Energa

GRUPA ORLEN

Consolidated financial statements for the year ended 31 December 2021 prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union

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Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2021	Year ended 31 December 2020 (restated)*
Sales revenue	**10**	**14,016**	**12,401**
The result on financial instruments measured at fair value through profit or loss	**30.3.1, 30.2**	**(324)**	**-**
Revenue from the Price Difference Refund Fund		**-**	**57**
Cost of sales	**11.1**	(10,971)	(10,233)
Gross profit on sales		**2,721**	**2,225**
Other operating income	**11.4**	214	509
Selling and distribution expenses	**11.1**	(953)	(954)
General and administrative expenses	**11.1**	(325)	(377)
Other operating expenses	**11.5**	(379)	(739)
Financial income	**11.6**	74	77
Financial costs	**11.7**	(268)	(696)
Share in profit (loss) of entities measured using the equity method		185	(264)
Gross profit (loss)		**1,269**	**(219)**
Income tax	**12**	(332)	(225)
Net profit (loss) for the period		937	**(444)**
Attributable to:			
Equity holders of the parent company		968	(393)
Non-controlling interests		(31)	(51)
Profit (loss) per share (in PLN)	**23**		
- basic		**2.34**	**(0.95)**
- diluted		**2.34**	**(0.95)**

*Conversion described in Note 9.32

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Net profit or loss for the period		**937**	**(444)**
Items that will never be reclassified to profit or loss		***69***	***(36)***
Actuarial gains and losses on defined benefit plans	**25.1**	85	(45)
Deferred income tax		(16)	9
Items that may subsequently be reclassified to profit or loss		**183**	**(39)**
Foreign exchange differences from translation of foreign entities		-	5
Cash flow hedges	**30.6**	226	(54)
Deferred income tax		(43)	10
Share in other comprehensive income of entities measured using the equity method		**1**	**(2)**
Net other comprehensive income		**253**	**(77)**
Total comprehensive income		**1,190**	**(521)**
Attributable to:			
Equity holders of the parent company		1,220	(469)
Non-controlling interests		(30)	(52)

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021	As at 31 December 2020 (restated)*	As at 1 January 2020 (restated)*
ASSETS				
Non-current assets				
Property, plant and equipment	**13**	15,281	14,565	14,262
Intangible assets	**14**	974	926	814
Right-of-use assets	**15**	1,063	907	847
Goodwill	**16**	-	11	11
Investments in associates and joint ventures measured using the equity method	**17**	128	105	336
Deferred tax assets	**12.3**	237	207	262
Other non-current financial assets	**30.1**	254	77	190
Other non-current assets	**21.1**	289	141	144
		18,226	**16,939**	**16,866**
Current assets				
Inventories	**18**	111	140	165
Current tax receivables		102	30	61
Trade receivables	**30.4.1**	2,074	1,941	1,802
Other current financial assets	**30.1**	105	60	203
Cash and cash equivalents	**20**	340	221	1,461
Other current assets	**21.2**	231	337	409
		2,963	**2,729**	**4,101**
Assets classified as held for sale	**29**	49	-	-
TOTAL ASSETS		**21,238**	**19,668**	**20,967**

*Conversion described in Note 9.32

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

	Note	As at 31 December 2021	As at 31 December 2020 (restated)*	As at 1 January 2020 (restated)*
EQUITY AND LIABILITIES				
Equity				
Share capital	**22.1**	**4,522**	**4,522**	**4,522**
Foreign exchange differences from translation of a foreign entity		5	5	-
Reserve capital	**22.4**	821	1,018	1,018
Supplementary capital	**22.5**	1,661	1,661	2,035
Cash flow hedge reserve	**22.6, 30.6**	87	(96)	(52)
Retained earnings	**22.7**	2,912	1,669	1,730
Equity attributable to equity holders of the parent company		**10,008**	**8,779**	**9,253**
Non-controlling interest	**22.8**	**(66)**	**(36)**	**11**
		9,942	**8,743**	**9,264**
Non-current liabilities				
Loans and borrowings	**30.4.2**	1,309	1,690	2,047
Bonds issued	**30.4.2**	2,501	2,520	2,326
Non-current provisions	**25**	734	923	786
Deferred tax liabilities	**12.3**	910	777	738
Deferred income and non-current grants	**27**	301	214	284
Liabilities on account of leases	**35**	838	704	637
Other non-current financial liabilities	**26.1, 30.1**	9	22	82
Contract liabilities	**30.1**	9	11	12
		6,611	**6,861**	**6,912**
Current liabilities				
Trade liabilities	**30.1**	1,067	792	941
Contract liabilities	**30.1**	297	131	88
Current credits and loans	**30.4.2**	1,395	1,742	393
Bonds issued	**30.4.2**	31	41	2,219
Current income tax liability		13	-	-
Deferred income and grants	**27**	180	187	186
Short-term provisions	**25**	1,073	763	583
Other financial liabilities	**30.1**	448	249	235
Other current liabilities	**26.2**	161	159	146
		4,665	**4,064**	**4,791**
Liabilities directly related to assets classified as held for sale	**29**	20	-	-
Total liabilities		**11,296**	**10,925**	**11,703**
TOTAL EQUITY AND LIABILITIES		**21,238**	**19,668**	**20,967**

*Conversion described in Note 9.32

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Equity attributable to equity holders of the parent company							Non-controlling interest	Total equity
		Share capital	Foreign exchange differences from translation of a foreign entity	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total		
As at 1 January 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	**9.32**	**-**	**-**	**-**	**-**	**-**	9	**9**	**-**	**9**
As at 1 January 2021 (restated data)*		**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,678**	**8,788**	**(36)**	**8,752**
Net other comprehensive income	**22.7**	-	-	-	-	183	69	**252**	1	**253**
Net profit (loss) for the period		-	-	-	-	-	968	**968**	(31)	**937**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**183**	**1,037**	**1,220**	**(30)**	**1,190**
Distribution of profits/coverage of losses from previous years		-	-	(197)	-	-	197	**-**	-	**-**
As at 31 December 2021		**4,522**	**5**	**821**	**1,661**	**87**	**2,912**	**10,008**	**(66)**	**9,942**
As at 1 January 2020		**4,522**	**-**	**1,018**	**2,035**	**(52)**	**1,730**	**9,253**	**11**	**9,264**
Net other comprehensive income	**22.7**	-	5	-	-	(44)	(37)	**(76)**	(1)	**(77)**
Net profit (loss) for the period		-	-	-	-	-	(393)	**(393)**	(51)	**(444)**
Total comprehensive income for the period		**-**	**5**	**-**	**-**	**(44)**	**(430)**	**(469)**	(52)	**(521)**
Distribution of profits/coverage of losses from previous years		-	-	-	(374)	-	374	**-**	**-**	**-**
Transfer to non-controlling interests		-	-	-	-	-	(5)	**(5)**	**5**	**-**
As at 31 December 2020		**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,669**	**8,779**	**(36)**	**8,743**

*Conversion described in Note 9.32

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021	Year ended 31 December 2020 (restated data)*
Cash flows from operating activities			
Profit/(loss) before tax		**1,269**	**(219)**
Adjustments for:			
Share in (profit)/loss of the entities measured by the equity method		(185)	264
Foreign currency (profit)/loss		(3)	138
Amortization and depreciation	11.2	1,079	1,044
Net interest and dividends		216	219
Loss on investing activities	32	688	1,303
Changes in working capital:			
Change in receivables	32	(75)	53
Change in inventories		30	24
Change in liabilities, excluding loans and credits	32	399	(93)
Change in contract liabilities		164	42
Change in prepayments and accruals	32	3	(115)
Change in provisions	32	419	15
		4,004	**2,675**
Income tax		**(345)**	**(83)**
Net cash from operating activities		**3,659**	**2,592**
Cash flows from investing activities			
Disposal of property, plant and equipment and intangible assets and investments into investment property		21	20
Repayment of loans		1	170
Interest received		-	12
Purchase of property, plant and equipment and intangible assets		(2,673)	(2,317)
Disposal of subsidiary		21	-
Loans granted		-	(180)
Other		32	-
Net cash from investing activities		**(2,598)**	**(2,295)**
Cash flows from financing activities			
Proceeds from debt incurred	30.4.2	2,718	3,943
Grants received		85	33
Repayment of debt incurred	30.4.2	(3,458)	(2,955)
Redemption of debt securities	30.4.2	-	(2,198)
Repayment of lease liabilities		(70)	(61)
Interest paid		(204)	(316)
Other		(12)	21
Net cash from/(used in) financing activities		**(941)**	**(1,533)**
Net increase/ (decrease) in cash and cash equivalents		**120**	**(1,236)**
Cash and cash equivalents at the beginning of the period	20	**221**	**1,457**
Unrealized foreign exchange differences		*-*	*4*
Cash and cash equivalents classified as held for sale		*1*	*-*
Cash and cash equivalents at the end of the period	20	**340**	***221***
Restricted cash		*171*	*82*

**Conversion described in Note 9.32*

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

1. General information

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

Name of the parent company: ENERGA SA

Legal form: joint stock company

Country: Poland

Registered office: Gdańsk

Registered address: ul. Grunwaldzka 472, 80-309 Gdańsk

KRS: 0000271591

REGON: 220353024

NIP: 957-095-77-22

The Parent Company has been established for an indefinite time.

There have been no changes in name of the Company or other identification data since the end of the previous reporting period.

The consolidated financial statements of the Group cover the year ended 31 December 2021 and contain appropriate comparative data.

The core business activities of the Group are:

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

As at 31 December 2021, PKN ORLEN SA is the parent company and the ultimate controlling party of the Company and the Energa SA Group.

2. Composition of the Group and joint ventures and associates

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

As at 31 December 2021, the Group consists of Energa SA and the following companies:

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at 31 December 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

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at 31 December 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. [1]	Gdańsk	production of energy	100	-
16	Energa MFW 1 Sp. z o.o. [2]	Gdańsk	production of energy	100	-
Other Business Line					
17	Energa Centrum Usług Wspólnych Sp. z o.o. [3]	Gdańsk	accounting, payroll and administrative services	-	100
18	Energa Finance AB (publ)	Stockholm	financing activity	100	100
19	Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
20	Energa Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
21	Energa Invest Sp. z o.o.	Gdańsk	investment project management	100	100
22	Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	development activity in engineering	100	100
23	Energa Ochrona Sp. z o.o. [4]	Gdańsk	security activities	-	100
24	ECARB Sp. z o.o.	Gdańsk	financing activity	100	100
25	CCGT Ostrołęka Sp. z o.o. [5]	Ostrołęka	production of energy	100	-
26	Energa Green Development Sp. z o.o. [6]	Gdańsk	implementation of investment projects	100	-

[1] Energa MFW 1 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 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] Energa Centrum Usług Wspólnych Sp. z o.o. – a conditional sale agreement concerning the sale of 100% of shares in Energa Centrum Usług Wspólnych Sp. z o.o. to ORLEN Centrum Usług Korporacyjnych Sp. z o.o. was signed on 16 November 2021. Upon fulfilment of the condition (consent from KOWR – the National Support Centre for Agriculture), on 16 December 2021, the parties signed the Share Transfer Deed, effective as of 22 December 2021,

[4] Energa Ochrona Sp. z o.o. – a sale agreement concerning the sale of 100% of shares in Energa Ochrona Sp. z o.o. to ORLEN Centrum Ochrona Sp. z o.o. was signed on 30 June 2021, effective as of 31 July 2021,

[5] 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;

[6] 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 09 February 2021.

Additionally, as at 31 December 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 through profit or loss (see description in note 2.2.).

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

2.2.1. Polska Grupa Górnicza

On 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's business is 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. An impairment loss of PLN 145m was recognised for the investment.

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, Energa SA and Energa OZE SA.

As at 31 December 2021, investments were shown in the consolidated financial statements at PLN 0.

2.2.2. Polimex-Mostostal

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

The stake in Polimex was classified as an associate accounted for 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 203 m in excess of their carrying amount. Consequently, the decision was made to reverse the impairment loss of PLN 21 m in the Group's consolidated financial statements. The investments in the consolidated financial statements amount to PLN 128 m as at 31 December 2021.

2.2.3. Ostrołęka Power Plant and CCGT Ostrołęka

On 8 December 2016, Energa SA, Enea S.A. and Elektrownia Ostrołęka SA signed an investment agreement regarding the construction of a new 1,000 MW power unit in Ostrołęka (the "Coal project"). Under the above agreement, Energa SA and Enea S.A. 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 shares.

A loan agreement was signed on 23 December 2019 between Energa SA, Enea S.A. and Elektrownia Ostrołęka Sp. z o.o. The maximum loan amount is PLN 340 m (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 Coal project. The first tranche in the amount of PLN 160 m was disbursed on 23 December 2019, the second tranche in the amount of PLN 17 m was disbursed on 13 January 2020, whereas the third tranche in the amount of PLN 163 m was disbursed on 22 April 2020. Under the Loan Agreement, Energa SA conditionally sold to Enea SA half of its receivables from Elektrownia Ostrołęka Sp. z o.o. in respect of the loan. Upon fulfilment of the conditions precedent, the receivables passed to Enea S.A. The receivables under the loan agreement may be converted by Energa SA and Enea S.A. towards the equity of Elektrownia Ostrołęka Sp. z o.o.

On 13 February 2020, under the Agreement, Energa SA and Enea S.A. decided to suspend the financing for the Coal 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 Coal project, including its continued funding.

On 2 June 2020, the Management Board of Energa SA approved the final report from the analyses. 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 22 December 2020, Energa SA, PKN ORLEN and Polskie Górnictwo Naftowe i Gazownictwo S.A. (“PGNiG”) signed an investment agreement concerning the directional rules of cooperation in construction of the gas-fired power unit at Ostrołęka C Power Plant (“Investment agreement”), (“Gas project”). The parties to the investment agreement undertook to cooperate in delivering the Gas Project by establishing a new company that would take over selected assets and liabilities required for successful completion of the Gas Project from Elektrownia Ostrołęka Sp. z o.o.

Under the Investment Agreement, Energa and PKN ORLEN were to be allocated a total of 51% of shares in the share capital of the newly established company ("Share Pool"), which was supposed to correspond to the same percentage of the total number of votes at its meeting of shareholders, and PGNiG was to acquire the remaining 49% of shares in the share capital of the newly established company, which was supposed to correspond to the same percentage of the total number of votes at its meeting of shareholders.

On 18 May 2021, Energa SA concluded an agreement with PKN ORLEN defining the terms and conditions, and scope of cooperation in the performance of the Investment Agreement. Energa and PKN ORLEN agreed that, out of the Share Pool allocated to them, Energa would take up 50%+1 share in CCGT Ostrołęka Sp. z o.o., and PKN ORLEN would take up the remaining shares out of the Share Pool allocated to both companies. Both parties confirmed that if PGNiG did not join the project, PKN Orlen would acquire 49% of the Company's share capital intended for PGNiG. Moreover, in accordance with the agreement, if there is a risk of Energa breaching the requirements of the financing agreements, PKN ORLEN would provide Energa with funds necessary to finance the project, of not more than PLN 1.55 bn.

On 29 November 2021, the parties to the Investment Agreement signed an annex thereto in which they reiterated their readiness to continue cooperation on the construction of a gas power plant in Ostrołęka while being aware of the need for adapting the rules of that cooperation to the implementation conditions of the project. The parties will strive to agree that the ultimate form of PGNiG’s involvement in the implementation of the aforesaid project takes the form of PGNiG’s financial contribution, whose amount and method of payment will be defined in a separate agreement to be concluded by the end of 2022.

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

a) the Memorandum of Understanding on cooperation in the spin-off of Elektrownia Ostrołęka Sp. z o.o. whereby ENEA S.A. renounced from participating in the delivery of the Gas Project and the issues described above related to the spin-off of the Coal Project were regulated and

b) the Memorandum of Understanding on cooperation in settlement of Ostrołęka C Power Plant construction project whereby the costs associated with termination of the project would be settled on a pro rata basis by the parties to the Memorandum on the existing principles and within the limits adopted in the memorandum executed by 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 58 m and the agreement of 23 December 2019 in the total amount of PLN 340 m were extended. The loans’ maturities were annexed twice thereafter. Consequently, on 29 October 2021, the maturities of both loans were extended until 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 the Annex to the agreement, extending the settlement date, the settlement of the Coal Project will take place by 25 March 2022 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 31 December 2021, the provision amount was lowered to PLN 46m and it represents the share of Energa SA in the entire settlement of the Coal Project. The decrease in the provision results from the Annex signed on 22 December 2021 to the agreement concerning the settlement of the Coal Project as part of the contract concerning the construction of the Ostrołęka C Power Plant and the progressing settlement with the General Contractor.

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 Elektrownia Ostrołęka Sp. z o.o. (the total price of the shares acquired by the Company) amounted to PLN 351 m.

As at 31 December 2021, investments in Elektrownia Ostrołęka Sp. z o.o. were shown in the consolidated financial statements at 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 17.5 m, 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 13.1 m. On 30 September 2021, an increase in the capital of the Company by the State Treasury with the approx. amount of PLN 250 m 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 through profit or loss.

3. Composition of the Parent Company's Management Board

Throughout 2021, in 2022 and until the day these consolidated financial statements were prepared, the composition of the Management Board of Energa SA has been as follows:

1) in the period from 7 May 2020 to 16 July 2021:
   - Jacek Goliński – President of the Management Board;
   - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
   - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Iwona Waksmundzka-Olejniczak – Vice-President of the Management Board for Corporate Matters.
2) in the period from 16 July 2021 to 27 October 2021:
   - Iwona Waksmundzka-Olejniczak - Vice-President of the Management Board for Corporate Matters, acting President of the Management Board;
   - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
   - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
3) in the period from 27 October 2021 to 15 November 2021:
   - Iwona Waksmundzka-Olejniczak – President of the Management Board;
   - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
   - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
4) from 15 November 2021 until the day of preparation of these financial statements:
   - Iwona Waksmundzka-Olejniczak – President of the Management Board;
   - Marek Kasicki - Vice-President of the Management Board for Financial Matters;
   - Dominik Wadecki - Vice-President of the Management Board for Operational Matters;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski - Vice-President of the Management Board for Corporate Matters.

4. Approval of the financial statements

These consolidated financial statements were approved for publication by the Company's Management Board on 30 March 2022.

5. Basis for the preparation of the financial statements

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.

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

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

Due to the high level of available external financing of the Group, presented in note 30.5, in the amount of PLN 3,879 m, despite the surplus of short-term liabilities over short-term assets in the amount of PLN 1,673 m, which was influenced, inter alia, by change in the presentation of energy origin certificates used for own needs, CO2 emission allowances and energy efficiency certificates, referred to in Note 9.32, as at the date of these financial statements, there is no evidence indicating any uncertainty as to the ability of the Group to continue its business activities as a going concern.

5.1. Statement of compliance

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

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

The Management Board of the Parent Company used its best knowledge in the application of standards and interpretations as well as measurement methods and principles for the individual items of the consolidated financial statements of the Energa SA Group in accordance with IFRS EU as at 31 December 2021. Due diligence was applied in the preparation of the accompanying supplementary information and notes.

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

5.2. Functional and presentation currency

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

6. Material items subject to professional judgment and estimates

In the process of applying accounting policies to the areas enumerated below, the management's professional judgement, in addition to the accounting estimates, which impacted the amounts presented in the consolidated financial statements and the notes thereto, was of key importance. The assumptions used in making these estimates are based on management's best knowledge of current and future activities and events in specific areas. Detailed information on the adopted assumptions has been presented in the relevant notes in these consolidated financial statements.
The key assumptions for the future and other main sources of uncertainty occurring as at the end of the reporting period, which entail a significant risk of considerable adjustment of the carrying amount of assets and liabilities in the next financial year, are discussed below.

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

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

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

Measurement of provisions

Provisions for employee benefits (provision for pensions and similar benefits, jubilee bonuses, employee energy tariff, additional allowances for the Company Social Benefit Fund to which employees of Group companies are entitled after their employment period) are estimated using actuarial methods.

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

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

Depreciation rates

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

Energy price paths

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

The Group's applicable energy price paths were adopted by the Management Board of ENERGA SA on 23 December 2021 in accordance with the recommendation of PKN Orlen S.A.'s Strategy and Strategic Projects Office and Energy Efficiency Management Department. Detailed information regarding path change sensitivity analysis was disclosed in notes 13 and 25.

Deferred tax asset

Deferred tax assets are measured using the tax rates that will be applied at the moment when the asset is utilised, based on the tax regulations in force on the day ending the reporting period. The Group recognises a deferred tax asset based on the assumption that tax profit would be recorded in the future, allowing the Group to use the asset. This assumption may prove to be unjustified if tax results deteriorate in the future. Details on the deferred tax assets are provided in Note 12.3.

Fair value of financial instruments

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

Estimation of revenues on sales of electricity and distribution services

Meter readings of electricity sold to retail customers are made predominantly in the periods different from the reporting periods. Therefore, the entities comprising the Group make estimations of electricity and distribution services sold as at every last day of the reporting period, for the period not covered by meter readings.

Impairment losses on receivables

As at the end of the reporting period, the entity evaluates whether there is any objective evidence of impairment of a receivable or a group of receivables. If a recoverable amount of an asset is lower from its carrying amount, then the entity recognises an impairment loss bringing it down to the present value of planned cash flows. Impairment losses are recognised based on the age analysis of receivables and an analysis of the financial standing of the individual debtors and the history of repayments.

Impairment losses on trade receivables and disputed receivables are based on their historic collectability, which provides the basis for the assessment of risk of credit losses. Credit losses may also be defined based on the ratings awarded to counterparties deemed strategic. The rating is developed on the basis of the internal scoring model which converts probability of default by the counterparty accordingly. The expected credit losses are calculated while taking into consideration the estimates of potential recoveries on account of contributed collaterals. When relying on historic collectability, the expected credit losses for this group of counterparties have been estimated through the allocation to individual categories of receivables of percentage indicators permitting the estimation of the value of receivables due from buyers that are not expected to be collected.

According to the above methodology of calculation of expected credit losses, the value of receivables may be updated also individually, in particular in relation to:

- receivables due from debtors put into liquidation or declared bankrupt;
- receivables contested by debtors and receivables on the repayment of which the debtor is in arrears and where, based on the debtor's assets and financial situation, the repayment of receivables in the contractual amount is unlikely (in such case, bad debt provision may be established in the amount of 100% of the value of the previously recognised debt);
- other overdue receivables as well as not overdue receivables for which default risk is significant according to the Management Board's individual assessment.

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

7. Changes in estimates

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

8. New standards and interpretations

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

8.1. 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 became effective in 2021:

- Amendments to IFRS 4 Insurance Contracts, 'Extension of the Temporary Exemption from Applying IFRS 9' – the date of expiry of the temporary exemption from applying IFRS 9 was extended from 1 January 2021 by annual periods beginning on 1 January 2023 and afterwards (applicable to annual periods beginning on 1 January 2021 and afterwards)
- Amendments to IFRS 16 Leases – Covid-19-related rent concessions after 30 June 2021 (endorsed in the EU on 30 August 2021 and effective as of 1 April 2021 for the financial year beginning on or after 1 January 2021).
- 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 - Interest Rate Benchmark Reform - Phase 2 (effective for annual periods beginning on or after 1 January 2021).

The aforementioned amendments to the existing standards did not have a material effect on the Group's financial statements for 2021.

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

When approving these financial statements, the Group did not apply the following standards, amendments to standards and interpretations that were published and endorsed for use in the EU but became effective after the balance sheet date:

- Amendments to IAS 16, Property, Plant and Equipment – revenues obtained prior to acceptance of an asset for use endorsed in the EU on 28 June 2021 (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – contracts resulting in charges, the cost of fulfilment of a contract endorsed in the EU on 28 June 2021 (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3, Business Combinations – changes to references to conceptual assumptions together with amendments to IFRS 3, endorsed in the EU on 28 June 2021 (applicable to annual periods beginning on or after 1 January 2022);

- IFRS 17, Insurance Contracts, with subsequent amendments to IFRS 17 endorsed in the EU on 19 November 2021 (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to various standards "Annual Improvements to IFRS (2018-2020 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) aimed mainly at removing inconsistencies and agreeing on the wording (amendments to IFRS 1, IFRS 9 and IAS 41 applicable to annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 relate solely to an illustrating example and, consequently, no effective date has been specified).

8.3. 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:

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1 Presentation of Financial Statements
- and IASB guidelines concerning accounting policies in practice – the requirement to disclose material accounting policy information,
- (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 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).
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sales or contributions of assets between an investor and its associate/joint venture and subsequent amendments (the effective date of the amendments has been deferred until the completion of the research on the equity method),
- Amendments to IFRS 17 "Insurance Contracts" first use IRFS 17 and IFRS 9 – comparative data (applicable to 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.

9. Significant accounting policies

Changes introduced to the accounting policy from 1 January 2021 and their impact on presented financial data are described in note 9.32. In the remaining scope, the Group's accounting policies are applied on a continuous basis, except for the changes to EU IFRS.

9.1. Principles of consolidation

These consolidated financial statements include the financial statements of Energa SA and financial data of its subsidiaries prepared in each company for the year ended 31 December 2021.

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

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

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

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

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

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

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

9.2. Business combinations of entities under common control

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

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

9.3. Investments in joint ventures

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

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

9.4. Investments in associates

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

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

9.5. Conversion of items in foreign currencies

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

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

Foreign exchange differences resulting from this conversion are recognized, respectively, as financial income (cost) items or, in the cases identified in the accounting principles (policies), they are capitalized as assets. Foreign exchange gains/losses on non-cash items such as equity instruments measured at fair value through profit or loss are recognized as changes in fair value.

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

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

Exchange rate applicable on the last day of the period		
Currency	31 December 2021	31 December 2020
EUR	4.5994	4.6148

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

Average exchange rate in the period		
Currency	1 January – 31 December 2021	1 January – 31 December 2020
EUR	4.5775	4.4742

9.6. Property, plant and equipment

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

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

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

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

• Buildings, premises and civil and marine engineering facilities, of which:	5 - 100 years
– Buildings	10 - 100 years
– Premises and civil and marine engineering facilities	5 - 50 years
• Machinery and technical equipment	3 - 50 years
• Vehicles	3 - 14 years
• Office equipment, of which:	1 - 15 years
– Computer hardware	1 - 5 years
– Other	1 - 15 years
• Other property, plant and equipment	2 - 15 years
• Acquired rights of perpetual usufruct of land	40 - 99 years

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

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

9.7. Intangible assets

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

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

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

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

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

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

9.8. Right-of-use assets

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

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

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

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

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

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

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

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

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

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

9.9. Goodwill

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

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

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

9.10. Impairment of non-financial non-current assets

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

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

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

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

When estimating the fair value amount less selling cost, the Group takes into account the capacity of the market player to achieve economic benefits through the highest and most effective use of the asset or its sale to another market player, who would ensure the highest and most effective use of that asset.

A previously recognized impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such a case, the carrying amount of the asset is increased to its recoverable amount. The increased amount must not exceed the carrying amount of the asset which would be calculated (after deducting accumulated depreciation) if the impairment loss had not been applied at all to such asset in previous years. A reversal of an asset impairment loss is recognized immediately as income in the statement of profit or loss.

9.11. External financing expenses

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

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

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

9.12. Inventories

Inventories include:

- assets designated for sale in the regular course of business activity;
- assets in production for sale; or
- assets taking the form of raw materials used in the manufacturing process or in the provision of services;
- as well as registered certificates of origin, certificate of energy efficiency and CO_2 emission allowances in held for sale

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

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

- coal and CO_2 emission allowances – according to the FIFO method;
- materials purchased to fulfill orders – using a detailed price identification method;
- other inventories – according to weighted average cost formula.

Certificates of origin

The certificates of origin of electricity generated in the reporting period are measured on initial recognition at fair value on the date of recognition of that asset, i.e. the date when energy is generated from renewable sources or in the co-firing process, and recognized as a decrease in the cost of goods sold. Fair value is defined as the average weighted price of the certificates of origin from a given month, determined on the basis of listings on the Polish Power Exchange.

The certificates of origin of electricity are measured on initial recognition at purchase price and at the end of the reporting period, they are measured at the purchase price or at net realisable sale price, whichever is lower

CO_2 emission allowances

The acquired CO_2 emission allowances are measured at purchase price. The CO_2 emission allowances received free of charge are measured at fair value at their registration date.

Energy efficiency certificates

The energy efficiency certificates, the so-called “white certificates”, received in the reporting period on initial recognition are measured at fair value established at the date of recognition of the asset, i.e. the date of issuance of the decision by the President of the Energy Regulatory Authority (URE), and recorded in correspondence with deferred income.

The energy efficiency certificates, the so-called “white certificates”, purchased in the reporting period on initial recognition are measured at the purchase price.

9.13. Cash and cash equivalents

Cash and cash equivalents include:

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

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

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

Cash is measured at par value. Other cash assets are measured according to the rules applicable to financial instruments.

9.14. Other assets

Other non-financial assets recognized by the Group include accruals and deferred income, receivables on account of public and legal settlements (except for settlements on account of corporate income tax, presented as a separate item in the statement of financial position), surplus of assets over liabilities of the Company Social Benefit Fund and advances paid for future purchases of property, plant and equipment, intangible assets and inventories as well as biological assets. Advances are presented in line with the type of assets to which they refer as non-current or current assets, respectively. As non-pecuniary assets, advances are not discounted.

Accruals and deferred income

Prepayments are recorded at the level of incurred and reliably measured expenses that refer to future periods and will bring future economic benefits to the entities.

Prepaid expenses and accrued income are amortized over time or in relation to the value of services. The time and manner of settlement is justified by the nature of the cost being settled, in keeping with the conservative valuation principle.

At the end of a reporting period, the Group reviews prepaid expenses and accrued income to find whether the degree of certainty that the entity will achieve economic benefits after the elapse of the current reporting period is sufficient to recognize the item as an asset.

9.15. Assets classified as held for sale

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

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

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

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

9.16. Equity

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

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

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

9.17. Provisions for employee benefits

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

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

Provisions for pensions and other post-employment defined benefit plans

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

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

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

Provision for jubilee bonuses

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

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

Provision for employee restructuring

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

9.18. Other provisions

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

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

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

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

Provision for liabilities for gas emissions

The provision for liabilities for gas emissions is recognized gradually over the annual reporting period, based on actual CO_2 emissions, while taking into account the free emission allowances according to the following rules and order:

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

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

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

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

Provision for onerous contracts

Where the Group is a party to an agreement under which the marginal costs of the obligation to perform exceed the benefits to be obtained thereunder, the Group recognises and measures the current obligation under the agreement as a provision. The marginal costs under the agreement comprise at least the net costs of agreement completion, corresponding to the costs of agreement performance or costs of any damages or penalties for non-performance, whichever is lower. The marginal costs of agreement performance are as follows:

- Costs directly relating to the agreement, that is costs that have an impact on the agreement performance
- The costs do not include shared costs which will be incurred whether the Group performs the agreement or not
- The costs that cannot be avoided through the Group's actions

9.19. Leases

Group as a lessee

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

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

9.20. Lease liabilities

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

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

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

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

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

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

9.21. Contract liabilities

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

9.22. Other liabilities

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

9.23. Accrued costs and deferred income

Accrued costs

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

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

Deferred income

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

- equivalents of funds received or due from contractors for benefits to be delivered in subsequent reporting periods; and
- property, plant and equipment accepted free of charge and intangible assets. These revenues are recorded in other operating income and also in depreciation charges on non-current assets received.
- equivalent of awarded energy efficiency certificates, the so-called “white certificates” at the time of decision of the President of the Energy Regulatory Office.
- cash received in the form of a grant to finance a purchase or production of property, plant and equipment. These are settled by gradually increasing other operating income by an amount corresponding to the depreciation on these assets, in the part financed by the said cash;

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

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

9.24. Financial instruments

9.24.1. Financial assets

The Group identifies the following categories of financial assets:

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

Financial assets measured at amortized cost

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

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

Financial assets at fair value through profit or loss

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

A unit may, upon initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if it thus eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an “accounting

mismatch") that would have otherwise arisen as a result of measurement of assets or liabilities or recognition of related profits or losses according to different principles.
Where instruments are not related to the financing of the Group's business and investments, but rather to operating activities (e.g., forward electricity sale/purchase contracts), the outcome of their measurement is recognized in operating profit or loss.

When determining which of the possessed financial instruments related to operating activities are subject to be measured at fair value through profit or loss, the Group uses significant professional judgement.

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

Among other things, the loan granted to Elektrownia Ostrołęka Sp. z o.o. for which no SPPI test according to IFRS 9 has been conducted, is measured in the aforementioned manner.

9.24.2. Impairment of financial assets

At the end of each reporting period, the Group evaluates whether there exists evidence of impairment of a financial asset or a group of financial assets.

The Group implemented the model of expected credit losses on receivables using the simplified approach admissible under IFRS 9. The rationale for the application of the above model are as follows:
- the receivables held by the Group did not contain the significant financing element within the meaning of the principles defined in IFRS 15, i.e. no significant financing component existed to adjust the promised amount of consideration; and
- the receivables fulfilled the condition of the expected repayment within a period shorter than one year.

The simplified model permits calculation of credit losses throughout the life of the receivable. According to IFRS 9, the expected credit loss is calculated while taking into consideration the estimates of potential recoveries on account of contributed collaterals. In the case of receivables from counterparties, it is expected that the data on historic collectability may reflect credit risk that will be borne in future periods.

The Group first assesses whether there is evidence of impairment of individual financial assets that are individually material, or evidence of impairment of financial assets that are not individually material. If the analysis shows that there is no objective indication of impairment of an individually assessed financial asset, regardless of whether it is material or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. The assets that are individually assessed for impairment and for which an impairment write-down was posted or it was decided that a previously recognized write-down does not change, are not taken into account in the collective assessment of a group of assets for impairment.

If, in a subsequent period, an impairment write-down decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment write-down is reversed. A reversal of an impairment loss is recognized in the statement of profit or loss, provided however that the carrying amount of the asset on the reversal date must not exceed its amortized cost.

9.24.3. Financial liabilities

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

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

Upon initial recognition, a unit may irrevocably designate a financial liability as measured at fair value through profit or loss in the following cases:
1) if the contract contains one or more embedded derivatives and the underlying contract is not an asset covered by the scope of IFRS 9 as long as:
   a) the embedded derivative(s) does (do) not change significantly the cash flows that otherwise would have been required consistently with the contractual provisions; or
   b) it is evident that, without an analysis or after a cursory analysis conducted when considering, for the first time, a similar hybrid instrument, that separation of an embedded derivative (embedded derivatives) is prohibited as, for instance, in the case of an early repayment option built into the loan and permitting its holder to make an early repayment of the loan for the amount close to its amortized cost;
2) when this results in obtaining more relevant information as:
   a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would have otherwise arisen as a result of measurement of assets or liabilities or recognition of related profits or losses according to different principles; or
   b) the group of financial liabilities or financial assets and financial liabilities is managed and its results are assessed based on fair value, in accordance with the documented risk management strategy or investment strategy, and the information on the group prepared on this basis is communicated inside the Group to key management.

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

Upon initial recognition, they are recognized at fair value less transactional costs. After initial recognition, they are measured at amortized cost using the effective interest rate method.

When calculating amortized cost, the cost of obtaining the loan or credit must be taken into account, as well as any discounts and bonuses obtained in connection with the liability.

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

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

If the financial instruments are not designated for financing or investing activities of the Group, but concern operating activities (for example derivatives for sales/purchase of energy) an impact of their measurement is recognised in the result from operating activity.

The Group uses the principles of professional judgment to assess which of the held financial instruments related with operating activities shall be measured to fair value through profit or loss.

The Group derecognizes a financial liability from its statement of financial position if the liability has expired, i.e. when the obligation defined in the respective agreement has been performed, has been canceled or has expired. Replacement of an existing debt instrument with an instrument with substantially different terms, made between the same entities, is recognized by the Group as an expiry of the original liability and the recognition of a new financial liability. Similarly, significant modifications of terms and conditions of an agreement relating to the existing financial liability are recognized by the Group as expiry of the original liability and recognition of a new financial liability. The resulting exchange differences arising from the respective carrying values are recognized in the profit and loss statement.

9.24.4. Hedge accounting

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

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

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

Changes in the fair value measurement of derivative financial instruments designated as cash flow hedges, to the extent they are an effective hedge, are recognized in other comprehensive income, whereas any ineffective portion of the hedge is recognized in the statement of profit or loss.

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

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

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

Presentation

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

- the effective portion of any change in the valuation of hedges is posted to other comprehensive income and accumulated in revaluation reserve;
- interest on hedges is presented in the same item of the statement of profit or loss, which presents interest result on the hedged position;
- any revaluation of hedges is presented in the same line of the statement of profit or loss in which the revaluation of the hedged position is presented;

- the ineffective portion of changes in the valuation of hedging instruments is recognized in the result on financial instruments held for trading.

9.25. Income tax

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

Current tax

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

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

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

Depending on satisfaction of the criteria defined in IFRS 15 Revenue from Contracts with Customers, revenue may be recognized on a one-time basis (as control over goods and services is transferred to the customer) or may be spread over time in the manner depicting execution of the performance, especially in the case of contracts executed over time. For the most part, revenue generated by the Group is recognized at a specific point in time. See Note 10 for details of the over-time vs. point-in-time revenue breakdown.

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

Revenue includes specifically:

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

rebates.

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

The moment of sale is deemed to be the date the performance is made consistently with the sale and purchase agreement (shipment or placement of delivery at the recipient's disposal, receipt of the service) and, in the case of retail sale, the date of a cash, credit card or cheque payment, whereas in the case of sale of electricity and heat, the moment of sale is deemed to be the delivery of electricity or heat to the recipient.

If a company of the Group or the Group acts as an agent collecting amounts on behalf of the principal, the company or the Group's revenues are its commissions. A company of the Group or the Group acts as an agent if it is not exposed to any significant risk and does not enjoy the benefits derived from the sale of goods or provision of services. One of the elements indicating that a company acts as an agent is the fact that the amount the company receives as payment has been previously agreed, being a fixed amount of the fee calculated on a transaction or a specified percentage of the amount invoiced to the customer.

An example of agency activity may be the sale of a service of distribution of electricity to end users through a company engaged in electricity trading.

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

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

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

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

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

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

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

9.27. Operating expenses

Cost of sales includes:

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

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

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

9.28. Other operating income and expenses

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

- disposals of property, plant and equipment, intangible assets;
- recognition and reversal of provisions, except for provisions tied to financial operations or recognized in operating expenses;
- giving or receiving of assets, including cash, free of charge, also as a donation; and
- damages, penalties and fines, and other expenses not related to ordinary business,
- with the recognition/reversal of impairment losses on property, plant and equipment, intangible assets, right-of-use assets, trade receivables, and contract assets.

9.29. Financial income and costs

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

- disposal of financial assets;
- revaluation of financial assets;
- revenue from profit-sharing in other entities;
- interest;
- changes in the amount of provision resulting from the approaching date of incurring the cost (unwinding discount effect);

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- foreign exchange differences resulting from operations performed during the reporting period and book valuation of assets and liabilities at the end of the reporting period, except for exchange differences recognized in the initial value of property, plant and equipment, to the extent they are recognized as adjustment of interest expense; and
- other items related to financing activity.

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

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

9.30. Net earnings/loss per share

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

9.31. Statement of cash flows

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

9.32. Accounting changes and changes to data presentation

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 31 December 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 31 September 2020.

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

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

		Year ended 31 December 2020 (as previously reported)	Error correction and changes to presentation	Year ended 31 December 2020 (restated data)
Sales revenue	adjustment 4	**12,496**	**(95)**	**12,401**
Revenue from the Price Difference Refund Fund		**57**	**-**	**57**
Cost of sales	adjustment 2,3,4	(11,271)	1,038	(10,233)
Gross profit on sales		**1,282**	**943**	**2,225**
Other operating income	adjustment 2	322	187	509
Selling and distribution expenses	adjustment 3	(380)	(574)	(954)
General and administrative expenses		(377)	-	(377)
Other operating expenses	adjustment 2	(183)	(556)	(739)
Financial income		77	-	77
Financial costs		(696)	-	(696)

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	Year ended 31 December 2020 (as previously reported)	Error correction and changes to presentation	Year ended 31 December 2020 (restated data)
Share in profit/(loss) of the entities measured by the equity method	(264)	-	(264)
Loss before tax	**(219)**	**-**	**(219)**
Income tax	(225)	-	(225)
Net loss for the period	**(444)**	**-**	**(444)**
Attributable to:			
Equity holders of the parent company	(393)	-	(393)
Non-controlling interests	(51)	-	(51)

(*) The amount of reduction of costs of goods sold of PLN 1.225 m included: PLN 574 m moved to selling and distribution expenses (adjustment 3), PLN 556 m moved to other operating expenses (adjustment 2), PLN 95 m moved from revenues (adjustment 4). The increase in the cost of sales at PLN 187 m was affected by the fact that this item was moved to other operating income (adjustment 2).

		Twelve months period ended 31 December 2020 (previously reported data)	Change in presentation	Twelve months period ended 31 December 2020 (restated data)
Cash flows from operating activities				
Profit/(loss) before tax		**(219)**	**-**	**(219)**
Adjustments for:		-	-	-
Share in profit/(loss) of the entities measured by the equity method		264	-	264
Foreign currency (profit)/loss		138	-	138
Amortization and depreciation		1,044	-	1,044
Net interest and dividends		219	-	219
Loss on investing activities	adjustment 6	678	625	1,303
Changes in working capital:		-	-	-
Change in receivables		53	-	53
Change in inventories	adjustment 1	(68)	92	24
Change in liabilities, excluding loans and credits		(93)	-	(93)
Change in contract liabilities		42	-	42
Change in prepayments and accruals		(115)	-	(115)
Change in provisions		15	-	15
		1,958	**717**	**2,675**
Income tax		**(83)**	**-**	**(83)**
Net cash from operating activities		**1,875**	**717**	**2,592**
Cash flows from investing activities				
Disposal of property, plant and equipment and intangible assets and investments into investment property		20	-	20
Repayment of loans granted		170	-	170
Interest received		12	-	12
Purchase of property, plant and equipment and intangible assets	adjustment 5	(1,600)	(717)	(2,317)
Loans granted		(180)	-	(180)
Net cash from investing activities		**(1,578)**	**(717)**	**(2,295)**
Cash flows from financing activities				
Proceeds from debt incurred		3,943	-	3,943

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	Twelve months period ended 31 December 2020 (previously reported data)	Change in presentation	Twelve months period ended 31 December 2020 (restated data)
Grants received	33	-	33
Repayment of debt incurred	(2,955)	-	(2,955)
Redemption of debt securities	(2,198)	-	(2,198)
Repayment of lease liabilities	(61)	-	(61)
Interest paid	(316)	-	(316)
Other	21	-	21
Net cash from/(used in) financing activities	**(1,533)**	**-**	**(1,533)**
Net increase/ (decrease) in cash and cash equivalents	**(1,236)**	**-**	**(1,236)**
Cash and cash equivalents at the beginning of the period	**1,457**	**-**	**1,457**
Unrealized foreign exchange differences	*4*	-	*4*
Cash and cash equivalents at the end of the period	**221**	**-**	**221**

**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).

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 9 m 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 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 segments, which are distinguished according to the type of products offered. The Group's reporting is broken down into three segments and other activity referred to as business lines, according to the Group's terminology:

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

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

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

Transactions between business lines are settled on market terms.

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

The tables below show the breakdown of revenues and expenses for the period from 1 January to 31 December 2021 and of financial assets and liabilities as at 31 December 2020, by reporting segment, together with appropriate comparative information.

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Year ended 31 December 2021 or as at 31 December 2021	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	4,369	7,455	2,027	165	-	**14,016**
Sales between business lines	61	49	357	491	(958)	**-**
The result on financial instruments measured at fair value through profit or loss*	-	-	(324)	-	-	**(324)**
Total business line revenue	**4,430**	**7,504**	**2,060**	**656**	**(958)**	**13,692**
EBITDA	**2,048**	**343**	**112**	**(63)**	**9**	**2,449**
Amortization and depreciation	875	49	139	27	(11)	**1,079**
Impairment losses on non-financial non-current assets	-	2	90	-	-	**92**
Operating profit or loss	**1,173**	**292**	**(117)**	**(90)**	**20**	**1,278**
Net financial income/costs	(152)	(6)	(54)	206	(188)	**(194)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	185	**185**
Profit or loss before tax	**1,021**	**286**	**(171)**	**116**	**17**	**1,269**
Income tax	(241)	(56)	(45)	13	(3)	**(332)**
Net profit or loss	**780**	**230**	**(216)**	**129**	**14**	**937**
Assets and liabilities						
Cash and cash equivalents	5	151	40	144	-	**340**
Total assets	**15,083**	**2,985**	**4,245**	**14,275**	**(15,350)**	**21,238**
Financial liabilities	4,906	24	838	4,882	(4,537)	**6,113**
Other business line information						
Capital expenditure	1,526	64	233	299	(15)	**2,107**

* Description in Note 30.3.1

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Year ended 31 December 2020 (restated)* or as at 31 December 2020	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	4,264	7,074	963	100	-	**12,401**
Sales between business lines	61	28	254	595	(938)	**-**
Revenue from the Price Difference Refund Fund	-	57	-	-	-	**57**
Total business line revenue	**4,325**	**7,159**	**1,217**	**695**	**(938)**	**12,458**
EBITDA	**1,790**	**156**	**165**	**(79)**	**5**	**2,038**
Amortization and depreciation	847	52	131	29	(15)	**1,044**
Impairment losses on non-financial non-current assets	-	-	330	-	-	**330**
Operating profit or loss	**943**	**104**	**(296)**	**(108)**	**20**	**664**
Net financial income/costs	(181)	(5)	(51)	229	(611)	**(619)**
Share in profit/(loss) of the entities measured by the equity method	-	-	-	-	(264)	**(264)**
Profit or loss before tax	**762**	**99**	**(347)**	**121**	**(855)**	**(219)**
Income tax	(148)	(31)	(44)	(1)	(1)	**(225)**
Net profit or loss	**614**	**68**	**(391)**	**120**	**(856)**	**(444)**
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	1,350	66	274	28	3	**1,721**

** Conversion described in Note 9.32*

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Year ended 31 December 2021	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**24**	**7,215**	**2,264**	**348**	**(600)**	**9,251**
Electricity	19	7,079	1,891	-	(384)	**8,605**
Gas	-	199	-	-	-	**199**
Other goods for resale, finished goods, and materials	5	5	373	348	(216)	**515**
Excise tax	-	(68)	-	-	-	**(68)**
Revenues on sales of services, including:	**4,406**	**289**	**120**	**308**	**(358)**	**4,765**
Distribution and transit services	4,214	-	87	-	(42)	**4,259**
Customer connection fees	119	-	-	-	-	**119**
Rental income	36	4	5	2	(15)	**32**
Other services	37	285	28	306	(301)	**355**
TOTAL	**4,430**	**7,504**	**2,384**	**656**	**(958)**	**14,016**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	4,233	7,210	1,978	-	(426)	**12,995**
Revenue from goods, products and materials transferred or services provided at a specific time	197	294	406	656	(532)	**1,021**

Year ended 31 December 2020 (restated)*	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**41**	**6,842**	**1,100**	**222**	**(406)**	**7,799**
Electricity	36	6,783	906	3	(273)	**7,455**
Gas	-	123	-	-	-	**123**
Other goods for resale, finished goods, and materials	5	3	194	219	(133)	**288**
Excise tax	-	(67)	-	-	-	**(67)**
Revenues on sales of services, including:	**4,284**	**260**	**117**	**473**	**(532)**	**4,602**
Distribution and transit services	4,151	-	31	-	(42)	**4,140**
Customer connection fees	49	-	-	-	-	**49**
Rental income	36	4	4	2	(15)	**31**
Other services	48	256	82	471	(475)	**382**
TOTAL	**4,325**	**7,102**	**1,217**	**695**	**(938)**	**12,401**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	4,187	6,839	937	3	(315)	**11,651**
Revenue from goods, products and materials transferred or services provided at a specific time	138	263	280	692	(623)	**750**

** Conversion described in Note 9.32*

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NOTES TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS

11. Revenues and expenses

11.1. Costs by type

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)*
Depreciation/amortization of property, plant and equipment, intangible assets and investment property	1,079	1,044
Consumption of materials and energy	951	861
External services	1,373	1,383
Taxes and fees	1,604	1,164
Employee benefit expenses	1,172	1,304
Other costs by nature	83	87
The awarded property rights	(108)	(95)
Change in product inventories	7	(8)
Cost of producing services for own needs	(255)	(227)
Cost of products and materials sold	6,343	6,051
Total operating expenses	**12,249**	**11,564**
of which:		
Cost of sales	10,971	10,233
Selling and distribution expenses	953	954
General and administrative expenses	325	377

* *Conversion described in Note 9.32*

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

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)*
Items included in cost of sales:	**1,025**	**977**
Depreciation/amortization of property, plant and equipment and right-of-use assets	985	942
Depreciation/amortization of intangible assets and right-of-use assets	40	34
Depreciation of investment property	-	1
Items included in selling and distribution expenses:	**43**	**40**
Depreciation/amortization of property, plant and equipment and right-of-use assets	28	18
Depreciation/amortization of intangible assets and right-of-use assets	15	22
Items included in general and administrative expenses:	**11**	**27**
Depreciation/amortization of property, plant and equipment and right-of-use assets	8	19
Depreciation/amortization of intangible assets and right-of-use assets	3	8

* *Conversion described in Note 9.32*

11.3. Employee benefit expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration	898	929
Social security contributions	168	170
Post-employment benefits and jubilee bonuses	(33)	60
Other employee benefit expenses, including:	139	145

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	Year ended 31 December 2021	Year ended 31 December 2020
Energy tariff – current costs	15	13
Company Social Benefit Fund - charges for the current financial year	29	35
Employee Pension Plan	45	43
Employee training	5	3
Expenses related to health and safety	6	8
Other	39	43
TOTAL	**1,172**	**1,304**

11.4. Other operating income

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)*
Profit on disposal of property, plant and equipment/intangible assets	3	8
Penalties, fines, indemnities received	52	30
Grants	24	21
Release of impairment losses for current assets	36	39
Release of impairment losses for property, plant and equipment	36	151
Reversal of provisions (e.g. court cases)	22	145
Reimbursement of tax	9	1
Reimbursement of costs of court proceedings	9	9
Revenues related to illegal energy consumption	5	3
Infrastructure acquired free of charge	7	98
Overpayments	4	2
Other	7	2
TOTAL	**214**	**509**

** Conversion described in Note 9.32*

11.5. Other operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)*
Cost of remedying chance losses	76	43
Donations	7	6
Recognition of impairment losses for current assets	69	77
Recognition of impairment losses for property, plant and equipment	117	481
Recognition of provisions	78	106
Indemnities	2	4
Costs related to illegal energy consumption	1	1
Litigation expenses	13	12
Goodwill impairment allowance	11	-
Surplus of employment restructuring costs over revenue from release of actuarial provisions	-	2
Other	5	7
TOTAL	**379**	**739**

** Conversion described in Note 9.32*

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11.6. Financial income

	Year ended 31 December 2021	Year ended 31 December 2020
Income on financial instruments, including:	**67**	**74**
Interest income	53	40
Revaluation of financial assets (including reversal of impairment losses)	-	11
Foreign exchange differences	2	2
Other	12	21
Result from disposals of shares in subsidiaries	**(15)**	**-**
Other financial income	**22**	**3**
Revaluation of investment measured using the equity method	21	-
Other	1	3
TOTAL	**74**	**77**

11.7. Financial costs

	Year ended 31 December 2021	Year ended 31 December 2020
Costs of financial instruments, including:	**178**	**447**
Interest expenses	176	228
Revaluation of financial assets (including recognition of impairment losses)	-	187
Foreign exchange differences	2	32
Other financial costs, of which:	**90**	**249**
Revaluation of investment measured using the equity method	-	183
Lease interest	41	36
Actuarial and other interest	25	26
Other	24	4
TOTAL	**268**	**696**

12. Income tax

12.1. Tax liabilities

Major components of income tax liability for the year ended 31 December 2021 are as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Statement of profit or loss		
Current income tax expense	(292)	(108)
Adjustments to income tax for prior years	(1)	(4)
Deferred income tax	(39)	(113)
Tax burden recognized in the statement of profit or loss	**(332)**	**(225)**
Statement of comprehensive income		
Deferred income tax	(59)	19
Tax burden/tax gain recognized in the statement of comprehensive income	**(59)**	**19**

With regard to income tax, the Group was principally subject to the general regulations in 2021. Except for the Energa Tax Group (see description in Note 12.4), there were no other occurrences that would require calculation of tax liabilities using methods different from the general regulations in this respect.

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The expiration date of the right to settle a tax loss by Energa Group companies other than member of the Tax Group is no later than 31 December 2026.

12.2. Reconciliation of the effective tax rate

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

	Year ended 31 December 2021	Year ended 31 December 2020
Profit or loss before tax	**1,269**	**(219)**
Tax liability at Poland's statutory rate of 19%	**(241)**	**42**
Adjustments to income tax for prior years	(1)	(4)
Tax liability on permanently non tax-deductible expenses	(63)	(110)
Tax liability on permanently non-taxable income	6	7
Tax liability on profit/(loss)-sharing in entities measured using the equity method	35	(50)
Tax losses	18	-
Temporary differences for which no deferred tax asset was recognized	(86)	(110)
Tax liability at the effective tax rate in the statement of profit or loss	**(332)**	**(225)**

The current tax liability is calculated on the basis of applicable tax regulations. Application of those regulations differentiates between the tax profit (loss) and accounting net profit (loss) in connection with exclusion of non-taxable revenues and non-deductible expenses and items of income or expense which are never taxable. Tax liabilities are calculated on the basis of tax rates applicable in the given financial year. A 19% tax rate was applicable in 2021 and 2020. Current regulations do not provide for differentiated tax rates for future periods.

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

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12.3. Deferred income tax

Deferred income tax is derived from the following items:

	As at 31 December 2021	Revision recognized in the financial result	Revision recognized in the other comprehensive income/equity	Disposal of subsidiary	Transfer to assets classified as held for sale	As at 31 December 2020
Deferred tax assets	**759**	**72**	**(35)**	**(4)**	**(2)**	**728**
On the difference between the tax and carrying value of property, plant and equipment, intangible assets and inventories	286	4	-	(1)	-	283
On the difference between the tax and carrying value of financial assets and liabilities	277	27	(22)	-	-	272
Power infrastructure acquired free of charge	-	(2)	-	-	-	2
On provisions for post-employment benefits	74	(5)	(12)	-	-	91
On provisions for jubilee bonuses	46	(8)	-	-	-	54
On provisions for redemption of property rights	31	8	-	-	-	23
On provisions for reclamation and decommissioning costs of property, plant and equipment	19	(2)	-	-	-	21
On provisions for gas emission liabilities	45	8	-	-	-	37
Unpaid employee salaries and benefits	4	-	-	(1)	-	5
On other provisions	52	4	-	(1)	(1)	50
Accrued expenses	65	21	-	-	(1)	45
Other liabilities and Deferred income	10	10	-	-	-	-
Tax losses	12	6	-	-	-	6
Other	6	1	(1)	(1)	-	7
Adjustment of the asset to the value to be realized in the future	**(168)**	**-**	**-**	**-**	**-**	(168)
Set-off	**(522)**	**(16)**	**15**	**-**	**-**	**(521)**
Deferred tax assets after set-off	**237**					**207**

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	As at 31 December 2020	Revision recognized in the financial result	Revision recognized in the other comprehensive income	As at 31 December 2019
Deferred tax assets	**728**	**(8)**	**19**	**717**
On the difference between the tax and carrying value of property, plant and equipment, intangible assets and inventories	283	53	-	230
On the difference between the tax and carrying value of financial assets and liabilities	272	49	10	213
Power infrastructure acquired free of charge	2	(16)	-	18
On provisions for post-employment benefits	91	(2)	9	84
On provisions for jubilee bonuses	54	5	-	49
On provisions for redemption of property rights	23	5	-	18
On provisions for reclamation and decommissioning costs of property, plant and equipment	21	6	-	15
On provisions for gas emission liabilities	37	4	-	33
Unpaid employee salaries and benefits	5	-	-	5
On other provisions	50	(18)	-	68
Accrued expenses	45	1	-	44
Tax losses	6	(22)	-	28
Other	7	(2)	-	9
Adjustment of the asset to the value to be realized in the future	(168)	(71)	-	(97)
Set-off	**(521)**	**(66)**	**-**	**(455)**
Deferred tax assets after set-off	**207**			**262**

The total amount of temporary differences with regard to investments in subsidiaries where no deferred income tax asset was recognized is PLN 1,846m as at 31 December 2021 and PLN 1,497m as at 31 December 2020 respectively. The reason why no deferred income tax asset was created is that the Group does not intend to sell these investments (except for the investment in Energa Invest Sp. z o.o. and Energa Elektrownie Ostrołęka SA), therefore, the temporary differences will not reverse in future.

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

Cnsolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

	As at 31 December 2020	Revision recognized in the financial result	Revision recognized in the other comprehensive income	As at 31 December 2019
Deferred tax liability	**1 298**	**105**	**-**	**1 193**
On the difference between the tax and carrying value of property, plant and equipment and intangible assets	1 082	66	-	1 016
Accrued revenues	36	2	-	34
On the difference between the tax and carrying value of energy certificates	6	(1)	-	7
On the difference between the tax and carrying value of financial assets and liabilities	171	43	-	128
Other	3	(5)	-	8
Set-off	**(521)**	**(66)**		**(455)**
Deferred tax liability after set-off	**777**			**738**

The total amount of temporary differences with regard to investments in subsidiaries where no deferred income tax liability was recognized is 3,756 m as at 31 December 2021 and 2,914 m as at 31 December 2020, respectively. The reason why no deferred income tax provision was created is that the Group does not intend to sell these investments, i.e. the temporary differences will not reverse in future.

12.4. ENERGA Tax Group

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

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

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

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

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NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION

13. Property, plant and equipment

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

Consolidated financial statements as at and for the year ended 31 December 2021 (PLN m)

	Own land	Right of perpetual usufruct of land	Buildings, premises and civil and marine engineering facilities	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value								
As at 1 January 2020	**106**	**1**	**14,323**	**7,113**	**373**	**1,009**	**867**	**23,792**
Direct purchase	-	-	-	-	-	-	1,500	**1,500**
Settlement of property, plant and equipment under construction	2	-	759	461	19	134	(1,375)	**-**
Sale, disposal	-	-	2	(3)	(10)	(21)	-	**(32)**
Liquidation	-	-	(58)	(60)	-	(20)	(3)	**(141)**
Received free of charge	-	-	14	-	-	-	-	**14**
Redemption	-	-	-	1	1	-	-	**2**
Capitalized financing expenses	-	-	-	-	-	-	10	**10**
Provision for land reclamation and liquidation costs	-	-	35	5	-	-	-	**40**
Other changes in value	-	(1)	(5)	(2)	(1)	(1)	(2)	**(12)**
As at 31 December 2020	**108**	**-**	**15,070**	**7,515**	**382**	**1,101**	**997**	**25,173**
Accumulated depreciation and impairment losses								
As at 1 January 2020	**-**	**(1)**	**(5,398)**	**(3,200)**	**(256)**	**(640)**	**(35)**	**(9,530)**
Amortization/depreciation and net liquidation value	-	1	(515)	(288)	(25)	(97)	-	**(924)**
Recognition of impairment losses	(2)	-	(70)	(158)	1	(3)	(219)	**(451)**
Reversed impairment losses	2	-	23	69	-	-	31	**125**
Other decreases in impairment losses	-	-	5	16	-	-	-	**21**
Sale, disposal	-	-	(3)	3	9	21	-	**30**
Liquidation	-	-	56	56	-	20	-	**132**
Redemption	-	-	-	-	(1)	-	-	**(1)**
Other changes in value	-	-	(4)	(7)	-	1	-	**(10)**
As at 31 December 2020	**-**	**-**	**(5,906)**	**(3,509)**	**(272)**	**(698)**	**(223)**	**(10,608)**
Net value as at 1 January 2020	**106**	**-**	**8,925**	**3,913**	**117**	**369**	**832**	**14,262**
Net value as at 31 December 2020	**108**	**-**	**9,164**	**4,006**	**110**	**403**	**774**	**14,565**

Impairment tests for property, plant and equipment

In 2021, property, plant and equipment and goodwill were assessed for any internal and external triggers of impairment of recoverable amount, as referred to in note 16.

In the second half of 2021, impairment tests for cash generating units (CGUs) were performed using the income method based on the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- the test date is 31 December 2021,
- the macroeconomic assumptions for the PKN ORLEN Group adopted for application by the Management Board of Energa SA, including with respect to electricity prices dedicated to each source, coal and natural gas prices, capacity market rates for the Polish market, prices of certificates of origin, and prices of CO2 emission allowances based on a report prepared for the PKN ORLEN Group by an independent entity; the forecasts have been prepared until 2050 inclusive; as regards biomass prices, forecasts by companies using this raw material were used i.e. the forecast of Energa Elektrownie Ostrołęka SA for the period 2022-2041 and the forecast of Energa Kogeneracja Sp. Z o.o. for the period 2022-2030,
- the number of free CO_2 emission allowances for 2021-2025 as specified in the list published by the Polish Minister for Environment
- replacement capital expenditure at the levels allowing for maintenance of the production capacity of the existing non-current assets, including capital expenditures to adjust industrial emission levels to the requirements of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the Commission Implementing Decision (EU) 2021/2326 establishing best available techniques (BAT) conclusions which was published on 30 November 2021;
- support was maintained for production of energy from the existing renewable sources in the form of revenue from property rights and incorporation for some installations of the won auctions for sale of electricity from renewable energy sources and revenue from the FIT/FIP mechanism, in accordance with the Renewable Energy Sources Act of 20 February 2015, as amended (Journal of Laws 2017 No. 0, Item 1148);
- revenue from the capacity market in accordance with the provisions of the Capacity Market Act of 8 December 2017, as amended, with the rates adopted on the basis of the auctions held and won in 2018-2021 and for the years that go beyond the contracted period based on the price paths;
- the length of financial forecasts for the individual companies/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
- a growth rate of 2.0 per cent, which does not exceed the average long-term inflation growth rates in Poland, was adopted to extrapolate the cash flow forecast for the purpose of calculation of residual value.

Wind farms (Karcino CGU, Karścino CGU, Bystra CGU, Myślino CGU, Parsówek CGU and Przykona CGU)

The tests were conducted for the full useful life, which allowed for a more reliable valuation of the units the total useful life of which is limited, on a model basis, to 25 years from the commissioning of the farm. Calculations to determine the value in use cover the period from January 2022 until the last year of the wind farm's operation. Discount rates determined using the after-tax weighted-average cost of capital (WACC), adopted for the calculation, were 6.30%. The discount rates used for the calculation in 2020 were 4.18%.

Based on the impairment tests conducted, no need was identified for recognizing impairment losses on the wind farms. The recoverable amount of the wind farms was set at PLN 1,295.6m.

Photovoltaic farms ("PV Delta CGU, PV Czernikowo, PV Wielbark")

The tests were conducted for the full useful life, which allowed for a more reliable valuation of the units the total useful life of which is limited, on a model basis, to 25 years from the commissioning of the farm. Calculations to determine the value in use cover the period from January 2022 until December 2039 for PV Delta and PV Czernikowo, and from January 2022 until December 2044 for PV Wielbark. Discount rates determined using the after-tax weighted-average cost of capital (WACC), adopted for the calculation, were 6.30%. The discount rates used for the calculation in 2020 were 4.18%.

Based on the impairment tests conducted, the need was identified for reversing impairment losses on the photovoltaic farms. The impairment loss on PV Delta in the amount of PLN 2.2 m was reversed in total and the impairment loss on PV Czernikowo in the amount of PLN 0.7 m was reversed in part. The recoverable amount of the photovoltaic farms was set at PLN 39.7 m.

Hydro power plants ("CGU Wloclawek, CGU Żydowo, CGU MEW")

In the second half of 2021 it was recognised that there was the need for performing impairment tests for the three cash-generating units: CGU Włocławek, CGU Żydowo oraz CGU MEW (Small Hydropower Plants).

The value in use was calculated on the basis of financial projections for the period from January 2022 until December 2026 and the residual value. Discount rates determined using the after-tax weighted-average cost of capital (WACC), adopted for the calculation, were 6.30%.

Based on the impairment tests conducted, no need was identified for recognizing an impairment loss on the wind farms. The recoverable amount of the wind farms was set at PLN 4,473.8m.

Energy warehouse ("CGU Energy Warehouse")

Calculations to determine the value in use were conducted based on the financial projections for the full useful life of the unit, namely from January 2022 until December 2036. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 6.30%.

Based on the outcome of the conducted test, a need was identified for recognising an impairment loss on CGU Energy Warehouse in the amount of PLN 10.3 m.

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

Calculations to determine fair value were conducted based on the financial projections for the full useful life of the unit, namely from January 202 until December 2049, while taking into account the cash flows derived from the company's ongoing obligatory development investments. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 7.55%, an additional premium for the projection's risk included. The discount rate used for the calculation in 2020 was 7.49%.

Based on the outcome of the conducted test, it was concluded that no impairment loss on the Elbląg CHP CGU was required. The recoverable amount was determined at PLN 359,9 m.

Kalisz Combined Heat and Power Plant (Kalisz CHP CGU)

Calculations to determine fair value were conducted based on the financial projections for the full useful life of the unit, namely from January 2022 until December 2048, while taking into account the cash flows derived from the company's ongoing obligatory development investments. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 8.88%, an additional premium for the projection's risk included. The discount rate used for the calculation in 2020 was 7.49%.

Based on the outcome of the conducted test, it was concluded that no impairment loss on the Kalisz CHP CGU was required. The recoverable amount was determined at PLN 65.2 m.

Based on the outcome of the conducted test, a need was identified for recognising total impairment loss on goodwill arising from the Energa Ciepło Kaliskie heat asset acquisition (see description in Note 16).

Heat plant w Żychlin (Żychlin CGU)

The value in use was calculated on the basis of financial projections for the period from January 2022 until December 2031 and the residual value. The standard projection period was extended due to the subsidies to be obtained until 2030 for projects that use the ORC technology for electricity generation. A discount rate based on the befor-tax weighted-average cost of capital (WACC), adopted for the calculation, was 6.23%. The discount rate used for the calculation in 2020 was 4.16%.

Based on the outcome of the conducted test, it was necessary to fully reverse the impairment loss on Żychlin CGU in the amount of PLN 12.3 m. The recoverable amount was determined at PLN 31.8 m.

Ostrołęka B Power Plant (Ostrołęka B CGU)

The value in use in the test was calculated on the basis of financial projections for a finite useful life, namely from January 2022 until December 2031, while taking into consideration the period of available support from the capacity market for coal units. To calculate the value in use of Ostrołęka B CGU:

- allowance was made for the support in the form of a five-year capacity contract for the years 2021–2025; and
- for 2026-2030, it was assumed that only the biomass co-firing unit (for which the 550g CO_2/kWh would not be exceeded) would participate in the capacity market auction,
- a discount rate based on the weighted average cost of capital (WACC) of 7.73% (after tax) was adopted. A discount rate of 5.03% was adopted for the calculation of value in use as part of the test in 2020.

Based on the outcome of the test performed as at 31 December 2021, it was concluded that an impairment loss needs to be posted on the whole assets of Ostrołęka B CGU, excluding land and rights of perpetual usufruct of land. The value of the impairment was PLN 10.0m.

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 31 December 2021. In the whole 2021 the recognised impairment loss amounted to PLN 77.5 m.

Heat plant in Ostrołęka (Ciepło Ostrołęka CGU)

The value in use was calculated on the basis of financial projections for the period from January 2022 until December 2028 and the residual value. The standard 5-year projection period was extended, which made it possible to determine the residual value on the basis of representative cash flows and, therefore, to conduct a more reliable valuation of the company's shares. A discount rate based on the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 6.23%. The discount rate used for the calculation in 2020 was 4.16%.

Based on the outcome of the conducted test, it was concluded that an impairment loss on Ciepło Ostrołęka CGU was required in the amount of PLN 5.0m. The recoverable amount was determined at PLN 53.7 m.

Heat plant in Kalisz (Ciepło Kaliskie CGU)

The value in use was calculated on the basis of financial projections for the period from January 2022 until December 2026 and the residual value. A discount rate determined using the after-tax weighted-average cost of capital (WACC), adopted for the calculation, was 6.23%. The discount rate used for the calculation in 2020 was 4.16%.

Based on the outcome of the conducted test, it was concluded that no impairment loss on Ciepło Kaliskie CGU was required. The recoverable amount was determined at PLN 66.2 m.

Sensitivity analysis

The estimated impact of a change in selected parameters on the overall valuation of the above-mentioned assets tested as at 31 December 2021 is presented below. The sensitivity analysis shows that the factors with the highest impact on the estimated value in use of the tested CGUs are discount rates, electricity prices, heat prices, EUA prices, biomass prices and coal prices. Their change, taken into consideration throughout the forecast period, could give rise to the need to recognize additional impairment losses or reverse the same at the values estimated below. Consequently, it should be borne in mind that a change in market conditions gives rise to a risk of overvaluation or undervaluation of the assets.

. Parameter	Value and direction of change	Impact on CGU's valuation [PLN m] Increase in value	Decrease in value	Change in impairment loss/impairment loss reversal amount [PLN m]
Discount rates	[+ 0.5 pp]		-548.2	-7.9
	[- 0.5 pp]	678.9		5.1
Electricity prices	[+ 1%]	100.8		0.1
	[- 1%]		-101.5	-0.1
Heat prices	[+ 1%]	25.5		0.0
	[- 1%]		-25.5	-1.8
EUA prices	[+ 1%]		-21.3	0.0
	[- 1%]	21.2		0.0
Biomass prices	[+ 1%]		-12.8	0.0
	[- 1%]	12.8		0.0
Coal prices	[+ 1%]		-11.2	0.0
	[- 1%]	11.2		0.0

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14. Intangible assets

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

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	Development costs	Software, licenses and patents	Property rights	Other intangible assets	Intangible assets not in use	Total
Gross value						
As at 1 January 2020 (restated)*	**1**	**815**	**591**	**71**	**68**	**1,546**
Direct purchase	-	28	718	-	67	**813**
Settlement of intangible assets not in use	1	48	-	6	(55)	**-**
Sale, disposal	-	(23)	-	-	-	**(23)**
Liquidation	-	(4)	-	(7)	-	**(11)**
Reclassification between groups	-	(2)	-	2	-	**-**
Donations and free of charge items	-	-	95	-	-	**95**
Redemption of property rights	-	-	(720)	-	-	**(720)**
Other changes in value	-	21	-	-	(1)	**20**
As at 31 December 2020 (restated)*	**2**	**883**	**684**	**72**	**79**	**1,720**
Accumulated depreciation and impairment losses						
As at 1 January 2020	**-**	**(664)**	**-**	**(43)**	**(25)**	**(732)**
Amortization/depreciation and net liquidation value	-	(52)	-	(12)	-	**(64)**
Increase in impairment losses	-	(1)	-	-	-	**(1)**
Liquidation	-	4	-	7	-	**11**
Other changes in value	-	(8)	-	-	-	**(8)**
As at 31 December 2020	**-**	**(721)**	**-**	**(48)**	**(25)**	**(794)**
Net value as at 1 January 2020 (restated)*	**1**	**151**	**591**	**28**	**43**	**814**
Net value as at 31 December 2020 (restated)*	**2**	**162**	**684**	**24**	**54**	**926**

** Conversion described in Note 9.32*

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15. Right-of-use assets

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

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

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	Land	Rights of perpetual usufruct of land	Buildings, premises and civil and marine engineering facilities	Plant and equipment	Vehicles	Other property, plant and equipment	Software, licenses and patents	Total
Gross value								
As at 1 January 2020	**509**	**242**	**103**	**13**	**16**	**4**	**20**	**907**
Direct purchase	107	1	3	-	5	-	-	**116**
Revaluation - increase	4	5	9	-	-	-	-	**18**
Liquidation	-	-	(4)	-	(1)	-	-	**(5)**
Redemption	-	-	-	(1)	(1)	-	-	**(2)**
Revaluation - decrease	(1)	(2)	-	-	-	-	-	**(3)**
Reclassification between groups	44	(44)	-	-	-	-	-	**-**
Other changes in value	-	-	(1)	-	-	-	(20)	**(21)**
As at 31 December 2020	**663**	**202**	**110**	**12**	**19**	**4**	**-**	**1,010**
Accumulated depreciation and impairment losses								
As at 1 January 2020	**(20)**	**(7)**	**(16)**	**(3)**	**(5)**	**(1)**	**(8)**	**(60)**
Amortization/depreciation and net liquidation value	(25)	(1)	(17)	(2)	(6)	(1)	-	**(52)**
Recognition of impairment losses	-	(26)	-	(2)	(1)	-	-	**(29)**
Reversed impairment losses	-	26	-	-	-	-	-	**26**
Liquidation	-	-	1	-	1	-	-	**2**
Reclassification between groups	(2)	2	-	-	-	-	-	**-**
Redemption	-	-	-	-	1	-	-	**1**
Other changes in value	-	-	1	-	-	-	8	**9**
As at 31 December 2020	**(47)**	**(6)**	**(31)**	**(7)**	**(10)**	**(2)**	**-**	**(103)**
Net value as at 1 January 2020	**489**	**235**	**87**	**10**	**11**	**3**	**12**	**847**
Net value as at 31 December 2020	**616**	**196**	**79**	**5**	**9**	**2**	**-**	**907**

The costs associated with leases of low-value assets stand at PLN 0.3 m as at 31 December 2020, whereas the costs associated with variable lease payments not included in measurement of lease liabilities amount to PLN 4.7 m and the costs associated with short-term leases are PLN 1.7 m.

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16. Goodwill

As at 31 December 2021, an impairment test of goodwill was carried out for the company which was established as a result of the Energa Ciepło Kaliskie heat asset acquisition. The method used for the test was the discounted cash flow method based on financial projections for the asset to which the goodwill is allocated for the period from January 2022 to December 2026 and the residual value. In the projections, the volume of sales from own sources was estimated on the basis of the values planned for 2022, with account being taken of new heating grid connections in accordance with the connection agreements in place. The expected increase in the distribution volume results directly from the manner in which the increase in the heat sales was estimated in view of the new additions planned. A discount rate based on the befor-tax weighted-average cost of capital (WACC), adopted for the calculation, was 6.23%. 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, a need was found to recognize a total impairment loss on goodwill in the amount of PLN 11.4 m.

	Year ended 31 December 2021	Year ended 31 December 2020
Net value at the beginning of the period	**11**	**11**
Impairment loss recognized	(11)	-
Net value at the end of the period	**-**	**11**

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

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

Investments measured using the equity method	As at 31 December 2021	As at 31 December 2020
Polska Grupa Górnicza S.A.	-	-
Elektrownia Ostrołęka Sp. z o.o.	-	-
Polimex-Mostostal S.A.	128	92
ElectroMobility Poland S.A.	-	13
Total	**128**	**105**

Below we present condensed financial information of the companies measured by the equity method and reconciliation of the financial information to the carrying amount of shares in the companies recognized in the Group's consolidated financial statements. The 2021 data are based on the companies' financial data. In the case of Polska Grupa Górnicza S.A. the data for 2021 are data as at and for the period of 11 months ended on 30 November 2021, whereas the comparable data are presented as at and for the period of 5 months ended on 31 May 2020 (the data as at the time of the decision on recognition of the investment project impairment loss). In the case of Polimex-Mostostal SA, the data for 2021 are based on the data as at and for the period of 9 months ended on 30 September 2021, Elektrownia Ostrołęka Sp. z o.o. – based on preliminary data as at and for the period of 12 months ended on 31 December 2021.

Condensed statement of comprehensive income	Polska Grupa Górnicza S.A.	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.
	For the period ended 31 December 2021		
Revenues	7,215	4	1,588
Amortization and depreciation	-	-	27
Interest income	-	-	0
Interest expenses	-	31	11
(Loss)/profit before tax from continuing operations	**(762)**	**297**	**84**
Income tax	-	-	15
Net (loss)/profit from continuing operations	**(762)**	**297**	**69**
Net profit on discontinued operations	**-**	**-**	**-**
Other comprehensive income	**10**	**-**	**5**
Total comprehensive income	**(752)**	**297**	**74**
Dividends paid	**-**	**-**	**-**

Condensed statement of comprehensive income	Polska Grupa Górnicza S.A.*	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.	ElectroMobility Poland S.A.
	For the period ended 31 December 2020			
Revenues	2,942	-	1,600	-
Amortization and depreciation	-	-	37	-
Interest income	-	-	5	-
Interest expenses	-	19	23	-
(Loss)/profit before tax from continuing operations	**(420)**	**(625)**	**59**	**(4)**
Income tax	(67)	-	12	-
Net (loss)/profit from continuing operations	**(353)**	**(625)**	**47**	**(4)**
Net profit on discontinued operations	**-**	**-**	**-**	**-**
Other comprehensive income	**-**	**-**	**(5)**	**-**
Total comprehensive income	**(353)**	**(625)**	**42**	**(4)**
Dividends paid	**-**	**-**	**-**	**-**

* data as at and for the 5-month period ended on 31 May 2020

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

Condensed balance sheet	Polska Grupa Górnicza S.A.*	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.	ElectroMobility Poland S.A.
	As at 31 December 2020			
Cash and cash equivalents	128	36	368	16
Other current assets (excl. cash)	1,583	3	820	2
Total current assets	**1,711**	**38**	**1,187**	**18**
Non-current assets	**10,336**	**95**	**651**	**39**
Financial liabilities (excl. trade liabilities)	524	420	72	-
Other current liabilities (incl. trade liabilities)	3,556	492	864	3
Total current liabilities	**4,080**	**912**	**936**	**3**
Financial liabilities	2,442	-	113	-
Other liabilities	2,157	-	106	-
Total non-current liabilities	**4,599**	**-**	**220**	**-**
Net assets	**3,368**	**(779)**	**682**	**54**

* data as at and for the 5-month period ended on 31 May 2020

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

*data as at and for the 9-month period ended on 30 September 2021

Condensed financial information	Polska Grupa Górnicza S.A.*	Elektrownia Ostrołęka Sp. z o.o.	Polimex-Mostostal S.A.*	ElectroMobility Poland S.A.
		2020		
Net assets of the joint venture/associate at the beginning of the period	**3,711**	**(154)**	**641**	**58**
Net profit/(loss) for the period	(353)	(625)	47	(4)
Other comprehensive income	-	-	(5)	-
Recapitalization by investors	-	-	-	-
Other differences	10	-	(1)	-
Net assets of the joint venture/associate at the end of the period	**3,368**	**(779)**	**682**	**54**
Stake held by the Group in the joint venture/associate	15.32%	50.00%	16.48%	25.00%
Interest in the joint venture/associate	516	-	112	13
Goodwill	-	-	-	-
Other differences	-	-	-	-
Impairment loss on investments	(516)	-	(21)	-
Carrying amount of shares	**-**	**-**	**92**	**13**

Dividend payments to PGG shareholders is restricted by the bond issue program agreement ("Agreement") signed between PGG and its bondholders. The Agreement and the terms and conditions of issue of participation bonds allow for a dividend payment only when all of the following conditions are satisfied:

- in the settlement period when the dividend is paid out, a cash sweep redemption installment will be paid (a cash sweep may be effected in 2019 or later and will constitute in total 60% of the surplus cash flow for the previous financial year);
- there is no default on the specified financial ratios;
- the payment will not cause a default on the specified forecast financial ratios; and
- the dividend will be paid out to shareholders and holders of participation bonds pro rata to their involvement in financing PGG.

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

18. Inventories

	31 December 2021			31 December 2020		
	Historical cost	Impairment losses	Net value	Historical cost	Impairment losses	Net value
Materials	84	(1)	**83**	108	(1)	**107**
Semi-finished products and production in progress	1	-	**1**	8	-	**8**
Merchandise	27	-	**27**	25	-	**25**
TOTAL	**112**	**(1)**	**111**	**141**	**(1)**	**140**

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

19. CO_2 emission allowances

Emission volumes and greenhouse gas emission allowances awarded free of charge are presented in the table below:

CO_2 emission allowances	Year ended 31 December 2021	Year ended 31 December 2020
	(thousands of tons)	
CO_2 emissions from all installations (thousands of tons), including:	**2,581**	**1,742**
Number of emission allowances awarded free of charge	46	79
Number of emission allowances paid for	2,535	1,663
Cost of the obligation to redeem CO_2 emission allowances (PLN m)	**584**	**197**

20. Cash and cash equivalents

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

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

	As at 31 December 2021	As at 31 December 2020
Cash at bank and in hand	340	221
Total cash and cash equivalents presented in the statement of financial position	**340**	**221**
Cash classified as assets held for sale	1	-
Total cash and cash equivalents presented in the statement of cash flows	**341**	**221**
of which restricted cash	*171*	*82*

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 S.A. [the Commodity Clearing House].

21. Other assets

21.1. Other non-current assets

	As at 31 December 2021	As at 31 December 2020
Long-term prepayments and accrued expenses	68	78
Investment property	11	35
Advances for property, plant and equipment under construction and intangible assets	210	28
TOTAL	**289**	**141**

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21.2. Other current assets

	As at 31 December 2021	As at 31 December 2020
VAT receivables	140	117
Advances for deliveries	24	56
Deferred costs	57	90
Compensation due from Price Difference Refund Fund	-	60
Other tax receivables	6	7
Other current assets	4	7
TOTAL	**231**	**337**

22. Share capital and other components of equity

22.1. Share capital

As at 31 December 2021, the share capital of Energa SA amounted to PLN 4,522 m and was divided into shares as specified below:

	As at 31 December 2021	As at 31 December 2020
AA series bearer shares with par value of PLN 10.92 each	269,139,114	269,139,114
BB series registered shares with par value of PLN 10.92 each	144,928,000	144,928,000
Total number of shares	**414,067,114**	**414,067,114**

22.2. Major shareholders

	Year ended 31 December 2021	Year ended 31 December 2020
PKN ORLEN S.A.		
share in capital	90.92%	90.92%
share in voting rights	93.28%	93.28%
Other shareholders		
share in capital	9.08%	9.08%
share in voting rights	6.72%	6.72%

22.3. Shareholders' rights

At the end of the reporting period, PKN ORLEN S.A. owned 376,488,640 shares of the Company constituting 90.92% of its share capital and entitling PKN ORLEN S.A. to exercise 521,416,640 votes at the General Meeting, which makes up 93.28% of the total number of votes at the General Meeting (including 144,928,000 registered BB series shares, preferred with respect to the voting right at the General Meeting in such manner that one BB series share gives the right to two votes at the General Meeting).

According to the Parent Company's articles of association in effect on the date of these financial statements, Supervisory Board members are appointed and dismissed by the General Meeting, but PKN ORLEN S.A. is personally entitled to appoint and dismiss Supervisory Board members so that PKN ORLEN S.A. holds an absolute majority of the votes in the Supervisory Board.

As a result of resolution of the Extraordinary General Meeting of the Company adopted on 29 October 2020, an application was filed with the Polish Financial Supervision Authority to withdraw the Company's shares from trading on the regulated market operated by Giełda Papierów Wartościowych w Warszawie S.A. (Warsaw Stock Exchange).

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

22.4. Reserve capital

Reserve capital was created as a result of the share capital reduction made in connection with the reverse split of the Parent Company's shares in 2013 and upon distribution of the Parent Company's net profit for 2015. Reserve capital may be used only to cover future losses or to raise the Parent Company's share capital.

22.5. Supplementary capital

Supplementary capital was created from allowances from profit generated by the Parent Company in previous reporting periods.

Pursuant to the requirements of the Commercial Company Code, joint stock companies are required to create supplementary capital to cover losses. At least 8% of the company's profit for a given financial year presented in the company's financial statements is transferred to supplementary capital until the capital reaches at least one third of the company's share capital. The use of the supplementary capital is decided by the General Meeting, however, the portion of the supplementary capital representing one-third of the share capital may only be used to cover a loss posted in the financial statements and cannot be allocated to other purposes.

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22.6. Cash flow hedge reserve

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

22.7. Retained earnings and restrictions on dividend payment

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

Other comprehensive income recognized in the statement of changes in equity comprises the following items:

		Equity attributable to equity holders of the parent company					
	Note	Foreign exchange differences from translation of a foreign entity	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
Actuarial gains and losses on defined benefit plans	**25.1**	-	-	68	**68**	1	**69**
Cash flow hedges	**30.6**	-	183	-	**183**	-	**183**
Share of other comprehensive income of entities measured using the equity method		-	-	1	**1**	-	**1**
Net other comprehensive income for the year ended 31 December 2021		**-**	**183**	**69**	**252**	1	**253**
Actuarial gains and losses on defined benefit plans	**25.1**	-	-	(35)	**(35)**	(1)	**(36)**
Foreign exchange differences from translation of foreign entities		5	-	-	**5**	-	**5**
Cash flow hedges	**30.6**	-	(44)	-	**(44)**	-	**(44)**
Share of other comprehensive income of entities measured using the equity method		-	-	(2)	**(2)**	-	**(2)**
Net other comprehensive income for the year ended 31 December 2021		**5**	**(44)**	**(37)**	**(76)**	(1)	**(77)**

22.8. Non-controlling interest

As at 31 December 2021, equity attributable to non-controlling interest refer to minority shareholders of companies in the generation business line, in particular Energa Elektrownie Ostrołęka SA.

23. Net earnings per share

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

	Year ended 31 December 2021	Year ended 31 December 2020
Net profit or loss attributable to the shareholders of the Parent Company	968	(393)
Net profit or loss attributable to ordinary equity holders of the Parent Company	**968**	**(393)**

	Year ended 31 December 2021	Year ended 31 December 2020
Number of shares at the end of the reporting period (in millions)	414	414
Number of shares used to calculate earnings per share (millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**2.34**	**(0.95)**

24. Dividends

By the date of approval of these financial statements for publication, no decision had been made as to the distribution of profit.

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

25. Provisions

25.1. Provisions for employee benefits

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

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

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

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

	Pension and similar benefits	Energy tariff	Company Social Benefit Fund	Jubilee bonuses	TOTAL
As at 1 January 2020	**168**	**221**	**51**	**261**	**701**
Current service cost	9	5	2	18	34
Past service cost	-	(4)	-	5	1
Actuarial gains and losses	18	20	7	25	70
financial	19	14	7	19	59
demographic	-	-	-	-	-
other	(1)	6	-	6	11
Benefits paid	(13)	(10)	(2)	(27)	(52)
Interest costs	4	4	1	5	14
As at 31 December 2020, including:	**186**	**236**	**59**	**287**	**768**
Current	**12**	**10**	**1**	**25**	**48**
Non-current	**174**	**226**	**58**	**262**	**720**

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The impact on other comprehensive income of the actuarial profit and loss on the provisions for Pensions and other benefits, Energy tariff, and the Company Social Benefits Fund is 45 m, and it is visible in the Consolidated Statement of Comprehensive Income.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Discount rate	3.60%	1.20%
Employee turnover rate	3.12%	3.14%
Expected salary growth rate	3.00%	3.00%
Expected growth rate of the base of the Company Social Benefit Fund charge	4.50%	4.00%
Expected energy equivalent growth rate	0.97%	0.90%

Based on data received from the actuary, the Group estimates that the change in assumptions would affect the amount of provisions for pension and similar benefits, jubilee bonuses, the company social benefit fund and the energy tariff as follows:

Actuarial provisions	Carrying amount PLN	Analysis of sensitivity to discount rate changes		Analysis of sensitivity to salary growth rate changes deviation in PLN		Analysis of sensitivity to energy equivalent changes	
		+0.5 p.p.	*-0.5 p.p.*	*+0.5%*	*-0.5%*	*+0.5%*	*-0.5%*
As at 31 December 2021							
Provision for pension and similar benefits	149	(7)	7	6	(6)	-	-
Energy tariff	193	(10)	11	-	-	10	(10)
Company Social Benefit Fund	28	(2)	2	2	(2)	-	-
Jubilee bonuses	235	(8)	9	9	(8)	-	-
TOTAL	**605**	**(27)**	**29**	**17**	**(16)**	**10**	**(10)**
Contribution to profit before tax		*8*	*(9)*	*(9)*	*8*	-	-
As at 31 December 2020							
Provision for pension and similar benefits	186	(10)	11	9	(8)	-	-
Energy tariff	236	(16)	18	-	-	17	(15)
Company Social Benefit Fund	59	(5)	6	6	(5)	-	-
Jubilee bonuses	287	(12)	13	12	(11)	-	-
TOTAL	**768**	**(43)**	**48**	**27**	**(24)**	**17**	**(15)**
Contribution to profit before tax		*12*	*(13)*	*(12)*	*11*	-	-

25.2. Other provisions

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation concerning property rights	Provision for capital expenditure commitments	Other provisio ns	TOTAL
As at 1 January 2021	**197**	**113**	**197**	**124**	**218**	**69**	**918**
Disposal of subsidiary	(1)	-	-	-	-	-	**(1)**
Interest costs	-	2	-	-	-	-	**2**
Recognized	91	-	600	623	-	36	**1,350**
Reversed	(18)	(35)	-	-	(172)	(5)	**(230)**
Used	(23)	-	(204)	(584)	-	(23)	**(834)**

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	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation concerning property rights	Provision for capital expenditure commitments	Other provisions	TOTAL
Transfer to liabilities directly related to assets classified as held for sale	-	-	-	-	-	(3)	**(3)**
As at 31 December 2021, including:	**246**	**80**	**593**	**163**	**46**	**74**	**1,202**
Current	**167**	**-**	**593**	**163**	**46**	**52**	**1,021**
Non-current	**79**	**80**	**-**	**-**	**-**	**22**	**181**

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

	Legal claims	Land reclamation and liquidation costs	Liabilities for gas emissions	Obligation concerning property rights	Provision for capital expenditure commitments	Other provisions	TOTAL
As at 1 January 2020	**128**	**78**	**174**	**96**	**-**	**192**	**668**
Interest costs	-	1	-	-	-	-	1
Recognized	86	34	197	574	219	64	1,174
Reversed	(20)	-	-	-	(1)	(134)	(155)
Used	(4)	-	(174)	(546)	-	(53)	(777)
Transfer from prepayments and accruals	7	-	-	-	-	-	7
As at 31 December 2020, including:	**197**	**113**	**197**	**124**	**218**	**69**	**918**
Current	**125**	**-**	**197**	**124**	**218**	**51**	**715**
Non-current	**72**	**113**	**-**	**-**	**-**	**18**	**203**

The amount of the recognized provision for land reclamation and liquidation costs in 2020 arises mainly from a change in the discount rate to 1.22% and the recognition of a new provision for FW Przykona.

Provision for land reclamation and liquidation costs

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

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

- FW Bystra – provision recognized in 2012 and amortized until 2037;
- FW Karścino – provision recognized in 2009 and amortized until 2034;
- FW Karcino – provision recognized in 2010 and amortized until 2035;
- FW Myślino – provision recognized in 2015 and amortized until 2040; and
- FW Parsówek – provision recognized in 2016 and amortized until 2041.
- FW Przykona – provision recognized in 2020 and amortized until 2045;

Provisions for legal claims

As a result of transition to a different political system in the 1990s, serious problems arose in the present legal and economic system with transmission installations built in the former legal system on private properties. The main purpose of the provisions for legal claims are the court cases relating to power infrastructure located on private land without the necessary legal titles. The balance of these provisions was PLN 64 m at the end of 2021, and at the end of 2020 it was PLN 66m.

A provision of 36m was recognised in 2021 in view of the risk of unfavourable outcome of the dispute with Mostostal. The total value of the provision as at the end of 2021 is 43m.

The remaining balance of provisions relates to litigations involving penalties imposed by the Energy Regulatory Office and discontinuation of enforcement of agreements on sale of property rights derived from certificates of origin.

Other provisions

This category mainly presents provisions with regard to the excise duty, which is chargeable to the end-user for the electricity volume sold, at 9 m; for undue compensation paid do Lasy Państwowe, at 10 m; for the tax risk, at 10 m; for the real estate tax, at 7 m; and a provision for fees payable to the Polska Fundacja Narodowa [Polish National Foundation], at 15.5 m.

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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).

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". 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. Following the conclusion on 22 December 2021 of an annex to the agreement concerning the settlement of the Coal Project as part of the contract concerning the construction of the Ostrołęka C Power Plant, the project settlement period was extended until 25 March 2022. As of the date of publishing these financial statements of Energa Group, Elektrownia Ostrołęka is making final arrangements and finalising the settlements with the General Contractor. Following the Annex signed by the parties and the progressing settlements with the General Contractor, the estimated outstanding amount to be paid off by Energa SA for the full settlement of the Coal Project was adjusted to PLN 46m.

26. Other liabilities

26.1. Other non-current financial liabilities

	As at 31 December 2021	As at 31 December 2020
Derivative financial instruments	-	5
Other*	9	17
Total	**9**	**22**

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

26.2. Other current liabilities

	As at 31 December 2021	As at 31 December 2020
Liabilities on account of taxes, customs duties, social security insurance and others	**110**	**100**
VAT	34	18
Liabilities on account of social security insurance	50	55
Personal income tax	19	21
Environmental and other fees	6	5
Other	1	1
Other non-financial liabilities	**51**	**59**
Payroll liabilities	43	49
Other	8	10
TOTAL	**161**	**159**

27. Deferred income and grants

	As at 31 December 2021	As at 31 December 2020
Grants received	325	233
Accruals for annual bonus and other employee bonuses	107	110
Accruals for unused holiday leaves	33	40
Awards for Management Boards	15	15
Other prepayments and accruals	1	3
TOTAL, of which:	**481**	**401**
Non-current	301	214
Current	180	187

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As at 31 December 2021, the Group recognizes as grants: primarily, the valuation effect of the preferential loan from the European Investment Bank in the amount of PLN 43 m, which is recognized over the loan repayment period (see descriptions in Notes 9.23 and 30.5) and co-financing of PLN 23 m received to execute the biomass-fired power unit building project in Elbląg, which is recognized over the depreciation period of the assets until 2054. Additionally, companies from the generation business line received funding from the National Fund for Environmental Protection and Water Management in the amount of PLN 26 m to rebuild district heating networks. Furthermore, Energa-Operator SA secured co-financing for the "Rebuilding of district heating networks to meet Smart Grid standards through installation of intelligent grid metering and automation to mobilize consumers to improve efficient energy consumption and effective management of the electricity and heating system to improve security of supplies" project. In 2021, the Company received another PLN 72m for that purpose. In 2021, Energa OZE SA received from the Japanese government specialized equipment needed for the construction of the energy warehouse, amounting to PLN 23 m.

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

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

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

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

	As at 31 December 2021	As at 31 December 2020
Loans granted to employees	4	5
Cash	2	3
Fund's liabilities	6	7
Balance after set-off	**-**	**1**
Charges to the Fund in the period	29	35

29. Assets classified as held for sale

On 30 September 2021 premises for reclassification of net assets held in Energa Invest Sp. z o.o. to assets held for sale were reviewed. For this company, it is assumed that the shares will be sold over the next 12 months. Therefore, at the end of Q3 2021, net assets of Energa Invest Sp. z o.o. held by the Group were reclassified to assets held for sale.

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

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

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NOTES ON FINANCIAL INSTRUMENTS

30. Financial instruments

30.1. Carrying amount of financial instruments by category and class

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

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As at 31 December 2020	Derivative financial instruments*	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables	-	-	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**

* in 2020 the name of the column Measured at fair value through profit or loss for period was changed to Derivative financial instruments

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

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

Year ended 31 December 2020	Assets measured at fair value through profit or loss for period	Financial assets measured at amortized cost	Financial liabilities measured at amortized cost	Hedging derivatives	TOTAL
Interest income/(cost)	-	40	(168)	(60)	**(188)**
Foreign exchange differences	-	-	(159)	129	**(30)**
Reversal of impairment losses/increase in value	-	36	-	-	**36**
Recognition of impairment losses/decrease in value	-	(75)	-	-	**(75)**
Revaluation of investments*	(176)	-	21	-	**(155)**
Net profit/(loss)	**(176)**	**1**	**(306)**	**69**	**(412)**
Other comprehensive income	-	-	-	(54)	**(54)**
Comprehensive income	**(176)**	**1**	**(306)**	**15**	**(466)**

*revaluation of investments with regard to extended loans of (187) m in total, and derivatives of 11 m in total

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30.3. Fair value of financial instruments

30.3.1. Financial instruments measured at fair value on a continuing 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 within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 – fair value based on unobservable inputs for the asset or liability.

	31 December 2021 Level 2	31 December 2020 Level 2
Assets		
Hedging derivatives (CCIRS III)	112	21
Hedging derivatives (CCIRS IV)	138	32
Hedging derivatives (IRS)	5	-
Other derivatives	16	16
Liabilities		
Hedging derivatives (CCIRS III)	-	4
Hedging derivatives (CCIRS IV)	-	1
Hedging derivatives (IRS)	-	12
Other derivatives	99	-

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

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

Other derivatives in liabilities include forward transactions concluded by Energa Elektrownie Ostrołęka SA on PEAK contracts listed on the Polish Power Exchange ("TGE") for the purchase and sale of electricity. Forward transactions concluded via the TGE in relation to the purchase and sale of electricity are transactions with physical delivery, where the financial settlement of the transaction is usually made in the net amount.

At the time of concluding a given contract, Energa Elektrownie Ostrołęka SA classifies into instruments that meet the requirements of IFRS 9 for own use exemption, that are not subject to valuation, and instruments that do not meet the requirements of own use exemption, and therefore are measured at fair value through profit or loss.

The Group uses significant professional judgment to determine whether a given forward transaction can be considered as concluded as part of its own operations, and thus be exempt from the valuation obligation.

In accordance with the standard, when classifying contracts, the Group primarily assesses whether:

- a given contract was concluded in order to receive or deliver non-financial items in accordance with the needs expected by the Group, including in particular whether the volume of sold or purchased non-financial items corresponds to the scale of the normal operating activities of the Group,
- as a result of contract performance, there is a physical delivery of non-financial components,
- the contract cannot be considered a call or put option on a non-financial instrument in accordance with IFRS 9.

As a result of the analysis, the Group concluded that some of the forward contracts for electricity trading held by it as at the balance sheet date meet the definition of a financial instrument in accordance with IFRS 9 and are therefore subject to the measurement obligation.

The fair value of concluded contracts is determined by relating the conclusion price to the current forward rates calculated on the basis of market data. These instruments are recognized as assets when their value is positive and as liabilities when their value is negative.
Contracts that do not meet the requirements for own use exemption, completed in 2021, amounted to PLN 225 m, while contracts open as at the balance sheet date amounted to PLN 99 m. The value of the balance sheet valuation was recognized in financial liabilities.
In the profit and loss account, the measurement at fair value is recognized in operating activities under "Result on financial instruments measured at fair value through profit or loss" due to the fact that the contracts relate to the core business of Energa Elektrownie Ostrołęka SA.

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

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

Liabilities arising from the issue of Eurobonds and hybrid bonds	Carrying amount	Fair value	
		Level 1	Level 2
As at 31 December 2021	**2,532**	**1,476**	**1,151**
Eurobonds	1,393	1,476	-
hybrid bonds	1,139	-	1,151
As at 31 December 2020	**2,561**	**1,476**	**1,444**
Eurobonds	1,396	1,476	-
hybrid bonds	1,165	-	1,144

Fair value measurement of liabilities arising from the bonds issued in the euro was estimated: in the case of Eurobonds on the basis of quotations from the Bloomberg system from 31 December 2021, which are determined based on transactions on the Luxembourg stock exchange and over-the-counter trading, while in the case of hybrid bonds based on the analysis of future cash flows discounted using the interest rates in effect as at 31 December 2021.

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

30.4.1. Financial assets

Assets measured at amortized cost

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

Trade receivables and contract receivables	Not overdue	Overdue (days)					Total
		<30	30–90	90-180	180-360	>360	
As at 31 December 2021							
Before impairment losses	1,825	123	53	18	33	382	**2,434**
Impairment losses	-	(31)	(4)	(6)	(23)	(296)	**(360)**
After impairment losses	**1,825**	**92**	**49**	**12**	**10**	**86**	**2,074**
As at 31 December 2020							
Before impairment losses	1,682	154	54	28	35	305	**2,258**
Impairment losses	(24)	(4)	(4)	(11)	(20)	(254)	**(317)**
After impairment losses	**1,658**	**150**	**50**	**17**	**15**	**51**	**1,941**

Hedging derivatives

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

Financial assets at fair value through profit or loss

The Group classifies call options to purchase Polimex-Mostostal SA shares as financial assets measured at fair value through profit or loss.

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Impairment losses on financial assets

	Impairment loss on trade receivables and contract assets	Impairment losses for bonds, treasury bills and other debt instruments	Impairment losses on shares in associated entities
Impairment losses as at 1 January 2021	**317**	**36**	**555**
Reclassification of impairment losses from other receivables	34	**-**	**-**
Recognition of impairment losses	76	-	-
Used	(27)	-	-
Unused amounts written off (reversal of the allowance)	(40)	-	(21)
Change in the composition of the consolidated entities	-	(36)	-
Impairment losses as at 31 December 2021	**360**	**-**	**534**
	-	**-**	**-**
Impairment losses as at 1 January 2020	**310**	**36**	**372**
Recognition of impairment losses	75	-	183
Used	(32)	-	-
Unused amounts written off (reversal of the allowance)	(36)	-	-
Impairment losses as at 31 December 2020	**317**	**36**	**555**

30.4.2. Financial liabilities

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

	Credits and loans	Liabilities on account of the issue of debt securities	Total financing liabilities
As at 31 December 2020	**3,432**	**2,561**	**5,993**
Disbursement	2,718	-	**2,718**
Repayment/Redemption	(3,458)	-	**(3,458)**
Foreign exchange differences	-	(9)	**(9)**
Payment of interest	(35)	(73)	**(108)**
Interest accrued in the period	45	65	**110**
Other changes	2	(12)	**(10)**
As at 31 December 2021	**2,704**	**2,532**	**5,236**

The interest paid recognized in the consolidated statement of cash flows includes also the amounts relating to the instruments securing interest payments associated with held financial PLN 56 m and lease PLN 40 m liabilities.

Credits and loans

	As at 31 December 2021	As at 31 December 2020
Currency	PLN	
Reference rate	WIBOR, rediscount rate	
Credit/loan amount	**2,704**	**3,432**
of which maturing in:		
up to 1 year (short-term)	1,395	1,742
1 to 3 years	758	769
3 to 5 years	265	533
over 5 years	286	388

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As at 31 December 2021 and 31 December 2020, the amount of credit limits available to the Group was PLN 6,564.7 m (40.9% used) and PLN 5,575.1 m (61.4% used), respectively.

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

Liabilities for bonds issued

	As at 31 December 2021	As at 31 December 2020
Currency	EUR	
Reference rate	fixed	
Value of the issue		
in currency	551	555
in PLN	2,532	2,561
of which maturing in:		
up to 1 year (short-term)	31	41
1 to 2 years	569	-
2 to 3 years	-	577
over 5 years	1,932	1,943

Detailed information on bonds issued is provided in Note 30.5.

30.5. Available external financing

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

The external financing available as at 31 December 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 31 December 2021	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	291	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	663	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	278	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	286	18-12-2024
Nordic Investment Bank	Loan	Energa-Operator SA CapEx Program	30-04-2010	200	-	11	15-06-2022
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1,380[1]	-	1,380[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	-	30	15-09-2026
WFOŚiWG	Borrowing	Elektrownia CCGT Gdańsk Sp. z o.o. CapEx program	27-06-2014	7	-	7	30-06-2024
NFOSiGW	Borrowing	Energa Elektrownie Ostrołęka SA CapEx Program	30-08-2018	134	-	121	20-12-2028
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	1,150[3]	-	1,150[3]	12-09-2037

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Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit	Available financing amount	Nominal debt as at 31 December 2021	Repayment date
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 corporate objectives of Energa SA, including financing of everyday activity and the CapEx program, and refinancing of financial debt	03-07-2020	500	400	100	18-08-2023
SMBC	Revolving loan	financing of corporate objectives of Energa SA, including financing of day-to-day operations, financing of the CapEx program, and refinancing of financial debt, excluding capital expenditure on coal-fired energy	28-07-2020	552	552	-	28-07-2025
PKN Orlen	Borrowing	financing general corporate purposes	31-05-2021	1,000	100	900	30-05-2022
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2021	690	690	-	16-12-2041
TOTAL				**11,807**	**3,879**	**5,280**	

[1] liability under Eurobonds in the total amount of EUR 300 m converted using the average NBP exchange rate of 31 December 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 250 m converted using the average NBP exchange rate of 31 December 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.
[5] liability of EUR 120 m converted using the average NBP exchange rate of 31 December 2021
[6] liability of EUR 150 m converted using the average NBP exchange rate of 31 December 2021

30.6. 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 (see note 30.5):

- 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:

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

As the hedged positions under the hedging relationships, the Group designated the risk related to the WIBOR 3M interest rate arising from interest payments on the financial liabilities stated above in the period no longer than 4 years from the date of the hedging transactions.

The Group designated the IRS transactions under which the Group receives floating-rate cash flows in PLN and pays fixed-rate cash flows in PLN as the hedging instruments. Interest cash flows received by the Group correspond with interest cash flows under the hedged financial liabilities. The Group expects that the hedged cash flows will continue until June 2023 and not longer.

All held hedging instruments serve to hedge cash flows and relate to the financial instruments allocated to the same risk category. The presented hedging instruments relate to the liabilities arising under loans between Energa Finance AB and Energa SA, hybrid bonds and loans from the European Investment Bank.

The fair value of hedging instruments was:

	Value (PLN m)	Recognition in the statement of financial position	Change in 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 31 December 2021					
CCIRS III	112	Assets – Other financial assets	None	200	-
CCIRS IV	138	Assets – Other financial assets	None	250	-
IRS	5	Assets – Other financial assets	None	-	350
As at 31 December 2020					
CCIRS III	21	Assets – Other financial assets	None	200	-
CCIRS IV	32	Assets – Other financial assets	None	250	-
CCIRS III	(4)	Liabilities – Other financial liabilities	None	200	-
CCIRS IV	(1)	Liabilities – Other financial liabilities	None	250	-
IRS	(12)	Liabilities – Other financial liabilities	None	-	350

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

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) increased by PLN 183 m in the reporting period and decreased by PLN 44 m in the corresponding period of the previous year.

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

Change in the cash flow hedge reserve during the reporting period	Year ended 31 December 2021	Year ended 31 December 2020
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	219	84
Accrued interest not due transferred from the reserve to financial income/costs	-	(9)
Revaluation of hedging instruments transferred from the reserve to financial income/costs	7	(129)
Income tax on other comprehensive income	(43)	10
At the end of the reporting period	**87**	**(96)**

As at 31 December 2021, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

30.7. Security established on assets

As at the end of the reporting period and as at 31 December 2021, there were no material assets on which security was established.

31. Financial risk management principles and objectives

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

Key risks generated by the Group's financial instruments include:

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

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

31.1. Market risk

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

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

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

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

Interest rate risk

The Energa Group is exposed to interest rate risk in connection with the fact that it holds assets and liabilities for which income and expenses are calculated on the basis of market interest rates, which are subject to change.

The Group identifies exposure to the risk of WIBOR interest rate changes, which involves primarily long-term financial debt. The Group's financial policy envisages that the risk of changing interest rates is mitigated by keeping a portion of debt at fixed rates. Additionally, at the holding company level the Energa Group has entered into a number of transactions hedging the interest rate risk (IRS). As at 31 December 2021, 55% (in 2020, 49%) of financial debt presented in the statement of financial position (loans and credits and liabilities on account of the issue of debt securities) bore a fixed interest rate or was hedged against interest rate risk with IRS transactions.

In its analyses of sensitivity to the interest rate risk, the Group applies a parallel shift of the interest rate curve by a potential possible change in the reference interest rates during the next year. The levels of reference interest rates on the final day of a reporting period were used for this purpose. The extent of potential changes to interest rates was assessed on the basis of volatility of implied interest rate options quoted on the inter-bank market. In the case of WIBOR, due to the low liquidity of the interest rate option market, the shift of the interest rate curve has been assumed arbitrarily.

In the case of the analysis of sensitivity to interest rate changes, the effect of changes to risk factors would be carried to:

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

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The table below presents sensitivity of the financial result before tax and other comprehensive income to reasonably possible interest rate changes, assuming that there are no variations in other risk factors for these financial instrument classes that are exposed to the interest rate risk. Interest rate volatility was set based on the average annual volatility of daily historical data for 2021:

Financial assets and liabilities	31 December 2021		Interest rate risk sensitivity analysis as at 31 December 2021			
	Carrying amount	Value at risk	WIBOR		EURIBOR	
	PLN	PLN	*WIBOR +150 bp*	*WIBOR -150 bp*	*EURIBOR +50 bp*	*EURIBOR -50 bp*
Assets						
Cash and cash equivalents	340	340	5	(5)	-	-
Other derivatives	16	16	-	-	-	-
Liabilities						
Preferential loans and borrowings	981	981	15	(15)	-	-
Credits and loans granted on market terms	1,723	1,723	26	(26)	-	-
Bonds and debt securities issued	2,532	-	-	-	-	-
Change in profit before tax			**(36)**	**36**	**-**	**-**
Hedging derivatives (assets)	255	255	100	(107)	(41)	42
Total net other comprehensive income			**100**	**(107)**	**(41)**	**42**

Financial assets and liabilities	31 December 2020		Interest rate risk sensitivity analysis as at 31 December 2020			
	Carrying amount	Value at risk	WIBOR		EURIBOR	
	PLN	PLN	*WIBOR +50 bp*	*WIBOR -50 bp*	*EURIBOR +50 bp*	*EURIBOR -50 bp*
Assets						
Cash and cash equivalents	221	221	1	(1)	-	-
Other derivative assets	16	16	-	-	-	-
Liabilities						
Preferential loans and borrowings	1,241	1,241	6	(6)	-	-
Credits and loans granted on market terms	2,186	2,186	11	(11)	-	-
Bonds and debt securities issued	2,561	-	-	-	-	-
Change in profit before tax			**(16)**	**16**	**-**	**-**
Hedging derivatives (assets)	53	53	50	(51)	(57)	56
Hedging derivatives (liabilities)	17	17	3	(3)	-	-
Total net other comprehensive income			**53**	**(54)**	**(57)**	**56**

Foreign exchange risk

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

In the foreign exchange risk sensitivity analysis, the possible fluctuations of currency exchange rates were calculated on the basis of annual variability implied for currency options quoted on the inter-bank market for the given currency pair at the date ending the reporting period.

The table below presents sensitivity of the financial result before tax and other comprehensive income to reasonably possible changes of exchange rates, assuming that there are no changes of other risk factors for such classes of financial instruments which are exposed to the exchange rate change risk. Exchange rate volatility was set based on the average annual volatility of daily historical data for 2021:

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Financial assets and liabilities	31 December 2021		FX risk sensitivity analysis as at 31 December 2021	
	Carrying amount	Value at risk	EUR/PLN	
	PLN	*PLN*	*EUR/ PLN rate +15.00%*	*EUR/ PLN rate -15.00%*
Assets				
Trade receivables and contract assets	2,074	-	-	-
Cash and cash equivalents	340	59	9	(9)
Hedging derivatives (assets)	255	2,274	341	(341)
Liabilities				
Trade liabilities	1,067	18	(3)	3
Bonds and debt securities issued	2,532	2,532	(380)	380
Change in profit before tax			**(64)**	**64**
Change in other comprehensive income*			**31**	**(31)**

* in respect of hedging derivatives

Financial assets and liabilities	31 December 2020		FX risk sensitivity analysis as at 31 December 2020	
	Carrying amount	Value at risk	EUR/PLN	
	PLN	*PLN*	*EUR/PLN rate +15.0%*	*EUR/ PLN rate -15.0%*
Assets				
Trade receivables and contract assets	1,941	-	-	-
Cash and cash equivalents	221	65	10	(10)
Hedging derivatives (assets)	53	2,375	356	(356)
Liabilities	-	-	-	-
Trade liabilities	792	1	(0)	0
Bonds and debt securities issued	2,561	2,561	(384)	384
Hedging derivatives (liabilities)	17	-	-	-
Change in profit before tax			**(63)**	**63**
Change in other comprehensive income*			**45**	**(45)**

* in respect of hedging derivatives

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

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

Commodity risk

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

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

Accordingly, it is important to refer the actual risk exposure to the assumed financial result for the year. Market risk exposure arises on all open positions (transactions) and it is mitigated using the Value at Risk (VaR) risk management model. The model mitigates market risk related, among others, to volatility of electricity prices, prices of CO_2 certificates or property rights. The model assumes that risk is incurred within the acceptable boundaries only for an open position of the product portfolio, by imposing risk exposure limits on each portfolio and for Energa-Obrót SA as a whole. Value at Risk (VaR) is regularly monitored and reported to make sure that it does not exceed the set levels and takes into account, among others, the open position volume (difference between volume sold and bought), volatility of product prices and correlation between individual products in the portfolio.

Additionally, to mitigate the risk associated with the volatility of electricity purchase prices on the wholesale end user contracting market, the following hedging measures are taken:

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

31.2. Credit risk

In the Group, credit risk is defined as the probability that a counterparty defaults on its financial obligations. The credit risk may be minimized through actions aimed at the value-based assessment of risk, monitoring of the financial condition of counterparties and securing the trade credit using any available tools such as bank guarantees, sureties, assignments, mortgages, safety deposits, prepayments, submission to enforcement in a notarized deed, promissory notes, registered pledges etc.

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

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

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

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

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

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

	As at 31 December 2021			As at 31 December 2020		
	Weighted average credit losses	Gross value	Impairment loss	Weighted average credit losses	Gross value	Impairment loss
Highest client rating	0.0%	579	-	0.0%	515	-
Medium client rating	0.0%	151	-	0.0%	234	-
Lowest customer rating	2.4%	20	-	1.5%	37	(1)

	As at 31 December 2021			As at 31 December 2020		
	Weighted average credit losses	Gross value	Impairment loss	Weighted average credit losses	Gross value	Impairment loss
Clients with no rating in sales business line	1.7%	681	(12)	1.7%	734	(13)
Disputed receivables	84.1%	351	(295)	83.1%	313	(259)
Other receivables	8.1%	652	(53)	10.3%	425	(44)

With respect to the Group's other financial assets, such as cash and cash equivalents and certain derivatives, the Group's credit risk arises when the other party to a contract is unable to make a payment and the maximum exposure to this risk equals the carrying amount of such instruments. At the same time, we deem those to be low credit risk assets.

In the financial area, credit risk is mitigated through ongoing monitoring of the ratings of financial institutions and by limiting the risk of concentrating cash surpluses in a single financial institution.

No significant concentrations of credit risk exist within the Group.

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

31.3. Liquidity risk

The Group monitors the risk of insufficient funds, which are required to settle the liabilities at maturity dates, using a tool for periodic liquidity planning. This tool is based on projected cash flows from operating, investing and financing activities, which are prepared by all Group companies. Additionally, regular reviews are conducted to test the reliability of the projections.

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On 4 January 2016, a one-way zero-balancing cash pooling service was launched in the Energa Group for funds in Polish zloty. This tool allows the holding company to manage the Group's liquidity in an efficient fashion. According to the assumptions about the structure, at the end of each business day, cash owned by the Group's companies is consolidated on Energa SA's accounts and on the following day it may be used to finance payment liabilities of the individual participants. This tool makes it possible to finance the operations, first of all, with the funds generated by the Group and only then with debt financing.

In respect to liquidity risk management, the Group aims at maintaining the balance between continuity and flexibility of financing through the use of various sources of financing, such as current account overdrafts, bank loans, bonds, Eurobonds and financial lease agreements.

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

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

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2021					
Interest-bearing credits and loans	312	1,111	1,074	294	**2,791**
Bonds	29	44	797	1,964	**2,834**
Trade liabilities	1,065	2	-	-	**1,067**
Other financial liabilities	407	40	191	657	**1,295**
TOTAL	**1,813**	**1,197**	**2,062**	**2,915**	**7,987**
31 December 2020					
Interest-bearing credits and loans	358	1,418	1,372	403	**3,551**
Bonds	29	44	836	2,074	**2,983**
Trade liabilities	777	15	-	-	**792**
Other financial liabilities	195	54	133	593	**975**
TOTAL	**1,359**	**1,531**	**2,341**	**3,070**	**8,301**

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

NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

32. Statement of cash flows

Loss on investing activities

	Year ended 31 December 2021	Year ended 31 December 2020 (restated data)*
Result on disposal of property, plant and equipment and intangible assets	(20)	(2)
Impairment losses on property, plant and equipment, intangible assets and investment property	81	330
Write-off of shares, loans and goodwill	(8)	371
Revaluation of financial assets	(1)	(11)
Sale of investment property	-	(12)
Redemption of property rights	788	720
Property rights received free of charge	(125)	(95)
Net gains/losses on disposal of subsidiaries	15	-
Share of the profit of subsidiaries	(31)	-
Other	(11)	2
TOTAL	**688**	**1,303**

**Conversion described in Note 9.32*

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Change in receivables

	Year ended 31 December 2021	Year ended 31 December 2020
Change in trade receivables	(133)	(139)
Change in assets held for sale	(49)	-
Change in VAT receivables	(22)	43
Change in advances for deliveries	32	50
Change in other financial receivables	35	126
Change in other non-financial receivables	63	(12)
Adjustment for the change in receivables upon the disposal of subsidiaries	(22)	-
Other	21	(15)
TOTAL	**(75)**	**53**

Change in liabilities excluding loans and credits

	Year ended 31 December 2021	Year ended 31 December 2020
Change in trade liabilities	275	(149)
Change in other financial liabilities	222	20
Change in financial liabilities on account of measurement of derivatives	99	-
Change in other current liabilities	2	13
Adjustment by the change in the lease balance	(135)	(66)
Adjustment by the change in investment commitments	(80)	5
Adjustment by the change in liabilities on account of measurement of hedging derivatives	17	67
Adjustment for the change in liabilities upon the disposal of subsidiaries	21	-
Other	(22)	17
TOTAL	**399**	**(93)**

Change in provisions

	Year ended 31 December 2021	Year ended 31 December 2020
Change in non-current provisions	(189)	137
Change in short-term provisions	310	(38)
Adjustment by the change in actuarial provisions recognized in other comprehensive income	85	(44)
Adjustment by the change in provision for land reclamation and liquidation costs	34	(40)
Adjustment by the change in non-current assets classified as held for sale	6	-
Adjustment by the change in provision for General Contractor	171	-
Adjustment by the change in provision for disposal of subsidiaries	2	-
TOTAL	**419**	**15**

Change in prepayments and accruals

	Year ended 31 December 2021	Year ended 31 December 2020
Change in prepayments and accruals	118	(67)
Property, plant and equipment received free of charge	(33)	(15)
Grants received	(85)	(33)
Adjustment for the change in prepayments and accruals upon the disposal of subsidiaries	3	-
TOTAL	**3**	**(115)**

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Purchase of property, plant and equipment and intangible assets

	Year ended 31 December 2021	Year ended 31 December 2020 (restated data)*
Purchase of property, plant and equipment and intangible assets	(2 570)	(2 312)
Cash receipts from settlements of purchase of property, plant and equipment and intangible assets	79	(5)
Advance payments for property, plant and equipment and intangible assets	(182)	-
TOTAL	**(2 673)**	**(2 317)**

Conversion described in Note 9.32

OTHER NOTES

33. Capital expenditure commitments

As at the end of the current reporting period, the Group's commitments to bear expenditure on the purchase of property, plant and equipment and intangible assets, which have not yet been recognized in the statement of financial position, were approx. PLN 4,164.4 m, of which:

- Projects included in 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 3,834.9 m;
- Construction of the PV Wielbark photovoltaic installation – PLN 189.2 m, and PV Gryf – PLN 18.2 m – investment projects carried out by Energa OZE S.A.,
- Construction of PV Czernikowo+, PV Samolubie 1, PV Samolubie 1, PV Pierzchały and PV Przykona by Energa OZE SA – PLN 13.1 m;
- Modernisation of the existing infrastructure by Energa OZE S.A. in Włocławek, Kołbudy, Brąswałd, Gałąźnia, Błonie, Żydowo, Kolincz, Kępice – PLN 3.1m; concept development of hydro power plants, wind power plants and photovoltaic power plants – PLN 0.4 m,
- CCGT Grudziądz and CCGT Gdańsk – construction of gas and steam power plants - approx. PLN 39.2 m;
- EC Kalisz – Construction of a reserve-and-peak load water gas boiler with two boilers, each with a capacity of 20 MWt, and one boiler with a capacity of around 10 MWt by Energa Kogeneracja Sp. z o.o. – PLN 35.2 m;
- Construction of three water gas boilers, each with a capacity of 38 MWt, at the Elbląg CHP by Energa Kogeneracja Sp. z o.o. – PLN 16.2 m;
- Other upgrade and modernisation work carried out by Energa Kogeneracja sp. z o.o. at the Elbląg CHP – approx. PLN 3.2 m; in Żychlin – approx PLN 0.7 m and in Kalisz – approx. PLN 0.5 m;
- Energa Oświetlenie Sp. z o.o. – rebuilding of the administration and workshop facility – approx. PLN 3.1 m; and purchase of lifts – approx. EUR 0.5 m,
- Upgrade projects carried out by the Ostrołęka B Power Plant (including modernisation of electrostatic precipitators, modernisation of automation systems in the boiler area, modernisation of the LFC node, and modernisation of the cooling water pumping system) – approx. PLN 3 m;
- Supply of catalytic cartridges at the Ostrołęka B Power Plant – approx. PLN 2.2 m.

34. Related party disclosures

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

34.1. Transactions involving parties related to the State Treasury

As at 31 December 2021, the Group's controlling entity was PKN Orlen S.A. The sales revenues generated by the Group on transactions with the controlling entity amounted to PLN 120 m as at 31 December 2021 while the trade receivables totalled PLN 22 m. The costs of transactions with that entity reached PLN 234 m, while trade liabilities amounted to PLN 82 m. In addition, the Group generated revenue of PLN 40 m (including interest of PLN 24 m) 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 million. Interest rate of the loan depends on the net debt/EBITDA ratio. As at 31 December 2021 the value of debt under the agreement was PLN 900 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 pertained mainly to the purchase and sale of electricity and property rights, sale of electricity distribution services (including transit), settlements with the transmission system operator on the balancing market, for transmission services, system services and intervention work services, and the purchase of fuels (mainly coal). These transactions are concluded on an arms' length basis and their terms and conditions do not deviate from transactions with other entities. As at 31 December 2021, the Group's sales revenues amounted to PLN 18 m, while the costs of transactions with such entities reached PLN 61 m.

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

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

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34.2. Transactions with joint ventures and associates

Energa SA Group companies' sales to the associate and joint ventures in the period ended 31 December 2021 and in the corresponding period of the previous year were reported at an immaterial level. In 2021, purchases from the associate and joint ventures amounted to PLN 191 m (in the corresponding prior year period, purchases were PLN 163 m). As at 31 December 2021 and as at 31 December 2020, the value of receivables was at a negligible level. The value of liabilities as at 31 December 2021 was PLN 120 m – vs. PLN 56 m as at 31 December 2020 – including PLN 86 m 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.

34.3. Transactions with the Parent Company's Management Board members

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
Management Board of the Parent Company	6	7
Supervisory Board of the Parent Company	<1	<1
Management Boards of subsidiaries	25	29
Supervisory Boards of subsidiaries	3	3
Other key management	53	61
TOTAL	**87**	**100**

35. Liabilities under financial lease agreements

The future minimum lease payments under these agreements and the present value of the minimum net lease payments are as follows:

	Lease payments payable as at			
	31 December 2021		31 December 2020	
	Minimum lease payments	Current value of payments	Minimum lease payments	Current value of payments
Up to 1 year	77	39	73	38
Within 1 to 5 years	303	182	237	111
Over 5 years	1,272	656	1,168	593
Total minimum lease payments	**1,652**	**877**	**1,478**	**742**
Less financial costs	775	-	736	-
Present value of minimum lease payments	**877**	**877**	**743**	**742**

36. Capital management

The Group manages its capital in order to maintain investment-grade credit rating and safe financial ratios to support the Group's operating activity and increase its value for shareholders. This goal is achieved through the internal regulations adopted in the Group. The Parent Company is responsible for managing the Group's debt policy.

The Group monitors its basic debt ratio, that is net debt to EBITDA, estimated on the consolidated basis. As at the balance sheet date, this ratio was 2.01.

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

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	As at 31 December 2021	As at 31 December 2020
Interest-bearing credits and loans	2,704	3,432
Bonds and debt securities issued	2,532	2,561
Cash and cash equivalents, excluding restricted cash	(169)	(139)
Net debt	**5,067**	**5,854**
EBITDA*	**2,449**	**2,038**
Net debt / EBITDA	**2.07**	**2.87**

*Details presented in Note 10

37. Contingent assets and liabilities

37.1. Contingent liabilities

As at 31 December 2021, the Group identifies contingent liabilities of PLN 270 m (PLN 309 m as at 31 December 2020), including mainly the contingent liabilities relating to legal claims filed against Energa Group companies likely to be effectively dismissed by the companies or for which no cash outflow can be reliably estimated and no provision has been recognized for those claims.

Disputes relating to the power infrastructure of Energa-Operator SA located on private land are the largest contingent liability. The Group recognizes provisions for any legal disputes raised. If there is uncertainty as to the validity of a claim amount or legal title to land, the Group recognizes contingent liabilities. As at 31 December 2021, the estimated value of those claims recognized as contingent liabilities is PLN 249m, compared with PLN 248m on 31 December 2020. Based on the available legal opinions, the estimates define the risk of a situation in which a liability arises to be below 50%.

37.2. Contingent assets

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

38. Employment structure

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

	Year ended 31 December 2021	Year ended 31 December 2020
Blue collar employees	3,119	3,461
Non-blue collar employees	5,769	6,270
TOTAL	**8,888**	**9,731**

** the method of data presentation has been changed compared to the previous year; in 2020, the average employment in active employment contracts is presented, while in 2021 the table presents the total number of employees as at 31 December 2020 and 2021 (active and inactive); the above is to adjust to the rules of data presentation in the Orlen Group.*

39. Other information significantly affecting the assessment of the Group's assets, financial position and profit or loss

Global coronavirus pandemic

In 2021, the Group did not identify any negative profitability impact of the COVID-19 pandemic.

It should be noted, however, that the dynamics of events related to the coronavirus outbreak means that forecasting economic effects is fraught with high risk of adoption of erroneous assumptions. Given the rapid changes in the economic environment and the lack of sufficient data, it is not possible to make any reliable estimates of the financial consequences for the Group.

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

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.

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

Agreement with PKN ORLEN on financing of CCGT Grudziądz power plant

On 31 August 2021 Energa SA concluded with PKN ORLEN an agreement regarding the financing of the construction of a gas and steam power plant in Grudziądz ("Project"). In case of the investment decision regarding the Project, PKN ORLEN committed to finance up to 100% of the capital expenditures related to the implementation of the Project, but not more than PLN 1.8 billion, provided to the conclusion of a capacity contract by the company CCGT Grudziądz Sp. z o.o.

The indicated capital expenditures will be covered by providing cash to the Issuer or to the CCGT Grudziądz Sp. z o.o. for equity or foreign capital. The Agreement also defines the rules of supervision over the company CCGT Grudziądz Sp. z o.o. and managing the Project.

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

On 23 July 2021 the Company, PGE Polska Grupa Energetyczna S.A. ("PGE"), ENEA S.A., TAURON Polska Energia S.A. (jointly as "Energy Companies") and the State Treasury (jointly as "Parties") signed a cooperation agreement on the spin-off of coal assets and their integration within the National Energy Security Agency ("Narodowa Agencja Bezpieczeństwa Energetycznego") ("Agreement").

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

The Agreement will enable effective and efficient execution of the NABE establishment process.

40. Significant subsequent events

The war in Ukraine

On 24 February 2022, the attack of Russian forces began the war in Ukraine. Russia's aggression led to a number of decisive actions taken by Western countries which prepared a package of economic sanctions with a view to undermine the foundations of Russian economy and forcing Russia to end the aggression.

The situation in Ukraine will undoubtedly have a significant impact on Poland's and international economy.

The Group keeps monitoring the situation in Ukraine on an ongoing basis in terms of its effects on the Group's business operations, however, the situation is highly volatile, and therefore forecasting of economic effects of the war is subject to a high risk of making erroneous assumptions. Given the high dynamism of changes in the geopolitical and economic conditions as well as the insufficiency of data, the financial implications for the Group cannot be reliably estimated at this time.

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

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

- the risk of PLN decline versus major currencies, including in particular PLN/EUR. The Group hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects;
- the risk of an increase in the price of energy resources (coal and gas) as a result of their limited accessibility due to the embargo imposed on Russia. At the present point in time, the Group has decided to discontinue purchasing fuels from operators based in Russia, Belarus or Ukraine.
  The Group takes into account that the current situation may have a significant impact on hard coal prices. Notwithstanding, in the 2022 time horizon, the companies of the Generation Business Line have a fixed selling price of coal secured in their contracts relating to the planned production of electricity and heat. Provided that the amount of electricity and heat produced in 2022 does not exceed the planned level, the Group has not identified the risk of a negative impact of growing hard coal prices in 2022. The Group will continue monitoring fuel prices in the subsequent periods and take appropriate measures. Moreover, the existing production sources of the Group hardly rely on gaseous fuel in their operations (currently, only peak load and reserve boilers in Elbląg, which is scheduled to be completed in 2022, will be exposed to this risk), which is a risk factor in the ongoing conflict. However, it should be noted that a prolonged period of military operations may cause problems with Poland's gaseous fuel supplies if there is an insufficient diversification of suppliers. This factor may affect the ongoing and planned construction of CCGT plants and other sources that use the same fuel (steam and gas engines which will successively replace coal-based heat sources). As a result, the scenario of a significant long-term increase in gaseous fuel prices involves the risk of worsening economic parameters of the ongoing projects;
- an increase in the price of electrical engineering materials being purchased as well as other components. This can lead to higher costs of ongoing repairs and higher expenditure on ongoing investment projects of distribution and generation infrastructure;
- ensuring ICT safety of generation and distribution infrastructure which is required to achieve the Group's business goals, given the greater risk of attacks against this infrastructure, which will result in higher costs of protection of related facilities, the need to use more advanced tools, equipment and security systems;
- a continued increase in inflation and interest rates. This may deteriorate the financial standing of business operators based in Poland as well as affect the payment discipline of customers. Moreover, negative effects of these factors on financial markets may lead to limited accessibility of external financing or less favourable financing conditions.

On the contrary, the Group has not identified any direct impact of the Ukraine war on financial results in 2021.

The Group's companies have no business relations with business operators registered in Ukraine, Russia or Belarus.

At the same time, both the Group and the Group's employees have taken efforts to help people affected by the war. Since the very beginning of the conflict, assistance is being provided both through financial support as well as donations of necessity goods during this difficult period.

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 ………………………………………………

Janusz Szurski

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

Person responsible for the preparation of the statements:

Magdalena Kamińska

Director of the Finance Department ………………………………………………

Bartłomiej Bieńkowski

Head of the Financial Reporting and Taxes Section ………………………………………………

Gdańsk, 30 March 2022