Condensed Interim Consolidated Financial Statements prepared in accordance with IAS 34 for the 6 month period ended 30 June 2022

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Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	3-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2022 (unaudited)	3-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2021 (unaudited)
Sales revenue	**4,579**	**9,517**	**3,228**	**6,669**
Cost of sales	(3,578)	(7,372)	(2,535)	(5,180)
Gross profit on sales	**1,001**	**2,145**	**693**	**1,489**
Other operating income	132	263	36	103
Selling and distribution expenses	(240)	(487)	(207)	(455)
General and administrative expenses	(73)	(152)	(88)	(150)
Other operating expenses	(243)	(386)	(111)	(180)
Financial income	10	19	12	74
Financial costs	(88)	(167)	(56)	(130)
Share in profit (loss) of entities measured using the equity method	15	48	113	113
Loss or profit before tax	**514**	**1,283**	**392**	**864**
Income tax	(68)	(226)	(108)	(196)
Net profit or loss for the period	**446**	**1,057**	**284**	**668**
Attributable to:				
Equity holders of the parent company	437	1,039	294	676
Non-controlling interests	9	18	(10)	(8)
Earnings or loss per share (in PLN)				
- basic	**1.06**	**2.51**	**0.71**	**1.63**
- diluted	**1.06**	**2.51**	**0.71**	**1.63**

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2022 (unaudited)	3-month period ended 30 June 2021 (unaudited)	6-month period ended 30 June 2021 (unaudited)
Net profit for the period	**446**	**1,057**	**284**	**668**
Items that will never be reclassified to profit or loss	**44**	***75***	**14**	***(33)***
Actuarial gains and losses on defined benefit plans	54	92	17	(41)
Deferred income tax	(10)	(17)	(3)	8
Items that may subsequently be reclassified to profit or loss	**31**	**58**	**(1)**	**35**
Foreign exchange differences from translation of foreign entities	-	1	(2)	(1)
Cash flow hedges	38	70	1	44
Deferred income tax	(7)	(13)	-	(8)
Share in other comprehensive income of entities measured using the equity method	**-**	**2**	**-**	**-**
Net other comprehensive income	**75**	**135**	**13**	**2**
Total comprehensive income	**521**	**1,192**	**297**	**670**
Attributable to:				
Equity holders of the parent company	512	1,173	307	678
Non-controlling interests	9	19	(10)	(8)

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	As at 30 June 2022 (unaudited)	As at 31 December 2021	As at 1 January 2021
ASSETS			
Non-current assets			
Property, plant and equipment	15,573	15,281	14,565
Intangible assets	902	974	926
Right-of-use assets	1,093	1,063	907
Goodwill	-	-	11
Investments in associates and joint ventures measured using the equity method	136	128	105
Deferred tax assets	252	237	207
Other non-current financial assets	307	254	77
Other non-current assets	620	289	141
	18,883	**18,226**	**16,939**
Current assets			
Inventories	180	111	140
Current tax receivables	161	102	30
Trade receivables	2,521	2,074	1,941
Other current financial assets	136	105	60
Cash and cash equivalents	657	340	221
Other current assets	481	231	337
	4,136	**2,963**	**2,729**
Assets classified as held for sale	56	49	-
TOTAL ASSETS	**23,075**	**21,238**	**19,668**

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

	As at 30 June 2022 (unaudited)	As at 31 December 2021	As at 1 January 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	4,522	4,522	4,522
Foreign exchange differences from translation of a foreign entity	6	5	5
Reserve capital	1,031	821	1,018
Supplementary capital	1,661	1,661	1,661
Cash flow hedge reserve	144	87	(96)
Retained earnings	3,821	2,912	1,669
Equity attributable to equity holders of the parent company	**11,185**	**10,008**	**8,779**
Non-controlling interest	**396**	**(66)**	**(36)**
	11,581	**9,942**	**8,743**
Non-current liabilities			
Loans and borrowings	1,285	1,309	1,690
Bonds issued	2,556	2,501	2,520
Non-current provisions	596	734	923
Deferred tax liabilities	923	910	777
Deferred income and non-current grants	297	301	214
Liabilities on account of leases	837	838	704
Other non-current financial liabilities	8	9	22
Contract liabilities	9	9	11
	6,511	**6,611**	**6,861**
Current liabilities			
Trade liabilities	1,546	1,067	792
Contract liabilities	281	297	131
Current credits and loans	1,303	1,395	1,742
Bonds issued	25	31	41
Current income tax liability	3	13	-
Deferred income and grants	169	180	187
Short-term provisions	1,071	1,073	763
Other financial liabilities	396	448	249
Other current liabilities	174	161	159
	4,968	**4,665**	**4,064**
Liabilities directly related to assets classified as held for sale	15	20	-
Total liabilities	**11,494**	**11,296**	**10,925**
TOTAL EQUITY AND LIABILITIES	**23,075**	**21,238**	**19,668**

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent company								
	Share capital	Foreign exchange differences	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
As at 1 January 2022	**4,522**	**5**	**821**	**1,661**	**87**	**2,912**	**10,008**	**(66)**	**9,942**
Net other comprehensive income	-	1	-	-	57	76	**134**	1	**135**
Net profit for the period	-	-	-	-	-	1,039	**1,039**	18	**1,057**
Total comprehensive income for the period	**-**	**1**	**-**	**-**	**57**	**1,115**	**1,173**	**19**	**1,192**
Distribution of profits/ coverage of losses from previous years	**-**	**-**	210	**-**	**-**	(210)	**-**	**-**	**-**
Change of ownership structure	-	-	-	-	-	4	**4**	443	**447**
As at 30 June 2022 (unaudited)	**4,522**	**6**	**1,031**	**1,661**	**144**	**3,821**	**11,185**	**396**	**11,581**
As at 1 January 2021	**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,669**	**8,779**	**(36)**	**8,743**
Adjustment on account of change of the method of measurement of investment property	**-**	**-**	**-**	**-**	**-**	5	**5**	**-**	**5**
As at 1 January 2021 (restated data)	**4,522**	**5**	**1,018**	**1,661**	**(96)**	**1,674**	**8,784**	**(36)**	**8,748**
Net other comprehensive income	-	(1)	-	-	36	(33)	**2**	-	**2**
Net profit (loss) for the period	-	-	-	-	-	676	**676**	(8)	**668**
Total comprehensive income for the period	**-**	**(1)**	**-**	**-**	**36**	**643**	**678**	**(8)**	**670**
Distribution of profits/ coverage of losses from previous years	-	-	(197)	-	-	197	**-**	**-**	**-**
As at 30 June 2021 (unaudited)	**4,522**	**4**	**821**	**1,661**	**(60)**	**2,514**	**9,462**	**(44)**	**9,418**

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	6-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2021 (unaudited) (restated)*
Cash flows from operating activities		
Profit/(loss) before tax	**1,283**	**864**
Adjustments for:		
Share in (profit)/loss of the entities measured using the equity method	(48)	(113)
(Profit)/loss on foreign exchange	23	(16)
Amortization and depreciation	562	538
Net interest and dividends	115	129
(Profit)/loss on investing activities, including goodwill impairment allowance	(116)	307
Change in non-current receivables	10	189
Change in non-current prepayments	(2)	1
Change in non-current liabilities, excluding loans and borrowings	63	(373)
Change in non-current accruals	(12)	(25)
Change in contract liabilities	(16)	33
Change in deferred income	(3)	59
Change in provisions	719	192
Other adjustments	31	-
Changes in working capital:		
Change in current receivables	(569)	(16)
Change in current prepayments	(52)	(10)
Change in inventories	(69)	28
Change in current liabilities, excluding loans and borrowings	409	531
Change in current accruals	(24)	(81)
	2,304	**2,237**
Income tax	**(329)**	**(162)**
Net cash from operating activities	**1,975**	**2,075**
Cash flows from investing activities		
Disposal of property, plant and equipment and intangible assets and investments into investment property	11	9
Purchase of property, plant and equipment and intangible assets	(1,884)	(1,262)
Other proceeds from financial assets	4	-
Proceeds/(Outflows) net cash from loans	-	1
Other	20	15
Net cash from investing activities	**(1,849)**	**(1,237)**
Cash flows from financing activities		
Net inflows from issuance of shares and other capital instruments and from capital contributions	447	-
Proceeds from debt incurred	1,300	1,066
Repayment of debt incurred	(1,404)	(1,551)
Repayment of lease liabilities	(60)	(54)
Grants received	14	40
Interest paid	(98)	(79)
Other	(7)	(6)
Net cash from/(used in) financing activities	**192**	**(584)**
Net increase/ (decrease) in cash and cash equivalents	**318**	**254**
Cash and cash equivalents at the beginning of the period	**340**	**222**
Unrealized foreign exchange differences	*(2)*	-
Cash and cash equivalents classified as held for sale	*1*	-
Cash and cash equivalents at the end of the period	**657**	**476**
including restricted cash	*217*	*131*

*for a detailed description of restatements, see Note 9

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

1. General information

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

Name of the parent company: Energa SA
Legal form: joint stock company
Country: Poland
Registered office: Gdańsk
Registered address: Al. Grunwaldzka 472, 80-309 Gdańsk
KRS: 0000271591
REGON: 220353024
NIP: 957-095-77-22
The parent company has been established for an indefinite time.

The condensed consolidated interim financial statements of the Group cover the period of six months ended 30 June 2022 and contain relevant comparative data.
The core business of the Group is:
1. distribution and sale of electricity and heat;
2. production of electricity and heat; and
3. trading in electricity.

As at 30 June 2022, PKN ORLEN S.A. is the parent company of the Company and the ultimate controlling party of the Energa Group.

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

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

As at 30 June 2022, the Group consists of Energa SA and the following subsidiaries:

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at	
				30 June 2022	31 December 2021
Distribution Business Line (Segment)					
1	Energa-Operator SA	Gdańsk	distribution of electricity	100	100
2	Energa Operator Wykonawstwo Elektroenergetyczne Sp. z o.o.	Słupsk	contracting and design	100	100
Sales Business Line (Segment)					
3	Energa-Obrót SA	Gdańsk	trading in electricity	100	100
4	Energa Oświetlenie Sp. z o.o.	Sopot	lighting services	100	100
5	Energa SLOVAKIA s.r.o.	Bratislava	trading in electricity	100	100
6	Enspirion Sp. z o.o.	Gdańsk	organization and management of development of innovative power projects	100	100
Generation Business Line (Segment)					
7	Energa Wytwarzanie SA	Gdańsk	production of energy	100	100
8	Energa Elektrownie Ostrołęka SA	Ostrołęka	production of energy	89.64	89.64

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

No.	Company name	Registered office	Line of business	% held by the Group in share capital as at 30 June 2022	% held by the Group in share capital as at 31 December 2021
9	Energa Kogeneracja Sp. z o.o.	Elbląg	production of energy	100	100
10	Energa Ciepło Ostrołęka Sp. z o.o.	Ostrołęka	distribution of heat	100	89.64
11	Energa Serwis Sp. z o.o.	Ostrołęka	repairs and maintenance services	89.64	89.64
12	Energa Ciepło Kaliskie Sp. z o.o.	Kalisz	distribution of heat	91.24	91.24
13	CCGT Grudziądz Sp. z o.o.	Grudziądz	production of energy	100	100
14	CCGT Gdańsk Sp. z o.o.	Gdańsk	production of energy	100	100
15	Energa MFW 1 Sp. z o.o.	Gdańsk	production of energy	100	100
16	Energa MFW 1 Sp. z o.o.	Gdańsk	production of energy	100	100
17	LBW 1 Sp. z o.o.	Gdańsk	holdings and management of companies and enterprises	100	-
Other Business Line					
18	Energa Finance AB (publ)	Stockholm	financing activity	100	100
19	Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	information and communication technologies	100	100
20	Energa Logistyka Sp. z o.o.	Płock	logistics and supply	100	100
21	Energa Invest Sp. z o.o.	Gdańsk	investment project management	100	100
22	Centrum Badawczo-Rozwojowe im. M. Faradaya Sp. z o.o.	Gdańsk	development activity in engineering	100	100
23	ECARB Sp. z o.o.	Gdańsk	financing activity	100	100
24	CCGT Ostrołęka Sp. z o.o.	Ostrołęka	production of energy	50	100
25	Energa Green Development Sp. z o.o.	Gdańsk	implementation of investment projects	100	100

Additionally, as at 30 June 2022 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 Polimex-Mostostal SA (“Polimex”), an associate (see the description in Note 2.2).

2.2. Joint ventures and associates

2.2.1. Polska Grupa Górnicza

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

PGG’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 optimization 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 recognizing 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 145 m was recognized 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 Wytwarzanie SA (formerly Energa OZE SA).

As at 30 June 2022, the value of investment in the consolidated financial statements amounted to zero.

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 million 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.

As at 30 June 2022, Energa SA holds a 16.42% share in the company's share capital. The investments in the consolidated financial statements amount to PLN 136 m.

2.2.3. Ostrołęka Power Plant

Elektrownia Ostrołęka Sp. z o.o. is a special purpose vehicle under the joint control of Energa SA and Enea S.A. The company was established for the purpose of implementation of the project of construction of a power generating unit in Ostrołęka ("Coal Project"). Following analyses, the implementation of the Coal Project was halted on 2 June 2020.

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

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

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

By 30 June 2022 the aggregate value of cash contributions made to Elektrownia Ostrołęka Sp. z o.o. by Energa SA (the aggregate cost of acquisition of the shares by the Company) amounted to PLN 351 m.

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

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

As at 30 June 2022, the value of investment in Elektrownia Ostrołęka Sp. z o.o. in the consolidated financial statements amounted to zero.

Settlement of the Coal Project

On 25 June 2021, Elektrownia Ostrołęka Sp. z o.o., CCGT Ostrołęka Sp. z o.o., the Coal Project Contractor (GE Power Sp. z o.o. and GE Steam Power Systems S.A.S.) and the Gas Project Contractor (General Electric Global Services, GmbH together with GE Power Sp. z o.o.) signed the "Document amending the contract of 12 July 2018 for the construction of the Ostrołęka "C" Power Plant with a capacity of 1,000 MW", including the so-called "Settlement Agreement". Pursuant to the Annex to the Agreement, the total amount Elektrownia Ostrołęka Sp. z o.o. was obligated to pay the Coal Project Contractor was not to exceed PLN 1.35 bn (net). The costs associated with the Coal Project were settled on a pro-rata basis by ENEA S.A. and Energa SA.
For the description of the provision settlement, see Note 16.2.

Loan agreement

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

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

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

On 26 February 2021, two agreements governing loans granted to Elektrownia Ostrołęka Sp. z o.o. by Energa SA and ENEA S.A. were annexed. As a result, the maturities of the loans granted under the agreement of 17 July 2019 in the amount of PLN 58 m and the agreement of 23 December 2019 in the total amount of PLN 340 m were extended. The loans' maturities were annexed three times thereafter. Under the annexes signed on 29 April 2022, the maturities of both loans were extended until 30 December 2022.

Implementation of the gas project

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

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

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

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

As at 30 June 2022 shareholders of CCGTOstrołęka Sp. z o.o. are Energa SA and PKN Orlen S.A.

3. Composition of the parent company's Management Board

In H1 2022 and in the period until the date of preparation of these financial statements, the Management Board of Energa SA was composed of the following persons:

1) during the period from 15 November 2021 until 8 April 2022:
   - Ms Iwona Waksmundzka-Olejniczak - President of the Management Board;
   - Mr Marek Kasicki - Vice-President of the Management Board for Finance;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters;
   - Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters;

2) during the period from 8 April 2022 until 21 April 2022:
   - Mr Marek Kasicki - Vice-President of the Management Board for Finance;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters;
   - Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters;

3) during the period from 21 April 2022 until 22 April 2022:
   - Mr Daniel Obajtek - Supervisory Board member delegated to temporarily exercise the duties of the President of the Management Board;
   - Mr Marek Kasicki - Vice-President of the Management Board for Finance;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters;
   - Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters;

4) during the period from 22 April 2022 until 26 April 2022:
   - Mr Daniel Obajtek - Supervisory Board member delegated to temporarily exercise the duties of the President of the Management Board;
   - Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
   - Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters;
   - Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters;

5) in the period from 26 April 2022 until the date of preparation of these statements:
   - Mr Daniel Obajtek - Supervisory Board member delegated to temporarily exercise the duties of the President of the Management Board;
   - Mr Michał Perlik - Vice-President of the Management Board for Finance;

- Ms Adrianna Sikorska - Vice-President of the Management Board for Communication;
- Mr Janusz Szurski - Vice-President of the Management Board for Corporate Matters;
- Mr Dominik Wadecki - Vice-President of the Management Board for Operational Matters.

4. Approval of the financial statements

These condensed interim consolidated financial statements were approved for publication by the Company's Management Board on 4 August 2022.

5. Basis for preparation of the financial statements

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

These condensed interim consolidated financial statements are presented in millions of Polish zloty ("PLN m") and have been prepared based on the assumption that the Group would continue as a going concern in the foreseeable future.

In connection with a high level of the Group's available external financing presented in Note 18.5 in the amount of PLN 3,803 m in spite of the surplus of current liabilities over current assets in the amount of PLN 791 m, as at the date of these financial statements, there is no evidence indicating any uncertainty as to the Group's ability to continue its business activities as a going concern.

5.1. Statement of compliance

These condensed interim consolidated financial statements of Energa SA Group have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as endorsed by the European Union. They do not include all the information required for a complete set of financial statements compliant with the International Financial Reporting Standards ("IFRS") as approved by the EU ("IFRS EU"). However, selected notes are included to explain events and transactions that are relevant to the understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended on 31 December 2021.

5.2. Functional and presentation currency

The functional currency of the parent company and other Polish companies covered by these condensed interim consolidated financial statements and the presentation currency of these condensed interim consolidated financial statements is the Polish zloty. For Energa Slovakia s.r.o. and Energa Finance AB (publ), the functional currency of their individual financial statements is euro. For the purpose of these financial statements, the underlying accounts of the above-mentioned companies have been converted into PLN as follows: data in the statement of financial position, except equity - at average exchange rates at the reporting date; equity - at the exchange rates at the date of transaction; data in the statement of profit or loss - at the average exchange rate for the reporting period. Exchange differences from conversion were recognised in other comprehensive income.

6. Material items subject to professional judgment and estimates

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

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

7. Significant accounting policies

The changes incorporated in the Accounting Policy from 1 January 2022 and their impact on the presented financial data have been described in Note 9. In the remaining scope, the Group's accounting policies are applied on a continuous basis, except for the amendments to EU IFRS.

7.1. Standards and interpretations applied for the first time in 2022

The following amendments to the existing standards published by the IASB and endorsed in the EU came into force in 2022:

- Amendments to IAS 16, Property, Plant and Equipment – revenues obtained prior to acceptance of an asset for use, endorsed in the EU on 28 June 2021 (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets – contracts resulting in charges, the cost of fulfilment of a contract endorsed in the EU on 28 June 2021 (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 3, Business Combinations – changes to references to conceptual assumptions together with amendments to IFRS 3, endorsed in the EU on 28 June 2021 (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to various standards "Annual Improvements to IFRS (2018-2020 cycle)" – changes introduced during the annual cycle of improvements to IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) aimed mainly at removing inconsistencies and agreeing on the wording (amendments to IFRS 1, IFRS 9 and IAS 41 applicable to annual periods beginning on or after 1 January 2022. Amendments to IFRS 16 relate solely to an illustrating example and, therefore, no date has been specified for its entry into force.

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

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

When approving these consolidated 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:

- 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 IAS 1, Presentation of Financial Statements, and IFRS 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).

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

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

- Amendments to IFRS 17, Insurance Contracts: initial application of IFRS 17 and IFRS 9 – comparative information (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 1, Presentation of Financial Statements – classification of liabilities as current or non-current (applicable to annual periods beginning on or after 1 January 2023);
- Amendments to IAS 12, Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable to annual periods beginning on or after 1 January 2022);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - sale or contribution of assets between an investor and its associate/joint venture and subsequent amendments (the effective date of the amendments has been deferred until the completion of the research on the equity method);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

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

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

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

9. Accounting changes and changes to data presentation

In the current reporting period, the Group changed presentation in the consolidated statement of profit and loss of the result on financial instruments measured at fair value through the profit and loss account. That result was presented in other operating activities, while in the annual financial statements for the year 2021 in the core activity line item. This had no impact on the presented comparable data.

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

In order to ensure compliance of the data presented in the consolidated cash flow statement with the guidelines in force at Orlen Group, the Group restated the following comparable data for the period from 1 January 2021 to 30 June 2021:

	6-month period ended 30 June 2021 (as previously reported)	Change in presentation	6-month period ended 30 June 2021 (restated)
Cash flows from operating activities			
Profit/(loss) before tax	**864**	-	**864**
Adjustments for:			
Share in (profit)/loss of the entities measured using the equity method	(113)	-	(113)
(Profit)/loss on foreign exchange	(16)	-	(16)
Amortization and depreciation	538	-	538

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

	6-month period ended 30 June 2021 (as previously reported)	Change in presentation	6-month period ended 30 June 2021 (restated)
Net interest and dividends	129	-	129
(Profit)/loss on investing activities, including goodwill impairment allowance	307	-	307
Change in non-current receivables	-	189	189
Change in non-current prepayments	-	1	1
Change in non-current liabilities, excluding loans and borrowings	-	(373)	(373)
Change in non-current accruals	-	(25)	(25)
Change in contract liabilities	33	-	33
Change in deferred income	-	59	59
Change in provisions	192	-	192
Other adjustments	-	-	-
Changes in working capital:			
Change in receivables	172	(172)	-
Change in current receivables	-	(16)	(16)
Change in current prepayments	-	(10)	(10)
Change in inventories	28	-	28
Change in liabilities, excluding loans and borrowings	158	(158)	-
Change in current liabilities, excluding loans and borrowings	-	531	531
Change in accruals	(55)	55	-
Change in current accruals	-	(81)	(81)
	2,237	**-**	**2,237**
Income tax	**(162)**	**-**	**(162)**
Net cash from operating activities	**2,075**	**-**	**2,075**

The above mentioned changes were included in the part of cash flow from operating activities and they concern the following adjustments:

- In the part of cash flow concerning working capital including only changes in current receivables, current prepayments, current liabilities, in current accruals. The item ‘’ Change in inventories” has not been adjusted compare to the previous version.
- All of the changes of cash flow resulted from non-current receivables, non-current prepayments, non-current liabilities excluding loans and borrowings, non-current accruals, contract liabilities, deferred income, provisions and other adjustments were passed to the items presented above working capital.
- The changes resulted from allowance of certificates of origin CO2 emission were passed from item ‘’ (Profit)/loss on investing activities, including goodwill impairment allowance” to item ‘’ Change in provisions” according to the accounting policies adopted in the Orlen Group.
- All changes concerning derivatives were removed from the items change in receivables and change in liabilities and passed according to the following rules. Changes resulted from derivatives recognized in other comprehensive income were passed to the item ‘’ Other adjustments”, while changes in derivatives measured at fair value through profit or loss were included in the item “(Profit)/loss on investing activities, including goodwill impairment allowance”.

The total balance of cash flow from operating activities has not been changed in compare to the data previously reported at as 30 June 2021.

NOTES ON BUSINESS LINES (OPERATING SEGMENTS)

10. Business lines (Operating segments)

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

- Distribution – distribution of electricity by Energa-Operator SA (Distribution System Operator), as well as operations directly associated with the distribution operations conducted by other Group companies;
- Generation – production of electricity from conventional and renewable sources, production and distribution of heat and maintenance and repair activity, related directly to the production of energy;
- Sales – trading in electricity (wholesale and retail) and lighting services;
- Other – shared services center in ITC area as well as financial activity, real estate management, logistics and procurement. The parent company's operations are included in the Other business line, as well as project companies not included in other lines.

The key measures used by the Energa SA Management Board to assess the performance of business lines is net profit and EBITDA, i.e. operating profit /(loss) (calculated as the profit /loss before tax adjusted by the share of profit/loss of an entity measured using the equity method, financial revenues and financial costs) plus amortization and depreciation and impairment losses on non-financial non-current assets.

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

Transactions between business lines are settled on market terms.

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

The tables below show the allocation of revenues and expenses to individual reporting segments for the period from 1 January to 30 June 2022 and financial assets and liabilities as at 30 June 2022, together with relevant comparative information.

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

6-month period ended on 30 June 2022 (unaudited) or as at 30 June 2022 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue						
Sales to external customers	2,313	5,918	1,171	115	-	**9,517**
Sales between business lines	32	27	342	263	(664)	**-**
Total business line revenue	**2,345**	**5,945**	**1,513**	**378**	**(664)**	**9,517**
EBITDA	**1,277**	**307**	**453**	**(22)**	**3**	**2,018**
Amortization and depreciation	450	28	78	13	(7)	**562**
Impairment losses on non-financial non-current assets	-	-	73	-	-	**73**
Operating profit or loss	**827**	**279**	**302**	**(35)**	**10**	**1,383**
Net financial income/costs	(112)	(3)	(20)	196	(209)	**(148)**
Share in profit/(loss) of the entities measured using the equity method	-	-	-	-	48	**48**
Profit or loss before tax	**715**	**276**	**282**	**161**	**(151)**	**1,283**
Income tax	(138)	(54)	(28)	(6)	-	**(226)**
Net profit or loss	**577**	**222**	**254**	**155**	**(151)**	**1,057**
Assets and liabilities						
Cash and cash equivalents	4	204	153	296	-	**657**
Total assets	**15,647**	**3,508**	**4,805**	**15,150**	**(16,035)**	**23,075**
Financial liabilities	4,961	24	797	4,672	(4,404)	**6,050**
Other business line information						
Capital expenditure	664	21	50	192	8	**935**

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

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

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

6-month period ended on 30 June 2022 (unaudited)	Distribution	Sales	Generation	Other	Consolidation eliminations and adjustments	Total activity
Revenue on sales of goods, products and materials, including:	**19**	**5,775**	**1,445**	**243**	**(503)**	**6,979**
Electricity	17	5,608	1,228	-	(355)	**6,498**
Gas	-	182	-	-	-	**182**
Other goods for resale, finished goods, and materials	2	4	217	243	(148)	**318**
Excise tax	-	(19)	-	-	-	**(19)**
Revenues on sales of services, including:	**2,326**	**170**	**68**	**135**	**(161)**	**2,538**
Distribution and transit services	2,252	-	18	-	(29)	**2,241**
Customer connection fees	36	-	-	-	-	**36**
Rental income	20	2	3	2	(6)	**21**
Other services	18	168	47	133	(126)	**240**
TOTAL	**2,345**	**5,945**	**1,513**	**378**	**(664)**	**9,517**
of which:						
Revenue from goods, products and materials transferred or services provided on a continuous basis	2,269	5,771	1,246	-	(384)	**8,902**
Revenue from goods, products and materials transferred or services provided at a specific time	76	174	267	378	(280)	**615**

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

NOTES TO CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Property, plant and equipment

In the current reporting period, the Group:

- incurred capital expenditures on property, plant and equipment in the amount of PLN 869 m (vs. PLN 790 m in the corresponding period of 2021),
- recognized impairment losses on property, plant and equipment in the amount of PLN 79 m and reversed the recognition of impairment losses of PLN 6 m (in the corresponding period of 2021, it recognized impairment losses of PLN 82 m and reversed the recognition of impairment losses of PLN 10 m).

Intangible assets

In the current reporting period, the Group:

- incurred capital expenditure on intangible assets in the amount of PLN 19 m (PLN 29 m in the corresponding period of 2021);
- incurred capital expenditures on energy certificates of origin, CO_2 emission allowances and energy efficiency certificates in the amount of PLN 629 m (PLN 403 m in the corresponding period of 2021).

Right-of-use assets

In the current reporting period, the Group increased right-of-use assets by PLN 47 m (PLN 126 m in the corresponding period of 2021) as a result of the conclusion of new agreements.

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

In Q2 2022, an assessment was made whether there was any internal or external indication that the recoverable amount of property, plant and equipment might be impaired.

Since there were symptoms of deteriorating value of non-current assets of Energa Kogeneracja Sp. z o.o., impairment tests were carried out for CGUs (cash generating units). The tests were conducted using the income method, on the basis of the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- the test date is 30 June 2022,
- the macroeconomic assumptions for the ORLEN Group adopted for application by the Management Board of Energa SA in the following scope: with respect to electricity prices dedicated to each source, coal and natural gas prices, prices of certificates of origin, and prices of CO_2 emission allowances path based on a report prepared for the ORLEN Group by an independent entity; the forecasts were prepared up to and including 2050; as regards the biomass prices, the forecasts of the company for the period 2022-2030 were used,
- the number of free CO_2 emission allowances for 2021-2025 as specified in the list published by the Polish Minister for Environment,
- recovery capital expenditures at the level ensuring the same production capacity of the existing non-current assets,, considering the expenditures resulting from the current obligatory development projects of the company,
- maintaining the support for production from the existing renewable sources, being proceeds from property rights,
- the length of financial forecasts for each CGU was determined 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,
- 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.

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

Calculations to determine the value in use were conducted based on the financial projections for the full useful life of the unit, namely from July 2022 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 11.55%, an additional premium for the projection's risk included. The discount rate used for the calculation in 2021 was 7.55%.

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

Combined Heat and Power Plant Kalisz (CGU CHP Kalisz)

Calculations to determine the value in use were conducted based on the financial projections for the full useful life of the unit, namely from July 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 13.22%, an additional premium for the projection's risk included. The discount rate used for the calculation in 2021 was 8.88%.

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

Heat plant in Żychlin (CGU Żychlin)

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

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

Sensitivity analysis

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

. Parameter	Value and direction of change	Impact on CGU's valuation [PLN m]		Change in impairment loss/impairment loss reversal amount [PLN m]
		Increase in value	Decrease in value	
Discount rates	[+ 0.5 p.p.]		(20.4)	(20.4)
	[- 0.5 p.p.]	22.1		22.1
Heat prices	[+ 1%]	12.9		12.,9
	[- 1%]		(12,9)	(12.9)
Electricity prices	[+ 1%]	8.4		8.4
	[- 1%]		(8.4)	(8.4)
Biomass prices	[+ 1%]		(4.9)	(4.9)
	[- 1%]	4.9		4.9
Gas prices	[+ 1%]		(3.8)	(3.8)
	[- 1%]	3.8		3.8

13. 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 comprises the following items:

	30 June 2022 (unaudited)	30 June 2021 (unaudited)
Cash at bank and in hand	442	476
Short-term deposits up to 3 months	215	-
Total cash and cash equivalents	**657**	**476**
including restricted cash	*217*	*131*

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

14. Earnings per share

There were no diluting instruments in the parent company. Therefore, net diluted earnings per share are equal to basic earnings per share. The data used to calculate earnings per share are presented below.

	6-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2021 (unaudited)
Net profit or loss attributable to the shareholders of the parent company	1,039	676
Net profit or loss attributable to ordinary equity holders of the parent company	**1,039**	**676**
Number of shares at the end of the reporting period (in millions)	414	414
Number of shares used to calculate earnings per share (in millions)	414	414
Earnings or loss per share (basic and diluted) (in PLN)	**2.51**	**1.63**

Condensed interim consolidated financial statements as at and for the six-month period ended 30 June 2022 (PLN m)

15. Dividends

On 20 May 2022, the Annual General Meeting adopted a resolution to offset the entire profit for 2021 against the Parent Entity's reserve capital.

16. Provisions

16.1. Provisions for employee benefits

The Group recognizes provisions for post-employment benefits and jubilee bonuses in amounts calculated using actuarial methods. The amount of provisions recognized in these financial statements derives from the projection of provisions as at 30 June 2022, carried out by an independent actuary. The projection was based on the main assumptions used to measure provisions as at 31 December 2021, except the updated discount rate and the expected growth rate of the energy equivalent. The discount rate used to project the provisions as at 30 June 2022 was assumed at 7.0% (as at 31 December 2021: 3.6%).

	Long-term		Short-term		Total	
	30 June 2022 (unaudited)	31 December 2021	30 June 2022 (unaudited)	31 December 2021	30 June 2022 (unaudited)	31 December 2021
Pension and similar benefits	101	136	15	13	116	149
Energy tariff	131	180	13	13	144	193
Company Social Benefit Fund	17	27	2	1	19	28
Jubilee bonuses	169	210	24	25	193	235
	418	**553**	**54**	**52**	**472**	**605**

16.2. Other provisions

	Long-term		Short-term		Total	
	30 June 2022 (unaudited)	31 December 2021	30 June 2022 (unaudited)	31 December 2021	30 June 2022 (unaudited)	31 December 2021
Legal claims	82	79	183	167	265	246
Land reclamation and liquidation costs	66	80	-	-	66	80
Liabilities for gas emissions	-	-	470	593	470	593
Obligation relating to property rights	-	-	314	163	314	163
Provision for capital expenditure commitments	-	-	5	46	5	46
Other provisions	30	22	45	52	75	74
	178	**181**	**1,017**	**1,021**	**1,195**	**1,202**

Provision for settlement of the Coal Project in Ostrołęka

On 31 March 2022, Elektrownia Ostrołęka Sp. z o.o. completed the settlement of the Coal Project in accordance with the signed agreement. The ultimate value of the principal derived from the settlement made amounted to net PLN 958 m. Consequently, the sum payable to the General Contractor, arising from the difference between the above value and the sums already paid, had already been paid in full by Elektrownia Ostrołęka Sp. z o.o. Thus, the process of settlement of the Coal Project with the General Contractor came to an end. The costs incurred by the Energa Group in connection with settlement of the work carried out by the General Contractor accounted for 50% of the aforesaid amount, i.e. net PLN 479 m (the very same amount was assigned to Enea S.A.).

The estimated outstanding amount to be paid off by Energa SA for the full settlement of the Coal Project has been adjusted to PLN 5 m. This amount comprises primarily the outstanding claims from Torpol S.A. for the alteration of the rail siding.

17. Assets classified as held for sale

On 30 September 2021, the premises for reclassification of net assets held in Energa Invest Sp. z o.o. to assets held for sale were reviewed. For this company, it is assumed that the shares shall be sold over the next 12 months, therefore, as at 30 June 2022 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 and the corresponding period are presented in the following table:

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	As at 30 June 2022 (unaudited)	As at 31 December 2021
ASSETS		
Property, plant and equipment	37	34
Investment property	2	2
Intangible assets	2	2
Right-of-use assets	6	5
Deferred tax assets	3	2
Trade receivables	2	2
Cash and cash equivalents	1	1
Other current assets	3	1
Assets classified as held for sale	**56**	**49**
LIABILITIES		
Long-term lease liabilities	2	3
Trade liabilities	2	4
Deferred income and grants	3	4
Short-term provisions	3	3
Other financial liabilities	2	2
Other current liabilities	3	4
Liabilities directly related to assets classified as held for sale	**15**	**20**

18. Financial instruments

18.1. Carrying amount of financial instruments by category and class

As at 30 June 2022 (unaudited)	Derivatives	Hedging derivatives	Measured at amortized cost	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Trade receivables, of which:	-	-	2,521	-	**2,521**
adjusted estimate of sales revenues	-	-	*419*	-	***419***
Cash and cash equivalents	-	-	657	-	**657**
Other financial assets	24	349	70	-	**443**
Derivative financial instruments	24	349	-	-	**373**
Other	-	-	70	-	**70**
TOTAL	**24**	**349**	**3,248**	**-**	**3,621**
Liabilities					
Loans and borrowings	-	-	2,588	-	**2,588**
Preferential loans and borrowings	-	-	1,178	-	**1,178**
Loans and borrowings	-	-	1,410	-	**1,410**
Bonds issued	-	-	2,581	-	**2,581**
Trade liabilities	-	-	1,546	-	**1,546**
Contract liabilities	-	-	290	-	**290**
Other financial liabilities	105	-	255	881	**1,241**
Liabilities on purchase of property, plant and equipment and intangible assets	-	-	198	-	**198**
Derivative financial instruments	105	-	-	-	**105**
Dividend liabilities	-	-	2	-	**2**
Liabilities on account of leases	-	-	-	881	**881**
Other	-	-	55	-	**55**
TOTAL	**105**	**-**	**7,260**	**881**	**8,246**

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As at 31 December 2021	Derivatives	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**

18.2. Fair value of financial instruments

Financial instruments measured at fair value on an ongoing basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period.

The table below presents an analysis of financial instruments measured at fair value, grouped according to a three-level hierarchy:

- level 1 – fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- level 2 – fair value based on inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3 – fair value based on unobservable inputs for the asset or liability.

	30 June 2022 (unaudited)	31 December 2021
	Level 2	Level 2
Assets		
Hedging derivatives (CCIRS III)	161	112
Hedging derivatives (CCIRS IV)	180	138
Hedging derivatives (IRS)	8	5
Other derivatives	24	16
Liabilities		
Other derivatives	105	99

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

The line item Assets - Other derivatives include options to purchase shares in Polimex-Mostostal SA. The options were purchased from Towarzystwo Finansowe Silesia Sp. z o.o. under the agreement of 18 January 2017 as subsequently annexed and refer to the purchase, in 22 tranches, a total of approx. 7 million shares of Polimex-Mostostal SA, at the nominal price of PLN 2 per share.

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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.

Futures transactions on PEAK type contracts quoted on the TGE commodity exchange relating to purchase and sale of electricity concluded by Energa Elektrownie Ostrołęka SA were recognized in the line item Liabilities - Other derivatives. Futures transactions concluded via TGE in relation to purchase and sale of electricity constitute transactions with physical delivery, with financial settlement of the transaction usually taking place in the net amount.

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

The Group exercises its material professional judgment to determine whether or not a given futures transaction may be deemed concluded within the scope of own business activity and, consequently, eligible for exemption from the measurement obligation.

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

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

As a result of the conducted analysis, the Group found that some futures contracts relating to electricity trading held by the Group as at the balance sheet date are consistent with the definition of a financial instrument within the meaning of IFRS 9 and, thus, are subject to the measurement obligation.

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

The value of contracts not fulfilling the own use exemption requirements open as at the balance sheet date was PLN 98 m. The value of the balance sheet measurement was charged to financial liabilities.

As at the balance sheet date, the Group recognized also instruments in the form of EUR and USD currency forwards, concluded to hedge liabilities arising in connection with the project of construction of the gas-fired power plant in Ostrołęka, in the Liabilities line item.

In the profit and loss account, fair value measurement and settlement of contracts are charged to other operating activities.

Financial instruments not measured at fair value on a continuing basis

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

Liabilities arising from the issue of Eurobonds and hybrid bonds	Carrying amount	Fair value	
		Level 1	Level 2
As at 30 June 2022 (unaudited)	**2,581**	**1,410**	**1,249**
eurobonds	1,404	1,410	-
hybrid bonds	1,177	-	1,249
As at 31 December 2021	**2,532**	**1,476**	**1,151**
eurobonds	1,393	1,476	-
hybrid bonds	1,139	-	1,151

Fair value measurement of liabilities arising from the bonds issued in euro was estimated: in the case of Eurobonds on the basis of quotations from the Bloomberg system from 30 June 2022, which are determined based on transactions on the Luxembourg stock exchange and over-the-counter trading, while in the case of hybrid bonds based on the analysis of future cash flows discounted using the interest rates in effect as at 30 June 2022.

18.3. Financial liabilities

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

Credits and loans

Liabilities of credits and loans as at 30 June 2022 and 31 December 2021 are presented in the table below:

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	As at 30 June 2022 (unaudited)	As at 31 December 2021
Currency – PLN		
Reference rate – WIBOR, rediscount rate		
Credit/loan amount	**2,588**	**2,704**
of which maturing in:		
up to 1 year (short-term)	1,303	1,395
1 to 3 years	686	758
3 to 5 years	243	265
over 5 years	356	286

As at 30 June 2022 and 31 December 2021, the amount of credit limits at the Group's disposal was PLN 6,387.4 m (utilized in 40.4%) and PLN 6,564.7 m (utilized in 40.9%), respectively. Detailed information on the contracted loans and borrowings has been presented in Note 18.5.

Liabilities for bonds issued

Liabilities for bonds issued as at 30 June 2022 and 31 December 2021 are presented in the table below:

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Currency - EUR		
Reference rate - fixed		
Value of the issue		
in currency	551	551
in PLN	2,581	2,532
of which maturing in:		
up to 1 year (short-term)	25	31
1 to 2 years	585	569
over 5 years	1,971	1,932

18.4. Credit risk

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

	As at 30 June 2022 (unaudited)			As at 31 December 2021		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Highest client rating	0.0%	639	-	0.0%	579	-
Medium client rating	0.2%	252	-	0.0%	151	-
Lowest client rating	1.8%	39	(1)	2.4%	20	-

	As at 30 June 2022 (unaudited)			As at 31 December 2021		
	Weighted average credit loss	Value gross	Impairment loss	Weighted average credit loss	Value gross	Impairment loss
Clients with no rating in sales business line	1.6%	808	(13)	1.7%	681	(12)
Disputed receivables	84.0%	358	(301)	84.1%	351	(295)
Other receivables	6.3%	790	(50)	8.5%	652	(53)

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18.5. 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 30 June 2022 is presented in the table below:

Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit	Available financing amount	Nominal debt as at 30 June 2022	Repayment date
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2009	1,050	-	249	15-12-2025
European Investment Bank	Loan	Energa-Operator SA CapEx Program	10-07-2013	1,000	-	621	15-09-2031
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	29-04-2010	1,076	-	232	18-12-2024
European Bank for Reconstruction and Development	Loan	Energa-Operator SA CapEx Program	26-06-2013	800	-	238	18-12-2024
Bondholders	Eurobonds	General corporate purposes	07-03-2017	1,404[1]	-	1,404[1]	07-03-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	139	61[2]	19-09-2022
Nordic Investment Bank	Loan	FW Myślino construction	23-10-2014	68	-	27	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	-	113	20-12-2028
European Investment Bank	Hybrid bonds	Energa-Operator SA CapEx Program	04-09-2017	1,170[3]	-	1,170[3]	12-09-2037
Syndicated loan	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of the CapEx program, excluding capital expenditure on coal-based energy production	17-09-2019	2,000	2,000	-	17-09-2024[4]
Bank Gospodarstwa Krajowego	Revolving loan	financing of Energa SA corporate objectives, including financing of everyday operations and financing of the CapEx program, and refinancing of financial debt	03-07-2020	500	350	150	18-08-2023

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Financing institution	Type of liability	Purpose of financing	Date of the agreement	Financing limit	Available financing amount	Nominal debt as at 30 June 2022	Repayment date
SMBC	Revolving loan	financing of corporate objectives of Energa SA, including financing of day-to-day operations, financing of the CapEx program, and refinancing of financial debt, excluding capital expenditure on coal-fired energy	28-07-2020	562[5]	562	-	28-07-2025
PKN Orlen	Revolving loan	Financing of general corporate purposes	31-05-2021	1,000	250	750	30-05-2023
European Investment Bank	Loan	Energa-Operator SA CapEx Program	16-12-2021	702[6]	502	200	16-12-2041
TOTAL				**11,673**	**3,803**	**5,222**	

[1] liability under Eurobonds in the total amount of EUR 300 m converted using the average NBP exchange rate of 30 June 2022

[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 30 June 2022

[4] credit granted for a period of 5 years from the date of signing the agreement, with an option to extend it for a one-year period; the designated date is the end date of the agreement's term; the credit is considered short-term

[5] liability of EUR 120 m converted using the average NBP exchange rate of 30 June 2022

[6] liability of EUR 150 m converted using the average NBP exchange rate of 30 June 2022

18.6. 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 200 m. 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 200 m ("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 250 m. 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 August 2019, the Company concluded interest rate swap (IRS) transaction to hedge the interest rate risk arising from the financing used under credit agreement concluded with EIB in 2013 – PLN 150 m (see Note 18.5).

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

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

All held hedging instruments serve to hedge cash flows and relate to the financial instruments allocated to the same risk category. The presented hedging instruments relate to the liabilities arising under loans between Energa Finance AB and Energa SA, hybrid bonds and credits 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 30 June 2022 (unaudited)					
CCIRS III	161	Assets – Other financial assets	None	200	-
CCIRS IV	180	Assets – Other financial assets	None	250	-
IRS	8	Assets – Other financial assets	None	-	150
As at 31 December 2021					
CCIRS III	112	Assets – Other financial assets	None	200	-
CCIRS IV	138	Assets – Other financial assets	None	250	-
IRS	5	Assets – Other financial assets	None	-	350

The Group continued hedge accounting under IAS 39.

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge, less deferred tax) increased by PLN 57 m in the reporting period and increased by PLN 36 m in the corresponding period.

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

Change in cash flow hedge reserve during the reporting period	6-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2021 (unaudited)
At the beginning of the reporting period	**87**	**(96)**
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	95	(11)
Accrued interest not due transferred from the reserve to financial income/costs	12	13
Revaluation of hedging instruments transferred from the reserve to financial income/costs	(37)	42
Income tax on other comprehensive income	(13)	(8)
At the end of the reporting period	**144**	**(60)**

As at 30 June 2022, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

18.7. Security for the repayment of liabilities

At the end of the reporting period and as at 30 June 2022, there were no material assets securing repayment of liabilities or contingent liabilities.

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OTHER NOTES

19. Investment commitments

As at the end of the current reporting period, the Group's commitments to incur capital expenditure on the purchase of property, plant and equipment and intangible assets, which have not yet been recognized in the statement of financial position, amounted to approx. PLN 7,922.7 m.

20. Information on related entities

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

20.1. Transactions with related parties

As at 30 June 2022, the Group's controlling entity was PKN Orlen S.A. The sales revenue generated by the Group on transactions with the controlling entity amounted to PLN 56 m as at 30 June 2022 while trade receivables totaled PLN 11 m. The costs of transactions with that entity reached PLN 644 m, whereas trade liabilities amounted to PLN 79 m. On 30 May 2022 Energa SA and PKN Orlen S.A. concluded an annex to the loan agreement from 31 May 2021 extending the loan repayment period to 30 May 2023. The maximum debt under the loan at any time during its term may not exceed PLN 1,000 m. Interest rate of the loan is defined at the market level and depends on the level of net debt/EBITDA ratio. As at 30 June 2022, the value of debt under the concluded agreement amounted to PLN 750 m and the interest rate was WIBOR 1M + a margin of 0.7%.

As at 30 June 2022, the Energa Group's sales revenues generated on transactions with the remaining Orlen Group (excluding PKN Orlen) companies amounted to PLN 18 m, while the costs of transactions with such entities reached PLN 77 m.

20.2.Transactions with joint ventures and associates

The sales of Energa SA Group companies to associates and joint ventures in the period ended on 30 June 2022 and in the corresponding period of the previous year were immaterial. In the first half of 2022, purchases from associates and joint ventures amounted to PLN 127 m (in the corresponding period of the previous year, purchases from associates and joint ventures amounted to PLN 95 m). The value of receivables as at 30 June 2022 was PLN 8 m and covered mainly the advance payment made to Elektrownia Ostrołęka Sp. z o.o. (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.). As at 31 December 2021, the level of receivables was immaterial. The value of liabilities as at 30 June 2022 was PLN 107 m, including PLN 85 m relating to lease liabilities (the aforesaid disposal of assets), compared to PLN 120 m as at 31 December 2021. The above transactions pertaining to H1 2022, except the assets disposal transaction referred to above, were concluded primarily with Polska Grupa Górnicza S.A. and involved mostly coal purchases.

20.3.Transactions with 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.

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

	6-month period ended 30 June 2022 (unaudited)	6-month period ended 30 June 2021 (unaudited)
Management Board of the parent company	2.3	2.8
Supervisory Board of the parent company	0.3	0.3
Management Boards of subsidiaries	13.8	11.9
Supervisory Boards of subsidiaries	1.6	1.4
Other key management	25.2	26.8
TOTAL	**43.2**	**43.2**

21. Contingent assets and liabilities

21.1. Contingent liabilities

As at 30 June 2022, the Group identifies contingent liabilities of PLN 264 m (PLN 270 m as at 31 December 2021), including mainly the contingent liabilities relating to legal claims filed against Energa Group companies likely to be effectively dismissed by the companies or for which no cash outflow can be reliably estimated at this time and no provision has been recognized for those claims.

The largest contingent liability item are disputes relating to the power infrastructure of Energa-Operator SA located on private land. If there is uncertainty as to whether a claim amount or legal title to land is justified, the Group recognizes contingent liabilities. As at 30 June 2022, the estimated value of those claims recognized as contingent liabilities is PLN 243 m, compared to PLN 249 m as at 31 December 2021. Considering the available legal opinions, the estimated risk of losing the dispute is below 50%.

21.2. Contingent assets

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

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

Global coronavirus pandemic

In H1 2022, the Group did not identify any negative impact of the COVID-19 pandemic on its financial result.

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

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

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

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

War in Ukraine

Russia's attack on Ukraine shall undoubtedly have a significant impact on the domestic and international economy.

The Group monitors the situation in Ukraine on an ongoing basis in terms of its impact on business operations. However, the situation is very volatile and forecasting economic consequences of the war is subject to a high risk of making erroneous assumptions. Given the high dynamic of changes in the geopolitical and economic conditions as well as difficulties in processing or obtaining unambiguous and highly probable economic and financial forecasts, the potential impact of the conflicton the Group's operations and financial results cannot be reliably estimated at this time.

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

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

- The risk of the Polish currency's weakening against major currencies, including specifically against euro. The Group hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects.
- The risk of an increase in prices of energy inputs (coal and gas) as a result of their limited availability due to the embargo imposed on Russia. It needs to be stressed that the Group no longer purchases fuels from operators based in Russia, Belarus or Ukraine.
  The Group takes into account the fact that the current situation may have a significant impact on hard coal availability and prices, therefore the Group identifies the risk of adverse impact of this factor on its operations and financial results. The Group monitors the availability and fuel's prices in the subsequent periods and takes appropriate measures to secure supplies and prices that enable uninterrupten and profitable operations Generation Business Line.
  The existing production sources of the Group hardly rely on gaseous fuel in their operations (currently, only peak load and reserve boilers in Elbląg shall be exposed to this risk).
- The risk of unavailability and increase in prices of electrical engineering materials being purchased as well as other components. Price growth in that area may lead to higher costs of ongoing repairs and higher expenditure on ongoing investment projects of distribution and generation infrastructure.
  In particular, the Group monitors the situation as regards timely delivery of measuring infrastructure items and takes the relevant adaptive actions to ensure the continuity of its operating activities in terms of the installation of meters in the distribution network.
- Greater risk of attacks against the IT, generation and distribution infrastructure which is required to achieve the Group's main business goals, which necessitates higher expenditure on protection of IT systems and building facilities,as well as use of more advanced tools, equipment and security systems.
- The risk of further increase in inflation and interest rates. This may result in an increase of financing costs and, consequently, the deterioration of the financial standing of the Company and other business operators and customers based in Poland, which may result in a decrease in the payment discipline of customers.
  As at the date of this report, the Group does not identify as a risk significant delays in payments from customers, but takes that into consideration and takes the relevant actions to monitor the payment performance of the respective customer groups.
- The risk of limited accessibility of external financing or less favorable financing conditions.

On the other hand, the Group has not identified any direct impact of the war in Ukraine on its financial results generated in H1 2022.

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

Development of the strategic project involving a gas and steam power plant construction in Grudziądz

On 18 May 2022, CCGT Grudziądz Sp. z o.o. signed a contract with the consortium of Siemens Energy Global GmbH & Co KG, Siemens Energy Sp. z o.o. and Mytilineos S.A. on the design and build of a gas and steam power plant (CCGT) in Grudziądz, 563 MWe net in output. The time schedule of the project stipulates the start of the construction works in 2022, and handing over of the power plant for operation in 2025. The project will be implemented in the "turn-key" formula and its value is estimated at approx. PLN 2 bn.

23. Significant subsequent events

Resignation of a member of Energa SA's Supervisory Board

On 12 July 2022, Ms Iwona Waksmundzka-Olejniczak filed a notice of resignation, as of that date, from sitting on the Supervisory Board of Energa SA.

Delegation of a Member of the Supervisory Board to temporarily serve as the President of the Management Board

On 19 July 2022, the Supervisory Board of Energa SA decided to delegate a Supervisory Board Member, Mr Daniel Obajtek, to temporarily perform duties of the President of the Management Board of the Company of the 7th term, for the period from 22 July 2022 to 31 August 2022.

Sale of shares in Polska Grupa Górnicza S.A.

On 3 August 2022 a conditional agreement on the sale of shares ("Conditional Sale Agreement") in Polska Grupa Górnicza S.A. (“PGG”) was concluded.

The sellers under the Conditional Sale Agreement are subsidiary ECARB Sp. z o.o., PGNiG Termika S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., ENEA S.A., Polski Fundusz Rozwoju S.A., Towarzystwo Finansowe Silesia Sp. z o.o. and WĘGLOKOKS S.A., whereas the purchaser is the Treasury of the Republic of Poland ("Polish Treasury").

Under the Conditional Sale Agreement, ECARB Sp. z o.o. will sell to the Polish Treasury all its shares in PGG, i.e. 6,000,000 ordinary registered shares (representing 15.32% of share capital in PGG) for the price of PLN 1 for all the shares. The value of the investment in PGG in the consolidated financial statements of the Energa Group as at 30 June 2022 was zero (PLN 0.00), and in effect the transaction involving the sale of PGG shares will not have a material effect on the net result of the Energa Group.

Signatures of Members of the Management Board of Energa SA:

Daniel Obajtek
Supervisory Board member delegated to temporarily exercise the duties of President of the Management Board ....

Michał Perlik
Vice-President of the Management Board for Finance ....

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

Janusz Szurski
Vice-President of the Management Board for Corporate Matters ....

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

Person responsible for the preparation of the statements:

Magdalena Kamińska
Deputy director of the Finance Department ....

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

Gdańsk, 4 August 2022