Energa

GRUPA ORLEN

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

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Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2022	Year ended 31 December 2021 (restated data)
Sales revenue	**10**	**20,095**	**13,791**
Revenue from the Price Difference Payout Fund		**349**	**-**
Cost of sales	**11.1**	(17,798)	(10,971)
Gross profit on sales		**2,646**	**2,820**
Other operating income	**11.4**	945	214
Selling and distribution expenses	**11.1**	(983)	(953)
General and administrative expenses	**11.1**	(397)	(325)
Other operating expenses	**11.5**	(844)	(478)
Financial income	**11.6**	168	74
Financial costs	**11.7**	(429)	(268)
Share in profit (loss) of entities measured using the equity method		71	185
Profit/(loss) before tax		**1,177**	**1,269**
Income taxes	**12**	(168)	(332)
Net profit or loss for the period		**1,009**	**937**
Attributable to:			
Equity holders of the parent company		967	968
Non-controlling interests		42	(31)
Earnings or loss per share (in PLN)	**23**		
- basic		**2.34**	**2.34**
- diluted		**2.34**	**2.34**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Net profit or loss for the period		**1,009**	**937**
Items that will never be reclassified to profit or loss		***33***	***69***
Actuarial gains and losses on defined benefit plans	**25.1**	40	85
Deferred income tax		(7)	(16)
Items that may subsequently be reclassified to profit or loss		***(31)***	**183**
Foreign exchange differences from translation of foreign entities		1	-
Cash flow hedges	**30.6**	(40)	226
Deferred income tax		8	(43)
Share in other comprehensive income of entities measured using the equity method		**-**	**1**
Net other comprehensive income		**2**	**253**
Total comprehensive income		**1,011**	**1,190**
Attributable to:			
Equity holders of the parent company		969	1,220
Non-controlling interests		42	(30)

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	**13**	17,386	15,281
Intangible assets	**14**	1,487	974
Right-of-use assets	**15**	1,050	1,063
Investments in equity-accounted associates and joint ventures	**17**	153	128
Deferred tax assets	**12.3**	418	237
Other non-current financial assets	**30.1**	190	254
Other non-current assets	**21.1**	702	289
		21,386	**18,226**
Current assets			
Inventories	**18**	346	111
Income tax receivables		399	102
Trade receivables	**30.4.1**	3,271	2,074
Other current financial assets	**30.1**	210	105
Cash and cash equivalents	**20**	1,100	340
Other current assets	**21.2**	478	231
		5,804	**2,963**
Assets classified as held for sale	**29**	58	49
TOTAL ASSETS		**27,248**	**21,238**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	Note	As at 31 December 2022	As at 31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	**22.1**	4,522	4,522
Foreign exchange differences from translation of a foreign entity		6	5
Reserve capital	**22.4**	1,031	821
Supplementary capital	**22.5**	1,661	1,661
Cash flow hedge reserve	**22.6, 30.6**	55	87
Retained earnings	**22.7**	3,706	2,912
Equity attributable to owners of the parent		**10,981**	**10,008**
Non-controlling interest	**22.8**	**559**	**(66)**
		11,540	**9,942**
Non-current liabilities			
Loans and borrowings	**30.4.2**	1,531	1,309
Liabilities on account of the issue of debt securities	**30.4.2**	1,965	2,501
Non-current provisions	**25**	696	734
Deferred tax liability	**12.3**	931	910
Deferred income and non-current grants	**27**	326	301
Lease liabilities	**35**	817	838
Other non-current financial liabilities	**26.1, 30.1**	5	9
Contract liabilities	**30.1**	9	9
		6,280	**6,611**
Current liabilities			
Trade liabilities	**30.1**	2,388	1,067
Contract liabilities	**30.1**	314	297
Current portion of loans and borrowings	**30.4.2**	2,537	1,395
Liabilities on account of the issue of debt securities	**30.4.2**	609	31
Income tax payable		3	13
Deferred income and grants	**27**	202	180
Short-term provisions	**25**	2,496	1,073
Other financial liabilities	**30.1**	609	448
Other current liabilities	**26.2**	245	161
		9,403	**4,665**
Liability directly associated with assets held for sale	**29**	25	20
Total liabilities		**15,708**	**11,296**
TOTAL EQUITY AND LIABILITIES		**27,248**	**21,238**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Equity attributable to owners of the parent							Non-controlling interest	Total equity
		Share capital	Foreign exchange differences from translation of a foreign entity	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total		
As at 1 January 2022		**4,522**	**5**	**821**	**1,661**	**87**	**2,912**	**10,008**	**(66)**	**9,942**
Net other comprehensive income	**22.7**	-	1	-	-	(32)	33	**2**	-	**2**
Net profit for the period		-	-	-	-	-	967	**967**	42	**1,009**
Total comprehensive income for the period		**-**	**1**	**-**	**-**	**(32)**	**1,000**	**969**	**42**	**1,011**
Distribution of profits/coverage of losses from previous years		**-**	**-**	210	**-**	**-**	(210)	**-**	**-**	**-**
Change in ownership structure		-	-	-	-	-	4	**4**	583	**587**
As at 31 December 2022		**4,522**	**6**	**1,031**	**1,661**	**55**	**3,706**	**10,981**	**559**	**11,540**
As at 1 January 2021		**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,678**	**8,788**	**(36)**	**8,752**
Net other comprehensive income	**22.7**	-	-	-	-	183	69	**252**	1	**253**
Net profit (loss) for the period		-	-	-	-	-	968	**968**	(31)	**937**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**183**	**1,037**	**1,220**	**(30)**	**1,190**
Distribution of profits/coverage of losses from previous years		-	-	(197)	-	-	197	**-**	**-**	**-**
As at 31 December 2021		**4,522**	**5**	**821**	**1,661**	**87**	**2,912**	**10,008**	**(66)**	**9,942**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2022	Year ended 31 December 2021 (restated data)
Cash flows from operating activities			
Profit/(loss) before tax		**1,177**	**1,269**
Adjustments for:			
Share in (profit)/loss of the entities measured using the equity method		(71)	(185)
Profit/Loss on foreign exchange		(3)	(3)
Amortization and depreciation	**11.2**	1,134	1,079
Net interest and dividends		306	216
(Profit)/ loss on investing activities		(272)	124
Change in provisions	**32**	2,640	1,207
Other adjustments	**32**	(92)	45
Changes in working capital:			
Change in short-term receivables and current prepaid expenses and accrued income	**32**	(1,408)	(78)
Change in inventories		(235)	30
Change in current liabilities, excluding loans and borrowings and current accrued expenses and deferred income	**32**	1,449	300
		4,625	**4,004**
Income tax paid		**(638)**	**(345)**
Net cash from operating activities		**3,987**	**3,659**
Cash flows from investing activities			
Disposal of property, plant and equipment and intangible assets and investments into investment property		4	21
Purchase of property, plant and equipment and intangible assets	**32**	(4,992)	(2,673)
Other cash flows on financial assets		126	-
Disposal of subsidiary		-	21
Net cash flows on loans		-	1
Other		33	32
Net cash from investing activities		**(4,829)**	**(2,598)**
Cash flows from financing activities			
Net proceeds from the issue of shares and other equity instruments and equity contributions		586	-
Proceeds from debt incurred	**30.4.2**	3,980	2,718
Repayment of debt incurred	**30.4.2**	(2,606)	(3,458)
Repayment of lease liabilities	**30.4.2**	(71)	(70)
Grants received		43	85
Interest paid	**30.4.2**	(321)	(204)
Other		(14)	(12)
Net cash from/(used in) financing activities		**1,597**	**(941)**
Net increase/ (decrease) in cash and cash equivalents		**755**	**120**
Cash and cash equivalents at the beginning of the period	**20**	**340**	**221**
Change in cash due to foreign exchange gains (losses)		*5*	-
Change in cash classified as assets held for sale		-	*(1)*
Cash and cash equivalents at the end of the period	**20**	**1,100**	**340**
of which restricted cash		*271*	*171*

*for a detailed description of restatements, see Note 9.32

31 December 2022 (in PLN million)

ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

1. General information

The Energa SA Group (the "Group") consists of **Energa Spółka Akcyjna** (the "Parent Company", the "Company") and its subsidiaries (see Note 2).

Name of the parent company: Energa SA
Legal form: joint stock company
Country: Poland
Registered office: Gdańsk
Address: Al. Grunwaldzka 472, 80-309 Gdańsk
KRS: 0000271591
REGON: 220353024
NIP: 957-095-77-22
The parent company has been established for an indefinite time.
There have been no changes in the entity's name or other identifying details since the end of the previous reporting period.

The consolidated financial statements of the Group are for the year ended 31 December 2022 and contain the relevant comparative data.

The core business of the Group is:

1. distribution and sale of electricity and heat;
2. production of electricity and heat; and
3. trading in electricity.

As at 31 December 2022, Polski Koncern Naftowy ORLEN S.A. ("PKN ORLEN") is the parent company and the ultimate controlling party of the Company and the Energa SA Group.

2. Composition of the Group and joint ventures and associates

2.1. Composition of the Group at the end of the reporting period

As at 31 December 2022, the Group consists of Energa SA and the following subsidiaries:

No	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				31 December 2022	31 December 2021
Distribution Business Line (Segment)					
1	Energa-Operator SA	Gdańsk	distribution of electricity	100	100
2	Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	Słupsk	contracting and design	100	100
Sales Business Line (Segment)					
3	Energa-Obrót SA	Gdańsk	trading in electricity	100	100
4	Energa Oświetlenie Sp. z o.o.	Sopot	lighting services	100	100
5	Energa SLOVAKIA s.r.o. in liquidation	Bratislava	trading in electricity	100	100
6	Enspirion Sp. z o.o.	Gdańsk	organization and management of development of innovative power projects	100	100
Generation Business Line (Segment)					
7	Energa Wytwarzanie SA	Gdańsk	production of energy	100	100

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

No	Company name	Registered office	Line of business	% held by the Group in share capital as at 31 December 2022	% held by the Group in share capital as at 31 December 2021
8	Energa Elektrownie Ostrołęka SA	Ostrołęka	production of energy	89.64	89.64
9	Energa Kogeneracja Sp. z o.o.	Elbląg	production of energy	100	100
10	Energa Ciepło Ostrołęka Sp. z o.o.	Ostrołęka	distribution of heat	100	89.64
11	Energa Serwis Sp. z o.o.	Ostrołęka	repairs and maintenance services	89.64	89.64
12	Energa Ciepło Kaliskie Sp. z o.o.	Kalisz	distribution of heat	91.24	91.24
13	CCGT Grudziądz Sp. z o.o.	Grudziądz	production of energy	100	100
14	CCGT Gdańsk Sp. z o.o.	Gdańsk	production of energy	100	100
15	Energa MFW 1 Sp. z o.o.	Gdańsk	production of energy	100	100
16	Energa MFW 1 Sp. z o.o.	Gdańsk	production of energy	100	100
17	LBW 1 Sp. z o.o.	Gdańsk	holdings and management of companies and enterprises	100	-
18	ECARB Sp. z o.o.	Gdańsk	financing activity	89.64	100
Other Business Line					
19	Energa Finance AB (publ)	Stockholm	financing activity	100	100
20	Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
21	Energa Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
22	Energa Invest Sp. z o.o.	Gdańsk	investment project management	100	100
23	Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	development activity in engineering	100	100
24	CCGT Ostrołęka Sp. z o.o.	Ostrołęka	production of energy	50	100
25	Energa Green Development Sp. z o.o.	Gdańsk	implementation of investment projects	100	100

Additionally, as at 31 December 2022 the Group held shares in the joint venture Polska Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in the associate Polimex-Mostostal S.A. ("Polimex") (see description in Note 2.2).

2.2. Changes in the composition of the Group and in the investments in joint ventures and associates in the reporting period

2.2.1. Polska Grupa Górnicza

On 25 October 2022, ECARB Sp. z o.o. sold all of its 6,000,000 PGG shares to the State Treasury for a total price of PLN 1. At the time of the transfer of PGG shares to the State Treasury, their value on the Group's balance sheet was zero. As of the balance sheet date, the Group had no investment in the PGG joint venture.

2.2.2. Polimex-Mostostal

On 18 January 2017, the Management Board of Energa S.A. along with Enea S.A., PGE S.A. and PGNiG Technologie S.A. ("Investors") and Polimex-Mostostal SA signed an investment agreement ("Investment Agreement") under which the Investors undertook to make an equity investment in Polimex. Energa SA holds approx. 39 million shares of the nominal value of PLN 2 each, which translates into a 16.26% stake in Polimex.

The stake in Polimex was classified as an associate accounted for using the equity method. The Investors' Committee, established under the Investment Agreement and composed of all Investors, exerts significant influence on the investment through its role in financial and operational policy-making and determining the composition of Polimex governing bodies.

Polimex is an engineering and construction company with its registered office in Warsaw, listed on the Warsaw Stock Exchange. The value of Energa SA's holding according to the daily exchange rate as at 30 December 2022 is PLN 172 million.

As a result of valuation of the shares held by the Group as at 30 September 2022, an impairment loss of PLN 34 m was recognised for those shares. The corresponding write-down was reversed in full in the fourth quarter of 2022 due to the reevaluation of the shares as at 31 December 2022. The fourth quarter of 2022 saw a market-driven increase in Polimex's share price.

The investments in the consolidated financial statements amount to PLN 153 m as at 31 December 2022.

2.2.3. Ostrołęka Power Plant

Elektrownia Ostrołęka Sp. z o.o. is a special purpose vehicle under the joint control of Energa SA and Enea S.A. The company was established for the purpose of implementation of the project of construction of a power generating unit in Ostrołęka ("Coal Project").

Following analyses, the implementation of the Coal Project was halted on 2 June 2020.

On 22 December 2020, Energa SA concluded two agreements with ENEA S.A.:

a) "Agreement on cooperation in dividing Elektrownia Ostrołęka Sp. z o.o.", under which ENEA S.A. resigned from participation in the implementation of the Gas Project and the aforesaid issues associated with the breakup of the Coal Project were addressed;

b) "Agreement on cooperation in the accounting for the Ostrołęka C Power Plant investment project", under which the costs associated with termination of the investment project were to be accounted for on a pro rata basis by the parties to the agreement based on the existing rules and within the limits adopted in the agreement signed between the Company and ENEA SA on 30 April 2019.

Until 31 December 2022, the aggregate value of cash contributions made to Elektrownia Ostrołęka Sp. z o.o. by Energa SA (the aggregate cost of acquisition of the shares by the Company) amounted to PLN 351 m.

The investment was classified as a joint venture and is recognized using the equity method.

Elektrownia Ostrołęka Sp. z o.o is a privately held company and, therefore, there are no market quotes for its share prices.

As at 31 December 2022, the value of investment in Elektrownia Ostrołęka Sp. z o.o. in the consolidated financial statements amounted to zero.

Settlement of the Coal Project

On 25 June 2021, Elektrownia Ostrołęka Sp. z o.o., CCGT Ostrołęka Sp. z o.o., the Coal Project Contractor (GE Power Sp. z o.o. and GE Steam Power Systems S.A.S.) and the Gas Project Contractor (General Electric Global Services, GmbH together with GE Power Sp. z o.o.) signed the "Document amending the contract of 12 July 2018 for the construction of the Ostrołęka "C" Power Plant with a capacity of 1,000 MW", including the so-called "Settlement Agreement". Pursuant to the Annex to the Agreement, the total amount Elektrownia Ostrołęka Sp. z o.o. was obligated to pay the Coal Project Contractor was not to exceed PLN 1.35 bn (net). The costs associated with the Coal Project were settled on a pro-rata basis by ENEA S.A. and Energa SA. See Note 25.2 for a description of the settlement of the provision.

Loan agreement

Two loan agreements were concluded between Energa SA, Enea S.A. and Elektrownia Ostrołęka Sp. z o.o. in connection with implementation of the Coal Project.

The first loan agreement was concluded on 17 July 2019 for the amount of PLN 58 m. The second loan agreement was concluded on 23 December 2019. The maximum loan amounted to PLN 340 m and was disbursed in tranches at a reasonable request of Elektrownia Ostrołęka Sp. z o.o. The first tranche in the amount of PLN 160 m was disbursed on 23 December 2019, the second tranche in the amount of PLN 17 m was disbursed on 13 January 2020, whereas the third tranche in the amount of PLN 163 m was disbursed on 22 April 2020.

Under the Loan Agreement, Energa SA conditionally sold to Enea S.A. half of its receivables from Elektrownia Ostrołęka Sp. z o.o. in respect of the loan. Upon fulfilment of the conditions precedent, the receivables passed to Enea S.A. The receivables under the loan agreement may be converted by Energa SA and Enea S.A. towards the equity of Elektrownia Ostrołęka Sp. z o.o.

On 26 February 2021, two agreements governing loans granted to Elektrownia Ostrołęka Sp. z o.o. by Energa SA and ENEA S.A. were annexed. As a result, the maturities of the loans granted under the agreement of 17 July 2019 in the amount of PLN 58 m and the agreement of 23 December 2019 in the total amount of PLN 340 m were extended. The loans' maturities were annexed four times thereafter. Under the annexes signed on 23 December 2022, the maturities of both loans were extended as follows:

- the loan agreement of 17 July 2019 was extended until 11 January 2023, and
- the loan agreement of 23 December 2019 was extended until 28 February 2023.

Implementation of the gas project

On 22 December 2020, Energa SA, PKN ORLEN SA ("PKN ORLEN") and Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG") signed an investment agreement ("Investment Agreement") governing directional rules of cooperation on the construction of a gaseous fuel power generating unit at the Ostrołęka "C" Power Plant ("Gas Project"). The parties to the Investment Agreement undertook to cooperate in delivering the Gas Project by establishing a new company that would take over selected assets and liabilities required for successful completion of the Gas Project from Elektrownia Ostrołęka Sp. z o.o. Under the Investment Agreement, Energa and PKN ORLEN were to be allocated a total of 51% of shares in the share capital of the newly established company ("Share Pool") and PGNiG was to acquire the remaining 49% of shares. In both cases, the percentage of shares in the capital is intended to correspond to the same percentage of the total number of votes at the company's shareholders' meeting.

On 18 May 2021, Energa SA concluded an agreement with PKN ORLEN defining the terms and conditions, and scope of cooperation in the performance of the Investment Agreement. Energa and PKN ORLEN agreed that, out of the Share Pool allocated to them, Energa would take up 50%+1 share in CCGT Ostrołęka Sp. z o.o., and PKN ORLEN would take up the remaining shares out of the Share Pool allocated to both companies. Both parties confirmed that if PGNiG did not join the project, PKN ORLEN would acquire 49% of the Company's share capital intended for PGNiG. Moreover, in accordance with the agreement, if there is a risk of Energa breaching the requirements of the financing agreements, PKN ORLEN would provide Energa with funds necessary to finance the project, i.e. no more than PLN 1.55 bn.

On 29 November 2021, the parties to the Investment Agreement signed an annex thereto in which they reiterated their readiness to continue cooperation on the construction of a gas power plant in Ostrołęka while being aware of the need for adapting the rules of that cooperation to the implementation conditions of the project. The parties will strive to agree that the ultimate form of PGNiG's involvement in the implementation of the aforesaid project takes the form of PGNiG's financial contribution, whose amount and method of payment will be defined in a separate agreement to be concluded by the end of 2022. As a result of the merger of PGNiG and PKN ORLEN registered by the registry court on 2 November 2022, through the acquisition of PGNIG in accordance with Section 492.1(1) of the Commercial Companies Code, i.e. by transferring all of PGNiG's assets to PKN ORLEN, in exchange for shares issued by PKN ORLEN, the rights and obligations of PGNiG were transferred to PKN ORLEN. However, under the Investment Agreement, this means that the implementation of the assumptions of this agreement is limited to the cooperation between PKN ORLEN and ENERGA S.A., taking into account the above mentioned case of PGNiG not joining CCGT Ostrołęka Sp. z o.o. As a result, the status quo resulting from the agreement of 18 May 2021 is preserved.

In addition, on 25 June 2021, Elektrownia Ostrołęka Sp. z o.o. (seller) entered into an agreement with CCGT Ostrołęka Sp. z o.o. (buyer) on the sale of the enterprise intended for delivery of the Gas Project. Thus, Elektrownia Ostrołęka Sp. z o.o. sold to CCGT Ostrołęka Sp. z o.o. the assets that were generated as part of the Coal Project and that will be used for implementation of the Gas Project.

On 2 June 2022, the General Shareholders Meeting of CCGT Ostrołęka Sp. z o.o. adopted a resolution on another increase in the share capital, by PLN 131 m, and in effect the company's share capital amounted to PLN 490.6 m, divided in the proportion of 50%+1 to Energa SA, and 50%-1 to PKN ORLEN S.A. The share capital increase was registered with KRS on 26 July 2022.

As at 31 December 2022, Energa SA and PKN ORLEN S.A. are the shareholders of CCGT Ostrołęka Sp. z o.o.

3. Composition of the parent 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:
   - Iwona Waksmundzka-Olejniczak – President of the Management Board;
   - Marek Kasicki – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations.
2) during the period from 8 April 2022 until 21 April 2022:
   - Marek Kasicki – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations;
3) during the period from 21 April 2022 until 22 April 2022:
   - Daniel Obajtek – Supervisory Board member delegated to temporarily exercise the duties of the President of the Management Board;
   - Marek Kasicki – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations;
4) during the period from 22 April 2022 until 26 April 2022:
   - Daniel Obajtek – Supervisory Board member delegated to temporarily exercise the duties of the President of the Management Board;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations;
5) from 26 April 2022 until 1 September 2022:
   - Daniel Obajtek – Supervisory Board member delegated to temporarily exercise the duties of the President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations;

6) from 1 September 2022 until 16 February 2023:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations;
7) From 16 February 2023 to 27 March 2023:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
8) In the period from 27 March 2023 until the publication date of these statements:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance and Climate;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Company's Management Board on 27 April 2023.

5. Basis for preparation of the financial statements

These consolidated 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 consolidated financial statements are presented in millions of zloty ("PLN m") unless stated otherwise.

These consolidated financial statements have been prepared based on the assumption that the Group would continue as a going concern in the foreseeable future.

5.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (IFRS EU).

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

The Management Board of the Parent Company used its best knowledge in the application of standards and interpretations as well as measurement methods and principles for the individual items of the consolidated financial statements of the Energa SA Group in accordance with IFRS EU as at 31 December 2022. Due diligence was applied in the preparation of the accompanying supplementary information and notes.

The financial statements were prepared in the European Single Electronic Format (ESEF) in compliance with Regulation 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format.

5.2. Functional and presentation currency

The functional currency of the Parent Company and other Polish companies covered by these consolidated financial statements and the presentation currency of these consolidated financial statements is the Polish zloty. For Energa Slovakia s.r.o. and Energa Finance AB (publ), the functional currency of their individual financial statements is euro. For the purpose of these financial statements, the underlying accounts of the above-mentioned companies have been translated into Polish zlotys using the method described in Note 9.5.

6. Material items subject to professional judgment and estimates

In the process of applying accounting policies to the areas enumerated below, the management's professional judgement, in addition to the accounting estimates, which impacted the amounts presented in the consolidated financial statements and the notes thereto, was of key importance. The assumptions used in making these estimates are based on management's best knowledge of current and future activities and events in specific areas. Detailed information on the adopted assumptions has been presented in the relevant notes in these consolidated 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 next financial year, are discussed below.

Impairment of property, plant and equipment, intangible assets and goodwill

The Group assesses whether there is any evidence of impairment of the Cash Generating Units (CGU) and individual assets.

This analysis covers external factors, including technological, market, economic or legal changes in the environment in which we conduct our business or on the markets where we use the Group's assets to serve our clients, as well as internal factors associated with the physical condition of property, plant and equipment components and changes in the way they are used. If we find any such evidence, we carry out asset impairment tests following the rules described in Note 9.10. Information on the conducted impairment tests is presented in Note 13.

Measurement of provisions

Provisions for employee benefits (provision for retirement and disability benefits, death gratuities, jubilee bonuses, employee energy tariff, additional allowances for the Company Social Benefit Fund due to employees of Group companies after the period of employment) are estimated using actuarial methods.

Other provisions are measured according to the best estimate of the expenditures necessary to fulfill the existing duties. If the time value of money is relevant, then the provision is equal to the present value of the expenditures expected to be necessary to fulfill this duty.

Detailed information about the adopted assumptions and recognised provisions is presented in Note 25.

Depreciation rates

Depreciation rates and charges are determined on the basis of the anticipated useful life of a property, plant and equipment component or intangible assets and estimates regarding their residual value. Every year, Group companies revise the adopted periods of useful life, based on the current estimates.

Energy price paths

An important element of the estimation of value in use of cash-generating units performed by the Group are energy price paths developed by independent industry experts, and in the case of estimates of provisions for post-employment benefits in the form of employee energy tariffs – energy price paths developed internally based on long-term models created on the basis of studies made by independent industry experts.

Electricity price paths, coal and natural gas prices, prices of certificates of origin and prices of carbon emission allowances used in the Energa Group are taken from the report “Long-Term Electricity Price Forecasts for the Polish Electricity System for 2022-2050".

Deferred tax asset

Deferred tax assets are measured using the tax rates that will be applied at the moment when the asset is utilised, based on the tax regulations in force on the day ending the reporting period. The Group recognises 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. Details on the deferred tax assets are provided in Note 12.3.

Fair value of financial instruments

The fair value of financial instruments, for which no active markets exist, is measured using appropriate valuation techniques. The Group applies professional judgment to the selection of such appropriate methods and assumptions. The method used to determine fair value of individual financial instruments is presented in Note 30.3.

Estimation of revenues on sales of electricity and distribution services

Meter readings of electricity sold to retail customers are made predominantly in the periods different from the reporting periods. Therefore, the entities comprising the Group make estimations of electricity and distribution services sold as at every last day of the reporting period, for the period not covered by meter readings. The estimate is calculated in billing systems based on the average 24-hour consumption of electricity from the date of the last actual reading to the balance date.

Impairment losses on receivables

Impairment losses on receivables are charged in conjunction with the past due period of receivables based on ratios estimated using historical data on the repayment of receivables and recoveries from counterparties. The Group incorporates forward-looking information into the parameters used in the expected loss estimation model through a management adjustment of the underlying default probability ratios.

In the case of allowances for trade and other receivables, the Group may carry out an individual assessment of the level of credit risk based on reasonable, documented and available information and make an individual business decision on the level of allowance for the assessed customer.

Expected credit loss allowances are created and reversed under the (impairment)/reversal of impairment on trade receivables line of other operating income/expenses for principal receivables and under the (impairment)/reversal of impairment on financial instruments line of the financial income/expenses for interest on overdue payments.

The amounts of the impairment losses on receivables are provided in Note 30.4.1.

7. Changes in estimates

During the current reporting period, no changes were made in the scope or methods used in determining significant estimates.

8. New standards and interpretations

No new standards and interpretations were introduced in the reporting period that would have a material impact on the Group's Accounting Policy and consolidated financial statements.

8.1. Amendments to the International Financial Reporting Standards (IFRS)

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and approved for use in the EU are applicable for the first time to the Group'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 (applicable to 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 (applicable to 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 (applicable to 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 applicable to 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 Group's consolidated financial statements for 2022.

8.2. 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 (applicable to 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 (effective for annual periods beginning on or after 1 January 2023).

8.3. Standards and interpretations adopted by the IASB and awaiting EU approval

- **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);
- **Amendments to 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).

According to the Group's estimates, the aforementioned new standards and amendments to existing standards would not have a material impact on the consolidated financial statements if applied by the Group as at the balance sheet date.

9. Significant accounting policies

Changes made to the accounting policies as at 1 January 2022 and their impact on the presented financial data are described in Note 9.32. In the remaining scope, the Group's accounting policies are applied on a continuous basis, except for the amendments to EU IFRS.

9.1. Principles of consolidation

These consolidated financial statements include the financial statements of Energa SA and financial data of its subsidiaries prepared in each company for the year ended 31 December 2022.

Subsidiaries are consolidated in the period from the date the Group took control over them and they cease to be consolidated on the date such control ceases. Control is exerted by the Parent Company when, because of its investment, it is subject to exposure to varying returns, or if it holds rights to the variable returns and can also influence those returns by effecting control over the subsidiary.

The Group also considers whether to treat the part of the entity where the investment was made as a separate entity. If the Group controls the recognised separate entity then it consolidates the part of the entity where the investment was made.

The Group settles transactions of taking control over subsidiaries undertakings by using the purchase method. A payment transferred within the framework of the transaction is determined as the fair value of transferred assets, accepted obligations towards previous owners of the entity being acquired and equities issued by the acquiring entity.

The identifiable assets and liabilities of the acquired entity are measured as at the acquisition date at fair value. Non-controlling interest in an acquired entity is recognised at the amount of the proportionate percentage (corresponding to the non-controlling interest) of the identifiable, recognised net assets of the acquired entity. The goodwill that is created in a purchase transaction is calculated in accordance with the rules presented in Note 9.9.

The costs related to the purchase of a subsidiary entity are recognised as the costs of the period.

Unrealised profits from transactions concluded within the Group are eliminated in their entirety. Unrealised losses are ignored, unless they constitute a proof of impairment.

Changes in the Group's interest in an investee which do not result in the Group obtaining or losing control thereof are accounted for through equity as transactions between owners.

9.2. Business combinations of entities under common control

Business combinations of entities under common control are settled by adding up the various line items of the relevant assets and liabilities as well as the revenues and expenses of the merged companies, after first converting their values using uniform measurement methods and making the relevant exclusions. In the case of the acquired company, individual balance sheet and profit and loss items included in the financial statements of that company are added up in the amounts presented in the Group's consolidated financial statements. The share capital of the company whose assets are transferred to another company, or of the companies that are stricken from the commercial register as a result of the business combination, is subject to exclusion. After effecting this exclusion, the pertinent line items of the equity of the company to which the assets of the merged companies or of the newly-formed company are transferred are adjusted by the difference between the sum total of assets and liabilities and equity. All the account balances and transactions between the merging entities, including the profits or losses on business operations executed prior to the business combination and included in the assets and liabilities and equity undergoing combination, are also subject to exclusion.

The period-end financial statements of the company to which the merged companies' assets pass for the period in which the merger took place show comparative data for the previous financial year, which is presented as if the merger took place at the start of the previous financial year, but individual equity items as at the end of the previous year are disclosed as a sum total of the individual equity items.

9.3. Investments in joint ventures

A joint venture is a joint contractual arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in joint ventures are recognised using the equity method after deducting impairment losses, if any. Application of the equity method involves the initial recognition of the investment at purchase price plus transaction costs. The Group's share in the profit or loss of the entities measured by the equity method (calculated taking into account the impact of the fair value measurement as at the investment purchase date) starting from the purchase date is recognised in the Group's profit or loss, while its share in other comprehensive income of such an entity, starting from the purchase date, is recognised in the Group's other comprehensive income. Unrealised gains and losses on account of transactions between the investor and the joint venture are eliminated in the amount corresponding to the investor's share in such gains/losses.

9.4. Investments in associates

Associates are entities on which the Parent Company exerts, directly or through subsidiaries, significant influence but does not have control or joint control over them.

Investments in associates are accounted for using the equity method. Investments in associates are carried in the statement of financial position at purchase price plus transaction cost and subsequent changes in the Parent Company's share in net assets of those entities less impairment losses, if any. The Group's share in the profit or loss of the entities measured using the equity method (calculated taking into account the impact of the fair value measurement as at the investment purchase date) starting from the purchase date is recognized in the Group's profit or loss, while its share in other comprehensive income of such an entity, starting from the purchase date, is recognized in the Group's other comprehensive income. Unrealized gains and losses on account of transactions between the investor and the associate are eliminated in the amount corresponding to the investor's share in such gains/losses.

9.5. Conversion of items in foreign currencies

Transactions denominated in currencies other than the Polish zloty are converted on 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 arising from translation are recognized as financial income (expense), as appropriate.

Foreign exchange differences that are part of external financing expenses eligible for capitalization are recognized at the value of the respective assets (see description in Note 9.11).

Foreign exchange differences on non-cash items such as equity instruments measured at fair value through profit or loss are recognized as changes in fair value.

Assets and liabilities of foreign entities consolidated using the full method are converted to the Group's presentation currency at the rate in effect at the end of the reporting period and their statements of profit or loss are converted at the average annual exchange rate for the reporting period. Foreign exchange differences resulting from such a conversion are posted directly to other comprehensive income. When a foreign entity is sold, the accumulated deferred exchange differences recognized in other comprehensive income relating to that foreign entity are recognized in the statement of profit or loss.

The following exchange rates were used for measurement purposes at the end of the reporting period:

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

Exchange rate applicable on the last day of the period		
Currency	31 December 2022	31 December 2021
EUR	4.6899	4.5994

The weighted exchange rates for the individual financial years were as follows:

Average exchange rate in the period		
Currency	1 January – 31 December 2022	1 January – 31 December 2021
EUR	4.6883	4.5775

9.6. Property, plant and equipment

Property, plant and equipment is measured at its net value, i.e. the initial value less accumulated depreciation and impairment losses. The initial value of property, plant and equipment includes its purchase price plus all the costs directly related to the purchase and making the asset fit for use. The cost also includes the expected cost of dismantling the property, plant and equipment, removing it and restoring the asset's location to its original condition; the obligation to incur this cost arises upon installation of the asset or its use for purposes other than the production of inventories. The costs of purchase or manufacturing are capitalized until the asset is adapted to the place and conditions needed to begin its operation.

As at the date of purchasing of property, plant and equipment, all relevant elements with different useful lives comprising the asset are identified and separated (components). Property, plant and equipment also includes costs of general overhauls, periodic inspections, provided that their value is significant, and cost of replacement of major parts.

Depreciation charges are calculated on the basis of purchase price/manufacturing cost of the property, plant and equipment component less its residual value. Depreciation commences in the month following the month in which the asset becomes available for use. Property, plant and equipment is depreciated based on a depreciation plan defining the expected useful life of the property, plant and equipment item. The depreciation method used reflects the manner in which the business consumes economic benefits provided by the asset.

Depreciation is calculated using the straight-line method for the estimated period of the asset's useful life, i.e. for respective groups of property, plant and equipment:

Buildings, premises and civil engineering structures, of which:	5 – 100 years
– Buildings	10 – 100 years
– Premises and civil engineering structures	5 – 50 years
Machinery and technical equipment	3 – 50 years
Vehicles	3 – 14 years
Office equipment, of which:	1 – 15 years
– Computer hardware	1 – 5 years
– Other	1 – 15 years
Other property, plant and equipment	2 – 15 years

Depreciation methods, rates and residual values of property, plant and equipment are reviewed at least once a year at the end of each financial year. Any changes resulting from such reviews are recognized as changes in estimates, with possible adjustments of depreciation charges accounted for on a prospective basis.

A property, plant and equipment item may be removed from the statement of financial position after its disposal or when no economic benefits are expected from further usage of such asset. All gains or losses arising from derecognition of an asset (calculated as a difference between the possible net sale price and the carrying amount of the item) are posted to the statement of profit or loss in the period when such derecognition took place.

9.7. Intangible assets

The Group classifies as intangible assets any identifiable non-pecuniary asset components devoid of physical form.

Intangible assets are carried at purchase price or manufacturing cost, less accumulated amortization and impairment losses.

Outlays incurred for intangible assets developed in-house, with the exception of the outlays incurred for development work, are not converted into assets and are recognized in the cost of the period in which they were incurred.

Intangible assets with a limited useful life are subject to straight-line amortization throughout their useful lives and subjected to impairment tests each time when there are prerequisites indicating their impairment. Amortization commences in the month following the month in which the asset is available for use. The amortization period and method applied to intangible assets with limited useful lives must be reviewed at least at the end of each reporting period. Any changes in the expected useful life or in the expected consumption of economic benefits from the asset are recognized by changing the amortization period or method accordingly and treated as changes to estimated amounts.

The estimated period of the economic useful life of software, licenses and patents as well as other intangible assets ranges from 2 to 5 years.

Gains or losses arising from derecognition of intangible assets from the statement of financial position are measured as the difference between net proceeds from their sale and the carrying amount of the asset and are posted to the statement of profit or loss upon derecognition.

Property rights

Property rights generated, acquired or received free of charge, intended for amortization purposes in connection with own consumption or in connection with sales to end customers, are recognized as intangible assets.

Acquired property rights that are classified as intangible assets are valued at cost.

Carbon emission allowances

Acquired carbon emission allowances are valued at cost and presented as intangible assets. These rights are not subject to amortization (due to their high residual value) and are subject to impairment testing.

9.8. Right-of-use assets

The Group recognizes as right-of-use assets the assets that are the object of a lease contract or contract comprising a lease. A contract is a lease or comprises a lease if that contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As at the commencement date of a lease contract, the Group measures a right-of-use asset based on the cost made up of:

a) the amount of initial valuation of a lease liability (see Note 9.20);

b) lease payments, if any, made at or prior to the commencement date, less any received lease incentives;

c) initial direct costs, if any, incurred by the lessee;

d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is used or restoring the underlying asset to the condition required by the terms and conditions of the lease unless those costs are incurred for the purpose of creation of inventories. The lessee assumes the obligation to cover those costs at the commencement date or as a result of use of the underlying asset over a given period.

After the commencement date of a lease contract, the right-of-use assets are measured using a cost model, i.e. their value is reduced by depreciation charges and impairment losses and adjusted for any remeasurement of the lease liability to reflect any reassessment or lease payment modification.

The Group applies to right-of-use assets the rules of depreciation and amortization analogical to those applied to property, plant and equipment and intangible assets described with the proviso that the period of depreciation/amortization of a right-of-use asset equals the term of the lease contract if buyout of the leased asset is not anticipated. Where the contract provides for the buyout of the leased asset and the Group intends to exercise its right of buyout, the period of amortization/depreciation equal to the period of the economic useful life of the asset is determined.

A right-of-use asset may be removed from the statement of financial position analogically to property, plant and equipment and intangible assets.

The Group presents right-of-use assets in the statement of financial position separately from other assets as an additional item within the group of non-current assets. That rule does not apply to right-of-use assets satisfying the definition of investment property, which are presented in the statement of financial position as investment property.

The main categories in which the Group identifies leases include: right of perpetual usufruct of land, utility easements, fees for the placement of infrastructure in the road lane, and real estate leases.

The Group does not apply IFRS 16 Leases to leases or similar contracts involving intangible assets.

9.9. Goodwill

Goodwill from the acquisition of a business is initially recognized at purchase price constituting the surplus of the price paid for shares in the acquired business plus the value of non-controlling interest, over the net fair value of identifiable assets, liabilities and contingent liabilities. On initial recognition, goodwill is recognized at purchase price less all the accumulated impairment losses.

Goodwill is not amortized. The impairment test is carried out once a year, or more frequently if necessary.

As at the date of acquisition, the acquired goodwill is allocated to each cash generating unit (or groups of units) which may benefit from merger synergies. An impairment loss is determined by estimating the recoverable amount of the cash generating unit to which the given goodwill has been allocated. If the recoverable amount of a cash generating unit is lower than its carrying amount, then an impairment loss is recognized.

9.10. Impairment of non-financial non-current assets

At the end of every reporting period, the Group determines whether there is evidence of impairment of any non-financial non-current asset. If such evidence is found or when an annual impairment test must be carried out, the Group estimates the recoverable amount of such asset or cash generating unit to which such asset is allocated.

Where an individual asset generates no cash flow which would be largely independent of the cash inflows generated by other assets or groups of assets, the Group identifies a cash-generating unit (CGU). There are two applicable CGU structures within the Group. The first one designates sets of fixed assets, the second one designates assets invested in the form of stock in subsidiaries, associates and joint ventures.

Recoverable amount of an asset or a cash generating unit is equal to either its fair value less the cost to sell such an asset or cash generating unit, respectively, or its value in use, whichever is higher. Recoverable amount is determined for individual assets, unless the asset does not by itself generate any cash proceeds, which are mostly independent from those generated by other assets or asset groups. If the carrying amount of an asset is greater than its recoverable amount, impairment occurs and the value is written off to match the calculated recoverable amount.

When estimating the value in use, the forecast cash flows are discounted to their present value using the discount rate before the effects of taxation are taken into account, which reflects the current market estimation of time value of money and risk typical for a given asset. Impairment losses on assets used in the continuing activity are recognized in those cost categories, which correspond to the function of the impaired asset.

When estimating the fair value amount less selling cost, the Group takes into account the capacity of the market player to achieve economic benefits through the highest and most effective use of the asset or its sale to another market player, who would ensure the highest and most effective use of that 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. In such a case, the carrying amount of the asset is increased to its recoverable amount. The increased amount must not exceed the carrying amount of the asset which would be calculated (after deducting accumulated depreciation) if the impairment loss had not been applied at all to such asset in previous years. A reversal of an asset impairment loss is recognized immediately as income in the statement of profit or loss.

9.11. External financing expenses

External financing expenses are capitalized as a portion of the cost of constructing property, plant and equipment. External financing expenses consist of interest and gains or losses on foreign exchange differences up to the amount corresponding to the interest cost adjustment.

The capitalization of financing expenses commences when measures are taken that are necessary to prepare an asset for usage. Capital expenditures and external financing costs are incurred for a given asset. When an investment in an asset is discontinued for a longer period, the capitalization of external financing expenses is suspended. Capitalization is stopped when all the measures required to adapt an asset for usage are in principle concluded.

Current costs of special purpose loans and borrowings, less income from temporary placement of surplus funds, and the relevant portion of current costs of general loans and credits are capitalized, where expenditure on property, plant and equipment exceeds the value of special purpose loans and borrowings. Borrowing costs are capitalized in the amount being the product of the capitalization rate and the excess of expenditure on property, plant and equipment over the value of special purpose borrowings. The capitalization rate is determined as a weighted average of the external financing expenses relating to loans and borrowings constituting the Group's liabilities other than special purpose loans and borrowings. The amount of external financing expenses capitalized in a period does not exceed the amount of external financing expenses incurred in the period.

9.12. Inventories

Inventories include:

- assets held for sale in the ordinary course of business;
- assets in the production process for sale; or
- assets taking the form of materials or raw materials consumed in the production process or in the course of providing services,
- as well as registered certificates of origin, certificates of energy efficiency and carbon emission allowances held for sale.

Inventories are measured at the lower of: purchase price or manufacturing cost and net realizable value. The purchase prices applied to the valuation at the end of the reporting period cannot be higher than the net realizable value of those assets. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Group measures the consumption of materials which are identical or considered identical due to similarity of their type and purpose, as follows:

- coal and carbon emission allowances – according to the FIFO method;
- materials purchased to fulfill orders – using a detailed price identification method;
- other inventories – according to weighted average cost formula.

Certificates of origin

Certificates of origin generated internally or purchased and intended for sale outside the Group are recognized as inventory.

Certificates of origin relating to electricity generated during the reporting period are measured on initial recognition at the fair value determined as at the date of registration in the Certificate of Origin Register. Fair value is defined as the average weighted price of the certificates of origin from a given month, determined on the basis of listings on the Polish Power Exchange.

The certificates of origin are measured at purchase price at the time of initial recognition and at purchase price or net realisable value, whichever is lower, at the end of the reporting period.

9.13. Cash and cash equivalents

Cash and cash equivalents include:

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

The balance of cash and cash equivalents shown in the consolidated statement of cash flows consists of the aforementioned cash and other cash assets less outstanding current account overdrafts.

Bank deposits with initial maturities exceeding 3 months are presented by the Group as deposits.

The Group classifies cash as a financial asset measured at amortized cost with impairment charges determined in accordance with the expected loss model.

9.14. Other non-financial assets

Other non-financial assets recognized by the Group include accruals and deferred income, 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 assets over liabilities of the Company Social Benefit Fund and advances paid for future purchases of property, plant and equipment, intangible assets and inventories as well as biological 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.

Accruals and deferred income

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 entities.

Prepaid expenses and accrued income are amortized over time or in relation to the value of services. 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 Group reviews prepaid expenses and accrued income to find whether the degree of certainty that the entity will achieve economic benefits after the elapse of the current reporting period is sufficient to recognize the item as an asset.

9.15. Assets classified as held for sale

Non-current assets and groups to be sold are classified by the Group as held for sale, if their carrying amount is recovered as a result of a sale transaction rather than from their continued use. This condition is deemed satisfied only when the sale transaction is highly probable and the asset (or group to be sold) is available for immediate sale in its current condition (according to generally accepted commercial terms).

Classification of an asset as held for sale assumes an intention to make a sale transaction within one year from the change in classification.

If the Group intends to make a sale leading to a loss of control over a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale if all of the above criteria are met and regardless of whether the Group retains any non-controlling stakes after the sale transaction.

Non-current assets and groups to be sold classified as held for sale are measured at the lower of the carrying amount and the fair value, less cost to sell.

9.16. Equity

The equity is recognized at par value, divided by type and according to the principles laid down by law and in the Parent Company's articles of association.

In the consolidated financial statements, share capital is recognized at the amount stated in the Parent Company's articles of association.

Retained earnings include net result of the current year, results carried forward from previous years, reserve capital and supplementary capital of subsidiaries, arising after the acquisition of control, IFRS transition adjustments and adjustments tied to a change in interests held in subsidiaries after the Parent Company acquired control over them.

9.17. Provisions for employee benefits

In accordance with the regulations applicable in the individual companies, the Group's employees are eligible to claim certain benefits after their employment period and other long-term employee benefits – jubilee bonuses.

The Group recognizes provisions for employee benefits in order to allocate costs to the pertinent periods. The present value of those liabilities at the end of each reporting period is calculated by an actuary using the projected unit credit method. The liabilities are calculated as discounted future payments adjusted for employee turnover, and refer to the period up to the end of the reporting period. Demographic information and information on employee turnover are based on historical data.

Provisions for pensions and other post-employment defined benefit plans

The Group recognizes provisions for the following post-employment benefits:

- pension and similar benefits paid once upon retirement/qualification for disability award;
- cash equivalent resulting from the employee tariff for energy industry employees; and
- benefits from the Company Social Benefit Fund.
- death gratuities.

Provisions established are recognized in the statement of profit or loss (as operating expenses or financial costs, respectively – discount unwinding), except for actuarial gains and losses. Gains and losses on actuarial calculations are recognized fully in other comprehensive income.

Provision for jubilee bonuses

Employees of Group companies are eligible to claim jubilee bonuses paid out after they have worked for a specific number of years.

Provisions established for jubilee bonuses are recognized fully in the statement of profit or loss (as operating expenses or financial costs, respectively – discount unwinding).

Provision for employee restructuring

In the previous reporting periods, voluntary departure programs ("PDO") and individual termination rules ("ZIO") were launched in Group companies. As provisions for employee restructuring, the Group recognizes primarily the provisions for benefits for employment termination under a voluntary departure program and other employment restructuring measures, based on the expected number of employees to terminate work for Group companies and estimated value of severance awards or compensation. Provisions are recognized when the interested parties are notified of the main elements of the restructuring plan.

9.18. Other provisions

Provisions are recognized when the Group has an existing obligation (legal or constructive) as a result of a past event and it is probable that settlement of the obligation by the Group will require an outflow of economic benefits and a reliable estimate can be made of the amount of the obligation. Recognized provisions are classified as operating expenses, other operating expenses, financial costs, respectively, as required by the circumstances.

If the time value of money is relevant, then the provision is equal to the present value of the expenditures expected to be necessary to fulfill this duty. A pre-tax discount rate is used that reflects the current market assessments of the time value of money and the risks specific to the liability. The discount rate is not burdened with the risk for which the estimates of future cash flows have been adjusted. If a discounting-based method has been used, then an increase in the provision associated with the passage of time is recognized as financial costs.

Provision for land reclamation and for property, plant and equipment liquidation costs

The provision for land reclamation and future costs of property, plant and equipment liquidation is established in the circumstances where the provisions of law require such assets to be dismantled and removed when they are no longer used and their locations to be restored to their original state. The increase of the provision related to the passage of time (discount unwinding) is recognized in the financial costs. The change in provision resulting from a change of the discount rate or the estimated reclamation/liquidation costs adjusts the value of the property, plant and equipment to which the provision refers.

Provision for liabilities for gas emissions

The provision for gas emission liabilities is created systematically during the annual reporting period on the basis of the volume of actual carbon emissions, taking into account free carbon emission allowances, in accordance with the following principles and in the following order

- in the part covered by the granted free allowances (pro rata to the total quantity of free emission allowances awarded for the year) – at zero;
- in the part covered by acquired allowances – at purchase price; and
- in the part not covered by allowances held or receivable – based on the contracted allowance purchase prices and then based on market prices of those allowances at the end of the reporting period.

Provision for the redemption of property rights (Article 52 of the RES Act)

The provision for redemption of certificates of origin of electricity generated from renewable energy sources, certificates of origin of electricity generated in the co-generation process and energy efficiency credits, is recognized:

- in the part covered by the certificates of origin held at the end of the reporting period – at the value of certificates held;
- in the part not covered by the certificates of origin held at the end of the reporting period – at the value of contracted property rights and the market value of certificates needed to fulfill the obligation at the end of the reporting period or at the amount of the substitution fee.

Provision for onerous contracts

If the Group is a party to a contract under which the cost of fulfilling an obligation that is directly attributable to the contract outweighs the benefits that will be received under the contract, the Group's present obligation under the contract is recognized and measured as a provision. The costs under the contract consist of at least the net cost of terminating the contract, corresponding to the lesser of the cost of fulfilling the contract and the cost of any damages or penalties resulting from non-performance.

9.19. Leases

Group as a lessee

Lease contracts whereby the right to control the use of an identified asset over a given period of time is conveyed in exchange for consideration are recognized in the statement of financial position as at the commencement date of the lease in the amount of the discounted future lease payments. Leasing fees are allocated between financial costs and reduction of principal lease debt balance, in the manner that allows us to receive a fixed interest rate on the outstanding debt. Financial costs are posted directly to the statement of profit or loss.

Property, plant and equipment used under the financial lease contracts are amortized/depreciated during the term of lease that includes the irrevocable term of lease and the periods during which the option to extend the lease exists (if it can be reasonably assumed that the company will exercise that option) and the periods during which the option to terminate the lease exists (if it can be reasonably assumed that the company will not exercise that option).

9.20. Lease liabilities

Lease liabilities are labilities arising under lease contracts or contracts comprising a lease.

A contract is a lease or comprises a lease if that contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As at the lease commencement date, lease payments incorporated in the valuation of a lease liability comprise the following fees charged for the right to use the underlying asset during the term of the lease, outstanding at that date:

- fixed lease payments (including basically fixed lease payments) less due lease incentives, if any;
- variable index- or rate-driven lease payments that are initially measured using that index or rate consistently with their value as at the commencement date;
- the amounts whose payment by the Group is expected within the scope of the guaranteed residual value;
- the cost of exercising the purchase option if it can be assumed with reasonable assurance that the Group will exercise that option;
- fines for terminating the lease, if the terms and conditions of the lease stipulate that the Group may exercise the option to terminate the lease.

After the commencement date, the Group measures the lease liability through:

- an increase in the balance sheet value to reflect the interest on the lease liability;
- a decrease in the balance sheet value to reflect the lease payments made;
- an update of the measurement of the balance sheet value to take into account any reassessment of or amendment to the lease or to reflect the updated lease payments.

9.21. Contract liabilities

According to IFRS 15, contract liabilities relate to the Group's obligation to transfer to the customer the goods or services in exchange for which the Group has received consideration (or consideration is receivable) from the customer. If the customer pays consideration or the entity is entitled to the amount of the consideration that is unconditional (i.e. a receivable) before the entity transfers the goods or services to the customer, the entity presents the contract as the contract liability on the execution of the payment or when the payment becomes due (whichever happens first).

9.22. Other liabilities

Other non-financial liabilities include in particular public tax liabilities and liabilities on account of received advance payments to be settled by deliveries of goods, services or property, plant and equipment. Other non-financial liabilities are recognized at the amount of the required payment.

9.23. Accrued expenses and deferred income

Accrued costs

Accrued costs are liabilities payable for goods or services received/provided but not paid for, billed or formally agreed with the supplier, including amounts due to the employees. Even though it is sometimes necessary to estimate the amount or payment term of the accruals, the degree of uncertainty is in general considerably lower than in the case of provisions.

Accrued costs, measured at the amount of reliably estimated and probable liabilities due in the current reporting period, resulting in particular from benefits provided to the Group by external contractors, are reported in the statement of financial position as trade liabilities.

Deferred income

Deferred income is recorded in keeping with the principle of conservative valuation and of commensurability of income and expenses. The following items are classified as deferred income:

- property, plant and equipment accepted free of charge and intangible assets. These revenues are recorded in other operating income and also in depreciation charges on non-current assets received;
- equivalent of the granted property rights, energy efficiency certificates and carbon emission allowances;
- cash received in the form of a grant to finance a purchase or production of property, plant and equipment. These are settled by gradually increasing other operating income by an amount corresponding to the depreciation on these assets, in the part financed by the said cash.

Grants are recognized when there is sufficient certainty that the Group will meet the conditions associated with such grants and that the grants will be received.

If the Group receives a government 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.

9.24. Financial instruments

9.24.1. Financial assets

The Group identifies the following categories of financial assets:

1) measured after the initial recognition at amortized cost;
2) measured after the initial recognition at fair value through other comprehensive income;
3) measured after the initial recognition at fair value through profit or loss.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both conditions below have been fulfilled:

1) a financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal amount and interest on the principal amount outstanding.

The principal represents the fair value of a financial asset on initial recognition. Interest covers payment for time value of money, credit risk inherent in the outstanding principal over a specific period of time and for other basic risks and costs associated with granting of credits, as well as the profit margin.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both conditions below have been fulfilled:

1) a financial asset is held within a business model whose objective is both to collect contractual cash flows and to sell financial assets; and
2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of the principal amount and interest on the principal amount outstanding (SPPI).

The principal represents the fair value of a financial asset on initial recognition. Interest covers payment for time value of money, credit risk inherent in the outstanding principal over a specific period of time and for other basic risks and costs associated with granting of credits, as well as the profit margin. Profits or losses arising from changes in fair value are recognized through other comprehensive income. Impairment profits or losses, profits and losses on account of foreign exchange differences and interest calculated using the effective interest rate method are recognized in the profit and loss statement.

Financial assets at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it is not measured at amortized cost or at fair value through other comprehensive income.

A unit may, upon initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if it thus eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting mismatch”) that would have otherwise arisen as a result of measurement of assets or liabilities or recognition of related profits or losses according to different principles.

Where instruments are not related to the financing of the Group’s business and investments, but rather to operating activities (e.g., forward electricity sale/purchase contracts), the outcome of their measurement is recognized in operating profit or loss.

These instruments are fair-valued at the at the end of the reporting period. Profit or loss on financial assets classified as portfolio fair-valued through profit or loss is recognized in the profit and loss statement.

9.24.2. Impairment of financial assets

The Group recognizes an allowance for expected credit losses on financial assets measured at amortized cost (except for investments in capital assets). Expected credit losses are the weighted average credit losses with the probability of default as the weight.

The Group uses the following approaches to the recognition of loss allowances:

- general approach,
- simplified approach.

General approach

The general approached is used by the Group for financial assets measured at amortized cost – other than trade and other receivables (to which the simplified approach is applied).

Under the general approach, the Group keeps track of changes to the level of credit risk associated with a financial asset and classifies financial assets into one of three stages for determining impairment losses based on observation of the change in the level of credit risk from the initial recognition of the instrument.

Depending on the classification into stages, the impairment loss is estimated over a 12-month horizon (stage 1) or over the life of the instrument (stage 2 and stage 3).

At each closing date of the reporting period, the Group analyzes the occurrence of indications resulting in the classification of financial assets into the various stages of impairment loss determination, such as, amongst others, changes in the debtor’s rating, serious financial problems of the debtor, the occurrence of a significant adverse change in its economic, legal or market environment.

The Group incorporates forward-looking information into the parameters used in the expected loss estimation model by calculating probability of default parameters based on current market quotes.

The Group eliminates the risk for receivables in the form of cash and cash equivalents by depositing such assets only in the banks with a short-term rating for deposits at the investment level.

Simplified approach

The Group uses the expected credit loss model for the category of trade receivables in accordance with the simplified approach allowed by IFRS 9. The rationale for the application of the above approach is as follows:

- the receivables held by the Group do not contain a significant financing component within the meaning of the principles set forth in IFRS 15, i.e. there is no significant financing component that could adjust the promised amount of consideration;
- the receivables meet the expectation that they will be repaid in less than a year.

The simplified model permits calculation of credit losses throughout the life of the receivable.

Consequently, in relation to the receivables from buyers, the Group isolated a portfolio of strategic counterparties in respect of whom it is expected that historic collectability data do not constitute full information on the expected credit losses to which the Group may be exposed. The risk of default of strategic counterparties has been assessed based on the ratings awarded to counterparties using the internal scoring model, duly converted to probability of default.

In the case of receivables from other counterparties, it is expected that the data on historic collectability may reflect credit risk that will be borne in future periods. The expected credit losses for this group of counterparties have been estimated through allocation to individual categories of receivables of percentage indicators permitting estimation of the value of receivables due from buyers that are not expected to be collected.

According to the above methodology of calculation of expected credit losses, 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 recognised debt);
- other overdue receivables, as well as overdue receivables for which the risk of default is significant according to individual assessment.

The concept of measuring the retail credit risk exposure is based on the determination of exposure to credit risk, the probability of the client's failure to meet their contractual obligations and the size of loss at the time of the client's failure to meet their contractual obligations (Exposure at Default).
Loss in the case of the client's failure to meet their contractual obligations, expressed as percentage (%) of receivables which are non-recoverable in the case of the client's default, is strictly connected with the recovery rate, which shows what percentage of credit risk exposure is recoverable.
The recovery rate of receivables claimed at court is also determined.
The data necessary to estimate the expected credit loss are monitored and updated monthly and quarterly.
Uncollectable receivables in the Group are understood as the value of anticipated loss due to untimely or incomplete repayment of debt by the clients, estimated on a monthly basis, for all receivables and throughout the life of a receivable. The Group defines uncollectable receivables in relation to actual events at the time of the client's failure to meet an obligation after the first day from the receivables' maturity date.

The expected loss is calculated on the basis of the historic receivables repayment ratio with respect to all receivables divided into receivables at the pre-court stage and those claimed at court. The repayment rate is updated at least once a year.

9.24.3. Financial liabilities

The Group identifies the following categories of financial liabilities:
1) measured at amortized cost,
2) financial liabilities measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss, including derivatives that are liabilities, are measured after initial recognition at fair value.

Upon initial recognition, the entity may irrevocably designate a financial liability as measured at fair value through profit or loss in the following cases:
1) the contract contains one or more embedded derivatives and the host is not an asset within the scope of IFRS 9 unless:
   a) the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or
   b) it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost;
2) this results in more relevant information because either:
   a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
   b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The liabilities measured at amortized cost include, first of all, trade liabilities, liabilities on account of purchase of property, plant and equipment, bank credits, loans and debt securities.

Upon initial recognition, they are recognized at fair value less transactional costs. 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 credit 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.

Financial liabilities fair-valued through profit and loss are measured at fair value, taking into account their market value at the end of the reporting period, net of the costs of sale transaction. Changes in the fair value of these instruments are recognized in the profit or loss statement as financial expenses or income.

Where instruments are not related to the financing of the Group's business and investments, but rather to operating activities (e.g., forward electricity sale/purchase contracts), the outcome of their measurement is recognized in operating profit or loss.

The Group uses its professional judgment in determining which of its financial instruments related to operations are required to be measured at fair value through profit or loss.

The Group 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. Replacement of an existing debt instrument with an instrument with substantially different terms, made between the same entities, is recognized by the Group as an expiry of the original liability and the recognition of a new financial liability. Similarly, significant modifications of terms and conditions of an agreement relating to the existing financial liability are recognized by the Group as expiry of the original liability and recognition of a new financial liability. The resulting exchange differences arising from the respective carrying values are recognized in the profit and loss statement.

9.24.4. Hedge accounting

For hedge accounting purposes, the Group applies IAS 39 on a consistent basis. The Group may decide to designate selected derivatives as hedges under cash flow hedge accounting under any identified hedge relationship. The Group allows the use of cash flow hedge accounting only if certain criteria are met, i.e.:

- at the inception of the hedge, the Group 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 hedging 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 in offsetting changes in cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- the planned transaction, which is the subject of the 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, to the extent they are an effective hedge, are recognized in other comprehensive income, whereas any ineffective portion of the hedge is recognized in 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 recognized in the statement of profit or loss in the period or periods when the hedged position affects the statement of profit or loss.

The Group 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 in the period when 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 in the period when 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 in the period when the hedge was effective, is recognized in the statement of profit or loss. A planned transaction, which is no longer highly probable, may still be expected to occur;
- the Group cancels any hedging relationship. For hedges of planned transactions, the cumulative gain or loss on the hedging instrument posted to other comprehensive income 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 that was recognized directly in equity is recognized in the statement of profit or loss.

Presentation

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

- the effective portion of any change in the valuation of hedges is posted to other comprehensive income and accumulated in revaluation 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 is presented in the same line of the statement of profit or loss in which the revaluation of the hedged position is presented;
- the ineffective portion of changes in the valuation of hedging instruments is recognized in the gain or loss on financial instruments.

9.25. Income tax

Income tax recognized in the statement of profit or loss includes the actual tax liability for the reporting period and a change in deferred tax assets and deferred tax liabilities which are not recognized in equity or other comprehensive income.

Current tax

The actual tax liability for the reporting period is calculated by Group companies according to the applicable provisions of the corporate income tax act.

For companies comprising a tax capital group (see Note 12.4), income tax is calculated on income earned in the fiscal year equal to the surplus of aggregated income of all companies comprising the group over their aggregate losses.

Deferred tax

In connection with temporary differences between the value of assets and liabilities carried in accounting ledgers and their tax value and tax loss that may be deducted in the future, the Group calculates and recognizes deferred tax assets and liabilities.

The deferred tax liabilities are established for all positive temporary differences, except for cases where the deferred tax liability follows from:

- initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, not affecting, at the moment of the transaction, either gross financial result before tax or taxable income (loss); and
- positive temporary differences connected with investments in subsidiaries and associates, and interests in joint ventures, in which it is possible to control the reversal of the temporary differences and it is probable that those differences will not reverse in the foreseeable future.

Deferred tax assets are recognized with respect to all negative temporary differences to the extent to which it is probable that there will be sufficient taxable profits against which to deduct the negative temporary differences, except for:

- cases where a deferred tax asset results from an initial recognition of an asset or liability under a transaction other than business combination, which at the moment of the transaction has no effect on financial result before tax or taxable profit (loss); and
- negative temporary differences connected with investments in subsidiaries and associates, and interests in joint ventures, where deferred tax assets are recognized only to the extent that it is probable that those temporary differences will be reversed in the foreseeable future and that there will be sufficient taxable profits against which to utilize the benefits of the negative temporary differences.

Deferred tax assets and liabilities are presented in the statement of financial position, after netting at the level of individual entities comprising the Group.

9.26. Revenue on the sale of products, goods and services

Sales revenues are recognized when and to the extent reflecting satisfaction by the Group of an obligation to make a performance (provide a service) or deliver goods. An obligation is performed when the customer takes control of the asset being handed over.

Revenue is recognized to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group only recognizes revenue from contracts with customers where all of the following criteria are met:

- The parties have concluded a contract (in writing, verbally or otherwise consistently with other customary commercial practices) and are bound to perform their respective obligations;
- The Company is capable of identifying the rights of each of the parties relating to the goods or services to be transferred;
- The Company is capable of identifying the terms of payment for the goods or services to be transferred;
- The contract has economic content; and
- It is probable that the company will receive due remuneration in exchange for the goods or services to be transferred to the customer.

Depending on satisfaction of the criteria defined in IFRS 15 Revenue from Contracts with Customers, revenue may be recognized on a one-time basis (as control over goods and services is transferred to the customer) or may be spread over time in the manner depicting execution of the performance, especially in the case of contracts executed over time.

Most of the revenue generated by the Group is recognized over time. See Note 10 for details of the over-time vs. point-in-time revenue breakdown.

The Group presents all unconditional rights to consideration separately as a receivable. Right to consideration is unconditional when the sole condition of maturity of consideration is the lapse of a specific time limit.

Revenue includes specifically:

1) amounts due from sale of: electricity, heat, certificates of origin for electricity generated from renewable sources, certificates of generation of electricity in co-generation (CHP), emission allowances, transmission and distribution services and core business services determined on the basis of the net price after adjustments for granted discounts and rebates and excise tax; and
2) amounts due from sales of materials and products based on the net price, after adjustments for granted discounts and rebates.

With regard to sales of electricity, heat, and distribution services, the customers are (private and commercial) end users of electricity. Electricity generated within the Group is mostly sold via an electricity exchange. Certificates of origin for electricity are mostly sold within the Group.

The proceeds from compensation due to energy companies for the application of maximum prices in settlements with electricity, heat and gas customers, the level of which is determined by generally applicable laws, are also recognized by the Group as revenue from contracts with customers. An example of such revenue is the compensation received from the Price Difference Payout Fund. The Group treats such compensation as revenue from contracts with customers in accordance with IFRS 15 and recognizes it as income and receivable therefrom.

The moment of sale is considered to be the date of performance in accordance with the sale and purchase contract (shipment or placing at the disposal of the recipient of the supply, receipt of the service), the date of a cash, credit card or cheque payment in the case of retail sales, and the delivery of electricity or heat to the recipient in the case of sales of electricity and heat.

Revenue from the sale of electricity purchased by the companies in the Balancing Market is presented as revenue from the sale of goods.

Revenue from connection fees is recognized in the period in which the connection fees are due. Grid connection services are a separate obligation to perform.

Revenue from provision of an uncompleted service in the period from the date of conclusion of the contract until the end of the reporting period – after the deduction of the revenue that impacted the financial result in the previous reporting periods – is determined on a pro rata basis to the degree of its completion if this degree can be determined reliably.

Rental and operating lease revenue is recognized with the use of straight-line method over the lease term in relation to existing agreements.

Revenue from recharging is recognized as revenue from core operating activity.

Sales revenue adjustments are allocated to the period to which they relate until the approval of the financial statements for publication.

No variable component is identified by the Group in the consideration.

The Group mostly conducts sales on a deferred payment basis. Payment terms of no more than 30 days are typically used in contracts with customers. Contracts with customers do not include a significant financing component.

9.27. Operating expenses

Cost of sales includes:

- cost of manufacturing products and providing services incurred in a reporting period, adjusted for a change in product inventories and adjusted by the cost of manufacturing products for own needs;
- value of electricity and materials sold, at purchase prices; and
- recognition/reversal of impairment losses on inventories;
- the value of the granted property rights reducing costs.

Selling and distribution expenses include expenses related to customer service and acquisition, marketing and advertising expenses, and the expense corresponding to the recognition of a provision for the obligation relating to property rights.

General and administrative expenses include expenses related to the governance and administration of the Group as a whole and the companies comprising the Group.

9.28. 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 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
- damages, penalties and fines, and other expenses not related to ordinary business;
- recognition/reversal of impairment losses on property, plant and equipment, intangible assets, right-of-use assets, trade receivables.

9.29. Financial income and costs

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

- revenue from profit-sharing in other entities;
- interest;
- changes in the amount of provision resulting from the approaching date of incurring the cost (unwinding discount effect);
- foreign exchange differences resulting from operations performed during the reporting period and book valuation of assets and liabilities at the end of the reporting period, except for exchange differences recognized in the initial value of property, plant and equipment, to the extent they are recognized as adjustment of interest expense; 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 net carrying amount of the financial instrument and in line with the materiality principle.

Dividends are recognized as at the time the shareholders' right to receive them is established.

9.30. Net earnings/loss per share

Net earnings/loss per share for each period are/is calculated by dividing the net earnings/loss 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.

9.31. Statement of cash flows

The statement of cash flows is prepared using the indirect method.

9.32. Accounting changes and changes to data presentation

In the current reporting period, the Group changed the presentation of gain or loss on financial instruments measured at fair value through profit or loss in the consolidated statement of profit and loss. This result is presented under other operating activities, while in the 2021 annual report it is presented under core operations. Comparable data have been restated, as presented below:

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	Twelve months period ended 31 December 2021 (as previously reported)	Change in presentation	Twelve months period ended 31 December 2021 (restated data)
Sales revenue	**14,016**	**(225)**	**13,791**
Gain or loss on financial instruments at fair value through profit or loss	**(324)**	**324**	**-**
Cost of sales	(10,971)	-	(10,971)
Gross profit on sales	**2,721**	**99**	**2,820**
Other operating income	214	-	214
Selling and distribution expenses	(953)	-	(953)
General and administrative expenses	(325)	-	(325)
Other operating expenses	(379)	(99)	(478)
Financial income	74	-	74
Financial costs	(268)	-	(268)
Share in profit/(loss) of equity-accounted entities	185	-	185
Profit before tax	**1,269**	**-**	**1,269**
Income taxes	(332)	-	(332)
Net profit	**937**	**-**	**937**
Attributable to:			
Equity holders of the parent company	968	-	968
Non-controlling interests	(31)	-	(31)

The above change is designed to provide a more accurate reflection of the economic events occurring within the Group and ensure compliance with the rules of the accounting policies adopted in the ORLEN Group.

In order to ensure compliance of the data presented in the consolidated cash flow statement with the guidelines in force at the ORLEN Group, the Group restated the following comparable data for the period from 1 January 2021 to 31 December 2021:

	Twelve months period ended 31 December 2021 (as previously reported)	Change in presentation	Twelve months period ended 31 December 2021 (restated data)
Cash flows from operating activities			
Profit/(loss) before tax	**1,269**	**-**	**1,269**
Adjustments for:			
Share in (profit)/loss of the entities measured using the equity method	(185)	-	**(185)**
Profit/Loss on foreign exchange	(3)	-	**(3)**
Amortization and depreciation	1,079	-	**1,079**
Net interest and dividends	216	-	**216**
(Profit)/ loss on investing activities	688	(564)	**124**
Change in provisions	419	788	**1,207**
Other adjustments	-	45	**45**
Changes in working capital:			
Change in receivables	(75)	75	**-**
Change in short-term receivables and current prepaid expenses and accrued income	-	(78)	**(78)**
Change in inventories	30	-	**30**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	Twelve months period ended 31 December 2021 (as previously reported)	Change in presentation	Twelve months period ended 31 December 2021 (restated data)
Change in liabilities, excluding loans and borrowings	399	(399)	**-**
Change in contract liabilities	164	(164)	**-**
Change in prepayments and accruals	3	(3)	**-**
Change in current liabilities, excluding loans and borrowings and current accrued expenses and deferred income	-	300	**300**
	4,004	**-**	**4,004**
Income tax paid	**(345)**	**-**	**(345)**
Net cash from operating activities	**3,659**	**-**	**3,659**

The above changes were made in the operating section of the cash flow statement and consisted in:

- Including only current changes in receivables, prepaid expenses, current liabilities and accrued expenses in the working capital section of cash flow. The “Change in inventories” item has not been restated.
- Transferring cash flow changes resulting from non-current receivables, prepaid expenses, liabilities other than loans and advances, accrued expenses, and overall changes relating to contract liabilities, deferred income settlements, provisions and other adjustments to the above-mentioned working capital adjustments.
- Transferring the adjustment resulting from the cancellation of carbon emission allowances from the “(Profit)/Loss on investing activities, including goodwill impairment allowance” item to the “Change in provisions” item in accordance with the presentation of these changes by the ORLEN Group.
- Transferring adjustments to the balances of derivative instruments from change in receivables and change in liabilities. Adjustments related to the change in the balances of derivative instruments measured through equity have been transferred to the “Other adjustments” item, whereas adjustments related to the change in the balances of derivative instruments measured through profit and loss have been transferred to the (Profit)/loss on investing activities, including the goodwill impairment allowance item.

The total cash balance from operating activities did not change compared to the data originally reported as at 31 December 2021.

NOTES ON OPERATING SEGMENTS

10. Business lines (operating segments)

The Group presents segment information in accordance with IFRS 8 Operating Segments for the current and comparative reporting periods. The Group is organized and managed by segment. Segments are distinguished according to the type of products offered. The Group's reporting is broken down into three segments and other activity referred to as business lines, according to the Group's terminology:

- Distribution – distribution of electricity by Energa-Operator SA (Distribution System Operator), as well as operations directly associated with the distribution operations conducted by other Group companies;
- Generation – production of electricity from conventional and renewable sources, production and distribution of heat and maintenance and repair activity, related directly to the production of energy;
- Sales – trading in electricity (wholesale and retail) and lighting services;
- Other – shared services centres in the accounting, HR and payroll, administration and ITC areas as well as financial activity, real estate management, logistics, procurement and security. The Parent Company's operations are included in the Other business line.

The key measures used by the Management Board of Energa SA to assess the performance of the business lines are net profit and EBITDA, i.e. operating profit or loss (calculated as the profit or loss before tax adjusted by the share in profit or loss of entities accounted for using the equity method, financial income and financial costs), plus amortization and depreciation, and impairment losses on non-financial non-current assets.

The rules applied to the determination of business line results and measure the business line's assets and liabilities are consistent with the rules used to prepare the consolidated financial statements. The share in the result of the entities measured using the equity method is recognized in consolidation eliminations and adjustments.

Transactions between business lines are settled on market terms.

The Group does not present information by geographic segment since its operations conducted for international clients and its international assets do not have a significant impact on the Group's business.

The tables below show the breakdown of revenues and expenses for the period from 1 January to 31 December 2022 and of financial assets and liabilities as at 31 December 2022, by reporting segment, together with appropriate comparative information.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

Year ended 31 December 2022 or as at 31 December 2022	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	4,672	12,320	2,865	238	-	**20,095**
Sales between business lines	65	81	622	622	(1,390)	**-**
Revenue from the Price Difference Payout Fund	-	349	-	-	-	**349**
Total business line revenue	**4,737**	**12,750**	**3,487**	**860**	**(1,390)**	**20,444**
EBITDA	**2,118**	**(317)**	**843**	**(69)**	**(2)**	**2,573**
Amortization and depreciation	916	56	149	28	(15)	**1,134**
Impairment losses on non-financial non-current assets	-	-	72	-	-	**72**
Operating profit or loss	**1,202**	**(373)**	**622**	**(97)**	**13**	**1,367**
Net financial income/costs	(279)	6	(83)	113	(18)	**(261)**
Share in profit/(loss) of equity-accounted entities	-	-	-	-	71	**71**
Profit or loss before tax	**923**	**(367)**	**539**	**16**	**66**	**1,177**
Income taxes	(171)	50	(30)	(16)	(1)	**(168)**
Net profit or loss	**752**	**(317)**	**509**	**-**	**65**	**1,009**
Assets and liabilities						
Cash and cash equivalents	7	141	145	807	-	**1,100**
Total assets	**16,173**	**4,384**	**5,680**	**16,442**	**(15,431)**	**27,248**
Financial liabilities	5,299	23	770	5,640	(4,228)	**7,504**
Other business line information						
Capital expenditure	1,648	77	443	1,109	(17)	**3,260**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

Year ended on 31 December 2021 (restated data) or as at 31 December 2021	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	4,369	7,455	1,802	165	-	**13,791**
Sales between business lines	61	49	357	491	(958)	**-**
Total business line revenue	**4,430**	**7,504**	**2,159**	**656**	**(958)**	**13,791**
EBITDA	**2,048**	**343**	**112**	**(63)**	**9**	**2,449**
Amortization and depreciation	875	49	139	27	(11)	**1,079**
Impairment losses on non-financial non-current assets	-	2	90	-	-	**92**
Operating profit or loss	**1,173**	**292**	**(117)**	**(90)**	**20**	**1,278**
Net financial income/costs	(152)	(6)	(54)	206	(188)	**(194)**
Share in profit/(loss) of equity-accounted entities	-	-	-	-	185	**185**
Profit or loss before tax	**1,021**	**286**	**(171)**	**116**	**17**	**1,269**
Income taxes	(241)	(56)	(45)	13	(3)	**(332)**
Net profit or loss	**780**	**230**	**(216)**	**129**	**14**	**937**
Assets and liabilities						
Cash and cash equivalents	5	151	40	144	-	**340**
Total assets	**15,083**	**2,985**	**4,245**	**14,275**	**(15,350)**	**21,238**
Financial liabilities	4,906	24	838	4,882	(4,537)	**6,113**
Other business line information						
Capital expenditure	1,526	64	233	299	(15)	**2,107**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

Year ended 31 December 2022	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**176**	**12,034**	**3,321**	**553**	**(1,023)**	**15,061**
Electricity	173	11,751	2,874	-	(656)	**14,142**
Gas	-	319	-	-	(1)	**318**
Other goods for resale, finished goods, and materials	3	6	447	553	(366)	**643**
Excise tax	-	(42)	-	-	-	**(42)**
Revenues on sales of services, including:	**4,561**	**367**	**166**	**307**	**(367)**	**5,034**
Distribution and transit services	4,403	-	35	-	(53)	**4,385**
Customer connection fees	76	-	-	-	-	**76**
Other services	82	367	131	307	(314)	**573**
TOTAL	**4,737**	**12,401**	**3,487**	**860**	**(1,390)**	**20,095**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	4,576	12,028	2,909	-	(710)	**18,803**
Revenue from goods, products and materials transferred or services provided at a specific time	161	373	578	860	(680)	**1,292**

Year ended 31 December 2021 (restated)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**24**	**7,215**	**2,039**	**348**	**(600)**	**9,026**
Electricity	19	7,079	1,666	-	(384)	**8,380**
Gas	-	199	-	-	-	**199**
Other goods for resale, finished goods, and materials	5	5	373	348	(216)	**515**
Excise tax	-	(68)	-	-	-	**(68)**
Revenues on sales of services, including:	**4,406**	**289**	**120**	**308**	**(358)**	**4,765**
Distribution and transit services	4,214	-	87	-	(42)	**4,259**
Customer connection fees	119	-	-	-	-	**119**
Other services	73	289	33	308	(316)	**387**
TOTAL	**4,430**	**7,504**	**2,159**	**656**	**(958)**	**13,791**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	4,233	7,210	1,753	-	(426)	**12,770**
Revenue from goods, products and materials transferred or services provided at a specific time	197	294	406	656	(532)	**1,021**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

NOTES TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS

11. Revenues and expenses

11.1. Costs by type

	Year ended 31 December 2022	Year ended 31 December 2021
Depreciation of property, plant and equipment, intangible assets and right-of-use assets	1,134	1,079
Consumption of materials and energy	1,843	951
External services	1,570	1,373
Taxes and fees	2,046	1,604
Employee benefit expenses	1,308	1,172
Impairment loss on inventories	3	-
Other costs by nature	99	83
Granted property rights	(75)	(108)
Change in product inventories	(15)	7
Cost of producing services for own needs	(330)	(255)
Cost of products and materials sold	11,595	6,343
Total operating expenses	**19,178**	**12,249**
of which:		
Cost of sales	17,798	10,971
Selling and distribution expenses	983	953
Administrative expenses	397	325

11.2. The amortisation/depreciation costs recognised in the statement of profit or loss

	Year ended 31 December 2022	Year ended 31 December 2021
Items included in cost of sales:	**1,068**	**1,025**
Depreciation of property, plant and equipment and right-of-use assets	1,035	985
Amortization of intangible assets	33	40
Items included in selling and distribution expenses:	**50**	**43**
Depreciation of property, plant and equipment and right-of-use assets	27	28
Amortization of intangible assets	23	15
Items included in general and administrative expenses:	**16**	**11**
Depreciation of property, plant and equipment and right-of-use assets	11	8
Amortization of intangible assets	5	3

11.3. Employee benefit expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Remuneration	966	898
Social security contributions	180	168
Post-employment benefits and jubilee bonuses	7	(33)
Other employee benefit expenses, including:	155	139
Energy tariff – current costs	12	15
Company Social Benefit Fund – charges for the current financial year	33	29
Employee Pension Plan	48	45
Employee training	6	5
Expenses related to health and safety	3	6
Other	53	39
TOTAL	**1,308**	**1,172**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

11.4. Other operating income

	Year ended 31 December 2022	Year ended 31 December 2021 (restated)
Profit on disposal of property, plant and equipment/intangible assets	3	3
Penalties, fines, indemnities received	117	52
Grants	28	24
Reversed impairment losses on trade receivables	58	36
Reversal of impairment losses for property, plant and equipment	6	36
Reversal of provisions (e.g. court cases)	41	22
Reimbursement of tax	4	9
Reimbursement of costs of court proceedings	9	9
Redeemed liabilities	1	-
Revenues related to illegal energy consumption	5	5
Infrastructure acquired free of charge	21	7
Overpayments	3	4
Settlement and valuation of financial instruments (operational risk)	637	-
Other	12	7
TOTAL	**945**	**214**

11.5. Other operating expenses

	Year ended 31 December 2022	Year ended 31 December 2021 (restated)
Loss on disposal/liquidation of property, plant and equipment/intangible assets	5	-
Cost of remedying chance losses	166	76
Donations	12	7
Recognition of impairment losses on trade receivables	128	69
Recognition of impairment losses for property, plant and equipment	78	117
Recognition of provisions	45	78
Indemnities	4	2
Costs related to illegal energy consumption	2	1
Litigation expenses	12	13
Goodwill impairment allowance	-	11
Settlement and valuation of financial instruments (operational risk)	390	99
Other	2	5
TOTAL	**844**	**478**

11.6. Financial income

	Year ended 31 December 2022	Year ended 31 December 2021
Income on financial instruments, including:	**129**	**67**
Interest income	44	53
Revaluation of financial assets (including reversal of impairment losses)	69	-
Foreign exchange differences	16	2
Other	-	12
Gain or loss on disposal of shares in subsidiaries	**-**	**(15)**
Other financial income	**39**	**22**
Revaluation of investment measured using the equity method	34	21
Other	5	1
TOTAL	**168**	**74**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

11.7. Financial costs

	Year ended 31 December 2022	Year ended 31 December 2021
Costs of financial instruments, including:	**290**	**178**
Interest expenses	256	176
Revaluation of financial assets (including recognition of impairment losses)	21	-
Foreign exchange differences	13	2
Other financial costs, of which:	**139**	**90**
Revaluation of investment measured using the equity method	34	-
Lease interest	44	41
Actuarial and other interest	44	25
Other	17	24
TOTAL	**429**	**268**

12. Income tax

12.1. Tax liabilities

Major components of income tax liability for the year ended 31 December 2022 are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Statement of profit or loss		
Current income tax expense	(315)	(292)
Adjustments to income tax for prior years	(17)	(1)
Deferred income tax	164	(39)
Tax burden recognized in the statement of profit or loss	**(168)**	**(332)**
Statement of comprehensive income		
Deferred income tax	1	(59)
Tax burden/tax gain recognized in the statement of comprehensive income	**1**	**(59)**

With regard to income tax, the Group was principally subject to the general regulations in 2022. Except for the Energa Tax Group (see description in Note 12.4), there were no other occurrences that would require calculation of tax liabilities using methods different from the general regulations in this respect.

The expiration date of the right to settle a tax loss by Energa Group companies is no later than 31 December 2027.

The value of the unused tax loss for which no deferred tax asset was created as at 31 December 2022 is PLN 437 m.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

12.2. Reconciliation of the effective tax rate

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

	Year ended 31 December 2022	Year ended 31 December 2021
Profit or loss before tax	**1,177**	**1,269**
Tax liability at Poland's statutory rate of 19%	**(224)**	**(241)**
Adjustments to income tax for prior years	(17)	(1)
Tax liability on permanently non tax-deductible expenses	(32)	(63)
Tax liability on permanently non-taxable income	25	6
Tax liability on profit/(loss)-sharing in entities measured using the equity method	13	35
Tax losses	(69)	18
Temporary differences for which no deferred tax asset was recognized	136	(86)
Tax liability at the effective tax rate in the statement of profit or loss	**(168)**	**(332)**

The current tax liability is calculated on the basis of applicable tax regulations. Application of those regulations differentiates between the tax profit (loss) and accounting net 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 was applicable in 2022 and 2021. Current regulations do not provide for differentiated tax rates for future periods.

The fiscal year and the period for which these financial statements are prepared correspond to a calendar year.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

12.3. Deferred income tax

Deferred income tax is derived from the following items:

	As at 31 December 2022	Revision recognized in the financial result	Revision recognized in the other comprehensive income/equity	Transfer to assets classified as held for sale	As at 31 December 2021
Deferred tax assets	**1,063**	**314**	**(6)**	**(4)**	**759**
On the difference between the tax and carrying value of property, plant and equipment, intangible assets and inventories	125	7	-	-	118
On the difference between the tax and carrying value of financial assets and liabilities	276	(1)	-	-	277
On provisions for post-employment benefits	67	(1)	(6)	-	74
On provisions for jubilee bonuses	41	(5)	-	-	46
On provisions for redemption of property rights	27	(4)	-	-	31
On provisions for reclamation and decommissioning costs of property, plant and equipment	19	-	-	-	19
On provisions for gas emission liabilities	47	2	-	-	45
Unpaid employee salaries and benefits	5	1	-	-	4
On other provisions	264	213	-	(1)	52
Accrued expenses	142	80	-	(3)	65
Other liabilities and Deferred income	12	2	-	-	10
Tax losses	22	10	-	-	12
Other	16	10	-	-	6
Set-off	**(645)**	**(117)**	**(5)**	**(1)**	**(522)**
Deferred tax assets after set-off	**418**				**237**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	As at 31 December 2021	Revision recognized in the financial result	Revision recognized in the other comprehensive income/equity	Disposal of subsidiary	Transfer to assets classified as held for sale	As at 31 December 2020
Deferred tax assets	**759**	**72**	**(35)**	**(4)**	**(2)**	**728**
On the difference between the tax and carrying value of property, plant and equipment, intangible assets and inventories	118	4	-	(1)	-	115
On the difference between the tax and carrying value of financial assets and liabilities	277	27	(22)	-	-	272
Power infrastructure acquired free of charge	-	(2)	-	-	-	2
On provisions for post-employment benefits	74	(5)	(12)	-	-	91
On provisions for jubilee bonuses	46	(8)	-	-	-	54
On provisions for redemption of property rights	31	8	-	-	-	23
On provisions for reclamation and decommissioning costs of property, plant and equipment	19	(2)	-	-	-	21
On provisions for gas emission liabilities	45	8	-	-	-	37
Unpaid employee salaries and benefits	4	-	-	(1)	-	5
On other provisions	52	4	-	(1)	(1)	50
Accrued expenses	65	21	-	-	(1)	45
Other liabilities and deferred income	10	10	-	-	-	-
Tax losses	12	6	-	-	-	6
Other	6	1	(1)	(1)	-	7
Set-off	**(522)**	**(16)**	**15**	**-**	**-**	**(521)**
Deferred tax assets after set-off	**237**					**207**

The total amount of temporary differences with regard to investments in subsidiaries where no deferred income tax liability was recognized is PLN 1,498 m as at 31 December 2022 and PLN 1,846 m as at 31 December 2021, respectively. The reason why no deferred income tax asset was created is that the Group does not intend to sell these investments or does not expect these temporary differences to be reversed in the future.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	As at 31 December 2022	Revision recognized in the financial result	Revision recognized in the other comprehensive income/equity	Transfer to assets classified as held for sale	As at 31 December 2021
Deferred tax liability	**1,576**	**150**	**(7)**	**1**	**1,432**
On the difference between the tax and carrying value of property, plant and equipment and intangible assets	1,154	18	-	1	1,135
Accrued revenues	59	16	-	-	43
On the difference between the tax and carrying value of energy certificates	5	(4)	-	-	9
On the difference between the tax- and carrying value of financial assets and liabilities on account of interest accrued, unrealised exchange differences, instrument measurement.	197	22	(8)	-	183
Other receivables and prepaid expenses	33	3	-	-	30
Other liabilities and deferred income	64	37	-	-	27
On provisions for post-employment benefits	5	-	1	-	4
Other	59	58	-	-	1
Set-off	**(645)**	**(117)**	**(5)**	**(1)**	**(522)**
Deferred tax liability after set-off	**931**				**910**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	As at 31 December 2021	Revision recognized in the financial result	Revision recognized in the other comprehensive income/equity	Disposal of subsidiary	Transfer to assets classified as held for sale	As at 31 December 2020
Deferred tax liability	**1,432**	**111**	**26**	**(3)**	**-**	**1,298**
On the difference between the tax and carrying value of property, plant and equipment and intangible assets	1,135	55	-	(2)	-	1,082
Accrued revenues	43	7	-	-	-	36
On the difference between the tax and carrying value of energy certificates	9	3	-	-	-	6
On the difference between the tax- and carrying value of financial assets and liabilities on account of interest accrued, unrealised exchange differences, instrument measurement.	183	(9)	21	-	-	171
Other receivables and prepaid expenses	30	30	-	-	-	-
Other liabilities and deferred income	27	27	-	-	-	-
On provisions for post-employment benefits	4	-	4	-	-	-
Other	1	(2)	1	(1)	-	3
Set-off	**(522)**	**(16)**	**15**	**-**	**-**	**(521)**
Deferred tax liability after set-off	**910**					**777**

The total amount of temporary differences with regard to investments in subsidiaries where no deferred income tax liability was recognized is PLN 4,384 m as at 31 December 2022 and PLN 3,756 m as at 31 December 2021, respectively. The reason why no deferred income tax provision was created is that the Group does not intend to sell these investments, i.e. the temporary differences will not reverse in future.

12.4. ENERGA Tax Group

On 9 November 2020, a new agreement under the name of PGK ENERGA 2021 was executed. The agreement was signed for a term of three fiscal years from 1 January 2021 until 31 December 2023. The agreement was registered by the Head of the Pomorski Tax Authority on 10 December 2020.

The following companies make up the new PGK tax group: Energa SA, Energa-Operator SA, Energa-Obrót SA, Energa Wytwarzanie SA, Energa Informatyka i Technologie Sp. z o.o., Energa Logistyka Sp. z o.o. and Energa Oświetlenie Sp. z o.o.

Energa SA was selected as the company representing the 2021 ENERGA Tax Group in respect to the duties arising from the Corporate Income Tax Act and the Tax Ordinance Act.

Energa Tax Group charged income tax on the total income generated from two sources of revenue, namely income on capital gains and income on other revenue. The surplus of total income generated by all companies making up Energa Tax Group from a given source of revenue over their total losses incurred on this source of revenue constitutes the income on the source of revenue.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. Property, plant and equipment

	Own land	Buildings, premises and civil and civil engineering structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value							
As at 1 January 2022	**113**	**15,840**	**8,048**	**399**	**1,235**	**1,141**	**26,776**
Direct purchase	-	-	-	-	-	**3,051**	**3,051**
Settlement of property, plant and equipment under construction	57	889	381	16	177	(1,520)	**-**
Sale, disposal	-	(1)	(7)	(6)	-	**-**	**(14)**
Liquidation	-	(65)	(91)	-	(114)	**-**	**(270)**
Received free of charge	-	20	1	-	-	**-**	**21**
Reclassification between groups	-	-	(5)	-	-	**4**	**(1)**
Redemption	77	-	-	-	-	**-**	**77**
Capitalized financing expenses	-	-	-	-	-	22	**22**
Transfer to assets classified as held for sale	-	-	-	-	-	**6**	**6**
Provision for land reclamation and liquidation costs	-	6	4	-	-	**-**	**10**
Other changes in value	-	-	(6)	-	-	**-**	**(6)**
As at 31 December 2022	**247**	**16,689**	**8,325**	**409**	**1,298**	**2,704**	**29,672**
Accumulated depreciation and impairment losses							
As at 1 January 2022	**(1)**	**(6,493)**	**(3,871)**	**(293)**	**(747)**	**(90)**	**(11,495)**
Amortization/depreciation and net liquidation value	1	(544)	(310)	(25)	(121)	**(9)**	**(1,008)**
Recognition of impairment losses	-	(24)	(54)	-	-	**-**	**(78)**
Other increases in impairment losses	-	-	(12)	-	-	**-**	**(12)**
Reversed impairment losses	-	5	-	-	-	**1**	**6**
Other decreases in impairment losses	-	5	43	-	-	**12**	**60**
Sale, disposal	-	-	6	6	-	**-**	**12**
Liquidation	-	60	49	-	114	**-**	**223**
Reclassification between groups	-	-	1	-	-	**-**	**1**
Other changes in value	-	-	5	-	-	**-**	**5**
As at 31 December 2022	**-**	**(6,991)**	**(4,143)**	**(312)**	**(754)**	**(86)**	**(12,286)**
Net value as at 1 January 2022	**112**	**9,347**	**4,177**	**106**	**488**	**1,051**	**15,281**
Net value as at 31 December 2022	**247**	**9,698**	**4,182**	**97**	**544**	**2,618**	**17,386**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	Own land	Buildings, premises and civil and civil engineering structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value							
As at 1 January 2021	**108**	**15,070**	**7,515**	**382**	**1,101**	**997**	**25,173**
Direct purchase	-	-	1	-	-	1,783	**1,784**
Settlement of property, plant and equipment under construction	7	823	558	20	210	(1,618)	**-**
Sale, disposal	-	-	(2)	(7)	-	-	**(9)**
Liquidation	(1)	(28)	(37)	-	(73)	-	**(139)**
Received free of charge	-	9	24	-	-	-	**33**
Reclassification between groups	(4)	(4)	(2)	1	-	(1)	**(10)**
Redemption	-	-	-	3	-	-	**3**
Transfer from investment assets	4	6	-	-	-	-	**10**
Capitalized financing expenses	-	-	-	-	-	12	**12**
Transfer to assets classified as held for sale	-	(2)	(1)	-	(1)	(32)	**(36)**
Disposal of subsidiary	(1)	(5)	(2)	-	(2)	-	**(10)**
Provision for land reclamation and liquidation costs	-	(28)	(6)	-	-	-	**(34)**
Other changes in value	-	(1)	-	-	-	-	**(1)**
As at 31 December 2021	**113**	**15,840**	**8,048**	**399**	**1,235**	**1,141**	**26,776**
Accumulated depreciation and impairment losses							
As at 1 January 2021	**-**	**(5,906)**	**(3,509)**	**(272)**	**(698)**	**(223)**	**(10,608)**
Amortization/depreciation and net liquidation value	(1)	(527)	(294)	(25)	(107)	(6)	**(960)**
Recognition of impairment losses	-	(44)	(42)	-	(6)	(24)	**(116)**
Other increases in impairment losses	-	(72)	(78)	-	(13)	-	**(163)**
Reversed impairment losses	-	26	10	-	-	-	**36**
Other decreases in impairment losses	-	-	-	-	-	163	**163**
Sale, disposal	-	-	2	7	-	-	**9**
Liquidation	-	27	37	-	74	-	**138**
Redemption	-	-	-	(2)	-	-	**(2)**
Reclassification between groups	-	2	2	(1)	-	-	**3**
Transfer to assets classified as held for sale	-	-	1	-	1	-	**2**
Transfer from investment assets	-	(1)	-	-	-	-	**(1)**
Disposal of subsidiary	-	1	-	-	2	-	**3**
Other changes in value	-	1	-	-	-	-	**1**
As at 31 December 2021	**(1)**	**(6,493)**	**(3,871)**	**(293)**	**(747)**	**(90)**	**(11,495)**
Net value as at 1 January 2021	**108**	**9,164**	**4,006**	**110**	**403**	**774**	**14,565**
Net value as at 31 December 2021	**112**	**9,347**	**4,177**	**106**	**488**	**1,051**	**15,281**

Impairment tests for property, plant and equipment

H2 2022

In H2 2022, an assessment was made whether there was any internal or external indication that the recoverable amount of property, plant and equipment and goodwill might be impaired.

Since there were symptoms of deteriorating value of non-current assets of certain companies of the Energa Group, impairment tests of cash generating units (CGUs) were carried out to determine their value in use. The tests were conducted using the income method, on the basis of the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- 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 the report "Long-Term Electricity Price Forecasts for the Polish Electricity System for 2022-2050"; forecasts were prepared up to and including 2040; the company's 2023-2028 forecasts were used in relation to biomass prices; the paths assume a change in the energy mix, including primarily a reduction in production and the phasing out of coal units in the long term;
- the number of free carbon emission allowances for 2021-2025 as specified in the list published by the Polish Minister for Environment;
- the projected price of carbon emission allowances for 2023 is EUR 70 per tonne. In subsequent years, the projections increase to EUR 147 per tonne in 2033. Legislative work related to the EU ETS reform under the Fit for 55 package had the largest impact on the forecasting of carbon emission allowance pricing;
- 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;
- maintaining support for production from existing renewable energy sources in the form of revenue from property rights, and taking into account auctions won for the sale of electricity from renewable energy sources and revenue from the FIT/FIP mechanism in relation to some installations 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 as follows:
  - 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.

Based on the result of the tests carried out, there was no need to create impairment losses on shares held in subsidiaries. Based on the results of the tests carried out, there was no need to recognize impairment allowances for property, plant and equipment.

H1 2022

In H1 2022, as part of the assessment of the occurrence of internal and external indications of impairment of property, plant and equipment of Energa Group companies, indications were identified that could result in a significant decrease in the value of non-current assets of Energa Kogeneracja Sp. z o.o. As a result, it was decided that impairment tests were necessary to determine their value in use.

The tests were conducted using the income method, on the basis of the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- the test date is 30 June 2022,
- the macroeconomic assumptions adopted 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 based on a report prepared by an independent entity; forecasts were prepared up to and including 2050; the company's 2022-2030 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
- 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 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 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.

The results of tests indicating the need to create an impairment allowance are presented below.

Combined Heat and Power Plant Elbląg with BB20 installation ("CGU CHP Elbląg")

Calculations to determine the value in use were carried out based on financial projections for the full economic life of the unit, i.e. from July 2022 to December 2049, taking into account the flows resulting from the company's ongoing mandatory development investments in phasing out coal units and replacing them with gas units. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 11.55%, an additional premium for the projection's risk included. The discount rate used for the calculation in 2021 was 7.55%.

Based on the results of the test, it was deemed necessary to recognize impairment losses on CGU CHP Elbląg in the amount of PLN 64.3 m. The recoverable amount was determined at PLN 223.7 m.

Combined Heat and Power Plant Kalisz (CGU CHP Kalisz)

Calculations to determine the value in use were carried out based on financial projections for the full economic life of the unit, i.e. from July 2022 to December 2048, taking into account the flows resulting from the company's ongoing mandatory development investments in phasing out coal units and replacing them with gas units. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 13.22%, an additional premium for the projection's risk included. The discount rate used for the calculation in 2021 was 8.88%.

Based on the results of the test, it was deemed necessary to recognize impairment losses on CGU CHP Kalisz in the amount of PLN 6.6 m. The recoverable amount was determined at PLN 19.7 m.

Heat plant in Żychlin (CGU Żychlin)

The value in use was calculated on the basis of financial projections for the period from July 2022 until December 2031 and the residual value. The standard projection period was extended due to the subsidies to be obtained until 2030 for projects that use the ORC technology for electricity generation. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 9.88%. The discount rate used for the calculation in 2021 was 6.23%.

Based on the results of the test, it was deemed necessary to recognize impairment losses on CGU Żychlin in the amount of PLN 7.5 m. The recoverable amount was determined at PLN 12.5 m.

Sensitivity analysis

The estimated impact of the change in selected parameters on the overall valuation of the above-mentioned assets tested as at 30 June 2022 is presented below. The sensitivity analysis shows that the factors with the highest impact on the estimated value in use of the tested CGUs are discount rates, heat prices, electricity prices, biomass prices and gas prices. Their change, taken into consideration throughout the forecast period, could give rise to the need to recognize additional impairment losses or reverse the same at the values estimated below. Consequently, it should be borne in mind that a change in market conditions gives rise to a risk of overvaluation or undervaluation of the assets.

. Parameter	Value and direction of change	Impact on CGU's valuation [PLN m]		Change in impairment loss/impairment loss reversal amount [PLN m]
		Increase in value	Decrease in value	
Discount rates	[+ 0.5 pp]		-20.4	-20.4
	[- 0.5 pp]	22.1		22.1
Heat prices	[+ 1%]	12.9		12.9
	[- 1%]		-12.9	-12.9
Electricity prices	[+ 1%]	8.4		8.4
	[- 1%]		-8.4	-8.4
Biomass prices	[+ 1%]		-4.9	-4.9
	[- 1%]	4.9		4.9
Gas prices	[+ 1%]		-3.8	-3.8
	[- 1%]	3.8		3.8

31 December 2022 (in PLN million)

14. Intangible assets

	Development costs	Software, licenses and patents	Property rights	Other intangible assets	Intangible assets not in use	Total
Gross value						
As at 1 January 2022	**1**	**911**	**703**	**71**	**82**	**1,768**
Direct purchase	-	1	1,611	-	76	**1,688**
Settlement of intangible assets not in use	-	57	-	5	(62)	**-**
Sale, disposal	-	-	(11)	-	-	**(11)**
Liquidation	-	(6)	-	(1)	-	**(7)**
Reclassification between groups	-	1	-	(1)	-	**-**
Donations and free of charge items	-	-	71	-	-	**71**
Amortisation of proprietary rights	-	-	(1,175)	-	-	**(1,175)**
As at 31 December 2022	**1**	**964**	**1,199**	**74**	**96**	**2,334**
Accumulated depreciation and impairment losses						
As at 1 January 2022	**-**	**(719)**	**-**	**(48)**	**(27)**	**(794)**
Amortization/depreciation and net liquidation value	-	(58)	-	(3)	-	**(61)**
Liquidation	-	6	-	2	-	**8**
Reclassification between groups	-	(1)	-	1	-	**-**
As at 31 December 2022	**-**	**(772)**	**-**	**(48)**	**(27)**	**(847)**
Net value as at 1 January 2022	**1**	**192**	**703**	**23**	**55**	**974**
Net value as at 31 December 2022	**1**	**192**	**1,199**	**26**	**69**	**1,487**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	Development costs	Software, licenses and patents	Property rights	Other intangible assets	Intangible assets not in use	Total
Gross value						
As at 1 January 2021	**2**	**883**	**684**	**72**	**79**	**1,720**
Direct purchase	-	19	695	-	72	**786**
Settlement of intangible assets not in use	-	67	-	3	(70)	**-**
Sale, disposal	-	-	(13)	-	-	**(13)**
Liquidation	-	(51)	-	(4)	-	**(55)**
Reclassification between groups	-	-	-	-	1	**1**
Donations and free of charge items	-	-	125	-	-	**125**
Amortisation of proprietary rights	-	-	(788)	-	-	**(788)**
Transfer to assets classified as held for sale	(1)	(3)	-	-	-	**(4)**
Disposal of subsidiary	-	(4)	-	-	-	**(4)**
As at 31 December 2021	**1**	**911**	**703**	**71**	**82**	**1,768**
Accumulated depreciation and impairment losses						
As at 1 January 2021	**-**	**(721)**	**-**	**(48)**	**(25)**	**(794)**
Amortization/depreciation and net liquidation value	-	(52)	-	(4)	(2)	**(58)**
Increase in impairment losses	-	(1)	-	-	-	**(1)**
Decrease in impairment losses	-	-	-	1	-	**1**
Liquidation	-	51	-	3	-	**54**
Transfer to assets classified as held for sale	-	2	-	-	-	**2**
Disposal of subsidiary	-	2	-	-	-	**2**
As at 31 December 2021	**-**	**(719)**	**-**	**(48)**	**(27)**	**(794)**
Net value as at 1 January 2021	**2**	**162**	**684**	**24**	**54**	**926**
Net value as at 31 December 2021	**1**	**192**	**703**	**23**	**55**	**974**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

15. Right-of-use assets

	Land	Right of perpetual usufruct of land	Buildings, premises and civil engineering structures	Plant and equipment	Vehicles	Total
Gross value						
As at 1 January 2022	**876**	**206**	**104**	**16**	**16**	**1,218**
New lease contracts	99	-	2	4	5	**110**
Revaluation – increase	12	5	4	-	1	**22**
Liquidation	-	(1)	(4)	-	(4)	**(9)**
Redemption	(77)	-	-	-	-	**(77)**
Revaluation – decrease	(2)	-	-	-	-	**(2)**
Other changes in value	-	-	1	-	-	**1**
As at 31 December 2022	**908**	**210**	**107**	**20**	**18**	**1,263**
Accumulated depreciation and impairment losses						
As at 1 January 2022	**(76)**	**(9)**	**(47)**	**(12)**	**(11)**	**(155)**
Amortization/depreciation and net liquidation value	(33)	(4)	(19)	(5)	(4)	**(65)**
Liquidation	-	-	3	-	4	**7**
As at 31 December 2022	**(109)**	**(13)**	**(63)**	**(17)**	**(11)**	**(213)**
Net value as at 1 January 2022	**800**	**197**	**57**	**4**	**5**	**1,063**
Net value as at 31 December 2022	**799**	**197**	**44**	**3**	**7**	**1,050**

The costs associated with leases of low-value assets stand at PLN 0.2 m as at 31 December 2022, whereas the costs associated with variable lease payments not included in measurement of lease liabilities amount to PLN 0.1 m and the costs associated with short-term leases are PLN 0.2 m.

Total expenditures under leases presented in the statement of cash flows in 2022 amounted to PLN 113 m.

Additional information on lease obligations is presented in Notes 30.4.2 and 35.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

	Land	Rights of perpetual usufruct of land	Buildings, premises and civil engineering structures	Plant and equipment	Vehicles	Other property, plant and equipment	Total
Gross value							
As at 1 January 2021	**663**	**202**	**110**	**12**	**19**	**4**	**1,010**
New lease contracts	211	-	2	5	2	-	220
Revaluation – increase	8	2	1	-	1	-	12
Liquidation	(5)	(1)	(3)	-	(1)	(4)	(14)
Redemption	-	-	-	-	(3)	-	(3)
Revaluation – decrease	(2)	-	(3)	-	-	-	(5)
Reclassification between groups	1	3	4	-	-	-	8
Disposal of subsidiary	-	-	-	(1)	(1)	-	(2)
Transfer to assets classified as held for sale	-	-	(7)	-	(1)	-	(8)
As at 31 December 2021	**876**	**206**	**104**	**16**	**16**	**-**	**1,218**
Accumulated depreciation and impairment losses							
As at 1 January 2021	**(47)**	**(6)**	**(31)**	**(7)**	**(10)**	**(2)**	**(103)**
Amortization/depreciation and net liquidation value	(30)	(3)	(17)	(6)	(5)	-	(61)
Liquidation	1	-	1	-	1	2	5
Transfer to assets classified as held for sale	-	-	2	-	1	-	3
Reclassification between groups	-	-	(2)	-	-	-	(2)
Redemption	-	-	-	-	2	-	2
Disposal of subsidiary	-	-	-	1	-	-	1
As at 31 December 2021	**(76)**	**(9)**	**(47)**	**(12)**	**(11)**	**-**	**(155)**
Net value as at 1 January 2021	**616**	**196**	**79**	**5**	**9**	**2**	**907**
Net value as at 31 December 2021	**800**	**197**	**57**	**4**	**5**	**-**	**1,063**

The costs associated with leases of low-value assets stand at PLN 0.2 m as at 31 December 2021, whereas the costs associated with variable lease payments not included in measurement of lease liabilities amount to PLN 4.4 m and the costs associated with short-term leases are PLN 0.5 m.

Total expenditures under leases presented in the statement of cash flows in 2021 amounted to PLN 110 m.

Additional information on lease obligations is presented in Notes 30.4.2 and 35.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

16. Goodwill

As at 31 December 2022, the value of goodwill is zero. As at 31 December 2021, a test was performed on the impairment of goodwill resulting from the acquisition of the Energa Ciepło Kaliskie district heating asset. Based on the results of the test, a total goodwill impairment charge of PLN 11.4 million was created.

	Year ended 31 December 2022	Year ended 31 December 2021
Net value at the beginning of the period	**-**	**11**
Impairment loss recognized	-	(11)
Net value at the end of the period	**-**	**-**

17. Investments in joint ventures and associates measured using the equity method

The key information about investments in joint ventures and associates is presented in Note 2.2.

Investments measured using the equity method	As at 31 December 2022	As at 31 December 2021
Polska Grupa Górnicza S.A.	-	-
Elektrownia Ostrołęka Sp. z o.o.	-	-
Polimex-Mostostal S.A.	153	128
Total	**153**	**128**

Below we present condensed financial information of the companies measured by the equity method and reconciliation of the financial information to the carrying amount of shares in the companies recognized in the Group's consolidated financial statements. The 2022 data are based on the companies' financial data. 2022 data for Polimex-Mostostal S.A. are based on the consolidation package as at and for the 11-month period ended 30 November 2022 and the result data for the period of 1 October to 31 December 2021 (comparable data as at and for the 9-month period ended 30 September 2021), whereas those for Elektrownia Ostrołęka Sp. z o.o. are based on data as at and for the 12-month period ended 31 December 2022 (comparable data are preliminary data as at and for the 12-month period ended 31 December 2021). As of the balance sheet date, the Group has no investments in joint ventures with Polska Grupa Górnicza S.A. (comparable data are presented as of the date and for the 11-month period ending on 30 November 2021).

Condensed statement of comprehensive income	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
	For the period ended 31 December 2022	
Revenue	5	4,170
Amortization and depreciation	-	44
Interest income	2	14
Interest expenses	30	18
(Loss)/profit before tax from continuing operations	**133**	**185**
Income taxes	-	36
Net (loss)/profit from continuing operations	**133**	**149**
Net profit on discontinued operations	**-**	**-**
Other comprehensive income	**-**	**12**
Total comprehensive income	**133**	**161**
Dividends paid	**-**	**-**

Condensed statement of comprehensive income	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
	For the period ended 31 December 2021		
Revenue	7,215	4	1,588
Amortization and depreciation	-	-	27
Interest income	-	-	-
Interest expenses	-	31	11
(Loss)/profit before tax from continuing operations	**(762)**	**297**	**84**
Income taxes	-	-	15
Net (loss)/profit from continuing operations	**(762)**	**297**	**69**
Net profit on discontinued operations	**-**	**-**	**-**
Other comprehensive income	**10**	**-**	**5**
Total comprehensive income	**(752)**	**297**	**74**

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

Condensed statement of comprehensive income	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
		For the period ended 31 December 2021	
Dividends paid	-	-	-

Condensed balance sheet	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
	As at 31 December 2022	
Cash and cash equivalents	115	747
Other current assets (excl. cash)	1	1,402
Total current assets	**116**	**2,149**
Non-current assets	**77**	**676**
Financial liabilities (excl. trade liabilities)	481	59
Other current liabilities (incl. trade liabilities)	13	1,562
Total current liabilities	**494**	**1,621**
Financial liabilities	-	174
Other liabilities	23	88
Total non-current liabilities	**23**	**262**
Net assets	**(324)**	**942**

Condensed balance sheet	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
		As at 31 December 2021	
Cash and cash equivalents	710	17	669
Other current assets (excl. cash)	1,319	9	923
Total current assets	**2,029**	**26**	**1,592**
Non-current assets	**8,233**	**65**	**668**
Financial liabilities (excl. trade liabilities)	3,120	451	75
Other current liabilities (incl. trade liabilities)	4,633	122	1,185
Total current liabilities	**7,753**	**573**	**1,260**
Financial liabilities	-	-	140
Other liabilities	2,802	-	85
Total non-current liabilities	**2,802**	**-**	**225**
Net assets	**(293)**	**(482)**	**775**

Condensed financial information	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
	2022	
Net assets of the joint venture/associate at the beginning of the period	**(482)**	**775**
Net profit/(loss) for the period	133	149
Other comprehensive income	-	12
Recapitalization by investors	-	-
Other differences	25	6
Net assets of the joint venture/associate at the end of the period	**(324)**	**942**
Stake held by the Group in the joint venture/associate	50.00%	16.26%
Interest in the joint venture/associate	-	154
Other differences	-	(1)
Impairment loss on investments	-	-
Carrying amount of shares	**-**	**153**

Condensed financial information	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
		2021	
Net assets of the joint venture/associate at the beginning of the period	**459**	**(779)**	**682**
Net profit/(loss) for the period	(762)	297	69
Other comprehensive income	10	-	5
Recapitalization by investors	-	-	-
Other differences	-	-	19
Net assets of the joint venture/associate at the end of the period	**(293)**	**(482)**	**775**
Stake held by the Group in the joint venture/associate	15.32%	50.00%	16.40%
Interest in the joint venture/associate	-	-	128
Impairment loss on investments	-	-	-
Carrying amount of shares	**-**	**-**	**128**

In the case of dividend payments to shareholders of Elektrownia Ostrołęka Sp. z o.o., there are no specific restrictions on dividend distributions. However, Polimex-Mostostal S.A. assumed a contractual obligation not to pay any dividend or interim dividend to its shareholders without a prior consent of the creditors (banks and bondholders).

18. Inventories

	31 December 2022			31 December 2021		
	Historical cost	Impairment losses	Net value	Historical cost	Impairment losses	Net value
Materials	258	(4)	**254**	84	(1)	**83**
Semi-finished products and production in progress	16	-	**16**	1	-	**1**
Merchandise	76	-	**76**	27	-	**27**
TOTAL	**350**	**(4)**	**346**	**112**	**(1)**	**111**

Group companies recognize impairment losses on inventories based on the loss of their economic usefulness determined by aging and turnover, down to the amount of the achievable net sale price.

19. Carbon emission allowances

Carbon emission allowances	Year ended 31 December 2022	Year ended 31 December 2021
	(thousands of tons)	
Carbon emissions from all installations (thousands of tons), including:	**2,976**	**2,581**
number of emission allowances granted free of charge	45	46
number of emission allowances paid for	2,931	2,535
Obligation to redeem carbon emission allowances (PLN m), including:	**994**	**599**
number of granted emission allowances	17	15
cost of the obligation to redeem emission allowances	977	584

20. Cash and cash equivalents

Cash at bank earns interest at variable interest rates negotiated with the banks, which are driven by the interest rates for overnight deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Group's current cash needs, and earn interest at interest rates negotiated individually with banks.

The Group conducts ongoing monitoring of financial institutions' ratings, depositing funds only in the banks with an investment level rating. The Group does not recognise an impairment loss on funds kept on fixed-term deposits as the related credit risk is deemed negligeable.

The balance of cash and cash equivalents presented in the statement of cash flows comprises the following items:

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	As at 31 December 2022	As at 31 December 2021
Cash at bank and in hand	520	340
Short-term deposits up to 3 months	580	-
Total cash and cash equivalents	**1,100**	**340**
of which restricted cash	*271*	*171*

Restricted cash presented in the consolidated statement of cash flows constitutes primarily the funds kept in the VAT account (split payment) and the security for settlements with Izba Rozliczeniowa Giełd Towarowych SA [the Commodity Clearing House].

21. Other assets

21.1. Other non-current assets

	As at 31 December 2022	As at 31 December 2021
Non-current prepayments and accrued expenses	75	68
Investment property	11	11
Advances for property, plant and equipment under construction and intangible assets	614	210
Non-current receivables	2	-
TOTAL	**702**	**289**

21.2. Other current assets

	As at 31 December 2022	As at 31 December 2021
VAT receivables	347	140
Advances for deliveries	28	24
Deferred costs	76	57
Other tax receivables and receivables from property rights	25	6
Other current assets	2	4
TOTAL	**478**	**231**

22. Share capital and other components of equity

22.1. Share capital

As at 31 December 2022, the share capital of Energa SA amounted to PLN 4,522 m and was divided into shares as specified below:

	As at 31 December 2022	As at 31 December 2021
AA series bearer shares with par value of PLN 10.92 each	269,139,114	269,139,114
BB series registered shares with par value of PLN 10.92 each	144,928,000	144,928,000
Total number of shares	**414,067,114**	**414,067,114**

22.2. Major shareholders

	Year ended 31 December 2022	Year ended 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%

22.3. Shareholders' rights

At the end of the reporting period, PKN ORLEN S.A. owned 376,488,640 shares of the Company constituting 90.92% of its share capital and entitling PKN ORLEN S.A. to exercise 521,416,640 votes at the General Meeting, which makes up 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).

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.

On 30 November 2022, the Regional Court in Gdansk, 9th Commercial Department, issued a judgement in the case disclosed by the Company in its current reports No 82/2020 of 16 December 2020 and No 7/2021 of 14 April 2021. The court ruled to:

1) dismiss the claim for invalidation of the resolution No 3 of the Company's Extraordinary General Meeting of 29 October 2020 to withdraw 269,139,114 ordinary bearer shares of AA series of the Company's shares denoted with code ISIN PLENERG00022 in Krajowy Depozyt Papierów Wartościowych S.A. from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie SA;

2) revoke the resolution in question;

3) award court costs from the Company to the plaintiffs.

The judgement was delivered in camera and the grounds are not known. The judgment is not final.

As the Company disagrees with the part of the judgment concerning the revocation of the aforementioned resolution, it has requested a written statement of grounds and filed an appeal.

22.4. Reserve capital

Reserve capital was created as a result of the share capital reduction made in connection with the reverse split of the Parent Company's shares in 2013 and upon distribution of the Parent Company's net profit for 2016, 2021 and 2022. Reserve capital may be used only to cover future losses or to raise the Parent Company's share capital.

22.5. Supplementary capital

Supplementary capital was created from allowances from profit generated by the Parent Company in previous reporting periods. 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 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 decided by the General Meeting, however, the portion of the supplementary capital representing one-third of the share capital may only be used to cover a loss posted in the financial statements and cannot be allocated to other purposes.

22.6. Cash flow hedge reserve

The cash flow hedge reserve follows from the valuation of cross-currency interest rate swap (CCIRS) transactions concluded to hedge the FX risk associated with Eurobonds issued by the subsidiary, Energa Finance AB (publ), and with hybrid bonds issued by Energa SA and IRS interest rate swaps concluded to hedge the interest rate risk associated with the external financing used (see the description in Note 30.6.).

22.7. Retained earnings and restrictions on dividend payment

The Group's retained earnings include amounts that are not subject to distribution, or cannot be paid out as dividend by the Parent Company. This refers, in particular, to the retained earnings of subsidiaries (taking into account consolidation adjustments), adjustments resulting from the transition of the Parent Company's financial statements from the Accounting Act to IFRS EU and actuarial gains and losses from the measurement of provisions for post-employment benefits recognized in other comprehensive income.

Other comprehensive income included in the statement of changes in equity consists of the following items:

	Note	Equity attributable to owners of the parent				Non-controlling interest	Total equity
		Foreign exchange differences from translation of a foreign entity	Cash flow hedge reserve	Retained earnings	Total		
Actuarial gains and losses on defined benefit plans	**25.1**	-	-	33	**33**	-	**33**
Foreign exchange differences from translation of foreign entities		1	-	-	**1**	-	**1**
Cash flow hedges	**30.6**	-	(32)	-	**(32)**	-	**(32)**
Net other comprehensive income for the year ended 31 December 2022		**1**	**(32)**	**33**	**2**	-	**2**
Actuarial gains and losses on defined benefit plans	**25.1**	-	-	68	**68**	1	**69**
Cash flow hedges	**30.6**	-	183	-	**183**	-	**183**
Share of other comprehensive income of entities measured using the equity method		-	-	1	**1**	-	**1**
Net other comprehensive income for the year ended 31 December 2021		**-**	**183**	**69**	**252**	1	**253**

22.8. Non-controlling interest

As at 31 December 2022, equity attributable to non-controlling interest refer to minority shareholders of companies in the Generation Business Line, in particular Energa Elektrownie Ostrołęka SA and CCGT Ostrołęka Sp. z o.o.

Significant non-controlling interest within the Energa Group is held by the following subsidiary:

Name of subsidiary	CCGT Ostrołęka Sp. z o.o.
Business venue	Ostrołęka
% share in minority shareholders' capital	0.5000
Subsidiary's profit or loss attributable to minority shareholders (PLN m)	-1
Total interests in subsidiary attributable to minority shareholders	585
Financial information on subsidiary (PLN m)	
Current assets	116
Non-current assets	1,520
Current liabilities	459
Non-current liabilities	7
Revenue	37
Profit/loss	4
Total comprehensive income	4

23. Net earnings per share

There were no diluting instruments in the Parent Company, therefore net diluted earnings per share are equal to basic earnings per share. The data used to calculate earnings/loss per share are presented below.

	Year ended 31 December 2022	Year ended 31 December 2021
Net profit or loss attributable to the shareholders of the parent company	967	968
Net profit or loss attributable to ordinary equity holders of the parent company	**967**	**968**
Number of shares at the end of the reporting period (in millions)	414	414
Number of shares used to calculate earnings per share (millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**2.34**	**2.34**

24. Dividends

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 passed a resolution to allocate the profit for 2021 to the Company's reserve capital.

25. Provisions

25.1. Provisions for employee benefits

The Group measures provisions for post-employment benefits and for jubilee bonuses (see description in Note 9.17) using actuarial methods.

The amounts of provisions for employee benefits and the reconciliation of changes to the balances are presented in the tables below.

	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	Death gratuities	TOTAL
As at 1 January 2022	**149**	**193**	**28**	**235**	**-**	**605**
Current service cost	5	2	-	12	-	19
Past service cost	-	-	-	2	3	5
Actuarial gains and losses, of which arising from changes in assumptions:	(20)	(11)	(9)	(17)	-	(57)
financial	(30)	(15)	(9)	(38)	-	(92)
demographic	1	(5)	(1)	2	-	(3)
other	9	9	1	19	-	38
Benefits paid	(10)	(12)	(2)	(29)	-	(53)
Interest costs	6	7	1	8	-	22
As at 31 December 2022, including:	**130**	**179**	**18**	**211**	**3**	**541**
Short-term	**17**	**20**	**2**	**27**	**-**	**66**
Long-term	**113**	**159**	**16**	**184**	**3**	**475**

The impact on other comprehensive income of the actuarial profit and loss on the provisions for Pensions and other benefits, Energy tariff, and the Company Social Benefits Fund is 40 m, and it is visible in the Consolidated Statement of Comprehensive Income.

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	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	TOTAL
As at 1 January 2021	**186**	**236**	**59**	**287**	**768**
Disposal of subsidiary	(1)	-	-	-	(1)
Current service cost	7	3	1	13	24
Past service cost	1	2	(19)	-	(16)
Actuarial gains and losses, of which arising from changes in assumptions:	(32)	(41)	(12)	(42)	(127)
financial	(39)	(44)	(12)	(50)	(145)
demographic	(3)	(14)	(4)	(5)	(26)
other	10	17	4	13	44
Benefits paid	(14)	(10)	(2)	(26)	(52)
Interest costs	2	3	1	3	9
As at 31 December 2021, including:	**149**	**193**	**28**	**235**	**605**
Current	**13**	**13**	**1**	**25**	**52**
Non-current	**136**	**180**	**27**	**210**	**553**

The impact on other comprehensive income of the actuarial profit and loss on the provisions for Pensions and other benefits, Energy tariff, and the Company Social Benefits Fund is 85 m, and it is visible in the Consolidated Statement of Comprehensive Income.

Key assumptions adopted by the actuary to calculate the liability amounts at the end of the reporting period are as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Discount rate	6.70%	3.60%
Employee turnover rate	2.87%	3.12%
Expected salary growth rate	10.00%*	3.00%
Expected growth rate of the base of the Company Social Benefit Fund charge	5.00%	4.50%
Expected energy equivalent growth rate	1.07%	0.97%

* 10% in 2023, 4.9% in 2024, 2% in 2025 and beyond.

Based on data received from the actuary, the Group estimates that the change in assumptions would affect the amount of provisions for pension and similar benefits, jubilee bonuses, the Company Social Benefit Fund and the energy tariff as follows:

Actuarial provisions	Carrying amount	Analysis of sensitivity to discount rate changes		Analysis of sensitivity to salary growth rate changes		Analysis of sensitivity to energy equivalent changes	
	PLN	deviation in PLN					
		+0.5 p.p.	*-0.5 p.p.*	*+0.5%*	*-0.5%*	*+0.5%*	*-0.5%*
As at 31 December 2022							
Provision for pension and similar benefits	130	(5)	5	4	(4)	-	-
Energy tariff	179	(6)	7	-	-	7	(6)
Company Social Benefit Fund	18	(1)	1	1	(1)	-	-
Jubilee bonuses	211	(6)	6	6	(6)	-	-
Death gratuities	3	-	-	-	-	-	-
TOTAL	**541**	**(18)**	**19**	**11**	**(11)**	**7**	**(6)**
Contribution to profit before tax		*6*	*(6)*	*(6)*	*6*	-	-
As at 31 December 2021	-	-	-	-	-	-	-
Provision for pension and similar benefits	149	(7)	7	6	(6)	-	-
Energy tariff	193	(10)	11	-	-	10	(10)
Company Social Benefit Fund	28	(2)	2	2	(2)	-	-
Jubilee bonuses	235	(8)	9	9	(8)	-	-
TOTAL	**605**	**(27)**	**29**	**17**	**(16)**	**10**	**(10)**
Contribution to profit before tax		8	(9)	(9)	8	-	-

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25.2. Other provisions

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation concerning property rights	Provision for capital expenditure commitments	Other provisions	TOTAL
As at 1 January 2022	**246**	**80**	**593**	**163**	**46**	**74**	**1,202**
Interest costs	-	4	-	-	-	-	**4**
Discount rate	-	-	-	-	-	1	**1**
Recognized	47	16	999	605	-	1,131	**2,798**
Reversed	(29)	(12)	(5)	-	(46)	(23)	**(115)**
Used	-	-	(590)	(626)	-	(19)	**(1,235)**
Transfer to liabilities directly related to assets classified as held for sale	-	-	-	-	-	(4)	**(4)**
As at 31 December 2022, including:	**264**	**88**	**997**	**142**	**-**	**1,160**	**2,651**
Short-term	**178**	**-**	**997**	**142**	**-**	**1,113**	**2,430**
Long-term	**86**	**88**	**-**	**-**	**-**	**47**	**221**

The amount of the reversed provision for land reclamation and liquidation costs in 2022 arises mainly from an increase of the discount rate. Variable discount rates were used in the calculations at 2022 year-end, which were as follows for the respective years:

	2023	2024	2025	2026	2027	2028 and beyond
Discount rate	6.50%	6.90%	7.02%	6.97%	6.84%	4.43%

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation concerning property rights	Provision for capital expenditure commitments	Other provisions	TOTAL
As at 1 January 2021	**197**	**113**	**197**	**124**	**218**	**69**	**918**
Disposal of subsidiary	(1)	-	-	-		-	(1)
Interest costs	-	2	-	-	-	-	2
Recognized	91	-	600	623	-	36	1,350
Reversed	(18)	(35)	-	-	(172)	(5)	(230)
Used	(23)	-	(204)	(584)	-	(23)	(834)
Transfer to liabilities directly related to assets classified as held for sale	-	-	-	-	-	(3)	(3)
As at 31 December 2021, including:	**246**	**80**	**593**	**163**	**46**	**74**	**1,202**
Current	**167**	**-**	**593**	**163**	**46**	**52**	**1,021**
Non-current	**79**	**80**	**-**	**-**	**-**	**22**	**181**

The amount of the reversed provision for land reclamation and liquidation costs in 2021 arises mainly from a change in the discount rate to 3.59% for provisions to be used by 2030 and to 3.72% for provisions to be used after 2030.

Provision for land reclamation and liquidation costs

In 2008, Energa Elektrownie Ostrołęka SA recognized the provision for ash landfills reclamation, which will be amortized until 2030. The provision for reclamation of furnace waste sites of ENERGA Kogeneracja Sp. z o. o., to be settled by 2057, is also presented in that line.

This category also presents provisions for the dismantling costs of the following wind farms:

- FW Bystra – provision recognized in 2012 and amortized until 2037;
- FW Karścino – provision recognized in 2009 and amortized until 2034;
- FW Karcino – provision recognized in 2010 and amortized until 2035;
- FW Myślino – provision recognized in 2015 and amortized until 2040; and
- FW Parsówek – provision recognized in 2016 and amortized until 2041.

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- FW Przykona – provision recognized in 2020 and amortized until 2045;

Provisions for legal claims

The main purpose of the provisions for legal claims are the court cases relating to power infrastructure located on private land without the necessary legal titles. The balance of these provisions was PLN 70 m at the end of 2022, and at the end of 2021 it was PLN 64 m.

A provision of PLN 36 m was recognised in 2021 in view of the risk of unfavourable outcome of the dispute with Mostostal. The total value of the provision as at the end of 2022 is PLN 46 m.

The remainder of the provisions relate to court cases related to the discontinuation of contracts for the sale of property rights arising from certificates of origin (CPAs).

Other provisions

The provision for onerous contracts related to electricity sales contracts was recognized following the entry into force of the Act of 7 October2022 on special measures to protect electricity consumers (concerning the price freeze for the G tariff up to consumption caps), the Act of 27 October 2022 on emergency measures to curb electricity prices and support certain consumers in 2023, the Act of 15 December 2022 on special protection for certain consumers of gaseous fuels in 2023 in connection with the gas market situation, as well as the adoption by the President of the Energy Regulatory Office on 17 December 2022 of a decision approving the electricity tariff for tariff group G customers for 2023 (connected to the grid of Energa Operator SA), for whom the Group provides comprehensive service, and the Act of 8 February 2023 amending the Act on special solutions for certain heat sources in connection with the situation on the fuel market and certain other acts (amendment of the Act of 7 October 2022). The provision value was estimated based on the final price for the G tariff customers in 2023, the planned sales volume in 2023, the adopted changes to the rules for calculating the commercial fee and the unit direct cost, which includes the planned purchase price of electricity, property rights and excise taxes. The provision of 1,068 m was included in cost of sales.

Under the Renewable Energy Sources Act, generators with RES installations can participate in RES auctions organized by the Energy Regulatory Office. After winning the 2020 RES auctions for the Przykona Wind Farm, the Energy Group is making monthly settlements with the Billing Manager for the electricity sold from that installation. If the Group sells electricity at market prices lower than the price at which it won the auction, there is a negative balance which the Billing Manager refunds to the Group on an ongoing basis. If the prices at which the Group sells energy from this installation are higher than the auction price, there is a positive balance which the Group is required to return to the Billing Manager. The amount of the provision to cover the positive balance amounted to PLN 36 m, corresponding to the amount that Energa Group is required to return to the Billing Manager.

This category includes also provisions relating to excise taxes payable on electricity sold to the end user in the amount of PLN 4.5 m, a provision for consideration potentially payable to the State Forests in the amount of PLN 9.6 m, a provision for property tax liabilities in the amount of PLN 8 m, a provision for refunds to the Price Difference Payout Fund (in connection with the entry into force of the Act on emergency measures to curb electricity prices and support certain consumers in 2023) in the amount of PLN 8.5 m, and a provision related to declared payments to the Polish National Foundation in the amount of PLN 12.5 m.

Provision for settlement of the Coal Project in Ostrołęka

On 31 March 2022, Elektrownia Ostrołęka Sp. z o.o. completed the settlement of the Coal Project in Ostrołęka as agreed.

The ultimate value of the principal derived from the settlement made amounted to net PLN 958 m. Consequently, the sum payable to the General Contractor, arising from the difference between the above value and the sums already paid, had already been paid in full by Elektrownia Ostrołęka Sp. z o.o. Thus, the process of settlement of the Coal Project with the General Contractor came to an end. The costs incurred by the Energa Group in connection with settlement of the work carried out by the General Contractor accounted for 50% of the aforesaid amount, i.e. net PLN 479 m (the same amount was assigned to Enea S.A.).

As at 31 December 2022, the Energa Group has no provisions for the settlement of the Ostrołęka Coal Project, and the project is considered fully settled.

26. Other liabilities

26.1. Other non-current financial liabilities

	As at 31 December 2022	As at 31 December 2021
Other*	5	9
Total	**5**	**9**

* refers to the good performance bond, guarantees (cash deposit, bid deposit)

26.2. Other current liabilities

	As at 31 December 2022	As at 31 December 2021
Liabilities on account of taxes, customs duties, social security insurance, wages and salaries and others	**110**	**110**
VAT	32	34
Liabilities on account of social security insurance	53	50
Personal income tax	17	19
Environmental and other fees	7	6

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	As at 31 December 2022	As at 31 December 2021
Other	1	1
Other non-financial liabilities	**135**	**51**
Payroll liabilities	44	43
Billing Manager liabilities	80	-
Other	11	8
TOTAL	**245**	**161**

27. Deferred income and grants

	As at 31 December 2022	As at 31 December 2021
Grants received	352	325
Accruals for annual bonus and other employee bonuses	118	107
Accruals for unused holiday leaves	40	33
Awards for Management Boards	17	15
Other prepayments and accruals	1	1
TOTAL, of which:	**528**	**481**
Non-current	326	301
Current	202	180

As at 31 December 2022, the Company recognizes as grants primarily the valuation effect of the preferential loans from the European Investment Bank (EIB) recognized throughout the loan repayment period (see the description in Notes 9.23. and 30.5.) in the amount of PLN 47.6 m and the co-financing of PLN 21 m received to execute the project of construction of a biomass-fired power unit in Elbląg, which is recognized throughout the asset depreciation period until 2054. Additionally, companies from the Generation business line disclose the funding received from the National Fund for Environmental Protection and Water Management in the amount of PLN 24 m for the reconstruction of district heating grids. Furthermore, Energa-Operator SA secured co-financing for the "Rebuilding of district heating networks to meet Smart Grid standards through installation of intelligent grid metering and automation to mobilize consumers to improve efficient energy consumption and effective management of the electricity and heating system to improve security of supplies" project. The amount of additional funding for this purpose in 2022 is PLN 32 m. Energa Wytwarzanie SA, meanwhile, has received specialized equipment needed to build an energy storage facility worth PLN 23 million from the Japanese government.

28. Social assets and liabilities of the Company Social Benefit Fund

Pursuant to the Company Social Benefit Fund Act of 4 March 1994, as amended, the Company Social Benefit Fund is established by employers (companies) employing more than 20 employees on a full time equivalent basis. Entities belonging to the Group create such funds and make periodic contributions thereto. The funds of Energa SA Group companies contain no property, plant and equipment. The purpose of the Funds is to subsidize the social activity of the individual Group companies, grant loans to employees and subsidize other social expenses, such as co-payments to employee holidays.

Group companies have offset the Fund's assets with their liabilities towards the Fund on the individual level, because these assets do not constitute separate assets of the companies.

The table below presents the structure of the Funds' assets, liabilities and expenses.

	As at 31 December 2022	As at 31 December 2021
Loans granted to employees	4	4
Cash	2	2
Fund's liabilities	6	6
Balance after set-off	**-**	**-**
Charges to the fund in the period	33	29

29. Assets classified as held for sale

On 30 September 2021, the premises for reclassification of net assets held in Energa Invest Sp. z o.o. to assets held for sale were reviewed. For that company, it was assumed that the sale of shares would take place within the next 12 months. Therefore, at the end of Q3 2021, net assets of Energa Invest Sp. z o.o. held by the Group were reclassified to assets held for sale.

Due to the extended period required to finalize the sale of the company's shares, the Group continues to recognize its net assets as assets held for sale as at 31 December 2022.

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Main categories of assets and liabilities making up the activities classified as held for sale as at the day ending the reporting period are presented in the following table:

	As at 31 December 2022	As at 31 December 2021
ASSETS		
Property, plant and equipment	28	34
Investment property	2	2
Intangible assets	2	2
Right-of-use assets	6	5
Deferred tax assets	5	2
Trade receivables	8	2
Cash and cash equivalents	2	1
Other current assets	5	1
Assets classified as held for sale	**58**	**49**
LIABILITIES		
Long-term lease liabilities	1	3
Trade liabilities	1	4
Deferred income and grants	11	4
Short-term provisions	7	3
Other financial liabilities	2	2
Other current liabilities	3	4
Liabilities directly related to assets classified as held for sale	**25**	**20**

NOTES ON FINANCIAL INSTRUMENTS

30. Financial instruments

30.1. Carrying amount of financial instruments by category and class

As at 31 December 2022	Measured at fair value through profit or loss for the period	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables, of which:	-	-	3,271	-	**3,271**
adjusted estimate of sales revenues	-	-	*471*	-	***471***
Cash and cash equivalents	-	-	1,100	-	**1,100**
Other financial assets	102	257	41	-	**400**
Loans granted	42	-	-	-	**42**
Derivative financial instruments	45	257	-	-	**302**
Other	15	-	41	-	**56**
TOTAL	**102**	**257**	**4,412**	**-**	**4,771**
Liabilities					
Loans and borrowings	-	-	4,068	-	**4,068**
Preferential loans and borrowings	-	-	1,077	-	**1,077**
Loans and borrowings	-	-	2,991	-	**2,991**
Liabilities on account of the issue of debt securities	-	-	2,574	-	**2,574**
Trade liabilities	-	-	2,388	-	**2,388**
Contract liabilities	-	-	323	-	**323**
Other financial liabilities	1	-	568	862	**1,431**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	517	-	**517**
Derivative financial instruments	1	-	-	-	**1**

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As at 31 December 2022	Measured at fair value through profit or loss for the period	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Dividend liabilities	-	-	2	-	**2**
Lease liabilities	-	-	-	862	**862**
Other	-	-	49	-	**49**
TOTAL	**1**	**-**	**9,921**	**862**	**10,784**

As at 31 December 2021	Measured at fair value through profit or loss for the period	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables, of which:	-	-	2,074	-	**2,074**
adjusted estimate of sales revenues	-	-	*355*	-	***355***
Cash and cash equivalents	-	-	340	-	**340**
Other financial assets	16	255	88	-	**359**
Derivative financial instruments	16	255	-	-	**271**
Other	-	-	88	-	**88**
TOTAL	**16**	**255**	**2,502**	**-**	**2,773**
Liabilities					
Loans and borrowings	-	-	2,704	-	**2,704**
Preferential loans and borrowings	-	-	981	-	**981**
Loans and borrowings	-	-	1,723	-	**1,723**
Liabilities on account of the issue of debt securities	-	-	2,532	-	**2,532**
Trade liabilities	-	-	1,067	-	**1,067**
Contract liabilities	-	-	306	-	**306**
Other financial liabilities	99	-	319	877	**1,295**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	254	-	**254**
Derivative financial instruments	99	-	-	-	**99**
Dividend liabilities	-	-	2	-	**2**
Lease liabilities	-	-	-	877	**877**
Other	-	-	63	-	**63**
TOTAL	**99**	**-**	**6,928**	**877**	**7,904**

** in 2022, the column was renamed from Derivatives to Measured at fair value through profit or loss of the period.*

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30.2. Items of income, expenses, profits and losses recognized in the statement of comprehensive income, by category of financial instruments

Year ended 31 December 2022	Assets measured at fair value through profit or loss for the period	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging derivatives	TOTAL
Interest income/(cost)	-	44	(214)	(42)	**(212)**
Foreign exchange differences	-	-	(38)	41	**3**
Reversed impairment losses	-	61	-	-	**61**
Recognition of impairment losses	-	(134)	-	-	**(134)**
Measurement of derivatives	127	-	-	-	**127**
Revaluation of investments	48	-	-	-	**48**
Net profit/(loss)	**175**	**(29)**	**(252)**	**(1)**	**(107)**
Other comprehensive income	-	-	-	(40)	**(40)**
Comprehensive income	**175**	**(29)**	**(252)**	**(41)**	**(147)**

Year ended 31 December 2021	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging derivatives	Derivatives	TOTAL
Interest income/(cost)	53	(120)	(56)	-	**(123)**
Foreign exchange differences	-	7	(7)	-	-
Reversed impairment losses	40	-	-	-	**40**
Recognition of impairment losses	(76)	-	-	-	**(76)**
Measurement of derivatives	-	-	-	(324)	**(324)**
Revaluation of investments*	-	12	-	-	**12**
Net profit/(loss)	**17**	**(101)**	**(63)**	**(324)**	**(471)**
Other comprehensive income	-	-	226	-	**226**
Comprehensive income	**17**	**(101)**	**163**	**(324)**	**(245)**

31 December 2022 (in PLN million)

30.3. Fair value of financial instruments

30.3.1. Financial instruments measured at fair value on an ongoing basis

Some of the Group'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 Group 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.

	31 December 2022	31 December 2021
	Level 2	Level 2
Assets		
Hedging derivatives (CCIRS III)	114	112
Hedging derivatives (CCIRS IV)	139	138
Hedging derivatives (IRS)	4	5
Other derivatives	45	16
Liabilities		
Other derivatives	1	99

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.

The line item Assets – 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.

The item Other financial assets – Derivatives at fair value through profit and loss includes forward transactions entered into by Energa Elektrownie Ostrołęka SA on PEAK contracts listed on the Polish Power Exchange ("POLPX") for the purchase and sale of electricity. Futures transactions concluded via TGE in relation to purchase and sale of electricity constitute transactions with physical delivery, with financial settlement of the transaction usually taking place in the net amount.

At the time of conclusion of a given contract, Energa Elektrownie Ostrołęka SA classifies it to the instruments fulfilling the requirements of IFRS 9 as regards utilization within the scope of own business activity (the so-called "own use exemption") that are not subject to measurement and to the instruments that do not fulfill the requirements of own use exemption and, therefore, are measured at fair value through profit or loss.

According to the standard, when classifying contracts the Group shall assess primarily whether:

- a given contract was concluded for the purpose of receiving or delivering non-financial assets consistently with the needs expected by the Group, including specifically whether the volume of sold or purchased non-financial assets corresponds to the scale of the Group's normal operations;
- non-financial assets are physically delivered as a result of the performance of the contract;
- the contract cannot be deemed an issued option to buy or sell a non-financial instrument in compliance with IFRS 9.

On the basis of its strategy, the Group valued electricity trading futures contracts that meet the definition of a financial instrument under IFRS 9 as at the balance sheet date.

Fair value of the concluded contracts is determined by setting the contract's price at the time of its conclusion against the current prices of futures contracts calculated on the basis of market data. Those instruments are recognized as assets when their value is positive and as liabilities when their value is negative.

Contracts that do not meet the requirements for the own use exemption realized in 2022 amounted to PLN 121 m, while the value of open contracts as at the balance sheet date was PLN 23 m and was posted to other financial assets. In 2021, realized contracts amounted to PLN 225 m, and the balance sheet valuation of PLN 99 m was posted to financial liabilities.

In the profit and loss account, contract settlements and fair value measurements are posted to other operating activities.

30.3.2. Financial instruments not measured at fair value on a continuing basis

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

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Liabilities on account of the issue of Eurobonds and hybrid bonds	Carrying amount	Fair value	
		Level 1	Level 2
As at 31 December 2022	**2,574**	**1,222**	**1,270**
Eurobonds	1,423	1,222	-
hybrid bonds	1,151	-	1,270
As at 31 December 2021	**2,532**	**1,476**	**1,151**
Eurobonds	1,393	1,476	-
hybrid bonds	1,139	-	1,151

Fair value measurement of liabilities arising from the bonds issued in the euro was estimated: in the case of Eurobonds on the basis of quotations from the Bloomberg system from 31 December 2022, which are determined based on transactions on the Luxembourg stock exchange and over-the-counter trading, and in the case of hybrid bonds – based on the analysis of future cash flows discounted using the interest rates in effect as at 31 December 2022.

30.4. Description of significant items in the various categories of financial instruments

30.4.1. Financial assets

Assets measured at amortized cost

The main item of the category of financial instruments recognised as assets measured at amortized cost category are trade receivables.

Trade receivables	Not overdue	Overdue (days)					Total
		<30	31–90	91-180	181-360	>360	
As at 31 December 2022							
Before impairment losses	3,010	145	53	21	30	406	**3,665**
Impairment losses	(36)	(7)	(8)	(13)	(17)	(313)	**(394)**
After impairment losses	**2,974**	**138**	**45**	**8**	**13**	**93**	**3,271**
As at 31 December 2021							
Before impairment losses	1,825	123	53	18	33	382	**2,434**
Impairment losses	-	(31)	(4)	(6)	(23)	(296)	**(360)**
After impairment losses	**1,825**	**92**	**49**	**12**	**10**	**86**	**2,074**

Hedging derivatives

Hedging derivatives, CCIRS and IRS, are described in detail in Note 30.6.

Financial assets at fair value through profit or loss

The Group classifies, in particular, call options on shares of Polimex-Mostostal S.A. and shares in other entities as financial assets measured at fair value through profit or loss (see Note 30.1 for details).

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Impairment losses on financial assets

	Impairment losses on trade receivables	Impairment losses for bonds and other debt instruments	Impairment losses on shares in associated entities
Impairment losses as at 1 January 2022	**360**	**36**	**534**
Recognition of impairment losses	134	**-**	**34**
Used	(39)	-	-
Unused amounts written off (reversal of the allowance)	(61)	-	(34)
Impairment losses as at 31 December 2022	**394**	**36**	**534**
Impairment losses as at 1 January 2021	**317**	**36**	**555**
Reclassification of impairment losses from other receivables	34	**-**	**-**
Recognition of impairment losses	76	-	-
Used	(27)	-	-
Unused amounts written off (reversal of the allowance)	(40)	-	(21)
Impairment losses as at 31 December 2021	**360**	**36**	**534**

30.4.2. Financial liabilities

All of the Group's financial liabilities are classified as financial liabilities measured at amortized cost, except for hedging derivatives. In this category of financial instruments, the Group primarily presents loans and borrowings received and bonds issued, as well as lease liabilities.

	Loans and borrowings	Liabilities on account of the issue of debt securities	Lease liabilities	Total financial liabilities
As at 31 December 2021	**2,704**	**2,532**	**877**	**6,113**
Disbursement	3,980	-	**-**	**3,980**
Repayment/Redemption	(2,606)	-	(71)	**(2,677)**
Changes from foreign exchange differences	-	50	**-**	**50**
Payment of interest	(162)	(75)	(42)	**(279)**
Interest accrued in the period	161	67	44	**272**
New leases, increase/decrease in leasing consideration	-	-	130	130
Other changes	(9)	-	(76)	**(85)**
As at 31 December 2022	**4,068**	**2,574**	**862**	**7,504**

The interest paid recognized in the consolidated statement of cash flows includes also amounts related to interest payment hedging instruments related to financial liabilities held in the amount of 42 million.

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	Loans and borrowings	Liabilities on account of the issue of debt securities	Lease liabilities	Total financial liabilities
As at 31 December 2020	**3,432**	**2,561**	**743**	**6,736**
Disbursement	2,718	-	-	2,718
Repayment/Redemption	(3,458)	-	(70)	(3,528)
Changes from foreign exchange differences	-	(9)	-	(9)
Payment of interest	(35)	(73)	(40)	(148)
Interest accrued in the period	45	65	41	151
New leases, increase/decrease in leasing consideration	-	-	227	227
Other changes	2	(12)	(24)	(34)
As at 31 December 2021	**2,704**	**2,532**	**877**	**6,113**

The interest paid recognized in the consolidated statement of cash flows includes also amounts related to interest payment hedging instruments related to financial liabilities held in the amount of 56 million.

Loans and borrowings

	As at 31 December 2022	As at 31 December 2021
Currency – PLN		
Reference rate – WIBOR, rediscount rate		
Loan/credit amount	**4,068**	**2,704**
of which maturing in:		
up to 1 year (short-term)	2,537	1,395
1 to 3 years	624	758
3 to 5 years	283	265
over 5 years	624	286

As at 31 December 2022 and 31 December 2021, the amount of credit limits available to the Group was PLN 6,061.0 m (55.4% used) and PLN 6,564.7 m (40.9% used), respectively.

Detailed information on contracted loans and borrowings is presented in Note 30.5.

Liabilities for bonds issued

	As at 31 December 2022	As at 31 December 2021
Currency – EUR		
Reference rate – Fixed		
Value of the issue		
in currency	549	551
in PLN	2,574	2,532
of which maturing in:		
up to 1 year (short-term)	609	31
1 to 3 years	-	569
3 to 5 years	1,965	-
over 5 years	-	1,932

Detailed information on bonds issued is provided in Note 30.5.

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30.5. Available external financing

In the current reporting period, as at the end of the reporting period and as at the date of approving these financial statements for publication, there were no events of default on contractual obligations under the terms and conditions of any external financing obtained.

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	Available financing amount	Nominal debt as at 31 December 2022	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	206	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	579	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	185	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	191	18-12-2024
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1,407[1]	-	1,407[1]	07-03-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	-	22[2]	19-09-2022
Nordic Investment Bank	Loan	FW Myślino construction	23-10-2014	68	-	24	15-09-2026
WFOŚiWG	Borrowing	Elektrownia CCGT Gdańsk Sp. z o.o. CapEx program	27-06-2014	7	-	7	30-06-2024
NFOSiGW	Borrowing	Energa Elektrownie Ostrołęka SA CapEx Program	30-08-2018	134	-	104	20-12-2028
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	1,172[3]	-	1,172[3]	12-09-2037
Syndicated loan	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of Energa SA CapEx program, excluding capital expenditure on coal-based energy production	17-09-2019	2,000	1,850	150	17-09-2024[4]
Bank Gospodarstwa Krajowego	Revolving loan	financing of corporate objectives of Energa SA, including financing of everyday activity and the CapEx program, and refinancing of financial debt	03-07-2020	250	-	250	18-08-2023

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Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit	Available financing amount	Nominal debt as at 31 December 2022	Repayment date
SMBC	Revolving loan	financing of corporate objectives of Energa SA, including financing of day-to-day operations, financing of the CapEx program, and refinancing of financial debt, excluding capital expenditure on coal-fired energy	28-07-2020	563[5]	563	-	28-07-2025
PKN ORLEN S.A.	Borrowing	Financing of general corporate purposes	31-05-2021	1,000	-	1,000	30-05-2023
PKN ORLEN S.A.	Borrowing	Financing of general corporate purposes	31-05-2021	1,000	300	700	30-05-2023
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2021	703[6]	4	665	16-12-2041
TOTAL				**12,430**	**2,717**	**6,662**	

[1] liability under Eurobonds in the total amount of EUR 300 m converted using the average NBP exchange rate of 31 December 2022
[2] value of guarantee limits granted to Energa Group companies based on the concluded execution agreements (utilization of the global limit)
[3] EUR 250 m hybrid bond liability converted using the average NBP exchange rate of 31 December 2022
[4] credit granted for a period of 5 years from the date of signing the agreement, with an option to extend it for a one-year period; the designated date is the end date of the agreement's term; the credit is considered short-term
[5] liability of EUR 120 m converted using the average NBP exchange rate of 31 December 2022
[6] liability of EUR 150 m converted using the average NBP exchange rate of 31 December 2022

30.6. Cash flow hedge accounting

FX risk hedging

In 2017, the Group issued Eurobonds in EUR. In order to hedge currency risk under the aforesaid issuance, the Group 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 Group designated the foreign exchange risk on the Eurobonds issued by Energa Finance AB.

As the hedge, the Group designated CCIRS transaction under which the Group receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Group correspond with the cash flows under the Eurobonds. The Group expects that the hedged cash flows on the Eurobonds will continue until 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 Group entered into CCIRS transactions ("CCIRS IV").

As a hedged position under the above hedging relationships, the Group 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.

The Group designated CCIRS transactions under which the Group receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN as the hedging instrument. The cash flow received by the Group corresponds to the cash flow from the bonds issued. The Group expects that the hedged cash flows will continue until September 2027.

Interest rate risk hedging

In August 2019, the Group entered into interest rate swap (IRS) transactions to hedge the interest rate risk arising from the financing used under the 2013 loan agreement with the EIB in the amount of PLN 150 m (see Note 30.5).

As the hedged positions under the hedging relationships, the Group 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 Group 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 Group correspond with interest cash flows under the hedged financial liabilities. The Group 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 loans from the European Investment Bank.

The fair value of hedging instruments was:

	Value (PLN m)	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 instrument in millions of	
				EUR	PLN
As at 31 December 2022					
CCIRS III	114	Assets – Other financial assets	None	200	-
CCIRS IV	139	Assets – Other financial assets	None	250	-
IRS	4	Assets – Other financial assets	None	-	150
As at 31 December 2021					
CCIRS III	112	Assets – Other financial assets	None	200	-
CCIRS IV	138	Assets – Other financial assets	None	250	-
IRS	5	Assets – Other financial assets	None	-	350

The Group continued to apply hedge accounting under IAS 39, and no ineffectiveness was identified in the period under review.

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) decreased by PLN 32 m in the reporting period and increased by PLN 183 m in the corresponding period.

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

Change in cash flow hedge reserve during 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	1	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	**55**	**87**

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

30.7. Hedges on assets

There were no significant assets pledged as at the end of the reporting period and as at 31 December 2021.

31. Financial risk management principles and objectives

The major financial instruments used by the Group include bank credits, bonds, cash, short-term investments and hedging instruments. The main purpose of these financial instruments is to secure funds to finance the Group's operations or to mitigate financial risks.

Key risks generated by the Group'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). 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.

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31.1. Market risk

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

- interest rate risk;
- foreign exchange risk; and
- commodity price risk.

For the purposes of analysis of sensitivity to changes in market risk factors, the Energa Group uses scenario analysis method, which relies on expert scenarios reflecting the Group's subjective assessment of how individual market risk factors will develop in the future.

Scenario analyses presented in this item aim to analyze the impact of changes in market risk factors on the Group's financial results. Only those items, which satisfy the definition of financial instruments, are subject to analysis.

Interest rate risk

The Energa Group 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 are subject to change.

Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds came into force on 1 January 2018 ("IBOR Reform"). The regulation, together with its amendment of February 2021, introduced a new standard for determining and applying financial market benchmarks. Amongst others, the approach to the determination of WIBOR and EURIBOR rates was reformed to bring it into line with the new requirements.

In July 2022, the National Working Group on Benchmark Reform was established in Poland to introduce a new interest rate benchmark based on overnight transactions. This benchmark will replace WIBOR. The work of the National Working Group aims to ensure that the development and application of the new benchmark is credible, transparent and reliable. On 1 September 2022, the Steering Committee of the National Working Group decided to select WIRON, which is a Risk-Free Rate based on actual overnight transactions, as an alternative to WIBOR. WIRON will be administered by GPW Benchmark S.A.

In September 2022, the Steering Committee of the National Working Group adopted a "Roadmap" specifying a schedule of steps to be taken. According to the Roadmap, the benchmark reform will be completed by the end of 2024, with a new range of WIRON-based financial products being launched in 2023-2024. The publication of WIBOR is expected to be discontinued in early 2025. WIRON is intended to become a key interest rate benchmark to be used in contracts and financial instruments.

The Energa Group has reviewed its existing financial contracts and has not identified any risks related to the lack of adequate provisions specifying the rules for the continuation of these contracts in the event that the benchmark is not published ("fallback clauses").

The current IBOR rates and the alternative benchmarks to be adopted by the Group differ significantly from each other. IBORs concern future periods and are set for a specific period (e.g. three months) at the beginning of such period, taking into account the credit spread in the interbank market. Alternative benchmarks are usually risk-free overnight rates published at the end of the day that do not include a credit spread. These differences will create additional uncertainty regarding interest payments at variable interest rates, but the Group believes they will not have a material impact on liquidity management.

Due to its financial liabilities, the Group uses WIBOR as at 31 December 2022.

Below are details of the non-derivative financial instruments that will be affected by the transition to alternative benchmarks.

Non-derivative financial instrument	Benchmark	Maturity	Nominal value as at 31.12.2022	Advanced transition for non-derivative financial instrument
European Investment Bank loan	WIBOR	2025	206	Fallback clause in the contract
European Investment Bank loan	WIBOR	2031	579*	Fallback clause in the contract
Nordic Investment Bank loan	WIBOR	2026	24	Fallback clause in the contract
European Investment Bank loan	WIBOR	2041	665**	Fallback clause in the contract

** including tranches currently based on a fixed rate with a nominal value of PLN 146 m*

*** including tranches currently based on a fixed rate with a nominal value of PLN 474 m*

The Group identifies exposure to the risk of WIBOR interest rate changes, which involves primarily long-term financial debt. The Group's financial policy envisages that the risk of changing interest rates is mitigated by keeping a portion of debt at fixed rates. Additionally, at the holding company level the Energa Group has entered into a number of transactions hedging the interest rate risk (IRS). As at 31 December 2022, 41% (in 2021, 55%) of financial debt presented 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 its analyses of sensitivity to the interest rate risk, the Group applies a parallel shift of the interest rate curve by a potential possible change in the reference interest rates during the next 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.

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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 the 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 the interest rate risk. Interest rate volatility was set based on the average annual volatility of daily historical data for 2022:

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	*WIBOR +600 bp*	*WIBOR -600 bp*	*EURIBOR +450 bp*	*EURIBOR -450 bp*
Assets						
Loans granted	42	42	3	(3)	-	-
Cash and cash equivalents	1,100	1,100	66	(66)	-	-
Other derivatives	45	45	3	(3)	-	-
Liabilities						
Preferential loans and borrowings	1,077	1,077	65	(65)	-	-
Loans and borrowings granted on market terms	2,991	2,991	179	(179)	-	-
Bonds and debt securities issued	2,574	-	-	-	-	-
Change in profit before tax			**(172)**	**172**	**-**	**-**
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 and cash equivalents	340	340	5	(5)	-	-
Other derivative assets	16	16	-	-	-	-
Liabilities	-	-	-	-	-	-
Preferential loans and borrowings	981	981	15	(15)	-	-
Loans and borrowings granted on market terms	1,723	1,723	26	(26)	-	-
Bonds and debt securities issued	2,532	-	-	-	-	-
Change in profit before tax			**(36)**	**36**	**-**	**-**
Hedging derivatives (assets)	255	255	100	(107)	(41)	42
Change in other comprehensive income			**100**	**(107)**	**(41)**	**42**

Foreign exchange risk

The Group is exposed to foreign exchange risk on account of trade and financial transactions that it concludes. The risk arises as a result of the Group companies entering into purchase or sale transactions or incurring financial liabilities in currencies other than the valuation currency or holding financial assets in such currencies.

The Group identifies exposure to the risk of changes to EUR/PLN exchange rates.

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 the given currency pair at the date ending the reporting period.

The table below presents book values of PLN, including EUR values converted into PLN, and also 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. Exchange rate volatility was set based on the average annual volatility of daily historical data for 2022:

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Financial assets and liabilities	31 December 2022		FX risk sensitivity analysis as at 31 December 2022	
	Carrying amount	Value at risk	EUR/PLN	
	PLN (including EUR values converted into PLN)	*EUR values converted into PLN*	*exchange rate EUR/PLN +15.00%*	*exchange rate EUR/PLN -15.00%*
Assets				
Trade receivables	3,271	-	-	-
Cash and cash equivalents	1,100	134	20	(20)
Hedging derivatives (assets)	257	2,076	311	(311)
Liabilities				
Trade liabilities	2,388	-	-	-
Bonds and debt securities issued	2,574	2,574	(386)	386
Change in profit before tax			**(50)**	**50**
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 (including EUR values converted into PLN)	*EUR values converted into PLN*	*EUR/PLN rate +15.0%*	*EUR/ PLN rate -15.0%*
Assets				
Trade receivables	2,074	-	-	-
Cash and cash equivalents	340	59	9	(9)
Hedging derivatives (assets)	255	2,274	341	(341)
Liabilities	-	-	-	-
Trade liabilities	1,067	18	(3)	3
Bonds and debt securities issued	2,532	2,532	(380)	380
Hedging derivatives (liabilities)	-	-	-	-
Change in profit before tax			**(64)**	**64**
Change in other comprehensive income*			**31**	**(31)**

* in respect of hedging derivatives

With regard to trade transactions, the Group is not exposed, to a material extent, to the exchange rate risk because the Group's cash settlements are mainly in PLN.

With regard to financial transactions, the Group is exposed to foreign exchange risk connected with issued Eurobonds. To hedge that risk, the Group has entered into cross-currency interest rate swap (CCIRS) transactions and has implemented hedge accounting (see the description in Note 30.6.).

Commodity risk

The Group is exposed to risks tied to variation in prices of commodities used in the operating activity.

The most significant risk is the risk of changing purchase prices of electricity and certificates of origin on the wholesale market in long-, medium- and short-term contracts executed by Energa-Obrót SA on the Polish market.

Accordingly, it is important to refer the actual risk exposure to the assumed financial result for the year. The above risks are managed by measuring, controlling and recommending actions to reduce risk exposure, which is determined by the Management Board of Energia-Obrót SA. Market risk exposure includes all of the company's open positions, and is mainly mitigated through built tools and models. Measurement and control are based on the concept of measuring the Value at Risk (VaR). The models developed help mitigate market risks, including those related to the volatility of prices for electricity, gaseous fuel, carbon emissions or property rights. According to the methodology used, the company can only bear risk within the allocated VaR limits. The Value at Risk is regularly monitored and reported to make sure that it does not exceed the limits determined by the Management Board of Energia-Obrót SA and takes into account, amongst others, the open position volume (the difference between the volumes sold and purchased), the volatility of product prices and the correlation among the particular products in the portfolio. In addition, in order to mitigate the risks associated with commodity price volatility, the company takes hedging measures, including by minimizing the open position on the electricity portfolio, which involves coordinating and optimizing the buying and selling process so that the difference between volumes purchased and sold does not exceed predetermined values. For diversification purposes, contracts are concluded in specific proportions and for different products. Furthermore, as part of customer bidding, a change in the value of the contract being offered to the customer from the time the bid is submitted to the customer until it is accepted is also subject to risk hedging.

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In order to mitigate the risks associated with the volatility of electricity purchase prices in the wholesale market for end-user contracting, the following hedging measures are taken:

- the open position on the electricity portfolio is minimized; this involves coordination and optimization of the purchasing and selling process to ensure that the difference between volumes purchased and sold does not exceed the pre-defined levels;
- contracts are concluded in specific proportions and for different products; and
- volume limits are set for the open position for participation on selected markets, minimizing risk related to large fluctuations of electricity prices on the market.

Furthermore, the significant risk of changes in the prices of commodities such as coal or carbon emission allowances (EUA), is controlled within the framework of market risk management at Energa Elektrownie Ostrołęka SA.

31.2. Credit risk

In the Group, credit risk is defined as the probability that a counterparty defaults on its financial obligations. Minimizing credit risk can be achieved through activities aimed at value-based risk assessment, monitoring the financial condition of counterparties, and securing trade credit with available tools such as bank guarantees, sureties, assignments, mortgages, deposits, prepayments, submission to enforcement in a notarized deed, promissory note, registered pledge, etc.

The credit risk is mitigated for counterparties with the largest turnovers or for the portfolio of wholesale accounts and the portfolio of strategic accounts. The following are of special importance in this respect: credit rating, trade limits, special provisions in agreements with counterparties and obtaining security from clients with a low credit rating.

Appropriate procedures have been put in place within the Group to minimize the risk of counterparties' insolvency. For the wholesale energy market, respective procedures determine the limits of possible sales of electricity without requiring securities. For any transactions in excess of the above limit, securities such as a bank guarantee are required.

For sales to strategic and business clients, the procedures impose the duty to rate clients' creditworthiness. For clients with a low credit rating, the sales may begin on the condition that security acceptable to the seller is obtained.

Moreover, thanks to the ongoing monitoring of the status of receivables, the Group's exposure to the risk of uncollectable receivables is minor.

Uncollectable receivables are understood as the value of anticipated loss due to untimely or incomplete repayment of debt by the customers, estimated on a monthly basis, for all receivables and throughout the life of a receivable. The Group defines uncollectable receivables in relation to actual events at the time of default on an obligation by a contractor after the lapse of the first day from the receivable's maturity date.

Below are disclosures of credit risk by rating and other categories for trade receivables:

	As at 31 December 2022			As at 31 December 2021		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Highest client rating	0.0%	846	-	0.0%	579	-
Medium client rating	0.0%	297	-	0.0%	151	-
Lowest client rating	0.9%	57	(1)	2.4%	20	-

	As at 31 December 2022			As at 31 December 2021		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Clients with no rating in sales business line	1.6%	1,082	(17)	1.7%	681	(12)
Disputed receivables	83.8%	358	(300)	84.1%	351	(295)
Other receivables	7.5%	1,026	(77)	8.1%	652	(53)

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With respect to the Group's other financial assets, such as cash and cash equivalents and certain derivatives, the Group's 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. At the same time, we deem those to be low credit risk assets.

In the financial area, credit risk is mitigated through ongoing monitoring of the ratings of financial institutions and by limiting the risk of concentrating cash surpluses in a single financial institution. In 2022, the Group invested surplus cash in bank deposits. Decisions on bank deposits aim to maximize the rate of return subject, taking into account the applicable concentration limits for each bank and the current assessment of banks' financial condition that requires each bank to have short-term investment-grade ratings for deposits.

The carrying amount of financial instruments, by category and class, is presented in Note 30.1.

31.3. Liquidity risk

The Group 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.

The Group 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 0.6 and 0.6, respectively.

In respect to liquidity risk management, the Group 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 lease agreements.

Detailed information on contracted external financing obtained by the Group is set out in Note 30.5.

The table below presents the Group's financial liabilities by maturity dates, based on contractual undiscounted payments (at nominal values, including payments of possible interest).

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2022					
Interest-bearing loans and borrowings	540	2,110	1,148	813	**4,611**
Bonds	135	1,004	1,717	796	**3,652**
Trade liabilities	2,382	6	-	-	**2,388**
Lease liabilities	24	21	105	712	**862**
Other financial liabilities	442	120	7	-	**569**
TOTAL	**3,523**	**3,261**	**2,977**	**2,321**	**12,082**
31 December 2021					
Interest-bearing loans and borrowings	312	1,111	1,074	294	**2,791**
Bonds	29	44	797	1,964	**2,834**
Trade liabilities	1,065	2	-	-	**1,067**
Lease liabilities	24	14	182	657	**877**
Other financial liabilities	383	26	9	-	**418**
TOTAL	**1,813**	**1,197**	**2,062**	**2,915**	**7,987**

Assets are comprised mainly of cash and cash equivalents and trade receivables. The structure of cash and cash equivalents is presented in Note 20. The aging analysis is presented in Note 30.4.1 for trade receivables and in Note 35 for lease liabilities.

31.4. Climate risk

The Group is taking consistent and planned measures to adapt the Energa Group's operations to climate change and mitigate their negative impact on the climate. Climate risks and opportunities are identified and evaluated, taking into account their potential impact, through the ongoing management process.

Furthermore, continuous monitoring of identified climate risks and opportunities makes it possible to take appropriate mitigation measures to minimize the risks concerned and take full advantage of opportunities arising from the energy transition.

In preparing these consolidated financial statements, the Group took into account the impact of climate factors on the value of the assets and liabilities presented, including on the impairment testing of property, plant and equipment (Note 13), on the value of investments in entities measured by the equity method (Note 17), on the value of intangible assets, including carbon emission allowances (Notes 14 and 19), and on the process of establishing provisions for liabilities (Note 25).

The Group also identifies the impact of climate factors on the financial sector and the availability and cost of raising debt financing for ongoing investment projects.

The "Energa Group Strategic Development Plan for 2021-2030" ("SDP") takes into account key trends affecting the shape and operation of the domestic energy market, including factors related to climate change. The Energa Group's action and development plan towards 2030, as set out in the SDP, comprises goals related to the reduction of carbon emissions, the development of new zero-emission generation capacity and the expansion of distribution networks. The ongoing process of spinning off coal assets outside the Group's structures is also part of this strategy.

31 December 2022 (in PLN million)

Detailed information on the impact of risks related to climate factors on the Group's operations, as well as a description of the Company's and the Group's ESG management activities are presented in "Report of the Management Board of Energa SA on the operations of the Energa Group and Energa SA in 2022" and "Report on non-financial information of the Energa Group for 2022".

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

32. Statement of cash flows

(Profit)/ loss on investing activities

	Year ended 31 December 2022	Year ended 31 December 2021 (restated data)*
Result on disposal of property, plant and equipment and intangible assets	(1)	(20)
Impairment losses on property, plant and equipment, intangible assets and investment property	85	81
Revaluation of investments	(42)	(8)
Settlement and valuation of derivative financial instruments	(253)	99
Net gains/losses on disposal of subsidiaries	-	15
Rental income from investment property	(40)	(31)
Other	(21)	(12)
TOTAL	**(272)**	**124**

*Conversion described in Note 9.32

Change in provisions

	Year ended 31 December 2022	Year ended 31 December 2021 (restated data)*
Change in non-current provisions	(38)	(189)
Change in short-term provisions	1,423	310
Use of the provision for carbon emissions, property rights from the previous year	1,175	788
Adjustment by the change in actuarial provisions recognized in other comprehensive income	39	85
Adjustment concerning the provision for land reclamation and liquidation costs	(10)	34
Adjustment concerning the provision for general contractor	46	171
Other	5	8
TOTAL	**2,640**	**1,207**

*Conversion described in Note 9.32

Other adjustments

	Year ended 31 December 2022	Year ended 31 December 2021 (restated data)*
Settlement of grants for property rights	(91)	(125)
Settlement of other grants	(27)	(20)
Security deposits	(11)	35
Change in contract liabilities	24	167
Other	13	(12)
TOTAL	**(92)**	**45**

*Conversion described in Note 9.32

31 December 2022 (in PLN million)

Change in short-term receivables and current prepaid expenses and accrued income

	Year ended 31 December 2022	Year ended 31 December 2021 (restated data)*
Change in trade receivables	(1,197)	(133)
Change in assets held for sale	(11)	(3)
Change in VAT receivables	(207)	(22)
Change in advances for deliveries	(5)	32
Change in other financial receivables	25	(28)
Change in other non-financial receivables	2	63
Adjustment for the change in receivables upon the disposal of subsidiaries	-	(22)
Other	(15)	35
TOTAL	**(1,408)**	**(78)**

*Conversion described in Note 9.32

Change in current liabilities, excluding loans and borrowings and current accrued expenses and deferred income

	Year ended 31 December 2022	Year ended 31 December 2021 (restated data*)
Change in trade liabilities	1,321	275
Change in other financial liabilities	161	222
Change in liabilities resulting from measurement of hedging derivatives	98	-
Change in other current liabilities	84	2
Adjustment by the change in the lease balance	(6)	(135)
Adjustment by the change in investment commitments	(214)	(80)
Adjustment for the change in liabilities upon disposal of subsidiaries	-	21
Other	5	(5)
TOTAL	**1,449**	**300**

*Conversion described in Note 9.32

Purchase of property, plant and equipment and intangible assets

	Year ended 31 December 2022	Year ended 31 December 2021
Purchase of property, plant and equipment and intangible assets	(4,802)	(2,570)
Receipts from settlements of purchases of property, plant and equipment and intangible fixed assets	214	79
Advances paid for property, plant and equipment	(404)	(182)
TOTAL	**(4,992)**	**(2,673)**

OTHER NOTES

33. Investment commitments

As at the end of the current reporting period, the Group's commitments to incur capital expenditure on the purchase of property, plant and equipment and intangible assets, which have not yet been recognized in the statement of financial position, amounted to approx. PLN 6,541.43 m, of which:

- Undertakings covered by the development plan of Energa-Operator SA to satisfy the current and future demand for electricity in the years 2020-2025 (agreed upon with the President of the Energy Regulatory Office) – approx. PLN 2,825 m;
- CCGT Grudziądz – construction of gas and steam power plants – approx. PLN 1,892.74 m;
- CCGT Ostrołęka – construction of gas and steam power plants – approx. PLN 1,691.51 m;
- Construction of a cogeneration system consisting of gas engines together with building and technological infrastructure at the site of the Combined Heat and Power Plant in Kalisz – PLN 73.8 m,
- EC Kalisz – construction of a reserve-and-peak load water gas boiler with two boilers, each with a capacity of 20 MWt, and one boiler with a capacity of approx. 10 MWt by Energa Kogeneracja Sp. z o.o. – PLN 20 m;
- Modernisation of the existing infrastructure by Energa Wytwarzanie SA in the following locations: Włocławek, Kolbudy, Owidz, Karścino, Zgojewo, Żydowo – PLN 7.53 m.
- Construction of three water gas boilers, each with a capacity of 38 MWt, at the Elbląg CHP by Energa Kogeneracja Sp. z o.o. – PLN 6.9 m;
- Other upgrade and modernisation work carried out by Energa Kogeneracja Sp. z o.o. at the Combined Heat and Power Plant in Elbląg, Żychlin and Kalisz – approx. PLN 5.9 m;
- CCGT Gdańsk – construction of gas and steam power plants – approx. PLN 5.75 m;
- Construction of PV Czernikowo, PV Samolubie I and II, PV Pierzchały and PV Przykona photovoltaic installations by Energa Wytwarzanie SA – PLN 5.37 m;
- Construction of the PV Wielbark photovoltaic installation – PLN 1.85 m, and PV Gryf photovoltaic installation by Energa Wytwarzanie SA – PLN 3.15 m;
- Energa Oświetlenie Sp. z o.o. – purchase of lifts – approx. PLN 3.05 m.

34. Information on related entities

Related party transactions are made based on market prices of goods, products or services delivered resulting from their manufacturing costs.

34.1. Transactions involving parties related to the State Treasury

As at 31 December 2022, the Group's controlling entity was PKN ORLEN S.A. The sales revenues generated by the Group on transactions with the controlling entity amounted to PLN 322 m as at 31 December 2022 while the trade receivables totalled PLN 69 m. The costs of transactions with that entity reached PLN 1,288 m, while trade liabilities amounted to PLN 123 m. On 30 May 2022, Energa SA and PKN ORLEN S.A. executed an annex to the loan agreement of 31 May 2021 extending the loan repayment period until 30 May 2023. The maximum debt under the loan at any time during its term may not exceed PLN 1 billion. The interest rate on the loan is set at market levels and depends on the level of the net debt/EBITDA ratio. As at 31 December 2022, the value of debt under the agreement was PLN 1 billion, and the interest rate was WIBOR 1M + a margin of 0.7%. On 9 December 2022, Energa SA and PKN ORLEN S.A. entered into the second loan agreement maturing on 29 September 2023. The maximum debt under the loan at any time during its term may not exceed PLN 1 billion. The interest rate on the loan is set at market levels and depends on the level of the net debt/EBITDA ratio. As at 31 December 2022, the value of debt under the agreement was PLN 700 m, and the interest rate was WIBOR 1M + a margin of 0.84%.

The Group concludes transactions also with other parties related to the State Treasury in the ordinary course of business.

Transactions pertained mainly to the purchase and sale of electricity and property rights, sale of electricity distribution services (including transit), settlements with the transmission system operator on the balancing market, for transmission services, system services and intervention work services, and the purchase of fuels (mainly coal). These transactions are concluded on an arms' length basis and their terms and conditions do not deviate from transactions with other entities. As at 31 December 2022, the Group's sales revenues amounted to PLN 37 m, while the costs of transactions with such entities reached PLN 186 m.

There were also transactions of financial nature (credits, guarantees, banking fees and commissions) with Bank PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego (banking fees and commissions).

As regards disclosures relating to transactions with parties related to the State Treasury, the Group applies the exemption defined in paragraph 25 of IAS 24.

34.2. Transactions with joint ventures and associates

Energa SA Group companies' sales to the associate and joint ventures in the period ended 31 December 2022 and in the corresponding period of the previous year were reported at an immaterial level. As at 31 December 2022, the level of receivables amounted to 50 million and related in particular to receivables from loans granted to the joint venture of Elektrownia Ostrołęka Sp. z o.o. and an advance payment made to the company (an asset purchase transaction related to the gas power plant construction process between CCGT Ostrołęka Sp. z o.o. and Elektrownia Ostrołęka Sp. z o.o.); as at 31 December 2021, the level of receivables was insignificant.

In 2022, purchases from the associate and joint ventures amounted to PLN 407 m (in the corresponding prior year period, purchases were PLN 191 m). The liabilities as at 31 December 2022 amounted to PLN 9 m, compared to PLN 120 m as at 31 December 2021. Purchase transactions in 2022 were effected mainly with Polska Grupa Górnicza S.A. and concerned in particular the purchase of coal until the sale of shares in Polska Grupa Górnicza S.A.

Consolidated financial statements for the year ended 31 December 2022 (in PLN million)

34.3. Transactions with the parent company's Management Board members

During the reporting period, the Parent Company did not enter into any material transactions with Management Board members.

34.4. Remuneration paid or payable to key management and Supervisory Boards of Group companies (including short-term employee benefits and post-employment benefits)

	Year ended 31 December 2022	Year ended 31 December 2021
Parent		
Short-term employee benefits	18.1	17.1
Other non-current benefits	>1	-
Termination pay	-	1.2
Subsidiaries		
Short-term employee benefits	68.1	65.7
Post-employment benefits	>1	-
Other non-current benefits	0.5	0.7
Termination pay	2.6	2.5
Short-term employee benefits	**89.4**	**87.2**

35. Liabilities under lease agreements

Future lease payments under these agreements and the present value of net lease payments are as follows:

	Lease payments payable as at			
	31 December 2022		31 December 2021	
	Fees	Current value of payments	Fees	Current value of payments
Up to 1 year	89	45	77	39
Within 1 to 5 years	255	105	303	182
Over 5 years	1,368	712	1,272	656
Total lease payments	**1,712**	**862**	**1,652**	**877**
Less financial costs	850	-	775	-
Present value of lease payments	**862**	**862**	**877**	**877**

36. Capital management

The Group 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 Parent Company is responsible for managing the Group's debt policy.

The Group 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.

The level of the ratio is also regularly monitored by institutions financing the Group and by rating agencies; therefore, it has a significant influence on the evaluation of the Group's credit rating and, consequently, the availability and cost of debt financing.

	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**

** For details see Note 10*

31 December 2022 (in PLN million)

37. Contingent assets and liabilities

37.1. Contingent liabilities

As at 31 December 2022, the Group identifies contingent liabilities of PLN 259 m (PLN 270 m as at 31 December 2021), including mainly the contingent liabilities relating to legal claims filed against Energa Group companies likely to be effectively dismissed by the companies or for which no cash outflow can be reliably estimated and no provision has been recognized for those claims.

Disputes relating to the power infrastructure of Energa-Operator SA located on private land are the largest contingent liability. The Group recognizes provisions for any legal disputes raised. If there is uncertainty as to the validity of a claim amount or legal title to land, the Group recognizes contingent liabilities. As at 31 December 2022, the estimated value of those claims recognized as contingent liabilities is PLN 239 m, compared with PLN 249 m as at 31 December 2021. Based on the available legal opinions, the estimates define the risk of a situation in which a liability arises to be below 50%.

37.2. Contingent assets

As at the end of the reporting period and as at 31 December 2021, there were no material contingent assets.

38. Employment structure

Headcount as at 31 December in FTEs* was as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Blue collar employees	3,064	3,119
Non-blue collar employees	5,717	5,769
TOTAL	**8,781**	**8,888**

39. Other information significantly affecting the assessment of assets, financial position and the financial result of the Group

New regulations governing energy prices

In view of the crisis situation in the electricity market in 2022, with an observable significant increase in the price of electricity in SPOT and futures contracts, mainly on the back of rising prices of conventional fuels as a result of the war in Ukraine, the regulatory authority has decided to introduce new legislation to regulate the market and protect consumers:

The Group estimated and recognized the impact of the following legislation in the 2022 financial statements:

- 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 (concerning a price freeze for tariff G up to consumption caps)
- Act of 27 October 2022 on Urgent Measures to Cap Electricity Prices and Support Certain Consumers in 2023;
- Regulation of 8 November 2022 laying down the rules for calculating the price cap;
- Act of 15 December 2022 on specific protection for certain gaseous fuel customers in 2023 in connection with the situation in the gas market;
- Act of 8 February 2023 amending the Act on specific solutions for certain heat sources in connection with the situation in the fuel market and certain other acts; and
- Decision of the President of the Energy Regulatory Office of 17 December 2022, to approve the 2023 electricity tariff for G tariff customers (connected to the grid of Energa-Operator S.A.), to whom Energa Obrót S.A. provides comprehensive service.

As a result of these extraordinary energy market regulations and the capped tariff level, the Group recognized a loss on contracts with G tariff customers in 2023 and established a provision for onerous contracts in the financial statements for 2022 in the amount of PLN 1,068 m.

At the same time, based on current regulations, the Company presented proceeds from compensation due to electricity trading companies as a consequence of applying frozen electricity and gas prices to eligible customers under the "Revenue from the Price Difference Payout Fund" line of the profit and loss account in the amount of PLN 349 m.

In connection with mandatory contributions to the Price Difference Payout Fund from electricity producers and traders selling at prices that exceed the price caps calculated in accordance with the regulations cited above, including the implementing regulation, the Group estimated such contributions at PLN 38 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 Group's activities and financial performance.

Further military actions, the scope and effectiveness of sanctions imposed on Russia and Belarus and the response from central banks and other financial institutions to the crisis will be of key relevance for a full assessment of the implications of the current situation for the future financial results of the Group.

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

- The risk of the Polish currency's weakening against major currencies, including specifically against euro.
- The Group hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects,
- The risk of an increase in prices of energy inputs (coal and gas) as a result of their limited availability due to the embargo imposed on Russia. It needs to be stressed that the Group no longer purchases fuels from operators based in Russia, Belarus or Ukraine.
- The Group understands that the current situation may significantly affect the hard coal availability and prices, and therefore the Group identifies as risk the adverse impact of that factor on its operations and financial performance. The Group monitors the availability and level of prices of that fuel on an ongoing basis for the respective periods and takes actions to secure the supply and prices that allow uninterrupted and profitable operations of the Generation Business Line.
- The existing production sources of the Group hardly rely on gaseous fuel in their operations (currently, only peak load and reserve boilers in Elbląg are exposed to this risk).
- The risk of the Group's operations being adversely affected by the Polish government's intervention on the domestic electricity market (as a response to the increase in electricity prices in the aftermath of the war in Ukraine) – including the statutory cap on electricity prices for selected groups of customers; compensation for energy trading companies in an amount that will not cover the full range of costs; the need for energy producers to return part of their revenues that exceed the statutory level, and the tariff policy of the President of the Energy Regulatory Office.
- The risk of unavailability and increase in the price of electrical engineering materials being purchased as well as other components. Price growth in that area may lead to higher costs of ongoing repairs and higher expenditure on ongoing investment projects of distribution and generation infrastructure;
- In particular, the Group monitors the situation as regards timely delivery of measuring infrastructure items and takes the relevant adaptive actions to ensure the continuity of its operating activities in terms of the installation of meters in the distribution network.
- Greater risk of attacks against the generation and distribution infrastructure which is required to achieve the Group's main business goals, which necessitates higher expenditure on protection of IT systems and facilities, buildings and civil structures, and the use of more advanced tools, equipment and security 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 Group.
- In addition, the economic situation (high inflation, worsening GDP forecasts, high borrowing costs) may affect the liquidity situation of businesses and households in Poland, potentially resulting in a deterioration of payment behaviours of the Group's customers. At the time of preparing this report, the Group does not identify any significant delays in the collection of receivables from its customers, however, it takes this possibility into account, and therefore appropriate actions are taken to monitor the payment performance of individual customer groups.

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

The Group companies have no business relations with business operators registered in the territory of Ukraine, Russia or Belarus.

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

On 16 September 2022, Energa SA and PKN ORLEN S.A. entered into an agreement on financing the construction of a combined cycle (CCGT) plant in Gdańsk. PKN ORLEN declared that if the investment decision is made, it would finance the whole capital expenditure associated with the project, but not more than PLN 2.5 bn, while the financing provided by PKN ORLEN will take place after the financing provided by ENERGA S.A. 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

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.

Global coronavirus pandemic

In the reporting period, the Group did not identify any negative profitability impact of the COVID-19 pandemic.

In the area of financial activities, based on the analyses of possible scenarios of further development of the pandemic, the Group does not identify the risk of default on its obligations or terms and conditions of its financing agreements. The Group has also taken liquidity protection measures in connection with changes in the market environment.

The Group monitors closely and on an ongoing basis the developments in many areas of its business and takes measures to mitigate the negative impact of the coronavirus pandemic on its financial situation. Various scenarios are being analyzed on an ongoing basis and adequate remediation measures, as well as actions mitigating the effects of materialization of risks, are being developed.

The Group has the resources to effectively counteract potential unfavourable phenomena, both in the short, medium and long term. Losses, if any, resulting from risks associated with a possible drop in revenues and deterioration in timely collection of receivables, coupled with the need for meeting the Group's own credit commitments, will be mitigated through adequate limitation of expenses and capital expenditure.

In view of the above, it should be stated that there are no indications that the Group's continuing as a going concern may be at risk.

Restructuring measures in the preparation of selected Energa Group companies for inclusion into the National Agency for Energy Security

On 1 March 2022, the Council of Ministers adopted the document “Transformation of the Electricity Sector in Poland. Spin-off of generating coal assets from state-owned companies” (“Transformation”). According to the document, the spin-off process will be effected through the acquisition of assets related to electricity generation in conventional coal-fired units by the State Treasury from the Energa Group, PGE S.A., ENEA S.A. and TAURON Polska Energia S.A. The Transformation is expected to consist in the integration of the demerged Coal and Lignite Assets in a single entity, i.e. PGE Górnictwo and Energetyka Konwencjonalna S.A., a PGE subsidiary, which will ultimately operate as part of the National Energy Security Agency (“NABE”). NABE will be tasked with ensuring energy security through a stable supply of coal-generated energy. Power companies, on the other hand, will be able to focus on developing investments in low- and zero-carbon energy sources and transmission infrastructure after spinning off coal assets.

The Energa Group is currently in the process of finalizing the due diligence process, valuing the spun-off assets and determining other key parameters of the future sale transaction. In 2022, the following ownership changes were carried out as part of the process of preparing selected Group companies for incorporation into NABE:

- On 13 April 2022, Energa Elektrownie Ostrołęka SA sold the only share it held in Zakłady Pomiarowo-Badawcze Energetyki “ENERGOPOMIAR” Sp. z o.o. to Energa Ciepło Ostrołęka Sp. z o.o.;
- On 12 May 2022, Energa sold its entire shareholding in ECARB Sp. z o.o. (“ECARB”) to Energa Wytwarzanie SA and subsequently, on 16 September 2022, Energa Wytwarzanie SA sold its entire shareholding in ECARB to Energa Elektrownie Ostrołęka SA, which thus became the sole shareholder of ECARB;
- On 28 June 2022, Energa Elektrownie Ostrołęka SA sold its entire shareholding in Energa Ciepło Ostrołęka Sp. z o.o. to Energa Kogeneracja Sp. z o.o., which thus became the sole shareholder of that company;
- On 29 June 2022, Energa Ciepło Ostrołęka Sp. z o.o. sold its entire shareholding in Energa Serwis Sp. z o.o. to Energa Elektrownie Ostrołęka SA, which thus became the sole shareholder of that company.

40. Significant subsequent events

Cash pooling

Since 4 January 2016, Energa Group companies have been using a one-way zero-balancing cash pooling service for funds in the local currency.

Following the integration of the Energa Group with the ORLEN Group, some of 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.

Signatures of Members of the Management Board of Energa SA:

Zofia Paryła ....

President of the Management Board

Michał Perlik ....

Vice-President of the Management Board for Finance and Climate

Adrianna Sikorska ....

Vice-President of the Management Board for Communication

Janusz Szurski ....

Vice-President of the Management Board for Corporate Matters

Person responsible for the preparation of the statements:

Magdalena Kamińska ....

Deputy Director of the Finance Department

Bartłomiej Bieńkowski ....

Head of the Financial Reporting and Taxes Section

Gdańsk, 27 April 2023