



ENEA Group Consolidated financial statements

**for the financial year ended
31 December 2022
in compliance with EU IFRS**

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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 Majewski**

Member of the Management Board **Rafał Mucha**

Member of the Management Board **Marcin Pawlicki**

Member of the Management Board **Dariusz Szymczak**

Member of the Management Board **Lech Żak**

ENEA Centrum Sp. z o.o.

Entity responsible for maintaining accounting

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Poznań, 22 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022	31 December 2021 restated*
Revenue from sales	8	30 128 349	21 347 866
Excise duty		(52 091)	(73 277)
Net revenue from sales		30 076 258	21 274 589
Compensations	8	28 588	–
Revenue from operating leases and subleases		13 006	13 976
Revenue from sales and other income		30 117 852	21 288 565
Other operating revenue	10	215 329	212 562
Change in provision for onerous contracts	33	(414 715)	(199 282)
Depreciation/amortisation	9	(1 584 991)	(1 539 286)
Employee benefit costs	9	(2 495 720)	(2 136 936)
Use of materials and raw materials and value of goods sold	9	(10 462 627)	(4 912 513)
Purchase of electricity and gas for sales purposes	9	(12 393 958)	(8 655 752)
Transmission services	9	(472 792)	(440 669)
Other third-party services	9	(1 057 113)	(978 955)
Taxes and fees	9	(541 573)	(471 578)
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		(51 256)	(35 253)
Impairment losses on non-financial non-current assets		(56 763)	(30 124)
Other operating costs	10	(223 433)	(127 317)
Operating profit		578 240	1 973 462
Finance costs	11	(276 630)	(214 803)
Finance income	11	220 929	125 106
(Losses)/gains on currency derivative instruments not used in hedge accounting	6	(347 053)	116 988
Dividend income		1 163	227
Reversal/(recognition) of impairment of financial assets at amortised cost		27 274	(15 825)
Share of profit of associates and jointly controlled entities	18	71 463	192 561
Profit before tax		275 386	2 177 716
Income tax	12	(156 466)	(372 549)
Net profit for the reporting period		118 920	1 805 167
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments	35	94 875	264 754
- income tax		(18 020)	(50 303)
Not subject to reclassification to profit or loss:			
- restatement of defined benefit plan		9 356	103 808
- other		–	(1 264)
- income tax		(1 778)	(19 724)
Net other comprehensive income		84 433	297 271
Comprehensive income for the reporting period		203 353	2 102 438
Including net profit:			
attributable to shareholders of the Parent		45 304	1 690 874
attributable to non-controlling interests		73 616	114 293
Including comprehensive income:			
attributable to shareholders of the Parent		129 875	1 986 081
attributable to non-controlling interests		73 478	116 357
Net profit attributable to shareholders of the Parent		45 304	1 690 874
Weighted average number of ordinary shares		501 430 391	441 442 578
Net profit attributable to the Parent's shareholders, per share (in PLN per share)	13	0.09	3.83
Diluted profit per share (in PLN per share)		0.09	3.83

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	As at 31 December 2021 restated*
ASSETS			
Non-current assets			
Property, plant and equipment	14	20 154 134	19 254 971
Right-of-use assets	16	827 430	774 099
Intangible assets	15	351 922	350 188
Investment properties	17	18 042	20 282
Investments in associates and jointly controlled entities	18	163 317	137 881
Deferred income tax assets	12	1 315 108	1 400 872
Financial assets measured at fair value	35	161 391	195 031
Trade and other receivables	22	12 213	74 434
Costs related to the conclusion of agreements		8 970	11 180
Finance lease and sublease receivables	23.1	1 168	580
Funds in the Mine Decommissioning Fund		147 925	147 671
Total non-current assets		23 161 620	22 367 189
Current assets			
CO ₂ emission allowances	19	4 093 130	2 859 978
Inventories	20	1 979 850	1 115 920
Trade and other receivables	22	5 260 383	3 312 572
Costs related to the conclusion of agreements		11 006	11 652
Assets arising from contracts with customers	24	623 900	412 908
Finance lease and sublease receivables	23.1	1 304	903
Current income tax receivables		315 513	3 147
Financial assets measured at fair value	35	382 546	419 321
Debt financial assets at amortised cost	36	42 004	–
Cash and cash equivalents	25	1 563 716	4 153 553
Total current assets		14 273 352	12 289 954
Total assets		37 434 972	34 657 143

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	As at 31 December 2021 restated*
EQUITY AND LIABILITIES			
Equity			
Equity attributable to shareholders of the parent			
Share capital		676 306	588 018
Share premium		3 348 670	2 692 784
Revaluation reserve - measurement of hedging instruments		185 744	108 917
Retained earnings		10 663 950	10 636 605
Total equity attributable to shareholders of the parent		14 874 670	14 026 324
Non-controlling interests	27	1 271 441	1 175 576
Total equity	26	16 146 111	15 201 900
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	30	4 087 307	4 457 014
Trade and other payables	31	32 265	123 947
Liabilities arising from contracts with customers	24	15 822	18 389
Lease liabilities	30	625 120	565 993
Accounting for subsidies and road lighting modernisation services	34	493 904	377 016
Deferred income tax provision	12	536 255	479 389
Employee benefit liabilities	32	962 783	962 473
Financial liabilities measured at fair value	35	249	17 588
Provisions for other liabilities and other charges	33	946 088	874 929
Total non-current liabilities		7 699 793	7 876 738
Current liabilities			
Credit facilities, loans and debt securities	30	750 273	2 177 791
Trade and other payables	31	5 165 576	4 439 560
Liabilities arising from contracts with customers	24	348 590	441 947
Lease liabilities	30	31 338	30 678
Accounting for subsidies and road lighting modernisation services	34	20 381	18 073
Current income tax liabilities		12 706	63 774
Employee benefit liabilities	32	577 479	525 031
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Financial liabilities measured at fair value	35	494 596	247 929
Provisions for other liabilities and other charges	33	6 187 848	3 633 441
Total current liabilities		13 589 068	11 578 505
Total liabilities		21 288 861	19 455 243
TOTAL EQUITY AND LIABILITIES		37 434 972	34 657 143

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Equity attributable to shareholders of the parent			Retained earnings	Non-controlling interests	Total equity
				Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments			
As at January 2021	441 443	146 575	588 018	3 632 464	(16 295)	(105 534)	7 938 162	1 057 538	13 094 353
Adjustment due to amendments to IAS 16	-	-	-	-	-	-	3 428	1 767	5 195
As at 1 January 2021, adjusted	441 443	146 575	588 018	3 632 464	(16 295)	(105 534)	7 941 590	1 059 305	13 099 548
Net profit for the reporting period*	-	-	-	-	-	-	1 690 874	114 293	1 805 167
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	1 754 594	116 357	2 102 438
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	10 636 605	1 175 576	15 201 900
Net profit for the reporting period	-	-	-	-	-	-	45 304	73 616	118 920
Net other comprehensive income	-	-	-	-	-	76 855	7 716	(138)	84 433
Net comprehensive income recognised in the period	-	-	-	-	-	76 855	53 020	73 478	203 353
Dividends	-	-	-	-	-	-	-	(30 129)	(30 129)
Issue of ordinary shares	88 288	-	88 288	662 164	-	-	-	-	750 452
Cost of issue of ordinary shares	-	-	-	(6 278)	-	-	-	-	(6 278)
Change in non-controlling interests in subsidiaries	-	-	-	-	-	-	(25 675)	52 516	26 841
Other	-	-	-	-	-	(28)	-	-	(28)
As at 31 December 2022	529 731	146 575	676 306	3 348 670	-	185 744	10 663 950	1 271 441	16 146 111

* the table shows a restated amount of net profit as explained in note 6 to these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended	
		31 December 2022	31 December 2021 restated*
Cash flows from operating activities			
Net profit for the reporting period		118 920	1 805 167
Adjustments:			
Income tax in profit or loss	12	156 466	372 549
Depreciation/amortisation	9	1 584 991	1 539 286
Loss on change, sale and liquidation of property, plant and equipment and right-of-use assets		51 256	35 253
Impairment losses on non-financial non-current assets		56 763	30 124
Gain on sale of financial assets		(15 508)	(5 892)
Interest income		(108 132)	(17 547)
Dividend income		(1 163)	(227)
Interest costs		208 622	160 017
Loss/(gain) on measurement of financial instruments		421 698	(108 567)
(Reversal)/recognition of impairment of financial assets at amortised cost		(27 274)	15 825
Share of profit of associates and jointly controlled entities		(71 463)	(192 561)
Other adjustments		(47 356)	(40 338)
Total adjustments		2 208 900	1 787 922
Paid income tax		(386 734)	(526 612)
Changes in working capital:			
CO ₂ emission allowances	40	(1 233 152)	(330 919)
Inventories	40	(865 572)	9 660
Trade and other receivables	40	(2 101 174)	(1 271 094)
Trade and other payables	40	648 308	2 607 735
Employee benefit liabilities	40	72 146	(4 344)
Accounting for subsidies and road lighting modernisation services	40	117 070	120 152
Provisions for other liabilities and charges	40	2 647 457	1 312 336
Total changes in working capital		(714 917)	2 443 526
Net cash flows from operating activities		1 226 169	5 510 003
Cash flows from investing activities			
Purchase of tangible and intangible assets		(2 586 902)	(1 924 890)
Proceeds from sale of tangible and intangible assets		41 333	3 324
Purchase of financial assets	40	(250 265)	(68 219)
Proceeds from sale of financial assets	40	279 149	121 461
Purchase of associates and jointly controlled entities		(1 009)	(707)
Sale of associates and jointly controlled entities		1 000	982
Received dividends		1 163	227
Inflows concerning funds at Mine Decommissioning Fund bank account		(254)	(6 080)
Received interest		29 623	911
Other inflows/(outflows) from investing activities		524	(359)
Net cash flows from investing activities		(2 485 638)	(1 873 350)
Cash flows from financing activities			
Credit and loans received		338 720	1 275
Repayment of credit and loans		(217 420)	(217 154)
Bond buy-back		(1 955 111)	(997 110)
Dividends paid		(30 129)	(105)
Repayment of lease liabilities		(26 483)	(41 128)
Proceeds from share issue		750 452	-
Interest paid		(181 342)	(165 611)
Expenses related to share issue		(6 278)	-
Other inflows/(outflows) from financing activities		(2 777)	(4 821)
Net cash flows from financing activities		(1 330 368)	(1 424 654)
Total net cash flows		(2 589 837)	2 211 999
Cash at the beginning of reporting period	25	4 153 553	1 941 554
Cash at the end of reporting period	25	1 563 716	4 153 553
including restricted cash		511 540	646 928

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

1. General information on the Parent

Name:	ENEA Spółka Akcyjna
Legal form:	spółka akcyjna (joint-stock company)
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 name and other identifying data did not change in the 12-month period ended 31 December 2022.

As at 31 December 2022, the Parent's shareholding structure was as follows:

	Poland's State Treasury	Other shareholders	Total
As at 31 December 2022	52.29%	47.71%	100.00%

As at 31 December 2022, the Parent's highest-level controlling entity was the State Treasury.

As at 31 December 2022, ENEA S.A.'s statutory share capital amounted to PLN 529 731 thousand (PLN 676 306 thousand after restatement to EU IFRS, taking into account hyperinflation and other adjustments) and was divided into 529 731 093 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 2022 and contain comparative data for the year ended on 31 December 2021.

2. Group composition and consolidation rules

As at 31 December 2022, the Group consisted of the parent - ENEA S.A., 30 subsidiaries, including 9 indirect subsidiaries, 1 jointly controlled entity and 4 associates.

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 Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła 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 Ciepłej Sp. z o.o. w Obornikach, Miejska Energetyka Ciepła 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 in IFRS 10 states that 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.

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	ENE A S.A.'s stake in total number of voting rights as at 31 December 2022	ENE A S.A.'s stake in total number of voting rights as at 31 December 2021
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 Pomiar 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% ^{6,18}	100%
11. Lubelski Węgiel BOGDANKA S.A.	mining	Bogdanka	64.57% ¹¹	65.99%
12. ENEA Ciepło Sp. z o.o.	generation	Białystok	99.94% ¹³	99.94%
13. ENEA Ciepło Serwis Sp. z o.o.	generation	Białystok	- ¹³	100%
14. Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o.	generation	Oborniki	99.93%	99.93%
15. Miejska Energetyka Ciepła Piła Sp. z o.o.	generation	Piła	71.11%	71.11%
16. ENEA Nowa Energia Sp. z o.o.	generation	Radom	100%	100%
17. ENEA ELKOGAZ Sp. z o.o.	generation	Warsaw	100% ⁸	-
18. ENEA Power&Gas Trading Sp. z o.o.	trade	Warsaw	100% ^{9,17}	-
19. EN102 Sp. z o.o.	generation	Poznań	100% ¹⁹	-
20. EN103 Sp. z o.o.	generation	Poznań	100% ¹⁹	-
21. EN201 Sp. z o.o.	generation	Poznań	100% ¹⁹	-
22. EN203 Sp. z o.o.	generation	Poznań	100% ¹⁹	-
INDIRECT SUBSIDIARIES				
23. ENEA Logistyka Sp. z o.o.	distribution	Poznań	100% ³	100% ³
24. ENEA Bioenergia Sp. z o.o.	generation	Połaniec	100% ¹	100% ¹
25. ENEA Połaniec Serwis Sp. z o.o.	generation	Połaniec	100% ¹	100% ¹
26. EkoTRANS Bogdanka Sp. z o.o.	mining	Bogdanka	64.57% ²	65.99% ²
27. RG Bogdanka Sp. z o.o.	mining	Bogdanka	64.57% ²	65.99% ²
28. MR Bogdanka Sp. z o.o.	mining	Bogdanka	64.57% ²	65.99% ²
29. Łęczyńska Energetyka Sp. z o.o.	mining	Bogdanka	57.27% ²	58.53% ²
30. SUN ENERGY 7 Sp. z o.o.	generation	Głównyzyce	- ¹⁰	100% ⁴
31. GPK energia Sp. z o.o.	generation	Krzęcin	- ¹⁰	100% ⁴
32. ENEBIOGAZ 1 Sp. z o.o.	generation	Radom	100% ^{4,15}	-
33. ENEBIOGAZ 2 Sp. z o.o.	generation	Radom	100% ^{4,16}	-
JOINTLY CONTROLLED ENTITIES				
34. Polska Grupa Górnicza S.A.	-	Katowice	- ¹⁴	7.66%
35. Elektrownia Ostrołęka Sp. z o.o.	-	Ostrołęka	50%	50%
ASSOCIATES				
36. Polimex – Mostostal S.A.	-	Warsaw	16.26% ⁷	16.4%

37.	Elektrownia Wiatrowa Baltica-4 Sp. z o.o.	-	Warsaw	33.81% ¹²	-
38.	Elektrownia Wiatrowa Baltica-5 Sp. z o.o.	-	Warsaw	33.81% ¹²	-
39.	Elektrownia Wiatrowa Baltica-6 Sp. z o.o.	-	Warsaw	33.76% ¹²	-

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 Operator Sp. z o.o.

⁴ – indirect subsidiary through stake in ENEA Nowa Energia 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 28 February 2022 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 5 000 thousand, i.e. from PLN 30 860 thousand to PLN 35 860 thousand, by issuing 50 000 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 8 August 2022.

⁷ – on 30 March 2022 ENEA S.A. submitted a demand to exercise a call option and made a transfer for 187 500 shares of Polimex Mostostal S.A. The increase of Polimex Mostostal S.A.'s share capital by PLN 1 500 thousand, i.e. from PLN 475 738 thousand to PLN 477 238 thousand, by admitting 750 000 ordinary bearer shares series S with a nominal value of PLN 2 each, was registered on 1 April 2022. In June 2022 the sale of 195 118 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 16.39%. In July 2022 the Company sold 117 382 Polimex – Mostostal S.A. shares that it had previously held, thus decreasing its stake in that company's share capital to 16.31%. The increase of Polimex Mostostal S.A.'s share capital by PLN 1 000 thousand, i.e. from PLN 477 238 thousand to PLN 478 238 thousand, by admitting 500 000 ordinary bearer shares series S with a nominal value of PLN 2 each, was registered on 14 July 2022. On 21 October 2022, 750 000 Series S ordinary bearer shares with a nominal value of PLN 2 each were registered with the NDS and admitted to trading by the WSE, and the company's share capital was increased by PLN 1 500 thousand, i.e. from PLN 478 238 thousand to PLN 479 738 thousand. As of the date on which these consolidated financial statements were prepared, ENEA S.A. holds a 16.26% stake in that company's share capital.

⁸ – on 16 March 2022 ENEA S.A. formed ENEA ELKOGAZ Sp. z o.o., based in Warsaw. The company's share capital amounts to PLN 19 000 thousand and is divided into 190 000 shares with a nominal value of PLN 100.00 each. ENEA S.A. took up 100% of the company's shares.

⁹ – on 30 March 2022 ENEA S.A. formed ENEA Power&Gas Trading Sp. z o.o., based in Warsaw. The company's share capital amounts to PLN 3 200 thousand and is divided into 32 000 shares with a nominal value of PLN 100.00 each. ENEA S.A. took up 100% of the company's shares. Due to their immateriality, this company is not included in these consolidated financial statements.

¹⁰ - on 14 December 2021 ENEA Nowa Energia Sp. z o.o. signed an agreement to purchase 100 shares in SUN ENERGY 7 Sp. z o.o., with a nominal value of PLN 50.00 each and total nominal value of PLN 5 thousand, constituting 100% of its share capital, for a total of PLN 2 921 thousand. On 14 December 2021 ENEA Nowa Energia Sp. z o.o. signed an agreement to purchase 100 shares in GPK energia Sp. z o.o., with a nominal value of PLN 50.00 each and total nominal value of PLN 5 thousand, constituting 100% of its share capital, for a total of PLN 487 thousand. On 3 March 2022, a plan was published in Monitor Sądowy i Gospodarczy for the merger of ENEA Nowa Energia Sp. z o.o. (acquiring company) with special-purpose vehicles SUN ENERGY 7 Sp. z o.o. and GPK energia Sp. z o.o. (acquired companies). The merger of SUN ENERGY 7 Sp. z o.o. and GPK energia Sp. z o.o. with ENEA Nowa Energia Sp. z o.o. was registered at the National Court Register on 20 May 2022.

¹¹ - in the period from 27 April 2022 to 7 June 2022 ENEA Wytwarzanie Sp. z o.o. sold, via the Warsaw Stock Exchange, a total of 486 645 shares of Lubelski Węgiel "Bogdanka" S.A., based in Bogdanka, i.e. all of this company's shares held by ENEA Wytwarzanie Sp. z o.o. As a result of this transaction, the value of non-controlling interests in the consolidated statement of financial position increased by PLN 52 516 thousand.

¹² – on 3 August 2022 ENEA S.A. and PGE Polska Grupa Energetyczna S.A. executed an agreement pursuant to which ENEA S.A. acquired a 33.8% stake in SPVs (Elektrownia Wiatrowa Baltica-4 Sp. z o.o., Elektrownia Wiatrowa Baltica-5 Sp. z o.o., Elektrownia Wiatrowa Baltica-6 Sp. z o.o.) that are intended to build and develop offshore wind farms at three locations in the Baltic Sea.

¹³ - on 25 August 2022, an Extraordinary General Meeting of ENEA Ciepło Sp. z o.o. and ENEA Ciepło Serwis Sp. z o.o. regarding the companies' merger was held, with ENEA Ciepło Sp. z o.o. being the acquiring company. The merger was registered at the National Court Register on 3 October 2022.

¹⁴ – on 25 October 2022 ENEA S.A. sold to the State Treasury all of its shares in Polska Grupa Górnicza S.A., i.e. 3 000 000 ordinary registered shares of PGG S.A., constituting 7.66% of its share capital.

¹⁵ – on 17 November 2022 ENEA Nowa Energia Sp. z o.o. and ENEA Innowacje Sp. z o.o. formed ENEBIOGAZ 1 Sp. z o.o., having its registered office in Radom. The company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50.00 each. ENEA Nowa Energia Sp. z o.o. took up 99 shares in the company, while ENEA Innowacje Sp. z o.o. took up 1 share. Due to their immateriality, this company is not included in these consolidated financial statements.

¹⁶ – on 17 November 2022 ENEA Nowa Energia Sp. z o.o. and ENEA Innowacje Sp. z o.o. formed ENEBIOGAZ 2 Sp. z o.o., having its registered office in Radom. The company's share capital amounts to PLN 5 thousand and is divided into 100 shares with a nominal value of PLN 50.00 each. ENEA Nowa Energia Sp. z o.o. took up 99 shares in the company, while ENEA Innowacje Sp. z o.o. took up 1 share. Due to their immateriality, this company is not included in these consolidated financial statements.

¹⁷ – on 30 November 2022 an Extraordinary General Meeting of ENEA Power&Gas Trading Sp. z o.o. adopted a resolution concerning the sole shareholder's obligation to make a contribution to the company's capital amounting to PLN 213.75 per share, for a total of PLN 6 840 thousand.

¹⁸ – on 30 November 2022 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 2 850 thousand, i.e. from PLN 35 860 thousand to PLN 38 710 thousand, by issuing 28 500 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 10 January 2023.

¹⁹ – EN102 Sp. z o.o., EN 103 Sp. z o.o., EN201 Sp. z o.o. and EN203 Sp. z o.o. were established in December 2022. As of 31 December 2022, the companies' capital was not paid up.

3. Management Board and Supervisory Board composition

Management Board

	As at		As at	
	31 December 2022	Appointment	31 December 2021	End of term / resignation
President of the Management Board	Paweł Majewski	25 April 2022	Paweł Szczeszek	10 April 2022
Member of the Management Board, responsible for finance	Rafał Mucha		Rafał Mucha	
Member of the Management Board, responsible for sales	-		Tomasz Siwak	19 December 2022
Member of the Management Board, responsible for corporate affairs	Dariusz Szymczak	25 June 2022	Tomasz Szczegielniak	24 June 2022
Member of the Management Board, responsible for operations	Marcin Pawlicki		Marcin Pawlicki	
Member of the Management Board, responsible for strategy and development	Lech Żak		Lech Żak	

Mr. Paweł Szczeszek's resignation as President of the Management Board, ENEA S.A., effective from 10 April 2022, was received on 8 April 2022.

On 8 April 2022, the Company's Supervisory Board decided to entrust the performance of the duties of the President of the Company's Management Board to Mr. Rafał Mucha - Member of the Management Board in charge of finance, starting from 11 April 2022, until the appointment of President of the Management Board, however not longer than for the term that commenced on the date of the Company's Ordinary General Meeting approving the 2018 financial statements, while performing the current duties of the Member of the Management Board in charge of finance.

On 20 April 2022, the Supervisory Board of ENEA S.A. adopted a resolution to appoint, as of 25 April 2022, Mr. Paweł Majewski as President of the Management Board, ENEA S.A., for a joint term that began on the date of the Company's Ordinary General Meeting approving the 2018 financial statements.

On 14 June 2022 the Company's Supervisory Board adopted resolutions concerning the appointment for a new joint term, effective from the day following the day of the Company's Ordinary General Meeting approving its financial statements for 2021, i.e. from 25 June 2022, of the following Management Board members:

- Mr. Paweł Majewski as President of the Management Board of ENEA S.A.,
- Mr. Tomasz Siwak as Member of ENEA S.A.'s Management Board in charge of sales,
- Mr. Rafał Mucha as Member of ENEA S.A.'s Management Board in charge of finance,
- Mr. Dariusz Szymczak as Member of ENEA S.A.'s Management Board in charge of corporate affairs
- Mr. Marcin Pawlicki as Member of ENEA S.A.'s Management Board in charge of operations
- Mr. Lech Żak as Member of ENEA S.A.'s Management Board in charge of strategy and development.

On 19 December 2022, the Supervisory Board of ENEA S.A. adopted a resolution to dismiss Mr. Tomasz Siwak, Member of ENEA S.A.'s Management Board in charge of commerce, from the Company's Management Board, effective from the same date.

Supervisory Board

	As at 31 December 2022	Appointment	As at 31 December 2021	End of term / resignation
Chairperson of the Supervisory Board	Rafał Włodarski		Rafał Włodarski	
Deputy Chairperson of the Supervisory Board	Roman Stryjski		Roman Stryjski	
Secretary of the Supervisory Board	Mariusz Pliszka		Michał Jaciubek	24 June 2022
Member of the Supervisory Board	Łukasz Ciołko	16 September 2022	Dorota Szymanek	11 July 2022
Member of the Supervisory Board	Mariusz Damasiewicz	25 June 2022	Maciej Mazur	24 June 2022
Member of the Supervisory Board	Mariusz Romańczuk	25 June 2022	Piotr Mirkowski	24 June 2022
Member of the Supervisory Board	Tomasz Lis		Paweł Korobłowski	18 November 2022
Member of the Supervisory Board	Paweł Łącki	18 November 2022	Tomasz Lis	
Member of the Supervisory Board	Aneta Kordowska	18 November 2022	Mariusz Pliszka	
Member of the Supervisory Board	Piotr Zborowski	18 November 2022		

On 10 March 2022 the Company's Extraordinary General Meeting adopted a resolution appointing Mr. Radosław Kwaśnicki as member of ENEA S.A.'s Supervisory Board, 10th term, effective from the same date.

On 24 June 2022 the Company's Ordinary General Meeting adopted resolutions to appoint the following persons for the 11th joint term of ENEA S.A.'s Supervisory Board, effective from 25 June 2022:

- Mr. Mariusz Damasiewicz,
- Mr. Mariusz Pliszka,
- Mr. Mariusz Romańczuk,
- Mr. Rafał Włodarski, who was also appointed as Chairperson of the Supervisory Board,
- Mr. Paweł Korobłowski,
- Mr. Tomasz Lis,
- Mr. Radosław Kwaśnicki,
- Mrs. Dorota Szymanek,
- Mr. Roman Stryjski.

On 6 July 2022 the Company's Supervisory Board appointed Mr. Roman Stryjski as Deputy Chairperson of ENEA S.A.'s Supervisory Board, 11th joint term.

On 6 July 2022 the Company's Supervisory Board appointed Mr. Mariusz Pliszka as Secretary of ENEA S.A.'s Supervisory Board, 11th joint term.

On 11 July 2022 the Company received Mrs. Dorota Szymanek's resignation from ENEA S.A.'s Supervisory Board, effective from 11 July 2022.

On 5 August 2022, the Company received Mr. Radosław Kwaśnicki's resignation as Member of ENEA S.A.'s Supervisory Board, effective from 31 August 2022.

On 16 September 2022, the Company received a statement from the Minister of State Assets regarding use by the Minister of State Assets of an authorisation to appoint, pursuant to § 24 sec. 1 of the Company's Articles of Association, a member of the Supervisory Board of ENEA S.A. Under the aforementioned authorisation, Mr. Łukasz Ciołko was appointed to the Company's Supervisory Board as of 16 September 2022.

On 18 November 2022 the Company's Extraordinary General Meeting adopted a resolution dismissing Mr. Paweł Korobłowski as member of ENEA S.A.'s Supervisory Board, 11th term, effective from the same date.

On 18 November 2022 the Company's Extraordinary General Meeting adopted a resolution appointing Mrs. Aneta Kordowska, Mr. Paweł Łącki and Mr. Piotr Zborowski as members of ENEA S.A.'s Supervisory Board, 11th term, effective from the same date.

On 4 January 2023, the Company received Mr. Rafał Włodarski's resignation as member of ENEA S.A.'s Supervisory Board, including as Chairperson of the Company's Supervisory Board, effective from 4 January 2023.

On 13 March 2023, the Company's Extraordinary General Meeting adopted a resolution appointing Mrs. Aleksandra Agatowska to ENEA S.A.'s Supervisory Board, 11th term, from the same date.

On March 13 2023, ENEA S.A.'s Extraordinary General Meeting selected Mr. Łukasz Ciołko as Chairperson of ENEA S.A.'s Supervisory Board.

The following table contains the composition of ENEA S.A.'s Supervisory Board as of the date on which these consolidated financial statements:

As at 22 March 2023	
Chairperson of the Supervisory Board	Łukasz Ciołko
Deputy Chairperson of the Supervisory Board	Roman Stryjski
Secretary of the Supervisory Board	Mariusz Pliszka
Member of the Supervisory Board	Aleksandra Agatowska
Member of the Supervisory Board	Aneta Kordowska
Member of the Supervisory Board	Mariusz Damasiewicz
Member of the Supervisory Board	Tomasz Lis
Member of the Supervisory Board	Paweł Łącki
Member of the Supervisory Board	Mariusz Romańczuk
Member of the Supervisory Board	Piotr Zborowski

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.

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 2022. The presented tables and explanations are prepared with due diligence. The accounting rules are applied consistently across all of the presented periods, except as indicated in note 6 on the change in the presentation of comparative figures.

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 have been applied continuously in all periods presented, with the exception of the application for the first time from 1 January 2022 of the amendments to IAS 16 Property, Plant and Equipment and the application of the amendments 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 16 Leases - amendments to IFRS 16	1 January 2024
IAS 1 Presentation of Financial Statements	1 January 2024
IFRS 14 Regulatory Deferral Accounts	-
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 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
IFRS 17 Insurance Contracts and amendments to IFRS 17	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

No significant changes have yet been identified by the Group in connection with the new standards being implemented.

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 2021, except for the application of new standards, amendments to standards and interpretations as described below:

- IFRS 3 Business Combinations - updating a reference to the Conceptual Framework, without any major change to its requirements;
- IAS 16 Property, Plant and Equipment - the amendments prohibit the deduction from the cost of property, plant and equipment of amounts received from the sale of items produced in preparation of the asset for use. Instead, revenue from sales and related expenses are recognised in the statement of comprehensive income;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - the changes introduced specify which costs should be taken into account when assessing whether a contract will be loss-making - whether the contract is an onerous contract;

- Annual Improvements Cycle 2018-2020 - the improvements contain explanations and clarify guidelines for the standards concerning recognition and measurement: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the illustrative examples to IFRS 16 Leases.

The Group has not identified any impact on the financial statements from implementing the aforementioned amendments to Standards and Interpretations, with the exception of the amendments made to IAS 16 as described below.

Amendments to IAS 16 Property, Plant and Equipment

On 1 January 2022, the Group applied for the first time the amendments to IAS 16, Property, Plant and Equipment, to prohibit the adjustment of the cost of property, plant and equipment by amounts received from the sale of items produced while the property, plant and equipment is being prepared to commence operation in accordance with management's intentions. Instead, the entity is required to recognise the aforementioned revenue sales and related costs directly in the statement of profit and loss. This change is crucial in relation to the inclusion in the cost of workings of the value of the coal obtained during their excavation.

Given the above, from 1 January 2022, revenue from the sale of coal obtained during the excavation of workings does not reduce the initial value of the workings; however, it is necessary to adjust the costs incurred for the excavation of workings by that part of the costs that relates to the production of coal obtained during the excavation. The amendment has been applied retrospectively to property, plant and equipment (workings) that were adjusted to the location and conditions necessary to enable them to operate in the manner intended by management on or after the start date of the earliest period presented in these consolidated financial statements (i.e. as at 1 January 2021). As of 1 January 2022, the total net effect of the first-time application of this amendment amounted to PLN 23 892 thousand and was recognised as an adjustment to the opening balance of retained earnings and non-controlling interests. The total impact as of 1 January 2021 reached PLN 5 195 thousand, which is seen in the consolidated statement of changes in equity. The amendment resulted in an increase in the net value of property, plant and equipment by PLN 29 496 thousand as at 31 December 2021, as well as an increase in the value of deferred tax liabilities by PLN 5 604 thousand.

At the same time, in order to maintain comparability of comparative data, data for 2021 was restated. The total impact of the adjustment on the result of the period ended 31 December 2021 was PLN 18 697 thousand.

Change in presentation of items in statement of comprehensive income

In these annual consolidated financial statements, the Group changed the presentation in the statement of comprehensive income of the valuation and realisation of foreign exchange forward transactions that are not used in hedge accounting. The results from the measurement and execution of these transactions, hitherto presented as operating income or expenses, are presented outside of operations. In the Management Board's view, it is reasonable to present non-hedging foreign exchange forward contracts outside of operations due to the fact that they are treated as derivatives economically hedging exchange rate risk and are entered into to hedge currency supply in foreign exchange trading.

In the Group's view, the change in the presentation of gains/losses on the valuation and realisation of foreign exchange forwards ensures that income/expenses of a similar nature are presented consistently and, consequently, the information contained in the financial statements is more useful. Due to the materiality of the amounts related to the valuation and realisation of foreign currency instruments, the Group presents them in the statement of comprehensive income under a separate heading "Gains/(losses) on foreign currency derivatives not used in hedge accounting".

In order to maintain data comparability, the Group also applied the above presentation change to 2021 by restating the comparative figures.

This change has no impact on profit before tax, net profit or equity. The impact on EBITDA in 2022 was PLN (347 053) thousand (PLN 116 988 thousand in 2021). This change of EBITDA has a minor effect on the calculation of the net debt to EBITDA ratio - a key financial covenant. Both after and before taking this change into account, the ratio was at a level that does not result in a breach of the conditions set out in the financing agreements. The EBITDA calculation methodology is presented in the note "Operating segments."

The combined impact of the amendment to IAS 16 and the change in presentation in the statement of comprehensive income on the consolidated financial statements for 2021 is shown in the tables below.

	31 December 2021	As at Impact of amendment to IAS 16	1 January 2022
ASSETS			
Property, plant and equipment	19 225 475	29 496	19 254 971
Other items	3 112 218	-	3 112 218
Non-current assets	22 337 693	29 496	22 367 189
Current assets	12 289 954	-	12 289 954
Total assets	34 627 647	29 496	34 657 143
EQUITY AND LIABILITIES			
Retained earnings	10 620 839	15 766	10 636 605
Non-controlling interests	1 167 450	8 126	1 175 576
Other items	3 389 719	-	3 389 719
Equity	15 178 008	23 892	15 201 900
Deferred income tax provision	473 785	5 604	479 389
Other items	7 397 349	-	7 397 349
Non-current liabilities	7 871 134	5 604	7 876 738
Current liabilities	11 578 505	-	11 578 505
Kapitał własny i zobowiązania razem	34 627 647	29 496	34 657 143

For the 12-month period ended 31 December 2021

	Approved data	Impact of amendment to IAS 16	Impact of change in presentation of forward transaction measurement	Restated data
Revenue from sales	21 269 948	77 918	-	21 347 866
Excise duty	(73 277)	-	-	(73 277)
Net revenue from sales	21 196 671	77 918	-	21 274 589
Revenue from operating leases and subleases	13 976	-	-	13 976
Revenue from sales and other income	21 210 647	77 918	-	21 288 565
Other operating revenue	229 612	-	(17 050)	212 562
Employee benefit costs	(2 124 682)	(12 254)	-	(2 136 936)
Use of materials and raw materials and value of goods sold	(4 783 294)	(29 281)	(99 938)	(4 912 513)
Other third-party services	(965 655)	(13 300)	-	(978 955)
Other items	(11 499 261)	-	-	(11 499 261)
Operating profit	2 067 367	23 083	(116 988)	1 973 462
Gains/(losses) on currency derivative instruments not used in hedge accounting	-	-	116 988	116 988
Other items	87 266	-	-	87 266
Profit before tax	2 154 633	23 083	-	2 177 716
Income tax	(368 163)	(4 386)	-	(372 549)
Net profit for the reporting period	1 786 470	18 697	-	1 805 167
Net other comprehensive income	297 271	-	-	297 271
Comprehensive income for the reporting period	2 083 741	18 697	-	2 102 438
Including net profit:				
attributable to shareholders of the Parent	1 678 536	12 338	-	1 690 874
attributable to non-controlling interests	107 934	6 359	-	114 293
Including comprehensive income:				
attributable to shareholders of the Parent	1 973 743	12 338	-	1 986 081
attributable to non-controlling interests	109 998	6 359	-	116 357

	For the 12-month period ended 31 December 2021		
	Approved data	Impact of amendment to IAS 16	Restated data
Net profit for the reporting period	1 786 470	18 697	1 805 167
Adjustments:			
Income tax in profit or loss	368 163	4 386	372 549
Other items	1 415 373	-	1 415 373
Total adjustments	1 783 536	4 386	1 787 922
Paid income tax	(526 612)	-	(526 612)
Changes in working capital	2 443 526	-	2 443 526
Net cash flows from operating activities	5 486 920	23 083	5 510 003
Purchase of tangible and intangible assets	(1 901 807)	(23 083)	(1 924 890)
Other items	51 540	-	51 540
Net cash flows from investing activities	(1 850 267)	(23 083)	(1 873 350)
Net cash flows from financing activities	(1 424 654)	-	(1 424 654)
Total net cash flows	2 211 999	-	2 211 999
Cash at the beginning of reporting period	1 941 554	-	1 941 554
Cash at the end of reporting period	4 153 553	-	4 153 553

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

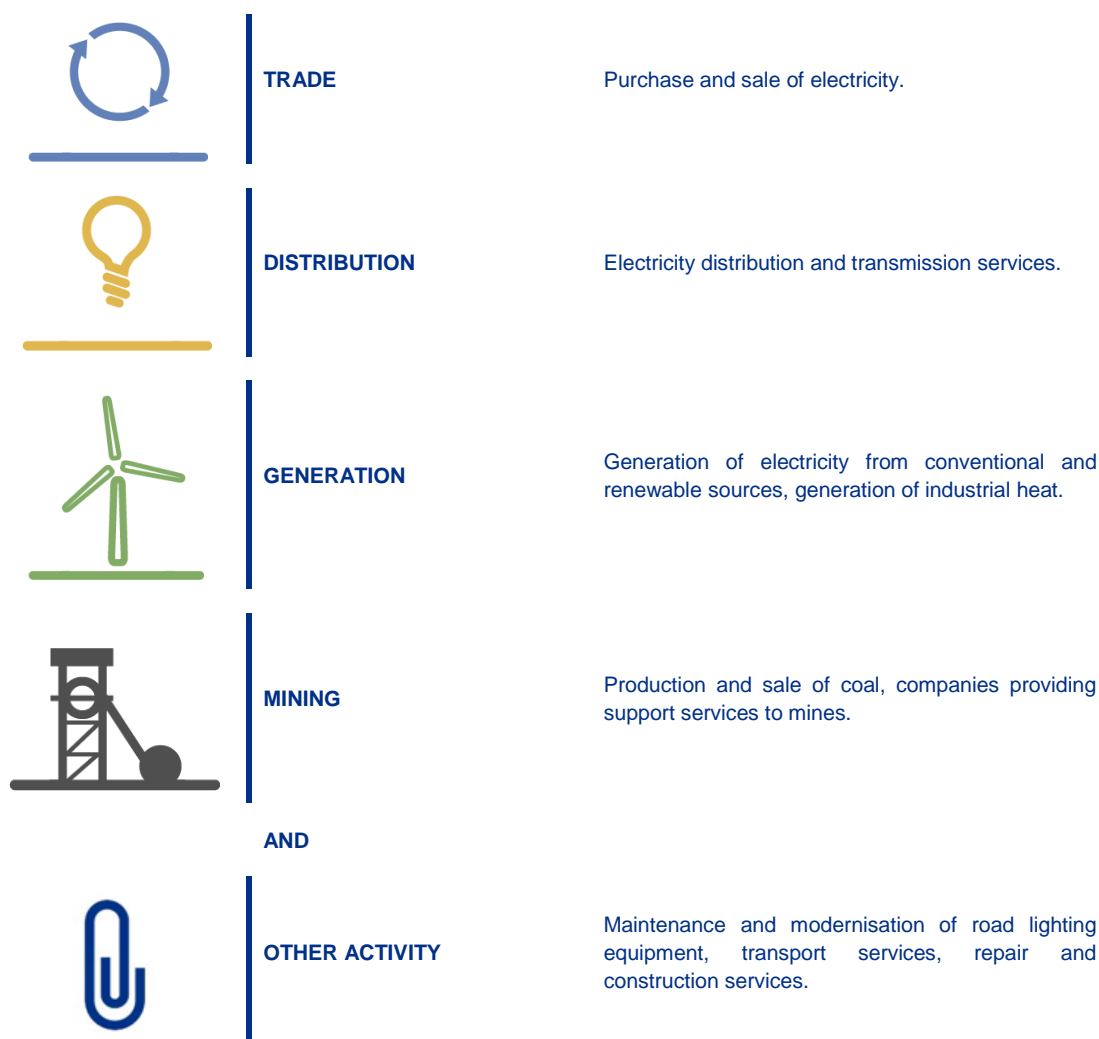
Transactions expressed in foreign currencies are translated at initial recognition into the functional currency at the exchange rate valid on the transaction date.

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.



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 2022, within the mining segment, external customers whose shares in the Group's external sales exceeded 10% included: Grupa Azoty Zakłady Azotowe „Puławy” (19.0%) and Energa Elektrownie Ostrołęka S.A. (11.0%). 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 Parent's Management Board especially focuses on EBITDA. EBITDA is defined as operating profit (calculated as profit before tax adjusted for the share of results of associates and jointly controlled entities, impairment losses on financial assets measured at amortised cost, impairment losses on investments in jointly controlled entities, (losses)/gains on currency derivatives not used in hedge accounting, financial income, dividend income and finance costs) plus depreciation and amortisation and impairment losses on non-financial fixed assets. Rules for determining segment results and segment assets and liabilities are in compliance with the accounting rules used in preparing consolidated financial statements. Following the amendment to IAS 16 Property, Plant and Equipment and the presentation change in the statement of comprehensive income presented in note 6 to these consolidated financial statements, the Group has restated the segment presentation for the comparative period.

Information on geographic segments

The Group's activities in 2022 and 2021 were in one geographic segment, i.e. in Poland, and all of its assets were located in Poland.







Segment results:

Segment results for the period from 1 January to 31 December 2022 are as follows:







							
	TRADE	DISTRIBUTION	GENERATION	MINING	OTHER ACTIVITY	EXCLUSIONS	TOTAL
Net revenue from sales	12 224 500	3 577 602	13 404 364	733 531	136 261	-	30 076 258
Inter-segment sales	5 184 355	37 199	1 243 515	1 710 337	461 866	(8 637 272)	-
Total net revenue from sales	17 408 855	3 614 801	14 647 879	2 443 868	598 127	(8 637 272)	30 076 258
Compensations	28 588	-	-	-	-	-	28 588
Revenue from operating leases and subleases	-	-	976	7 816	4 371	(157)	13 006
Revenue from sales and other income	17 437 443	3 614 801	14 648 855	2 451 684	602 498	(8 637 429)	30 117 852
Total costs	(17 516 155)	(2 999 088)	(14 831 792)	(2 220 874)	(543 413)	8 679 711	(29 431 611)
Segment result	(78 712)	615 713	(182 937)	230 810	59 084	42 282	686 240
Depreciation/amortisation	(2 712)	(712 983)	(447 564)	(368 609)	(75 530)	-	-
Reversal / (recognition) of impairment loss on non-financial non-current assets	-	-	(45 582)	(11 181)	-	-	-
Segment result - EBITDA	(76 000)	1 328 696	310 209	610 600	134 615		
% of revenue from sales and other income	(0.4%)	36.8%	2.1%	24.9%	22.3%		
Unallocated costs at Group level (administrative expenses)							(108 000)
Operating profit							578 240
Finance costs							(276 630)
Finance income							220 929
Gains/(losses) on currency derivative instruments not used in hedge accounting							(347 053)
Dividend income							1 163
Reversal of impairment of financial assets at amortised cost							27 274
Share of results of associates and jointly controlled entities							71 463
Gross profit							275 386
Income tax							(156 466)
Net profit							118 920
Share of profit attributable to non-controlling interests							73 616

Segment results (restated):







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	554 618	117 151	-	21 274 589
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	2 441 059	497 229	(6 348 355)	21 274 589
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	2 449 230	502 583	(6 348 763)	21 288 565
Total costs	(11 451 146)	(2 555 482)	(9 031 967)	(2 029 986)	(473 071)	6 307 094	(19 234 558)
Segment result	(244 586)	724 042	1 167 464	419 244	29 512	(41 669)	2 054 007
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	(241 526)	1 392 928	1 602 468	821 358	107 775		
% of revenue from sales and other income	(2.2%)	42.5%	15.7%	33.5%	21.4%		
Unallocated costs at Group level (administrative expenses)							(80 545)
Operating profit							1 973 462
Finance costs							(214 803)
Finance income							125 106
Gains/(losses) on currency derivative instruments not used in hedge accounting							116 988
Dividend income							227
Impairment of financial assets at amortised cost							(15 825)
Share of results of associates and jointly controlled entities							192 561
Gross profit							2 177 716
Income tax							(372 549)
Net profit							1 805 167
Share of profit attributable to non-controlling interests							114 293

Other information concerning segments as at 31 December 2022 and for the 12-month period ending on that day is as follows:

							Total
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 662	11 060 021	5 970 151	3 325 252	364 887	(592 243)	20 142 730
Trade and other receivables	3 698 292	387 543	1 716 479	211 920	215 888	(959 712)	5 270 410
Costs related to the conclusion of agreements	19 976	-	-	-	-	-	19 976
Assets arising from contracts with customers	331 002	313 195	1 443	-	8 833	(30 573)	623 900
Total	4 063 932	11 760 759	7 688 073	3 537 172	589 608	(1 582 528)	26 057 016
ASSETS excluded from segments							11 377 956
- including property, plant and equipment							11 404
- including trade and other receivables							2 186
TOTAL ASSETS							37 434 972
Trade and other payables	561 770	577 575	2 190 098	301 712	367 427	(541 621)	3 456 961
Liabilities arising from contracts with customers	494 199	316 700	797	392	988	(448 664)	364 412
Total	1 055 969	894 275	2 190 895	302 104	368 415	(990 285)	3 821 373
Equity and liabilities excluded from segments							33 613 599
- including trade and other payables							1 740 880
TOTAL EQUITY AND LIABILITIES							37 434 972
For the year ended 31 December 2022							
Investment expenditures on property, plant and equipment and intangible assets	219	1 443 763	486 750	594 175	82 986	(74 687)	2 533 206
Investment expenditures on property, plant and equipment and intangible assets excluded from segments							-
Depreciation/amortisation	2 712	712 983	447 564	368 609	75 530	(25 470)	1 581 928
Amortisation excluded from segments							3 063
Use/reversal of impairment losses on receivables	(8 785)	(4 743)	(2 353)	(895)	(365)	(120)	(17 261)
Recognition of impairment losses on non-financial non-current assets	-	-	45 582	11 181	-	-	56 763

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

							Total
	Trade	Distribution	Generation	Mining	Other activity	Exclusions	Total
Property, plant and equipment	14 649	10 281 878	6 006 882	3 126 739	356 482	(541 829)	19 244 801
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	3 453 075	466 251	(1 568 134)	23 065 470
ASSETS excluded from segments							11 591 673
- including property, plant and equipment							10 170
- including trade and other receivables							2 077
TOTAL ASSETS							34 657 143
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							32 322 084
- including trade and other payables							2 688 784
TOTAL EQUITY AND LIABILITIES							34 657 143
For the year ended 31 December 2021							
Investment expenditures on property, plant and equipment and intangible assets	769	990 619	438 666	473 263	34 839	(42 874)	1 895 282
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

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, and annually for goodwill.

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 2022, in connection with information and analyses concerning changes in the market prices of CO₂ 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 and heat, among others. Based on these tests, the necessity to recognise the following events was identified.

Based on this analysis, impairment losses worth a total of PLN 47 462 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 38 444 thousand. The analysis showed excess useful value at ENEA Wytwarzanie. 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	3 766 200	3 651 090
CGU Elektrownie Systemowe Połaniec – ENEA Elektrownia Połaniec generating assets (coal-based sources)	1 415 260	1 181 001
CGU Zielony Blok – ENEA Elektrownia Połaniec generating assets (biomass unit)	1 585 673	181 577
CGU Białystok – ENEA Ciepło's generating assets	685 393	732 855
CGU Piła – the generating assets of Miejska Energetyka Ciepła in Piła	250 331	119 595
CGU Oborniki – the generating assets of Przedsiębiorstwo Energetyki Ciepłej in Oborniki	12 908	11 532

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 2045,
- CGU Piła – until 2045,
- CGU Oborniki – until 2045

Presented below are the key assumptions used in impairment tests:

- assets were tested in six CGUs (tj. CGU Elektrownie Systemowe Kozienice, CGU Elektrownie Systemowe Połaniec, CGU Zielony Blok, CGU Białystok, CGU Piła and CGU Oborniki),

- 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 2023-2047: prices are expected to decline from 821.25 PLN/MWh in 2023 to 592.19 PLN/MWh in 2031, followed by a gradual decline at an average of 0.5% in the period 2032-2047 [fixed prices 2022],
 - CO₂ emission allowances: the forecast expects an increase in the prices of CO₂ allowances by an average of 4.6%, from 72.5 EUR/t in 2023 to 2027. Between 2028 and 2036, prices are expected to grow further, by approx. 1.5%. From 2037, further growth at approx. 1% [fixed prices 2022],
 - coal: the prices of coal are expected to decline by an average of 9.2%, from 41.88 PLN/GJ in 2023 to 2031. A gradual decline of 0.3% is expected from 2032 [fixed prices 2022],
 - biomass: decline in the average price of biomass is expected at the Group, from 95 PLN/GJ in 2023 to 45.55 PLN/GJ in 2031. A 0.7% increase is forecast from 2032 to 2045, followed by 0.7% [fixed prices 2022],
 - heat prices: three CGUs (Białystok, Piła and Oborniki) expect an average price growth to reach approx. 12% is forecast until 2025, from the average price level of 111.61 PLN/GJ in 2023. In the following years, prices are expected to fall by an average of 2.3% until 2031. From 2032 there is an average price increase of 1.6% [fixed prices 2022],
 - natural gas: prices are expected to sharply decline from 2023, from 870 PLN/MWh, by approx. 27% to 2027, followed by further annual average decrease by 2.7% until 2040. The price is expected to stabilise from 2041 on at 174.39 PLN/MWh until 2045 [fixed prices 2022],
- quantity of CO₂ 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 - 9.83% [discount rate before tax is 11.20%]. The Group used a risk premium for the following CGUs:
 1. CGU Zielony Blok - 0.5%. Discount rate taking into account company-specific risk premium was 10.03% [discount rate taking into account company-specific risk premium before tax is 11.40%],
 2. CGU Elektrownie Systemowe Kozienice and Elektrownie Systemowe Połaniec - 2%. Discount rate taking into account company-specific risk premium was 10.63% [discount rate taking into account company-specific risk premium before tax is 12.00%],
 3. CGUs Białystok, Piła and Oborniki - 1%. Discount rate taking into account company-specific risk premium was 10.23% [discount rate taking into account company-specific risk premium before tax is 11.60%],
- 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 CO₂ emission allowance prices, and hard coal prices. Future financial results and thus the recoverable amounts of CGUs will also be driven by the prices of energy origin certificates, 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	133 333	7 715 765	(124 438)
- CGU Elektrownie Systemowe Kozienice	(7 094)	3 766 200	1 503
- CGU Elektrownie Systemowe Połaniec	(27 925)	1 415 260	25 470
- CGU Zielony Blok	38 362	1 585 673	(37 031)
- CGU Białystok	116 244	685 393	(101 934)
- CGU Piła	13 505	250 331	(12 215)
- CGU Oborniki	241	12 908	(231)

Impact of changes in inflation from 2024 (starting point 7.75% for 2024, 3.1% in 2025 and 2.5% in subsequent years)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	(139 072)	7 715 765	141 393
- CGU Elektrownie Systemowe Kozienice	14 043	3 766 200	(20 350)
- CGU Elektrownie Systemowe Polaniec	(22 530)	1 415 260	22 679
- CGU Zielony Blok	(32 077)	1 585 673	32 996
- CGU Białystok	(90 642)	685 393	99 108
- CGU Piła	(7 321)	250 331	6 374
- CGU Oborniki	(545)	12 908	586

Impact of changes in electricity prices (impact of changes from 2024)

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	(1 071 694)	7 715 765	1 059 656
- CGU Elektrownie Systemowe Kozienice	(629 499)	3 766 200	622 185
- CGU Elektrownie Systemowe Polaniec	(321 571)	1 415 260	317 081
- CGU Zielony Blok	(85 208)	1 585 673	84 972
- CGU Białystok	(28 295)	685 393	28 296
- CGU Piła	(7 171)	250 331	7 171
- CGU Oborniki	50	12 908	(49)

Impact of change in price of CO₂ emission allowances (impact of changes from 2024)

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	412 977	7 715 765	(417 386)
- CGU Elektrownie Systemowe Kozienice	303 551	3 766 200	(307 429)
- CGU Elektrownie Systemowe Polaniec	98 276	1 415 260	(98 820)
- CGU Zielony Blok	-	1 585 673	-
- CGU Białystok	9 422	685 393	(9 409)
- CGU Piła	1 728	250 331	(1 728)
- CGU Oborniki	-	12 908	-

Impact of changes in hard coal prices (impact of changes from 2024)

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	279 942	7 715 765	(281 300)
- CGU Elektrownie Systemowe Kozienice	204 897	3 766 200	(206 245)
- CGU Elektrownie Systemowe Polaniec	73 147	1 415 260	(73 147)
- CGU Zielony Blok	-	1 585 673	-
- CGU Białystok	4 643	685 393	(4 641)
- CGU Piła	(2 763)	250 331	2 744
- CGU Oborniki	18	12 908	(11)

The Group carried out a periodic assessment of indications of possible impairment of non-current assets in the Mining segment (LWB), in line with guidelines specified in IAS 36 Impairment of Assets. This analysis is all the more important in a situation where businesses have to operate in variable, entirely unusual and previously unseen conditions. In making this assessment for the purposes of the consolidated financial statements for 2022 the Group, based on an analysis of the present economic and market situation, notes that the current market capitalisation of LWB remains at a level that is lower than the balance sheet value of net assets. According to the Group, this situation mainly results from factors that are beyond its control such as political factors and the EU's climate policy, reduced trust in mining-sector companies and also in part because of low liquidity and low free float. Moreover, it should be noted that LWB's share price went up rather considerably, by more than 50%, in 2022. The war in Ukraine and a reduced of commodity supply globally are driving up demand for LWB's coal. This is why the Group is also acting to capitalise on the period of increased 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 2022. An increase in market interest rates (growth in the discount factor) was also observed.

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 2023-2051.

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

CGU [PLN 000s] - as at 30 September 2022	Recoverable value	Book value
CGU Mining	8 488 449	2 838 920

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 2023-2030 was set at 9.0mt;
- forecast period from 2023 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;
- coal prices in 2023 based on contracts that had been signed as of the date of the analysis; in 2024-2029 it was adopted based on studies carried out for LWB and ENEA Group purposes;
- the entire model is inflation-free (based on real prices);
- 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 real weighted average cost of capital (WACC) of 10.55% throughout the entire forecast period, estimated based on the latest economic data (using a risk-free rate of 6.24% and a beta of 1.39);
- an average annual level of investment expenditures in the entire forecast period of PLN 476 023 thousand, including on average PLN 612 847 thousand in 2023-2035;
- the model used for the impairment test (including the resulting cash flows and value of assets under test) was prepared as at 30 September 2022, following a consistent approach at all levels of consolidation within LWB Group and ENEA Group. LWB's management board analysed the last quarter of 2022 in terms of events that could indicate impairment and in terms of material one-off events that would need to be included in the model and could have a material impact on the test results. No one-off events and new indications were identified.

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 financial discount rate (base value 10.55%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	154 996	8 488 449	(152 204)

Impact of changes in coal prices

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	(157 589)	8 488 449	157 589

Impact of change in real wage growth

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	317 295	8 488 449	(343 033)

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 (supply 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; the category of services provided on a continuous basis also includes revenue from the Capacity Market;
- 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.

Net revenue from sales

	Year ended	
	31 December 2022	31 December 2021 restated*
Revenue from the sale of electricity	23 843 479	15 592 083
Revenue from the sale of distribution services	3 407 586	3 135 374
Revenue from the sale of goods and materials	196 223	147 632
Revenue from the sale of other products and services	226 359	166 012
Revenue from origin certificates	2 760	3 031
Revenue from the sale of industrial heat	482 560	434 765
Revenue from the sale of coal	682 731	512 810
Revenue from the sale of gas	341 074	408 877
Revenue from Capacity Market	893 486	874 005
Total net revenue from sales	30 076 258	21 274 589

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

Revenues from connection fees are presented in the above table under the item "revenues from sale of distribution services" and amounted to PLN 90 883 thousand as at 31 December 2022 (PLN 90 823 thousand as at 31 December 2021). Revenues from the sale of products and services primarily comprise revenues relating to the maintenance and upgrading of road lighting equipment.

The Group mainly classifies revenue by type of product/service. The main revenue groups are revenues from the sale of electricity (Trading and Generation segments), revenues from the sale of distribution services (Distribution segment), revenues from the Power Market (Generation segment), revenues from the sale of coal (Mining segment), revenues from the sale of thermal energy (Generation segment) and revenues from the sale of gas (Trade segment).

Sale of electricity: The Group recognises revenue at the end of each billing period that arises from sales contracts, according to the amount of electricity delivered to the customer during the billing period. The Group recognises revenue over a period of time and uses the simplification of revenue recognition under invoicing as it reflects the degree of performance obligation at the reporting date. 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 Gield 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. The total amount of fees carried forward was as at 31 December 2022 PLN 1 060 476 thousand (as at 31 December 2021: PLN 1 002 484 thousand). The volume of revenue from the sale of electricity distribution services is based on documented sales, plus the re-estimation of uninvoiced sales of electricity distribution services in the period and minus the re-estimation of those sales from the previous period. Estimation of sales is made at the end of each month. Revenue for distribution services is recognised at the time the service is provided, based on the readings of the metering and billing systems, taking into account the re-estimation of consumption.

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 2022	31 December 2021 restated*
Revenue from continuous services	28 968 185	20 445 104
Revenue from services provided at specified time	1 108 073	829 485
Total	30 076 258	21 274 589

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

Compensations

According to the provisions of the act of 27 October 2022 on emergency measures to limit the level of electricity prices and support certain consumers in 2023 ENEA S.A. has applied to Zarządca Rozliczeń S.A. for compensation for the application of the maximum price for the month of December 2022 for the amount of PLN 27 993 thousand. The Financial compensations constitute the Company's revenue and are recognised under the line Compensations. In accordance with art. 9 of the aforementioned act, ENEA S.A. filed applications for advance payments for December 2022 and January 2023. The advance payments were made in December 2022 for PLN 230 192 thousand (presented as of 31 December 2022 as trade and other payables in note 31) and in January 2023 for PLN 307 846 thousand.

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.

Costs by nature

	Year ended	
	31 December 2022	31 December 2021 restated*
Depreciation/amortisation	(1 584 991)	(1 539 286)
Employee benefit costs	(2 495 720)	(2 136 936)
- remuneration	(1 854 418)	(1 574 565)
- social insurance and other benefits	(641 302)	(562 371)
Use of materials and raw materials and value of goods and materials sold	(10 462 627)	(4 912 513)
- cost of CO ₂ emissions	(5 584 218)	(2 890 011)
- use of materials and energy	(4 675 815)	(1 840 253)
- value of goods and materials sold	(202 594)	(182 249)
Value of purchased electricity and gas for sales purposes	(12 393 958)	(8 655 752)
Third-party services	(1 529 905)	(1 419 624)
- transmission services	(472 792)	(440 669)
- other third-party services	(1 057 113)	(978 955)
Taxes and fees	(541 573)	(471 578)
Total	(29 008 774)	(19 135 689)

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

Employee benefit costs

	Year ended	
	31 December 2022	31 December 2021 restated*
Wage costs	(1 854 418)	(1 574 565)
- present wages	(1 752 120)	(1 515 277)
- longevity bonuses	(50 440)	(7 890)
- retirement and disability severance payments	(2 661)	(8 969)
- Other	(49 197)	(42 429)
Cost of social insurance and other benefits	(641 302)	(562 371)
- social security contributions (ZUS)	(370 874)	(319 811)
- contributions to Company Social Benefit Fund (ZFŚS)	(63 897)	(61 015)
- other social benefits	(119 105)	(103 621)
- other post-employment benefits	(11)	(61)
- Other	(87 415)	(77 863)
Total	(2 495 720)	(2 136 936)

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements. 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 2022	31 December 2021 restated*
Release of provision for compensation claims	12 446	978
Release of other provisions	39 016	16 788
Reimbursement of costs by insurer	14 584	15 926
Accounting for income from subsidiaries	12 922	9 419
Compensation, penalties, fines	27 633	23 389
Reversal of unused impairment losses	15 382	6 204
Property, plant and equipment received for free	44 278	50 493
Exchange differences - hedging operations	12 357	5 237
Changes in fair value of financial instruments	-	13 632
Other operating revenue	36 711	70 496
Total	215 329	212 562

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

Other operating costs

	Year ended	
	31 December 2022	31 December 2021
Recognition of provision for compensation claims	(909)	(892)
Recognition of other provisions	(22 080)	(38 431)
Impairment of receivables	(3 411)	(7 007)
Write-off of impaired receivables	(21 926)	(11 317)
Costs of court proceedings	(58 418)	(10 995)
Trade union costs	(2 304)	(1 962)
Compensation for non-contractual use of land	(972)	(1 706)
Exchange differences - hedging operations	(22 916)	(4 824)
Changes in fair value of financial instruments	(2 923)	-
Other operating costs	(87 574)	(50 183)
Total	(223 433)	(127 317)

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 2022	31 December 2021
Interest income	206 027	26 942
- bank accounts and deposits	181 905	2 277
- other loans and receivables	22 901	22 664
- financial leases and sub-leases	437	594
- other	784	1 407
Exchange differences	1 346	-
Changes in fair value of financial instruments	6 632	20 206
Change in provision for land rehabilitation and disassembly of wind farms due to discount	6 647	56 894
Other finance income	277	21 064
Total	220 929	125 106

Finance costs

	Year ended	
	31 December 2022	31 December 2021
Interest costs	(235 316)	(176 686)
- cost of interest on loans and credit	(104 095)	(35 776)
- cost of interest on bonds	(182 073)	(59 491)
- Interest cost on lease liabilities	(17 342)	(14 895)
- cost of interest on IRS swaps	76 881	(64 563)
- other interest	(8 687)	(1 961)
Exchange differences	(1 315)	(219)
Cost of discount concerning employee benefits and provisions	(40 774)	(20 240)
Changes in fair value of financial instruments	8 053	(17 166)
Other finance costs	(7 278)	(492)
Total	(276 630)	(214 803)

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 2022	31 December 2021 restated*
current tax	(33 634)	(514 310)
deferred tax	(122 832)	141 761
Income tax	(156 466)	(372 549)

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

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 2022	31 December 2021 restated*
Profit before tax	275 386	2 177 716
Tax calculated using the 19% rate	(52 324)	(413 766)
Non-deductible costs (permanent differences * 19%)	(20 710)	(6 758)
Non-taxable revenue (permanent differences * 19%)	8 689	14 680
Reversal of impairment loss - Elektrownia Ostrołęka	8 834	33 384
Tax losses not included in deferred tax due to lack of option to deduct in the future**	(67 750)	-
Other * 19%	(33 205)	(89)
Decrease of financial result due to income tax	(156 466)	(372 549)

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

** this amount will not be deductible in the future due to the expiry of the tax group agreement, these losses are not carried forward.

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 2022	31 December 2021 restated*
Deferred income tax assets	2 599 239	2 867 857
Offset of deferred income tax assets and provision	(1 284 131)	(1 466 985)
Deferred income tax assets after offset	1 315 108	1 400 872
Deferred income tax provision	1 820 386	1 946 374
Offset of deferred income tax assets and provision	(1 284 131)	(1 466 985)
Deferred income tax provision after offset	536 255	479 389

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

Deferred income tax assets as at 31 December 2022 to be realised within 12 months amounted to PLN 1 224 960 thousand (PLN 1 360 715 thousand as at 31 December 2021), while those over 12 months PLN 1 374 279 thousand (PLN 1 507 142 thousand as at 31 December 2021).

Deferred income tax provision as at 31 December 2022 to be realised within 12 months amounted to PLN 602 089 thousand (PLN 868 952 thousand as at 31 December 2021), while those over 12 months PLN 1 218 297 thousand (PLN 1 077 422 thousand as at 31 December 2021).

As of 31 December 2022, 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.

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 settlement period	Differences between balance sheet value and tax value of tangible assets	Impairment of non-financial tangible assets*	Liabilities concerning collateral for futures transactions to purchase CO ₂ emission allowances	Other	Total
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
As at 1 January 2022	238 925	70 845	546 687	3 197	67 400	990 702	539 688	410 413	2 867 857
(Charge)/addition to profit or loss	(2 250)	(32 610)	(100 268)	253	(23 821)	8 811	(261 058)	144 055	(266 888)
Charge to other comprehensive income	(1 619)	-	-	-	-	-	-	(111)	(1 730)
As at 31 December 2022, using the 19% rate	235 056	38 235	446 419	3 450	43 579	999 513	278 630	554 357	2 599 239

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

As at 31 December 2022, tax losses to be settled in future periods amounted to PLN 17 304 thousand. This amount was taken into account in calculating the deferred income tax assets and is presented in the "Other" column. An asset on the provision for onerous contracts is also presented in this column, amounting to PLN 126 315 thousand. The other most important items appearing in the "Other" column are an asset due to: advance payments for connection fees of PLN 79 304 thousand, advance payments received for Compensations of PLN 43 850 thousand and liabilities arising from court settlements of PLN 41 109 thousand.

Deferred income tax provision (restated):

	Taxable income after end of settlement period	Recorded, uninvoiced sales	Differences between balance sheet value and tax value of tangible assets*	Asset related to mine liquidation	Collateral for futures transactions to purchase CO ₂ emission allowances	Other	Total
As at January 2021	12 963	45 210	1 110 796	10 476	120 169	111 879	1 411 493
Adjustment due to amendments to IAS 16	-	-	1 218	-	-	-	1 218
As at 1 January 2021, adjusted	12 963	45 210	1 112 014	10 476	120 169	111 879	1 412 711
Charge to profit or loss	9 536	14 032	78 081	511	420 566	10 546	533 272
Charge to other comprehensive income	-	-	-	-	-	391	391
As at 31 December 2021, using the 19% rate	22 499	59 242	1 190 095	10 987	540 735	122 816	1 946 374
As at 1 January 2022	22 499	59 242	1 190 095	10 987	540 735	122 816	1 946 374
Charge/(addition) to profit or loss	13 875	37 143	95 516	(1 801)	(263 142)	(25 647)	(144 056)
Charge to other comprehensive income	-	-	-	-	-	18 068	18 068
As at 31 December 2022, using the 19% rate	36 374	96 385	1 285 611	9 186	277 593	115 237	1 820 386

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

13. Profit/(loss) 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).

Profit per share

	Year ended	
	31 December 2022	31 December 2021 restated*
Net profit attributable to shareholders of the Parent	45 304	1 690 874
Weighted average number of ordinary shares	501 430 391	441 442 578
Net profit attributable to the Parent's shareholders, per share (in PLN per share)	0.09	3.83
Diluted profit per share (in PLN per share)	0.09	3.83

* the presentation restatement of data for the comparative period is presented in note 6 to these consolidated financial statements.

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 2023 on the amount of depreciation will be PLN 8 380 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 2021. 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 at the reporting date. A decline in demand for the Group's coal might result in production falling below production 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 ("PEP 2040"), as well as the shut-down of hard coal mining in Poland by 2049, as specified in the "Social agreement regarding the transformation of the hard coal mining sector and selected transition processes for the Silesia voivodship." However, given the material change in the geopolitical and economic situation that occurred in 2022, PEP 2040 is currently being updated. Currently, aside from the necessity to align with the general framework of hard coal mining, which assumes that extraction will cease by 2049, the Group remains under the direct influence of the aforementioned regulations (especially in terms of its financial results and operational effectiveness). At the same time, the Group is undertaking activities intended to diversify its business.

Property, plant and equipment

For the financial year ended 31 December 2022:

	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 2022 (restated)	121 598	19 463 028	2 014 922	16 498 964	434 698	906 338	1 002 853	38 427 479
Transfers	4 853	1 266 370	309 994	639 945	33 051	129 716	(2 094 884)	(20 949)
Purchase	-	6 150	-	594	1 800	3 603	2 463 431	2 475 578
Sale	(430)	(13 487)	-	(12 011)	(5 201)	(6 593)	(10 414)	(48 136)
Discontinued investments	-	-	-	-	-	-	(2 538)	(2 538)
Liquidation	-	(239 956)	(185 108)	(39 773)	(1 145)	(5 269)	-	(286 143)
Other	257	53 675	(6 223)	(2 111)	(417)	(3 528)	6 058	53 934
As at 31 December 2022	126 278	20 535 780	2 133 585	17 085 608	462 786	1 024 267	1 364 506	40 599 225
Accumulated amortisation/depreciation								
As at 1 January 2022	4	(7 237 011)	(694 805)	(6 350 206)	(181 057)	(534 813)	(2 656)	(14 305 739)
Sale	-	2 049	-	5 140	4 047	6 581	-	17 817
Depreciation/amortisation	-	(732 111)	(173 401)	(654 755)	(29 260)	(63 590)	-	(1 479 716)
Liquidation	-	188 859	138 106	37 396	1 699	5 209	-	233 163
Other	-	81	-	3 912	270	1 361	-	5 624
As at 31 December 2022	4	(7 778 133)	(730 100)	(6 958 513)	(204 301)	(585 252)	(2 656)	(15 528 851)
Impairment								
As at 1 January 2022	(2 615)	(1 486 573)	-	(3 313 309)	(13 983)	(20 406)	(29 883)	(4 866 769)
Decreases	249	5 834	-	1 185	-	23	3 260	10 551
Increases	(631)	(15 078)	-	(43 858)	(33)	(422)	-	(60 022)
As at 31 December 2022	(2 997)	(1 495 817)	-	(3 355 982)	(14 016)	(20 805)	(26 623)	(4 916 240)
Net value at 1 January 2022	118 987	10 739 444	1 320 117	6 835 449	239 658	351 119	970 314	19 254 971
Net value at 31 December 2022	123 285	11 261 830	1 403 485	6 771 113	244 469	418 210	1 335 227	20 154 134

The key projects in the tangible assets under construction are: excavations (corridors) at LWB (PLN 266 030 thousand), modernisation of electrostatic precipitators at Elektrownia Połaniec (PLN 203 768 thousand), modernisation of unit 11 at ENEA Wytwarzanie (PLN 59 469 thousand).

No collateral was established on property, plant and equipment assets. External financing costs capitalised in 2022 were immaterial.

For the financial year ended 31 December 2021: (restated data):

	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 2021	118 505	18 576 195	1 865 009	15 676 096	382 566	883 886	1 196 852	36 834 100
Adjustment due to amendments to IAS 16		6 413	6 413					6 413
As at 1 January 2021, adjusted	118 505	18 582 608	1 871 422	15 676 096	382 566	883 886	1 196 852	36 840 513
Transfers	3 118	1 070 681	275 268	845 688	54 828	30 357	(1 970 845)	33 827
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	19 463 028	2 014 922	16 498 964	434 698	906 338	1 002 853	38 427 479
Accumulated amortisation/depreciation								
As at 1 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/amortisation	-	(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 1 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	10 508 449	1 304 720	6 598 152	206 989	379 550	1 100 861	18 910 135
Net value at 31 December 2021	118 987	10 739 444	1 320 117	6 835 449	239 658	351 119	970 314	19 254 971

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 1 517 043 thousand as at 31 December 2022 (PLN 1 444 989 thousand as at 31 December 2021).

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 changes is determined on the basis of expected period of use for intangible assets. The verification conducted this year resulted in changes to depreciation/amortisation periods. Their impact in 2023 on the amount of depreciation will be PLN (267 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 |
-

Intangible assets

For the financial year ended 31 December 2022:

	Costs of development work	Goodwill	Computer software, licences, concessions, patents	Geological information	Total
Gross value					
As at 1 January 2022	17 404	232 730	694 595	40 856	985 585
Transfers	-	-	6 736	-	6 736
Purchase	-	-	57 628	-	57 628
Sale	-	-	(8 103)	-	(8 103)
Liquidation	-	-	(3 508)	-	(3 508)
Other	-	-	(476)	-	(476)
As at 31 December 2022	17 404	232 730	746 872	40 856	1 037 862
Accumulated amortisation/depreciation					
As at 1 January 2022	(4 615)	-	(382 892)	(5 131)	(392 638)
Sale	-	-	3 812	-	3 812
Depreciation/amortisation	(967)	-	(56 096)	(1 266)	(58 329)
Liquidation	-	-	2 976	-	2 976
Other	-	-	515	-	515
As at 31 December 2022	(5 582)	-	(431 685)	(6 397)	(443 664)
Impairment					
As at 1 January 2022	(3 358)	(227 517)	(11 884)	-	(242 759)
Decreases	-	-	483	-	483
Increases	-	-	-	-	-
As at 31 December 2022	(3 358)	(227 517)	(11 401)	-	(242 276)
Net value at 1 January 2022	9 431	5 213	299 819	35 725	350 188
Net value at 31 December 2022	8 464	5 213	303 786	34 459	351 922

No collateral is established on intangible assets. No intangible assets were produced internally in 2022.

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 1 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/depreciation					
As at 1 January 2021	(4 180)	-	(335 712)	(3 864)	(343 756)
Depreciation/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 1 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

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 76 517 thousand as at 31 December 2022 (PLN 56 002 thousand as at 31 December 2021).

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 amount of the discount rate is reviewed and updated each year in relation to new leases entered into. 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 transfer 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.

Right-of-use assets

For the financial year ended 31 December 2022:

	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 2022	365 360	40 942	4 159	22 197	120 215	344 731	6 320	903 924
Purchase*	6 900	6 829	5 905	627	6 518	74 415	4 137	105 331
Sale	(4 817)	-	-	-	-	-	-	(4 817)
Transferred under a finance sub-lease	-	(6 160)	-	-	-	-	-	(6 160)
Liquidation	(353)	(6 191)	-	(1 764)	-	(634)	(234)	(9 176)
Other	2 548	(4 613)	2 275	(642)	827	(37)	(147)	211
As at 31 December 2022	369 638	30 807	12 339	20 418	127 560	418 475	10 076	989 313
Accumulated amortisation/depreciation								
As at 1 January 2022	(23 766)	(9 700)	(69)	(11 222)	(18 669)	(41 815)	(708)	(105 949)
Sale	208	-	-	-	-	-	-	208
Transferred under a finance sub-lease	-	15	-	-	-	-	-	15
Depreciation/amortisation	(5 408)	(7 037)	(6 814)	(4 874)	(4 162)	(17 653)	(515)	(46 463)
Liquidation	28	5 226	-	1 558	-	108	(24)	6 896
Other	298	6 963	(2 633)	399	2	-	59	5 088
As at 31 December 2022	(28 640)	(4 533)	(9 516)	(14 139)	(22 829)	(59 360)	(1 188)	(140 205)
Impairment								
As at 1 January 2022	(23 609)	-	-	(163)	(116)	-	12	(23 876)
Decreases	2 047	-	-	163	-	-	(12)	2 198
Increases	-	-	-	-	-	-	-	-
As at 31 December 2022	(21 562)	-	-	-	(116)	-	-	(21 678)
Net value at 1 January 2022	317 985	31 242	4 090	10 812	101 430	302 916	5 624	774 099
Net value at 31 December 2022	319 436	26 274	2 823	6 279	104 615	359 115	8 888	827 430

* conclusion of new agreements.

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 1 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 amortisation/depreciation								
As at 1 January 2021	(18 524)	(10 791)	(45)	(11 300)	(14 860)	(27 039)	(283)	(82 842)
Sale	8	-	-	-	-	-	-	8
Depreciation/amortisation	(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 1 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 agreements.

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

The key assumptions for verifying the economic life of investment properties are described in the note on property, plant and equipment (note 14), and the basic assumptions for impairment of investment properties are described in the note in the section of the report on impairment of non-financial assets.

Investment properties

	As at	
	31 December 2022	31 December 2021
Gross value		
As at 1 January	31 004	30 982
Purchase	-	42
Sale	(3 579)	-
Liquidation	(12)	(20)
As at 31 December	27 413	31 004
Accumulated amortisation/depreciation		
As at 1 January	(9 128)	(8 154)
Sale	1 336	-
Depreciation/amortisation	(970)	(977)
Liquidation	11	3
Other	(133)	-
As at 31 December	(8 884)	(9 128)
Impairment		
As at 1 January	(1 594)	(1 589)
Decreases	1 107	-
Increases	-	(5)
As at 31 December	(487)	(1 594)
Net value		
Net value at 1 January	20 282	21 239
Net value at 31 December	18 042	20 282

No collateral was established on investment properties.

Presented below are revenue and costs related to investment properties:

	Year ended	
	31 December 2022	31 December 2021
Income from investment properties	2 247	2 366
Operating costs related to income-generating investment properties	(3 307)	(2 998)

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

The ENEA S.A. former headquarters was the most valuable investment property recognised in the books at PLN 7 165 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).

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

As at 31 December 2022	Elektrownia Ostrołęka Sp. z o.o.	Polimex - Mostostal S.A.	Elektrownia Wiatrowa Baltica- 4 Sp. z o.o.	Elektrownia Wiatrowa Baltica- 5 Sp. z o.o.	Elektrownia Wiatrowa Baltica- 6 Sp. z o.o.	Total
Stake	50.00%	16.26%	33.81%	33.81%	33.76%	
Current assets	115 613	2 149 231	355	430	512	2 266 141
Non-current assets	77 440	675 478	-	-	-	752 918
Total assets	193 053	2 824 709	355	430	512	3 019 059
Current liabilities	521 412	1 620 793	1 201	1 214	81	2 144 701
Non-current liabilities	-	262 044	-	-	-	262 044
Total liabilities	521 412	1 882 837	1 201	1 214	81	2 406 745
Net assets	(328 359)	941 872	(846)	(784)	431	612 314
Share in net assets	-	153 148	(286)	(265)	146	152 743
Goodwill	7 080	15 954	302	268	216	23 820
Impairment of goodwill	(7 080)	-	-	-	-	(7 080)
Elimination of unrealised gains/losses	-	(6 166)	-	-	-	(6 166)
Book value of equity-accounted investments at 31 December 2022	-	162 936	16	3	362	163 317
Revenue	784 781	3 766 440	-	-	-	4 551 221
Net result	128 151	142 620	(499)	(510)	(393)	269 369
Elimination of unrealised gains/losses	-	(6 166)	-	-	-	(6 166)
Share of profit of associates and jointly controlled entities	-	25 202	(79)	(92)	(61)	24 970

The Group made a consolidation adjustment concerning margins on sales in transactions between the Group and Polimex - Mostostal S.A. by PLN 6 166 thousand.

In the item: Share of the results of associates and jointly-controlled entities in the consolidated statement of comprehensive income provisions for future investment commitments toward Elektrownia Ostrołęka Sp. z o.o. of PLN 46 493 thousand were released.

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

Change in investments in subsidiaries, associates and jointly controlled entities

	As at	
	31 December 2022	31 December 2021
As at 1 January	137 881	133 647
Change in the change in net assets	24 970	16 854
Purchase of investments	1 123	848
Sale of investments	(657)	(393)
Other changes	-	(13 075)
As at 31 December	163 317	137 881

Implementation of project to build Elektrownia Ostrołęka C

At 31 December 2022, ENEA S.A. held 9 124 821 shares of Elektrownia Ostrołęka Sp. z o.o., with a nominal value of PLN 50.00 each and total nominal value of PLN 456 241 thousand.

Moreover, ENEA S.A. and ENERGA S.A. are in equal parts parties to two loan agreements concluded with Elektrownia Ostrołęka Sp. z o.o. in the amount of up to PLN 340 000 thousand of 23 December 2019 and up to PLN 58 000 thousand of 17 July 2019.

Impairment of loans issued to Elektrownia Ostrołęka Sp. z o.o. as at 31 December 2022 amounted to PLN 240 341 thousand, together with interest (with PLN 198 336 thousand being covered by impairment losses).

On 29 April 2022, ENEA S.A. and ENERGA S.A. executed annexes to the aforementioned loan agreements with Elektrownia Ostrołęka Sp. z o.o. Pursuant to these annexes, i.e. Annex 5 to the Loan Agreement up to PLN 340 000 thousand of 23 December 2019 and Annex 10 to the Loan Agreement up to PLN 58 000 thousand of 17 July 2019, 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 December 2022.

On 23 December 2022, Annex 6 to the Loan Agreement concluded on 23 December 2019 and Annex 11 to the Loan Agreement concluded on 17 July 2019 were signed. Pursuant to Annex 6, Elektrownia Ostrołęka Sp. z o.o. undertook to repay to ENEA S.A. part of the loan by 11 January 2023, amounting to PLN 8 383 thousand. The repayment date of the remaining loan from 23 December 2019 has been extended to the end of February 2023. At the same time, on the basis of Annex 11, Elektrownia Ostrołęka Sp. z o.o. undertook to repay to ENEA S.A. the entire loan granted by 11 January 2023, i.e. the amount of PLN 29 000 thousand together with interest in the amount of PLN 4 622 thousand. Elektrownia Ostrołęka Sp. z o.o. made repayments of the above receivables to ENEA S.A. within the period resulting from Annexes 6 and 11.

On 28 February 2023, ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 7 to loan agreement of up to PLN 340 000 thousand of 23 December 2019 Pursuant to the provisions of Annex 7, the deadline for the one-off repayment by Elektrownia Ostrołęka Sp. z o.o. of the loan along with the interest due was prolonged to 28 April 2023.

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. Conclusions from these analyses did 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. 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.

The following documents were signed on 22 December 2020:

- 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),
- agreement between the Company and ENERGA S.A. regarding cooperation on settling the coal-based project as part of Project Ostrołęka C (Settlement Agreement, Coal Project).

Both of the agreements include a statement by ENEA S.A. on withdrawal from further participation in the Gas Project.

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 included 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 was intended to facilitate the implementation of a gas project by CCGT Ostrołęka Sp. z o.o. as a company that would replace Elektrownia Ostrołęka Sp. z o.o. in implementing the investment in Ostrołęka. The sale price for the business being sold (transaction value) was estimated at approx. PLN 166 million. The price was determined on a preliminary basis as the transaction provided for the application of additional prerequisites to determine 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 obligated 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 extended the settlement deadline to 25 March 2022 and results from a verified mechanism for settling the Coal Project.

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.

On 31 January 2021 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.

On 31 March 2022 Elektrownia Ostrołęka Sp. z o.o. completed the settlement process with the General Contractor in accordance with the Agreement of 25 June 2021 referred to above. The final value of receivables resulting from the settlement amounted to PLN 958 million net and therefore the amount due to the General Contractor resulting from the difference between the above value and the amounts already paid has already been paid in full by Elektrownia Ostrołęka Sp. z o.o. The costs incurred by ENEA S.A. in connection with settlement of the General Contractor's works amounted to 50% of the above amount, i.e. PLN 479 million net (the same amount was paid by ENERGA S.A.).

On 23 September 2022 Elektrownia Ostrołęka Sp. z o.o. sold some properties intended for the construction of a gas unit to CCTG Ostrołęka Sp. z o.o. The value of the land in question and the value of the elements of the immovable part of the supporting infrastructure constituting the price of the plots sold amounted to approx. PLN 84 million.

On 12 October 2022, Elektrownia Ostrołęka Sp. z o.o. conducted the final handover of an investment entitled "Reconstruction of rail infrastructure for handling Elektrownia Ostrołęka C" (the so-called rail siding).

In connection with this, in these consolidated financial statements a full release of the provision for future investment liabilities towards Elektrownia Ostrołęka Sp. z o.o. was made, amounting to PLN 46 493 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." As of 31 December 2022, the provision amounted to PLN 0.

19. CO₂ emission allowances

Accounting rules

The Group purchases CO₂ emission allowances for own purposes. CO₂ emission allowances received for free under the National Allowance Allocation Plan and additional CO₂ emission allowances purchased for redemption, i.e. to comply with the obligation to settle CO₂ 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.

CO₂ 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 CO₂ 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 CO₂ emission allowances is approved. It is permissible to adjust the estimated quantity of CO₂ 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 CO₂ emission allowances purchased for redemption are recognised at purchase price less impairment.

A registry for CO₂ 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 CO₂ 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 CO₂ 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 CO₂ emissions, which accompany the electricity generation process, the Group is required to settle such emissions by presenting a specific quantity of CO₂ 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 CO₂ 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 CO₂ emission allowances sold are recognised in operating revenue or costs, respectively.

Significant judgements and estimates

Determining the impairment of CO₂ 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.

CO₂ emission allowances

	As at	
	31 December 2022	31 December 2021
Gross value		
As at 1 January	2 859 978	2 529 059
Purchase	4 174 322	2 256 786
Depreciation	(2 941 170)	(1 925 867)
As at 31 December	4 093 130	2 859 978
Net book value		
As at 1 January	2 859 978	2 529 059
As at 31 December	4 093 130	2 859 978

CO₂ emission allowances - quantity (in thousands tonnes)

	As at	
	31 December 2022	31 December 2021
As at 1 January	22 343	24 786
Purchase	14 919	16 050
Allocated free-of-charge	157	160
Depreciation	(22 315)	(18 653)
As at 31 December	15 104	22 343

CO₂ emissions reached 22 983 thousand tonnes in 2022 and 22 353 thousand tonnes in 2021.

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 President 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 Gielda 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.

Inventories

	Year ended	
	31 December 2022	31 December 2021
Materials	1 829 702	708 228
Semi-finished products and production in progress	798	648
Finished products	10 948	9 256
Energy origin certificates	157 443	421 765
Goods	22 933	18 176
Gross value of inventory	2 021 824	1 158 073
Impairment of inventory	(41 974)	(42 153)
Net value of inventory	1 979 850	1 115 920

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.' The coal presented in the line "materials" was worth PLN 1 179 034 thousand as of 31 December 2022 (PLN 305 268 thousand as at 31 December 2021).

In the 12 months of 2022, impairment of inventory decreased by PLN 179 thousand (in the 12 months of 2021 impairment of inventory declined by PLN 3 554 thousand).

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 2022	31 December 2021
Net value at 1 January	416 137	345 776
Internal manufacture	337 899	421 439
Purchase	217 519	73 498
Depreciation	(819 740)	(391 371)
Sale	-	(32 466)
Change in impairment	(3 905)	(739)
Net value at 31 December	147 910	416 137

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.

Odpis z tytułu utraty wartości należności określony jest zgodnie z modelem oczekiwanych strat kredytowych. 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.

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 2022	31 December 2021
Current trade and other receivables		
Trade receivables	2 709 028	1 999 479
Tax (excluding income tax) and other benefit receivables	1 042 346	270 360
Collateral for futures transactions to purchase CO ₂ emission allowances	1 190 797	684 270
Other receivables	307 725	469 829
Advances	102 976	4 098
Prepaid property insurance	18 784	13 070
Current trade and other receivables gross	5 371 656	3 441 106
Minus: impairment of receivables	(111 273)	(128 534)
Net current trade and other receivables	5 260 383	3 312 572

Non-current trade and other receivables

Trade receivables	2 431	4 172
Collateral for futures transactions to purchase CO ₂ emission allowances	-	67 224
Other receivables	9 782	3 038
Non-current trade and other receivables gross	12 213	74 434
Minus: impairment of receivables	-	-
Net non-current trade and other receivables	12 213	74 434

The short- and long-term collateral margins for the purchase of CO₂ futures, in accordance with the agreements concluded, present the amounts of the collateral transferred to the clearing banks as margins for the purchase of CO₂ on the exchange and over-the-counter markets.

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.

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, in ENEA Smart contracts 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 2022	31 December 2021
Undiscounted contract lease payments	3 269	2 180
Unrealised finance income (discount effect)	(791)	(697)
Other	(6)	-
Discounted contract lease payments (net lease investment)	2 472	1 483

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

	As at	
	31 December 2022	31 December 2021
Under one year	1 732	1 398
From one to five years	1 537	782
Value of undiscounted contract payments on finance leases	3 269	2 180

Income from finance leases

	Year ended	
	31 December 2022	31 December 2021
Interest income from finance leases	437	594

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 2022	31 December 2021
Under one year	2 419	2 606
From one to five years	2 999	557
Over five years	-	131
Value of undiscounted contract payments on operating leases	5 418	3 294

Income from operating leases

	Year ended	
	31 December 2022	31 December 2021
Income from operating leases	13 006	13 976

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 2021	322 446	257 462
Increase due to advance payments received from customers	-	217 183
Revenue recognised in a period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	(13 102)
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
Revenue recognised in a period that was taken into account in the opening balance for liabilities arising from contracts with customers	-	(98 199)
Increase due to advance payments received from customers	-	2 434
Impairment	(120)	-
Change in non-invoices receivables	211 112	-
Liabilities resulting from sales adjustments	-	(159)
As at 31 December 2022	623 900	364 412

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.

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 2022	31 December 2021
Cash on hand and at bank account	906 021	2 722 512
- Cash on hand	43	43
- Cash at bank account	905 978	2 722 469
Other cash	657 695	1 431 041
- Cash in transit	-	11
- Deposits	451 170	995 380
- Other	206 525	435 650
Total cash and cash equivalents	1 563 716	4 153 553
Cash recognised in the statement of cash flows	1 563 716	4 153 553
including restricted cash	511 540	646 928

No collateral is established on cash. Other cash mainly includes cash in deposits for electricity and CO₂ emission allowance transactions (mainly cash constituting collateral for settlements with clearing-house IRGiT).

As at 31 December 2022, the Group's restricted cash amounted to PLN 511 540 thousand (as at 31 December 2021: PLN 646 928 thousand). This mainly included cash for deposits for electricity and CO₂ 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 2022			
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
Series D	88 288 515	1	88 288
Total number of shares	529 731 093		
Total share capital			529 731
Share capital (nominal amount)*			529 731
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			676 306
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

*Share capital was fully paid-up.

On 19 January 2022, The Management Board of ENEA S.A. adopted a resolution to initiate a share capital increase process at the Company through the issue of no fewer than 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"), with the objective being 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 issue will be a private subscription pursuant to art. 431 § 2 point 1 of the Polish Commercial Companies Code, conducted by way of a public offering exempt from the obligation to publish a prospectus within the meaning of the relevant legislation or any other information document, and will be addressed to investors meeting the criteria set out in the resolution on the share capital increase by way of the issue of the Series D Shares, with full exclusion of the pre-emptive rights to all Series D Shares for the Company's existing shareholders.

Given the above, on 19 January 2022 the Management Board called an Extraordinary General Meeting for 10 March 2022 that was intended to adopt a resolution on a share capital increase via the Series D Share issue, with pre-emption rights waived entirely.

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 899 659 967.85 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 authorisations ("Application"). The Company requested 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). The Application was submitted based on the Regulation of the Minister of Finance of 23 December 2021 on the detailed procedure for the acquisition or subscription of shares by the State Treasury using the Reprivatisation Fund in 2021-2022.

On 10 March 2022, ENEA S.A.'s Extraordinary General Meeting adopted a resolution pursuant to which a break in the Extraordinary General Meeting was announced until 8 April 2022.

On 8 April 2022, the Company signed an investment agreement with the State Treasury represented by the Prime Minister ("Investment Agreement") in relation to the planned issue of the Series D ordinary bearer shares with the exclusion of pre-emptive rights of the existing shareholders. Pursuant to the Investment Agreement, the State Treasury expressed its intention to acquire up to 88 288 515 Series D Shares for funds in the amount of up to PLN 899 659 967.85 ("New Funds") from the Reprivatisation Fund referred to in art. 56 and art. 69h 1 of the Act of 30 August 1996 on commercialisation and

certain employee authorisations.

The Company made a commitment to the State Treasury that it would allocate the New Funds in their entirety for the implementation by the Company and its subsidiary (Enea Operator sp. z o.o.) of the following projects: (a) Expansion and modernisation of the grid as regards high and medium voltage substations; (b) Expansion and modernisation of the grid as regards high voltage lines; (c) Expansion and modernisation of the grid as regards medium voltage grids; (d) Remote reading meters; and (e) Connections to the grid.

The Investment Agreement sets out the rules governing the use of the New Funds and the consequences of a breach of those rules, the obligations and assurances of the Company in connection with the transfer of the New Funds, the obligations relating to reporting and accounting for the New Funds and the control powers of the Treasury. In the event that the New Funds are used contrary to the Investment Agreement or if the Investment Agreement is improperly performed, the Company will be required, depending on the nature of the provision violated, to pay to the State Treasury the guarantee amounts or return all or part of the New Funds. This refund (which would entail a reduction in share capital) would require a resolution of the general meeting with a qualified 3/4 majority and therefore, in the Group's view, this amount does not constitute a liability.

The Extraordinary General Meeting resumed on 8 April 2022. The Extraordinary General Meeting adopted resolution no. 5 on an increase of the Company's share capital through the issue of series D ordinary bearer shares in a private subscription, a complete exemption of the existing shareholdings of their pre-emption rights to all series D shares, amendment of the Company's articles of association, application for the admission and introduction of the series D Shares and/or rights to series D shares to trade on the regulated market operated by the Warsaw Stock Exchange and dematerialisation of the series D shares and/or rights to series D shares ("Issue Resolution"). Pursuant to the resolution:

- The Company's share capital was increased by an amount of not less than PLN 1.00 and not higher than PLN 88 288 515, i.e. to an amount not lower than PLN 441 442 579 and not higher than PLN 529 731 093, through the issue of not fewer than 1 and not more than 88 288 515 Series D Shares, with a nominal value of PLN 1.00 each.
- The Series D share issue was a private subscription (in the meaning of art. 431 § 2 point 1 of the Polish Commercial Companies Code) by way of a public offering ("Offering") addressed exclusively to selected investors on the terms specified in § 3 sec. 2 of this resolution, which will be exempted from the obligation to publish a prospectus in the meaning of the relevant laws or another information or offering document for the purposes of the Offering in accordance with art. 3 sec. 1 in connection with art. 1 sec. 4 letter a) and letter d) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and repealing Directive 2003/71/EC.
- The aim of the Series D Share issue is to finance investment projects aimed at the development and modernisation of medium- and high-voltage transmission grids and the installation of remote reading meters. Proceeds from the Series D Share issue may not be used to finance coal assets within the Company's group.

Moreover, on 8 April 2022 the Company signed agreements with Pekao Investment Banking Spółka Akcyjna ("Global Coordinator" or "Pekao IB") and Bank Polska Kasa Opieki Spółka Akcyjna ("BM Pekao") (jointly as "Joint Bookrunners") on the placement of shares ("Placement Agreement") and on the commencement of the book-building process by way of a private subscription of no more than 88 288 515 ordinary bearer series D shares. On 8 April 2022, the Company's Management Board also adopted a resolution to set the rules for the offering, rules for conducting the bookbuilding process and the acquisition and allocation of the Series D Shares. In the Placement Agreement, the Issues has undertaken that, inter alia, without the consent of the Global Coordinator, it will not issue, sell or offer shares in the Company within 360 days of the date of the first listing of the Series D Shares, except in accordance with standard exemptions.

A bookbuilding process for the Series D Shares was conducted on 8-13 April 2022. On 14 April 2022, once it was completed, the Company's Management Board set the issue price of Series D Shares at PLN 8.50 per one Series D Share. The Company's Management Board also decided to offer a total of 88 288 515 Series D Shares to selected investors under the terms of the Issue Resolution and the subscription rules determined thereunder.

Agreements for the acquisition of the Series D Shares were signed on 19-27 April 2022. The Series D Shares were acquired by 67 entities. On 28 April 2022, in connection with the end of the Series D Shares subscription process, the Company's Management Board adopted a resolution to allocate 88 288 515 Series D Shares. Cash contributions in exchange for the Series D Shares were fully paid. The issue price for the Series D Shares was PLN 8.50 per share. The total value of the subscription, understood as the product of the number of Series D Shares covered by the Offering and the issue price, was PLN 750 452 377.50.

On 6 May 2022 the Company received statement no. 400/2022 from the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A. - "NDS") dated 6 May 2022 ("Statement") regarding execution with the Company of an agreement concerning registration in a securities deposit of 88 288 515 rights to the Company's series D ordinary bearer shares with a nominal value of PLN 1.00 each ("Rights to Shares"). The Rights to Shares were given the ISIN code PLENEA000104. In accordance with the Statement, registration of the Rights to Shares should take place within 3 days from the receipt by the NDS of a decision to admit the Rights to Shares to regulated-market trade.

On 6 May 2022, the management board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A. - "WSE") adopted Resolution No. 427/2022 on the admission and introduction to exchange trading on the WSE's main market of 88 288 515 rights to series D ordinary bearer shares of the Company with a nominal value of PLN 1.00 each, as of the date of registration of these rights to shares by the NDS. At the same time, the WSE's Management Board decided to introduce the above-mentioned rights to shares of the Company to stock exchange trading on the main market as of 10 May 2022, provided that the NDS registers these rights to shares and designates them with the code "PLENEA000104" by 10 May 2022. Moreover, the WSE's Management Board decided to list the rights to shares of the Company in the continuous trading system under the abbreviated name "ENEA-PDA" and the designation "ENAA." On 9 May 2022, the NDS registered 88 288 515 rights to the Company's ordinary bearer shares Series D, with a nominal value of PLN 1.00 each. The first listing of the Rights to Shares took place on 10 May 2022, in accordance with the resolution of the WSE's management board.

On 31 May 2022 The District Court for Poznań - Nowe Miasto i Wilda in Poznań, 8th Commercial Division of the National Court Register, registered the amendment to the Company's articles of association introduced on the basis of resolution 5 by the Company's Extraordinary General Meeting of 8 April 2022 on an increase of the Company's share capital through the issue of series D ordinary bearer shares in a private subscription, a complete exemption of the existing shareholdings of their pre-emption rights to all series D shares, amendment of the Company's articles of association, application for the admission and introduction of the series D Shares and/or rights to series D shares to trade on the regulated market operated by the Warsaw Stock Exchange and dematerialisation of the series D shares and/or rights to series D shares.

Following the registration, share capital amounts to PLN 529 731 thousand and is divided into:

- a) 295 987 473 ordinary bearer shares series "A"
- b) 41 638 955 ordinary bearer shares series "B"
- c) 103 816 150 ordinary bearer shares series "C"
- d) 88 288 515 ordinary bearer shares series "D"

On 8 June 2022, pursuant to Statement no. 505/2022 of the NDS, ENEA S.A. entered into an agreement with the NDS for the registration in the securities depository of 88 288 515 Series D Shares, which were assigned ISIN code PLENEA000013, on the condition that these shares are introduced to trading on the same regulated market to which other shares of the Company bearing ISIN code PLENEA000013 were introduced.

On 8 June 2022 the WSE's Management Board adopted Resolution no. 534/2022 on the determination of the last day of trading on the WSE's Main Market of the Rights to Shares, in which the WSE's Management Board determined 9 June 2022 as the last the last day of trading of 88 288 515 Rights to Shares, along with Resolution no. 535/2022 on the admission and introduction to exchange trading on the WSE's Main Market of 88 288 515 Series D Shares, in which the WSE's Board declared that the Series D Shares are admitted to exchange trading on the main market and decided to introduce them to exchange trading on the main market in an ordinary procedure as of 10 June 2022, subject to the registration of these shares by the NDS on 10 June 2022 and their coding as PLENEA000013. The Series D Shares were registered with the NDS on 10 June 2022 and are thereafter listed on WSE's main market.

27. Non-controlling interests

Non-controlling interests

For the financial year ended 31 December 2022:

Name of subsidiary	Miejska Energetyka Ciepła Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach	ENEA Ciepło Sp. z o.o.	Lubelski Węgiel Bogdanka S.A. Group	Total non-controlling interests
Non-controlling interests (in %)	28.89%	0.07%	0.06%	35.43%	
Non-current assets	125 283	12 345	791 452	3 581 817	
Current assets	53 273	5 401	297 388	943 121	
Non-current liabilities	(32 202)	(2 923)	(132 718)	(592 302)	
Current liabilities	(19 663)	(5 659)	(178 853)	(448 673)	
Net assets	126 691	9 164	777 269	3 483 963	
Book value of non-controlling interests	36 601	6	466	1 234 368	1 271 441
Revenue from sales	113 206	7 360	691 280	2 443 868	
Net profit/(loss) for the reporting period	24 996	(503)	54 367	200 320	
Other comprehensive income	172	-	(2 639)	(539)	
Total comprehensive income	25 168	(503)	51 728	199 781	
Profit/(loss) attributable to non-controlling interests	7 363	-	56	66 197	73 616
Comprehensive income attributable to non-controlling interests	7 413	-	54	66 011	73 478
Net cash flows from operating activities	29 669	775	129 875	616 533	
Net cash flows from investing activities	(6 426)	(265)	(51 829)	(643 541)	
Net cash flows from financing activities	(7 570)	(543)	(78 575)	(98 108)	
Net cash flows	15 673	(33)	(529)	(125 116)	
Paid dividend attributable to non-controlling interests	-	-	-	(30 129)	

The main economic activity of Miejska Energetyka Ciepła Piła Sp. z o.o., Przedsiębiorstwo Energetyki Ciepłej 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.

For the financial year ended 31 December 2021 (restated data):

Name of subsidiary	Miejska Energetyka Ciepła Piła Sp. z o.o.	Przedsiębiorstwo Energetyki Ciepłej Sp. z o.o. w Obornikach	ENEA Ciepło Sp. z o.o.	Lubelski Węgiel Bogdanka S.A. Group	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	3 375 810	
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	3 369 510	
Book value of non-controlling interests	29 187	7	412	1 145 970	1 175 576
Revenue from sales	79 589	7 261	496 509	2 441 059	
Net profit/(loss) for the reporting period	5 925	(288)	69 560	330 747	
Other comprehensive income	429	-	2 852	5 702	
Total comprehensive income	6 354	(288)	72 412	336 449	
Profit/(loss) attributable to non-controlling interests	1 853	-	42	112 398	114 293
Comprehensive income attributable to non-controlling interests	1 977	-	44	114 336	116 357
Net cash flows from operating activities	29 123	951	95 184	786 615	
Net cash flows from investing activities	(44 012)	(447)	(53 943)	(420 854)	
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)	

28. Dividend/distribution of earnings

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 2022 profit will be made by shareholders at the 2023 Ordinary General Meeting. The Management Board will present a recommendation to allocate the profit in the second quarter of 2023.

On 24 June 2022 an Ordinary General Meeting of ENEA S.A. adopted resolution no. 7 concerning the allocation of net profit for the financial year covering the period from 1 January 2021 to 31 December 2021, pursuant to which PLN 442 110 thousand was allocated to supplementary capital and PLN 18 299 thousand to reduce the negative value of other capitals.

On 17 June 2021, the 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).

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 2022.

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 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).

Credit facilities, loans and debt securities

	As at	
	31 December 2022	31 December 2021
Bank credit	1 279 820	1 482 827
Loans	25 015	35 970
Bonds	2 782 472	2 938 217
Long-term	4 087 307	4 457 014
Bank credit	555 614	208 438
Loans	12 820	11 916
Bonds	181 839	1 957 437
Short-term	750 273	2 177 791
Total	4 837 580	6 634 805

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. In further activities, ENEA S.A. will focus on securing appropriate diversification of external financing sources for investments planned in "ENEA Group's Development Strategy to 2030 with an Outlook to 2040," with particular focus on the Distribution and Renewables segments. At the same time, bearing in mind the very limited possibilities of obtaining financing for the operations of the generating companies, the ENEA Group will take steps to spin off from its structures the assets related to electricity generation in conventional coal units.

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 2022	Debt at 31 December 2021	Interest	Contract period
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	762 717	888 130	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	722 500	800 500	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENEA S.A.	PKO BP S.A.	28 January 2014, Annex 3 of 28 December 2022	500 000	243 636	-	WIBOR 1M + margin	31 December 2024
4.	ENEA S.A.	Pekao S.A.	28 January 2014, Annex 3 of 28 December 2022	150 000	92 920	-	WIBOR 1M + margin	31 December 2024
5.	ENEA S.A.	BGK	7 September 2020 Annex 3 of 27 October 2022	1 250 000	-	-	WIBOR 1M +margin	28 July 2023
6.	ENEA S.A.	PKO BP S.A.	3 October 2022 Annex 1 of 28 December 2022	500 000	-	-	WIBOR 1M + margin for PLN or EURIBOR 1M+margin for EUR	30 June 2023
7.	ENEA S.A.	Pekao S.A.	21 October 2022	750 000	-	-	EURIBOR 1M+margin	21 October 2023
8.	ENEA Ciepło Sp. z o.o.	National Fund for Environmental Protection and Water Management (NFOŚiGW)	22 December 2015	60 075	28 036	34 436	WIBOR 3M, no less than 2%	20 December 2026
9.	Other	-	-	-	9 869	14 903	-	-
TOTAL				5 581 075	1 859 678	1 737 969		
Transaction costs and effect of measurement using effective interest rate						13 591	1 182	
TOTAL				5 581 075	1 873 269	1 739 151		

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.

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

On 7 July 2022 ENEA S.A. signed annex 2 to an overdraft facility agreement with Bank Gospodarstwa Krajowego, increasing the maximum available credit limit from PLN 750 000 thousand to 1 250 000 thousand.

On 3 October 2022 ENEA S.A. executed a multi-currency current account credit facility agreement with PKO BP S.A. for up to PLN 500 000 thousand. The funds obtained from PKO BP S.A. will be used to finance the borrower's on-going operations.

On 21 October 2022 ENEA S.A. executed a multi-currency current account credit facility agreement with Bank Pekao S.A. for up to PLN 750 000 thousand. The funds obtained from Bank Pekao S.A. will be used to finance the borrower's on-going operations.

On 27 October 2022 ENEA S.A. signed annex 3 to an overdraft facility agreement with Bank Gospodarstwa Krajowego, prolonging the agreement term to 28 July 2023.

On 28 December 2022, ENEA S.A. signed annex 3 to an overdraft facility agreement with PKO BP S.A., increasing the maximum available credit limit from PLN 300 000 thousand to 500 000 thousand and prolonging the agreement term to 31 December 2024.

On 28 December 2022, ENEA signed annex 3 to a working capital overdraft facility agreement with Bank Pekao S.A., prolonging the agreement term from 31 December 2022 to 31 December 2024.

On 28 December 2022, ENEA signed annex 1 to a multi-currency overdraft facility agreement with PKO BP S.A., prolonging the agreement term from 31 December 2022 to 30 June 2023.

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 2022 amounted to PLN 28 036 thousand (at 31 December 2021: PLN 34 436 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 2022	Value of outstanding bonds as at 31 December 2021	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	WIBOR 6M + margin	All of the series have been bought back, the last ones in June 2022.
2.	Bond issue program agreement with BGK	15 May 2014	1 000 000	560 000	640 000	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	2 000 000	WIBOR 6M + margin	Buy-back in June 2024.
4.	Bond issue program agreement with BGK	3 December 2015	700 000	380 558	456 669	WIBOR 6M + margin	Buy-back in tranches, last tranche due in September 2027
TOTAL			9 700 000	2 940 558	4 895 669		
Transaction costs and effect of measurement using effective interest rate				23 753	(15)		
TOTAL			9 700 000	2 964 311	4 895 654		

In the 12-month period ending 31 December 2022 ENEA S.A. did not execute new bond issue programme agreements.

On 25 November 2022 ENEA S.A. signed "Agreement amending and consolidating the Program Agreement of 30 June 2014" with PKO BP S.A., Bank Pekao S.A. and mBank S.A. The most important changes included the introduction of provisions on sustainability indicators, clauses on the detailed description of how the interest rate would be determined in the event of non-publication of the WIBOR rate and the updating and adapting to market practices of the operating procedure and model documents used in the bond offering process.

Interest rate hedges and currency hedges

These transactions are described in notes 38.5 and 38.4.

Financing terms - covenants

The financing agreements stipulate that ENEA S.A. and ENEA Group must meet certain financial ratios, among other things. As at 30 June 2022 and according to preliminary calculations on the basis of data as at 31 December 2022, the Subsidiary Indebtedness for Borrowed Money ratio under the loan agreements with the European Investment Bank ("EIB Agreements") exceeded the permissible level as a result of a significant decline in the debt of ENEA S.A. due to the redemption of bonds in the total amount of PLN 1 799 000 thousand in June 2022. Further, the level of the Subsidiary Indebtedness for Borrowed Money ratio was significantly affected by a negative valuation of FX Forward contracts for EUR concluded by ENEA Trading Sp. z o.o. in connection with transactions hedging emission allowances (EUAs) for ENEA Group companies. In line with the deadlines set out in its agreements with the EIB, the Company informs the lender of having exceeded the permissible level of the ratio referred to above. According to the provisions of the agreements with the EIB, exceeding the permissible level of the Subsidiary Indebtedness for Borrowed Money ratio does not result in the immediate maturity of the loans, but gives the EIB the right to issue a notice to remedy, which the EIB has not used. As at the date of these consolidated financial statements and during 2022, the Group was not required to repay any financial debt early. In January 2023 ENEA S.A. completed the process of raising new long-term debt financing, which was finalised in early February 2023. According to ENEA S.A.'s preliminary calculations, this brings the Subsidiary Indebtedness for Borrowed Money ratio below the level set out in the EIB Agreements.

Lease liabilities

	As at 31 December 2022			As at 31 December 2021		
	Lease liabilities	Interest	Total	Lease liabilities	Interest	Total
Under one year	31 338	15 793	47 131	30 678	16 290	46 968
From one to five years	124 920	96 569	221 489	113 380	70 067	183 447
Over five years	500 200	288 696	788 896	452 613	334 055	786 668
Total	656 458	401 058	1 057 516	596 671	420 412	1 017 083

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 2022, leases also included cars, office space, land and the renting of parking spots. There is a buy-out option in the case of cars. 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 2022	31 December 2021
Interest cost on lease liabilities	(17 342)	(14 895)
Cost of short-term leases for which a practical expedient was applied	(559)	(1 572)
Cost of variable lease payments not recognised in measurement of lease liabilities	(3)	(28)
Gain on change in or liquidation of right-of-use assets	-	68

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 leasebacks in 2022.

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.

	As at	
	31 December 2022	31 December 2021
Non-current trade and other payables		
Liabilities concerning purchase of licences for geological information and concessions	24 699	28 838
Liabilities concerning deposits for futures transactions for CO ₂ emission allowances	-	94 372
Other	7 566	737
Non-current trade and other payables	32 265	123 947
Current trade and other payables		
Trade payables	2 326 710	869 181
Advances for compensations and other advances received for supplies, works and services	207 950	134
Tax (excluding income tax) and similar liabilities	113 657	371 355
Liabilities concerning purchase of tangible and intangible assets	395 891	447 992
Trade payables	216 361	-
Dividend liabilities	4	4
Special funds	765	333
Liabilities concerning deposits for futures transactions for CO ₂ emission allowances	1 772 134	2 593 964
Other	132 104	156 597
Total current trade and other payables	5 165 576	4 439 560
Total trade and other payables	5 197 841	4 563 507

The advances for Compensations presented in the table above amounted to PLN 202 199 thousand. The advances received from Zarządca Rozliczeń S.A. will be settled in 2023, in which the maximum prices resulting from the Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support for certain consumers in 2023 will be applied with eligible customers (see also the information on compensation presented in note 8 on revenue from sales).

CO₂ futures are entered into in order to ensure that the Group's generating companies have an adequate volume of CO₂ allowances for subsequent redemption. These are transactions settled by physical delivery of allowances. The Group therefore acquires CO₂ emission allowances for its own purposes and therefore, using the provisions of IFRS 9, does not measure these forward transactions in the financial statements. The execution of a futures transaction involves the transfer of funds to a depository, which provides the market operator (market organiser) with security for the correct settlement of the transaction at maturity of the futures transaction. At the same time, due to the nature of the settlement of CO₂ futures contracts and the mark-to-market mechanism, the Group receives (or disburses) cash and recognises a liability (or asset) for the receipt (transfer) of cash resulting from daily changes in CO₂ futures quotes, and these amounts are presented separately from the deposits presented as current other receivables. As a result, liabilities (assets) for the settlement of futures contracts arise as a result of the daily settlement of open contracts (linked to the level of exchange quotations of CO₂ emission allowances), irrespective of the amount of collateral in the form of initial deposits, and are subject to final settlement on the date of closing a given contract and physical purchase of CO₂ emission allowances. This means that on the closing date of the contract, the Group transfers cash in the amount of the strike price agreed in the contract adjusted by the daily settlement cash received (transferred).

At the same time, the Group receives cash from the return of the initial deposit. Under the terms of the CO₂ futures contracts, settlement may only take place on a net basis (i.e. through settlement with the initial margin provided) if there is a situation of default by the parties to the transaction. Because these premises are not met as at 31 December 2022, the Group does not have a legal title to set off, and therefore the amounts for daily fluctuation settlements and deposit amounts have not been offset in the balance sheet, but have been presented separately. The amounts that could be offset if the contractual premises are met amount to PLN 1 772 134 thousand on the other liabilities side and PLN 917 305 thousand on the other receivables side.

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 Programme.

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, i.e.: 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 below 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.

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 Programme

In accordance with an appendix to the Collective Labour Agreement, the Group runs an Employee Pension Programme 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 Programme 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 Programme 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 2022	31 December 2021
Remuneration and other liabilities	466 902	427 127
Provision for Voluntary Leave Programme	454	454
Retirement and disability severance payments	219 184	211 380
Right to rebates in purchasing energy after retirement	333 421	320 963
Contribution to Company Social Benefits Fund for retired employees	62 113	87 948
Post-mortem payments	25 631	24 092
Longevity bonus	432 557	415 540
Total employee benefit liabilities	1 540 262	1 487 504
<i>Long-term</i>	<i>962 783</i>	<i>962 473</i>
<i>Short-term</i>	<i>577 479</i>	<i>525 031</i>

Changes in the 12 months to 31 December 2022

	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 2022	211 380	320 963	87 948	24 092	415 540	1 059 923
Changes recognised in profit or loss, including:	18 499	18 444	6 179	2 417	81 632	127 171
cost of present employment	11 940	7 115	3 054	1 608	30 913	54 630
cost of future employment	(85)	(74)	(28)	-	117	(70)
cost of interest	6 644	11 403	3 153	809	13 601	35 610
net actuarial gains arising from change in financial assumptions	-	-	-	-	(32 291)	(32 291)
net actuarial gains arising from adjustment of demographic assumptions	-	-	-	-	(69)	(69)
net actuarial losses arising from ex-post adjustment of assumptions	-	-	-	-	69 361	69 361
Changes recognised in other comprehensive income, including:	8 884	9 583	(28 518)	695	-	(9 356)
net actuarial (gains)/losses arising from change in financial assumptions	(28 254)	56 839	(25 045)	(2 564)	-	976
net actuarial (gains)/losses arising from adjustment of demographic assumptions	212	(8 099)	(2 853)	1 096	-	(9 644)
net actuarial (gains)/losses arising from ex-post adjustment of assumptions	36 926	(39 157)	(620)	2 163	-	(688)
Reduced liabilities concerning payout of benefits (negative value)	(19 579)	(15 569)	(3 496)	(1 573)	(64 615)	(104 832)
Total changes	7 804	12 458	(25 835)	1 539	17 017	12 983
As at 31 December 2022	219 184	333 421	62 113	25 631	432 557	1 072 906
<i>Long-term</i>	<i>180 036</i>	<i>319 013</i>	<i>59 417</i>	<i>23 003</i>	<i>381 314</i>	<i>962 783</i>
<i>Short-term</i>	<i>39 148</i>	<i>14 408</i>	<i>2 696</i>	<i>2 628</i>	<i>51 243</i>	<i>110 123</i>

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
<i>Long-term</i>	<i>179 576</i>	<i>308 181</i>	<i>85 229</i>	<i>21 890</i>	<i>367 597</i>	<i>962 473</i>
<i>Short-term</i>	<i>31 804</i>	<i>12 782</i>	<i>2 719</i>	<i>2 202</i>	<i>47 943</i>	<i>97 450</i>

Actuarial assumptions

Assumptions	31 December 2022	31 December 2021
Estimated long-term annual growth in remuneration	13.3% in 2023, 7.75% in 2024, 3.1% in 2025, 2.5 in subsequent years.	4.91% in 2022, 4.05% in 2023, 2.70% in 2024, 2.5% in subsequent years
Estimated growth in value of contribution to Company Social Benefits Fund	28.1% in 2024, 11.9% in 2025, 7.6% in 2026 5.9% in 2027, 6.0% in 2028, 5.5% in 2029, 5.4% in the remaining years of the forecast	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 remaining years of the forecast
Discount rate	6.5%	3.7%
Value of cash equivalent for subsidised energy purchases	PLN 1 764.63	PLN 1 667.85
Growth in the value of cash equivalent for subsidised electricity purchases	34.4% in 2023, 64.9% in 2024, -0.8% in 2025, -0.7% in 2026-2028, -0.6% in 2029, and 2.5% in subsequent years	13.9% in 2022, 27.3% in 2023, 1.1% in 2024-2028, 2.5% in subsequent years
Average monthly remuneration used to calculate Company Social Benefit Fund liability	PLN 4 434.58	PLN 4 434.58

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	(55 496)	65 918
Expected remuneration growth rate	24 167	(21 018)
Average growth in the value of cash equivalent for subsidised electricity purchases	36 826	(30 916)

Maturity of defined benefit plan liabilities

Weighted average period of defined benefit programme liabilities (in years)	As at	
	31 December 2022	31 December 2021
Retirement and disability severance payments	11.0	13.1
Post-mortem payments	6.9	10.1
Right to rebates in purchasing energy after retirement	11.7	14.0
Contribution to Company Social Benefits Fund for retired employees	13.2	16.7

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 establishes reserves in connection with the obligation to present energy certificates of origin and energy efficiency certificates for redemption or the need to pay 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 2023.

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. Important factors affecting the value of the reclamation provision are discount rates, inflation and the cost of reclaiming 1 ha.

Provision for CO₂ emission allowance purchases

The amount of the provision is determined based on the value of the allowances payable and free on record at the balance sheet date. The provision is first established on the basis of the value of the Group's entitlements shown at the reporting date. In the event that the demand for allowances is not covered by the amount of CO₂ emission rights held, a provision will be made for the amount of uncovered estimated emissions on the basis of the purchase prices of allowances in futures contracts. In the event that the demand for allowances is not covered by the amount of allowances included in the balance sheet purchased on a forward basis, a provision is made for the amount of uncovered estimated emissions based on market quotations at the reporting date. The cost provision for the redemption of CO₂ allowances is estimated on the basis of the weighted average inventory price. At the balance sheet date, on the basis of the actual and planned CO₂ emissions and on the basis of the executed and planned CO₂ contracting, the CO₂ inventory (in volume and value) at the end of the reporting year is estimated and the weighted average inventory price is then determined. The estimated inventory price determines the amount of the provision at the balance sheet date in the reporting period by multiplying this price by the amount of the issue made.

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.

Change in provisions for liabilities and other charges

For the financial year ended 31 December 2022:

	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	Provision for onerous contracts	Other	Total
As at 1 January 2022	213 578	299 654	62 860	377 643	2 859 300	120 810	250 103	324 422	4 508 370
Reversal of discount and change of discount rate	(22 039)	-	(7 861)	-	-	4 470	-	-	(25 430)
Increase in existing provisions	4 166	23 666	505	184 077	5 562 046	21 683	1 594 199	32 524	7 422 866
Use of provisions	(2 280)	(187 410)	-	(355 532)	(2 918 999)	-	(1 179 484)	(70 411)	(4 714 116)
Reversal of unused provision	(72)	(1 866)	(2 195)	(33)	(2 815)	-	-	(50 773)	(57 754)
As at 31 December 2022	193 353	134 044	53 309	206 155	5 499 532	146 963	664 818	235 762	7 133 936
<i>Long-term</i>									946 088
<i>Short-term</i>									6 187 848

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	Provision for onerous contracts	Other	Total
As at 1 January 2021	239 833	262 221	116 898	175 429	1 895 156	201 463	50 821	504 790	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	-	216 927	40 097	3 539 386
Use of provisions	(2 626)	(520)	-	(159 756)	(1 913 091)	-	(17 645)	(23 060)	(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	250 103	324 422	4 508 370
<i>Long-term</i>									874 929
<i>Short-term</i>									3 633 441

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

Provision for CO₂ emission allowance purchases

The provision for CO₂ emission allowance purchases as at 31 December 2022 amounted to PLN 5 499 532 thousand (as at 31 December 2021: PLN 2 859 300 thousand). This provision will be used in 2023. The increase in the provision was due to an increase in the market price of CO₂ allowances (the provision is estimated on the basis of the weighted average inventory price). Quantitative information on CO₂ emission allowances is presented in note 19.

Provision for other claims

As at 31 December 2022, the provision for other submitted claims decreased by PLN 153 657 thousand, primarily due to court settlements in disputes relating to terminated contracts for the purchase of property rights. Detailed information on the provision for court disputes related to the termination by ENEA S.A. of agreements for the sale of property rights arising from certificates of origin of electricity from RES is presented in note 43.6 (this provision is included in the table above in the column "Provision for other submitted claims").

Provision for onerous contracts

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). In the net-metering system, as part of a discount for energy introduced by a prosumer to the grid, the Company pays the prosumer's variable distribution fees (the prosumer is exempted from them), which in effect generates negative financial results for the Company. 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 2022, the Company had nearly 137 thousand agreements with prosumers. Considering the above and acting pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Company recognised as at 31 December 2022 a provision for onerous contracts amounting to PLN 296 523 thousand.

As at 30 June 2022, ENEA S.A. created a provision for onerous contracts for customers in tariff group G at the level of PLN 64 231 thousand, due to the uncertainty as to whether the Company will obtain an increase in revenue covering the justified increased costs of purchasing electricity and property rights. This provision was entirely used in the second half of 2022. On 17 December 2022 the President of the Energy Regulatory Office ("URE President") approved a tariff for electricity for a set of tariff G customer groups for the period from 1 January 2023 to 31 December 2023 ("Tariff"). The URE President approved the price for the sale of electricity to recipients in tariff group G for ENEA S.A., at an average level of PLN 1 050.58 per MWh, after a previous in minus adjustment of the amount of the Tariff determined in the first application submitted by the Company in this matter. The amount of the Tariff does not fully cover the Company's estimated justified costs for the purchase of electricity, based on the contracts already concluded and the valuation of the open position. Considering the above and acting pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the Company identified the necessity to recognise in 2022 a provision for onerous contracts for customers from tariff group G amounting to PLN 368 295 thousand. The Company has applied to the URE President to change the amount of the Tariff approved on 17 December 2022 and is awaiting a decision on the matter. The prices from the 2023 Tariff approved by the President of URE are used to calculate the compensation (Note 8) due to the Company pursuant to art. 12 sec. 2 of the Act of 7 October 2022 on special solutions for the protection of electricity consumers in 2023 in connection with the situation on the electricity market and art. 8 sec. 2 of the Act of 27 October 2022 on emergency measures to limit the level of electricity prices and support certain consumers in 2023.

Furthermore, in connection with concluded forward contracts for the supply of electricity for which the costs necessary to perform the contract exceed the expected benefits in relation to the concluded contract prices for 2022 with a delivery date in the period from 1 July 2022 to 31 December 2022, the Group, acting in accordance with IAS 37, identified the need to recognise a provision in Q2 2022 for onerous contracts, incurring charges on this account in the amount of PLN 446 932 thousand. At the end of the third quarter, the Group updated the amount of the provision, mainly as a result of estimated higher costs necessary to execute the contracts in connection with the need to purchase hard coal from suppliers other than Lubelski Węgiel "Bogdanka" S.A. The amount of the provision as at 30 September 2022 was PLN 1 311 492 thousand. As at 31 December 2022, the Group does not report this provision as it was fully used in the fourth quarter.

Other provisions mainly concern:

- potential liabilities related to grid assets resulting from differences in the interpretation of regulations PLN 196 136 thousand (as at 31 December 2021: PLN 186 434 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 1 536 thousand (as at 31 December 2021: PLN 50 058 thousand); this provision is expected to be realised within 12 months, according to the financial statements,
- future investment liabilities towards Elektrownia Ostrołęka Sp. z o.o. PLN 0 thousand (as at 31 December 2021: PLN 46 493 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. Grants received in relation to costs incurred by the Group are recognised as income in the income statement in the periods in which the related 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.

Accounting for income from subsidies and road lighting modernisation services

	As at	
	31 December 2022	31 December 2021
Long-term		
Accounting for deferred revenue - subsidies	375 376	271 458
Accounting for deferred revenue - road lighting modernisation services	118 528	105 558
Total non-current deferred revenue	493 904	377 016
Short-term		
Accounting for deferred revenue - subsidies	14 478	13 368
Accounting for deferred revenue - road lighting modernisation services	5 903	4 705
Total current deferred revenue	20 381	18 073

Schedule for accounting for deferred revenue

	As at	
	31 December 2022	31 December 2021
Up to one year	20 381	18 073
From one to five years	79 536	68 971
Over five years	414 368	308 045
Total deferred revenue	514 285	395 089

The item 'deferred revenue concerning subsidies' includes mainly EU subsidies and subsidies from the NFOŚiGW for the development of electricity and heating infrastructure. The grants mainly concern investments and the conduct of research and development work. Each grant is awarded on the basis of a separate agreement, from which a number of obligations arise. Contractors must be selected on the basis of transparent procedures that are subject to examination by the financing institutions. The expenditure on the basis of which the grant is awarded must meet eligibility criteria, which are very detailed and vary according to the type of project implemented (investment/R&D). In most cases, grants are awarded in the form of refund of eligible expenditure incurred. There are occasional advance payments. Each agreement also contains information obligations as well as an obligation to maintain the results over a so-called sustainability period, which for large companies is five years.

The Group enters into contracts for the provision of lighting services to the Municipalities with the obligation to provide lighting for public places. The lighting service provided by the Group includes the operation of road lighting, while at the same time the Group also provides energy supply obligations. The lighting service is provided on a continuous basis. The Group provides lighting services using its lighting assets (road lighting networks). Moreover, the Group provides a service to improve the quality and efficiency of road lighting. The service involves upgrading or extending lighting assets with Group funds. This allows the Municipalities to purchase a lighting service of a higher standard. The Group also receives lighting assets from the Municipalities or other entities. Therefore, in the Group's view, the contracts concluded for improving the quality and efficiency of road lighting, the receipt of lighting infrastructure and its operation should be considered together. As a result, the Group accounts for revenue from road lighting improvements and efficiency and revenue from lighting assets received free of charge in proportion to the economic life of the resulting fixed assets.

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 comprising trade and other payables are recognised initially at fair value, less transaction costs incurred.

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.

Financial instruments

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

	As at 31 December 2022		As at 31 December 2021	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	312 915	161 391	414 678	195 031
Financial assets measured at fair value	161 391	161 391	195 031	195 031
Trade and other receivables	2 431	(*)	71 396	(*)
Finance lease and sublease receivables	1 168	(*)	580	(*)
Funds in the Mine Decommissioning Fund	147 925	(*)	147 671	(*)
Short-term	6 402 022	382 546	7 541 900	419 321
Financial assets measured at fair value	382 546	382 546	419 321	419 321
Debt financial assets at amortised cost	42 004	(*)	-	-
Assets arising from contracts with customers	623 900	(*)	412 908	(*)
Trade and other receivables	3 788 552	(*)	2 555 215	(*)
Finance lease and sublease receivables	1 304	(*)	903	(*)
Cash and cash equivalents	1 563 716	(*)	4 153 553	(*)
TOTAL FINANCIAL ASSETS	6 714 937	543 937	7 956 578	614 352
FINANCIAL LIABILITIES				
Long-term	4 744 941	4 014 107	5 164 542	4 511 184
Credit facilities, loans and debt securities	4 087 307	4 013 858	4 457 014	4 493 596
Lease liabilities	625 120	(*)	565 993	(*)
Trade and other payables	32 265	(*)	123 947	(*)
Financial liabilities measured at fair value	249	249	17 588	17 588
Short-term	6 165 741	1 244 869	6 570 244	2 425 720
Credit facilities, loans and debt securities	750 273	750 273	2 177 791	2 177 791
Lease liabilities	31 338	(*)	30 678	(*)
Trade and other payables	4 843 204	(*)	4 067 738	(*)
Liabilities arising from contracts with customers	46 330	(*)	46 108	(*)
Financial liabilities measured at fair value	494 596	494 596	247 929	247 929
TOTAL FINANCIAL LIABILITIES	10 910 682	5 258 976	11 734 786	6 936 904

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

	As at 1 January 2022	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 2022
Financial assets at fair value through profit or loss:	466 615	378	-	-	-	-	(188 545)	278 448
- financial assets mandatorily measured at fair value through profit or loss	437 472	2 058	-	-	-	-	(188 545)	250 985
- financial assets voluntarily measured at fair value through profit or loss	29 143	(1 680)	-	-	-	-	-	27 463
Equity instruments at fair value through other comprehensive income	12 587	-	-	-	-	-	-	12 587
Derivative instruments used in hedge accounting	135 150	22 940	-	-	-	94 812	-	252 902
Financial assets at amortised cost:	7 340 743	14 731	33 009	44 414	-	-	(1 264 369)	6 168 528
- debt financial assets at amortised cost	-	14 731	-	27 273	-	-	-	42 004
- trade and other receivables	2 626 611	-	-	17 261	-	-	1 147 111	3 790 983
- assets arising from contracts with customers	412 908	-	-	(120)	-	-	211 112	623 900
- cash and cash equivalents	4 153 553	-	28 555	-	-	-	(2 618 392)	1 563 716
- funds in the Mine Decommissioning Fund	147 671	-	4 454	-	-	-	(4 200)	147 925
Finance lease and sublease receivables	1 483	-	-	-	-	-	989	2 472
Financial liabilities at fair value through profit or loss:	(265 517)	4 240	-	-	-	63	(233 631)	(494 845)
- financial liabilities mandatorily measured at fair value through profit or loss	(265 517)	4 240	-	-	-	63	(233 631)	(494 845)
Financial liabilities at amortised cost:	(10 872 598)	53 745	(29 429)	-	(60 769)	-	1 149 672	(9 759 379)
- credit facilities, loans and debt securities	(6 634 805)	53 745	(29 429)	-	(60 769)	-	1 833 678	(4 837 580)
- trade and other payables	(4 191 685)	-	-	-	-	-	(683 784)	(4 875 469)
- liabilities arising from contracts with customers	(46 108)	-	-	-	-	-	(222)	(46 330)
Lease liabilities	(596 671)	-	-	-	-	-	(59 787)	(656 458)
Total	(3 778 208)	96 034	3 580	44 414	(60 769)	94 875	(595 671)	(4 195 745)

* The amount in this column shows the amounts accrued and unpaid at the balance sheet date. In 2022, interest income on cash amounted to PLN 181 905 thousand, interest expense on loans, borrowings and bonds to PLN 286 168 thousand.

	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 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)

* The amount in this column shows the amounts accrued and unpaid at the balance sheet date. In 2021, interest income on cash amounted to PLN 2 277 thousand, interest expense on loans, borrowings and bonds to PLN 95 267 thousand.

	As at 31 December 2022			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value	21 305	503 772	18 860	543 937
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	–	252 902	–	252 902
Equity instruments at fair value through other comprehensive income	–	–	12 587	12 587
Call options (at fair value through profit or loss)	–	17 844	–	17 844
Other derivative instruments at fair value through profit or loss	–	233 026	–	233 026
Interests at fair value through profit or loss	21 305	–	6 273	27 578
Total	21 305	503 772	18 860	543 937
Financial liabilities measured at fair value	–	(494 845)	–	(494 845)
Derivative instruments at fair value through profit or loss	–	(494 845)	–	(494 845)
Credit facilities, loans and debt securities	–	(4 764 131)	–	(4 764 131)
Total	–	(5 258 976)	–	(5 258 976)

	As at 31 December 2021			Total
	Level 1	Level 2	Level 3	
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)

Financial assets and financial liabilities at fair value include:

- shares in unrelated entities, the stake in which is below 20%; this line as of 31 December 2022 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; 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 2022.

As at 31 December 2022, 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 23 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. On 30 March 2022 ENEA S.A. submitted a demand to exercise call option no. 4 and made a transfer for 187 500 shares of Polimex Mostostal S.A. The increase of Polimex Mostostal S.A.'s share capital by PLN 1 500 thousand, i.e. from PLN 475 738 thousand to PLN 477 238 thousand, by admitting 750 000 ordinary bearer shares series S with a nominal value of PLN 2 each, was registered on 1 April 2022. In June 2022, ENEA S.A. sold 195 118 Polimex – Mostostal S.A. shares that it had previously held, thus decreasing its stake in that company's share capital from 16.48% to 16.39%. In July, the Company sold 117 382 shares and thus ENEA S.A. reduced its stake in that company's share capital to 16.31%. The increase of Polimex Mostostal S.A.'s share capital by PLN 1 000 thousand, i.e. from PLN 477 238 thousand to PLN 478 238 thousand, by admitting 500 000 ordinary bearer shares series S with a nominal value of PLN 2 each, was registered on 14 July 2022. On 21 October 2022, 750 000 Series S ordinary bearer shares with a nominal value of PLN 2 each were registered with the NDS and admitted to trading by the WSE, and the company's share capital was increased by PLN 1 500 thousand, i.e. from PLN 478 238 thousand to PLN 479 738 thousand. As of the date on which these consolidated financial statements were prepared, ENEA S.A. held a 16.26% stake in Polimex Mostostal S.A. 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 2022 was PLN 17 844 thousand (at 31 December 2021: PLN 16 231 thousand).

Moreover, the Group's financial assets at fair value, worth PLN 233 026 thousand (PLN 421 088 thousand as of 31 December 2021) and financial liabilities worth PLN 494 845 thousand (PLN 265 517 thousand as of 31 December 2021) 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 2022-2023, presented as financial assets and liabilities at fair value, amounts to PLN 784 944 thousand (PLN 0 thousand concerns procurement contracts and PLN 784 944 thousand concerns sales contracts).

36. Debt financial assets at amortised cost

The amount of PLN 42 004 thousand in the consolidated statement of financial position relates to the loan granted to Elektrownia Ostrołęka Sp. z o.o. (detailed information in note 18). Impairment of financial assets at amortised cost (concerns loans granted) as at 31 December 2022 amount to PLN 198 336 thousand. The total reversal of the impairment loss on loans recognised in the 12 months ended 31 December 2022 amounted to PLN 27 274 thousand and this amount was recognised in the consolidated statement of comprehensive income under the heading: "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.

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 2022	31 December 2021
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 1 January, recognised in hedging reserve	108 917	(105 534)
- related to interest rate hedges	109 277	(105 534)
- related to currency hedges	(360)	–
Measurement of hedging instruments as at balance sheet date, in part considered as effective hedge	76 827	214 451
- related to interest rate hedges	76 798	214 811
- related to currency hedges	29	(360)
Accumulated other comprehensive income related to the effective part of cash flow hedges as at 31 December, recognised in hedging reserve	185 744	108 917
- related to interest rate hedges	186 075	109 277
- related to currency hedges	(331)	(360)

ENEA Group executed IRS transactions to hedge cash flows against interest rate risk. Their value in accordance with the hedge accounting policy at the end of 2022 was PLN 3 133 291 thousand, down by PLN 861 377 thousand from 2021. This change resulted from settlements related to the expiry of derivative instruments and regular payments for hedged exposure. Maturities are different depending on the derivative, from 24 June 2024 to 16 September 2026. Their balance sheet value as of 31 December 2022 was PLN 252 902 thousand, with 186 075 thousand recognised in other comprehensive income and the ineffective part of the hedge recognised in the 2022 financial result being PLN 22 940 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 Company has also analysed the risks associated with climate change and has included broader information on this topic in the Management Report on the operations of ENEA S.A. and ENEA Group in 2022, including within the Statement on non-financial information, which is a separate part of this report. The Company has considered the impact of climate factors on the financial statements and has taken these factors into account in, among other things, the impairment testing of non-financial assets, analysis of the value of jointly controlled companies and calculation of provisions for other liabilities and other charges.

The future of the Polish energy market is determined by the European Union's climate policy, and developments in the electricity market in the run up to 2050 will be influenced by the European Green Deal (EGD), which aims to achieve EU climate neutrality by 2050. One of the most important steps towards achieving climate neutrality was the European Council's acceptance in December 2020 of a new binding target for the EU to reduce net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. A consequence of the higher CO₂ reduction target is the increasing cost of CO₂ emission allowances, which may negatively affect the Group's results.

ENEA Group, as a responsible entity in the energy sector, aims to conduct its business in a sustainable manner while minimising its impact on the environment. Acting in line with the transition of the energy sector in Poland, the Group is taking steps to separate from its structures the assets related to electricity generation in conventional coal units. In addition, it is actively involved in the development of the renewable energy sector and intends to invest in zero-carbon technologies.

Within ENEA Group, the *Strategy for the Development of ENEA Group until 2030 with a 2040 perspective* has been adopted, which will enable an ambitious, responsible and effective transformation of the Group. The environment in which ENEA Group operates is characterised by a high degree of volatility and is dependent on macroeconomic, market and regulatory conditions, and any changes in this area may have a significant impact on the Group's financial position and results.

38.1. Credit risk

Exposure to credit risk	Risk management
<p>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.</p> <p>Credit risk is associated with a potential inability to collect receivables from customers.</p> <p>Key factors having impact on the Group's credit risk:</p> <ul style="list-style-type: none"> – 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 vendor functions, – regulations freezing end-user prices also for the reserve tariff, which may result in the ineffectiveness of the collateral requirement for customers in ENEA's DSO area. 	<p>The Management Board implements a credit risk management policy at ENEA Group, 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.).</p>

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 2022	31 December 2021
Financial assets measured at fair value (without shares and equity instruments through other comprehensive income)	503 772	572 469
Debt financial assets at amortised cost	42 004	-
Assets arising from contracts with customers	623 900	412 908
Trade and other receivables	3 790 983	2 626 611
Finance lease and sublease receivables	2 472	1 483
Cash and cash equivalents	1 563 716	4 153 553
Funds in the Mine Decommissioning Fund	147 925	147 671
Credit risk	6 674 772	7 914 695

* 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 it 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 effects of the COVID-19 pandemic crisis occurring to some extent in 2022, the Group did not experience any significant deviations in overdue receivables, so that the credit risk situation can be considered 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 2022	31 December 2021
Impairment as of 1 January	128 534	139 595
Created	10 614	19 287
Reversed	(5 485)	(10 664)
Used	(22 390)	(19 684)
Impairment as of 31 December	111 273	128 534

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

The Group uses the expected credit loss model to estimate the impairment for trade receivables. In order to determine expected credit losses, the Group applies the simplified approach provided for in IFRS 9, which is to create a lifetime allowance for expected credit losses for all trade receivables. 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 accordance with the Rules, in the year-closing procedure, receivables impairment is determined on the basis of data for 2022. Based on this data, impairment indicators are determined and used to estimate the amount of receivables impairment at the end of 2022. Therefore, the specified expected credit losses take into account objective indications of receivables impairment. The 1-year period adopted for the analysis, given the dynamically changing political and economic situation, gives the most realistic results for the period under study. Analysis in the Company is carried out by individual and business customers. For business customers, a portfolio approach is used as a rule, but an individual approach can be used if the need arises, i.e. if default risk is identified. The receivables portfolio is divided according to the activities carried out by the individual Group companies or the structure of their customers.

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

	As at 31 December 2022		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	3 569 297	(5 074)	3 564 223
Overdue	332 959	(106 199)	226 760
0-30 days	130 310	(421)	129 889
31-90 days	35 931	(2 403)	33 528
91-180 days	11 351	(4 022)	7 329
over 180 days	155 367	(99 353)	56 014
Total	3 902 256	(111 273)	3 790 983
Assets arising from contracts with customers	624 177	(277)	623 900

	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

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 "ENE A Group's liquidity and liquidity risk management policy" and "ENE A Group's currency risk and interest risk management policy." ENE A 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 "ENE A 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.

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.

Credit risk associated with other financial assets

At the level of ENEA S.A., the assessment of significant long-term receivables and debt securities as well as financial guarantees and loan commitments, as well as the monitoring of credit risk and the determination of allowances for expected credit losses are carried out by the Group Risk Management Department, acting in this respect on the basis of 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 there has been no significant payment default for more than 30 days are treated as low credit risk (the counterparty has a high short-term capacity to meet its contractual obligations, and adverse changes in economic and business conditions in the longer term may - but do not necessarily - reduce its ability to meet those obligations). The table below provides a breakdown of the asset categories for which expected credit losses are calculated, by rating level:

	As at	
	31 December 2022 12-month ECL	31 December 2021 12-month ECL
Cash and cash equivalents	1 563 716	4 153 553
from AAA to BBB- (investment grade)	1 553 060	4 145 828
from BB+ to B- (non-investment grade)	10 656	7 725
Funds in the Mine Decommissioning Fund	147 925	147 671
from AAA to BBB- (investment grade)	147 925	147 671
Loans granted	240 340	225 610
from CCC to D (non-investment grade)	240 340	225 610
Total gross value	1 951 981	4 526 834
Loans granted	(198 336)	(225 610)
Total impairment for expected credit losses	(198 336)	(225 610)
Cash and cash equivalents	1 563 716	4 153 553
Funds in the Mine Decommissioning Fund	147 925	147 671
Loans granted	42 004	-
Total balance sheet value	1 753 645	4 301 224

38.2. Financial liquidity risk

Exposure to financial liquidity risk	Risk management
<p>Financial liquidity risk is perceived as the risk that ENEA Group would have no ability to meet its payment obligations at maturity.</p> <p>The aim of these activities is to reduce the likelihood of financial liquidity risk materialising by optimally using financial resources and available financing instruments.</p>	<p>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" also include securing the ability to effectively respond to liquidity crises, i.e. periods of increased demand for cash.</p> <p>As intended, the measures taken should enable the business to continue operating in the event of a liquidity crisis for the period necessary to activate the contingency funding plan.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

The Group's ongoing risk management in the aforementioned areas, as well as its market and financial position, allows us to conclude that liquidity risk in 2022 was monitored and controlled.

In the course of 2022, the Group recorded a number of events affecting liquidity. They were related to the prevailing geopolitical situation (war in Ukraine) and the resulting sharp changes in the prices of electricity, gaseous fuel and related commodities (in particular CO₂ emission allowances), which resulted in a change in the valuation of the Group's trading position on commodity exchanges and the need to replenish margins on these exchanges. The situation somewhat stabilised towards the end of 2022. Currently, in order to mitigate the level of risk, the Group is actively developing OTC channels to access the CO₂ market and arranging additional current financing to improve its cash position.

The Group manages liquidity risk also by maintaining open and unused credit lines, which amounted to PLN 2 613 444 thousand as at 31 December 2022.

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

As at 31 December 2022

	Trade and other payables	Liabilities concerning settlement of futures transactions for CO ₂ emission allowances	Lease liabilities	Bank credit and bonds	Loans	Financial liabilities at fair value	Liabilities arising from contracts with customers	Total
Book value	3 103 335	1 772 134	656 458	4 799 745	37 835	494 845	46 330	10 910 682
Non-discounted contractual cash flows	(3 114 083)	(4 880 382)	(1 057 516)	(5 658 991)	(39 462)	(494 845)	(46 330)	(15 291 609)
up to 6 months	(3 076 811)	(2 796 729)	(25 947)	(687 914)	(8 039)	(247 322)	(46 330)	(6 889 092)
6-12 months	(1 825)	(2 083 653)	(21 184)	(346 171)	(5 432)	(247 274)	-	(2 705 539)
1-2 years	(5 080)	-	(60 455)	(2 588 249)	(10 868)	(249)	-	(2 664 901)
2-5 years	(10 068)	-	(161 034)	(1 498 376)	(14 908)	-	-	(1 684 386)
over 5 years	(20 299)	-	(788 896)	(538 281)	(215)	-	-	(1 347 691)

As at 31 December 2021

	Trade and other payables	Liabilities concerning settlement of futures transactions for CO ₂ emission allowances	Lease liabilities	Bank credit and bonds	Loans	Financial liabilities measured at fair value	Liabilities arising from contracts with customers	Total
Book value	1 503 349	2 688 336	596 671	6 586 919	47 886	265 517	46 108	11 734 786
Non-discounted contractual cash flows	(1 514 889)	(5 782 990)	(1 017 083)	(7 125 538)	(51 060)	(265 517)	(46 108)	(15 803 185)
up to 6 months	(1 470 751)	-	(23 335)	(2 077 198)	(7 230)	(126 091)	(46 108)	(3 750 713)
6-12 months	(3 760)	(5 330 807)	(23 633)	(259 894)	(5 678)	(121 838)	-	(5 745 610)
1-2 years	(5 065)	(452 183)	(50 377)	(509 595)	(13 801)	(17 588)	-	(1 048 609)
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)

38.3. Commodity risk

Exposure to commodity risk	Risk management
<p>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.</p> <p>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 and distribution tariffs. The Company 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</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>Moreover, regardless of the above, ENEA Group uses</p>

a major increase in costs for reasons outside of its control.

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 2022, the Group was exposed to an increased level of commodity risk (high price volatility of most commodities and periodically also limited fuel availability) due to the armed conflict in Ukraine. In the past year, an additional operational difficulty related to commodity risk management was the restriction of access channels to the CO₂ market, which affected the liquidity of energy sales contracting by the Group's generation companies.

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 CO₂ emission allowances, which in turn affect the profitability of the Group's electricity-generation companies.

38.4. Currency risk

Exposure to currency risk	Risk management
<p>Currency risk is associated with potential changes in exchange rates that may in turn lead to changes in the Group's cash flows.</p> <p>The Group's exposure to currency risk arises in particular from the need to fulfil the obligation to purchase and submit for redemption of CO₂ emission allowances, capital expenditure incurred and the performance of service contracts by counterparties whose remuneration is denominated in foreign currencies.</p>	<p>Hedging is performed on the basis of "ENE A Group's currency risk and interest rate risk management policy."</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In accordance with 'ENE A Group's currency risk and interest rate risk management policy,' hedging is each time based on a currency hedging strategy dedicated to the specific exposure and approved by ENE A 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.</p>

FX forwards

In the 12-month period ending 31 December 2022 ENEA S.A. did not execute FX forward transactions. Measurement of this instrument as at 31 December 2022 was PLN 0 (PLN 0 thousand as at 31 December 2021).

In 2022, ENEA Trading Sp. z o.o. executed 385 FX Forward transactions worth EUR 1 259 446 thousand. Book-value measurement of these instruments as at 31 December 2022 was PLN 278 818 thousand. In 2021, ENEA Trading Sp. z o.o. executed 343 FX Forward transactions worth EUR 1 002 082 thousand. The book-value measurement of these instruments as at 31 December 2021 was PLN 142 217 thousand.

In 2022, ENEA Nowa Energia Sp. z o.o. executed 17 FX Forward transactions worth EUR 3 544 thousand. Measurement of these instruments as at 31 December 2022 was PLN (160) thousand (PLN (12) thousand as at 31 December 2021).

In 2022, ENEA Centrum Sp. z o.o. executed 25 FX Forward transactions worth EUR 5 244 thousand. Measurement of this instrument as at 31 December 2022 was PLN (249) thousand (PLN (388) thousand as at 31 December 2021).

The following tables show the Group's exposure to currency risk:

	As at 31 December 2022						
	Book value	including value in EUR expressed in functional currency (PLN)	Financial result		including value in USD expressed in functional currency (PLN)	Financial result	
			Exchange rate up +1%	Exchange rate down -1%		Exchange rate up +1%	Exchange rate down -1%
Financial assets							
Cash and cash equivalents	1 563 716	318 472	3 185	(3 185)			
Trade and other receivables	3 790 983	917 550	9 176	(9 176)	-	-	-
Financial liabilities							
Trade and other payables	(4 875 469)	(31 433)	(314)	314			
Financial liabilities measured at fair value	(494 845)	(278 818)	76 433	(76 433)	-	-	-
Net exposure	(15 615)	925 771			-		
Impact on result before tax			88 480	(88 480)		-	-
19% tax			(16 811)	16 811			
Net exposure after tax			71 669	(71 669)		-	-

	As at 31 December 2021						
	Book value	including value in EUR expressed in functional currency (PLN)	Financial result		including value in USD expressed in functional currency (PLN)	Financial result	
			Exchange rate up +1%	Exchange rate down -1%		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)
Trade and other receivables	2 626 611	731 227	7 312	(7 312)	-	-	-
Financial assets measured at fair value	614 352	142 217	1 422	(1 422)	-	-	-
Financial liabilities							
Trade and other payables	(4 191 685)	(4 563)	(46)	46	(4 588)	(46)	46
Net exposure	3 202 831	2 817 128			71 353		
Impact on result before tax			28 170	(28 170)		713	(713)
19% tax			(5 352)	5 352		(135)	135
Net exposure after tax			22 818	(22 818)		578	(578)

38.5. Interest rate risk

Exposure to interest rate risk	Risk management
<p>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 program agreements.</p> <p>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."</p> <p>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.</p> <p>In view of the process in progress in the Polish financial market to implement a new reference index and eventually replace the currently used WIBOR interest rate reference index, the Group does not identify any risk in this respect. The Group's financial contracts contain provisions for the use of fall-back clauses, meaning that the contracts contain rules for their continuation in the event that a benchmark is not developed. A new interest rate will be set based on these provisions.</p>	<p>In accordance with "ENEA Group's currency risk and interest rate risk management policy," hedging is each time based on an interest rate 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.</p>

As at 31 December 2022, the Group had credit and bond liabilities of PLN 4 837 580 thousand. The aforementioned debt is hedged in 64.8% using IRSs (60.2% as of 31 December 2021).

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 2022	31 December 2021
Fixed-rate instruments		
Financial assets	4 488 753	6 032 475
Financial liabilities	(5 976 107)	(5 188 699)
Impact of IRS hedge	(3 133 291)	(3 994 668)
Total	(4 620 645)	(3 150 892)
Variable-rate instruments		
Financial assets	1 682 247	1 309 751
Financial liabilities	(4 439 730)	(6 280 570)
Impact of IRS hedge	3 133 291	3 994 668
Total	375 808	(976 151)

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 2022 ENEA S.A. did not execute interest rate swaps. The total bond and credit exposure hedged with IRSs as at 31 December 2022 amounted to PLN 3 133 291 thousand. Moreover, ENEA S.A. has fixed-rate credit agreements totalling PLN 426 113 thousand. These transactions have material impact on the predictability of expense flows and finance costs. The Group presents the measurement of these instruments 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 2022, financial assets at fair value concerning IRSs amounted to PLN 252 902 thousand (31 December 2021: PLN 135 150 thousand). Multiple decisions by the Monetary Policy Council raising interest rates had a material impact on this amount.

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 2022			As at 31 December 2021		
	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	477 285	4 773	(4 773)	602 988	6 030	(6 030)
Funds in the Mine Decommissioning Fund	147 925	1 479	(1 479)	147 671	1 477	(1 477)
Trade and other receivables	1 057 037	10 570	(10 570)	559 092	5 591	(5 591)
Derivative instruments	252 902	-	-	135 150	-	-
Impact on result before tax		16 822	(16 822)		13 098	(13 098)
19% tax		(3 196)	3 196		(2 489)	2 489
Impact on result after tax		13 626	(13 626)		10 609	(10 609)
Financial liabilities						
Credit facilities, loans and debt securities	(4 408 367)	(44 084)	44 084	(6 280 570)	(62 806)	62 806
Trade payables	(31 363)	(314)	314			
Impact on result before tax		(44 398)	44 398		(62 806)	62 806
19% tax		8 436	(8 436)		11 933	(11 933)
Impact on result after tax		(35 962)	35 962		(50 873)	50 873
Total		(22 336)	22 336		(40 264)	40 264

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 2022	31 December 2021	31 December 2022	31 December 2021
Remuneration under management contracts and consulting contracts	6 428*	5 248**	–	–
Remuneration under appointment to management or supervisory bodies	–	–	726	788
Other benefits	–	–	–	–
TOTAL	6 428	5 248	726	788

* This remuneration includes bonuses for current and former Management Board Members for 2021, amounting to PLN 2 136 thousand, and a non-compete clause for former Management Board Members, amounting to PLN 202 thousand.

** 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.

As at 31 December 2022, liabilities related to management contracts and consultancy contracts towards Management Board members amount to PLN 208 thousand (PLN 207 thousand as at 31 December 2021). As at 31 December 2022, a provision for Management Board bonuses amounted to PLN 4 080 thousand (PLN 3 420 thousand as at 31 December 2021); 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 2022	Granted from	Repayment until	As at
			31 December 2022	
Company's Supervisory Board	21	–	(4)	17
TOTAL	21	–	(4)	17

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

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.

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 2022 reaching PLN 1 894 283 thousand (2021: also PSE, with sales of PLN 1 340 737 thousand), the largest supplier-counterparty is also Polskie Sieci Elektroenergetyczne, with net purchases of PLN 2 534 055 thousand (2021: also PSE - purchases of PLN 1 894 781 thousand). Revenue from PSE includes carried charges that are not visible in the statement of comprehensive income (the Group is an intermediary for them).

Transactions with jointly controlled entities and associates

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

	Year ended 31 December 2022		As at 31 December 2022	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	150 456	470 954	–	–
Associates	31	293	2	–

	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

The key transactions concerned the sale of electricity to Polska Grupa Górnicza S.A. and the purchase of coal from this company. The Group did not receive any dividends from jointly controlled companies or associates in 2022 or the comparative period. The value of loans issued to jointly-controlled entity Elektrownia Ostrołęka Sp. z o.o. is PLN 240 341 thousand gross and PLN 42 004 net (note 18).

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 2022	31 December 2021
Changes in CO₂ emission allowances in balance sheet	(1 233 152)	(330 919)
Changes in CO₂ emission allowances in cash flow statement	(1 233 152)	(330 919)
Change in inventory on the balance sheet	(863 930)	14 055
- adjustment of depreciation by change in product levels and considerations for own purposes	(558)	(3 125)
- depreciation of re-usable materials	(1 084)	(1 270)
Change in inventory in the cash flow statement	(865 572)	9 660
{Change in trade and other receivables, assets arising from contracts with customers in the balance sheet	(2 093 726)	(1 271 044)
- VAT and income tax offset	-	(2 946)
- transaction costs	(193)	436
- CIT receivables	(57 230)	1 492
- bond programs	6 363	(30)
- finance leases	(1 331)	517
- inne naliczone odsetki	45 298	(2)
- Other	(355)	483
Change in trade and other receivables, assets arising from contracts with customers in the cash flow statement	(2 101 174)	(1 271 094)
Change in trade and other payables and liabilities arising from contracts with customers in the balance sheet	538 410	2 595 662
- investment commitments	59 807	(20 000)
- interest charged and not paid	(2 113)	51
- adjustment of investment commitments by charged VAT	2 298	23 740
- offset of liabilities with excess CIT paid	49 906	8 428
- Other	-	(146)
Change in trade and other payables and liabilities arising from contracts with customers in the cash flow statement	648 308	2 607 735
Change in employee benefit liabilities on balance sheet	52 758	(107 622)
- actuarial gains/losses recognised in other comprehensive income	9 356	103 808
- Other	10 032	(530)
Change in employee benefit liabilities in cash flow statement	72 146	(4 344)
Change in accounting for subsidies and road lighting modernisation services on balance sheet	119 196	120 619
- tangible assets received free-of-charge	(2 126)	(467)
Change in accounting for subsidies and road lighting modernisation services in cash flow statement	117 070	120 152
Change in other provisions for liabilities and other charges in balance sheet	2 625 566	1 061 759
- elimination of change in provision for Mine Closure Fund	(19 859)	84 750
- Elektrownia Ostrołęka	46 493	175 707
- Other	(4 743)	(9 880)
Change in other provisions for liabilities and other charges in cash flow statement	2 647 457	1 312 336

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 LWB shares by ENEA Wytwarzanie Sp. z o.o. (amount of PLN 26 841 thousand).

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 2022	31 December 2021
As at 1 January	1 739 151	1 953 764
Credit and loans received	338 720	1 275
Repayment of credit and loans	(217 420)	(217 154)
Measurement and transaction costs	12 818	1 266
As at 31 December	1 873 269	1 739 151

Reconciliation of bonds

	As at	
	31 December 2022	31 December 2021
As at 1 January	4 895 654	5 878 053
Bond buy-back	(1 955 111)	(997 110)
Measurement and transaction costs	23 768	14 711
As at 31 December	2 964 311	4 895 654

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.

Subject to approval by the URE President are tariffs for electricity that cover activities which are not considered by the URE President as conducted under competitive conditions (in reference to which the URE President has not issued a decision exempting from the obligation to submit tariffs for approval).

Tariffs for natural gas for households and sensitive customers (such as: housing communities and cooperatives, entities carrying out public benefit activities: schools, kindergartens, hospitals) are also subject to submission to the President of URE for approval. The catalogue of entities covered by tariff protection was extended by the Act of 26 January 2022 on special solutions for the protection of gas fuel consumers in connection with the gas market situation. The Act introduced specific shielding arrangements that allowed measures to be taken to minimise the negative socio-economic impacts associated with a sudden, sharp increase in the price of natural gas on the market in 2022.

Tariffs for gaseous fuel for households and sensitive customers are subject to approval by the President of the URE until 31 December 2027.

In 2022, ENEA S.A. applied the following URE President-approved tariffs:

- "Tariff for electricity for tariff group G customers" in effect from 1 January 2022 and "Change in tariff for electricity for tariff group G customers" in effect from 2 March 2022;
- "Tariff for high-methane natural gas," in effect from 25 January 2022, and "Tariff for high-methane natural gas," in effect from 19 August 2022.

On 17 December 2022, the President of the Energy Regulatory Office decided to approve the tariff for electricity for customers in tariff group G for the period to 31 December 2023. This tariff entered into force on 1 January 2023.

On 3 January 2023, the Company submitted an application to the President of URE for approval of a change in the tariff for electricity for customers in tariff group G for 2023. The proposed change results from higher energy procurement costs than those applied in the existing tariff.

	Term of concession agreement								
	ENE S.A.	ENE Operator Sp. z o.o.	ENE Wytwarzanie Sp. z o.o.	ENE Trading Sp. z o.o.	MEC Piła Sp. z o.o.	PEC Sp. z o.o.	ENE Ciepło Sp. z o.o.	ENE Elektrownia Polaniec 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		
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 powiat, 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 2022	31 December 2021
Blue collar jobs	9 849	9 941
White collar jobs	7 473	7 329
TOTAL	17 322	17 270

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 2022 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 2022

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
Total bank guarantees				1 045

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. Świącicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
Total bank guarantees				4 926

The value of other guarantees issued by the Group as at 31 December 2022 was PLN 11 891 thousand (PLN 13 963 thousand as at 31 December 2021).

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 2022, a total of 21 839 cases initiated by the Group were in progress before courts of general competence, worth in aggregate PLN 148 677 thousand (31 December 2021: 18 569 cases worth PLN 161 383 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 2022, a total of 2 338 cases against the Group were in progress before courts of general competence, worth in aggregate PLN 968 992 thousand (31 December 2021: 3 563 cases worth PLN 1 226 938 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). There are currently no proceedings pending before public administration courts in this case. Accordingly, the Group does not identify any payment risk and does not recognise any provision for this at the balance sheet date.

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 may be liable to pay compensation for past non-contractual use of the 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. The main parameter used in the calculation is the length of the line and thus the conversion of the area of land occupation by the line by the value of PLN/m², with due consideration of other parameters such as location, type of line, type of land.

As at 31 December 2022, the Group recognised a provision for claims concerning non-contractual use of land amounting to PLN 193 353 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. The ruling along with a justification in writing was delivered on 3 March 2022. On 17 March 2022 ENEA S.A. lodged an appeal to the Appeals Court in Katowice.

The case ENEA S.A. versus PKP Energetyka S.A. (file no. XX GC 1166) is still being examined by the District Court in Warsaw in the first instance.

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. Through a ruling of 1 March 2022, the court suspended the proceeding at the mutual request of the parties. Through a motion of 28 August 2022, ENEA S.A.'s attorney requested that the proceeding be resumed. The court resumed the proceeding on 2 October 2022. On 28 October 2022, the attorney of ENEA S.A. requested a stay of proceedings. The parties agreed to enter into an agreement to end the dispute.

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 4 court proceedings concerning agreements for the purchase of property rights arising under certificates of origin for energy from renewable sources, which includes:

- 3 proceedings for payment in which claims for remuneration, contractual penalties or damages are pursued against ENEA S.A., with one proceeding resulting in a partial resolution of the claims, and the other proceeding resulting in a preliminary and partial resolution of the claims and recognition of the ineffectiveness of the termination of the agreement; these resolutions are final and binding;
- 1 proceeding to determine the ineffectiveness of ENEA S.A.'s termination of property rights sale agreements made on 28 October 2016;

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 result of the terminations submitted by ENEA S.A., the contracts were terminated, according to ENEA S.A.'s assessment, in principle at the end of November 2016. The dates on which the respective Contracts 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. ENEA S.A. recognised a provision for court cases, including those related to the termination by ENEA S.A. of contracts for the sale of property rights arising from certificates of origin of electricity from RES, in the amount of PLN 79 045 thousand, which mainly relates to disputes in the area of the PM OZE certificates and covers all monetary claims on this account as at 31 December 2022. The provision is presented in note 33.

On 21 February 2022 the Appeals Court in Poznań issued a judgement and determined that the statement made by ENEA S.A. in Poznań in its letter of 28 October 2016 on termination of the sale agreement in its entirety did not have legal effect and the agreement remains in force in its entirety, dismissing the appeal of Golice Wind Farm Sp. z o.o. to the remaining extent and dismissing the appeal of ENEA S.A., as well as awarding the costs of the appeal proceedings to Golice Wind Farm Sp. z o.o. from ENEA S.A., as a result of which the partial and preliminary ruling of the District Court in Poznań of 14 August 2020 became binding, in which the court had considered as justified the claim for payment for property rights and had ordered ENEA S.A. to pay PLN 6 042 thousand together with interest, and in the remaining scope had considered the claim for payment as justified in general. On 25 July 2022 ENEA S.A. filed a cassation appeal against the ruling by the Appeals Court in Poznań, at the same time requesting that the enforceability of the aforementioned judgements be suspended. Through a ruling of 3 October 2022 the Appeals Court in Poznań rejected the request to suspend the enforceability of these judgements. The cassation appeal went to the Supreme Court, no date was set for the hearing.

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

- PGE Energia Odnawialna S.A., based in Warsaw (case no. IX GC 1064/17) - through a ruling of 17 February 2022, the court resumed the previously suspended proceeding, which was subsequently suspended again by a decision of 25 March 2022 on the mutual application of the parties. Through a letter of 22 September 2022, ENEA S.A.'s attorney requested that the proceeding be resumed and suspended. At the same time, through a letter of 22 September 2022, PGE S.A.'s attorney requested that the proceeding be resumed. Through a ruling of 28 September 2022, the court decided to resume the suspended proceeding. The parties agreed to enter into an agreement to end the dispute, in the execution of which, on 22 December 2022, at a court-appointed meeting, they entered into a court settlement ending the case. Through a ruling of 22 December 2022 the Court discontinued the proceedings. The ruling became final on 30 December 2022;
- PGE Energia Ciepła S.A., based in Warsaw (file no. IX GC 555/16) – through a ruling of 5 January 2022 the court suspended the proceeding at the parties' mutual request. Through an application of 28 June 2022, an attorney for PGE Energia Ciepła S.A. requested that the court take up and suspend the proceeding at the parties' mutual request. A similar application was filed on 6 July 2022 by the attorney for ENEA S.A. Through a ruling of 8 July 2022, the court took up the suspended proceeding and obliged ENEA S.A.'s attorney to indicate whether it acceded to PGE Energia Ciepła S.A.'s request to suspend the proceeding on pain of declaring that the attorney for ENEA S.A. acceded to PGE Energia Ciepła S.A.'s request. On 22 July 2022, the attorney for ENEA S.A. sent a letter to the court again indicating that it was in favour of the application to suspend the proceedings. The Common Court Information Portal shows that the court suspended the proceedings on 18 August 2022, which was confirmed by an order served on ENEA S.A.'s attorney on 24 August 2022 suspending the proceedings pursuant to art. 178 of the Civil Procedure

Code. The parties agreed to enter into an agreement to end the dispute, in the execution of which, on 22 December 2022, at a court-appointed meeting, after resuming the proceeding that had been suspended by the Court, they entered into a court settlement ending the case. Through a ruling of 22 December 2022 the Court discontinued the proceedings. The ruling became final on 30 December 2022;

- PGE Energia Odnawialna S.A., based in Warsaw (case no. IX GC 1011/17) – on 7 March 2022 the claimant filed a pleading, maintaining its previous position and requested a stay of proceedings granting the Company's potential request in this regard. On 13 May 2022 the District Court in Poznań suspended the proceeding at the mutual request of the parties. Through a letter of 13 October 2022, the attorney of PGE Energia Odnawialna S.A. requested that the suspended proceedings be resumed and that a hearing date be set in December 2022 for an amicable conclusion. The Common Court Information Portal shows that the court, by order of 18 October 2022, decided to take up the suspended proceedings and set a hearing date for 9 December 2022. The 9 December 2022 hearing did not take place - the hearing date was changed at the parties' request. The parties agreed to enter into an agreement to end the dispute, in the execution of which, on 22 December 2022, at a court-appointed meeting, they entered into a court settlement ending the case. Through a ruling of 22 December 2022 the Court discontinued the proceedings. The ruling became final on 30 December 2022.

Outstanding liabilities from court settlements are presented in note 31.

In a case brought by ENEA S.A. against PGE Górnictwo i Energetyka Konwencjonalna S.A. (file no. X GC 608/20) – on 25 January 2022 the District Court scheduled a hearing for 27 May 2022. Through a letter of 4 April 2022, PGE Energia Ciepła S.A. requested that the hearing scheduled for 27 May 2022 be cancelled. The same motion was filed with the Court by the attorney for ENEA S.A. on 25 May 2022. The District Court sent an e-mail to the parties' attorneys informing them of the court's ruling to cancel the hearing scheduled for 27 May 2022 and suspend the proceeding at the parties' mutual request, which was confirmed by a ruling on suspension of 24 May 2022. By letter dated 24 November 2022, the attorney of ENEA S.A. requested that the proceedings be suspended and resumed. The parties agreed to enter into an agreement to end the dispute, in the execution of which the parties' attorneys submitted requests for a hearing to conclude a settlement agreement. The court has set a hearing date of 30 January 2023. In execution of the agreement entered into on 22 December 2022, on 30 January 2023, at a Court-appointed hearing, the Parties entered into a court settlement agreement ending the case. Through a ruling of 30 January 2023, the Court discontinued the proceedings. The ruling is final.

In a case brought by Hamburg Commercial Bank AG against ENEA S.A., the District Court in Poznań dismissed the plaintiff's request for security by order of 18 March 2022. On 25 May 2022 the Company was served with a side intervention in case ref. IX GC 552/17, pursuant to which Hamburg Commercial Bank AG joined the proceeding as a side intervener in a case instigated by 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) to declare the termination ineffective. On 28 September 2022, a hearing was held, and on 26 October 2022, the appeal of the Company against the partial verdict of the District Court in Poznań of 25 February 2021 was dismissed by a judgement of the Court of Appeal in Poznań. The company has complied with the final ruling. Through a ruling of 30 November 2022, The District Court in Poznań dismissed the Company's opposition to Hamburg Commercial Bank AG's entry into the proceedings as an intervening party. A cassation appeal was filed on 7 February 2023 with the Supreme Court against the judgement of the Court of Appeal of 26 October 2022.

In a case brought by PSW Sp. z o.o., the District Court in Poznań, having examined the case at a closed-door hearing on 31 January 2023, decided to shut down the hearing and issued a judgement ordering ENEA S.A. to pay PLN 4 488 thousand to PSW Sp. z o.o., along with statutory late interest, and dismissed the claim in its remaining portion. The ruling is not final, ENEA S.A. has requested its justification.

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 2022	Debt at 31 December 2021	Term of collateral
1.	ENE A Serwis	Collateral for agreement to issue contract guarantees	Blank promissory note	WUPRINŻ S.A.	-	14	14 September 2022
2.	ENE A Serwis	Collateral for agreement to issue contract guarantees	Blank promissory note	STRABAG Sp. z o.o.	30	30	9 January 2023
3.	ENE A Serwis	Collateral for agreement to issue contract guarantees	Blank promissory note	STRABAG Sp. z o.o.	30	30	17 October 2023
4.	ENE A Serwis	Collateral for agreement to issue contract guarantees	Blank promissory note	STRABAG Sp. z o.o.	25	25	17 October 2023
5.	ENE A Serwis	Collateral for agreement to issue contract guarantees	Blank promissory note	STRABAG Sp. z o.o.	-	10	20 January 2022
6.	ENE A Serwis	Collateral for agreement to issue contract guarantees	Blank promissory note	STRABAG Sp. z o.o.	-	2	20 January 2022
7.	PEC Oborniki	Collateral for loan	Blank promissory note, assignment of receivables	WFOŚiGW	102	403	20 June 2023
8.	PEC Oborniki	Collateral for loan	Blank promissory note, assignment of receivables	WFOŚiGW	958	1 058	20 September 2028
9.	ENE A Ciepło	Collateral for loan	Blank promissory note	National Fund for Environmental Protection and Water Management (NFOŚiGW)	28 036	34 387	20 December 2026
10.	ENE A Ciepło	Collateral for credit facility	Blank promissory note	PKO BP S.A.	-	434	30 June 2024
11.	ENE A Ciepło	Collateral for credit facility	Blank promissory note	ING Bank Śląski S.A.	70	1 019	12 November 2026
12.	LW Bogdanka	Collateral for loan	Blank promissory note, assignment of receivables	WFOŚiGW	4 885	7 942	31 July 2024
13.	MEC Piła	Collateral for loans	Blank promissory note, assignment of receivables	WFOŚiGW	1 165	2 000	20 June 2023
14.	ENE A Elektrownia Połaniec	Transfer of EUA as collateral	transfer of EUA ownership pursuant to contract (non-cash collateral)	IRGIT	-	-	until revoked
15.	ENE A Nowa Energia	Collateral for lease rent	Restriction of funds in bank account	National Centre for Agriculture Support (KOWR)	-	476	10 December 2022

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

45. Letter of intent regarding Lubelski Węgiel BOGDANKA S.A.

On 18 June 2022 the Management Board of ENEA S.A. signed a letter of intent with the State Treasury regarding the potential acquisition by the State Treasury of 21 962 189 shares in Lubelski Węgiel BOGDANKA S.A. (LWB), constituting 64.57% of shares in LWB's capital (Transaction). The Company and the State Treasury have undertaken to conduct in good faith any activities necessary to prepare and carry out the Transaction, consisting in the purchase by the State Treasury of all 21 962 189 LWB shares held by ENEA S.A. The letter of intent is in effect until 31 December 2023.

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 Polaniec 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 forming a tax equity group must meet a number of requirements, including but not limited to: an appropriate level of capital, the parent company's share in the capital of the companies forming the tax group at a minimum of 75%, the absence of tax arrears and the conclusion of transactions only on an arm's length basis. 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.

On 14 December 2022, the Director of the 1st Mazowiecki Tax Authority in Warsaw registered an agreement concerning the formation of a tax group for a period of three tax years from 1 January 2023 to 31 December 2025. The agreement was executed in the form of a notarial deed on 14 November 2022 between 4 ENEA Group companies: ENEA S.A., ENEA Operator Sp. z o.o., ENEA Centrum Sp. z o.o., ENEA Power & Gas Trading Sp. z o.o.

The remaining Group companies became individual CIT taxpayers on 1 January 2023.

47. Sale of shares in Polska Grupa Górnicza S.A.

A conditional agreement for the sale of shares in Polska Grupa Górnicza S.A. was signed on 3 August 2022 ("Conditional Sale Agreement"). The selling parties in the Conditional Sale Agreement are as follows: ENEA S.A., ECARB Sp. z o.o., PGNiG Termika S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., Polski Fundusz Rozwoju S.A., Towarzystwo Finansowe Silesia Sp. z o.o. oraz Węglókoks S.A., and the buyer is the State Treasury of Poland ("State Treasury"). Pursuant to the Conditional Sale Agreement, the Company will sell to the State Treasury all of its shares in Polska Grupa Górnicza S.A. ("PGG"), i.e. 3 000 000 ordinary registered shares, constituting 7.66% of PGG's share capital, for a total price of PLN 1.00 for all of the shares. The balance sheet value of the stake in PGG at the time of sale was PLN zero. The transfer of ownership of PGG shares to the State Treasury will take place on the condition that the National Agricultural Support Centre ("KOWR") does not exercise its pre-emptive right. The condition precedent was met on 5 October 2022 - KOWR did not exercise its pre-emptive right. ENEA S.A. sold all of its shares in PGG to the State Treasury on 25 October 2022, i.e. 3 000 000 ordinary registered shares (constituting 7.66% of PGG's share capital).

48. National Energy Security Agency

On 1 March 2022 the Council of Ministers adopted a document entitled "Energy sector transition in Poland. Spin-off of coal assets from companies with a State Treasury shareholding" ("Transition Program"). The document was drafted in order to align the energy groups with the transition challenges that are consistent with the directions indicated in "Poland's Energy Policy to 2040" (PEP2040). The Transition Program contains a concept for the spin-off of assets related to the generation of electricity in conventional coal units ("Coal Assets") from the energy companies. The Transition Program includes, inter alia, the integration of these Coal Assets within one entity, i.e. PGE Górnictwo i Energetyka Konwencjonalna S.A. ("PGE GiEK") - a subsidiary of PGE Polska Grupa Energetyczna S.A., which will eventually operate under the name National Energy Security Agency ("NABE"). 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 investment in low- and zero-carbon energy sources and transmission infrastructure.

In 2022, the Group carried out tasks related to the carve out of coal assets for the State Treasury in accordance with the update schedule for the formation of NABE.

Work continued in 2022 by the strategic advisor acting on behalf of PGE, ENEA, TAURON and PGE GiEK, including advice in the area of strategy, financial model, transaction structuring, development of an operating model and advice on concentration and notification of potential state aid.

Also, in line with market practice, vendor due diligence ("VDD") was carried out, which involves commissioning an independent third-party inspection. VDD covered three key areas: legal, tax and financial, technical and environmental.

In order to ensure the continuation of the companies being spun-off once they are integrated into the NABE structure, negotiations were undertaken with financial institutions in this area.

In 2022, the Group worked on internal ownership changes and reorganisation changes. One such action is the division of ENEA Trading Sp. z o.o. (pursuant to art. 529 § 1 point 4) of the Commercial Companies Code), as a result of which, in accordance with the Spin-off Plan of ENEA Trading Sp. z o.o. of 29 July 2022, there will be a division by spin-off and transfer of a part of the assets and liabilities of ENEA Trading Sp. z o.o., in the form of an Organised Part of Enterprise, to ENEA Power&Gas Trading Sp. z o.o.

In connection with the on-going energy transition process, trade union organisations requested the conclusion of a social agreement for the electricity sector, especially in the area of the status of the employer, employment guarantees after the process of separating coal assets from state-owned companies, working conditions and wages. On 22 December 2022, the 'Social Agreement on Transition in the Electricity Sector and Lignite Mining Industry, including the Spin-off of Generation and Mining Coal Assets from State Owned Companies' was signed between the Government, the Employers (energy groups) and the Trade Unions.

49. Political and economic situation in Ukraine

Russian troops attacked Ukraine on 24 February 2022, thus beginning a large-scale conflict. This event continues to have a major impact on the social, political and economic situation, not only in the region, but also globally. The Group is continually analysing the impact of the political and economic situation in Ukraine on the financial statements and the current and future financial and operating results of the Group.

In commodity and financial markets, there is high volatility in the prices of commodities and financial instruments. Considerable volatility in the prices of electricity and emission allowances (EUAs) is resulting in the need for margining on IRGIT and on foreign markets (The ICE, EEX) that organise trading in greenhouse gas emission allowances, thereby increasing the need for working capital.

In connection with the introduction of the alert degree CHARLIE-CRP throughout the country, undertakings described in the regulation of the Prime Minister of 25 July 2016 on the scope of undertakings carried out in individual alert degrees and CRP alert degrees have been implemented in Group companies. Restrictions on access to IT systems as a result of the maintenance of the CHARLIE-CRP alert level may cause delays to IT projects and deployments.

Mining segment - LW Bogdanka S.A.'s recently developed hard coal export sales, the vast majority of which were made to Ukraine, accounted for approx. 3.1% of LWB Group's consolidated revenue from sales in 2022. The sale of coal to Ukraine is made much more difficult due to this armed conflict. Owing to the high demand for thermal coal, LWB Group redirected coal (originally destined for the Ukrainian market) to domestic needs. As of 16 April 2022, the Act of 13 April 2022 on special solutions to prevent support for aggression against Ukraine and to protect national security is in force. Under art. 8 of this Act, in view of the threat to national security, the introduction into the territory of the Republic of Poland, as well as the movement between two countries through the territory of the Republic of Poland, of coal originating from Russia and Belarus was prohibited. The Act further, based on the provisions of art. 13, imposes an obligation on entities bringing coal into the territory of the Republic of Poland (including domestic mines) to have documentation indicating the country of origin of the coal and to issue statements to coal buyers indicating the country of origin of the coal. This act has a direct impact on further increasing demand for domestically produced coal. Taking the above into account and observing the developments to date, this event did not have a significant impact on the operations and financial results of the Mining segment in 2022 and is not expected to have such an impact in the short term. Nonetheless, in the long run such an impact may take place.

Trade segment - this situation caused an increase in the prices of gaseous fuel as well as electricity in the current year (the need to purchase for balancing purposes) and prices for customers (in terms of customers who have not purchased energy with a guaranteed "fixed" price).

Generation segment – possible need for intervention support in the electricity balance, and consequently higher electricity production by conventional generation sources. The Group does not currently identify any direct impact of the war in Ukraine on hard coal deliveries to ENEA Group's generating units. However, due to the high demand for thermal coal (lower production in Poland and difficulties in imports), the Group takes into account the possibility of difficulties in this regard. The Group identifies constraints in the supply of biomass in the form of sunflower husk pellets from Ukraine. Suppliers report reduced quantities of biomass available for sale in Ukraine and logistical problems associated with exporting biomass from Ukrainian territory, as well as with the transport of biomass across the territory of Ukraine (e.g. from Moldova). With regard to agricultural biomass from 1 January 2023 - following the end of derogation - the provisions of the RES Act regarding the required mass share of agricultural biomass apply, which has an impact on the demand side.

In view of the end of supply from Belarus after 4 June 2022 due to the validity of Council Regulation (EU) 2022/355 of 2 March 2022 amending Regulation (EC) no. 765/2006 concerning restrictive measures in view of the situation in Belarus, supply shortages in the domestic wood/forest biomass market are identified, resulting in continued high prices of biomass.

For the purpose of electricity production in units 2-7 of ENEA Elektrownia Połaniec S.A. there is a possibility to replace biomass with coal. The production of heat at the biomass-fired cogeneration unit of ENEA Ciepło Sp. z o.o. may be partially replaced with coal-based production at the remaining generating units of ENEA Ciepło Sp. z o.o. In the Generation segment, difficulties in sourcing high-alloy steels and non-ferrous metals produced in Ukraine are identified and further moderate price increases in the above-mentioned assortment are expected in the near future. However, this does not affect the continuity of operation of ENEA Group's generating units.

In the Distribution segment, the Group does not currently identify any negative impact of the political and economic situation in Ukraine on the segment's operations and financial results.

At the date on which these consolidated financial statements were prepared, it is not possible to predict how the situation concerning the armed conflict in Ukraine will develop and what the potential negative effects for the Parent's and the Group's operating and financing activities will be in the future.

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

50. Update of LWB's production plan

On 14 September 2022 The Management Board of Lubelski Węgiel Bogdanka S.A. became aware of updated production assumptions for 2022 and decided to make them public. In longwall 3/VII/385, which was put into operation on 31 August 2022, there was a sudden and unexpected increase in mining pressure, resulting in the longwall clamping, resulting in the cessation of coal extraction. The longwall saw a progress of 55 running metres and there were no problems with the uplift of the pit and the progress achieved was as expected at this stage of mining. The longwall was continuously monitored by a pressure control system in the supports of the mechanised roofbolt sections.

LWB immediately took action to free up the clamped sections and resume extraction. Given the scale of this impediment, these activities are complex in technical and organisational terms.

As a result of the emergence of sudden and unforeseeable impediments to mining, which objectively could be neither prevented nor counteracted, LWB decided to update its 2022 production plan, as announced in current report 18/2022 of 2 September 2022, setting it at approx. 8.3mt of commercial-grade coal. Thanks to the effort made, the plan was exceeded and production was eventually achieved at 8.4mt of commercial coal. At the same time, in connection with the aforementioned event, LWB adopted a plan for 2023 at approx. 8.3mt of commercial-grade coal.

51. Contributions to Price Difference Payment Fund

Group companies are required to contribute to the Price Difference Payment Fund pursuant to art. 21 of the Act of 27 October 2022 on emergency measures aimed at limiting the level of electricity prices and support for certain consumers in 2023 (Polish Journal of Laws of 2022, item 2243) - as electricity generators and as energy enterprises carrying out electricity trading.

In accordance with art. 24 and art. 39 of the above act, these contributions should be made for each calendar month in reference to the period from 1 December 2022 to 31 December 2023.

For the month of December 2022, ENEA Elektrownia Połaniec S.A. was required to make a contribution related to electricity trading amounting to PLN 1 236 thousand, ENEA Wytwarzanie Sp. z o.o. PLN 709 thousand for trading and PLN 3 944 thousand for generation, ENEA Ciepło Sp. z o.o. PLN 403 thousand for trading and PLN 7 551 thousand for generation, ENEA Nowa Energia Sp. z o.o. PLN 1 400 thousand for generation and ENEA Trading Sp. z o.o. PLN 120 thousand for trading. These amounts are included in the consolidated statement of comprehensive income under "Taxes and charges." The Group considers these contributions as charges in the meaning of IAS 37. They are charged in the month in which the obligation arises.

52. Events after the reporting period

An Extraordinary General Meeting of ENEA Połaniec Serwis Sp. z o.o. (acquired company) was held on 3 January 2023, adopting a resolution to merge with ENEA Elektrownia Połaniec S.A. (acquiring company). The merger is being carried out in a simplified manner, i.e. pursuant to art. 516 of the Polish Commercial Companies Code. The merger was registered in the National Court Register on 16 January 2023.

On 27 January 2023, ENEA S.A. signed a financing agreement with a syndicate of banks consisting of: Polska Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, Bank Polska Kasa Opieki S.A., Alior Bank S.A. and Bank of China (Europe) S.A., branch in Poland. The Company raised financing totalling up to PLN 2 500 000 thousand, including a term loan of up to PLN 1 500 000 thousand ("Loan A") and a revolving renewable loan of up to PLN 1 000 000 thousand ("Loan B"). The maturity period is 5 years, with an option to roll over for a further 2 years. This is a financing agreement linked to sustainable development. Under the terms of the agreement, the Company may use the funds made available

under Loan A to finance and refinance ENEA Group's capital expenditure incurred in connection with the construction, expansion, modernisation or maintenance of the distribution network and the acquisition, development, expansion, financing, construction, modernisation, maintenance or commissioning of any renewable energy sources. Loan B may be used by the Company to finance the day-to-day operations and working capital of ENEA Group, excluding: the financing of the construction, acquisition and expansion of hard coal-fired power plants, as well as other activities related to hard coal, including: hard coal mining, hard coal trading and the refinancing of any financial indebtedness or expenditure incurred for such purpose. Following the Company's fulfilment of all conditions precedent, Loan A and Loan B were disbursed on 3 February 2023.

The financing is based on a variable interest rate, plus a margin (conditional on the level of the net debt/EBITDA ratio). In addition, the interest rate for Loan A depends on sustainability indicators, i.e. the CO₂ reduction rate and the rate of increasing the share of renewable energy sources in the generation structure of ENEA Group.

Pursuant to the Act of 7 October 2022 on special solutions for the protection of electricity consumers in 2023 in connection with the situation on the electricity market, ENEA S.A. will receive in 2023 compensation for the use, in settlements with authorised customers, of the electricity prices referred to in art. 3 sec. 1, art. 4 sec. 1, art. 5 sec. 1 and art. 6 sec. 1 of this act. In accordance with art. 14 of the aforementioned act, the Company filed applications for advance payments for January and February 2023. Advances for Compensation were paid in January 2023 in the amount of PLN 247 121 thousand and February 2023 in the amount of PLN 216 003 thousand. Pursuant to this Act, ENEA Operator Sp. z o.o. will receive compensation for the use, in settlements with authorised customers, of the electricity prices referred to in art. 7 sec. 1 of the Act. The compensation constitutes the difference between the charges billed for electricity distribution services resulting from the 2023 tariff rates for electricity distribution services and the charges billed for electricity distribution services resulting from the 2022 tariff rates for electricity distribution services, up to the maximum limit referred to in the Act. ENEA Operator Sp. z o.o. received in January 2023 an advance payment for this compensation of PLN 59 108 thousand and in February 2023 in the amount of PLN 54 210 thousand.

On 13 February 2023, the URE President approved a change in the tariff for the electricity distribution service for ENEA Operator Sp. z o.o. for 2023. The decision of the URE President was published in the URE Industry Bulletin - Electricity No. 111 (3928) of 13 February 2023. Pursuant to Resolution No. 80/2023 of the Management Board of ENEA Operator Sp. z o.o. of 16 February 2023, the tariff change is effective from 1 January 2023.

In February 2023, at LWB, after the necessary measures had been taken to free previously clamped sections to enable the resumption of mining, an incident occurred during the trial start-up of longwall 3/VII/385, consisting of a sudden and unexpected outpouring of groundwater into the underground workings, as a result of which mining on this longwall had to be stopped. At the moment, advanced hydrogeological analyses are being performed and independent expert studies are being commissioned to develop the best course of action and to identify the risks associated with further mining and technical work in this area. In the Company's view, longwall 3/VII/385 is still prospective and further mining is possible in the future. The exact magnitude of this event and its impact on operational and financial performance is still unknown, however, in the Company's assessment, the production plan set for 2023 is unthreatened. LWB continues to operate the longwalls in the Bogdanka Field and Nadrybie Field at full capacity, while more longwalls are planned to be commissioned in the Stefanów Field.