Condensed Interim Consolidated Financial Statements prepared in accordance with IAS 34 for the nine-month period ended 30 September 2023

TABLE OF CONTENTS

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2023 (unaudited)	3-month period ended 30 September 2022 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Sales revenue	**5,066**	**16,260**	**5,507**	**15,024**
Revenue from the Price Difference Payout Fund	**989**	**3,229**	**-**	**-**
Cost of sales	(5,123)	(15,281)	(4,460)	(11,832)
Gross profit on sales	**932**	**4,208**	**1,047**	**3,192**
Other operating income	55	371	390	653
Selling and distribution expenses	(347)	(1,444)	(237)	(724)
General and administrative expenses	(123)	(434)	(124)	(276)
Other operating expenses	(55)	(217)	(275)	(661)
Financial income	43	93	51	70
Financial costs	(211)	(532)	(167)	(334)
Share in profit (loss) of entities measured using the equity method	1	6	14	62
Profit or loss before tax	**295**	**2,051**	**699**	**1,982**
Income tax	(100)	(432)	(163)	(389)
Net profit or loss for the period	**195**	**1,619**	**536**	**1,593**
Attributable to:				
Equity holders of the parent company	206	1,630	514	1,553
Non-controlling interests	(11)	(11)	22	40
Earnings or loss per share (in PLN)				
- basic	**0.50**	**3.94**	**1.24**	**3.75**
- diluted	**0.50**	**3.94**	**1.24**	**3.75**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2023 (unaudited)	3-month period ended 30 September 2022 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Net profit for the period	**195**	**1,619**	**536**	**1,593**
Items that will never be reclassified to profit or loss	***(24)***	***4***	***(32)***	***42***
Actuarial gains and losses on defined benefit plans	(30)	5	(40)	52
Deferred income tax	6	(1)	8	(10)
Items that may subsequently be reclassified to profit or loss	**(5)**	**(79)**	**(21)**	**37**
Foreign exchange differences from translation of foreign entities	3	(2)	3	4
Cash flow hedges	(12)	(96)	(29)	41
Deferred income tax	4	19	5	(8)
Share in other comprehensive income of entities measured using the equity method	**-**	**-**	**-**	**2**
Net other comprehensive income	**(29)**	**(75)**	**(53)**	**81**
Total comprehensive income	**166**	**1,544**	**483**	**1,674**
Attributable to:				
Equity holders of the parent company	177	1,555	462	1,634
Non-controlling interests	(11)	(11)	21	40

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 September 2023 (unaudited)	As at 31 December 2022
ASSETS		
Non-current assets		
Property, plant and equipment	19,399	17,386
Intangible assets	912	1,487
Right-of-use assets	1,075	1,050
Investments in associates and joint ventures measured using the equity method	160	153
Deferred tax assets	241	418
Other non-current financial assets	108	190
Other non-current assets	574	702
	22,469	**21,386**
Current assets		
Inventories	394	346
Current tax receivables	369	399
Trade receivables	4,916	3,271
Other current financial assets	1,330	210
Cash and cash equivalents	251	1,100
Other current assets	481	478
	7,741	**5,804**
Assets classified as held for sale	-	58
TOTAL ASSETS	**30,210**	**27,248**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

	As at 30 September 2023 (unaudited)	As at 31 December 2022
EQUITY AND LIABILITIES		
Equity		
Share capital	4,522	4,522
Foreign exchange differences from translation of a foreign entity	4	6
Reserve capital	1,031	1,031
Supplementary capital	1,711	1,661
Cash flow hedge reserve	(22)	55
Retained earnings	5,290	3,706
Equity attributable to equity holders of the parent company	**12,536**	**10,981**
Non-controlling interest	**929**	**559**
	13,465	**11,540**
Non-current liabilities		
Loans and borrowings	1,201	1,531
Bonds issued	1,926	1,965
Non-current provisions	604	696
Deferred tax liabilities	1,024	931
Deferred income and non-current grants	310	326
Liabilities on account of leases	815	817
Other non-current financial liabilities	53	5
Contract liabilities	8	9
	5,941	**6,280**
Current liabilities		
Trade liabilities	1,713	2,388
Contract liabilities	1,126	314
Current credits and loans	2,238	2,537
Bonds issued	34	609
Current income tax liability	19	3
Deferred income and grants	184	202
Short-term provisions	1,572	2,496
Other financial liabilities	3,585	609
Other current liabilities	333	245
	10,804	**9,403**
Liabilities directly related to assets classified as held for sale	-	25
Total liabilities	**16,745**	**15,708**
TOTAL EQUITY AND LIABILITIES	**30,210**	**27,248**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent company								
	Share capital	Foreign exchange differences	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2023	**4,522**	**6**	**1,031**	**1,661**	**55**	**3,706**	**10,981**	**559**	**11,540**
Net other comprehensive income	-	(2)	-	-	(77)	4	**(75)**	-	**(75)**
Net profit for the period	-	-	-	-	-	1,630	**1,630**	(11)	**1,619**
Total comprehensive income for the period	**-**	**(2)**	**-**	**-**	**(77)**	**1,634**	**1,555**	**(11)**	**1,544**
Distribution of profits/ coverage of losses from previous years	-	-	-	50	-	(50)	**-**	-	**-**
Change of ownership structure	-	-	-	-	-	-	**-**	381	**381**
As at 30 September 2023 (unaudited)	**4,522**	**4**	**1,031**	**1,711**	**(22)**	**5,290**	**12,536**	**929**	**13,465**
As at 1 January 2022	**4,522**	**5**	**821**	**1,661**	**87**	**2,912**	**10,008**	**(66)**	**9,942**
Net other comprehensive income	-	4	-	-	33	44	**81**	-	**81**
Net profit for the period	-	-	-	-	-	1,553	**1,553**	40	**1,593**
Total comprehensive income for the period	**-**	**4**	**-**	**-**	**33**	**1,597**	**1,634**	**40**	**1,674**
Distribution of profits/ coverage of losses from previous years	-	-	210	-	-	(210)	**-**	**-**	**-**
Change of ownership structure	-	-	-	-	-	4	**4**	**583**	**587**
As at 30 September 2022 (unaudited)	**4,522**	**9**	**1,031**	**1,661**	**120**	**4,303**	**11,646**	**557**	**12,203**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	9-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Cash flows from operating activities		
Profit/(loss) before tax	**2,051**	**1,982**
Adjustments for:		
Share in (profit)/loss of the entities measured using the equity method	(6)	(62)
(Profit)/loss on foreign exchange	79	8
Amortization and depreciation	875	841
Net interest and dividends	372	208
(Profit)/loss on investing activities, including goodwill impairment allowance	(7)	(45)
Change in provisions	36	1,169
Change in contract liabilities	813	57
Other adjustments	(29)	(98)
Changes in working capital:		
Change in current receivables and current prepayments	(1,699)	(1,162)
Change in inventories	(49)	(160)
Change in current liabilities, excluding loans and borrowings and in current accruals	(619)	856
	1,817	**3,594**
Income tax	**(93)**	**(498)**
Net cash from operating activities	**1,724**	**3,096**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets and investments into investment property	3	3
Purchase of property, plant and equipment and intangible assets	(3,094)	(3,996)
Cash pooling outflows	(1,174)	-
Advance payments for the purchase of shares of subsidiaries	(133)	-
Other proceeds from financial assets	18	24
Sale of a subsidiary	14	-
Interest received	22	-
Proceeds/(Outflows) net cash from loans	42	-
Other	-	25
Net cash from investing activities	**(4,302)**	**(3,944)**
Cash flows from financing activities		
Net inflows from issuance of shares and other capital instruments and from capital contributions	382	586
Proceeds from debt incurred	2,530	2,750
Repayment of debt incurred	(3,147)	(2,005)
Proceeds from cash pooling	3,072	-
Redemption of debt securities	(578)	-
Repayment of lease liabilities	(68)	(64)
Grants received	9	28
Interest paid	(436)	(236)
Other	(28)	(11)
Net cash from/(used in) financing activities	**1,736**	**1,048**
Net increase/ (decrease) in cash and cash equivalents	**(842)**	**200**
Cash and cash equivalents at the beginning of the period	**1,100**	**340**
Change in cash due to exchange rate differences	*(9)*	*6*
Change in cash classified as held for sale	*2*	*(1)*
Cash and cash equivalents at the end of the period	**251**	**545**
including restricted cash	*163*	*231*

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

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
Registered 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.

The condensed consolidated interim financial statements of the Group cover the period of nine months ended 30 September 2023 and contain 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 30 September 2023, ORLEN S.A. (formerly PKN ORLEN S.A.) is the parent company of the Company and the ultimate controlling party of the Energa 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 30 September 2023, 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	
				30 September 2023	31 December 2022
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
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

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at 30 September 2023	% held by the Group in share capital as at 31 December 2022
10	Energa Ciepło Ostrołęka Sp. z o.o.	Ostrołęka	distribution of heat	100	100
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	Energa MFW 1 Sp. z o.o.	Gdańsk	production of energy	100	100
14	Energa MFW 2 Sp. z o.o.	Gdańsk	production of energy	100	100
15	Energa Wind Service Sp. z o.o.	Gdańsk	holdings and management of companies and enterprises	100	100
16	ECARB Sp. z o.o.	Gdańsk	financing activity	89.64	89.64
	Other Business Line				
17	Energa Finance AB (publ)	Stockholm	financing activity	100	100
18	Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
19	Energa Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
20	Energa Invest Sp. z o.o.	Gdańsk	investment project management	-	100
21	Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	development activity in engineering	100	100
22	CCGT Ostrołęka Sp. z o.o.	Ostrołęka	production of energy	50	50
23	CCGT Grudziądz Sp. z o.o.	Grudziądz	production of energy	100	100
24	CCGT Gdańsk Sp. z o.o.	Gdańsk	production of energy	100	100
25	Energa Green Development Sp. z o.o.	Gdańsk	implementation of investment projects	100	100
26	Energa Prowis Sp. z o.o.	Gdańsk	implementation of investment projects	100	100

Additionally, as at 30 September 2023 the Group holds shares in the joint venture Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA) and in Polimex-Mostostal SA ("Polimex"), an associate (see the description in Note 2.2).

2.2. Joint ventures and associate

2.2.1. 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 16.19% of the Polimex shareholders structure.

The stake in Polimex was classified as an associate accounted for using the equity method. 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 29 September 2023 is PLN 174 m.

As at 30 September 2023 the investments in the consolidated financial statements amount to PLN 160 m.

2.2.2. 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. The project was resumed in the gas formula, however, CCGT Ostrołęka Sp. z o.o. became a special purpose vehicle for its implementation. The final settlement of the Coal Project with the General Contractor (GE Power Sp. z o.o. and GE Steam Power Systems S.A.S.) took place on 31 March 2022. The costs incurred by Energa SA in connection with the settlement of the General Contractor's works amounted to 50% of the total settlement amount, i.e. PLN 479 m net (the same amount was attributable to Enea S.A.).

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 shares.

As at 30 September 2023, the value of investment in Elektrownia Ostrołęka Sp. z o.o. in the consolidated financial statements amounted to zero.

3. Composition of the parent company's Management Board

In the period of three quarters 2023 and in the period until the date of preparation of these financial statements, the Management Board of Energa SA was composed of the following persons:

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

2) in the period from 16 February 2023 until 27 March 2023:
   - Ms Zofia Paryła - President of the Management Board;
   - Mr Michał Perlik - Vice-President of the Management Board for Financial Matters;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters;

3) in the period from 27 March 2023 until the date of preparation of these statements:
   - Ms Zofia Paryła - President of the Management Board;
   - Mr Michał Perlik - Vice-President of the Management Board for Finance and Climate;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters.

4. Approval of the financial statements

These condensed interim consolidated financial statements were approved for publication by the Company's Management Board on 30 October 2023.

5. Basis for preparation of the financial statements

These condensed interim 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 condensed interim consolidated financial statements are presented in millions of Polish zloty ("PLN m") and 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 condensed interim consolidated financial statements of Energa SA Group have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as endorsed by the European Union. They do not include all the information required for a complete set of financial statements compliant with the International Financial Reporting Standards ("IFRS") as approved by the EU ("IFRS EU"). However, selected notes are included to explain events and transactions that are relevant to the understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended on 31 December 2022.

5.2. Functional and presentation currency

The functional currency of the parent company and other Polish companies covered by these condensed interim consolidated financial statements and the presentation currency of these condensed interim 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 converted into PLN as follows: data in the statement of financial position, except equity - at average exchange rates at the reporting date; equity - at the exchange rates at the date of transaction; data in the statement of profit or loss - at the average exchange rate for the reporting period. Exchange differences from conversion were recognised in other comprehensive income.

6. Material items subject to professional judgment and estimates

During the current reporting period, no changes were made in the scope or methods used in determining significant estimates. Changes in estimates were attributable to the events occurring during the reporting period.

The preparation of the condensed interim consolidated financial statements in accordance with the International Accounting Standard 34, Interim Financial Reporting, as endorsed by the European Union ("EU") requires the Management Board to adopt certain assumptions and estimates that affect the amounts reported in these condensed interim consolidated financial statements and notes thereto. The assumptions and estimates are based on the Management Board's best knowledge of current and future activities and events. However, actual results may differ from those anticipated.

7. Significant accounting policies

The Group's accounting policies are applied on a continuous basis, except for the amendments to EU IFRS.

7.1. Standards and interpretations applied for the first time in 2023

The following amendments to the existing standards published by the International Accounting Standards Board ("IASB") and endorsed in the EU came into force in 2023:

- 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, endorsed in the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

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

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements – Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);
- 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);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7: Financial Instruments: Disclosures: Financial Contracts with Suppliers (published on 25 May 2023) - the date of entry into force of the amendments has been postponed until the completion of research work on the equity method;
- Amendments to IAS 12 Income Tax: International Tax Reform - Second Pillar Model Rules (published 23 May 2023) - Companies can apply the exception immediately, but disclosure requirements are required for annual periods beginning on or after 1 January 2023,
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (published on 15 August 2023, with the effective date of 1 January 2025).

In the event of implementation of other above-mentioned standards, the Group does not anticipate the related changes to have a significant impact on its financial statements.

8. Explanations regarding the seasonality and cyclicality of operations in the period under review

Sales and distribution of electricity and heat during the year are subject to seasonal fluctuations. The volume of energy sold and distributed and, consequently, revenues rise during the winter months and fall in the summer months. This is dependent on the ambient temperature and length of the day. The extent of fluctuations is determined by low temperatures and shorter days in winter and higher temperatures and longer days in summer. The seasonal nature of electric energy sales and distribution applies to a greater extent to small individual customers than to industrial sector clients.

NOTES ON BUSINESS LINES (OPERATING SEGMENTS)

9. Business lines (Operating segments)

The Group presents segment information in accordance with IFRS 8 Operating Segments for the current and comparable 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 center in ITC area as well as financial activity, real estate management, logistics and procurement. The parent company's operations are included in the Other business line, as well as project companies not included in other lines.

The key measures used by the Energa SA Management Board to assess the performance of business lines is net profit and EBITDA, i.e. operating profit /(loss) (calculated as the profit /loss before tax adjusted by the share of profit/loss of an entity measured using the equity method, financial revenues 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 allocation of revenues and expenses to individual reporting segments for the period from 1 January to 30 September 2023 and financial assets and liabilities as at 30 September 2023, together with relevant comparative information.

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

9-month period ended on 30 September 2023 (unaudited) or as at 30 September 2023 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	4,422	9,659	2,009	170	-	**16,260**
Sales between business lines	72	70	1,045	576	(1,763)	**-**
Revenue from the Price Difference Payout Fund	517	2,710	2	-	-	**3,229**
Total business line revenue	**5,011**	**12,439**	**3,056**	**746**	**(1,763)**	**19,489**
EBITDA	**1,950**	**1,094**	**413**	**(60)**	**(39)**	**3,358**
Amortization and depreciation	708	46	107	25	(11)	**875**
Impairment losses on non-financial non-current assets	-	-	(1)	-	-	**(1)**
Operating profit or loss	**1,242**	**1,048**	**307**	**(85)**	**(28)**	**2,484**
Net financial income/costs	(262)	(28)	(40)	102	(211)	**(439)**
Share in profit/(loss) of the entities measured using the equity method	-	-	-	-	6	**6**
Profit or loss before tax	**980**	**1,020**	**267**	**17**	**(233)**	**2,051**
Income tax	(189)	(194)	(75)	26	-	**(432)**
Net profit or loss	**791**	**826**	**192**	**43**	**(233)**	**1,619**
Assets and liabilities						
Cash and cash equivalents	12	58	79	102	-	**251**
Total assets	**17,442**	**5,083**	**4,547**	**16,511**	**(13,373)**	**30,210**
Financial liabilities	5,836	390	1,230	5,256	(3,358)	**9,354**
Other business line information						
Capital expenditure	1,408	80	213	1,240	(53)	**2,888**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

9-month period ended on 30 September 2022 (unaudited) or as at 31 December 2022	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	3,376	9,376	2,104	168	-	**15,024**
Sales between business lines	47	35	490	444	(1,016)	**-**
Total business line revenue	**3,423**	**9,411**	**2,594**	**612**	**(1,016)**	**15,024**
EBITDA	**1,651**	**680**	**816**	**(46)**	**(3)**	**3,098**
Amortization and depreciation	676	41	113	21	(10)	**841**
Impairment losses on non-financial non-current assets	-	-	73	-	-	**73**
Operating profit or loss	**975**	**639**	**630**	**(67)**	**7**	**2,184**
Net financial income/costs	(199)	(2)	(32)	21	(52)	**(264)**
Share in profit/(loss) of the entities measured using the equity method	-	-	-	-	62	**62**
Profit or loss before tax	**776**	**637**	**598**	**(46)**	**17**	**1,982**
Income tax	(153)	(123)	(101)	(11)	(1)	**(389)**
Net profit or loss	**623**	**514**	**497**	**(57)**	**16**	**1,593**
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	1,110	43	275	803	-	**2,231**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

9-month period ended on 30 September 2023 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**3**	**9,460**	**2,956**	**463**	**(1,434)**	**11,448**
Electricity	-	9,242	2,568	-	(1,095)	**10,715**
Gas	-	196	-	-	(1)	**195**
Other goods for resale, finished goods, and materials	3	74	388	463	(338)	**590**
Excise tax	-	(52)	-	-	-	**(52)**
Revenues on sales of services, including:	**4,491**	**269**	**98**	**283**	**(329)**	**4,812**
Distribution and transit services	4,288	-	22	-	(37)	**4,273**
Customer connection fees	117	-	-	-	-	**117**
Other services	86	269	76	283	(292)	**422**
TOTAL	**4,494**	**9,729**	**3,054**	**746**	**(1,763)**	**16,260**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	4,288	9,386	2,590	-	(1,133)	**15,131**
Revenue from goods, products and materials transferred or services provided at a specific time	206	343	464	746	(630)	**1,129**

9-month period ended on 30 September 2022 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**25**	**9,162**	**2,470**	**404**	**(767)**	**11,294**
Electricity	23	8,957	2,162	-	(503)	**10,639**
Gas	-	228	-	-	-	**228**
Other goods for resale, finished goods, and materials	2	5	308	404	(264)	**455**
Excise tax	-	(28)	-	-	-	**(28)**
Revenues on sales of services, including:	**3,398**	**249**	**124**	**208**	**(249)**	**3,730**
Distribution and transit services	3,285	-	23	-	(39)	**3,269**
Customer connection fees	55	-	-	-	-	**55**
Other services	58	249	101	208	(210)	**406**
TOTAL	**3,423**	**9,411**	**2,594**	**612**	**(1,016)**	**15,024**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	3,308	9,157	2,185	-	(542)	**14,108**
Revenue from goods, products and materials transferred or services provided at a specific time	115	254	409	612	(474)	**916**

NOTES TO CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

10. Property, plant and equipment, intangible assets and right-of-use assets

Property, plant and equipment

In the current reporting period, the Group:

- incurred capital expenditures on property, plant and equipment in the amount of PLN 2,787 m (vs. PLN 2,139 m in the corresponding period of 2022),
- reversed the recognition of impairment losses on property, plant and equipment in the amount of PLN 1 m (in the corresponding period of 2022, it recognized impairment losses of PLN 79 m and reversed the recognition of impairment losses of PLN 6 m).

Intangible assets

In the current reporting period, the Group:

- incurred capital expenditure on intangible assets in the amount of PLN 50 m (PLN 34 m in the corresponding period of 2022);
- incurred capital expenditures on energy certificates of origin, CO2 emission allowances and energy efficiency certificates in the amount of PLN 430 m (PLN 1,457 m in the corresponding period of 2022).

Right-of-use assets

In the current reporting period, the Group increased right-of-use assets by PLN 51 m (PLN 58 m in the corresponding period of 2022) as a result of the conclusion of new agreements.

11. Impairment tests for property, plant and equipment and goodwill

In Q3 2023, as part of the assessment of the occurrence of internal or external indicators of impairment of property, plant and equipment of the Energa Group companies, no indications were identified that could result in a significant decrease in the value of these assets. Accordingly, it was decided that no impairment test was necessary.

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

	30 September 2023 (unaudited)	30 September 2022 (unaudited)
Cash at bank and in hand	251	361
Short-term deposits up to 3 months	-	184
Total cash and cash equivalents	**251**	**545**
including restricted cash	*163*	*231*

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].

13. 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 per share are presented below.

	9-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Net profit or loss attributable to the shareholders of the parent company	1,630	1,553
Net profit or loss attributable to ordinary equity holders of the parent company	**1,630**	**1,553**
Number of shares used to calculate earnings per share (in millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**3.94**	**3.75**

14. Dividends

On 15 June 2023, the Ordinary General Meeting of Energa SA adopted a resolution on the distribution of profit for 2022, which was entirely allocated to the supplementary capital.

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

15. Provisions

15.1. Provisions for employee benefits

The Group recognizes provisions for post-employment benefits and jubilee bonuses in amounts calculated using actuarial methods. The amount of provisions recognized in these financial statements derives from the projection of provisions as at 30 September 2023, carried out by an independent actuary. The projection was based on the main assumptions used to measure provisions as at 31 December 2022, except the updated discount rate, expected salary growth rate and the expected growth rate of the energy equivalent. The discount rate used to project the provisions as at 30 September 2023 was assumed at 5.6% (as at 31 December 2022: 6.7%).

	Long-term		Short-term		Total	
	30 September 2023 (unaudited)	31 December 2022	30 September 2023 (unaudited)	31 December 2022	30 September 2023 (unaudited)	31 December 2022
Pension and similar benefits	139	113	18	17	157	130
Energy tariff	115	159	16	20	131	179
Company Social Benefit Fund	34	16	1	2	35	18
Jubilee bonuses	210	184	25	27	235	211
Death gratuities	3	3	-	-	3	3
Total	**501**	**475**	**60**	**66**	**561**	**541**

15.2. Other provisions

	Long-term		Short-term		Total	
	30 September 2023 (unaudited)	31 December 2022	30 September 2023 (unaudited)	31 December 2022	30 September 2023 (unaudited)	31 December 2022
Legal claims	-	86	266	178	266	264
Land reclamation and liquidation costs	95	88	-	-	95	88
Liabilities for gas emissions	-	-	536	997	536	997
Obligation relating to property rights	-	-	320	142	320	142
Other provisions	8	47	390	1,113	398	1,160
Total	**103**	**221**	**1,512**	**2,430**	**1,615**	**2,651**

16. Assets classified as held for sale

On 31 July 2023, Energa SA and ORLEN Projekt SA entered into a sale agreement, under which the Company sold 100% of the shares held in Energa Invest Sp. z o.o. The title to the shares was transferred to ORLEN Projekt SA on 1 August 2023.

Energa Invest was classified as a disposal group under IFRS 5 in the period leading up to the sale.

	As at 30 September 2023 (unaudited)	As at 31 December 2022
ASSETS		
Property, plant and equipment	-	28
Investment property	-	2
Intangible assets	-	2
Right-of-use assets	-	6
Deferred tax assets	-	5
Trade receivables	-	8
Cash and cash equivalents	-	2
Other current assets	-	5
Assets classified as held for sale	**-**	**58**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

	As at 30 September 2023 (unaudited)	As at 31 December 2022
LIABILITIES		
Long-term lease liabilities	-	1
Trade liabilities	-	1
Deferred income and grants	-	11
Short-term provisions	-	7
Other financial liabilities	-	2
Other current liabilities	-	3
Liabilities directly related to assets classified as held for sale	**-**	**25**

NOTES ON FINANCIAL INSTRUMENTS

17. Financial instruments

17.1. Carrying amount of financial instruments by category and class

As at 30 September 2023 (unaudited)	Measured at fair value through profit or loss for period	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables, of which:	-	-	4,916	-	**4,916**
adjusted estimate of sales revenues	-	-	*566*	-	***566***
Cash and cash equivalents	-	-	251	-	**251**
Other financial assets	92	91	1,255	-	**1,438**
Loans granted	-	-	-	-	**-**
Derivative financial instruments	77	91	-	-	**168**
Other	15	-	1,255	-	**1,270**
TOTAL	**92**	**91**	**6,422**	**-**	**6,605**
Liabilities					
Loans and borrowings	-	-	3,439	-	**3,439**
Preferential loans and borrowings	-	-	831	-	**831**
Loans and borrowings	-	-	2,608	-	**2,608**
Bonds issued	-	-	1,960	-	**1,960**
Trade liabilities	-	-	1,713	-	**1,713**
Contract liabilities	-	-	1,134	-	**1,134**
Other financial liabilities	-	-	3,538	868	**4,406**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	376	-	**376**
Derivative financial instruments	-	-	-	-	**-**
Dividend liabilities	-	-	2	-	**2**
Liabilities on account of leases	-	-	-	868	**868**
Other	-	-	3,160	-	**3,160**
TOTAL	**-**	**-**	**11,784**	**868**	**12,652**

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

As at 31 December 2022	Measured at fair value through profit or loss for 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**
Bonds issued	-	-	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**
Dividend liabilities	-	-	2	-	**2**
Liabilities on account of leases	-	-	-	862	**862**
Other	-	-	49	-	**49**
TOTAL	**1**	**-**	**9,921**	**862**	**10,784**

17.2. Fair value of financial instruments

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.

	30 September 2023 (unaudited) Level 2	31 December 2022 Level 2
Assets		
Hedging derivatives (CCIRS III)	55	114
Hedging derivatives (CCIRS IV)	36	139
Hedging derivatives (IRS)	-	4
Other derivatives	77	45
Liabilities		
Other derivatives	-	-

Cross Currency Interest Rate Swaps (CCIRSs) are measured 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.

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

Futures transactions on PEAK type contracts quoted on the TGE commodity exchange relating to purchase and sale of electricity concluded by Energa Elektrownie Ostrołęka SA were recognized in the line item Other financial assets - Other derivatives measured at fair value through profit or loss. 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.

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.

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.

Liabilities arising from the issue of eurobonds and hybrid bonds	Carrying amount	Fair value	
		Level 1	Level 2
As at 30 September 2023 (unaudited)	**1,960**	**1,281**	**654**
eurobonds	1,401	1,281	-
hybrid bonds	559	-	654
As at 31 December 2022	**2,574**	**1,222**	**1,270**
eurobonds	1,423	1,222	-
hybrid bonds	1,151	-	1,270

Fair value measurement of liabilities arising from the bonds issued in euro was estimated: in the case of Eurobonds on the basis of quotations from the Bloomberg system from 30 September 2023, which are determined based on transactions on the Luxembourg stock exchange and over-the-counter trading, while in the case of hybrid bonds based on the analysis of future cash flows discounted using the interest rates in effect as at 30 September 2023.

Financial liabilities

All of the Group's financial liabilities are classified as financial liabilities measured at amortized cost, except for derivatives. This category of the Group's financial instruments mainly includes contracted credits and loans and issued bonds.

Credits and loans

Liabilities of credits and loans as at 30 September 2023 and 31 December 2022 are presented in the table below:

	As at 30 September 2023 (unaudited)	As at 31 December 2022
Currency – PLN		
Reference rate – WIBOR, rediscount rate		
Credit/loan amount	**3,439**	**4,068**
of which maturing in:		
up to 1 year (short-term)	2,238	2,537
1 to 3 years	398	624
3 to 5 years	283	283
over 5 years	520	624

As at 30 September 2023 and 31 December 2022, the amount of credit limits at the Group's disposal was PLN 7,260.9 m (utilized in 47.4%) and PLN 6,061.0 m (utilized in 55.4%), respectively. Detailed information on the contracted loans and borrowings has been presented in Note 17.4.

Liabilities for bonds issued

Liabilities for bonds issued as at 30 September 2023 and 31 December 2022 are presented in the table below:

	As at 30 September 2023 (unaudited)	As at 31 December 2022
Currency - EUR		
Reference rate - fixed		
Value of the issue		
in currency	421	549
in PLN	1,960	2,574
of which maturing in:		
up to 1 year (short-term)	34	609
3 to 5 years	1,926	1,965

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

17.3. Credit risk

Below are presented disclosures relating to credit risk broken down by rating category and other categories relating to trade receivables and contract assets:

	As at 30 September 2023 (unaudited)			As at 31 December 2022		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Highest client rating	0.0%	1,125	-	0.0%	846	-
Medium client rating	0.0%	268	-	0.0%	297	-
Lowest client rating	1.9%	46	(1)	0.9%	57	(1)

	As at 30 September 2023 (unaudited)			As at 31 December 2022		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Clients with no rating in sales business line	2.2%	1,232	(27)	1.6%	1,082	(17)
Disputed receivables	83.9%	384	(322)	83.8%	358	(300)
Other receivables	3.5%	2,292	(81)	7.5%	1,026	(77)

17.4.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 30 September 2023 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 30.09.2023	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	141	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	517	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	116	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	119	18-12-2024
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1,391[1]	-	1,391[1]	07-03-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	-	9[2]	19-09-2022
Nordic Investment Bank	Loan	FW Myślino construction	23-10-2014	68	-	19	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	-	91	20-12-2028
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	579[3]	-	579[3]	12-09-2037

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit	Available financing amount	Nominal debt as at 30.09.2023	Repayment date
Syndicated loan	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of the CapEx program, excluding capital expenditure on coal-based energy production	17-09-2019	2,000	2,000	-	17-09-2025[4]
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	556[5]	556	-	28-07-2025
Orlen S.A.	Loan	Financing of general corporate purposes	09-12-2022	3,000	1,200	1,800	27-09-2024
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2021	695[6]	-	634	16-12-2041
TOTAL				**12,556**	**3,756**	**5,523**	

[1] liability under Eurobonds in the total amount of EUR 300 m converted using the average NBP exchange rate of 30 September 2023

[2] value of active guarantee limits granted to Energa Group companies based on the concluded execution agreements (utilization of the global limit during its validity period, i.e. 19.09.2022)

[3] hybrid bonds liability of EUR 125 m converted using the average NBP exchange rate of 30 September 2023

[4] credit granted for a period of 5 years from the date of signing the agreement, with an option to extend it twice for a one-year period

[5] liability of EUR 120 m converted using the average NBP exchange rate of 30 September 2023

[6] liability of EUR 150 m converted using the average NBP exchange rate of 30 September 2023

17.5. 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 Company concluded CCIRS transactions ("CCIRS IV").

In September 2023, due to the redemption of hybrid bonds in the amount of EUR 125m, part of the transactions concluded under CCIRS IV were settled.

As a hedged position under the above hedging relationships, the Company designated the foreign currency risk arising from the issue of hybrid bonds denominated in EUR. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the issued bonds.

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.

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 Eurobonds and hybrid bonds.

The fair value of hedging instruments was:

	Value (PLN m)	Recognition in the statement of financial position	Change in fair value of hedging instrument adopted as the basis for recognition of ineffectiveness of hedging in given period	Nominal amounts of hedging instrument in millions of	
				EUR	PLN
As at 30 September 2023 (unaudited)					
CCIRS III	55	Assets – Other financial assets	None	200	-
CCIRS IV	36	Assets – Other financial assets	None	125	-
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

The Group continued hedge accounting under IAS 39.

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 77 m in the reporting period and increased by PLN 33 m in the corresponding period.

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

Change in cash flow hedge reserve during the reporting period	9-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)
At the beginning of the reporting period	**55**	**87**
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(165)	163
Accrued interest not due transferred from the reserve to financial income/costs	(1)	(1)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	71	(121)
Income tax on other comprehensive income	18	(8)
At the end of the reporting period	**(22)**	**120**

As at 30 September 2023, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

17.6. Security for the repayment of liabilities

At the end of the reporting period and as at 31 December 2022, there were no material assets securing repayment of liabilities or contingent liabilities.

OTHER NOTES

18. 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 4,375 m, including:

- 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 1,887 m;
- CCGT Grudziądz – construction of gas and steam power plants – approx. PLN 1,547 m;
- CCGT Ostrołęka – construction of gas and steam power plants – approx. PLN 836 m.

19. Information on related entities

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

Condensed interim consolidated financial statements as at and for the nine-month period ended 30 September 2023 (PLN m)

19.1. Transactions involving parties related to the State Treasury

As at 30 September 2023, the Group's controlling entity was ORLEN S.A. The sales revenues generated by the Group on transactions with the controlling entity amounted to PLN 536 m as at 30 September 2023 while the trade receivables totalled PLN 76 m. The costs of transactions with that entity reached PLN 327 m, while trade liabilities amounted to PLN 20 m.

On 30 May 2023, Energa SA and ORLEN S.A. executed an annex no. 2 to the loan agreement of 31 May 2021 extending the loan repayment period until 30 May 2024. 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.

On 9 December 2022 Energa SA concluded a loan agreement with ORLEN S.A. for the amount of PLN 1 billion. On 29 September 2023 Energa SA concluded an agreement with ORLEN S.A. under which the repayment period was extended until 27 September 2024 and the amount was increased to PLN 3 billion. The interest rate is determined at the market level and is equal to WIBOR 1M plus a 0.75% margin. As at 30 September 2023 the debt value of the extended and increased loan was PLN 1.8 billion.

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 30 September 2023, the Group's sales revenues amounted to PLN 1,297 m, while the costs of transactions with such entities reached PLN 2,518 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.

19.2.Transactions with joint venture and associate

In the period ended 30 September 2023 and in the corresponding period of the previous year, the value of sales of Energa SA Group companies to the associate and joint venture was immaterial. As at 30 September 2023, receivables were PLN 9 m and included mainly an advance payment for Elektrownia Ostrołęka Sp. z o. o. (an asset purchase transaction between CCGT Ostrołęka Sp. z o.o. and Elektrownia Ostrołęka Sp. z o.o. related to the construction of a gas power plant); as at 31 December 2022, the receivables were at the level of PLN 50 m and concerned, in addition to the above-mentioned advance, loans granted to the company (repayment took place in the first quarter of 2023).

In the period up to 30 September 2023 and in the corresponding period of the previous year, there was no purchase from an associate or a joint venture. The value of liabilities as at 30 September 2023 amounted to PLN 15 m while as at 31 December 2022 it amounted to PLN 9 m.

19.3.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.

19.4. Compensation paid or due to key management and Supervisory Boards of Group companies

	9-month period ended 30 September 2023 (unaudited)	9-month period ended 30 September 2022 (unaudited)
Parent company		
Short-term employee benefits	14.9	13.8
Benefits from termination of employment	0.6	<1
Subsidiaries		
Short-term employee benefits	54.6	50.0
Other long-term benefits	0.1	0.2
Benefits from termination of employment	1.0	2.0
TOTAL	**71.2**	**66.1**

20. Contingent assets and liabilities

20.1. Contingent liabilities

As at 30 September 2023, the Group identifies contingent liabilities of PLN 260 m (PLN 259 m as at 31 December 2022), 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 at this time and no provision has been recognized for those claims.

The largest contingent liability item are disputes relating to the power infrastructure of Energa-Operator SA located on private land. If there is uncertainty as to whether a claim amount or legal title to land is justified, the Group recognizes contingent liabilities. As at 30 September 2023, the estimated value of those claims recognized as contingent liabilities is PLN 240 m, compared to PLN 239 m as at 31 December 2022. Considering the available legal opinions, the estimated risk of losing the dispute is below 50%.

20.2. Contingent assets

As at the end of the reporting period there were no material contingent assets.

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

Impact of electricity price regulations

In connection with the extraordinary regulations adopted in 2022 aimed at regulating the energy market and protecting consumers, about which the Group informed, m.in. in note 39 of its consolidated financial statements for 2022, in Q1-Q3 2023 the Group settled a part of the provision for onerous contracts in the amount of PLN 708 m (from the created provision in the amount of PLN 1,068 m).

At the same time, based on the applicable regulations, in the statement of profit or loss in the item of revenues from the Price Difference Payment Fund, the Company presented PLN 3,228 m in compensation due to electricity trading companies and distribution system operators as a consequence of applying frozen electricity and gas prices and fees for the provision of distribution services in settlements with eligible customers.

As part of the obligatory write-off for the Price Difference Payment Fund for electricity generators and enterprises conducting business activity in the field of electricity trading, the Group estimated the value of impairment losses at PLN 924 m.

On 19 September 2023, the Act of 16 August 2023 on Amendments to the Act on Special Solutions for the Protection of Electricity Customers in 2023 in Connection with the Situation on the Electricity Market and on Amendments to Certain Other Acts became effective.

The Act introduces, among other things, the following amendments to the system of support for vulnerable electricity customers:

- Increase from 2 MWh to 3 MWh of the basic electricity consumption limit subject to the freeze on prices at the 2022 level. The limit applies to household customers
- Increase of the limits for households with a disabled person from 2.6 MWh to 3.6 MWh, and for households with a Large Family Card and farmers' households from 3 MWh to 4 MWh
- Reduction of the regulated electricity price for local governments, small businesses, public service entities and other vulnerable customers from PLN 785 to PLN 693 per MWh, net of value added taxes, starting from Q4 2023.

The Group estimated the effects of the increase in the electricity consumption limits for the first nine months of 2023 at PLN 89.8m and presented them in liabilities for contracts with customers. As far as the reduction of the regulated electricity prices in Q4 2023 is concerned, the Group has not finalized its analysis of the effect of this change on its results of operations.

Moreover, on 19 September 2023, the Regulation of the Minister of Climate and Environment of 9 September 2023 amending the regulation setting out the rules of structuring and calculating tariffs and billings in electricity trading became effective. The amended Regulation introduces an electricity bill reduction for households (hereinafter: bonus), which will be granted on the following terms and conditions:

- Suppliers reduce the calculated amounts due in their household electricity customer billings in 2023 by 12% of the product of the average price in the tariffs of suppliers of last resort for the G11 tariff group for 2022 (i.e., 0.4140 PLN/kWh) and the electricity volume of 2,523 kWh. The reduction will amount to PLN 125.34.
- The reduction (bonus) is available to a household customer (i.e., an end customer who buys electricity solely for household consumption) who meets at least one of the conditions set forth in the Regulation.

The application of the bonus is the obligation of suppliers and the reduction (bonus) is applicable to each power offtake point in a household. The reduction is to be made without delay and in any case not later than in the last invoice for 2023. At the same time, no mechanism to compensate suppliers for the bonuses is envisaged.

The effect of the introduction of this mechanism for the first nine months of 2023 was estimated at PLN 232m, and the amount was recognized in the Group's statement of financial position at the end of Q3 2023 as a reduction of trade receivables, which translated into a corresponding reduction of net profit.

The ultimate effect of the Regulation on the Group's results of operations will depend on the final number of customers covered by the amount due reduction mechanism, after verification of customers' fulfilment of the conditions and taking into account potential recoveries effected by adding the bonus amount to invoices for subsequent billing periods of 2024, however, not later than by 31 December 2024.

Disposal of shares in a subsidiary

On 31 July 2023, Energa SA and ORLEN Projekt SA entered into a sale agreement, under which the Company sold 100% of the shares held in Energa Invest Sp. z o.o. The title to the shares passed to ORLEN Projekt SA on 1 August 2023.

The transaction is intended to integrate the design business of the ORLEN Group in order to strengthen this business area and benefit the implementation of investment projects by the Group.

Energa Invest was classified as a disposal group under IFRS 5 in the period leading up to the sale (see Note 16 of these financial statements for details).

The impact of the war in Ukraine

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 renewed increase in prices of energy inputs (coal and gas) as a result of their limited availability. It needs to be stressed that the Group no longer purchases fuels from operators based in Russia, Belarus or Ukraine.
  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).
- Liquidity risk of the settlement system under the introduced energy market regulations, which may result in the failure to obtain part of the compensation due, which may have a negative impact on the Group's result. So far, the Group companies have not recorded any significant problems with obtaining advances and compensations due to them from the Settlement Manager.
- The risk of 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 Q3 2023.

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

22. Significant subsequent events

Investment in new renewable energy sources

On 13 October 2023, Energa Wytwarzanie SA signed a preliminary agreement with Lewandpol Holding for the acquisition of a special purpose vehicle for the Kleczew Solar & Wind project to build new hybrid renewables. The investment project is located in the municipality of Kleczew in the Wielkopolskie region and will have a total capacity of up to 334 MW. The signing of the final agreement between the companies and the actual completion of the transaction for the acquisition of the SPV will be possible after the fulfilment of the conditions precedent laid down in the preliminary agreement. It is now assumed that the transaction can be finalized in Q1 2025 at the latest.

The Kleczew Solar & Wind project of Lewandpol Holding is divided into three stages, the first of which includes the construction of a 193.1 MW photovoltaic installation and a wind farm with a capacity of up to 19.2 MW. The installed capacity of the photovoltaic farm is expected to grow by up to 122 MW in the next two stages. As a result, the entire hybrid installation can reach approximately 334 MW in installed capacity.

Currently, as part of the first stage, the construction of the photovoltaic farm is nearing completion. The sale of electricity is scheduled to start at the beginning of 2024. According to the current schedule, the entire project should be completed in 2025.

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 ....

Signatures of persons responsible for the preparation of the statements:

Łukasz Minuth
Acting director of the Finance Department ....

Bartłomiej Bieńkowski
Head of Financial Reporting and Taxes Section ....

Gdańsk, 30 October 2023