366**	**374 347**
- restricted cash	41	48 648	34 402

(PLN k)

5. General Information

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

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

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

On 4 November 2021, the Company entered into a preliminary share sale agreement (Preliminary Share Sale Agreement, „PSSA”) whereby the shareholders of Edison Energia S.A. with registered office in Warsaw ("Edison") undertook to enter into a final share sale agreement (Final Share Sale Agreement, „FSSA”) concerning the sale to the Company of all shares in Edison and, indirectly, all shares in Eco Heat sp. z o.o. and all shares in Zielony Ryś sp. z o.o. by the existing shareholders of Edison The execution of FSSA was contingent upon the approval of the President of the Antimonopoly Office (UOKiK) and other conditions precedent referred to in PSSA.

On 31 December 2021, the Company and the shareholders of Edison executed FSSA and the price for 100% of Edison shares was agreed at PLN 74,895,871.02, subject to potential further adjustments related to the closing accounts procedures. The title to the Edison shares was transferred onto the Company on 3 January 2022

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

These consolidated financial statements were approved for publication by the parent company Management Board on 7 April 2022.

5.1. Periods covered by the consolidated financial statements

These consolidated financial statements cover the year ended on 31 December 2021 and comprises comparable financial data for the year ended on 31 December 2020.

5.2. Composition of the Management Board and the Supervisory Board

Composition of the parent company's Management Board as at 31 December 2021 was as follows:

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

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On 23 November 2021, the Supervisory Board of Polenergia S.A dismissed all the members of the Company Management Board: Mr. Michał Michalski - President of the Management Board and the Members of the Management Board: Ms. Iwona Sierżęga, Mr. Piotr Maciołek, Mr. Tomasz Kietliński and Mr. Jarosław Bogacz and subsequently appointed those persons for a joint term of office in the Company Management Board.

The reason for the dismissal and subsequent appointment on the same day of the same persons as members of the Issuer's Management Board was the need to adjust the length of the Management Board's term of office to the requirement under Article 5.10.1 of the Issuer's Statutes, in the wording approved by virtue of the resolutions of the Company's Ordinary General Meeting of 18 June 2021. According to Article 5.10.1 of the Company's Statutes, the Company's Management Board is appointed for a joint term of three years.

Composition of the parent company's Supervisory Board as at 31 December 2021 was as follows:

Dominika Kulczyk Chair of the Supervisory Board

Thomas O'Brien	Vice-Chairman of the Supervisory Board
Hans E. Schweickardt	Member of the Supervisory Board
Adrian Dworzyński	Member of the Supervisory Board
Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board
Emmanuelle Rouchel	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board
Grzegorz Piotr Stanisławski	Member of the Supervisory Board

On 11 February 2021, Mansa Investments Sp. z o.o. with registered office in Warsaw notified the dismissal of Mr. Grzegorz Piotrowski from the Supervisory Board, and the appointment of Ms. Emmanuelle Rouchel Member of the Supervisory Board of the Company, with effect as of 25 February 2021.

On 26 February 2021, Mr. Brian Bode resigned from his office of a Member of the Supervisory Board.

On 31 May 2021, Mr. Sebastian Kulczyk resigned from his office of a Member of the Supervisory Board.

On 18 June 2021, the Ordinary General Meeting of the Company appointed Mr. Grzegorz Stanisławski, Mr. Ignacio Paz-Ares Aldanondo and Mr. Thomas O'Brien Members of the Supervisory Board and appointed Ms. Dominika Kulczyk and Mr. Hans Schweickardt for another term of office in the Supervisory Board and dismissed Ms. Marjolein Helder from her position of a Member of the Supervisory Board.

On 22 November 2021, Ms. Dominika Kulczyk, Mr. Hans E. Schweickardt, Ms. Emmanuelle Rouchel, Mr. Ignacio Paz-Ares Aldanondo, Mr. Thomas O'Brien and Mr. Grzegorz Stanisławski resigned from the Issuer's Supervisory Board with effect as at the date of resignation.

Ms. Dominika Kulczyk, Mr. Hans E. Schweickardt, Mr. Grzegorz Piotr Stanisławski were appointed effective as of 22 November 2021 by way of personal rights exercised by Mansa Investments sp. z o.o. with registered office in Warsaw.

Ms. Emmanuelle Rouchel, Mr. Ignacio Paz-Ares Aldanondo, Mr. Thomas O'Brien, were appointed as of 22 November 2021 by way of personal rights exercised by BIF IV Europe Holdings Limited.

Mr. Orest Nazaruk and Mr. Adrian Dworzyński were appointed by the ZWZ as independent members of the Company's Supervisory Board.

6. Going concern assumption

These consolidated financial statements have been prepared based on the going concern assumption for the Company and the Group companies in foreseeable future, that is for no fewer than 12 months following the reporting day, i.e. following 31 December 2021.

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

The Management Board is of the opinion that Polenergia Group has so far been resilient to adverse economic environment caused by the COVID-19 outbreak. Very good financial performance achieved in 2021 indicate that the continued pandemic did not materially affect the operation of the companies within the Group.

Most of the Group's staff continued teleworking using remote communication equipment. All vital operating processes have been on schedule, with significant management processes handled remotely. The Company identifies risk factors related to the variable scale of COVID-19 infections, in particular with respect to activities and processes that cannot be fully performed remotely. This is true, in particular, of the gas and clean fuels segment which is largely dependent on the individual manufacturing staff traffic and of the wind farm projects in their construction phase. In order to mitigate the impact of the risk on the operation of the Company Elektrociepłownia Nowa Sarzyna, strict OHS rules were applied to operating activity and renovation works. Moreover, an emergency plan has been prepared for the Company to maintain the production process continuity by the staff working with accommodation on-site. The implementation of wind farm projects in construction phase has so far experienced no significant adverse impact of COVID-19. Safety procedures and occupational health measures have been implemented on site, such as questionnaires and statements to verify good health conditions and no contact with infected individuals, the distancing requirement, the measuring of temperature, points of disinfection, weekly testing for COVID-19 of new staff members working on the construction site of Kostomłoty and Dębsk wind farms, as well as invariable composition of worker teams on site (it is prohibited to exchange staff members among the sites).

By the end of Q1 2021, the impact of the COVID-19 pandemic on the performance in the distribution segment was manifested by a drop in the demand for electricity driven, among others, by the industrial plants and shopping malls. In Q2 2021, after the sanitary restrictions were reduced, a gradual growth of electricity consumption was observed. In view of the extended pandemic period in Poland, entailing high uncertainty, the Company has been monitoring in detail the collection of receivables and has been maintaining an increased bad debt provision established in 2020.

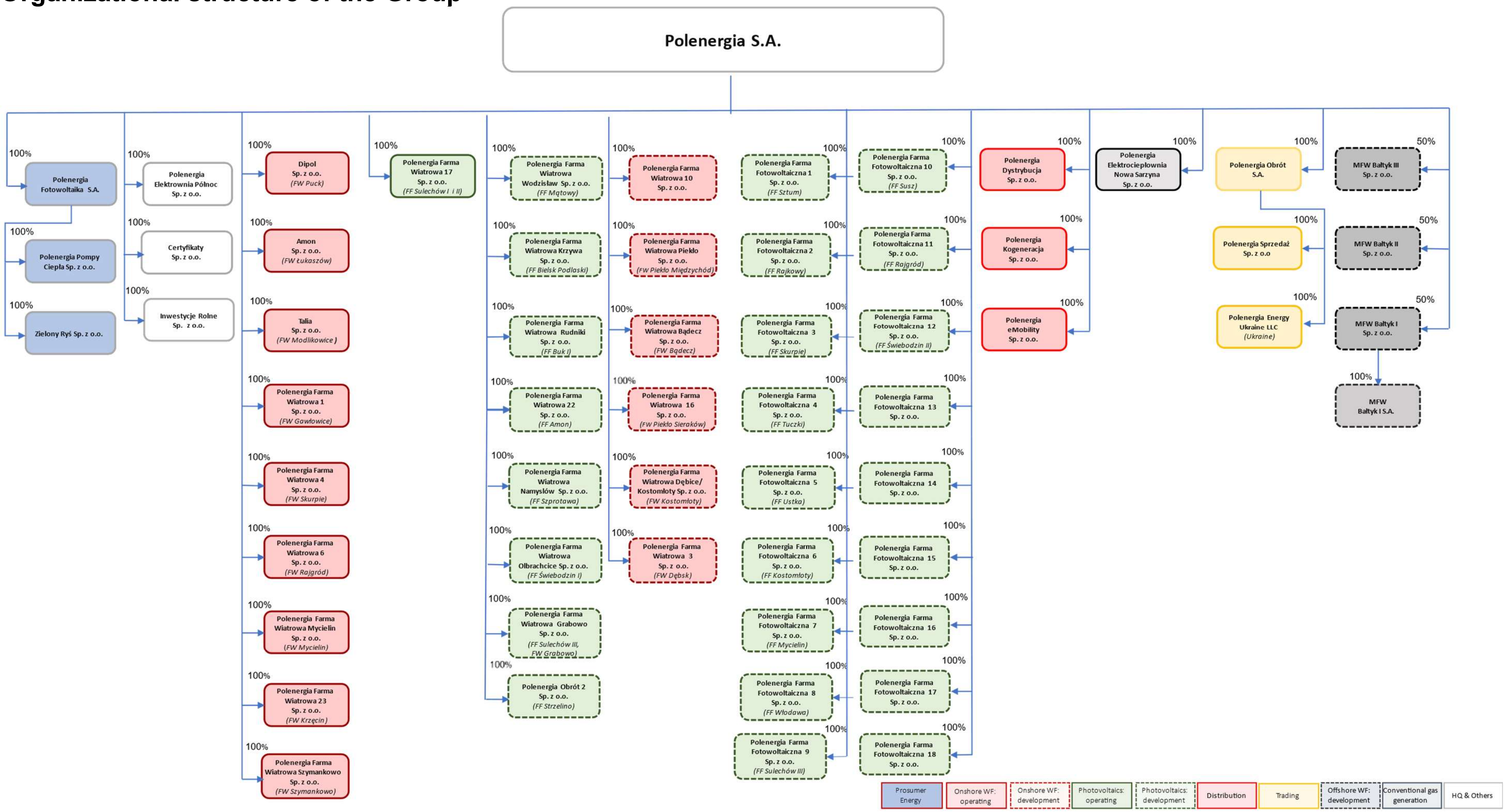
In the trading and sales segment, in view of the COVID-19 pandemic and the situation resulting from shortage of goods and the inflation pressure that occurred after the lockdown period, an increased risk of business operation continues. This has mainly been due to high volatility of prices of CO_2 allowances, electrical energy, natural gas, raw materials and the currency exchange rates. In addition, a factor that increases the risk of commercial business is the risk of increased risk of counterparty insolvency. The abovementioned risk factors may also materially affect liquidity of the company by increasing the requirements concerning the security deposits and the bad debt level. In the face of increased likelihood of those risks materializing, ongoing monitoring and analytical activities were intensified in those areas and more stringent verification methods have been applied when entering into new transactions.

The wind power segment remains in 2021, and will remain in 2022, largely immune to the current volatility of electricity prices, given the fact that for the large portion of the portfolio the prices of energy sales and green certificates have been fixed on the forward market. Should the drop in energy and green certificate prices continue for a long time and result in a forward contract quotes reduction, the financial performance potential of the segment may be limited in subsequent years.

In the face of the ongoing armed conflict in Ukraine, it is the Management Board's opinion that the Polenergia Group is not directly exposed to the negative effects of the conflict mainly due to its marginal involvement of the Group companies in Russia, Belarus and Ukraine. A detailed description of the impact of the war in Ukraine on the Group's activities is described in note 52.

Polenergia

7. Organizational structure of the Group



8. Accounting principles (policy) applied

The accounting principles (policies) applied in preparation of the financial statements are consistent with those applied in preparation of the Group's financial statements for the year ended 31 December 2020.

These consolidated 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 consolidated financial statements for the financial year ended on 31 December 2021, together with the comparable data for the financial year ended on 31 December 2020 have been audited by chartered auditor.

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

8.1. New and modified standards and interpretations applied

In view of the reform of reference interest rates (WIBOR, LIBOR, etc.) the IAS Board has made further changes to the accounting policies of financial instruments:

- in the case of a valuation at amortized cost, changes in the estimated flows resulting directly from the IBOR reform are treated as a change in the floating rate, i.e. without recognition of the result,
- there is no need to terminate the hedging relationship if the only change is the effects of the IBOR reform while other criteria for applying hedge accounting are met; the change regulates how the alternate rate should be accounted for in the hedging relationship,
- a company is required to disclose information about the risks arising from the reform and advise how the company manages the transition to alternate reference rates.

The changes apply to annual periods commencing 1 January 2021 and thereafter.

The Group believes those standards had no material impact on the Group in this or in future reporting periods, nor on any foreseeable future transactions.

New standards and interpretation not yet applied.

Until the date of these financial statements, new or amended standards and interpretations were published which apply to annual periods subsequent to 2021, however, not yet approved by the European Union.

The Group believes those standards will have no material impact on the Group in this or in future reporting periods, nor on any foreseeable future transactions.

8.2. Significant measures based on professional judgment

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

- grid connection fee revenues which are distinct performance obligation, therefore they are recognized as revenue at the time a grid connection invoice is issued. This approach reflects best the economic sense of such transaction. When evaluating the grid connection service and the grid availability service from the perspective whether they are separate performance commitments, the Management Board considered the following arguments: (i) the amount of the grid connection fee is regulated by ERO, (ii) the customer who pays the connection fee to Polenergia Dystrybucja Sp. z o.o. has no obligation to purchase energy from Polenergia Dystrybucja Sp. z o.o. (as it may be bought with other energy suppliers). As a result, revenues from the grid connection fee are recognized at a certain point in time where the customer requests Polenergia Dystrybucja Sp. z o.o. connect him/her to the grid. If the market practice changes, i.e. such revenues are recognized in time throughout the economic useful life of the assets, such practice shall be taken into account when recognizing revenues. As refers recognition of the connection fee revenue in accordance with IFRS 15, no market practice has yet been established unequivocally, however an approach has been considered, according to which the connection fees shall be recognized in time, i.e. over the useful life of the assets. According to the Group's estimates, the potential impact of the change of accounting policies in this respect on the consolidated financial statements as at 31 December 2021 would entail reduction of the retained profit balance of PLN 16.6 M corresponding to the recognition of future revenues of PLN 16.6m.

In the year ended on 31 December 2021 no changes were made in determining the Group's judgment with respect to information disclosed in the consolidated financial statements.

8.3. Significant measures based on estimates

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

- classification of certificates of origin (note 51),
- depreciation rates - the depreciation rates are determined based on the expected useful economic life of tangible fixed assets and intangibles. The Group performs review of the adopted economic useful life periods annually, based on the current estimates.
- provisions for disputes, holiday leaves (Note 28)
- provisions for obligations related to the sale of energy,
- financial assets and liabilities under forward contracts (Notes 17, 24 and 30)
- financial assets and liabilities resulting from forward contracts related to the reversal of forward contracts hedging the production of electricity in Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (note 35),
- funds to pay stranded costs and funds to pay consumption cost of received natural gas and cost of non-received natural gas ("gas costs"); a material impact on the Company's future business will be exerted by the Contract Terminating the Long-term Contract for the Supply of Electrical Energy ("LTC") executed with PGE Polska Grupa Energetyczna S.A. (former Polskie Sieci Elektroenergetyczne S.A.) which was signed by the Management of Elektrociepłownia Nowa Sarzyna Sp. z o.o. Heat Plant on 28 December 2007, according to the Act adopted by the Polish Parliament on 29 June 2007 on the terms of paying the costs borne by the producers in connection with accelerated termination of long term contracts for the sale of capacity and electrical energy ("LTC Termination Act") By virtue of the Termination Act, the Company's long term contract was terminated on 31 March 2008 against compensation covering the stranded costs and the funds to pay the cost of received natural gas and the gas costs. The Act provides for the Company's compensation capped at PLN 777.5 M for stranded costs and PLN 340.7 M for gas costs. The company calculates the amount of stranded costs due and the gas cost compensation during the adjustment period from 1 April 2008 to 1 June 2020 on the basis of the formulas referred to in Articles: 30, 31, 45 and 46 of the LTC Termination Act. Given the duration of the period the calculations pertain to, estimates are subject to fluctuation (as described in more detail in Note 46); the amounts recognized as at the balance sheet date under final settlement and comparable data is an estimate based on the best knowledge of the Group and data available as at the balance sheet day applicable to such data,

- deferred tax - the Group recognized a deferred tax asset based on the assumption that tax gain will occur in the future permitting its application. Less successful tax gain performance in the future could lead to such assumption becoming unfounded (Note 27),
- impairment losses on non-financial fixed assets - for goodwill, the Group performed impairment tests, while for other non-financial fixed assets the Group analyzed the indications of impairment of fixed assets, and where such indications were found, impairment tests for non-financial fixed assets were performed (Note16),
- trade receivables impairment losses - calculation and measurement of expected the credit losses with regard to trade receivables is the area that requires significant judgment on the choice of proper methodology and input data. For a detailed description of the measurement methodology of expected credit losses applied by the Group see Note 8.18. In the models used by the Group mostly the historical information from the market data systems of the Group is used.
- Lease term - When measuring the lease payable, the Group estimates the lease term which covers:
  - irrevocable lease term,
  - terms, where a lease extension option exists, provided there is sufficient certainty to assume that the lessee will exercise such option,
  - terms, where a lease termination option exists, provided there is sufficient certainty to assume that the lessee will not exercise such option.

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

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

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

In the year ended on 31 December 2021 no changes were made in the way of determining the Group’s estimates that would impact any information disclosed in the consolidated financial statements, with the estimates-derived amounts being specified in the notes referred to hereinabove.

8.4. Measurement currency and currency of the consolidated financial statements

The functional currency of the parent company and other companies (except for the company Polenergia Energy Ukraine LLC which has no significant impact on the consolidated financial statements) included in these consolidated financial statements, as well as the reporting currency of these consolidated financial statements, is Polish Zloty.

8.5. Rules of consolidation

These consolidated financial statements include the financial statements of Polenergia S.A. and the financial statements of its subsidiaries prepared in each case for the year ended on 31 December 2021. The financial statements of subsidiaries, upon incorporation of adjustments to align them to IFRS, are prepared for the same reporting period as applies to the financial statements of the parent company, using consistent accounting principles and based on single accounting principles applied to transactions and economic events of similar nature. In order to eliminate any discrepancies whatsoever, amendments are made to the applied accounting principles.

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

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

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

8.6. Investments in Associates and jointly controlled entities

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

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

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

8.7. Goodwill

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

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

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

As at the acquisition date the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or a group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes, and
- is no greater than a single operating segment defined in accordance with IFRS 8 Operating Segments.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated.

If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is recognized. In the event goodwill comprises part of a cash-generating unit and part of the cash-generating unit's business is sold, the goodwill attributable to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on the sale of such part of business.

In such a case goodwill disposed of is measured based on the relative value of the operations disposed of and the value of the part of the cash-generating unit retained.

8.8. Intangible Assets

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

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortized over their useful lives and tested for impairment each time there is an indication of impairment. The amortization period and method with respect to intangibles with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortization period or amortization method, as appropriate, and are accounted for as changes in accounting estimates. Amortization charges on intangible assets with definite useful lives are recognized under profit or loss in the category that corresponds to the function of a given intangible asset.

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

Expected useful lives are as follows:

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

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

The development expenditure is reviewed for impairment annually in case a given asset has not yet been used, or more frequently if an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

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

8.9. Non-current fixed assets

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

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

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

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

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

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

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

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

8.10. Non-current fixed assets under construction

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

8.11. Borrowing costs

The costs of bank and other borrowings resulting from loans and borrowings incurred which may be directly attributed to acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition or production cost of such asset. Borrowing costs comprise interest and foreign exchange gains or losses up to an amount equal to the adjustment to interest expense.

8.12. Impairment losses on non-financial fixed assets

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

The recoverable amount of an asset or a cash-generating unit is the higher of the asset's or cash-generating unit's fair value less selling costs of such asset or unit, or its value in use. In the event the carrying amount of an asset exceeds its recoverable amount, impairment takes place and an impairment loss is recognized, reducing the asset's carrying amount to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to a given asset. Impairment losses with respect to assets in continuing operations are recognized in those expense categories which are consistent with the function of the impaired asset.

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

8.13. Financial assets

The Group categorizes financial assets as follows:

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

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

Recognition and derecognition

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

Measurement as at the initial recognition

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

Financial assets measured at amortized cost

Debt instruments held to obtain contractual cash flows that include solely payment of principal and interest (SPPI), are measured at amortized cost. Interest revenue is measured using the effective interest rate method and disclosed under “financial income” presented under the consolidated profit or loss account. Expected credit losses are recognized in line with the accounting principle referred to in Note 8.18 and presented under item "financial expenses”. In particular, the Group classifies the following under that category:

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

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

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. If the discount method is applied, any increase in the amount of the receivables reflecting the passage of time is recognized as financial income.

Financial assets at fair value through profit or loss

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

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

8.14. Hedge accounting

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

For more information on hedge accounting, see Note 24.

During the period ended on 31 December 2021, in accordance with its adopted ‘Hedge Accounting Guidelines’, the Group measured hedge effectiveness both ex-post (retrospectively) and ex-ante (prospectively), using the dollar offset method.

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

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

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

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

For information on the fair value of the financial derivatives disclosed in the balance sheet, see Note 24.

8.15. Joint arrangements

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

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

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

8.16. Lease

The Group as a lessee

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

<u>Recognition of lease payables</u>

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

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

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

Lease payments are discounted at the lease discount rate, or in the event it is impossible to easily determine such rate, the lessee's incremental rate is applied. The Group has assumed that the incremental discount rate should reflect the cost of such financing as would be incurred to to finance the purchase the leased asset. When estimating the discount rate, the Group considered the following contractual features: type, tenor, currency and potential spread the Group would have to pay to any financial institution providing financing.

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

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

Recognition of the right-of-use assets

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

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

The right-of-use assets have been recognized in the balance sheet under the same item where the base assets owned by the Company would be recognized. Depreciation of the right-of-use assets has been recognized under the profit and loss account under the items: costs of goods sold, general overheads, fixed assets under construction.

8.17. Inventory

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

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

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

8.18. Impairment of financial assets

IFRS 9 requires that the impairment loss on account of the expected credit loss for financial assets is estimated notwithstanding whether or not any indications giving rise to such impairment loss occurred. Said standard provides for a 3-step 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 loss-occurrence 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 loss-occurrence risk; (3) Stage 3 – where a financial asset is credit-impaired.

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

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

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

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

8.19. Other non-financial assets

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

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

8.20. Cash

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

8.21. Capital

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

Other capital reserves have been accumulated through contributions from profits generated in previous financial years and through revaluation of derivatives hedging future cash flows. The capital reserve from the measurement of options was created in connection with the option scheme and is not subject to payment as dividend.

8.22. Provisions

Provisions are recognized if Group companies have an obligation (legal or constructive) resulting from past events and when it is certain or highly probable that an outflow of funds embodying economic benefits will be required to settle such obligation, and when a reliable estimate can be made of the amount of such obligation.

Where expenditure required to settle the obligation is expected by the Group to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognized as a separate asset only when virtual certainty exists that it will be actually received. Cost related to a given provision is recognized in profit or loss net of any recoveries.

If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognized as finance costs.

Emission allowances provision.

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

Provision for length-of-service awards and retirement pays

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

The present value of provisions as at each reporting date is estimated by an independent actuary. Accrued provisions are equal to the amount of discounted future payments that relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data. The impact of the measurement of the provision on future retirement pay obligations and jubilee awards are recognized under profit//loss.

8.23. Prepayments and Accruals

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

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

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

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

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

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

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

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

8.25. Trade creditors and other financial liabilities

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

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded derivatives, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities measured at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately, whenever they cannot be measured separately.

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

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

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

8.26. Revenue from Contracts with Customers

Sales revenues are recognized at the time and to the extent that the Group meets the obligation to fulfill the performance obligation (provision of service) or supply of goods. An obligation is fulfilled when the customer gains control of the the transferred asset.

Revenue is recognized so as to reflect the transfer of promised goods or services to a customer in the amount which reflects the consideration which the entity expects to be entitled to in return for such goods and services.

The Group recognizes revenue derived from a contract with a customer only if all of the following criteria are met:

- The parties have entered into a contract (either in writing, orally or in accordance with other customary commercial practices) and are obligated to perform their duties,
- The company is able to identify the rights of each party concerning the goods and services to be transferred,
- The company is able to identify the terms of payment for the goods and services to be transferred,
- The contract has economic substance,
- The entity is likely to receive remuneration it will be entitled to in consideration for goods or services to be provided to the customer.

Depending on the fulfillment of the criteria referred to in IFRS 15 "Revenue from contracts with customers", revenue may be recognized at a specific time or may be satisfied at a point in time. Information on this breakdown is presented in Note 11.

Revenues include, in particular, revenues from the sale and distribution of energy, certificates of origin, heat, sale and distribution of gas and the capacity market and system recovery services. These revenues are determined on the basis of the net price, adjusted for rebates and discounts granted and the excise duty.

8.27. Other revenues

The Group generates other revenues from:

Futures and forward contracts

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

- The energy and gas purchase and sale contracts entered into by Polenergia Obrót remain outside the scope of the IFRS 9 standard based on an exemption from IFRS 9 of the purchase/sale for the company's own purpose, given the fact the energy purchased and sold under such contracts is easily exchangeable for cash (it involves a physical delivery of energy). Such contracts are recognized and measured as per IFRS 15, with the accounting principles applicable to those contracts described in the section "Revenues from sale of energy under forward contracts"
- Energy and gas purchase and sale contracts recognized and measured as per IFRS 9.

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

Measurement is performed with respect to the outstanding part of the contracts broken down into a current portion to be completed within 12 months from the reporting date, and a long term portion to be completed in subsequent years.

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

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

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

Recognition of compensation for stranded costs and cost of gas

Compensation for stranded costs, which the Group is entitled to receive under the LTC Termination Act (for details, see Note Note 46), is recognized in correspondence with revenue from sale of products. Such revenue is recognized on a systematic basis over the accounting period pro rata to the estimated operating profit or loss from sale of electricity, capacity and system-related services, net of accumulated depreciation of the fixed assets employed in such operations.

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

In a corresponding entry, compensation for stranded costs is recognized as receivable from Zarządca Rozliczeń S.A Prepayments of compensation for stranded costs, made in equal quarterly installments in cash, are recognized as a decrease in receivables disclosed in prior periods. The balance shown in the settlement account of Zarządca Rozliczeń S.A. as at each reporting date is the best estimate of receivables owed to or payables due from the Company, reflecting the amounts of compensation actually received.

In view of the end of the adjustment period during the period ended 31 December 2021 the final settlement of the stranded costs compensation took place.

Compensation for the costs referred to in Art. 44 of the LTC Termination Act that are incurred by gas-fired units ("cost of gas") is recognized in correspondence with revenue from sale of products. The amount of such revenues is recognized on a systematic basis over the reporting period, based on actual quantities of electricity and costs of gas and coal. Whenever actual data is not available as at the reporting date, the most up-to-date estimates are used instead. Other policies of recognizing and accounting for compensation for cost of gas are the same as those applied to recognition of compensation for stranded costs.

Recognition of carbon emission allowances

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

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

In the year ended 31 December 2021, the final settlement of gas costs was made for the year 2020.

Interest

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

Dividends

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

Subsidies on account of certificates of origin

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

Subsidized tangible fixed assets

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

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

8.28. Taxes

Current tax

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

Deferred tax

For the purposes of financial reporting, deferred tax is calculated using the balance-sheet liability method in relation to temporary differences existing as at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts as disclosed in the financial statements.

A deferred tax liability provision is recognized for all taxable temporary differences:

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

Deferred tax assets are recognized for all deductible temporary differences, as well as unused tax credits and unused tax losses brought forward, to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax credits and tax losses can be utilized:

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

The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is gradually reduced to the extent it is no longer probable that sufficient taxable income will be generated to allow the deferred tax asset to be realized in full or in part. As at the end of each reporting period, any unrecognized deferred tax asset is reassessed and recognized to the extent that it is probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liability provisions are calculated using tax rates expected to be effective at the time of realization of the asset or liability, based on tax rates (and tax legislation) effective at the end of the reporting period or tax rates (and tax legislation) which at the reporting date are certain to be effective in the future.

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

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

Value added tax

Revenue, expenses, assets and liabilities are recognized net of VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognized as part of the acquisition price of a given asset or as part of the cost item, and
- in the case of receivables and payables which are recognized inclusive of VAT.

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

8.29. Earnings per share

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

Diluted earnings per share for a period are calculated as the quotient of net profit adjusted for changes in net profit attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) and the weighted average number of ordinary shares outstanding in the period (adjusted for the effect of dilutive options and dilutive redeemable preferred shares convertible into ordinary shares, including warrants under the management stock option plan).

8.30. Contingent assets and liabilities

A contingent liability is understood as an obligation to make a payment or provide a service which may arise upon the occurrence or non-occurrence of certain future events. Contingent liabilities are not recognized in the balance sheet, however information on contingent liabilities is disclosed, unless the probability of the outflow of resources embodying economic benefits is negligible.

A contingent liability is:

- a plausible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but has not been recognized in the financial statements because:

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

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

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

8.31. Seasonality and cyclical nature of operations

The Group operates on the industrial power outsourcing market. The Group's key customers use heat and electricity supplied by the Group for production purposes at their industrial facilities. Heat and electricity supply business is not subject to seasonal fluctuations. Wind conditions which determine the output of wind farms are uneven during the year In autumn and winter they are significantly better than in spring and summer. The Group resolved to build wind farms in locations selected based on professional wind measurements confirmed by independent and reputable experts. However, there can be no assurance that the actual wind conditions will be no different than those used in the Group's models for specific investment projects.

(PLN k)

8.32. Foreign currency transactions

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

Cash, bank borrowings and other monetary assets and liabilities denominated in currencies other than the functional currency are translated at the balance sheet date into the functional currency at the closing exchange rate prevailing at the end of the reporting period (for entities having the Polish zloty as their functional currency, the average rate quoted by the NBP is used). Foreign exchange differences on translation and settlement of items are recognized in finance income or cost, as appropriate. Changes in the measurement of derivatives designated as hedging instruments for hedge accounting purposes are recognized in accordance with the applicable hedge accounting policies.

The following exchange rates were used for measurement purposes:

	2021-12-31	**31 December 2020**
USD	4.0600	3.7584
EUR	4.5994	4.6148
GBP	5.4846	5.1327

9. Abandoned business

The amounts presented in the consolidated income statement under the item concerning the abandoned business (namely "Profit on abandoned operating activities") refer to revenues and costs in connection with the business of the companies which were sold in 2021, that is: Polenergia Elektrownia Mercury Sp. z o.o. and Mercury Energia Sp. z o.o. i Wspólnicy Sp.K., and in the year 2020: Polenergia Biomasa Energetyczna Wschód Sp. z o.o., Polenergia Bioelektrownia 2 Sp. z o.o., Polenergia Bioelektrownia 2 Sp. z o.o. Sp.K.

10. Adjusted Consolidated EBITDA and Adjusted Consolidated Net Profit

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

(PLN k)

EBITDA and ADJUSTED EBITDA

	For 12 months ended	
	31.12.2021	31.12.2020
Profit before tax	420 052	126 332
Fianancial revenues	(230 274)	(5 115)
Financial costs	44 130	44 273
Depreciation/Amortization	93 272	96 344
Cost connected with result of result of control over subsidiaries	13 863	-
Development - related impairment loss	228	(5 077)
Gas and Clean Fuels Segment - related impairment loss	19 889	-
EBITDA	**361 160**	**256 757**
Adjusted EBITDA	**361 160**	**256 757**

ADJUSTED NET PROFIT atributed to parent shareholders

	For 12 months ended	
	31.12.2021	31.12.2020
NET PROFIT attributed to parent shareholders	**337 376**	**110 551**
Unrealized foreign exchange net (gains)/losses	2 656	32
(Income)/Cost from measurement of long-term borrowings	1 358	1 400
(Net profit) on loss of control over subsidiaries	(174 908)	-
Development - related impairment loss	20 117	(5 077)
Purchase price allocation:		
Depreciation/Amortization	876	5 053
Tax	(168)	(961)
Adjusted NET PROFIT attributed to parent shareholders	**187 307**	**110 998**

The item "Net profit on loss of control over subsidiaries" refers to additional payments related to the transaction of sale of shares in the companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. under a contract entered into on 5 March 2018 with Statoil Holding Netherlands B.V. The impact of such additional payments amounted to PLN 225,411 k and was disclosed in the consolidated income statement under "financial revenue" and in the consolidated cash flow report under "financial assets inflows". The abovementioned impact of additional payments after income tax (and having deducted the prior years tax losses) amounted to PLN 174,908k.

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

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

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

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

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

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

11. Operating segments

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

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

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

The Management Board has been separately monitoring the operating performance of the segments in order to make decisions regarding allocation of resources, evaluation of the effects of such allocation and the operating performance. Such evaluation is based on the EBITDA result and gross sale profit or loss. Income tax is monitored at the Group level and is not allocated to operating segments. Company’s cash is disclosed under Unallocated Assets.

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

The customers with whom the Group generated no less than 10% of total revenues of the Group included: the Warsaw Commodity Clearing House (Izba Rozliczeniowa Giełd Towarowych, Marex Financial LTD.

(PLN k)

For 12 months ended 31.12.2021	RES Generation			Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Purchase price allocation	Total
	On shore wind farms	Photovoltaics	Off shore wind farms						
Revenues from contracts with clients	254 911	3 225	-	231 141	2 490 477	109 608	6 954	-	3 096 316
Other revenues	-	-	-	69 827	832 910	-	-	-	902 737
Total revenues	254 911	3 225	-	300 968	3 323 387	109 608	6 954	-	3 999 053
Net sales profit (loss)	**136 783**	**1 047**	**-**	**142 704**	**41 749**	**19 319**	**1 372**	**(876)**	**342 098**
General overheads	(3 804)	(371)	-	(8 039)	(20 753)	(7 231)	(37 077)	-	(77 275)
Interest income/(expense)	(29 254)	(453)	-	(25)	(791)	(2 673)	(614)	-	(33 810)
Other financial revenue/(expense)	(3 555)	(102)	-	(595)	(308)	(409)	224 923	-	219 954
Other operating revenue/(expense)	2 934	(23)	-	(34 988)	1 305	(149)	6	-	(30 915)
Profit/loss before tax	**103 104**	**98**	**-**	**99 057**	**21 202**	**8 857**	**188 610**	**(876)**	**420 052**
Income tax	-	-	-	-	-	-	(85 693)	168	(85 525)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**334 527**
EBITDA **)	202 698	1 488	-	135 677	22 501	18 153	(19 357)	-	361 160
Segment assets	2 412 414	160 911	283 593	265 803	1 954 606	174 083	355 771	-	5 607 181
Segment liabilities	1 277 783	54 313	-	61 966	1 852 796	120 371	382 860	-	3 750 089
Depreciation/Amortization	66 602	835	-	16 110	200	6 214	2 435	876	93 272

*) EBITDA - definition in Note 10

(PLN k)

For 12 months ended 31.12.2020	RES Generation			Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Purchase price allocation	Total
	On shore wind farms	Photovoltaics	Off shore wind farms						
Revenues from contracts with clients	254 427	3 286	-	251 421	1 172 697	95 338	8 311	-	1 785 480
Other revenues	-	-	-	13 827	12 039	-	-	-	25 866
Total revenues	254 427	3 286	-	265 248	1 184 736	95 338	8 311	-	1 811 346
Net sales profit (loss)	**151 059**	**1 628**	**-**	**7 760**	**37 079**	**14 185**	**836**	**(5 053)**	**207 494**
General overheads	(2 613)	(209)	-	(6 720)	(16 190)	(6 455)	(16 238)	-	(48 425)
Interest income/(expense)	(33 618)	(501)	-	(48)	158	(2 152)	1 931	-	(34 230)
Other financial revenue/(expense)	(3 311)	(74)	-	1 223	(3 004)	(638)	876	-	(4 928)
Other operating revenue/(expense)	5 728	4	-	(1 728)	1 084	665	668	-	6 421
Profit/loss before tax	**117 245**	**848**	**-**	**487**	**19 127**	**5 605**	**(11 927)**	**(5 053)**	**126 332**
Income tax	-	-	-	-	-	-	(18 061)	215	(17 846)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
EBITDA **)	212 479	2 248	-	18 637	22 114	13 987	(12 708)	-	256 757
Segment assets	1 951 585	30 018	175 143	217 406	300 760	171 498	172 039	-	3 018 449
Segment liabilities	1 165 151	15 208	-	59 897	227 343	106 727	25 755	-	1 600 081
Depreciation/Amortization	63 418	825	-	19 325	141	5 593	1 989	5 053	96 344

(PLN k)

For 12 months ended 31.12.2021		RES Generation		Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Total
		On shore wind farms	Photovoltaics					
- revenue from sale and distribution of electricity	over time	163 086	3 225	169 258	1 732 422	99 726	-	2 167 717
- revenue from certificates of orgin	over time	91 811	-	-	310 722	-	-	402 533
- revenue from sale of heat	point in time	-	-	34 240	-	-	-	34 240
- revenue from consulting and advisory services	over time	-	-	-	-	-	6 585	6 585
- revenue from lease and operator services	over time	-	-	-	-	4 864	-	4 864
- revenue from sale and distribution of gas	over time	-	-	-	442 258	4 836	-	447 094
- revenue from lease	over time	14	-	-	-	10	340	364
- revenue from the capacity market and blackstart services	point in time	-	-	27 640	-	-	-	27 640
- other	over time	-	-	3	5 075	141	29	5 248
Total revenue from clients		**254 911**	**3 225**	**231 141**	**2 490 477**	**109 608**	**6 954**	**3 096 316**
- revenues from the valuation of futures contracts	over time	-	-	35 202	27 777	-	-	62 979
- revenues from the stranded costs and cost of gas	over time	-	-	34 625	-	-	-	34 625
- revenues from CO2 emission allowances	point in time	-	-	-	805 133	-	-	805 133
Total other revenue		**-**	**-**	**69 827**	**832 910**	**-**	**-**	**902 737**
Total sales revenue		**254 911**	**3 225**	**300 968**	**3 323 387**	**109 608**	**6 954**	**3 999 053**

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

(PLN k)

12. Earnings per share

	For 12 months ended	
	31.12.2021	31.12.2020
Net profit	337 376	110 551
Average weighted number of ordinary shares	45 443 547	45 443 547
Profit per ordinary share (in PLN)	7,42	2,43

	For 12 months ended	
	31.12.2021	31.12.2020
Average weighted number of ordinary shares	45 443 547	45 443 547
Effect of dilution	-	-
Diluted weighted average number of ordinary shares	45 443 547	45 443 547

(PLN k)

13. Non-current fixed assets

31.12.2021	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	non-current fixed assets under construction	prepayments for non-current fixed assets under construction	total non-current fixed assets
Gross value of non-current fixed assets at beginning of period	**109 531**	**616 797**	**1 403 036**	**4 927**	**(2 026)**	**561 204**	**33 627**	**2 727 096**
increases (due to)	**113 661**	**69 927**	**183 627**	**1 430**	**89**	**561 621**	**23 345**	**953 700**
- purchase	-	-	462	1 350	89	547 605	23 345	572 851
- transfers	-	68 932	183 165	80	-	14 016	-	266 193
- other	113 661	995	-	-	-	-	-	114 656
reductions (due to)	**(667)**	**(5 970)**	**(17 045)**	**(643)**	**(11)**	**(195 820)**	**(72 993)**	**(293 149)**
- sale and refirement	(567)	(5 449)	(17 045)	(352)	(11)	-	-	(23 424)
- other	(100)	(521)	-	(291)	-	312	-	(600)
- transfers	-	-	-	-	-	(196 132)	(72 993)	(269 125)
Gross value of non-current fixed assets at end of period	**222 525**	**680 754**	**1 569 618**	**5 714**	**(1 948)**	**927 005**	**(16 021)**	**3 387 647**
Cumulative depreciation at beginning of period	**(10 203)**	**(159 322)**	**(446 194)**	**(1 936)**	**2 301**	**(101)**	**-**	**(615 455)**
- current period depreciation	(3 505)	(26 084)	(61 547)	(1 310)	(124)	-	-	(92 570)
- reductions (due to)	(1 522)	4 829	16 672	375	8	-	-	20 362
- sale and refirement	7	5 414	16 672	280	8	-	-	22 381
- other	(1 529)	(585)	-	95	-	-	-	(2 019)
Cumulative depreciation at end of period	**(15 230)**	**(180 577)**	**(491 069)**	**(2 871)**	**2 185**	**(101)**	**-**	**(687 663)**
Impairment losses at beginning of period	**-**	**(344)**	**-**	**-**	**-**	**(164 536)**	**-**	**(164 880)**
- increase	-	(5 280)	(14 603)	-	(5)	(229)	-	(20 117)
- reduction	-	-	-	-	-	-	-	-
Impairment losses at end of period	**-**	**(5 624)**	**(14 603)**	**-**	**(5)**	**(164 765)**	**-**	**(184 997)**
Net value of non-current fixed assets at beginning of period	**99 328**	**457 131**	**956 842**	**2 991**	**275**	**396 567**	**33 627**	**1 946 761**
Net value of non-current fixed assets at end of period	**207 295**	**494 553**	**1 063 946**	**2 843**	**232**	**762 139**	**(16 021)**	**2 514 987**

In the 12-month period ended 31 December 2021, the Group incurred external borrowing costs qualifying for capitalization under initial value of non-current fixed assets, totaling PLN 25,626 k , with land and buildings worth PLN 587,517 k encumbered with mortgages securing repayment of credit facilities.

(PLN k)

31.12.2020	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	non-current fixed assets under construction	prepayments for non-current fixed assets under construction	total non-current fixed assets
Gross value of non-current fixed assets at beginning of period	**105 987**	**620 361**	**1 406 151**	**5 621**	**(1 409)**	**308 136**	**-**	**2 444 847**
increases (due to)	**4 993**	**10 269**	**9 685**	**1 481**	**208**	**317 529**	**33 627**	**377 792**
- purchase	-	69	2 018	1 096	208	317 529	33 627	354 547
- transfers	-	8 883	7 667	385	-	-	-	16 935
- other	4 993	1 317	-	-	-	-	-	6 310
reductions (due to)	**(1 449)**	**(13 833)**	**(12 800)**	**(2 175)**	**(825)**	**(64 461)**	**-**	**(95 543)**
- sale and retirement	(1 449)	(12 347)	(11 531)	(1 908)	(368)	(21 823)	-	(49 426)
- other	-	-	(3)	(267)	(457)	(250)	-	(977)
- transfers	-	(1 486)	(1 266)	-	-	(42 388)	-	(45 140)
Gross value of non-current fixed assets at end of period	**109 531**	**616 797**	**1 403 036**	**4 927**	**(2 026)**	**561 204**	**33 627**	**2 727 096**
Cumulative depreciation at beginning of period	**(4 715)**	**(138 207)**	**(389 688)**	**(2 267)**	**1 732**	**(106)**	**-**	**(533 251)**
- current period depreciation	(3 198)	(25 142)	(60 891)	(1 162)	16	-	-	(90 377)
- reductions (due to)	(2 290)	4 027	4 385	1 493	553	5	-	8 173
- sale and retirement	-	4 027	4 385	1 493	312	5	-	10 222
- other	(2 290)	-	-	-	-	-	-	(2 290)
- transfers	-	-	-	-	241	-	-	241
Cumulative depreciation at end of period	**(10 203)**	**(159 322)**	**(446 194)**	**(1 936)**	**2 301**	**(101)**	**-**	**(615 455)**
Impairment losses at beginning of period	**-**	**(8 355)**	**(6 850)**	**-**	**(44)**	**(218 266)**	**-**	**(233 515)**
- increase	-	-	-	-	-	(113)	-	(113)
- reduction	-	8 011	6 850	-	44	53 843	-	68 748
Impairment losses at end of period	**-**	**(344)**	**-**	**-**	**-**	**(164 536)**	**-**	**(164 880)**
Net value of non-current fixed assets at beginning of period	**101 272**	**473 799**	**1 009 613**	**3 354**	**279**	**89 764**	**-**	**1 678 081**
Net value of non-current fixed assets at end of period	**99 328**	**457 131**	**956 842**	**2 991**	**275**	**396 567**	**33 627**	**1 946 761**

In the year ended 31 December 2021, the Group incurred external borrowing costs qualifying for capitalization under initial value of non-current fixed assets, totaling PLN 17,089k, with land and buildings worth PLN 482,769k encumbered with mortgages securing repayment of credit facilities.

(PLN k)

Right-of-use assets under lease	31.12.2021	31.12.2020
Land real estate	203 086	78 733
Perpetual usufruct of the land	1 689	1 662
Other real estate	6 475	6 904
Plant and machinery	156	156
Vehicles	2 566	2 706
Total	**213 972**	**90 161**

Right-of-use amortization	For 12 months ended	
	31.12.2021	31.12.2020
Land real estate	6 126	3 077
Perpetual usufruct of the land	88	121
Other real estate	1 375	1 280
Plant and machinery	13	67
Vehicles	932	1 051
Other	-	5
Total	**8 534**	**5 601**

14. Intangible Assets

31.12.2021	concessions, patents, licenses and similar entitlements obtained	prepayments for intangibles	intangible assets from purchase price allocation	total intangibles
1. Gross value of intangible assets at beginning of period	**10 400**	**37**	**58 000**	**68 437**
a) increase (due to)	3 055	104	-	3 159
- purchase	270	104	-	374
- other	2 785	-	-	2 785
2. Gross value of intangible assets at end of period	**13 612**	**35**	**58 000**	**71 647**
3. Cumulative depreciation at begining of period	**(6 294)**	**-**	**(57 397)**	**(63 691)**
- current period depreciation	(900)	-	(603)	(1 503)
4. Cumulative depreciation at end of period	**(7 255)**	**-**	**(58 000)**	**(65 255)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**
- increase	-	-	-	-
- reduction	-	-	-	-
6. Impairment losses at end of period	**-**	**-**	**-**	**-**
7. Net value of intangible assets at beginning of period	**4 106**	**37**	**603**	**4 746**
8. Net value of intangible assets at end of period	**6 357**	**35**	**-**	**6 392**

(PLN k)

31.12.2020	concessions, patents, licenses and similar entitlements obtained	prepayments for intangibles	intangible assets from purchase price allocation	total intangibles
1. wartość brutto wartości niematerialnych na początek okresu	**9 068**	**-**	**58 000**	**67 068**
a) zwiększenia (z tytułu)	1 448	37	-	1 485
- nabycie	54	37	-	91
- inne	1 394	-	-	1 394
b) zmniejszenia (z tytułu)	(116)	-	-	(116)
- sprzedaż i likwidacja	(116)	-	-	(116)
2. wartość brutto wartości niematerialnych na koniec okresu	**10 400**	**37**	**58 000**	**68 437**
3. skumulowana amortyzacja (umorzenie) na początek okresu	**(5 179)**	**-**	**(52 608)**	**(57 787)**
- amortyzacja okresu bieżącego	(1 179)	-	(4 789)	(5 967)
- zmniejszenia (z tytułu)	63	-	-	63
- sprzedaż i likwidacja	63	-	-	63
4. skumulowana amortyzacja (umorzenie) na koniec okresu	**(6 295)**	**-**	**(57 397)**	**(63 691)**
5. odpisy z tytułu utraty wartości na początek okresu	**-**	**-**	**-**	**-**
- zwiększenie	-	-	-	-
- zmniejszenie	-	-	-	-
6. odpisy z tytułu utraty wartości na koniec okresu	**-**	**-**	**-**	**-**
7. wartość netto wartości niematerialnych na początek okresu	**3 889**	**-**	**5 392**	**9 281**
8. wartość netto wartości niematerialnych na koniec okresu	**4 105**	**37**	**603**	**4 746**

15. Goodwill

	31.12.2021	31.12.2020
- Goodwill from consolidation at baginning of period	**69 566**	**69 613**
- Decrease of goodwill from sale of assets	437	47
Total goodwill	**69 129**	**69 566**

As at 31 December 2021 goodwill amounted to PLN 69.6m and was attributable to the following cash-generating units (segments):

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

Goodwill impairment test

As at 31 December 2021 a goodwill impairment test was performed which showed no impairment of the asset in question. The test was performed with respect to fixed assets and intangibles plus goodwill for those operating segments to which, as at 31 December 2021, goodwill had been allocated. The utility value estimated based on the cash flow projections of individual projects underlies the measurement of the recoverable value of individual cash generating centers.

The test was performed based on the present value of estimated operating cash flows. Calculations were performed based on detailed forecasts with the projections horizon until 2050 or for the entire lifetime of the companies.
Key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2021 and for individual segments:

- Energy prices: the wholesale energy price path until 2024 is based on quotations for forward contracts, as well as the Company's best knowledge(CAGR of ca. -0.3%). Beyond 2024 the annual growth rate of ca. 1.9% was assumed based on the available forecasts of independent business advisors.

(PLN k)

– Green certificate prices: the market path for certificate prices is based on the Group's own forecast based on forward contract quotes and independent business advisors' forecasts (CAGR ca. -4,5%)

Goodwill in segment	Key assumptions	Level of discount rate assumed in test as at: 31 December 2021	Level of discount rate assumed in test as at: 31 December 2020
Distribution	The RAB figure adopted for the forecast is based on the level which incorporates historical capex plus capex intended for the years 2022-2026. In distribution, the weighted average cost of capital has been assumed at the regulatory level of WACC published by the regulatory authority ERO. In subsequent years changes in WACC have been assumed resulting from the variation of interest rates on the market. Average energy sales margins in real terms have been assumed at the historic margin levels less the potential competitive pressure attributable to that specific marketplace. Increased volume of energy sold due to capital expenditures effected. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. The period of detailed projections refers to the years 2022-2050.	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja
Trading	The margin in trading in 2022 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 farm and photovoltaic assets. Additional margin in the areas connected with partial return to proprietary trading, sale to strategic customers greater involvement in renewable energy sources and geographical expansion of trading business. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. In the trading segment, the period of detailed projections refers to the years 2022-2051.	8.90%	8.90%

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

Recoverable values for distribution and trading segments exceed the values of fixed assets and intangibles increased to include goodwill. As at 31 December 2021, the impairment test was performed which showed no impairment of goodwill in those segments.

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

16. Asset impairment test

The Group performed an analysis of any indications of fixed assets impairment as at 31 December 2021. In the Gas and Clean Fuels segment indications were found with respect to the assets held by the Company that made it necessary to perform an impairment test with respect to tangible and intangible fixed assets. The performed analysis of the indications showed that the changes in the expected price levels of electricity, gas and CO_2 allowances contributed to the decline in the projected electricity margin of the Nowa Sarzyna thermal power plant.

The test was performed based on the present value of estimated operating cash flows. Calculations were performed based on detailed forecasts for the entire period of operation of the analyzed company. The macroeconomic and segment-related assumptions used for the forecasts were updated based on the current forecasts prepared by independent consultants, as well as based on the best knowledge of the Company. The forecasts incorporate also any changes of law known as at the day of the test.

With respect to those cash generating units in which goodwill was historically recognized, the process of impairment tests has been discussed in Note 15.

(PLN k)

Key assumptions adopted in the test as at 31 December 2021 include:

Segment	Key assumptions	Discount rate assumed in test as at: 31 December 2021	Discount rate assumed in test as at: 31 December 2020
Gas and Clean Fuels	It was assumed that ENS would continue operation until 2040, since 2021 the plant will yield revenues from the capacity market, sales of electricity, heat and system-related services. Since 2021, the business model has changed from a fixed profile to one assuming production according to a flexible profile. Electricity sales depend on a positive margin on 3 products: electricity / gas / CO_2 emission allowances. Energy prices as per Note 15. Gas prices: the wholesale gas price path until 2024 is based on quotations for forward contracts, as well as the Company's best knowledge (CAGR of ca. -26.8%). Beyond 2024 the annual growth rate of ca. 4.4% was assumed based on the available forecasts of independent business advisors. CO^2 allowances prices: the wholesale energy price path until 2024 is based on quotations for forward contracts, as well as the Company's best knowledge(CAGR of ca. 1.3%). Beyond 2024 the annual growth rate of ca. 4.2% was assumed based on the available forecasts of independent business advisors. The forecast of revenues from the sale of heat is based on the contractual prices negotiated with the Company's customers, with the heat tariff as the maximum price. The drop in the heat volume in 2022 and maintaining steady level following 2022 have been taken into account. Revenues from the capacity market in the years 2022-2026 have been based on the results of the past auctions. It has been assumed that in the years 2027-2040 revenues will be maintained on the basis of the prices adopted for the entire Group. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. In the conventional energy segment, the period of detailed projections refers to the years 2022-2040.	5.62%	5,62%

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

As a result of the fixed assets impairment test performed, the Group acknowledged the need to record an impairment loss with respect to the value of the Gas and Clean Fuels segment's assets in the amount of PLN 19.9m.

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 variations of electricity prices throughout the forecast period. Below are the estimated changes in asset measurement based on the changes of the key assumptions.

Segment	Feature	Change	Impact on asset value (PLN m)	
			Loss of value	Increase of value
Gas and Clean Fuels	Change in electricity prices	+ 1%	-2.3	
		- 1%		2.3
	WACC change	+ 0.1 p.p.	-1.2	
		- 0.1 p.p.		1.2

17. Long term financial assets

	31.12.2021	31.12.2020
- share or stock in non-listed companies	73 321	3 245
- futures contracts *)	259 938	14 946
- derivative instruments	120 494	3 167
Total long term financial assets	**453 753**	**21 358**

*) measured at fair value through profit or loss

On 31 December 2021, Polengia S.A. made payments for the shares of Edison Energia S.A. (presently Polenergia Fotowoltaika S.A.), with registered office in Warsaw, in the amount of PLN 71,900 k, which was recognized as long-term financial assets (more details to be found in Note 52).

18. Financial assets measured using the equity method

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

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

	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Open balance as at 1 January	**77 098**	**83 862**	**14 183**	**175 143**
Capital contribiutions	37 700	41 250	29 500	**108 450**
Closing balance as at 31 December	**114 798**	**125 112**	**43 683**	**283 593**

(PLN k)

As at 31 December 2021 and as at 31 December 2020 net assets of the subsidiaries (MFW Bałtyk II Sp. z o. o., MFW Bałtyk III Sp. z o. o., MFW Bałtyk I S.A.) comprised:

31.12.2021	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Non-current fixed assets - capital expenditure for wind farm under	146 941	155 130	66 501	**368 572**
Other receivables	3 560	3 527	8 450	**15 537**
Cash	30 355	30 299	13 999	**74 653**
Liabilities	(6 637)	(6 749)	-	**(13 386)**
Accruals	(24)	(24)	(2 597)	**(2 645)**
Total net assets	**174 195**	**182 183**	**86 353**	**442 731**

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

The subsidiaries (MFW Bałtyk II sp. z o. o., MFW Bałtyk III sp. z o. o., MFW Bałtyk I S.A.) in the year ended on 31 December 2021 carried out no operating business, hence they generated no substantial profits/losses and, as a result, they had no impact on the measurement of the shares using the equity method.

19. Long term receivables

	31.12.2021	31.12.2020
- receivables from other entities	2 554	3 498
- risk hedging	471	-
- lease	-	1 845
- other receivables	2 083	1 653
Net long term receivables	**2 554**	**3 498**

20. Inventories

	31.12.2021	31.12.2020
- materials and merchandise	9 252	7 450
- certificates of origin	35 650	28 971
- prawa majątkowe	-	342
- prepayments for deliveries	176	73
Total net inventories	**45 078**	**36 836**
- inventory remeasured write-downs	185	185
Total gross inventories	**45 263**	**37 021**

(PLN k)

21. Short term receivables

	31.12.2021	31.12.2020
- trade receivables	219 909	77 041
- from related entities	37 599	5 557
- from ather entities	182 310	71 484
- income tax receivable	10 061	976
- other receivables	353 753	142 154
- budget payments receivable	196 509	51 780
- lease	-	232
- z tytułu dywidend	237	-
- LTC settelment	-	18 282
- other	157 007	71 860
Total net short-term receivables	**583 723**	**220 171**
- receivables remeasured write-downs	16 155	3 681
Total gross short-term receivables	**599 878**	**223 852**

Financial assets (IFRS 9) include trade receivables. Other receivables include assets outside IFRS 9.

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

As at 31 December 2021 impairment losses on trade receivables deemed uncollectible were increased up to PLN 16,155k compared to PLN 3,681k as at 31 December 2020.

The main reason for the increase of such impairment losses was the Decision of the ERO President of 31 August 2021 concerning the subsidiary Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. determining the amount of the final adjustment of the stranded costs compensation in view of the end of the adjustment period. On 4 October 2021, this decision was appealed against before the Court of Competition and Consumer Protection. The impairment loss amounted to PLN 13,214 k.

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

	Total	Step 2	Step 3
Gross value as at 1.1.2021	80 722	76 274	4 448
Arisen	219 351	219 351	-
Paid	(64 009)	(76 537)	12 528
Gross value as at 31.12.2021	236 064	219 088	16 976

(PLN k)

The table below shows the amounts of default and the calculation of expected credit losses as at 31 December 2021 and as at 31 December 2020.

	Total	Receivables from individual customers			
		Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2021	25 105	24 090	246	23	792
Expected credit losses	1 506	-	-	-	1 506
31.12.2020	23 265	20 957	421	94	1 793
Expected credit losses	1 688	-	-	-	1 688

	Total	Receivables from corporate customers			
		Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2021	194 804	194 754	24	3	29
Expected credit losses	14 649	13 214	-	-	1 435
31.12.2020	56 546	54 519	19	264	1 744
Expected credit losses	1 993	-	-	249	1 744

Because of the COVID-19 pandemic and the ongoing conflict in Ukraine, increased risk of expected credit losses in the distribution segment was considered in the year ended 31 December 2021.

22. Short term prepaid expenses

	31.12.2021	31.12.2020
- insurance	3 589	3 204
- subscriptions	51	43
- maintenance	1 737	439
- real estate tax, perpetual usufruct charges, lease payments	2	2
- accrued revenue	1 314	1 069
- accrued commissions	6	56
- other	1 562	899
Total prepayments and accrued income	**8 261**	**5 712**

23. Short term financial assets

	31.12.2021	31.12.2020
- derivative instruments	14 190	15 296
- futures and forward contracts measurement *)	1 234 674	136 136
Total short term financial assets	**1 248 864**	**151 432**

*) measured at fair value through profit or loss

(PLN k)

24. Fair values of assets and liabilities

Fair value of futures and forward contracts

In view of the operations of the subsidiary Polenergia Obrót S.A., the Group classifies futures and forward contracts to buy or sell electricity as derivatives, in line with IFRS 9 - Financial Instruments. Accordingly, such contracts are measured at fair value, with changes in fair value recognized under the profit and loss account. Gains or losses on the measurement of contracts are disclosed on a net basis under revenue. Measurement is performed with respect to the outstanding part of the contracts broken down into a current portion to be completed within 12 months from the reporting date, and a long term portion to be completed in subsequent years.

	For 12 months ended	
	31.12.2021	31.12.2020
Result of measurement of derivatives	62 979	164

Financial instrument category

	31.12.2021	31.12.2021
31.12.2021	**Level 2**	**Total**
Short term assets	1 234 674	1 234 674
Long term assets	259 938	259 938
Total	**1 494 612**	**1 494 612**

31.12.2021	Level 2	Total
Short term liabilities	1 216 122	1 216 122
Long term liabilities	207 044	207 044
Total	**1 423 166**	**1 423 166**
Net fair value	**71 446**	**71 446**

Impact on profit/loss	31.12.2021	31.12.2020
Market price increase by 1%	(6)	30
Market price decrease by 1%	6	(30)

The table above includes information on financial assets and liabilities related to the measurement of forward contracts that the Group measures at fair value and classifies at specific levels of the fair value hierarchy:

- Level 2 – assets and liabilities measurement inputs other than quoted market prices included under Level 1 that are observable for the variables from active markets,

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

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

(PLN k)

Fair values of other financial assets and liabilities

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

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

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	Category	Carrying amount		Fair Value	
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Financial asstes					
Futures and forward contracts	Level 2	1 494 612	151 082	1 494 612	151 082
Derivative instruments	Poziom 2	134 684	18 463	134 684	18 463
Financial liabilities					
Bank loans	n/a	1 434 351	1 005 404	1 434 351	1 005 404
Derivative instruments	Level 2	35	8 407	35	8 407
Futures and froward contracts	Level 2	1 423 166	142 607	1 423 166	142 607

Security

As at 31 December 2021, the Group recognized PLN 102,669k (2020: PLN 12,609k) in other comprehensive income being a component of equity, on account of the effective portion of the hedging instrument's fair value.

Hedging transactions are entered into with a view to mitigate the impact of:

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

Hedge accounting seeks to eliminate the risk of an accounting mismatch between the time when gains or losses on a hedging instrument and those on the hedged item are recognized.

As at 31 December 2021, the Group held the following hedging instruments for hedge accounting purposes.

Interest rate risk hedges

Maturity date of hedging instrument	Hedged value	Interest rate hedged	Instrument
29.09.2025	58 272	0,52%	IRS
29.06.2026	31 175	0,56%	IRS
26.02.2027	11 543	1,25%	IRS
26.02.2027	2 744	1,25%	IRS
29.03.2028	137 961	0,79%	IRS
15.12.2028	118 971	0,75%	IRS
22.12.2031	9 158	2,60%	IRS
30.06.2034	13 168	0,89%	IRS
11.06.2035	150 048	1,10%	IRS
10.09.2035	298 800	1,20%	IRS
31.12.2035	16 804	2,39%	IRS
11.03.2036	13 500	2,22%	IRS
Total	**772 697**		

Cash flow hedges (in EUR k)

Maturity date of hedging instrument	Hedged value	Exchange rate hedged	Instrument
2022.01	21 744 EUR	4,5764	Forward
2022.02	20 641 EUR	4,5819	Forward
2022.03	1 087 EUR	4,4600	Forward
2022.06	775 EUR	4,5734	Forward
2022.07	517 EUR	4,5752	Forward
Total	**44 764 EUR**		

25. Cash and equivalent

	31.12.2021	31.12.2020
Cash and equivalent	387 366	374 347
- cash at hand and in bank	387 366	374 347
Total cash and equivalent	**387 366**	**374 347**

For more information on restricted cash of PLN 48,648k, see Note 41 (2020: PLN 34,402k).

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

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

(PLN k)

26. Share capital and statutory reserve funds/capital reserves

Shareholders holding 5% or more of the total number of shares

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

No	Shareholder	Number of shares held	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	28 617 254	28 617 254	42,84%
2	BIF IV Europe Holdings Limited	21 317 706	21 317 706	31,91%
3	Nationale Nederlanden OFE	3 767 231	3 767 231	5,64%
4	Generali OFE	3 370 844	3 370 844	5,05%
5	Aviva OFE Aviva Santander	5 531 015	5 531 015	8,28%
6	Pozostali	4 198 196	4 198 196	6,28%
	Total	**66 802 246**	**66 802 246**	**100,00%**

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

On March 29, 2022, the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, registered the increase in the share capital of the Company as a result of the issue of ordinary bearer series AA shares (described in more detail in Note 53).

Undistributed profit and limitations on dividend distributions

Under the Polish Commercial Companies Code, the parent is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the standalone financial statements of the parent should be contributed to the statutory reserve fund, until the fund reaches at least one-third of the parent's share capital. While it is the General Meeting that resolves how to spend such statutory reserve funds and capital reserves, part of statutory reserve funds equal to one-third of the share capital i.e. PLN 30.296, may only be spent to cover the loss disclosed in the standalone financial statements and may not be distributed for any other purpose.

Non-controlling interest

	31.12.2021	31.12.2020
As at the beginning of period	**900**	**928**
- sale of the company	(900)	-
- share in subsidiaries profi/loss	-	(28)
As at the end of period	**-**	**900**

Dividends distributed and proposed

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

(PLN k)

27. Income tax

In the 12-month period ended on 31 December 2021 the increased current tax burden results mainly from the recognition of the revenues from additional payments related to the sale of shares in MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o, described in more detail in Note 10.

	For 12 months ended 31.12.2021	31.12.2020
Current income tax	75 545	16 368
Current income tax charge	75 302	16 285
Adjustments to prior years current income tax	243	83
Deffered income tax	9 980	1 478
Related to temporary differences and their reversal	9 980	1 478
Income tax charged to the profit and loss account	85 525	17 846

	Balance sheet	Profit and loss account	Capital	Balance sheet
Deferred income tax	**01.01.2021**			**31.12.2021**
Deferred income tax provision				
Tangible fixed assets	94 695	810	-	95 505
Intangible assets	115	(107)	-	8
Receivables	4 058	(2 867)	25 523	26 714
Cash	-	43	-	43
Loans and borrowings	288	1 080	-	1 368
Lease receivables	395	(395)	-	-
Liabilities	(2 777)	(1 070)	-	(3 847)
Other	1 609	5 450	-	7 059
Inventories	5 129	6 200	-	11 329
Deferred income tax provision before tax	**103 512**	**9 144**	**25 523**	**138 179**
Compensation				**(32 759)**
Deferred income tax provision				**105 420**
Deferred income tax assets				
Tangible fixed assets	1 133	(85)	-	1 048
Inventories	(44)	44	-	-
Receivables	428	266	-	694
Borrowings	1 455	111	-	1 566
Liabilities	13 949	3 259	(896)	16 312
Provisions	4 663	3 382	-	8 045
Retained assets	7 392	(7 127)	-	265
Prepayments	8 953	(686)	-	8 267
Deferred income tax asset	**37 929**	**(836)**	**(896)**	**36 197**
Compensation				**(32 759)**
Deferred income tax assets				**3 438**
Deferred income tax expense		**9 980**		
Net deferred tax (assets)/provision	**65 583**		**26 419**	**101 982**

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

(PLN k)

EFFECTIVE TAX RATE

	For 12 months ended	
	31.12.2021	31.12.2020
Income tax charged to the profit and loss account, including	**85 525**	**17 846**
Current tax	75 545	16 368
Deferred tax	9 980	1 478
Profit (Loss) before tax	**420 052**	**126 332**
Tax on gross profit at effective tax rate of 19%	79 810	24 003
Adjustments to prior years current income tax	(358)	84
Adjustments to prior years differed income tax	164	647
Current tax of limited partnerships	304	
Differed tax of limited partnerships	381	
Non-deductible costs:	**5 843**	**(6 776)**
- permanent differences	1 042	2 601
- temporary difference on which no tax asset/provision is established	4 801	(9 377)
Non-taxable income:	**(619)**	**(112)**
- other	(619)	(112)
Income tax in the profit and loss account	**85 525**	**17 846**

28. Provisions

	31.12.2021	31.12.2020
Long term provisions		
- pension plan and related provision	2 241	2 281
- litigation provision	21 139	21 139
Total long term provisions	**23 380**	**23 420**
Short term provisions		
- pension plan and related provision	12	12
- accrued holiday leave provision	3 635	3 052
Total short term provisions	**3 647**	**3 064**

Change in long term and short term provisions

	31.12.2021	31.12.2020
Provisions at beginning of the period	**26 484**	**24 500**
- recognition of provisions	837	2 618
- reversal of provisions	(294)	(634)
Provisions at end of the period	**27 027**	**26 484**

The long-term provision for litigation originates from the prudent approach to the case vs. Eolos Poland Sp. z o.o. described in more detail in in Note 33.

(PLN k)

29. Bank loans and other borrowing liabilities

31.12.2021

Bank	Company	Long term liability	Short term liability	Ineterst rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	-	-	WIBOR 1W / 1M + margin	31.07.2022	Registered pledge over bank accounts, assignment of claims over project documents, statement of voluntary submission to enforcement
Deutsche Bank Polska S.A.	Polenergia Obrót S.A.	-	9 537	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
PEKAO SA	Polenergia Obrót S.A.	-	27 555	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	73 317	3 644	WIBOR 3M + margin	20.11.2029	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	0	1 718	WIBOR 1M + margin	30.11.2022	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	65 419	3 051	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of colantary submussion to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	38 131	2 548	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of colantary submussion to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 1 Sp. z o.o.	77 282	6 542	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	138 149	11 785	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 6 Sp. z o.o.	41 617	3 521	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	112 581	15 678	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	13 043	818	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	15 564	409	WIBOR 3M + margin	30.06.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	0	3 622	WIBOR 1M + margin	31.12.2022	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee

(PLN k)

Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI, EBOiR)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	155 371	6 403	WIBOR 3M + margin	10.09.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	0	0	WIBOR 1M + margin	30.06.2022	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
mBank S.A.	DIPOL Sp. z o.o.	7 806	3 564	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
mBank S.A.	Polenergia Farma Wiatrowa 23 Sp. z o.o.	1 636	1 164	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Europejski Bank Odbudowy i Rozwoju, Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	220 263	3 336	WIBOR 3M + margin	10.06.2037	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	-	50 733	WIBOR 1M + margin	31.03.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	49 300	-	WIBOR 3M + margin	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	6 696	WIBOR 1M + margin	30.06.2023	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	10 950	315	WIBOR 3M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	-	1 596	WIBOR 1M + margin	31.01.2023	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergfia Farma Fotowoltaiczna 9 Sp. z o.o.	-	-	WIBOR 1M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
Deutsche Bank Polska S.A.	Polenergia S.A.	-	249 687	WIBOR 1M + margin	27.05.2022	Statement of voluntary submission to enforcement and power of attorney over bank accounts
Konsorcjum bankowe (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	-	-	WIBOR 3M + margin	11.12.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	-	-	WIBOR 1M + margin	30.07.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	-	-	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	-	-	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	-	-	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	-	-	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Total		**1 020 429**	**413 922**			

(PLN k)

31.12.2020

Bank	Company	Long term liability	Short term liability	Ineterst rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	-	-	WIBOR 1W / 1M + margin	31.07.2020	Registered pledge over bank accounts, registered pledge over assets, pledge over Borrower's shares, assignment of claims over project documents, statement of voluntary submission to enforcement
PEKAO SA	Polenergia Obrót S.A.	-	-	WIBOR 1M + margin	30.09.2020	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	54 856	2 955	WIBOR 3M + margin	19.11.2027	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	77 264	2 535	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of colantary submussion to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	45 973	1 817	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of colantary submussion to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 1 Sp. z o.o.	94 780	6 404	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	169 524	11 546	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 6 Sp. z o.o.	51 044	3 449	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	128 377	15 282	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	13 861	805	WIBOR 3M + margin	30.06.2035	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	-	-	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	-	-	WIBOR 1M + margin	30.12.2021	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee

(PLN k)

ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	-	-	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	-	-	WIBOR 1M + margin	30.12.2021	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI, EBOiR)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	130 535	1 465	WIBOR 3M + margin	10.06.2037	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	0	18 875	WIBOR 1M + margin	30.06.2022	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
mBank S.A.	DIPOL Sp. z o.o.	12 588	5 104	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
mBank S.A.	Polenergia Farma Wiatrowa 23 Sp. z o.o.	3 281	1 131	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Europejski Bank Odbudowy i Rozwoju, Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	10 000	-	WIBOR 3M + margin	10.06.2037	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	-	-	WIBOR 1M + margin	31.03.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	-	WIBOR 3M + margin	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	-	WIBOR 1M + margin	30.06.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
Mansa Investments Sp. z o.o.	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	51 865	-	fixed interest rate	31.12.2039	Surety agreement Polenergia S.A., submissions to execution borrower and surety
Mansa Investments Sp. z o.o.	Polenergia Farma Wiatrowa 3 Sp. z o.o.	90 088	-	fixed interest rate	31.12.2039	Surety agreement Polenergia S.A., submissions to execution borrower and surety
Mansa Investments Sp. z o.o.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	-	fixed interest rate	31.12.2039	Surety agreement Polenergia S.A., submissions to execution borrower and surety
Total		**934 036**	**71 368**			

(PLN k)

30. Trade payables and other payables

	31.12.2021	31.12.2020
- bank loans and borrowings	413 922	71 368
- trade payables	230 946	99 969
- from related entities	15 326	553
- from other entities	215 620	99 416
- income tax payable	14 475	1 079
- lease liabilities	11 734	11 240
- futures and forward contracts measurement	1 216 122	132 721
- other liabilities	211 512	69 169
- budget payments receivable	18 146	13 880
- prepayments for deliveries	155 576	36 542
- payroll payable	1 192	929
- special funds	35	34
- z tytułu zabezpieczenia ryzyka	35	7 190
- LTC settelment	-	1 604
- other	36 528	8 990
Total short term liabilities	**2 098 711**	**385 546**

ZOBOWIĄZANIA KRÓTKOTERMINOWE

	31.12.2021	31.12.2020
- bank loans and borrowings	413 922	71 368
- trade payables	230 946	99 969
- from related entities	15 326	553
- from other entities	215 620	99 416
- income tax payable	14 475	1 079
- lease liabilities	11 734	11 240
- futures and forward contracts measurement	1 216 122	132 721
- other liabilities	211 512	69 169
- budget payments receivable	18 146	13 880
- prepayments for deliveries	155 576	36 542
- payroll payable	1 192	929
- special funds	35	34
- z tytułu zabezpieczenia ryzyka	35	7 190
- LTC settelment	-	1 604
- other	36 528	8 990
Total short term liabilities	**2 098 711**	**385 546**

The item "Other" includes the liability from the initial stock exchange margin and variation margin related to forward transactions.

POZOSTAŁE ZOBOWIĄZANIA DŁUGOTERMINOWE

	31.12.2021	31.12.2020
- risk hedging	-	1 217
- investment liabilities	1 500	1 500
Total other long term liabilities	**1 500**	**2 717**

Financial liabilities (IFRS 9) include trade payables and investment payables. Other liabilities include payables outside IFRS 9.

(PLN k)

31. Accruals

	31.12.2021	31.12.2020
Long term accruals and deferred income		
- deferred income - grants	43 704	46 897
Total long term accruals and deferred income	**43 704**	**46 897**

Short term accruals and deferred income

	31.12.2021	31.12.2020
- future bonuses, salaries and wages	14 217	11 726
- third party services	4 634	3 884
- accrued holiday	75	-
- deferred income - grants	3 191	3 192
- settlement of the substitution fee	13 944	2 750
- liabilities	228	-
- capex for non-current fixed assets	913	284
- other	1 496	445
Total short term accruals and deferred income	**38 698**	**22 281**

32. Contingent liabilities

Guarantees and sureties granted

As at 31 December 2021 the Group issued no third party guarantees.

Contractual obligations under material contracts

Contracts for the implementation of the Kostomłoty wind farm project.

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

Agreement to connect the MFW project to the operator's network

On 29 January 2021, the company MFW Bałtyk I S.A. („MFW Bałtyk I"), controlled by MFW Bałtyk I sp. z o.o., in which the Company holds 50 of shares, developing the offshore wind farm project MFW Bałtyk I (Bałtyk Północny) („MFW Project"), entered into an agreement with the company Polskie Sieci Elektroenergetyczne S.A. („Operator") for the connection of the MFW Project to the Operator's grid. According to the Agreement, the total maximum power output of the MFW Project has been determined at 1,560 MW. The Agreement identifies, without limitation, the investments the Company and Operator are bound to make in order to ensure connection and power take-off for MFW Project, as well as other terms and conditions of connection, including those relating to the procurement of land by the Operator for the network investments.

The Agreement includes standard provisions applied by the Operator for this type of contracts, in particular: (i) it does not provide any guarantee of the power take-off until the Operator expands its grid; (ii) the Company will have to pay the connection fee equal to the actual connection expenses borne by the Operator; (iii) the Agreement provides for the terms of settling the fee and verifying the its amount; (iv) the Agreement identifies the termination events which involve, in principle a breach by the Company of material obligations thereunder or abandonment of the MFW Project implementation.; (v) any delay of the connection is subject to liquidated damages due to both parties, respectively.

Since no benefits have been provided since the execution of the agreement, as at the Prospectus Day, the Group recognizes the amount of more than PLN 16 million paid for the connection fee as the contract value

Multi-purpose facility agreements dated 10 November 2021 between Polenergia Obrót S.A. and Deutsche Bank Polska S.A.

On 10 November 2021, Polenergia Obrót S.A. entered into a multi-purpose facility agreement with Deutsche Bank Polska S.A. for a multi-purpose credit limit up to PLN 100 million, under an overdraft facility and the guarantee limit were made available. The facility agreement was entered into for a specific term of 12 months, subject to extension for further terms. In connection with the facility, the Company issued a surety up to PLN 30 million.

Facility agreement dated 1 December 2021 between Polenergia S.A. a Deutsche Bank Polska S.A.

On 1 December 2021, the Company entered into a loan agreement with Deutsche Bank Polska S.A. up to PLN 250,000,000. The short-term loan will be applied by Polenergia S.A. to: (i) further development of offshore wind projects MFW Bałtyk II, MFW Bałtyk III and MFW Bałtyk I; (ii) participation in the financing of onshore wind farms (FW Szymankowo, FW Dębsk and FW Kostomłoty) by means of repayment of Mansa loans up to a total amount of PLN 233 million; (iii) further development and construction of onshore wind farm projects (FW Grabowo and FW Piekło); (iv) further development and construction of photovoltaic farm projects (Sulechów III); and (v) acquisitions of RES assets.

The facility agreement provides for monthly interest periods and floating interest rates of 1M WIBOR plus margin.

The repayment of the loan is not secured. In connection with the loan agreement, the Company made a commitment to make a declaration about submission to enforcement vis a vis Deutsche Bank Polska S.A. under Article 777 §1 item 5 of the Civil Procedure Code up to PLN 375,000,000 The company is obligated to repay the short-term loan in full by 27 May 2022.

Loan agreement dated 22 December 2021 between Polenergia Farma Wiatrowa Grabowo sp. z o.o. and mBank S.A., Pekao S.A. and PKO Bank Polski S.A.

On 22 December 2021, Polenergia Farma Wiatrowa Grabowo Sp. z o.o. as the borrower, and mBank S.A., Pekao S.A. and PKO Bank Polski S.A., as lenders, entered into a facilities agreement. Under such facilities agreement the lenders shall grant to Farma Wiatrowa Grabowo an investment loan up to the total of PLN 180,000k for the financing of construction of the Grabowo wind farm, and the VAT loan up to PLN 36,000,000 during the construction period. Under the facilities agreement, Farma Wiatrowa Grabowo and the Company as a sponsor are obligated to provide a standard security package applied in project finance transactions.

The facilities agreement provides for repayment of the investment loan no later than by 11 December 2038 and of the VAT loan no later than by 30 July 2024. The interest rate is equal to the WIBOR rate plus the bank margin.

Facility agreement of 22 December 2021 between Polenergia Farma Wiatrowa 16 sp. z o.o.,Polenergia Farma Wiatrowa Piekło sp. z o.o. and mBank S.A.

On 22 December 2021, the Issuer's subsidiaries – Polenergia Farma Wiatrowa 16 sp. z o.o. and Polenergia Farma Wiatrowa Piekło sp. z o.o. as a borrowers, and mBank S.A. – as a lender, entered into a facilities agreement Under such facilities agreement the Lender shall grant to the borrowers an investment loan up to the total of PLN 77,000k for the financing of construction of the Piekło wind farm and the VAT loan up to PLN 11,000k during the construction period. In connection with the facilities agreement, the borrowers and the Companies, as a sponsor, are obligated to provide a standard security package applied in project finance transactions.

The facilities agreement provides for repayment of the investment loan no later than by 11 September 2038 and of the VAT loan no later than by 30 April 2024. The interest rate is equal to the WIBOR rate plus the bank margin.

Contracts for the implementation of the Grabowo wind farm project.

On 23 December 2021, Polenergia Farma Wiatrowa Grabowo sp. z o.o. ("Grabowo Wind Farm") entered into an agreement with Vestas Polska sp. z o.o for the supply, assembly and bringing into operation of 20 V110 wind turbines of 2.2MW each. Performance of said agreement is scheduled until 30 September 2023.

On 23 December 2021, Polenergia Farma Wiatrowa Grabowo sp. z o.o. entered into a 30-year Servicing Agreement with Vestas Polska sp. z o.o. Such agreement covers the provision of services as part of the scheduled, preventive and corrective maintenance of the Grabowo Wind Farm. The estimated contract value including the envisaged indexation) is ca. PLN 119m.

Contracts for the implementation of the Piekło wind farm project.

On 23 December 2021, Polenergia Farma Wiatrowa Piekło sp. z o.o. and Polenergia Farma Wiatrowa 16 sp. z o.o. entered into an agreement with Vestas Polska sp. z o.o. for the supply, assembly and bringing into operation of 6 V110 wind turbines of 2.2MW each. Performance of said agreement is scheduled until 30 September 2023.

On 23 December 2021, Polenergia Farma Wiatrowa Piekło sp. z o.o. and Polenergia Farma Wiatrowa 16 sp. z o.o. entered into a 30-year Servicing Agreement with Vestas Polska sp. z o.o. Such agreement covers the provision of services as part of the scheduled, preventive and corrective maintenance of FW Piekło. The estimated contract value including the envisaged indexation is ca. PLN 119m.

33. Litigation

The litigation against Polska Energia – Polska Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A.".

In 2015 Polska Energia – Polska Kompania Handlowa spółka z ograniczoną odpowiedzialnością („PKH") filed o notice of termination of the Contract for the Sale of Property Rights under the Certificates of Origin Confirming that Energy has been Generated in a Renewable Source - a Wind Farm in Łukaszów, dated 23 December 2009 ("Contract for the Sale of Proprietary Interest") and the Contract for the Sale of Electricity Generated in a Renewable Source - a Wind Farm in Łukaszów dated 23 December 2009 ("Electricity Sale Contract") entered into with Amon Sp. z o.o. with registered office in Łebcz.

In 2015 Amon Sp. z o.o. filed an action with the District Court in Gdańsk requesting that the statements of termination by PKH of the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract be deemed ineffective. Subsequently, Amon Sp. z o.o. modified their action in that they raised a new claim, in addition to the original claim for determination, by demanding compensation for non-performance or improper performance of the the abovementioned Contracts and further expanded such claim to include consecutive periods of non-performance of said Contracts by PKH.

The District Court in Gdańsk, with a partial and preliminary ruling of 25 July 2019 allowed the claim of Amon Sp. z o.o. in that part which referred to ruling ineffective the notices of termination made by PKH with respect to the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract that had been entered into with Amon.

The Court also determined that in principle the claims for damages raised by Amon against PKH on account of non-performance by PKH of the Contract for the Sale of Proprietary Interest were justified.

PKH lodged an appeal against the ruling of 25 July 2019 which is pending before the Court of Appeal in Gdańsk. Amon Sp. z o.o. is awaiting the decision of the Court of Appeal.

In 2015 Polska Energia – Polska Kompania Handlowa spółka z ograniczoną odpowiedzialnością („PKH") filed a notice of termination of the Contract for the Sale of Property Rights under the Certificates of Origin Confirming that Energy has been Generated in a Renewable Source - a Wind Farm in Modlikowice, dated 23 December 2009 ("Contract for the Sale of Proprietary Interest") and the Contract for the Sale of Electricity Generated in a Renewable Source - a Wind Farm in Modlikowice dated 23 December 2009 ("Electricity Sale Contract") entered into with Talia Sp. z o.o. with registered office in Łebcz.

In 2015 Talia Sp. z o.o. filed an action with the District Court in Gdańsk requesting that the statements of termination by PKH of the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract be deemed ineffective. Subsequently, Talia Sp. z o.o. modified their action in that they raised a new claim, in addition to the original claim for determination, by demanding compensation for non-performance or improper performance of the the abovementioned Contracts and further expanded such claim to include consecutive periods of non-performance of said Contracts by PKH.

On 20 December 2021, the Court of Appeal in Gdańsk issued a judgment in the case instituted by Talia Sp. z o.o. versus PKH, in which it fully dismissed the two appeals brought by PKH, i.e. both (i) the appeal against the judgment of the District Court in Gdańsk dated 6 March 2020, file ref. No. IX GC 451/15, and the appeal against the judgment of the District Court in Gdańsk dated 8 September 2020, file ref. No. IX GC 451/15. The judgment is final and binding.

The first of the abovementioned judgments (judgment of 6 March 2020) is a partial and preliminary judgment, by which the District Court in Gdańsk (i) rendered ineffective the statements of termination made on 18 March 2015 by PKH of the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract entered into by and between Talia Sp. z o.o. and PKH, as a result of which, following the expiration of the termination period, i.e. following 30 April 2015, the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract have remained in effect with respect to all the provisions thereof and have been binding upon the parties, and (ii) allowed the claims of Talia Sp. z o.o. in respect of compensation for failure by PKH to perform the Contract for the Sale of Proprietary Interest as justified in principle.

The second judgment (judgment of 8 September 2020) is a supplementary judgment in which the District Court in Gdańsk found the claims by Talia in respect of the compensation for failure by PKH to perform the Electricity Sale Contract justified in principle

By dismissing the abovementioned appeals the Court of Appeal in Gdańsk overrode the arguments of PKH used in the appeal and concurred with the stance of Talia Sp. z o.o. in their replies to appeals. The judgment is final and binding. PKH is entitled to file a cassation appeal against the judgment of the Court of Appeal in Gdańsk fated 20 December 2021 to the Supreme Court.

On 29 December 2021 Talia sp. z o.o. with registered office in Łebcz filed with a fourth modification of its action against PKH to the District Court in Gdańsk in view of the breaking of long-term contracts for the sale of energy and proprietary interest entered into by PKH with Talia. Under the abovementioned modification of action, in addition to the amounts already claimed before, Talia demands payment of PLN 14,251,738.20.

On 29 December 2021, Amon Sp. z o.o. with registered office in Łebcz filed a modification of its action to the District Court in Gdańsk in view of the breaking of long-term contracts for the sale of energy and proprietary interest entered into by and between PKH and Amon Sp. z o.o. Under the abovementioned modification of action, in addition to the amounts already claimed before, Amon Sp. z o.o. demands payment of PLN 20,087,593.10.

Towards the end of April 2018, the companies Amon Sp. o.o. and Talia Sp. z o.o. filed a claim against Tauron Polska Energia S.A. ("Tauron") in view of the breaking of long-term contracts for the sale of energy and proprietary interest entered into by a subsidiary of Tauron, Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. In the opinion of Amon Sp. z o.o. and Talia Sp. z o.o., Tauron, as the sole shareholder to PKH and as an entity that took actions aimed at the expiration of the long term contracts and to make groundless statements of termination of such contracts and cessation of purchase by PKH of energy and proprietary interest under such contracts and as the entity that ordered certain actions with PKH and liquidators thereof and intentionally took advantage of the damage done to Amon Sp. z o.o. and Talia Sp. z o.o, is responsible for the damage Amon Sp. z o.o. and Talia Sp. z o.o have been suffering as a result of the breaking of such long term contracts. Thus, Amon Sp. z o.o. and Talia Sp. z o.o believe their claims are justified and deserve to be adjudicated as per the action filed by the Companies.

On 29 December 2020, the Amon Sp. z o.o. and Talia Sp. z o.o. filed with the District Court in Katowice a modification of claim against Tauron Polska Energia S.A covering indemnity claims following 31 December 2017. Under the abovementioned modification the pursued claims for compensation increased and amount to, for Amon: PLN 78,204k (increase by PLN 30,648k) and for Talia: PLN 53,127k (increase by PLN 21,828k). The amounts referred to above do not include any interest claimed by the Company. The disputed amount, including the estimates regarding determination of Tauron's liability for future damages as at the day of filing the claim is, for Amon, more than PLN 236m, and for Talia, more than PLN 160m.

The case instituted by EOLOS Polska sp. z o.o.

The action for payment filed by EOLOS Polska sp. z o.o. with registered office in Warsaw (“the claimant”) against Certyfikaty Sp. z o.o. with registered office in Warsaw , Polenergia Obrót S.A., Green Stone Solutions sp. z o.o. (Polenergia Usługi sp. z o.o.) is pending before the District Court in Warsaw.

The Claimant bases their claims on the contracts with Certyfikaty sp. z o.o., Polenergia Obrót S.A. and Green Stone Solutions sp. z o.o. for the sale of proprietary rights under the certificates of origin of electrical energy produced in renewable energy sources. The dispute between the parties concerns the occurrence of the facts which the contracts in question rely upon in terms of a legal effect of their expiration.

Originally, the Claimant’s claim amounted to PLN 20,223 k, plus statutory default interest for late payment as liquidated damages, and was subsequently extended in that the Claimant demands additional liquidated damages to be paid jointly and severally by the respondents in the amount of PLN 7,672k.

The parties were heard at the hearing which was held online on 24 March 2021. The Court decided to continue the evidentiary hearing procedure, including the appointment of a court expert in the case. The date of the next hearing will be scheduled ex officio.

The case concerning the cassation complaint by Polenergia Dystrybucja Sp. z o.o.

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

The case concerning the settlement and the demand for payment involving Polenergia Elektrownia Północ Sp. z o.o.

On 23 July 2021, the District Court in Gdańsk approved a settlement concluded between the parties before the mediator whereby Polenergia Elektrownia Północ waived and withdrew its claim for payment of PLN 500 k as liquidated damages, and the opposing party waived another claim and withdrew the cassation claim. The settlement made by Polenergia Elektrownia Północ Sp. z o.o. puts an end to all mutual claims of the parties by way of such settlement the parties waived any future claims they may have against each other.

On 4 March 2021 Polenergia Elektrownia Północ Sp. z o.o received a payment demand for PLN 1.5m with interest until 2 August 2019. This issue refers to additional payment for the purchase of real estate by Polenergia Elektrownia Północ Sp. z o.o in 2011. The position of the Management Board of Polenergia Elektrownia Północ Sp. z o.o remains that the demand is groundless and ineffective, because in January 2021 Polenergia Elektrownia Północ Sp. z o.o exercised the right to reduce the price, by way of delivering a statement of effecting a price reduction by PLN 1.5m to the sellers of the real estate in question.

(PLN k)

The claim for compensation involving Polenergia Farma Wiatrowa 1 Sp. z o.o.

On 13 July 2021, the District Court in Wąbrzeźno served a claim to the Company for compensation for non-contractual use of the property from 13 March 2020 to 31 December 2021, amounting to PLN 52.5k. The access road to one of the wind turbines is now located on the real property the Claimants hold the title to, following the court's decision on the delimitation of the real property. Formerly, the property was owned by another Lessor. The respondent company suggested to negotiate, as it believes the claimants' financial demands are excessive. No negotiations have been undertaken. The company prepared a statement of defense in which it took its position. A closed hearing was held on March 25, 2022, at which the Court persuaded the parties to reach a settlement. If the exchange of correspondence between the parties does not result in a settlement, the Court will refer the case to a hearing.

34. Capital expenditure

As at 31 December 2021, the Group's intention is that the aggregate capital expenditure on fixed assets in 2022 should total ca. PLN 663 million. Such amounts shall mainly be allocated to projects development in the area of onshore and offshore wind power generation, photovoltaics and the investment program implementation in the distribution segment.

35. Sales revenues

	For 12 months ended	
	31.12.2021	31.12.2020
- revenue from sale and distribution of electricity	2 167 717	1 569 177
- revenue from certificates of orgin	402 533	113 573
- revenue from sale of heat	34 240	21 452
- revenue from consulting and advisory services	6 585	5 538
- revenue from lease and operator services	4 864	4 235
- revenue from sale and distribution of gas	447 094	66 010
- revenue from sale of merchandise	31	2 535
- revenue from lease	364	283
- revenue from the capacity market and blackstart services	27 640	-
- other	5 248	2 677
Total revenue from clients	**3 096 316**	**1 785 480**
- revenues from the valuation of futures contracts	62 979	164
- revenues from the stranded costs and cost of gas	34 625	13 827
- revenues from CO2 emission allowances	805 133	11 875
Total other revenue	**902 737**	**25 866**
Total sales revenue	**3 999 053**	**1 811 346**

Under the items "revenue from sales and distribution of energy", "net revenue from sales and distribution of gas" and "revenue from carbon dioxide emission allowances", revenue is recognized that results from the sales invoices issued under the forward contracts that were measured at fair value, in the amount of PLN 2,427,178 k. Respectively, the costs resulting from the invoices related to the purchase of energy under forward contracts are disclosed under the item "value of goods and material sold".
Under the items "revenue from sales and distribution of energy", "net revenue from sales and distribution of gas" and "revenue from carbon dioxide emission allowances", measurement is recognized of the forward contracts hedging the production and sales of electricity by Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (ENS) when the Management Board decides to reverse these transactions as part of the process of optimizing the operation of ENS, including the reduction of the planned production and realization of the margin on closing the position on the forward market. Such a decision is considered in relation to the level of margin resulting from the evolution of electricity, gas and CO_2 price levels associated with the production of electricity in ENS (Clean Spark Spread), as well as depending on the

(PLN k)

liquidity of the relevant products in the forward market to secure the purchase or sale of electricity, gas and CO_2 emission allowances.

36. Cost according to type

	For 12 months ended	
	31.12.2021	31.12.2020
- depreciation	93 272	96 344
- materials and power consumption	130 601	155 058
- third party services	83 151	41 090
- taxes, duties and fees	19 043	21 099
- salaries	44 931	41 713
- social security and other benefits	6 729	5 346
- other cost by type	1 994	1 816
Total cost by type	**379 721**	**362 466**
- marchandise and materials sold (+)	3 352 641	1 292 529
- selling certificates of orgin	91 816	92 477
- income from granted certificates of orgin	(89 410)	(94 652)
- selling expenses (-)	(538)	(543)
- general overheads (-)	(77 275)	(48 425)
Total cost of goods sold	**3 656 955**	**1 603 852**

37. Other operating revenues

	For 12 months ended	
	31.12.2021	31.12.2020
- reversal of impairment losses, including:	322	5 880
- expected credit loss	322	70
- non-current fixed assets impairment losses	-	5 810
- reversal of provisions, including:	-	495
- litigation provision	-	295
- site reclamation	-	200
- other, including:	4 224	5 497
- compensation and additional payments	34	1 020
- grant settelment	3 210	3 235
- gains on disposal of non financial fixed assets	53	80
- other	927	1 162
Total other operating revenues	**4 546**	**11 872**

(PLN k)

38. Other operating revenues

	For 12 months ended	
	31.12.2021	31.12.2020
- asset impairment losses, including:	33 471	1 304
- expected credit loss	13 354	571
- non-current fixed assets	20 117	733
- other, including:	1 452	3 604
- penalties, fines compensation payable	196	1
- other development-related cost	659	3 315
- other	597	288
Total other operating costs	**34 923**	**4 908**

39. Financial income

	For 12 months ended	
	31.12.2021	31.12.2020
- financial income from interest on deposit and loans	256	2 384
- interest from lease	115	215
- f/x differences, including:	2 322	774
- unrealized	(3 192)	55
- realized	5 514	719
- valuation of financial liablities	7	-
- other surety - related fees	590	13
- disposal of shares in a subsidiary	225 531	-
- other	1 453	1 729
Total financial revenue	**230 274**	**5 115**

The item "Sale of shares in subsidiary" includes revenue from additional payments related to the sale of the shares in companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. (referred to in more detail in Note 10).

40. Financial expenses

	For 12 months ended	
	31.12.2021	31.12.2020
- interest expenses	34 181	36 829
- f/x differences, including:	812	2 325
- unrealized	87	95
- realized	725	2 230
- commission an other fees	4 168	2 933
- write-down of financial assets	-	144
- measurement of financial liabilities *)	1 684	1 728
- other	3 285	314
Total financial cost	**44 130**	**44 273**

*) refers to bank loans measured at amortized cost

(PLN k)

41. Cash flows

Restricted cash	For 12 months ended	
	31.12.2021	31.12.2020
- cash frozen for loan repayment	25 731	23 569
- frozen cash for deposit	-	32
- frozen cash for long-term and mid-term refurbishment	-	6 674
- frozen cash - split payment	22 856	4 127
- frozen cash - social benefit fund	61	-
Total	**48 648**	**34 402**

42. Reconciliation of changes in liabilities due to financing operations

31.12.2021	Bank Loans	Loans	Lease	Total
As at the beginning of the period	**863 451**	**141 953**	**109 055**	**1 114 459**
Inflows from debt incurred	711 907	93 601	114 037	919 545
financing received	711 907	93 601	114 037	919 545
Interest accruing	28 681	-	5 925	34 606
Debt payments	(166 108)	(235 554)	(10 862)	(412 524)
prncipal repayments	(137 955)	(235 554)	(6 630)	(380 139)
interest paid	(28 153)	-	(4 232)	(32 385)
Valuation	(3 332)	-	1 377	(1 955)
Other	(248)	-	(242)	(490)
As at the end of the period	**1 434 351**	**-**	**219 290**	**1 653 641**

31.12.2020	Bank Loans	Loans	Lease	Total
Stan na początek okresu	**782 415**	**-**	**105 827**	**888 242**
Wpływy z tytułu zaciągniętego zadłużenia	208 375	139 400	5 049	352 824
				-
otrzymane finansowanie	208 375	139 400	5 049	352 824
koszty transakcyjne	-	-	-	-
Naliczenie odsetek	33 528	2 553	5 239	41 320
Płatności z tytułu zadłużenia	(159 457)	-	(11 502)	(170 959)
spłaty kapitału	(125 993)	-	(7 999)	(133 992)
odsetki zapłacone	(33 464)	-	(3 503)	(36 967)
prowizje zapłacone	-	-	-	-
Różnice kursowe od zadłużenia w walutach obcych	181	-	8	189
Wycena	2 054	-	4 420	6 474
Pozostałe	(3 645)	-	14	(3 631)
Stan na koniec okresu	**863 451**	**141 953**	**109 055**	**1 114 459**

43. Objectives and policies of financial risk management

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

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

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

Interest rate risk

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

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

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

31.12.2021	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
WIBOR 3M	1%	(4 148)
WIBOR 3M	-1%	4 148

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

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

31.12.2021

INTEREST RATE RISK							
Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	413 922	76 131	87 793	95 038	162 105	599 362	1 434 351
Lease	11 734	6 344	8 880	9 111	8 816	174 405	219 290
Pożyczki otrzymane	-	-	-	-	-	-	-
Fixed interest rate	*<1rok*	*1–2 lat*	*2-3 lat*	*3-4 lat*	*4-5 lat*	*>5 lat*	*Ogółem*
Cash assets	387 366	-	-	-	-	-	387 366

31.12.2020

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

(PLN k)

Foreign exchange risk

The Group's currency risk boils down to the risk of fluctuations of the Euro exchange rate with respect to its short currency position under: bank deposits, trade payables; this foreign exchange risk has not been identified as significant. In contrast, for investment liabilities, large exchange rate volatility may generate a risk with a potentially significant impact on the final level of investment expenditure for new projects.

Credit risk

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

Cash at bank is held with creditworthy banking institutions.

Risk related to breach of covenants

As the Group's investment projects rely to a large extent on external financing, there are significant debt liabilities at the Group level, referred to in more detail in Note 29. The existing loan agreements provide for a number of financial covenants which have to be met by the respective projects.

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

Liquidity risk

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

The Group aims at balancing the continuity and flexibility of financing by using diverse funding sources, including overdrafts, bank loans and lease contracts.

The table below shows the Group's financial liabilities by maturity as at 31 December 2021 and 31 December 2020, based on maturity in terms of undiscounted contractual payments.

31.12.2021	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	44 408	412 680	542 149	616 101	**1 615 338**
Other liabilities	1 427 228	406	208 544	-	**1 636 178**
Liabilities for deliveries and sevices	230 946	-	-	-	**230 946**
Lease liabilities	8 991	3 577	58 924	283 394	**354 886**

31.12.2020	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	24 270	62 655	389 411	935 452	**1 411 788**
Other liabilities	200 844	1 131	11 386	1 132	**214 493**
Liabilities for deliveries and sevices	99 969	-	-	-	**99 969**
Lease liabilities	8 934	2 677	41 781	116 402	**169 794**

(PLN k)

44. Capital management

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

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Group may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the year ended on 31 December 2021 or in the financial year ended on 31 December 2020, no changes were made in the objectives, policies and processes in this area.

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

	31 December 2021	31 December 2020
Interest under borrowings	1,434,351	1005404
Less cash and cash equivalents	(387,366)	(374,347)
Net debt	**1,046,985**	**631057**
Share capital	1,857,092	1418368
Total capital	**1,857,092**	**1418368**
Capital and net debt	**2,904,077**	**2049425**
Leverage ratios	36%	31%

(PLN k)

45. Information on significant transactions with associates

Major transactions with jointly controlled parties in the period ended 31 December 2021 include:

31 December 2021	Revenues	Receivables
MFW Bałtyk I S.A.	1,409	1581
MFW Bałtyk II Sp. z o.o.	2,650	2902
MFW Bałtyk III Sp. z o.o.	2,713	2942
Total	**6,772**	**7425**

Major transactions with associates in the period ended on 31 December 2021 include:

31.12.2021	Revenues	Receivables
Mansa Investments Sp. z o.o.	187	27
Green Stone Solutions Sp. z o.o.	102	12
Total	**289**	**39**

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

31.12.2021	Revenues	Costs	Receivables	Libilities
Krucza Inwestycje KREH 1 Sp. z o.o. S.K.	422	3 226	-	4
Autostrada Eksploatacja S.A.	1 767	-	186	-
Beyond.pl Sp. z o.o.	1 759	1 674	591	61
Ciech Sarzyna S.A.	8 440	640	2 629	-
Ciech Pianki Sp. z o.o.	365	7	83	-
Ciech Vitrosilicon S.A.	5 613	-	1 184	-
Ciech Soda Polska S.A.	57 255	-	12 700	-
Ciech Żywice Sp. z o.o.	3 309	105	-	-
Total	**78 930**	**5 652**	**17 373**	**65**

For information on transactions with members of the parent's Management Board and Supervisory Board, see Notes 48 and 49.

(PLN k)

46. Compensation for stranded costs and cost of gas

Compensation for stranded costs

Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. , a subsidiary, calculates stranded costs for the period April 2008 – May 2020 (“adjustment period”) using formulas specified in Art. 30 and Art. 31 of the LTC Termination Act. The estimate is based on the following items:

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

The maximum amount of stranded costs calculated as described above is subsequently allocated to individual years (including to 2020 pro rata to the effective period of original LTC) according to the Company’s allocation method (based on operating profit or loss for a given year).

In view of the end of the adjustment period, in 2021 the President of the Energy Regulatory Office made a final settlement of stranded costs incurred in the Company's assets during the adjustment period. In his decision issued on 31 August 2021, the ERO President determined the amount of the final adjustment of stranded costs payable to the Company, as additional funds to those already paid, at PLN 3,758 k. As the Company did not share the interpretation of certain provisions of the Act on termination of long term contracts applied by the President of the Energy Regulatory Office in the a/m decision, the Company appealed against it to the District Court in Warsaw, - the Court of Competition and Consumer Protection. As at 31 December 2021, the Company’s appeal was not referred to the Court by the President of the Energy Regulatory Office (through which it was filed by the Company).

In 2021, the Company recognized the following revenues related to compensation for stranded costs in its profit and loss account:

	For 12 months ended 31 December 2021
booked compensation of stranded costs	4,259

In 2021, the Company received from Zarządca Rozliczeń S.A. the following payments related to compensation for stranded costs:

	For 12 months ended 31 December 2021
clearance for previous year	3,965
final correction	3,758
Total	**7,723**

Compensation for cost of gas

In 2021 the Company recognized the amount of compensation for the cost of gas under the ERO decision, calculated as the product of gross electricity generated by the Company in the period since 1 January until 1 June 2020 using gas fuel covered by the "minimum take" clause, the difference between the Company’s average cost of gas and the average cost of coal in coal-fired centrally managed generating units, and the adjustment coefficient referred to in the LTC Termination Act.

(PLN k)

	For 12 months ended 31 December 2021
booked compensation of gas costs	30,366

47. Employment

As at 31 December 2021 and as at 31 December 2020 the Group's employees divided into professional groups and recalculated into full-time jobs included:

	31.12.2021	31.12.2020
Parent company Management Board	5	5
Parent company employees	83	54
Subsidiaries employees	112	113
Total headcount	**200**	**172**

Maternity leave employees included.

In view of the assignment of all rights and obligations of a limited partner in the company Mercury Energia Spółka z ograniczoną odpowiedzialnością i Wspólnicy sp.k. onto Wałbrzyskie Zakłady Koksownicze „Victoria" S.A., there was a drop in staffing by 18 full-time jobs compared against the status prior to 31 December 2020.

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

In the period ended 31 December 2021 and in the year ended 31 December 2020, remuneration of members of the Management Board of the Parent and of the members of the Supervisory Board was as follows:

Management Board	31.12.2021	31.12.2020
Michał Michalski	2 571	2 499
Tomasz Kietlinski	1 394	775
Iwona Sierżęga	1 451	1 397
Piotr Maciołek	1 411	797
Jarosław Bogacz	1 511	832
Robert Nowak *)	-	1 432
Total	**8 338**	**7 732**

*) Mr. Robert Nowak receives relevant payments due to his resignation from his position in the Management Board on 16 December 2019.
Remuneration of the members of the Management Board included base salary on account of engagement, holding function, bonus and additional financial and non-financial benefits such us: private medical care package, coverage of costs of traffic accident insurance policy, company car, renting an apartment and commuting.
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.

(PLN k)

Supervisory Board	31.12.2021	31.12.2020
Hans E. Schweickardt	84	72
Marta Schmude	-	40
Orest Nazaruk	100	84
Brian Bode	14	72
Marjolein Helder	33	60
Adrian Dworzyński	82	60
Total	**313**	**388**

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

In the year ended 31 December 2021, there were no transactions with members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants, or other closely related persons.

50. 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 2021 and the year ended on 31 December 2020, broken down into the type of service:

Type of services	31.12.2021	31.12.2020
Audit and review of financial statements	582	582

51. Information on CO_2 emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Poland's membership in EU and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The emissions trading scheme was introduced on 1 January 2005 with Directive 2003/87/EC of the European Parliament and of the Council, transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of 22 December 2004. The current period, EU ETS 2013-2020, is governed by the Act of 12 June 2015 on the System of Trading in Allowances for Greenhouse Gases Emission.

After the sale in the third quarter of 2021 of the Company dealing with the System - EL Mercury (KPRU number: PL 0879 05), EC Nowa Sarzyna (KPRU number: PL 0472 05)is the only entity in the Group subject to the abovementioned legislation - it is a combustion plant with a nominal thermal capacity of more than 20 MW which participates in the Community emission allowance trading scheme.

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

EC Nowa Sarzyna received an allotment of free-of-charge allowances under Article "10a" for the years 2021-2025 in the respective numbers: from 10,347 (in 2021) to 9,284 (in 2025) EUA.

In 2021 EC Nowa Sarzyna emitted 109,874 tons of carbon dioxide (the report has not yet been audited by an independent reviewer, DNV).

52. Material events after the reporting date

Acquisition of 100% shares of Polenergia Fotowoltaika S.A. (formerly Edison Energia S.A.)

On 3 January 2022, i.e. on the date the entry was made in the shareholders register, the transfer of ownership title to all shares of Edison Energia S.A. (presently Polenergia Fotowoltaika S.A.) took place in accordance with the provisions of the Preliminary Share Sale Agreement as amended and the Final Share Sale Agreement concerning the sale of 100% shares in Edison Energia S.A. to the Company by the existing shareholders.

The price for 100% of the Company's shares was set at PLN 74,896 k and is subject to further adjustments related to the closing accounts procedures, which is expected in second quarter 2022.

On 31 December 2021, the Company made payment for the shares of Edison Energia S.A. (presently Polenergia Fotowoltaika S.A.) with registered office in Warsaw, in the amount of PLN 71,900 k, which was recognized as a financial asset in the balance sheet as at 31 December 2021.

Public offering of 21,358,699 fresh ordinary shares of the par value of PLN 2 each

On 23 September 2021, the Management Board of Polenergia S.A. adopted a resolution on the issue of no less than one and no more than 21,426,807 AA series ordinary bearer shares at the issue price of PLN 47 per share, within the framework of the share capital increase within the limits of the authorized capital established by way of a resolution of the Ordinary General Meeting of Polenergia S.A. held of 18 June 2021. The subscription right with regard to the AA series shares was excluded based on the consent of the Supervisory Board given in a resolution dated 28 September 2021. The public offering of shares was launched based on the prospectus approved by the Financial Supervision Commission on 27 January 2022. The new issue shares subscriptions were submitted from 31 January to 4 February 2022 (basic subscriptions) and from 10 February to 14 February 2022 (additional subscriptions). Upon expiry of the subscription deadline, the Company allocated 21,358,699 series AA shares to investors. The share issue took place as a private subscription with full exclusion of the subscription right so as to permit each shareholder to the Company, except for Mansa Investments and BIF IV Europe Holdings Limited, to maintain such percentage in the share capital of the Company, as a given shareholder held at the end of the day the Company prospectus was approved (the Preference Day). The company Mansa Investments was offered 5,150,211 share of the new issue, BIF IV Europe Holdings Limited – 10,947,493 shares, while other eligible investors were offered a total of 5,260,995 shares. The offering was available only to those shareholders who held any shares at the end of the Preference Day. Series AA shares are subject to an application for admission to trading on the regulated market operated by the Warsaw Stock Exchange after the registration of the share capital increase by the competent registry court on March 29, 2022. It is expected that they will be admitted to trading at the beginning of April 2022.

The impact of the war in Ukraine

In view of the continued armed conflict in Ukraine, risk factors that may potentially impact the business and financial performance of Polenergia Group have been being monitored and identified on an ongoing basis. In the opinion of the Management Board, the Polenergia Group is not directly exposed to the adverse effects of the conflict due to the marginal involvement of the Group's Companies in operations in Russia, Belarus and Ukraine or in cooperation with partners established in these countries.

The outbreak of war in Ukraine and the sanctions imposed on Russia and Belarus induced changes in the market environment which are manifested through high volatility of the prices of financial instruments, raw materials and commodities, including fluctuation of the prices of electricity, gas and CO2 emission allowances. In the long term perspective, it may adversely impact the economic growth in Poland and the situation on the Polish energy market. Furthermore, among financial factors relevant to the Group, increased inflation pressure and volatility of the zloty exchange rate vis-à-vis the Euro and the US dollar were observed.

The Gas and Clean Fuels segment is, in the opinion of the Management Board, largely immune to the current volatility of prices on the market. The margin on electricity production in 2022 is not jeopardized by the reversal of contracts for the sale of electricity and the purchase of gas and CO2 emission allowances in 2021. On the other hand, the gas supplies related to the heat production contracts have already been fixed (in terms of volume and fixed price) by the end of 2023. An additional safety feature for heat generation is the supply of light heating oil maintained and increased in recent weeks, as reserve fuel in the event of gas supply restriction or lack. If ENS is called upon to provide system services, the cost of gas purchase will be covered by revenues. The continuation of the current gas market and CO2 emission allowances situation in the long term may reduce the ability to secure production and margin in ENS for the years to follow. The Nowa Sarzyna plant also improved its protection against possible cyber-attacks; recently the main control system was replaced, and all remote diagnostic systems for the equipment were disconnected from the Internet.

The wind power segment has no direct exposure to the impact of the current market situation. Due to a consistent policy of hedging the production, current price changes do not affect the revenues generated from energy sales in 2022 and partly in 2023. At the same time, high energy price volatility combined with variable windiness periods can result in a significant increase in profile costs. The sensitivity of the segment’s operating part to fluctuation of interest and exchange rates is low due to the earlier hedging of projects. Due to possible shortage of raw materials on the market, there is a risk that the availability of spare parts may be limited, which may cause temporary downtime of the farms in the event of a failure. Should high energy prices persist for a long time, the Management Board believes the lawmaker may be prone to make changes in the green certificates system which would be unfavorable to the Group. The Group's projects may also become vulnerable to cyber-attacks. The risk of this type of event is being thoroughly analyzed and remedies are being applied.

The trading and sales segment as the only one in the Group had a direct exposure to the Ukrainian market through the subsidiary Polenergia Ukraine. Even before the war began, that company limited its operating activities. The Group has identified increased risk of trading in other markets, which is driven, among others, by increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers and the increased risk of insolvency of customers. In the context of dynamic price increases, a deviation in the energy consumption by the customers compared to the contract value may generate a significant result (either positive or negative) that will be disproportionate to the original assumptions. Negative exchange rate movements may result in a deterioration of the performance on a Euro-denominated market. At the same time, the strengthening of the Euro may result in an increase in the value of the required security deposits. The segment is also exposed to the risk of interest rate increases. The higher cost of working capital facility, due to the increase of interest rates, may result in a significant drop of the return on the operations. Polenergia Obrót has also been taking measures to monitor safety risks. An attack that would destroy a telecom and IT infrastructure or restrict access to systems in a company would prevent it from continuing its commercial business or would restrict such ability.

The distribution segment is protected in the long term against the effects of any investment costs increase and rising interest rates through a tariff mechanism. In a short term, until the distribution tariff is updated, the Company may experience a negative impact of the current market situation on the return on the investment projects pursued.

In the opinion of the Group, the current market situation should not jeopardize the achievement of the objectives set out in the Polenergia Group's strategy for the years 2020-2024. The persisting high energy prices, together with the limited use of conventional sources such as coal, gas and oil, may provide an additional incentive to increase the scale of investments in RES. As a consequence, it may facilitate legislative processes and provide access to additional funds to support such investments.

In a short term perspective, the investment projects implemented by the Group may be affected by the conflict in Ukraine. The increase in raw material and product prices on the market and the temporary shortage of employees suffered by subcontractors may result in delays in the implementation of wind and PV farm projects. The raise of interest rates triggers increased financing costs while the increase in raw material and commodity prices combined with the volatility of the EUR/PLN exchange rate may lead to an increase in total investment costs.