

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

Polenergia S.A.

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

FOR THE YEAR ENDED 31 DECEMBER 2021

INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR ON THE AUDIT PERFORMED

*Michał Michalski – President of the
Management Board*

*Iwona Sierżęga – Member of the
Management Board*

*Tomasz Kietliński - 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

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1. Balance sheet

As at 31 December 2021

ASSETS

	Note	31.12.2021	31.12.2020
I. Non-current assets		1 516 502	973 285
Tangible fixed assets	15,16	8 676	8 931
Intangible assets	14	124	16
Financial assets	17	1 504 264	953 563
Long term receivables		-	1 945
Deferred income tax assets	23	3 438	8 830
II. Current assets		185 551	232 562
Trade receivables	18	23 955	16 325
Income tax receivable	18	4 051	91
Other short term receivables	18	285	504
Prepayments and accrued income	19	6 013	4 796
Short term financial assets	20	-	86 216
Cash and equivalent	21	151 247	124 630
Total assets		1 702 053	1 205 847

EQUITY AND LIABILITIES

	Note	31.12.2021	31.12.2020
I. Shareholders' equity		1 414 866	1 173 782
Share capital	22	90 887	90 887
Share premium account		557 611	557 611
Reserve capital from option measurement		13 207	13 207
Other capital reserves		449 121	393 019
Capital from merger		89 782	89 782
Retained profit (loss)		(26 826)	(26 826)
Net profit/(loss)		241 084	56 102
II. Long term liabilities		6 290	7 072
Provisions		432	421
Lease liabilities		5 858	6 651
III. Short term liabilities		280 897	24 993
Bank loans and borrowings	24	249 687	-
Trade payables	24	2 031	1 263
Lease liabilities	24	2 463	1 874
Other liabilities	24	12 856	11 935
Provisions		2 094	1 565
Accruals and deferred income	25	11 766	8 356
Total equity and liabilities		1 702 053	1 205 847

2. Profit and loss account

For the year ended 31 December 2021

	Note	For 12 months ended	
		31.12.2021	31.12.2020
Revenues from contracts with clients	27	25 264	20 239
Sales revenues		25 264	20 239
Cost of goods sold	28	(18 488)	(14 464)
Gross sales profit		6 776	5 775
Other operating revenues	29	141	361
General overheads	28	(41 710)	(20 550)
Other operating expenses	30	(106)	(137)
Financial income	31	321 393	68 116
including dividend		82 851	49 852
Financial costs	32	(4 795)	(3 923)
Profit before tax		281 699	49 642
Income tax	23	(40 615)	6 460
Net profit		241 084	56 102

Earnings per share:

- basic earnings (loss) for period attributable to parent company shareholders	5,31	1,23
- diluted earnings (loss) for period attributable to parent company shareholders	5,31	1,23

3. Statement of other comprehensive income

For the year ended 31 December 2021

	For 12 months ended	
	31.12.2021	31.12.2020
Zysk netto za okres	241 084	56 102
CAŁKOWITE DOCHODY ZA OKRES	241 084	56 102

4. Changes in equity statement

For the year ended 31 December 2021

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Capital from merger	Retained loss	Net profit (loss)	Total equity
As at January 2021	90 887	557 611	13 207	393 019	89 782	29 276	-	1 173 782
Other comprehensive income for period								
Net loss for reporting period	-	-	-	-	-	-	241 084	241 084
Transactions with owners of the parent recognized directly in equity								
Allocation of profit/loss	-	-	-	56 102	-	(56 102)	-	-
As at 31 December 2021	90 887	557 611	13 207	449 121	89 782	(26 826)	241 084	1 414 866

For the year ended 31 December 2020

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

5. Statement of cash flows

For the year 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		281 699	49 642
II.Total adjustments		(352 810)	(58 095)
Depreciation		2 433	1 989
Foreign exchange losses (gains)		2	-
Interest and profit shares (dividends)		(84 743)	(51 407)
Losses (gains) on investing activities		(229 677)	(8 009)
Income tax		(39 183)	(557)
Changes in provisions		540	1 055
Changes in receivables	33	(7 411)	(3 910)
Changes in short term liabilities, excluding bank loans and borrowings	33	1 404	2 077
Changes in accruals	33	1 880	667
Other adjustments		1 945	-
III.Net cash flows from operating activities (I+/-II)		(71 111)	(8 453)
B.Cash flows from investing activities			
I. Cash in		402 358	183 620
1. Disposal of intangibles and tangible fixed assets		53	31
2. From financial assets, including:		402 305	183 589
- disposal of financial assets		227 375	1 557
- dividends and shares in profits		82 851	49 852
- repayment of loans given		86 216	66 407
- interest		1 832	969
- other inflows from financial assets		4 031	64 804
II.Cash out		552 234	285 694
1. Acquisition of intangible and tangible fixed assets		282	1 318
2. For financial assets, including:		551 952	284 376
- acquisition of financial assets		532 952	157 874
- loans given		19 000	126 502
III.Net cash flows from investing activities (I-II)		(149 876)	(102 074)
C.Cash flows from financing activities			
I.Cash in		250 000	-
1.Loans and borrowings		250 000	-
II.Cash out		2 394	1 919
1.Lease payables		2 010	1 522
2.Interest		384	397
III.Net cash flows from financing activities (I-II)		247 606	(1 919)
D.Total net cash flows (A.III+/-B.III+/-C.III)		26 619	(112 446)
E.Increase/decrease in cash in the balance sheet, including:		26 617	(112 446)
- change in cash due to fx differences		(2)	-
F.Cash at the beginning of period		124 630	237 076
G.Cash at the end of period, including:		151 247	124 630
- restricted cash		31	64

6. General Information

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

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

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

The lifetime of the Company is unlimited.

6.1. Periods covered by these financial statements

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

Composition of the Company Management Board as at 31 December 2021:

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

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

that prepares consolidated financial statements is Kulczyk Holding S.à r.l. with registered office in Luxembourg. The ultimate person controlling the Group is Ms. Dominika Kulczyk.

9. Company investments

As at 31 December 2021 the Company held investments in the following subsidiaries:

No	Company name	Shares
1	Polenergia Kogeneracja Sp. z o.o.	100%
2	Polenergia Dystrybucja Sp. z o.o.	100%
3	eMobility Sp. z o.o. (formerly PPG Polska)	100%
4	Polenergia Obrót S.A.	100%
5	Polenergia Sprzedaż Sp. z o.o.	100%
6	Polenergia Energy Ukraine LLC	100%
7	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	100%
8	Dipol Sp. z o. o.	100%
9	Polenergia Farma Wiatrowa 1 Sp. z o.o.	100%
10	Polenergia Farma Wiatrowa 3 Sp. z o.o.	100%
11	Polenergia Farma Wiatrowa 4 Sp. z o.o.	100%
12	Polenergia Farma Wiatrowa 6 Sp. z o.o.	100%
13	Talia Sp. z o.o.	100%
14	Amon Sp. z o.o.	100%
15	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	100%
16	Polenergia Farma Wiatrowa 16 Sp. z o.o.	100%
17	Polenergia Farma Wiatrowa 23 Sp. z o.o.	100%
18	Polenergia Farma Wiatrowa Mycielín Sp. z o.o.	100%
19	Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	100%
20	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	100%
21	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	100%
22	Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	100%
23	Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	100%
24	Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	100%
25	Polenergia Farma Wiatrowa Wodzisław Sp. z o.o.	100%
26	Polenergia Obrót 2 Sp. z o.o.	100%
27	Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	100%
28	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	100%
29	Polenergia Farma Wiatrowa 22 Sp. z o.o.	100%
30	Polenergia Farma Wiatrowa Wierzbnik/ Jankowice Sp. z o.o.	100%
31	Polenergia Farma Wiatrowa 17 Sp. z o.o.	100%
32	Polenergia Farma Fotowoltaiczna 1 Sp. z o.o.	100%
33	Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	100%
34	Polenergia Farma Fotowoltaiczna 3 Sp. z o.o.	100%
35	Polenergia Farma Fotowoltaiczna 4 Sp. z o.o.	100%
36	Polenergia Farma Fotowoltaiczna 5 Sp. z o.o.	100%
37	Polenergia Farma Fotowoltaiczna 6 Sp. z o.o.	100%
38	Polenergia Farma Fotowoltaiczna 7 Sp. z o.o.	100%
39	Polenergia Farma Fotowoltaiczna 8 Sp. z o.o.	100%
40	Polenergia Farma Fotowoltaiczna 9 Sp.z o.o.	100%
41	Polenergia Farma Fotowoltaiczna 10 Sp. z o.o.	100%
42	Polenergia Farma Fotowoltaiczna 11 Sp. z o.o.	100%
43	Polenergia Farma Fotowoltaiczna 12 Sp. z o.o.	100%

44	Polenergia Farma Fotowoltaiczna 13 Sp. z o.o.	100%
45	Polenergia Farma Fotowoltaiczna 14 Sp. z o.o.	100%
46	Polenergia Farma Fotowoltaiczna 15 Sp. z o.o.	100%
47	Polenergia Farma Fotowoltaiczna 16 Sp. z o.o.	100%
48	Polenergia Farma Fotowoltaiczna 17 Sp. z o.o.	100%
49	Polenergia Farma Fotowoltaiczna 18 Sp. z o.o.	100%
50	Inwestycje Rolne Sp. z o.o.	100%
51	Polenergia Elektrownia Północ Sp. z o.o.	100%
52	Certyfikaty Sp. z o.o.	100%
53	MFW Bałtyk I Sp. z o.o.	50%
54	MFW Bałtyk II Sp. z o.o.	50%
55	MFW Bałtyk III Sp. z o.o.	50%
56	MFW Bałtyk I S.A.	50%

10. Accounting principles (policy) applied

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

10.1. New and modified standards and interpretations applied

New standards and interpretation not yet applied.

Until the date of these financial statements, new or amended standards and interpretations were published which apply to annual periods subsequent to 2021, however, not yet approved by the European Union. The Company believes those standards will have no material impact on the entity in this or in future reporting periods, nor on any foreseeable future transactions.

10.2. The rules underlying these financial statements

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

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

According to the applicable provisions of law, these financial statements for the financial year ended on 31 December 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.

10.3. Significant measures based on estimates and professional judgment

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

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

- impairment of investments in subsidiaries and jointly controlled entities - referred to in more detail in Note 17,

-
- deferred tax resulting from uncertainty regarding the value of assets and liabilities in the balance sheet, as well as the assets from tax loss clearance what will be settled against future tax gains estimated based on the Company's assumptions, referred to in more detail in Note 23,
 - trade receivables impairment losses - referred to in more detail in Note 18,
 - pension plan and related provisions, accrued holiday provisions,
 - Lease term - When measuring the lease payable, the Company 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 Company will exercise its option to extend or will not exercise its option to terminate, the Company 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 Company's business,
- terms of exercising the option.

The lease payable disclosed in the 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.

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

In the year ended 31 December 2021 no changes were made in determining the Company's estimates that would impact any information disclosed in the consolidated financial statements.

10.4. Measurement currency and currency of the financial statements

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

10.5. Intangible Assets

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

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

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

Expected useful lives are as follows:

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

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

10.6. Non-current fixed assets

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

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

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

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

Buildings, structures, premises and civil engineering structures	20 years
Plant and equipment	2.5–20 years
Vehicles	2.5–5 years
Other non-current fixed assets	5–7 years

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

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

Any 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.

10.7. Impairment losses on non-financial fixed assets

An assessment is made by the Company as at the end of each reporting period whether there is any indication that any of non-financial fixed assets may be impaired. If it is found such indications exist, or

if it is required to perform annual impairment test, the Group estimates the recoverable amount of a given asset or a cash-generating unit to which a given asset belongs.

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

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

10.8. Investments in subsidiaries, associates and jointly controlled entities

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

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

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

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

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

10.9. Financial assets

The Company categorizes financial assets as follows:

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

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

Recognition and derecognition

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

Measurement as at the initial recognition

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

Financial assets measured at amortized cost

Debt instruments held to obtain contractual cash flows that include solely payment of principal and interest (SPPI), are measured at amortized cost. Interest revenue is measured using the effective interest rate method and disclosed under “financial income” item in the profit or loss account. Expected credit losses are recognized in line with the accounting principle referred to in Note 10.11 and presented under “financial expenses” item. In particular, the Company 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.

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. In the year ended 31 December 2021, there were no financial assets measured at fair value through profit or loss.

10.10. Lease

The Company as a lessor

As a lessor, the Company classifies contracts as financial lease, if it involves transfer of substantially all risk and benefits from the ownership of the underlying asset. Otherwise, lease is treated as operating lease. In the year ended 31 December 2021, the Company recorded an impairment loss on a financial lease resulting from the only one such contract.

The Company as a lessee

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

Recognition of lease payables

As at the initial recognition, lease payments included in the lease liability measurement at the 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 company assumed that the incremental interest rate should reflect the cost of financing that would be incurred to finance the purchase of an asset of a similar value to the one the right-of-use pertains to. When estimating the discount rate, the Company considered the following contractual features: type, tenor, currency and potential spread the Company would have to pay to any financial institution providing financing.

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

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

Recognition of the right-of-use assets

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

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

The right-of-use assets are recognized in the balance sheet under the same item where the base assets owned by the Company would be recognized. Depreciation of the right-of-use assets has been recognized in the profit and loss account under the general overheads item.

10.11. 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) Step 1- balances where no significant increase of credit risk has occurred since the initial recognition and for which expected credit loss has been determined based on the probability of the loss within a 12-month period, (2) Step 2- balances where a significant increase of credit risk has occurred since the initial recognition and for which expected credit loss has been determined based on the probability of the loss throughout the entire loan term. (3) Step 3: balances where impairment has been determined.

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

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

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

10.12. Foreign currency transactions

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

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

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

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

10.13. Cash

Cash disclosed in the statement of cash flows comprises cash in hand, bank deposits, shares in investment funds, treasury bills and bonds not classified as investing activities (in excess of 3 months). 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.

10.14. Prepayments

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

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

10.15. Equity

Share capital is shown in the amount defined in the Statutes, and entered in the court register. Any difference between the fair value of consideration received and the par value of shares is recognized in statutory reserve funds under share premium account.

Where shares are repurchased, relevant payment amounts are charged to equity and disclosed in the balance sheet as treasury shares. Declared capital contributions to be made in future are disclosed as called up but unpaid capital.

Other capital reserves were established from statutory write-offs of profits generated in previous financial years, while capital reserves from the measurement of options were established in connection with the option program and are subject to distribution as dividend.

The merger capital comes from a merger of companies which occurred under Article 492 sec. 1 item 1 of the Commercial Companies Code by way of a transfer of all assets and liabilities of the company Neutron sp. z o.o. ["the acquiree"], the company Grupa PEP Finansowanie Projektów Sp. z o.o. ["the

acquiree"] and the company Grupa PEP Uprawy Energetyczne Sp. z o.o. ["the acquiree"] onto the company Polenergia S.A. ["the acquirer"] [merger by acquisition], using the accounting method of combining shares without closing the accounts.

As required by the Commercial companies Code, the Company is obligated to establish reserve capital to cover losses, which is disclosed in the balance sheet as Share premium account. After each financial year, at least 8% of net profit disclosed in the Company financial statements should be contributed to statutory reserve funds, until the funds reach at least one-third of the share capital. While it is the General Meeting that resolves how to spend such statutory reserve funds and capital reserves, part of statutory reserve funds equal to one-third of the share capital, may only be spend to cover the loss disclosed in the financial statements and may not be used for any other purpose.

As at 31 December 2021 there are no other restrictions that would apply to distribution of dividend

10.16. Provisions

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

Where expenditure required to settle the obligation is expected by the Company to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognized as a separate asset only when virtual certainty exists that it will be actually received. Cost related to a given provision is recognized in profit or loss net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognized as finance costs.

10.17. Provision for length-of-service awards and retirement pays

In accordance with the company remuneration systems, the Company employees are entitled to retirement pays. Retirement pays are one-off benefits, paid out when an employee retires. Amounts of such retirement pays depend on the length of service and the average remuneration of the employee. The Company recognizes a provision for future retirement pay obligations through profit/loss in order to allocate costs to the periods they relate to. 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.

10.18. 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.

10.19. Trade payables and other payables

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

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss.

Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded derivatives, are also classified as held for trading, unless they are considered as effective hedges.

Financial liabilities may be designated as financial liabilities measured at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, (ii) the liabilities are part of financial liabilities of the Company that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately, whenever they cannot be measured separately.

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

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

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

10.20. Financial guarantee contracts as per IFRS 9

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

Such contracts are measured at fair value, according to IFRS 9. Such fair value has been estimated to be the present value of future payments subject to a discount rate based on the risk rate for the assets. The measurement of the present value of payments on account of sureties has been presented in Note 26.1 Guarantees and sureties granted.

10.21. Recognition of revenue**10.21.1. Sales revenue**

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

of the package. The accounting policies applicable to individual revenue categories have been listed below:

Provision of services

Revenue from the provision of services of a continuous nature is recognized in the course of fulfilling the obligation to perform by way of delivering the promised service to the customer. It includes revenue from consultancy and advisory projects and rental revenue. This method applied to recognize revenue is based on the outlays.

10.21.2. 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.

10.21.3. Dividends

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

10.21.4. Rental (lease) income

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

10.22. Taxes

10.22.1. Current tax

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

10.22.2. Deferred tax

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

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

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

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

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability attributable to a transaction other than business combination, and, at the time of the transaction, affects neither the pre-tax profit/loss nor the taxable profit or the tax loss, and

-
- in the case of deductible temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

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

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

10.22.3. Value added tax

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

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

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

10.23. Earnings per share

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

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

10.24. Contingent liabilities and assets

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

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

11. Operating segments

The Company's business is comprised in a single operating segment. Sales revenues include mainly the services provided,) referred to in more detail in Note 27. Sales revenues in excess of 10% of revenues apply to MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.

12. Earnings per share

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

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

	For 12 months ended	
	31 December 2021	31 December 2020
Net profit (loss)	241,084	56,102
Average weighted number of ordinary shares	45,443,547	45,443,547
Profit (Loss) per ordinary share (in PLN)	5,31	1,23

13. Distribution of profit

On 18 June 2021 the Ordinary General Meeting of the Company Shareholders resolved to transfer the profit for 2020 of PLN 56,102k to other capital reserves.

14. Intangible Assets

31.12.2021	concessions, patents, licenses and similar entitlements obtained	total intangibles
1. Gross value of intangible assets at beginning of period	2 167	2 167
a) increase (due to)	129	129
- purchase	129	129
2. Gross value of intangible assets at end of period	2 296	2 296
3. Cumulative depreciation at beginning of period	(2 151)	(2 151)
- current period depreciation	(21)	(21)
4. Cumulative depreciation at end of period	(2 172)	(2 172)
5. Impairment losses at beginning of period	-	-
6. Impairment losses at end of period	-	-
7. Net value of intangible assets at beginning of period	16	16
8. Net value of intangible assets at end of period	124	124

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

15. Tangible fixed assets

31.12.2021	building, premises and civil and water engineering	plant and machinery	vehicles	other non- current fixed asstes	total non-current fixed assets
1. Gross value of non-current fixed assets at beginning of period	9 597	1 025	2 974	677	14 273
a) increases (due to)	619	322	1 216	-	2 157
- purchase	-	322	1 216	-	1 538
- other	619	-	-	-	619
b) reductions (due to)	-	(3)	(111)	-	(114)
- sale and retirement	-	(3)	(111)	-	(114)
2. Gross value of non-current fixed assets at end of period	10 216	1 344	4 079	677	16 316
3. Cumulative depreciation at beginning of period	(2 877)	(570)	(1 345)	(550)	(5 342)
- current period depreciation	(1 358)	(197)	(817)	(40)	(2 412)
- reductions (due to)	-	3	111	-	114
- sale and retirement	-	3	111	-	114
3. Cumulative depreciation at end of period	(4 235)	(764)	(2 051)	(590)	(7 640)
4. Impairment losses at beginning of period	-	-	-	-	-
6. Impairment losses at end of period	-	-	-	-	-
7. Net value of non-current fixed assets at beginning of period	6 720	455	1 629	127	8 931
8. Net value of non-current fixed assets at end of period	5 981	580	2 028	87	8 676

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

16. Right-of-use assets

The tangible fixed asset worth includes the right of use assets of the following carrying amount, with the following underlying asset categories, which were subject to the following depreciation in 2021:

Right-of-use assets under lease	31.12.2021	31.12.2020
Other real estate	5 776	6 431
Vehicles	1 985	1 557
Total	7 761	7 988

Amortization of use rights	31.12.2021	31.12.2020
Other real estate	1 275	1 170
Vehicles	788	573
Total	2 063	1 743

The most significant lease contracts in progress in 2021 include the rental of office space and the lease-to-own of the vehicles. The lease fees are subject to variable interest rate calculated against WIBOR.

17. Long term financial assets

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

	31.12.2021	31.12.2020
- share or stock in non-listed companies	1 482 899	951 729
- loans given	21 365	1 834
Total long term financial assets	1 504 264	953 563

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

Shares or stock in non-listed companies:

	31.12.2021	31.12.2020
As at the beginning of the period	951 729	852 054
- capital increase	461 052	158 199
- acquisition	71 900	-
- return of supplementary payments towards capital	(601)	(62 804)
- sale of shares	(1 044)	(141)
- Redemption of shares	-	(2 000)
- decrease of impairment loss	-	8 980
- increase of impairment loss	-	(2 559)
- liquidation	(137)	-
As at the end of the period	1 482 899	951 729

	31.12.2021			31.12.2020		
	Gross value	Impairment losses	Net value	Gross value	Impairment losses	Net value
In subsidiaries	1 257 455	(97 178)	1 160 277	996 075	(259 018)	737 057
In joint ventures	322 622	-	322 622	214 672	-	214 672
In associates	-	-	-	1 500	(1 500)	-
Total	1 580 077	(97 178)	1 482 899	1 212 247	(260 518)	951 729

The change of the impairment losses results from the sale and liquidation of the companies whose shares were subject to such impairment.

On 3 January 2022, the transfer of the ownership title to all shares of Edison Energia S.A. with registered office in Warsaw took place, referred to in more detail in Note 43.

Financial asset impairment loss test in subsidiaries

As at 31 December 2021 the Company reviewed its investments in subsidiaries based on their net assets.

As regards the financial assets held by the Company in Polengia Elektrociepłownia Nowa Sarzyna Sp. z o.o. ("ENS"), there were indications that would justify the need to perform an impairment test on the shares held by the Company. The performed analysis of the indications showed that the changes in the expected price levels of electricity, gas and CO₂ 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 of the company. Calculations were performed based on detailed forecasts for the entire lifetime of ENS.

The key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2021 included:

- 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.
- 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.
- CO₂ 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.			
Company	Key assumptions	Discount rate assumed in test as at: 31 December 2021	Discount rate assumed in test as at: 31 December 2020
	<p>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.</p> <p>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 / CO₂ emission allowances.</p> <p>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 prices as the maximum prices.</p>		
Polenergia Elektrociepłownia Nowa Sarzyna	<p>The drop in the heat volume in 2022 and maintaining steady level following 2022 have been taken into account.</p> <p>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.</p> <p>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.</p> <p>In the conventional energy segment, the period of detailed projections refers to the years 2022-2040.</p>	5.62%	5,62%

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

The recoverable amount of the shares of Polengia Elektrociepłownia Nowa Sarzyna Sp. z o.o. Exceeds the value of the shares held by the Company.

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the utility value of the tested assets is exerted mainly by the fluctuations of the discount rate (WACC) and fluctuations of electricity prices.

According to the estimates of the Management Board, with respect to the involvement in the company Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o., growth of the WACC by 1 percentage point or a change of the electricity price by 1% will entail no changes in the assessment whether any impairment of assets occurred.

Financial asset impairment loss test in jointly controlled entities

As at 31 December 2021, the Company analyzed the indications of impairment of investments in the companies under joint control. No indications were identified with respect to those assets that would necessitate an impairment test.

18. Short term receivables

	31.12.2021	31.12.2020
- trade receivables	23 955	16 325
- from related entities	23 913	16 221
- from other entities	42	104
- income tax receivable	4 051	91
- other receivables	285	504
- lease	-	232
- other	285	272
Total net short-term receivables	28 291	16 920
- receivables remeasured write-downs	3 512	3 567
Total gross short-term receivables	31 803	20 487

For transactions with associates see Note 38.

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

As at 31 December 2021, impairment losses on uncollectible trade receivables amounted to PLN 3,512k (in 2020: PLN 3,567k).

	31.12.2021	31.12.2020
As at the beginning of the period	3 567	3 606
- Reversal	(55)	(39)
As at the end of the period	3 512	3 567

Below is a classification of trade receivables into impairment stages:

	Total	Step 2
31.12.2021	23 955	23 955
31.12.2020	16 325	16 325

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

Trade receivables - gross value	31.12.2021	31.12.2020
As at the beginning of the period	19 892	15 824
Generated	38 920	28 383
Paid	(31 345)	(24 315)
As at the end of the period	27 467	19 892

The expected credit losses as at 31 December 2021 are as follows:

	Total	Należności od klientów korporacyjnych			
		Bieżące 0-30 dni	30-60 dni	60-90 dni	>90 dni
31.12.2021	27 467	23 943	-	-	3 524
Expected credit losses	(3 512)	-	-	-	(3 512)
31.12.2020	19 892	16 295	-	8	3 589
Expected credit losses	(3 567)	-	-	-	(3 567)

19. Prepayments

	31.12.2021	31.12.2020
- insurance	406	297
- subscriptions	51	43
- accrued revenue	5 177	4 417
- other	379	39
Total prepayments and accrued income	6 013	4 796

As at 31 December 2021 accrued revenues of PLN 5,177k (2020: PLN 4,417k) result from the provision of services to subsidiaries.

20. Short term financial assets

	31.12.2021	31.12.2020
- loans given	-	86 216
Total short term financial assets	-	86 216

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

21. Cash and equivalent

	31.12.2021	31.12.2020
Cash and equivalent, including:	151 247	124 630
- cash at hand and in bank	151 247	124 630
Total	151 247	124 630

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

As at 31 December 2021 restricted cash amounted to PLN 31k (2020: PLN 64k).

The company applies a three-tier model to cash.

In the opinion of the Management Board, this impairment loss is immaterial and has not been disclosed in the financial statements because the Company avails itself of reputable financial institutions only.

22. Share capital and capital reserves

22.1. Significant shareholders

Shareholders holding 5% or more of the total number of shares as at the date of issue of these 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. holds 100 % of shares in the company 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 43).

Each Share carries one vote to be cast at the General Meeting. There is no preference in terms of the voting rights.

23. Income tax

23.1. Tax charges

	For 12 months ended	
	31.12.2021	31.12.2020
Current income tax	35 223	44
Current income tax charge	35 223	-
Adjustments to prior years current income tax	-	44
Deffered income tax	5 392	(6 504)
Related to temporary differences and their reversal	5 392	(6 504)
Income tax charged to the profit and loss account	40 615	(6 460)

23.2. Deferred income tax

	Balance sheet	Profit and loss account	Balance sheet
	01.01.2021		31.12.2021
Deferred income tax			
Deferred income tax provision			
Tangible fixed assets	1 509	(43)	1 466
Receivables	839	144	983
Lease receivables	395	(395)	-
Deferred income tax provision before tax	2 743	(294)	2 449
Deferred income tax assets			
Tangible fixed assets	645	(290)	355
Borrowings	1 039	(90)	949
Liabilities	1 817	51	1 868
Provisions	2 180	535	2 715
Retained assets	5 892	(5 892)	-
Deferred income tax asset	11 573	(5 686)	5 887
Deferred income tax expense		5 392	
Net deferred tax (assets)/provision	(8 830)		(3 438)

23.3. Effective tax rate

	For 12 months ended	
	31.12.2021	31.12.2020
Income tax charged to the profit and loss account, including	40 615	(6 460)
Current tax	35 223	44
Deferred tax	5 392	(6 504)
Profit (Loss) before tax	281 699	49 642
Tax on gross profit at effective tax rate of 19%	53 523	9 432
Adjustments to prior years current income tax	-	44
Current tax of limited partnerships	304	20
Deferred tax (change) of limited partnerships	381	(93)
Non-deductible costs:	2 754	(6 279)
- permanent differences	255	2 825
- temporary difference on which no tax asset/provision is established	2 499	(9 104)
Non-taxable income:	(16 347)	(9 584)
- dividends	(15 742)	(9 472)
- other	(605)	(112)
Income tax in the profit and loss account	40 615	(6 460)

24. Short term liabilities

	31.12.2021	31.12.2020
- bank loans and borrowings	249 687	-
- trade payables	2 031	1 263
- from related entities	2	102
- from other entities	2 029	1 161
- lease liabilities	2 463	1 874
- other liabilities	12 856	11 935
- budget payments receivable	3 311	2 862
- special funds	26	34
- other	9 519	9 039
Total short term liabilities	267 037	15 072

For transactions with associates see Note 38.

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

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

On 1 December 2021, Polenergia S.A. was granted a non-renewable short-term loan by Deutsche Bank Polska S.A. capped at PLN 250,000,000 for the financing of projects, with maturity on 27 May 2022, which was fully utilized as at 31 December 2021. The loan is secured by a declaration of submission to enforcement and a power of attorney to the bank account. The loan was fully disbursed on 7 December 2021.

25. Accruals

	31.12.2021	31.12.2020
- future bonuses, salaries and wages	8 259	7 223
- third party services	2 904	1 083
- audit	51	50
- other	552	-
Total short term accruals and deferred income	11 766	8 356

26. Contingent liabilities

26.1. Guarantees and sureties granted

Amon Sp. z o.o. and Talia Sp. z o.o.

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

As at 31 December 2021 there were no liabilities under the a/m agreement, but the fair value of the compensation related to the surety agreement was subject to measurement which showed PLN 48.8k.

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

As at 31 December 2021 there were no liabilities under the a/m agreement, but the fair value of the surety agreement was subject to measurement which showed PLN 84.9k.

On 29 June 2018 the Company issued a surety for the liabilities of Amon Sp. z o.o. and Talia Sp. z o.o. under the loan agreements both companies entered into on 1 June 2010 as amended, in particular following that of 28 June 2018 which amended and harmonized those loan agreements. The surety was granted to both companies up to the total amount of PLN 6,700k; with the fair value of the surety agreement subject to measurement which showed PLN 234.6k for each of the companies.

Polenergia Obrót S.A.

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

Under the a/m cap, as at 31 December 2021, the Company remained the issuer of:

- a guarantee to PKN Orlen S.A. for PLN 2,000k extended on 18 June 2020 and expiring on 28 February 2022;
- a guarantee to CEZ a.s. for PLN 3,000k extended on 10 July 2020 and expiring on 31 January 2022;
- a guarantee to CEZ a.s. for PLN 1,000k extended on 17 January 2020 and expiring on 28 February 2022;
- a guarantee to PGE Obrót S.A. for PLN 1,000k extended on 2 December 2019 and expiring on 30 June 2022.
- a guarantee to PGE Obrót S.A. for PLN 1,000k extended on 13 January 2021 and expiring on 31 October 2023;
- a guarantee to Vitol Gas and Power B.V for EUR 500k issued on 28 May 2021 and expiring on 28 February 2023;

Measurement covered the fair value of the guarantees issued at at 31 December 2021 totaling PLN 36.2k.

On 30 September 2021, the Company issued a surety for the liabilities of POLO under the overdraft facility granted by Bank Pekao S.A. capped at PLN 80,000k with final maturity until 30 September 2022. As at 31 December 2021, measurement applied to the fair value of the surety which amounted to PLN 353k.

On 2 December 2021, the Company issued a surety for the liabilities of POLO under the overdraft facility granted by Deutsche Bank Poland S.A. capped at PLN 30,000k for a specific term of 12 months subject to extension for further terms, however not exceeding 8 November 2024. As at 21 December 2021, measurement applied to the fair value of the surety which amounted to PLN 152.3k.

Cap on auction guarantees

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

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

On 2 December and 5 December 2019 mBank issued 27 guarantees under said limit totaling PLN 13,762 k thus using the entire available guarantee amount. On 10 February and 18 February 2020, due

to a failure to win the auction which was secured by the a/m guarantees, ERO President returned part of the guarantees totaling PLN 2,056.4k, whereupon 3 active guarantees remained in place in the aggregate amount of PLN 11,706k with the maximum validity date of 31 January 2024. As at 31 December 2021, measurement applied to the fair value of the guarantees which amounted to PLN 154.9k.

On 20 November 2020, the Company entered into an agreement with Santander Bank Polska S.A. ("Santander") for a limit for guarantees, as amended by the annexes the most recent of which was signed on 29 November 2021, specifying the rules for issuing guarantees.

The limit as amended is PLN 54,000k, with the availability since the day of executing the agreement until 30 November 2022. The maximum tenor of a guarantee may not exceed 120 months. The guarantees have been issued in connection with the auctions launched by ERO for wind and photovoltaic farm projects, the support scheme for offshore wind farms and connection agreements.

Within the a/m limit, as at 31.12.2021, the active guarantees totaled PLN 53,386.7 k. As at 31 December 2021, measurement applied to the fair value of the active guarantees which amounted to PLN 3,299.8k in aggregate.

PCG guarantees for turbine suppliers

On 14 July 2020 the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa 3 Sp. z o.o. („FW 3”), for the benefit of the company Vestas Poland Sp. z o.o., valid until 31 July 2022. As at 31 December 2021 the outstanding amount under contract was EUR 30,989.7k, net of VAT, with measurement applying to the fair value of the guarantee of PLN 814.6k.

On 30 October 2020 the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. („FW Dębice/Kostomłoty”), for the benefit of the company Vestas Poland Sp. z o.o., valid until 22 August 2022. As at 31 December 2021 the outstanding amount under contract was EUR 16,531.2k net of VAT, with measurement applying to the fair value of the guarantees of PLN 491.6k.

On 30 December 2021, the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. for the benefit of the company Vestas Poland Sp. z o.o., valid until 21 June 2023. As at 31 December 2021 the outstanding amount under contract was EUR 11,525.5k net of VAT, with measurement applying to the fair value of the guarantees of PLN 815.4k. for both farms together.

On 30 December 2021, the Company issued a guarantee to secure payments under the contract for the supply of wind turbines entered into by the company Polenergia Farma Wiatrowa Grabowo Sp. z o.o. for the benefit of the company Vestas Poland Sp. z o.o., valid until 28 July 2023. As at 31 December 2021 the outstanding amount under contract was EUR 41,531k net of VAT, with measurement applying to the fair value of the guarantee of PLN 3,140.6k.

Project support agreements

On 10 July 2020 the Company entered into the project support agreement with the banks that granted the loan to Polenergia Farma Wiatrowa 3 Sp. z o.o. for the construction of the Dębsk wind farm. Under said agreement the Company issued a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 54,071.5k. The surety expires on the day of completion of the project's construction phase which is planned for 30 June 2022. As at 31 December 2021, measurement applied to the fair value of the surety which amounted to PLN 214.5k.

On 30 September 2020 the Company entered into the project support agreement with the banks that granted the loan to Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. for the construction of the Dębice/Kostomłoty wind farm. Under said agreement the Company gave a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 13,535.5k. The surety

expires on the day of completion of the project's construction phase which is planned for 10 October 2022. As at 31 December 2021, measurement applied to the fair value of the surety which amounted to PLN 86.1k.

On 12 May 2021 the Company entered into a project support agreement with the banks that granted the loan to Polenergia Farma Wiatrowa Rudniki Sp. z o.o. for the construction of the Buk PV farm. Under said agreement the Company issued a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 807.4k. The surety expires on the day of completion of the project's construction phase which is planned for 15 October 2022. As at 31 December 2021, measurement applied to the fair value of the surety which amounted to PLN 5.3k.

On 22 December 2021, the Company entered into the project support agreement with mBank that granted the loan to the companies: Polenergia Farma Wiatrowa 16 Sp. z o.o. and Polenergia Farma Wiatrowa Piekło Sp. z o.o. for the construction of the wind farm. Under said agreement the Company issued a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 5,804k. The surety expires on the day of completion of the project's construction phase which is planned not to exceed 30 December 2023. As at 31 December 2021, measurement applied to the fair value of the surety which amounted to PLN 97.4k for both companies together.

On 22 December 2021, the Company entered into the project support agreement with the banks that granted the loan to Polenergia Farma Wiatrowa Grabowo Sp. z o.o. for the construction of the wind farm. Under said agreement the Company issued a surety to pay any excess in case of the project's budgeted cost overrun, up to the maximum amount of PLN 16,808.4k. The surety expires on the day of completion of the project's construction phase which is planned not to exceed 29 April 2024. As at 31 December 2021, measurement applied to the fair value of the surety which amounted to PLN 328.8k.

26.2. Litigation

The company is not a party to any proceedings before any common court.

26.3. Tax settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorized to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Company on top of the existing ones. The Company is of the opinion that as at 31 December 2021 sufficient provisions were established for the recognized and quantifiable tax risk.

26.4. Capital expenditure

As at 31 December 2021, the Company plans the Company's capital expenditure on capital investments in the Company in 2022 in the form of co-financing of subsidiaries and associates will reach ca. PLN 426m in total. Such amount shall mainly be allocated to project development in the areas of, without limitation, offshore and onshore wind power generation.

27. Sales revenues

	For 12 months ended	
	31.12.2021	31.12.2020
- revenue from consulting and advisory services	23 727	18 964
- revenue from lease	1 508	1 225
- other	29	50
Total revenue from clients	25 264	20 239
Total sales revenue	25 264	20 239

28. Cost according to type

	For 12 months ended	
	31.12.2021	31.12.2020
- depreciation	2 433	1 989
- materials and power consumption	615	437
- third party services	31 528	9 333
- taxes, duties and fees	380	616
- salaries	22 081	20 464
- social security and other benefits	3 110	2 132
- other cost by type	51	43
Total cost by type	60 198	35 014
- general overheads (-)	(41 710)	(20 550)
Total cost of goods sold	18 488	14 464

29. Other operating revenues

	For 12 months ended	
	31.12.2021	31.12.2020
- reversal of impairment losses, including:	55	39
- receivables remeasured write-downs	55	39
- other, including:	86	322
- gains on disposal of non financial fixed assets	53	24
- other	33	298
Total other operating revenues	141	361

30. Other operating revenues

	For 12 months ended	
	31.12.2021	31.12.2020
- other, including:	106	137
- other development-related cost	104	41
- other	2	96
Total other operating costs	106	137

31. Financial income

	For 12 months ended	
	31.12.2021	31.12.2020
- financial revenues from dividends and profit sharing earnings	82 851	49 852
- financial income from interest on deposit and loans	2 473	4 212
- interest from lease	115	215
- other surety - related fees	6 159	3 592
- disposal of shares in subsidiaries and jointly controlled entities	226 331	1 078
- other	3 464	9 167
Total financial revenue	321 393	68 116

In the period ended 31 December 2021, the Company received dividend distributions and advance payments towards expected profit from the following companies:

	For 12 months ended	
	31.12.2021	31.12.2020
Dipol Sp. z o.o.	2 956	6 500
Polenergia Farma Wiatrowa 23 Sp. z o.o.	1 145	-
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	19 076	10 490
Polenergia Farma Wiatrowa 4 Sp. z o.o.	5 404	4 870
Polenergia Farma Wiatrowa 1 Sp. z o.o.	9 531	9 858
Polenergia Farma Wiatrowa 6 Sp. z o.o.	4 739	5 134
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	40 000	13 000
Total	82 851	49 852

32. Financial expenses

	For 12 months ended	
	31.12.2021	31.12.2020
- interest expenses	1 433	880
- fx differences, including:	673	562
- unrealized	(26)	558
- realized	699	4
- commission and other fees	608	316
- financial assets impairment losses	-	2 165
- other	2 081	-
Total financial cost	4 795	3 923

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

Receivables:	31.12.2021	31.12.2020
- change in short-term and long-term receivables, net, in the statement of financial position	(5 466)	(3 791)
- change in lease receivables	(1 945)	-
- change in financial receivables	-	(119)
Change in receivables in the statement of cash flows	(7 411)	(3 910)

Liabilities:	31.12.2021	31.12.2020
- change in liabilities, net of borrowings, in the statement of financial position	1 485	1 612
- change in finance lease liabilities	390	944
- change in investment commitments	(471)	(479)
Change in liabilities in the statement of cash flows	1 404	2 077

Accruals and deferrals:	31.12.2021	31.12.2020
- change in accruals and deferrals in the statement of financial position	2 193	667
- billing for commissions on loans	(313)	-
Change in accruals and deferrals in the statement of cash flows	1 880	667

34. Debt

Debt payables include mainly loan and lease. The expenses related to such payables are recognized under profit/loss and charged to the financial expenses.

31.12.2021	Loans	Leasing	Total
As at the beginning of the period	-	8 525	8 525
Inflows from debt incurred	250 000	1 835	251 835
financing received	250 000	1 835	-
Interest accruing	-	384	384
Debt payments	-	(2 395)	(2 395)
principal repayments	-	(2 011)	(2 011)
interest paid	-	(384)	(384)
Valuation	-	(28)	(28)
Other non-cash changes	(313)	-	(313)
As at the end of the period	249 687	8 321	258 008

35. Objectives and policies of financial risk management

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

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

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

35.1. Interest rate risk

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

31.12.2021	Zmiana	Wpływ na wynik finansowy brutto w okresie kolejnych 12 miesięcy w tysiącach złotych
WIBOR 1M	1%	(851)
WIBOR 1M	-1%	851

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

35.2. Foreign exchange risk

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

35.3. Credit risk

The Company enters into transactions with companies enjoying sound credit standing. All customers willing to avail themselves of a supplier credit are subject to detailed credit check procedures. Moreover, thanks to ongoing monitoring of receivables, the Company's exposure to bad debt risk is insignificant.

With respect to the Company's trade receivables and other financial assets, such as cash and cash equivalents, loans granted, credit risk is related to the counterparty's inability to pay, with the maximum exposure to such risk being equal to the carrying amount of such instruments. The Company holds cash in bank accounts solely in reputable financial institutions. Loans are given to associates for which the risk of non-payment is minimized by their business. In addition, the Company bears the credit risk in connection with the sureties given to associates whose business and financial performance are monitored on an ongoing basis. The impact of Covid-19 pandemic has been described in Section 7.

35.4. Liquidity risk

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

The Company aims at balancing the continuity and flexibility of financing by using different funding sources, such as, for example lease contracts. On top of that, the liquidity risk includes also the guarantees and sureties issued by the Company and referred to in more detail in Note 26.1.

The table below shows the Company's financial liabilities (except for the guarantees and sureties issued as referred to in Note 26.1) as at 31 December 2021 and as at 31 December 2020 according to their maturity based on contractual undiscounted payments.

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	249 687	-	-	-	-	-	249 687
Lease	2 463	1 914	1 815	1 642	487	-	8 321
Loans granted	-	-	-	-	-	19 057	19 057
Fixed interest rate	<1rok	1-2 lat	2-3 lat	3-4 lat	4-5 lat	>5 lat	Ogółem
Cash assets	151 247	-	-	-	-	-	151 247
Loans granted	-	-	-	-	2 308	-	2 308

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

36. Financial instruments

36.1. Loans given

As at 31.12.2021

(PLN k)

Borrower	Date of loan	Loan balance	Interest rate	Repayment commencement date
Polenergia Dystrybucja Sp. z o.o.	20.11.2014	2 308	8,12% fixed interest	Bullet repayment 31.12.2026
Polenergia Farma Wiatrowa Grabowo Sp z o.o.	01.10.2021	19 057	Wlibor 3M + 2,3 %	21.12.2037
Total		21 365		

As at 31.12.2020

Borrower	Date of loan	Loan balance	Interest rate	Repayment commencement date
Polenergia Dystrybucja Sp. z o.o.	20.11.2014	1 834	stała 8,12%	splata jednorazowa 31.12.2026
Mercury Energia Sp. z o.o., Sp.K.	01.12.2006	4 000	Wlibor 3M + 2,21 %	31.12.2021
Polenergia Farma Wiatrowa 3 Sp. z o.o.	16.10.2020	82 216	Wlibor 3M + 6,98 %	31.03.2021
Total		88 050		

36.2. Financial assets

During the period ended 31 December 2021, the following changes occurred in financial assets:

Company	Share capital increase	Refund of additional share capital contributions	Sale of shares	Acquisition	Liquidation
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Kom.	-	-	800	-	-
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	6 900	-	-	-	-
Polenergia Farma Wiatrowa 17 Sp. z o.o.	9 375	-	-	-	-
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	4 720	-	-	-	-
Polenergia Farma Wiatrowa 22 Sp. z o.o.	2 080	-	-	-	-
Polenergia Farma Wiatrowa 16 Sp. z o.o.	6 000	-	-	-	-
Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	1 680	-	-	-	-
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	55 486	601	-	-	-
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	28 643	-	-	-	-
Polenergia Farma Wiatrowa 3 Sp. z o.o.	184 459	-	-	-	-
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	48 700	-	-	-	-
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	460	-	-	-	-
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	550	-	-	-	-
MFW Bałtyk II Sp. z o.o.	41 250	-	-	-	-
MFW Bałtyk III Sp. z o.o.	37 700	-	-	-	-
MFW Bałtyk I Sp. z o.o.	29 000	-	-	-	-
Polenergia eMobility Sp. z o.o.	1 310	-	-	-	-
Energopep Sp. z o.o.	20	-	-	-	137
Polenergia Elektrownia Mercury Sp. z o.o.	43	-	244	-	-
Grupa PEP Projekty Energetyczne 1 Sp. z o.o.	5	-	-	-	-
Polenergia Obrót 2 Sp. z o.o.	170	-	-	-	-
Polenergia Farma Fotowoltaiczna 1 Sp. z o.o.	110	-	-	-	-
Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	270	-	-	-	-
Polenergia Farma Fotowoltaiczna 3 Sp. z o.o.	60	-	-	-	-
Inwestycje Rolne Sp. z o.o.	20	-	-	-	-
Polenergia Farma Fotowoltaiczna 4 Sp. z o.o.	60	-	-	-	-
Polenergia Farma Fotowoltaiczna 5 Sp. z o.o.	60	-	-	-	-
Polenergia Farma Fotowoltaiczna 6 Sp. z o.o.	270	-	-	-	-
Polenergia Farma Fotowoltaiczna 7 Sp. z o.o.	35	-	-	-	-
Polenergia Farma Fotowoltaiczna 8 Sp. z o.o.	105	-	-	-	-
Polenergia Farma Fotowoltaiczna 9 Sp. z o.o.	45	-	-	-	-
Polenergia Farma Fotowoltaiczna 10 Sp. z o.o.	75	-	-	-	-
Polenergia Farma Fotowoltaiczna 11 Sp. z o.o.	225	-	-	-	-
Polenergia Farma Fotowoltaiczna 12 Sp. z o.o.	595	-	-	-	-
Polenergia Farma Fotowoltaiczna 13 Sp. z o.o.	140	-	-	-	-
Polenergia Farma Fotowoltaiczna 14 Sp. z o.o.	125	-	-	-	-
Polenergia Farma Fotowoltaiczna 15 Sp. z o.o.	111	-	-	-	-
Polenergia Farma Fotowoltaiczna 16 Sp. z o.o.	125	-	-	-	-
Polenergia Farma Fotowoltaiczna 17 Sp. z o.o.	65	-	-	-	-
Polenergia Farma Fotowoltaiczna 18 Sp. z o.o.	5	-	-	-	-
Edison Energia S.A.	-	-	-	71 900	-
Total	461 052	601	1 044	71 900	137

36.3. Interest rate risk

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

31.12.2021

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	249,687	-	-	-	-	-	249,687
Lease	2,463	1,914	1,815	1,642	487	-	8,321
Loans granted	-	-	-	-	-	19,057	19,057

Fixed interest rate	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Cash assets	151,247	-	-	-	-	-	151,247
Loans granted	-	-	-	-	2,308	-	2,308

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
Loans granted	8,6216	-	-	-	-	-	86 216
Lease	1,874	2005	1482	1427	1314	423	8 525
Fixed interest rate	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Cash assets	124,630	-	-	-	-	-	124 630
Lease	232	256	282	311	343	653	2,077
Loans granted	-	-	-	-	-	1 834	1834

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

37. Capital management

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

The Company manages its capital structure and modifies it in response to changes in the economic environment. In order to maintain or adjust its capital structure, the Company may make changes regarding dividend distribution, return the capital to the shareholders, or issue new shares. In the years ended 31 December 2021 and 31 December 2020, no changes were made in objectives, policies and processes in this respect.

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

	31.12.2021	31.12.2020
Interest under borrowings	249 687	-
Less cash and cash equivalents	(151 247)	(124 630)
Net debt	98 440	(124 630)
Share capital	1 414 866	1 173 782
Total capital	1 414 866	1 173 782
Capital and net debt	1 513 306	1 049 152
Leverage ratios	7%	-12%

38. Information on significant transactions with associates

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

31.12.2021	Revenues	Receivables
Amon Sp. z o.o.	505	390
Dipol Sp. z o.o.	3 422	106
Polenergia eMobility Sp. z o.o.	123	81
Polenergia Biomasa Energetyczna Północ Sp. z o.o.	3 186	-
Polenergia Dystrybucja Sp. z o.o.	1 828	331
Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	40 638	81
Polenergia Farma Fotowoltaiczna 1 Sp. z o.o.	121	115
Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	272	269
Polenergia Farma Fotowoltaiczna 3 Sp. z o.o.	139	133
Polenergia Farma Fotowoltaiczna 4 Sp. z o.o.	116	108
Polenergia Farma Fotowoltaiczna 6 Sp. z o.o.	135	129
Polenergia Farma Wiatrowa 1 Sp. z o.o.	10 420	307
Polenergia Farma Wiatrowa 4 Sp. z o.o.	6 457	459
Polenergia Farma Wiatrowa 6 Sp. z o.o.	5 611	232
Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	115	113
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	1 584	1 877
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	862	906
Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	169	168
Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	19 969	379
Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	265	269
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	136	133
Polenergia Farma Wiatrowa Piekło Sp. z o.o.	313	352
Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	300	331
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	1 883	1 111
Polenergia Farma Wiatrowa Wodzisław Sp. z o.o.	117	118
Polenergia Kogeneracja Sp. z o.o.	689	92
Polenergia Obrót S.A.	1 928	591
Polenergia Sprzedaż Sp. z o.o.	119	20
Polenergia Farma Wiatrowa 16 Sp. z o.o.	308	310
Polenergia Farma Wiatrowa 17 Sp. z o.o.	586	398
Polenergia Farma Wiatrowa 22 Sp. z o.o.	168	169
Polenergia Farma Wiatrowa 23 Sp. z o.o.	1 436	53
Polenergia Farma Wiatrowa 3 Sp. z o.o.	4 565	5 022
Polenergia Obrót 2 Sp. z o.o.	178	168
Talia Sp. z o.o.	462	290
Mansa Investments Sp. z o.o.	187	27
Green Stone Solutions Sp. z o.o.	102	12
Pozostałe	921	832
Total	110 335	16 482

The interest in and loans given to associates are referred to in Notes 36.1. and 36.2.

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

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

The ultimate person controlling the Company is Ms. Dominika Kulczyk.

39. Employment

As at 31 December 2021 and as at 31 December 2020, the Company employees divided into professional groups included:

	31.12.2021	31.12.2020
Parent company Management Board *)	5	5
Parent company employees **)	83	54
Total	88	59

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

**) includes maternity leave employees

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

In the years 2021 and 2020 the remuneration paid to the Management Board Members amounted to:

	31.12.2021	31.12.2020
Michał Michalski	2 571	2 499
Tomasz Kiełliński	1 113	508
Iwona Sierżęga	1 451	1 397
Piotr Maciołek	1 095	508
Jarosław Bogacz	362	190
Robert Nowak *)	-	1 432
Total	6 592	6 534

*) Mr. Robert Nowak was receiving 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 as: 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

In the years 2021 and 2020 the remuneration paid to the Supervisory Board Members amounted to:

	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
Razem	313	388

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

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

42. 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 service	31.12.2021	31.12.2020
Audit and verification of the financial statements	97	97

43. Material events after the reporting date
Acquisition of 100% shares of Polenergia Fotowoltaika S.A. (formerly Edison Energia S.A.)

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 71,900k, which was recognized as a financial asset in the balance sheet as at 31 December 2021. 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. took place 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 74,896k and is subject to further adjustments related to the closing accounts procedures which is expected in second quarter 2022.

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 the Company have been being monitored and identified on an ongoing basis. In the Management Board's opinion, the Company is not directly exposed to any negative effects of the conflict, mainly due to the fact it has no involvement in Russia, Belarus and Ukraine.

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 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 Company, increased inflation pressure and depreciation the zloty exchange rate vis-à-vis the Euro were observed. Should these factors persist in the long term perspective, they may lead to a reduction in profitability of the projects developed by subsidiaries and constraints in the further growth prospects.