Separate financial statements for the year ended 31 December 2023 in accordance with the International Financial Reporting Standards as endorsed by the European Union

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Separate financial statements for the year ended 31 December 2023 (PLN m)

SEPARATE STATEMENT OF PROFIT OR LOSS

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Sales revenue	8.1	**78**	**62**
Cost of sales	8.2	(64)	(49)
Gross profit on sales		**14**	**13**
Other operating income		15	15
General and administrative expenses	8.2	(99)	(114)
Other operating expenses		(32)	(10)
Dividend income		201	201
Interest income	8.4	297	305
Other finance income	8.5	63	98
Impairment losses on shares	23.6	25	(168)
Other finance expenses	8.6	(378)	(295)
Profit before tax		**106**	**45**
Income taxes	9	(69)	5
Net profit		**37**	**50**
Earnings per share (in PLN)			
Earnings per share (basic and diluted)	18	0.09	0.12

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Net profit for the period		**37**	**50**
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	23.8	(80)	(39)
Deferred income tax	9	15	8
Net other comprehensive income		**(65)**	**(31)**
Total comprehensive income		**(28)**	**19**

Separate financial statements for the year ended 31 December 2023 (PLN m)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023	As at 31 December 2022
ASSETS			
Non-current assets			
Intangible assets	**11**	13	13
Right-of-use assets	**12**	57	17
Shares in subsidiaries, associates and joint ventures	**10**	7,558	7,453
Bonds	**23.5.1**	533	601
Other non-current financial receivables	**23.5.1**	2,649	2,748
Deferred tax assets	**9.4**	13	-
Derivative financial instruments	**23.3**	15	172
Other non-current assets	**14**	1,119	228
		11,957	**11,232**
Current assets			
Cash pooling receivables		-	944
Current financial receivables and trade receivables	**15**	260	399
Bonds	**23.5.1**	11	557
Income tax receivables		277	295
Cash and cash equivalents	**13**	2	674
Derivative financial instruments	**23.3, 23.8**	15	102
Other current assets	**16**	78	40
		643	**3,011**
Non-current assets classified as held for sale		**-**	**20**
TOTAL ASSETS		**12,600**	**14,263**

Separate financial statements for the year ended 31 December 2023 (PLN m)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023	As at 31 December 2022
EQUITY AND LIABILITIES			
Equity attributable to equity holders			
Share capital	**17.1**	4,522	4,522
Reserve capital	**17.4**	1,031	1,031
Supplementary capital	**17.5**	1,711	1,661
Cash flow hedge reserve	**23.8**	(9)	56
Retained earnings	**17.6**	81	94
Total equity		**7,336**	**7,364**
Non-current liabilities			
Loans and borrowings	**23.5.2**	951	1,481
Bonds issued	**23.5.2**	523	576
Non-current provisions		7	10
Deferred tax liability	**9.4**	-	1
Deferred income and non-current grants	**21**	16	25
Non-current lease liabilities	**23.5.2**	49	6
		1,546	**2,099**
Current liabilities			
Cash pooling liabilities	**22.1**	169	861
Current credits and loans	**23.5.2**	3,124	3,017
Current lease liabilities	**23.5.2**	11	15
Trade liabilities and other financial liabilities	**20.1**	26	22
Bonds issued	**23.5.2**	6	575
Current provisions		3	3
Deferred income and grants	**21**	9	9
Accrued expenses		10	10
Other current liabilities	**20.2**	360	288
		3,718	**4,800**
Total liabilities		**5,264**	**6,899**
TOTAL EQUITY AND LIABILITIES		**12,600**	**14,263**

Separate financial statements for the year ended 31 December 2023 (PLN m)

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Reserve capital	Supplementary capital	Cash flow hedge reserve	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2023		**4,522**	**1,031**	**1,661**	**56**	**94**	**7,364**
Cash flow hedges	**23.8**	-	-	-	(65)	-	**(65)**
Net profit for the period		-	-	-	-	37	**37**
Total comprehensive income for the period		**-**	**-**	**-**	**(65)**	**37**	**(28)**
Distribution of retained earnings		-	-	50	-	(50)	-
As at 31 December 2023		**4,522**	**1,031**	**1,711**	**(9)**	**81**	**7,336**
As at 1 January 2022		**4,522**	**821**	**1,661**	**87**	**254**	**7,345**
Cash flow hedges	**23.8**	-	-	-	(31)	-	**(31)**
Net loss for the period		-	-	-	-	50	**50**
Total comprehensive income for the period		**-**	**-**	**-**	**(31)**	**50**	**19**
Distribution of retained earnings		-	210	-	-	(210)	**-**
As at 31 December 2022		**4,522**	**1,031**	**1,661**	**56**	**94**	**7,364**

Separate financial statements for the year ended 31 December 2023 (PLN m)

SEPARATE STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities			
Profit before tax		**106**	45
Adjustments for:			
(Profit)/Loss on foreign exchange		(8)	9
Loss on investing activities (incl. impairment losses on shares)		6	156
Amortization and depreciation	**8.2**	13	15
Net interest and dividends	**24**	(101)	(242)
Changes in working capital:			
Change in provisions		(3)	(49)
Change in receivables		(75)	(148)
Change in liabilities, except loans and borrowings and bonds		231	696
Change in prepayments and accruals		(18)	(7)
		151	**475**
Income tax paid		**(225)**	**(529)**
Net cash from operating activities		**(74)**	**(54)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(25)	(35)
Proceeds from redemption of bonds by subsidiaries		601	3
Purchase of shares in subsidiaries, associates and joint ventures		(80)	(721)
Sale of shares in subsidiaries		14	1
Cash pooling proceeds		83	-
Dividends received		201	201
Interest received		357	299
Loan granted		(206)	-
Receipts on account of loan repayments		439	300
Capital contributions made		(890)	(145)
Returned capital contributions		9	-
Other		38	26
Net cash from investing activities		**541**	**(71)**
Cash flows from financing activities			
Proceeds from credits	**23.5.2**	3,030	3,300
Repayment of credits	**23.5.2**	(3,336)	(2,500)
Cash pooling proceeds		168	182
Redemption of debt securities		(578)	-
Interest paid		(413)	(259)
Repayment of lease liabilities		(10)	(13)
Net cash from financing activities		**(1,139)**	**710**
Net increase (decrease) in cash and cash equivalents		**(672)**	**585**
Cash and cash equivalents at the beginning of the period		**674**	**89**
Cash and cash equivalents at the end of the period	**13**	**2**	**674**

ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

1. General information

Company information:

a) Name: Energa Spółka Akcyjna

b) Legal form: Spółka Akcyjna (joint stock company)

c) Registered office: 80-309 Gdańsk, al. Grunwaldzka 472

d) Registry court: District Court Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register in Gdańsk, under number KRS 0000271591

e) Core activities: holding activity

f) Duration: unspecified

As at 31 December 2023, the Company's controlling entity is Orlen S.A. Since December 2013, the Company's shares have been publicly traded.

The core activity of Energa SA is holding activity. The Company acts as a parent in the Energa SA Group and, accordingly, it prepares consolidated financial statements of the Group.
The annual consolidated financial statements of the Group were prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) endorsed by the European Union (EU). In order to achieve full understanding of the financial position and results of the Company as the parent entity in the Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended 31 December 2023. These statements are available on the Company's website.

2. Composition of the Company's Management Board

During 2023 and 2024 until the date of these consolidated financial statements, the composition of the Management Board of Energa SA has been as follows:

1) during the period from 1 September 2022 until 16 February 2023:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters;
   - Dominik Wadecki – Vice-President of the Management Board for Operations,
2) during the period from 16 February 2023 until 27 March 2023:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik - Vice-President of the Management Board for Finance;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters
3) during the period from 27 March 2023 until 31 January 2024:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance and Climate;
   - Adrianna Sikorska – Vice-President of the Management Board for Communication;
   - Janusz Szurski - Vice-President of the Management Board for Corporate Matters,
4) during the period from 31 January 2024 until 25 March 2024:
   - Zofia Paryła – President of the Management Board;
   - Michał Perlik – Vice-President of the Management Board for Finance and Climate;
   - Janusz Szurski – Vice-President of the Management Board for Corporate Matters,
5) during the period from 25 March 2024 until the publication date of these statements:
   - Michał Perlik – Acting President of the Management Board, Vice-President of the Management Board for Finance and Climate,
6) during the period from 20 April 2024 until the publication date of these statements:
   - Michał Perlik – Acting President of the Management Board, Vice-President of the Management Board for Finance and Climate,
   - Sławomir Staszak – Vice-President of the Management Board,
   - Roman Szyszko – Vice-President of the Management Board.

3. Approval of the financial statements

These financial statements and the consolidated financial statements of the ENERGA SA Group were approved for publication by the Company's Management Board on 23 April 2024.

4. Basis of preparation of financial statements

These separate financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value through profit or loss and hedging derivatives.
These separate financial statements have been prepared based on the assumption that Energa SA would continue as a going concern in the foreseeable future. In connection with a high level of external financing available to Energa SA Group, as presented in Note 23.7 in the amount of PLN 3,222 m, in spite of the surplus of current liabilities over current assets in the amount of PLN

3,075 m, as at the date of these financial statements, there is no evidence indicating any uncertainty as to the Company's ability to continue its business activities as a going concern.

4.1. Statement of compliance

These separate financial statements were prepared in accordance with the IFRS as endorsed by the EU.

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

4.2. Functional and presentation currency

The functional currency of the Company and the presentation currency of these financial statements is the Polish zloty and all the figures are stated in millions of Polish zlotys ("PLN m") unless stated otherwise.

5. Material items subject to professional judgment and estimates

In the process of applying the accounting policies to the issues specified below, one of the most important factors, in addition to accounting estimates, was professional judgment of the management, which affected the amounts stated in the separate financial statements, including the notes. The assumptions of these estimates are based on Management's best knowledge of current and future activities and events in each area. Detailed information on the adopted assumptions is presented in the relevant notes in these separate financial statements.

The key assumptions for the future and other main sources of uncertainty occurring as at the end of the reporting period, which entail a significant risk of considerable adjustment of the carrying amount of assets and liabilities in the following financial year, are presented below.

Impairment of assets

No less frequently than at the end of every reporting period, the Company determines whether there are any indications of impairment of non-current assets. If such indications are found or when an annual impairment test must be carried out, the Company estimates the recoverable amount of such asset. The amount of the impairment loss on investments in subsidiaries, associates and joint ventures is presented in Note 10, while the impairment loss on investments in related entities is presented in Note 23.6.

Deferred tax asset

Deferred tax assets are measured using the tax rates that will be applied at the moment when the asset is utilized, based on the tax regulations in force at the end of the reporting period. Energa SA recognizes a deferred tax asset based on the assumption that tax profit would be recorded in the future, allowing the Group to use the asset. This assumption may prove to be unjustified if tax results deteriorate in the future. The calculation of deferred tax is presented in Note 9.4, while information on the Energa Tax Group is provided in Note 9.3.

Fair value of financial instruments

The fair value of financial instruments, for which no active markets exist, is measured using appropriate valuation techniques. The Company uses professional judgment when selecting such adequate methods and assumptions. The method used to determine fair value of individual financial instruments is presented in Note 23.4.

6. New standards and interpretations

6.1. Amendments to International Financial Reporting Standards (IFRS)

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and approved for use in the EU are applicable for the first time to the Company's 2023 financial statements:

- **IFRS 17 Insurance Contracts** – with later amendments to IFRS 17 issued by the IASB on 25 June 2020, endorsed by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IFRS 17 Insurance Contracts** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information endorsed by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 1 Presentation of Financial Statements** – Disclosure of Accounting Policies, endorsed by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – Definition of Accounting Estimates endorsed by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 Income Taxes** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, endorsed in the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 Income Taxes** – International Tax Reform – Pillar Two Model Rules endorsed by the EU on 8 November 2023 (effective for annual periods beginning on or after 1 January 2023).

The aforementioned amendments to the existing standards did not have a material effect on the Company's financial statements for 2023.

6.2. Standards and interpretations adopted by the IASB and endorsed by the EU but not yet applicable

- **Amendments to IAS 1 Presentation of Financial Statements** – Classification of Liabilities as Current or Non-current, endorsed by the EU on 19 December 2023 (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 1** Presentation of Financial Statements – Non-current Liabilities with Covenants, endorsed by the EU on 19 December 2023 (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IFRS 16 Leases** – Lease Liability in a Sale and Leaseback endorsed by the EU on 20 November 2023 (effective for annual periods beginning on or after 1 January 2024).

6.3. Standards and interpretations adopted by the IASB and pending endorsement by the EU

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures** – Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024);
- **Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates** – Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025);

According to the Company's estimates, the aforementioned new standards and amendments to existing standards would not have a material impact on the financial statements if applied by the Company as at the reporting date.

7. Significant accounting policies

The most significant accounting principles (policies) applied by the Company are presented below. These policies are applied on a continuous basis except for the changes attributable to the amendments to IFRS EU.

7.1. Conversion of items in foreign currencies

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

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

Foreign exchange differences resulting from this conversion are recognized, respectively, as financial income (cost) items or, in the cases identified in the accounting principles (policies), they are capitalized as assets.

7.2. Intangible assets

Intangible assets include the Company's identifiable non-monetary assets that do not have

a physical form. On initial recognition, an intangible asset is measured at the purchase price or production cost. The purchase price of an intangible asset includes:

- the purchase price including import duties, non-deductible taxes included in the price, less any granted discounts and rebates and
- expenditures directly connected with preparing the asset component for use according to its planned purpose.

After initial recognition, intangible assets are carried at purchase price or production cost, less accumulated amortization and impairment losses. The Company assesses whether useful life of an intangible asset component is definite or indefinite and, if definite, estimates the duration of that period. Amortization begins in the month following the month in which the asset becomes ready for use.

Intangible assets with a limited useful life are subjected to impairment tests each time if indications of impairment exist. The amortization period and method are reviewed at least at the end of each financial year.

Gains or losses arising upon derecognition of intangible assets from the statement of financial position are measured at the difference between net sales revenues and the carrying amount of the asset and are recognized through profit or loss upon derecognition from the statement of financial position.

The Company applies the following amortization rates for intangible assets with specific useful lives: 20%, 25%, 50% and 100%.

7.3. Shares in subsidiaries, associates and joint ventures

The Company carries investments in subsidiaries and associates at historical cost less impairment losses.

7.4. Impairment of non-financial assets and shares in subsidiaries, associates and joint ventures

No less frequently than at the end of every reporting period, the Company determines whether there are indications of impairment of non-financial non-current assets or investments in subsidiaries, associates and joint ventures. If such indications are found or when an annual impairment test must be carried out, the Company estimates the recoverable amount of such asset or cash generating unit to which such asset is allocated. Impairment occurs when the recoverable amount (i.e. the higher of fair value less cost to sell and value in use) is lower than the carrying amount of the tested asset or cash generating unit.

Impairment losses on assets used in continuing operations are recognized in cost categories that correspond to the function of the impaired asset.

At the end of each reporting period, the Company estimates whether there is any indications that the impairment loss recognized on such asset in previous periods was redundant or whether it should be reduced. If such indications exist, the Company estimates the recoverable amount of the asset.

A previously recognized impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

7.5. Cash and cash equivalents

Cash and cash equivalents include:

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

The balance of cash and cash equivalents presented in the statement of cash flows consists of the aforementioned cash and cash equivalents less outstanding current account overdrafts.

The Company classifies cash as a financial asset measured at amortized cost with impairment charges determined in accordance with the expected loss model.

7.6. Leases

The Company as a lessee

Under IFRS 16 Leases, what a lease is to the lessee is any contract which conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to recognize a contract as a lease, the Company analyses, first of all:

- whether an identifiable asset is the subject matter of the contract;
- whether, throughout its useful life, the Company has the right to obtain substantially all the economic benefits from use of the identified asset;
- and whether, throughout its useful life, the Company has the right to direct the use of the identified asset.

A customer has the right to direct the use of an identified asset if the customer designed the asset in a way that predetermines how and for what purpose the asset will be used or the customer has the right to operate the asset, without the supplier having the right to change those operating instructions.

The Company's accounting policy envisages:

- non-application of the requirements of IFRS 16 to short-term leases, characterized by the maximum term of contact of up to 12 months, and leases of low-value assets, i.e. below PLN 10,000, with the exception of right of perpetual usufruct of land;
- recognition of a lease liability at the contract's commencement date in the amount of the initial measurement of the lease liability, i.e. at the present value of the lease payments outstanding at the lease's commencement date;
- the lease liabilities are reduced by any lease incentives payable if their value can be determined at the time of commencement of the lease;
- The Company discounts lease payments using the interest rate implicit in the lease if that rate can be determined on the basis of the contract; otherwise, the lessee's incremental borrowing rate shall be used;
- finance expenses, i.e. interest, and variable lease payments not included in the measurement of the lease liability, shall be recognized on an ongoing basis in the statement of profit or loss;
- after the commencement date, the lessee shall measure the right-of-use assets applying a cost model, i.e. shall reduce the value of the asset by depreciation charges and impairment losses and adjust it for any remeasurement of the lease liability to reflect any reassessment or lease payment modification;
- the amortization and depreciation period coincides with lease term unless the leased asset is expected to be bought; in the latter case, the economic useful life of the asset is determined straight away.

The Company as a lessor

In the case of finance leases, the Company recognizes lease receivables in its statement of financial position and in its accounting records as non-current or current financial assets. They are measured at amortized cost, using the interest rate of the lease.

The Company divides the base fee into the principal part and the interest part. The interest part of the base fee is income from finance leases recognized in finance income. The principal part of the lease fee attributable to a given accounting period represents repayment of the receivables from the user. The fee is divided using the interest rate of the lease. Leases under which the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease receivables are recognized on a straight-line basis during the lease period. The initial direct costs incurred in the course of negotiating operating lease agreements are added to the carrying amount of the leased asset and are recognized as cost during the term of the lease.

7.7. Other assets

In other assets, the Company recognizes accrued expenses if the following conditions are satisfied:

- they result from past events – an expenditure is incurred in order to attain the entity's operational objective;
- their amount may be measured reliably;
- they contribute to future economic benefits of the entity; and
- they refer to future reporting periods.

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

Prepayments may be written off in proportion to the passage of time or benefits received. The time and manner of settlement is justified by the nature of the cost being settled, in keeping with the conservative valuation principle.

At the end of a reporting period, the Company reviews prepayments to find whether the degree of certainty that the entity will achieve economic benefits after the lapse of the reporting period is sufficient to recognize the item as an asset component.

Other assets also include receivables on account of settlements of the Energa Tax Group, receivables on account of public and legal settlements (except for settlements on account of corporate income tax, which are presented as a separate item in the statement of financial position), surplus of assets over liabilities of the Company Social Benefit Fund and advances paid for future purchases of property, plant and equipment and intangible assets.

Advances are presented in line with the type of assets to which they refer as non-current or current assets, respectively. As non-pecuniary assets, advances are not discounted.

7.8. Equity

Equity is carried at par value, broken down into types and according to the principles set forth by the law and by the Company's articles of association.

The retained earnings/accumulated losses item includes net result of the current year, results carried forward from previous years, as well as adjustments connected with the transition to IFRS EU.

7.9. Other liabilities

Other liabilities include in particular settlements within the Energa Tax Group, value added tax payable to the Tax Office and advance payments to be settled by deliveries of goods, services or property, plant and equipment. Advances are recognized in the amount received and other liabilities are recognized in the amount of the required payment.

7.10. Deferred income and grants

Deferred income includes:

- government grants recognized while measuring preferential credits,
- cash received to cover the acquisition or manufacturing of property, plant and equipment and development. These are settled by gradually increasing other income by an amount corresponding to the depreciation on these assets, in the part financed by the said cash.

Grants recognized while measuring preferential credits

If the Company receives a loan or credit on preferential terms then, on initial recognition,

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

7.11. Cash pooling

In the reporting period, the process of transferring individual Energa Group companies, including Energa SA, to the cash pooling structures of the Orlen Group, was completed. This tool enables effective management of the Energa Group's liquidity at the level of Orlen S.A. as the agent coordinating the cash pooling service. Under the terms of cash pooling, at the end of each business day, the Companies' cash is consolidated in the Agent's accounts and can be used the following day to fund the payment obligations of individual participants. This tool makes it possible to effectively finance the operations primarily with the funds generated by the Company and only then with debt financing.

7.12. Financial instruments

7.12.1. Financial assets

Under IFRS 9, financial assets are classified exclusively to three categories:

- financial assets at amortized cost;
- financial assets measured at fair value through comprehensive income; and
- financial assets measured at fair value through profit or loss.

Classification of financial assets depends on the business model of management of financial assets and the characteristic of contractual cash flows of a financial asset.
Financial assets are classified at the time of initial recognition and their classification may be changed only when the business model of management of financial assets has evolved.
According to IFRS 9, a financial asset is measured at amortized cost if both conditions below have been fulfilled:

- the asset is held within the Company's business model whose objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

On the other hand, a financial asset is measured at fair value through other comprehensive income if both of the following conditions are fulfilled:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

7.12.2. Impairment of financial assets

IFRS 9 specifies the impairment loss model. The Company applies the model of expected credit losses on receivables using the simplified approach admissible under IFRS 9.
The simplified model permits calculation of credit losses throughout the life of the receivable. According to IFRS 9, the expected credit loss is calculated while taking into consideration the estimates of potential recoveries on account of contributed collaterals. In the case of receivables from counterparties, it is expected that the data on historic collectability may reflect credit risk that will be borne in future periods.
Furthermore, the value of receivables may be updated also individually, in particular in relation to:

- receivables due from debtors put into liquidation or declared bankrupt;
- receivables contested by debtors and receivables on the repayment of which the debtor is in arrears and where, based on the debtor's assets
  and financial situation, the repayment of receivables in the contractual amount is unlikely (in such case, bad debt provision may be established in the amount of 100% of the value of the previously recognized debt);

- other overdue receivables as well as not overdue receivables for which default risk is significant according to the Management Board's individual assessment.

For purchased bonds, the Company assesses the increase in credit risk from the moment of initial recognition individually for every bond issuer while taking into consideration all reasonable information that can be documented, including future-related data. The Company assesses changes in default risk over the expected life of the bond. In order to make such assessment, the Company compares the risk of default for a given bond as at the
reporting date against risk of default for that financial instrument as at the date of initial recognition while taking into consideration all reasonable information that can be documented.
The Company purchases bonds from Group entities as one of the tools for implementing the Group's financial policy, for which the Company is responsible. the Company continuously monitors the financial condition of the entities from which it purchases bonds, taking into account their business model and its current and future financial aspects, i.e. for example, the distribution business of Energa Operator SA.
A significant increase in risk would be identified by the Company when there are, amongst others, significant changes in the business profile of issuers, unfavourable changes in the legal environment, legislation or a significant deterioration in the condition of issuers. Taking into account the business model in place, the assumptions of the current financial policy and the condition of the issuers, the Company assesses the credit risk with respect to these financial instruments as low, and adjusts the method of determining the impairment of these financial assets to the level of this risk.

7.12.3. Financial liabilities

At Energa SA, financial liabilities exist that are classified as held at amortized cost.
Financial liabilities held at amortized cost include primarily trade liabilities, bank credits, loans and debt securities and cash pooling liabilities. On initial recognition, they are
recognized at fair value less costs of obtaining them. After initial recognition, they are measured at amortized cost using the effective interest rate method.
When calculating amortized cost, the cost of obtaining the loan or borrowing must be taken into account, as well as any discounts and bonuses obtained in connection with the liability.
Revenues and costs are recognized through profit or loss upon derecognition of the liability from the statement of financial position and also as a result of a settlement using the effective interest rate method.
The Company derecognizes a financial liability from its statement of financial position if the liability has expired, i.e. when the obligation defined in the respective agreement has been performed, has been canceled or has expired.

7.12.4. Hedge accounting

The Company applies the principles arising under IAS 39.

Hedging derivatives and hedge accounting

The Company may decide to designate selected derivatives as hedges under cash flow hedge accounting under any identified hedge relationship. The Company allows the use of cash flow hedge accounting only if the following criteria are met:
- at the inception of the hedge, the Company formally designates and documents the hedging relationship and the risk management objective as well as strategy for undertaking the hedge. The documentation includes the identification of the hedge instrument, the hedged position, the nature of risk and the method for a current assessment of the effectiveness of the hedge in offsetting the risk of changes in cash flows associated with the hedged risk;
- the hedge is expected to be highly effective (80-125%) in offsetting changes in cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship;
- a planned transaction, which is the subject of a hedge, must be highly probable and must be exposed to variations in cash flows that could ultimately affect the statement of profit or loss;
- effectiveness of the hedge can be reliably assessed, i.e. cash flows related to the hedged position resulting from the hedged risk and the fair value of the hedge can be reliably measured; and
- the hedge is assessed on an ongoing basis and determined to have been highly effective throughout the reporting periods for which the hedge was designated.

Accounting principles (policies) applied to derivatives designated as hedges under cash flow hedge accounting

Changes in the fair value measurement of derivative financial instruments designated as cash flow hedges are recognized in other comprehensive income and captured on a cumulative basis in the cash flow hedge reserve
in proportion thereof that is an effective hedge, whereas any ineffective portion of the hedge is posted to the statement of profit or loss.
The accumulated amounts of hedging instrument revaluation to fair value, previously recognized in the cash flow hedge reserve, are transferred through other comprehensive income to the statement of profit or loss in the period or periods in which the hedged position affects the statement of profit or loss.

The Company ceases to use the cash flow hedge accounting principles in the event of one or more of the following events:
- the hedging instrument expires or is sold, terminated or exercised (for this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the entity's documented hedging strategy). In this case, the cumulative gain or loss on the hedging instrument, which is recognized in other comprehensive income and accumulated in equity in the period, in which the hedge was effective, remains recognized separately in equity until the planned transaction occurs;
- the hedge no longer meets the hedge accounting criteria. In this case, the cumulative gain or loss on the hedging instrument, which is recognized in other comprehensive income and accumulated in equity in the period, in which the hedge was effective, remains recognized separately in equity until the planned transaction occurs;

- the planned transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument, which is recognized as other comprehensive income and accumulated in equity in the period, in which the hedge was effective, is recognized through profit or loss. A planned transaction, which is no longer highly probable, may still be expected to occur;
- The Company cancels any hedging relationship. For hedges of planned transactions, the cumulative gain or loss on the hedging instrument, which is recognized in other comprehensive income and accumulated in equity in the period when the hedge was effective remains recognized in a separate equity item until the planned transaction occurs or is no longer expected to occur. If the transaction is no longer expected to occur, the cumulative gain or loss accumulated in equity is recognized through profit or loss.

Presentation

In connection with the use of cash flow hedge accounting, the Company applies the following presentation:
- the effective portion of any change in the valuation of hedges is recognized in other comprehensive income and accumulated in the cash flow hedge reserve;
- interest on hedges is presented in the same item of the statement of profit or loss, which presents interest result on the hedged position;
- any revaluation of hedges transferred from other comprehensive income is presented in the same line of the statement of profit or loss in which the currency revaluation of the hedged position is presented in the same period in which the hedged item affects the financial result; and
- the ineffective portion of changes in the valuation of hedging instruments is recognized in finance income/expenses.

7.13. Revenue

Revenue from contracts with customers includes revenue from contracts entered into as part of the Company's core business, i.e. the business the Company was established to conduct.

The Company applies the principles of IFRS 15 using the five-step model.

The structure of sales revenue by type and the manner of its recognition are as follows:
- rental income is determined using the straight-line method for the entire term of rental, in relation to active agreements (excluded from the scope of IFRS 15);
- revenue from other services within the scope of IFRS 15 is recognized over time.

Revenue from the sale of services recognized under IFRS 15 mainly consists of revenue from the sale of rights to use the Energa brand (royalty revenue) and revenue from subsidiaries' participation in the costs of promoting the Energa brand (revenue from other services), as well as revenue from IT services. Sales revenue adjustments are allocated to the period to which they relate until the approval of the financial statements for publication.
A breakdown of revenue in line with the above principles has been presented in Note 8.1.
Dividend income is recognized when the right to dividend is acquired.

7.14. Costs

Operating expenses consist of the following:
- cost of goods sold incurred during the reporting period;
- general and administrative expenses.

7.15. Other income and expenses

Other income and expenses include in particular items associated with:
- disposals of property, plant and equipment, intangible assets;
- recognition of impairment losses on property, plant and equipment;
- recognition and reversal of provisions, except for provisions tied to financial operations or recognized in operating expenses;
- giving or receiving of assets, including cash, free of charge, also as a donation; and
- compensations and other revenues and costs not associated with ordinary activity.

7.16. Finance income and expenses

Finance income and expenses cover, in particular, income and costs pertaining to:
- disposal of financial assets;
- revaluation of financial assets;
- impairment losses on shares;
- revenue from profit-sharing in other entities;
- interest;
- changes in provision resulting from the approaching date of incurring the cost (unwinding discount effect); and
- other items related to financing activity.

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

Dividends are recognized when the title to receive them is determined.

The Company nets income and costs from exchange differences.

7.17. Net earnings per share

Earnings per share for each period are calculated by dividing the net profit attributable to owners of the parent for the period by the weighted average number of shares in the reporting period. In the case of a split or reverse split of shares, the number of shares after the split or reverse split is applied to the calculation retrospectively.

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NOTES TO THE SEPARATE STATEMENT OF PROFIT OR LOSS

8. Revenues and expenses

8.1. Revenue from rendering of services and rentals

The Company generates revenue from the sale of services recognized over time. There are no guarantees or related obligations on account of services rendered. The Company usually applies terms of payment of 14 days.

The revenue structure by type is as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Revenue from contracts with customers	**71**	**55**
Licensing fees income	35	28
Revenue on sales of IT services	13	12
Revenue from other services	23	15
Revenue excluded from the scope of IFRS 15	**7**	**8**
Rental income	7	8
TOTAL	**78**	**63**

8.2. Costs by type

	Year ended 31 December 2023	Year ended 31 December 2022
Amortization/depreciation of property, plant and equipment, intangible assets and right-of-use assets	13	15
Consumption of materials and energy	3	2
Services	49	41
Taxes and fees	(5)	6
Employee benefit expenses	60	54
Other costs by nature	43	45
TOTAL	**163**	**163**
of which:		
Cost of sales	64	49
General and administrative expenses	99	114

8.3. Employee benefit expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	48	44
Social security contributions	6	6
Other employee benefit expenses	6	4
TOTAL	**60**	**54**

8.4. Interest income

	Year ended 31 December 2023	Year ended 31 December 2022
Debt instruments	61	74
Loans granted	210	201
Receivables	-	1
Cash	10	9
Cash pooling	16	20
TOTAL	**297**	**305**

8.5. Other finance income

	Year ended 31 December 2023	Year ended 31 December 2022
Reversal of the provision for settlement of the Coal Project in Ostrołęka	-	47
Revaluation of financial assets	-	42

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	Year ended 31 December 2023	Year ended 31 December 2022
Gain on disposal of shares	1	-
Foreign exchange differences	33	-
Other	29	9
TOTAL	**63**	**98**

8.6. Other finance expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Interest expense	351	246
Impairment losses on capital contributions	-	16
Foreign exchange differences	-	11
Interest expense on lease liabilities	1	1
Other finance expenses	26	21
TOTAL	**378**	**295**

9. Income tax expense

9.1. Tax liabilities

The main items of income tax expense for the years ended 31 December 2023 and 31 December 2022 are as follows:

	Year ended 31 December 2023	Year ended 31 December 2022
Statement of profit or loss		
Current income tax	(69)	10
Deferred income tax	-	(5)
Tax benefit/(expense) recognized through profit or loss	**(69)**	**5**
Statement of comprehensive income		
Deferred income tax	(15)	(8)
Tax benefit/(expense) recognized in other comprehensive income	**(15)**	**(8)**

9.2. Reconciliation of effective tax rate

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

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before tax on continuing operations	**106**	**45**
Tax at Poland's statutory rate of 19%	**(20)**	**(9)**
Tax adjustments from previous years	**(36)**	**-**
Tax impact of permanently non-taxable income and non-tax-deductible expenses:	(13)	14
- on dividends received	38	38
- on reversal of provision	-	9
- on impairment losses on assets	-	(35)
- on non-deductible interest	(42)	-
- other	(9)	2
Tax at the effective tax rate	**(69)**	**5**
Tax benefit recognized through profit or loss	(69)	5

The current income tax expense is calculated on the basis of applicable tax regulations. Application of those regulations differentiates tax profit (loss) from net accounting profit (loss) in connection with exclusion of non-taxable revenues and non-deductible expenses and items of income or expense which are never taxable. The income tax expense is calculated on the basis of tax rates applicable in the given financial year. A 19% tax rate applied in the period from 2020 to 2023. Current regulations do not provide for differentiated tax rates for future periods.

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9.3. Energa Tax Group

On 9 November 2020, Energa SA and its related entities: Energa-Operator SA, Energa-Obrót SA, Energa Wytwarzanie SA, Energa Informatyka i Technologie Sp. z o.o., Energa Logistyka Sp. z o.o., Energa Oświetlenie Sp. z o.o. entered into the 2021 PGK Energa Tax Group Agreement. The agreement was concluded for 3 fiscal years, that is until 31 December 2023. In a tax group, income tax is calculated on the income earned in the fiscal year representing the surplus of aggregate income of all companies comprising the group over their aggregate losses. The Energa Tax Group companies posting tax profit transfer the appropriate income tax amount to Energa SA, which handles the settlements with the tax authority as the representative company. The Energa Tax Group companies posting tax losses obtain a tax benefit in the amount in which they contributed to reducing the tax liability attributable to the entire tax group. Settlements on account of the Energa Tax Group do not affect deferred tax but only the current tax liability.

Cash flows between Energa Tax Group companies are carried out during the year on the dates preceding the payment of income tax advances. Accordingly, at the end of the reporting period, Energa SA discloses intercompany settlements within the Tax Group. The final settlement between Tax Group companies is conducted after the representing company files the annual tax returns.

9.4. Deferred income tax

Deferred tax is derived from the following items

	As at 31 December 2022	Revision recognized in profit or loss	Revision recognized in other comprehensive income	As at 31 December 2023
Deferred tax assets before set-off				
on the difference between the tax and carrying value of financial assets and liabilities	9	11	-	20
on the difference between the tax and carrying value of property, plant and equipment and intangible assets	5	-	-	5
on unrealized exchange differences	50	(30)	-	20
on valuation of hedging derivatives	-	-	2	2
on provisions	2	-	-	2
other	11	(9)	-	2
TOTAL	**77**	**(28)**	**2**	**51**
Deferred tax asset (liability) after set-off	**(1)**	**(1)**	**15**	**(13)**

	As at 31 December 2022	Revision recognized in profit or loss	Revision recognized in other comprehensive income	As at 31 December 2023
Deferred tax liability before set-off				
on the difference between the tax and carrying value of financial assets and liabilities	29	(12)	-	17
on the difference between the tax and carrying value of property, plant and equipment and intangible assets	-	6	-	6
on valuation of hedging derivatives	13	10	(13)	10
on foreign exchange differences and interest on hedging instruments	36	(31)	-	5
TOTAL	**78**	**(27)**	**(13)**	**38**

Changes in deferred tax assets and liabilities are presented in the table below:

	Year ended 31 December 2023	Year ended 31 December 2022
Deferred tax assets		
Opening balance before set-off:	**77**	**71**
Increases:	**13**	**13**

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	Year ended 31 December 2023	Year ended 31 December 2022
recognized through profit or loss	11	13
recognized in other comprehensive income	2	-
Decreases:	**(39)**	**(7)**
recognized through profit or loss	(39)	(7)
Set-off	**(38)**	**(77)**
Closing balance	**13**	**-**
Deferred tax assets	**13**	**-**
Deferred tax liabilities		
Opening balance before set-off:	**78**	**74**
Increases:	**16**	**12**
recognized through profit or loss	16	12
Decreases:	**(56)**	**(8)**
recognized through profit or loss	(43)	-
recognized in other comprehensive income	(13)	(8)
Set-off	**(38)**	**(77)**
Closing balance	**-**	**1**
Deferred tax liabilities	**-**	**1**

NOTES TO THE SEPARATE STATEMENT OF FINANCIAL POSITION

10. Shares in subsidiaries, associates and joint ventures

	Subsidiaries	Associates	Joint ventures	Other	TOTAL
Gross value					
As at 1 January 2023	**8,046**	**86**	**453**	**15**	**8,600**
Purchases of shares	80	-	-	-	80
reclassified	-	(4)	-	4	-
As at 31 December 2023	**8,126**	**82**	**453**	**19**	**8,680**
Impairment loss					
As at 1 January 2023	**(690)**	**(4)**	**(453)**	**-**	**(1,147)**
Reversal of impairment losses	25	-	-	-	25
reclassified	-	4	-	(4)	-
As at 31 December 2022	**(665)**	**-**	**(453)**	**(4)**	**(1,122)**
Net value as at 1 January 2023	**7,356**	**82**	**-**	**15**	**7,453**
Net value as at 31 December 2023	**7,461**	**82**	**-**	**15**	**7,558**

Name and legal form	Registered office	Value of shares in ledgers of Energa SA as at 31.12.2023	Share of Energa SA in the share capital, in all votes and in management (%)	Net financial profit/loss for 2023 in PLN m	Equity in PLN m
Subsidiaries					
Energa-Operator SA	Gdańsk	4,471	100.00	490	8,737
Energa Wytwarzanie SA	Gdańsk	989	100.00	199	1,394
CCGT Ostrołęka Sp. z o.o.	Ostrołęka	447	50.00+1	(47)	1,886
Energa-Obrót SA	Gdańsk	331	100.00	98	443
Energa Kogeneracja Sp. z o.o.	Elbląg	66	64.59	(65)	(107)
Energa Oświetlenie Sp. z o.o.	Sopot	234	100.00	42	302
CCGT Grudziądz Sp. z o.o.	Grudziądz	730	100.00	(40)	1,195
Energa Informatyka i Technologie Sp. z o.o.	Gdańsk	37	100.00	6	79
Energa Green Development Sp. z o.o.	Gdańsk	24	100.00	2	30
CCGT Gdańsk Sp. z o.o.	Gdańsk	22	100.00	(4)	51
Enspirion Sp. z o.o.	Gdańsk	5	100.00	10	14.5
Energa Logistyka Sp. z o.o.	Płock	25	100.00	6	25
Energa Finance AB (publ)	Stockholm	0	100.00	(5)	105
Energa Prowis Sp. z o.o.	Gdańsk	80	100.00	0	79
Other companies	-	<1	-		
Associates					
Polimex-Mostostal SA (*)	Warsaw	82	16.22	51	890
Joint ventures					
Elektrownia Ostrołęka Sp. z o.o.	Ostrołęka	0	50.00+1	(7)	75
Other		14			
Total value of shares		**7,558**			

(*) financial data for the third quarter of 2023

The value of shares presented in the table above represents the value at cost less impairment losses.

Impairment tests for shares

In 2023, shares held by the Company were assessed for any internal or external indications of impairment. For the purposes of the share impairment test, each subsidiary was treated as a separate cash generating unit (CGU).

In view of indications of impairment of shares in certain Group companies held by Energa SA in the second half of the year, the shares were tested for impairment. The tests were conducted using the income method, on the basis of the discounted value of estimated cash flows from operating activities, taking into account, among others, the following assumptions:

- The test date is 31 December 2023.
- Macroeconomic assumptions for the Orlen Group are used, including electricity prices by source, prices of coal, natural gas, certificates of origin and carbon emission allowances, based on in-house projections prepared for the Orlen SA and Orlen Group Long-Term Financial Plan for 2023-2033; projections were prepared up to and including the year 2050; projections of Energa Elektrownie Ostrołęka SA for 2024-2031 were used for biomass; the pathways assume a change in the energy mix, including specifically a lower output and phasing out of coal-fired units in the long term.
- The number of free carbon emission allowances for 2021-2025 is as specified on the list published by the Polish Minister for Environment.
- The projected price of carbon emission allowances for 2023 is EUR 99 per tonne. In subsequent years, the projections increase to EUR 179 per tonne in 2033. Projections of carbon emission allowance pricing were substantially impacted by legislative work related to the EU ETS reform under the Fit for 55 package.
- replacement capital expenditure at the levels allowing for maintenance of the production capacity of the existing non-current assets, including capital expenditures to adjust industrial emission levels to the requirements of Directive 2010/75/EU of the European Parliament and of the Council of 24 November 2010 on industrial emissions and the Commission Implementing Decision (EU) 2021/2326 establishing best available techniques (BAT) conclusions which was published on 30 November 2021;
- support was maintained for production of energy from the existing renewable sources in the form of revenue from property rights and incorporation for some installations of the won auctions for sale of electricity from renewable energy sources and revenue from the FIT/FIP mechanism, in accordance with the Act of 20 February 2015on renewable energy sources, as amended (Journal of Laws 2023, items 1436, 1681, 1597, 1762);
- Revenue from the capacity market is in accordance with the provisions of the Act of 8 December 2017 on the capacity market (consolidated text: Journal of Laws 2023, item 2131), with the rates adopted on the basis of the auctions held and won in 2018-2023 and for the years that go beyond the contracted period based on the price paths (prices of multi-year power contracts are adjusted annually in accordance with capacity market regulations).

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- Estimated impact of a package of regulations aimed at counteracting excessive increases in electricity prices and introducing a number of solutions, affecting power companies and electricity consumers, such as (i) rules for freezing electricity prices based on the tariffs approved in 2022, (ii) limits on electricity consumption for individual consumers in 2023, (iii) rules for applying so-called maximum prices, (iv) rules for calculating contributions to the Price Difference Payout Fund from electricity generators and trading companies, and (v) rules for granting and settling compensation from the Price Difference Payout Fund to trading companies for the application of so-called maximum prices.

  The key pieces of legislation included in the aforementioned regulatory package are as follows:

  - Act of 7 October 2022 on special solutions for the protection of electricity customers in 2023 in connection with the situation in the electricity market, as amended (Journal of Laws 2022, items 2127, 2243, 2687);
  - Act of 27 October 2022 on urgent measures to cap electricity prices and support certain consumers in 2023, as amended (Journal of Laws 2022, items 2243, 2687);
  - Regulation of the Council of Ministers of 8 November 2022 laying down the rules for calculating the price cap (Journal of Laws 2023, item 2729);
  - Regulation of the Minister of Climate and Environment of 9 September 2023 amending the Regulation setting out the rules of structuring and calculating tariffs and billings in electricity trading (Journal of Laws of 2023, item 1847);
- the length of the financial projections of each CGU has been determined so that the cash flows used to calculate the residual value are as close as possible to the expected flows in future years,
- a growth rate of 2.0%, which does not exceed the average long-term inflation growth rates in Poland, was adopted to extrapolate the cash flow projection for the purpose of calculation of residual value.

Discount rates based on the after-tax weighted average cost of capital (WACC) adopted for the calculation ranged from 6.78% to 9.05% for 2024, and were then adjusted for the expected levels of 10-year bond yields in Poland in each period, reaching a target level in the range of 6.40% to 8.65% in 2029 and subsequent years. Discount rates used in the calculation for 2022 ranged from 8.60% to 10.55% for 2023, and were then adjusted for the expected levels of 10-year bond yields in Poland in each period, reaching a target level in the range of 6.73% to 8.61% in 2028 and subsequent years.

Based on the result of the tests, there was no need to recognize impairment losses on shares held in subsidiaries.

Based on the test result obtained for Energa Logistyka Sp. z o.o., a decision was made to reverse the entire impairment loss on the company's shares in the amount of PLN 25.1 m in the second half of 2023. In 2023, Energa Logistics signed an agreement with Energa Operator SA, the company's main customer, which ensures the profitability of transactions. In parallel, the terms of the agreement ensure compliance with transfer pricing rules. The value in use was calculated on the basis of financial projections for the period from January 2024 until December 2029 and the residual value. The recoverable amount was set at PLN 166.5 m.

Sensitivity analysis

For the test of Energa Logistyka Sp. z o.o.'s shares, an analysis of the impact of a change in the discount rate on the valuation was carried out. An adverse 5 p.p. increase in WACC does not result in reducing the reversed impairment loss.

11. Intangible assets

	Licenses and patents	Other intangible assets	Intangible assets not in use	TOTAL
Gross value				
As at 1 January 2023	**14**	**23**	**36**	**73**
Purchase of intangible assets (including assets not in use)	-	-	22	**22**
Settlement of intangible assets not in use	20	1	(21)	**-**
Sale, disposal	(20)	(1)	-	**(21)**
Liquidation	(1)	(10)	-	**(11)**
As at 31 December 2023	**13**	**13**	**37**	**63**
Accumulated amortization (depreciation)				
As at 1 January 2023	**(13)**	**(22)**	**-**	**(35)**
Amortization for the period	(1)	-	-	**(1)**
Liquidation	1	10	-	**11**
As at 31 December 2023	**(13)**	**(12)**	**-**	**(25)**
Impairment loss				
As at 1 January 2023	**-**	**-**	(25)	**(25)**
As at 31 December 2023	**-**	**-**	**(25)**	**(25)**
Net value as at 1 January 2023	**1**	**1**	**11**	**13**
Net value as at 31 December 2023	**-**	**1**	**12**	**13**

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	Licenses and patents	Other intangible assets	Intangible assets not in use	TOTAL
Gross value				
As at 1 January 2022	**14**	**23**	**31**	**68**
Purchase of intangible assets (including assets not in use)	-	-	5	**5**
As at 31 December 2022	**14**	**23**	**36**	**73**
Accumulated amortization (depreciation)				
As at 1 January 2022	**(12)**	**(22)**	**-**	**(34)**
Amortization for the period	(1)	-	-	**(1)**
As at 31 December 2022	**(13)**	**(22)**	**-**	**(35)**
Impairment loss				
As at 1 January 2022	**-**	**-**	**(25)**	**(25)**
As at 31 December 2022	**-**	**-**	**(25)**	**(25)**
Net value as at 1 January 2022	**2**	**1**	**6**	**9**
Net value as at 31 December 2022	**1**	**1**	**11**	**13**

12. Right-of-use assets

	Buildings, premises and civil engineering structures	Transport equipment	TOTAL
Gross value			
As at 1 January 2023	**62**	**2**	**64**
Revaluation	50	-	**50**
Direct purchase	-	1	**1**
Other changes	-	(1)	**(1)**
As at 31 December 2023	**112**	**2**	**114**
Accumulated amortization (depreciation)			
As at 1 January 2023	**(46)**	**(1)**	**(47)**
Amortization for the period	(10)	(1)	**(11)**
Other changes	-	1	**1**
As at 31 December 2023	**(56)**	**(1)**	**(57)**
Net value as at 1 January 2023	**16**	**1**	**17**

	Buildings, premises and civil engineering structures	Transport equipment	TOTAL
Gross value			
As at 1 January 2022	**61**	**2**	**63**
Revaluation	1	**-**	**1**
As at 31 December 2022	**62**	**2**	**64**
Accumulated amortization (depreciation)			
As at 1 January 2022	**(34)**	**(1)**	**(35)**
Amortization for the period	(12)	-	**(12)**
As at 31 December 2022	**(46)**	**(1)**	**(47)**
Net value as at 1 January 2022	**27**	**1**	**28**
Net value as at 31 December 2022	**16**	**1**	**17**

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The Company uses an exemption by not presenting short-term leases and those leases for which the value of the underlying asset does not exceed USD 5,000 as right-of-use assets.

13. Cash and cash equivalents

Cash in the bank earns interest at variable interest rates, the level of which depends on the interest rate applicable to overnight bank deposits. Short-term deposits are made for different periods, from one day to three months, depending on the Company's current cash requirements and earn interest at interest rates negotiated individually with banks.

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

	As at 31 December 2023	As at 31 December 2022
Cash at bank	2	674
Total cash and cash equivalents presented in the statement of financial position, of which:	**2**	**674**
Unrealized exchange differences and interest	-	-
Total cash and cash equivalents presented in the statement of cash flows	**2**	**674**

In connection with the application of the split payment mechanism, the Company holds restricted cash in the amount of PLN 1 m.

14. Other non-current assets

	As at 31 December 2023	As at 31 December 2022
Capital contributions	1,066	177
Investment receivables	51	47
Property, plant and equipment	-	2
Other	2	2
TOTAL	**1,119**	**228**

Lease receivables (also shown in Note 15) are related to the Company's IT centralization function of providing related companies with the software, e.g. SAP, necessary for their operations. The Company does not identify any risks associated with this activity.

15. Trade receivables and other current financial receivables

	As at 31 December 2023	As at 31 December 2022
Loan granted measured at amortized cost	191	321
Loan granted measured at fair value through profit or loss	-	42
Investment receivables	16	21
Current financial receivables	49	-
Trade receivables	4	15
TOTAL	**260**	**399**

16. Other current assets

	As at 31 December 2023	As at 31 December 2022
Settlements within the Energa Tax Group	38	3
Taxes, customs duties, social security and other benefits	19	24
Advances for deliveries	5	8
Prepayments and accruals	16	4
Other current assets	-	1
TOTAL	**78**	**40**

17. Share capital and other components of equity

17.1. Share capital

As at 31 December 2023, Energa SA's share capital is PLN 4,522 m and has not changed in the current year.
The table below presents the ownership structure of the Company:

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	As at 31 December 2023	As at 31 December 2022
Orlen S.A.		
share in capital	90.92%	90.92%
share in voting rights	93.28%	93.28%
Other shareholders		
share in capital	9.08%	9.08%
share in voting rights	6.72%	6.72%

17.2. Par value of shares

All outstanding shares have the aggregated par value of PLN 4,522 m and have been fully paid up.

17.3. Shareholders' rights

At the end of the reporting period, Orlen S.A. owned 376,488,640 shares of the Company, constituting 90.92% of its share capital and carrying 521,416,640 votes at the General Meeting, which makes up 93.28% of the total number of votes at the General Meeting (including 144,928,000 registered series BB shares, voting preferred with one series BB share carrying two votes at the General Meeting).

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

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

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

Resolution No 3 of the Company's Extraordinary General Meeting of 29 October 2020 to withdraw 269,139,114 series AA ordinary bearer shares of the Company, designated by Central Securities Depository of Poland as ISIN PLENERG00022, from trading on the regulated market operated by the Warsaw Stock Exchange was challenged in two judicial proceedings.

In the first proceedings (Case No IX GC 1158/20), on 11 May 2022, the Management Board of Energa SA became aware that on the same day the Regional Court in Gdansk, 9th Commercial Department, issued a judgment dismissing the Company's shareholders' claim for revocation of Resolution No 3 of the Company's Extraordinary General Meeting of 29 October 2020 to withdraw 269,139,114 series AA ordinary bearer shares of the Company, designated by Central Securities Depository of Poland as ISIN PLENERG00022, from trading on the regulated market operated by the Warsaw Stock Exchange. The judgment is not final.

On 8 August 2022, the plaintiffs filed an appeal, a copy of which was served on the Company's attorneys on 26 September 2022. On 10 October 2022, a response to the appeal was filed on behalf of the Company. On 27 March 2023, a letter from the Plaintiffs was served on the Company's attorneys, in which the Plaintiffs relied on a judgment of the Regional Court in Gdańsk of 30 November 2022 issued in the second case for the repeal of the same resolution, along with its statement of reasons. On 26 April 2023, a reply to the Plaintiffs' letter was filed on behalf of the Company. On 6 December 2023, a pleading was filed on behalf of the Company.

In the second proceedings (Case No IX GC 1164/20), on 30 November 2022, the Regional Court in Gdansk, 9th Commercial Department, issued a judgement in the case disclosed by the Company in its current reports No 82/2020 of 16 December 2020 and No 7/2021 of 14 April 2021. The court ruled to:

1) dismiss the claim for invalidation of the resolution No 3 of the Company's Extraordinary General Meeting of 29 October 2020 to withdraw 269,139,114 series AA ordinary bearer shares of the Company, designated by Central Securities Depository of Poland as ISIN PLENERG00022, from trading on the regulated market operated by the Warsaw Stock Exchange;

2) revoke the resolution in question;

3) award court costs from the Company to the plaintiffs.

The judgement was delivered in camera and the grounds are not known. The judgment is not final.

As the Company disagrees with the part of the judgment concerning the revocation of the aforementioned resolution, it has requested a written statement of grounds and filed an appeal on 9 March 2023,

On 23 June 2023, a response to the appeal was served on the Company's attorneys, according to which the plaintiffs requested that the appeal be dismissed in its entirety. On 28 June 2023, in a reply to the response to the appeal, a request for permission to file a preparatory document was filed on behalf of the Company (reply to the response to the appeal), pursuant to which the Company's attorneys requested permission to file a preparatory document on behalf of the Company and to set a 30-day period from the service of the aforementioned permission for addressing the arguments put forward in the response to the appeal.

On 8 November 2023, a letter from the Court of Appeal in Gdańsk was delivered, in which the Court communicated its permission to file a reply to the response to the appeal.

On 29 November 2023, a reply to the response to the appeal was sent on behalf of the Company, in which the Company upheld its previous position.

On 8 December 2023, a notice was published in the Common Courts Information Portal, according to which a remote hearing was scheduled on 29 February 2024.

The hearing was held on 29 February 2024. The court postponed the delivery of its judgement until 21 March 2024. On 21 March 2024, the Court of Appeal in Gdańsk dismissed the appeal brought by the Company in its entirety and ordered the Company to pay the costs of the appeal proceedings, including attorneys' fees, to the plaintiffs. The judgement is final on the date of its delivery.

17.4. Reserve capital

Reserve capital was created as a result of the share capital reduction by PLN 447 m made in connection with the reverse split of the Company's shares in 2013 and distribution of the Company's 2015 net profit in the amount of PLN 571 m. As a result of covering the net loss for 2020 and crediting the net profit for 2021, the value of the reserve capital was increased by PLN 13 m.

17.5. Supplementary capital

Pursuant to the requirements of the Commercial Company Code, joint stock companies are required to create supplementary capital to cover losses.

At least 8% of the company's profit for a given financial year presented in the Company's separate financial statements

is transferred to supplementary capital until the capital reaches at least one third of the Company's share capital. The use of the supplementary capital is decided by the General Meeting, however, the portion of the supplementary capital representing one-third of the share capital may only be used to cover a loss disclosed in the financial statements and cannot be distributed to other purposes. As at 31 December 2023, supplementary capital amounts to PLN 1,711 m or 37.84% of the share capital.

17.6. Retained earnings and restrictions on dividend payments

Retained earnings include capital established and utilized according to the principles defined by provisions of law and the Company's articles of association as well as results of the current reporting period. No restrictions on dividend payments, other than those resulting from provisions of law, exist as at 31 December 2023.

18. Earnings per share

The Company had no dilutive instruments, and therefore diluted net income per share is equal to basic earnings or basic loss. The Company had not discontinued operations.

The data used to calculate earnings per share are presented below.

	Year ended 31 December 2023	Year ended 31 December 2022
Net profit on discontinued operations	37	50
Net profit	**37**	**50**
Number of shares at the end of the reporting period (millions)	**414**	**414**
Number of shares used to calculate earnings per share (millions)	**414**	**414**

19. Dividends and profit distribution/loss coverage

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

20. Liabilities

20.1. Trade liabilities and other financial liabilities

	As at 31 December 2023	As at 31 December 2022
Liabilities to related entities	8	8
trade liabilities	5	2
other	3	6
Liabilities to other entities	18	14
trade liabilities	17	13
other	1	1
TOTAL	**26**	**22**

20.2. Other current liabilities

	As at 31 December 2023	As at 31 December 2022
Settlements within the Energa PGK Tax Group	354	221
Capital contribution liabilities	-	-

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	As at 31 December 2023	As at 31 December 2022
Taxes, customs duties, social security, and other benefits	3	2
Other	3	4
TOTAL	**360**	**227**

21. Grants

	As at 31 December 2023	As at 31 December 2022
Grants received	25	34
TOTAL, of which:	**25**	**34**
Non-current	16	25
Current	9	9

As at 31 December 2023, the Company recognizes as grants received the valuation effect of the preferential credits from the European Investment Bank (EIB) settled over the credit repayment period (see the description in Notes 7.10 and 23.7).

22. Information on related entities

Related party transactions are made based on arm's length prices of goods, products or services delivered.

22.1. Transactions involving parties related to the State Treasury

Orlen SA is the Company's parent company. Energa SA transacts with other related entities and the State Treasury in normal day-to-day business operations. These transactions are carried out on an arm's length basis, and the terms and conditions do not differ from those applicable to third-party transactions. They do not constitute significant transactions. There were also transactions of financial nature (loans, guarantees, banking fees and commissions) with Bank PKO BP, Bank Pekao S.A. and Bank Gospodarstwa Krajowego (banking fees and commissions); see more in Note 23.7.

22.2. Transactions with related entities (excluding State Treasury companies)

Year ended 31 December 2023	Parent Orlen	Subsidiaries	Affiliates	Joint ventures
Net revenue from sales	-	74	3	-
Cost of purchase	2	10	17	-
Dividend income	-	201	-	-
Interest income	-	287	-	-
Other finance income	-	-	14	-
Finance expenses	137	41	-	-

As at 31 December 2023	Parent Orlen	Subsidiaries	Affiliates	Joint ventures
Assets				
Non-current receivables	-	51	-	-
Other non-current financial receivables	-	2,649	-	-
Cash pooling receivables	-	-	-	-
Trade receivables	-	4	-	-
Other current financial receivables	5	207	-	-
Long-term bonds	-	533	-	-
Current bonds	-	11	-	-
Other current assets	-	38	-	-
Equity and liabilities				
Non-current loan liabilities	-	609	-	-
Cash pooling liabilities	169	-	-	-
Current trade liabilities	1	4	3	-
Current part of loans and borrowings	2,304	657	-	-
Other current liabilities	-	354	-	-

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Year ended 31 December 2022	Parent Orlen	Subsidiaries	Affiliates	Joint ventures
Net revenue from sales	-	58	3	-
Cost of purchase	1	8	13	-
Dividend income	-	201	-	-
Interest income	-	297	-	-
Other finance income	-	-	-	88
Finance expenses	51	42	-	-

As at 31 December 2022	Parent Orlen	Subsidiaries	Affiliates	Joint ventures
Assets				
Non-current receivables	-	47	-	-
Other non-current financial receivables	-	2,748	-	-
Cash pooling receivables	-	944	-	-
Trade receivables	-	14	-	-
Other current financial receivables	-	342	-	42
Long-term bonds	-	601	-	-
Current bonds	-	556	-	-
Other current assets	-	3	-	-
Equity and liabilities				
Current provision	-	844	-	-
Current trade liabilities	-	861	-	-
Other financial liabilities	-	9	2	-
Short-term lease liabilities	1,704	2,319	-	-
Current part of loans and borrowings	-	284	-	-

With regard to disclosures of dealings with entities related via the State Treasury, the Company applies the exemption under paragraph 25 of IAS 24.

Transactions of taking up shares in subsidiaries, associates and joint ventures are presented in Note 10. Capital contribution transactions are presented in Notes 23.5.1 and 23.6.

22.3. Compensation paid or due to the Company's Management Board members and Supervisory Board members

	Year ended 31 December 2023	Year ended 31 December 2022
The Management Board		
Short-term employee benefits	5	5
Other long-term benefits	<1	<1
The Supervisory Board		
Short-term employee benefits	1	1
TOTAL	**6**	**6**

22.4. Loans granted to, and other transactions with, Management Board and Supervisory Board members

During the reporting period, there were no loans granted to or other material transactions with members of the Management Board and of the Supervisory Board of ENERGA SA.

22.5. Compensation paid or due to senior management (except for members of the Company's Management Board and Supervisory Board)

	Year ended 31 December 2023	Year ended 31 December 2022
Short-term employee benefits	14	12
TOTAL	**14**	**12**

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NOTES ON FINANCIAL INSTRUMENTS

23. Financial instruments

23.1. Carrying amount of financial instruments by category and class

As at 31 December 2023	Financial assets measured at fair value through profit or loss	Financial assets and liabilities at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	-	-	-	**-**
Cash and cash equivalents	-	2	-	-	**2**
Derivative financial instruments	13	-	17	-	**30**
Shares in subsidiaries, associates and joint ventures	14	-	-	7,544	**7,558**
Bonds	-	544	-	-	**544**
Investment receivables	-	-	-	67	**67**
Other financial receivables	-	2,888	-	-	**2,888**
Trade receivables	-	4	-	-	**4**
Capital contributions	-	1,066	-	-	**1,066**
TOTAL	**27**	**4,504**	**17**	**7,611**	**12,159**
Liabilities					
Loans and borrowings	-	4,075	-	-	**4,075**
Preferential loans and borrowings	-	488	-	-	**488**
Loans and borrowings	-	3,587	-	-	**3,587**
Bonds issued	-	529	-	-	**529**
Lease liabilities	-	-	-	60	**60**
Trade liabilities	-	22	-	-	**22**
Purchase of property, plant and equipment and intangible assets	-	4	-	-	**4**
Cash pooling liabilities	-	169	-	-	**169**
TOTAL	**-**	**4,799**	**-**	**60**	**4,859**

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As at 31 December 2022	Financial assets measured at fair value through profit or loss	Financial assets and liabilities at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Assets					
Cash pooling receivables	-	944	-	-	**944**
Cash and cash equivalents	-	674	-	-	**674**
Derivative financial instruments	18	-	256	-	**274**
Shares in subsidiaries, associates and joint ventures	13	-	-	7,440	**7,453**
Bonds	-	1,158	-	-	**1,158**
Lease receivables	-	-	-	68	**68**
Other financial receivables	42	3,070	-	-	**3,112**
Trade receivables	-	16	-	-	**16**
Capital contributions	-	177	-	-	**177**
TOTAL	**73**	**6,039**	**256**	**7,508**	**13,876**
Liabilities					
Loans and borrowings	-	4,498	-	-	**4,498**
Preferential loans and borrowings	-	646	-	-	**646**
Loans and borrowings	-	3,852	-	-	**3,852**
Bonds issued	-	1,151	-	-	**1,151**
Lease liabilities	-	-	-	21	**21**
Trade liabilities	-	15	-	-	**15**
Liabilities on purchase of property, plant and equipment and intangible assets	-	7	-	-	**7**
Cash pooling liabilities	-	861	-	-	**861**
TOTAL	**-**	**6,532**	**-**	**21**	**6,553**

Separate financial statements for the year ended 31 December 2023 (PLN m)

23.2. Items of income, expenses, profits and losses recognized through profit or loss by category of financial instruments

Year ended 31 December 2023	Financial assets measured at fair value through profit or loss.	Financial assets and liabilities at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Dividends and profit sharing	-	-	-	201	**201**
Interest income/(expense)	-	(20)	(42)	(1)	**(63)**
Foreign exchange differences	-	151	(118)	-	**33**
Revaluation of investments	-	-	-	25	**25**
Other	-	-	-	-	**-**
Net profit/(loss)	**-**	**131**	**(160)**	**225**	**196**
Other comprehensive income	-	-	(80)	-	**(80)**
Comprehensive income	**-**	**131**	**(240)**	**225**	**116**

Year ended 31 December 2022	Financial assets measured at fair value through profit or loss.	Financial assets and liabilities at amortized cost	Hedging derivatives	Financial instruments excluded from the scope of IFRS 9	TOTAL
Dividends and profit sharing	-	-	-	201	**201**
Interest income/(expense)	-	113	(42)	(1)	**70**
Foreign exchange differences	-	-	(11)	-	**(11)**
Revaluation of investments	42	(16)	-	-	**26**
Other	-	(12)	-	-	**(12)**
Net profit/(loss)	**42**	**85**	**(53)**	**200**	**274**
Other comprehensive income	-	-	(39)	-	**(39)**
Comprehensive income	**42**	**85**	**(92)**	**200**	**235**

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23.3. Fair value of financial instruments

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

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

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

	As at 31 December 2023 Level 2	As at 31 December 2022 Level 2
Assets		
Loan receivables	-	42
Hedging derivatives (CCIRS/IRS)	17	256
Other derivatives	13	18

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

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

23.4. Fair value of financial instruments not measured at fair value on an ongoing basis

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

Loan from Energa Finance AB (publ)	Carrying amount	Level 2 fair value
As at 31 December 2023	1,266	1,239
As at 31 December 2022	1,459	1,399

Hybrid bond issue	Carrying amount	Level 2 fair value
As at 31 December 2023	529	624
As at 31 December 2022	1,151	1,270

The fair value measurement of liabilities under loans and under a hybrid bond issue was estimated on the basis of an analysis of future cash flows discounted using market interest rates updated for 31 December 2023.

23.5. Significant items by financial instrument category

23.5.1. Financial assets

Financial assets measured at amortized cost

The Company allocates purchased bonds, loans granted, other than those described in Note 23.3, cash and cash equivalents, cash pooling receivables, trade receivables, other receivables and capital contributions to the category of financial instruments recognized as financial assets measured at amortized cost.

Purchased bonds by issuer as at 31 December 2023 and 31 December 2022 are presented in the table below:

Bonds	As at 31 December 2023	As at 31 December 2022
Energa-Operator SA	544	1,086
Energa Wytwarzanie SA	-	72
TOTAL, of which:	**544**	**1,158**
Non-current	533	601
Current	11	557

The acquired bonds do not require to be covered by a write-down in accordance with the assumptions described in Note 7.12.2.

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Other financial receivables (loans granted)	As at 31 December 2023	As at 31 December 2022
Energa-Operator SA	2,208	2,576
Energa Wytwarzanie SA	426	494
Elektrownia Ostrołęka Sp. z o.o.	-	42
CCGT Ostrołęka Sp. z o.o.	206	-
TOTAL, of which:	**2,840**	**3,112**
Non-current	2,649	2,748
Current	191	364

The loans granted to Energa-Operator SA i Energa Wytwarzanie SA do not require to be covered by a write-down in accordance with the assumptions described in Note 7.12.2.

Trade receivables	As at 31 December 2023	As at 31 December 2022
Not overdue	4	15
Overdue <30 days	-	-
Gross receivables	**4**	**15**
Net receivables, of which	**4**	**15**
Current	4	15

Capital contributions	As at 1 January 2023	Contributions increase	Contributions decrease	Impairment loss recognized	As at 31 December 2023
CCGT Ostrołęka Sp. z o.o.	139	382	-	-	521
CCGT Gdańsk Sp. z o.o.	16	17	-	-	33
CCGT Grudziądz Sp. z o.o.	13	490	-	-	503
Energa Informatyka i Technologie Sp. z o.o.	5	-	-	-	5
Centrum Badawczo-Rozwojowe im. Faradaya Sp. z o.o.	2	-	-	-	2
Energa Wytwarzanie SA	2	-	-	-	2
TOTAL	**177**	**889**	**-**	**-**	**1,066**

The value of the impairment losses on capital contributions is presented in Note 23.6.

Hedging derivatives

Hedging derivatives CCIRS are described in detail in Note 23.8.

Financial assets measured at fair value through profit or loss

Call options for Polimex-Mostostal SA's shares, which are presented in Note 23.3, and receivables from the loan measured at fair value are classified by the Company as financial assets measured at fair value through profit or loss.

Financial instruments excluded from the scope of IFRS 9

The Company recognizes shares in subsidiaries, associates and joint ventures and finance lease receivables as the items of financial assets that are excluded from the scope of IFRS 9.

Finance lease receivables related to the licenses were as follows as at 31 December 2023 and 31 December 2022:

	As at 31 December 2023		As at 31 December 2022	
	Fees	Current value of payments	Fees	Current value of payments
Up to 1 year	17	16	22	21
1 to 5 years	47	44	43	42
Over 5 years	7	7	6	5
TOTAL	**71**	**67**	**71**	**68**
less finance income	(4)	-	(3)	-
TOTAL	**67**	**67**	**68**	**68**

The value of shares in subsidiaries, associates and joint ventures is presented in Note 10.

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23.5.2. Financial liabilities

All of the Company's financial liabilities are classified as financial liabilities measured at amortized cost, except for hedging derivatives and lease liabilities. This category of the Company's financial instruments includes primarily contracted loans and borrowings, issued bonds and cash pooling liabilities.

The following table presents changes in financial liabilities in the reporting period.

	Loans and borrowings	Bonds issued	Total financing liabilities
As at 31 December 2022	**4,498**	**1,151**	**5,649**
Disbursement	4,030	-	4,030
Repayment/Redemption	(4,336)	(578)	(4,914)
Foreign exchange differences	(107)	(48)	(155)
Payment of interest	(269)	(26)	(295)
Other changes	259	30	289
As at 31 December 2023	**4,075**	**529**	**4,604**

Loans and borrowings

Loans and borrowings taken out as at 31 December 2023 and 31 December 2022 are presented in the table below:
Detailed information on contracted external financing is provided in Note 23.7.

	As at 31 December 2023		As at 31 December 2022	
Currency	PLN	EUR	PLN	EUR
Reference rate	WIBOR	Fixed	WIBOR	Fixed
Loan amount				
in a foreign currency	2,809	291	3,041	311
in PLN	2,809	1,266	3,041	1,457
of which loans maturing in:				
up to 1 year (short-term)	2,467	657	2,403	614
1 to 2 years	107	174	332	187
2 to 3 years	70	174	75	375
3 to 5 years	132	261	133	281
over 5 years	33	-	98	-

Bond payables

Liabilities under bonds issued as at 31 December 2023 and 31 December 2022 are presented in the table below:

	As at 31 December 2023	As at 31 December 2022
Currency	EUR	EUR
Reference rate	Fixed	Fixed
Value of the issue		
in a foreign currency	125	245
in PLN	529	1,151
of which loans maturing in:		
up to 1 year (short-term)	6	575
1 to 3 years	12	-
3 to 5 years	511	576
over 5 years	-	-

Detailed information on bonds issued is provided in Note 23.7.

Financial instruments excluded from the scope of IFRS 9

The Company recognizes lease liabilities as the items of financial liabilities that are excluded from the scope of IFRS 9.

Lease liabilities as at 31 December 2023 and 31 December 2022 were as follows:

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	As at 31 December 2023		As at 31 December 2022	
	Fees	Current value of payments	Fees	Current value of payments
Up to 1 year	11	11	15	15
1 to 5 years	49	49	6	6
TOTAL	**60**	**60**	**21**	**21**
Less finance expenses	-	-	-	-
TOTAL	**60**	**60**	**21**	**21**

23.6. Impairment losses on shares in affiliates

Impairment losses on shares in affiliates	As at 1 January 2023	Impairment loss reversal	Impairment loss utilized	As at 31 December 2023
Elektrownia Ostrołęka Sp. z o.o.	(453)	-	-	(453)
Energa Kogeneracja Sp. z o.o.	(555)	-	-	(555)
Energa Logistyka Sp. z o.o.	(25)	25	-	-
Energa Finance AB	(103)	-	-	(103)
Energa Green Development Sp. z o.o.	(7)	-	-	(7)
ElectroMobility Poland SA	(4)	-	-	(4)
Total impairment losses on shares	**(1,147)**	**25**	**-**	**(1,122)**
Energa Kogeneracja Sp. z o.o.	(64)	-	-	(64)
Total impairment losses on capital contributions	**(64)**	**-**	**-**	**(64)**
Total impairment losses	**(1,211)**	**25**	**-**	**(1,186)**

Details of impairment testing of shares are presented in Note 10.

23.7. Available external financing

In the current reporting period and as at the last day of the reporting period and as at the date of preparation of these financial statements, there were no events of default on contractual obligations under the terms and conditions of any external funding acquired.

The external financing available as at 31 December 2023 is presented in the table below:

Financing institution	Type of obligation	Purpose of financing	Date of the agreement	Financing limit under the agreement (for the ENERGA Group)	Available financing amount (for the ENERGA Group)	Nominal debt of Energa SA as at 31.12.2023 (for the ENERGA Group)	Repayment date
European Investment Bank	Loan	Energa-Operator SA investment programme	16-12-2009	1,050	-	120	15-12-2025
European Investment Bank	Loan	Energa-Operator SA investment programme	10-07-2013	1,000	-	367	15-09-2031
Energa Finance AB (publ)	Borrowing	Current operations	21-03-2013	478[1]	-	478[1]	28-02-2026
Energa Finance AB (publ)	Borrowing	Current operations	28-06-2017	783[2]	-	783[2]	28-02-2027
PKO Bank Polski SA	Credit limit	General corporate purposes	20-09-2012	200	-	5[3]	19-09-2022
Nordic Investment Bank	Loan	Construction of Myślino Wind Farm	23-10-2014	68	-	17	15-09-2026
European Investment Bank	Hybrid bonds	Energa-Operator SA investment programme	04-09-2017	543[4]	-	543[4]	12-09-2037[5]
Consortium of banks	Revolving loan	Financing of Energa SA corporate objectives, including financing of everyday operations and financing of Energa SA investment programme, excluding capital expenditure on	17-09-2019	2,000	2,000	-	17-09-2025[6]

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Financing institution	Type of obligation	Purpose of financing	Date of the agreement	Financing limit under the agreement (for the ENERGA Group)	Available financing amount (for the ENERGA Group)	Nominal debt of Energa SA as at 31.12.2023	Repayment date
		coal-based energy production					
SMBC	Revolving loan	Financing of corporate objectives of Energa SA, including financing of day-to-day operations, financing of the investment programme, and refinancing of financial debt, excluding capital expenditure on coal-fired energy	28-07-2020	522[7]	522	-	28-07-2025
Orlen S.A.	Borrowing	Financing of general corporate purposes	09-12-2022	3,000	700	2,300	27-09-2024
European Investment Bank	Loan	Energa-Operator SA investment programme	16-12-2021	652[8]	-	-	16-12-2038
TOTAL				**10,296**	**3,222**	**4,613**	

[1] liability of EUR 110 m converted using the average NBP exchange rate of 31 December 2023

[2] liability of EUR 180 m converted using the average NBP exchange rate of 31 December 2023

[3] value of guarantee limits awarded to Energa SA based on the concluded executive agreements (utilization of the global limit)

[4] liability of EUR 125 m converted using the average NBP exchange rate of 31 December 2023

[5] the maturity date of the bonds is 12 September 2037, with a defined first financing period of 10 years from the date of issue

[6] the loan granted for a period of 5 years from the date of signing of the agreement, with an option to be extended for two one-year terms; the date indicated is the final date of the agreement, the loan is treated as a short-term loan

[7] liability of EUR 120 m converted using the average NBP exchange rate of 31 December 2023

[8] liability of EUR 150 m converted using the average NBP exchange rate of 31 December 2023

23.8. Cash flow hedge accounting

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

FX risk hedging

The special purpose vehicle Energa Finance AB (publ) and Energa SA have signed a loan agreement denominated in EUR for the total amount of EUR 200 m. In order to hedge currency risk under the aforesaid loan, the Company concluded cross-currency interest rate swaps with the nominal value of EUR 200 m ("CCIRS III") in April 2017.

In December 2023, due to the repayment of loan principal of EUR 20 m, the nominal value of CCIRS III was reduced to EUR 180 m. The Company designated the foreign currency risk arising from intercompany loans denominated in EUR directly linked to Eurobonds issued by Energa Finance AB as a hedged position under the above hedging relationships. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the loan granted with the proceeds from the Eurobond issue.

As the hedge the Company designated a CCIRS transaction under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the intercompany loans. The Group expects the hedged flows from the loan and the directly related Eurobonds to occur by February 2027.

In September 2017, Energa SA issued hybrid bonds for the total amount of EUR 250 m. In order to hedge the currency risk under these bonds, the Company concluded CCIRS transactions ("CCIRS IV").

In September 2023, due to the redemption of hybrid bonds in the amount of EUR 125m, part of the transactions concluded under CCIRS IV were settled.

As a hedged position under the above hedging relationships, the Company designated the foreign currency risk arising from the issue of hybrid bonds denominated in EUR. The foreign currency risk is hedged at the level of 100% of the total nominal amount of the issued bonds.

As the hedge the Company designated CCIRS transactions under which the Company receives fixed-rate cash flows in EUR and pays fixed-rate cash flows in PLN. Cash flows received by the Company correspond with the cash flows under the bonds issued. The Company expects that the hedged cash flows will continue until September 2027.

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

The fair value of the hedging instruments is as follows:

	Value in millions PLN	Recognition in the statement of financial position	Change in the fair value of the hedging instrument used as the basis for recognizing hedge ineffectiveness for the period	Nominal amounts of hedging instruments in millions EUR	Nominal amounts of hedging instruments in millions PLN
As at 31 December 2023					
CCIRS III	12	Assets – Derivative financial instruments	None	180	-
CCIRS IV	5	Assets – Derivative financial instruments	None	125	-
As at 31 December 2022					
CCIRS III	112	Assets – Derivative financial instruments	None	200	-
CCIRS IV	138	Assets – Derivative financial instruments	None	250	-
IRS	5	Assets – Derivative financial instruments	None	-	150

Under cash flow hedge accounting, the cash flow hedge reserve (the effective portion of changes in the value of the hedge less deferred tax) decreased in the reporting period by PLN 64 m.

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

	Year ended 31 December 2023	Year ended 31 December 2022
At the beginning of the reporting period	**56**	**87**
Amount recognized in the cash flow hedge reserve in the period, equal to the change in the fair value of hedging instruments	(241)	2
Accrued interest not due transferred from the reserve to finance income/expenses	(3)	-
Revaluation of hedging instruments transferred from the reserve to finance income/expenses	164	(41)
Income tax on other comprehensive income	15	8
At the end of the reporting period	**(9)**	**56**

As at 31 December 2023, no inefficiencies were identified resulting from the applied cash flow hedge accounting.

23.9. Security for the repayment of liabilities

As at the end of the reporting period, there was no collateral established on the Company's assets.

24. Financial risk management principles and objectives

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

Key risks generated by the Company's financial instruments include:
- market risk;
- liquidity risk; and
- credit risk.

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

24.1. Market risk

The Company identifies the following major market risks to which it is exposed:
- interest rate risk;
- foreign exchange risk.

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

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

Interest rate risk

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

The Company identifies exposure to the risk of WIBOR interest rate changes, which involves primarily long-term financial debt and purchased bonds. The Company's financial policy envisages that the risk of changing interest rates is mitigated by keeping a portion of debt at fixed rates. As at 31 December 2023, 39% of financial debt disclosed in the statement of financial position (loans and borrowings and bonds issued) bore a fixed interest rate.

In the interest rate risk sensitivity analysis, the Company uses a parallel shift of the interest rate curve by the possible change in reference interest rates in the coming year. The levels of reference interest rates on the final day of a reporting period were used for this purpose. The extent of potential changes to interest rates was assessed on the basis of volatility of implied interest rate options quoted on the inter-bank market. In the case of WIBOR, due to the low liquidity of the interest rate option market, the shift of the interest rate curve has been assumed arbitrarily.
Interest rate volatility was set based on the average annual volatility of daily historical data for 2023.

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

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

The table below presents sensitivity of financial result before tax and other comprehensive income to reasonably possible interest rate changes, assuming that there are no variations in other risk factors for these financial instrument classes that are exposed to interest rate risk:

Financial assets and liabilities	31 December 2023			Interest rate risk sensitivity analysis as at 31 December 2023			
	Carrying amount	Value at risk		WIBOR		EURIBOR	
	PLN	PLN	EUR	WIBOR + 100 bp	WIBOR -100 bp	EURIBOR + 400 bp	EURIBOR -400 bp
Assets							
Cash pooling receivables	-	-	-	-	-	-	-
Cash and cash equivalents	2	1	-	-	-	-	-
Bonds	544	-	-	-	-	-	-
Loans granted	2,840	2,840	-	28	(28)		
Other derivatives	13	13	-	-	-	-	-
Liabilities							
Cash pooling liabilities	169	169	-	(2)	2	-	-
Loans and borrowings	4,075	2,809	-	(28)	28	-	-
Bonds and debt securities issued	529	-	-	-	-	-	-
Profit or loss before tax				**(2)**	**2**	**-**	**-**
Hedging derivatives	17	17		183	117	(127)	151
Change in other comprehensive income				**183**	**117**	**(127)**	**151**

Financial assets and liabilities	31 December 2022			Interest rate risk sensitivity analysis as at 31 December 2022			
	Carrying amount	Value at risk		WIBOR		EURIBOR	
	PLN	PLN	EUR	WIBOR + 600 bp	WIBOR -600 bp	EURIBOR + 450 bp	EURIBOR -450 bp
Assets							
Cash pooling receivables	944	944	-	57	(57)	-	-
Cash and cash equivalents	674	663	10	40	(40)	-	-
Bonds	1,158	72	-	4	(4)	-	-
Loans granted	3,112	3,112	-	187	(187)		
Other derivatives	18	18	-	1	(1)	-	-
Liabilities							
Cash pooling liabilities	861	861	-	(52)	52	-	-
Loans and borrowings	4,498	3,041	-	(182)	182	-	-
Bonds and debt securities issued	1,151	-	-	-	-	-	-
Change in loss before tax				**55**	**(55)**	**-**	**-**

Separate financial statements for the year ended 31 December 2023 (PLN m)

Financial assets and liabilities	31 December 2022			Interest rate risk sensitivity analysis as at 31 December 2022			
	Carrying amount	Value at risk		WIBOR		EURIBOR	
	PLN	PLN	EUR	*WIBOR + 600 bp*	*WIBOR -600 bp*	*EURIBOR + 450 bp*	*EURIBOR -450 bp*
Hedging derivatives	257	257		490	(20)	(214)	266
Change in other comprehensive income				**490**	**(20)**	**(214)**	**266**

Foreign exchange risk

With regard to financial transactions, the Company is exposed to foreign exchange risk due to the loans from a subsidiary, Energa Finance AB (publ). To hedge that risk, the Company has entered into cross-currency interest rate swap (CCIRS) transactions and has implemented hedge accounting (see the description in Note 7.12.4). In addition, the Company identifies foreign exchange risk relating to its cash.

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

Exchange rate volatility was set based on the average annual volatility of daily historical data for 2023.

The table below presents the sensitivity of the financial result before tax and other comprehensive income to reasonably possible changes of exchange rates, assuming that there are no changes of other risk factors for such classes of financial instruments which are exposed to the exchange rate change risk:

Financial assets and liabilities	31 December 2023		FX risk sensitivity analysis as at 31 December 2023	
	Carrying amount	Value at risk	EUR/PLN	
	PLN	*PLN*	*EUR/PLN rate +15%*	*EUR/PLN rate -15%*
Assets				
Cash and cash equivalents	2	-	-	-
Hedging derivatives	17	1,329	199	(199)
Liabilities				
Loans and borrowings	4,075	1,266	(190)	190
Bonds and debt securities issued	529	529	(79)	79
Change in pre-tax profit (loss)			**(58)**	**58**
Change in other comprehensive income*			**(12)**	**12**

* in respect of hedging derivatives

Financial assets and liabilities	31 December 2022		FX risk sensitivity analysis as at 31 December 2022	
	Carrying amount	Value at risk	EUR/PLN	
	PLN	*PLN*	*EUR/PLN rate + 15%*	*EUR/PLN rate – 15%*
Assets				
Cash and cash equivalents	674	10	2	(2)
Hedging derivatives	257	2,076	311	(311)
Liabilities				
Loans and borrowings	4,498	1,459	(219)	219
Bonds and debt securities issued	1,151	1,151	(173)	173
Change in loss before tax			**(75)**	**75**
Change in other comprehensive income*			**(5)**	**5**

* in respect of hedging derivatives

24.2. Credit risk

The income and receivables generated mainly in transactions with subsidiaries follow from the specific line of Energa SA's business. The financial standing of Group companies is monitored on an ongoing basis by appropriate task forces of Energa SA, and therefore exposure to bad debt risk is immaterial.

With respect to other financial assets, such as cash and cash equivalents, credit risk arises when the other party to a contract is unable to make a payment and the maximum exposure to this risk equals the carrying amount of such instruments.

In accordance with the Financial Policy of the Energa Group, Energa SA is responsible for arranging debt financing on financial market for all Group companies and for distributing such funds to operating companies using the mechanism of internal bond issues and other methods. Energa SA acts here in the capacity of an investor purchasing long-term securities issued by Energa Group companies. The above structure generates credit risk for Energa SA in relation to the servicing of bonds issued by the companies and loans granted. As at 31 December 2023, the par value of the bonds purchased by Energa SA and issued by Energa Group companies was as follows:

- Energa-Operator SA – PLN 533 m;

As at 31 December 2023, the nominal value of Energa SA's loans to Energa Group companies was as follows:

- Energa-Operator SA – PLN 2,213 m;
- Energa Wytwarzanie SA – PLN 423 m,
- Energa CCGT Ostrołęka Sp. z o.o. – PLN 205 m.

Guarantees and sureties granted to subsidiaries in favour of third parties amounted to PLN 5,501 million and PLN 5,961.5 million as at 31 December 2023 and 31 December 2022, respectively. They mainly involved a surety granted to Energa Finance AB (publ) for liabilities arising from the issuance of Eurobonds and also security for liabilities arising from the operations of Enspirion Sp. z o.o.

Information on Energa's surety and guarantee activities as at 31 December 2023

No.	Date surety or guarantee granted	End date of surety or guarantee	Entity for which surety or guarantee was granted	Entity in favour of which surety or guarantee was granted	Form of surety or guarantee granted	Amount of surety or guarantee (in PLN million)	Amount of liability as at 31 December 2023 covered by surety or guarantee (in PLN million)
1.	2012-11-15	2033-12-31	Energa Finance AB	bondholders	surety agreement*	5 435,0	1 283,6
2.	2018-10-31	2026-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10,1	1,5
3.	2019-11-15	2027-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	10,8	2,1
4.	2020-12-03	2028-01-01	ENSPIRION Sp. z o.o.	Polskie Sieci Elektroenergetyczne SA	surety agreement	17,2	17,2
5.	2020-12-03	2024-12-31	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2,0	2,0
6.	2021-01-05	2024-12-31	ENSPIRION Sp. z o.o.	Cognor SA	surety agreement	2,0	2,0
7.			Other Energa Group companies		surety** - guarantee agreement	23,9	1,3
	TOTAL					**5 501,0**	**1 309,7**

** The Euro Medium Term Note (EMTN) programme for up to EUR 1,000,000,000 was established on 15 November 2012. As part of the EMTN Programme, Energa Finance AB (publ), a subsidiary of Energa SA, organized and existing under the laws of Sweden, can issue Eurobonds with maturities of one to ten years. Under a surety agreement dated 15 November 2012, as amended on 16 February 2017, Energa undertook to unconditionally and irrevocably guarantee the Eurobond liabilities of Energa Finance AB (publ) up to EUR 1,250,000,000 up to and including 31 December 2033. On 19 March 2013, Energa Finance AB (publ) issued the first series of Eurobonds totalling EUR 500,000,000 which were redeemed on 19 March 2020; on 7 March 2017, it issued the second series of Eurobonds totalling EUR 300,000,000 and maturing on 7 March 2027.*

*** Civil-law sureties granted by Energa for liabilities of the Energa Group companies arising from bank guarantees granted by Bank PKO BP SA under guarantee facilities dedicated to Energa Group companies. Each facility is available until 19 September 2022. The end dates of guarantees provided under each facility can fall beyond the end date of the facility itself. The repayment of liabilities is secured by a civil-law surety.*

24.3. Liquidity risk

Liquidity risk involves the probability of becoming unable to pay current liabilities on time or losing the potential benefits of over-liquidity. The Company is exposed to liquidity risk arising from the ratio of current assets to current liabilities. As at 31 December 2023 and 31 December 2022, the current liquidity ratio was 0.17 and 0.64, respectively. The Company monitors the risk of insufficient funds, which are required to settle the liabilities at maturity dates, using a tool for periodic liquidity planning. This tool is based on projected cash flows from operating, investing and financing activities, which are prepared by all Group companies. Additionally, regular reviews are conducted to test the reliability of the projections. Since the Group's debt operations are centralized within Energa SA, this company monitors the fulfilment of covenants on an ongoing basis and their long-term projections, enabling the determination of the Energa Group's ability to incur new debt.

In the first half of 2023, the Energa Group had a one-way zero-balancing cash pooling service in place for funds in Polish zloty with the participation of banks: Pekao SA and PKO BP SA. The tool supported effective liquidity management within the Group at the level of the holding company by financing operations primarily with funds generated by the Group and only then with debt financing. At the end of each business day, cash owned by the Group's companies was consolidated on Energa SA's accounts and on the following day it could be used to finance payment liabilities of the individual participants.

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In the second half of 2023, having agreed with Orlen, Pekao SA and PKO BP SA on all legal, financial and technical aspects related to the preparation of the new cash pooling structure,

Energa SA and the other Energa Group companies were integrated into Orlen's cash pooling structure with these banks. Energa Group's cash pooling structure was brought to an end.

In respect to liquidity risk management, the Company aims at maintaining the balance between continuity and flexibility of financing through the use of various sources of financing, such as overdraft facilities, bank loans, bonds, Eurobonds and finance lease agreements. Details of the main external financing contracted by the Company are provided in Note 22.7.

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

	Below 3 months	From 3 to 12 months	From 1 year up to 5 years	Over 5 years	TOTAL
31 December 2023					
Loans and borrowings	523	2,601	918	33	**4,075**
Bonds and debt securities issued	-	6	523		**529**
Cash pooling liabilities	169	-	-	-	**169**
Trade liabilities	22	-	-	-	**22**
Lease liabilities	3	8	49	-	**60**
TOTAL	**717**	**2,615**	**1,490**	**33**	**4,855**

	Below 3 months	From 3 to 12 months	From 1 year up to 5 years	Over 5 years	TOTAL
31 December 2022					
Loans and borrowings	68	2,949	1,383	98	**4,498**
Bonds and debt securities issued	-	611	647		**1,258**
Cash pooling liabilities	861	-	-	-	**861**
Trade liabilities	16	-	-	-	**16**
Lease liabilities	4	11	6	-	**21**
TOTAL	**949**	**3,571**	**2,036**	**98**	**6,654**

The Company's financial assets are comprised mainly of loans granted and cash and cash equivalents. The structure of cash and cash equivalents is presented in Note 13.

NOTE TO THE STATEMENT OF CASH FLOWS

25. Statement of cash flows

Net interest and dividends

	Year ended 31 December 2023	Year ended 31 December 2022
Dividends received	(201)	(201)
Interest received and paid	15	(40)
Interest accrued	85	(1)
TOTAL	**(101)**	**(242)**

OTHER NOTES

26. Capital management

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

The Company monitors its basic debt ratio, that is net debt to EBITDA, estimated on the consolidated basis. As at the reporting date, this ratio was 2.9. Additional information about this ratio is presented in the Report by the Energa SA Management Board on the activities of the Energa Group and Energa SA for the year 2023 in Note 4.3. Structure of assets and liabilities in the consolidated statement of financial position.

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

27. Contingent assets and liabilities

There are no significant contingent assets and liabilities in the Company.

28. Employment structure

The average employment (active and non-active) in the Company was 154 FTEs in the year ended 31 December 2023 and 159 FTEs in the year ended 31 December 2022.

29. Other information significantly affecting the assessment of assets, financial position and the financial result of the Company

Assets held for sale

On 31 July 2023, Energa SA and ORLEN Projekt SA entered into a sale agreement, under which the Company sold 100% of the shares held in Energa Invest Sp. z o.o. The title to the shares passed to ORLEN Projekt SA on 1 August 2023.

Extension of loan maturity

On 28 February 2024, an agreement was signed concerning the extension of maturity of the loan granted by Energa Finance AB (publ). The final maturities of the loans granted on 21 March 2013 and 25 March 2013 were set at 28 February 2026. The principal constituting the object of the signed agreement amounts to EUR 110 m.

The Tax Group

In view of the end of the group's period of operation, an agreement was signed on 26 October 2023 for a new tax group under the name PGK ENERGA 2024. The agreement was signed for a term of three fiscal years from 1 January 2024 until 31 December 2026. The agreement was registered by the Head of the First Mazovian Tax Authority in Warsaw in a decision dated 29 November 2023. The following companies make up the new PGK tax group: Energa SA, Energa-Operator SA, Energa Wytwarzanie SA, Energa Logistyka Sp. z o.o. and Energa Oświetlenie Sp. z o.o.

Impact of armed conflicts on Company's operations

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

The Company monitors the situation in Ukraine on an ongoing basis in terms of its impact on business operations. However, the situation is very volatile and forecasting economic consequences of the war is subject to a high risk of making erroneous assumptions. Considering the highly fluid geopolitical and economic situations, and difficulties in developing or obtaining unreserved and highly likely economic and financial forecasts, it is not possible at the moment to measure the potential impact of the conflict on the Company's activities and financial performance.

Factors such as military developments, the extent and effectiveness of sanctions imposed on Russia and Belarus, and the response of central banks and other financial institutions to the crisis will be of key relevance for a full assessment of the impact of the current situation on the Company's future financial performance.

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

- The risk of the Polish currency's depreciating against major currencies, including specifically against the euro. The Company hedges currency risk to liabilities held in foreign currencies and takes measures aimed at hedging currency risk with respect to planned investment projects;
- Increased risk of attacks on the IT infrastructure on which the Company relies in pursuing its main business objectives, which necessitates higher costs to protect IT systems and the use of more advanced security tools and systems,
- The risk of growth of inflation and interest rates, and consequently the risk of reduced access to or less favourable terms of external funding, may drive up the Company's borrowing costs.

However, the Company does not identify a direct negative impact of the war in Ukraine and the situation in the Gaza Strip on its financial results in 2023.

The Company do not have business relations with business entities registered in Ukraine, Russia, Belarus or Israel.

30. Material subsequent events

Capital contributions

On 29 February 2024, the Company received a refund of its capital contributions from CCGT Grudziądz Sp. z o.o. in the amount of PLN 503 m.

On 18 March 2024, the Company made an additional capital contribution to Energa Kogeneracja Sp. z o.o. in the amount of PLN 46 m.

Purchase of 50% of shares in Elektrownia Ostrołęka sp. z o.o.

On 4 April 2024 Energa SA finalized the purchase of 50% of shares in Elektrownia Ostrołęka sp. z o.o. (EO) from Enea S.A. The Company currently holds 100% of the shares in EO. The acquiree was originally set up to implement a new coal-fired power plant project in Ostrołęka, but due to a change in the project involving a switch from coal to gas, the project is now continued by another SPV. Currently, EO's assets include land, part of which is leased by CCGT Ostrołęka Sp. z o.o., and a railroad siding used by Energa Elektrownie Ostrołęka SA.

The fair value of the consideration transferred was PLN 42 m, which included the purchase of 50% of shares in EO. The aim of the transaction was to take full control of EO in order to leverage its potential and resources, including its real estate, in the implementation of ORLEN Group's strategic investment projects.

Management Board Members

Michał Perlik …………………………………………...
Acting President of the Management Board, Vice-President of the Management Board for Finance and Climate

Sławomir Staszak …………………………………………...
Vice-President of the Management Board

Roman Szyszko …………………………………………...
Vice-President of the Management Board

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Entity responsible for keeping
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ORLEN Centrum Usług Korporacyjnych sp. z o.o.
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Gdańsk, 23 April 2024