Condensed Interim Consolidated Financial Statements prepared in accordance with IAS 34 for the period of 6 months ending on 30 June 2021

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Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2021 (unaudited)	3-month period ended 30 June 2020 (unaudited) (restated)	6-month period ended 30 June 2020 (unaudited) (restated)
Sales revenues	**3,228**	**6,669**	**2,842**	**6,092**
Revenue from the Price Difference Refund Fund	**-**	**-**	**-**	**3**
Cost of sales	(2 535)	(5,180)	(2,434)	(5,045)
Gross profit on sales	**693**	**1,489**	**408**	**1,050**
Other operating income	36	103	145	218
Selling and distribution expenses	(207)	(455)	(207)	(458)
General and administrative expenses	(88)	(150)	(89)	(189)
Other operating expenses	(111)	(180)	(501)	(558)
Financial income	12	74	21	37
Financial costs	(56)	(130)	(380)	(495)
Share in loss of entities measured by the equity method	113	113	(252)	(271)
Loss or profit before tax	**392**	**864**	**(855)**	**(666)**
Income tax	(108)	(196)	(23)	(101)
Net loss or profit for the period	**284**	**668**	**(878)**	**(767)**
Attributable to:				
Equity holders of the Parent Company	294	676	(827)	(714)
Non-controlling interest	(10)	(8)	(51)	(53)
Loss or earnings per share (in PLN)				
- basic	**0.71**	**1.63**	**(2.00)**	**(1.72)**
- diluted	**0.71**	**1.63**	**(2.00)**	**(1.72)**

*details of the conversions were discloed in the note 9

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2021 (unaudited)	3-month period ended 30 June 2020 (unaudited)	6-month period ended 30 June 2020 (unaudited)
Net profit or loss for the period	**284**	**668**	**(878)**	**(767)**
Items that will never be reclassified to profit or loss	***14***	***(33)***	***(16)***	***(10)***
Actuarial gains and losses on defined benefit plans	17	(41)	(19)	(12)
Deferred income tax	(3)	8	3	2
Items that are or may be reclassified subsequently to profit or loss	**(1)**	**35**	**-**	**(81)**
Foreign exchange differences from translation of foreign entities	(2)	(1)	(1)	3
Cash flow hedges	1	44	1	(104)
Deferred income tax	-	(8)	-	20
Net other comprehensive income	**13**	**2**	**(16)**	**(91)**
Total comprehensive income	**297**	**670**	**(894)**	**(858)**
Attributable to:				
Equity holders of the Parent Company	307	678	(843)	(805)
Non-controlling interest	(10)	(8)	(51)	(53)

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (restated)	As at 1 January 2020 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	14,811	14,565	14,262
Intangible assets	1,066	926	814
Right-of-use assets	1,001	907	847
Goodwill	11	11	11
Investments in associated entities and joint ventures measured using the equity method	128	105	336
Deferred tax assets	242	207	262
Other non-current financial assets	84	77	190
Other non-current assets	204	141	144
	17,547	**16,939**	**16,866**
Current assets			
Inventories	112	140	165
Current tax receivables	9	30	61
Trade receivables	1,856	1,941	1,802
Other current financial assets	31	60	203
Cash and cash equivalents	476	221	1,461
Other current assets	272	337	409
	2,756	**2,729**	**4,101**
Assets classified as held for sale	40	-	-
TOTAL ASSETS	**20,343**	**19,668**	**20,967**

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

	As at 30 June 2021 (unaudited)	As at 31 December 2020 (restated)	As at 1 January 2020 (restated)
EQUITY AND LIABILITIES			
Equity			
Share capital	4,522	4,522	4,522
Foreign exchange differences from translation of a foreign entity	4	5	-
Reserve capital	821	1,018	1,018
Supplementary capital	1,661	1,661	2,035
Cash flow hedge reserve	(60)	(96)	(52)
Retained earnings	2,514	1,669	1,730
Equity attributable to equity holders of the Parent Company	**9,462**	**8,779**	**9,253**
Non-controlling interest	**(44)**	**(36)**	**11**
	9,418	**8,743**	**9,264**
Non-current liabilities			
Loans and borrowings	1,508	1,690	2,047
Liabilities on account of the issue of debt securities	2,469	2,520	2,326
Non-current provisions	905	923	786
Deferred tax liability	808	777	738
Deferred income and non-current grants	268	214	284
Liabilities on account of leases	766	704	637
Other non-current financial liabilities	13	22	82
Contract liabilities	10	11	12
	6,747	**6,861**	**6,912**
Current liabilities			
Trade payables	840	792	941
Contract liabilities	165	131	88
Current part of loans and borrowings	1,444	1,742	393
Liabilities on account of the issue of debt securities	49	41	2,219
Current income tax liability	14	-	-
Deferred income and grants	154	187	186
Short-term provisions	883	763	583
Other financial liabilities	428	249	235
Other current liabilities	174	159	146
	4,151	**4,064**	**4,791**
Liabilities directly related to assets classified as held for sale	27	-	-
Total liabilities	**10,925**	**10,925**	**11,703**
TOTAL EQUITY AND LIABILITIES	**20,343**	**19,668**	**20,967**

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Parent Company								
	Share capital	Foreign exchange differences from translation of a foreign entity	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2021	**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,669**	**8,779**	**(36)**	**8,743**
Adjustment on account of change of the method of measurement of investment property	**-**	**-**	**-**	**-**	**-**	5	**5**	**-**	**5**
As at 1 January 2021 (restated data)	**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,674**	**8,784**	**(36)**	**8,748**
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	(33)	**(33)**	-	**(33)**
Foreign exchange differences from translation of foreign entities	-	(1)	-	-	-	-	**(1)**	-	**(1)**
Cash flow hedges	-	-	-	-	36	-	**36**	-	**36**
Total net other comprehensive income	**-**	**(1)**	**-**	**-**	**36**	**(33)**	**2**	-	**2**
Net profit for the period	-	-	-	-	-	676	**676**	(8)	**668**
Total comprehensive income for the period	**-**	**(1)**	**-**	**-**	**36**	**643**	**678**	**(8)**	**670**
Distribution of profits/ coverage of losses from previous years	-	-	(197)	-	-	197	**-**	-	**-**
As at 30 June 2021 (unaudited)	**4,522**	**4**	**821**	**1,661**	**(60)**	**2,514**	**9,462**	**(44)**	**9,418**
As at 1 January 2020	**4,522**	**-**	**1,018**	**2,035**	**(52)**	**1,730**	**9,253**	**11**	**9,264**
Actuarial gains and losses on defined benefit plans	-	-	-	-	-	(10)	**(10)**	-	**(10)**
Foreign exchange differences from translation of foreign entities	-	3	-	-	-	-	**3**	-	**3**
Cash flow hedges	-	-	-	-	(84)	-	**(84)**	-	**(84)**
Total net other comprehensive income	**-**	**3**	**-**	**-**	**(84)**	**(10)**	**(91)**	-	**(91)**
Net loss for the period	-	-	-	-	-	(714)	**(714)**	(53)	**(767)**
Total comprehensive income for the period	**-**	**3**	**-**	**-**	**(84)**	**(724)**	**(805)**	(53)	**(858)**
Distribution of profits/ coverage of losses from previous years	-	-	-	(374)	-	374	**-**	**-**	**-**
Transfer to non-controlling interests	-	-	-	-	-	(6)	**(6)**	**6**	**-**
As at 30 June 2020 (unaudited)	**4,522**	**3**	**1,018**	**1,661**	**(136)**	**1,374**	**8,442**	**(36)**	**8,406**

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2020 (unaudited) (restated)
Cash flows from operating activities		
Loss or profit before tax	**864**	**(666)**
Adjustments for:		
Share in (profit)/loss of entities measured by the equity method	(113)	271
Foreign currency (gains)/losses	(16)	100
Amortization and depreciation	538	522
Net interest and dividends	129	190
(Profit)/ loss on investing activities	307	798
Changes in working capital:		
Change in receivables*	172	266
Change in contract assets	-	-
Change in inventories	28	33
Change in liabilities, excluding loans and borrowings	158	(263)
Change in contract liabilities	33	(15)
Change in prepayments and accruals	(55)	(118)
Change in provisions	192	250
	2,237	**1,368**
Income tax	**(162)**	**(76)**
Net cash from operating activities	**2,075**	**1,292**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets	9	16
Purchase of property, plant and equipment and intangible assets	(1,262)	(1,216)
Loans granted	1	(185)
Other	15	-
Net cash from investing activities	**(1,237)**	**(1,385)**
Cash flows from financing activities		
Proceeds from debt incurred	1,066	2,799
Grants received	40	17
Repayment of debt incurred	(1,551)	(1,445)
Redemption of debt securities	-	(2,189)
Repayment of lease liabilities	(54)	(43)
Interest paid	(79)	(189)
Other	(6)	-
Net cash from financing activities	**(584)**	**(1,059)**
Net increase/(decrease) in cash and cash equivalents	**254**	**(1,152)**
Cash and cash equivalents at the beginning of the period	**222**	**1,457**
Unrealized foreign exchange differences	-	-
Cash and cash equivalents at the end of the period	**476**	**305**

**In 2021, the item incorporates a change in receivables and contract assets.*

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

ACCOUNTING PRINCIPLES (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
Seat: Gdańsk
Registered address: ul. Grunwaldzka 472, 80-309 Gdańsk
KRS: 0000271591
[business statistical number] REGON: 220353024
[tax identification number] NIP: 957-095-77-22
The parent company has been established for an indefinite time.

The condensed interim consolidated financial statements of the Group cover the 6-month period ended 30 June 2021 and contain appropriate comparative data.

Core operations of the Group's companies are as follows:

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

As at 30 June 2021, PKN ORLEN SA is the parent company and the ultimate controlling party of the Company and 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 June 2021, 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 June 2021	% held by the Group in share capital as at 31 December 2020
	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.	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 OZE SA	Gdańsk	production of energy	100	100

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

No	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				30 June 2021	31 December 2020
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	89.64	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. in organization[1]	Gdańsk	production of energy	100	-
16	Energa MFW 2 Sp. z o.o. in organization[2]	Gdańsk	production of energy	100	-
	Other Business Line				
17	Energa Centrum Usług Wspólnych Sp. z o.o.	Gdańsk	accounting, payroll and administrative services	100	100
18	Energa Finance AB (publ)	Stockholm	financing activity	100	100
19	Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
20	Energa Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
21	Energa Invest Sp. z o.o.	Gdańsk	investment project management	100	100
22	Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	development activity in engineering	100	100
23	Energa Ochrona Sp. z o.o.	Gdańsk	security activities	100	100
24	ECARB Sp. z o.o.	Gdańsk	financing activity	100	100
25	CCGT Ostrołęka Sp. z o.o.[3]	Ostrołęka	production of energy	100	-
26	Energa Green Development Sp. z o.o.[4]	Gdańsk	implementation of investment projects	100	-

[1] Energa MFW 1 Sp. z o.o. (in organization) – 26 March 2021 saw establishment of the company by Energa OZE SA, which acquired 100 shares of the total nominal value of PLN 5,000 in exchange for a cash contribution of PLN 250,000 – the surplus of the cash contribution in the amount of PLN 245,000 was transferred to the company's supplementary capital; the company was entered in the National Court Register on 1 July 2021;

[2]Energa MFW 2 Sp. z o.o. (in organization) – 26 March 2021 saw establishment of the company by Energa OZE SA, which acquired 100 shares of the total nominal value of PLN 5,000 in exchange for a cash contribution of PLN 250,000 – the surplus of the cash contribution in the amount of PLN 245,000 was transferred to the company's supplementary capital; the company was entered in the National Court Register on 17 June 2021;

[3] CCGT Ostrołęka Sp. z o.o. – 11 January 2021 saw establishment of the company by Energa SA, which acquired all 150 shares in its share capital of the total nominal value of PLN 150,000; on 29 January 2021, the company was entered in the National Court Register on 29 January 2021;

[4] Energa Green Development Sp. z o.o. – 20 January 2021 saw establishment of the company by Energa SA, which acquired all 1,200 shares in its share capital of the total nominal value of PLN 600,000; the company was entered in the National Court Register on 9 February 2021.

Additionally, as at 30 June 2021 the Group holds shares in some joint ventures: Polska Grupa Górnicza S.A. ("PGG"), Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA), and in some associates: Polimex-Mostostal S.A. ("Polimex") and ElectroMobility Poland S.A. (see the description in Note 2.2).

2.2. Joint ventures and associates

2.2.1. Polska Grupa Górnicza

On 28 April 2016, the subsidiary Energa Kogeneracja Sp. z o.o. signed an agreement defining the terms and conditions of the financial investment in Polska Grupa Górnicza Sp. z o.o.

PGG is engaged in coal mining and its registered office is in Katowice.

PGG is a privately held company and, therefore, there are no market quotes for its share prices.

Energa Group exercises joint control over PGG under an investment agreement and an investors' agreement of 2017. The investment agreement foresees a number of mechanisms enabling the investors, including the Energa Group, ongoing monitoring of PGG's financial situation and taking of optimisation measures. These rights are exercised by PGG's Supervisory Board, while each shareholder in PGG has the right to appoint one member of the Supervisory Board.

Furthermore, a portion of the investors holding jointly the majority of votes at PGG's Shareholder Meeting, including the Energa Group, signed a memorandum of understanding in 2017 the purpose of which was to assume increased control over PGG. The memorandum of understanding assumes, among other things, that a joint position will be agreed upon when key decisions are made by PGG's General Meeting and its Supervisory Board.

Given the developments in the coal market and PGG's financial performance, the Group identified the need for recognising an impairment loss on the value of its investment in 2020. The shares was measured according to their fair value. Consequently, the overall value of investment into the joint venture with PGG measured in the consolidated financial statements using the equity method was covered by the aforesaid impairment loss. The investment was covered with an impairment loss of PLN 145m.

On 15 February 2021, a portion of the assets of Energa Kogeneracja Sp. z o.o., including previously covered by write off PGG registered shares, was spun off and transferred to ECARB Sp. z o.o. in exchange for the shares in the increased share capital of ECARB Sp. z o.o. The shares were acquired by the partners of the company being the object of the spin-off, namely Energa SA and Energa OZE SA.

The investments in the consolidated financial statements amount to PLN 0 as at 30 June 2021.

2.2.2. Polimex-Mostostal

On 18 January 2017, the Management Board of Energa SA along with Enea SA, PGE SA and PGNiG Technologie S.A. ("Investors") and Polimex-Mostostal SA signed an investment agreement under which the Investors undertook to make an equity investment in Polimex. Energa SA holds 39m shares of the nominal value of PLN 2 each. Consequently, its stake in Polimex reached approx. 16.5%.

The Polimex share was classified as an associate measured using the equity method. The Group exercises a significant influence on investment by impacting the financial and operational policy and determining the composition of Polimex governing bodies.

Polimex is a civil engineering and construction company based in Warsaw, is listed on the Warsaw Stock Exchange.

The Group's holding in Polimex-Mostostal was measured on 31 March 2021. The measurement set the total value of shares at PLN 203m in excess of their carrying amount. Consequently, the decision was made to reverse the impairment loss of PLN 21m in the Group's consolidated financial statements. As at 30 June 2021, the value of investment in the consolidated financial statements amounts to PLN 115m.

2.2.3. Ostrołęka Power Plant

On 8 December 2016, Energa SA, Enea SA and Elektrownia Ostrołęka SA signed an investment agreement regarding the construction of a new 1,000 MW power unit in Ostrołęka (the "Project").

Under the above agreement, Energa SA and Enea SA acquired joint control over the company whose primary objective was the construction and operation of a new coal-fired unit.

On 27 February 2018, transformation of Elektrownia Ostrołęka SA into a limited liability company was registered.

The investment was classified as a joint venture and is recognised 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.

A loan agreement was signed on 23 December 2019 between Energa SA, Enea SA and Elektrownia Ostrołęka Sp. z o.o. The maximum loan amount is PLN 340m (half of which is owned by Enea S.A.), to be disbursed in tranches on the basis of a reasoned request of Elektrownia Ostrołęka Sp. z o.o. for the purpose of the Project. The first tranche in the amount of PLN 160m was disbursed on 23 December 2019, the second tranche in the amount of PLN 17m was disbursed on 13 January 2020, whereas the third tranche in the amount of PLN 163m was disbursed on 22 April 2020. Under the loan agreement, Energa SA made a conditional sale of 50% of the receivables it holds under the loan agreement against Elektrownia Ostrołęka Sp. z o.o. to Enea SA.

The receivables sold will pass to Enea SA subject to fulfilment of the conditions precedent defined in the memorandum of understanding of 30 April 2019 at the later of the following dates: 31 January 2021 or the date of payment of the full amount of the price by Enea SA to Energa SA. The receivables under the loan agreement may be converted, after 31 January 2021, by Energa SA and Enea SA into the equity of Elektrownia Ostrołęka Sp. z o.o.

On 13 February 2020, under the memorandum of understanding, Energa SA and Enea SA decided to suspend the financing of the construction of the new coal-fired unit with a capacity of approx. 1,000 MW at the planned Ostrołęka C power plant in Ostrołęka ("Project"). Financing was suspended specifically in connection with the need for and for the duration of the conduct of analyses of the further course of action under the Project, including its continued funding.

The Management Board of Energa SA accepted the final report from the analyses on 2 June 2020. Its conclusions do not justify continuation of implementation of the Project as is, i.e. as the project of construction of a power plant producing electricity in the process of combustion of hard coal.

On 2 June 2020, a trilateral agreement was signed between Energa SA, Enea SA and PKN ORLEN SA setting forth the key rules of cooperation in the Gas Project. Additional information has been presented in current report no. 51/2020.

On 22 December 2020, Energa SA, PKN ORLEN SA and Polskie Górnictwo Naftowe i Gazownictwo SA signed an investment agreement governing directional rules of cooperation on the construction of a gas fuel power generating unit at the Ostrołęka C Power Plant. 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 from Elektrownia Ostrołęka Sp. z o.o. that are indispensable for the implementation of the Gas Project. The new company called CCGT Ostrołęka Sp. z o.o. was registered on 29 January 2021, with Energa SA as its sole shareholder.

Enforcement of the above assumption was rendered possible through the signing with Enea SA on 22 December 2020 of two agreements, namely a) the agreement on cooperation in dividing Elektrownia Ostrołęka Sp. z o.o. whereby Enea SA renounced from its participation in implementation of the Gas Project and the issues associated with the breakup of the Project were regulated, and b) the agreement on cooperation in the accounting for the Ostrołęka C power plant investment project whereby the costs associated with termination of the investment project would 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 S.A. on 30 April 2019.

On 26 February 2021, two agreements governing loans granted to Elektrownia Ostrołęka Sp. z o.o. by Energa SA and Enea SA were annexed. As a result, the maturities of the loans granted under the agreement of 17 July 2019 in the amount of PLN 58m and the agreement of 23 December 2019 in the total amount of PLN 340m were extended. The new maturity of the loans was set at 30 June 2021. Next, on 30 June 2021, the above two loan agreements were amended again. The new maturity of the loans was set at 30 September 2021. On 25 June 2021, Elektrownia Ostrołęka Sp. z o.o. ("Ostrołęka Power Plant"), 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". This marked the entry into force of the "Settlement Agreement". The Settlement Agreement regulates the rights and obligations of the Ostrołęka Power Plant and the Coal Project Contractor mainly with respect to the settlement of the works performed by the Coal Project Contractor in the implementation of the Coal Project, with respect to the construction works until they are suspended as a result of the suspension of the Contract, the preservation and security activities performed during the suspension of the Contract and the works related to the completion of the activities dedicated to the implementation of the Coal Project. Pursuant to this agreement, settlement of the Coal Project will take place by the end of 2021 and the total amount that the Ostrołęka Power Plant will be required to pay to the Coal Project Contractor will not exceed PLN 1.35bn (net). Cost related to the Coal Project will be settled on a pro-rata basis by ENEA S.A. and Energa SA. As at 30 June 2021, the provision raised by Energa SA for the purpose of settlement of the Coal Project was PLN 107m. This is the amount that Energa SA expects to transfer to the SPV to settle the Coal Project in its entirety. In addition, on 25 June 2021, the Ostrołęka Power Plant (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. In this way, the Ostrołęka Power Plant will contribute 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.

From the date of entry into force of the Investment Agreement until 30 June 2021, the total value of the capital contribution to the company from Energa SA (the total price for the shares acquired by the Company) was PLN 351m.

The investments in the consolidated financial statements amount to PLN 0 as at 30 June 2021.

2.2.4. ElectroMobility Poland

ElectroMobility Poland S.A. was established in October 2016 by four Polish power companies, namely Energa SA, PGE Polska Grupa Energetyczna SA, Enea SA and Tauron Polska Energia SA. Each of the companies holds a 25% stake in the share capital of ElectroMobility Poland SA. By 30 June 2021, the aggregate value of cash contributions made to the company by Energa SA (the nominal value of acquired shares) amounted to PLN 17.5m.

On 2 August 2021 Treasury State signed investment agreement with ElectroMobility Poland S.A., which envisages takes over by Treasury State new issued shares in the value of PLN 250m. Current shareholders will remain as a minority shareholders.

ElectroMobility Poland S.A. was classified as an associate measured using the equity method.

3. Composition of the Parent Company's Management Board

During the first two quarters of 2021 and until the date of these financial statements, the composition of the Management Board of Energa SA was as follows:

1) in the period from 7 May 2020 to 16 July 2021:
   - Mr Jacek Goliński - President of the Management Board;
   - Mr Marek Kasicki - Vice-President of the Management Board for Financial Matters;
   - Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Ms Iwona Waksmundzka-Olejniczak - Vice-President of the Management Board for Corporate Matters.
2) from 16 July 2021 until the date of these financial statements:
   - Ms Iwona Waksmundzka-Olejniczak - Vice-President of the Management Board for Corporate Matters, acting President of the Management Board;
   - Mr Marek Kasicki - Vice-President of the Management Board for Financial Matters;
   - Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication.

4. Approval of the financial statements

These condensed interim consolidated financial statements were approved for publication by the Company's Management Board on 11 August 2021.

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.

As at the date of these condensed interim financial statements, there is no evidence indicating that the continuation of the Group's business activities as a going concern may be at risk.

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 approved by UE. 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 2020.

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

Changes set up in Accounting Policy from 1 January 2021 as well as their impact on presented financial statement were disclosed in the note 9. In scope of the other issues The Group's accounting policies are applied on a continuous basis, except for the changes to EU IFRS.

7.1. Standards and interpretations applied for the first time in 2021

The following amendments to the existing standards published by the IASB and endorsed in the EU came into force in 2021:

- Amendments to IFRS 4, Insurance Contracts, titled Extension of the Temporary Exemption from Applying IFRS 9, approved by the EU on 16 December 2020 (the date of expiry of the temporary exemption from applying IFRS 9 was extended from 1 January 2021 by annual periods beginning on or after 1 January 2023);

- Amendments to IFRS 9, Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7, Financial Instruments: Disclosures, IFRS 4, Insurance Contracts and IFRS 16, Leases – reform of the reference interest rate, stage 2, approved by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021).

The above-mentioned amendments to the standards did not have a material effect on the Group's performance.

7.2. Standards and interpretations already published and endorsed in the EU, which came into effect after the balance sheet date

- Amendments to IFRS 3, Business Combinations – changes to references to conceptual assumptions together with amendments to IFRS 3 (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to IAS 16, Property, Plant and Equipment – revenues obtained prior to acceptance of an asset for use (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 (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 the exact 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, therefore, no date has been specified for its entry into force);

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

IFRS as endorsed in the EU do not currently differ from the regulations adopted by the IASB, with the exception of the following standards, amendments to standards and interpretations, which as at the date of approving these financial statements have not yet been adopted for application:

- IFRS 17, Insurance Contracts, with subsequent amendments to IFRS 17 (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1, Presentation of Financial Statements – classification of liabilities as current or non-current (applicable to annual periods beginning on or after 1 January 2023);
- 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/joint venture and subsequent amendments (the effective date of the amendments has been deferred until completion of research on the equity method);
- Amendments to IAS 1, Presentation of Financial Statements – amendments require disclosure of material accounting rules (policies) instead of significant accounting rules (policies) (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors – definition of an accounting estimate and clarification on how to distinguish a change to the accounting policies from changes to accounting estimates (applicable to annual periods beginning on or after 1 January 2023); and
- Amendments to IFRS 16, Leases – COVID-19-related rent concessions after 30 June 2021.
- 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).

In the event that the other above-mentioned standards are implemented, 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.

9. Accounting changes and changes to data presentation Changes of accounting policy and correction of the errors of the previous years

Changed its accounting policy in terms of presentation of energy certificates of origin, CO2 emission allowances and energy efficiency certificates used for own needs, including those purchased, obtained free of charge and awarded by URE in the process of production of electricity. They have been recognized in intangible assets and not in inventories, as was the case previously.

In the current reporting period, the Group amended its accounting policy with respect to recognition in the consolidated income statement of certificates of origin obtained free of charge. Previously reported under sales revenues, the certificates are now presented as a decrease in the cost of sales.

As a result of the aforesaid changes to the accounting policy, the Group converted the following comparative data in the consolidated statement of profit and loss and other comprehensive income for the period from 1 January 2020 to 30 June 2020, period from 1 April 2020 to 30 June 2020 in the consolidated statement of financial position as at 1 January 2020 and as at 31 December 2020 and in the consolidated statement of cash flow for the period from 1 January 2020 to 30 June 2020.

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

		As at 31 December 2020 (previously reported)	Change in presentation	As at 31 December 2020 (restated)
ASSETS				
Intangible assets	correction 1	242	684	926
Inventories	correction 1	824	(684)	140
TOTAL		**1,066**	**-**	**1,066**

		As at 1 January 2020 (previously reported)	Change in presentation	As at 1 January 2020 (restated)
ASSETS				
Intangible assets	correction 1	223	591	814
Inventories	correction 1	756	(591)	165
TOTAL		**979**	**-**	**979**

		6-month period ended 30 June 2020 (previously reported)	Error adjustment and change in presentation	6-month period ended 30 June 2020 (restated)
Sales revenues	correction 4	**6,142**	**(50)**	**6,092**
Revenue from the Price Difference Refund Fund		**3**	**-**	**3**
Cost of sales	correction 2,3,4	(5,849)	804	(5,045)
Gross profit on sales		**296**	**754**	**1,050**
Other operating income	correction 2	197	21	218
Selling and distribution expenses	correction 3	(192)	(266)	(458)
General and administrative expenses		(189)	-	(189)
Other operating expenses	correction 2	(49)	(509)	(558)
Financial income		37	-	37
Financial costs		(495)	-	(495)
Share in profit/(loss) of the entities measured by the equity method		(271)	-	(271)
Profit before tax		**(666)**	**-**	**(666)**
Income tax		(101)	-	(101)
Net profit for the period		**(767)**	**-**	**(767)**
Attributable to:				
Equity holders of the Parent Company		(714)	-	(714)
Non-controlling interest		(53)	-	(53)

(*) The amount of PLN 825m which decrases the Cost of sales sold comprise of: 266m passed to Selling and distribution expenses (corr. 3),PLN 509m passed to Other operating expenses (corr. 2), PLN 50m passed from Revenue (corr.4).PLN 21m (corr.2) pass to Other operating income lead to increase the Cost of sales.

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

		3-month period ended 30 June 2020 (previously reported)	Error adjustment and change in presentation	3-month period ended 30 June 2020 (restated)
Sales revenues	correction 4	**2 856**	**(14)**	**2 842**
Revenue from the Price Difference Refund Fund		**-**	**-**	**-**
Cost of sales	correction 2,3,4	(3 043)	609(*)	(2 434)
Gross profit on sales		**(187)**	**595**	**408**
Other operating income	correction 2	137	8	145
Selling and distribution expenses	correction 3	(90)	(117)	(207)
General and administrative expenses		(89)	-	(89)
Other operating expenses	correction 2	(15)	(486)	(501)
Financial income		21	-	21
Financial costs		(380)	-	(380)
Share in loss of entities measured by the equity method		(252)	-	(252)
Loss before tax		**(855)**	**-**	**(855)**
Income tax		(23)	-	(23)
Net loss or profit for the period		**(878)**	**-**	**(878)**
Attributable to:				
Equity holders of the Parent Company		(827)	-	(827)
Non-controlling interest		(51)	-	(51)

(*) The amount of PLN 617m which decrases the Cost of sales sold comprise of: PLN 117m passed to Selling and distribution expenses (corr. 3), 486m passed to Other operating expenses (corr. 2), PLN 14m passed from Revenue (corr.4) to the Cost of sales. PLN 8m (corr.2) pass to Other operating income lead to increase the Cost of sales.

		6-month period ended 30 June 2020 (previously reported)	Error adjustment and change in presentation	6-month period ended 30 June 2020 (restated)
Cash flows from operating activities				
Loss or profit before tax		**(666)**	**-**	**(666)**
Adjustments for:				
Share in (profit)/loss of entities measured by the equity method		271	-	271
Foreign currency (gains)/losses		100	-	100
Amortization and depreciation		522	-	522
Net interest and dividends		190	-	190
(Profit)/ loss on investing activities	correction 6	579	219	798
Changes in working capital:				
Change in receivables*	correction 7	(47)	313	266

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

Change in contract assets		313	(313)	-
Change in inventories	correction 1	(76)	109	33
Change in liabilities, excluding loans and borrowings		(263)	-	(263)
Change in contract liabilities		(15)	-	(15)
Change in prepayments and accruals		(118)	-	(118)
Change in provisions		250	-	250
		1 040	**328**	**1 368**
Income tax		**(76)**	**-**	**(76)**
Net cash from operating activities		**964**	**328**	**1 292**
Cash flows from investing activities				
Disposal of property, plant and equipment and intangible assets		16		16
Purchase of property, plant and equipment and intangible assets	correction 5	(888)	(328)	(1 216)
Loans granted		(185)	-	(185)
Net cash from investing activities		**(1 057)**	**(328)**	**(1 385)**
Cash flows from financing activities				
Proceeds from debt incurred		2 799	-	2 799
Grants received		17	-	17
Repayment of debt incurred		(1 445)	-	(1 445)
Redemption of debt securities		(2 198)	-	(2 198)
Repayment of lease liabilities		(43)	-	(43)
Interest paid		(189)	-	(189)
Net cash from financing activities		**(1 059)**	**-**	**(1 059)**
Net increase/(decrease) in cash and cash equivalents		**(1 152)**	**-**	**(1 152)**
Cash and cash equivalents at the beginning of the period		**1 457**	**-**	**1 457**
Unrealized foreign exchange differences		-	-	-
Cash and cash equivalents at the end of the period		**305**	**-**	**305**

In the current reporting period, the Group amended its accounting policy with respect to recognition in the consolidated income statement of certificates of origin obtained free of charge. In the previous year reported in the position Sales revenues, the certificates are now presented now as a decrease the Cost of sales.

Strarting from 1 January 2021 Energa Group has implemented changed its accounting policy in terms of presentation of energy certificates of origin, CO2 emission allowances and energy efficiency certificates used for own needs, including those purchased, obtained free of charge and awarded by URE in the process of production of electricity. They have been recognized in intangible assets and not in inventories, as was the case previously (corr. 1)

Energa Group also made a changes in accounting policy in respect of presenation of wrtite off deductions concerning trade receivables, assets agreement fixed assets, intangile assets and investment properties (including paid advances). Recognition of write off deduction is presented in Other operating expenses, whilest reversal of the wrtite off deduction is presented in Other operating income not in Cost of sales as was in the previous year (corr. 2).

Also accounting aprroach concerning presetation of make/release provision for obligation of wrtite off certificates of energy and certificates of energy efficiency. Such kind of provision was included in Selling and distribution expense in 2021, whilst in 2020 it was presented in Cost of sales (corr. 3).

In the current reporting period Energa Group made a correction of errors from the previous years concerning presentation in the consolidated statement of profit and loss and other comprehensive income from recognition of energy certificates allowances receiving free of charge. They were presented as decrease the Cost of sales, whilst previously such kind of allowance were presented in Revenues (corr.4).

Changes in accounting policy in terms of presentation of energy certificates of origin, CO2 emission allowances and energy efficiency certificates used for own needs, including those purchased, obtained free of charge and awarded by URE in the process of production of electricity concerning recognition in intangible assets in spite of in inventories, as was the case previously (corr. 1) has also of its impact on the method of presentation in the consolidated cash flow statement related with expenses incurred for the purpose of purchase of certificates for emission of CO2 and certificates of energy efficiency (corr.5) as well as depreciation of those certificates (corr 6).

Expenses incurred for the purchase of certificates of CO2 emission allowances and certificates of energy efficiency were presented in the consolidated statement of cash flow in Investing activities in the position Purchase of property, plant and equipment and intangible assets (corr.5), whilst previously such kind of expenses were presented in Operating activities in the position Change in inventories. Wrtite off of intangible assets was accounted in the position (Profit)/ loss on investing activities (corr.6). Change in contract assets was passed to Change in receivables (corr.7) to achieved comparability of the data between considered periods.

Starting from 1 January 2021, the Group also changed the method of measurement of investment property but, because the amounts appeared to be immaterial, no data have been converted in respect of this issue.
The method of measurement of investment property was changed from the model based on the purchase price to the fair value model. The profit derived from the aforesaid change amounted to PLN 5m and was recognized in the consolidated statement of changes in equity in retained earnings.

The above changes are designed to provide a better reflection of the economic events happening in the Group, as well as conform to rules of accounting policy adopted in PKN Orlen.

NOTES ON BUSINESS LINES (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 within operating segments, which are divided according to the types 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 trading and retail sales) and lighting services; and
- Other – shared services centers 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 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 expenses) plus amortisation 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 foreign assets do not have a significant impact on the Group's results.

The tables below show the allocation of revenues and expenses for the period from 1 January to 30 June 2021 and the financial assets and liabilities as at 30 June 2021 by individual reporting segments, together with appropriate comparative information.

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

6-month period ended on 30 June 2021 (unaudited) or as at 30 June 2021 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	2,202	3,547	865	55	-	**6,669**
Sales between business lines	31	19	181	219	(450)	**-**
Total business line revenue	**2,233**	**3,566**	**1,046**	**274**	**(450)**	**6,669**
EBITDA	**1,079**	**211**	**149**	**(26)**	**4**	**1,417**
Amortization and depreciation	433	24	70	16	(5)	**538**
Impairment on non-financial non-current assets	-	-	72	-	-	**72**
Operating profit or loss	**646**	**187**	**7**	**(42)**	**9**	**807**
Net financial income/expense	(68)	1	(27)	222	(184)	**(56)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	113	**113**
Profit or loss before tax	**578**	**188**	**(20)**	**180**	**(62)**	**864**
Income tax	(157)	(36)	(13)	10	-	**(196)**
Net profit or loss	**421**	**152**	**(33)**	**190**	**(62)**	**668**
Assets and liabilities						
Cash and cash equivalents	7	83	51	335	-	**476**
Total assets	**14,767**	**2,828**	**3,904**	**14,260**	**(15,416)**	**20,343**
Financial liabilities	5,028	29	883	5,079	(4,745)	**6,274**
Other business line information						
Capital expenditure	670	23	70	182	-	**945**

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

6-month period ended 30 June 2020 (unaudited) (restated) or as at 31 December 2020	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	2,117	3,560	372	43	-	**6,092**
Sales between business lines	31	15	127	352	(525)	**-**
Revenue from the Price Difference Refund Fund	-	3	-	-	-	**3**
Total business line revenue	**2,148**	**3,578**	**499**	**395**	**(525)**	**6,095**
EBITDA	**940**	**52**	**98**	**(36)**	**1**	**1,055**
Amortization and depreciation	418	27	71	14	(8)	**522**
Impairment on non-financial non-current assets	-	-	470	-	-	**470**
Operating profit or loss	**522**	**25**	**(443)**	**(50)**	**9**	**63**
Net financial income/expense	(94)	(8)	(26)	(265)	(65)	**(458)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	(271)	**(271)**
Profit or loss before tax	**428**	**17**	**(469)**	**(315)**	**(327)**	**(666)**
Income tax	(84)	(5)	(7)	(3)	(2)	**(101)**
Net profit or loss	**344**	**12**	**(476)**	**(318)**	**(329)**	**(767)**
Assets and liabilities						
Cash and cash equivalents	5	55	37	124	-	**221**
Total assets	**14,415**	**2,729**	**4,025**	**13,885**	**(15,386)**	**19,668**
Financial liabilities	5,152	34	892	5,513	(4,855)	**6,736**
Other business line information						
Capital expenditure	579	23	197	15	1	**815**

Condensed interim consolidated financial statements as at and for the period of six months ended 30 June 2021 (PLN m)

6-month period ended 30 June 2021 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenues on sales of products and goods for resale and materials, including:	**14**	**3,429**	**981**	**122**	**(266)**	**4,280**
Electricity	12	3,375	803	-	(190)	**4,000**
Gas	-	86	-	-	-	**86**
Other products, goods for resale and materials	2	3	178	122	(76)	**229**
Excise tax	-	(35)	-	-	-	**(35)**
Revenues on sales of services, including:	**2,219**	**137**	**65**	**152**	**(184)**	**2,389**
Distribution and transit services	2,136	-	47	-	(23)	**2,160**
Customer connection fees	47	-	-	-	-	**47**
Rental income	18	2	2	1	(8)	**15**
Other services	18	135	16	151	(153)	**167**
TOTAL	**2,233**	**3,566**	**1,046**	**274**	**(450)**	**6,669**
including:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	2,148	3,426	850	-	(213)	**6,211**
Revenue from goods, products and materials transferred or services provided at a specific time	85	140	196	274	(237)	**458**

6-month period ended 30 June 2020 (unaudited) (restated)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenues on sales of products and goods for resale and materials, including:	**21**	**3,446**	**445**	**93**	**(193)**	**3,812**
Electricity	19	3,413	351	3	(140)	**3,646**
Gas	-	64	-	-	-	**64**
Other products, goods for resale and materials	2	2	94	90	(53)	**135**
Excise tax	-	(33)	-	-	-	**(33)**
Revenues on sales of services, including:	**2,127**	**129**	**54**	**302**	**(332)**	**2,280**
Distribution and transit services	2,071	-	17	-	(23)	**2,065**
Customer connection fees	22	-	-	-	-	**22**
Rental income	18	2	2	1	(7)	**16**
Other services	16	127	35	301	(302)	**177**
TOTAL	**2,148**	**3,575**	**499**	**395**	**(525)**	**6,092**
including:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	2,090	3,444	368	3	(163)	**5,742**
Revenue from goods, products and materials transferred or services provided at a specific time	58	131	131	392	(362)	**350**

NOTES TO CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. 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 790m (vs. PLN 751m in the same period of 2020)

Intangible assets

In the current reporting period, the Group:

- incurred capital expenditure on intangible assets in the amount of PLN 29m (PLN 34m in the corresponding period of 2020);
- incurred capital expenditures on energy certificates of origin, CO2 emission allowances and energy efficiency certificates in the amount of PLN 403m (PLN 328m in the corresponding period of 2020)

Right-of-use assets

In the current reporting period, the Group increase right-of-use assets of PLN 126m (PLN 30m in the corresponding period of 2020) as a result of concluding of new agreements.

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

In the first half of 2021, property, plant and equipment and goodwill were assessed for any internal and external impairment triggers. As in the first half of 2021 a negative variance of results vs plan was reported, and lower cash flows were projected for Energa Elektrownie Ostrołęka SA for the second half of 2021, mainly due to high CO2 emission emissions and organisational changes in Energa Invest Sp. z o.o., it was concluded that there were indications that the recoverable amount of the Group's property, plant and equipment might change.

Power Plan Ostrołęka B „CGU Ostrołęka B"

Impairment test for cash generating unit (CGUs) were performed at 31 May 2021 using the income method based on the discounted value of estimated cash flows from operating activities for limited period of utilization from June 2021 to December 2026. Period of test was extended to 2026 due to obligation of taking into consideration cash flows from settlement the costs of certificates to emission of CO2, after implementation of the new model of management of certificates in the Energa Group.

In calculation of value of use assets of CGU Ostrołęka B taking into account, among others, the following assumptions:

- the macroeconomic assumptions approved by the Management Board of Energa SA and applied at PKN Orlen Group with respect to BASE and PEAK electricity prices, coal and natural gas prices and prices of CO_2 emission allowances. The forecasts were prepared until 2030 included. Consequently, the data from the last year of the projection were extrapolated for the subsequent years. Price forecasts were adopted for certificates of origin, biomass and capacity market rates for the Polish market based on a report prepared for the Group by an independent agency; the forecasts were prepared with the timeframe until 2065. Prices for 2021 are conformed to signed agreements, valuation of market contracts and prices resulting from agreements for purchase of fuels, EUA and sell of electricity power;
- number of free CO_2 emission allowances for 2015-2021 as specified in the Regulation of the Council of Ministers of 31 March 2014 (Item 439) and 8 April 2014 (Item 472);
- 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) 2017/1442 establishing best available techniques (BAT) conclusions which was published on 17 August 2017;
- revenue from the capacity market in accordance with the provisions of the Capacity Market Act of 8 December 2017, as amended, with the rates adopted on the basis of the auction held and won in 2018; support in the form of 5-year power contract in the period 2021 – 2025,
- a discount rate calculated on the basis of the weighted average cost of capital (WACC) at 5.61%.

Based on the outcome of the test performed in the first half of 2021, it was concluded that an impairment loss needs to be posted on the whole assets of Ostrołęka B CGU. The impairment loss does not include land and rights of perpetual usufruct of land. After the impairment loss, the value of assets of Ostrołęka B CGU (excluding land and rights of perpetual usufruct of land) is nil as at 30 June 2021.

Energa Invest (Energa Invest CGU)

The impairment test for Energa Invest CGU was conducted as at 31 March 2021 and again as at 31 May 2021. In H2 2021, the CGU's recoverable amount was set on the basis of financial projections for the period from June 2021 to December 2026 and the residual value. Length of financial projections CGU was defined that cash flows used for calculation of residual value were as most as possible similar to expected cash flows in consecutive years. Financial projections used for the purpose of this test contain cash flows 2021 year with assumptions on allocation of employees to company Energa Green Development Sp. z o.o. and changes related with expcted sales of shares of the company. The discount rate set on the basis of the weighted-average cost of capital (WACC), used for the calculation, was 4.30%. To extrapolate cash flow projections beyond the particular planning period, the growth rate of 2.0% was adopted, which does not exceed the average long-term inflation rates in Poland.

Based on the outcome of the conducted tests, it was concluded that no impairment loss on Energa Invest CGU was required. Recoverable amount was set at the level of 85.5m.

Heat plant w Żychlin ("Żychlin CGU")

In the first half of 2021, an impairment loss was posted on the whole generating assets of the Żychlin heat plant. As a result of verification of the impairment test for the Elektrociepłownia Elbląg CGU with a BB20 installation ("EC Elbląg CGU") a need was identified to recognize the heating installation at Żychlin as a separate CGU. An impairment loss of PLN 14.9m was posted as a result of the test carried out for the separate CGU.

Sensitivity analysis

The estimated impact of a change in selected parameters on the overall valuation of the assets of Ostrołęka B CGU and Energa Invest CGU is presented below. The sensitivity analysis shows that the factors with the highest impact on the estimated value in use of the indicated CGUs are discount rates, electricity prices, coal prices and EUA prices. Their change, taken into consideration throughout the forecast period, does not give rise to the need to recognize additional impairment losses. 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	[+ 1.8 p.p.]		(34.4)	(0.5)
	[+0.5 p.p.]		(15.2)	0.0
	[- 0.5 p.p.]	25.2		0.0
Electricity prices	[+ 2.6%]	41.6		0.6
	[+1%]	16.0		0.0
	[- 1%]		(16.0)	0.0
Coal prices	[+ 1%]		(6.4)	0.0
	[- 1%]	6.4		0.0
	[- 6.5%]	41.3		0.3
EUA prices	[+ 1%]		(6.1)	0.0
	[-1%]	6.1		0.0
	[- 6.8%]	41.3		0.3

13. Cash and cash equivalents

Cash at bank bears interest based on variable interest rates negotiated with the banks and depends on applicable interest rates for one-day bank deposits. Short-term deposits are made for various 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 June 2021 (unaudited)	30 June 2020 (unaudited)
Cash at bank and in hand	476	305
Total cash and cash equivalents presented in the statement of financial position	**476**	**305**
including unrealized foreign exchange differences and interest	-	-
Total cash and cash equivalents presented in the statement of cash flows	**476**	**305**
including restricted cash	*131*	*79*

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 Izbą Rozliczeniową Giełd Towarowych SA [the Commodity Clearing House].

14. Earnings per share

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

	6-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2020 (unaudited)
Net profit or loss attributable to equity holders of the parent company	676	(714)
Net profit or loss attributable to common equity holders of the Parent Company	**676**	**(714)**
Number of shares used to calculate earnings per share (millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**1.63**	**(1.72)**

15. Dividends

On 14 June 2021, the Annual General Meeting adopted a resolution to offset the entire loss for 2020 against the parent company reserve capital.

16. Provisions

16.1. Provisions for employee benefits

The Group recognises 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 June 2021, carried out by an independent actuary. The projection was based on the main assumptions used to measure provisions as at 31 December 2020, except the updated discount rate and the expected growth rate of the energy equivalent. The discount rate applied for the projections of the provisions as at 30 June 2021 was adopted at the level of 1.8% (as at 31 December 2020: 1.2%).

	Long-term		Short-term		Total	
	30 June 2021 (unaudited)	31 December 2020	30 June 2021 (unaudited)	31 December 2020	30 June 2021 (unaudited)	31 December 2020
Pension and similar benefits	163	174	14	12	177	186
Energy tariff	277	226	11	10	288	236
Company Social Benefit Fund	27	58	1	1	28	59
Jubilee bonuses	252	262	24	25	276	287
	719	**720**	**50**	**48**	**769**	**768**

16.2. Other provisions

	Long-term		Short-term		Total	
	30 June 2021 (unaudited)	31 December 2020	30 June 2021 (unaudited)	31 December 2020	30 June 2021 (unaudited)	31 December 2020
Legal claims	72	72	139	125	211	197
Land reclamation and liquidation costs	99	113	-	-	99	113
Liabilities for gas emissions	-	-	214	197	214	197
Obligation relating to property rights	-	-	319	124	319	124
Provision for settlement of the coal-based investment project in Ostrołęka	-	-	107	218	107	218
Other provisions	15	18	54	51	69	69
	186	**203**	**833**	**715**	**1,019**	**918**

Provision for settlement of the coal-based project in Ostrołęka

As a result of the decision concerning the change of the power-generating unit’s technology from coal- to gas-based for the investment project pursued by Elektrownia Ostrołęka Sp. z o.o. (“SPV”), analyses are underway to account for the costs incurred by the General Contractor (GC).

The value of the provision for the General Contractor’s claims amounted to PLN 218 m in Q4 2020. The amount of the provision is an estimate based, inter alia, on the amounts of claims filed by the GC in the area of settlement of work in progress and suspension costs.

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As on 25 June 2021, Elektrownia Ostrołęka Sp. z o.o. ("Ostrołęka Power Plant"), 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", this marked the entry into force of the "Settlement Agreement". Calculated on the basis of the above document, the provision for settlement of the coal-based investment project in Ostrołęka is PLN 107m. In this way, on 9 July 2021, the provision raised in 2020 was partially released and reduced to PLN 107m. The cost of settlement of the coal-based project will be covered by Energa and Enea pro-rata to their respective shares in the share capital of the SPV, i.e. 50% each, which follows from the Memorandum of Understanding on cooperation in settlement of Ostrołęka C Power Plant construction project signed on 22 December 2020.

17. Assets classified as held for sale

Due to the ongoing reorganisation of the Energa Group, which involves disposal of shares in some subsidiaries, as at 30 June 2021, an assessment was made to see whether it was necessary to reclassify the net assets of those entities to assets held for sale, in accordance with IFRS 5. The analysis confirmed that the reclassification was needed with respect to the net assets of the subsidiaries conducting non-core operations – security services: Energa Ochrona Sp. z o.o. and accounting, payroll and administrative services: Energa Centrum Usług Wspólnych Sp. z o.o. As for Energa Ochrona Sp. z o.o, the main reason for asset reclassification was the fact that on 30 June 2021 an agreement was signed to sell the shares in that entity, effective as of 31 July 2021. As regards Energa Centrum Usług Wspólnych Sp. z o.o., the Group is in advanced talks with a potential buyer of the shares and expects the transaction to be completed within a year.

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 30 June 2021 (unaudited)
ASSETS	
Property, plant and equipment	(8)
Investment property	(23)
Intangible assets	(1)
Right-of-use assets	(6)
Deferred tax assets	(1)
Current assets	(1)
Assets classified as held for sale	**(40)**
LIABILITIES	
Non-current provisions	(1)
Liabilities on account of leases	(10)
Trade payables	(2)
Deferred income and grants	(5)
Short-term provisions	(1)
Other financial liabilities	(3)
Other current liabilities	(5)
Liabilities directly related to assets classified as held for sale	**(27)**

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NOTES ON FINANCIAL INSTRUMENTS

18. Financial instruments

18.1. Carrying amount of financial instruments by category and class

As at 30 June 2021 (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:	-	-	1,856	-	**1,856**
adjusted estimate of sales revenues	-	-	*354*	-	***354***
Cash and cash equivalents	-	-	476	-	**476**
Other financial assets	20	62	33	-	**115**
Derivative financial instruments	20	62	-	-	**82**
Other	-	-	33	-	**33**
TOTAL	**20**	**62**	**2,365**	**-**	**2,447**
Liabilities					
Loans and borrowings	-	-	2,952	-	**2,952**
Preferential loans and borrowings	-	-	1,062	-	**1,062**
Loans and borrowings	-	-	1,890	-	**1,890**
Liabilities on account of the issue of debt securities	-	-	2,518	-	**2,518**
Trade payables	-	-	840	-	**840**
Contract liabilities	-	-	175	-	**175**
Other financial liabilities	-	38	365	804	**1,207**
Liabilities on account of purchase of property, plant and equipment and intangible assets	-	-	210	-	**210**
Derivative financial instruments	-	38	-	-	**38**
Dividend liabilities	-	-	2	-	**2**
Liabilities on account of leases	-	-	-	804	**804**
Other	-	-	153	-	**153**
TOTAL	**-**	**38**	**6,850**	**804**	**7,692**

As at 31 December 2020	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:	-	-	1,941	-	**1,941**
adjusted estimate of sales revenues	-	-	*353*	-	***353***
Cash and cash equivalents	-	-	221	-	**221**
Other financial assets	16	53	68	-	**137**
Derivative financial instruments	16	53	-	-	**69**
Other	-	-	68	-	**68**
TOTAL	**16**	**53**	**2,230**	**-**	**2,299**
Liabilities					
Loans and borrowings	-	-	3,432	-	**3,432**
Preferential loans and borrowings	-	-	1,241	-	**1,241**

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As at 31 December 2020	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
Loans and borrowings	-	-	2,186	-	**2,186**
Current account overdraft	-	-	5	-	**5**
Liabilities on account of the issue of debt securities	-	-	2,561	-	**2,561**
Trade payables	-	-	792	-	**792**
Contract liabilities	-	-	142	-	**142**
Other financial liabilities	-	17	215	743	**975**
Liabilities on account of purchase of property, plant and equipment and intangible assets	-	-	155	-	**155**
Derivative financial instruments	-	17	-	-	**17**
Dividend liabilities	-	-	2	-	**2**
Liabilities on account of leases	-	-	-	743	**743**
Other	-	-	58	-	**58**
TOTAL	**-**	**17**	**7,142**	**743**	**7,902**

18.2. 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 analyses fair value measurements for financial assets and financial liabilities categorised into 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 in 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 June 2021 (unaudited)	31 December 2020
	Level 2	Level 2
Assets		
Hedging derivatives (CCIRS III)	33	21
Hedging derivatives (CCIRS IV)	29	32
Other derivatives	20	16
Liabilities		
Hedging derivatives (CCIRS III)	16	4
Hedging derivatives (CCIRS IV)	16	1
Hedging derivatives (IRS)	6	12

Cross Currency Interest Rate Swaps (CCIRSs) and Interest Rate Swaps (IRSs) are measured at fair value by discounting future cash flows. The interest rates and the basis spread used in discounting are obtained from Bloomberg.

Other derivatives include call options for shares of Polimex-Mostostal S.A. The options were acquired 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 S.A., 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 S.A. 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.

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Financial instruments not measured at fair value on an ongoing 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 June 2021 (unaudited)	**2,518**	**1,441**	**1,135**
Eurobonds	1 355	1,441	-
hybrid bonds	1,163	-	1,135
As at 31 December 2020	**2,561**	**1,476**	**1,444**
Eurobonds	1,396	1,476	-
hybrid bonds	1,165	-	1,144

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 30 June 2021, 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 June 2021.

18.3. Financial liabilities

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

Loans and borrowings

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Currency	PLN	
Reference rate	WIBOR, rediscount rate	
Value of the loan/borrowing	**2,952**	**3,432**
of which maturing in:		
up to 1 year (short-term)	1,444	1,742
1 to 3 years	780	769
3 to 5 years	391	533
over 5 years	337	388

As at 30 June 2021 and 31 December 2020, the amount of credit limits available to the Group was PLN 6,066.2m – together with a credit limit from PKN Orlen S.A. (48.4% used), and PLN 5,575.1m (61.4% used), respectively.

Detailed information on contracted loans and borrowings is presented in Note 18.4.

Liabilities under bonds issued

	As at 30 June 2021 (unaudited)	As at 31 December 2020
Currency	EUR	
Reference rate	fixed	
Value of the issue		
in currency	557	555
in PLN	2,518	2,561
of which maturing in:		
up to 1 year (short-term)	49	41
2 to 3 years	565	577
over 5 years	1,904	1,943

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Credit risks broken down by rating category and other categories relating to trade receivables and contract assets

	As at 30 June 2021 (unaudited)			As at 31 December 2020		
	Weighted average credit loss	Gross value	Impairment loss	Weighted average credit loss	Gross value	Impairment loss
Highest client rating	0.0%	512	-	0.0%	515	-
Medium client rating	0.0%	148	-	0.0%	234	-
Lowest client rating	3.5%	17	(1)	1.5%	37	(1)

	As at 30 June 2021 (unaudited)			As at 31 December 2020		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Clients with no rating in sales business line	1.7%	704	(12)	1.7%	734	(13)
Disputed receivables	83.9%	353	(296)	83.1%	313	(259)
Other receivables	10.8%	482	(51)	10.3%	425	(44)

18.4. Available external financing

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

The external financing available as at 30 June 2021 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 June 2021	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	334	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	704	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	324	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	334	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA CapEx Program	30-04-2010	200	-	22	15-06-2022
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1 356[1]	-	1 356[1]	07-03-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	137	634[2]	19-09-2022
Nordic Investment Bank	Loan	FW Myślino construction	23-10-2014	68	-	33	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	130	-	130	20-12-2028

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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 30 June 2021	Repayment date
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	11,30³	-	11,30³	12-09-2037
Syndicated credit	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	2,000	-	17-09-20244
Bank Gospodarstwa Krajowego	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of Energa SA CapEx program, and refinancing of financial debt	03-07-2020	500	250	250	03-07-2022
SMBC	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of Energa SA CapEx program and refinancing of financial debt, excluding capital expenditure on coal-based energy production	28-07-2020	543	543	-	28-07-2025
PKN Orlen	Borrowing	financing general corporate purposes	31-05-2021	1,000	200	800	30-05-2022
TOTAL				**11,060**	**3,130**	**5,487**	

[1] liability under Eurobonds in the total amount of EUR 300m converted using the average NBP exchange rate of 30 June 2021

[2] value of guarantee limits granted to Energa Group companies based on the concluded execution agreements (utilization of the global limit)

[3] hybrid bonds liability of EUR 250m converted using the average NBP exchange rate of 30 June 2021

[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.

18.5. Cash flow hedge accounting

FX risk hedging

The special purpose vehicle Energa Finance AB (publ) and Energa SA have signed a loan agreement denominated in EUR for the total amount of EUR 200m. In order to hedge currency risk under the aforesaid loan, the Group concluded cross-currency interest rate swap transactions with the nominal value of EUR 200m ("CCIRS III") in April 2017.

The Group designated the foreign currency risk arising from intra-group loans denominated in EUR as a hedged position under the above hedging relationships. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the loan.

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 intra-group loans. The Group expects that the hedged cash flows will continue until February 2027.

In September 2017, Energa SA issued hybrid bonds for the total amount of EUR 250m. In order to hedge the currency risk under these bonds, the Company concluded CCIRS transactions ("CCIRS IV").

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

As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the bonds issued. The Company expects that the hedged cash flows will continue until September 2027.

Interest rate risk hedging

In April and June 2018, the Company concluded interest rate swap (IRS) transactions to hedge the interest rate risk arising from the financing used under:

- loan agreement concluded with EIB in 2013 – PLN 100m; and
- loan agreement concluded with EIB in 2009 – PLN 100m.

In August 2019, the Company concluded another IRS transaction under:

- loan agreement concluded with EIB in 2013 – PLN 150m.

As hedged positions under 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.

As the hedge, 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. 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.

Fair value of the hedges amounted to:

	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 June 2021 (unaudited)					
CCIRS III	33	Assets – Other financial assets	None	200	-
CCIRS IV	29	Assets – Other financial assets	None	250	-
CCIRS III	(16)	Liabilities – Other financial liabilities	None	200	-
CCIRS IV	(16)	Liabilities – Other financial liabilities	None	250	-
IRS	(6)	Liabilities – Other financial liabilities	None	-	350
As at 31 December 2020					
CCIRS III	21	Assets – Other financial assets	None	200	-
CCIRS IV	32	Assets – Other financial assets	None	250	-
CCIRS III	(4)	Liabilities – Other financial liabilities	None	200	-
CCIRS IV	(1)	Liabilities – Other financial liabilities	None	250	-
IRS	(12)	Liabilities – Other financial liabilities	None	-	350

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) increased by PLN 36m in the reporting period and decreased by PLN 84m in the corresponding period of the previous year.

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

Change in cash flow hedge reserve during the reporting period	6-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2020 (unaudited)
At the beginning of the reporting period	**(96)**	**(52)**
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(11)	(46)
Accrued interest transferred from the reserve to financial income/costs	13	5
Revaluation of hedging instruments transferred from the reserve to financial income/costs	42	(63)
Income tax on other comprehensive income	(8)	20
At the end of the reporting period	**(60)**	**(136)**

As at 30 June 2021, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

18.6. Security for the repayment of liabilities

At the end of the reporting period and as at 31 December 2020, there were no material assets securing repayment of liabilities or contingent liabilities.

OTHER NOTES

19. Investment commitments

At the end of the current reporting period, the Group's commitments to incur expenditures for the purchase of property, plant and equipment and intangible non-current assets, which have not yet been included in the statement of financial position, were about PLN 4,874m, 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 4,730m;
- upgrade projects carried out by the Ostrołęka B Power Plant (including modernisation of electrostatic precipitators, modernisation of automation systems in the boiler area, modernisation of the LFC node, and modernisation of the cooling water pumping system) – approx. PLN 9.2m;
- supply of catalytic cartridges (PLN 2.2m) and other work at the Ostrołęka Power Plant (approx. PLN 0.2m);
- CCGT Grudziądz and CCGT Gdańsk – construction of pumped storage power plants – approx. PLN 44.6m;
- construction of the PV Gryf photovoltaic installation carried out by Energa OZE SA – PLN 36.1m;
- construction of PV Czernikowo, PV Samolubie 1, PV Samolubie 2 and PV Przykona photovoltaic installations carried out by Energa OZE SA – PLN 10.7m;
- modernisation of the existing infrastructure by Energa OZE S.A. in Włocławek, Karścino, Struga, Dżerzewo, Strzegomino, and Żydowo – PLN 6.5m;
- construction of three water gas boilers, each with a capacity of 38 MWt, at the Elbląg CHP – PLN 21m;
- upgrade of 110kV switching station at Energa Kogeneracja Sp. z o.o. – approx. PLN 2.5m;
- other upgrade and modernisation work carried out by Energa Kogeneracja sp. z o.o. at the Elbląg CHP – PLN 2.3m; in Żychlin – PLN 0.5m and Kalisz – PLN 0.4m;
- construction of heat connections and extension of the energy infrastructure in Kalisz carried out by Energa Ciepło Kaliskie – approx. PLN 2.7m;
- rebuilding of the administration and workshop facility at Energa Oświetlenie Sp. z o.o. – approx. PLN 4.8m.

20. Information on related entities

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

20.1. Transactions involving parties related to the State Treasury

As at 30 June 2021, the Group's controlling entity was PKN Orlen SA. The revenue generated by the Group on transactions with the controlling entity amounted to PLN 44m as at 30 June 2021 , trade receivables amount of PLN 11m. The costs of transactions with that entity reached PLN 69m whilest trade liabilities amount of PLN 13m. In addition, the Group generated revenue of PLN 40m (including interest of PLN 24m) as a result of a settlement with PKN Orlen S.A. concerning a court claim relating to a system fee for services provided to that entity as an auto-producer.

On 31 May 2021 Energa Group concluded an loan agreement with PKN Orlen with redemption date on 30 May 2022. Maximum value of the debt resulting from the loan agreement shall not exceed in any moment of the sum PLN 1000m. Interest rate of the loan is corelated with the ratio: value of net debt/EBITDA. At 30.06.2021 utilization of the loan amount of PLN 800 zł and the interest rate was based on WIBOR 1M+0.7%.

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

Transactions with parties related to the State Treasury involved mainly to the purchase and sale of electricity and property rights, sale of electricity distribution services (including transit), settlements with the transmission system operator in the balancing market, for transmission services, system services and intervention work services and the purchase of fuel (mainly coal). These transactions are concluded on an arms' length basis and their terms and conditions do not deviate from transactions with other entities. Sales revenue generated by the Energa Group parties related to the State Treasury reached the level of PLN 7m at the date of 30 June 2021, whilst costs cooperation with those parties amount of PLN 24m.

Additionally, financial transactions (loans, guarantees, banking fees and commissions) were also concluded with Bank PKO BP, Bank Pekao SA 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.

20.2. Transactions with joint ventures and associates

Sales of Energa SA Group companies to associates and joint ventures in the period ended 30 June 2021 and in the corresponding period of the previous year were irrelevant. In the first half of 2021, purchases from associates and joint ventures were PLN 95m (in the corresponding period of the previous year, purchases from associates and joint ventures were PLN 45m). As at 30 June 2021 and as at 31 December 2020, the value of receivables was at a negligible level. The value of liabilities as at 30 June 2021 was PLN 186m (vs. PLN 56m as at 31 December 2020), including PLN 168m relating to the disposal of assets connected with construction of a gas-fired power plant including PLN 85m concerning lease liabilities and PLN 83m related with purchase of fixed assets, under an agreement between Elektrownia Ostrołęka Sp. z o.o. and CCGT Ostrołęka Sp. z o.o. All above transactions pertaining to the year 2021, except the assets disposal transaction referred to above, were concluded primarily with Polska Grupa Górnicza S.A. and involved mostly coal purchases.

20.3. Transactions with Parent Company's Management Board members

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

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

	6-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2020 (unaudited)
Management Board of the parent company	3	3
Supervisory Board of the Parent Company	<1	<1
Management Boards of subsidiaries	12	13
Supervisory Boards of subsidiaries	1	2
Other key management	27	30
TOTAL	**43**	**48**

21. Contingent assets and liabilities

21.1. Contingent liabilities

As at 30 June 2021, the Group identifies contingent liabilities of PLN 272m (PLN 309m as at 31 December 2020), including mainly the contingent liabilities relating to disputes involving Energa SA Group companies, where a victory by the company can not be excluded, or no cash outflow can be reliably estimated and no provision has been recognized for these cases.

The largest contingent liability item are disputes relating to power infrastructure of Energa-Operator SA located on private lands. 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 June 2021, the estimated value of those claims recognized as contingent liabilities is PLN 250m, compared with PLN 248m on 31 December 2020. Considering the possed available legal opinions, the estimated risk of lose of dispute is below 50%.

21.2.Contingent assets

At the end of the reporting period and as at 31 December 2020, there were no material contingent assets.

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

Global coronavirus pandemic

The Group identifies the following market risks in connection with SARS-CoV-2 coronavirus pandemic causing COVID-19 disease, which have had and may still have impact on the Group's financial performance:

- decline in demand for electricity, specifically from end customers from A, B and C tariff groups;

- need to sell out excess electricity at a loss in connection with the decline in electricity consumption by end customers;
- deteriorating payment discipline of customers due to their deteriorating financial situation;
- eroding work performance, likely to arise from sick leaves, compulsory quarantine and implemented work reorganization designed to prevent the spread of the virus, also through the use of remote work;

In Q2 2021, the Group did not identify any negative profitability impact of the COVID-19 pandemic. However, the pandemic clearly influenced the structure of energy sales to end consumers, arising from a decline in sales to business customers (the result of economic restrictions) coupled with an increase in sales to households (the result of lockdowns, and remote work and learning).

Nonetheless, it should be noted that the dynamic of events associated with the coronavirus epidemic exposes forecasting of its economic implications to high risk of adoption of erroneous assumptions. Given the developments in the economy and lack of sufficient data, the pandemic's financial implications for the Group cannot be reliably estimated.

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 steps to secure financial liquidity in connection with changes in its market environment.

In the face of those challenges, 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 continuously and adequate remediation measures are being developed as well as measures mitigating the effects of materialization of risks.

The Group has the resources to effectively counteract potential unfavorable phenomena, both in the short, medium and long term. 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.

Consequently, it should be stated that there are no indications suggesting that the Group will not be able to continue as a going concern.

23. Subsequent events

Cooperation agreement on the spin-off of coal and lignite assets and their integration within the NABE

On 23 July 2021, Energa SA, PGE Polska Grupa Energetyczna S.A. ("PGE"), ENEA S.A., TAURON Polska Energia S.A. ("Energy Companies") and the State Treasury ("Parties") entered into a cooperation agreement on the spin-off of coal and lignite assets and their integration within the National Energy Security Agency (NABE) ("Agreement").

The document entitled: "The Transformation of the power sector in Poland. Spin-off of coal and lignite assets from companies partly owned by the State Treasury" ("Transformacja sektora elektroenergetycznego w Polsce. Wydzielenie aktywów węglowych ze spółek z udziałem Skarbu Państwa") ("Transformation"), prepared by the Ministry of State Assets and subsequently presented for public consultations, involved a concept of hiving off the assets related to power generation in conventional coal and lignite-fired power plants ("Coal and Lignite Assets") from the capital groups of particular energy Companies. The Transformation is expected to consist in the integration of the demerged Coal and Lignite Assets in a single entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. – a subsidiary of PGE, which will ultimately operate as part of the National Energy Security Agency ("NABE").

Considering the above, the Parties to the Agreement recognize the need to coordinate their cooperation regarding the spin-off of the Coal and Lignite Assets and their integration within the NABE. Under the Agreement, the Parties declare their intention to mutually exchange the necessary information, including information about their organizational structures, implemented processes and assumptions for the direction of the Transformation, to the extent that any such disclosures are legal. The Agreement will enable effective and efficient execution of the NABE establishment process.

Signatures of Members of the Management Board of Energa SA:

Iwona Waksmundzka-Olejniczak ……………………………………………
Acting Management Board President, Vice-President of the Management Board for Corporate Matters

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

Marek Kasicki ……………………………………………
Vice-President of the Management Board for Financial Matters

Dominik Wadecki ……………………………………………
Vice-President of the Management Board for Operational Matters

Person responsible for the preparation of the statements:

Magdalena Kamińska ……………………………………………
Director of the Finance Department

Bartłomiej Bieńkowski ……………………………………………
Manager of the Financial Reporting and Taxes Unit

Gdańsk, 11 August 2021