Energa
ORLEN GROUP

# Financial statements for the year ended 31 December 2022 in accordance with the International Financial Reporting Standards as endorsed by the European Union

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Financial statements as at and for the year ended 31 December 2022 (PLN m)

## STATEMENT OF PROFIT OR LOSS

| | Note | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|---|
| **Sales revenue** | **9.1** | **62** | **64** |
| Cost of sales | **9.2** | (49) | (55) |
| **Gross profit on sales** | | **13** | **9** |
| Other operating income | | 15 | 18 |
| General and administrative expenses | **9.2** | (114) | (99) |
| Other operating expenses | | (10) | (9) |
| Dividend income | | 201 | 201 |
| Interest income | **9.4** | 305 | 182 |
| Other financial income | **9.5** | 98 | 193 |
| Impairment losses on shares | **24.6** | (168) | (59) |
| Other financial costs | **9.6** | (295) | (250) |
| **Profit before tax** | | **45** | **186** |
| Income tax | **10** | 5 | 24 |
| **Net profit** | | **50** | **210** |
| **Earnings per share (in PLN)** | | | |
| Earnings per share (basic and diluted) | **19** | 0.12 | 0.51 |

## STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|---|
| **Net profit for the period** | | **50** | **210** |
| ***Items that may subsequently be reclassified to profit or loss*** | | | |
| Cash flow hedges | **24.8** | (39) | 226 |
| Deferred income tax | **10** | 8 | (43) |
| **Net other comprehensive income** | | **(31)** | **183** |
| **Total comprehensive income** | | **19** | **393** |

31 December 2022 (PLN m)

## STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | **12** | 13 | 9 |
| Right-of-use assets | **13** | 17 | 28 |
| Shares in subsidiaries, associates and joint ventures | **11** | 7,453 | 6,898 |
| Bonds | **24.5.1** | 601 | 1,134 |
| Other non-current financial receivables | **24.5.1** | 2,748 | 2,964 |
| Derivative financial instruments | **24.3** | 172 | 219 |
| Other non-current assets | **15** | 228 | 112 |
| | | **11,232** | **11,364** |
| **Current assets** | | | |
| Cash pooling receivables | **24.1** | 944 | 778 |
| Current financial receivables and trade receivables | **16** | 399 | 456 |
| Bonds | **24.5.1** | 557 | 26 |
| Current tax receivables | | 295 | 100 |
| Cash and cash equivalents | **14** | 674 | 89 |
| Derivative financial instruments | **24.3, 24.8** | 102 | 52 |
| Other current assets | **17** | 40 | 77 |
| | | **3,011** | **1,578** |
| **Non-current assets classified as held for sale** | **30** | **20** | **20** |
| **TOTAL ASSETS** | | **14,263** | **12,962** |

31 December 2022 (PLN m)

## STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders** | | | |
| Share capital | **18.1** | 4,522 | 4,522 |
| Reserve capital | **18.4** | 1,031 | 821 |
| Supplementary capital | **18.5** | 1,661 | 1,661 |
| Cash flow hedge reserve | **24.8** | 56 | 87 |
| Retained earning | **18.6** | 94 | 254 |
| **Total equity** | | **7,364** | **7,345** |
| **Non-current liabilities** | | | |
| Loans and borrowings | **24.5.2** | 1,481 | 1,857 |
| Bond issued | **24.5.2** | 576 | 1,139 |
| Non-current provisions | | 10 | 13 |
| Deferred tax liability | **10.4** | 1 | 3 |
| Deferred income and non-current grants | **22** | 25 | 34 |
| Non-current lease liabilities | **24.5.2** | 6 | 20 |
| | | **2,099** | **3,066** |
| **Current liabilities** | | | |
| Cash pooling liabilities | **24.1** | 861 | 512 |
| Current loans and borrowings | **24.5.2** | 3,017 | 1,815 |
| Current lease liabilities | **24.5.2** | 15 | 14 |
| Trade liabilities and other financial liabilities | **21.1** | 22 | 19 |
| Liabilities on account of the issue of debt securities | **24.5.2** | 575 | - |
| Short-term provisions | | 3 | 49 |
| Deferred income and grants | **22** | 9 | 9 |
| Accrued expenses | | 10 | 10 |
| Other current liabilities | **21.2** | 288 | 123 |
| | | **4,800** | **2,551** |
| **Total liabilities** | | **6,899** | **5,617** |
| **TOTAL EQUITY AND LIABILITIES** | | **14,263** | **12,962** |

Financial statements as at and for the year ended 31 December 2022 (PLN m)

## STATEMENT OF CHANGES IN EQUITY

| | Note | Share capital | Reserve capital | Supplementary capital | Cash flow hedge reserve | Retained earnings/ (Accumulated losses) | Total equity |
|---|---|---|---|---|---|---|---|
| **As at 1 January 2022** | | **4,522** | **821** | **1,661** | **87** | **254** | **7,345** |
| Cash flow hedges | **24.8** | - | - | - | (31) | - | **(31)** |
| Net profit for the period | | - | - | - | - | 50 | **50** |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **(31)** | **50** | **19** |
| Distribution of retained earnings | | - | 210 | - | - | (210) | - |
| **As at 31 December 2022** | | **4,522** | **1,031** | **1,661** | **56** | **94** | **7,364** |
| | | | | | | | |
| **As at 1 January 2021** | | **4,522** | **1,018** | **1,661** | **(96)** | **(153)** | **6,952** |
| Cash flow hedges | **24.8** | - | - | - | 183 | - | **183** |
| Net loss for the period | | - | - | - | - | 210 | **210** |
| **Total comprehensive income for the period** | | **-** | **-** | **-** | **183** | **210** | **393** |
| Distribution of retained earnings | | - | (197) | - | - | 197 | **-** |
| **As at 31 December 2021** | | **4,522** | **821** | **1,661** | **87** | **254** | **7,345** |

31 December 2022 (PLN m)

## STATEMENT OF CASH FLOWS

| | Note | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit before tax** | | **45** | **186** |
| **Adjustments for:** | | | |
| (Profit)/Loss on foreign exchange | | 9 | (2) |
| Loss on investing activities (incl. impairment losses for shares) | | 156 | 117 |
| Amortization and depreciation | **9.2** | 15 | 16 |
| Net interest and dividends | **26** | (242) | (213) |
| **Changes in working capital:** | | | |
| Change in provisions | | (49) | (174) |
| Change in receivables | | (148) | (15) |
| Change in liabilities, excluding loans, borrowings and bonds | | 696 | 385 |
| Change in prepayments and accruals | | (7) | (6) |
| | | **475** | **294** |
| **Income tax paid** | | **(529)** | **(332)** |
| **Net cash from operating activities** | | **(54)** | **(38)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment and intangible assets | | (35) | (26) |
| Proceeds from the redemption of bonds by subsidiaries | | 3 | 582 |
| Purchase of shares in subsidiaries, associates and joint ventures | | (721) | (446) |
| Sale of shares in subsidiaries | | 1 | 21 |
| Dividends received | | 201 | 201 |
| Interest received | | 299 | 165 |
| Loan granted | | - | (579) |
| Receipts on account of loan repayments | | 300 | 324 |
| Capital contributions made | | (145) | (48) |
| Returned capital contributions | | - | 17 |
| Other | | 26 | 26 |
| **Net cash from investing activities** | | **(71)** | **237** |
| **Cash flows from financing activities** | | | |
| Proceeds from credits | **24.5.2** | 3,300 | 2,700 |
| Repayment of credits | **24.5.2** | (2,500) | (3,366) |
| Cash pooling proceeds | | 182 | 649 |
| Interest paid | | (259) | (170) |
| Repayment of lease liabilities | | (13) | (12) |
| **Net cash from/(used in) financing activities** | | **710** | **(199)** |
| **Net increase in cash and cash equivalents** | | **585** | **-** |
| **Cash and cash equivalents at the beginning of the period** | | **89** | **89** |
| **Cash and cash equivalents at the end of the period** | **14** | **674** | **89** |

## ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

### 1. General information

Company information:

a) Name: Energa Spółka Akcyjna

b) Legal form: Spółka Akcyjna (joint stock company)

c) Registered office: 80-309 Gdańsk, al. Grunwaldzka 472

d) Registry court: District Court Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register in Gdańsk, under number KRS 0000271591

e) Basic line of business: holding activity

f) Company's duration: unspecified

As at 31 December 2022, PKN ORLEN S.A. is the Company's parent.
Since December 2013, the Company's shares have been publicly traded.
The basic line of business of Energa SA is holding activity. The Company acts as a parent in the Energa SA Group and, accordingly, it prepares consolidated financial statements of the Group.
The annual consolidated financial statements of the Group were prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) endorsed in the European Union (EU). In order to achieve full understanding of the financial position and results of the Company as the parent entity in the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2022. These statements are available on the Company's website.

### 2. Composition of the Company's Management Board

During 2022 and 2023 until the date of these consolidated financial statements, the composition of the Management Board of Energa SA has been as follows:

1) during the period from 15 November 2021 until 8 April 2022:
- Ms Iwona Waksmundzka-Olejniczak – President of the Management Board;
- Mr Marek Kasicki – Vice-President of the Management Board for Financial Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki – Vice-President of the Management Board for Operational Matters;

2) during the period from 8 April 2022 until 21 April 2022:
- Mr Marek Kasicki – Vice-President of the Management Board for Financial Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki – Vice-President of the Management Board for Operational Matters;

3) during the period from 21 April 2022 until 22 April 2022:
- Mr Daniel Obajtek – Member of the Supervisory Board seconded to temporary exercise of the duties of the President of the Management Board;
- Mr Marek Kasicki – Vice-President of the Management Board for Financial Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki – Vice-President of the Management Board for Operational Matters;

4) during the period from 22 April 2022 until 26 April 2022:
- Mr Daniel Obajtek – Member of the Supervisory Board seconded to temporary exercise of the duties of the President of the Management Board;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki – Vice-President of the Management Board for Operational Matters;

5) during the period from 26 April 2022 until 1 September 2022:
- Mr Daniel Obajtek – Member of the Supervisory Board seconded to temporary exercise of the duties of the President of the Management Board;
- Mr Michał Perlik – Vice-President of the Management Board for Financial Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki – Vice-President of the Management Board for Operational Matters;

6) during the period from 1 September 2022 until 16 February 2023:
- Ms Zofia Paryła – President of the Management Board;
- Mr Michał Perlik – Vice-President of the Management Board for Financial Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki – Vice-President of the Management Board for Operational Matters;

7) during the period from 16 February 2023 until 27 March 2023:

- Ms Zofia Paryła – President of the Management Board;
- Mr Michał Perlik – Vice-President of the Management Board for Financial Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters;

8) during the period from 27 March 2023 until the publication date of these statements:

- Ms Zofia Paryła – President of the Management Board;
- Mr Michał Perlik – Vice-President of the Management Board for Financial and Climate Matters;
- Ms Adrianna Sikorska – Vice-President of the Management Board for Communication Matters;
- Mr Janusz Szurski – Vice-President of the Management Board for Corporate Matters.

## 3. Approval of the financial statements

These separate financial statements were approved for publication by the Company's Management Board on 26 April 2023.

## 4. Basis for preparation of the financial statements

These separate financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.
These separate financial statements have been prepared based on the assumption that Energa SA would continue as a going concern in the foreseeable future. In connection with a high level of external financing available to Energa SA Group, as presented in Note 24.7 in the amount of PLN 2,717 m, in spite of the surplus of current liabilities over current assets in the amount of PLN 1,694 m, as at the date of these financial statements, there is no evidence indicating any uncertainty as to the Company's ability to continue its business activities as a going concern.

### 4.1. Statement of compliance

These separate financial statements have been prepared in accordance with the IFRS endorsed in the EU.
IFRSs include standards and interpretations approved by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC).

### 4.2. Functional and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the Polish zloty and all the figures are stated in millions of Polish zlotys ("PLN m") unless stated otherwise.

## 5. Material items subject to professional judgment and estimates

In the process of applying the accounting policies to the issues specified below, one of the most important factors, in addition to accounting estimates, was professional judgment of the management, which affected the amounts stated in the separate financial statements, including the notes. The assumptions of these estimates are based on Management's best knowledge of current and future activities and events in each area. Detailed information on the adopted assumptions is presented in the relevant notes in these separate financial statements.
The key assumptions for the future and other main sources of uncertainty occurring as at the end of the reporting period, which entail a significant risk of considerable adjustment of the carrying amount of assets and liabilities in the following financial year, are presented below.

**Impairment of assets**

No less frequently than at the end of every reporting period, the Company determines whether there is evidence of impairment of any non-current asset. If such evidence is found or when an annual impairment test must be carried out, the Company estimates the recoverable amount of such asset. The amount of the impairment loss on investments in subsidiaries, associates and joint ventures is presented in Note 11, while the impairment loss on investments in related entities is presented in Note 24.6.

**Deferred tax asset**

Deferred tax assets are measured using the tax rates that will be applied at the moment when the asset is utilized, based on the tax regulations in force at the end of the reporting period. Energa SA recognizes a deferred tax asset based on the assumption that tax profit would be recorded in the future, allowing the Group to use the asset. This assumption may prove to be unjustified if tax results deteriorate in the future. The calculation of deferred tax is presented in Note 10.4, while information on the Energa Tax Group is provided in Note 10.3.

**Fair value of financial instruments**

The fair value of financial instruments, for which no active markets exist, is measured using appropriate valuation techniques. The Company uses professional judgment when selecting such adequate methods and assumptions. The method used to determine fair value of individual financial instruments is presented in Note 24.4.

## 6. Changes in estimates

In the current reporting period, the price paths used were modified and the paths in force in all PKN Orlen subsidiaries were adopted. Otherwise, no changes were made to the scope or methods used for making material estimates.

## 7. New standards and interpretations

### 7.1. Standards and interpretations applied for the first time in 2022

The following amendments to existing standards issued by the IASB and approved for use in the EU are applicable for the first time to the Company's 2022 financial statements:

- Amendments to IAS 16 Property, Plant and Equipment – revenues obtained prior to acceptance of an asset for use endorsed in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – contracts resulting in charges, the cost of fulfilment of a contract endorsed in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3 Business Combinations – changes to references to conceptual assumptions together with amendments to IFRS 3, endorsed in the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022);
- Amendments to various standards "Annual Improvements to IFRS (2018-2020 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) aimed mainly at removing inconsistencies and agreeing on the wording (amendments to IFRS 1, IFRS 9 and IAS 41 effective for annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 relate solely to an illustrating example and, consequently, no effective date has been specified).

The aforementioned amendments to the existing standards did not have a material effect on the Company's financial statements for 2022.

### 7.2. Standards and interpretations adopted by the IASB and endorsed in the EU but not yet applicable

- IFRS 17 Insurance Contracts with subsequent amendments to IFRS 17, endorsed in the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IFRS 17 Insurance Contracts – Initial application of IFRS 17 and IFRS 9 – Comparative information (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies, endorsed in the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, endorsed in the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023),

### 7.3. Standards and interpretations adopted by the IASB but not yet endorsed in the EU

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- IFRS 16 Leases – Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);
- IFRS 14 Regulatory Accruals – the European Commission decided not to initiate the approval process for this interim standard and wait for its final version;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (the effective date of the amendments has been deferred until the completion of research work on the equity method).

In the event that the remaining above-mentioned standards are implemented, the Company does not anticipate the related amendments to have a material impact on its financial statements.

## 8. Significant accounting policies

The most significant accounting policies applied by the Company are presented below. These policies are applied on a continuous basis except for the changes attributable to the amendments to IFRS EU.

### 8.1. Conversion of items in foreign currencies

Transactions denominated in currencies other than the Polish zloty are converted upon initial recognition into Polish zloty using the exchange rate applicable on the date of the transaction. At the end of the reporting period:

- cash is converted using the closing exchange rate (it is assumed that the closing exchange rate is the average exchange rate set for a given currency by the National Bank of Poland for the day);
- non-cash items measured at historical cost in a foreign currency are converted using the exchange rate in effect on the initial transaction date (exchange rate of the company's bank); and
- non-cash items measured at fair value in a foreign currency are converted using the exchange rate from the date the fair value is determined.

Foreign exchange differences resulting from this conversion are recognized, respectively, as financial income (cost) items or, in the cases identified in the accounting principles (policies), they are capitalized as assets.

### 8.2. Intangible assets

Intangible assets include the Company's identifiable non-monetary assets that do not have
a physical form. On initial recognition, an intangible asset is measured at the purchase price or production cost. The purchase price of an intangible asset includes:

- the purchase price including import duties, non-deductible taxes included in the price, less any granted discounts and rebates and
- expenditures directly connected with preparing the asset component for use according to its planned purpose.

After initial recognition, intangible assets are carried at purchase price or production cost, less accumulated amortization and impairment losses. The Company assesses whether useful life of an intangible asset component is definite or indefinite and, if definite, estimates the duration of that period. Amortization begins in the month following the month in which the asset becomes ready for use.
Intangible assets with a limited useful life are subjected to impairment tests each time when there is evidence of their impairment. The amortization period and method are reviewed at least at the end of each financial year.
Gains or losses arising upon derecognition of intangible assets from the statement of financial position are measured at the difference between net sales revenues and the carrying amount of the asset and are posted to the statement of profit or loss upon derecognition from the statement of financial position.
The Company applies the following amortization rates for intangible assets with specific useful lives: 20%, 25%, 50% and 100%.

### 8.3. Shares in subsidiaries, associates and joint ventures

The Company carries investments in subsidiaries and associates at historical cost less impairment losses.

### 8.4. Impairment of non-financial assets and shares in subsidiaries, associates and joint ventures

No less frequently than at the end of every reporting period, the Company determines whether there is evidence of impairment of any non-financial non-current asset or investment in subsidiaries, associates and joint ventures. If such evidence is found or when an annual impairment test must be carried out, the Company estimates the recoverable amount of such asset or cash generating unit to which such asset is allocated. Impairment occurs when the recoverable amount (i.e. the higher of fair value less cost to sell and value in use) is lower than the carrying amount of the tested asset or cash generating unit.
Impairment losses on assets used in continuing operations are recognized in cost categories that correspond to the function of the impaired asset.
At the end of each reporting period, the Company estimates whether there is any evidence that the impairment loss applied in previous periods to such asset is redundant or whether it should be decreased. If such evidence exists, the Company estimates the recoverable amount of the asset.
A previously recognized impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

### 8.5. Cash and cash equivalents

Cash and other cash assets include:

- cash on current bank accounts; and
- other cash, including bank deposits with maturities no longer than 3 months.

The balance of cash and cash equivalents presented in the statement of cash flows consists of the aforementioned cash and other cash less outstanding current account overdrafts.
The Company classifies cash as a financial asset measured at amortized cost with impairment charges determined in accordance with the expected loss model.

### 8.6. Leases

**The Company as a lessee**

Under IFRS 16 Leases, what a lease is to the lessee is any contract which conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to recognize a contract as a lease, the Company analyses, first of all:

- whether an identifiable asset is the subject matter of the contract;
- whether, throughout the entire period of use, the Company has the right to obtain substantially all the economic benefits from use of the identified asset;
- and whether, throughout the entire period of use, the Company has the right to direct the use of the identified asset.

A customer has the right to direct the use of an identified asset if the customer designed the asset in a way that predetermines how and for what purpose the asset will be used or the customer has the right to operate the asset, without the supplier having the right to change those operating instructions.
In 2022, the cost of interest on lease liabilities amounted to PLN 1 m, whereas the costs associated with variable lease payments not recognized in the valuation of lease liabilities amounted to PLN 4 m.
The Company's accounting policy envisages:

- non-application of the requirements of IFRS 16 to short-term leases, characterized by the maximum term of contact of up to 12 months, and leases of low-value assets, i.e. below PLN 10,000, with the exception of right of perpetual usufruct of land;
- recognition of a lease liability at the contract's commencement date in the amount of the initial measurement of the lease liability, i.e. at the present value of the lease payments outstanding at the lease's commencement date;
- the lease liabilities are reduced by any lease incentives payable if their value can be determined at the time of commencement of the lease;
- The Company discounts lease payments using the

interest rate implicit in the lease if that rate can be determined on the basis of the contract; otherwise, the lessee's incremental borrowing rate shall be used;
- financial costs, i.e. interest, and variable lease payments not included in the measurement of the lease liability, shall be recognized on an ongoing basis in the statement of profit or loss;
- after the commencement date, the lessee shall measure the right-of-use assets applying a cost model, i.e. shall reduce the value of the asset by depreciation charges and impairment losses and adjust it for any remeasurement of the lease liability to reflect any reassessment or lease payment modification;
- the amortization and depreciation period shall be equal to the lease term unless the leased asset is expected to be bought; in the latter case, the period of the economic useful life of the asset is set straight away.

**The Company as a lessor**

In the case of finance leases, the Company recognizes lease receivables in its statement of financial position and in its accounting records as non-current or current financial assets. They are measured at amortized cost, using the interest rate of the lease.
The Company divides the base fee into the principal part and the interest part. The interest part of the base fee is income from finance leases recognized in financial income.
The principal part of the lease fee attributable to a given accounting period represents repayment of the receivables from the user. The fee is divided using the interest rate of the lease.
Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease receivables are recognized
on a straight-line basis during the lease period. The initial direct costs incurred in the course of negotiating operating lease agreements are added to the carrying amount of the leased asset and are recognized as cost during the term of the lease.

### 8.7. Other assets

In other assets, the Company recognizes accrued costs if the following conditions are satisfied:
- they result from past events – an expenditure is incurred in order to attain the entity's operational objective;
- their amount may be measured reliably;
- they contribute to future economic benefits of the entity; and
- they refer to future reporting periods.

Prepayments are recorded at the level of incurred and reliably measured expenses that refer to future periods and will bring future economic benefits to the entity.
Prepayments may be written off in proportion to the passage of time or benefits received. The time and manner of settlement is justified by the nature of the cost being settled, in keeping with the conservative valuation principle.
At the end of a reporting period, the Company reviews prepayments to find whether the degree of certainty that the entity will achieve economic benefits after the lapse of the reporting period is sufficient to recognize the item as an asset component.
Other assets also include receivables on account of settlements of the Energa Tax Group, receivables on account of public and legal settlements (except for settlements on account of corporate income tax, presented as a separate item in the statement of financial position), surplus of Company Social Benefit Fund's assets over liabilities, and advances paid for future purchases of property, plant and equipment and intangible assets.
Advances are presented in line with the type of assets to which they refer as non-current or current assets, respectively. As non-pecuniary assets, advances are not discounted.

### 8.8. Equity

Equity is carried at par value, broken down into types and according to the principles set forth by the law and by the Company's articles of association.
The retained earnings/accumulated losses item includes net result of the current year, results carried forward from previous years, as well as adjustments connected with the transition to IFRS EU.

### 8.9. Other liabilities

Other liabilities include in particular liabilities on account of settlements of the Energa Tax Group, liabilities to the tax office on account of value added tax and liabilities on account of received advance payments to be settled by deliveries of goods, services or property, plant and equipment. Advances are recognized in the amount received and other liabilities are recognized in the amount of the required payment.

### 8.10. Deferred income and grants

Deferred income includes:
- government grants recognized while measuring preferential credits,
- cash received to cover the acquisition or manufacturing of property, plant and equipment and development. These are settled by gradually increasing other operating income by an amount corresponding to depreciation on these assets, in the part financed by the mentioned cash.

**Grants recognized while measuring preferential credits**
If the Company receives a loan or credit on preferential terms then, on initial recognition,
such financial instrument is measured at fair value equal to the value of discounted cash flows, using market interest rates for similar instruments. The difference between the valuation amount calculated using this method and at amortized cost is recognized in the statement of financial position as a grant and amortized on a straight-line basis during the repayment period of the liability, charged to other operating income in the statement of profit or loss.

### 8.11. Cash pooling

Transactions within the cash pooling system are recognized as related party transactions. The company acts as an agent in those settlements. Cash pooling receivables and payables are presented, respectively, as short-term financial assets or short-term financial liabilities in the category of financial assets and liabilities measured at amortized cost. The Company presents its cash pooling settlements separately as assets and liabilities, while interest is shown as net amounts. The Company presents its cash flows from the system on the net basis as outflows in investing activities and inflows in financing activities.

### 8.12. Financial instruments

#### 8.12.1. Financial assets

Under IFRS 9, financial assets are classified exclusively to three categories:
- financial assets at amortized cost;
- financial assets at fair value through comprehensive income; and
- financial assets at fair value through profit or loss.

Classification of financial assets depends on the business model of management of financial assets and the characteristic of contractual cash flows of a financial asset.
Financial assets are classified at the time of initial recognition and their classification may be changed only when the business model of management of financial assets has evolved.
According to IFRS 9, a financial asset is measured at amortized cost if both conditions below have been fulfilled:
- the asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

On the other hand, a financial asset is measured at fair value through other comprehensive income if both conditions below have been fulfilled:
- the Company aims both to hold those financial assets to collect contractual cash flows and to sell the assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The remaining financial assets are measured at fair value through profit or loss, including valuation of the loan granted to Elektrownia Ostrołęka Sp. z o.o. for which no SPPI test according to IFRS 9 has been conducted.

#### 8.12.2. Impairment of financial assets

IFRS 9 specifies the impairment loss model. The Company applies the model of expected credit losses on receivables using the simplified approach admissible under IFRS 9.
The simplified model permits calculation of credit losses throughout the life of the receivable. According to IFRS 9, the expected credit loss is calculated while taking into consideration the estimates of potential recoveries on account of contributed collaterals. In the case of receivables from counterparties, it is expected that the data on historic collectability may reflect credit risk that will be borne in future periods.
Furthermore, the value of receivables may be updated also individually, in particular in relation to:
- receivables due from debtors put into liquidation or declared bankrupt;
- receivables contested by debtors and receivables on the repayment of which the debtor is in arrears and where, based on the debtor's assets
  and financial situation, the repayment of receivables in the contractual amount is unlikely (in such case, bad debt provision may be established in the amount of 100% of the value of the previously recognized debt);
- other overdue receivables as well as not overdue receivables for which default risk is significant according to the Management Board's individual assessment.

In the case of purchased bonds, the Company assesses increase in credit risk from the moment of initial recognition individually for every bond issuer while taking into consideration all reasonable information that can be documented, including future-related data. The Company assesses changes in default risk over the expected life of the bond. In order to make such assessment, the Company compares the risk of default for a given bond as at the
reporting date against risk of default for that financial instrument as at the date of initial recognition while taking into consideration all reasonable information that can be documented.

The Company purchases bonds from Group entities as one of the tools for implementing the Group's financial policy, for which the Company is responsible. The Company continuously monitors the financial condition of the entities from which it purchases bonds, taking into account their business model and its current and future financial aspects, i.e. for example, the distribution business of Energa Operator SA. A significant increase in risk would be identified by the Company when there are, amongst others, significant changes in the business profile of issuers, unfavourable changes in the legal environment, legislation or a significant deterioration in the condition of issuers. Taking into account the business model in place, the assumptions of the current financial policy and the condition of the issuers, the Company assesses the credit risk with respect to these financial instruments as low, and adjusts the method of determining the impairment of these financial assets to the level of this risk.

#### 8.12.3. Financial liabilities

At Energa SA, financial liabilities exist that are classified as held at amortized cost.
Financial liabilities held at amortized cost include primarily trade liabilities, bank credits, loans and debt securities and cash pooling liabilities. On initial recognition, they are
recognized at fair value less costs of obtaining them. After initial recognition, they are measured at amortized cost using the effective interest rate method.
When calculating amortized cost, the cost of obtaining the loan or borrowing must be taken into account, as well as any discounts and bonuses obtained in connection with the liability.

Revenues and costs are recognized in the statement of profit or loss upon derecognition of the liability from the statement of financial position and also as a result of a settlement using the effective interest rate method.

The Company derecognizes a financial liability from its statement of financial position if the liability has expired, i.e. when the obligation defined in the respective agreement has been performed, has been cancelled or has expired.

#### 8.12.4. Hedge accounting

The Company applies the principles arising under IAS 39.

**Hedging derivatives and hedge accounting**

The Company may decide to designate selected derivatives as hedges under cash flow hedge accounting under any identified hedge relationship. The Company allows the use of cash flow hedge accounting only if the following criteria are met, i.e.:

- at the inception of the hedge, the Company formally designates and documents the hedging relationship and the risk management objective as well as strategy for undertaking the hedge. The documentation includes the identification of the hedge instrument, the hedged position, the nature of risk and the method for a current assessment of the effectiveness of the hedge in offsetting the risk of changes in cash flows associated with the hedged risk;
- the hedge is expected to be highly effective (80-125%) in offsetting changes in cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- a planned transaction, which is the subject of a hedge, must be highly probable and must be exposed to variations in cash flows that could ultimately affect the statement of profit or loss;
- effectiveness of the hedge can be reliably assessed, i.e. cash flows related to the hedged position resulting from the hedged risk and the fair value of the hedge can be reliably measured; and
- the hedge is assessed on an ongoing basis and determined to have been highly effective throughout the reporting periods for which the hedge was designated.

**Applicable accounting principles for derivatives designated as hedges under cash flow hedge accounting**

Changes in the fair value measurement of derivative financial instruments designated as cash flow hedges are recognized in other comprehensive income and captured on a cumulative basis in the cash flow hedge reserve
in proportion thereof that is an effective hedge, whereas any ineffective portion of the hedge is posted to the statement of profit or loss.

The accumulated amounts of hedging instrument revaluation to fair value, previously recognized in the cash flow hedge reserve, are transferred through other comprehensive income to the statement of profit or loss in the period or periods in which the hedged position affects the statement of profit or loss.

The Company ceases to use the cash flow hedge accounting principles in the event of one or more of the following events:

- the hedging instrument expires or is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy). In this case, the cumulative gain or loss on the hedging instrument, which is posted to other comprehensive income and accumulated in equity in the period, in which the hedge was effective, remains recognized separately in equity until the planned transaction occurs;
- the hedge no longer meets the hedge accounting criteria. In this case, the cumulative gain or loss on the hedging instrument, which is posted to other comprehensive income and accumulated in equity in the period, in which the hedge was effective, remains recognized separately in equity until the planned transaction occurs;
- the planned transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument, which is posted to other comprehensive income and accumulated in equity in the period, in which the hedge was effective, is posted to the statement of profit or loss. A planned transaction, which is no longer highly probable, may still be expected to occur;
- The Company cancels any hedging relationship. For hedges of planned transactions, the cumulative gain or loss on the hedging instrument, which is posted to other comprehensive income and accumulated in equity in the period when the hedge was effective remains recognized in a separate equity item until the planned transaction occurs or is no longer expected to occur. If the transaction is no longer expected to occur, the cumulative gain or loss accumulated in equity is posted to the statement of profit or loss.

**Presentation**

In connection with the use of cash flow hedge accounting, the Company applies the following presentation:

- the effective portion of any change in the valuation of hedges is posted to other comprehensive income and accumulated in the cash flow hedge reserve;
- interest on hedges is presented in the same item of the statement of profit or loss, which presents interest result on the hedged position;
- any revaluation of hedges transferred from other comprehensive income is presented in the same line of the statement of profit or loss in which the currency revaluation of the hedged position is presented in the same period in which the hedged item affects the financial result; and
- the ineffective portion of changes in the valuation of hedging instruments is recognized in financial income/costs.

### 8.13. Revenue

Revenue from contracts with customers includes revenue from contracts entered into as part of the Company's core business, i.e. the business the Company was established to conduct.

The Company applies the principles of IFRS 15 using the five-step model.

The structure of sales revenue by type and the manner of its recognition are as follows:

- rental income is determined using the straight-line method for the entire term of rental, in relation to active agreements (excluded from the scope of IFRS 15);

- revenue from other services within the scope of IFRS 15 is recognized over time.

Revenue from the sale of services recognized under IFRS 15 mainly consists of revenue from the sale of rights to use the Energa brand (royalty revenue) and revenue from subsidiaries' participation in the costs of promoting the Energa brand (revenue from other services), as well as revenue from IT services. Sales revenue adjustments are allocated to the period to which they relate until the approval of the financial statements for publication.

A breakdown of revenue in line with the above principles has been presented in Note 9.1.

Dividend income is recognized when the right to dividend is acquired.

### 8.14. Costs

Operating expenses consist of the following:

- cost of goods sold incurred during the reporting period;
- general and administrative expenses.

### 8.15. Other operating income and expenses

Other operating income and expenses include in particular items associated with:

- disposals of property, plant and equipment, intangible assets;
- recognition of impairment losses for property, plant and equipment;
- recognition and reversal of provisions, except for provisions tied to financial operations or recognized in operating expenses;
- giving or receiving of assets, including cash, free of charge, also as a donation; and
- compensations and other revenues and costs not associated with ordinary activity.

### 8.16. Financial income and costs

Finance income and costs cover, in particular, income and costs pertaining to:

- disposal of financial assets;
- revaluation of financial assets;
- impairment losses on shares;
- revenue from profit-sharing in other entities;
- interest;
- changes in provision resulting from the approaching date of incurring the cost (unwinding discount effect); and
- other items related to financing activity.

Interest income and interest expense are recognized gradually as they accrue (taking the effective interest rate method into account) in relation to the carrying amount of the financial instrument.

Dividends are recognized when the title to receive them is determined.

The Company nets income and costs from exchange differences.

### 8.17. Net earnings per share

Earnings per share for each period are calculated by dividing the net profit allocated to shareholders of the Parent Company for the period by the weighted average number of shares in the reporting period. In the case of a split or reverse split of shares, the number of shares after the split or reverse split is applied to the calculation retrospectively.

31 December 2022 (PLN m)

## NOTES TO THE SEPARATE STATEMENT OF PROFIT OR LOSS

### 9. Revenues and expenses

#### 9.1. Revenue from rendering of services and rentals

The Company generates revenue from the sale of services recognized over time. There are no guarantees or related obligations on account of services rendered. The Company usually applies terms of payment of 14 days.

The revenue structure by type is as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Revenue from contracts with customers** | **55** | **55** |
| Licensing fees income | 28 | 32 |
| Revenue on sales of IT services | 12 | 12 |
| Revenue from other services | 15 | 11 |
| **Revenue excluded from the scope of IFRS15** | **8** | **9** |
| Rental income | 8 | 9 |
| **TOTAL** | **63** | **64** |

#### 9.2. Costs by type

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Amortization/depreciation of property, plant and equipment, intangible assets and right-of-use assets | 15 | 16 |
| Consumption of materials and energy | 2 | 2 |
| External services | 41 | 40 |
| Taxes and fees | 6 | 2 |
| Employee benefit expenses | 54 | 52 |
| Other costs by nature | 45 | 42 |
| **TOTAL** | **163** | **154** |
| of which: | | |
| Cost of goods sold | 49 | 55 |
| Administrative expenses | 114 | 99 |

#### 9.3. Employee benefit expenses

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Remuneration | 44 | 43 |
| Social security contributions | 6 | 5 |
| Other employee benefit expenses | 4 | 4 |
| **TOTAL** | **54** | **52** |

#### 9.4. Interest income

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Debt instruments | 74 | 88 |
| Loans granted | 201 | 87 |
| Receivables | 1 | 1 |
| Cash | 9 | - |
| Cash pooling | 20 | 6 |
| **TOTAL** | **305** | **182** |

Financial statements as at and for the year ended 31 December 2022 (PLN m)

### 9.5. Other financial income

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Reversal of the provision for settlement of the Coal Project in Ostrołęka | 47 | 171 |
| Revaluation of financial assets | 42 | - |
| Gain on disposal of shares | - | 8 |
| Foreign exchange differences | - | 2 |
| Other | 9 | 12 |
| **TOTAL** | **98** | **193** |

### 9.6. Other financial costs

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Interest expenses | 246 | 169 |
| Impairment losses on capital contributions | 16 | 59 |
| Foreign exchange differences | 11 | - |
| Lease liabilities interest expense | 1 | 1 |
| Other financial costs | 21 | 21 |
| **TOTAL** | **295** | **250** |

## 10. Income tax

### 10.1. Tax liabilities

The key components of the tax liability for the years ended 31 December 2022 and 31 December 2021 are as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Statement of profit or loss** | | |
| Current income tax | 10 | 28 |
| Deferred income tax | (5) | (4) |
| **Tax benefit recognized in the statement of profit or loss** | **5** | **24** |
| **Statement of comprehensive income** | | |
| Deferred income tax | (8) | 43 |
| **Tax benefit / (liability) recognized in other comprehensive income** | **(8)** | **43** |

### 10.2. Reconciliation of effective tax rate

Reconciliation of income tax calculated on the financial result before tax using the statutory tax rate to income tax calculated according to the Company's effective tax rate is as follows:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Profit before tax on continuing operations** | **45** | **186** |
| **Tax at Poland's statutory rate of 19%** | **(9)** | **(35)** |
| Tax impact of permanently non-taxable income and non-tax-deductible expenses: | 14 | 59 |
| - on dividends received | 38 | 38 |
| - on reversal of provision | 9 | 32 |
| - on impairment losses on assets | (35) | (13) |
| - other | 2 | 2 |
| **Tax at the effective tax rate** | **5** | **24** |
| Tax gain recognized in the statement of profit or loss | 5 | 24 |

31 December 2022 (PLN m)

The current tax liability is calculated on the basis of applicable tax regulations. Application of those regulations differentiates tax profit (loss) from net accounting profit (loss) in connection with exclusion of non-taxable revenues and non-deductible expenses and items of income or expense which are never taxable. Tax liabilities are calculated on the basis of tax rates applicable in the given financial year. A 19% tax rate applied in 2020 and 2022. Current regulations do not provide for differentiated tax rates for future periods.

### 10.3. Energa Tax Group

On 9 November 2020, Energa SA and its related entities: Energa-Operator SA, Energa-Obrót SA, Energa Wytwarzanie SA, Energa Informatyka i Technologie Sp. z o.o., Energa Logistyka Sp. z o.o., Energa Oświetlenie Sp. z o.o. entered into the 2021 PGK Energa Tax Group Agreement. The agreement was concluded for 3 fiscal years, that is until 31 December 2023.
In a tax group, income tax is calculated on the income earned in the fiscal year representing the surplus of aggregate income of all companies comprising the group over their aggregate losses.
The Energa Tax Group companies posting tax profit transfer the appropriate income tax amount to Energa SA, which handles the settlements with the tax authority as the representative company. The Energa Tax Group companies posting tax losses obtain a tax gain in the amount in which they contributed to reducing the tax liability attributable to the entire tax group. Settlements on account of the Energa Tax Group do not affect deferred tax but only the current tax liability.
Cash flows between Energa Tax Group companies are carried out during the year on the dates preceding the payment of income tax advances. Accordingly, at the end of the reporting period, Energa SA presents settlements with companies on account of Tax Group operations. The final settlement between Tax Group companies is conducted after the representing company files the annual tax returns.

### 10.4. Deferred income tax

Deferred tax is derived from the following items

| | As at 31 December 2021 | Revision recognized in profit or loss | Revision recognized in other comprehensive income | As at 31 December 2022 |
|---|---|---|---|---|
| **Deferred tax assets before set-off** | | | | |
| on the difference between the tax and carrying value of financial assets and liabilities | 13 | (4) | - | 9 |
| on the difference between the tax and carrying value of property, plant and equipment and intangible assets | 3 | 2 | - | 5 |
| on unrealized foreign exchange differences | 40 | 10 | - | 50 |
| on provisions | 5 | (3) | - | 2 |
| other | 10 | 1 | - | 11 |
| **TOTAL** | **71** | **6** | **-** | **77** |

| | As at 31 December 2021 | Revision recognized in profit or loss | Revision recognized in other comprehensive income | As at 31 December 2022 |
|---|---|---|---|---|
| **Deferred tax liability before set-off** | | | | |
| on the difference between the tax and carrying value of financial assets and liabilities | 25 | 4 | - | 29 |
| on valuation of hedging derivatives | 21 | - | (8) | 13 |
| on foreign exchange differences and interest on hedging instruments | 28 | 8 | - | 36 |
| **TOTAL** | **74** | **12** | **(8)** | **78** |
| | | | | |
| **Deferred tax asset (liability) after set-off** | **(3)** | **(6)** | **8** | **(1)** |

31 December 2022 (PLN m)

Changes in deferred tax assets and liabilities are presented in the table below:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **Deferred tax assets** | | |
| **Opening balance before set-off:** | **71** | **91** |
| **Increases:** | **13** | **7** |
| recognized in profit or loss | 13 | 7 |
| **Decreases:** | **(7)** | **(27)** |
| recognized in profit or loss | (7) | (5) |
| recognized in other comprehensive income | - | (22) |
| **Set-off** | **(77)** | **(71)** |
| **Closing balance** | **-** | **-** |
| **Deferred tax assets** | **-** | **-** |
| **Deferred tax liabilities** | | |
| **Opening balance before set-off:** | **74** | **47** |
| **Increases:** | **12** | **28** |
| recognized in profit or loss | 12 | 7 |
| recognized in other comprehensive income | - | 21 |
| **Decreases:** | **(8)** | **(1)** |
| recognized in profit or loss | - | (1) |
| recognized in other comprehensive income | (8) | - |
| **Set-off** | **(77)** | **(71)** |
| **Closing balance** | **1** | **3** |
| **Deferred tax liabilities** | **1** | **3** |

As at 31 December 2022, the Company does not recognize the deferred income tax asset on account of impairment losses on the shares in related entities in the amount of PLN 218 m due to the fact that the Company does not expect any tax benefits in the future from the disposal of shares in subsidiaries.

## NOTES TO THE SEPARATE STATEMENT OF FINANCIAL POSITION

### 11. Shares in subsidiaries, associates and joint ventures

| | Subsidiaries | Associates | Joint ventures | Other | TOTAL |
|---|---|---|---|---|---|
| ***Gross value*** | | | | | |
| **As at 1 January 2022** | **7,325** | **99** | **453** | **-** | **7,877** |
| Purchases of shares | 721 | - | - | 2 | 723 |
| Reclassified | - | (13) | - | 13 | |
| **As at 31 December 2022** | **8,046** | **86** | **453** | **15** | **8,600** |
| ***Impairment loss*** | | | | | |
| **As at 1 January 2022** | **(522)** | **(4)** | **(453)** | **-** | **(979)** |
| Impairment loss recognized | (168) | - | - | - | (168) |
| **As at 31 December 2022** | **(690)** | **(4)** | **(453)** | **-** | **(1,147)** |
| **Net value as at 1 January 2022** | **6,803** | **95** | **-** | **-** | **6,898** |
| **Net value as at 31 December 2022** | **7,356** | **82** | **-** | **15** | **7,453** |

| Name and legal form | Registered office | Value of shares in ledgers of Energa SA as at 31/12/2022 | Share of Energa SA in the share capital, in all votes and in management (%) | Net financial profit/loss for 2022 PLN m | Equity in PLN m |
|---|---|---|---|---|---|
| **Subsidiaries** | | | | | |
| Energa-Operator SA | Gdańsk | 4,471 | 100.00 | 758 | 8,458 |
| Energa Wytwarzanie SA | Gdańsk | 989 | 100.00 | 197 | 1,179 |
| CCGT Ostrołęka Sp. z o.o. | Ostrołęka | 447 | 50.00+1 | 4 | 1,170 |
| Energa-Obrót SA | Gdańsk | 331 | 100.00 | (350) | 344 |
| Energa Kogeneracja Sp. z o.o. | Elbląg | 66 | 64.59 | (195) | (42) |
| Energa Oświetlenie Sp. z o.o. | Sopot | 234 | 100.00 | 19 | 261 |
| CCGT Grudziądz Sp. z o.o. | Grudziądz | 730 | 100.00 | 2 | 745 |
| Energa Informatyka i Technologie Sp. z o.o. | Gdańsk | 37 | 100.00 | 7 | 73 |
| Energa Green Development Sp. z o.o. | Gdańsk | 24 | 100.00 | (1) | 28 |
| CCGT Gdańsk Sp. z o.o. | Gdańsk | 22 | 100.00 | (1) | 37 |
| Enspirion Sp. z o.o. | Gdańsk | 5 | 100.00 | 17 | 36 |
| Energa Logistyka Sp. z o.o. | Płock | 0 | 100.00 | 12 | 18 |
| Energa Finance AB (publ) | Stockholm | 0 | 100.00 | 1 | 15 |
| Other companies | - | <1 | - | | |
| **Associates** | | | | | |
| Polimex-Mostostal SA (*) | Warsaw | 82 | 16.48 | 118 | 1,020 |
| **Joint ventures** | | | | | |
| Elektrownia Ostrołęka Sp. z o.o. | Ostrołęka | 0 | 50.00+1 | 133 | (323) |
| **Other** | | 15 | | | |
| **Total value of shares** | | **7,453** | | | |

(*) financial data for the third quarter of 2022

The value of shares presented in the table above represents the value at cost less impairment losses.

**Impairment tests for shares**

In the second half of 2022, shares held by the Company were assessed for any internal and external impairment triggers. For the purposes of the share impairment test, each subsidiary was treated as a separate cash generating unit (CGU). Since certain evidence existed that could result in the impairment of shares of some Group companies held by Energa SA, impairment tests were conducted.
The impairment tests for shares in the second half of 2022 were performed using the income method, determining the value in use based on the discounted value of estimated cash flows from operating activities, and making a range of assumptions, including the following:

- the test date is 31 December 2022;
- the macroeconomic assumptions, including with respect to electricity prices dedicated to each source, coal and natural gas prices, prices of certificates of origin, and prices of carbon emission allowances based on a report prepared by an independent entity; forecasts were prepared up to and including 2040; the company's 2023-2028 forecasts were used in relation to biomass prices;
- the number of free carbon emission allowances for 2021-2025 as specified in the list published by the Polish Minister for Environment;
- replacement capital expenditure at the levels allowing for maintenance of the production capacity of the existing non-current assets, including capital expenditures to adjust industrial emission levels to the requirements of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the Commission Implementing Decision (EU) 2021/2326 establishing best available techniques (BAT) conclusions which was published on 30 November 2021;
- support was maintained for production of energy from the existing renewable sources in the form of revenue from property rights and incorporation for some installations of the won auctions for sale of electricity from renewable energy sources and revenue from the FIT/FIP mechanism, in accordance with the Renewable Energy Sources Act of 20 February 2015, as amended (Journal of Laws 2017, item 1148);
- revenue from the capacity market in accordance with the provisions of the Capacity Market Act of 8 December 2017, as amended (Journal of Laws 2021, item 1854; 2022, item 2243), with the rates adopted on the basis of the auctions held and won in 2018-2022 and for the years that go beyond the contracted period based on the price paths (prices of multi-year power contracts are adjusted annually in accordance with capacity market regulations);
- estimating the impact of a package of regulations aimed at counteracting excessive increases in electricity prices and introducing a number of solutions, affecting power companies and electricity consumers, such as (i) rules for freezing electricity prices based on the tariffs approved in 2022, (ii) limits on electricity consumption for individual consumers in 2023, (iii) rules for applying so-called maximum prices, (iv) rules for calculating deductions for the Price Difference Payout Fund by electricity generators and trading companies, and (v) rules for granting and settling compensation from the Price Difference Payout Fund to trading companies for the application of so-called maximum prices. The key pieces of legislation included in the aforementioned regulatory package are:
    - Act of 7 October 2022 on specific solutions for the protection of electricity customers in 2023 in connection with the situation in the electricity market, as amended (Journal of Laws 2022, item 2127, 2243, 2687),
    - Act of 27 October 2022 on urgent measures to cap electricity prices and support certain consumers in 2023, as amended (Journal of Laws 2022, item 2243, 2687),
    - Regulation of the Council of Ministers of 8 November 2022 laying down the rules for calculating the price cap (Journal of Laws 2022, item 2284),
    - Regulation of the Council of Ministers of 9 December 2022 amending the regulation laying down the rules for calculating the price cap (Journal of Laws 2022, item 2631),
- the length of the financial projections of each CGU has been determined so that the cash flows used to calculate the residual value are as close as possible to the expected flows in future years,
- a growth rate of 2.0%, which does not exceed the average long-term inflation growth rates in Poland, was adopted to extrapolate the cash flow projection for the purpose of calculation of residual value.

Discount rates based on the after-tax weighted average cost of capital (WACC) adopted for the calculation ranged from 8.60% to 10.55% for 2023, and were then adjusted for the expected levels of 10-year bond yields in Poland in each period, reaching a target level in the range of 6.73% to 8.61% in 2028 and subsequent years. The discount rates used in the 2021 calculation ranged from 5.60% to 8.88%.
Based on the result of the tests carried out, there was no need to create impairment losses on shares held in subsidiaries.

In the first half of 2022, as a result of symptoms of potential drop in the value of shares in Energa Kogeneracja Sp. z o.o. held by Energa SA, an impairment test was carried out.
The impairment test for the shares was performed as at 30 June 2022 using the income method, by determining the value in use based on the discounted estimated cash flows from operating activities, and was made using the following assumptions:

- calculations for the determination of the value in use were carried out on the basis of financial projections for the period:
    - July 2022 – December 2048 and 2049, that is, respectively, for the expected service life of the new gas-fired units in Elbląg and Kalisz,
    - July 2022 – December 2031 and the residual value for the heat plant in Żychlin.
- discount rates based on the after-tax weighted average cost of capital (WACC) used in the calculation ranged from 9.88% to 11.55%, and in the previous year ranged from 5.60% to 8.88%,
- the macroeconomic assumptions adopted for application by the Management Board of Energa SA, including with respect to electricity prices dedicated to each source, coal and natural gas prices, prices of certificates of origin, and prices of carbon emission allowances (path based on a report prepared by an independent entity). The forecasts were prepared up to and including 2050. As regards the biomass prices, the forecasts of the company were used,
- the number of free carbon emission allowances for 2021-2025 as specified in the list published by the Polish Minister for Environment

- recovery capital expenditures at the level ensuring the same production capacity of the existing non-current assets,, considering the expenditures resulting from the current obligatory development projects of the company,
- maintaining the support for production from the existing renewable sources, being proceeds from property rights,
- the length of financial forecasts was determined in such a way as to ensure that the cash flow used to calculate residual value was as similar as possible to the cash flows expected in the consecutive years,
- a growth rate of 2.0 per cent, which does not exceed the average long-term inflation growth rates in Poland, was adopted to extrapolate the cash flow forecast for the purpose of calculation of residual value.

Based on the result of the test, it was deemed necessary to recognize impairment losses on the shares in the company, in the amount of PLN 167.6 m. The recoverable amount was set at PLN 66.8 m.

**Sensitivity analysis**

The estimated impact of the change in the discount rate on the valuation of shares carried out on the basis of the impairment test of Energa Kogeneracja Sp. z o.o. of 30 June 2022 is presented below. An adverse change in WACC at the level specified below necessitates recognition of an additional impairment loss of PLN 13.2 m.
The sensitivity analysis takes into account the change of the factors over the entire forecast period.

| Parameter | Value and direction of change | Impact on measurement of tested shares [PLN m] | | Change in impairment loss/reversal amount [PLN m] |
|---|---|---|---|---|
| | | Increase in value | Decrease in value | |
| Discount rates | [+ 0.5 pp] | - | (13.2) | (13.2) |
| | [- 0.5 pp] | 14.3 | - | 14.3 |

If market conditions change, there is a risk that test results will be different in the future.

**12. Intangible assets**

| | Licenses and patents | Other intangible assets | Intangible assets not in use | TOTAL |
|---|---|---|---|---|
| ***Gross value*** | | | | |
| **As at 1 January 2022** | **14** | **23** | **31** | **68** |
| Purchase of intangible assets (including assets not in use) | - | - | 5 | **5** |
| **As at 31 December 2022** | **14** | **23** | **36** | **73** |
| ***Accumulated amortization*** | | | | |
| **As at 1 January 2022** | **(12)** | **(22)** | **-** | **(34)** |
| Amortization for the period | (1) | - | - | **(1)** |
| **As at 31 December 2022** | **(13)** | **(22)** | **-** | **(35)** |
| ***Impairment loss*** | | | | |
| **As at 1 January 2022** | **-** | **-** | (25) | **(25)** |
| **As at 31 December 2022** | **-** | **-** | **(25)** | **(25)** |
| | | | | |
| **Net value as at 1 January 2022** | **2** | **1** | **6** | **9** |
| **Net value as at 31 December 2022** | **1** | **1** | **11** | **13** |

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Impairment loss pertains to expenditures incurred for projects carried out in cooperation with the Institute of Fluid Flow Machinery, due to the lack of industrial applicability as of today. The impairment loss was recognized for the entire asset.

| | Licenses and patents | Other intangible assets | Intangible assets not in use | TOTAL |
|---|---|---|---|---|
| ***Gross value*** | | | | |
| **As at 1 January 2021** | **12** | **23** | **31** | **66** |
| Purchase of intangible assets (including assets not in use) | - | - | 14 | **14** |
| Settlement of intangible assets not in use | 12 | - | (12) | **-** |
| Sale, disposal | (10) | - | - | **(10)** |
| Liquidation | - | - | (2) | **(2)** |
| **As at 31 December 2021** | **14** | **23** | **31** | **68** |
| ***Accumulated amortization*** | | | | |
| **As at 1 January 2021** | **(11)** | **(22)** | **-** | **(33)** |
| Amortization for the period | (1) | - | - | **(1)** |
| **As at 31 December 2021** | **(12)** | **(22)** | **-** | **(34)** |
| ***Impairment loss*** | | | | |
| **As at 1 January 2021** | **-** | **-** | **(25)** | **(25)** |
| **As at 31 December 2021** | **-** | **-** | **(25)** | **(25)** |
| **Net value as at 1 January 2021** | **1** | **1** | **6** | **8** |
| **Net value as at 31 December 2021** | **2** | **1** | **6** | **9** |

## 13. Right-of-use assets

| | Buildings, premises and civil engineering structures | Means of transport | TOTAL |
|---|---|---|---|
| ***Gross value*** | | | |
| **As at 1 January 2022** | **61** | **2** | **63** |
| Revaluation | **1** | **-** | **1** |
| **As at 31 December 2022** | **62** | **2** | **64** |
| ***Accumulated amortization*** | | | |
| **As at 1 January 2022** | **(34)** | **(1)** | **(35)** |
| Amortization for the period | (12) | - | **(12)** |
| **As at 31 December 2022** | **(46)** | **(1)** | **(47)** |
| **Net value as at 1 January 2022** | **27** | **1** | **28** |
| **Net value as at 31 December 2022** | **16** | **1** | **17** |

| | Buildings, premises and civil engineering structures | Means of transport | TOTAL |
|---|---|---|---|
| ***Gross value*** | | | |
| **As at 1 January 2021** | **61** | **2** | **63** |
| **As at 31 December 2021** | **61** | **2** | **63** |
| ***Accumulated amortization*** | | | |
| **As at 1 January 2021** | **(22)** | **(1)** | **(23)** |
| Amortization for the period | (12) | - | **(12)** |
| **As at 31 December 2021** | **(34)** | **(1)** | **(35)** |
| **Net value as at 1 January 2021** | **39** | **1** | **40** |
| **Net value as at 31 December 2021** | **27** | **1** | **28** |

The Company uses the exemption of not presenting rights of use assets of short-term leases and those leases for which the value of the underlying asset does not exceed USD 5,000.

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### 14. Cash and cash equivalents

Cash in the bank earns interest at variable interest rates, the level of which depends on the interest rate applicable to overnight bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Company's current cash requirements and earn interest at interest rates negotiated individually with banks.
The balance of cash and cash equivalents presented in the statement of cash flows comprises the following items:

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Cash at bank | 674 | 89 |
| **Total cash and cash equivalents presented in the statement of financial position, of which:** | **674** | **89** |
| Unrealized foreign exchange differences and interest | - | - |
| **Total cash and cash equivalents presented in the statement of cash flows** | **674** | **89** |

In connection with the application of the split payment mechanism, the Company holds restricted cash in the amount of PLN 1 m.

### 15. Other non-current assets

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Capital contributions | 177 | 51 |
| Lease receivables | 47 | 53 |
| Property, plant and equipment | 2 | 4 |
| Other | 2 | 4 |
| **TOTAL** | **228** | **112** |

Lease receivables (also shown in Note 16) are related to the Company's IT centralization function of providing related companies with the software, e.g. SAP, necessary for their operations. The Company does not identify any risks associated with this activity.

### 16. Trade receivables and other current financial receivables

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Loan granted measured at amortized cost | 321 | 419 |
| Loan granted measured at fair value through profit or loss | 42 | - |
| Lease receivables | 21 | 26 |
| Trade receivable | 15 | 11 |
| **TOTAL** | **399** | **456** |

### 17. Other current assets

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Receivables on account of settlements in the Energa Tax Group | 3 | 43 |
| Receivables on account of taxes, customs duties, social security and other benefits | 24 | 23 |
| Advances for deliveries | 8 | 6 |
| Prepayments and accruals | 4 | 4 |
| Other current assets | 1 | 1 |
| **TOTAL** | **40** | **77** |

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## 18. Share capital and other components of equity

### 18.1. Share capital

As at 31 December 2022, Energa SA's share capital is PLN 4,522 m and has not changed in the current year.
The table below presents the ownership structure of the Company:

| | As at<br>31 December 2022 | As at<br>31 December 2021 |
|---|---|---|
| **PKN ORLEN S.A.** | | |
| share in capital | 90.92% | 90.92% |
| share in voting rights | 93.28% | 93.28% |
| **Other shareholders** | | |
| share in capital | 9.08% | 9.08% |
| share in voting rights | 6.72% | 6.72% |

### 18.2. Par value per share

All the outstanding shares have the aggregate par value of PLN 4,522 m and have been fully paid up.

### 18.3. Shareholders' rights

As at the end of the reporting period, PKN ORLEN S.A. holds 376,488,640 shares in the Company, representing 90.92% of its share capital
and entitling PKN ORLEN S.A. to exercise 521,416,640 votes at the General Meeting, which represents 93.28% of the total number of votes at the General Meeting (including 144,928,000 registered BB series shares, preferred with respect to the voting right at the General Meeting in such manner that one BB series share gives the right to two votes at the General Meeting).
According to the Parent Company's articles of association in effect on the date of these financial statements, Supervisory Board members are appointed and dismissed by the General Meeting, but PKN ORLEN S.A. is personally entitled to appoint and dismiss Supervisory Board members so that PKN ORLEN S.A. holds an absolute number of votes in the Supervisory Board.
As a result of resolution of the Extraordinary General Meeting of the Company adopted on 29 October 2020, an application was filed with the Polish Financial Supervision Authority to withdraw the Company's shares from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

On 19 January 2021 the Company learned that on 15 January 2021 the Polish Financial Supervision Authority decided to stay the procedure. The proceedings before the Polish Financial Supervision Authority were stayed due to proceedings pending before the Regional Court in Gdańsk concerning a demand to repeal resolution of the Extraordinary General Meeting of the Company.

On 11 May 2022, the Management Board of Energa S.A. became aware that on the same day the Regional Court in Gdansk, 9th Commercial Department, issued a judgment dismissing the Company's shareholders' claim for revocation of Resolution No 3 of the Company's Extraordinary General Meeting of 29 October 2020 on withdrawal of 269,139,114 of the Company's ordinary bearer shares of series AA, marked with the ISIN code PLENERG00022 by Krajowy Depozyt Papierów Wartościowych S.A., from trading on the regulated market operated by the Warsaw Stock Exchange. The judgment is not final.

### 18.4. Reserve capital

Reserve capital was created as a result of the share capital reduction by PLN 447 m made in connection with the reverse split of the Company's shares in 2013 and distribution of the Company's 2015 net profit in the amount of PLN 571 m. As a result of covering the net loss for 2020 and crediting the net profit for 2021, the value of the reserve capital was increased by PLN 13 m.

### 18.5. Supplementary capital

Pursuant to the requirements of the Commercial Company Code, joint stock companies are required to create supplementary capital to cover losses.
At least 8% of the company's profit for a given financial year presented in the Company's separate financial statements is transferred to supplementary capital until the capital reaches at least one third of the Company's share capital. The use of the supplementary capital is determined by the General Meeting; however, portions of the supplementary capital in the amount of one-third of the share capital may
only be used to cover a loss posted in the separate financial statements and cannot be allocated to other purposes.
As at 31 December 2022, supplementary capital amounts to PLN 1,661 m or 36.73% of the share capital.

### 18.6. Retained earnings and restrictions on dividend payments

Retained earnings include capital established and utilized according to the principles defined by provisions of law and the Company's articles of association as well as results of the current reporting period. As at 31 December 2022, there are no restrictions on dividend payments, other than those resulting from provisions of law.

## 19. Earnings per share

The Company had no dilutive instruments, and therefore diluted net income per share is equal to basic earnings or basic loss.
The Company had not discontinued operations.
The data used to calculate earnings per share are presented below.

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Net profit on continuing operations | 50 | 210 |
| **Net profit** | **50** | **210** |
| **Number of shares at the end of the reporting period (millions)** | **414** | **414** |
| **Number of shares used to calculate earnings per share (millions)** | **414** | **414** |

### 20. Dividends and profit distribution/loss coverage

By the date of approval of these financial statements for publication, no decision had been made as to the distribution of profit. On 20 May 2022, the Ordinary General Meeting of Shareholders passed a resolution to allocate the profit for 2021, all of which was allocated to the Company's reserve capital.

### 21. Liabilities

#### 21.1. Trade liabilities and other financial liabilities

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Liabilities to related entities | 8 | 7 |
| trade liabilities | 2 | 5 |
| other | 6 | 2 |
| Liabilities to other entities | 14 | 12 |
| trade liabilities | 13 | 11 |
| other | 1 | 1 |
| **TOTAL** | **22** | **19** |

#### 21.2. Other current liabilities

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Liabilities on account of settlements in the Energa Tax Group | 221 | 115 |
| Capital contribution liabilities | - | 4 |
| Liabilities on account of taxes, customs duties, social security, and other benefits | 2 | 2 |
| Other | 4 | 2 |
| **TOTAL** | **227** | **123** |

### 22. Grants

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Grants received | 34 | 43 |
| **TOTAL, of which:** | **34** | **43** |
| Non-current | 25 | 34 |
| Current | 9 | 9 |

As at 31 December 2022, the Company recognizes as grants received the valuation effect of the preferential credits from the European Investment Bank (EIB) settled over the credit repayment period (see the description in Notes 8.10 and 24.7).

### 23. Information on related entities

Related party transactions are made based on market prices of goods, products or services delivered.

#### 23.1. Transactions involving parties related to the State Treasury

PKN ORLEN S.A. is the Company's parent company. Energa SA transacts with other related entities and the State Treasury in normal day-to-day business operations. These transactions are carried out on an arm's length basis, and the terms and conditions do not differ from those applicable to third-party transactions. They do not constitute significant transactions. There were also transactions of financial nature (loans, guarantees, banking fees and commissions) with Bank PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego (banking fees and commissions); see more in Note 24.7.

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### 23.2. Transactions with related entities (excluding State Treasury companies)

| Year ended 31 December 2022 | Parent PKN Orlen | Subsidiaries | Related companies | Joint ventures |
|---|---|---|---|---|
| Net revenue from sales | - | 58 | 3 | - |
| Cost of purchase | 1 | 8 | 13 | - |
| Dividend income | - | 201 | - | - |
| Interest income | - | 297 | - | - |
| Other financial income | - | - | - | 88 |
| Financial costs | 51 | 42 | - | - |

| As at 31 December 2022 | Parent PKN Orlen | Subsidiaries | Related companies | Joint ventures |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-current receivables | - | 47 | - | - |
| Other non-current financial receivables | - | 2,748 | - | - |
| Cash pooling receivables | - | 944 | - | - |
| Trade receivables | - | 14 | - | - |
| Other current financial receivables | - | 342 | - | 42 |
| Long-term bonds | - | 601 | - | - |
| Short-term bonds | - | 556 | - | - |
| Other current assets | - | 3 | - | - |
| **Equity and liabilities** | | | | |
| Non-current loan liabilities | - | 844 | - | - |
| Cash pooling liabilities | - | 861 | - | - |
| Short-term trade liabilities | - | 9 | 2 | - |
| Current portion of loans and borrowings | 1,704 | 2,319 | - | - |
| Other current liabilities | - | 284 | - | - |

| Year ended 31 December 2021 | Parent PKN Orlen | Subsidiaries | Related companies | Joint ventures |
|---|---|---|---|---|
| Net revenue from sales | - | 63 | - | - |
| Cost of purchase | - | 18 | 10 | - |
| Dividend income | - | 201 | - | - |
| Interest income | - | 182 | - | - |
| Other financial income | - | 171 | 21 | - |
| Financial costs | - | 44 | - | - |

31 December 2022 (PLN m)

| As at 31 December 2021 | Parent PKN Orlen | Subsidiaries | Related companies | Joint ventures |
|---|---|---|---|---|
| **Assets** | | | | |
| Non-current receivables | - | 53 | - | - |
| Other non-current financial receivables | - | 2,964 | - | - |
| Cash pooling receivables | - | 778 | - | - |
| Trade receivable | - | 11 | - | - |
| Other current financial receivables | - | 445 | - | - |
| Long-term bonds | - | 1,134 | - | - |
| Short-term bonds | - | 26 | - | - |
| Other current assets | - | 43 | - | - |
| **Equity and liabilities** | | | | |
| Non-current loan liabilities | - | 920 | - | - |
| Cash pooling liabilities | - | 512 | - | - |
| Current provision | - | 46 | - | - |
| Short-term trade liabilities | 1 | 1 | 3 | - |
| Other financial liabilities | - | 2 | - | - |
| Short-term lease liabilities | - | - | - | - |
| Current portion of loans and borrowings | 900 | 511 | - | - |
| Other current liabilities | - | 119 | - | - |

With regard to disclosures of dealings with entities related via the State Treasury, the Company applies the exemption under paragraph 25 of IAS 24.

Transactions of taking up shares in subsidiaries, associates and joint ventures are presented in Note 11. Capital contribution transactions are presented in Notes 24.5.1 and 24.6.

### 23.3. Compensation paid or due to the Company's Management Board members and Supervisory Board members

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **The Management Board** | | |
| Short-term employee benefits | 5 | 6 |
| Other long-term benefits | <1 | - |
| **The Supervisory Board** | | |
| Short-term employee benefits | 1 | 1 |
| **TOTAL** | **6** | **7** |

### 23.4. Loans granted to, and other transactions with, Management Board and Supervisory Board members

During the reporting period, there were no loans granted to or other material transactions with members of the Management Board and of the Supervisory Board of Energa SA.

### 23.5. Compensation paid or due to senior management (except for members of the Company's Management Board and Supervisory Board)

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Short-term employee benefits | 12 | 11 |
| **TOTAL** | **12** | **11** |

Financial statements as at and for the year ended 31 December 2022 (PLN m)

## NOTES ON FINANCIAL INSTRUMENTS

### 24. Financial instruments

#### 24.1. Carrying amount of financial instruments by category and class

| As at 31 December 2022 | Financial assets at fair value through profit or loss | Financial assets and liabilities measured at amortized cost | Hedging derivatives | Financial instruments excluded from the scope of IFRS 9 | TOTAL |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash pooling receivables | - | 944 | - | - | **944** |
| Cash and cash equivalents | - | 674 | - | - | **674** |
| Derivative financial instruments | 18 | - | 256 | - | **274** |
| Shares in subsidiaries, associates and joint ventures | 13 | - | - | 7,440 | **7,453** |
| Bonds | - | 1,158 | - | - | **1,158** |
| Lease receivables | - | - | - | 68 | **68** |
| Other financial receivables | 42 | 3,070 | - | - | **3,112** |
| Trade receivables | - | 16 | - | - | **16** |
| Capital contributions | - | 177 | - | - | **177** |
| **TOTAL** | **73** | **6,039** | **256** | **7,508** | **13,876** |
| **Liabilities** | | | | | |
| Loans and borrowings | - | 4,498 | - | - | **4,498** |
| Preferential loans and borrowings | - | 646 | - | - | **646** |
| Loans and borrowings | - | 3,852 | - | - | **3,852** |
| Liabilities on account of the issue of debt securities | - | 1,151 | - | - | **1,151** |
| Lease liabilities | - | - | - | 21 | **21** |
| Trade liabilities | - | 15 | - | - | **15** |
| Liabilities on purchase of property, plant and equipment and intangible assets | - | 7 | - | - | **7** |
| Cash pooling liabilities | - | 861 | - | - | **861** |
| **TOTAL** | **-** | **6,532** | **-** | **21** | **6,553** |

Financial statements as at and for the year ended 31 December 2022 (PLN m)

| As at 31 December 2021 | Financial assets measured at fair value through profit or loss | Financial assets and liabilities measured at amortized cost | Hedging derivatives | Financial instruments excluded from the scope of IFRS 9 | TOTAL |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash pooling receivables | - | 778 | - | - | **778** |
| Cash and cash equivalents | - | 89 | - | - | **89** |
| Derivative financial instruments | 16 | - | 255 | - | **271** |
| Shares in subsidiaries, associates and joint ventures | - | - | - | 6,898 | **6,898** |
| Bonds | - | 1,160 | - | - | **1,160** |
| Lease receivables | - | - | - | 79 | **79** |
| Other financial receivables | - | 3,383 | - | - | **3,383** |
| Trade receivables | - | 11 | - | - | **11** |
| Capital contributions | - | 51 | - | - | **51** |
| **TOTAL** | **16** | **5,472** | **255** | **6,977** | **12,720** |
| **Liabilities** | | | | | |
| Loans and borrowings | - | 3,672 | - | - | **3,672** |
| Preferential loans and borrowings | - | 802 | - | - | **802** |
| Loans and borrowings | - | 2,870 | - | - | **2,870** |
| Liabilities on account of the issue of debt securities | - | 1,139 | - | - | **1,139** |
| Lease liabilities | - | - | - | 34 | **34** |
| Trade liabilities and other financial liabilities | - | 19 | - | - | **19** |
| Trade liabilities | - | 16 | - | - | **16** |
| Liabilities on purchase of property, plant and equipment and intangible assets | - | 3 | - | - | **3** |
| Cash pooling liabilities | - | 512 | - | - | **512** |
| Capital contribution liabilities | - | 4 | - | - | **4** |
| **TOTAL** | **-** | **5,346** | **-** | **34** | **5,380** |

Separate financial statements for the year ended 31 December 2022 (PLN m)

### 24.2. Items of income, expenses, profits and losses recognized in the statement of profit or loss by category of financial instruments

| Year ended 31 December 2022 | Financial assets at fair value through profit or loss | Financial assets and liabilities measured at amortized cost | Hedging derivatives | Financial instruments excluded from the scope of IFRS 9 | TOTAL |
|---|---|---|---|---|---|
| Dividends and profit sharing | - | - | - | 201 | **201** |
| Interest income/(cost) | - | 113 | (42) | (1) | **70** |
| Foreign exchange differences | - | - | (11) | - | **(11)** |
| Revaluation of investments | 42 | (16) | - | - | **26** |
| Other | - | (12) | - | - | **(12)** |
| **Net profit/(loss)** | **42** | **85** | **(53)** | **200** | **274** |
| Other comprehensive income | - | - | (39) | - | **(39)** |
| **Comprehensive income** | **42** | **85** | **(92)** | **200** | **235** |

| Year ended 31 December 2021 | Financial assets at fair value through profit or loss | Financial assets and liabilities measured at amortized cost | Hedging derivatives | Financial instruments excluded from the scope of IFRS 9 | TOTAL |
|---|---|---|---|---|---|
| Dividends and profit sharing | - | - | - | 201 | **201** |
| Interest income/(cost) | - | 70 | (56) | (1) | **13** |
| Foreign exchange differences | - | 10 | (7) | (1) | **2** |
| Revaluation of investments | - | (59) | - | (0) * | **(59)** |
| Gain on disposal of investments | - | 8 | - | - | **8** |
| Other | - | (9) | - | - | **(9)** |
| **Net profit/(loss)** | **-** | **20** | **(63)** | **199** | **156** |
| Other comprehensive income | - | - | 226 | - | **226** |
| **Comprehensive income** | **-** | **20** | **163** | **199** | **382** |

* correction of comparative data; (59) was the amount stated in the 2021 financial statements

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### 24.3. Fair value of financial instruments

Some of the Company's financial assets and liabilities are measured at fair value at the end of each reporting period.
The table below presents an analysis of financial instruments measured at fair value, grouped according to a three-level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date;
- level 2 – fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 – fair value based on unobservable inputs for the asset or liability.

| | As at 31 December 2022 Level 2 | As at 31 December 2021 Level 2 |
|---|---|---|
| **Assets** | | |
| Loan receivables | 42 | - |
| Hedging derivatives (CCIRS/IRS) | 256 | 255 |
| Other derivatives | 18 | 16 |

The fair value measurement of the receivable in respect of the non-bank loan was based on an analysis of future cash flows discounted using market interest rates prevailing on the balance sheet date, adjusted by a 10% margin reflecting the specific risk attached to the loan-financed project.
Cross Currency Interest Rate Swaps (CCIRSs) and Interest Rate Swaps (IRSs) are measured at fair value by discounting future cash flows. The interest rates and the basis spread used in discounting are obtained from Bloomberg.

Other derivatives include options to purchase shares in Polimex-Mostostal SA. The options were purchased from Towarzystwo Finansowe Silesia Sp. z o.o. under the agreement of 18 January 2017 as subsequently annexed and refer to the purchase, in 22 tranches, a total of approx. 7 million shares of Polimex-Mostostal SA, at the nominal price of PLN 2 per share. The options exercise dates were set between 31 August 2021 and 30 November 2026. The fair value measurement of the call options to purchase shares of Polimex-Mostostal SA was carried out using the Black-Scholes model. The measurement considered the current price and historic volatility of the company's share prices. The risk-free rate was determined on the basis of the yield of treasury bonds with maturities similar to the option expiration date.

### 24.4. Fair value of financial instruments not measured at fair value on an ongoing basis

Except for the information given in the tables below, the carrying amounts of financial assets and liabilities do not depart in a material way from their fair values.

| Loan from Energa Finance AB (publ) | Carrying amount | Level 2 fair value |
|---|---|---|
| As at 31 December 2022 | 1,459 | 1,399 |
| As at 31 December 2021 | 1,431 | 1,466 |

| Hybrid bond issue | Carrying amount | Level 2 fair value |
|---|---|---|
| As at 31 December 2022 | 1,151 | 1,270 |
| As at 31 December 2021 | 1,139 | 1,151 |

The fair value measurement of liabilities under loans and under a hybrid bond issue was estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 31 December 2022.

### 24.5. Description of material items in each category of financial instruments

#### 24.5.1. Financial assets

**Financial assets measured at amortized cost**
The Company allocates purchased bonds, loans granted, other than those described in Note 24.3, cash and cash equivalents, cash pooling receivables, trade receivables, other receivables and capital contributions to the category of financial instruments recognized as financial assets measured at amortized cost.

31 December 2022 (PLN m)

Purchased bonds broken down by issuer as at 31 December 2022 and 31 December 2021 are presented in the table below:

| Bonds | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Energa-Operator SA | 1,086 | 1,085 |
| Energa Wytwarzanie SA | 2 | 72 |
| Energa Kogeneracja Sp. z o.o. | - | 3 |
| **TOTAL, of which:** | **1,158** | **1,160** |
| Non-current | 601 | 1,134 |
| Current | 557 | 26 |

The acquired bonds do not require to be covered by a write-down in accordance with the assumptions described in Note 8.12.2.

| Other financial receivables (loans granted) | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Energa-Operator SA | 2,576 | 2,837 |
| Energa Wytwarzanie SA | 494 | 546 |
| Elektrownia Ostrołęka Sp. z o.o. | 42 | - |
| **TOTAL, of which:** | **3,112** | **3,383** |
| Non-current | 2,748 | 2,964 |
| Current | 364 | 419 |

The loans granted to Energa-Operator SA i Energa Wytwarzanie SA do not require to be covered by a write-down in accordance with the assumptions described in Note 8.12.2.
The loan to Elektrownia Ostrołęka Sp. z o.o. is measured at fair value.

| Trade receivables | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Not overdue | 15 | 11 |
| Overdue <30 days | - | - |
| **Gross receivables** | **15** | **11** |
| **Net receivables, of which** | **15** | **11** |
| Current | 15 | 11 |

| Capital contributions | As at 1 January 2022 | Contributions increase | Contributions decrease | Impairment loss recognized | As at 31 December 2022 |
|---|---|---|---|---|---|
| CCGT Ostrołęka Sp. z o.o. | - | 139 | - | - | 139 |
| CCGT Gdańsk Sp. z o.o. | 15 | 1 | - | - | 16 |
| CCGT Grudziądz Sp. z o.o. | 13 | - | - | - | 13 |
| Energa Informatyka i Technologie Sp. z o.o. | 5 | - | - | - | 5 |
| Centrum Badawczo-Rozwojowe im. Faradaya Sp. z o.o. | 2 | - | - | - | 2 |
| Energa Wytwarzanie SA | 2 | - | - | - | 2 |
| Energa Kogeneracja Sp. z o.o. | 14 | 2 | - | (16) | - |
| ECARB Sp. z o.o. | <1 | - | <1 | - | - |
| **TOTAL** | **51** | **142** | **<1** | **(16)** | **177** |

The value of the impairment losses on capital contributions is presented in Note 24.6.

**Hedging derivatives**

Hedging derivatives CCIRS are described in detail in Note 24.8.

**Financial assets at fair value through profit or loss**

Call options for Polimex-Mostostal SA's shares, which are presented in Note 24.3, and receivables from the loan measured at fair value are classified by the Company as financial assets measured at fair value through profit or loss.

31 December 2022 (PLN m)

**Financial instruments excluded from the scope of IFRS 9**

The Company recognizes shares in subsidiaries, associates and joint ventures and finance lease receivables as the items of financial assets that are excluded from the scope of IFRS 9.

Finance lease receivables related to the licenses were as follows as at 31 December 2022 and 31 December 2021:

| | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|
| | Fees | Current value of payments | Fees | Current value of payments |
| Up to 1 year | 22 | 21 | 27 | 26 |
| 1 to 5 years | 43 | 42 | 48 | 47 |
| Over 5 years | 6 | 5 | 6 | 6 |
| **TOTAL** | **71** | **68** | **81** | **79** |
| less financial income | (3) | - | (2) | - |
| **TOTAL** | **68** | **68** | **79** | **79** |

The value of shares in subsidiaries, associates and joint ventures is presented in Note 11.

### 24.5.2. Financial liabilities

All of the Company's financial liabilities are classified as financial liabilities measured at amortized cost, except for hedging derivatives and lease liabilities. This category of the Company's financial instruments includes primarily contracted loans and borrowings, issued bonds and cash pooling liabilities.
The following table presents changes in financial liabilities in the reporting period.

| | Loans and borrowings | Liabilities on account of the issue of debt securities | Total financing liabilities |
|---|---|---|---|
| **As at 31 December 2021** | **3,672** | **1,139** | **4,811** |
| Disbursement | 3,300 | - | 3,300 |
| Repayment/Redemption | (2,500) | - | (2,500) |
| Changes from foreign exchange differences | 28 | 23 | 51 |
| Payment of interest | (169) | (11) | (180) |
| Other changes | 167 | - | 167 |
| **As at 31 December 2022** | **4,498** | **1,151** | **5,649** |

**Loans and borrowings**

Loans and borrowings contracted as at 31 December 2022 and 31 December 2021 are presented in the table below:
Detailed information on contracted external financing is provided in Note 24.7.

| | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|
| **Currency** | PLN | EUR | PLN | EUR |
| **Reference rate** | WIBOR | Fixed | WIBOR | Fixed |
| **Loan amount** | | | | |
| in currency | 3,041 | 311 | 2,241 | 311 |
| in PLN | 3,041 | 1,457 | 2,241 | 1,431 |
| **of which loans maturing in:** | | | | |
| up to 1 year (short-term) | 2,403 | 614 | 1,304 | 511 |
| 1 to 2 years | 332 | 187 | 291 | 92 |
| 2 to 3 years | 75 | 375 | 293 | 184 |
| 3 to 5 years | 133 | 281 | 184 | 368 |
| over 5 years | 98 | - | 169 | 276 |

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**Liabilities for bonds issued**

Liabilities under bonds issued as at 31 December 2022 and 31 December 2021 are presented in the table below:

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| **Currency** | EUR | EUR |
| **Reference rate** | Fixed | Fixed |
| **Value of the issue** | | |
| in currency | 245 | 248 |
| in PLN | 1,151 | 1,139 |
| **of which maturing in:** | | |
| up to 1 year (short-term) | 575 | - |
| 1 to 3 years | - | 569 |
| 3 to 5 years | 576 | - |
| over 5 years | - | 570 |

Detailed information on bonds issued is provided in Note 24.7.

**Financial instruments excluded from the scope of IFRS 9**

The Company recognizes lease liabilities as the items of financial liabilities that are excluded from the scope of IFRS 9. Lease liabilities as at 31 December 2022 and 31 December 2021 were as follows:

| | As at 31 December 2022 | | As at 31 December 2021 | |
|---|---|---|---|---|
| | Fees | Current value of payments | Fees | Current value of payments |
| Up to 1 year | 15 | 15 | 15 | 14 |
| 1 to 5 years | 6 | 6 | 20 | 20 |
| **TOTAL** | **21** | **21** | 35 | 34 |
| Less financial costs | - | - | (1) | - |
| **TOTAL** | **21** | **21** | **34** | **34** |

## 24.6. Impairment losses on shares in affiliates

| Impairment losses on shares in affiliates | As at 1 January 2022 | Impairment loss recognized | Impairment loss used | As at 31 December 2022 |
|---|---|---|---|---|
| Elektrownia Ostrołęka Sp. z o.o. | (453) | - | - | (453) |
| Energa Kogeneracja Sp. z o.o. | (387) | (168) | - | (555) |
| Energa Logistyka Sp. z o.o. | (25) | - | - | (25) |
| Energa Finance AB | (103) | - | - | (103) |
| Energa Green Development Sp. z o.o. | (7) | - | - | (7) |
| ElectroMobility Poland SA | (4) | - | - | (4) |
| **Total impairment losses on shares** | **(979)** | **(168)** | **-** | **(1,147)** |
| Energa Kogeneracja Sp. z o.o. | (48) | (16) | - | (64) |
| Energa Invest Sp. z o.o. | (34) | - | 34 | - |
| **Total impairment losses on capital contributions** | **(82)** | **(16)** | **34** | **(64)** |
| **Total impairment losses** | **(1,061)** | **(184)** | **34** | **(1,211)** |

Details of impairment testing of shares are presented in Note 11.

## 24.7. Available external financing

In the current reporting period and as at the last day of the reporting period and as at the date of approval of these separate financial statements for publication, there were no events of default on contractual obligations under the terms and conditions of any external funding acquired.

31 December 2022 (PLN m)

The external financing available as at 31 December 2022 is presented in the table below:

| Financing institution | Type of liability | Purpose of financing | Date of the agreement | Financing limit under the agreement | Available financing amount | Nominal debt of Energa SA as at 31 December 2022 | Repayment date |
|---|---|---|---|---|---|---|---|
| | | | | (for the Energa SA Group) | | | |
| European Investment Bank | Loan | Energa-Operator SA investment programme | 16-12-2009 | 1,050 | - | 206 | 15-12-2025 |
| European Investment Bank | Loan | Energa-Operator SA investment programme | 10-07-2013 | 1,000 | - | 433 | 15-09-2031 |
| European Bank for Reconstruction and Development | Loan | Energa-Operator SA investment programme | 29-04-2010 | 1,076 | - | 185 | 18-12-2024 |
| European Bank for Reconstruction and Development | Loan | Energa-Operator SA investment programme | 26-06-2013 | 800 | - | 76 | 18-12-2024 |
| Energa Finance AB (publ) | Borrowing | Current operations | 21-03-2013 | 516[1] | - | 516[1] | 28-02-2023 |
| Energa Finance AB (publ) | Borrowing | Current operations | 28-06-2017 | 938[2] | - | 938[2] | 28-02-2027 |
| PKO Bank Polski SA | Credit limit | General corporate purposes | 20-09-2012 | 200 | - | 5[3] | 19-09-2022 |
| Nordic Investment Bank | Loan | Construction of Myślino Wind Farm | 23-10-2014 | 68 | - | 24 | 15-09-2026 |
| European Investment Bank | Hybrid bonds | Energa-Operator SA investment programme | 04-09-2017 | 1,172[4] | - | 1,172[4] | 12-09-2037 |
| Syndicated loan | Revolving loan | Financing of Energa SA corporate objectives, including financing of everyday operations and financing of Energa SA investment programme, excluding capital expenditure on coal-based energy production | 17-09-2019 | 2,000 | 1,850 | 150 | 17-09-2024[5] |
| Bank Gospodarstwa Krajowego | Revolving loan | Financing of corporate objectives of Energa SA, including financing of everyday activity and the investment programme, and refinancing of financial debt | 03-07-2020 | 250 | - | 250 | 18-08-2023 |
| SMBC | Revolving loan | Financing of corporate objectives of Energa SA, including financing of day-to-day operations, financing of the investment programme, and refinancing of financial debt, excluding capital expenditure on coal-fired energy | 28-07-2020 | 563[6] | 563 | - | 28-07-2025 |
| PKN ORLEN S.A. | Borrowing | Financing corporate purposes | 31-05-2021 | 1,000 | 300 | 700 | 30-05-2023 |
| PKN ORLEN S.A. | Borrowing | Financing corporate purposes | 09-12-2022 | 1,000 | - | 1,000 | 29-09-2023 |

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| Financing institution | Type of liability | Purpose of financing | Date of the agreement | Financing limit under the agreement (for the Energa SA Group) | Available financing amount (for the Energa SA Group) | Nominal debt of Energa SA as at 31 December 2022 | Repayment date |
| --- | --- | --- | --- | --- | --- | --- | --- |
| European Investment Bank | Loan | Energa-Operator SA investment programme | 16-12-2021 | 703[7] | 4 | - | 16-12-2041 |
| **TOTAL** | | | | **12,336** | **2,717** | **5,655** | |

[1] liability of EUR 110 m converted using the average NBP exchange rate of 31 December 2022
[2] liability of EUR 200 m converted using the average NBP exchange rate of 31 December 2022
[3] value of guarantee limits awarded to Energa SA based on the concluded executive agreements (utilization of the global limit)
[4] liability of EUR 250 m converted using the average NBP exchange rate of 31 December 2022
[5] the loan granted for a period of 5 years from the date of signing of the agreement, with an option to be extended for two one-year terms; the date indicated is the final date of the agreement, the loan is treated as a short-term loan
[6] liability of EUR 120 m converted using the average NBP exchange rate of 31 December 2022
[7] liability of EUR 150 m converted using the average NBP exchange rate of 31 December 2022

### 24.8. Cash flow hedge accounting

All hedging instruments held are used to hedge cash flows and relate to financial instruments classified as currency and interest rate risk. The presented hedging instruments relate to the liabilities arising under loans between Energa Finance AB and Energa SA, hybrid bonds from the European Investment Bank and credits from the European Investment Bank and the European Bank for Reconstruction and Development.

**FX risk hedging**

The special purpose vehicle Energa Finance AB (publ) and Energa SA have signed a loan agreement denominated in EUR for the total amount of EUR 200 m. In order to hedge currency risk under the aforesaid loan, the Company concluded cross-currency interest rate swap transactions with the nominal value of EUR 200 m ("CCIRS III") in April 2017.
As a hedged item in the above hedging relationships, the Company designified the foreign exchange risk from intra-group loans denominated in EUR, which are directly linked to Eurobonds issued by Energa Finance AB. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the loan granted with the proceeds from the Eurobond issue.

As the hedge, the Company designated CCIRS transaction under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the intra-group loans. The Company expects the hedged flows from the loan and the directly related Eurobonds to occur by February 2027.

In September 2017, Energa SA issued hybrid bonds for the total amount of EUR 250 m. In order to hedge the currency risk under these bonds, the Company concluded CCIRS transactions ("CCIRS IV").
As a hedged position under the above hedging relationships, the Company designated the foreign currency risk arising from the issue of hybrid bonds denominated in EUR. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the issued bonds.
As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the bonds issued. The Company expects that the hedged cash flows will continue until September 2027.

**Interest rate risk hedging**

In August 2019, the Company concluded interest rate swap (IRS) transactions to hedge the interest rate risk arising from the financing used under the 2013 loan agreement with the EIB (PLN 150 m).
As the hedged positions under the hedging relationships, the Company designated the risk related to the WIBOR 3M interest rate arising from interest payments on the financial liabilities stated above in the period no longer than 4 years from the date of the hedging transactions.
The Company designated the IRS transactions under which the Group receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN as the hedging instruments. Interest cash flows received by the Company correspond with interest cash flows under the hedged financial liabilities. The Company expects that the hedged cash flows will continue until June 2023 and not longer. All held hedging instruments serve to hedge cash flows and relate to the financial instruments allocated to the same risk category. The presented hedging instruments relate to the liabilities arising under loans between Energa Finance AB and Energa SA, hybrid bonds and credits from the European Investment Bank.

The fair value of the hedging instruments is as follows:

| | Value in millions PLN | Recognition in the statement of financial position | Change in the fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for the period | Nominal amounts of hedging instruments in millions EUR | Nominal amounts of hedging instruments in millions PLN |
|---|---|---|---|---|---|
| **As at 31 December 2022** | | | | | |
| CCIRS III | 114 | Assets – Derivative financial instruments | None | 200 | - |
| CCIRS IV | 139 | Assets – Derivative financial instruments | None | 250 | - |
| IRS | 4 | Assets – Derivative financial instruments | None | - | 150 |
| **As at 31 December 2021** | | | | | |
| CCIRS III | 112 | Assets – Derivative financial instruments | None | 200 | - |
| CCIRS IV | 138 | Assets – Derivative financial instruments | None | 250 | - |
| IRS | 5 | Assets – Derivative financial instruments | None | - | 350 |

Due to the application of cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) decreased in the reporting period by PLN 31 m, and in 2021 it increased by PLN 183 m.

The table below presents changes in the cash flow hedge reserve in the reporting period:

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| **At the beginning of the reporting period** | **87** | **(96)** |
| Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments | 2 | 219 |
| Revaluation of hedging instruments transferred from the reserve to financial income/costs | (41) | 7 |
| Income tax on other comprehensive income | 8 | (43) |
| **At the end of the reporting period** | **56** | **87** |

As at 31 December 2022, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

### 24.9. Security for the repayment of liabilities

As at the end of the reporting period, there was no collateral established on the Company's assets.

## 25. Financial risk management principles and objectives

The major financial instruments used by the Company include bank credits, bonds issued and purchased, cash, short-term investments, cash pooling receivables and liabilities and hedging instruments. The main purpose of these financial instruments is to secure funds to finance the Company's operations or to mitigate financial risks.
Key risks generated by the Company's financial instruments include:

- market risk;
- liquidity risk; and
- credit risk.

The Management Board verifies and agrees on the principles of managing these risks. On 20 December 2017, the Management Board of Energa SA signed with Energa Group companies a Cooperation Agreement, whose integral elements include the Energa Group Liquidity Management Policy and the Energa Group Market Risk Management Policy (for FX risk and interest rate risk). Thus, the two documents have been introduced across the Energa Group, which allows the holding company to manage these risk groups effectively. Both documents define financial risk management procedures for individual Group companies and introduce appropriate reporting obligations.

### 25.1. Market risk

The Company identifies the following major market risks to which it is exposed:

- interest rate risk;
- foreign exchange risk.

For the purposes of the analysis of sensitivity to changes in market risk factors, the Company uses the scenario analysis method, which relies on expert scenarios reflecting the Company's subjective assessment of how individual market risk factors will develop in the future.
The scenario analyses presented in this item aim to analyze the impact of changes in market risk factors on the Company's financial results. Only those items, which satisfy the definition of financial instruments, are subject to analysis.

31 December 2022 (PLN m)

**Interest rate risk**

The Company is exposed to interest rate risk in connection with the fact that it holds assets and liabilities for which income and expenses are calculated on the basis of market interest rates, which may be subject to change.
The Company identifies exposure to the risk of WIBOR interest rate changes, which involves primarily long-term financial debt and purchased bonds. The Company's financial policy envisages that the risk of changing interest rates is mitigated by keeping a portion of debt at fixed rates and carrying out IRS transactions. As at 31 December 2022, 86% of financial debt recorded in the statement of financial position (loans and borrowings and liabilities on account of the issue of debt securities) bore a fixed interest rate or was hedged against interest rate risk with IRS transactions.
In the interest rate risk sensitivity analysis, the Company uses a parallel shift of the interest rate curve by the possible change in reference interest rates in the coming year. The levels of reference interest rates on the final day of a reporting period were used for this purpose. The extent of potential changes to interest rates was assessed on the basis of volatility of implied interest rate options quoted on the inter-bank market. In the case of WIBOR, due to the low liquidity of the interest rate option market, the shift of the interest rate curve has been assumed arbitrarily.
Interest rate volatility was set based on the average annual volatility of daily historical data for 2022.
In the case of the analysis of sensitivity to interest rate changes, the effect of changes to risk factors would be carried to:

- other comprehensive income for hedging derivatives;
- interest income/cost for the remaining financial instruments.

The table below presents sensitivity of financial result before tax and other comprehensive income to reasonably possible interest rate changes, assuming that there are no variations in other risk factors for these financial instrument classes that are exposed to interest rate risk:

| Financial assets and liabilities | 31 December 2022 | | | Interest rate risk sensitivity analysis as at 31 December 2022 | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Value at risk | | WIBOR | | EURIBOR | |
| | PLN | PLN | EUR | *WIBOR + 600 bp* | *WIBOR -600 bp* | *EURIBOR + 450 bp* | *EURIBOR -450 bp* |
| **Assets** | | | | | | | |
| Cash pooling receivables | 944 | 944 | - | 57 | (57) | - | - |
| Cash and cash equivalents | 674 | 663 | 10 | 40 | (40) | - | - |
| Bonds | 1,158 | 72 | - | 4 | (4) | - | - |
| Loans granted | 3,112 | 3,112 | - | 187 | (187) | | |
| Other derivatives | 18 | 18 | - | 1 | (1) | - | - |
| **Liabilities** | | | | | | | |
| Cash pooling liabilities | 861 | 861 | - | (52) | 52 | - | - |
| Loans and borrowings | 4,498 | 3,041 | - | (182) | 182 | - | - |
| Bonds and debt securities issued | 1,151 | - | - | - | - | - | - |
| **Change in loss before tax** | | | | **55** | **(55)** | **-** | **-** |
| Hedging derivatives | 257 | 257 | | 490 | (20) | (214) | 266 |
| **Change in other comprehensive income** | | | | **490** | **(20)** | **(214)** | **266** |

| Financial assets and liabilities | 31 December 2021 | | Interest rate risk sensitivity analysis as at 31 December 2021 | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Value at risk | WIBOR | | EURIBOR | |
| | PLN | PLN | *WIBOR +150 bp* | *WIBOR – 150 bp* | *EURIBOR + 50 bp* | *EURIBOR – 50 bp* |
| **Assets** | | | | | | |
| Cash pooling receivables | 778 | 778 | 12 | (12) | - | - |
| Cash and cash equivalents | 89 | 88 | - | - | - | - |
| Bonds | 1,160 | 75 | - | - | - | - |
| Loans granted | 3,383 | 3,383 | 51 | (51) | - | - |
| Other derivatives | 16 | 16 | - | - | - | - |
| **Liabilities** | | | | | | |
| Cash pooling liabilities | 512 | 512 | (8) | 8 | - | - |
| Loans and borrowings | 3,672 | 2,241 | (34) | 34 | - | - |
| Bonds and debt securities issued | 1,139 | - | - | - | - | - |
| **Change in loss before tax** | | | **21** | **(21)** | **-** | **-** |
| Hedging derivatives | 255 | 255 | 100 | (107) | (41) | 42 |
| **Change in other comprehensive income** | | | **100** | **(107)** | **(41)** | **42** |

31 December 2022 (PLN m)

**Foreign exchange risk**

With regard to financial transactions, the Company is exposed to foreign exchange risk due to the loans from a subsidiary, Energa Finance AB (publ). To hedge that risk, the Company has entered into cross-currency interest rate swap (CCIRS) transactions and has implemented hedge accounting (see the description in Note 8.12.4). In addition, the Company identifies foreign exchange risk relating to its cash.
In the foreign exchange risk sensitivity analysis, the possible fluctuations of currency exchange rates were calculated on the basis of annual variability implied for currency options quoted on the inter-bank market for a given currency pair at the date ending the reporting period.
Exchange rate volatility was set based on the average annual volatility of daily historical data for 2022.

The table below presents the sensitivity of the financial result before tax and other comprehensive income to reasonably possible changes of exchange rates, assuming that there are no changes of other risk factors for such classes of financial instruments which are exposed to the exchange rate change risk:

| Financial assets and liabilities | 31 December 2022 | | FX risk sensitivity analysis as at 31 December 2022 | |
|---|---|---|---|---|
| | Carrying amount | Value at risk | EUR/PLN | |
| | *PLN* | *PLN* | *EUR/ PLN rate + 15%* | *EUR/ PLN rate - 15%* |
| **Assets** | | | | |
| Cash and cash equivalents | 674 | 10 | 2 | (2) |
| Hedging derivatives | 257 | 2,076 | 311 | (311) |
| **Liabilities** | | | | |
| Loans and borrowings | 4,498 | 1,459 | (219) | 219 |
| Bonds and debt securities issued | 1,151 | 1,151 | (173) | 173 |
| **Change in pre-tax profit (loss)** | | | **(75)** | **75** |
| **Change in other comprehensive income*** | | | **(5)** | **5** |

* in respect of hedging derivatives

| Financial assets and liabilities | 31 December 2021 | | FX risk sensitivity analysis as at 31 December 2021 | |
|---|---|---|---|---|
| | Carrying amount | Value at risk | EUR/PLN | |
| | *PLN* | *PLN* | *EUR/PLN rate + 15%* | *EUR/PLN rate – 15%* |
| **Assets** | | | | |
| Cash and cash equivalents | 89 | - | - | - |
| Hedging derivatives | 255 | 2,274 | 341 | (341) |
| **Liabilities** | | | | |
| Loans and borrowings | 3,672 | 1,431 | (215) | 215 |
| Bonds and debt securities issued | 1,139 | 1,139 | (171) | 171 |
| **Change in loss before tax** | | | **(76)** | **76** |
| **Change in other comprehensive income*** | | | **31** | **(31)** |

* in respect of hedging derivatives

### 25.2. Credit risk

The income and receivables generated mainly in transactions with subsidiaries follow from the specific line of Energa SA's business. The financial standing of Group companies is monitored on an ongoing basis by appropriate task forces of Energa SA, and therefore exposure to bad debt risk is immaterial.
With respect to other financial assets, such as cash and cash equivalents, credit risk arises when the other party to a contract is unable to make a payment and the maximum exposure to this risk equals the carrying amount of such instruments.
In accordance with the adopted Financial Policy of the Energa Group, Energa SA is responsible for arranging debt financing on financial market for all Group companies and for distributing such funds to operating companies using the mechanism of internal bond issues. Energa SA acts here in the capacity of an investor purchasing long-term securities issued by Energa Group companies. The above structure generates credit risk for Energa SA in relation to the servicing of bonds issued by the companies and loans granted. As at 31 December 2022, the par value of the bonds purchased by Energa SA and issued by Energa Group companies was as follows:

- Energa-Operator SA – PLN 1,066 m;
- Energa Wytwarzanie SA – PLN 68 m.

As at 31 December 2022, the nominal value of Energa SA's loans to Energa Group companies was as follows:

- Energa-Operator SA – PLN 2,611 m;

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- Energa Wytwarzanie SA – PLN 484 m.

Furthermore, the Company has a loan of PLN 42 m for Elektrownia Ostrołęka Sp. z o.o., which is measured at fair value through profit or loss.

### 25.3. Liquidity risk

The Company is exposed to liquidity risk arising from the ratio of current assets to current liabilities. As at 31 December 2022 and 31 December 2021, the current liquidity ratio was 0.64 and 0.63, respectively.
The Company monitors the risk of insufficient funds, which are required to settle the liabilities at maturity dates, using a tool for periodic liquidity planning. This tool is based on projected cash flows from operating, investing and financing activities, which are prepared by all Group companies. Additionally, regular reviews are conducted to test the reliability of the projections.
On 4 January 2016, a one-way zero-balancing cash pooling service was launched in the Energa Group for funds in Polish zloty. This tool allows the holding company to manage the Group's liquidity in an efficient fashion. According to the assumptions about the structure, at the end of each business day, cash owned by the Group's companies is consolidated on Energa SA's accounts and on the following day it may be used to finance payment liabilities of the individual participants. This tool makes it possible to effectively finance the operations primarily with the funds generated by the Group and only then with debt financing.
In respect to liquidity risk management, the Company aims at maintaining the balance between continuity and flexibility of financing through the use of various sources of financing, such as current account overdrafts, bank loans, bonds, Eurobonds and finance lease agreements.
Details of the main external financing contracted by the Company are provided in Note 24.7.
The table below presents the Company's financial liabilities by maturity dates, based on contractual undiscounted payments (at nominal values, including payments of possible interest).

| | Below 3 months | From 3 to 12 months | From 1 year up to 5 years | Over 5 years | TOTAL |
|---|---|---|---|---|---|
| **31 December 2022** | | | | | |
| Loans and borrowings | 68 | 2,949 | 1,383 | 98 | 4,498 |
| Bonds and debt securities issued | - | 611 | 647 | | 1,258 |
| Cash pooling liabilities | 861 | - | - | - | 861 |
| Trade liabilities | 16 | - | - | - | 16 |
| Lease liabilities | 4 | 11 | 6 | - | 21 |
| **TOTAL** | **949** | **3,571** | **2,036** | **98** | **6,654** |

| | Below 3 months | From 3 to 12 months | From 1 year up to 5 years | Over 5 years | TOTAL |
|---|---|---|---|---|---|
| **31 December 2021** | | | | | |
| Loans and borrowings | 802 | 1,062 | 1,520 | 451 | **3,835** |
| Bonds and debt securities issued | - | 44 | 678 | 555 | **1,277** |
| Cash pooling liabilities | 512 | - | - | - | **512** |
| Trade liabilities | 16 | - | - | - | **16** |
| Lease liabilities | 3 | 11 | 20 | - | **34** |
| Other financial liabilities | 5 | 1 | - | - | **6** |
| **TOTAL** | **1,338** | **1,118** | **2,218** | **1,006** | **5,680** |

The Company's financial assets are comprised mainly of granted loans and cash and cash equivalents. The structure of cash and cash equivalents is presented in Note 14.

Financial statements as at and for the year ended 31 December 2022 (PLN m)

## NOTE TO THE SEPARATE STATEMENT OF CASH FLOWS

### 26. Statement of cash flows

**Net interest and dividends**

| | Year ended 31 December 2022 | Year ended 31 December 2021 |
|---|---|---|
| Dividends received | (201) | (201) |
| Interest received and paid | (40) | 5 |
| Interest accrued | (1) | (17) |
| **TOTAL** | **(242)** | **(213)** |

## OTHER NOTES

### 27. Capital management

The Company manages its capital in order to maintain investment-grade credit rating and safe financial ratios to support the Group's operating activity and increase its value for shareholders. This goal is achieved through the internal regulations adopted in the Group. The Company is the only entity responsible for running the Group's debt policy and for entering into hedging transactions.
The Company monitors its basic debt ratio, that is net debt to EBITDA, estimated on the consolidated basis. As at the balance sheet date, this ratio was 2.26, while the financing agreements called for the level of 4.0.
The level of the above ratio is also regularly monitored by institutions financing the Company and by rating agencies; therefore, it has a significant influence on the evaluation of the Company's credit rating and consequently the availability and cost of debt financing.
The data below originate from the consolidated financial statements of the Energa Group for the year ended 31 December 2022. The EBITDA reconciliation was presented in the consolidated financial statements for Energa Group.

| | As at 31 December 2022 | As at 31 December 2021 |
|---|---|---|
| Interest-bearing loans and borrowings | 4,068 | 2,704 |
| Bonds and debt securities issued | 2,574 | 2,532 |
| Cash and cash equivalents, excluding restricted cash | (829) | (169) |
| **Net debt** | **5,813** | **5,067** |
| **EBITDA*** | **2,573** | **2,449** |
| **Net debt / EBITDA** | **2.26** | **2.07** |

### 28. Contingent assets and liabilities

There are no significant contingent assets and liabilities in the Company.

### 29. Employment structure

The average employment (active and non-active) in the Company was 152 FTEs in the year ended 31 December 2022 and 159 FTEs in the year ended 31 December 2021.

### 30. Other information significantly affecting the assessment of assets, financial position and the financial result of the Company

**Assets held for sale**

As at 31 December 2022, the shares held by the Company in Energa Invest Sp. z o.o. are recognized as assets held for sale. The Company assumes that the shares will be sold over the next 12 months.

**Extension of loan maturity**

On 28 February 2023, an agreement was signed concerning the extension of maturity of the loan granted by Energa Finance AB (publ). The final maturities of the loans granted on 21 March 2013 and 25 March 2013 were set at 28 February 2024. The principal constituting the object of the signed agreement amounts to EUR 110 m.

**War in Ukraine**

Russia's attack on Ukraine shall undoubtedly have a significant impact on the domestic and international economy.

The Company monitors the situation in Ukraine on an ongoing basis in terms of its impact on business operations. However, the situation is very volatile and forecasting economic consequences of the war is subject to a high risk of making erroneous assumptions. Considering the highly fluid geopolitical and economic situations, and difficulties in developing or obtaining unreserved and highly likely economic and financial forecasts, it is not possible at the moment to measure the potential impact of the conflict on the Company's activities and financial performance.

Factors such as military developments, the extent and effectiveness of sanctions imposed on Russia and Belarus, and the response of central banks and other financial institutions to the crisis will be of key relevance for a full assessment of the impact of the current situation on the Company's future financial performance.

Bearing in mind the above, the Company has identified the following potential market risks:

- The risk of the Polish currency's weakening against major currencies, including specifically against euro. The Company hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects;
- Increased risk of attacks on the IT infrastructure on which the Company relies in pursuing its main business objectives, which necessitates higher costs to protect IT systems and the use of more advanced security tools and systems,
- The risk of further growth of inflation and interest rates, and consequently the risk of reduced access to or less favourable terms of external funding, may drive up the cost of debt financing for the Company.

On the other hand, the Company has not identified any direct impact of the war in Ukraine on its financial performance in 2022.

**Conclusion of an agreement on financing the construction of a combined cycle power plant in Gdańsk**

On 16 September 2022, the Company and PKN ORLEN S.A. entered into an agreement on financing the construction of a combined cycle (CCGT) plant in Gdańsk. If an investment decision is made, PKN ORLEN has pledged to cover capital expenditures for the project, but not more than PLN 2.5 billion, with the financing provided by PKN ORLEN to be over and above the financing provided by Energa. PKN ORLEN may withdraw from the agreement if no capacity agreement is signed by CCGT Gdańsk Sp. z o.o.

**Changes in rating agencies' assessment of Energa SA**

On 27 October 2022, Moody's rating agency announced an upgrade of PKN ORLEN's issuer rating from Baa1 to A3, as a result of obtaining approvals for PKN ORLEN's acquisition of PGNiG. As a follow-up to the above, on 31 October 2022 Moody's affirmed Energa SA's rating, changing the rating outlook from stable to positive. The change of the outlook to positive shows that Energa SA's rating may be upgraded once the conditions specified by the agency are met.

On 17 November 2022, Fitch Ratings ("Fitch") upgraded the Company's long-term foreign currency issuer credit rating from 'BBB-' to 'BBB+' with a stable outlook. It also upgraded other ratings for the Company and its debt.

## 31. Significant subsequent events

**Additional shareholder contributions**

On 5 April 2023, the Company made an additional shareholder contribution to CCGT Grudziądz Sp. z o.o. in the amount of PLN 360 m.

**Cash pooling**

Following the integration of the Energa Group with the Orlen Group, the particular Energa Group companies, including Energa SA, were made part of the cash pooling arrangements in place within the Orlen Group on 7 April 2023 in order to optimize cash management in the Orlen Group.

This tool enables effective management of the Energa Group's liquidity at the level of PKN ORLEN S.A. as the agent coordinating the cash pooling service.

Under the terms of cash pooling, at the end of each business day, the Companies' cash is consolidated in the Agent's accounts and can be used the following day to fund the payment obligations of individual participants.

This tool makes it possible to effectively finance the operations primarily with the funds generated by the Company and only then with debt financing.

Management Board Members

Zofia Paryła ………………………………………...
President of the Management Board

Adrianna Sikorska ………………………………………….
Vice-President of the Management Board for Communication Matters

Michał Perlik ……………………………………………
Vice-President of the Management Board for Financial and Climate Matters

Janusz Szurski ……………………………………………
Vice-President of the Management Board for Corporate Matters

Energa Centrum Usług Wspólnych Sp. z o.o.
Entity responsible for keeping
accounting ledgers and for preparing financial statements
Energa Centrum Usług Wspólnych Sp. z o.o.
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Gdańsk, 26 April 2023