ENEA Group

Consolidated financial statements

for the financial year ended
31 December 2021
in compliance with EU IFRS

TABLE OF CONTENTS

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union, and are approved by the Management Board of ENEA S.A.

Members of the Management Board

President of the Management Board	**Paweł Szczeszek**
Member of the Management Board	**Tomasz Siwak**
Member of the Management Board	**Tomasz Szczegielniak**
Member of the Management Board	**Marcin Pawlicki**
Member of the Management Board	**Rafał Mucha**
Member of the Management Board	**Lech Żak**

ENEA Centrum Sp. z o.o.

Entity responsible for maintaining accounting

books and preparing financial statements — Robert Kiereta

ENEA Centrum Sp. z o.o. Pl. Władysława Andersa 7, 61-894 Poznań

KRS 0000477231, NIP 777-00-02-843, REGON 630770227

Poznań, 23 March 2022

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021	31 December 2020
Revenue from sales	8	21 269 948	18 241 997
Excise duty		(73 277)	(65 492)
Net revenue from sales		**21 196 671**	**18 176 505**
Compensations		–	3 284
Revenue from operating leases and subleases		13 976	14 765
Revenue from sales and other income		**21 210 647**	**18 194 554**
Other operating revenue	10	229 612	248 815
Change in provision for onerous contracts		(199 282)	17 745
Depreciation/amortisation	9	(1 539 286)	(1 598 063)
Employee benefit costs	9	(2 124 682)	(1 963 108)
Use of materials and raw materials and value of goods sold	9	(4 783 294)	(3 643 315)
Purchase of electricity and gas for sales purposes	9	(8 655 752)	(7 514 300)
Transmission services	9	(440 669)	(472 104)
Other third-party services	9	(965 655)	(914 208)
Taxes and fees	9	(471 578)	(443 407)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		(35 253)	(34 890)
Impairment losses on non-financial non-current assets		(30 124)	(3 410 154)
Other operating costs	10	(127 317)	(173 824)
Operating profit/(loss)		**2 067 367**	**(1 706 259)**
Finance costs	11	(214 803)	(346 336)
Finance income	11	125 106	54 346
Dividend income		227	283
Impairment of financial assets at amortised cost		(15 825)	(144 014)
Share of profit of associates and jointly controlled entities	18	192 561	(332 361)
Impairment of investments in associates and jointly controlled entities		–	(129 208)
Profit/(loss) before tax		**2 154 633**	**(2 603 549)**
Income tax	12	(368 163)	369 212
Net profit/(loss) for the reporting period		**1 786 470**	**(2 234 337)**
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments	35	264 754	(108 862)
- income tax		(50 303)	20 684
Not subject to reclassification to profit or loss:			
- restatement of defined benefit plan		103 808	(77 658)
- other		(1 264)	–
- income tax		(19 724)	14 755
Net other comprehensive income		**297 271**	**(151 081)**
Comprehensive income for the reporting period		**2 083 741**	**(2 385 418)**
Including net profit/(loss):			
attributable to shareholders of the Parent		1 678 536	(2 268 412)
attributable to non-controlling interests		107 934	34 075
Including comprehensive income:			
attributable to shareholders of the Parent		1 973 743	(2 418 898)
attributable to non-controlling interests		109 998	33 480
Net profit/(loss) attributable to shareholders of the Parent		1 678 536	(2 268 412)
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit/(loss) attributable to the Parent's shareholders, per share (in PLN per share)	**13**	**3.80**	**(5.14)**
Diluted profit/(loss) per share (in PLN per share)		**3.80**	**(5.14)**

The consolidated statement of comprehensive income should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these consolidated financial statements

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	19 225 475	18 903 722
Right-of-use assets	16	774 099	730 078
Intangible assets	15	350 188	359 365
Investment properties	17	20 282	21 239
Investments in associates and jointly controlled entities	18	137 881	133 647
Deferred income tax assets	12	1 400 872	1 296 061
Financial assets measured at fair value	35	195 031	97 957
Trade and other receivables	22	74 434	72 381
Costs related to the conclusion of agreements		11 180	11 256
Finance lease and sublease receivables	23.1	580	513
Funds in the Mine Decommissioning Fund		147 671	141 591
Total non-current assets		**22 337 693**	**21 767 810**
Current assets			
CO_2 emission allowances	19	2 859 978	2 529 059
Inventories	20	1 115 920	1 129 975
Trade and other receivables	22	3 312 572	2 132 191
Costs related to the conclusion of agreements		11 652	13 428
Assets arising from contracts with customers	24	412 908	322 446
Finance lease and sublease receivables	23.1	903	975
Current income tax receivables		3 147	10 470
Financial assets measured at fair value	35	419 321	41 894
Debt financial assets at amortised cost	36	–	61
Cash and cash equivalents	25	4 153 553	1 941 554
Total current assets		**12 289 954**	**8 122 053**
Total assets		**34 627 647**	**29 889 863**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent			
Share capital		588 018	588 018
Share premium		2 692 784	3 632 464
Revaluation reserve - measurement of financial instruments		–	(16 295)
Revaluation reserve - measurement of hedging instruments		108 917	(105 534)
Retained earnings		10 620 839	7 938 162
Total equity attributable to shareholders of the parent		**14 010 558**	**12 036 815**
Non-controlling interests	27	1 167 450	1 057 538
Total equity	**26**	**15 178 008**	**13 094 353**
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	30	4 457 014	6 607 756
Trade and other payables	31	123 947	132 793
Liabilities arising from contracts with customers	24	18 389	10 833
Lease liabilities	30	565 993	529 140
Accounting for subsidies and road lighting modernisation services	34	377 016	261 162
Deferred income tax provision	12	473 785	445 094
Employee benefit liabilities	32	962 473	1 097 643
Financial liabilities measured at fair value	35	17 588	75 131
Provisions for other liabilities and other charges	33	874 929	849 990
Total non-current liabilities		**7 871 134**	**10 009 542**
Current liabilities			
Credit facilities, loans and debt securities	30	2 177 791	1 224 061
Trade and other payables	31	4 439 560	2 037 926
Liabilities arising from contracts with customers	24	441 947	246 629
Lease liabilities	30	30 678	25 172
Accounting for subsidies and road lighting modernisation services	34	18 073	13 308
Current income tax liabilities		63 774	73 500
Employee benefit liabilities	32	525 031	497 483
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value	35	247 929	70 987
Provisions for other liabilities and other charges	33	3 633 441	2 596 621
Total current liabilities		**11 578 505**	**6 785 968**
Total liabilities		**19 449 639**	**16 795 510**
TOTAL EQUITY AND LIABILITIES		**34 627 647**	**29 889 863**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to shareholders of the parent								
	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2020	**441 443**	**146 575**	**588 018**	**3 632 464**	**(16 295)**	**(17 356)**	**10 268 882**	**1 024 058**	**15 479 771**
Net loss for the reporting period	–	–	–	–	–	–	(2 268 412)	34 075	(2 234 337)
Net other comprehensive income	–	–	–	–	–	(88 178)	(62 308)	(595)	(151 081)
Net comprehensive income recognised in the period	**–**	**–**	**–**	**–**	**–**	**(88 178)**	**(2 330 720)**	**33 480**	**(2 385 418)**
As at 31 December 2020	**441 443**	**146 575**	**588 018**	**3 632 464**	**(16 295)**	**(105 534)**	**7 938 162**	**1 057 538**	**13 094 353**
Net profit for the reporting period	–	–	–	–	–	–	1 678 536	107 934	1 786 470
Net other comprehensive income	–	–	–	–	17 036	214 451	63 720	2 064	297 271
Net comprehensive income recognised in the period	**–**	**–**	**–**	**–**	**17 036**	**214 451**	**1 742 256**	**109 998**	**2 083 741**
Dividends	–	–	–	–	–	–	–	(86)	(86)
Coverage of net loss - transfer	–	–	–	(939 680)	–	–	939 680	–	–
Other	–	–	–	–	(741)	–	741	–	–
As at 31 December 2021	**441 443**	**146 575**	**588 018**	**2 692 784**	**–**	**108 917**	**10 620 839**	**1 167 450**	**15 178 008**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Net profit/(loss) for the reporting period		1 786 470	(2 234 337)
Adjustments:			
Income tax in profit or loss	12	368 163	(369 212)
Depreciation/amortisation	9	1 539 286	1 598 063
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		35 253	34 890
Impairment losses on non-financial non-current assets		30 124	3 410 154
(Gain)/loss on sale of financial assets		(5 892)	17 964
Interest income		(17 547)	(14 743)
Dividend income		(227)	(283)
Interest costs		160 017	241 823
Gain on measurement of financial instruments		(108 567)	(77 311)
Impairment of financial assets at amortised cost		15 825	144 014
Share of profit of associates and jointly controlled entities		(192 561)	332 361
Impairment of investments in associates and jointly controlled entities		–	129 208
Other adjustments		(40 338)	(26 779)
Total adjustments		**1 783 536**	**5 420 149**
Paid income tax		(526 612)	(300 100)
Changes in working capital:			
CO_2 emission allowances	40	(330 919)	(1 153 931)
Inventories	40	9 660	241 866
Trade and other receivables	40	(1 271 094)	(50 875)
Trade and other payables	40	2 607 735	431 129
Employee benefit liabilities	40	(4 344)	67 694
Accounting for subsidies and road lighting modernisation services	40	120 152	33 259
Provisions for other liabilities and charges	40	1 312 336	702 910
Total changes in working capital		**2 443 526**	**272 052**
Net cash flows from operating activities		**5 486 920**	**3 157 764**
Cash flows from investing activities			
Purchase of non-current tangible and intangible assets and right-of-use assets		(1 901 807)	(2 382 772)
Proceeds from sale of non-current tangible and intangible assets and right-of-use assets		3 324	9 841
Purchase of financial assets	40	(68 219)	(199 415)
Proceeds from sale of financial assets	40	121 461	476
Purchase of associates and jointly controlled entities		(707)	(1 700)
Sale of associates and jointly controlled entities		982	–
Received dividends		227	283
Inflows concerning funds at Mine Decommissioning Fund bank account		(6 080)	(7 592)
Received interest		911	3 443
Other (outflows)/inflows from investing activities		(359)	1 136
Net cash flows from investing activities		**(1 850 267)**	**(2 576 300)**
Cash flows from financing activities			
Credit and loans received		1 275	2 308
Repayment of credit and loans		(217 154)	(176 371)
Bond buy-back		(997 110)	(1 894 310)
Dividends paid		(105)	–
Repayment of lease liabilities		(41 128)	(52 154)
Interest paid		(165 611)	(276 256)
Other outflows under financing activities		(4 821)	(5 074)
Net cash flows from financing activities		**(1 424 654)**	**(2 401 857)**
Total net cash flows		**2 211 999**	**(1 820 393)**
Cash at the beginning of reporting period	25	1 941 554	3 761 947
Cash at the end of reporting period	**25**	**4 153 553**	**1 941 554**
including restricted cash		646 928	754 321

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

1. General information on the Parent

Name:	ENEA Spółka Akcyjna
Legal form:	joint-stock company (*spółka akcyjna*)
Country of registration:	Poland
Registered office:	Poznań, Poland
Address:	ul. Pastelowa 8, 60-198 Poznań
Location of business:	Poland
KRS:	0000012483
Telephone number:	(+48 61) 884 55 44
Fax number:	(+48 61) 884 59 59
E-mail:	enea@enea.pl
Website:	www.enea.pl
REGON number:	630139960
NIP number:	777-00-20-640

ENEA S.A. ("Company," "Parent") is the parent entity for ENEA Group ("Group").

The Parent's address changed on 13 December 2021, from "ul. Górecka 1, 60-201 Poznań" to "ul. Pastelowa 8, 60-198 Poznań."

As at 31 December 2021, the Parent's shareholding structure was as follows:

	Poland's State Treasury	Other shareholders	Total
As at 31 December 2021	51.50%	48.50%	**100.00%**

As at 31 December 2021, the Parent's highest-level controlling entity was the State Treasury.

As at 31 December 2021, ENEA S.A.'s statutory share capital amounted to PLN 441 443 thousand (PLN 588 018 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 441 442 578 shares.

The Parent's duration is indefinite.

Its activities are conducted on the basis of relevant concessions issued for the Parent and for specific Group companies.

The Group's consolidated financial statements cover the year ended on 31 December 2021 and contain comparative data for the year ended on 31 December 2020.

2. Group composition and consolidation rules

As at 31 December 2021, ENEA Group consisted of the parent - ENEA S.A., 16 subsidiaries, 9 indirect subsidiaries, 2 jointly controlled entities and 1 associate.

ENEA Group's principal business activities are as follows:

- production of electric and thermal energy (ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A., Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach, Miejska Energetyka Cieplna Piła Sp. z o.o., ENEA Ciepło Sp. z o.o., ENEA Nowa Energia Sp. z o.o.);
- trade of electricity (ENEA S.A., ENEA Trading Sp. z o.o.);

- distribution of electricity (ENEA Operator Sp. z o.o.);
- distribution of heat (Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach, Miejska Energetyka Cieplna Piła Sp. z o.o., ENEA Ciepło Sp. z o.o.);
- mining and enriching of hard coal (LW Bogdanka S.A.)

Accounting rules

Subsidiaries

A subsidiary is a company under the control of another company. The definition of control results directly from IFRS 10. An investor controls a company in which it has invested if and only if the investor has all of the following elements:

1) power over the investee,
2) exposure, or rights, to variable returns from its involvement with the investee,
3) the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control over them is obtained by the Group. They are deconsolidated on the date control ceases.

As regards acquisitions of companies that are not under joint control, the cost of the acquisition is determined as the fair value of acquired assets, issued equity instruments and liabilities incurred or assumed as at the exchange date. Identifiable acquired assets and liabilities and conditional liabilities from a merger are initially measured at fair value as of the acquisition date, regardless of the size of non-controlling interests.

The Group measures non-controlling interests proportionately to its share of the fair value of acquired net assets. In subsequent periods, the value of non-controlling interests covers the initially recognised value adjusted by changes in the subsidiary's equity in proportion to the stake held. Comprehensive income is allocated to non-controlling interests even if this creates a negative value for these interests. Goodwill is determined in accordance with the accounting policy (note 15).

In the case of a negative value, the Group reviews the fair values of each component of acquired net assets. If as a result of such a review the value continues to be negative, it is immediately recognised in the present period profit or loss.

Transactions, settlements and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also subject to elimination unless the transaction provides evidence for impairment of the given asset. The accounting rules applied by subsidiaries were adjusted wherever necessary to ensure compliance with the Group's accounting rules.

Associates and jointly controlled entities

Associates are all entities in respect of which the Group exerts significant influence but does not have control, which typically means holding 20-50% of voting rights. Investments in associates are accounted for using the equity method and initially recognised at cost. The excess of purchase price over fair value of an associate's identifiable net assets as at the acquisition date is recognised as goodwill. Goodwill is included in the investment's balance sheet value, while goodwill impairment is measured for the entire value of the investment. Any excess of the Group's stake in the fair value of identifiable net assets, liabilities and conditional liabilities over the acquisition cost after revaluation is immediately recognised in current-period profit or loss.

Jointly controlled entities are all entities in respect of which the Group exercises, through contractual arrangements, control jointly with other entities. Investments in jointly controlled entities are accounted for using the equity method identically as investments in associates.

The Group's share of the financial results of associates and/or jointly controlled entities from the acquisition date is recognised in current-period profit or loss, while its share in changes in other comprehensive income generated from the acquisition date - in other comprehensive income. The balance sheet value of an investment is adjusted by total changes in equity from the acquisition date. If the Group's share of the losses of an associate or a jointly controlled entity is equal to or greater than the Group's stake in this associate or jointly controlled entity, including any potential unsecured receivables, the Group ceases to recognise further losses, unless it assumed the given associate's or jointly controlled entity's obligations or made a payment on its behalf. The Group analyses impairment of investments in associates and jointly controlled entities, and impairment losses are recognised in the financial result of the present year.

Unrealised gains on transactions between the Group and its associates or jointly controlled entities are eliminated proportionately to the Group's stake in associates or jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of impairment for the given asset. The accounting rules applied by associates or jointly controlled entities are adjusted as necessary to ensure consistency with the Group's accounting rules.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Mergers and acquisitions

Mergers and acquisitions of entities that are not under joint control are accounted for using the equity method.

Purchase of associates and jointly controlled entities

Based on agreements concerning a given investment, the Company judges whether there is joint control or significant influence.

	Company name	Activity	Registered office	ENEA S.A.'s stake in total number of voting rights as at 31 December 2021	ENEA S.A.'s stake in total number of voting rights as at 31 December 2020
SUBSIDIARIES					
1.	ENEA Operator Sp. z o.o.	distribution	Poznań	100%	100%
2.	ENEA Wytwarzanie Sp. z o.o.	generation	Świerże Górne	100%	100%
3.	ENEA Elektrownia Połaniec S.A.	generation	Połaniec	100%	100%
4.	ENEA Oświetlenie Sp. z o.o.	other activity	Szczecin	100%	100%
5.	ENEA Trading Sp. z o.o.	trade	Świerże Górne	100%	100%
6.	ENEA Serwis Sp. z o.o.	distribution	Lipno	100%	100%
7.	ENEA Centrum Sp. z o.o.	other activity	Poznań	100%	100%
8.	ENEA Pomiary Sp. z o.o.	distribution	Poznań	100%	100%
9.	ENERGO-TOUR Sp. z o.o. w likwidacji	other activity	Poznań	100%[5]	100%[5]
10.	ENEA Innowacje Sp. z o.o.	other activity	Warsaw	100%[6,7]	100%
11.	Lubelski Węgiel BOGDANKA S.A.	mining	Bogdanka	65.99%	65.99%
12.	ENEA Ciepło Sp. z o.o.	generation	Białystok	99.94%	99.94%
13.	ENEA Ciepło Serwis Sp. z o.o.	generation	Białystok	100%	100%
14.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o.	generation	Oborniki	99.93%[10]	99.93%
15.	Miejska Energetyka Cieplna Piła Sp. z o.o.	generation	Piła	71.11%[11]	71.11%
16.	ENEA Nowa Energia Sp. z o.o.	generation	Poznań	100%	100%
INDIRECT SUBSIDIARIES					
17.	ENEA Logistyka Sp. z o.o.	distribution	Poznań	100%[4]	100%[4]
18.	ENEA Bioenergia Sp. z o.o.	generation	Połaniec	100%[1]	100%[1]
19.	ENEA Połaniec Serwis Sp. z o.o.	generation	Połaniec	100%[1]	100%[1]
20.	EkoTRANS Bogdanka Sp. z o.o.	mining	Bogdanka	65.99%[2]	65.99%[2]
21.	RG Bogdanka Sp. z o.o.	mining	Bogdanka	65.99%[2]	65.99%[2]
22.	MR Bogdanka Sp. z o.o.	mining	Bogdanka	65.99%[2]	65.99%[2]
23.	Łęczyńska Energetyka Sp. z o.o.	mining	Bogdanka	58.53%[2]	58.53%[2]
24.	ENEA Badania i Rozwój Sp. z o.o.	other activity	Warsaw	-[3,7]	100%[3]
25.	SUN ENERGY 7 Sp. z o.o.	generation	Główczyce	100%[12]	-
26.	GPK energia Sp. z o.o.	generation	Krzęcin	100%[12]	-
JOINTLY CONTROLLED ENTITIES					
27.	Polska Grupa Górnicza S.A.	-	Katowice	7.66%	7.66%
28.	Elektrownia Ostrołęka Sp. z o.o.	-	Ostrołęka	50%	50%
ASSOCIATES					
29.	Polimex – Mostostal S.A.	-	Warsaw	16,4%[9]	16.48%
30.	ElectroMobility Poland S.A.	-	Warsaw	-[8]	25%

[1] – indirect subsidiary through stake in ENEA Elektrownia Połaniec S.A.

[2] – indirect subsidiary through stake in Lubelski Węgiel BOGDANKA S.A.

[3] – indirect subsidiary through stake in ENEA Innowacje Sp. z o.o.

[4] – indirect subsidiary through stake in ENEA Operator Sp. z o.o.

[5] – on 30 March 2015 the company's extraordinary general meeting adopted a resolution on the dissolution of the company following a liquidation proceeding; the resolution entered into force on 1 April 2015. An application for the company to be removed from the National Court Register was filed on 5 November 2015. At the date on which these consolidated financial statements were prepared, procedural activities connected with removing the entity from the National Court Register were in progress.

[6] – on 7 May 2021 an Extraordinary General Meeting of ENEA Innowacje Sp. z o.o. adopted a resolution regarding an increase of the company's share capital by PLN 4 500 thousand, i.e. from PLN 26 360 thousand to PLN 30 860 thousand, by issuing 45 000 new shares with a nominal value of PLN 100.00 each. All of the new-issue shares were acquired by ENEA S.A. and were paid for with a cash contribution. The share capital increase was registered at the National Court Register on 1 July 2021.

[7] – on 12 April 2021 an Extraordinary General Meeting of ENEA Badania i Rozwój Sp. z o.o. adopted a resolution on a merger with ENEA Innowacje Sp. z o.o. through the acquisition of ENEA Badania i Rozwój Sp. z o.o. by ENEA Innowacje Sp. z o.o.

The merger of ENEA Innowacje Sp. z o.o. and ENEA Badania i Rozwój Sp. z o.o. was entered in the National Court Register on 1 June 2021.

[8]– on 19 August 2021, an Extraordinary General Meeting of ElectroMobility Poland S.A. adopted a resolution to reduce share capital by PLN 17 700 thousand, by decreasing the nominal value of all shares, from the existing amount of PLN 7 000.00 each to a new nominal value of PLN 5 230.05 each. The aim of this share capital reduction was to transfer funds from share capital to supplementary capital. The general meeting also adopted a resolution to increase share capital by PLN 249 996 thousand, to PLN 302 297 thousand, for a total issue price of PLN 250 000 thousand, which was paid for by the State Treasury with a monetary contribution. The new share issue was carried out as a private subscription. All of the new shares are ordinary registered shares. The share premium was transferred to supplementary capital. The new shares were taken up and paid for by the State Treasury. The share capital increase was registered by the register court on 30 September 2021. ENEA S.A. currently holds a 4.325% stake in share capital. ElectroMobility Poland S.A. shares are presented in the consolidated statement of financial position in the item: Financial assets measured at fair value.

[9] – in September 2021 the sale of 187 500 Polimex – Mostostal S.A. shares previously held by ENEA S.A. was finalised, thus decreasing ENEA S.A.'s stake in that company's share capital from 16.48% to 16.40%. On 30 August 2021, the Company submitted a demand to exercise its call option and made a bank transfer for 187 500 Polimex - Mostostal S.A. shares. In November 2021, ENEA S.A. submitted a demand to exercise its call option and (in December 2021) made a bank transfer for 125 500 Polimex - Mostostal S.A. shares. An increase in Polimex – Mostostal’s share capital by PLN 2 500 thousand was registered on 16 February 2022. ENEA S.A. currently holds a 16.45% stake in that company’s share capital.

[10]- on 16 December 2021 ENEA S.A. executed an agreement to purchase form ENEA Wytwarzanie Sp. z o.o. 13 156 shares in Przedsiębiorstwo Energetyki Cieplnej sp. z o.o., based in Oborniki, with a nominal value of PLN 500.00 each and total nominal value of PLN 6 578 thousand, constituting 99.93% of its share capital, for a total of PLN 2 303 thousand (PLN 175.05 per share).

[11]- on 16 December 2021 ENEA S.A. executed an agreement to purchase form ENEA Wytwarzanie Sp. z o.o. 24 695 shares in Miejska Energetyka Cieplna Piła sp. z o.o., based in Piła, with a nominal value of PLN 1 000.00 each and total nominal value of PLN 24 695 thousand, constituting 71.11% of its share capital, for a total of PLN 28 357 thousand (PLN 1 148.29 per share).

[12]- on 14 December 2021 ENEA Nowa Energia Sp. z o.o. executed an agreement to purchase 100 shares in SUN ENERGY 7 Sp. z o.o., based in Główczyce, with a nominal value of PLN 50.00 each and total nominal value of PLN 5 thousand, constituting 100% of share capital, for the total price of PLN 2 921 thousand (PLN 29 209.24 per share), along with an agreement to purchase 100 shares in GPK energia Sp. z o.o., based in Krzęcin, with a nominal value of PLN 50.00 each and total nominal value of 5 thousand, constituting 100% of share capital, for the total price of PLN 487 thousand (PLN 4 865.44 per share). Due to their immateriality, these companies are not included in these consolidated financial statements.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

3. Management Board and Supervisory Board composition

Management Board

	As at 31 December 2021	Appointment	As at 31 December 2020	Appointment
President of the Management Board	Paweł Szczeszek		Paweł Szczeszek	30 June 2020
Member of the Management Board, responsible for finance	Rafał Mucha		Rafał Mucha	21 December 2020
Member of the Management Board, responsible for sales	Tomasz Siwak		Tomasz Siwak	17 August 2020
Member of the Management Board, responsible for corporate affairs	Tomasz Szczegielniak		Tomasz Szczegielniak	7 August 2020
Member of the Management Board, responsible for operations	Marcin Pawlicki		Marcin Pawlicki	29 October 2020
Member of the Management Board, responsible for strategy and development	Lech Adam Żak	29 November 2021		

On 29 November 2021 the Company's Supervisory Board adopted a resolution appointing Mr. Lech Adam Żak as Member of ENEA S.A.'s Management Board for strategy and development for a joint term, which commenced on the date of the Company's Ordinary General Meeting approving the financial statements for 2018.

Supervisory Board

	As at 31 December 2021	Appointment	As at 31 December 2020	Resignation
Chairperson of the Supervisory Board	Rafał Włodarski		Izabela Felczak-Poturnicka	5 January 2021
Deputy Chairperson of the Supervisory Board	Roman Stryjski		Roman Stryjski	
Secretary of the Supervisory Board	Michał Jaciubek		Michał Jaciubek	
Member of the Supervisory Board	Dorota Szymanek	7 January 2021	Rafał Włodarski	
Member of the Supervisory Board	Maciej Mazur		Maciej Mazur	
Member of the Supervisory Board	Piotr Mirkowski		Piotr Mirkowski	
Member of the Supervisory Board	Paweł Koroblowski		Paweł Koroblowski	
Member of the Supervisory Board	Tomasz Lis	18 November 2021	Ireneusz Kulka	16 September 2021
Member of the Supervisory Board	Mariusz Pliszka		Mariusz Pliszka	
Member of the Supervisory Board			Mariusz Fistek	22 December 2021

On 4 January 2021, the Company received a letter of resignation from Mrs. Izabela Felczak-Poturnicka as Chairperson of the Supervisory Board and as Supervisory Board member, effective from 5 January 2021.

On 7 January 2021, an Extraordinary General Meeting of ENEA S.A. appointed Mr. Rafał Włodarski as Chairperson of ENEA S.A.'s Supervisory Board.

On 7 January 2021, the Company's Extraordinary General Meeting adopted a resolution appointing Mrs. Dorota Szymanek as member of ENEA S.A.'s Supervisory Board, 10th term, effective from the same date.

On 15 September 2021 the Company received a statement from Mr. Ireneusz Kulka stating that he is resigning as member of ENEA S.A.'s Supervisory Board and Chairperson of the Audit Committee as of 16 September 2021.

On 18 November 2021 the Company's Extraordinary General Meeting adopted a resolution appointing Mr. Tomasz Lis as member of ENEA S.A.'s Supervisory Board, 10th term, effective from the same date.

On 21 December 2021, the Company received Mr. Mariusz Fistek's resignation, as of 22 December 2021, as member of the Supervisory Board of ENEA S.A.

On 10 March 2022, the Company's Extraordinary General Meeting adopted a resolution pursuant to which Mr. Radosław Kwaśnicki was appointed for the 10th term of ENEA S.A.'s Supervisory Board, effective from the same date.

4. Basis for preparing financial statements

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ("EU IFRS"), and are approved by the Management Board of ENEA S.A.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

EU IFRS cover standards and interpretations approved by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee.

The Parent's Management Board used its best knowledge as to the application of standards and interpretations as well as methods and rules for the measurement of items in ENEA Group's consolidated financial statements in accordance with EU IFRS as at 31 December 2021. The presented tables and explanations are prepared with due diligence. These consolidated financial statements have been audited by a statutory auditor. The accounting rules are applied consistently across all of the presented periods unless stated otherwise.

These consolidated financial statements are prepared on a going concern basis for the foreseeable future. There are no circumstances such as would indicate a threat to the Group's going concern.

These consolidated financial statements are prepared on an historic cost basis, except for financial instruments measured at fair value.

5. Accounting rules (policy) and significant estimates and assumptions

The key accounting rules applied in preparing these consolidated financial statements are presented as an element of specific explanatory notes to these consolidated financial statements. These rules were applied in all of the presented periods continuously, except for the application of the changes to Standards and Interpretations described in note 6.

Preparing consolidated financial statements in accordance with EU IFRS requires the Management Board to make certain assumptions and estimates that have an impact on the adopted accounting rules and the amounts shown in consolidated financial statements and notes to financial statements. Assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. However, actual results may differ from forecasts. The estimated values presented in previous financial years do not have a material impact on the present interim period. The key areas where the Management Board's estimates have considerable impact on consolidated financial statements are presented in the following explanatory notes:

Notes describing significant estimates and assumptions

Notes describing significant estimates and assumptions	Note
Impairment of non-financial assets	chapter (without a number)
Tax	12
Property, plant and equipment	14
Intangible assets and goodwill	15
Right-of-use assets	16
Investment properties	17
CO_2 emission allowances	19
Inventories	20
Energy origin certificates	21
Trade and other receivables	22
Assets and liabilities arising from contracts with customers	24
Cash and cash equivalents	25
Employee benefit liabilities	32
Provisions	33
Financial instruments and fair value	35

6. Impact of new standards and interpretations, changes in accounting rules and data presentation

New Standards, amendments to Standards and Interpretations awaiting approval by the European Union:

Standard	Entry into force
IFRS 17 Insurance Contracts	1 January 2023
IFRS 4 Insurance contracts - deferred application of IFRS 9 Financial Instruments	1 January 2023
IAS 1 Presentation of Financial Statements	1 January 2023
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
IAS 12 Income Tax	1 January 2023
IFRS 10 Consolidated Financial Statements - amendments concerning the sale or contribution of assets between an investor and its associates or joint ventures	-
IAS 28 Investments in Associates and Joint Ventures - amendments concerning the sale or contribution of assets between an investor and its associates or joint ventures	-

The Group intends to apply them for the periods for which they will be in force for the first time.

The Group's companies are currently analysing the impact of the New Standards, amendments of Standards and Interpretations on their financial statements. No significant changes have yet been identified in connection with the new standards being implemented.

New Standards, amendments to Standards and Interpretations approved by the European Union but not yet in effect:

Standard	Entry into force
IAS 16 Property, plant and equipment	1 January 2022
IAS 37 Provisions, contingent liabilities and contingent assets	1 January 2022
IAS 41 Agriculture - the improvements contain explanations and clarify guidelines for the Standard concerning recognition and measurement	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards - the improvements contain explanations and clarify guidelines for the Standard concerning recognition and measurement	1 January 2022
IFRS 3 Business Combinations - updating a reference to the Conceptual Framework	1 January 2022
IFRS 9 Financial Instruments - the improvements contain explanations and clarify guidelines for the standard concerning recognition and measurement	1 January 2022
IFRS 16 Leases - improvements in examples	1 January 2022

Changes in applied accounting rules

The accounting rules (policy) applied in preparing these separate financial statements are consistent with those applied in preparing the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the application of new standards, amendments to standards and interpretations as described below:

- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 - Insurance Contracts, IFRS 7 Financial Instruments and IFRS 16 Leases - second part of amendments related to IBOR reform, which are applicable from 1 January 2021. The amendments pertain to accounting issues that will arise when financial instruments based on IBOR transition into new interest rates. The amendments introduce a range of guidelines and exemptions, in particular a practical expedient for the modification of contracts required by the reform, which will be recognised by updating the effective interest rate, an exemption from the obligation to end hedge accounting, a temporary exemption from the necessity to identify the risk component and the obligation to include additional disclosures;
- IFRS 16 Leases - simplification concerning changes resulting from lease agreements in connection with COVID-19, e.g.: deferral of or exemption from lease payments. This simplification concerns an assessment of whether these changes constitute a modification of the lease. Lessees can apply a simplification wherein they do not apply IFRS 16 guidelines concerning the modification of lease agreements. This will result in relief and exemptions applicable to leases being recognised as variable lease payments during the period in which the event occurs or as a condition that causes the payments to be reduced; the IASB extended the availability of the practical expedient concerning relief on lease payments to June 2022.

The Group has identified no impact on its financial statements from implementing the aforementioned amendments to Standards and Interpretations.

7. Functional currency and transactions in foreign currencies

Accounting rules

Functional currency and presentation currency

Items in the financial statements of individual Group entities are measured in the main currency of the economic setting in which the entity operates (in the functional currency). Consolidated financial statements are presented in PLN, which is the functional and presentation currency for all of the Group's entities. Items in financial statements are rounded to full thousands of zlotys (PLN 000s), unless otherwise stated.

Transactions and balances

Transactions expressed in foreign currencies are translated at initial recognition into the functional currency at the exchange rate valid on the transaction date.

At the balance sheet date, foreign currency cash items are translated using the closing exchange rate (closing rate is the average exchange rate published by the National Bank of Poland for the measurement day).

Gains and losses on exchange differences arising from settlement of transactions in foreign currencies and balance sheet measurement of foreign currency cash assets and liabilities are recognised in the gain or loss for the period, while gains and losses on exchange differences concerning tangible assets under construction are recognised as expenditures on tangible assets under construction.

Operating segments

The Group presents segment information in accordance with IFRS 8 *Operating Segments*. Operating segments correspond to the reporting segments and are not aggregated. The Group's activities are managed in operating segments that are distinct in terms of products and services. ENEA Group reports four operating segments and other activity, as shown below.

TRADE	Purchase and sale of electricity.
DISTRIBUTION	Electricity distribution and transmission services.
GENERATION	Generation of electricity from conventional and renewable sources, generation of industrial heat.
MINING	Production and sale of coal, companies providing support services to mines.

AND

OTHER ACTIVITY	Maintenance and modernisation of road lighting equipment, transport services, repair and construction services.

Segment revenue is revenue generated from sales to external customers and transactions with other segments that can be directly attributed to the given segment. In 2021, within the mining segment, external customers whose shares in the Group's external sales exceeded 10% included: Grupa Azoty Zakłady Azotowe "Puławy" (30.0%), D.Trading International S.A. (24%) and Energa Elektrownie Ostrołęka S.A. (17.0%). Segment costs include the cost of sales to external customers and costs of transactions with other segments within the Group that result from the operating activities of a given segment and can be directly attributed to the given segment. Market prices are applied to inter-segment transactions, which makes it possible for units to generate margins sufficient to independently operate on the market.

In analysing segment results, the Group especially focuses on EBITDA. EBITDA is defined as operating profit (calculated as result before tax adjusted by the share of results of associates and jointly controlled entities, impairment of financial assets at amortised cost, impairment of investments in jointly controlled entities, finance income, dividend income and finance costs) plus amortisation and impairment of non-financial non-current assets. Rules for determining segment results and segment assets and liabilities are in compliance with the accounting rules used in preparing consolidated financial statements.

Information on geographic segments

The Group's activities in 2021 and 2020 were in one geographic segment, i.e. in Poland, and all of its assets were located in Poland.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Segment results:

Segment results for the period from 1 January to 31 December 2021 are as follows:

	TRADE	DISTRIBUTION	GENERATION	MINING	OTHER ACTIVITY	EXCLUSIONS	TOTAL
Net revenue from sales	8 001 642	3 238 403	9 362 775	476 700	117 151	–	21 196 671
Inter-segment sales	3 204 918	41 121	835 797	1 886 441	380 078	(6 348 355)	–
Total net revenue from sales	**11 206 560**	**3 279 524**	**10 198 572**	**2 363 141**	**497 229**	**(6 348 355)**	**21 196 671**
Revenue from operating leases and subleases	–	–	859	8 171	5 354	(408)	13 976
Revenue from sales and other income	**11 206 560**	**3 279 524**	**10 199 431**	**2 371 312**	**502 583**	**(6 348 763)**	**21 210 647**
Total costs	(11 334 158)	(2 555 482)	(9 031 967)	(1 975 151)	(473 071)	6 307 094	(19 062 735)
Segment result	**(127 598)**	**724 042**	**1 167 464**	**396 161**	**29 512**	**(41 669)**	**2 147 912**
Depreciation/amortisation	(3 060)	(668 886)	(408 890)	(401 462)	(74 905)		
Impairment losses on non-financial non-current assets	–	–	(26 114)	(652)	(3 358)		
Segment result - EBITDA	**(124 538)**	**1 392 928**	**1 602 468**	**798 275**	**107 775**		
% of revenue from sales and other income	**(1.1%)**	**42.5%**	**15.7%**	**33.7%**	**21.4%**		
Unallocated costs at Group level (administration expenses)							(80 545)
Operating profit							**2 067 367**
Finance costs							(214 803)
Finance income							125 106
Dividend income							227
Impairment of financial assets at amortised cost							(15 825)
Share of results of associates and jointly controlled entities							192 561
Income tax							(368 163)
Net profit							**1 786 470**
Share of profit attributable to non-controlling interests							**107 934**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Segment results:

Segment results for the period from 1 January to 31 December 2020 are as follows:

	TRADE	DISTRIBUTION	GENERATION	MINING	OTHER ACTIVITY	EXCLUSIONS	TOTAL
Net revenue from sales	6 749 844	3 190 313	7 855 482	267 094	113 772	–	18 176 505
Inter-segment sales	3 585 598	37 829	565 189	1 545 731	354 936	(6 089 283)	–
Total net revenue from sales	**10 335 442**	**3 228 142**	**8 420 671**	**1 812 825**	**468 708**	**(6 089 283)**	**18 176 505**
Compensations	3 284	–	–	–	–	–	3 284
Revenue from operating leases and subleases	–	–	603	9 287	4 925	(50)	14 765
Revenue from sales and other income	**10 338 726**	**3 228 142**	**8 421 274**	**1 822 112**	**473 633**	**(6 089 333)**	**18 194 554**
Total costs	(10 355 101)	(2 548 287)	(10 864 630)	(1 694 685)	(459 548)	6 093 093	(19 829 158)
Segment result	**(16 375)**	**679 855**	**(2 443 356)**	**127 427**	**14 085**	**3 760**	**(1 634 604)**
Depreciation/amortisation	(1 540)	(633 451)	(569 439)	(336 549)	(73 371)		
Impairment losses on non-financial non-current assets	–	–	(3 403 993)	(6 161)	–		
Segment result - EBITDA	**(14 835)**	**1 313 306**	**1 530 076**	**470 137**	**87 456**		
% of revenue from sales and other income	**(0.1%)**	**40.7%**	**18.2%**	**25.8%**	**18.5%**		
Unallocated costs at Group level (administration expenses)							(71 655)
Operating loss							**(1 706 259)**
Finance costs							(346 336)
Finance income							54 346
Dividend income							283
Impairment of financial assets at amortised cost							(144 014)
Share of results of associates and jointly controlled entities							(332 361)
Impairment of investments in associates and jointly controlled entities							(129 208)
Income tax							369 212
Net loss							**(2 234 337)**
Share of profit attributable to non-controlling interests							**34 075**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Other information concerning segments as at 31 December 2021 and for the 12-month period ending on that day is as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 649	10 281 878	6 006 882	3 097 243	356 482	(541 829)	19 215 305
Trade and other receivables	2 408 036	388 734	1 146 605	326 336	109 769	(994 551)	3 384 929
Costs related to the conclusion of agreements	22 832	-	-	-	-	-	22 832
Assets arising from contracts with customers	200 773	243 664	225	-	–	(31 754)	412 908
Total	**2 646 290**	**10 914 276**	**7 153 712**	**3 423 579**	**466 251**	**(1 568 134)**	**23 035 974**
ASSETS excluded from segments							11 591 673
- including property, plant and equipment							10 170
- including trade and other receivables							2 077
TOTAL ASSETS							**34 627 647**
Trade and other payables	466 450	614 545	946 396	329 537	114 222	(596 427)	1 874 723
Liabilities arising from contracts with customers	475 985	402 652	10	9 704	1 863	(429 878)	460 336
Total	**942 435**	**1 017 197**	**946 406**	**339 241**	**116 085**	**(1 026 305)**	**2 335 059**
Equity and liabilities excluded from segments							32 292 588
- including trade and other payables							2 688 784
TOTAL EQUITY AND LIABILITIES							**34 627 647**
For the year ended 31 December 2021							
Investment expenditures on property, plant and equipment and intangible assets	769	990 619	438 666	450 180	34 839	(42 874)	1 872 199
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							–
Depreciation/amortisation	3 060	668 886	408 890	401 462	74 905	(21 170)	1 536 033
Amortisation excluded from segments							3 253
Recognition/(reversal/use) of impairment losses on receivables	6 051	(2 629)	(16 855)	2 528	(464)	308	(11 061)
Recognition of impairment losses on non-financial non-current assets	-	-	26 114	652	3 358	-	30 124

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Other information concerning segments as at 31 December 2020 and for the 12-month period ending on that day is as follows:

	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 392	9 889 504	5 978 596	3 158 735	368 500	(515 537)	18 894 190
Trade and other receivables	1 421 069	313 950	735 455	268 999	93 293	(630 881)	2 201 885
Costs related to the conclusion of agreements	24 684	-	-	-	-	-	24 684
Assets arising from contracts with customers	127 988	206 426	18	-	311	(12 297)	322 446
Total	**1 588 133**	**10 409 880**	**6 714 069**	**3 427 734**	**462 104**	**(1 158 715)**	**21 443 205**
ASSETS excluded from segments							8 446 658
- including property, plant and equipment							9 532
- including trade and other receivables							2 687
TOTAL ASSETS							**29 889 863**
Trade and other payables	338 466	526 855	625 379	244 462	204 054	(351 012)	1 588 204
Liabilities arising from contracts with customers	324 455	222 155	-	1 329	1 689	(292 166)	257 462
Total	**662 921**	**749 010**	**625 379**	**245 791**	**205 743**	**(643 178)**	**1 845 666**
Equity and liabilities excluded from segments							28 044 197
- including trade and other payables							582 515
TOTAL EQUITY AND LIABILITIES							**29 889 863**
For the year ended 31 December 2020							
Investment expenditures on property, plant and equipment and intangible assets	627	1 128 385	531 754	612 461	47 395	(55 566)	2 265 056
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							–
Depreciation/amortisation	1 540	633 451	569 439	336 549	73 371	(18 530)	1 595 820
Amortisation excluded from segments							2 243
Recognition/(reversal/use) of impairment losses on receivables	4 095	(11 429)	(10 143)	(1 100)	445	(117)	(18 249)
Recognition of impairment losses on non-financial non-current assets	-	-	3 403 993	6 161	-	-	3 410 154

Impairment of non-financial assets

Accounting rules

The Group's assets that are subject to depreciation are analysed in terms of impairment whenever indications of impairment are identified.

An impairment loss is recognised in the amount by which the asset's balance sheet value exceeds its recoverable value. The recoverable value is determined as the higher of the following two amounts: fair value less cost to sell or usable value (i.e. estimated present value of future cash flows that are expected to be obtained from further use of the asset or cash generating unit). For impairment analysis purposes, assets are grouped at the lowest level where it is possible to identify separate cash flows (cash generating units). Cash generating units are never larger than operating segments.

All impairment losses are recognised in profit or loss. Impairment losses may be reversed in subsequent periods (except for goodwill) if events occur that justify a lack of or change in impairment.

Significant judgements and estimates

Recoverable value of tangible and intangible assets

Cash generating units are tested for impairment using a variety of assumptions, some of which are beyond the Group's control. Significant changes in these estimates have an impact on impairment test results and, in consequence, on the Group's financial position and financial results, described further below.

As at 30 September 2021, in connection with information and analyses concerning changes in the market prices of CO_2 emission allowances, electricity, energy origin certificates and forecasts for macroeconomic indicators, ENEA Group carried out impairment tests for property, plant and equipment in areas involved in the generation of electricity, among others. Based on these tests, the necessity to recognise the following events was identified.

Based on an analysis, impairment losses worth a total of PLN 26 114 thousand were recognised on non-financial non-current assets in the Białystok area at ENEA Ciepło. The impairment loss reduced the Group's net result by PLN 21 152 thousand. The Group decided not to reverse impairment losses on non-financial non-current assets that had been recognised in previous years.

Presented below are the results of these impairment tests:

CGU [PLN 000s]	Recoverable value	Book value
CGU Elektrownie Systemowe Kozienice – ENEA Wytwarzanie's generating assets at Świerże Górne	5 166 168	5 062 686
CGU Elektrownie Systemowe Połaniec – ENEA Elektrownia Połaniec generating assets (coal-based sources)	1 099 631	1 074 537
CGU Zielony Blok – ENEA Elektrownia Połaniec generating assets (biomass unit)	2 705 921	373 350
CGU Białystok – ENEA Ciepło's generating assets	687 169	713 283

The recoverable value of each CGU was estimated on the basis of useful value using the discounted cash flows approach based on financial projections.

The following forecast periods were used for testing the CGUs:

- CGU Elektrownie Systemowe Kozienice – until 2047,
- CGU Elektrownie Systemowe Połaniec – until 2034,
- CGU Zielony Blok – until 2042,
- CGU Białystok – until 2043.

Presented below are the key assumptions used in impairment tests:

- assets were tested in four CGUs (CGU Elektrownie Systemowe Kozienice, CGU Elektrownie Systemowe Połaniec, CGU Zielony Blok and CGU Białystok),
- the main price paths, based on forecasts prepared by ENEA Trading (a company operating as ENEA Group's competence centre for wholesale trade of electricity, emission allowances and fuels), taking into account the specific nature of products and knowledge about existing contracts:
  - wholesale "base" prices for electricity: for 2022-2047: prices are expected to grow from 350.98 PLN/MWh in 2022 to 406.36 PLN/MWh in 2026, followed by a gradual decline at an average of 0.5% in the period 2027-

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

2047 [fixed prices 2021],

- CO_2 emission allowances: the forecast expects an increase in the prices of CO_2 allowances by an average of 6.3%, from 50.93 EUR/t win 2022 to 2026. Between 2026 and 2040, prices are expected to grow further, by approx. 1.5%. From 2041, further growth at approx. 0.1% is expected [fixed prices 2021],
- coal: the prices of coal are expected to decline by an average of 0.8%, from 11.41 PLN/GJ until 2047 [fixed prices 2021],
- biomass: the average price of biomass for the Group is expected to raise from 24.75 PLN/GJ in 2022 to 29.43 PLN/GJ in 2023. A 6.5% decline is forecast for 2024, in comparison with 2023, followed by 0.7% average annual growth until 2044 [fixed prices 2021],
- heating: an average annual increase of approx. 1.7% is forecast until 2044, from the average price level of 72.8 PLN/GJ in 2022 [fixed prices 2021],
- natural gas: prices are expected to decline until 2023, by approx. 3.9%, from 108.6 PLN/MWh in 2022, followed by price growth until 2047 at an average annual rate of approx. 0.7% [fixed prices 2021],

- quantity of CO_2 emission allowances received for free for 2021-2025 in accordance with a derogation application (pursuant to art. 10c sec. 5 Directive 2003/87/EC of the European Parliament and of the Council),
- revenue related to maintaining generation capacities from 2021 pursuant to the Act on the Capacity Market, based on previously won auctions,
- inflation, taking into account the inflation target, at a maximum level of 2.5%,
- nominal discount rate - 5.41% [discount rate before tax is 6.21%]. The Group used a risk premium for the following CGUs:
  1. CGU Zielony Blok - 2%. Discount rate taking into account company-specific risk premium was 6.06% [discount rate taking into account company-specific risk premium before tax is 6.86%],
  2. CGU Elektrownie Systemowe Kozienice and Elektrownie Systemowe Połaniec - 4%. Discount rate taking into account company-specific risk premium was 6.71% [discount rate taking into account company-specific risk premium before tax is 7.51%],
  3. CGU Białystok - 2.5%. Discount rate taking into account company-specific risk premium was 6.22% [discount rate taking into account company-specific risk premium before tax is 7.02%],
- growth rate in residual period - 0%.

The sensitivity analysis shows that significant factors having impact on the estimated recoverable values of CGUs include: discount rates, inflation, electricity prices and CO_2 emission allowance prices. Future financial results and thus the recoverable amounts of CGUs will also be driven by the prices of energy origin certificates, coal, heat and biomass prices.

The following table shows the value impact of selected factors on the total recoverable value (output value) of CGUs:

Impact of change in discount rate (starting point depending on CGU)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**603 649**	**9 658 889**	**(536 003)**
- CGU Elektrownie Systemowe Kozienice	359 257	5 166 168	(322 331)
- CGU Elektrownie Systemowe Połaniec	16 716	1 099 631	(16 520)
- CGU Zielony Blok	78 326	2 705 921	(74 495)
- CGU Białystok	149 350	687 169	(122 657)

Impact of changes in inflation from 2023 (starting point 3.4% for 2023, 2.7% in 2024 and 2.5% in subsequent years)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**(505 816)**	**9 658 889**	**543 660**
- CGU Elektrownie Systemowe Kozienice	(267 788)	5 166 168	288 670
- CGU Elektrownie Systemowe Połaniec	(38 364)	1 099 631	39 114
- CGU Zielony Blok	(79 888)	2 705 921	83 444
- CGU Białystok	(119 776)	687 169	132 432

Impact of changes in electricity prices (impact of changes from 2023)

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	**(1 330 974)**	**9 658 889**	**1 314 298**
- CGU Elektrownie Systemowe Kozienice	(977 984)	5 166 168	969 567
- CGU Elektrownie Systemowe Połaniec	(247 684)	1 099 631	239 425
- CGU Zielony Blok	(69 343)	2 705 921	69 343
- CGU Białystok	(35 963)	687 169	35 963

Impact of change in price of CO_2 emission allowances (impact of changes from 2023)

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	**524 118**	**9 658 889**	**(525 772)**
- CGU Elektrownie Systemowe Kozienice	423 332	5 166 168	(423 332)
- CGU Elektrownie Systemowe Połaniec	90 354	1 099 631	(92 008)
- CGU Zielony Blok	-	2 705 921	-
- CGU Białystok	10 432	687 169	(10 432)

The Group carried out a periodic assessment of indications of possible impairment of non-current assets in the Mining segment (LWB), in line with the guidelines specified in IAS 36 Impairment of Assets. This analysis is all the more important given the on-going COVID-19 pandemic, which is forcing businesses to operate in variable, entirely unusual and previously unseen conditions. In making this assessment for the purposes of the consolidated financial statements for 2021 the Group notes, based on an analysis of the present economic and market situation, that the current market capitalisation of LWB remains at a level that is lower than the balance sheet value of its net assets. It should be noted that this indication was already present at the end of the previous financial year and was the main reason for performing an impairment test as at 31 December 2020. According to the Group, this situation mainly stems from factors that are beyond its control such as political factors and the EU's climate policy and also in part because of low liquidity and low free float.

The share price went up rather considerably in 2021, by more than 60%. The coronavirus pandemic that has been on-going since the beginning of 2020 is also currently having a much smaller impact on LWB's activities and market surroundings than initially expected (thanks to the crew's hard work and the optimisation of longwall systems and scheduling, the company increased production so as to benefit from a period of higher demand for coal). Despite this, the existing assumptions are still formally in place, which is why the Group was required to carry out impairment tests in the Mining segment also for 2021.

Due to the inability to determine fair values for a very large group of assets for which there is no active market and no comparable transactions, the recoverable values of these assets were determined by estimating their useful values using the discounted cash flow approach based on the Group's financial projections for 2022-2051.

Presented in the table below are the results of this impairment test:

CGU [PLN 000s] - as at 30 September 2021	Recoverable value	Book value
CGU Mining	3 269 264	2 781 049

The key assumptions used in estimating the value in use of the tested assets are presented below:

- given the links between the various divisions and the mine's organisational scheme, all of LWB's assets were considered as one CGU;
- average annual volume of coal production and sale in 2022-2030 was set at 9.2mt. The production of type-34 coal will begin in 2025 (according to the current mining plan);
- forecast period from 2022 to 2051 - was estimated on the basis of the company's extractable coal resources as of the balance sheet date (available to be mined using the existing infrastructure as of the balance sheet date, mainly concerning shafts). From 2044, the average annual level of extraction declines as a result of the depletion of the Bogdanka deposit and the assumption that only infrastructure that is currently available is to be used);
- in comparison to the previous year, available extractable resources of coal increased by approx. 17mt; this results from additional walls being included in the model, including level 377 in field Bogdanka being taken into account in the production plan, expansion of extractive activities in the K6, K7 and Ostrów areas, which are available with the use of the existing infrastructure, and areas located in the vicinity of mining shafts being taken into account;
- coal prices in 2022-2027 were based on studies prepared for LWB S.A.'s own purposes; the average coal sale price in the period was estimated at 11.45 PLN/GJ, assuming a sideways trend in the range of +/-3%; in 2028-2049 the price of coal was based on the weighted average sales price in 2022-2027;
- the entire model is inflation-free;
- real wage growth was assumed for the entire forecast period at a level that reflects the Group's best possible estimate as at the test date;
- the discount rate was the weighted average cost of capital (WACC) of 6.57% throughout the entire forecast period, estimated based on the latest economic data (using a risk-free rate of 3.31% and a beta of 1.16);

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

- an average annual level of investment expenditures in the entire forecast period of PLN 351 094 thousand, including on average PLN 465 256 thousand in 2022-2035;
- the model used in the impairment test (including the cash flows and value of the tested assets resulting from the model) was prepared as of 30 September 2021; the existing models were prepared by LWB as of 31 December, however this period was changed in order to ensure a consistent approach across all levels of consolidation within LWB Group and ENEA Group.

The sensitivity analysis shows that significant factors having impact on the estimated recoverable values of CGUs include: discount rate, prices of thermal coal and sales volume. Results of the analysis of the model's sensitivity (change in recoverable value) on changes in key assumptions are presented below.

Impact of change in discount rate (base value 6.57%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**222 117**	**3 269 264**	**(206 205)**

Impact of changes in coal prices

Change in assumptions	-0.5%	Output value	+0.5%
Change in recoverable value	**(117 826)**	**3 269 264**	**117 877**

Impact of change in real wage growth

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**280 067**	**3 269 264**	**(300 489)**

Explanatory notes to the consolidated statement of comprehensive income

8. Revenue from sales

Accounting rules

Revenue recognition
The Group recognises revenue when an obligation to provide a consideration by providing a promised good or service (i.e. asset) to the customer is performed (or is being performed), thus obtaining the right to remuneration and legal title to the asset. The asset is transferred when the customer obtains control over it.

The transfer of control may be gradual if the obligation to provide a consideration is satisfied or over time, i.e. when:

- the customer simultaneously receives and consumes all of the benefits provided by the Group as the Group performs,
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced (production in progress, for example), or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The performance-based method and overlay approach are used to determine the level of completion, taking into account the nature of the good or service being transferred.

In the item revenue from core activities, the Group recognises revenue from the sale of the following product and service groups:

- services provided on a continuous basis - the amount of revenue depends on consumption (delivery of electricity, thermal energy, natural gas, provision of distribution services): revenue is recognised when the Group transfers control over a portion of the service being provided; the Group recognises revenue in the amount of remuneration from a client, to which it is entitled, which directly corresponds to the value of service so far provided to the client - this value is the amount that the Group is authorised to invoice for;
- delivery of goods/services settled at a fixed moment in time (sale of property rights): revenue is recognised when control over the product/service is transferred; the transfer of control takes place when the goods are made available to the client or when service is provided;
- services provided on a continuous basis - the amount of revenue depends on the passage of time (sale of lighting services, process support services): revenue from the sale of services is recognised over time because these services are provided on a continuous basis and therefore a certain portion of such service is subject to transfer at every point in time when service is provided; due to the fact that the value of services rendered to the client does not differ between specific settlement periods, the Group recognises revenue from services provided on the basis of fixed monthly payments (depending on consumption);
- services provided on a continuous basis - based on the status of work (construction services): commitment to provide a service is satisfied over time because as a result of service being provided an asset is created or improved and control over this asset is with the client; revenue from the provision of service is recognised over time - using the overlay approach - cost approach, based on which the level of contract progress is determined by comparing the amount of costs incurred to perform the contract to the overall costs budgeted in the contract.

Revenue from sales is recognised in the net amount of remuneration when the Group acts as agent, i.e. its performance perform is subject to the delivery of goods or services by another entity. Such revenue is recognised in the form of fee or commission to which - according to the Group's expectations - the Group will be entitled in exchange for the provision of goods or services by another entity. The fee or commission due for the Group may be a net amount that the Group retains after payment to another entity of consideration in exchange for goods or services provided by this entity. The Group recognises as revenue the Price difference amount and the Financial compensations from the Zarządca Rozliczeń S.A.; this revenue does not constitute public aid.

Costs related to the conclusion of agreements
Costs related to the conclusion of agreements are costs incurred by the Group in order to conclude an agreement with a customer that would not have been incurred by the Group had the agreement not been concluded (including the costs of commissions for partners for concluding electricity sale agreements). Costs that would have been incurred regardless of agreement conclusion are recognised in results for the period in which they are incurred.

Connection fees
Revenue from connection fees is recognised on a one-off basis as revenue when connection works are completed.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Net revenue from sales

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from the sale of electricity	15 592 083	13 872 606
Revenue from the sale of distribution services	3 135 374	3 097 810
Revenue from the sale of goods and materials	147 632	106 296
Revenue from the sale of other products and services	166 012	166 286
Revenue from origin certificates	3 031	9 268
Revenue from the sale of industrial heat	434 765	356 547
Revenue from the sale of coal	434 892	234 817
Revenue from the sale of gas	408 877	332 875
Revenue from Capacity Market	874 005	-
Total net revenue from sales	**21 196 671**	**18 176 505**

The Group mainly classifies revenue by type of product/service. The key revenue groups are revenue from the sale of electricity (ENEA S.A., ENEA Wytwarzanie, ENEA Trading and ENEA Elektrownia Połaniec) and revenue from the sale of distribution services (ENEA Operator).

Sale of electricity: The Group recognises revenue when an obligation to provide a consideration by providing a promised good or service to the customer is performed (or is being performed). Revenue is recognised on the basis of prices specified in sale agreements, less estimated rebates and other deductions. The key groups of contracts include electricity sale contracts (including framework contracts) for retail, business, key and strategic customers. Under these contracts, service is provided in a continuous manner and the level of revenue depends on usage. Sales to the clearing-house Izba Rozliczeniowa Giełd Towarowych S.A. and the TGE power exchange also take place.

The standard payment deadline for invoices for the sale of electricity at ENEA S.A. is 14 days from VAT invoice date. In the case of business, key and strategic customers, payment deadlines may be negotiated.

Payment deadlines for invoices concerning electricity sales to IRGiT are 1-3 days from delivery and invoice issue. For sales to TGE, payment deadlines are governed by TGE's regulations.

Sale of distribution services: In the case of distribution services sales, ENEA Operator charges a fee that contains separate components: grid fee (variable component), quality fee, grid fee (fixed component), instalment fee, transition fee, capacity fee and renewables fee.

In the case of the quality fee, transition fee, capacity fee and renewables fee, ENEA Operator serves, as a rule, as entity collecting fees and providing this consideration to other market participants, e.g. to Polskie Sieci Elektroenergetyczne S.A. (PSE). These fees (quality fee, transition fee, capacity fee, renewables fee) constitute quasi-taxes collected on behalf of other entities. ENEA Operator acts as agent collecting fees for other energy market participants, including PSE. In consequence, revenue from the sale of distribution services is reduced by the amount of renewables fee, quality fee, capacity fee and transition fee collected. Costs related to the procurement of transmission services and costs related to invoices for renewables support and support for producers are subject to adjustment.

Revenue from the Capacity Market constitutes revenue from the performance of capacity contracts (obligations) executed as a result of the 2021 Auction. The Capacity Market is a market mechanism intended to ensure a stable supply of electricity to households and industry over the long term. At the end of each month, ENEA Group companies are entitled to remuneration from PSE S.A. for fulfilling a capacity obligation. In connection with this obligation, Group companies that are suppliers of capacity for PSE S.A. recognise revenue from Capacity Market transactions each month.

Presented below is revenue from sales, divided into categories that reflect how economic factors influence the amount, payment deadline and the uncertainty of revenue and cash flows.

	Year ended 31 December 2021	Year ended 31 December 2020
Revenue from continuous services	20 010 339	17 303 291
Revenue from services provided at specified time	1 186 332	873 214
Total	**21 196 671**	**18 176 505**

9. Operating costs

Accounting rules

The Group presents costs using the comparative approach (costs by nature).

Costs have an impact on financial result to the extent that they apply to a given reporting period, thus ensuring that they are commensurate to revenue or other economic benefits.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Costs by nature

	Year ended 31 December 2021	31 December 2020
Depreciation/amortisation	**(1 539 286)**	**(1 598 063)**
Employee benefit costs	**(2 124 682)**	**(1 963 108)**
- remuneration	(1 562 311)	(1 448 846)
- social insurance and other benefits	(562 371)	(514 262)
Use of materials and raw materials and value of goods and materials sold	**(4 783 294)**	**(3 643 315)**
- use of materials and energy	(4 549 180)	(3 223 367)
- value of goods and materials sold	(234 114)	(419 948)
Value of purchased electricity and gas for sales purposes	**(8 655 752)**	**(7 514 300)**
Third-party services	**(1 406 324)**	**(1 386 312)**
- transmission services	(440 669)	(472 104)
- other third-party services	(965 655)	(914 208)
Taxes and fees	**(471 578)**	**(443 407)**
Total	**(18 980 916)**	**(16 548 505)**

Employee benefit costs

	Year ended 31 December 2021	31 December 2020
Wage costs	**(1 562 311)**	**(1 448 846)**
- present wages	(1 503 023)	(1 352 972)
- longevity bonuses	(7 890)	(41 570)
- retirement and disability severance payments	(8 969)	(10 104)
- Other	(42 429)	(44 200)
Cost of social insurance and other benefits	**(562 371)**	**(514 262)**
- social security contributions (ZUS)	(319 811)	(285 665)
- contributions to Company Social Benefit Fund (ZFŚS)	(61 015)	(59 076)
- other social benefits	(103 621)	(97 508)
- other post-employment benefits	(61)	(1 568)
- Other	(77 863)	(70 445)
Total	**(2 124 682)**	**(1 963 108)**

The costs of longevity awards and retirement/disability severance payments as presented in the above note are actual costs.

10. Other operating revenue and costs

Other operating revenue

	Year ended 31 December 2021	31 December 2020
Release of provision for compensation claims	978	-
Release of other provisions	16 788	29 568
Reimbursement of costs by insurer	15 926	17 448
Accounting for income from subsidies	9 419	11 414
Compensation, penalties, fines	23 389	47 782
Reversal of unused impairment losses	6 204	23 330
Property, plant and equipment received for free	50 493	48 623
Exchange differences - hedging operations	22 287	30 730
Changes in fair value of financial instruments	13 632	-
Other operating revenue	70 496	39 920
Total	**229 612**	**248 815**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Other operating costs

	Year ended 31 December 2021	31 December 2020
Recognition of provision for compensation claims	(892)	(28 745)
Recognition of other provisions	(38 431)	(54 075)
Impairment of receivables	(7 007)	(4 953)
Write-off of impaired receivables	(11 317)	(12 754)
Costs of court proceedings	(10 995)	(14 774)
Trade union costs	(1 962)	(1 940)
Compensation for non-contractual use of land	(1 706)	(1 065)
Exchange differences - hedging operations	(4 824)	-
Changes in fair value of financial instruments	-	(618)
Other operating costs	(50 183)	(54 900)
Total	**(127 317)**	**(173 824)**

11. Finance income and finance costs

Accounting rules

Interest income is recognised on an accrual basis using the effective interest rate approach, provided that this income is not in doubt.

Finance income

	Year ended 31 December 2021	31 December 2020
Interest income	**26 942**	**24 880**
- bank accounts and deposits	2 277	11 767
- other loans and receivables	22 664	10 568
- financial leases and sub-leases	594	339
- other	1 407	2 206
Exchange differences	**-**	**312**
Change in fair value of financial instruments	**20 206**	**28 592**
Change in provision for reclamation and wind farm disassembly - discount	**56 894**	**-**
Other finance income	**21 064**	**562**
Total	**125 106**	**54 346**

Finance costs

	Year ended 31 December 2021	31 December 2020
Interest costs	**(176 686)**	**(242 992)**
- cost of interest on loans and credit	(35 776)	(45 427)
- cost of interest on bonds	(59 491)	(132 423)
- Interest cost on lease liabilities	(14 895)	(13 578)
- interest on IRS swaps	(64 563)	(38 760)
- other interest	(1 961)	(12 804)
Exchange differences	**(219)**	**(158)**
Cost of discount concerning employee benefits and provisions	**(20 240)**	**(46 754)**
Changes in fair value of financial instruments	**(17 166)**	**(45 212)**
Other finance costs	**(492)**	**(11 220)**
Total	**(214 803)**	**(346 336)**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

12. Tax

Accounting rules

Income tax (including deferred income tax)

Income tax recognised in profit or loss for the period covers actual the actual tax burden for the given reporting period, calculated in accordance with the applicable provisions of the act on corporate income tax and potential adjustments of tax returns for previous years.

Deferred tax is the tax effect of events in a given period recognised using the accrual principle in accounting books for the period but is performed in the future. It arises when the tax effect of revenue and costs is the same as the balance sheet effect but takes place in different periods.

Deferred income tax arises in respect of all temporary differences, except for cases where deferred income tax results from:

a) initial recognition of goodwill; or
b) initial recognition of an asset or liability from a transaction that:
   - is not a merger of economic entities; and
   - has no impact at the transaction date on gross financial result or taxable income (tax loss);
c) investment in subsidiaries, branches, associates and interests in joint ventures.

In reference to all negative temporary differences, a deferred income tax asset is recognised up to an amount of likely taxable income to be generated that will offset the negative temporary differences.

The amount of deferred tax is set using income tax rates in effect for the year in which the tax obligation arises.

Significant judgements and estimates

Recoverability of deferred income tax assets

Deferred income tax assets are measured using tax rates in effect when the asset is performed. The Group recognises a deferred income tax asset with the assumption that it will generate a tax profit in the future to use it.

The likelihood of using deferred income tax assets against future tax profits is based on the budgets of Group companies.

Income tax

	Year ended 31 December 2021	Year ended 31 December 2020
current tax	(514 310)	(290 339)
deferred tax	146 147	659 551
Income tax	**(368 163)**	**369 212**

Income tax on the Group's gross profit before tax differs from the theoretical amount that would be received by using the applicable nominal tax rate applicable to the consolidated companies as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit/(loss) before tax	2 154 633	(2 603 549)
Tax calculated using the 19% rate	(409 380)	494 674
Non-deductible costs (permanent differences * 19%)	(6 758)	(128 728)
Non-taxable revenue (permanent differences * 19%)	14 680	8 075
Reversal of impairment – Elektrownia Ostrołęka	33 384	-
Other * 19%	(89)	(4 809)
Decrease of financial result due to income tax	**(368 163)**	**369 212**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Deferred income tax

Changes in deferred income tax assets and provision (after offsetting assets and provision at Group level) are as follows:

	As at	
	31 December 2021	31 December 2020
Deferred income tax assets	2 867 857	2 262 460
Offset of deferred income tax assets and provision	(1 466 985)	(966 399)
Deferred income tax assets after offset	**1 400 872**	**1 296 061**
Deferred income tax provision	1 940 770	1 411 493
Offset of deferred income tax assets and provision	(1 466 985)	(966 399)
Deferred income tax provision after offset	**473 785**	**445 094**

Deferred income tax assets as at 31 December 2021 to be realised within 12 months amounted to PLN 1 360 715 thousand (PLN 876 244 thousand as at 31 December 2020), while those over 12 months PLN 1 507 142 thousand (PLN 1 386 216 thousand as at 31 December 2020).

Deferred income tax provision as at 31 December 2021 to be realised within 12 months amounted to PLN 863 348 thousand (PLN 361 512 thousand as at 31 December 2020), while those over 12 months PLN 1 077 422 thousand (PLN 1 049 981 thousand as at 31 December 2020).

As of 31 December 2021, there were no indications of the risk of a lack of recoverability of deferred income tax assets. According to the Group, the differences between the tax value and balance sheet value of tangible assets will be fully realised in the coming periods.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Change in deferred income tax assets and liabilities during the year (before offset):

Deferred income tax assets:

	Employee benefit liabilities	Provision for the cost of energy origin certificates	Provision for storage, rehabilitation and CO_2 emission allowance purchases	Taxable costs after end of accounting period	Differences between balance sheet value and tax value of tangible assets	Impairment of non-financial tangible assets*	Liabilities concerning hedge deposits for futures transaction to purchase CO_2 emission allowances	Other	Total
As at 1 January 2020	**233 635**	**36 591**	**256 562**	**2 386**	**124 887**	**350 672**	**10 773**	**344 663**	**1 360 169**
(Charge)/addition to profit or loss	3 363	(4 176)	117 157	142	(27 202)	646 608	108 395	23 098	867 385
Recognised in other comprehensive income	14 423	-	-	-	-	-	-	20 483	34 906
As at 31 December 2020 using the 19% rate	**251 421**	**32 415**	**373 719**	**2 528**	**97 685**	**997 280**	**119 168**	**388 244**	**2 262 460**
As at January 2021	**251 421**	**32 415**	**373 719**	**2 528**	**97 685**	**997 280**	**119 168**	**388 244**	**2 262 460**
(Charge)/addition to profit or loss	6 575	38 430	172 968	669	(30 312)	(6 578)	420 520	72 761	675 033
(Charge)/addition to other comprehensive income	(19 071)	-	-	-	27	-	-	(50 592)	(69 636)
As at 31 December 2021, using the 19% rate	**238 925**	**70 845**	**546 687**	**3 197**	**67 400**	**990 702**	**539 688**	**410 413**	**2 867 857**

** including property, plant and equipment, other intangible assets and perpetual usufruct of land.*

As at 31 December 2021, tax losses to be settled in future periods amounted to PLN 45 528 thousand. This amount was taken into account in calculating the deferred income tax assets and is presented in the column “Other.” This column also includes an asset from a provision for onerous contracts.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Deferred income tax provision:

	Taxable income after end of accounting period	Recorded, uninvoiced sales	Differences between balance sheet value and tax value of tangible assets*	Net provision for mine liquidation	Hedge deposits for futures transactions to purchase CO_2 emission allowances	Other	Total
As at 1 January 2020	**17 274**	**45 635**	**1 055 035**	**10 264**	**14 213**	**61 771**	**1 204 192**
Charge/(addition) to profit or loss	(4 311)	(425)	55 761	212	105 956	50 641	207 834
Recognised in other comprehensive income	-	-	-	-	-	(533)	(533)
As at 31 December 2020 using the 19% rate	**12 963**	**45 210**	**1 110 796**	**10 476**	**120 169**	**111 879**	**1 411 493**
As at January 2021	**12 963**	**45 210**	**1 110 796**	**10 476**	**120 169**	**111 879**	**1 411 493**
Charge to profit or loss	9 536	14 032	73 695	511	420 566	10 546	528 886
Charge to other comprehensive income	-	-	-	-	-	391	391
As at 31 December 2021, using the 19% rate	**22 499**	**59 242**	**1 184 491**	**10 987**	**540 735**	**122 816**	**1 940 770**

** The differences stem from fair-value measurements of tangible assets and differences in amortisation rates.*

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

13. Loss/profit per share

Accounting rules

Net profit (loss) per share for each period is calculated by dividing the net profit (loss) attributable to the Parent's shareholders for the period by the weighted average number of shares in that reporting period.

Diluted profit per share is calculated by dividing the period's net profit attributable to common shareholders (after deduction of interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of outstanding ordinary shares during the period (adjusted by the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

Loss/profit per share

	Year ended	
	31 December 2021	31 December 2020
Net profit/(loss) attributable to shareholders of the Parent	1 678 536	(2 268 412)
Weighted average number of ordinary shares	441 442 578	441 442 578
Net profit/(loss) attributable to the Parent's shareholders, per share (in PLN per share)	**3.80**	**(5.14)**
Diluted profit/(loss) per share (in PLN per share)	**3.80**	**(5.14)**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Explanatory notes to the consolidated statement of financial position

14. Property, plant and equipment

Accounting rules

Property, plant and equipment items are measured at purchase price or cost to manufacture, less accumulated depreciation and impairment.

Subsequent expenditures are included in the book value of a given tangible asset or are recognised as a separate asset (wherever appropriate) only if it is likely that this item will bring economic benefits to the Group and the item's cost can be reliably measured. All other expenses on repairs and maintenance are recognised as profit or loss in the reporting period in which they are incurred.

Mine closure costs initially recognised in the value of tangible assets are subject to depreciation using the same method as the tangible assets they concern, starting from the moment a given tangible asset is put into service, over a period specified in the mine closure plan within the expected mine closure schedule.

Land is not subject to depreciation. Other tangible assets are depreciated on a straight-line basis throughout the period of use or using the natural method based on the longwall length (in the case of operational excavations). The base for calculating depreciation constitutes the initial value less final value, if significant. Each significant part of a property, plant and equipment item with a different period of use is depreciated separately.

Depreciation begins when an asset is available for use. Depreciation ends when an asset is designated as available for sale in accordance with IFRS 5 or when it is removed from the statement of financial position, depending on which occurs earlier.

Within its activities, the Group receives tangible assets for free, which are initially measured at fair value. Property, plant and equipment received for free, in the form of power infrastructure (connections, lighting grid) is recognised by the Group on a one-off basis in other operating revenue when it is received (except for the receipt of lighting infrastructure in exchange for services - in which case they are accounted for over time).

External financing costs

Costs of external financing that can be directly attributed to an asset purchase, build or manufacture are capitalised as part of the purchase price or cost to manufacture such an asset. Other external financing costs are recognised as a cost in the period in which they are incurred.

The capitalisation of external financing costs begins at the later of the two dates: commencement of investment or commencement of financing. The Group ceases to capitalise external financing costs when the asset is handed over for use. The Group suspends capitalising external financing costs over a longer time period in which it suspended works focused on adapting the asset.

Significant judgements and estimates

Economic life and residual value

The amount of depreciation charges is determined on the basis of expected period of use for tangible assets. The verification conducted this year resulted in changes to depreciation/amortisation periods. Their impact in 2022 on the amount of depreciation is PLN (11 985 thousand).

The residual values and economic life of property, plant and equipment are verified at least once a year. Each change of depreciation period requires agreement and necessitates an adjustment to the depreciation charges in subsequent financial years.

At each balance sheet date ending a financial year, impairment assessments are carried out in compliance with IAS 36. If indications of impairment are identified, an impairment test is carried out in accordance with IAS 36 (section in these financial statements concerning impairment of non-financial assets).

Use periods for property, plant and equipment are as follows:

– buildings and structures	10 – 80 years
including power grids	33 years
– structures (operational excavations) natural method depreciation based on length of wall	
– technical equipment and machinery	2 – 50 years

– means of transport	3 – 30 years
– other property, plant and equipment	3 – 25 years

Estimating the useful life of mines and coal resources

The end of the lifecycle of the mine (LWB) is currently estimated to be 2051, and this did not change from the previous annual financial statements (for 2020). The actual deadline for mine closure might be different from the Group's estimates. This results from the calculation being based on the mine's estimated life-cycle and only the coal resources being available as of the reporting date. A decline in demand for the Group's coal might result in production falling below capacities, which would extend the mine life-cycle.

The Group is taking account of the on-going restructuring of the mining sector, as previously announced in Poland's Energy Strategy 2040, as well as the shut-down of hard coal mining in Poland by 2049, as specified in the "Social agreement regarding the transition of the hard coal mining sector and selected transition processes for the Silesia voivodship." However, at the moment - especially due to its financial results and operational efficiency - the Group remains beyond the direct impact of the aforementioned regulations. At the same time, the Group is undertaking activities intended to diversify its business and is searching for new product development opportunities consisting of the selective mining of coking coal.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Property, plant and equipment

For the financial year ended 31 December 2021:

	Land	Buildings and structures	including excavations	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Gross value								
As at January 2021	**118 505**	**18 576 195**	**1 865 009**	**15 676 096**	**382 566**	**883 886**	**1 196 852**	**36 834 100**
Transfers	3 118	1 047 598	252 185	845 688	54 828	30 357	(1 970 845)	10 744
Purchase	–	13 454	–	33 335	2 365	3 552	1 787 936	1 840 642
Sale	–	(85)	–	(344)	(6 226)	(4 088)	–	(10 743)
Liquidation	(3 179)	(170 928)	(131 768)	(65 173)	(2 908)	(2 458)	(1 979)	(246 625)
Other	3 154	(32 702)	–	9 362	4 073	(4 911)	(9 111)	(30 135)
As at 31 December 2021	**121 598**	**19 433 532**	**1 985 426**	**16 498 964**	**434 698**	**906 338**	**1 002 853**	**38 397 983**
Accumulated depreciation								
As at January 2021	**4**	**(6 615 627)**	**(566 702)**	**(5 819 150)**	**(161 542)**	**(484 640)**	**(2 656)**	**(13 083 611)**
Sale	–	85	–	218	3 686	4 068	–	8 057
Depreciation	–	(753 283)	(224 960)	(595 893)	(26 732)	(66 039)	–	(1 441 947)
Transfer to available-for-sale non-current assets	–	–	–	–	99	–	–	99
Liquidation	–	131 764	96 853	62 930	5 210	2 420	–	202 324
Other	–	50	4	1 689	(1 778)	9 378	–	9 339
As at 31 December 2021	**4**	**(7 237 011)**	**(694 805)**	**(6 350 206)**	**(181 057)**	**(534 813)**	**(2 656)**	**(14 305 739)**
Impairment								
As at January 2021	**(2 375)**	**(1 458 532)**	**–**	**(3 258 794)**	**(14 035)**	**(19 696)**	**(93 335)**	**(4 846 767)**
Decreases	–	1 165	–	895	60	44	64 015	66 179
Increases	(240)	(29 206)	–	(55 410)	(8)	(754)	(563)	(86 181)
As at 31 December 2021	**(2 615)**	**(1 486 573)**	**–**	**(3 313 309)**	**(13 983)**	**(20 406)**	**(29 883)**	**(4 866 769)**
Net value at 1 January 2021	**116 134**	**10 502 036**	**1 298 307**	**6 598 152**	**206 989**	**379 550**	**1 100 861**	**18 903 722**
Net value at 31 December 2021	**118 987**	**10 709 948**	**1 290 621**	**6 835 449**	**239 658**	**351 119**	**970 314**	**19 225 475**

No collateral is established on property, plant and equipment assets. External financing costs capitalised in 2021 were immaterial.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

For the financial year ended 31 December 2020:

	Land	Buildings and structures	including excavations	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Gross value								
As at 1 January 2020	**120 238**	**17 537 426**	**1 669 857**	**14 710 216**	**368 826**	**792 254**	**1 132 323**	**34 661 283**
Transfers	1 752	1 145 338	279 922	990 211	22 968	112 279	(2 240 001)	32 547
Purchase	–	(42 823)	–	(7 204)	1 500	4 613	2 292 130	2 248 216
Sale	(115)	(82)	–	(400)	(5 750)	(18 154)	–	(24 501)
Discontinued investments	–	–	–	–	–	–	(12)	(12)
Liquidation	(214)	(139 536)	(84 770)	(19 347)	(4 978)	(4 629)	–	(168 704)
Other	(3 156)	75 872	–	2 620	–	(2 477)	12 412	85 271
As at 31 December 2020	**118 505**	**18 576 195**	**1 865 009**	**15 676 096**	**382 566**	**883 886**	**1 196 852**	**36 834 100**
Accumulated depreciation								
As at 1 January 2020	**–**	**(5 995 024)**	**(459 045)**	**(5 140 290)**	**(147 049)**	**(449 694)**	**(2 656)**	**(11 734 713)**
Sale	4	73	–	379	4 321	18 154	–	22 931
Depreciation	–	(722 661)	(163 343)	(698 378)	(24 981)	(58 734)	–	(1 504 754)
Liquidation	–	101 832	55 678	17 985	6 167	4 598	–	130 582
Other	–	153	8	1 154	–	1 036	–	2 343
As at 31 December 2020	**4**	**(6 615 627)**	**(566 702)**	**(5 819 150)**	**(161 542)**	**(484 640)**	**(2 656)**	**(13 083 611)**
Impairment								
As at 1 January 2020	**(1 635)**	**(461 429)**	**–**	**(965 641)**	**(3 435)**	**(5 006)**	**(18 620)**	**(1 455 766)**
Decreases	225	26 242	–	28 151	94	250	1 050	56 012
Increases	(965)	(1 023 345)	–	(2 321 304)	(10 694)	(14 940)	(75 765)	(3 447 013)
As at 31 December 2020	**(2 375)**	**(1 458 532)**	**–**	**(3 258 794)**	**(14 035)**	**(19 696)**	**(93 335)**	**(4 846 767)**
Net value at 1 January 2020	**118 603**	**11 080 973**	**1 210 812**	**8 604 285**	**218 342**	**337 554**	**1 111 047**	**21 470 804**
Net value at 31 December 2020	**116 134**	**10 502 036**	**1 298 307**	**6 598 152**	**206 989**	**379 550**	**1 100 861**	**18 903 722**

Future contract liabilities related to the purchase of property, plant and equipment incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 1 444 989 thousand as at 31 December 2021 (PLN 1 067 174 thousand as at 31 December 2020).

15. Intangible assets and goodwill

Accounting rules

Goodwill

Goodwill arising on acquisition results from an excess, on the acquisition date, of the sum of payments, non-controlling interests and the fair value of previously held interests in the acquired entities over the net fair value of identifiable assets, liabilities and conditional liabilities of the acquired entity as at the acquisition date.

In the case of a negative value, the Group reviews the fair values of each component of acquired net assets. If as a result of such a review the value continues to be negative, it is immediately recognised in the present period profit or loss.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less impairment.

For impairment testing purposes, goodwill is allocated to the Group's specific cash generating units that should receive the synergy benefits from the merger. The cash generating units to which goodwill is allocated are tested for impairment once a year or more frequently, if it can be reliably expected that impairment has occurred. If the recoverable value of a cash generating unit is smaller than its balance sheet value, an impairment loss is allocated first to reduce the balance sheet value of the goodwill allocated to this cash generating unit and subsequently to this unit's other assets proportionately to the balance sheet value of specific assets in this unit. An impairment loss on goodwill is irreversible.

Geological information

Purchased geological information is recognised in accordance with IFRS 6 *Exploration for and Evaluation of Mineral Resources*, in an amount resulting from the agreement executed with the Ministry of the Environment. Until a mining concession is secured, this is not subject to amortisation. Subsequently, capitalised costs are amortised throughout the term of the concession.

Fees

Fees for mining usufruct for hard coal mining areas within the "Bogdanka" deposit are capitalised in the amount of such fees. Capitalised costs are recognised throughout the expected period of mining usufruct (note 41).

Other intangible assets

Other intangible assets include: computer software, licences and other intangible assets. Intangible assets are measured at purchase price or cost to manufacture, less accumulated amortisation and accumulated impairment. Amortisation is calculated on a straight-line basis, using the following estimated period of use.

Costs of R&D work

The costs of research works are recognised in profit or loss in the period in which they are incurred. The costs of development works that meet their capitalisation criteria are measured at purchase price or cost to manufacture, less accumulated amortisation and accumulated impairment. Amortisation is calculated on a straight-line basis, using the following estimated period of use.

Significant judgements and estimates

Economic life and residual value

The amount of amortisation charges is determined on the basis of expected period of use for intangible assets. The verification conducted this year resulted in changes to amortisation periods. Their impact in 2022 on the amount of amortisation will reach PLN 4 thousand.

Each year, the Group verifies the correctness of periods of use for intangible assets. Each change of depreciation period requires agreement and necessitates an adjustment to the depreciation charges in subsequent financial years.

At each balance sheet date ending a financial year, impairment assessments are carried out in compliance with IAS 36. If indications of impairment are identified, an impairment test is carried out in accordance with IAS 36 (section in these financial statements concerning impairment of non-financial assets).

Useful life of intangible assets:

– licences and software	2 – 10 years
– geological information	over the mining concession period (note 41)
– other intangible assets	2 – 40 years

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Intangible assets

For the financial year ended 31 December 2021:

	Costs of development work	Goodwill	Computer software, licences, concessions, patents	Geological information	Total
Gross value					
As at January 2021	**10 593**	**229 323**	**661 434**	**40 856**	**942 206**
Transfers	–	–	16 659	–	16 659
Purchase	6 811	3 407	21 339	–	31 557
Liquidation	–	–	(8 264)	–	(8 264)
Other	–	–	3 427	–	3 427
As at 31 December 2021	**17 404**	**232 730**	**694 595**	**40 856**	**985 585**
Accumulated amortisation					
As at January 2021	**(4 180)**	**–**	**(335 712)**	**(3 864)**	**(343 756)**
Amortisation	(435)	–	(54 766)	(1 267)	(56 468)
Liquidation	–	–	7 586	–	7 586
As at 31 December 2021	**(4 615)**	**–**	**(382 892)**	**(5 131)**	**(392 638)**
Impairment					
As at January 2021	**–**	**(227 517)**	**(11 568)**	**–**	**(239 085)**
Decreases	–	–	654	–	654
Increases	(3 358)	–	(970)	–	(4 328)
As at 31 December 2021	**(3 358)**	**(227 517)**	**(11 884)**	**–**	**(242 759)**
Net value at 1 January 2021	**6 413**	**1 806**	**314 154**	**36 992**	**359 365**
Net value at 31 December 2021	**9 431**	**5 213**	**299 819**	**35 725**	**350 188**

No collateral is established on intangible assets. No intangible assets were produced internally in 2021.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

For the financial year ended 31 December 2020:

	Costs of development work	Goodwill	Computer software, licences, concessions, patents	Geological information	Total
Gross value					
As at 1 January 2020	**10 485**	**229 323**	**624 016**	**40 856**	**904 680**
Transfers	–	–	23 831	–	23 831
Purchase	392	–	16 448	–	16 840
Transfer to available-for-sale non-current assets	–	–	(8)	–	(8)
Liquidation	–	–	(2 506)	–	(2 506)
Other	(284)	–	(347)	–	(631)
As at 31 December 2020	**10 593**	**229 323**	**661 434**	**40 856**	**942 206**
Accumulated amortisation					
As at 1 January 2020	**(3 313)**	**–**	**(286 084)**	**(2 598)**	**(291 995)**
Amortisation	(867)	–	(52 099)	(1 266)	(54 232)
Liquidation	–	–	2 316	–	2 316
Other	–	–	155	–	155
As at 31 December 2020	**(4 180)**	**–**	**(335 712)**	**(3 864)**	**(343 756)**
Impairment					
As at 1 January 2020	**–**	**(227 517)**	**(6 144)**	**–**	**(233 661)**
Decreases	–	124 919	47	–	124 966
Increases	–	(124 919)	(5 471)	–	(130 390)
As at 31 December 2020	**–**	**(227 517)**	**(11 568)**	**–**	**(239 085)**
Net value at 1 January 2020	**7 172**	**1 806**	**331 788**	**38 258**	**379 024**
Net value at 31 December 2020	**6 413**	**1 806**	**314 154**	**36 992**	**359 365**

Future contract liabilities related to the purchase of intangible assets incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 56 002 thousand as at 31 December 2021 (PLN 29 173 thousand as at 31 December 2020).

16. Right-of-use assets

Accounting rules

A contract contains a lease if:

a) it concerns an identified asset that is explicitly specified in the contract (e.g. using an inventory number or indication of a specific floor of a building) or indirectly specified when it is made available to the customer; and
b) the lessee receives essential all of the economic benefits from such assets during the period of use, i.e. both basic benefits and the benefits derived from it; and
c) the lessee has the right to specify the method in which it uses the identified asset.

As lessee, the Group recognises Leases in its financial statements as:

a) right-of-use assets at purchase price;
   - covering the value of the lease liability plus payments made on or before the contract date, initial direct costs, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories,
   - less any lease incentives received.
b) lease liabilities constituting the sum of the present value of lease payments and the present value of payments expected at the end of the lease term.

Subsequent to initial recognition, the Group measures the right-of-use assets at purchase price less depreciation and impairment. The depreciation period is set as:

a) if the lease transfers ownership of the underlying asset to the lessee or if the lessee is certain that it will exercise a purchase option, the depreciation period is from the commencement date to the end of the useful life of the underlying asset, or
b) the depreciation period starts from the commencement date to the earlier of:
   - the end of the useful life of the right-of-use asset, or
   - the end of the lease term.

The present value of future lease payments is calculated using a discount rate. ENEA S.A., ENEA Operator Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., Enea Elektrownia Połaniec S.A. and Lubelski Węgiel „Bogdanka” S.A. apply a residual interest rate, i.e. a rate that ENEA S.A. would be required to pay based on a similar lease or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral. ENEA S.A. uses an interest rate equal to 6-month WIBOR from the last day of the year preceding the financial year, plus margin. The other companies use an interest rate equal to 1-month WIBOR from the last day of the year preceding the financial year, plus margin. The discount rate is analysed and updated every year. In the case of sub-leases, lessees at ENEA Group use the lessor's discount rate.

The Group sets the lease term, i.e. irrevocable lease term, together with:

a) term for an option to extend the lease if the Group is sufficiently certain that it will exercise this right; and
b) term for an option to terminate the lease if the Group is sufficiently certain that it will not exercise that right.

In most of its leases, the Group uses a lease period in accordance with the contractual period. For contracts executed for an indefinite period, the Group determines the minimum contractual term for both of the parties. If the Group is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an indefinite period, the Group assumes that the irrevocable contractual period will be the termination period for that lease.

In the case of rights to perpetual usufruct of land, the lease term is the same as the term for the right to perpetual usufruct.

In subsequent periods, the lease liability is measured taking into account:

a) interest charged (unwind of discount),
b) lease payments made,
c) reflection of the re-evaluation of contract, changes in the contract or changes in the nature of variable payments that are fixed in substance.

The liability in a given period will constitute the difference between the present value of lease payments and the sum of lease payments for the given period. The interest part of a lease payment is directly recognised in the statement of profit and loss.

For multi-element contracts, the Group recognises lease components separately from non-lease components. The Group allocates contractual remuneration to all components, using individual sales prices in the case of lease components and aggregated individual sales prices in the case of non-lease components.

The Group applies a practical expedient and does not apply the lease model in reference to:

a) short-term leases (contracts with a term of up to 12 months and without the right to purchase the asset),
b) the leasing of low-value assets, the initial value of which does not exceed PLN 10 thousand (even if the value of such assets is significant after aggregation) and assets that are not largely depended on or tied to other assets specified in the contract.

This exemption does not apply in situations where the Group transfers the asset under a sub-lease or expects to transfers it. If the Group decides to use this expedient, it recognises lease payments as cost on a straight-line basis throughout the lease term.

From 1 January 2019, rights to the perpetual usufruct of land are recognised as right-of-use assets and are subject to amortisation.

Significant judgements and estimates

Discount rate

The way in which the discount rate is determined is described above in accounting rules.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Right-of-use assets

For the financial year ended 31 December 2021:

	Right to perpetual usufruct of land	Buildings	Technical equipment and machinery	Means of transport	Right to establish easement	Right-of-use assets concerning underground parts of land	Other	Total
Gross value								
As at January 2021	**358 671**	**22 361**	**438**	**23 071**	**108 635**	**319 096**	**4 665**	**836 937**
Purchase*	1 051	26 476	3 719	4 801	11 561	28 787	1 317	77 712
Received free-of-charge	–	–	–	–	35	–	–	35
Sale	(23)	–	–	–	–	–	–	(23)
Transferred under a finance sub-lease	–	(36)	–	–	–	–	–	(36)
Liquidation	(3 242)	(9 070)	–	(4 840)	–	(1 972)	(39)	(19 163)
Transfer to investment properties	–	–	–	(857)	–	–	–	(857)
Other	8 903	1 211	2	22	(16)	(1 180)	377	9 319
As at 31 December 2021	**365 360**	**40 942**	**4 159**	**22 197**	**120 215**	**344 731**	**6 320**	**903 924**
Accumulated depreciation								
As at January 2021	**(18 524)**	**(10 791)**	**(45)**	**(11 300)**	**(14 860)**	**(27 039)**	**(283)**	**(82 842)**
Sale	8	–	–	–	–	–	–	8
Depreciation	(5 275)	(7 213)	(24)	(4 945)	(3 809)	(15 816)	(435)	(37 517)
Liquidation	23	8 303	–	4 890	–	1 040	10	14 266
Other	2	1	–	133	–	–	–	136
As at 31 December 2021	**(23 766)**	**(9 700)**	**(69)**	**(11 222)**	**(18 669)**	**(41 815)**	**(708)**	**(105 949)**
Impairment								
As at January 2021	**(23 609)**	**–**	**–**	**(292)**	**(116)**	**–**	**–**	**(24 017)**
Decreases	–	–	–	129	–	–	12	141
Increases	–	–	–	–	–	–	–	–
As at 31 December 2021	**(23 609)**	**–**	**–**	**(163)**	**(116)**	**–**	**12**	**(23 876)**
Net value at 1 January 2021	**316 538**	**11 570**	**393**	**11 479**	**93 659**	**292 057**	**4 382**	**730 078**
Net value at 31 December 2021	**317 985**	**31 242**	**4 090**	**10 812**	**101 430**	**302 916**	**5 624**	**774 099**

* conclusion of new contracts

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

For the financial year ended 31 December 2020:

	Right to perpetual usufruct of land	Buildings	Technical equipment and machinery	Means of transport	Right to establish easement	Right-of-use assets concerning underground parts of land	Other	Total
Gross value								
As at 1 January 2020	**352 276**	**15 483**	**611**	**15 080**	**98 550**	**300 544**	**–**	**782 544**
Purchase	1 199	2 949	–	10 954	104	–	213	15 419
Received free-of-charge	3 565	5 001	–	–	9 959	18 873	4 591	41 989
Liquidation	(1 304)	(1 079)	–	(2 793)	–	(219)	(116)	(5 511)
Other	2 935	7	(173)	(170)	22	(102)	(23)	2 496
As at 31 December 2020	**358 671**	**22 361**	**438**	**23 071**	**108 635**	**319 096**	**4 665**	**836 937**
Accumulated depreciation								
As at 1 January 2020	**(13 192)**	**(5 026)**	**(14)**	**(9 021)**	**(11 244)**	**(12 022)**	**–**	**(50 519)**
Depreciation	(5 382)	(5 845)	(29)	(5 012)	(3 625)	(15 034)	(283)	(35 210)
Liquidation	52	80	–	2 706	–	17	–	2 855
Other	(2)	–	(2)	27	9	–	–	32
As at 31 December 2020	**(18 524)**	**(10 791)**	**(45)**	**(11 300)**	**(14 860)**	**(27 039)**	**(283)**	**(82 842)**
Impairment								
As at 1 January 2020	**(11 978)**	**–**	**–**	**–**	**(99)**	**–**	**–**	**(12 077)**
Decreases	76	–	–	–	90	–	–	166
Increases	(11 707)	–	–	(292)	(107)	–	–	(12 106)
As at 31 December 2020	**(23 609)**	**–**	**–**	**(292)**	**(116)**	**–**	**–**	**(24 017)**
Net value at 1 January 2020	**327 106**	**10 457**	**597**	**6 059**	**87 207**	**288 522**	**–**	**719 948**
Net value at 31 December 2020	**316 538**	**11 570**	**393**	**11 479**	**93 659**	**292 057**	**4 382**	**730 078**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

17. Investment properties

Accounting rules

Investment properties are maintained in order to generate income from rent, growth in value or both. The Group selected the purchase price model at initial recognition.

Investments in properties are amortised on a straight-line basis. Amortisation begins in the month following the month in which the investment in property is accepted for use.

Income from renting investment properties is recognised in profit or loss on a straight-line basis throughout the contract term.

Significant judgements and estimates

Key assumptions regarding verifying the economic life of investment properties are described in an explanatory note concerning property, plant and equipment (note 14), and key assumptions concerning impairment are described in a note in the section of these financial statements relating to the impairment of non-financial assets.

Investment properties

	As at	
	31 December 2021	31 December 2020
Gross value		
As at 1 January	**30 982**	**33 682**
Purchase	42	77
Liquidation	(20)	(2 777)
As at 31 December	**31 004**	**30 982**
Accumulated depreciation		
As at 1 January	**(8 154)**	**(9 892)**
Depreciation	(977)	(1 009)
Liquidation	3	2 776
Other	-	(29)
As at 31 December	**(9 128)**	**(8 154)**
Impairment		
As at 1 January	**(1 589)**	**(681)**
Decreases	-	5
Increases	(5)	(913)
As at 31 December	**(1 594)**	**(1 589)**
Net value		
Net value at 1 January	**21 239**	**23 109**
Net value at 31 December	**20 282**	**21 239**

No collateral was established on investment properties.

Presented below are revenue and costs related to investment properties:

	Year ended	
	31 December 2021	31 December 2020
Income from investment properties	2 366	2 520
Operating costs related to income-generating investment properties	(2 998)	(4 544)

The Group classifies office buildings and other premises as investment properties.

The ENEA S.A. headquarters was the most valuable investment property recognised in the books at PLN 7 490 thousand net. The Group estimates that the fair value is close to the value recognised in the books.

18. Investments in associates and jointly controlled entities

Accounting rules

Accounting rules concerning investments in subsidiaries, associates and jointly controlled entities are presented in note entitled Group composition and consolidation rules (note 2).

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The following table shows key financial data concerning associates and jointly controlled entities consolidated using the equity approach:

As at 31 December 2021	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
Stake	**50.00%**	**16.40%**	**7.66%**		
Current assets	26 136	1 544 255	2 029 214		3 599 605
Non-current assets	65 553	672 343	8 232 241		8 970 137
Total assets	**91 689**	**2 216 598**	**10 261 455**	**–**	**12 569 742**
Current liabilities	573 465	1 155 998	7 752 847		9 482 310
Non-current liabilities	–	275 695	2 802 195		3 077 890
Total liabilities	**573 465**	**1 431 693**	**10 555 042**	**–**	**12 560 200**
Net assets	**(481 776)**	**784 905**	**(293 587)**	**–**	**9 542**
Share in net assets	**–**	**128 724**	**–**	**–**	**128 724**
Goodwill	7 080	15 954	52 697	–	75 731
Impairment of goodwill	(7 080)	–	(52 697)	–	(59 777)
Elimination of unrealised gains/losses	–	(6 797)	–	–	(6 797)
Book value of equity-accounted investments at 31 December 2021	**–**	**137 881**	**–**	**–**	**137 881**
Revenue	869 366	2 225 003	7 347 170		10 441 539
Net result	297 267	101 520	(762 084)		(363 297)
Elimination of unrealised gains/losses	–	(6 797)	–	–	(6 797)
Share of profit of associates and jointly controlled entities	**–**	**17 252**	**–**	**(398)**	**16 854**

The Group made a consolidation adjustment concerning margins on sales in transactions between the Group and Polimex - Mostostal S.A. ElectroMobility Poland S.A. shares were reclassified into the item: Financial assets measured at fair value. A detailed description is presented in note 2.

In the item: Share of the results of associates and jointly-controlled entities a provision for future investment commitments toward Elektrownia Ostrołęka Sp. z o.o. of PLN 175 707 thousand is presented.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

As at 31 December 2020	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Polska Grupa Górnicza S.A.	ElectroMobility Poland S.A.	Total
Stake	**50.00%**	**16.48%**	**7.66%**	**25.00%**	
Current assets	38 172	1 390 029	1 799 476	17 537	3 245 214
Non-current assets	95 229	673 930	9 080 500	39 274	9 888 933
Total assets	**133 401**	**2 063 959**	**10 879 976**	**56 811**	**13 134 147**
Current liabilities	912 443	1 175 007	6 568 576	2 901	8 658 927
Non-current liabilities	–	213 913	2 733 135	17	2 947 065
Total liabilities	**912 443**	**1 388 920**	**9 301 711**	**2 918**	**11 605 992**
Net assets	**(779 042)**	**675 039**	**1 578 265**	**53 893**	**1 528 155**
Share in net assets	**–**	**111 246**	**120 895**	**13 473**	**245 614**
Goodwill	7 080	15 954	52 697	–	75 731
Impairment of goodwill	(7 080)	–	(52 697)	–	(59 777)
Impairment of investments	–	–	(129 208)	–	(129 208)
Elimination of unrealised gains/losses	–	(7 026)	8 313	–	1 287
Book value of equity-accounted investments at 31 December 2020	**–**	**120 174**	**–**	**13 473**	**133 647**
Revenue	32 562	1 500 978	7 271 145	483	8 805 168
Net result	(625 208)	94 309	(1 751 246)	(3 762)	(2 285 907)
Elimination of unrealised gains/losses	–	(7 026)	8 313	–	1 287
Share of profit of associates and jointly controlled entities	**–**	**15 683**	**(125 213)**	**(631)**	**(110 161)**
Impairment of investments in jointly controlled entities	**–**	**–**	**(129 208)**	**–**	**(129 208)**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Change in investments in subsidiaries, associates and jointly controlled entities

	As at	
	31 December 2021	31 December 2020
As at 1 January	**133 647**	**373 016**
Change in the change in net assets	16 854	(110 161)
Impairment of investments in jointly controlled entities	–	(129 208)
Purchase of investments	848	–
Sale of investments	(393)	–
Reclassification to financial assets at fair value	(13 075)	–
As at 31 December	**137 881**	**133 647**

Implementation of project to build Elektrownia Ostrołęka C

At 31 December 2021, ENEA S.A. held 9 124 821 shares of Elektrownia Ostrołęka Sp. z o.o., with a nominal value of PLN 50 each and total nominal value of PLN 456 241 thousand.

On 13 February 2020, ENEA S.A. executed an agreement with ENERGA S.A. suspending financing by ENERGA S.A. and ENEA S.A. for the project to build Elektrownia Ostrołęka C. In the agreement, ENEA S.A. and ENERGA S.A. undertook to carry out analyses, especially concerning the project's technical, technological, economic and organisational parameters and further financing.

ENERGA S.A. and ENEA S.A. assumed that suspending financing for the project would result in the company having to suspend its contract executed on 12 July 2018 to build Elektrownia Ostrołęka C with capacity of approx. 1000 MW, along with a contract to convert rail infrastructure for Elektrownia Ostrołęka C of 4 October 2019.

On 14 February 2020, Elektrownia Ostrołęka Sp. z o.o. issued to the General Contractor for the contract to build Elektrownia Ostrołęka C with capacity of approx. 1000 MW of 12 July 2018 a notice to suspend all works related to that contract, effective 14 February 2020.

As part of the analytical work performed under the agreement, ENEA S.A. and ENERGA S.A. worked on updating business and technical assumptions as well as assumptions concerning the financing structure within the financial model. On ENERGA S.A.'s part, the results of this work were provided to Elektrownia Ostrołęka Sp. z o.o. on 14 May 2020, when the company received calculations concerning the Project's profitability in the coal fuel variant. These results were used by the company to perform a CGU test. The CGU test carried out at Elektrownia Ostrołęka Sp. z o.o. shows that completing the Project would generate a negative value, meaning that continuing the Project would be unjustified.

On 19 May 2020, ENEA S.A. received an electronic copy of Resolution no. 39/2020 of the Management Board of Elektrownia Ostrołęka Sp. z o.o. of 19 May 2020 regarding recognition of impairment losses on the book value of the Company's assets. As a result of an impairment test on non-current assets performed at Elektrownia Ostrołęka Sp. z o.o., which followed an update of business assumptions by Elektrownia Ostrołęka Sp. z o.o. regarding the construction of power plant Ostrołęka C based on coal technology, the Group's consolidated financial statements for 2019 include ENEA S.A.'s share of the net loss generated by Elektrownia Ostrołęka Sp. z o.o. Given the fact that it was higher than the value of the stake in this company, it was reduced to zero. Also as of 31 December 2021, ENEA S.A.'s stake in Elektrownia Ostrołęka Sp. z o.o. was worth PLN 0.

On 2 June 2020 the Management Board of ENEA S.A. accepted a final report on analyses conducted in collaboration with ENERGA S.A. regarding the project's technical, technological, economic, organisational and legal aspects and further financing. Conclusions from these analyses do not justify continuing the project in its existing form, i.e. the construction of a power plant generating electricity in a process of hard coal combustion. This evaluation was driven by the following:

1) regulatory changes at the EU level and the credit policy of certain financial institutions, which show that there is far greater access to financing for energy projects based on gas than coal;
   and
2) the acquisition of control over Energa by PKN Orlen S.A., the strategy of which does not include investments in electricity generation based on coal combustion.

At the same time, technical analysis confirmed the viability of a variant in which the power plant would use gas ("Gas Project") at the current location of the coal-unit being built. As a result of the above, ENEA S.A.'s Management Board decided to continue building a generating asset in Ostrołęka and change the fuel source from coal to gas.

On 2 June 2020, a three-party agreement was executed between ENEA S.A., ENERGA S.A. and PKN Orlen S.A., spelling out the following key cooperation rules for the Gas Project:

- subject to the reservations expressed below, continue cooperation between ENEA S.A. and ENERGA S.A. via the existing special-purpose vehicle, i.e. Elektrownia Ostrołęka Sp. z o.o., and settle costs related to the Project between ENEA S.A. and ENERGA S.A., along with settlements with Project contractors, in accordance with the existing rules,
- take into account PKN Orlen S.A.'s potential role in the Gas Project as a new shareholder,
- ENEA S.A.'s participation in the Gas Project as a minority shareholder with an investment cap, as a result of which the Company will not be an entity co-controlling Elektrownia Ostrołęka Sp. z o.o.,

- subject to the essential corporate approvals, execute a new shareholders agreement regarding the Gas Project that incorporates the aforementioned cooperation rules,
- undertake activities intended to secure financing for the Gas Project by ENERGA S.A. together with PKN Orlen S.A.

From 2 June 2020, the parties to this agreement had been holding talks regarding a new investment agreement specifying rules for the further implementation of the Gas Project, including investment by each of the parties. At the same time, ENEA S.A. on its own evaluated the prospect of participating in the project.

On 22 December 2020, the Supervisory Board of ENEA S.A., at the request of the Management Board of ENEA S.A., expressed consent for the following:

- execution of an agreement with ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. regarding cooperation on the division of Elektrownia Ostrołęka Sp. z o.o.,
- execution of an agreement with ENERGA S.A. regarding cooperation on settling the Elektrownia Ostrołęka C construction investment.

Also signed on that day were:

- an agreement between ENEA S.A., ENERGA S.A. and Elektrownia Ostrołęka Sp. z o.o. regarding cooperation on the division of Elektrownia Ostrołęka Sp. z o.o. (Division Agreement),
- an agreement between the Company and ENERGA S.A. regarding cooperation on settling the coal unit construction project as part of Project Ostrołęka C (Settlement Agreement, Coal Project).

In view of the above, ENEA S.A. and the other parties involved in Project Ostrołęka C have agreed that a part of enterprise related to the gas project will be carved out from Project Ostrołęka C (including in accounting and organisational terms). In connection with ENEA S.A.'s withdrawal from its investment in the construction of a gas unit as part of Project Ostrołęka C, from the date of the carve-out investment costs related to settling the gas project will not be borne by ENEA S.A.

Both of the agreements include a statement by ENEA S.A. on withdrawal from further participation in the Gas Project. The reasons for withdrawing from further investment in the construction of the gas unit are especially related to ENEA Group's intention to intensify investing activity in the area of renewable energy sources as well as to invest in the conversion of coal-based sources to gas-based across ENEA S.A.'s existing generating assets that are fully owned by ENEA S.A.

Reaching these agreements also serves to confirm that in light of ENEA S.A.'s withdrawal from the Gas Project the remaining parties will not be seeking any claims from ENEA S.A. based on this decision.

In accordance with the Division Agreement, Elektrownia Ostrołęka Sp. z o.o. would be divided through a spin-off (in the meaning of the Polish Commercial Companies Code) of the assets and liabilities (rights and obligations) and other elements that comprise the Gas Project.

The Settlement Agreement is essential to the performance of the Division Agreement, which requires cooperation by the shareholders of Elektrownia Ostrołęka Sp. z o.o., including the settlement of costs related to the Coal Project. In accordance with the Settlement Agreement, costs related to the Coal Project will be settled based on the existing arrangements between the company and ENERGA S.A. and ENEA S.A.

On 31 December 2020, in accordance with the Settlement Agreement (which amended the loan agreement of 23 December 2019 in this regard), ENEA S.A. bought from ENERGA S.A. half of ENERGA S.A.'s receivables due from Elektrownia Ostrołęka Sp. z o.o. for a price equal to the nominal value of the receivables being sold, i.e. PLN 170 000 thousand, plus interest accrued from 31 December 2020, amounting to PLN 11 617 thousand.

Impairment of loans issued to Elektrownia Ostrołęka Sp. z o.o. as at 31 December 2021 amounted to PLN 225 610 thousand, together with interest (the value of these loans was written off to zero).

On 26 February 2021 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 1 to the PLN 340 million loan agreement of 23 December 2019 and Annex 6 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of the aforementioned annexes, Elektrownia Ostrołęka Sp. z o.o. undertook to make a one-off loan repayment to ENEA S.A. of PLN 170 million and PLN 29 million, respectively, together with interest, by 30 June 2021. Next, on 30 June 2021, ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 2 to the PLN 340 million loan agreement of 23 December 2019 and Annex 7 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of the aforementioned annexes, Elektrownia Ostrołęka Sp. z o.o. undertook to make a one-off loan repayment to ENEA S.A. of PLN 170 million and PLN 29 million, respectively, together with interest, by 30 September 2021. On 30 September 2021 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 3 to the PLN 340 million loan agreement of 23 December 2019 and Annex 8 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of these annexes, the deadline for the one-off repayment by Elektrownia Ostrołęka Sp. z o.o. of the loans along with interest was prolonged to 29 October 2021. 29 October 2021 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 4 to the PLN 340 million loan agreement of 23 December 2019 and Annex 9 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of these annexes, the deadline for the one-off repayment by Elektrownia Ostrołęka Sp. z o.o. of the loans along with interest was extended to 29 April 2022.

On 25 June 2021, Elektrownia Ostrołęka Sp. z o.o. as vendor and CCGT Ostrołęka Sp. z o.o. as buyer (a wholly-owned subsidiary of ENERGA S.A.) signed a sale agreement and associated agreements regarding an SPV (excluding certain assets) intended (and used as such) to implement economic tasks covering the construction of a gas-fired power generating unit in Ostrołęka and the subsequent operation of this unit (Gas Plant). The business being sold includes generally all of the SPV's asset and non-asset components in use as of the transaction date in connection with preparations to begin an investment process consisting of the construction of the Gas Plant. The transaction is intended to facilitate the implementation of a gas project by CCGT Ostrołęka Sp. z o.o. as a company that will replace Elektrownia Ostrołęka Sp. z o.o. in implementing the investment in Ostrołęka. The sale price for the business being sold (transaction value) is currently estimated at approx. PLN 166 million. The price is set on a preliminary basis as additional considerations will apply in determining the final price.

On 25 June 2021, Elektrownia Ostrołęka Sp. z o.o. and CCGT Ostrołęka Sp. z o.o. on the one hand and GE Power sp. z o.o., based in Warsaw, GE Steam Power Systems S.A.S. (former name: ALSTOM Power Systems S.A.S.), based in Boulogne-Billancourt, France (Coal Project Contractor), and General Electric Global Services, GmbH, based in Baden, Switzerland (together with GE Power sp. z o.o. - Gas Project Contractor) on the other hand signed a Contract Change Document concerning the contract of 21 July 2018 to build unit C at Elektrownia Ostrołęka, with a capacity of 1000 MW, and an Agreement on the settlement of the Coal Project. The Contract Change Document is structured in a way that facilitates implementation of the Gas Project by CCGT Ostrołęka Sp. z o.o. as a company that will replace Elektrownia Ostrołęka Sp. z o.o. in implementing the investment in Ostrołęka, which is related, inter alia, to the fact that ENEA S.A. has confirmed its withdrawal from participating in the Gas Project. The agreement concerning the Coal Project settlement regulates the rights and obligations of Elektrownia Ostrołęka Sp. z o.o. and the Coal Project Contractor mainly in connection with the settlement of construction work completed by the Coal Project Contractor until the contract was suspended, maintenance and security activities during Contract suspension and work related to finishing the work dedicated to implementing the Coal Project. Under this agreement, the Coal Project was supposed to be settled by the end of 2021, and the entire amount that Elektrownia Ostrołęka Sp. z o.o. will be obligate to pay to the Coal Project Contractor, taking into account expenditures incurred thus far, will not exceed PLN 1.35 billion (net).

On 22 December 2021 Elektrownia Ostrołęka Sp. z o.o. executed an annex to this agreement with the Coal Project Contractor. The annex extends the settlement deadline to 25 March 2022 and results from a verified mechanism for settling the Coal Project. The entire amount that Elektrownia Ostrołęka Sp. z o.o. will be obligated to pay to the Coal Project Contractor will not change and will not exceed PLN 1.35 billion (net).

In connection with these agreements being signed and based on the status of settlements between Elektrownia Ostrołęka Sp. z o.o. and the Coal Project Contractor, a provision for future investment liabilities toward Elektrownia Ostrołęka Sp. z o.o. and ENERGA S.A., initially amounting to PLN 222 200 thousand, was partially released in these consolidated financial statements, with the amount released being PLN 175 707 thousand. This amount was recognised in the consolidated statement of comprehensive income in the item "Share of the results of associates and jointly-controlled entities." The provision amounted to PLN 46 493 thousand as of 31 December 2021, which is the best possible estimate in connection with uncertainty related to final settlement amounts.

ENEA S.A.'s commitment to provide funding for Elektrownia Ostrołęka Sp. z o.o. resulting from the existing agreements (especially the agreements dated 28 December 2018 and 30 April 2019 and the Settlement Agreement) that is still outstanding amounts to PLN 620 million. ENEA S.A. does not have sufficient information on any potential additional contributions or their potential deadlines, aside from those above.

On 31 January 2022 Elektrownia Ostrołęka Sp. z o.o. terminated an agreement implementing the capacity obligation contracted by the company as a result of a capacity market auction for 2023. The agreement was terminated due to the supply source being changed from coal to gas in the project to build and operate a new power plant in Ostrołęka.

19. CO_2 emission allowances

Accounting rules

The Group purchases CO_2 emission allowances for own purposes. CO_2 emission allowances received for free under the National Allowance Allocation Plan and additional CO_2 emission allowances purchased for redemption, i.e. to comply with the obligation to settle CO_2 emissions, are recognised in a separate item of assets. Emission allowances received for free under the National Allowance Allocation Plan are recognised at zero value.

CO_2 emission allowances received for free for a given financial year that are not allocated to the Group's allowance registry and the precise quantity of which is unknown are recognised if they meet the definition of assets. In this case, the Company's Management Board specifies the most reliable quantity of CO_2 emissions that the Group would receive, which is then recognised in the statement of financial position at nominal value, i.e. zero. Recognition takes place at the date on which the planned quantity of CO_2 emission allowances is approved. It is permissible to adjust the estimated quantity of CO_2 emission allowances recognised in the registry as at the reporting date using more recent information received by the Group from personnel responsible for implementing investments notified to the National Investment Plan. Additional CO_2 emission allowances purchased for redemption are recognised at purchase price less impairment.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

A registry for CO_2 emission allowances is maintained separately for each installation in the following groups of rights:
a) CER green
b) EUA free and purchased

The weighted average purchase price approach is applied to the above groups.

When CO_2 emission allowances are actually granted, which were initially recognised based on an estimate, their number is prospectively adjusted in compliance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

If the actual number of CO_2 emission allowances granted for a given reporting period is specified in the next reporting period, the difference (excess/shortage) between the estimate and the actual number of allowances for the given reporting period should be recognised as an adjustment of allowances granted for the next reporting period.

Due to CO_2 emissions, which accompany the electricity generation process, the Group is required to settle such emissions by presenting a specific quantity of CO_2 emission allowances for redemption. The costs of compliance with the above obligation are recognised in accounting books systematically over an annual reporting period in the form of a provision for estimated CO_2 emissions for each installation proportionally to the actual and planned electricity production, and are recognised as cost of core activity.

Redemption of allowances is recognised in allowance groups:
a) CER green
b) EUA free and purchased,
using the weighted average purchase price approach.

Revenue from sale and the value of sold CO_2 emission allowances sold are recognised in operating revenue or costs, respectively.

Significant judgements and estimates

Determining the impairment of CO_2 emission allowances requires net realisable values to be estimated based on the most up-to-date sales prices at the time when these estimates are made.

CO_2 emission allowances

	As at	
	31 December 2021	31 December 2020
Gross value		
As at 1 January	**2 529 059**	**1 375 128**
Purchase	2 256 786	2 436 061
Depreciation	(1 925 867)	(1 282 117)
Other changes	-	(13)
As at 31 December	**2 859 978**	**2 529 059**
Net book value		
As at 1 January	**2 529 059**	**1 375 128**
As at 31 December	**2 859 978**	**2 529 059**

20. Inventories

Accounting rules

Components of inventory are measured at the purchase price, which includes the purchase price plus costs, especially the cost to transport it to storage or the cost to manufacture, not exceeding the net sales price less impairment of inventory.

The distribution of inventory is established as follows:

- using the weighted average purchase price approach,
- using specific identification of actual costs,

The Group's inventory includes energy origin certificates purchased for redemption, for further sale and those produced internally.

Energy origin certificates - these are confirmations that energy is produced from renewable energy sources (energy from wind, water, sun, biomass, etc. - green certificates, energy from agriculture biogas - blue certificates). They are issued by the URE President at the request of an energy enterprise that produces energy from renewable sources and in cogeneration.

Energy efficiency certificates, i.e. white certificates, serve as confirmation for declared energy savings resulting from activities intended to improve energy efficiency in three areas: increase energy savings by end customers, increase energy savings for own purposes and reduce losses of electricity, heat or natural gas in transmission and distribution. The URE Presidents conducts tenders for white certificates in these categories. They are issued by the URE President at the request of the tender winner.

Property rights arising from energy origin certificates and energy efficiency certificates arise when energy origin certificates and energy efficiency certificates are entered into registers maintained by Towarowa Giełda Energii S.A. (TGE S.A.). These rights are disposable and constitute an exchange-traded commodity. These rights are transferred when an appropriate entry is made in the energy origin certificate register or energy efficiency certificate register. Property rights expire when they are redeemed.

Purchased origin certificates are measured at the purchase price, less any impairment.

Origin certificates for energy produced internally are recognised when such energy is produced (or as of the date on which award of such certificates became likely), unless there is justified uncertainty as to their award by the URE President. Origin certificates for energy produced internally are measured as follows:

- in accordance with the rules for determining certificate sales prices resulting from contracts executed by the Group - this applies to certificates that are covered by contracts,
- based on market quotes for certificates from the last day of the month in which the relevant energy volumes were generated - this applies to other certificates that are not covered by sales contracts executed by the Group,
- in an amount resulting from the substitute fees for certificates that are not quoted on the market.

In a situation where the value of origin certificates recognised in records that are not covered by contracts is higher than the value determined using market prices as of the balance sheet date, the Group recognises an impairment loss on these certificates to their market value.

In accordance with the Energy Law and the Act on Energy Efficiency, an energy enterprise involved in trade of energy and sales of energy to end customers is required to:

a) obtain energy origin certificates and energy efficiency certificates and submit them to the URE President for redemption or
b) pay substitute fees.

The Group is required to obtain and present for redemption the following:

a) energy origin certificates corresponding to the quantities specified in the Energy Law, as a percent of total energy sales to end customers,
b) energy efficiency certificates in quantities expressed in tonnes of oil equivalent (toe), no larger than 3% of division of the amount of revenue from electricity sales to end customers in a given year in which this obligation is performed by the unit substitute fee; the amount of revenue from sale of electricity to end customers generated in a given settlement year is reduced by the amounts and costs referred to in art. 12 sec. 4 of the Act on Energy Efficiency; the size of the obligation in specific settlement years is specified in regulations to the Act on Energy Efficiency.

The deadlines for performing the obligation to redeem energy origin certificates and energy efficiency certificates or paying substitute fees for each year are governed by the provisions of law in force.

The Group submits to the URE President energy origin certificates and energy efficiency certificates for redemption in monthly cycles in order to perform its obligation for the given year. In accounting books, redemptions of energy origin certificates and energy efficiency certificates are recognised as costs based on a decision from the URE President concerning redemption, using the specific identification method or the weighted average purchase price method.

If at the balance sheet date there is an insufficient quantity of certificates required to perform the obligations imposed by the Energy Law and the Act on Energy Efficiency, the Group creates provisions for redemption of energy origin certificates and energy efficiency certificates or payment of substitute fees.

Significant judgements and estimates

Determining impairment of inventory requires net realisable values to be estimated based on the most up-to-date sales prices at the time when these estimates are made.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Inventories

	Year ended 31 December 2021	31 December 2020
Materials	708 228	785 407
Semi-finished products and production in progress	648	1 237
Finished products	9 256	28 144
Energy origin certificates	421 765	350 664
Goods	18 176	10 230
Gross value of inventory	**1 158 073**	**1 175 682**
Impairment of inventory	(42 153)	(45 707)
Net value of inventory	**1 115 920**	**1 129 975**

The Group mines coal, which is then partially used in production and partially sold outside the Group. It is not possible to reliably specify which part of coal is sold, therefore the entire inventory is presented in the above table as 'Materials'.

In the 12 months of 2021, impairment of inventory decreased by PLN 3 554 thousand on a net basis (in the 12 months of 2020 impairment of inventory decreased by PLN 13 133 thousand on a net basis).

No collateral is established on inventory.

21. Energy origin certificates

Accounting rules

Accounting rules are presented in note Inventory (note 20).

Significant judgements and estimates

Significant judgements and estimates are presented in note Inventory (note 20).

Energy origin certificates

	As at 31 December 2021	31 December 2020
Net value at 1 January	**345 776**	**430 571**
Internal manufacture	421 439	282 693
Purchase	73 498	130 752
Depreciation	(391 371)	(491 718)
Sale	(32 466)	(7 788)
Change in impairment	(739)	1 266
Net value at 31 December	**416 137**	**345 776**

22. Trade and other receivables

Accounting rules

Trade and other receivables

Trade receivables are initially recognised at the transaction price and subsequently measured at amortised cost using effective interest rates, less impairment. If there is no difference between the initial value and the amount (amounts) at maturity (maturities) (payment), interest charged using the effective rate does not apply.

Impairment of receivables is determined on the basis of expected credit losses. Expected credit losses take into account the counterparty's previous default events as well as potential estimated credit losses. An impairment loss is recognised as cost in the statement of comprehensive income at the end of each reporting period.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Significant judgements and estimates

Impairment of trade and other receivables

Impairment of receivables is determined on the basis of expected credit losses. Expected credit losses take into account previous counterparty default events as well as potential estimated credit losses (note 38.1), Potential credit losses are estimated taking into account the type, age, and stage of recovery, with the following stages used: current receivable, overdue receivable prior to court, receivable in court or enforcement proceeding, receivable in bankruptcy or court arrangement. Receivables are written off as costs based on existing internal regulations, taking into account provisions of the Act on corporate income tax.

Trade and other receivables

	As at 31 December 2021	As at 31 December 2020
Current trade and other receivables		
Trade receivables	1 999 479	1 434 284
Tax (excluding income tax) and other benefit receivables	270 360	218 734
Hedge deposits for futures transactions to purchase CO_2 emission allowances	684 270	285 137
Other receivables	469 829	325 204
Advances	4 098	3 082
Prepaid property insurance	13 070	5 345
Current trade and other receivables gross	**3 441 106**	**2 271 786**
Minus: impairment of receivables	(128 534)	(139 595)
Net current trade and other receivables	**3 312 572**	**2 132 191**
Non-current trade and other receivables		
Trade receivables	4 172	3 594
Collateral for futures transactions to purchase CO_2 emission allowances	67 224	65 142
Other receivables	3 038	3 645
Non-current trade and other receivables gross	**74 434**	**72 381**
Minus: impairment of receivables	-	-
Net non-current trade and other receivables	**74 434**	**72 381**

Impairment losses are mainly recognised on trade receivables.

23. Group as finance or operating lessor / sublessor

Accounting rules

As lessor, the Group classifies leases as finance leases or operating leases.

The Group recognises operating lease revenue on a straight-line basis throughout the lease term.

In a finance lease, the Group (as lessor) ceases to recognise the leased asset as property, plant and equipment and recognises finance lease receivables in an amount equal to the net lease investment. The recognition of finance income reflects a fixed periodic rate of return in the net lease investment by the lessor as part of a finance lease. Lease payments for a given reporting period decrease the gross lease investment, reducing both the principal receivable and the amount of unrealised finance income.

As an indirect lessor, the Group recognises the main lease contract and the sub-lease contract as two separate contracts. The measurement of the head lease, i.e. measurement of the right-of-use assets and the lease liability, is in accordance with the measurement methodology for standard leases. The Group (indirect lessor) classifies a sublease as a finance lease or an operating lease in reference to the right-of-use resulting from the head lease.

Subleases the term of which constitutes a major part of the head lease term are classified as finance leases. Otherwise, the sublease is an operating lease.

The Group (indirect lessor) throughout the term of the sublease recognises both interest income from the sublease and interest costs on the head lease, which are presented separately.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The Group (indirect lessor) recognises sublease receivables in an amount equal to the sum of minimum lease payments due to the sublessor resulting from a finance sublease, discounted using the sublease interest rate. Based on the adopted interest rate, the fixed lease payment resulting from the contract is split into principal and interest. The principal portion reduces the amount of sublease receivable, while the interest portion is recognised in profit or loss.

When the Group executes a sublease contract that is an operating lease, the Group (indirect lessor) continues to recognise in the statement of financial position a lease liability and right-of-use assets.

As lessor, the Group does not have the option to use a practical expedient in the form of separating lease and non-lease components. The Group must allocate the total contractual consideration to lease and non-lease components based on the unit sale prices for specific components. Unit sale prices may be derived from price lists based on which the Group prepares its offerings. IFRS 15 *Revenue from Contracts with Customers* applies to non-lease components.

General information on the Group as lessor

The Group is lessor in leases for event illuminations and also acts as lessor in operating leases for commercial facilities and land.

23.1. Group as finance lessor / sublessor

Reconciling undiscounted contract lease payments with net lease investment

	As at 31 December 2021	31 December 2020
Undiscounted contract lease payments	**2 180**	**2 215**
Unrealised finance income (discount effect)	(697)	(727)
Discounted contract lease payments (net lease investment)	**1 483**	**1 488**

Undiscounted contract payments on finance leases (this division applies to the period left until contract expiry)

	As at 31 December 2021	31 December 2020
Under one year	1 398	1 532
From one to five years	782	683
Value of undiscounted contract payments on finance leases	**2 180**	**2 215**

Income from finance leases

	Year ended 31 December 2021	31 December 2020
Interest income from finance leases	594	339

23.2. Group as operating lessor / sublessor

Undiscounted contract payments on operating leases (this division applies to the period left until contract expiry)

	As at 31 December 2021	31 December 2020
Under one year	2 606	2 249
From one to five years	557	429
Over five years	131	141
Value of undiscounted contract payments on operating leases	**3 294**	**2 819**

Income from operating leases

	Year ended 31 December 2021	31 December 2020
Income from operating leases	13 976	14 765

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

24. Assets and liabilities arising from contracts with customers

Accounting rules

In its statement of financial position, the Group recognises a contract asset that is the Group's right to remuneration in exchange for goods or services that the Group transfers to the customer. An asset is recognised if the Group satisfies its obligation by transferring goods or services to the customer before the customer pays or before the payment deadline.

In its statement of financial position, the Group recognises contract liabilities that are an obligation for the Group to provide goods or services to customers in exchange for which the Group has received remuneration (or upon which the amount of remuneration depends) from customers.

If the customer paid remuneration or the Group has the right to an unconditional amount of remuneration (i.e. a receivable), then prior to the transfer of goods or services to the customer the Group treats the contract as a contract liability when payment is made or becomes due (depending on which is sooner).

Significant judgements and estimates

Uninvoiced revenue from sales at the end of financial period

Unsettled energy sales values are estimated on the basis of estimated electricity consumption in the period from the most recent meter reading to the end of the financial year.

Assets and liabilities arising from contracts with customers

	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at 1 January 2020	**330 447**	**115 701**
Increase due to prepayments	–	150 064
Transfer from contract assets to receivables	(8 018)	–
Impairment	17	–
Liabilities resulting from sales adjustments	–	(8 303)
As at 31 December 2020	**322 446**	**257 462**
Change in balance due to prepayments	–	204 081
Impairment	54	–
Change in non-invoices receivables	90 408	–
Liabilities resulting from sales adjustments	–	(1 207)
As at 31 December 2021	**412 908**	**460 336**

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales, while the balance of liabilities arising from contracts with customers mainly covers advances received from connection fees.

25. Cash and cash equivalents

Accounting rules

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months.

Cash on hand is measured at nominal value on every balance sheet date. Cash in bank accounts, on-demand bank deposits, other highly liquid short-term investments with initial maturity of up to three months are measured at amortised cost on each balance sheet date (at nominal/initial value plus interest accrued until the balance sheet date, adjusted by expected credit losses).

Restricted cash, including cash serving as collateral for settlements with the clearing-house IRGiT, is included in cash and cash equivalents.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Significant judgements and estimates

Presentation of deposits at clearinghouse IRGiT

These are funds constituting collateral for settlements with the clearing-house IRGiT, and they are analysed in terms of the possibility to free them up without incurring a substantial loss.

Cash and cash equivalents

	As at 31 December 2021	As at 31 December 2020
Cash on hand and at bank account	**2 722 512**	**1 057 562**
- Cash on hand	43	33
- Cash at bank account	2 722 469	1 057 529
Other cash	**1 431 041**	**883 992**
- Cash in transit	11	-
- Deposits	995 380	510 237
- Other	435 650	373 755
Total cash and cash equivalents	**4 153 553**	**1 941 554**
Cash recognised in the statement of cash flows	**4 153 553**	**1 941 554**
including restricted cash	646 928	754 321

No collateral is established on cash. Other cash mainly includes cash in deposits for electricity and CO_2 emission allowance transactions (mainly cash constituting collateral for settlements with clearing-house IRGiT).

As at 31 December 2021, the Group's restricted cash amounted to PLN 646 928 thousand (as at 31 December 2020: PLN 754 321 thousand). This mainly included cash for deposits for electricity and CO_2 emission allowance transactions (mainly cash for collateral in settlements with clearinghouse IRGiT), funds in a VAT account (split payment), collateral paid to suppliers and cash withholding as collateral for proper performance of work.

26. Equity

Accounting rules

Share capital

The Group's share capital is the share capital of the parent entity, recognised in the amount specified and entered in the court register, adjusted appropriately by the effects of hyperinflation and accounting for the effects of divisions, mergers and acquisitions. A share capital increase that is paid up as of the end of the reporting period but is awaiting registration at the National Court Register is also presented as share capital.

Equity

As at 31 December 2021

Share series	Number of shares (in pcs)	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			**588 018**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

As at 31 December 2020

Share series	Number of shares (in pcs)	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**

Share capital (nominal amount)*	441 443
Capital from settlement of merger	38 810
Share capital from restatement of hyperinflation	107 765
Total share capital	**588 018**

**Share capital was fully paid-up.*

On 19 January 2022, the Management Board of ENEA S.A. adopted a resolution to initiate a process to raise the Company's share capital by an amount of not less than PLN 1.00 and not higher than PLN 88 289 thousand, i.e. to an amount not higher than PLN 529 731 thousand, through the issue of at least 1 and no more than 88 288 515 ordinary bearer shares series D, with a nominal value of PLN 1.00 each ("Series D Shares"), which will be addressed to investors meeting specific criteria, as set in the resolution regarding the share capital increase via the issue of Series D Shares, with the right of pre-emption to all Series D Shares being waved for all of the Company's existing shareholders. The issue will be a private subscription pursuant to art. 431 § 2 point 1 of the Polish Commercial Companies Code, conducted as a public offering exempted from the obligation to publish a prospectus in the meaning of the relevant laws or another information document. Given the above, on 19 January 2022 the Management Board called an Extraordinary General Meeting with the intention of adopting the resolution on a share capital increase via the Series D Share issue, with pre-emption rights waived entirely.

The newly-issued Series D Shares will constitute less than 20% of the Company's shares admitted to regulated-market trading. The objective of the Series D Share issue is to raise capital to finance investment projects in ENEA Group's Distribution Area (including the expansion and modernisation of high- and medium-voltage grids, installation of remote meters and grid connections for new customers), being implemented by ENEA Operator Sp. z o.o., with no possibility to finance coal assets. These projects are aligned with ENEA Group's strategy and are intended to ensure energy security as well as continuous and reliable electricity supplies in ENEA Operator Sp. z o.o.'s operating area.

The Management Board of ENEA S.A. submitted an application to the Company's Supervisory Board to express an opinion on the share capital increase as a matter that will be presented to the Company's General Meeting to be examined. On 26 January 2022, the Supervisory Board issued a positive opinion on the matter.

Moreover, on 21 January 2022 ENEA S.A. submitted an application to the President of the Council of Ministers for the State Treasury to acquire Series D Shares for a total amount of not less than PLN 899 660 thousand in exchange for a cash contribution from the re-privatisation fund referred to in art. 56 sec. 1 of the Act of 30 August 1996 on commercialisation and certain employee entitlements ("Application"). The Company is requesting that the State Treasury acquire not less than 45 470 725 (i.e. the proportional number of Series D Shares to the State Treasury's existing stake in the total number of the Company's shares) and not more than 88 288 515 Series D Shares (i.e. the maximum number of Series D Shares to be issued). If the Application is examined positively, the final number of the Series D Shares taken up by the State Treasury will depend on the demand for Series D Shares on the part of other authorised investors in a book-building process in accordance with rules specified in the resolution on an increase of the Company's share capital by issuing Series D Shares. The Application was filed on the basis of the Regulation of the Minister of Finance of 23 December 2021 on detailed procedures for the State Treasury to acquire or take up shares using the Re-privatisation Fund in 2021-2022.

27. Non-controlling interests

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Non-controlling interests

For the financial year ended 31 December 2021:

Name of subsidiary	Miejska Energetyka Cieplna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach	ENEA Ciepło Sp. z o.o.	Lubelski Węgiel Bogdanka S.A.	Total non-controlling interests
Non-controlling interests (in %)	**28.89%**	**0.07%**	**0.06%**	**34.01%**	
Non-current assets	126 574	13 197	714 678	3 351 917	
Current assets	45 101	2 624	229 183	1 025 679	
Non-current liabilities	(30 443)	(3 369)	(137 780)	(516 944)	
Current liabilities	(40 203)	(2 785)	(118 704)	(515 035)	
Net assets	**101 029**	**9 667**	**687 377**	**3 345 617**	
Book value of non-controlling interests	**29 187**	**7**	**412**	**1 137 844**	**1 167 450**
Revenue from sales	79 589	7 261	496 509	2 363 141	
Net profit/(loss) for the reporting period	5 925	(288)	69 560	312 050	
Total comprehensive income	6 354	(288)	72 412	317 752	
Profit/(loss) attributable to non-controlling interests	**1 853**	**–**	**42**	**106 039**	**107 934**
Comprehensive income attributable to non-controlling interests	**1 977**	**–**	**44**	**107 977**	**109 998**
Net cash flows from operating activities	29 123	951	95 184	763 532	
Net cash flows from investing activities	(44 012)	(447)	(53 943)	(397 771)	
Net cash flows from financing activities	13 798	(464)	(41 453)	(7 196)	
Net cash flows	**(1 091)**	**40**	**(212)**	**358 565**	
Paid dividend attributable to non-controlling interests	**-**	**-**	**-**	**(86)**	

The main economic activity of Miejska Energetyka Cieplna Piła Sp. z o.o., Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. and ENEA Ciepło Sp. z o.o. is the production of thermal heat and distribution of heat, while LWB's main economic activities are hard coal mining and sales.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

For the financial year ended 31 December 2020:

Name of subsidiary	Miejska Energetyka Cieplna Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Obornikach	ENEA Ciepło Sp. z o.o.	Lubelski Wegiel Bogdanka S.A.	Total non-controlling interests
Non-controlling interests (in %)	**28.89%**	**0.07%**	**0.06%**	**34.01%**	
Non-current assets	87 117	13 976	699 249	3 409 628	
Current assets	35 145	3 238	156 541	611 883	
Non-current liabilities	(13 342)	(3 944)	(152 199)	(633 210)	
Current liabilities	(14 735)	(3 315)	(90 884)	(359 918)	
Net assets	**94 185**	**9 955**	**612 707**	**3 028 383**	
Book value of non-controlling interests	**27 210**	**7**	**368**	**1 029 953**	**1 057 538**
Revenue from sales	65 540	6 289	389 817	1 812 825	
Net profit/(loss) for the reporting period	633	(1 104)	31 391	99 047	
Total comprehensive income	517	(1 104)	28 809	97 410	
Profit/(loss) attributable to non-controlling interests	**324**	**(1)**	**19**	**33 733**	**34 075**
Comprehensive income attributable to non-controlling interests	**291**	**(1)**	**17**	**33 173**	**33 480**
Net cash flows from operating activities	7 528	2 205	51 892	479 893	
Net cash flows from investing activities	(4 753)	(432)	(39 177)	(613 962)	
Net cash flows from financing activities	(2 155)	(2 471)	(15 952)	(7 061)	
Net cash flows	**620**	**(698)**	**(3 237)**	**(141 130)**	

No dividend was paid to non-controlling interests in 2020.

28. Dividends

Accounting rules

The payment of dividends for shareholders (including minority shareholders in the case of dividends at subsidiaries) is recognised as a liability in the Group's financial statements in the period in which it was approved by the Parent's shareholders.

Dividend income is recognised when the right to receive payment is obtained. Dividend income is presented in the statement of comprehensive income below operating profit.

A decision on how to allocate the 2021 profit will be made by shareholders at the 2022 Ordinary General Meeting. The Management Board will present a recommendation to allocate the profit in the second quarter of 2022.

On 17 June 2021, an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6, resolving to cover the net loss for the financial year covering the period from 1 January 2020 to 31 December 2020, amounting to PLN 3 356 750 thousand, using retained earnings (PLN 2 417 070 thousand) and supplementary capital (PLN 939 680 thousand).

On 30 July 2020 an Ordinary General Meeting of ENEA S.A. adopted resolution no. 6 concerning the allocation of net profit for the financial year covering the period from 1 January 2019 to 31 December 2019, pursuant to which 100% of the 2019 net profit was transferred to reserve capital, intended to finance investments.

29. Capital management policy

The Group's main assumption as regards managing its financing sources is to develop an optimal equity and liabilities structure in order to reduce the cost to finance its operations, secure an investment grade credit rating and financing sources for the operating and investing activities of the Group and its subsidiaries. Activities undertaken in this area intend to ensure the Group's financial security and satisfactory value for its shareholders. In optimising the equity and liabilities structure by using financial leverage, it is important to maintain a capital base at a level sufficient to develop the trust of investors, lenders and the market. The Group monitors the effectiveness and stability of its capital using the debt ratio and return on capital ratios. The Group aims to increase capital effectiveness while retaining it at a safe level. The Group describes the above-mentioned indicators in the Management Board Report on ENEA S.A.'s and ENEA Group's Activities in 2021.

30. Debt-related liabilities

Accounting rules

Financial liabilities, including credit facilities, loans and debt securities

At initial recognition, **all credit facilities and loans are** recognised at fair value less capital-raising costs.

Subsequent to initial recognition, **credit and loan instrument liabilities** are measured at amortised cost using the effective interest rate approach. In determining the amortised cost, costs related to obtaining credit or loan and discount or bonuses related to the liability are taken into account.

Financial liabilities that include credit facilities, loans and debt securities are classified at initial recognition as:

- financial liabilities at fair value through profit or loss,
- financial assets at amortised cost.

Accounting rules for **financial liabilities** are described in greater detail in the section concerning financial instruments in the note devoted to financial instruments and fair value (note 35), whereas **lease liabilities** are described in the note concerning right-of-use assets (note 16).

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Credit facilities, loans and debt securities

	As at 31 December 2021	31 December 2020
Bank credit	1 482 827	1 686 985
Loans	35 970	46 717
Bonds	2 938 217	4 874 054
Long-term	**4 457 014**	**6 607 756**
Bank credit	208 438	208 339
Loans	11 916	11 723
Bonds	1 957 437	1 003 999
Short-term	**2 177 791**	**1 224 061**
Total	**6 634 805**	**7 831 817**

In accordance with ENEA S.A.'s financing model, in order to secure funding for ENEA Group companies' on-going operations and investment needs, ENEA executes agreements with external financial institutions concerning bond issue programs and/or credit agreements.

Credit facilities and loans

Presented below is a list of the Group's credit facilities and loans:

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 December 2021	Debt at 31 December 2020	Interest	Contract period
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	888 130	1 013 543	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	800 500	878 500	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENEA S.A.	PKO BP	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022
4.	ENEA S.A.	Pekao S.A.	28 January 2014, Annex 2 of 4 December 2019	150 000	-	-	WIBOR 1M + margin	31 December 2022
5.	ENEA S.A.	BGK	7 September 2020	250 000	-	-	WIBOR 1M +margin	7 September 2022
6.	ENEA Ciepło Sp. z o.o.	National Fund for Environmental Protection and Water Management (NFOŚiGW)	22 December 2015	60 075	34 436	41 327	Interest based on WIBOR 3M, no less than 2%	20 December 2026
7.	Other	-	-	-	14 903	20 385	-	-
	TOTAL			**3 131 075**	**1 737 969**	**1 953 755**		
Transaction costs and effect of measurement using effective interest rate					1 182	9		
	TOTAL			**3 131 075**	**1 739 151**	**1 953 764**		

Presented below is a short description of ENEA Group's significant credit and loan agreements:

ENEA S.A.

ENEA S.A. currently has credit agreements with the European Investment Bank (EIB) for a total amount of PLN 2 371 000 thousand (Agreement A PLN 950 000 thousand, Agreement B PLN 475 000 thousand and Agreement C PLN 946 000 thousand). Funds from the EIB were used to finance a multi-year investment plan aimed at modernising and expanding ENEA Operator Sp. z o.o.'s power network. Funds from Agreements A, B and C were fully used. Interest on credit facilities may be fixed or variable. ENEA S.A. did not execute new credit agreements in 2021.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

On 8 March 2022, ENEA S.A. signed annex 1 to an open-ended overdraft facility agreement with Bank Gospodarstwa Krajowego, increasing the maximum available credit limit from PLN 250 000 thousand to PLN 750 000 thousand and extending the final repayment deadline from 7 September 2022 to 28 October 2022.

ENEA Ciepło Sp. z o.o.

Loan from NFOŚiGW - agreement executed on 22 December 2015 for the period from 1 April 2016 to 20 December 2026, with a PLN 60 075 thousand limit. The loan has annual interest based on WIBOR 3M of no less than 2%. The loan was transferred (together with an organised part of enterprise) from ENEA Wytwarzanie Sp. z o.o. to ENEA Ciepło Sp. z o.o. on 30 November 2018.

Total loan-related debt of ENEA Ciepło Sp. z o.o. as at 31 December 2021 amounted to PLN 34 436 thousand (at 31 December 2020: PLN 41 327 thousand).

Bond issue programs

Presented below is a list of bonds issued by ENEA S.A.

No.	Bond issue program name	Program start date	Program amount	Value of outstanding bonds as at 31 December 2021	Value of outstanding bonds as at 31 December 2020	Interest	Buy-back deadline
1.	Bond issue program agreement with PKO BP S.A., Bank PEKAO S.A., Santander BP S.A., Citi BH S.A.	21 June 2012	3 000 000	1 799 000	2 140 000	WIBOR 6M + margin	One-time buy-back of each series - PLN 341 million bought back in June 2021, next buy-back in June 2022
2.	Bond issue program agreement with BGK	15 May 2014	1 000 000	640 000	720 000	WIBOR 6M + margin	Buy-back in tranches, last tranche due in December 2026
3.	Bond issue program agreement with PKO BP S.A., Bank PEKAO S.A. and mBank S.A.	30 June 2014	5 000 000	2 000 000	2 500 000	WIBOR 6M + margin	One-time buy-back of each series; PLN 500 million bought back in September 2021. The remaining PLN 2 000 million - buy-back in June 2024.
4.	Bond issue program agreement with BGK	3 December 2015	700 000	456 669	532 779	WIBOR 6M + margin	Buy-back in tranches, last tranche due in September 2027
	TOTAL		**9 700 000**	**4 895 669**	**5 892 779**		
Transaction costs and effect of measurement using effective interest rate				(15)	(14 726)		
	TOTAL		**9 700 000**	**4 895 654**	**5 878 053**		

In the 12-month period ending 31 December 2021 ENEA S.A. did not execute new bond issue programme agreements.

On 11 May 2021 the Management Board of ENEA S.A. decided to partially buy back series ENEA0921 bonds before maturity in order to redeem them, with principal amounting to PLN 350 000 thousand, plus interest due and bonus for the bondholders. Series ENEA0921 bonds were issued in the amount of PLN 500 000 thousand on 16 September 2015 as part of the "Program Agreement regarding a bond issue program up to PLN 5 000 000 thousand of 30 June 2014" as amended. The outstanding part of series ENEA0921 bonds, with a nominal value of PLN 150 000 thousand, is held by the bondholders until maturity, i.e. 16 September 2021

Interest rate hedges and currency hedges

These transactions are described in notes 38.5 and 38.4.

Financing terms - covenants

Financing agreements require ENEA S.A. and ENEA Group to maintain certain financial ratios. As at 31 December 2021 and the date on which these consolidated financial statements were prepared and in the course of 2021 the Group did not breach any credit agreement provisions such as would require early re-payment of long-term debt.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Lease liabilities

	As at 31 December 2021			As at 31 December 2020		
	Lease liabilities	Interest	Total	Lease liabilities	Interest	Total
Under one year	30 678	16 290	46 968	25 172	10 599	35 771
From one to five years	113 380	70 067	183 447	38 944	27 687	66 631
Over five years	452 613	334 055	786 668	490 196	328 338	818 534
Total	**596 671**	**420 412**	**1 017 083**	**554 312**	**366 624**	**920 936**

Contracts that are subject to IFRS 16 are leases, rights to perpetual usufruct of land, tenancy agreements that meet the definition of a lease (office space in buildings, stations, underground parts of land). The Group sets the lease term, i.e. an irrevocable lease term, together with: a) term for an option to extend the lease if it is sufficiently certain that the Group will exercise this right; b) term for an option to terminate the lease if it is sufficiently certain that the Group will not exercise the right. In most of its leases, the Group uses a lease term in accordance with the contractual period. For contracts executed for an indefinite period, the Group determines the minimum contractual term for both of the parties. If the Group is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an indefinite term, the Group assumes that the irrevocable contractual term will be the termination period for that contract. In the case of rights to the perpetual usufruct of land, the Group sets the lease term in line with the period for which such rights are granted. In the case of rights to use underground parts of land, the average lease term is used, based on the period outstanding, as at the date on which the liability is recognised, for depreciation of the infrastructure placed under the ground. In 2021, leases also included cars and the renting of parking spots. There is a buy-out option in the case of cars. Car leases have a three-year term. At LBW, a contract to lease locomotives includes a fixed monthly payment for use. The rent payment may be proportionally reduced for periods in which the lessee does not use locomotives with no fault on the lessee's part. The contract does not contain provisions concerning extensions or buy-out of the lease object after the lease term. The roadheader rental agreement also provides for a monthly fixed fee for use. It can be terminated if the roadheader is not in use for at least 2 months.

Finance lease costs

	Year ended	
	31 December 2021	31 December 2020
Interest cost on lease liabilities	(14 895)	(13 578)
Cost of short-term leases for which a practical expedient was applied	(1 572)	(961)
Cost of variable lease payments not recognised in measurement of lease liabilities	(28)	–
Gain on change in or liquidation of right-of-use assets	68	1

The present value of future lease payments is calculated using the interest rate implicit in the lease. If the lease rate is unknown, the Group uses a residual interest rate, i.e. a rate that would have to be paid in order to borrow, on similar terms and with similar collateral, funds necessary to purchase an asset similar to the right-of-use asset on similar economic terms.

The Group may use a practical expedient and not apply the lease recognition model in reference to: a) short-term leases (a lease term of 12 months or less; the contract does not include a right to buy out the asset) b) low-asset value leases the initial value of which for new assets does not exceed PLN 10 thousand (even if their aggregate value is material). If the Group decides to use this expedient, it recognises lease payments as cost on a straight-line basis throughout the lease term or using another approach that more closely reflects the Group benefit. This exemption does not apply to situations where the Group transfers the asset under a sub-lease or expects to transfers it.

General information on the Group as lessee

The Group does not have significant future cash outflows that are not included in measurement of a finance liability and covenants imposed by lessors. The Group was not a party to any leaseback transactions in 2021.

31. Trade and other payables

Accounting rules

Trade and other payables classified as financial liabilities are initially recognised at fair value that corresponds to nominal value, less transaction costs, and are subsequently measured at amortised cost using an effective interest rate approach.

Other liabilities not constituting financial liabilities are initially recognised at nominal value and are measured at the end of the reporting period in the amount of payment due.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

	As at 31 December 2021	31 December 2020
Non-current trade and other payables		
Liabilities concerning purchase of licences for geological information and concessions	28 838	32 354
Liabilities concerning deposits for futures transactions for CO_2 emission allowances	94 372	99 700
Other	737	739
Non-current trade and other payables	**123 947**	**132 793**
Current trade and other payables		
Trade payables	869 181	516 924
Advances received for supplies, works and services	134	77 204
Tax (excluding income tax) and similar liabilities	371 355	412 353
Liabilities concerning purchase of tangible and intangible assets	447 992	425 858
Dividend liabilities	4	4
Special funds	333	312
Liabilities concerning deposits for futures transactions for CO_2 emission allowances	2 593 964	482 414
Other	156 597	122 857
Total current trade and other payables	**4 439 560**	**2 037 926**
Total trade and other payables	**4 563 507**	**2 170 719**

The increase in the item ‘Liabilities concerning deposits for futures transactions for CO_2 emission allowances’ results from changes in the market prices of allowances, changes in electricity and gas market prices and swings in the exchange rates of EUR, which is used for transactions concerning emission allowances.

32. Employee benefit liabilities

Accounting rules

Short-term employee benefits

The Group classifies the following as short-term employee benefits: monthly salary, annual bonus, right to discounts on electricity, short-term paid absences (remuneration for unused vacation time), together with social security contributions, Energy Professionals' Day awards and liabilities concerning the Voluntary Redundancy Program.

The liability concerning (accumulated) short-term paid absences (pay for leave) is recognised even if the paid absences do not entitle to a cash equivalent. The Group determines the expected cost of accumulated paid absences as an additional amount that it expects to pay as a result of not exercising this entitlement as at the balance sheet date.

Other liabilities are measured in the amount due to be paid.

Long-term employee benefits

Pursuant to an agreement between staff representatives and the Group's representatives, the Group's employees are entitled to certain benefits other than remuneration for work. These benefits are financed entirely by the Group. Actuarial methods are used to estimate these liabilities.

Defined benefit plans

In accordance with workplace remuneration regulations, the Group's employees have the right to the following post-employment benefits:

- retirement/disability severance pay - paid on a one-off basis upon retirement,
- post-mortem payment - if an employee dies in the course of work or while on disability leave after work as a result of a disease, the family is entitled to a post-mortem payment from the employer,
- cash equivalent resulting from the right to discounted electricity prices,
- benefits from the Workplace Social Benefits Fund.

The provisions above constitute a defined benefit plan after the employment period.

The present value of provisions for post-employment benefits is calculated at each balance sheet date by an independent actuary, using actuarial methods. The provisions are calculated for every employee individually. The liabilities accrued are equal to discounted payments that will be made in the future, taking into account employee turnover, and they apply to a period until the balance sheet date. Demographic information and information on employee turnover are based on historic data.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Actuarial gains and losses on the measurement of post-employment benefit liabilities are recognised entirely in other comprehensive income.

Longevity bonus

Other long-term employee benefits at the Group include longevity bonuses. The amount of these bonuses depends on seniority and the employee's remuneration. Actuarial methods are used to estimate these liabilities. Actuarial gains and losses are fully recognised in present-period profit or loss.

Defined contribution plans

1) Social insurance contributions

The social insurance system is based on a state programme under which the Group is obligated to pay contributions for employees' social insurance when they are due. The Group is not required, either legally or customarily, to make future social insurance contributions. The Group recognises the cost of present-period contributions in present-period profit or loss as employee benefit cost.

2) Employee Pension Program

In accordance with an appendix to the Collective Labour Agreement, the Group runs an Employee Pension Program in the form of group insurance for employees with a capital fund in accordance with rules specified in the Act and negotiated with the trade unions.

The Employee Pension Program is available to the Group's employees after a year's employment regardless of the type of work contract.

The Group covers the cost of contributions to the Employee Pension Program from present-period profit or loss as employee benefit cost.

Significant judgements and estimates

A valuation was adopted for employee benefit provisions based on the balance of liabilities at the end of the reporting period concerning expected future payments of benefits, which was calculated by an independent actuary using actuarial methods. This estimate is affected by the discount rate and long-term growth in wages.

Estimates of the following employee benefit liabilities are done by an actuary:

- longevity bonus payments,
- pension/disability benefit payments,
- post-mortem payments,
- right to discounts in purchasing electricity,
- contribution to the Workplace Social Benefits Fund.

For calculation purposes, basic data was used for each Group employee individually, as at the end of the reporting period, (taking the employee's gender into account), from the following areas:

- age,
- employment at the Group,
- overall employment,
- remuneration, constituting the basis for the size of longevity bonus and retirement severance payment.

Actuarial assumptions used in calculating these estimates are presented below.

Employee benefit liabilities

	As at 31 December 2021	As at 31 December 2020
Remuneration and other liabilities	427 127	402 472
Provision for Voluntary Leave Programme	454	1 745
Retirement and disability severance payments	211 380	236 122
Right to rebates in purchasing energy after retirement	320 963	356 098
Contribution to Company Social Benefits Fund for retired employees	87 948	118 231
Post-mortem payments	24 092	26 556
Longevity bonus	415 540	453 902
Total employee benefit liabilities	**1 487 504**	**1 595 126**
Long-term	*962 473*	*1 097 643*
Short-term	*525 031*	*497 483*

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Changes in the 12 months to 31 December 2021

	Retirement and disability severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2021	**236 122**	**356 098**	**118 231**	**26 556**	**453 902**	**1 190 909**
Changes recognised in profit or loss, including:	**17 289**	**14 858**	**6 737**	**2 211**	**8 892**	**49 987**
cost of present employment	14 250	9 693	5 007	1 845	35 179	65 974
cost of interest	3 039	5 165	1 730	366	6 137	16 437
net actuarial gains arising from change in financial assumptions	-	-	-	-	(55 789)	(55 789)
net actuarial losses arising from adjustment of demographic assumptions	-	-	-	-	3 315	3 315
net actuarial losses arising from ex-post adjustment of assumptions	-	-	-	-	20 050	20 050
Changes recognised in other comprehensive income, including:	**(25 801)**	**(39 613)**	**(34 820)**	**(3 574)**	**-**	**(103 808)**
net actuarial gains arising from change in financial assumptions	(37 621)	(76 018)	(24 728)	(4 055)	-	(142 422)
net actuarial (gains)/losses arising from adjustment of demographic assumptions	464	(10 955)	(3 060)	1 034	-	(12 517)
net actuarial (gains)/losses arising from ex-post adjustment of assumptions	11 356	47 360	(7 032)	(553)	-	51 131
Reduced liabilities concerning payout of benefits (negative value)	**(16 230)**	**(10 380)**	**(2 200)**	**(1 101)**	**(47 254)**	**(77 165)**
Total changes	**(24 742)**	**(35 135)**	**(30 283)**	**(2 464)**	**(38 362)**	**(130 986)**
As at 31 December 2021	**211 380**	**320 963**	**87 948**	**24 092**	**415 540**	**1 059 923**
Long-term	*179 576*	*308 181*	*85 229*	*21 890*	*367 597*	*962 473*
Short-term	*31 804*	*12 782*	*2 719*	*2 202*	*47 943*	*97 450*

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Changes in the 12 months to 31 December 2020

	Retirement and disability severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2020	**215 354**	**301 704**	**103 756**	**25 086**	**416 273**	**1 062 173**
Changes recognised in profit or loss, including:	**17 125**	**14 153**	**6 496**	**2 206**	**78 406**	**118 386**
cost of present employment	12 981	7 862	4 312	1 712	31 917	58 784
cost of future employment	91	-	-	-	213	304
cost of interest	4 053	6 291	2 184	494	8 141	21 163
net actuarial losses arising from change in financial assumptions	-	-	-	-	13 764	13 764
net actuarial losses arising from adjustment of demographic assumptions	-	-	-	-	760	760
net actuarial losses arising from ex-post adjustment of assumptions	-	-	-	-	23 611	23 611
Changes recognised in other comprehensive income, including:	**18 124**	**49 302**	**10 236**	**(4)**	**-**	**77 658**
net actuarial losses arising from change in financial assumptions	8 003	54 474	10 476	934	-	73 887
net actuarial (gains)/losses arising from adjustment of demographic assumptions	820	1 344	746	(628)	-	2 282
net actuarial (gains)/losses arising from ex-post adjustment of assumptions	9 301	(6 516)	(986)	(310)	-	1 489
Reduced liabilities concerning payout of benefits (negative value)	**(14 481)**	**(9 061)**	**(2 257)**	**(732)**	**(40 777)**	**(67 308)**
Total changes	**20 768**	**54 394**	**14 475**	**1 470**	**37 629**	**128 736**
As at 31 December 2020	**236 122**	**356 098**	**118 231**	**26 556**	**453 902**	**1 190 909**
Long-term	*202 963*	*345 052*	*115 690*	*24 446*	*409 492*	*1 097 643*
Short-term	*33 159*	*11 046*	*2 541*	*2 110*	*44 410*	*93 266*

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Actuarial assumptions

Assumptions	31 December 2021	31 December 2020
Estimated long-term annual growth in remuneration	4.91% in 2022, 4.05% in 2023, 2.70% in 2024, 2.5% in subsequent years	1.8% in 2021, 2.45% in 2022, 2.40% in 2023, 2.5% in subsequent years
Estimated growth in value of contribution to Company Social Benefits Fund	9.2% in 2023, 10.8% in 2024, 7.5% in 2025, 6.1% in 2026, 6.0% in 2027, 5.6% in 2028-2030, 5.3% in the forecast's remaining years.	14.8% in 2022, 4.4% in 2023, 4.6% in 2024, 5.2% in 2025, 5.4% in 2026, 5.5% in 2027-2030, 5.2% in the forecast's remaining years.
Discount rate	3.7%	1.5%
Value of cash equivalent for subsidised energy purchases	PLN 1 667.85	PLN 1 515.73
Growth in the value of cash equivalent for subsidised electricity purchases	13.9% in 2022, 27.3% in 2023, 1.1% in 2024-2028, 2.5% in subsequent years	1.5% in 2021, 8.1% in 2022, 4.0% in 2023, 4.1% in 2024-2027, 2.5% in subsequent years
Average monthly remuneration used to calculate Company Social Benefit Fund liability	PLN 4 434.58	PLN 4 134.02

Sensitivity analysis for defined benefit plans

Defined benefit plans:	Impact of changes in actuarial assumptions on level of defined benefit plan liabilities +1pp	-1pp
Discount rate	(70 069)	86 505
Expected remuneration growth rate	33 802	(28 472)
Average growth in the value of cash equivalent for subsidised electricity purchases	46 553	(37 942)

Maturity of defined benefit plan liabilities

	As at	
Weighted average period of defined benefit programme liabilities (in years)	31 December 2021	31 December 2020
Retirement and disability severance payments	13.1	15.0
Post-mortem payments	10.1	12.0
Right to rebates in purchasing energy after retirement	14.0	17.2
Contribution to Company Social Benefits Fund for retired employees	16.7	19.8

33. Provisions

Accounting rules

Provisions are created when the Group has a present obligation (legal or customarily expected) resulting from past events, and there is a likelihood that performing this obligation will result in an outflow of economic benefits and if the amount of this obligation can be reliably estimated.

Provisions for liabilities are measured at justified, reliably estimated values. Specific provisions are established for losses related to court cases against the Group. The amount of the provision constitutes the most accurate estimate of funds necessary to satisfy the claim as at the balance sheet date. The cost to create provisions is recognised in other operating costs.

Using a previously created provision for certain or highly likely future obligations is recognised when these obligations arise as a decrease of the provision.

In the event of a decrease or cessation of risk justifying the creation of a provision, an unused provision increases finance income or other operating revenue.

The Group also creates provisions for onerous contracts if the costs to comply with an obligation arising from a contract exceed the benefits (that are expected to be) received from that contract.

The Group also creates provisions for pre-trial claims submitted by the owners of properties on which its distribution grids with equipment are located and for other claims related to the Group's grid assets on properties for which the Group has no legal title.

Estimating the amount of compensation includes potential payments of compensation for non-contractual use of land and for rent, and is prepared by technical personnel.

Provision for energy origin certificates and energy efficiency certificates

The Group creates provisions for redemption of energy origin certificates and energy efficiency certificates or payment of substitute fees.

The basis for determining provisions for redemption of energy origin certificates for each instrument is the quantity of energy origin certificates constituting the difference between the quantity of certificates required for redemption in accordance with the Energy Law and the quantity of certificates redeemed as at the reporting date.

The basis for determining provisions for redemption of energy efficiency certificates is the quantity of certificates expressed in tonnes of oil equivalent constituting the difference between the quantity of certificates required for redemption under the Energy Law and the quantity of certificates redeemed as at the reporting date.

Provisions are measured as follows:

1) first, based on the purchase price for the energy efficiency certificates held but not redeemed at the balance sheet date,
2) second, based on the purchase price resulting from the Group's sale agreements as regards the part of the certificates that the Group intends to receive first,
3) third, based on the weighted average price in session transactions executed on the property rights market managed by Towarowa Giełda Energii S.A. in the course of the month with the reporting date that is used to determine the amount of provision,
4) in the case of a lack of such transactions or a market shortage preventing the Group from purchasing a sufficient quantity of rights required to perform its obligation, the missing quantity of the provision is valued based on the unit substitute fee for the given financial year.

The provision for origin certificates will be performed in Q1-Q2 2022.

Provision for mine liquidation

A provision for future costs associated with mine closure is recognised in compliance with the requirements stemming from the Geological and Mining Law, pursuant to which a mining enterprise is required to close mines after production ends, in an amount of the expected costs associated with:

- securing or liquidating mining excavations and mine facilities and equipment;
- securing any unused parts of the deposit;
- securing any neighbouring deposits;
- securing excavations adjacent to the mining facility;
- providing the necessary means to protect the environment and rehabilitate land and manage post-mining areas.

The amount of provision is recognised in the present value of expenditures that - it is expected - will be necessary to comply with the obligation. An interest rate before tax is then used, which reflects the present market assessment of the value of money in time and risk associated specifically with the liability. Increase in the provision associated with the passage of time is recognised as interest costs. Changes in the amount of this provision related to updated estimates (inflation rate, expected nominal value of expenditures on liquidation) in reference to the provision for mine closure are recognised as adjustment of the value of non-current assets subject to the closure obligation.

Significant judgements and estimates

Provision for non-contractual use of property

Valuation includes estimating the potential payments of compensation for non-contractual use of land and for rent. The provision for non-contractual use of land is estimated using the stages and weights approach, i.e. the likelihood of losing the dispute and the necessity to satisfy the claim. The size of awarded compensation for non-contractual use of land might be significant for the Group given the number of properties in question however the Group is unable to estimate the maximum compensation amount. The Group, in connection with establishing transmission corridors, has estimated and taken into account in the provision also compensation for non-contractual use of land on which its grid assets (power lines) are situated such as were not subject to any claims as of the reporting date. There is a high uncertainty around when this provision will be used.

Provision for other claims

This item includes provisions for claims that are unrelated to the non-contractual use of land. It is not possible to estimate the deadline for outflow of economic benefits on account of the rest of the provisions.

Provision for landfill site reclamation

After filling or closing a slag and ash landfill site, the Group is required to rehabilitate the land. Given the fact that the Group has large unfilled landfill sites, the rehabilitation obligation is expected to arise in 2060.

Provision for CO_2 emission allowance purchases

Judgements concern assumptions related to the allocation of free CO_2 emission allowances due for the Group for 2021.

Provision for mine liquidation costs

The Group creates a provision for the costs of mine closure that it is required to incur by law. The key assumptions used in determining the mine closure costs include mine life-cycle, expected inflation and long-term discount rates. Any changes to these assumptions have an impact on the provision's book value. Mine closure costs are calculated by an independent advisory firm using historic data concerning mine closure costs in the hard coal sector in Poland. It is difficult to determine when this provision will be performed.

Provision for claims concerning terminated agreements for the purchase of property rights

Recognising this provision requires the most accurate estimate of potential compensation for terminating contracts for the purchase of property rights (note 43.6). It is difficult to determine when this provision will be performed.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Change in provisions for liabilities and other charges

For the financial year ended 31 December 2021:

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO_2 emission allowance purchases	Mine liquidation	Other	Total
As at 1 January 2021	**239 833**	**262 221**	**116 898**	**175 429**	**1 895 156**	**201 463**	**555 611**	**3 446 611**
Reversal of discount and change of discount rate	(23 261)	-	(51 178)	-	-	3 022	-	(71 417)
Increase in existing provisions	231	40 695	2 173	362 028	2 877 235	-	257 024	3 539 386
Use of provisions	(2 626)	(520)	-	(159 756)	(1 913 091)	-	(40 705)	(2 116 698)
Reversal of unused provision	(599)	(2 742)	(5 033)	(58)	-	(83 675)	(197 405)	(289 512)
As at 31 December 2021	**213 578**	**299 654**	**62 860**	**377 643**	**2 859 300**	**120 810**	**574 525**	**4 508 370**
Long-term								*874 929*
Short-term								*3 633 441*

For the financial year ended 31 December 2020:

	Provision for non-contractual use of land	Provision for other claims	Provision for landfill site reclamation	Provision for energy origin certificates	Provision for CO_2 emission allowance purchases	Mine liquidation	Other	Total
As at 1 January 2020	**210 087**	**230 706**	**91 280**	**197 555**	**1 233 325**	**162 972**	**364 528**	**2 490 453**
Reversal of discount and change of discount rate	(7 199)	-	186	-	-	3 504	-	(3 509)
Increase in existing provisions	41 380	44 912	25 649	136 556	1 933 376	34 987	321 343	2 538 203
Use of provisions	(3 615)	(10 930)	-	(158 524)	(1 271 545)	-	(129 984)	(1 574 598)
Reversal of unused provision	(820)	(2 467)	(217)	(158)	-	-	(276)	(3 938)
As at 31 December 2020	**239 833**	**262 221**	**116 898**	**175 429**	**1 895 156**	**201 463**	**555 611**	**3 446 611**
Long-term								*849 990*
Short-term								*2 596 621*

A description of material claims and conditional liabilities is presented in note 43.

Provision for CO_2 emission allowance purchases

The provision for CO_2 emission allowance purchases as at 31 December 2021 amounted to PLN 2 859 300 thousand (as at 31 December 2020: PLN 1 895 156 thousand). This provision will be used in 2022.

Provision for other claims

In 2021, ENEA S.A. created a PLN 16 498 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 31 December 2021 was PLN 155 962 thousand (this provision is shown in the table above in the column "Provision for other submitted claims" and detailed information on this provision are presented in note 43.6).

Other provisions mainly concern:

- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 186 434 thousand (as at 31 December 2020: PLN 178 172 thousand); it is difficult to determine when this provision will be performed, however in these financial statements it is assumed that it will not happen within 12 months,
- costs to use forest land managed by State Forests PLN 50 058 thousand (as at 31 December 2020: PLN 64 421 thousand); in these financial statements it is assumed that this provision will be realised within 12 months,
- future investment liabilities toward Elektrownia Ostrołęka Sp. z o.o. and ENERGA S.A. PLN 46 493 thousand (PLN 222 200 thousand as at 31 December 2020), detailed information on this provision is available in note 18,
- onerous contracts PLN 250 103 thousand (as at 31 December 2020: PLN 50 821 thousand).

Rules for settlements with prosumers are specified in the Act of 20 February 2015 on renewable energy sources (Polish Journal of Laws of 2015, item 478, as amended) (Polish Journal of Laws of 2021, items 610, 1093, 1873, 2376). In the existing system, as part of a discount for energy introduced by a prosumer to the grid, the Group pays the prosumer's variable distribution fees (the prosumer is exempted from them), which in effect generates negative financial results for the Group. In accordance with the update of the Act on renewable energy sources, prosumers who apply for a micro-installation connection to the distribution grid until 31 March 2022 acquire the right to a 15-year settlement of energy as part of a support system (net-metering system).

At 31 December 2021, the Company had 108 thousand agreements with prosumers. Considering the above and acting pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Group recognised as at 31 December 2021 a provision for onerous contracts amounting to PLN 250 103 thousand.

34. Accounting for subsidies and road lighting modernisation services

Accounting rules

Subsidies

The Group receives subsidies in the form of tangible assets and reimbursement of costs spent on tangible assets. Subsidies are recognised in the statement of financial position as deferred revenue if there is sufficient certainty that they will be received and that the Group will meet the relevant conditions. Subsidies received as reimbursement of costs incurred by the Group are systematically recognised as revenue in the statement of profit and loss in the period in which the associated costs are incurred. Subsidies received as reimbursement of investment expenditures incurred by the Group are systematically recognised, proportionately to depreciation charges, as other operating revenue in the statement of profit and loss and other comprehensive income throughout the asset's period of use.

Recognising a subsidy in financial statements depends on the intended use of such financing, e.g.:

- subsidies received and intended for the acquisition or manufacture of tangible assets are recognised in the statement of financial position as deferred revenue,
- subsidies for purposes other than those described above are recognised in the statement of profit and loss as other operating revenue.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Accounting for income from subsidies and road lighting modernisation services

	As at	
	31 December 2021	31 December 2020
Long-term		
Accounting for deferred revenue - subsidies	271 458	168 473
Accounting for deferred revenue - road lighting modernisation services	105 558	92 689
Total non-current deferred revenue	**377 016**	**261 162**
Short-term		
Accounting for deferred revenue - subsidies	13 368	9 326
Accounting for deferred revenue - road lighting modernisation services	4 705	3 982
Total current deferred revenue	**18 073**	**13 308**

Schedule for accounting for deferred revenue

	As at	
	31 December 2021	31 December 2020
Up to one year	18 073	13 308
From one to five years	68 971	52 448
Over five years	308 045	208 714
Total deferred revenue	**395 089**	**274 470**

The item 'deferred revenue concerning subsidies' includes mainly EU subsidies and subsidies from the NFOŚiGW for the development of electricity and heating infrastructure.

Road lighting modernisation services, i.e. improving the quality and efficiency of road lighting, are services provided on an on-going basis. Revenue from improving the quality and efficiency of road lighting is recognised proportionally over the economic period of use for the tangible assets created.

Financial instruments and financial risk management

35. Financial instruments and fair value

Accounting rules

Financial assets

The Group classifies its financial instruments in the following categories:

- financial assets at fair value through profit or loss,
- equity instruments through other comprehensive income,
- financial assets at amortised cost,
- financial assets at fair value through other comprehensive income.

a) Financial assets at fair value through profit or loss include:
   - financial assets held for trading (including derivative instruments for which no hedging policy is designated),
   - financial assets voluntarily assigned to this category,
   - financial assets that do not meet the definition of basic lending arrangement, including equity instruments such as shares, except instruments designated as equity instruments measured through other comprehensive income,
   - financial assets that meet the definition of basic lending arrangement and are not held in accordance with a business model for the purpose of obtaining cash flows or in order to obtain cash flows and for sale.

   Assets in this category are classified as current assets if they are held for trading or expected to be performed within 12 months from the balance sheet date.

b) Financial assets at amortised cost

   Financial assets measured at amortised cost are financial assets that are held in accordance with a business model that aims to hold financial assets to generate contractual cash flows and whose contractual terms meet the criteria of basic lending arrangement.

c) Financial assets at fair value through other comprehensive income

   Financial assets measured at fair value through other comprehensive income are financial assets that are held in accordance with a business model that aims to both receive contractual cash flows and sell financial assets as well as whose contractual terms meet the criteria of basic lending arrangement.

d) Equity instruments through other comprehensive income

   Equity instruments through other comprehensive income include investments in equity instruments that are voluntarily and irreversibly classified as such at initial recognition. Equity instruments that meet the definition of held for trading and meet the criteria for mandatory payment recognised by the acquiring company in a business combination may not be subject to this classification.

At initial recognition, the Group measures a financial asset that is subject to classification for the purposes of fair value measurement. Trade receivables without a financial component that are measured at transaction prices are an exception to this rule.

The fair value of financial assets not classified as at fair value through profit or loss is increased by transaction costs that may be directly assigned to the purchase/acquisition of these assets.

Financial assets at fair value through profit or loss are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatement to fair value for assets in this category is recognised in profit or loss. If a given item is removed from accounts, the Group determines the profit or loss on the disposal and recognises it in the period's result.

Financial assets at amortised cost are measured at amortised cost on every balance sheet date. The amortised cost of a financial asset is the amount at which the given financial asset is measured at initial recognition, decreased by repayment of principal and increased or decreased by accumulated depreciation, determined using the effective interest rate method, of any differences between the initial amount and the amount at maturity, and adjusted by any allowances for expected credit losses.

Financial assets at fair value through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Interest charged on such items and allowances for expected credit losses are recognised in the period's result, while other restatements to fair value are recognised as other comprehensive income.

Equity instruments through other comprehensive income are measured at fair value on every balance sheet date. Fair value determined as at the balance sheet date is not adjusted by transaction costs that would be necessary to perform the given item. Restatements to fair value are recognised as other comprehensive income.

Financial liabilities, including credit facilities, loans and debt securities

Financial liabilities that include trade and other payables are initially recognised at fair value less transaction costs.

Financial liabilities that include credit facilities, loans and debt securities are classified at initial recognition as:

- financial liabilities at fair value through profit or loss,
- financial assets at amortised cost.

Financial liabilities at fair value through profit or loss include:

- financial liabilities that meet the definition of held for trading, including derivative instruments that are not used for hedge accounting,
- financial liabilities that are voluntarily designated by the Group as measured at fair value through profit or loss.

Financial liabilities at amortised cost include all financial liabilities that are subject to classification for the purposes of measurement that are not classified as financial liabilities at fair value through profit or loss.

At initial recognition, the Group measures a financial liability that is subject to classification for the purposes of fair value measurement.

The fair value of financial liabilities not classified as at fair value through profit or loss is decreased by transaction costs that may be directly assigned to the origination of the liability.

The balance sheet measurement of a financial liability and the recognition of restatements depend on the classification of the given item to the relevant category for measurement purposes:

- financial liabilities classified as financial liabilities at fair value through profit or loss are measured at each balance sheet at fair value; fair value determined at the balance sheet date is not adjusted for transaction costs that would have to be incurred to settle a given item; restatements to fair value are recognised in the period's financial result;
- financial liabilities at amortised cost are measured at amortised cost on every balance sheet date.

Significant judgements and estimates

Financial assets are analysed at the end of each reporting period in terms of expected credit losses and indications of impairment.

Individual financial instruments of significant value are assessed for impairment individually. Other financial assets are split into groups with similar credit risk.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Financial instruments

The following table contains a comparison of fair values and book values:

	As at 31 December 2021		As at 31 December 2020	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	**414 678**	**195 031**	**308 797**	**97 957**
Financial assets measured at fair value	195 031	195 031	97 957	97 957
Trade and other receivables	71 396	(*)	68 736	(*)
Finance lease and sublease receivables	580	(*)	513	(*)
Funds in the Mine Decommissioning Fund	147 671	(*)	141 591	(*)
Short-term	**7 541 900**	**419 321**	**3 886 756**	**41 894**
Financial assets measured at fair value	419 321	419 321	41 894	41 894
Debt financial assets at amortised cost	–	(*)	61	(*)
Assets arising from contracts with customers	412 908	(*)	322 446	(*)
Trade and other receivables	2 555 215	(*)	1 579 826	(*)
Finance lease and sublease receivables	903	(*)	975	(*)
Cash and cash equivalents	4 153 553	(*)	1 941 554	(*)
TOTAL FINANCIAL ASSETS	**7 956 578**	**614 352**	**4 195 553**	**139 851**
FINANCIAL LIABILITIES				
Long-term	**5 164 542**	**4 511 184**	**7 344 820**	**6 749 538**
Credit facilities, loans and debt securities	4 457 014	4 493 596	6 607 756	6 674 407
Lease liabilities	565 993	(*)	529 140	(*)
Trade and other payables	123 947	(*)	132 793	(*)
Financial liabilities measured at fair value	17 588	17 588	75 131	75 131
Short-term	**6 570 244**	**2 425 720**	**2 900 566**	**1 295 048**
Credit facilities, loans and debt securities	2 177 791	2 177 791	1 224 061	1 224 061
Lease liabilities	30 678	(*)	25 172	(*)
Trade and other payables	4 067 738	(*)	1 548 057	(*)
Liabilities arising from contracts with customers	46 108	(*)	32 289	(*)
Financial liabilities measured at fair value	247 929	247 929	70 987	70 987
TOTAL FINANCIAL LIABILITIES	**11 734 786**	**6 936 904**	**10 245 386**	**8 044 586**

(*) book value is close to fair value measured in accordance with level 2 in the following hierarchy.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

	As at 1 January 2021	Gains/losses recognised in financial result due to balance sheet measurement or modification	Interest income/costs	Impairment - expected credit losses	Loss/gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2021
Financial assets at fair value through profit or loss:	**85 985**	**8 282**	**–**	**–**	**–**	**–**	**372 348**	**466 615**
- financial assets mandatorily measured at fair value through profit or loss	70 460	472	–	–	–	–	366 540	437 472
- financial assets voluntarily measured at fair value through profit or loss	15 525	7 810	–	–	–	–	5 808	29 143
Equity instruments at fair value through other comprehensive income	**53 866**	**(4 913)**	**–**	**–**	**–**	**–**	**(36 366)**	**12 587**
Derivative instruments used in hedge accounting	**–**	**1 292**	**–**	**–**	**–**	**133 858**	**–**	**135 150**
Financial assets at amortised cost:	**4 054 214**	**138**	**16 581**	**(4 411)**	**(360)**	**–**	**3 274 581**	**7 340 743**
- debt financial assets at amortised cost	61	138	15 687	(15 526)	(360)	–	–	–
- trade and other receivables	1 648 562	–	–	11 061	–	–	966 988	2 626 611
- assets arising from contracts with customers	322 446	–	–	54	–	–	90 408	412 908
- cash and cash equivalents	1 941 554	–	631	–	–	–	2 211 368	4 153 553
- funds in the Mine Decommissioning Fund	141 591	–	263	–	–	–	5 817	147 671
Finance lease and sublease receivables	**1 488**	**–**	**–**	**–**	**–**	**–**	**(5)**	**1 483**
Financial liabilities at fair value through profit or loss:	**(6 445)**	**(4 240)**	**–**	**–**	**–**	**(445)**	**(254 387)**	**(265 517)**
- financial liabilities mandatorily measured at fair value through profit or loss	(6 445)	(4 240)	–	–	–	(445)	(254 387)	(265 517)
Derivative instruments used in hedge accounting	**(139 673)**	**8 332**	**–**	**–**	**–**	**131 341**	**–**	**–**
Financial liabilities at amortised cost:	**(9 544 956)**	**(26 451)**	**(1 163)**	**–**	**11 351**	**–**	**(1 311 379)**	**(10 872 598)**
- credit facilities, loans and debt securities	(7 831 817)	(26 451)	(1 163)	–	11 351		1 213 275	(6 634 805)
- trade and other payables	(1 680 850)	–	–	–	–	–	(2 510 835)	(4 191 685)
- liabilities arising from contracts with customers	(32 289)	–	–	–	–	–	(13 819)	(46 108)
Lease liabilities	**(554 312)**	**–**	**–**	**–**	**–**	**–**	**(42 359)**	**(596 671)**
Total	**(6 049 833)**	**(17 560)**	**15 418**	**(4 411)**	**10 991**	**264 754**	**2 002 433**	**(3 778 208)**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

	As at 1 January 2020	Gains/losses recognised in financial result due to balance sheet measurement or modification	Interest income/costs	Impairment - expected credit losses	Loss on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2020
Financial assets at fair value through profit or loss:	**31 362**	**9 559**	**–**	**–**	**–**	**–**	**45 064**	**85 985**
- financial assets mandatorily measured at fair value through profit or loss	13 037	12 359	–	–	–	–	45 064	70 460
- financial assets voluntarily measured at fair value through profit or loss	18 325	(2 800)	–	–	–	–		15 525
Equity instruments at fair value through other comprehensive income	**15 866**	**–**	**–**	**–**	**–**		**38 000**	**53 866**
Financial assets at amortised cost:	**5 840 612**	**(191)**	**9 452**	**(125 820)**	**–**	**–**	**(1 669 839)**	**4 054 214**
- debt financial assets at amortised cost	52 225	(191)	9 978	(144 086)	–	–	82 135	61
- trade and other receivables	1 561 518	–	–	18 249	–	–	68 795	1 648 562
- assets arising from contracts with customers	330 447	–	–	17	–	–	(8 018)	322 446
- cash and cash equivalents	3 761 947	–	(1 493)	–	–	–	(1 818 900)	1 941 554
- funds in the Mine Decommissioning Fund	133 998	–	967	–	–	–	6 626	141 591
- other short-term investments	477	–	–	–	–	–	(477)	–
Finance lease and sublease receivables	**1 269**	**–**	**–**	**–**	**–**	**–**	**219**	**1 488**
Financial liabilities at fair value through profit or loss:	**(37 132)**	**–**	**–**	**–**	**–**	**–**	**30 687**	**(6 445)**
- financial liabilities mandatorily measured at fair value through profit or loss	(37 132)	–	–	–	–	–	30 687	(6 445)
Derivative instruments used in hedge accounting	**(23 802)**	**(7 046)**	**–**	**–**	**–**	**(108 862)**	**37**	**(139 673)**
Financial liabilities at amortised cost:	**(11 517 933)**	**1 568**	**24 055**	**–**	**(20 996)**	**–**	**1 968 350**	**(9 544 956)**
- credit facilities, loans and debt securities	(9 906 024)	1 568	24 055	–	(20 996)	–	2 069 580	(7 831 817)
- trade and other payables	(1 599 278)	–	–	–	–	–	(81 572)	(1 680 850)
- liabilities arising from contracts with customers	(12 631)	–	–	–	–	–	(19 658)	(32 289)
Lease liabilities	**(532 263)**	**–**	**–**	**–**	**–**	**–**	**(22 049)**	**(554 312)**
Total	**(6 222 021)**	**3 890**	**33 507**	**(125 820)**	**(20 996)**	**(108 862)**	**390 469**	**(6 049 833)**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**23 013**	**572 469**	**18 870**	**614 352**
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	135 150	-	135 150
Equity instruments at fair value through other comprehensive income	-	-	12 587	12 587
Call options (at fair value through profit or loss)	-	16 231	-	16 231
Other derivative instruments at fair value through profit or loss	-	421 088	-	421 088
Interests at fair value through profit or loss	23 013	-	6 283	29 296
Total	**23 013**	**572 469**	**18 870**	**614 352**
Financial liabilities measured at fair value	**-**	**(265 517)**	**-**	**(265 517)**
Derivative instruments at fair value through profit or loss	-	(265 517)	-	(265 517)
Credit facilities, loans and debt securities	**-**	**(6 671 387)**	**-**	**(6 671 387)**
Total	**-**	**(6 936 904)**	**-**	**(6 936 904)**

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**15 000**	**69 910**	**54 941**	**139 851**
Equity instruments at fair value through other comprehensive income	-	-	53 866	53 866
Call options (at fair value through profit or loss)	-	15 982	-	15 982
Other derivative instruments at fair value through profit or loss	-	53 928	-	53 928
Interests at fair value through profit or loss	15 000	-	1 075	16 075
Total	**15 000**	**69 910**	**54 941**	**139 851**
Financial liabilities measured at fair value	**-**	**(146 118)**	**-**	**(146 118)**
Derivative instruments at fair value through profit or loss	-	(6 445)	-	(6 445)
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(139 673)	-	(139 673)
Credit facilities, loans and debt securities	-	**(7 898 468)**	-	**(7 898 468)**
Total	**-**	**(8 044 586)**	**-**	**(8 044 586)**

Financial assets and financial liabilities at fair value include:

- shares in unrelated entities, the stake in which is below 20%; this line includes a stake in ElectroMobility Poland S.A., for which there is no market price quoted on an active market; having analysed the standard IFRS 9, the Group decided to qualify these interests as financial instruments through other comprehensive income; when the stake in ElectroMobility Poland S.A. was reclassified, it was measured at fair value and the measurement was recognised in the present-period financial result; in the event that interests in unrelated entities are quoted on the Warsaw Stock Exchange, their fair value is determined on the basis of stock market quotes;
- Polimex-Mostostal S.A. call options;
- derivative instruments, which include the measurement of interest rate swaps; the fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates;
- forward contracts for the purchase of electricity and gas and property rights

Non-current debt financial assets at amortised cost cover loans maturing in over one year. Current debt financial assets at amortised cost cover loans maturing in under one year. The item other short-term investments includes deposits with maturity over 3 months.

The fair value of bank credit, loans and debt securities is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

The table above contains an analysis of financial instruments at fair value, grouped into a three-level hierarchy, where:

Level 1 - fair value is based on (unadjusted) market prices quoted for identical assets or liabilities on active markets

Level 2 - fair value is determined on the basis of values observed on the market, which are not a direct market quote (e.g. they are established by direct or indirect reference to similar instruments on a market),

Level 3 - fair value is determined using various measurement techniques that are not, however, based on observable market data.

No transfers between the levels were made in 2021.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

As at 31 December 2021, financial assets at fair value included call options for Polimex-Mostostal S.A. shares, among other things. Pursuant to a call option agreement for Polimex-Mostostal S.A. shares of 18 January 2017, as amended, ENEA S.A. holds 22 call options from Towarzystwo Finansowe Silesia Sp. z o.o. (TFS) to purchase 6 937 500 shares, with a nominal value of PLN 2 each. The contractual share allocation date is at the end of each calendar quarter from September 2021 to December 2026. In September 2021 the sale of 187 500 Polimex – Mostostal S.A. shares previously held by ENEA S.A. was finalised, thus decreasing ENEA S.A.'s stake in that company's share capital from 16.48% to 16.40%. On 30 August 2021, the Company submitted a demand to exercise its call option 2 and made a bank transfer for 187 500 Polimex - Mostostal S.A. shares. In November 2021 the Company submitted another demand to exercise its call option, i.e. call option 3, and in December 2021 made a bank transfer for 125 000 Polimex - Mostostal S.A. shares. At the date on which these consolidated financial statements were prepared, ENEA S.A. held a 16.45% stake in that company's share capital. A fair-value measurement of the call options was prepared using the Black-Scholes model. The book value of these options as at 31 December 2021 was PLN 16 231 thousand (at 31 December 2020: PLN 15 982 thousand).

Moreover, the Group's financial assets at fair value amounting to PLN 421 088 thousand (as of 31 December 2020: PLN 53 928 thousand) and financial liabilities at fair value amounting to PLN 265 517 thousand (as of 31 December 2020: PLN 6 445 thousand) include the measurement of derivative contracts for the purchase of electricity and gas and concerning property rights not used for the Group's own purposes. The nominal value of contracts for the purchase and sale of electricity, gas and property rights maturing in 2021-2023, presented as financial assets and liabilities at fair value, amounts to PLN 617 212 thousand (PLN 191 542 thousand concerns procurement contracts and PLN 425 670 thousand concerns sales contracts).

36. Debt financial assets at amortised cost

Debt financial assets at amortised cost

	As at	
	31 December 2021	31 December 2020
Total current debt financial assets at amortised cost		
Loans granted	–	61
Total current debt financial assets at amortised cost	**–**	**61**
Total non-current debt financial assets at amortised cost		
Loans granted	–	–
Total non-current debt financial assets at amortised cost	**–**	**–**
Total	**–**	**61**

Impairment of financial assets at amortised cost (concerns loans granted) as at 31 December 2021 amounted to PLN 225 610 thousand. The total impairment loss on loans issued and recognised in the 12-month period ended 31 December 2021 was PLN 15 825 thousand, and this amount was recognised in the consolidated statement of comprehensive income under "Impairment of financial assets at amortised cost."

37. Hedge accounting

Accounting rules

Hedge accounting and derivative instruments

Derivative instruments that are used by the Group in order to hedge against specific risk, related to changes in interest rates and exchange rates, are measured at fair value. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative.

The fair value of currency contracts is determined by reference to current forward rates for contracts with the same maturity or based on valuation by independent entities. The fair value of interest rate swaps may be determined based on valuation by independent entities. The fair value of other derivative instruments is determined based on market data or valuation by independent institutions specialised in this type of valuation.

For some or all of its exposure to a particular risk, the Group may apply hedge accounting if the hedging instrument and the hedged item that create a hedging relationship are in line with risk management objectives and the hedging strategy.

The Group defines hedging relationships concerning various types of risk as fair value hedges or cash flow hedges. Hedging a risk that concerns likely future obligations is treated as a cash flow hedge.

When a hedging relationship is established, the Group documents the relation between the hedging instrument and the hedged item as well as risk management objectives and the strategy for implementing various hedging transactions.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Derivatives that are hedging instruments are recognised by the Group in accordance with rules concerning fair value or cash flow hedges.

If the Group identifies an ineffectiveness of a hedge that goes beyond the risk management objective and the hedging relationship continues to implement the risk management strategy and risk management objectives, the Group re-balances the hedging relationship.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and which might affect profit or loss. A forecast transaction is a transaction that is not based on a concluded binding agreement (expected future transaction).

For cash flow hedges, the Group:

- recognises the effective part of changes in the fair value of derivative instruments designated as cash flow hedges in the revaluation reserve,
- recognises the gain or loss related to the ineffective part in the current period's financial result.

If a hedge of a forecast transaction results in the recognition of a financial asset or financial liability, the related gains or losses that were recognised in the revaluation reserve are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. However, if the Group expects that all or a portion of an impairment loss recognised directly in equity will not be recovered in one or more future periods, it reclassifies into profit or loss the amount that is not expected to be recovered.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the Group reclassifies the associated gains and losses that were recognised directly in the revaluation reserve into the initial purchase cost or another book value in assets or liabilities.

If the Group discontinues a cash flow hedge, the cumulative gain or loss on a hedging instrument recognised in the revaluation reserve remains in it until the hedging transaction is exercised. If the hedging transaction will not be exercised (or is not expected to be exercised), cumulative net profit recognised in the revaluation reserve is immediately reclassified into profit or loss.

Cash flow hedging

The following table presents the impact of cash flow hedges' measurement on other comprehensive income:

	As at 31 December 2021	As at 31 December 2020
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 1 January, recognised in hedging reserve	**(105 534)**	**(17 356)**
- related to interest rate hedges	(105 534)	(17 356)
Measurement of hedging instruments as at balance sheet date, in part considered as effective hedge	**214 451**	**(88 178)**
- related to interest rate hedges	214 811	(88 178)
- related to currency risk hedges	(360)	–
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 31 December, recognised in hedging reserve	**108 917**	**(105 534)**
- related to interest rate hedges	109 277	(105 534)
- related to currency risk hedges	(360)	–

ENEA S.A. executed IRS transactions to hedge cash flows against interest rate risk. Their value in accordance with the hedge accounting policy at the end of 2021 was PLN 3 994 668 thousand, down by PLN 678 324 thousand from 2020. This change resulted from settlements related to the expiry of derivative instruments and regular payments for hedged exposure as well as new IRS transactions. Maturities are different depending on the derivative, from 15 March 2022 to 16 September 2026. Their balance sheet value as of 31 December 2021 was PLN 135 150 thousand, with PLN 109 277 thousand recognised in other comprehensive income and the ineffective part of the hedge recognised in the 2021 financial result being PLN 9 625 thousand. Bonds issued by ENEA S.A. and credit facilities from EIB are hedged with IRSs.

38. Financial risk management

Financial risk management rules

The Group's activities are subject to the following categories of risk associated with financial instruments:

- credit risk,
- financial liquidity risk,
- commodity risk,
- currency risk,
- interest rate risk.

This note contains information on the Group's exposure to each of the aforementioned types of risk and describes the objectives and policies with regard to managing risk and capital.

The Parent's Management Board is responsible for setting out the risk management framework and rules.

Managing financial risk at the Group is based on a formalised and integrated risk management process, described in dedicated risk management policies, procedures and methodologies.

Risk management is designed as a continuous process. The Group continuously analyses risk in terms of external environmental impact and changes in its structures and activities. Based on this, it takes actions that are intended to limit risk or transfer it outside of the Group.

The Group has also analysed risks related to climate changes and presented more extensive information on this in the Management Board report on the activity of ENEA S.A. and the ENEA Group in 2021, including in the Statement on non-financial information, which is a separate part of the report.

The Group has considered the impact of climate factors on its financial statements and taken account of these factors in, among other things, impairment tests on non-financial assets, in an analysis of the value of jointly controlled entities and in calculating the provisions for other liabilities and other charges.

38.1. Credit risk

Exposure to credit risk	Risk management
Credit risk is risk associated with the Group incurring financial losses as a result of a client or counterparty that is a party to a financial instrument failing to meet its contractual obligations. Credit risk is associated with a potential inability to collect receivables from customers. **Key factors having impact on the Group's credit risk:** – a large number of clients, which has an impact on the operational complexity of the risk mitigation process (assessment of counterparties' credit-worthiness) and the high cost of controlling the in-flow and recovery of receivables, – legal conditions for doing business, which specify rules for shutting down electricity supplies as a result of non-payment or the obligation to connect entities to ENEA Operator's relevant distribution area, as well as the reserve seller or ex-officio seller functions.	The Management Board implements *ENEA Group's credit risk management policy*, pursuant to which exposure to credit risk is monitored on an on-going basis and activities intended to minimise it are undertaken. The key tool for managing credit risk is analysis of the credit-worthiness of the Group's most important customers, pursuant to which contractual terms with the counterparties are appropriately structured (payment terms, potential collateral, etc.).

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The following table shows a structure of balance-sheet items depicting the Group's exposure to credit risk:

	Maximum exposure to credit risk* as at	
	31 December 2021	31 December 2020
Financial assets measured at fair value (without shares and equity instruments through other comprehensive income)	572 469	69 910
Debt financial assets at amortised cost	–	61
Assets arising from contracts with customers	412 908	322 446
Trade and other receivables	2 626 611	1 648 562
Finance lease and sublease receivables	1 483	1 488
Cash and cash equivalents	4 153 553	1 941 554
Funds in the Mine Decommissioning Fund	147 671	141 591
Credit risk	**7 914 695**	**4 125 612**

** These values correspond to book values.*

Credit risk associated with trade receivables

Failure to perform an obligation is understood as the occurrence of at least one of the following events or circumstances:

- debtor is more than 90 days late on a significant payment;
- the Group considers is as unlikely that the debtor will pay off its debt entirely (without taking into account amounts received from collateral or similar actions).

Events that indicate a low likelihood of the obligation being performed include: submission of bankruptcy application by the debtor, instigation of arrangement proceedings for the debtor - as well as other events not directly resulting from legal actions, such as lack of cash or negative forecasts regarding the debtor's payment situation. Meeting one of the aforementioned criteria provides grounds for identifying impairment on a given financial asset due to credit risk.

Despite the COVID-19 crisis in 2021, the Group did not record any major divergences in overdue receivables, which is why its situation in terms of credit risk is stable.

In line with internal regulations - the issue of receivables being concentrated in relation to the Group's end customers is also subject to monitoring. The size of the Group's sales portfolio means that despite the fact that there are entities within the portfolio with relatively large consumption, the share of a single entity does not exceed 5% of the entire portfolio's volume, therefore the level of concentration is not seen as significant. In light of the above, the Group does not use additional collateral relating solely to concentration. The use of collateral is dependent each time on the counterparty's financial standing.

Impairment of trade and other receivables:

	As at	
	31 December 2021	31 December 2020
Impairment as of 1 January	**139 595**	**157 844**
Created	19 287	18 633
Reversed	(10 664)	(26 424)
Used	(19 684)	(10 458)
Impairment as of 31 December	**128 534**	**139 595**

Impairment losses are mainly recognised on trade receivables. Impairment of other receivables is negligible.

As at 31 December 2021, the Group carried out an additional analysis of the COVID-19 pandemic's potential impact on receivables impairment. An individual approach was applied to a list of ENEA S.A.'s largest debtors, using assumptions for a model described in the Group's existing *Methodology for determining expected credit losses for non-current debt assets and similar items*. As regards the model's quantitative module - available reporting data from the debtors was used, while the qualitative module incorporated the existing (and predicted) situation in the national economy as well as the counterparty's market and financial position. Based on this overall evaluation, a rating was assigned and subsequently transposed onto the Probability of Default parameter (in accordance with the aforementioned Methodology). As regards the Loss Given Default parameter, a value equal to 10% was conservatively adopted (in reality far exceeding the actual levels of receivables losses recorded by the Company/Group). The above analysis generated an additional expected credit loss at a negligible level from the viewpoint of reporting.

For current trade receivables, expected credit losses are calculated based on historic data in a way that is described in *Rules for creating and recording impairment losses on trade receivables and other financial items at ENEA Group companies*. In the year-closing procedure, receivables impairment is determined on the basis of date from the present year, i.e. 2021. Based on this data, impairment indicators are determined and used to estimate the amount of receivables impairment at the end of 2021. Therefore, the specified expected credit losses take into account objective indications of impairment resulting from the pandemic situation and the associated regulations

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Age structure of assets arising from contracts with customers and trade and other receivables constituting financial instruments:

	As at 31 December 2021		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	2 450 157	(5 846)	2 444 311
Overdue	304 988	(122 688)	182 300
0-30 days	115 279	(165)	115 114
31-90 days	16 610	(1 321)	15 289
91-180 days	8 899	(2 412)	6 487
over 180 days	164 200	(118 790)	45 410
Total	**2 755 145**	**(128 534)**	**2 626 611**
Assets arising from contracts with customers	**413 065**	**(157)**	**412 908**

	As at 31 December 2020		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	1 498 136	(8 817)	1 489 319
Overdue	290 021	(130 778)	159 243
0-30 days	100 033	(262)	99 771
31-90 days	15 417	(1 359)	14 058
91-180 days	9 215	(2 676)	6 539
over 180 days	165 356	(126 481)	38 875
Total	**1 788 157**	**(139 595)**	**1 648 562**
Assets arising from contracts with customers	**322 657**	**(211)**	**322 446**

Credit risk associated with trade receivables by market segment

Electricity sales and distribution services - retail clients	There is a substantial amount of overdue receivables in this segment - in percentage terms. Although these receivables - given their high dispersion in this general category and a relatively small value of each item - do not pose a major threat to the Group's finances, activities are undertaken to reduce these. Activities intended to streamline the debt recovery process are successively being undertaken and consist of new and updated instructions and rules for debt recovery as well as cooperation with specialised entities. Introducing harmonised debt collection rules, including soft debt recovery, makes it possible to shorten the cash recovery time and avoid long-term and often ineffective hard debt recovery, i.e. court enforcement. Cases that exceed a debt recovery limit are referred for court and enforcement proceedings;
Electricity sales and distribution services - business, key and strategic clients	The amounts of overdue receivables in this segment are much lower (in percentage terms) than in the case of individual customers. Given the above and due to a much smaller number of clients in these segments, debt collection rules are largely based on soft collection. Soft recovery activities are undertaken immediately after the payment deadline passes.
Other	The amounts of overdue receivables are negligible.

In the debt collection and recovery process, the Group works with specialised external entities that support it in hard debt collection activities. The Group monitors on an on-going basis the level of over-due receivables, recognises impairment losses and in justified cases raises legal claims.

Credit risk associated with cash and derivative instruments

As regards receivables from financial institutions, including cash deposited in bank accounts and deposits, as well as currency risk and interest risk hedging transactions, the safety for such transactions is governed by *ENEA Group's liquidity and liquidity risk management policy* and *ENEA Group's currency risk and interest risk management policy.* ENEA only cooperates with partners meeting strict credit-worthiness criteria and having an established position on the banking market.

In accordance with the aforementioned policies and *ENEA Group's credit risk management policy*, if a transaction partner has a rating issued by a reputable agency, the Group does not estimate an internal rating for this entity. In selecting banking counterparties, the Group analyses external credit ratings, which override all other criteria for evaluating the security of investments and settlements, and these values must be at investment grade.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

List of selected long-term ratings assigned to banks that currently work with ENEA S.A.:

Bank	Agency	Rating
PKO BP	Moody's	A2
Pekao	Fitch	BBB+
mBank	Fitch	BBB-
Santander Polska	Fitch	BBB+
BGK	Fitch	A-

As regards financial investments, in order to limit concentration risk, diversification rules for invested cash are applied. In accordance with the aforementioned *ENEA Group's liquidity and liquidity risk management policy*, a maximum permissible level of fund allocation to one transaction partner is set. Moreover, allocating excess cash of companies within the cash pooling structure is generally carried out by the parent company, which serves as Pool Leader in the cash pooling mechanism. Companies require ENEA S.A.'s approval to investment free cash on their own.

As regards managing current excess cash and as regards currency risk and interest risk hedging instruments, the Group works with six financial institutions on a day-to-day basis.

The Group diversifies credit risk concerning cash. As at 31 December 2021, cash was allocated as follows at the three banks with the largest balances: bank A 49.61%, bank B 35.36%, bank C 15.03%.

Credit risk associated with other financial assets

ENEA S.A.'s Risk Management Department carries out evaluations of significant long-term receivables and debt securities (including intra-group bonds and loans) as well as financial guarantees and liabilities concerning loans, and monitors significant credit risk and determines impairment for expected credit losses in accordance with ENEA Group's *Methodology for determining expected credit losses for non-current debt assets and similar items.* In pursuing this objective, individual assessment of each counterparty or specific instruments is carried out, using external credit ratings and, in the absence thereof, using a system of internal credit ratings based on Altman's model for emerging markets and elements of qualitative-forecasting assessment.

The Group identifies a deterioration in credit risk if:

- counterparty is more than 30 days late on a significant payment;
- a downgrade by at least two notches is observed as of the balance sheet date - for non-investment-grade ratings, identified in accordance with the aforementioned *Methodology* in the range from BB+ to B- (in comparison with the initial rating for this instrument), or
- a downgrade by at least one notch is observed as of the balance sheet date - for speculative-grade ratings, identified in accordance with the aforementioned *Methodology* in the range from CCC to D (in comparison with the initial rating for this instrument), or
- downgrade from non-investment grade to speculative grade.

Items assigned to investment grade for which no arrears on significant payments occurred for longer than 30 days are treated as items with low credit risk (the counterparty has high short-term ability to meet its obligations as regards contractual cash flows, and adverse changes in economic and business conditions in the long term might - but do not have to - impair its ability to satisfy these obligations).

The following table shows asset categories for which expected credit losses are calculated, by rating:

	As at	
	31 December 2021 12-month ECL	31 December 2020 12-month ECL
Cash and cash equivalents	**4 153 553**	**1 941 554**
from AAA to BBB- (investment grade)	4 145 828	1 941 554
from BB+ to B- (non-investment grade)	7 725	–
Funds in the Mine Decommissioning Fund	**147 671**	**141 591**
from AAA to BBB- (investment grade)	147 671	141 591
Loans granted	**225 610**	**210 145**
from CCC to D (non-investment grade)	225 610	210 145
Total gross value	**4 526 834**	**2 293 290**
Loans granted	(225 610)	(210 084)
Total impairment for expected credit losses	**(225 610)**	**(210 084)**
Cash and cash equivalents	4 153 553	1 941 554
Funds in the Mine Decommissioning Fund	147 671	141 591
Loans granted	–	61
Total balance sheet value	**4 301 224**	**2 083 206**

38.2. Financial liquidity risk

Exposure to financial liquidity risk	Risk management
Financial liquidity risk is perceived as the risk that ENEA Group would have no ability to meet its payment obligations at maturity. The aim of these activities is to reduce the likelihood of financial liquidity risk materialising by optimally using financial resources and available financing instruments.	In its business, ENEA Group strives to ensure a stable availability of cash allowing it to meet its payment liabilities on time. Activities addressed in *ENEA Group's liquidity and liquidity risk management policy and procedure* also include securing the ability to effectively respond to liquidity crises, i.e. periods of increased demand for cash. These activities allow for uninterrupted operations in liquidity crises for a period of time that is necessary to launch emergency financing plans, aiming to supplement any funding shortages. In the financial liquidity management process, the Group focuses on activities centred around an analysis of cash flows in the short- and long-term, optimisation of working capital components and monitoring the concentration of bank account balances. In order to ensure an appropriate level of security in unpredictable situations, the Group carries out cyclical scenario analyses and develops emergency financing plans intended to ensure the capacity to supplement cash shortages. The Group centrally manages financial surpluses. Allocating surpluses is mainly done with the use of term deposits. With a view toward limiting concentration risk, investments of excess cash are diversified in terms of financial institutions. The Group works exclusively with renowned institutions having a stable position, as confirmed by ratings not below investment grade. Investment performance is monitored on an on-going basis. Activities related to financial liquidity and liquidity risk management are coordinated by ENEA S.A. In order to secure funding for on-going operations and optimise the financial surplus management process, ENEA S.A. and ENEA Group companies use cash pooling. ENEA S.A. serves as Pool Leader. Additional instruments for the financing of on-going operations that secure funding for cash pooling system participants are ENEA S.A.'s overdraft facilities. Instruments for the financing of on-going operations also include the Group's central mechanism for raising external funding by ENEA S.A., which is subsequently distributed by ENEA S.A. within the Group.

Continuous risk management in the aforementioned areas and the Group's market and financial position show that financial liquidity risk remained at a negligible level for a vast majority of 2021.

In 2021, the Group recorded one event that was difficult to predict and had an impact on financial liquidity. As a result of a sudden rise in electricity prices, the Group was required to assign a considerable amount of cash to replenish collateral for electricity trading on the TGE exchange. However, this event was of a short-term nature, and the previously unplanned expenditures were covered by financial surpluses.

The Group manages liquidity risk also by maintaining open and unused credit lines, which amounted to PLN 850 000 thousand as at 31 December 2021.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The following table shows the maturities of the Group's financial liabilities:

As at 31 December 2021

	Trade and other payables	Lease liabilities	Bank credit and bonds	Loans	Financial liabilities at fair value	Liabilities arising from contracts with customers	Total
Book value	**4 191 685**	**596 671**	**6 586 919**	**47 886**	**265 517**	**46 108**	**11 734 786**
Non-discounted contractual cash flows	**(4 203 225)**	**(1 017 083)**	**(7 125 538)**	**(51 060)**	**(265 517)**	**(46 108)**	**(12 708 531)**
up to 6 months	(4 064 715)	(23 335)	(2 077 198)	(7 230)	(126 091)	(46 108)	(6 344 677)
6-12 months	(3 760)	(23 633)	(259 894)	(5 678)	(121 838)	–	(414 803)
1-2 years	(99 437)	(50 377)	(509 595)	(13 801)	(17 588)	–	(690 798)
2-5 years	(14 280)	(133 070)	(3 500 279)	(24 351)	–	–	(3 671 980)
over 5 years	(21 033)	(786 668)	(778 572)	–	–	–	(1 586 273)

As at 31 December 2020

	Trade and other payables	Finance lease liabilities	Bank credit and bonds	Loans	Financial liabilities at fair value	Liabilities arising from contracts with customers	Total
Book value	**1 680 850**	**554 312**	**7 773 377**	**58 440**	**146 118**	**32 289**	**10 245 386**
Non-discounted contractual cash flows	**(1 693 269)**	**(920 936)**	**(8 122 516)**	**(63 100)**	**(146 630)**	**(32 289)**	**(10 978 740)**
up to 6 months	(1 544 693)	(16 154)	(572 759)	(6 742)	(43 904)	(32 289)	(2 216 541)
6-12 months	(4 103)	(19 617)	(728 881)	(6 291)	(27 011)	–	(785 903)
1-2 years	(104 806)	(27 474)	(2 235 670)	(13 383)	(41 688)	–	(2 423 021)
2-5 years	(14 003)	(39 157)	(3 201 028)	(29 299)	(34 027)	–	(3 317 514)
over 5 years	(25 664)	(818 534)	(1 384 178)	(7 385)	–	–	(2 235 761)

38.3. Commodity risk

Exposure to commodity risk	Risk management
Commodity risk is related to potential changes in the Group's revenue/cash flows occurring especially as a result of changes in commodity prices. The objective of commodity risk management is to maintain exposure to this risk at an acceptable level, set by limits, while optimising the return on trading activities. A specific aspect of the Group's commodity risk is the fact that by acting as an energy enterprise operating as ex-officio seller the Group is required to submit electricity price tariffs for approval for the tariff group G. The Group purchases energy at market prices, while its tariff is calculated on the basis of costs deemed by the President of the Energy Regulatory Office (URE) as justified and taking into account margins (in trade) planned for the next tariff period. In connection with the above, the Group in the tariff period has a limited ability to transfer adverse changes in costs onto the end recipients of electricity. The Group may file an application to the URE President to amend the tariff only in the event of a major increase in costs for reasons outside of its control.	Commodity risk management as regards prices consists of continuous monitoring of the size of open trading position (both in terms of hedging the retail sales volume as well as in proprietary trading) and measuring - using tools based on the value at risk concept - the level of risk resulting from possible changes in electricity price in relation to such an open position. The way to reduce risk in this case is to close a position that generates a potential loss that is higher than acceptable (higher than risk appetite). The management model in this case is based on a VaR limit system, which specifies the maximum allowed size of open position that carries the commodity (price) risk. Managing commodity risk in volumetric terms consists of using the scenario method and optimising trading planning and controlling processes that allow to most accurately estimate the expected volumes of electricity and associated commodities that are the subject of trade. Moreover, regardless of the above, ENEA Group uses management rules specified in the Group's strategic regulations (wholesale trade mode), setting out methods for optimising the Group's trading position, with the main aim to minimise the risk of taking action that is against market trends, while taking into account the effectiveness aspect of such actions (outperforming the market).

In 2021, the Group was exposed to an elevated level of commodity risk (high volatility of prices) in connection with the COVID-19 pandemic. Irrespective of the above, the Group is observing a rising risk of a strategic (long-term) nature in this area, which is related to stricter EU requirements concerning climate protection, translating into considerable growth in the price of CO_2 emission allowances, which in turn affect the profitability of the Group's electricity-generation companies.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

38.4. Currency risk

Exposure to currency risk	Risk management
Currency risk is associated with potential changes in exchange rates that may in turn lead to changes in the Group's cash flows. The Group's exposure to currency risk stems from the obligation to comply with the requirement to purchase and submit for redemption emission allowances, as well as investment expenditures and performance of service contracts with counterparties whose remuneration is denominated in foreign currencies.	Hedging is performed on the basis of *ENEA Group's currency risk and interest rate risk management policy*. Currency risk is mainly hedged using FX forwards. Currency hedges are intended to ensure a fixed value of cash flows in domestic currency that are generated in connection with operating and investing activities. In order to secure maximum effectiveness of hedging, FX forwards are executed for periods and amounts that correspond to currency exposure. This results in an economic link between the underlying items and the hedging derivatives. With a close link between the hedged item and the hedging instrument, the main source of ineffectiveness of such links is improper performance of contracts by counterparties or adjustment of payment deadlines through annexes to contracts with counterparties. In accordance with *ENEA Group's currency risk and interest rate risk management policy*, hedging is each time based on a hedging strategy dedicated to the specific exposure and approved by ENEA Group's Risk Committee. In accordance with its rules, the Group hedges all of its currency exposure that it considers as material, i.e. which exceeds the exposure limit. The Group applies hedge accounting in this area.

FX forwards

In the 12-month period ending 31 December 2021 ENEA S.A. executed nine FX forward transactions for a total volume of EUR 1 116 thousand. The last FX FORWARD transaction was settled in December 2021, in connection with which financial assets at fair value concerning the measurement of forward instruments as at 31 December 2021 amounted to PLN 0.00 (31 December 2020: PLN 0.00).

In 2021, ENEA Trading Sp. z o.o. executed 343 FX Forward transactions worth EUR 1 002 082 thousand. Measurement of these instruments as at 31 December 2021 was PLN 142 217 thousand. In 2020, ENEA Trading Sp. z o.o. executed 160 FX Forward transactions worth EUR 273 645 thousand. The book value of these instruments as of 31 December 2020 was PLN 42 279 thousand.

In 2021, ENEA Nowa Energia Sp. z o.o. executed six FX Forward transactions worth EUR 1 901 thousand. Measurement of these instruments as at 31 December 2021 was PLN -12 thousand.

In 2021, ENEA Elektrownia Połaniec S.A. executed six FX Forward transactions worth EUR 512 thousand. Measurement of these instruments as at 31 December 2021 was PLN -34 thousand (PLN 0 thousand as at 31 December 2020).

In 2021, ENEA Centrum Sp. z o.o. executed one FX Forward transaction worth EUR 4 826 thousand. Measurement of this instrument as at 31 December 2021 was PLN -388 thousand (PLN 0 thousand as at 31 December 2020).

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The following table shows the Group's exposure to currency risk:

	As at 31 December 2021							As at 31 December 2020			
			Financial result			Financial result				Financial result	
	Book value	including value in EUR expressed in functional currency (PLN)	Exchange rate up +1%	Exchange rate down -1%	including value in USD expressed in functional currency (PLN)	Exchange rate up +1%	Exchange rate down -1%	Book value	including value in EUR expressed in functional currency (PLN)	Exchange rate up +1%	Exchange rate down -1%
Financial assets											
Cash and cash equivalents	4 153 553	1 948 247	19 482	(19 482)	75 941	759	(759)	1 941 554	500 960	5 010	(5 010)
Trade and other receivables	2 626 611	731 227	7 312	(7 312)	–	–	–	1 648 562	305 850	3 059	(3 059)
Financial assets measured at fair value	614 352	142 217	1 422	(1 422)	–	–	–	139 851	42 279	423	(423)
Financial liabilities											
Trade and other payables	(4 191 685)	(4 563)	(46)	46	(4 588)	(46)	46	(1 680 850)	(303)	(3)	3
Net exposure	**3 202 831**	**2 817 128**			**71 353**			**2 049 117**	**848 786**		
Impact on result before tax			**28 170**	**(28 170)**		**713**	**(713)**			**8 489**	**(8 489)**
19% tax			(5 352)	5 352		(135)	135			(1 613)	1 613
Net exposure after tax			**22 818**	**(22 818)**		**578**	**(578)**			**6 876**	**(6 876)**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

38.5. Interest rate risk

Exposure to interest rate risk	Risk management
Interest rate risk is associated with a negative impact of changes in interest rates on ENEA Group's financial situation. Exposure to interest rate risk is related to credit agreements and bond issue programme agreements. Given the Group's financing arrangement model, interest rate risk is identified and managed (quantified, mitigated) by the Parent. Financing is arranged based on variable interest, which is calculated in correlation with market (interbank) rates. Interest rate hedging is performed on the basis of *ENEA Group's currency risk and interest rate risk management policy*. In accordance with the aforementioned Policy - exposure to interest rate risk is identified solely on the basis of the liability side of planned cash flows, without taking into account the value of financial investments (which tend to have lower durations than financial liabilities) - although this only applies to non-current financial liabilities.	In accordance with *ENEA Group's currency risk and interest rate risk management policy,* hedging is each time based on a hedging strategy dedicated to the specific exposure and approved by ENEA Group's Risk Committee. The Group reduces interest rate risk by executing Interest Rate Swaps. The use of hedging instruments makes it possible to exchange a series of coupon payments in the same currency, calculated on an agreed nominal amount and for a specific period, although the Group pays interest based on fixed rates, while the second side of the transaction (bank) pays interest based on variable rates. In order to maximise the hedge effectiveness, the hedging instrument's parameters are identical to the terms of the transaction being hedged (i.e. the underlying position). This eventually leads to an economic link forming between payments resulting from servicing external financing and the derivatives used to hedge them. With a close link between the hedged item and the hedging instrument, the main source of ineffectiveness of such links is improper performance of contracts by counterparties (based on which hedging transactions are executed) or earlier settlement of the hedged item.

As at 31 December 2021, the Group had credit and bond liabilities of PLN 6 634 805 thousand. The aforementioned debt has been hedged in 60.2% using IRSs.

The following table shows the Group's sensitivity to changes in interest rates by presenting financial assets and liabilities by variable-rate and fixed-rate:

	As at 31 December 2021	As at 31 December 2020
Fixed-rate instruments		
Financial assets	6 032 475	3 318 473
Financial liabilities	(5 188 699)	(2 843 605)
Impact of IRS hedge	(3 994 668)	(4 672 992)
Total	**(3 150 892)**	**(4 198 124)**
Variable-rate instruments		
Financial assets	1 309 751	737 229
Financial liabilities	(6 280 570)	(7 255 663)
Impact of IRS hedge	3 994 668	4 672 992
Total	**(976 151)**	**(1 845 442)**

Fixed-rate financial assets mainly include cash in deposits, trade receivables that are based on a fixed rate of penalty interest only in the case of overdue payment, and assets arising from contracts with customers.

Interest rate swaps

In the 12-month period ending 31 December 2021 ENEA S.A. executed two Interest Rate Swaps for an exposure amounting to PLN 878 000 thousand. The interest rate resulting from these IRSs will be in effect from March 2022. The total bond and credit exposure hedged with IRSs as at 31 December 2021 amounted to PLN 3 994 668 thousand. Moreover, ENEA S.A. has fixed-rate credit agreements totalling PLN 593 094 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The measurement of these instruments is presented in the item: Financial assets measured at fair value. Derivative instruments are treated as cash flow hedges, which is why they are recognised and accounted for using hedge accounting rules.

As at 31 December 2021, financial assets at fair value concerning IRSs amounted to PLN 135 150 thousand (31 December 2020: financial liabilities at fair value concerning IRSs amounting to 139 673 thousand). Three decisions by the Monetary Policy Council raising interest rates had a material impact on this amount.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The following table presents the impact of interest rate changes on the Group's financial result in reference to variable-rate instruments.

	As at 31 December 2021			As at 31 December 2020		
	Book value	Impact of interest rate risk on financial result (12-month period)		Book value	Impact of interest rate risk on financial result (12-month period)	
		+1pp	-1pp		+1pp	-1pp
Financial assets						
Cash	602 988	6 030	(6 030)	245 359	2 454	(2 454)
Funds in the Mine Decommissioning Fund	147 671	1 477	(1 477)	141 591	1 416	(1 416)
Trade and other receivables	559 092	5 591	(5 591)	350 279	3 503	(3 503)
Derivative instruments	135 150	–	–	–	–	–
Impact on result before tax		**13 098**	**(13 098)**		**7 373**	**(7 373)**
19% tax		(2 489)	2 489		(1 401)	1 401
Impact on result after tax		**10 609**	**(10 609)**		**5 972**	**(5 972)**
Financial liabilities						
Credit facilities, loans and debt securities	(6 280 570)	(62 806)	62 806	(7 255 663)	(72 557)	72 557
Derivative instruments	–	–	–	(139 673)	–	–
Impact on result before tax		**(62 806)**	**62 806**		**(72 557)**	**72 557**
19% tax		11 933	(11 933)		13 786	(13 786)
Impact on result after tax		**(50 873)**	**50 873**		**(58 771)**	**58 771**
Total		**(40 264)**	**40 264**		**(52 799)**	**52 799**

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Other explanatory notes

39. Related-party transactions

Group companies execute transactions with the following related parties:

- Group companies - these transactions are eliminated at the consolidation stage;
- Transactions between the Group and members of the Group's corporate authorities, which are divided into two categories:
    - resulting from being appointed as Supervisory Board members,
    - resulting from other civil-law contracts.
- transactions with State Treasury related parties.

Transactions with members of the Group's corporate authorities:

Item	Year ended			
	Company's Management Board		Company's Supervisory Board	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Remuneration under management contracts and consulting contracts	5 248*	6 491**	–	–
Remuneration under appointment to management or supervisory bodies	–	–	788	771
TOTAL	**5 248**	**6 491**	**788**	**771**

** This remuneration includes bonuses for current and former Management Board Members for 2020, amounting to PLN 1 632 thousand, and a non-compete clause for former Management Board Members, amounting to PLN 138 thousand.*

*** This remuneration includes bonuses for 2018 and 2019, amounting to PLN 2 811 thousand, along with a non-compete clause and severance pay for former Management Board Members amounting to PLN 893 thousand.*

As at 31 December 2021, liabilities related to management contracts and consultancy contracts towards Management Board members amount to PLN 207 thousand (PLN 480 thousand as at 31 December 2020). As at 31 December 2021, a provision for Management Board bonuses amounted to PLN 3 420 thousand (PLN 2 032 thousand as at 31 December 2020); these provisions are not included in the above table.

The following table contains transactions concerning loans from the Company Social Benefit Fund:

Organ	As at 1 January 2021	Granted from	Repayment until	As at 31 December 2021
Company's Supervisory Board	26	–	(5)	21
TOTAL	**26**	**–**	**(5)**	**21**

Organ	As at 1 January 2020	Granted from	Repayment until	As at 31 December 2020
Company's Supervisory Board	–	26	–	26
TOTAL	**–**	**26**	**–**	**26**

Other transactions resulting from civil-law contracts executed between the Parent and members of the Parent's corporate authorities mainly concern the use of company cars by members of ENEA S.A.'s Management Board for private purposes.

Members of the Group's governing bodies and their close relatives did not execute significant transactions having an impact on the Group's results and financial situation.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

Transactions with State Treasury related parties

The Group also executes commercial transactions with state and local administration units and entities owned by Poland's State Treasury.

The subject of these transactions mainly is as follows:

- purchases of coal, electricity, property rights resulting from energy origin certificates as regards renewable energy and energy produced in cogeneration with heat, transmission and distribution services that the Group provides to the State Treasury's subsidiaries,
- sale of electricity, distribution services, connection to the grid and other associated fees, as well as coal, that the Group provides for both state and local administration authorities (sale to end customers) and to the State Treasury's subsidiaries (wholesale and retail sale - to end customers).

These transactions are executed on market terms, and these terms do not differ from the terms applied in transactions with other entities. The Group does not keep records that would make it possible to aggregate the amounts of all transactions executed with all state institutions and the State Treasury's subsidiaries.

In addition, the Group identified financial transactions with State Treasury's related parties, i.e. with banks serving as guarantors for bond issue programs. These entities include: PKO BP S.A., Pekao S.A. and Bank Gospodarstwa Krajowego. Detailed information on bond issue programs is presented in note 30.

Among State Treasury subsidiaries ENEA Group's largest counterparty-customer is Polskie Sieci Elektroenergetyczne, with net sales in 2021 reaching PLN 1 340 737 thousand (2020: Grupa Azoty with sales of PLN 357 811 thousand), while the largest supplier-counterparty is also Polskie Sieci Elektroenergetyczne, with net purchases of PLN 1 894 781 thousand (2020: also Polskie Sieci Elektroenergetyczne - purchases of PLN 1 100 112 thousand).

Transactions with jointly controlled entities and associates

The following table presents the key transactions with jointly controlled entities and associates:

	Year ended 31 December 2021		As at 31 December 2021	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	102 615	376 491	24 047	39 347
Associates	144	11 924	4	748

	Year ended 31 December 2020		As at 31 December 2020	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	90 132	411 520	48 790	73 205
Associates	165	6 169	17	81 619

The value of loans issued to jointly-controlled entity Elektrownia Ostrołęka Sp. z o.o. together with interest is PLN 225 610 thousand gross and PLN 0 net (note 18).

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

40. Explanatory notes for the consolidated statement of cash flows

The following table shows a reconciliation of changes in working capital in the consolidated statement of cash flows and changes in the consolidated statement of financial position:

	Year ended 31 December 2021	31 December 2020
Changes in CO_2 emission allowances in balance sheet	**(330 919)**	**(1 153 931)**
Changes in CO_2 emission allowances in cash flow statement	**(330 919)**	**(1 153 931)**
Change in inventory on the balance sheet	**14 055**	**246 320**
- adjustment of depreciation by change in product levels and considerations for own purposes	(3 125)	–
- depreciation of re-usable materials	(1 270)	(4 454)
Change in inventory in the cash flow statement	**9 660**	**241 866**
Change in trade and other receivables, assets arising from contracts with customers in the balance sheet	**(1 271 044)**	**(51 431)**
- VAT and income tax offset	(2 946)	1 429
- transaction costs	436	2 055
- CIT receivables	1 492	(140)
- bond programs	(30)	(917)
- finance leases	517	(219)
- other	481	(1 652)
Change in trade and other receivables, assets arising from contracts with customers in the cash flow statement	**(1 271 094)**	**(50 875)**
Change in trade and other payables and liabilities arising from contracts with customers in the balance sheet	**2 595 662**	**279 265**
- investment commitments	(20 000)	44 562
- interest charged and not paid	51	–
- adjustment of investment commitments by charged VAT	23 740	18 720
- offset of liabilities with excess CIT paid	8 428	9 057
- loan	–	80 000
- other	(146)	(475)
Change in trade and other payables and liabilities arising from contracts with customers in the cash flow statement	**2 607 735**	**431 129**
Change in employee benefit liabilities on balance sheet	**(107 622)**	**145 284**
- actuarial gains/losses recognised in other comprehensive income	103 808	(77 658)
- other	(530)	68
Change in employee benefit liabilities in cash flow statement	**(4 344)**	**67 694**
Change in accounting for subsidies and road lighting modernisation services on balance sheet	**120 619**	**34 253**
- tangible assets received free-of-charge	(467)	(995)
- other	–	1
Change in accounting for subsidies and road lighting modernisation services in cash flow statement	**120 152**	**33 259**
Change in other provisions for liabilities and other charges in balance sheet	**1 061 759**	**956 158**
- elimination of change in provision for Mine Closure Fund	84 750	(31 123)
- recognition/release of provision for settlements with Elektrownia Ostrołęka	175 707	(222 200)
- other	(9 880)	75
Change in other provisions for liabilities and other charges in cash flow statement	**1 312 336**	**702 910**

Purchase of financial assets

In the item 'Purchase of financial assets' in investing activities, the Group reports changes in deposits with maturities of over 3 months, while the item 'Proceeds from disposal of financial assets' includes movements in deposits with maturities of over 3 months and the sale of shares in PGE EJ 1.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

The following tables show a reconciliation of debt in the consolidated statement of financial position and in the consolidated statement of cash flows:

Reconciliation of bank credit and loans

	As at 31 December 2021	As at 31 December 2020
As at 1 January	**1 953 764**	**2 130 633**
Credit and loans received	1 275	2 308
Repayment of credit and loans	(217 154)	(176 371)
Measurement and transaction costs	1 266	(2 806)
As at 31 December	**1 739 151**	**1 953 764**

Reconciliation of bonds

	As at 31 December 2021	As at 31 December 2020
As at 1 January	**5 878 053**	**7 775 391**
Bond buy-back	(997 110)	(1 894 310)
Measurement and transaction costs	14 711	(3 028)
As at 31 December	**4 895 654**	**5 878 053**

41. Concession agreements for provision of public services

The Group's activities largely focus on electricity generation, distribution and trade as well as the production and sale of coal.

In accordance with the Energy Law, the URE President is responsible for concessions, regulation of energy enterprises and approval of tariffs.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

	Term of concession agreement								
	ENEA S.A.	ENEA Operator Sp. z o.o.	ENEA Wytwarzanie Sp. z o.o.	ENEA Trading Sp. z o.o.	MEC Piła Sp. z o.o.	PEC Sp. z o.o.	ENEA Ciepło Sp. z o.o.	ENEA Elektrownia Połaniec S.A.	Lubelski Węgiel Bogdanka S.A.
Trade of electricity	31 December 2025		31 December 2030	31 December 2030			1 September 2028	31 December 2030	
Trade of gas fuels	31 December 2030			31 December 2030			10 January 2029		
Foreign trade of natural gas				31 December 2030					
Trade of heat							30 September 2028		
Distribution of electricity		1 July 2030							
Generation of electricity			31 December 2030		31 December 2030		30 November 2028	1 November 2025	
Generation of thermal energy			31 December 2025		31 December 2025	31 December 2025	30 September 2028	1 November 2025	
Transmission and distribution of heat			31 December 2025		31 December 2025	31 December 2025	30 September 2028	1 November 2025	
Mining of hard coal from "Bogdanka" deposit within mining area "Puchaczów V" of 6 April 2009									31 December 2031
Mining of hard coal from "Lubelskie Zagłębie Węglowe - obszar K-3" deposit within mining area "Stręczyn" of 17 June 2014									17 July 2046
Mining of hard coal from "Ostrów" deposit located within municipalities: Ludwin, Łęczna, Ostrów Lubelski, Puchaczów, Sosnowica, Uścimów in the Lubelskie Voivodship of 17 November 2017									31 December 2065
Mining of hard coal from "Lubelskie Zagłębie Węglowe - obszar K-6 i K-7" deposit situated in the Cyców municipality in Łęczno poviat, Lubelskie voivodship, dated 20 December 2019									31 December 2046
prospecting and exploration of hard coal - type 34 and 35 coking coal in the Łaszczów research area of 30 November 2021									29 December 2025

The mining activities of Lubelski Węgiel Bogdanka S.A. as regards commercial mining of hard coal must be in compliance with the Geological and Mining Law.

42. Employment

	Year ended 31 December 2021	31 December 2020
Blue collar jobs	9 941	10 243
White collar jobs	7 329	6 998
TOTAL	**17 270**	**17 241**

The data contained in the table presents employment in full-time jobs. Management positions are classified as white collar jobs.

43. Conditional liabilities, court proceedings and cases on-going before public administration organs

This section of explanatory notes includes conditional liabilities and on-going proceedings in courts, arbitration bodies or public administration bodies.

43.1. Sureties and guarantees

The following table presents significant bank guarantees valid as of 31 December 2021 under an agreement between ENEA S.A. and PKO BP S.A. up to a limit specified in the agreement.

List of guarantees issued as at 31 December 2021

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
4 August 2021	15 July 2023	Vastint Poland sp. z o.o.	PKO BP S.A.	1 045
4 August 2021	15 February 2022	Unikoff sp. z o.o.	PKO BP S.A.	2 600
1 July 2020	30 June 2022	H. Święcicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
Total bank guarantees				**4 926**

List of guarantees issued as at 31 December 2020

Guarantee issue date	Guarantee validity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
12 August 2018	16 May 2021	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
1 July 2020	30 June 2022	H. Święcicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
Total bank guarantees				**3 390**

The value of other guarantees issued by the Group as at 31 December 2021 was PLN 13 963 thousand (PLN 16 303 thousand as at 31 December 2020).

43.2. On-going proceedings in courts of general competence

Proceedings initiated by the Group

Proceedings in courts of general competence initiated by ENEA S.A. and ENEA Operator Sp. z o.o. concern receivables related to electricity supplies (electricity cases) and receivables related to other matters - illegal uptake of electricity, grid connections and other specialised services (non-electricity cases).

Proceedings in courts of general competences initiated by ENEA Wytwarzanie Sp. z o.o. mainly concern compensation for damages and contractual penalties from the company's counterparties.

At 31 December 2021, a total of 18 569 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 161 383 thousand (31 December 2020: 13 046 cases worth PLN 173 165 thousand).

The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

Proceedings against the Group

Proceedings against the Group are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, illegal uptake of electricity and compensation for the Group's use of properties on which power equipment is located. The Group considers cases related to non-contractual use of properties that are not owned by the Group as especially significant.

There are also claims concerning terminated agreements for the purchase of property rights (note 43.6).

Court proceedings against ENEA Wytwarzanie Sp. z o.o. concern compensation for damages and contractual penalties.

At 31 December 2021, a total of 3 563 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 1 226 938 thousand (31 December 2020: 2 499 cases worth PLN 936 828 thousand). The outcome of individual cases is not significant from the viewpoint of the Group's financial result.

Provisions related to these court cases are presented in note 33.

43.3. Other court proceedings

Proceedings on-going before public administration courts involving Lubelski Węgiel Bogdanka S.A. mainly concern disputes with local government units regarding property tax. This stems from the fact that in preparing property tax declarations LWB (like other mining companies in Poland) did not take into account the value of underground mining excavations or the value of equipment located therein. These cases concern refunds of overpayments and the way in which property tax base is calculated.

In order to protect the Group from any potential consequences in the form of late interest on property tax - provided that the municipalities' decisions that include equipment and support structures located inside mining excavations are eventually upheld - LWB in mid-2019 decided to include the value of underground excavations and equipment in calculations regarding this tax (given the majority of case law involving tax on elements of mining excavations).

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by the Company's shareholder, Fundacja "CLIENTEARTH Prawnicy dla ziemi," based in Warsaw, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The first hearing in the case was held on 10 April 2019, with no witnesses called to the hearing. The Court requested that the Company provide the Investment Agreement within 14 days, at least as regards points 1 to 8 (especially point 8.6), subject to the trial consequences indicated in art. 233 § 2 of the Civil Procedure Code. ENEA's attorney filed a reservation to the protocol pursuant to art. 162 of the Civil Procedure Code. On 24 April 2019, the Company provided the Investment Agreement. The Court decided to postpone the hearing to 17 July 2019. On 31 July 2019, the District Court in Poznań allowed the main claim and declared the Resolution invalid. On 17 September 2018, an attorney for ENEA S.A. submitted an appeal against the ruling of 31 July 2019. The complainant submitted a response to the appeal, to which ENEA S.A.'s attorney replied. On 8 July 2020 the Appeals Court dismissed the Company's appeal against the District Court's ruling. As indicated in verbal major reasons for the ruling, the Appeals Court decided that the District Court's ruling complies with the law because the Resolution is invalid due to the fact that adopting the Resolution breached the division of competences between the organs of a commercial-law company. In consequence, the ruling by the District Court in Poznań invalidating the Resolution became final. The Group has assessed the impact of this event as neutral for the reported data.

The Management Board of ENEA S.A. filed in December 2018 a response to a lawsuit brought by Międzyzakładowy Związek Zawodowy Synergia Pracowników Grupy Kapitałowej ENEA, based in Poznań, to cancel, determine the non-existence or repeal resolution no. 3 of the Extraordinary General Meeting of ENEA S.A. of 24 September 2018 regarding directional approval to join the Construction Stage of the Ostrołęka C project, and demanded that the lawsuit be rejected in its entirety as unjustified, along with reimbursement of court representation costs. The hearing was scheduled for 8 May 2019. That hearing, and others scheduled for 30 July 2019 and 1 October 2019, did not take place. The hearing has been suspended until a final ruling is issued in a case instigated by a shareholder of the Company - Fundacja "CLIENTEARTH Prawnicy dla ziemi." Through a decision of 26 May 2021, the District Court in Poznań dismissed the case.

On 23 June 2021, the management board of ENEA Elektrownia Połaniec S.A. ("EEP") received information from the Minister of Climate and Environment on an administrative proceeding being instigated ex officio regarding public aid received by EEP in the form of CO_2 emission allowances for 2016 for the modernisation of power generating units in 2013-2016 (tasks included in the National Investment Plan). EEP's management board notes that the proceeding concerns a period in which EEP was owned by ENGIE (ENGIE International Holdings B.V.).

The estimated value of the public aid received back then, understood as the sum total of allowances prices as of the date on which each of the tranches was awarded in the aforementioned years, is approx. PLN 170 million, plus potential penalty interest. To the best knowledge of EEP's management board, the ecological effect of these investments was achieved, and the ecological effect for these investments was also confirmed by an external, independent auditor in 2016 and 2017.

On 21 July 2021, EEP's management board submitted explanations to the Ministry of Climate and Environment, confirming the ecological effect for these investments, along with an expanded opinion by an independent auditor. In its response to the notice, the management board also requested that the Minister of Climate and Environment dismiss this administrative proceeding.

On 9 August 2021 EEP's Management Board received a decision from the Minister of Climate and Environment on the dismissal of the entire proceeding.

43.4. Risk associated with legal status of properties used by the Group

Risk associated with the legal status of properties used by the Group results from the fact that the Group does not have a legal title to use land for all of its facilities where its transmission grids and the associated equipment are located. In the future, the Group might be obligated to incur the costs of non-contractual use of property.

Rulings in these cases are significant because they have a considerable impact on the Group's approach to people raising pre-trial claims concerning equipment located on their properties in the past as well as the way in which the legal status of such equipment is addressed in the case of new investments.

The loss of assets in this case is highly unlikely. Having an unclear legal status for properties where power equipment is located does not constitute a risk for the Group of losing such assets, rather it gives rise to the threat of additional costs related to demands for compensation for the non-contractual use of land, rent, costs related to transmission easements and, exceptionally, in individual cases, demands related to a change in the object's location (return of land to original condition). The Group recognises adequate provisions.

The provision also applies to compensation for the non-contractual use by the Group of properties on which the Group's grid assets (power lines) are located, in connection with transmission corridors or transmission easements being established for the Group.

As at 31 December 2021, the Group recognised a provision for claims concerning non-contractual use of land amounting to PLN 213 578 thousand.

43.5. Cases concerning 2012 non-balancing

On 30 and 31 December 2014, ENEA S.A. submitted demands for settlement to:

	Demanded amount in PLN 000s
PGE Polska Grupa Energetyczna S.A.	7 410
PKP Energetyka S.A.	1 272
TAURON Polska Energia S.A.	17 086
TAURON Sprzedaż GZE Sp. z o.o.	1 826
Total	**27 594**

The subject of these demands is claims for the payment for electricity that was incorrectly settled on the balancing market in 2012. The companies receiving these demands obtained unjustified proceeds by not allowing ENEA S.A. to issue invoices for 2012.

Given a lack of an amicable resolution in this case, ENEA S.A. brought lawsuits against:

- TAURON Polska Energia S.A. – lawsuit of 10 December 2015,
- TAURON Sprzedaż GZE Sp. z o.o. – lawsuit of 10 December 2015,
- PKP Energetyka S.A. – lawsuit of 28 December 2015,
- PGE Polska Grupa Energetyczna S.A. – lawsuit of 29 December 2015.

In the case ENEA S.A. vs. Tauron Polska Energia and others (file no. XIII GC 600/15/AM), on 23 March 2021 in its entirety and awarded the costs of proceedings in favour of the defendant and the co-defendants. The ruling along with justification in writing was delivered on 20 May 2021. On 10 June 2021, ENEA S.A. lodged an appeal to the Appeals Court in Katowice. In the case ENEA S.A. vs. TAURON Sprzedaż GZE Sp. z o.o. (file no. X GC 546/15), on 21 December 2021 the District Court in Gliwice dismissed the claim in its entirety and awarded the costs of proceedings in favour of the defendant. On 3 March 2022, the court delivered the judgement with a written justification. In a case against PGE Polska Grupa Energetyczna S.A. (file no. XVI GC 525/20, previous file no. XX GC 1163/15) - through a ruling of 7 January 2021 the court suspended the proceeding at the mutual request of the parties. Through a ruling of 19 November 2021, the court resumed the previously suspended proceeding. In a decision dated 1 March 2021, the court once again suspended the proceeding at the parties' mutual request.

No amounts concerning the above cases were recognised in the consolidated statement of financial position.

43.6. Dispute concerning prices for origin certificates for energy from renewable sources and terminated agreements for the purchase of property rights arising under origin certificates for energy from renewable sources

ENEA S.A. is a party to 8 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 6 proceedings for payment, where claims for remuneration, contractual penalties or damages are pursued against ENEA S.A., although in 1 proceeding there is a preliminary decision as to the claims and recognition of ineffectiveness of termination of the contract;
- 1 proceeding to determine ineffectiveness of the termination of property rights sale contracts by ENEA S.A. effected on 28 October 2016;
- 1 proceeding for payment, where ENEA S.A. is pursuing a contractual penalty claim.

ENEA S.A. offset a part of receivables due for these counterparties from ENEA S.A. for sold property rights with damages-related receivables due for ENEA S.A. from renewables producers. The damage caused to ENEA S.A. arose as a result of the counterparties' failure to fulfil a contractual obligation to participate, in good faith, in re-negotiating long-term agreements for the sale of property rights in accordance with an adaptation clause that is binding for the parties.

On 28 October 2016, ENEA S.A. submitted statements depending on the agreement: on termination or withdrawal from long-term agreements for the purchase by the Company of property rights resulting from certificates of origin for energy from renewable sources (green certificates) (Agreements).

The Agreements were executed in 2006-2014 with the following counterparties, which own renewable generation assets ("Counterparties"):

- Farma Wiatrowa Krzęcin Sp. z o.o., based in Warsaw;
- Megawind Polska Sp. z o.o., based in Szczecin;
- PGE Górnictwo i Energetyka Konwencjonalna S.A., based in Bełchatów (currently PGE Energia Ciepła S.A.);
- PGE Energia Odnawialna S.A., based in Warsaw;
- PGE Energia Natury PEW Sp. z o.o., based in Warsaw (currently PGE Energia Odnawialna S.A., based in Warsaw);
- "PSW" Sp. z o.o., based in Warsaw;
- in.ventus Sp. z o.o. EW Śniatowo Sp. k., based in Poznań (currently TEC1 Sp. z o.o. EW Śniatowo Sp. k., based in Katowice);
- Golice Wind Farm Sp. z o.o., based in Warsaw.

As a rule, the Agreements were terminated by the end of November 2016. The dates on which the respective Agreements were terminated depended on contractual provisions.

The reason for terminating/withdrawing from each of the Agreements by the Company was failure to engage in re-negotiations concerning adaptive clauses in each of the Agreements that would justify the adjustment of these Agreements in order to restore contractual balance and the equivalence of the parties' benefits following changes in the law.

Legal changes that occurred after the aforementioned Agreements were executed include in particular:

- ordinance of the Minister of Economy of 18 October 2012 on a detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);
- Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:
  - the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 (Polish Journal of Laws of 2016, item 925); and
  - a draft of the Ordinance of the Minister of Energy concerning changes in the share of electricity resulting from redeemed origin certificates confirming production of electricity from renewable sources, which is to be issued based on an authorisation under art. 12 sec. 5 of the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 and certain other acts,

caused an objective lack of possibilities to develop reliable models to forecast the prices of green certificates.

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the act on renewable energy sources, the estimated value of future contract liabilities would have changed. In the current legal framework, this would be significantly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price. The Company created a PLN 155 962 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 December 2021 concerning transactions to sell property rights by the counterparties. The provision is presented in note 33.

In a case brought by Golice Wind Farm Sp. z o.o. against ENEA S.A., the court issued on 14 August a partial and preliminary ruling, in which it:

1) withdrew a claim seeking the voidance of ENEA S.A.'s termination of an agreement to sell property rights, which took place on 28 October 2016;
2) accepted a claim for the payment of consideration for property rights and ordered ENEA S.A. to pay PLN 6 042 thousand, together with interest;
3) considered the other parts of the claim for payment as justified in general.

This ruling is not final. ENEA S.A. has appealed part of the ruling, i.e. as regards points 2 and 3. Moreover, on 13 January 2021 Golice Wind Farm Sp. z o.o. appealed a part of the ruling, i.e. as regards the ruling in point 1, dismissing the action for a declaration. The appeal hearing was held on 21 January 2022, and the ruling announcement was postponed to 21 February 2022. On 21 February 2022, the Appeals Court in Poznań ruled to amend the contested ruling and found that the declaration submitted by ENEA S.A. in writing on 28 October 2016 regarding the full termination of the sales agreement had no legal effect and that this agreement remains in force in full, thus dismissing the appeal of Golice Wind Farm Sp. z o.o. in the remaining scope and dismissing the appeal of ENEA S.A., and also awarding the costs of the appeals proceeding to Golice Wind Farm Sp. z o.o. from ENEA S.A.

In cases brought by PGE Group companies, i.e.:

- PGE Energia Odnawialna S.A., based in Warsaw (file no. IX GC 1064/17) – on 15 June 2021, the court resumed the previously suspended proceeding, and then through a ruling of 6 September 2021 the District Court in Poznań suspended the proceeding at the mutual request of the parties. Through a ruling of 17 February 2022, the court resumed the previously suspended proceeding;
- PGE Energia Ciepła S.A., based in Warsaw (file no. IX GC 555/16) – through a ruling of 8 December 2021 the Court decided to resume the suspended proceeding, and on 15 December 2021 the Company received an expanded claim. Through a ruling of 5 January 2022, the court once again suspended the proceeding at the mutual request of the parties;
- PGE Energia Odnawialna S.A., based in Warsaw (file no. IX GC 1011/17) – through a ruling of 16 April 2021, the court resumed the previously suspended proceeding, and through a ruling of 3 August 2021 the District Court in Poznań suspended the proceeding at the mutual request of the parties.

In a case brought by ENEA S.A. against PGE Górnictwo i Energetyka Konwencjonalna S.A. (file no. X GC 608/20) – on 26 October 2020, the court ruled to suspend the proceeding at the parties' mutual request. The ruling is final.

In a case brought by Hamburg Commercial Bank AG against ENEA S.A., in which Hamburg Commercial Bank AG is seeking claims arising under property rights sales contract no. ENEA/WINDPARK ŚNIATOWO/PMOZE/2013 of 26 February 2014, executed between ENEA S.A. and Windpark Śniatowo Management GmbH EW Śniatowo Sp. k. (currently TEC1 Sp. z o.o. EW Śniatowo Sp. k., based in Katowice), claiming their purchase under a debt assignment contract, the District Court in Poznań issued on 25 February 2021 a partial ruling, ordering ENEA S.A. to pay PLN 494 thousand, with statutory late interest for the period from 16 December 2016 to the payment date. This ruling is not final. On 2 June 2021, ENEA S.A. lodged an appeal against the entire partial ruling by the District Court in Poznań of 25 February 2021. Within the remaining scope, i.e. concerning the claim extension of 17 January 2019 and claim extension of 20 August 2019, the proceeding is legally suspended under the order of the District Court in Poznań of 24 October 2019 until a final ruling is issued by this court in case no. IX GC 552/17. On 30 December 2021 Hamburg Commercial Bank AG filed an application with the District Court in Poznań for securing the claim.

Consolidated financial statements in compliance with EU IFRS for the financial year ended 31 December 2021 (in PLN 000s)

44. Collateral on assets and other restrictions

Limits and collateral established on the Group's assets and other collateral

No.	Name of entity	Title of collateral	Type of collateral	Entity for which collateral is established	Debt at 31 December 2021	Debt at 31 December 2020	Term of collateral
1.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**WUPRINŻ S.A.**	14	14	14 September 2022
2.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**PGL Lasy Państwowe**	-	31	31 December 2020
3.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**STRABAG Sp. z o.o.**	30	30	9 January 2023
4.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**STRABAG Sp. z o.o.**	30	30	17 October 2023
5.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**STRABAG Sp. z o.o.**	25	25	17 October 2023
6.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**STRABAG Sp. z o.o.**	10	25	20 January 2022
7.	**ENEA Serwis**	Collateral for agreement to issue contract guarantees	Blank promissory note	**STRABAG Sp. z o.o.**	2	-	20 January 2022
8.	**PEC Oborniki**	Collateral for loan	Blank promissory note, assignment of receivables	**WFOŚiGW**	403	706	20 June 2023
9.	**PEC Oborniki**	Collateral for loan	Blank promissory note, assignment of receivables	**WFOŚiGW**	1 058	1 158	20 September 2028
10.	**ENEA Ciepło**	Collateral for loan	Blank promissory note	**NFOŚiGW**	34 387	41 327	20 December 2026
11.	**ENEA Ciepło**	Collateral for credit facility	Blank promissory note	**PKO BP S.A.**	434	1 303	30 June 2024
12.	**ENEA Ciepło**	Collateral for credit facility	Blank promissory note	**ING Bank Śląski S.A.**	1 019	1 969	12 November 2026
13.	**LW Bogdanka**	Collateral for loan	Blank promissory note, assignment of receivables	**WFOŚiGW**	7 942	11 008	31 July 2024
14.	**MEC Piła**	Collateral for loans	Blank promissory note, assignment of receivables	**WFOŚiGW**	2 000	2 952	20 June 2023
15.	**ENEA Elektrownia Połaniec**	Transfer of EUA as collateral	transfer of EUA ownership pursuant to contract (non-cash collateral)	**IRGIT**	-	-	until revoked
16.	**ENEA Nowa Energia**	Collateral for lease rent	Restriction of funds in bank account	**National Centre for Agriculture Support (KOWR)**	476	476	10 December 2022

Aside from the constraints described in the table above, restrictions on cash are described in note 25.

45. Participation in nuclear power plant build program

On 15 April 2015 KGHM Polska Miedź S.A., PGE S.A., TAURON S.A. and ENEA S.A. executed an agreement to purchase shares in PGE EJ 1. KGHM Polska Miedź S.A., TAURON S.A. and ENEA S.A. purchased 10% stakes in PGE EJ 1 each from PGE (30% in total). ENEA paid PLN 16 million for its stake. ENEA S.A.'s overall expenditures on purchasing shares and increasing the company's share capital amounted to PLN 70 902 thousand.

On 1 October 2020, ENEA S.A., PGE S.A., KGHM Polska Miedź S.A. and TAURON S.A. signed a letter of intent with the State Treasury regarding purchase by the State Treasury of a 100% stake in PGE EJ 1. The letter of intent did not commit the parties to the transaction. The decision on the transaction depended on the outcome of negotiations and compliance with other conditions specified in the provisions of law or corporate documents.

On 26 March 2021 ENEA S.A., PGE S.A., TAURON S.A. and KGHM Polska Miedź S.A. executed an agreement with the State Treasury to sell 100% of shares in PGE EJ 1 to the State Treasury (Share Sale Agreement). Pursuant to the Share Sale Agreement, ownership of the PGE EJ 1 shares was transferred on 31 March 2021. ENEA sold 532 523 shares in PGE EJ 1, constituting 10% of its share capital and representing 10% of votes at its general meeting, to the State Treasury, and ceased being a shareholder of PGE EJ1. The sale price for the 100% stake was PLN 531 362 thousand, of which ENEA received PLN 53 136 thousand.

Furthermore, on 26 March 2021, the shareholders executed an Annex to an Agreement of 15 April 2015 with PGE EJ 1 regarding PGE EJ 1's dispute with the WorleyParsons consortium (Agreement). Pursuant to the Annex, the shareholders' liability toward PGE EJ 1 arising from the Agreement as a result of the dispute with the WorleyParsons consortium is now amount-limited, and if the dispute is resolved in PGE EJ 1's favour, the shareholders are eligible to receive appropriate consideration from PGE EJ 1. Information on the dispute between PGE EJ 1 and the WorleyParsons consortium were disclosed by PGE in relevant current reports.

In connection with the State Treasury's purchase of a 100% stake in PGE EJ 1, the shareholders terminated the Shareholder Agreement of 3 September 2014, effective from 26 March 2021.

Pursuant to the Share Sale Agreement of 26 March 2021, the difference between the valuation of PGE EJ 1 as of 31 December 2020 (valuation for transaction purposes) and an updated valuation as of 31 March 2021 (valuation on share transfer date) should be returned by the selling companies to the State Treasury ("Price Adjustment"). Given the above, on 2 June 2021, ENEA S.A. settled the Price Adjustment concerning the sale of its stake in PGE EJ 1, i.e. paid PLN 533 thousand to the State Treasury.

46. Tax group

On 11 December 2019 the Director of the 1st Wielkopolskie Tax Authority in Poznań registered an agreement concerning the formation of a tax group for a period of three tax years from 1 January 2020 to 31 December 2022. The agreement was executed in the form of a notarial deed on 12 November 2019 between 11 ENEA Group companies, including: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Wytwarzanie Sp. z o.o., ENEA Elektrownia Połaniec S.A.

The tax group is represented by ENEA S.A.

The Act on corporate income tax treats a tax group as a separate payer of corporate income tax (CIT), meaning that companies within a tax group are not treated as separate entities for CIT purposes, while the tax group is treated as a whole.

Subject to tax is income of the entire group, calculated as the excess of the sum of income all of the companies within the group over their losses. The tax group is a separate entity only for CIT purposes. It is not a separate entity in a legal sense. It also does not apply to other taxes, especially each of the companies within the tax group is a separate payer of VAT, tax on civil-law transactions, property tax and payer of personal income tax.

Companies within the tax group must meet a number of requirements, including: sufficient capital, parent company's stake in companies within the tax group of at least 75%, subsidiaries not holding shares in any companies within the tax group, no tax arrears, share of income to revenue of at least 2% (calculated for the entire tax group) and execution of transactions on market terms only. Failing to meet these requirements would mean a dissolution for the tax group and loss of taxpayer status. From dissolution, each company within the tax group would become a separate CIT payer.

47. Impact of COVID-19 pandemic

A state of epidemic caused by the SARS-Cov-2 coronavirus was introduced in Poland in March 2020. The virus and its effects as well as the effects of actions taken by the state to combat the pandemic have had influence over the condition of the domestic economy, also in 2021. Following the end of another wave of Covid and the implementation of a mass vaccination program, most of the economic restrictions were lifted, which resulted in a clear rebound in macroeconomic indicators. The effects of this affected ENEA Group in the following ways:

- Higher demand for coal is visible in the Mining segment (approx. 31% in comparison with the same period of 2020). The COVID-19 pandemic did not have as much impact on the activities of Lubelski Węgiel Bogdanka until the date on which these consolidated financial statements were prepared as it had had in 2020. Additionally, thanks to the crew's intensive efforts and the optimisation of longwall structuring and scheduling, aimed at the optimal use of production capacities, during a period of higher demand for coal, it was possible to achieve record-breaking production results, which translated into improved financial results in 2021.
- In the Trade segment, the total electricity and gas fuel sales volumes went up in 2021 by 3 393 GWh, or 16%, in comparison with 2020. This growth was mainly driven by electricity sales in the business customer segment. In the business customer segment, the volume of electricity sales went up by 3 101 GWh, i.e. 21%, and was caused by a higher contracting level for 2021 than in the preceding year. Electricity sales volume in the household segment grew by 56 GWh, i.e. 1%. The volume of gas fuel sales also increased on a year-to-year basis (by 236 GWh, or 18%). Total revenue from the sale of electricity and gas fuel sales went up in 2021 by PLN 1 055 million, i.e. 17%. Revenue increased in both the business and household customers segments (by 20% and 7%, respectively).
- Electricity output in the Generation segment in 2021 was 17% higher than in 2020. This translates into higher revenue in this segment (by approx. 21% y/y).
- In the Distribution segment, the Group recorded higher sales of distribution services to end customers in 2021 by 5% on a y/y basis, mainly driven by higher sales in tariff groups B and G.
- From the onset of the pandemic, the Company has been regularly carrying out additional analyses of the COVID-19 pandemic's potential impact on receivables impairment. Expected losses are verified on the basis of these analyses. The level of this additional impairment loss - from the start of these analyses - is negligible from a reporting viewpoint, nonetheless the Group assesses that if restrictions related to the COVID-19 pandemic are maintained and thus economic activity is further reduced, the receivables turnover ratio might deteriorate given a reduced payment capacity on the part of electricity customers.
- Due to work being re-organised and because of enhanced safety measures mandated by the state of epidemic and a temporary unavailability of contractors, the Group sees a risk of delays in completing scheduled repairs and modernisations of generation assets, including adaptations to BAT conclusions. The effects of this risk materialising would be visible over time and depend on the current market conditions, among other factors.

At the date on which these consolidated financial statements were prepared, it is difficult to predict how the situation will develop in 2022 and what the potential negative effects for the Parent's and the Group's operating and financing activities will be in the future. Another wave of the virus may cause restrictions to be reinstated and economic activity to slow down. The Group is taking preventive action to reduce this type of risk.

A crisis and coordination command, appointed by the Management Board, is operating at ENEA S.A., and all Group companies have appointed teams that coordinate tasks related to ensuring the continuity of ENEA Group companies' operations in the context of the coronavirus threat. The Management Board of ENEA S.A. is coordinating all activities in this area through the crisis coordination command. The command and teams engage in activities intended to protect the health of employees by providing personal protective equipment (face masks, anti-microbial gels, gloves), implementing safe work rules (including introducing, wherever possible, remote work, limited direct meetings in the workplace, disinfection of rooms, introducing a limit on the number of employees in a room, maintaining safe distances between employees). The precautions taken in order to prevent the spread of the coronavirus have an impact on operating costs, which together with changes in revenue will ultimately affect the consolidated net result.

At the date on which these consolidated financial statements were prepared, the Group sees no going-concern risk.

48. National Energy Security Agency

In April 2021, the Ministry of State Assets published a document entitled “Power-sector transition in Poland. Spin-off of coal assets from companies with a State Treasury shareholding” (“Transition Program”), which contains a concept for the spin-off from the energy groups of assets related to electricity generation in conventional coal-fired units (“Coal Assets”). The Transition Program’s assumptions include the integration of coal assets within one entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. – a subsidiary of PGE S.A., which will eventually operate under the name National Energy Security Agency (*Narodowa Agencja Bezpieczeństwa Energetycznego* – NABE).

On 23 July 2021, ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A., ENERGA S.A. and the State Treasury signed an agreement on cooperation with regard to the spin-off of the coal assets and their integration within the National Energy Security Agency (annexed on 14 October 2021). The parties to the agreement see the need to coordinate their cooperation on spinning-off the coal assets and their integration within NABE. Under the agreement, the parties have undertaken to exchange essential information, including information pertaining to organisational structures, on-going processes and assumptions for the direction of the transition, the provision of which does not breach the law. The agreement will make it possible to efficiently and effectively implement the process intended to establish NABE.

On 15 November 2021, an agreement was signed between ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and KPMG Advisory sp. z o.o. sp. k. for the provision of strategic advisory services. The agreement was signed following a procurement procedure entitled: Strategic advisory (including legal and tax services) in the spin-off of coal-fired generating assets from ENEA S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENERGA S.A.

On 1 March 2022, the Council of Minister adopted the Transition Plan. NABE's role will be to ensure energy security through a stable supply of energy generated from coal. The spin-off of coal assets will allow the energy groups to focus on accelerating their investments in low- and zero-carbon energy sources and transmission infrastructure and thus will make a sizeable contribution to the country's energy transition.

49. Political and economic situation in Ukraine

On 24 February 2022, the Russian Armed Forces attacked Ukraine and thus began a large-scale armed conflict. This event has a considerable impact on the social, political and economic situation not just in the region but also globally. The Group is monitoring on an on-going basis the impact of the political and economic situation in Ukraine on its financial statements as well as the Group's future financial and operating results, however at this point it is not possible to precisely define this impact.

An elevated aversion to risk and significant volatility of the prices of commodities and financial instruments can be seen on the commodities and financial markets. The considerable volatility of electricity and EUA prices may result in the necessity to supplement margins at clearinghouse IRGIT and in foreign markets for trade in GHG emission allowances (The ICE, EEX), thus increasing the amount of working capital needed. Higher commodity prices strengthen the expectations for higher interest rates (stronger inflationary pressure), which may increase the cost of debt financing. A significant weakening of PLN may increase operating costs.

In connection with alert level CHARLIE-CRP being announced for the entire country, Group companies have implemented the measures specified in the Regulation of the Prime Minister of 25 July 2016 on the scope of measures to be taken at specific alert levels and CRP alert levels. Restrictions in access to IT systems as a result of alert level CHARLIE-CRP being maintained may cause delays in implementing projects and deploying IT systems.

In the Mining segment, hard coal exports being recently developed by LW Bogdanka S.A., much of which was going to Ukraine, accounted for 5.5% of the company's revenue from sales in 2021. In 2022, the sale of coal to Ukraine may be significantly more difficult due to the armed conflict, damaged infrastructure and higher risk associated with deliveries. It is currently not possible to precisely predict the scale and duration of these difficulties. On the other hand, the demand for thermal coal is currently very high in the country, also due to lower production in Poland and difficulties with imports, therefore this event should not significantly impact current and future financial results in the Mining segment.

In the Trade segment, growth in the price of gas fuel and electricity may weaken the results of energy vendors in the present year (necessity to buy for balancing purposes) and affect prices for customers (those customers who do not purchase energy at a guaranteed "fixed" price).

In the Generation segment, intervention support in the electricity balance may be necessary, leading to higher electricity output from conventional units. The Group currently does not perceive the war in Ukraine as having an impact on deliveries of hard coal to ENEA Group's generating assets. According to the Group, difficulties may materialise with regard to the supply of biomass from Ukraine and Belarus, however their impact on the financial results of the segment's companies is currently difficult to determine. If deliveries from the east are reduced, they can be replaced with deliveries from other directions (domestic, alternative). For electricity generation purposes at units 2-7 of ENEA Elektrownia Połaniec S.A. and the generation of heat at ENEA Ciepło sp. z o.o.'s assets, biomass can be replaced by coal.

In the Distribution segment, the Group has not identified any negative impact of the political and economic situation in Ukraine on the segment's operating activities and financial results.

As of the date on which these consolidated financial statements were prepared, it is not possible to predict the further development of the armed conflict in Ukraine as well as any potential negative effects for the operating activities and finances of the Parent and the Group.

As of the date on which these consolidated financial statements were prepared, the Group sees no going-concern risk.