Condensed Interim Consolidated Financial Statements prepared in accordance with IAS 34 for the period of 9 months ended 30 September 2021

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Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Three months period ended 30 September 2021 (unaudited)	Nine months period ended 30 September 2021 (unaudited)	Three months period ended 30 September 2020 (unaudited) (restated)	Nine months period ended 30 September 2020 (unaudited) (restated)
Sales revenues	**3,317**	**9,986**	**3,013**	**9,105**
Revenue from the Price Difference Refund Fund	**-**	**-**	**-**	**3**
Cost of sales	(2,565)	(7,745)	(2,493)	(7,538)
Gross profit on sales	**752**	**2,241**	**520**	**1,570**
Other operating income	42	145	66	284
Selling and distribution expenses	(215)	(670)	(223)	(681)
General and administrative expenses	(91)	(241)	(88)	(277)
Other operating expenses	(58)	(238)	(39)	(597)
Financial income	11	85	6	43
Financial costs	(71)	(201)	(111)	(606)
Share in profit/(loss) of entities measured by the equity method	8	121	2	(269)
Gross profit (loss)	**378**	**1,242**	**133**	**(533)**
Income tax	(83)	(279)	(48)	(149)
Net profit (loss) for the period	**295**	**963**	**85**	**(682)**
Attributable to:				
Equity holders of the Parent Company	300	976	86	(628)
Non-controlling interest	(5)	(13)	(1)	(54)
Profit (loss) per share (in PLN)				
- basic	**0.72**	**2.36**	**0.21**	**(1.52)**
- diluted	**0.72**	**2.36**	**0.21**	**(1.52)**

*for a detailed description of restatements, see note 9

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Three months period ended 30 September 2021 (unaudited)	Nine months period ended 30 September 2021 (unaudited)	Three months period ended 30 September 2020 (unaudited)	Nine months period ended 30 September 2020 (unaudited)
Net profit or loss for the period	**295**	**963**	**85**	**(682)**
Items that will never be reclassified to profit or loss	***(5)***	***(38)***	***(6)***	***(16)***
Actuarial gains and losses on defined benefit plans	(6)	(47)	(6)	(18)
Deferred income tax	1	9	-	2
Items that are or may be reclassified subsequently to profit or loss	**28**	**63**	***17***	**(64)**
Foreign exchange differences from translation of foreign entities	2	1	-	3
Cash flow hedges	33	77	21	(83)
Deferred income tax	(7)	(15)	(4)	16
Net other comprehensive income	**24**	**26**	**11**	**(80)**
Total comprehensive income	**319**	**989**	**96**	**(762)**
Attributable to:				
Equity holders of the Parent Company	324	1,002	97	(708)
Non-controlling interest	(5)	(13)	(1)	(54)

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2021 (unaudited)	As at 31 December 2020 (restated)	As at 1 January 2020 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	14,906	14,565	14,262
Intangible assets	1,157	926	814
Right-of-use assets	1,021	907	847
Goodwill	11	11	11
Investments in associated entities and joint ventures measured using the equity method	123	105	336
Deferred tax assets	265	207	262
Other non-current financial assets	172	77	190
Other non-current assets	226	141	144
	17,881	**16,939**	**16,866**
Current assets			
Inventories	103	140	165
Current tax receivables	7	30	61
Trade receivables	1,820	1,941	1,802
Other current financial assets	35	60	203
Cash and cash equivalents	331	221	1,461
Other current assets	217	337	409
	2,513	**2,729**	**4,101**
Assets classified as held for sale	98	-	-
TOTAL ASSETS	**20,492**	**19,668**	**20,967**

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

	As at 30 September 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	6	5	-
Reserve capital	821	1,018	1,018
Supplementary capital	1,661	1,661	2,035
Cash flow hedge reserve	(34)	(96)	(52)
Retained earnings	2,810	1,669	1,730
Equity attributable to equity holders of the Parent Company	**9,786**	**8,779**	**9,253**
Non-controlling interest	**(49)**	**(36)**	**11**
	9,737	**8,743**	**9,264**
Non-current liabilities			
Loans and borrowings	1,406	1,690	2,047
Bonds issued	2,511	2,520	2,326
Non-current provisions	907	923	786
Deferred tax liabilities	819	777	738
Deferred income and non-current grants	284	214	284
Liabilities on account of leases	797	704	637
Other non-current financial liabilities	17	22	82
Contract liabilities	10	11	12
	6,751	**6,861**	**6,912**
Current liabilities			
Trade liabilities	786	792	941
Contract liabilities	227	131	88
Current part of loans and borrowings	1,198	1,742	393
Bonds issued	24	41	2,219
Current income tax liability	41	-	-
Deferred income and grants	154	187	186
Short-term provisions	1,170	763	583
Other financial liabilities	212	249	235
Other current liabilities	159	159	146
	3,971	**4,064**	**4,791**
Liabilities directly related to assets classified as held for sale	33	-	-
Total liabilities	**10,755**	**10,925**	**11,703**
TOTAL EQUITY AND LIABILITIES	**20,492**	**19,668**	**20,967**

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

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	-	-	-	-	-	(38)	**(38)**	-	**(38)**
Foreign exchange differences from translation of foreign entities	-	1	-	-	-	-	**1**	-	**1**
Cash flow hedges	-	-	-	-	62	-	**62**	-	**62**
Share in other comprehensive income of entities measured using the equity method	-	-	-	-	-	1	**1**	-	**1**
Total net other comprehensive income	**-**	**1**	**-**	**-**	**62**	**(37)**	**26**	-	**26**
Net profit for the period	-	-	-	-	-	976	**976**	(13)	**963**
Total comprehensive income for the period	**-**	**1**	**-**	**-**	**62**	**939**	**1,002**	**(13)**	**989**
Distribution of profits/ coverage of losses from previous years	-	-	(197)	-	-	197	**-**	-	**-**
As at 30 September 2021 (unaudited)	**4,522**	**6**	**821**	**1,661**	**(34)**	**2,810**	**9,786**	**(49)**	**9,737**
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	-	-	-	-	-	(16)	**(16)**	-	**(16)**
Foreign exchange differences from translation of foreign entities	-	3	-	-	-	-	**3**	-	**3**
Cash flow hedges	-	-	-	-	(67)	-	**(67)**	-	**(67)**
Total net other comprehensive income	**-**	**3**	**-**	**-**	**(67)**	**(16)**	**(80)**	-	**(80)**
Net profit for the period	-	-	-	-	-	(628)	**(628)**	(54)	**(682)**
Total comprehensive income for the period	**-**	**3**	**-**	**-**	**(67)**	**(644)**	**(708)**	(54)	**(762)**
Distribution of profits/coverage of losses from previous years	-	-	-	(374)	-	374	**-**	**-**	**-**
Transfer to non-controlling interests	-	-	-	-	-	(5)	**(5)**	**5**	**-**
As at 30 September 2020 (unaudited)	**4,522**	**3**	**1,018**	**1,661**	**(119)**	**1,455**	**8,540**	**(38)**	**8,502**

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months period ended 30 September 2021 (unaudited)	Nine months period ended 30 September 2020 (unaudited) (restated)
Cash flows from operating activities		
Profit/(loss) before tax	**1,242**	**(533)**
Adjustments for:		
Share in (profit)/loss of entities measured by the equity method	(121)	269
Foreign currency losses	1	101
Amortization and depreciation	805	785
Net interest and dividends	155	244
Loss on investing activities	285	1,103
Changes in working capital:		
Change in receivables*	228	121
Change in inventories	38	58
Change in liabilities, excluding loans and borrowings	(8)	(149)
Change in contract liabilities	95	(11)
Change in prepayments and accruals	(42)	(149)
Change in provisions	484	190
	3,162	**2,029**
Income tax	**(237)**	**(82)**
Net cash from operating activities	**2,925**	**1,947**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets and investments into investment property	21	16
Purchase of property, plant and equipment and intangible assets	(1,847)	(1,848)
Sale of a subsidiary	4	-
Loans granted/repayment of loans	1	(180)
Other	24	-
Net cash from investing activities	**(1,797)**	**(2,012)**
Cash flows from financing activities		
Proceeds from debt incurred	1,434	4,048
Grants received	63	43
Repayment of debt incurred	(2,271)	(2,743)
Redemption of debt securities	-	(2,198)
Repayment of lease liabilities	(65)	(54)
Interest paid	(170)	(280)
Other	(9)	-
Net cash from financing activities	**(1,018)**	**(1,184)**
Net increase/(decrease) in cash and cash equivalents	**110**	**(1,249)**
Cash and cash equivalents at the beginning of the period	**221**	**1,457**
Unrealized foreign exchange differences	-	-
Cash and cash equivalents at the end of the period	**331**	**208**

In 2020, the item incorporates a change in receivables and contract assets.

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

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 are as at and for the nine months ended 30 September 2021 and contain relevant 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 September 2021, PKN ORLEN S.A. is the parent company and the ultimate controlling party of the Company and the Energa SA Group.

2. Composition of the Group, and joint ventures and associates

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

As at 30 September 2021, the Group consisted of Energa SA and the following subsidiaries:

No	Company name	Registered office	Line of business	% held by the Group in share capital as at 30 September 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
8	Energa Elektrownie Ostrołęka SA	Ostrołęka	production of energy	89.64	89.64

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

No	Company name	Registered office	Line of business	% held by the Group in share capital as at 30 September 2021	31 December 2020
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	ECARB Sp. z o.o.	Gdańsk	financing activity	100	100
24	CCGT Ostrołęka Sp. z o.o.[3]	Ostrołęka	production of energy	100	-
25	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. – 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; 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 September 2021 the Group holds shares in the following joint ventures: Polska Grupa Górnicza S.A. ("PGG"), Elektrownia Ostrołęka Sp. z o.o. (formerly Elektrownia Ostrołęka SA), and in the associate, Polimex-Mostostal SA ("Polimex") (see the description in Note 2.2). For ElectroMobility Poland S.A., classification of the company was changed from an associate recognized using the equity method to shares measured in the financial statements to the fair value (see 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, in 2020 the Group identified the need for recognising an impairment loss on the value of its investment. The fair value of shares was measured, as a result of which an impairment loss was recognized on the entire value of the investment in the PGG joint venture measured in the consolidated financial statements using the equity method. 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 PGG S.A. registered shares for which an impairment loss had been set up, 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.

As at 30 September 2021, the value of the investment as shown in the consolidated financial statements amount to PLN 0.

2.2.2. Polimex-Mostostal

On 18 January 2017, the Management Board of Energa S.A. along with Enea SA, PGE S.A., PGNiG Technologie S.A. ("Investors") and Polimex-Mostostal S.A. signed an investment agreement under which the Investors undertook to make an equity investment in Polimex. Energa SA holds approx. PLN 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 an engineering and construction company with its registered office in Warsaw, 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 September 2021, the value of the investment as shown in the consolidated financial statements is PLN 123m.

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 (of which half of receivables are ultimately attributable to 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 conditionally sold to Enea SA half of its receivables from Elektrownia Ostrołęka Sp. z o.o. in respect of the loan. In connection with fulfilment of conditions precedent, the receivables being sold were transferred to Enea S.A. The receivables under the loan agreement may be converted 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 S.A. decided to suspend the financing of the construction of the new coal-fired unit with a capacity of approx. 1,000 MW. i.e. 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 S.A. and PKN ORLEN S.A. 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 S.A. and Polskie Górnictwo Naftowe i Gazownictwo S.A. 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 S.A. on 22 December 2020 of two agreements, namely a) the agreement on cooperation in dividing Elektrownia Ostrołęka Sp. z o.o. whereby Enea S.A. 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 S.A. were annexed. As a result, the maturities of the loans granted under the agreement of 17 July 2019 in the amount of PLN 58m and the agreement of 23 December 2019 in the total amount of PLN 340m were extended. The following maturity of the loans were annexed twice. As a result, on 29 October 2021, the new maturity of the loans was set at 29 April 2022. On 25 June 2021, Elektrownia Ostrołęka Sp. z o.o., CCGT Ostrołęka Sp. z o.o., the Coal Project Contractor (GE Power Sp. z o.o. and GE Steam Power Systems S.A.S.) and the Gas Project Contractor (General Electric Global Services, GmbH together with GE Power Sp. z o.o.) signed the “Document amending the contract of 12 July 2018 for the construction of the Ostrołęka “C” Power Plant with a capacity of 1,000 MW”. This marked the entry into force of the “Settlement Agreement”. The Settlement Agreement regulates the rights and obligations of Elektrownia Ostrołęka Sp. z o.o. 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 Elektrownia Ostrołęka Sp. z o.o. 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. As at 30 September 2021, the amount of the provision did not change.

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

From the effective date of the Investment Agreement until 30 September 2021, the total value of the capital contributions made by Energa SA to the company (the total price of the shares acquired by the Company) amounted to PLN 351m.

As at 30 September 2021, the value of the investment as shown in the consolidated financial statements amount to PLN 0.

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 S.A., Enea S.A. and Tauron Polska Energia S.A. Each of the companies held a 25% stake in the share capital of ElectroMobility Poland S.A. at the time the company was established.

On 2 August 2021 the State Treasury signed an investment agreement with ElectroMobility Poland S.A., under which the State Treasury would acquire new shares in the company with the approx. value of PLN 250 m. For the purposes of this transaction, measurement by an independent adviser was performed. As at 30 September 2021, the total value of Energa SA’s capital contribution to the company (total par value of shares acquired) amounted to PLN 17.5m, while based on the measurement of the Company taken for the needs of State Treasury involvement, the value of the Company’s equities was reduced. Thus, the value of the Company’s shares in the Energa SA books was adjusted to the measurement amount, i.e. PLN 13,075,125. On 30 September 2021, an increase in the capital of the Company by the State Treasury with the approx. amount of PLN 250m was registered in the National Court Register.

As a result, Energa SA’s share in the capital of the Company decreased from 25% to approx. 4.3%, thus classification of ElectroMobility Poland S.A. was changed from an associate recognized using the equity method to shares measured in the financial statements to the fair value.

3. Composition of the Parent Company’s Management Board

During the three 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) in the period from 16 July 2021 to 27 October 2021:
   - 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.
3) in the period from 27 October 2021 until the day of preparation of these financial statements:
   - Ms Iwona Waksmundzka-Olejniczak - 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 issue by the Company's Management Board on 9 November 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 ("IFRS") as approved by the EU ("IFRS EU"). However, selected notes are included to explain events and transactions that are relevant to the understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended on 31 December 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 introduced to the Accounting Policy from 1 January 2021 and their impact on presented financial data are described in note 9. In the remaining scope, 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).

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

- Amendments to IFRS 16, Leases – COVID-19-related rent concessions after 30 June 2021.

The company assess that the above-mentioned amendments to the standards should not significantly affect its financial statements. The impact of the amendments in the reform of the reference interest rate is analysed by the Company.

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 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 adjustment of retained error

As a result of the aforesaid changes to the accounting policy and the adjustment of retained error, the Group restated comparative data in the consolidated statement of profit and loss for the period from 1 January 2020 to 30 September 2020, for the period from 1 July 2020 to 30 September 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 flows for the period from 1 January 2020 to 30 September 2020.

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

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

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

		Nine months period ended 30 September 2020 (previously reported)	Error correction and changes to presentation	Nine months period ended 30 September 2020 (restated)
Sales revenues	adjustment 4	**9,172**	**(67)**	**9,105**
Revenue from the Price Difference Refund Fund		**3**	**-**	**3**
Cost of sales	adjustment 2,3,4	(8,503)	965	(7,538)
Gross profit on sales		**672**	**898**	**1,570**
Other operating income	adjustment 2	255	29	284
Selling and distribution expenses	adjustment 3	(275)	(406)	(681)
General and administrative expenses		(277)	-	(277)
Other operating expenses	adjustment 2	(76)	(521)	(597)
Financial income		43	-	43
Financial costs		(606)	-	(606)
Share in profit/(loss) of the entities measured by the equity method		(269)	-	(269)
Loss before tax		**(533)**	**-**	**(533)**
Income tax		(149)	-	(149)
Net loss for the period		**(682)**	**-**	**(682)**
Attributable to:				
Equity holders of the Parent Company		(628)	-	(628)
Non-controlling interest		(54)	-	(54)

(*) The amount of reduction of costs of goods sold of PLN 994m included: PLN 406m moved to selling and distribution expenses (adjustment 3), PLN 521m moved to other operating expenses (adjustment 2), PLN 67m moved from revenues (adjustment 4). The increase in the cost of sales at PLN 29m was affected by the fact that this item was moved to other operating income (adjustment 2).

		Three months period ended 30 September 2020 (previously reported)	Error correction and changes to presentation	Three months period ended 30 September 2020 (restated)
Sales revenues	adjustment 4	**3,030**	**(17)**	**3,013**
Revenue from the Price Difference Refund Fund		**-**	**-**	**-**

		Three months period ended 30 September 2020 (previously reported)	Error correction and changes to presentation	Three months period ended 30 September 2020 (restated)
Cost of sales	adjustment 2,3,4	(2,654)	161	(2,493)
Gross profit (loss) on sales		**376**	**144**	**520**
Other operating income	adjustment 2	58	8	66
Selling and distribution expenses	adjustment 3	(83)	(140)	(223)
General and administrative expenses		(88)	-	(88)
Other operating expenses	adjustment 2	(27)	(12)	(39)
Financial income		6	-	6
Financial costs		(111)	-	(111)
Share in profit/(loss) of the entities measured by the equity method		2	-	2
Loss before tax		**133**	**-**	**133**
Income tax		(48)	-	(48)
Net loss for the period		**85**	**-**	**85**
Attributable to:				
Equity holders of the Parent Company		86	-	86
Non-controlling interest		(1)	-	(1)

(*) The amount of reduction of costs of goods sold of PLN 169m included: PLN 140m moved to selling and distribution expenses (adjustment 3), PLN 12m moved to other operating expenses (adjustment 2), PLN 17m moved from Sales revenues to Cost of sales (adjustment 4). The increase in the cost of sales at PLN 8m was affected by the fact that this item was moved to other operating income (adjustment 2).

		Nine months period ended 30 September 2020 (previously reported)	Error correction and changes to presentation	Nine months period ended 30 September 2020 (unaudited) (restated)
Cash flows from operating activities				
Loss before tax		**(533)**	**-**	**(533)**
Adjustments for:		-	-	-
Share in (profit)/loss of entities measured by the equity method		269	-	269
Foreign currency losses		101	-	101
Amortization and depreciation		785	-	785
Net interest and dividends		244	-	244
Loss on investing activities	adjustment 6	835	268	1,103
Changes in working capital:		-	-	-
Change in receivables*	adjustment 7	(192)	313	121
Change in contract assets		313	(313)	-
Change in inventories	adjustment 1	(258)	316	58
Change in liabilities, excluding loans and borrowings		(149)	-	(149)
Change in contract liabilities		(11)	-	(11)
Change in prepayments and accruals		(149)	-	(149)

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

		Nine months period ended 30 September 2020 (previously reported)	Error correction and changes to presentation	Nine months period ended 30 September 2020 (unaudited) (restated)
Change in provisions		190	-	190
-		**1,445**	**584**	**2 029**
Income tax		**(82)**	**-**	**(82)**
Net cash from operating activities		**1,363**	**584**	**1,947**
Cash flows from investing activities				
Disposal of property, plant and equipment and intangible assets and investments into investment property		16	-	16
Purchase of property, plant and equipment and intangible assets	adjustment 5	(1,264)	(584)	(1,848)
Loans granted		(180)	-	(180)
Net cash from investing activities		**(1,428)**	**(584)**	**(2,012)**
-				
Cash flows from financing activities				
Proceeds from debt incurred		4,048	-	4,048
Grants received		43	-	43
Repayment of debt incurred		(2,743)	-	(2,743)
Redemption of debt securities		(2,198)	-	(2,198)
Repayment of lease liabilities		(54)	-	(54)
Interest paid		(280)	-	(280)
Net cash from financing activities		**(1,184)**	**-**	**(1,184)**
Net increase/(decrease) in cash and cash equivalents		**(1,249)**	**-**	**(1,249)**
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		**208**	**-**	**208**

**In 2020, the item incorporates a change in receivables and contract assets.*

On 1 January 2021, the Group 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. These have been presented under intangible assets and not under inventories as previously (adjustment 1).

The Group also amended its accounting policy in terms of presentation of the values of established and released impairment losses on trade receivables, contract assets, tangible assets, intangible assets and investment property (including the advances paid). Establishment of impairment losses was recognized in other operating expenses and their release was recognized in other operating income and not in the cost of sales, as was the case previously (adjustment 2).

The approach to presentation of the value of the provision set up/dissolved related to the obligation to present certificates of origin and certificates of energy efficiency for redemption also changed. This value was recognized in 2021 under selling and distribution expenses, previously presented under cost of sales (adjustment 3).

In the current reporting period, the Group corrected the retained error in the presentation of certificates of origin obtained free of charge in the consolidated income statement. Previously reported under sales revenues, the certificates are now presented as a decrease in the cost of sales (adjustment 4).

The change in the accounting policy with regard to presentation of certificates of origin, CO2 emission allowances and certificates of energy efficiency used for own purposes and relating to recognition under intangible assets instead of under Inventories (adjustment 1) also affected the method of presentation of cash flows related to expenses incurred to purchase CO2 emission allowances and certificates of energy efficiency (adjustment 5) and redemption of such rights (adjustment 6).

Expenses related to the costs of purchase of CO2 emission allowances and certificates of energy efficiency were presented in Cash flows from investing activities under Purchase of property, plant and equipment and intangible assets (adjustment 5). Previously such expenses were presented in operating activity under Change in inventories. Redemption of property rights is presented under Profit (loss) from investment activity (adjustment 6). A change in assets related to agreements is recognized under Change in receivables (adjustment 7) to ensure data comparability between the periods.

Starting from 1 January 2021, the Group also changed the method of measurement of investment property but, due to immateriality of the amounts, no comparative data have been converted in that respect.
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 and adjust to the principles of the accounting policy adopted in the Orlen Group.

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 centres in the accounting, HR and payroll, administration and ITC areas as well as financial activity, real estate management, logistics, procurement and security. The Parent Company's operations are included in the Other business line.

The key measures used by the 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 September 2021 and the financial assets and liabilities as at 30 September 2021 by individual reporting segments, together with appropriate comparative information.

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

Nine months ended 30 September 2021 (unaudited) or as at 30 September 2021 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	3,240	5,332	1,306	108	-	**9,986**
Sales between business lines	45	33	256	327	(661)	**-**
Total business line revenue	**3,285**	**5,365**	**1,562**	**435**	**(661)**	**9,986**
EBITDA	**1,503**	**474**	**163**	**(35)**	**4**	**2,109**
Amortization and depreciation	650	37	104	22	(8)	**805**
Impairment on non-financial non-current assets	-	-	66	1	-	**67**
Operating profit or loss	**853**	**437**	**(7)**	**(58)**	**12**	**1,237**
Net financial income/expense	(113)	(6)	(37)	230	(190)	**(116)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	121	**121**
Profit or loss before tax	**740**	**431**	**(44)**	**172**	**(57)**	**1,242**
Income tax	(187)	(84)	(17)	9	-	**(279)**
Net profit or loss	**553**	**347**	**(61)**	**181**	**(57)**	**963**
Assets and liabilities						
Cash and cash equivalents	2	115	44	170	-	**331**
Total assets	**14,729**	**2,902**	**3,934**	**13,679**	**(14,752)**	**20,492**
Financial liabilities	4,932	27	864	4,763	(4,614)	**5,972**
Other business line information						
Capital expenditure	1,022	35	120	190	(2)	**1,365**

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

Nine months ended 30 September 2020 (unaudited) (restated) or as at 31 December 2020	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	3,147	5,245	644	69	-	**9,105**
Sales between business lines	42	20	184	458	(704)	**-**
Revenue from the Price Difference Refund Fund	-	3	-	-	-	**3**
Total business line revenue	**3,189**	**5,268**	**828**	**527**	**(704)**	**9,108**
EBITDA	**1,352**	**114**	**135**	**(48)**	**3**	**1,556**
Amortization and depreciation	628	38	108	21	(10)	**785**
Impairment on non-financial non-current assets	-	-	472	-	-	**472**
Operating profit or loss	**724**	**76**	**(445)**	**(69)**	**13**	**299**
Net financial income/costs	(135)	(7)	(37)	230	(614)	**(563)**
Share of the profit or loss of entities accounted for using the equity method	-	-	-	-	(269)	**(269)**
Profit or loss before tax	**589**	**69**	**(482)**	**161**	**(870)**	**(533)**
Income tax	(110)	(15)	(22)	(2)	-	**(149)**
Net profit or loss	**479**	**54**	**(504)**	**159**	**(870)**	**(682)**
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	897	33	232	24	3	**1,189**

Condensed interim consolidated financial statements as at and for the nine months ended 30 September 2021 (in PLN million)

Nine months ended 30 September 2021 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenues on sales of products and goods for resale and materials, including:	**18**	**5,160**	**1,473**	**211**	**(394)**	**6,468**
Electricity	14	5,084	1,214	-	(275)	**6,037**
Gas	-	124	-	-	-	**124**
Other products, goods for resale and materials	4	3	259	211	(119)	**358**
Excise tax	-	(51)	-	-	-	**(51)**
Revenues on sales of services, including:	**3,267**	**205**	**89**	**224**	**(267)**	**3,518**
Distribution and transit services	3,127	-	64	-	(33)	**3,158**
Customer connection fees	86	-	-	-	-	**86**
Rental income	27	3	3	1	(11)	**23**
Other services	27	202	22	223	(223)	**251**
TOTAL	**3,285**	**5,365**	**1,562**	**435**	**(661)**	**9,986**
including:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	3,141	5,157	1,278	-	(308)	**9,268**
Revenue from goods, products and materials transferred or services provided at a specific time	144	208	284	435	(353)	**718**

Nine months ended 30 September 2020 (unaudited) (restated)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Sales of goods for resale, finished goods, and materials, of which:	**31**	**5,067**	**749**	**152**	**(286)**	**5,713**
Electricity	27	5,027	618	3	(199)	**5,476**
Gas	-	88	-	-	-	**88**
Other products, goods for resale and materials	4	2	131	149	(87)	**199**
Excise tax	-	(50)	-	-	-	**(50)**
Revenues on sales of services, including:	**3,158**	**198**	**79**	**375**	**(418)**	**3,392**
Distribution and transit services	3,071	-	21	-	(30)	**3,062**
Customer connection fees	35	-	-	-	-	**35**
Rental income	27	3	3	1	(11)	**23**
Other services	25	195	55	374	(377)	**272**
TOTAL	**3,189**	**5,265**	**828**	**527**	**(704)**	**9,105**
including:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	3,098	5,065	639	3	(229)	**8,576**
Revenue from goods, products and materials transferred or services provided at a specific time	91	200	189	524	(475)	**529**

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 1,159m (vs. PLN 1,099m in the same period of 2020)
- recognized impairment losses on property, plant and equipment in the amount of PLN 82m and reversed the recognition of impairment losses of PLN 15m (in the corresponding period of 2020, it recognized impairment losses of PLN 446m and reversed the recognition of impairment losses of PLN 9m).

Intangible assets

In the current reporting period, the Group:

- incurred capital expenditure on intangible assets in the amount of PLN 41m (PLN 49m 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 488m (PLN 517m in the corresponding period of 2020)

Right-of-use assets

In the current reporting period, the Group increased right-of-use assets by PLN 165m (PLN 40m in the corresponding period of 2020) as a result of conclusion of new agreements.

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

At the end of each reporting period, Energa SA evaluates property, plant and equipment and goodwill for any internal and external triggers of impairment of recoverable amount.

As at 30 September 2021 the premise to conduct an impairment test for the assets of Energa Invest Sp. z o.o. was identified, considering the result of the internal valuation of fair value of Energa Invest prepared for the needs of integration activities in the ORLEN Group.

The impairment test for Energa Invest CGU (Cash Generating Unit) was conducted as at 30 September 2021. In Q3 2021, the CGU's value in use was set on the basis of financial projections for the period from October 2021 to December 2026 and the residual value. The length of financial forecasts for CGUs assumed in such a way as to ensure that the cash flow used to calculate residual value was as similar as possible to the cash flows expected in the consecutive years; and The business model and assumptions adopted for measurements are largely based on the project activities pursued for the companies of the Group. These are largely services provided to Energa-Operator SA. The discount rate set on the basis of the weighted-average cost of capital (WACC), used for the calculation, was 4.78%. 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 results of the test, no need was found to recognize impairment losses on the assets of CGU Energa Invest. The value in use was determined at PLN 70.4 m.

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. 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.

The assumptions for determination of cash flows for identified assets were recognized and disclosed in the Consolidated Financial Statements of the Energa Group for H1 2021.

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 did 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) amounted to PLN 0 as at 30 June 2021.
- it was concluded that no impairment loss on Energa Invest CGU was required. The recoverable amount was set at PLN 85.5 m.
- an impairment loss was posted on the whole generating assets of the Żychlin heat plant at PLN 14.9 m.

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 September 2021 (unaudited)	30 September 2020 (unaudited)
Cash at bank and in hand	331	208
Total cash and cash equivalents presented in the statement of financial position	**331**	**208**
including unrealized foreign exchange differences and interest	-	-
Total cash and cash equivalents presented in the statement of cash flows	**331**	**208**
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 Izba Rozliczeniowa 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.

	Nine months period ended 30 September 2021 (unaudited)	Nine months period ended 30 September 2020 (unaudited)
Net profit or loss attributable to equity holders of the parent company	976	(714)
Net profit or loss attributable to common equity holders of the Parent Company	**976**	**(714)**
Number of shares used to calculate earnings per share (millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**2.36**	**(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 Entity's 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 is derived from a projection of provisions as at 30 September 2021, made 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 projection of the provisions as at 30 September 2021 was adopted at the level of 1.8% (as at 31 December 2020: 1.2%).

	Long-term		Short-term		Total	
	30 September 2021 (unaudited)	31 December 2020	30 September 2021 (unaudited)	31 December 2020	30 September 2021 (unaudited)	31 December 2020
Pension and similar benefits	163	174	14	12	177	186
Energy tariff	282	226	11	10	293	236
Company Social Benefit Fund	27	58	1	1	28	59
Jubilee bonuses	248	262	22	25	270	287
	720	**720**	**48**	**48**	**768**	**768**

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16.2.Other provisions

	Long-term		Short-term		Total	
	30 September 2021 (unaudited)	31 December 2020	30 September 2021 (unaudited)	31 December 2020	30 September 2021 (unaudited)	31 December 2020
Legal claims	78	72	130	125	208	197
Land reclamation and liquidation costs	93	113	-	-	93	113
Liabilities for gas emissions	-	-	378	197	378	197
Obligation relating to property rights	-	-	457	124	457	124
Provision for settlement of the coal-based investment project in Ostrołęka	-	-	107	218	107	218
Other provisions	16	18	50	51	66	69
	187	**203**	**1,122**	**715**	**1,309**	**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.

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.

On 30 September 2021 the assessment was made to see whether it was necessary to reclassify of the net assets of Energa Invest Sp. z o.o. to assets held for sale. For the above mentioned company, it is assumed that the shares will be sold within 12 months. Therefore, at the end of Q3 2021, net assets of Energa Invest Sp. z o.o. held by the Group were reclassified to assets held for sale.

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 September 2021
ASSETS	
Property, plant and equipment	(49)
Investment property	(25)
Intangible assets	(2)
Right-of-use assets	(11)
Deferred tax assets	(5)
Trade receivables	(3)

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	As at 30 September 2021
Other current financial assets	(1)
Other current assets	(2)
Assets classified as held for sale	**(98)**
LIABILITIES	
Non-current provisions	(1)
Non-current lease liabilities	(14)
Trade liabilities	(1)
Deferred income and grants	(2)
Short-term provisions	(5)
Other financial liabilities	(4)
Other current liabilities	(6)
Liabilities directly related to assets classified as held for sale	**(33)**

NOTES ON FINANCIAL INSTRUMENTS

18. Financial instruments

18.1. Carrying amount of financial instruments by category and class

As at 30 September 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:	-	-	1,820	-	**1,820**
adjusted estimate of sales revenues	-	-	*330*	-	***330***
Cash and cash equivalents	-	-	331	-	**331**
Other financial assets	20	137	50	-	**207**
Derivative financial instruments	20	137	-	-	**157**
Other	-	-	50	-	**50**
TOTAL	**20**	**137**	**2,201**	**-**	**2,358**
Liabilities					
Loans and borrowings	-	-	2,604	-	**2,604**
Preferential loans and borrowings	-	-	1,022	-	**1,022**
Loans and borrowings	-	-	1,582	-	**1,582**
Bonds issued	-	-	2,535	-	**2,535**
Trade liabilities	-	-	786	-	**786**
Contract liabilities	-	-	237	-	**237**
Other financial liabilities	-	15	178	833	**1,026**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	112	-	**112**
Derivative financial instruments	-	15	-	-	**15**
Dividend liabilities	-	-	2	-	**2**
Liabilities on account of leases	-	-	-	833	**833**
Other	-	-	64	-	**64**
TOTAL	**-**	**15**	**6,340**	**833**	**7,188**

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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
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**
Loans and borrowings	-	-	2,186	-	**2,186**
Current account overdraft	-	-	5	-	**5**
Bonds issued	-	-	2,561	-	**2,561**
Trade liabilities	-	-	792	-	**792**
Contract liabilities	-	-	142	-	**142**
Other financial liabilities	-	17	215	743	**975**
Liabilities on 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 September 2021 (unaudited)	31 December 2020
	Level 2	Level 2
Assets		
Hedging derivatives (CCIRS III)	54	21
Hedging derivatives (CCIRS IV)	83	32
Other derivatives	20	16
Liabilities		
Hedging derivatives (CCIRS III)	6	4
Hedging derivatives (CCIRS IV)	5	1
Hedging derivatives (IRS)	4	12

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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 21 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 30 November 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.

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 September 2021 (unaudited)	**2,535**	**1,484**	**1,154**
Eurobonds	1,396	1,484	-
hybrid bonds	1,139	-	1,154
As at 31 December 2020	**2,561**	**1,476**	**1,444**
Eurobonds	1,396	1,476	-
hybrid bonds	1,165	-	1,144

The fair value 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 September 2021, which are determined based on trades on the Luxembourg Stock Exchange and over-the-counter trading, and in the case of hybrid bonds based on an analysis of future cash flows discounted using the interest rates in effect as at 30 September 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 September 2021 (unaudited)	As at 31 December 2020
Currency	PLN	
Reference rate	WIBOR, rediscount rate	
Value of the loan/borrowing	**2,604**	**3,432**
of which maturing in:		
up to 1 year (short-term)	1,198	1,742
1 to 3 years	1,155	769
3 to 5 years	127	533
over 5 years	124	388

As at 30 September 2021 and 31 December 2020, the amount of credit limits available to the Group was PLN 5,979.4m – together with a credit limit from PKN Orlen S.A. (43.3% used), and PLN 5,575.1m (61.4% used), respectively.

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

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Liabilities under bonds issued

	As at 30 September 2021 (unaudited)	As at 31 December 2020
Currency	EUR	
Reference rate	fixed	
Value of the issue		
in currency	547	555
in PLN	2,535	2,561
of which maturing in:		
up to 1 year (short-term)	24	41
1 to 2 years	570	-
2 to 3 years	-	577
over 5 years	1,941	1,943

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

	As at 30 September 2021 (unaudited)			As at 31 December 2020		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Highest client rating	0.0%	509	-	0.0%	515	-
Medium client rating	0.0%	156	-	0.0%	234	-
Lowest client rating	2.4%	23	(1)	1.5%	37	(1)

	As at 30 September 2021 (unaudited)			As at 31 December 2020		
	Weighted average credit loss	Gross value	Impairment loss	Weighted average credit loss	Gross value	Impairment loss
Clients with no rating in sales business line	1.7%	664	(11)	1.7%	734	(13)
Disputed receivables	83.8%	357	(299)	83.1%	313	(260)
Other receivables	10.8%	472	(50)	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 September 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 September 2021	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	313	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	683	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	301	18-12-2024

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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 September 2021	Repayment date
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	310	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA CapEx Program	30-04-2010	200	-	16	15-06-2022
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1,390[1]	-	1,390[1]	07-03-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	137	63[2]	19-09-2022
Nordic Investment Bank	Loan	FW Myślino construction	23-10-2014	68	-	31	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	126	-	126	20-12-2028
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	1,158[3]	-	1,158[3]	12-09-2037
Syndicated loan	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of Energa SA CapEx program, excluding capital expenditure on coal-based energy production	17-09-2019	2,000	2,000	-	17-09-2024[4]
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	100	400	18-08-2023
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	556	556	0	28-07-2025
PKN Orlen	Borrowing	financing general corporate purposes		1,000	600	400	30-05-2022
TOTAL				**11,131**	**3,393**	**5,198**	

[1] liability under Eurobonds in the total amount of EUR 300m, translated at the average NBP exchange rate of 30 September 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 September 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 September 2021 (unaudited)					
CCIRS III	54	Assets – Other financial assets	None	200	-
CCIRS IV	83	Assets – Other financial assets	None	250	-
CCIRS III	(6)	Liabilities – Other financial liabilities	None	200	-
CCIRS IV	(5)	Liabilities – Other financial liabilities	None	250	-
IRS	(4)	Liabilities – Other financial liabilities	None	-	350

As at 31 December 2020

	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	Nominal amounts of hedging instrument in millions of PLN
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 62m in the reporting period and decreased by PLN 67m in the corresponding period of the previous year.

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

Change in the cash flow hedge reserve during the reporting period	Nine months period ended 30 September 2021 (unaudited)	Nine months period ended 30 September 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	86	16
Accrued interest transferred from the reserve to financial income/costs	(1)	(9)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(8)	(90)
Income tax on other comprehensive income	(15)	16
At the end of the reporting period	**(34)**	**(119)**

As at 30 September 2021, no ineffectiveness was identified resulting from the cash flow hedge accounting applied.

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 4,747.9m
- 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 4,351m;
- 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) – PLN 4.1m;
- supply of catalytic cartridges – PLN 2.2m and other work at the Ostrołęka Power Plant – PLN 0.4m;
- CCGT Grudziądz and CCGT Gdańsk – construction of pumped storage power plants – PLN 44.6m;
- construction of three water gas boilers, each with a capacity of 38 MWt, at the Elbląg CHP – PLN 18,2m;
- upgrade of 110kV switching station at Energa Kogeneracja Sp. z o.o. – PLN 2.5m;
- construction of three water gas boilers, of which two have a capacity of 20 MWt and one has capacity 10 MWt, at the Kalisz CHP – PLN 39.1m;

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- other upgrade and modernisation work carried out by Energa Kogeneracja Sp. z o.o. at the Elbląg CHP – PLN 2.5m; in Żychlin – PLN 0.6m and Kalisz – PLN 0.3m;
- rebuilding of the administration and workshop facility at Energa Oświetlenie Sp. z o.o. – PLN 4.4m;
- modernisation of the existing infrastructure by Energa OZE S.A. in Włocławek, Karścino, Struga, Dżerzewo, Strzegomino, and Żydowo – PLN 6m;
- construction of photovoltaic installations carried out by Energa OZE SA at the PV Gryf – PLN 39.5m and PV Wielbark – PLN 219,2m;
- construction photovoltaic installations at PV Czernikowo, PV Samolubie 1, PV Samolubie 2, PV Pierzchały and PV Przykona carried out by Energa OZE SA – PLN 13.3m.

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 September 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 72m as at 30 September 2021 while the trade receivables totalled PLN 12m. The costs of transactions with that entity reached PLN 141 m, while trade liabilities amounted to PLN 27 m. 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 the Group and PKN Orlen S.A concluded a loan agreement maturing on 30 May 2022. The maximum debt under the loan at any time during its term may not exceed PLN 1,000 m. Interest rate of the loan depends on the net debt/EBITDA ratio. As at 30 September 2021 the value of debt under the agreement was PLN 400 m, and the interest rate was WIBOR 1M + a margin of 0.7%.

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. As at 30 September 2021, the Group's sales revenues generated by the Group amounted to PLN 11m as while the costs of transactions with such entities reached PLN 35m.

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 the associate

Sales made by Energa SA Group companies to the associate and joint ventures were immaterial in the period ended 30 September 2021 and in the corresponding prior year period. In the first three quarters of 2021, purchases from the associate and joint ventures added up to PLN 132 m (vs. PLN 80m in the same period last year). As at 30 September 2021 and as at 31 December 2020, the value of receivables was at a negligible level. The value of liabilities as at 30 September 2021 was PLN 110m vs. PLN 56m as at 31 December 2020, including PLN 85m relating to the lease liabilities (disposal of assets connected with construction of a gas-fired power plant 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. Remuneration paid or payable to key management and Supervisory Boards of Group companies

	Nine months period ended 30 September 2021 (unaudited)	Nine months period ended 30 September 2020 (unaudited)
Management Board of the parent company	4	5
Supervisory Board of the Parent Company	<1	<1
Management Boards of subsidiaries	18	20
Supervisory Boards of subsidiaries	2	2
Other key management	39	41
TOTAL	**63**	**68**

21. Contingent assets and liabilities

21.1. Contingent liabilities

As at 30 September 2021, the Group identifies contingent liabilities of PLN 271m (PLN 309m as at 31 December 2020), including mainly the contingent liabilities relating to legal disputes against Energa Group companies which may be won by the companies or for which no cash outflow can be reliably estimated at the moment and no provision is recognized for those claims.

The largest contingent liability item are disputes relating to power infrastructure of Energa-Operator SA located on private land. If there is uncertainty as to whether a claim amount or legal title to land is justified, the Group recognizes contingent liabilities. As at 30 September 2021, the estimated value of those claims recognized as contingent liabilities is PLN 250m, compared with PLN 248m on 31 December 2020. Considering the available legal opinions, the estimated risk of losing the 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 Q3 2021, the Group did not identify any negative profitability impact of the COVID-19 pandemic.

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 analysed 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 unfavourable 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 4 November 2021 the Supervisory Board of Energa SA adopted a resolution to appoint Mr Janusz Szurski to the Management Board of Energa SA of the 6th term of office for the position of the Vice-President of the Management Board for Corporate Matters.

Signatures of Members of the Management Board of Energa SA:

Iwona Waksmundzka-Olejniczak
President of the Management Board ....

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, 9 November 2021