ENEA S.A.

SEPARATE FINANCIAL STATEMENTS

for the financial year ended
31 December 2021

in compliance with
EU IFRS

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

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

Members of the Management Board

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

ENEA Centrum Sp. z o.o.

Entity responsible for maintaining accounting

books and preparing financial statements Ewa Nowaczyk

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

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

Poznań, 23 March 2022

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

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021	31 December 2020
Revenue from sales		7 479 914	6 252 751
Excise duty		(73 197)	(65 391)
Net revenue from sales	**8**	**7 406 717**	**6 187 360**
Compensations	8	-	3 284
Lease income		243	312
Revenue from sales and other income		**7 406 960**	**6 190 956**
Other operating revenue	10	13 992	11 390
Change in provision for onerous contracts		(199 282)	17 745
Depreciation/amortisation	9	(6 786)	(5 136)
Employee benefit costs	9	(81 869)	(75 332)
Use of materials and raw materials and value of goods sold	9	(2 854)	(2 794)
Purchase of electricity and gas for sales purposes	9	(7 091 350)	(6 021 789)
Transmission and distribution services	9	(40 518)	(14 597)
Other third-party services	9	(229 931)	(222 568)
Taxes and fees	9	(4 178)	(4 127)
Gain/(loss) on sale and liquidation of property, plant and equipment and right-of-use assets		-	124
Other operating costs	10	(61 240)	(64 981)
Operating loss		**(297 056)**	**(191 109)**
Finance costs	11	(179 495)	(275 906)
Finance income	11	174 344	232 918
Dividend income		545 357	593 694
Change in impairment of interests in subsidiaries, associates and jointly controlled entities	18	175 707	(3 613 242)
Change in impairment of financial assets at amortised cost	32	(15 825)	(144 014)
Profit/(loss) before tax		**403 032**	**(3 397 659)**
Income tax	12	57 377	40 909
Net profit/(loss) for the reporting period		**460 409**	**(3 356 750)**
Other comprehensive income			
Subject to reclassification to profit or loss:			
- measurement of hedging instruments	31	265 199	(108 862)
- income tax		(50 388)	20 684
Not subject to reclassification to profit or loss:			
- restatement of defined benefit plan		2 860	(2 196)
- other		(1 264)	-
- income tax		(543)	417
Net other comprehensive income		**215 864**	**(89 957)**
Comprehensive income for the reporting period		**676 273**	**(3 446 707)**
Net loss/profit attributable to the Company's shareholders		460 409	(3 356 750)
Weighted average number of ordinary shares		441 442 578	441 442 578
Net profit/(loss) per share (in PLN per share)	**13**	**1.04**	**(7.60)**
Diluted profit/(loss) per share (in PLN per share)		**1.04**	**(7.60)**

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

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021	As at 31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	24 096	23 910
Right-of-use assets	16	40 660	29 978
Intangible assets	15	3 385	4 180
Investment properties	17	12 656	13 206
Investments in subsidiaries, associates and jointly controlled entities	18	9 531 789	9 512 925
Deferred income tax assets	12	106 989	101 483
Financial assets measured at fair value	31	164 917	84 848
Debt financial assets at amortised cost	32	5 390 289	6 082 074
Finance lease and sublease receivables		284	513
Costs related to the conclusion of agreements		11 180	11 256
Total non-current assets		**15 286 245**	**15 864 373**
Current assets			
Inventories	19	135 777	65 700
Trade and other receivables	20	2 009 453	1 381 371
Costs related to the conclusion of agreements		11 652	13 428
Assets arising from contracts with customers	22	300 206	228 905
Finance lease and sublease receivables		723	3 274
Financial assets measured at fair value	31	28 194	-
Debt financial assets at amortised cost	32	1 660 454	1 406 802
Cash and cash equivalents	23	1 005 481	530 668
Total current assets		**5 151 940**	**3 630 148**
TOTAL ASSETS		**20 438 185**	**19 494 521**

The separate statement of financial position should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2021	31 December 2020
EQUITY AND LIABILITIES			
Equity			
Share capital		588 018	588 018
Share premium		3 687 993	4 627 673
Revaluation reserve - measurement of financial instruments		-	(17 036)
Revaluation reserve - measurement of hedging instruments		109 277	(105 534)
Reserve capital		5 974 031	5 974 031
Retailed earnings/accumulated losses		444 426	(939 680)
Total equity	**24**	**10 803 745**	**10 127 472**
LIABILITIES			
Non-current liabilities			
Credit facilities, loans and debt securities	27	4 420 974	6 559 586
Lease liabilities	27	37 512	25 884
Employee benefit liabilities	29	54 042	60 146
Financial liabilities measured at fair value	31, 33	-	75 131
Provisions for other liabilities and other charges	30	228 582	-
Total non-current liabilities		**4 741 110**	**6 720 747**
Current liabilities			
Credit facilities, loans and debt securities	27	2 164 492	1 210 519
Trade and other payables	28	828 009	438 241
Liabilities arising from contracts with customers	22	46 108	32 289
Lease liabilities	27	2 576	5 431
Current income tax liabilities		61 535	71 385
Employee benefit liabilities	29	28 351	27 637
Financial liabilities measured at fair value	31	-	64 542
Liabilities concerning the equivalent for rights to free purchase of shares		281	281
Other financial liabilities	31	1 105 251	152 574
Provisions for other liabilities and other charges	30	656 727	643 403
Total current liabilities		**4 893 330**	**2 646 302**
Total liabilities		**9 634 440**	**9 367 049**
TOTAL EQUITY AND LIABILITIES		**20 438 185**	**19 494 521**

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

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital (nominal amount)	Reserve for revaluation and merger accounting	Total share capital	Share premium	Revaluation reserve - measurement of financial instruments	Revaluation reserve - measurement of hedging instruments	Reserve capital	Retained earnings/accumulated losses	Total equity
As at 1 January 2020	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(17 356)**	**5 690 700**	**2 702 180**	**13 574 179**
Net loss for the reporting period	-	-	-	-	-	-	-	(3 356 750)	**(3 356 750)**
Net other comprehensive income	-	-	-	-	-	(88 178)	-	(1 779)	**(89 957)**
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**	**-**	**(88 178)**	**-**	**(3 358 529)**	**(3 446 707)**
Allocation of net profit - transfer	-	-	-	-	-	-	283 331	(283 331)	**-**
As at 31 December 2020	**441 443**	**146 575**	**588 018**	**4 627 673**	**(17 036)**	**(105 534)**	**5 974 031**	**(939 680)**	**10 127 472**
Net profit for the reporting period	-	-	-	-	-	-	-	460 409	**460 409**
Net other comprehensive income	-	-	-	-	17 036	214 811	-	(15 983)	**215 864**
Net comprehensive income recognised in the period	**-**	**-**	**-**	**-**	**17 036**	**214 811**	**-**	**444 426**	**676 273**
Coverage of net loss - transfer	-	-	-	(939 680)	-	-	-	939 680	**-**
As at 31 December 2021	**441 443**	**146 575**	**588 018**	**3 687 993**	**-**	**109 277**	**5 974 031**	**444 426**	**10 803 745**

The separate statement of changes in equity should by analysed in conjunction with the additional information and explanations, which constitute an integral part of these separate financial statements.

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

SEPARATE STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Net profit/(loss) for the reporting period		460 409	(3 356 750)
Adjustments:			
Income tax in profit or loss	12	(57 377)	(40 909)
Depreciation/amortisation	9	6 786	5 136
Gain on sale and liquidation of property, plant and equipment		-	(124)
Loss on sale of financial assets		(9 790)	1 959
Interest income		(144 534)	(183 768)
Dividend income		(545 357)	(593 694)
Interest costs		164 458	239 696
Impairment of interests		(175 707)	3 613 242
Impairment of financial assets at amortised cost		15 825	144 014
Other adjustments		-	1 558
Total adjustments		**(745 696)**	**3 187 110**
Paid income tax		(426 106)	(172 024)
Flows resulting from settlements within tax group		434 849	215 016
Changes in working capital:			
Inventories		(70 077)	151 760
Trade and other receivables	37	(694 822)	(315 718)
Trade and other payables	37	385 142	(109 988)
Employee benefit liabilities	37	(2 530)	(1 978)
Provisions for other liabilities and other charges	37	417 613	(8 779)
Total changes in working capital		**35 326**	**(284 703)**
Net cash flows from operating activities		**(241 218)**	**(411 351)**
Cash flows from investing activities			
Purchase of non-current property, plant and equipment and intangible assets and right-of-use assets		(1 070)	(711)
Proceeds from sale of non-current property, plant and equipment and intangible assets and right-of-use assets		-	124
Purchase of financial assets	37	(965 064)	(3 149 415)
Proceeds from sale of financial assets	37	1 453 549	2 776 286
Purchase of subsidiaries		(4 813)	(9 300)
Purchase of associates and jointly controlled entities		(707)	(1 700)
Sale of associates and jointly controlled entities		982	-
Received dividends		545 357	593 694
Received interest		106 047	191 046
Other inflows from financing activities		(533)	-
Net cash flows from investing activities		**1 133 748**	**400 024**
Cash flows from financing activities			
Repayment of credit and loans	37	(203 413)	(162 080)
Bond buy-back	37	(997 110)	(1 894 310)
Expenditures concerning lease payments		(6 198)	(5 549)
Interest paid		(163 673)	(264 251)
Net cash flows from financing activities		**(1 370 394)**	**(2 326 190)**
Total net cash flows		**(477 864)**	**(2 337 517)**
Cash at the beginning of reporting period	23	378 094	2 715 611
Cash at the end of reporting period	**23**	**(99 770)**	**378 094**

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

ADDITIONAL INFORMATION AND EXPLANATIONS

General information

1. General information on ENEA S.A.

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

ENEA S.A., back then operating as Energetyka Poznańska S.A., was entered into the National Court Register at the District Court in Poznań on 21 May 2001, under KRS number 0000012483.

The Company's registered office address was changed on 13 December 2021, from ul. Górecka 1, 60-201 Poznań to ul. Pastelowa 8, 60-198 Poznań.

As at 31 December 2021, ENEA S.A.'s shareholding structure was as follows:

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

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

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

The Company's duration is indefinite. Its activities are conducted on the basis of relevant concessions issued for the Company.

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

2. Group composition

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

The main business activity of ENEA S.A. is trade of electricity.

Accounting rules

Subsidiaries

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

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

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

Associates and jointly controlled entities

Associates are all entities in respect of which the Company exerts a significant influence but does not have control, which typically means holding 20-50% of voting rights.

Jointly controlled entities are all entities in respect of which the Company exercises, through contractual arrangements, control jointly with other entities.

Investments in subsidiaries and associates are measured at purchase price less impairment. Impairment of investments is recognised in finance costs and is not treated as tax deductible. If the reasons for which an impairment loss had been recognised cease, all or part of the previously recognised impairment loss increase the investment's value and is classified into finance income (not taxable).

Mergers and acquisitions

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

Purchase of associates and jointly controlled entities

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

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

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

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

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

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

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

[6] – on 7 May 2021 an Extraordinary General Meeting of ENEA Innowacje Sp. z o.o. adopted a resolution regarding an increase of the company's share capital by PLN 4 500 thousand, i.e. from PLN 26 360 thousand to PLN 30 860 thousand, by issuing 45 000 new shares with a nominal value of PLN 100.00 each. All of the new-issue shares were acquired by

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ENEA S.A. and were paid for with a cash contribution. The share capital increase was registered at the National Court Register on 1 July 2021.

[7] – on 12 April 2021 an Extraordinary General Meeting of ENEA Badania i Rozwój Sp. z o.o. adopted a resolution on a merger with ENEA Innowacje Sp. z o.o. through the acquisition of ENEA Badania i Rozwój Sp. z o.o. by ENEA Innowacje Sp. z o.o. The merger of ENEA Innowacje Sp. z o.o. and ENEA Badania i Rozwój Sp. z o.o. was entered in the National Court Register on 1 June 2021.

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

[9] – in September 2021 the sale of 187 500 Polimex – Mostostal S.A. shares previously held by ENEA S.A. was finalised, thus decreasing ENEA S.A.'s stake in that company's share capital from 16.48% to 16.40%. On 30 August 2021, the Company submitted a demand to exercise its call option and made a bank transfer for 187 500 Polimex - Mostostal S.A. shares. In November 2021, ENEA S.A. submitted a demand to exercise its call option and made a bank transfer for 125 000 Polimex - Mostostal S.A. shares. An increase in the share capital of Polimex – Mostostal by PLN 2 500 thousand was registered on 16 February 2022. ENEA S.A. currently holds a 16.45% stake in that company's share capital.

[10]- on 14 December 2021 ENEA Nowa Energia Sp. z o.o. executed an agreement to purchase 100 shares in SUN ENERGY 7 Sp. z o.o., based in Główczyce, with a nominal value of PLN 50.00 each and total nominal value of PLN 5 thousand, constituting 100% of share capital, for the total price of PLN 2 921 thousand (PLN 29 209.24 per share), along with an agreement to purchase 100 shares in GPK energia Sp. z o.o., based in Krzęcin, with a nominal value of PLN 50.00 each and total nominal value of PLN 5 thousand, constituting 100% of share capital, for the total price of PLN 487 thousand (PLN 4 865.44 per share).

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

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

3. Management Board and Supervisory Board composition

Management Board

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

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

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Supervisory Board

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

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

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

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

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

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

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

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

4. Basis for preparing financial statements

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

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

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

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

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

The Company prepares ENEA Group's consolidated financial statements in compliance with EU IFRS. In the consolidated financial statements, entities in which the Company directly or indirectly holds a stake and at least half of voting rights or exerts control in another manner are subject to full consolidation. ENEA Group's consolidated financial statements were approved by the Management Board of ENEA S.A. on the same date as the separate financial statements.

ENEA S.A.'s separate financial statements should be read in conjunction with ENEA Group's consolidated financial statements for the period from 1 January to 31 December 2021 in order to obtain full information on the Group's financial situation and results.

These separate financial statements contain the financial information referred to in art. 44 sec. 2 of the Act of 10 April 1997 - Energy Law, presented in note 35 ("regulatory financial information").

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

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

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

Preparing separate financial statements in accordance with EU IFRS requires the Management Board to adopt certain assumptions and make estimates that have an impact on the adopted accounting rules and the amounts shown in separate financial statements and notes to financial statements. Assumptions and estimates are based on the Management Board's best knowledge regarding current and future events and activities. However, actual results may differ from forecasts. The key areas where the Management Board's estimates have considerable impact on separate financial statements are presented in the following explanatory notes:

Notes describing significant estimates and assumptions

Notes describing significant estimates and assumptions	Note
Impairment of interests in subsidiaries, jointly controlled entities and associates	18
Tax	12
Property, plant and equipment	14
Intangible assets	15
Right-of-use assets	16
Investment properties	17
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Trade and other receivables	20
Assets and liabilities arising from contracts with customers	22
Cash and cash equivalents	23
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Financial instruments and fair value	31

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

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

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

The Company intends to apply them to periods for which they will be in effect for the first time. ENEA S.A. is currently analysing the impact of the new standards, amendments to standards and interpretations on its financial statements. So far, it has not identified material changes in connection with the implementation of the new standards.

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

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

Changes in applied accounting rules

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

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

ENEA S.A. has identified no impact on its financial statements from implementing the aforementioned amendments to Standards and Interpretations.

7. Functional currency and transactions in foreign currencies

Accounting rules

Functional currency and presentation currency

Items in the Company's financial statements are measured in the currency of the main economic environment in which the Company operates (functional currency). Financial statements are presented in Polish zloty (PLN), which is the functional currency and presentation currency. Items in financial statements are rounded to full thousands of zlotys (PLN 000s), unless otherwise stated.

Transactions and balances

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

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

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

Explanatory notes to the separate statement of comprehensive income

8. Revenue from sales

Accounting rules

Revenue recognition

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

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

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

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

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

- services provided in a continuous manner - the level of revenue depends on consumption (including supply of electricity, natural gas). Revenue is recognised when the Company transfers control over a part of the service being provided. The Company recognises revenue in the amount of remuneration from a customer to which it has a right and which corresponds directly to the value to the customer of the obligation performed so far - this value constitutes the amount that the Company has the right to invoice for;
- provision of goods/services at a point in time (including the sale of property rights). Revenue is recognised when control over the product/service is transferred. Control is transferred when the customer receives the goods or when service is rendered,

Revenue from sales is recognised in the net amount of remuneration when the Company acts as agent, i.e. its performance obligation is subject to the delivery of goods or services by another entity. Such revenue is recognised in the form of fee or commission to which - according to the Company's expectations - the Company will be entitled in exchange for the provision of goods or services by another entity. The fee or commission due for the Company may be a net amount that the Company retains after payment to another entity of consideration in exchange for goods or services provided by this entity.

The Company recognises as revenue the Price difference amount and the Financial compensations from Zarządca Rozliczeń S.A.; this revenue does not constitute public aid.

Costs related to the conclusion of agreements

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

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

Net revenue from sales

	Year ended	
	31 December 2021	31 December 2020
Revenue from the sale of electricity	7 203 950	6 051 294
Revenue from the sale of gas	183 432	131 188
Revenue from the sale of other services	19 335	4 853
Revenue from the sale of goods and materials	-	25
Total net revenue from sales	**7 406 717**	**6 187 360**

The Company recognises revenue when an obligation to provide a consideration by the provision of a promised good or service to the customer is performed (or is being performed). Revenue is recognised on the basis of prices specified in sale agreements, less estimated rebates and other deductions.

The key groups of contracts include electricity sale contracts (including framework contracts) for retail, business, key and strategic customers. Under these contracts, service is provided in a continuous manner and the level of revenue depends on usage.

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

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

	Year ended	
	31 December 2021	31 December 2020
Revenue from continuous services	7 387 382	6 182 482
Revenue from services provided at specified time	19 335	4 878
Total	**7 406 717**	**6 187 360**

9. Operating costs

Accounting rules

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

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

Costs by nature

	Year ended	
	31 December 2021	31 December 2020
Depreciation/amortisation	**(6 786)**	**(5 136)**
Employee benefit costs	**(81 869)**	**(75 332)**
- remuneration	(69 020)	(65 262)
- social insurance and other benefits	(12 849)	(10 070)
Use of materials and raw materials and value of goods and materials sold	**(2 854)**	**(2 794)**
Third-party services	**(270 449)**	**(237 165)**
- transmission and distribution services	(40 518)	(14 597)
- other third-party services	(229 931)	(222 568)
Taxes and fees	**(4 178)**	**(4 127)**
Value of purchased electricity and gas	**(7 091 350)**	**(6 021 789)**
Total	**(7 457 486)**	**(6 346 343)**

Other services primarily include the costs of services being provided to ENEA S.A. by shared services centres.

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

Employee benefit costs

	Year ended 31 December 2021	31 December 2020
Wage costs	**(69 020)**	**(65 262)**
- present wages	(67 803)	(64 095)
- longevity bonuses	(1 425)	(890)
- retirement and disability severance payments	208	(277)
Cost of social insurance and other benefits	**(12 849)**	**(10 070)**
- social security contributions (ZUS)	(7 440)	(4 908)
- contributions to Company Social Benefit Fund (ZFŚS)	(1 716)	(1 651)
- other social benefits	(3 693)	(3 511)
Total	**(81 869)**	**(75 332)**

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

10. Other operating revenue and costs

Other operating revenue

	Year ended 31 December 2021	31 December 2020
Compensation, penalties, fines	2 678	2 508
Other operating revenue	11 314	8 882
Total	**13 992**	**11 390**

Other operating costs

	Year ended 31 December 2021	31 December 2020
Recognition of other provisions	(32 503)	(33 143)
Impairment of receivables	(5 358)	(4 620)
Write-off of impaired receivables	(7 732)	(8 017)
Costs of court proceedings	(3 106)	(7 911)
Trade union costs	(82)	(83)
Other operating costs	(12 459)	(11 207)
Total	**(61 240)**	**(64 981)**

11. Finance income and finance costs

Accounting rules

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

Finance income

	Year ended 31 December 2021	31 December 2020
Interest income	**153 549**	**204 730**
- bank accounts and deposits	1 275	9 201
- bonds	66 183	127 627
- other loans and receivables	85 319	67 257
- financial leases and sub-leases	772	645
Changes in fair value of financial instruments	**20 206**	**27 989**
Other finance income	**589**	**199**
Total	**174 344**	**232 918**

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

Finance costs

	Year ended 31 December 2021	31 December 2020
Interest costs	**(167 302)**	**(241 378)**
- on bank credit	(26 448)	(39 216)
- on bonds	(74 034)	(150 301)
- on leases	(751)	(963)
- on IRS Swap	(64 563)	(38 760)
- other interest	(1 506)	(12 138)
Cost of discount concerning employee benefit	**(902)**	**(1 262)**
Changes in fair value of financial instruments	**(6 093)**	**(29 949)**
Other finance costs	**(5 198)**	**(3 317)**
Total	**(179 495)**	**(275 906)**

12. Tax

Accounting rules

Income tax (including deferred income tax)

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

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

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

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

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

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

Significant judgements and estimates

Recoverability of deferred income tax assets

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

The likelihood of using deferred income tax assets against future tax profits is based on the Company's budget.

Income tax

	Year ended 31 December 2021	31 December 2020
Current tax	940	55 922
Deferred tax	56 437	(15 013)
Total	**57 377**	**40 909**

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

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

	Year ended	
	31 December 2021	31 December 2020
Profit/(loss) before tax	403 032	(3 397 659)
Tax calculated using the 19% rate	(76 576)	645 555
Non-deductible costs (permanent differences) at 19%	(3 049)	(717 448)
Reversal of impairment - Elektrownia Ostrołęka	33 384	-
Dividends received at 19%	103 618	112 802
Increase/(decrease) of financial result due to income tax	**57 377**	**40 909**

Impairment losses on interests in subsidiaries, associates and jointly controlled entities constituted the largest item of non-tax-deductible costs in 2020.

Deferred income tax

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

	As at	
	31 December 2021	31 December 2020
Deferred income tax assets	208 918	144 049
Offset of deferred income tax assets and provision	(101 929)	(42 566)
Deferred income tax assets after offset	**106 989**	**101 483**
Deferred income tax provision	101 929	42 566
Offset of deferred income tax assets and provision	(101 929)	(42 566)
Deferred income tax provision after offset	**-**	**-**

Deferred income tax assets as at 31 December 2021 to be realised within 12 months amounted to PLN 158 788 thousand, while those over 12 months PLN 50 130 thousand.

Deferred income tax provision as at 31 December 2021 to be realised within 12 months amounted to PLN 94 884 thousand, while those over 12 months PLN 7 045 thousand.

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

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

Deferred income tax assets:

	Impairment of receivables	Employee benefit liabilities	Provision for the cost of energy origin certificates	Leases	Measurement of interests	Provision for disputed claims	Provision for onerous contracts	Other	Total
As at 31 December 2019 using the 19% rate	**1 384**	**12 712**	**36 516**	**6 924**	**-**	**27 372**	**13 027**	**27 334**	**125 269**
(Increase)/decrease of financial result due to change in temporary differences	896	(1 662)	(4 594)	(974)	-	11 078	(3 371)	(3 694)	(2 321)
Change recognised in other comprehensive income	-	417	-	-	-	-	-	20 684	21 101
As at 31 December 2020 using the 19% rate	**2 280**	**11 467**	**31 922**	**5 950**	**-**	**38 450**	**9 656**	**44 324**	**144 049**
(Increase)/decrease of financial result due to change in temporary differences	1 064	(555)	35 308	1 667	933	6 176	37 864	7 710	90 167
Change recognised in other comprehensive income	-	(543)	-	-	-	-	-	(24 755)	(25 298)
As at 31 December 2021, using the 19% rate	**3 344**	**10 369**	**67 230**	**7 617**	**933**	**44 626**	**47 520**	**27 279**	**208 918**

As at 31 December 2021, tax losses to be settled in future periods amounted to PLN 45 528 thousand.

Deferred income tax provision:

	Taxable income after end of settlement period	Recorded, uninvoiced sales	Differences between balance sheet value and tax value of tangible assets	Leases	Other	Total
As at 31 December 2019 using the 19% rate	**15 390**	**24 335**	**5 519**	**1 185**	**(16 555)**	**29 874**
(Increase)/decrease of financial result due to change in temporary differences	(4 311)	2 698	(601)	(368)	15 274	12 692
As at 31 December 2020 using the 19% rate	**11 079**	**27 033**	**4 918**	**817**	**(1 281)**	**42 566**
(Increase)/decrease of financial result due to change in temporary differences	9 536	6 876	2 168	(572)	15 722	33 730
Change recognised in other comprehensive income	-	-	-	-	25 633	25 633
As at 31 December 2021, using the 19% rate	**20 615**	**33 909**	**7 086**	**245**	**40 074**	**101 929**

The Company does not have unrecognised deferred tax assets and provisions.

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

13. Profit/(loss) per share

Accounting rules

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

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

Profit/(loss) per share

	Year ended	
	31 December 2021	31 December 2020
Net profit/(loss) attributable to the Company's shareholders	460 409	(3 356 750)
Weighted average number of ordinary shares	441 442 578	441 442 578
Net profit/(loss) per share (in PLN per share)	**1.04**	**(7.60)**
Diluted profit/(loss) per share (in PLN per share)	**1.04**	**(7.60)**

Explanatory notes to the separate statement of financial position

14. Property, plant and equipment

Accounting rules

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

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

Land is not subject to depreciation. For other tangible assets, depreciation is calculated on a straight-line basis throughout the estimated period of use. The base for calculating depreciation constitutes the initial value less final value, if significant. Each significant part of a property, plant and equipment item with a different period of use is depreciated separately. Use periods for property, plant and equipment are as follows:

- buildings and structures 20 – 70 years
- technical equipment and machinery 2 – 40 years
- means of transport 3 – 20 years
- other property, plant and equipment 5 – 15 years

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

External financing costs

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

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

Significant judgements and estimates

Economic life and residual value

The amount of depreciation/amortisation changes is determined on the basis of expected period of use for tangible assets. The verification conducted this year resulted in changes to depreciation/amortisation periods. Their impact on the amount of depreciation/amortisation is negligible.

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

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

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

Property, plant and equipment

For the financial year ended 31 December 2021:

	Land	Buildings and structures	Technical equipment and machinery	Means of transport	Other tangible assets	Total
Gross value						
As at 1 January 2021	**843**	**37 746**	**20 275**	**2 852**	**4 650**	**66 366**
Transfers	-	-	-	-	-	-
Purchase	-	-	-	1 195	-	1 195
Liquidation	-	(9)	-	(52)	-	(61)
Other	-	-	-	-	476	476
As at 31 December 2021	**843**	**37 737**	**20 275**	**3 995**	**5 126**	**67 976**
Accumulated depreciation						
As at 1 January 2021	**-**	**(16 291)**	**(19 856)**	**(2 014)**	**(4 295)**	**(42 456)**
Depreciation	-	(655)	(93)	(189)	(548)	(1 485)
Liquidation	-	9	-	52	-	61
As at 31 December 2021	**-**	**(16 937)**	**(19 949)**	**(2 151)**	**(4 843)**	**(43 880)**
Net value at 1 January 2021	**843**	**21 455**	**419**	**838**	**355**	**23 910**
Net value at 31 December 2021	**843**	**20 800**	**326**	**1 844**	**283**	**24 096**

No collateral was established on property, plant and equipment.

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

For the financial year ended 31 December 2020:

	Land	Buildings and structures	Technical equipment and machinery	Means of transport	Other tangible assets	Tangible assets under construction	Total
Gross value							
As at 1 January 2020	**843**	**37 536**	**19 846**	**2 938**	**4 377**	**727**	**66 267**
Transfers	-	210	429	693	72	(1 404)	-
Purchase	-	-	-	-	-	677	677
Liquidation	-	-	-	(779)	-	-	(779)
Other	-	-	-	-	201	-	201
As at 31 December 2020	**843**	**37 746**	**20 275**	**2 852**	**4 650**	**-**	**66 366**
Accumulated depreciation							
As at 1 January 2020	**-**	**(15 648)**	**(19 807)**	**(2 717)**	**(4 025)**	**-**	**(42 197)**
Depreciation	-	(643)	(49)	(76)	(270)	-	(1 038)
Liquidation	-	-	-	779	-	-	779
As at 31 December 2020	**-**	**(16 291)**	**(19 856)**	**(2 014)**	**(4 295)**	**-**	**(42 456)**
Net value at 1 January 2020	**843**	**21 888**	**39**	**221**	**352**	**727**	**24 070**
Net value at 31 December 2020	**843**	**21 455**	**419**	**838**	**355**	**-**	**23 910**

No collateral was established on property, plant and equipment assets.

Future contract liabilities related to the purchase of property, plant and equipment incurred as at the reporting date but not yet recognised in the statement of financial position reached PLN 210 thousand as at 31 December 2021 (PLN 210 thousand as at 31 December 2020).

15. Intangible assets

Accounting rules

Intangible assets

Intangible assets include: computer software, licences and other intangible assets. Intangible assets are measured at purchase price or cost to manufacture, less accumulated amortisation and accumulated impairment.

Amortisation is calculated on a straight-line basis, using the following estimated period of use:

- for licences and computer software 2 – 10 years,
- for work station licences and software and anti-virus software 2 – 10 years,
- for other intangible assets 2 – 10 years.

Costs of R&D work

The costs of research works are recognised in profit or loss in the period in which they are incurred.

The costs of development works that meet the capitalisation criteria described below, like intangible assets, are measured at purchase price or cost to manufacture, less accumulated amortisation and accumulated impairment. Amortisation is calculated on a straight-line basis, using estimated period of use between 2 and 7 years.

Capitalisation criteria:

- the technical capability to complete the intangible asset so that it is fit for use or sale,
- intention to complete the intangible asset and use or sell it,
- ability to use or sell the intangible asset,
- the way in which this intangible asset will produce future economic benefits. The economic entity should provide the existence of a market for products that are created using the intangible asset or for the intangible asset itself or - if the asset is to be used by the entity - the usefulness of this intangible asset,
- the availability of appropriate technical, financial and other means intended to complete the development works and use or sell the intangible asset,
- the ability to reliably determine expenditures on development works that can be attributed to the intangible asset.

Significant judgements and estimates

Economic life and residual value

The amount of amortisation changes is determined on the basis of expected period of use for intangible assets. Periods of economic life are verified at least once every financial year. The verification conducted this year resulted in changes to amortisation periods.

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

At each balance sheet date ending a financial year, impairment assessments are carried out for intangible assets in accordance with IAS 36. If grounds for impairment are identified, impairment tests are carried out in compliance with IAS 36.

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

Intangible assets

For the financial year ended 31 December 2021:

	Computer software, licences, concessions, patents
Gross value	
As at 1 January 2021	**11 723**
Purchase	90
As at 31 December 2021	**11 813**
Accumulated amortisation	
As at 1 January 2021	**(7 543)**
Amortisation	(885)
As at 31 December 2021	**(8 428)**
Net value at 1 January 2021	**4 180**
Net value at 31 December 2021	**3 385**

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

For the financial year ended 31 December 2020:

	Computer software, licences, concessions, patents
Gross value	
As at 1 January 2020	**11 689**
Purchase	34
As at 31 December 2020	**11 723**
Accumulated amortisation	
As at 1 January 2020	**(7 313)**
Amortisation	(230)
As at 31 December 2020	**(7 543)**
Net value at 1 January 2020	**4 376**
Net value at 31 December 2020	**4 180**

No collateral has been established on intangible assets.

16. Right-of-use assets

Accounting rules

A contract contains a lease if:

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

As lessee, the Company recognises leases in its financial statements as:

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

b) lease liabilities constituting the sum of the present value of lease payments and the present value of payments expected at the end of the lease term.

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

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

The present value of future lease payments is calculated using a discount rate. The Company applies a residual interest rate, i.e. a rate that ENEA S.A. would be required to pay based on a similar lease contract or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral. ENEA S.A. uses an interest rate equal to 6-month WIBOR from the last day of the year preceding the financial year, plus margin. The discount rate will be updated once a year, at the end of the year, and will be in force in the next period.

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

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

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

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

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

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

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

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

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

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

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

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

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

Right-of-use assets

For the financial year ended 31 December 2021:

	Right to perpetual usufruct of land	Buildings	Means of transport	Other	Total
Gross value					
As at 1 January 2021	**27 417**	**8 693**	**2 143**	**-**	**38 253**
Purchase*	17	14 117	68	16	14 218
Liquidation	(24)	(7 616)	(1 315)	-	(8 955)
Other	203	572	-	-	775
As at 31 December 2021	**27 613**	**15 766**	**896**	**16**	**44 291**
Accumulated depreciation					
As at 1 January 2021	**(943)**	**(5 465)**	**(1 867)**	**-**	**(8 275)**
Depreciation	(387)	(3 547)	(292)	(13)	(4 239)
Liquidation	1	7 616	1 263	-	8 880
Other	2	1	-	-	3
As at 31 December 2021	**(1 327)**	**(1 395)**	**(896)**	**(13)**	**(3 631)**
Net value at 1 January 2021	**26 474**	**3 228**	**276**	**-**	**29 978**
Net value at 31 December 2021	**26 286**	**14 371**	**-**	**3**	**40 660**

* conclusion of new contracts

For the financial year ended 31 December 2020:

	Right to perpetual usufruct of land	Buildings	Means of transport	Total
Gross value				
As at 1 January 2020	**27 271**	**8 418**	**2 143**	**37 832**
Purchase	146	275	-	421
As at 31 December 2020	**27 417**	**8 693**	**2 143**	**38 253**
Accumulated depreciation				
As at 1 January 2020	**(557)**	**(2 642)**	**(1 384)**	**(4 583)**
Depreciation	(386)	(2 823)	(483)	(3 692)
As at 31 December 2020	**(943)**	**(5 465)**	**(1 867)**	**(8 275)**
Net value at 1 January 2020	**26 714**	**5 776**	**759**	**33 249**
Net value at 31 December 2020	**26 474**	**3 228**	**276**	**29 978**

The Company uses finance sub-leases to transfer assets - office space. These contracts are executed with Group companies, and ENEA S.A. recognises interest income in the present period's result.

17. Investment properties

Accounting rules

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

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

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

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Significant judgements and estimates

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

Investment properties

	As at 31 December 2021	As at 31 December 2020
Gross value		
As at 1 January	**19 322**	**19 322**
As at 31 December	**19 322**	**19 322**
Accumulated amortisation/depreciation		
As at 1 January	**(6 116)**	**(5 567)**
Depreciation/amortisation	(550)	(549)
As at 31 December	**(6 666)**	**(6 116)**
Net value		
As at 1 January	**13 206**	**13 755**
As at 31 December	**12 656**	**13 206**

No collateral was established on investment properties.

Presented below are revenue and costs related to investment properties:

	Year ended 31 December 2021	Year ended 31 December 2020
Income from investment properties	1 151	1 252
Operating costs related to income-generating investment properties	(883)	(794)

The Company classified an office building and other premises as investment properties. The office building constitutes a major investment property. The Company currently manages the building on its own.

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

18. Investments in subsidiaries, associates and jointly controlled entities

Accounting rules

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

Impairment of non-financial assets

The Company's assets are analysed in terms of impairment whenever indications of possible impairment are identified.

An impairment loss is recognised in the amount by which the asset's balance sheet value exceeds its recoverable value. The recoverable value is determined as the higher of the following two amounts: fair value less cost to sell or usable value (i.e. estimated present value of future cash flows that are expected to be obtained from further use of the asset or cash generating unit). For impairment analysis purposes, assets are grouped at the lowest level where it is possible to identify separate cash flows (cash generating units).

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

Significant judgements and estimates

Impairment tests are conducted based on a number of assumptions, some of which are beyond ENEA S.A.'s control. The key assumptions mainly concern price trajectories for electricity, energy origin certificates, the capacity market and discount rates. Significant changes in these assumptions have an impact on impairment test results and, in consequence, on the Company's financial position and financial results.

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Change in investments in subsidiaries, associates and jointly controlled entities

	Year ended	
	31 December 2021	**31 December 2020**
As at 1 January	**9 512 925**	**12 892 612**
Purchase of investments	36 757	245 922
Sale of investments	(393)	(12 367)
Change in impairment	175 707	(3 596 215)
Other changes	(193 207)	(17 027)
As at 31 December	**9 531 789**	**9 512 925**

The purchase mainly includes shares in the following companies: Miejska Energetyka Cieplna Piła Sp. z o.o., ENEA Innowacje Sp. z o.o. and Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. in Oborniki.

ENEA Innowacje Sp. z o.o.

7 May 2021	Resolution increasing share capital by PLN 4 500 thousand, from PLN 26 360 thousand to PLN 30 860 thousand, by issuing 45 000 new shares with a nominal value of PLN 100.00 each.	Extraordinary General Meeting

ElectroMobility Poland S.A.

19 August 2021	Resolution to increase share capital by PLN 249 996 thousand, to PLN 302 297 thousand, for a total issue price of PLN 250 000 thousand, which was paid for by the State Treasury with a monetary contribution. ENEA S.A. currently holds a 4.325% stake in share capital. ElectroMobility Poland S.A. shares were reclassified into: Financial assets measured at fair value.	Extraordinary General Meeting

Polimex – Mostostal S.A.

August and September 2021	Sale of 187 500 Polimex - Mostostal S.A. shares. On 30 August 2021, the Company submitted a demand to exercise its call option and made a bank transfer for 187 500 Polimex - Mostostal S.A. shares.	-
November and December 2021	In November, the Company submitted another demand to exercise a call option and in December 2021 made a bank transfer for 125 000 Polimex - Mostostal S.A. shares.	-

Przedsiębiorstwo Energetyki Cieplnej sp. z o.o.

16 December 2021	Agreement to purchase from ENEA Wytwarzanie Sp. z o.o. 13 156 shares in Przedsiębiorstwo Energetyki Cieplnej sp. z o.o., based in Oborniki, with a nominal value of PLN 500.00 each and total nominal value of PLN 6 578 thousand, constituting 99.93% of its share capital, for a total of PLN 2 303 thousand.	-

Miejska Energetyka Cieplna Piła sp. z o.o.

16 December 2021	Agreement to purchase from ENEA Wytwarzanie Sp. z o.o. 24 695 shares in Miejska Energetyka Cieplna Piła sp. z o.o., based in Piła, with a nominal value of PLN 1 000.00 each and total nominal value of PLN 24 695 thousand, constituting 71.11% of its share capital, for a total of PLN 28 357 thousand.	-

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Impairment of investments

	As at	
	31 December 2021	31 December 2020
As at 1 January	**4 969 479**	**1 373 264**
Created	-	3 613 242
Used	-	(17 027)
Reversed	(175 707)	-
As at 31 December	**4 793 772**	**4 969 479**

Impairment tests on shares in ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A.

As at 30 September 2021, in connection with information and analyses concerning changes in the market prices of CO_2 emission allowances, electricity, energy origin certificates and a change in Capacity Market conditions as well as forecasts for macroeconomic indicators, the Group carried out impairment tests for its stakes in ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A.

The recoverable amounts result from the sum of the useful values of each Cash-Generating Unit (CGU) within ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A., less financial liabilities. CGUs' useful values were specified using the discounted cash flows method for periods longer than five years. The projection's time frame results from a combination of economic lifetime of each CGU and the long-term impact of new and announced legal regulations. For generating units with expected economic lifetime exceeding the projection period, a residual value was specified.

The recoverable value of equity, calculated as above, is as follows:

- at ENEA Wytwarzanie Sp. z o.o. PLN 1 913 318 thousand (book value: PLN 939 442 thousand),
- at ENEA Ciepło Sp. z o.o. PLN 640 208 thousand (book value: PLN 627 953 thousand),
- at ENEA Elektrownia Połaniec S.A. PLN 3 277 512 thousand (book value: PLN 1 268 087 thousand).

Guided by the prudence principle, the Management Board of ENEA S.A. decided not to reverse the impairment losses on non-financial non-current assets recognised in previous years.

The key assumptions used in the tests are the result of the best knowledge and experience of the Company and its subsidiaries as regards the generation of electricity from various sources, taking into account the specific nature of each CGU's products and events that had taken place or are expected to take place in the future at ENEA Group.

Presented below are the key assumptions used in impairment tests:

- assets were tested in four CGUs (CGU Elektrownie Systemowe Kozienice, CGU Elektrownie Systemowe Połaniec, CGU Zielony Blok and CGU Białystok),
- the main price paths, based on forecasts prepared by ENEA Trading (a company operating as ENEA Group's competence centre for wholesale trade of electricity, emission allowances and fuels), taking into account the specific nature of products and knowledge about existing contracts:
  - wholesale "base" prices for electricity: for 2022-2047: prices are expected to grow from 350.98 PLN/MWh in 2022 to 406.36 PLN/MWh in 2026, followed by a gradual decline at an average of 0.5% in the period 2027-2047 [fixed prices 2021],
  - CO_2 emission allowances: the forecast expects an increase in the prices of CO_2 allowances by an average of 6.3%, from 50.93 EUR/t in 2022 to 2026. Between 2026 and 2040, prices are expected to grow further, by approx. 1.5%. From 2041, further growth at approx. 0.1% is expected [fixed prices 2021],
  - coal: the prices of coal are expected to decline by an average of 0.8%, from 11.41 PLN/GJ until 2047 [fixed prices 2021],
  - biomass: the price of biomass is expected to raise from 24.75 PLN/GJ in 2022 to an average level of 29.43 PLN/GJ in 2023. A 6.5% decline is forecast for 2024, followed by 0.7% average annual growth until 2044 [fixed prices 2021],
  - heating: an average annual increase of approx. 1.7% is forecast until 2044, from the average price level of 72.80 PLN/GJ in 2022 [fixed prices 2021],
  - natural gas: prices are expected to decline until 2023, by approx. 3.9%, from 108.60 PLN/MWh in 2022, followed by price growth until 2047 at an average annual rate of approx. 0.7% [fixed prices 2021],
- quantity of CO_2 emission allowances received for free for 2021-2025 in accordance with a derogation application (pursuant to art. 10c sec. 5 Directive 2003/87/EC of the European Parliament and of the Council),

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- revenue related to maintaining generation capacities from 2021 pursuant to the Act on the Capacity Market, based on previously won auctions,
- inflation, taking into account the inflation target, at a maximum level of 2.5%,
- nominal discount rate - 5.41% [discount rate before tax is 6.21%]. The Company applied a company-specific risk premium for the following CGUs:
    1. CGU Zielony Blok - 2%. Discount rate taking into account company-specific risk premium was 6.06% [discount rate taking into account company-specific risk premium before tax is 6.86%],
    2. CGU Elektrownie Systemowe Kozienice and Elektrownie Systemowe Połaniec - 4%. Discount rate taking into account company-specific risk premium was 6.71% [discount rate taking into account company-specific risk premium before tax is 7.51%],
    3. CGU Białystok - 2.5%. Discount rate taking into account company-specific risk premium was 6.22% [discount rate taking into account company-specific risk premium before tax is 7.02%],
- growth rate in residual period - 0%.

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

The following table shows the impact of selected factors on the total recoverable value (output value) of interests in ENEA Wytwarzanie Sp. z o.o., ENEA Ciepło Sp. z o.o. and ENEA Elektrownia Połaniec S.A.:

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

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**603 649**	**5 831 038**	**(536 003)**
- ENEA Wytwarzanie Sp. z o.o.	359 257	1 913 318	(322 331)
- ENEA Ciepło Sp. z o.o.	149 350	640 208	(122 657)
- ENEA Elektrownia Połaniec S.A.	95 042	3 277 512	(91 015)

Impact of changes in inflation from 2023 (starting point 3.40% for 2023, 2.7% in 2024 and 2.5% in subsequent years)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**(505 816)**	**5 831 038**	**543 661**
- ENEA Wytwarzanie Sp. z o.o.	(267 788)	1 913 318	288 671
- ENEA Ciepło Sp. z o.o.	(119 776)	640 208	132 432
- ENEA Elektrownia Połaniec S.A.	(118 252)	3 277 512	122 558

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

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	**(1 330 973)**	**5 831 038**	**1 314 298**
- ENEA Wytwarzanie Sp. z o.o.	(977 984)	1 913 318	969 567
- ENEA Ciepło Sp. z o.o.	(35 962)	640 208	35 963
- ENEA Elektrownia Połaniec S.A.	(317 027)	3 277 512	308 768

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

Change in assumptions	-1.0%	Output value	+1.0%
Change in recoverable value	**524 118**	**5 831 038**	**(525 772)**
- ENEA Wytwarzanie Sp. z o.o.	423 332	1 913 318	(423 332)
- ENEA Ciepło Sp. z o.o.	10 432	640 208	(10 432)
- ENEA Elektrownia Połaniec S.A.	90 354	3 277 512	(92 008)

In connection with identified indications of potential impairment of non-financial non-current assets at LWB S.A., resulting from the fact that the company's current market capitalisation has long remained at a low level and due to the on-going pandemic, ENEA S.A. carried out an impairment test. The test was based on a comparison of the book value of LWB S.A.'s shares to the shares' recoverable value, estimated on the basis of usable value using the discounted cash flows approach and financial projects for 2020-2051 prepared by LWB Group.

The recoverable amount of shares in Lubelski Węgiel Bogdanka S.A. was thus determined to be PLN 2 271 570 thousand (book value PLN 1 485 716 thousand).

Presented below are the key assumptions used to estimate the usable value of the tested assets:

- all LWB S.A. assets were considered as a single CGU,
- forecast period from 2022 to 2051 - was estimated on the basis of the company's extractable coal resources as of the balance sheet date (available to be mined using the existing infrastructure as of the balance sheet date, mainly concerning shafts), with the operating period ending in 2051. From 2044, the average annual level of extraction declines as a result of the depletion of the Bogdanka deposit and the assumption that only infrastructure that is currently available is to be used);
- average annual volume of coal production and sale in 2022-2030 was set at 9.2mt. The production of type-34 coal will begin in 2025 (according to the current mining plan);
- coal prices in 2022-2027 were based on studies prepared for LWB S.A.'s own purposes and for the entire ENEA Group; the average coal sale price in the period was estimated at 11.18 PLN/GJ, and for 2028-2051 at 10.96 PLN/GJ;
- the entire model is inflation-free;
- real wage growth was assumed for the entire forecast period at a level that reflects the best possible estimate from the Management Board of LWB S.A. as at the test date;
- the discount rate before tax was the weighted average cost of capital (WACC) of 4.03% throughout the entire forecast period, estimated based on macroeconomic assumptions for impairment testing at ENEA Group (using a risk-free rate of 3.31%, beta of 1.16 and inflation of 5% for 2021);
- an average annual level of investment expenditures in the entire forecast period of PLN 332 178 thousand, including on average PLN 470 236 thousand in 2022-2035.

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

Impact of change in financial discount rate (base value 4.03%)

Change in assumptions	-0.5pp	Output value	+0.5pp
Change in recoverable value	**111 601**	**2 271 570**	**(105 316)**

Impact of changes in coal prices

Change in assumptions	-0.5%	Output value	+0.5%
Change in recoverable value	**(93 111)**	**2 271 570**	**93 139**

As a result of the test, it was noted that the recoverable value of LWB S.A. shares is higher than the book value recognised in ENEA S.A.'s statement of financial position. Due to the above, there was no need to recognise the test results in ENEA S.A.'s financial statements.

Implementation of project to build Elektrownia Ostrołęka C

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

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

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

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

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

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

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

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

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

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

- subject to the reservations expressed below, continue cooperation between ENEA S.A. and ENERGA S.A. via the existing special-purpose vehicle, i.e. Elektrownia Ostrołęka Sp. z o.o., and settle costs related to the Project between ENEA S.A. and ENERGA S.A., along with settlements with Project contractors, in accordance with the existing rules,
- take into account PKN Orlen S.A.'s potential role in the Gas Project as a new shareholder,
- ENEA S.A.'s participation in the Gas Project as a minority shareholder with an investment cap, as a result of which the Company will not be an entity co-controlling Elektrownia Ostrołęka Sp. z o.o.,
- subject to the essential corporate approvals, execute a new shareholders agreement regarding the Gas Project that incorporates the aforementioned cooperation rules,
- undertake activities intended to secure financing for the Gas Project by ENERGA S.A. together with PKN Orlen S.A.

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

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

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

Also signed on that day were:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Inventories

Accounting rules

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

Inventory distribution is determined using the weighted average method.

The Company's inventory includes energy origin certificates purchased for redemption, for further sale.

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

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

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

Purchased origin certificates are measured at the purchase price, less any impairment.
In accordance with the Energy Law and the Act on Energy Efficiency, an energy enterprise involved in trade of energy and sales of energy to end customers is required to:

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

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

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

The deadline for performing the obligation to redeem energy origin certificates and energy efficiency certificates or paying substitute fees for each year results from relevant legislation.

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

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

Significant judgements and estimates

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

Inventories

	As at	
	31 December 2021	31 December 2020
Energy origin certificates	135 083	65 489
Goods	694	211
Total	**135 777**	**65 700**

No collateral is established on inventory.

Energy origin certificates

	Year ended	
	31 December 2021	31 December 2020
Net value at the beginning of period	**65 489**	**216 449**
Purchase	455 705	339 953
Depreciation	(386 111)	(490 913)
Net value at the end of period	**135 083**	**65 489**

Costs connected with redeeming energy origin certificates are presented in profit or loss in the following item: Purchase of electricity and gas for sales purposes.

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20. Trade and other receivables

Accounting rules

Trade and other receivables

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

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

Significant judgements and estimates

Impairment of trade and other receivables

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

Trade and other receivables

	As at	
	31 December 2021	31 December 2020
Current trade and other receivables		
Trade receivables	1 604 518	1 189 940
Tax liabilities (excluding income tax)	65 835	-
Other receivables	172 606	172 887
Advances	231 519	77 994
Gross current trade and other receivables	**2 074 478**	**1 440 821**
Minus: impairment of receivables	(65 025)	(59 450)
Net current trade and other receivables	**2 009 453**	**1 381 371**

In the item: Other receivables, the key item is receivables resulting from settlements within the Tax Group.

The balance of advances mainly includes advances for ENEA Trading Sp. z o.o.’s expenses related to purchases of electricity on the TGE power exchange with delivery in the first ten days of January 2022.

Impairment losses are mainly recognised in respect of trade receivables.

21. Company as finance or operating lessor / sublessor

Accounting rules

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

ENEA S.A. recognises operating lease revenue on a straight-line basis throughout the lease term.

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

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

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

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

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

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

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

General information on ENEA S.A. as lessor

ENEA S.A. mainly acts as a lessor in the ENEA Smart contracts. These contracts are classified as finance leases and the Company recognises interest income generated from them.

21.1. Company as finance lessor / sublessor

Reconciling undiscounted contract lease payments with net lease investment

	As at 31 December 2021	As at 31 December 2020
Undiscounted contract lease payments	**1 677**	**4 501**
Unrealised finance income (discount effect)	(670)	(714)
Discounted contract lease payments (net lease investment)	**1 007**	**3 787**

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

	As at 31 December 2021	As at 31 December 2020
Under one year	1 203	3 818
From one to five years	474	683
Value of undiscounted contract payments on finance leases	**1 677**	**4 501**

Income from finance leases

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income from finance leases	**771**	**645**

21.2. Company as operating lessor / sublessor

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

	As at 31 December 2021	As at 31 December 2020
Under one year	175	240
From one to five years	131	306
Value of undiscounted contract payments on operating leases	**306**	**546**

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Income from operating leases

	Year ended 31 December 2021	Year ended 31 December 2020
Income from operating leases	**243**	**312**

22. Assets and liabilities arising from contracts with customers

Accounting rules

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

The Company recognised in its statement of financial position a contract liability consisting of an obligation for the Company to provide goods or services to the customer in exchange for which the Company received remuneration (or is due to receive remuneration) from the customer.

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

Significant judgements and estimates

Uninvoiced revenue from sales at the end of financial period

Unsettled energy sales values are estimated on the basis of estimated electricity consumption in the period from the most recent meter reading to the end of financial year (note 8).

Assets and liabilities arising from contracts with customers

	Assets arising from contracts with customers	Liabilities arising from contracts with customers
As at 1 January 2020	**215 223**	**12 631**
Change in non-invoices receivables	13 731	-
Change in impairment	(49)	-
Other changes	-	19 658
As at 31 December 2020	**228 905**	**32 289**
Change in non-invoices receivables	71 302	-
Change in impairment	(1)	-
Adjustments, prepayments	-	13 819
As at 31 December 2021	**300 206**	**46 108**

The balance of assets arising from contracts with customers mainly covers uninvoiced electricity sales, while the balance of liabilities arising from contracts with customers covers liabilities concerning sales adjustments related to the Act on amendment of the act on excise duty and certain other acts, as well as prepayments.

23. Cash and cash equivalents

Accounting rules

Cash and cash equivalents

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

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

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

Significant judgements and estimates

In accordance with ENEA S.A.'s credit risk assessment rules and the provisions of IFRS 9 as regards impairment tests for cash and cash equivalents as at 31 December 2021; the Company sees potential impact as negligible.

Presentation of deposits at clearinghouse IRGiT

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

Cash and cash equivalents

	As at	
	31 December 2021	31 December 2020
Cash at bank account	**539 411**	**70 580**
including split payment	37 901	30 035
Other cash	**466 070**	**460 088**
- Deposits	460 397	450 013
- Other	5 673	10 075
Total cash and cash equivalents	**1 005 481**	**530 668**
Cash pooling	(1 105 251)	(152 574)
Cash recognised in the statement of cash flows	**(99 770)**	**378 094**

Restricted cash related to VAT split payment as at 31 December 2021 was PLN 37 901 thousand (PLN 30 035 thousand as at 31 December 2020), and deposit at clearinghouse IRGiT as at 31 December 2021 was PLN 500 thousand (PLN 6 500 thousand as at 31 December 2020). No collateral is established on cash.

24. Equity

Accounting rules

Share capital

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

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Equity

As at 31 December 2021

Share series	Number of shares	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			**588 018**
Share premium			3 687 993
Revaluation reserve - measurement of hedging instruments			109 277
Reserve capital and other capitals			5 974 031
Retained earnings			444 426
Total equity			**10 803 745**

As at 31 December 2020

Share series	Number of shares	Nominal value per share (in PLN)	Book value
Series A	295 987 473	1	295 988
Series B	41 638 955	1	41 639
Series C	103 816 150	1	103 816
Total number of shares	**441 442 578**		
Total share capital			**441 443**
Share capital (nominal amount)*			441 443
Capital from settlement of merger			38 810
Share capital from restatement of hyperinflation			107 765
Total share capital			**588 018**
Share premium			4 627 673
Revaluation reserve - measurement of financial instruments			(17 036)
Revaluation reserve - measurement of hedging instruments			(105 534)
Reserve capital and other capitals			5 974 031
Accumulated losses			(939 680)
Total equity			**10 127 472**

**Share capital fully paid-up.*

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

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

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

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

25. Dividends

Accounting rules

Dividend payments to shareholders are recognise as a liability in the Company's financial statements in the period in which they were approved.

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

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

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

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

26. Capital management policy

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

27. Debt-related liabilities

Accounting rules

Financial liabilities, including credit facilities, loans and debt securities

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

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

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

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

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Accounting rules for **financial liabilities** are described in greater detail in the section concerning financial instruments in the note devoted to financial instruments and fair value 31), whereas **lease liabilities** are described in the note concerning right-of-use assets 16).

Credit facilities, loans and debt securities

	As at 31 December 2021	31 December 2020
Bank credit	1 482 757	1 685 532
Bonds	2 938 217	4 874 054
Long-term	**4 420 974**	**6 559 586**
Bank credit	207 055	206 520
Bonds	1 957 437	1 003 999
Short-term	**2 164 492**	**1 210 519**
Total	**6 585 466**	**7 770 105**

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

Credit facilities and loans

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

No.	Company	Lender	Contract date	Total contract amount	Debt at 31 December 2021 (principal)	Debt at 31 December 2020 (principal)	Interest	Final repayment deadline
1.	ENEA S.A.	EIB	18 October 2012 (A) and 19 June 2013 (B)	1 425 000	888 130	1 013 543	Fixed interest rate or WIBOR 6M + margin	17 June 2030
2.	ENEA S.A.	EIB	29 May 2015 (C)	946 000	800 500	878 500	Fixed interest rate or WIBOR 6M + margin	15 September 2032
3.	ENEA S.A.	PKO BP S.A.	28 January 2014, Annex 2 of 4 December 2019	300 000	-	-	WIBOR 1M + margin	31 December 2022
4.	ENEA S.A.	Bank Pekao S.A.	28 January 2014, Annex 2 of 4 December 2019	150 000	-	-	WIBOR 1M + margin	31 December 2022
5.	ENEA S.A.	BGK	7 September 2020	250 000	-	-	WIBOR 1M +margin	7 September 2022
	Total			**3 071 000**	**1 688 630**	**1 892 043**		
Transaction costs and effect of measurement using effective interest rate					1 182	9		
	Total			**3 071 000**	**1 689 812**	**1 892 052**		

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

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

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Bond issue programs

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

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

In the 12-month period ended on 31 December 2021, ENEA S.A. did not execute new bond issue program agreements.

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

Interest rate hedges and currency hedges

These transactions are described in notes 34.4 and 34.5.

Financing terms - covenants

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

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Lease liabilities

	As at 31 December 2021			As at 31 December 2020		
	Lease liabilities	Interest	Total	Finance lease liabilities	Interest	Total
Under one year	2 576	853	3 429	5 431	774	6 205
From one to five years	12 790	3 609	16 399	1 205	3 357	4 562
Over five years	24 722	25 568	50 290	24 679	26 326	51 005
Total	**40 088**	**30 030**	**70 118**	**31 315**	**30 457**	**61 772**

Agreements that are subject to IFRS 16 are leases (passenger vehicles), rights to perpetual usufruct of land, tenancy agreements that meet the definition of a lease (office space in buildings). The Company sets the lease term, i.e. irrevocable lease term, together with:

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

In most of its leases, the Company uses a lease period in line with the contractual period. For leases executed for an indefinite period, the Company determines the minimum contractual period for both of the parties. If the Company is unable to determine how long it intends to use the asset and such an estimate could be treated as a lease term in the case of contracts with an indefinite period, the Company assumes that the irrevocable contractual period will be the termination period for that contract. In the case of rights to the perpetual usufruct of land, the Company sets the lease term in line with the period for which such rights are granted. In 2021, leased items also included parking spots.

Finance lease costs

	Year ended 31 December 2021	Year ended 31 December 2020
Interest cost on lease liabilities	(751)	(963)
Cost of variable lease payments not recognised in measurement of lease liabilities	(28)	-
Total	**(779)**	**(963)**

The present value of future lease payments is calculated using the interest rate implicit in the lease. If the interest rate implicit in the lease is unknown, the Company applies a residual interest rate, i.e. a rate that it would be required to pay based on a similar lease or, if not possible to determine, an interest rate at the commencement date that ENEA S.A. would have to use to make a loan necessary to purchase the given asset for a similar period and with similar collateral.

The Company has the option to apply a practical expedient and not to apply the lease model in reference to:

a) short-term leases (contracts with a term of up to 12 months and without the right to purchase the asset),
b) the leasing of low-value assets, the initial value of which does not exceed PLN 10 thousand (even if the value of such assets is significant after aggregation).

If the Company decides to use this expedient, it recognises lease payments as cost on a straight-line basis throughout the lease term or using another approach that more closely reflects the Company's benefit. This exemption does not apply in situations where the Company transfers the asset under a sub-lease or expects to transfers it.

General information on the Company as lessee

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

Future liabilities concerning rent and tenancy contracts other than leases (this division applies to the period left until contract expiry)

	As at 31 December 2021	As at 31 December 2020
Under one year	77	80
Value of future liabilities concerning rent and tenancy agreements other than a lease	**77**	**80**

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28. Trade and other payables

Accounting rules

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

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

	As at 31 December 2021	As at 31 December 2020
Current trade and other payables, including:		
Trade payables	807 595	348 549
Current tax liabilities (excluding income tax)	14 571	84 857
Liabilities concerning purchase of tangible and intangible assets	407	455
Other	5 436	4 380
Total	**828 009**	**438 241**

29. Employee benefit liabilities

Accounting rules

Short-term employee benefits

ENEA S.A. classifies the following as short-term employee benefits: monthly salary, annual bonus, right to discounts on electricity, short-term paid absences (remuneration for unused vacation time) together with social security contributions, Energy Professionals' Day awards.

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

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

Long-term employee benefits

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

Defined benefit plans

The Company classifies the following as defined benefit plans:

1) Retirement and disability severance payments

   Employees going into retirement (disability) are entitled to cash severance payments. The amount of these payments depends on seniority and the employee's remuneration.

2) Post-mortem payments

   If an employee dies in the course of work or while on disability pension following employment, the family is entitled to a post-mortem payment from the employer. The amount of this payment depends on seniority and the employee's remuneration.

3) Right to rebates in purchasing energy after retirement

   Retiring employees who have been employed at the Company for at least one year have the right to discounts in purchasing energy. Retirees have the right to a cash equivalent of 3 000 kWh x 80% of the electricity price and the variable component of the transmission fee and 100% of the fixed grid fee and instalment fee according to a one-zone tariff generally applicable to households. The cash equivalent is paid out twice a year in an amount constituting half the annual equivalent. The value of this equivalent is indexed by electricity price growth using a tariff generally applicable to households in the year preceding payment. If an employee dies, this right is transferred to the spouse if the spouse collects a family pension.

4) Contribution by the Company to the Company Social Benefit Fund for retirees covered by social services

A contribution by the Company to the Company Social Benefit Fund for retirees covered by social services is made in an amount that is calculated on the basis of binding provisions of law.

Employee benefits are recognised in the statement of financial position under employee benefit liabilities, while changes in provisions are presented in the statement of comprehensive income.

Actuarial gains and losses are fully recognised in other comprehensive income.

Longevity bonus

Other long-term employee benefits at ENEA S.A. include longevity bonuses. The amount of these bonuses depends on seniority and the employee's remuneration. Actuarial gains and losses are fully recognised in present-period profit or loss.

Defined contribution plans

1) Social insurance contributions

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

2) Employee Pension Program

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

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

Employees join the Employee Pension Program on the following terms:

- insurance is in the form of group life insurance with insurance protection,
- the level of base contribution is 7% of the employee's remuneration,
- 90% of the base contribution goes to an investment contribution and 10% to insurance protection.

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

Significant judgements and estimates

A valuation was adopted for employee benefit provisions based on the balance of liabilities at the end of the reporting period concerning expected future payments of benefits, which was calculated by an independent actuary using actuarial methods.

The following liabilities are estimated by the actuary using the Projected Unit Credit Method (the same method as that used in analysing the sensitivity of defined benefit plans):

- retirement and disability severance payments
- post-mortem payments
- right to discounts in purchasing energy after retirement
- contribution by the Company to the Company Social Benefit Fund for retirees covered by social services

This estimate is affected by the discount rate and long-term growth in wages. For calculation purposes, basic data was used for each Group employee individually, as at the end of the reporting period, (taking the employee's gender into account), from the following areas:

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

Actuarial assumptions used in calculating these estimates are presented below.

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Employee benefit liabilities

	As at 31 December 2021	31 December 2020
Remuneration and other liabilities	23 663	22 847
Retirement severance payments	2 203	2 686
Right to rebates in purchasing energy after retirement	42 202	44 964
Contribution to Company Social Benefits Fund for retired employees	5 743	7 333
Post-mortem payments	419	495
Longevity bonus	8 163	9 458
Total employee benefit liabilities	**82 393**	**87 783**
Long-term	*54 042*	*60 146*
Short-term	*28 351*	*27 637*

Changes in the 12 months to 31 December 2021

	Retirement and disability severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2021	**2 686**	**44 964**	**7 333**	**495**	**9 458**	**64 936**
Costs recognised in profit or loss, including:	**363**	**970**	**242**	**68**	**(490)**	**1 153**
cost of present employment	327	345	138	61	1 235	2 106
cost of interest	36	625	104	7	130	902
net actuarial gains/losses arising from ex-post adjustment of assumptions	-	-	-	-	21	21
net actuarial gains/losses arising from adjustment of demographic assumptions	-	-	-	-	(480)	(480)
net actuarial gains/losses arising from change in financial assumptions	-	-	-	-	(1 396)	(1 396)
Costs recognised in other comprehensive income, including:	**(727)**	**(577)**	**(1 412)**	**(144)**	**-**	**(2 860)**
net actuarial gains/losses arising from ex-post adjustment of assumptions	163	3 833	(399)	(32)	-	3 565
net actuarial gains/losses arising from adjustment of demographic assumptions	(200)	(1 509)	(239)	(19)	-	(1 967)
net actuarial gains/losses arising from change in financial assumptions	(690)	(2 901)	(774)	(93)	-	(4 458)
Reduced liabilities concerning payout of benefits (negative value)	**(119)**	**(3 155)**	**(420)**	**-**	**(805)**	**(4 499)**
Total changes	**(483)**	**(2 762)**	**(1 590)**	**(76)**	**(1 295)**	**(6 206)**
As at 31 December 2021	**2 203**	**42 202**	**5 743**	**419**	**8 163**	**58 730**
Long-term	*1 933*	*38 823*	*5 329*	*393*	*7 564*	*54 042*
Short-term	*270*	*3 379*	*414*	*26*	*599*	*4 688*

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Changes in the 12 months to 31 December 2020

	Retirement and disability severance payments	Right to rebates in purchasing energy after retirement	Contribution to Company Social Benefits Fund for retired employees	Post-mortem payments	Longevity bonus	Total
As at 1 January 2020	**2 338**	**44 556**	**7 555**	**448**	**8 405**	**63 302**
Costs recognised in profit or loss, including:	**343**	**1 164**	**267**	**66**	**1 667**	**3 507**
cost of present employment	299	272	114	57	1 140	1 882
cost of interest	44	892	153	9	164	1 262
net actuarial gains/losses arising from ex-post adjustment of assumptions	-	-	-	-	256	256
net actuarial gains/losses arising from adjustment of demographic assumptions	-	-	-	-	(241)	(241)
net actuarial gains/losses arising from change in financial assumptions	-	-	-	-	348	348
Costs recognised in other comprehensive income, including:	**27**	**2 234**	**(45)**	**(20)**	**-**	**2 196**
net actuarial gains/losses arising from ex-post adjustment of assumptions	(54)	(2 754)	(360)	(13)	-	(3 181)
net actuarial gains/losses arising from adjustment of demographic assumptions	(81)	(319)	(70)	(30)	-	(500)
net actuarial gains/losses arising from change in financial assumptions	162	5 307	385	23	-	5 877
Reduced liabilities concerning payout of benefits (negative value)	**(22)**	**(2 990)**	**(444)**	**1**	**(614)**	**(4 069)**
Total changes	**348**	**408**	**(222)**	**47**	**1 053**	**1 634**
As at 31 December 2020	**2 686**	**44 964**	**7 333**	**495**	**9 458**	**64 936**
Long-term	*2 421*	*41 658*	*6 914*	*469*	*8 684*	*60 146*
Short-term	*265*	*3 306*	*419*	*26*	*774*	*4 790*

Actuarial assumptions

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

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Sensitivity analysis for defined benefit plans

Defined benefit plans:	Impact of changes in actuarial assumptions on level of defined benefit plan liabilities	
	+1pp	-1pp
Discount rate	(4 104)	4 860
Expected remuneration growth rate	945	(797)
Average growth in the value of cash equivalent for subsidised electricity purchases	3 475	(3 013)

Maturity of defined benefit plan liabilities

Weighted average period of defined benefit programme liabilities (in years)	As at	
	31 December 2021	31 December 2020
Retirement and disability severance payments	17.5	20.0
Post-mortem payments	10.6	13.2
Right to rebates in purchasing energy after retirement	8.7	10.6
Contribution to Company Social Benefits Fund for retired employees	10.7	12.9

30. Provisions

Accounting rules

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

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

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

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

The Company creates provisions for non-contractual use of land only in relation to claims being pursued in court.

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

Provision for energy origin certificates and energy efficiency certificates

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

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

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

Provisions are measured as follows:

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

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based on the unit substitute fee for the given financial year.

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

Significant judgements and estimates

Provision for non-contractual use of property

Provisions for non-contractual use of land concern claims by owners of properties for which the Company had no legal title. These claims in most cases involve a demand for payment of compensation for non-contractual use of land, establishing rent or in individual cases demands associated with a change of a facility's location (return of land to original condition).

Provision for other claims

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

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

Recognising this provision requires the most accurate estimate of potential compensation for terminating contracts for the purchase of property rights (note 40.6).

Change in provisions for liabilities and other charges

For the financial year ended 31 December 2021:

	Provision for non-contractual use of land	Provision for other claims	Provision for energy origin certificates	Provision for onerous contracts	Provision for settlement of investment	Total
As at 1 January 2021	**2 275**	**200 095**	**168 012**	**50 821**	**222 200**	**643 403**
Increase in existing provisions	231	34 891	341 046	216 927	-	593 095
Use of provisions	(4)	(80)	(155 218)	(17 645)	-	(172 947)
Reversal of unused provision	(331)	(2 204)	-	-	(175 707)	(178 242)
As at 31 December 2021	**2 171**	**232 702**	**353 840**	**250 103**	**46 493**	**885 309**
Long-term	*-*	*-*	*-*	*228 582*	*-*	*228 582*
Short-term	*2 171*	*232 702*	*353 840*	*21 521*	*46 493*	*656 727*

For the financial year ended 31 December 2020:

	Provision for non-contractual use of land	Provision for other claims	Provision for energy origin certificates	Provision for onerous contracts	Provision for settlement of investment	Total
As at 1 January 2020	**3 064**	**166 164**	**192 189**	**68 565**	**-**	**429 982**
Increase in existing provisions	-	39 323	133 794	50 821	222 200	446 138
Use of provisions	(39)	(3 134)	(157 971)	(68 565)	-	(229 709)
Reversal of unused provision	(750)	(2 258)	-	-	-	(3 008)
As at 31 December 2020	**2 275**	**200 095**	**168 012**	**50 821**	**222 200**	**643 403**
Short-term	*2 275*	*200 095*	*168 012*	*50 821*	*222 200*	*643 403*

A description of material claims and conditional liabilities is presented in note 40.

Provision for other claims

In 2021, ENEA S.A. created a PLN 16 498 thousand provision for potential claims related to the termination by ENEA S.A. of agreements to purchase energy origin certificates for renewables, and the value of this provision as at 31 December 2021 was PLN 155 962 thousand (this provision is shown in the table above in the column "Provision for other submitted claims" and detailed information on this provision are presented in note 40.6).

Provision for onerous contracts

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

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

Financial instruments and financial risk management

31. Financial instruments and fair value

Accounting rules

Financial assets

The Company classifies its financial instruments in the following categories:

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

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

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

b) Financial assets at amortised cost

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

c) Financial assets at fair value through other comprehensive income

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

d) Equity instruments through other comprehensive income

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

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

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

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

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

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

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

Financial liabilities, including credit facilities, loans and debt securities

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

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

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

Financial liabilities at fair value through profit or loss include:

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

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

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

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

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

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

Significant judgements and estimates

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

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

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Financial instruments

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

	As at 31 December 2021		As at 31 December 2020	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS				
Long-term	**5 555 490**	**5 570 240**	**6 167 435**	**6 241 259**
Financial assets measured at fair value	164 917	164 917	84 848	84 848
Debt financial assets at amortised cost	5 390 289	5 405 323	6 082 074	6 156 411
Finance lease and sublease receivables	284	*	513	*
Short-term	**4 536 443**	**1 688 648**	**3 302 456**	**1 406 802**
Financial assets measured at fair value	28 194	28 194	-	-
Debt financial assets at amortised cost	1 660 454	1 660 454	1 406 802	1 406 802
Assets arising from contracts with customers	300 206	*	228 905	*
Trade receivables	1 541 385	*	1 132 807	*
Finance lease and sublease receivables	723	*	3 274	*
Cash and cash equivalents	1 005 481	*	530 668	*
TOTAL FINANCIAL ASSETS	**10 091 933**	**7 258 888**	**9 469 891**	**7 648 061**
FINANCIAL LIABILITIES				
Long-term	**4 458 486**	**4 457 556**	**6 660 601**	**6 701 368**
Credit facilities, loans and debt securities	4 420 974	4 457 556	6 559 586	6 626 237
Lease liabilities	37 512	*	25 884	*
Financial liabilities measured at fair value	-	-	75 131	75 131
Short-term	**4 126 429**	**2 164 492**	**1 814 359**	**1 275 061**
Credit facilities, loans and debt securities	2 164 492	2 164 492	1 210 519	1 210 519
Lease liabilities	2 576	*	5 431	*
Trade and other payables	808 002	*	349 004	*
Liabilities arising from contracts with customers	46 108	*	32 289	*
Financial liabilities measured at fair value	-	-	64 542	64 542
Other financial liabilities	1 105 251	*	152 574	*
TOTAL FINANCIAL LIABILITIES	**8 584 915**	**6 622 048**	**8 474 960**	**7 976 429**

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

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	As at 31 December 2020	Gains/losses recognised in financial result due to balance sheet measurement or modification	Interest income/costs	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2021
Financial assets at fair value through profit or loss:	**30 982**	**8 282**	**-**	**-**	**-**	**-**	**6 110**	**45 374**
- financial assets mandatorily measured at fair value through profit or loss	15 982	472	-	-	-	-	(223)	16 231
- financial assets voluntarily measured at fair value through profit or loss	15 000	7 810	-	-	-	-	6 333	29 143
Equity instruments at fair value through other comprehensive income	**53 866**	**(4 913)**	**-**	**-**	**-**	**-**	**(36 366)**	**12 587**
Derivative instruments used in hedge accounting	**-**	**1 292**	**-**	**-**	**-**	**133 858**	**-**	**135 150**
Financial assets at amortised cost:	**9 381 256**	**6 208**	**19 979**	**(15 826)**	**(10 690)**	**-**	**516 888**	**9 897 815**
- debt financial assets at amortised cost	7 488 876	6 208	19 595	(15 825)	(10 690)	-	(437 421)	7 050 743
- trade receivables	1 132 807	-	-	-	-	-	408 578	1 541 385
- assets arising from contracts with customers	228 905	-	-	(1)	-	-	71 302	300 206
- cash and cash equivalents	530 668	-	384	-	-	-	474 429	1 005 481
Finance lease and sublease receivables	**3 787**	**-**	**-**	**-**	**-**	**-**	**(2 780)**	**1 007**
Derivative instruments used in hedge accounting	**(139 673)**	**8 332**	**-**	**-**	**-**	**131 341**	**-**	**-**
Financial liabilities at amortised cost:	**(8 151 398)**	**(26 451)**	**(785)**	**-**	**11 351**	**-**	**727 707**	**(7 439 576)**
- credit facilities, loans and debt securities	(7 770 105)	(26 451)	(785)	-	11 351	-	1 200 524	(6 585 466)
- liabilities arising from contracts with customers	(32 289)	-	-	-	-	-	(13 819)	(46 108)
- trade and other payables	(349 004)	-	-	-	-	-	(458 998)	(808 002)
Other financial liabilities	**(152 574)**	**-**	**-**	**-**	**-**	**-**	**(952 677)**	**(1 105 251)**
Lease liabilities	**(31 315)**	**-**	**-**	**-**	**-**	**-**	**(8 773)**	**(40 088)**
Total	**994 931**	**(7 250)**	**19 194**	**(15 826)**	**661**	**265 199**	**250 109**	**1 507 018**

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	As at 31 December 2019	Gains/losses recognised in financial result due to balance sheet measurement or modification	Interest income/costs	Impairment - expected credit losses	Gain on disposal or derecognition	Other comprehensive income	Change	As at 31 December 2020
Financial assets at fair value through profit or loss:	**22 982**	**9 559**	**-**	**-**	**-**	**-**	**(1 559)**	**30 982**
- financial assets mandatorily measured at fair value through profit or loss	5 182	12 359	-	-	-	-	(1 559)	15 982
- financial assets voluntarily measured at fair value through profit or loss	17 800	(2 800)	-	-	-	-	-	15 000
Equity instruments at fair value through other comprehensive income	**15 866**	**-**	**-**	**-**	**-**	**-**	**38 000**	**53 866**
Derivative instruments used in hedge accounting	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at amortised cost:	**11 232 062**	**(6 363)**	**(12 010)**	**(144 135)**	**21 062**	**-**	**(1 709 360)**	**9 381 256**
- debt financial assets at amortised cost	7 368 937	(6 363)	(7 287)	(144 086)	21 062	-	256 613	7 488 876
- trade receivables	879 692	-	-	-	-	-	253 115	1 132 807
- assets arising from contracts with customers	215 223	-	-	(49)	-	-	13 731	228 905
- cash and cash equivalents	2 768 210	-	(4 723)	-	-	-	(2 232 819)	530 668
Finance lease and sublease receivables	**5 693**	**-**	**-**	**-**	**-**	**-**	**(1 906)**	**3 787**
Financial liabilities at fair value through profit or loss:	**(37)**	**-**	**-**	**-**	**-**	**-**	**37**	**-**
- financial liabilities measured at fair value through profit or loss	(37)	-	-	-	-	-	37	-
Derivative instruments used in hedge accounting	**(23 765)**	**(7 046)**	**-**	**-**	**-**	**(108 862)**	**-**	**(139 673)**
Financial liabilities at amortised cost:	**(10 428 663)**	**1 568**	**24 555**	**-**	**(20 996)**	**-**	**2 272 138**	**(8 151 398)**
- credit facilities, loans and debt securities	(9 831 622)	1 568	24 555	-	(20 996)	-	2 056 390	(7 770 105)
- liabilities arising from contracts with customers	(12 631)	-	-	-	-	-	(19 658)	(32 289)
- trade and other payables	(584 410)	-	-	-	-	-	235 406	(349 004)
Other financial liabilities	**(52 599)**	**-**	**-**	**-**	**-**	**-**	**(99 975)**	**(152 574)**
Lease liabilities	**(36 440)**	**-**	**-**	**-**	**-**	**-**	**5 125**	**(31 315)**
Total	**735 099**	**(2 282)**	**12 545**	**(144 135)**	**66**	**(108 862)**	**502 500**	**994 931**

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	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**22 880**	**151 381**	**18 850**	**193 111**
Equity instruments at fair value through other comprehensive income	-	-	12 587	12 587
Call options (at fair value through profit or loss)	-	16 231	-	16 231
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	135 150	-	135 150
Interests at fair value through profit or loss	22 880	-	6 263	29 143
Debt financial assets at amortised cost	**-**	**7 065 777**	**-**	**7 065 777**
Total	**22 880**	**7 217 158**	**18 850**	**7 258 888**
Credit facilities, loans and debt securities	**-**	**(6 622 048)**	**-**	**(6 622 048)**
Total	**-**	**(6 622 048)**	**-**	**(6 622 048)**

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value	**15 000**	**15 982**	**53 866**	**84 848**
Equity instruments at fair value through other comprehensive income	-	-	53 866	53 866
Call options (at fair value through profit or loss)	-	15 982	-	15 982
Interests at fair value through profit or loss	15 000	-	-	15 000
Debt financial assets at amortised cost	**-**	**7 563 213**	**-**	**7 563 213**
Total	**15 000**	**7 579 195**	**53 866**	**7 648 061**
Financial liabilities measured at fair value	**-**	**(139 673)**	**-**	**(139 673)**
Derivative instruments used in hedge accounting (e.g. interest rate swaps)	-	(139 673)	-	(139 673)
Credit facilities, loans and debt securities	**-**	**(7 836 756)**	**-**	**(7 836 756)**
Total	**-**	**(7 976 429)**	**-**	**(7 976 429)**

Financial assets and financial liabilities at fair value include:

- shares in unrelated entities, the stake in which is below 20%; on 31 December 2021 this line includes a stake in ElectroMobility Poland S.A., for which there is no market price quoted on an active market; having analysed the standard IFRS 9, the Company decided to qualify these interests as financial instruments through other comprehensive income; when the stake in ElectroMobility Poland S.A. was reclassified, it was measured at fair value and the measurement was recognised in the present-period financial result; in the event that interests in unrelated entities are quoted on the Warsaw Stock Exchange, their fair value is determined on the basis of stock market quotes;
- Polimex-Mostostal S.A. call options;
- derivative instruments, which include the measurement of interest rate swaps; the fair value of derivative instruments is established by calculating the net present value based on two yield curves, i.e. a curve to determine discount factors and a curve used to estimate future variable reference rates;

Non-current debt financial assets at amortised cost cover purchased debt securities - bonds and loans maturing in over one year. Fair value is calculated for financial instruments that are based on a fixed rate of interest, based on current WIBOR.

Current debt financial assets at amortised cost cover purchased debt securities - bonds and loans maturing in under one year.

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

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

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

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

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

No transfers between the levels were made in 2021.

As of 31 December 2021, the item 'financial assets at fair value' included, inter alia, options to purchase shares of Polimex-Mostostal S.A. Pursuant to an agreement on call options for Polimex-Mostostal S.A. shares of 18 January 2017, as amended, ENEA S.A. holds 23 call options from Towarzystwo Finansowe Silesia Sp. z o.o. (TFS) for the purchase of 6 937 500 shares with a nominal price of PLN 2 per share. The contractual share allocation date is at the end of each calendar quarter from September 2021 to December 2026. The sale of 187 500 shares of Polimex-Mostostal S.A. held by ENEA S.A. in the Company's share capital was finalised in September 2021, thus reducing ENEA S.A.'s stake from 16.48% to 16.40%. On 30 August 2021, the Company submitted a request to exercise call option 2 and transferred the payment for 187 500 shares of Polimex-Mostostal S.A. In November 2021, the Company submitted another request, regarding call option 3, and transferred the payment for 125 000 Polimex-Mostostal S.A. shares. At the date on which these separate financial statements were prepared, ENEA S.A. held 16.45% of the share capital of Polimex-Mostostal S.A. A fair-value measurement of the call options was carried out using the Black-Scholes model. The book value of the options as of 31 December 2021 was PLN 16 231 thousand (the book value of the options as of 31 December 2020 was PLN 15 982 thousand).

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32. Debt financial assets at amortised cost

Debt financial assets at amortised cost

	As at 31 December 2021	As at 31 December 2020
Current debt financial assets at amortised cost		
Intra-group bonds	1 653 787	554 896
Loans granted	6 667	851 906
Total current debt financial assets at amortised cost	**1 660 454**	**1 406 802**
Non-current debt financial assets at amortised cost		
Intra-group bonds	1 495 032	3 132 273
Loans granted	3 895 257	2 949 801
Total non-current debt financial assets at amortised cost	**5 390 289**	**6 082 074**
Total	**7 050 743**	**7 488 876**

Intra-group financing

ENEA Group has adopted a model for financing investments being implemented by ENEA S.A. through intra-group financing. ENEA S.A. raises long-term capital in financial markets through credit facilities or bond issues and subsequently distributes these within the Group based on intra-group bond issue program agreements or loan agreements. Moreover, ENEA S.A. provides financing to subsidiaries from internal funding.

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Intra-group bonds

The following table presents on-going intra-group bond issue programs as at 31 December 2021 and 31 December 2020:

No.	Bond issuer	Contract date	Amount granted	Amount used	Outstanding bonds as at 31 December 2021 (principal)	Outstanding bonds as at 31 December 2020 (principal)	Interest	Final buy-back deadline
1.	ENEA Nowa Energia Sp. z o.o.	10 March 2011	26 000	26 000	12 000	18 000	WIBOR 6M + margin	31 March 2023
2.	ENEA Wytwarzanie Sp. z o.o.	8 September 2012 agreement for PLN 4 000 000 thousand decreased through Annex 2 of 21 January 2015 to PLN 3 000 000 thousand	3 000 000	2 650 000	1 449 000	1 790 000	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 June 2022
3.	ENEA Operator Sp. z o.o.	20 June 2013 amended through Annex 1 of 9 October 2014 and Annex 2 of 7 July 2015	1 425 000	1 425 000	888 130	1 013 543	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 17 June 2030
4.	ENEA Operator Sp. z o.o.	7 July 2015 amended through Annex 1 of 28 March 2017	946 000	946 000	800 500	878 500	Depending on the series: fixed interest rate or WIBOR 6M + margin	Depending on bond series' issue dates, however no later than by 15 September 2032
	Total				**3 149 630**	**3 700 043**		
Transaction costs and effect of measurement using effective interest rate					(812)	(12 874)		
	Total				**3 148 818**	**3 687 169**		

In the 12-month period ending 31 December 2021 ENEA S.A. did not execute new intra-group bond issue program agreements concerning financing for ENEA Group companies.

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Loans

The following table presents loans issued by ENEA S.A. as at 31 December 2021 and 31 December 2020:

No.	Borrower	Contract date	Total contract amount	Debt at 31 December 2021	Debt at 31 December 2020	Interest	Final repayment deadline
1.	KS „ENERGETYK"	19 May 2019	360	-	360	Fixed	31 January 2020 [On 22 July 2021 the parties executed a memorandum to the agreement, settling their mutual debts]
2.	ENEA Operator Sp. z o.o.	11 July 2019	425 000	-	425 000	WIBOR 6M + margin	20 December 2021
3.	Elektrownia Ostrołęka Sp. z o.o.	30 September 2019	29 000	29 000	29 000	Fixed	29 April 2022
4.	ENEA Operator Sp. z o.o.	13 December 2019	425 000	-	425 000	WIBOR 6M + margin	20 December 2021
5.	Elektrownia Ostrołęka Sp. z o.o.	23 December 2019	170 000	170 000	170 000	Fixed	29 April 2022
6.	ENEA Wytwarzanie Sp. z o.o.	30 January 2020	2 200 000	1 782 034	1 800 000	WIBOR 6M + margin	30 September 2024
7.	ENEA Elektrownia Połaniec S.A.	28 February 2020	500 000	500 000	500 000	WIBOR 6M + margin	20 December 2024
8.	ENEA Operator Sp. z o.o.	12 March 2020	950 000	650 000	650 000	WIBOR 6M + margin	20 December 2024
9.	ENEA Operator Sp. z o.o.	22 June 2021	1 090 000	950 000	-	WIBOR 6M + margin	20 December 2026
10	Miejska Energetyka Cieplna Piła Sp. z o.o.	24 June 2021	15 000	15 000	-	WIBOR 6M + margin	20 December 2031
				4 096 034	**3 999 360**		
Transaction costs and effect of measurement using effective interest rate				31 500	12 431		
impairment of loans				(225 610)	(210 084)		
	Total			**3 901 924**	**3 801 707**		

In the 12-month period ending 31 December 2021 ENEA S.A. executed two new intra-group loan agreements.

On 26 February 2021 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 1 to the PLN 340 million loan agreement of 23 December 2019 and Annex 6 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of the aforementioned annexes, Elektrownia Ostrołęka Sp. z o.o. undertook to make a one-off loan repayment to ENEA S.A. of PLN 170 million and PLN 29 million, respectively, together with interest, by 30 June 2021.

On 22 June 2021, ENEA S.A. and ENEA Operator Sp. z o.o. executed a loan agreement of up to PLN 1 090 000 thousand intended to finance the borrower's expenses planned for 2021. The loan availability period ended on 31 December 2021. In the 12-month period ending 31 December 2021 the Company accessed two tranches, totalling PLN 950 000 thousand.

On 24 June 2021, ENEA S.A. executed a loan agreement with Miejska Energetyka Cieplna Piła Sp. z o.o. of up to PLN 15 000 thousand, intended to finance the borrower's planned expenses. The loan was fully disbursed.

On 30 June 2021, ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 2 to the PLN 340 million loan agreement of 23 December 2019 and Annex 7 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of these annexes, the deadline for the one-off repayment by Elektrownia Ostrołęka Sp. z o.o. of the loans along with interest was prolonged to 30 September 2021.

On 30 September 2021 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 3 to the PLN 340 million loan agreement of 23 December 2019 and Annex 8 to the PLN 58 million loan agreement of 17 July 2019.

Pursuant to the provisions of these annexes, the deadline for the one-off repayment by Elektrownia Ostrołęka Sp. z o.o. of the loans along with interest was prolonged to 29 October 2021.

On 29 October 2021 ENEA S.A. and ENERGA S.A. executed with Elektrownia Ostrołęka Sp. z o.o. Annex 4 to the PLN 340 million loan agreement of 23 December 2019 and Annex 9 to the PLN 58 million loan agreement of 17 July 2019. Pursuant to the provisions of these annexes, the deadline for the one-off repayment by Elektrownia Ostrołęka Sp. z o.o. of the loans along with interest was extended to 29 April 2022.

In December 2021, ENEA Wytwarzanie Sp. z o.o. made a partial early repayment of a loan, in the amount of PLN 17 966 thousand, on the basis of a Loan Agreement executed between ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. in January 2020. ENEA S.A.'s receivable from the partial early repayment of the loan was settled on a non-cash basis pursuant to an Offset Agreement between ENEA S.A. and ENEA Wytwarzanie Sp. z o.o. The remaining part of the loan, i.e. PLN 1 782 034 thousand, is to be repaid by 30 September 2024.

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

33. Hedge accounting

Accounting rules

Hedge accounting and derivative instruments

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

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

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

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

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

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

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

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

For cash flow hedges, the Company:

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

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

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

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

Cash flow hedging

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

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

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

34. Financial risk management

Financial risk management rules

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

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

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

The Management Board of ENEA S.A. is responsible for setting out the risk management framework and rules.

Financial risk management is based on a formalised and integrated risk management process, described in dedicated risk management policies, procedures and methodologies.

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

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

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

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34.1. Credit risk

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

The following table shows a structure of balance-sheet items depicting ENEA S.A.'s exposure to credit risk:

	Maximum exposure to credit risk* as at	
	31 December 2021	31 December 2020
Financial assets measured at fair value (without shares and equity instruments through other comprehensive income)	151 381	30 982
Debt financial assets at amortised cost	7 050 743	7 488 876
Assets arising from contracts with customers	300 206	228 905
Trade receivables	1 541 385	1 132 807
Finance lease and sublease receivables	1 007	3 787
Cash and cash equivalents	1 005 481	530 668
Credit risk	**10 050 203**	**9 416 025**

** These values correspond to book values.*

Credit risk associated with trade receivables

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

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

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

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

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

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Impairment of trade and other receivables:

	Year ended 31 December 2021	31 December 2020
Impairment as of 1 January	**59 450**	**54 820**
Created	13 307	12 647
Used	(7 732)	(8 017)
Impairment as of 31 December	**65 025**	**59 450**

In the 12-month period ended 31 December 2021, impairment of trade and other receivables increased by PLN 5 575 thousand (in the 12-month period ended 31 December 2020 impairment grew by PLN 4 630 thousand). Impairment losses are mainly recognised on trade receivables. Impairment of other receivables is negligible.

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

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

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

	As at 31 December 2021		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	1 437 846	(273)	1 437 573
Overdue	166 672	(62 859)	103 813
0-30 days	62 282	(98)	62 184
31-90 days	12 553	(886)	11 667
91-180 days	4 955	(1 238)	3 717
over 180 days	86 882	(60 637)	26 245
Total	**1 604 518**	**(63 132)**	**1 541 386**
Assets arising from contracts with customers	**300 299**	**(93)**	**300 206**

	As at 31 December 2020		
	Nominal value	Impairment	Book value
Trade and other receivables			
Current	1 029 742	(638)	1 029 104
Overdue	160 198	(56 495)	103 703
0-30 days	63 118	(75)	63 043
31-90 days	11 645	(936)	10 709
91-180 days	6 583	(1 761)	4 822
over 180 days	78 852	(53 723)	25 129
Total	**1 189 940**	**(57 133)**	**1 132 807**
Assets arising from contracts with customers	**228 995**	**(90)**	**228 905**

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Credit risk associated with trade receivables by market segment

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

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

Credit risk associated with cash and derivative instruments

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

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

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

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

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

Cash management at ENEA Group is carried out at ENEA S.A. level, making it possible to effectively manage cash surpluses and to limit external financing costs. The Group's cash pooling service includes selected companies from ENEA's tax group.

In this service, the balances of participants' bank accounts are zeroed at the end of each day and subsequently any cash surpluses are transferred to the managing entity's (ENEA S.A.) bank account. The next day, cash balances are reversed and returned to the companies' bank accounts.

At 31 December 2021, cash pooling liabilities amounted to PLN 1 105 251 thousand (PLN 152 574 thousand at 31 December 2020) and is presented in line: Other financial liabilities.

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

ENEA S.A. diversifies credit risk concerning cash. As at 31 December 2021, cash was allocated as follows at the three banks with the largest balances: bank A 49.6%, bank B 35.4%, bank C 15%.

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Credit risk associated with other financial assets

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

The Company identifies a deterioration in credit risk if:

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

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

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

	As at	
	31 December 2021 12-month ECL	31 December 2020 12-month ECL
Cash and cash equivalents	**1 005 481**	**530 668**
from AAA to BBB- (investment grade)	1 005 481	530 668
Unquoted bonds	**3 148 818**	**3 687 169**
from AAA to BBB- (investment grade)	1 702 182	1 910 595
from BB+ to B- (non-investment grade)	-	1 776 574
from CCC to D (non-investment grade)	1 446 636	-
Loans granted	**4 127 534**	**4 011 791**
from AAA to BBB- (investment grade)	1 617 014	2 000 755
from BB+ to B- (non-investment grade)	500 609	1 800 891
from CCC to D (non-investment grade)	2 009 911	210 145
Total gross value	**8 281 833**	**8 229 628**
Loans granted	(225 610)	(210 084)
Total impairment for expected credit losses	**(225 610)**	**(210 084)**
Cash and cash equivalents	1 005 481	530 668
Unquoted bonds	3 148 818	3 687 169
Loans granted	3 901 924	3 801 707
Total balance sheet value	**8 056 223**	**8 019 544**

34.2. Financial liquidity risk

Exposure to financial liquidity risk	Risk management
Financial liquidity risk is perceived as the risk that ENEA S.A. would have no ability to meet its payment obligations at maturity.	In its business, ENEA S.A. strives to ensure stable availability of cash allowing it to meet its payment liabilities on time. Activities addressed in *"ENEA Group's liquidity and liquidity risk management policy and procedure"* also include securing the ability to effectively respond to liquidity crises, i.e. periods of increased demand for cash.
The aim of these activities is to reduce the likelihood of financial liquidity risk materialising by optimally using financial resources and available financing instruments.	These activities allow for uninterrupted operations in liquidity crises for a period of time that is necessary to launch emergency financing plans, aiming to supplement any funding shortages. In the financial liquidity management process, the Company focuses on activities centred around an analysis of cash flows in the short- and long-term, optimisation of working capital components and

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monitoring the concentration of bank account balances. In order to ensure an appropriate level of security in unpredictable situations, the Company carries out cyclical scenario analyses and develops emergency financing plans intended to ensure the capacity to supplement cash shortages. The Company centrally manages financial surpluses. Allocating surpluses is mainly done with the use of term deposits. With a view toward limiting concentration risk, investments of excess cash are diversified in terms of financial institutions. ENEA S.A. works exclusively with renowned institutions having a stable position, as confirmed by ratings not below investment grade. Investment performance is monitored on an on-going basis.

Activities related to financial liquidity and liquidity risk management are coordinated by ENEA S.A. In order to secure funding for on-going operations and optimise the financial surplus management process, ENEA S.A. and ENEA Group companies use cash pooling. ENEA S.A. serves as Pool Leader. Additional instruments for the financing of on-going operations that secure funding for cash pooling system participants are ENEA S.A.'s overdraft facilities.

Instruments for the financing of on-going operations also include the Group's central mechanism for raising external funding by ENEA S.A., which is subsequently distributed by ENEA S.A. within the Group.

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

The Company manages liquidity risk also by maintaining open and unused credit lines, which amounted to PLN 700 000 thousand as at 31 December 2021.

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

As at 31 December 2021

	Trade and other payables	Liabilities arising from contracts with customers	Lease liabilities	Bank credit and bonds	Other financial liabilities	Financial liabilities at fair value	Total
Book value	**808 002**	**46 108**	**40 088**	**6 585 466**	**1 105 251**	**-**	**8 584 915**
Non-discounted contractual cash flows	**(808 002)**	**(46 108)**	**(70 118)**	**(7 124 067)**	**(1 105 251)**	**(24)**	**(9 153 570)**
up to 6 months	(808 002)	(46 108)	(2 149)	(2 076 276)	(1 105 251)	(24)	(4 037 810)
6-12 months	-	-	(1 280)	(259 345)	-	-	(260 625)
1-2 years	-	-	(4 005)	(509 595)	-	-	(513 600)
2-5 years	-	-	(12 394)	(3 500 279)	-	-	(3 512 673)
over 5 years	-	-	(50 290)	(778 572)	-	-	(828 862)

As at 31 December 2020

	Trade and other payables	Liabilities arising from contracts with customers	Lease liabilities	Bank credit and bonds	Other financial liabilities	Financial liabilities at fair value	Total
Book value	**349 004**	**32 289**	**31 315**	**7 770 105**	**152 574**	**139 673**	**8 474 960**
Non-discounted contractual cash flows	**(349 004)**	**(32 289)**	**(61 772)**	**(8 119 187)**	**(152 574)**	**(140 185)**	**(8 855 011)**
up to 6 months	(349 004)	(32 289)	(3 284)	(571 826)	(152 574)	(37 459)	(1 146 436)
6-12 months	-	-	(2 921)	(727 951)	-	(27 011)	(757 883)
1-2 years	-	-	(2 129)	(2 234 274)	-	(41 688)	(2 278 091)
2-5 years	-	-	(2 433)	(3 200 958)	-	(34 027)	(3 237 418)
over 5 years	-	-	(51 005)	(1 384 178)	-	-	(1 435 183)

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34.3. Commodity risk

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

34.4. Currency risk

Exposure to currency risk	Risk management
Currency risk is associated with potential changes in exchange rates that may in turn lead to changes in the Company's cash flows.	Hedging is performed on the basis of "*ENEA Group's currency risk and interest rate risk management policy*." During the reporting period, a vast majority of cash flows related to ENEA S.A.'s operating and investing activities was in PLN. Within its process of monitoring exposure to currency risk apart from the core activities of ENEA Group companies, risk associated with items indexed to the exchange rates of foreign currencies and their hedging was identified at ENEA S.A. In accordance with *'ENEA Group's currency risk and interest rate risk management policy*,' hedging is each time based on a hedging strategy dedicated to the specific exposure and approved by ENEA Group's Risk Committee. In accordance with its rules, the Company hedges all of its currency exposure that it considers as material, i.e. which exceeds the exposure limit. ENEA S.A. applies hedge accounting in this area.

FX forwards

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

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34.5. Interest rate risk

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

As at 31 December 2021, the Company had credit and bond liabilities of PLN 6 585 466 thousand. As at 31 December 2021, variable-rate financial liabilities largely consisted of bank credit and issued bonds, which were 64% hedged with IRSs.

The following table shows the Company's sensitivity to interest rate risk by presenting financial assets and liabilities by variable-rate and fixed-rate:

	As at	
	31 December 2021	31 December 2020
Fixed-rate instruments		
Financial assets	4 127 334	3 650 442
Financial liabilities	(1 211 907)	(946 146)
Impact of IRS hedge	(3 994 668)	(4 672 992)
Total	**(1 079 241)**	**(1 968 696)**
Variable-rate instruments		
Financial assets	5 771 487	5 734 601
Financial liabilities	(7 373 008)	(7 389 141)
Impact of IRS hedge	3 994 668	4 672 992
Total	**2 393 147**	**3 018 452**

Fixed-rate financial assets include cash in deposits, assets arising from contracts with customers, some intragroup bonds as well as trade receivables that are based on a fixed rate of penalty interest in case of overdue payment.

The Company's variable-rate financial assets include cash pooling receivables, while cash pooling liabilities are presented as variable-rate financial liabilities.

Interest rate swaps

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

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

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

	As at 31 December 2021			As at 31 December 2020		
	Book value	Impact of interest rate risk on financial result (12-month period)		Book value	Impact of interest rate risk on financial result (12-month period)	
		+1pp	-1pp		+1pp	-1pp
Financial assets						
Debt financial assets at amortised cost	5 771 487	57 715	(57 715)	5 734 601	57 346	(57 346)
Financial assets measured at fair value	135 150	-	-	-	-	-
Impact on result before tax		**57 715**	**(57 715)**		**57 346**	**(57 346)**
19% tax		(10 966)	10 966		(10 896)	10 896
Impact on result after tax		**46 749**	**(46 749)**		**46 450**	**(46 450)**
Financial liabilities						
Credit facilities, loans and debt securities	(6 267 757)	(62 678)	62 678	(7 236 567)	(72 366)	72 366
Financial liabilities measured at fair value	-	-	-	(139 673)	-	-
Other financial liabilities	(1 105 251)	(11 053)	11 053	(152 574)	(1 526)	1 526
Impact on result before tax		**(73 731)**	**73 731**		**(73 892)**	**73 892**
19% tax		14 009	(14 009)		14 039	(14 039)
Impact on result after tax		**(59 722)**	**59 722**		**(59 853)**	**59 853**
Total		**(12 973)**	**12 973**		**(13 403)**	**13 403**

Regulatory report

35. Disclosures under art. 44 of the Energy Law concerning specific types of activity

General rules for preparing regulatory financial information

In accordance with art. 44 of the Energy Law, the Company is required to prepare and disclose regulatory financial statements that contain a balance sheet (statement of financial position) and a statement of profit and loss for the reporting periods, separately for each type of economic activity.

The Company prepares regulatory financial information in accordance with the following rules:

Principle of causality	Asset and liability components are defined in accordance with their intended purpose and use for the purposes of specific types of activity or service. Defining revenue and costs is done in accordance with the principle of causality for revenue and costs within a given activity.

Principle of objectivity and non-discrimination	Assigning assets and liabilities, revenue and costs should be objective and aimed at the equal treatment of customers.

Principle of stability and comparability	Methods and rules used in preparing regulatory financial information should be consistent from year to year. If significant changes occur to rules for preparing financial statements, detailed accounting methods or rules, which have considerable impact on the reported financial information, comparative data for the previous year, in the part affected by such changes, is appropriately adjusted in order to ensure comparability.

Principle of transparency and consistency	The applied methods for preparing regulatory financial information should be transparent and internally consistent and, where applicable, consistent with the methods and rules used in other calculations for regulatory purposes and with the methods and rules for preparing financial statements.

Definitions of types of activity

The Company reports the following types of activity:

1. **Trade of gas fuels -** trade of gas fuels purchased from external suppliers and delivered to external clients;
2. **Other activity** - other activities, intra-group financing and activity related to Group management. Trade of electricity and trade of property rights are also classified by the Company as other activity.

Principle of allocation

Allocation of items in the statement of comprehensive income

The Company records costs by type and in multiple-step format using cost centres (CC).

The costs of core activities related to trade of electricity and gas fuels include CCs assigned directly to these activities and part of general administrative expenses appropriately allocated to the given CC. These costs are than split using by electricity and gas volume into trade of electricity (other activity) and trade of gas fuels. The remaining part of costs of operating activities is classified into other activity.

The following table shows the allocation of other items in the statement of comprehensive income:

Item in the statement of comprehensive income	Allocation key
Revenue from sales	specific identification method
Compensations	directly to other activity
Lease income	directly to other activity
Other operating revenue	specific identification method or structure of revenue from sales in given financial year in given type of activity
Change in provision for onerous contracts	directly to other activity
Other operating costs	specific identification method or structure of revenue from sales in given financial year in given type of activity
Gain on sale and liquidation of property, plant and equipment	directly to other activity
Finance income, including:	
- interest on over-due receivables for electricity	structure of revenue from sales in given financial year in given type of activity or directly to other activity
- interest on financial instruments	directly to other activity
- other	structure of revenue from sales in given financial year in given type of activity
Finance costs, including:	
- interest on long-term financial liabilities	excluded from division - concerns invested capital
- other	specific identification method or structure of revenue from sales in given financial year in given type of activity
Impairment of interests in subsidiaries, associates and jointly controlled entities	directly to other activity
Impairment of financial assets at amortised cost	directly to other activity
Income tax	excluded from division
Other comprehensive income	excluded from division

Allocation of items in the statement of financial position

Item in the statement of financial position	Allocation key
Property, plant and equipment	depreciation cost structure
Perpetual usufruct of land	depreciation cost structure
Right-of-use assets	depreciation cost structure
Intangible assets	depreciation cost structure
Investment properties	directly to other activity
Investments in subsidiaries, associates and jointly controlled entities	directly to other activity
Deferred income tax assets	excluded from division
Financial assets measured at fair value	directly to other activity
Debt financial assets at amortised cost	directly to other activity
Costs related to the conclusion of agreements	directly to other activity
Available-for-sale financial assets	directly to other activity
Intra-group bonds	directly to other activity
Financial assets at fair value through profit or loss, including:	directly to other activity
- Derivative instruments	excluded from division

Trade and other receivables, including:	specific identification method
- accrued expenses, settlements concerning property insurance and other receivables	directly to other activity
- settlements concerning income tax with other entities within tax group	excluded from division
- VAT receivables	trade receivables and payables structures within specific activities
Inventory (energy origin certificates)	directly to other activity
Assets arising from contracts with customers	specific identification method
Current income tax receivables	excluded from division
Cash and cash equivalents	attributed directly to other activity
Equity	excluded from division - element of employed capital
Credit, loans and debt securities (long-term instruments)	excluded from division - element of employed capital
Finance lease liabilities (long-term contracts)	excluded from division - element of employed capital
Employee benefit liabilities	wage cost structure
Financial liabilities measured at fair value	excluded from division
Trade and other payables, including:	specific identification method
- other liabilities	wage cost structure
- excise duty liabilities	excise duty cost structure
- VAT liabilities	trade receivables and payables structures within specific activities
Current income tax liabilities	excluded from division
Liabilities concerning the equivalent for rights to free purchase of shares	directly to other activity
Other financial liabilities	directly to other activity
Provisions for other liabilities and other charges	specific identification method

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Statement of comprehensive income for the period from 1 January 2021 to 31 December 2021

	Trade of gas fuels	Other activity	Excluded from division	Total
Revenue from sales	186 741	7 293 173	-	7 479 914
Excise duty	(3 309)	(69 888)	-	(73 197)
Net revenue from sales	**183 432**	**7 223 285**	**-**	**7 406 717**
Lease income	-	243	-	243
Revenue from sales and other income	**183 432**	**7 223 528**	**-**	**7 406 960**
Other operating revenue	-	13 992	-	13 992
Change in provision for onerous contracts	-	(199 282)	-	(199 282)
Depreciation/amortisation	(142)	(6 644)	-	(6 786)
Employee benefit costs	(2 610)	(79 259)	-	(81 869)
Use of materials and raw materials and value of goods sold	(93)	(2 761)	-	(2 854)
Purchase of electricity and gas for sales purposes	(197 796)	(6 893 554)	-	(7 091 350)
Transmission services	-	(40 518)	-	(40 518)
Other third-party services	(4 825)	(225 106)	-	(229 931)
Taxes and fees	(95)	(4 083)	-	(4 178)
Other operating costs	(269)	(60 971)	-	(61 240)
Operating loss	**(22 398)**	**(274 658)**	**-**	**(297 056)**
Finance costs	(131)	(9 513)	(169 851)	(179 495)
Finance income	400	173 944	-	174 344
Dividend income	-	545 357	-	545 357
Impairment of interests in subsidiaries, associates and jointly controlled entities	-	175 707	-	175 707
Impairment of financial assets at amortised cost	-	(15 825)	-	(15 825)
Profit/(loss) before tax	**(22 129)**	**595 012**	**(169 851)**	**403 032**
Income tax			57 377	57 377
Net profit/(loss) for the reporting period	**(22 129)**	**595 012**	**(112 474)**	**460 409**
Other comprehensive income			215 864	215 864
Comprehensive income for the reporting period			**103 390**	**676 273**

Statement of comprehensive income for the period from 1 January 2020 to 31 December 2020

	Trade of gas fuels	Other activity	Excluded from division	Total
Revenue from sales	134 185	6 118 566	-	6 252 751
Excise duty	(2 997)	(62 394)	-	(65 391)
Net revenue from sales	**131 188**	**6 056 172**	**-**	**6 187 360**
Compensations	-	3 284	-	3 284
Lease income	-	312	-	312
Revenue from sales and other income	**131 188**	**6 059 768**	**-**	**6 190 956**
Other operating revenue	-	11 390	-	11 390
Change in provision for onerous contracts	-	17 745	-	17 745
Depreciation/amortisation	(101)	(5 035)	-	(5 136)
Employee benefit costs	(2 500)	(72 832)	-	(75 332)
Use of materials and raw materials and value of goods sold	(81)	(2 713)	-	(2 794)
Purchase of electricity and gas for sales purposes	(129 832)	(5 891 957)	-	(6 021 789)
Transmission services	-	(14 597)	-	(14 597)
Other third-party services	(4 917)	(217 651)	-	(222 568)
Taxes and fees	(91)	(4 036)	-	(4 127)
Gain on sale and liquidation of property, plant and equipment	-	124	-	124
Other operating costs	(73)	(64 908)	-	(64 981)
Operating loss	**(6 407)**	**(184 702)**	**-**	**(191 109)**
Finance costs	(135)	(21 504)	(254 267)	(275 906)
Finance income	461	232 457	-	232 918
Dividend income	-	593 694	-	593 694
Impairment of interests in subsidiaries, associates and jointly controlled entities	-	(3 613 242)	-	(3 613 242)
Impairment of financial assets at amortised cost	-	(144 014)	-	(144 014)
Loss before tax	**(6 081)**	**(3 137 311)**	**(254 267)**	**(3 397 659)**
Income tax			40 909	40 909
Net loss for the reporting period	**(6 081)**	**(3 137 311)**	**(213 358)**	**(3 356 750)**
Other comprehensive income			(89 957)	(89 957)
Comprehensive income for the reporting period			**(303 315)**	**(3 446 707)**

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Statement of financial position as at 31 December 2021

	Trade of gas fuels	Other activity	Excluded from division	Total
Total non-current assets	**1 431**	**15 070 738**	**214 076**	**15 286 245**
Property, plant and equipment	506	23 590	-	24 096
Right-of-use assets	854	39 806	-	40 660
Intangible assets	71	3 314	-	3 385
Investment properties	-	12 656	-	12 656
Investments in subsidiaries, associates and jointly controlled entities	-	9 531 789	-	9 531 789
Deferred income tax assets	-	-	106 989	106 989
Financial assets measured at fair value	-	57 830	107 087	164 917
Debt financial assets at amortised cost	-	5 390 289	-	5 390 289
Lease and sub-lease receivables	-	284	-	284
Costs related to the conclusion of agreements	-	11 180	-	11 180
Total current assets	**81 775**	**4 944 640**	**125 525**	**5 151 940**
Inventories	-	135 777	-	135 777
Trade and other receivables	81 775	1 830 347	97 331	2 009 453
Costs related to the conclusion of agreements	-	11 652	-	11 652
Assets arising from contracts with customers	-	300 206	-	300 206
Lease and sub-lease receivables	-	723	-	723
Financial assets measured at fair value	-	-	28 194	28 194
Debt financial assets at amortised cost	-	1 660 454	-	1 660 454
Cash and cash equivalents	-	1 005 481	-	1 005 481
TOTAL ASSETS				**20 438 185**
Total non-current liabilities	**1 724**	**280 900**	**-**	**282 624**
Employee benefit liabilities	1 724	52 318	-	54 042
Provisions for other liabilities and other charges	-	228 582	-	228 582
Total current liabilities	**44 572**	**2 620 155**	**-**	**2 664 727**
Trade and other payables	40 384	787 625	-	828 009
Liabilities arising from contracts with customers	-	46 108	-	46 108
Employee benefit liabilities	904	27 447	-	28 351
Liabilities concerning cash equivalent for rights to free purchase of shares	-	281	-	281
Other financial liabilities	-	1 105 251	-	1 105 251
Provisions for other liabilities and other charges	3 284	653 443	-	656 727
Employed capital	**36 910**	**17 114 323**	**(17 151 233)**	**-**
Equity			10 803 745	10 803 745
Credit facilities, loans and debt securities			6 585 466	6 585 466
Finance lease liabilities			40 088	40 088
Current income tax liabilities			61 535	61 535
TOTAL EQUITY AND LIABILITIES				**20 438 185**

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Statement of financial position as at 31 December 2020

	Trade of gas fuels	Other activity	Excluded from division	Total
Total non-current assets	**1 040**	**15 761 850**	**101 483**	**15 864 373**
Property, plant and equipment	428	23 482	-	23 910
Right-of-use assets	537	29 441	-	29 978
Intangible assets	75	4 105	-	4 180
Investment properties	-	13 206	-	13 206
Investments in subsidiaries, associates and jointly controlled entities	-	9 512 925	-	9 512 925
Deferred income tax assets	-	-	101 483	101 483
Financial assets measured at fair value	-	84 848	-	84 848
Debt financial assets at amortised cost	-	6 082 074	-	6 082 074
Lease and sub-lease receivables	-	513	-	513
Costs related to the conclusion of agreements	-	11 256	-	11 256
Total current assets	**41 661**	**3 588 487**	**-**	**3 630 148**
Inventories	-	65 700	-	65 700
Trade and other receivables	41 661	1 339 710	-	1 381 371
Costs related to the conclusion of agreements	-	13 428	-	13 428
Assets arising from contracts with customers	-	228 905	-	228 905
Lease and sub-lease receivables	-	3 274	-	3 274
Debt financial assets at amortised cost	-	1 406 802	-	1 406 802
Cash and cash equivalents	-	530 668	-	530 668
TOTAL ASSETS				**19 494 521**
Total non-current liabilities	**1 660**	**58 486**	**75 131**	**135 277**
Employee benefit liabilities	1 660	58 486	-	60 146
Financial liabilities measured at fair value	-	-	75 131	75 131
Total current liabilities	**24 693**	**1 269 732**	**64 542**	**1 358 967**
Trade and other payables	21 498	416 743	-	438 241
Liabilities arising from contracts with customers	-	32 289	-	32 289
Employee benefit liabilities	763	26 874	-	27 637
Liabilities concerning cash equivalent for rights to free purchase of shares	-	281	-	281
Financial liabilities measured at fair value	-	-	64 542	64 542
Other financial liabilities	-	152 574	-	152 574
Provisions for other liabilities and other charges	2 432	640 971	-	643 403
Employed capital	**16 348**	**18 022 119**	**(18 038 467)**	**-**
Equity			10 127 472	10 127 472
Credit facilities, loans and debt securities			7 770 105	7 770 105
Finance lease liabilities			31 315	31 315
Current income tax liabilities			71 385	71 385
TOTAL EQUITY AND LIABILITIES				**19 494 521**

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Other explanatory notes

36. Related-party transactions

The Company executes transactions with the following related parties:

- transactions with ENEA Group companies
- transactions between the Company and members of ENEA S.A.'s corporate bodies are divided into two categories:
  - resulting from being appointed as Supervisory Board members,
  - resulting from other civil-law contracts.
- transactions with State Treasury related parties.

ENEA Group companies

	Year ended 31 December 2021	Year ended 31 December 2020
Purchase value, including:	**8 863 045**	**7 546 550**
purchase of materials	532	504
purchase of services	2 108 263	1 765 896
other (including electricity and gas)	6 754 250	5 780 150
Sale value, including:	**378 807**	**358 941**
sale of electricity	336 027	327 668
sale of services	17 277	3 048
other	25 503	28 225
Interest income, including:	**140 324**	**192 932**
on bonds	77 689	143 700
on loans	61 912	45 130
other	723	4 102
Dividend income	**545 357**	**593 694**

	As at 31 December 2021	As at 31 December 2020
Receivables	426 679	413 082
Liabilities	733 296	415 751
Financial assets - bonds	3 148 818	3 687 169
Loans granted	3 901 924	3 801 646
Other financial liabilities	1 105 251	152 574

These transactions with Group companies are executed on market terms, which do not differ from the terms applied in transactions with other entities.

Transactions with members of the Group's corporate authorities

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

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

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

As at 31 December 2021, liabilities related to management contracts and consultancy contracts towards Management Board members amount to PLN 207 thousand (PLN 480 thousand as at 31 December 2020). As at 31 December 2021, a

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provision for Management Board bonuses amounted to PLN 3 420 thousand (PLN 2 032 thousand as at 31 December 2020); these provisions are not included in the above table.
The following table contains transactions concerning loans from the Company Social Benefit Fund:

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

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

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

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

Transactions with State Treasury related parties

ENEA S.A. also executes commercial transactions with state and local administration units and entities owned by Poland's State Treasury.

The subject of these transactions mainly is as follows:

- purchase of electricity and property rights resulting from origin certificates for energy from renewable sources and energy produced in cogeneration with heat, from State Treasury subsidiaries and
- sale of electricity, distribution services and other associated fees that the Company provides for both state and local administration authorities (sale to end customers) and to the State Treasury's subsidiaries (wholesale and retail sale - to final customers).

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

In addition, the Company identified financial transactions with State Treasury's related parties, i.e. with banks serving as guarantors for bond issue programs. These entities include: PKO BP S.A., Pekao S.A. and Bank Gospodarstwa Krajowego. Detailed information on bond issue programs is presented in note 27.

Among State Treasury subsidiaries, ENEA S.A.'s largest counterparty-customer by far is Grupa Azoty, with net sales in 2021 reaching PLN 338 897 thousand (PLN 206 628 thousand in net sales to Grupa Azoty S.A. in 2020). The largest counterparty-supplier is Polskie Sieci Elektroenergetyczne S.A., with net purchases in 2021 reaching PLN 171 029 thousand (in 2020, Polskie Sieci Elektroenergetyczne S.A. with PLN 112 675 thousand).

Transactions with jointly controlled entities and associates

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

	Year ended 31 December 2021		As at 31 December 2021	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	102 615	-	24 047	-

	Year ended 31 December 2020		As at 31 December 2020	
	Sale	Purchases	Receivables	Liabilities
Jointly controlled entities	90 132	-	48 789	-

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

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37. Explanatory notes to the separate statement of cash flows

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

	Year ended 31 December 2021	Year ended 31 December 2020
Change in trade and other receivables, assets arising from contracts with customers in the balance sheet	**(697 531)**	**(429 706)**
- PGK	-	114 995
- Other	2 709	(1 007)
Change in trade and other receivables in cash flow statement	**(694 822)**	**(315 718)**
Change in trade and other payables and liabilities arising from contracts with customers in the balance sheet	**403 587**	**(189 633)**
- investment commitments	(815)	-
- PGK	(17 653)	-
- Other	23	79 645
Change in trade and other payables in cash flow statement	**385 142**	**(109 988)**
Change in employee benefit liabilities on balance sheet	**(5 390)**	**218**
- Actuarial gains/losses recognised in other comprehensive income	2 860	(2 196)
Change in employee benefit liabilities in cash flow statement	**(2 530)**	**(1 978)**
Change in other provisions for liabilities and other charges in the balance sheet	**241 906**	**213 421**
- Reversal/recognition of provision for settlements with Elektrownia Ostrołęka	175 707	(222 200)
Change in other provisions for liabilities and other charges in cash flow statement	**417 613**	**(8 779)**

In the item: Purchase of financial assets in investing activities the Company reports loans issued to subsidiaries.

In the item: Sale of financial assets in investing activities ENEA S.A. reports loans repaid and intragroup bond buy-backs.

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

Reconciliation of bank credit and loans

	Year ended 31 December 2021	Year ended 31 December 2020
As at 1 January	**1 892 052**	**2 056 231**
Repayment of credit and loans	(203 413)	(162 080)
Measurement and transaction costs	1 173	(2 099)
As at 31 December	**1 689 812**	**1 892 052**

Reconciliation of bonds

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

38. Concession agreements for provision of public services

ENEA S.A.'s business activities mainly involve the sale of electricity and natural gas.

In accordance with the Energy Law, the URE President is responsible for issuing concessions, regulating the activities of energy enterprises and approving tariffs, who by way of an administrative decision approves energy prices and rates as well as rules in the tariff. ENEA S.A. holds an electricity trade concession for the period from 26 November 1998 to 31 December 2025. On 12 September 2013, ENEA S.A. received a concession from the URE President for trade of gas fuels, valid until 31 December 2030.

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

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Tariffs for natural gas for household customers are also subject to approval by the URE President. In accordance with a schedule for exemptions from the obligation to submit to the URE President gas tariffs for approval, as specified in the Energy Law, from 1 January 2017 such exemption also includes tariff sales at a virtual point, CNG and LNG sales and sales via tenders, auctions and public procurement. Prices for other end customers aside from households were freed in October 2017. Gas prices for these customers will be freed from 1 January 2024.

In 2021, ENEA S.A. applied the following URE President-approved tariffs:

- "Tariff for electricity for customers from tariff group G," in effect from 1 January 2021
- "Tariff for high-methane natural gas," in effect from 20 November 2020.

39. Employment

	As at	
	31 December 2021	31 December 2020
White collar jobs	405	402
Total	**405**	**402**

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

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

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

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40.1. Sureties and guarantees

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

List of sureties issued as at 31 December 2021

Name of entity for which surety was issued	Total amount of liabilities covered by surety	Purpose of amounts covered by surety	Period for which surety was issued	Nature of links between the Company and entity incurring the liability
ENEA Trading Sp. z o.o.	PLN 1 015 000 thousand (USD 250 million)	collateral for ENEA Trading's liabilities towards Citigroup Global Markets Europe AG	unlimited duration	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polenergia Obrót S.A.	30.06.2022	subsidiary

List of sureties issued as at 31 December 2020

Name of entity for which surety was issued	Total amount of liabilities covered by surety	Purpose of amounts covered by surety	Period for which surety was issued	Nature of links between the Company and entity incurring the liability
ENEA Trading Sp. z o.o.	PLN 1 154 thousand (EUR 250 thousand)	collateral for ENEA Trading's liabilities towards Shell Energy Europe Limited	30.11.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards ČEZ a.s.	10.08.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards Zespół Elektrowni Pątnów Adamów Konin S.A.	25.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 10 000 thousand	collateral for ENEA Trading's liabilities towards PGE Polska Grupa Energetyczna S.A.	26.10.2021	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polenergia Obrót S.A.	30.06.2022	subsidiary
ENEA Trading Sp. z o.o.	PLN 2 000 thousand	collateral for ENEA Trading's liabilities towards Polski Koncern Naftowy ORLEN S.A.	15.07.2021	subsidiary

List of guarantees issued as at 31 December 2021

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
30.12.2020	31.12.2022	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	600 000
08.12.2021	31.07.2022	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PKO BP S.A.	250 000
12.08.2018	30.06.2022	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	60 000
26.06.2020	15.03.2022	ENEA Serwis Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	3 145
04.08.2021	15.02.2022	ENEA S.A.	Unikoff Sp. z o.o.	PKO BP S.A.	2 600
01.07.2020	30.06.2022	ENEA S.A.	H. Święcicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
04.08.2021	15.07.2023	ENEA S.A.	Vastint Poland Sp. z o.o.	PKO BP S.A.	1 045
Total bank guarantees					**918 071**

List of guarantees issued as at 31 December 2020

Guarantee issue date	Guarantee validity	Obliged entity	Entity for which the guarantee was issued	Bank - issuer	Guarantee amount in PLN 000s
13.06.2019	30.05.2021	ENEA Trading Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	150 000
30.12.2020	31.12.2022	ENEA Elektrownia Połaniec	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	100 000
17.12.2020	31.12.2021	ENEA Wytwarzanie Sp. z o.o.	Izba Rozliczeniowa Giełd Towarowych S.A.	PEKAO S.A.	70 000
21.09.2020	23.03.2021	ENEA Elektrownia Połaniec	Stal-Systems S.A.	PKO BP S.A.	67 382
12.08.2018	12.08.2021	ENEA Elektrownia Połaniec	Polskie Sieci Elektroenergetyczne	PKO BP S.A.	7 000
26.06.2020	15.03.2022	ENEA Serwis Sp. z o.o.	ENEA Operator Sp. z o.o.	PKO BP S.A.	3 145
12.08.2018	16.05.2021	ENEA S.A.	Górecka Projekt Sp. z o.o.	PKO BP S.A.	2 109
01.07.2020	30.06.2022	ENEA S.A.	H. Święcicki Clinical Hospital in Poznań	PKO BP S.A.	1 281
Total bank guarantees					**400 917**

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

On 11 March 2022, ENEA S.A. executed a surety agreement with PKO BP S.A. for the liabilities of subsidiary ENEA Trading Sp. z o.o. up to PLN 2 400 000 thousand, covering pecuniary claims arising from foreign exchange risk hedging transactions and commodity risk hedging transactions related to CO_2 emissions executed by ENEA Trading Sp. z o.o. The surety agreement expires on 31 December 2024 or on the date on which ENEA Trading Sp. z o.o. ceases to be a part of ENEA Group as a result of the carve-out of certain assets from the group.

40.2. On-going proceedings in courts of general competence

Proceedings initiated by the Company

Proceedings in courts of general competence initiated by ENEA S.A. concern receivables related to electricity supplies and receivables related to other matters - illegal uptake of electricity, grid connections and other specialised services.

At 31 December 2021, a total of 17 739 cases initiated by the Company were in progress before courts of general competence, worth in aggregate PLN 59 631 thousand (31 December 2020: 12 237 cases worth PLN 55 724 thousand).

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

Proceedings against the Company

Proceedings against the Company are initiated by both natural persons and legal entities. They concern issues such as: compensation for electricity supply disruptions, compensation for the Company's use of properties on which power equipment is located as well as claims related to terminated contracts for the purchase of property rights (note 40.6).

At 31 December 2021, a total of 94 cases against the Company were in progress before courts of general competence, worth in aggregate PLN 587 473 thousand (31 December 2020: 128 cases worth PLN 563 866 thousand).

Provisions related to these court cases are presented in 30.

40.3. Other court proceedings

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

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

40.4. Risk associated with legal status of properties used by ENEA S.A.

Risk associated with the legal status of properties used by the Company (currently used by ENEA Operator Sp. z o.o.) results from the fact that the Company does not have a legal title to use land for all of its facilities where its transmission grids and the associated equipment are located. In the future, the Company might be obligated to incur the costs of non-contractual use of property, which had taken place in previous years prior to the de-merger of ENEA Operator Sp. z o.o.

Unregulated legal status of properties previously used by the Company and currently in use by ENEA Operator Sp. z o.o. - grid infrastructure on such properties gives rise to a threat of claims involving a demand for payment of compensation for non-contractual use of land, establishing rent or in individual cases demands associated with a change of a facility's location (return of land to original condition).

The Company has a provision for court proceedings instigated against the Company by owners of properties on which transmission grids and associated equipment are located.

As at 31 December 2021, the Company had a provision for claims concerning non-contractual use of land amounting to PLN 2 171 thousand.

40.5. Cases concerning 2012 non-balancing

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

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

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

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

- TAURON Polska Energia S.A. – lawsuit of 10 December 2015,
- TAURON Sprzedaż GZE Sp. z o.o. – lawsuit of 10 December 2015,

- PKP Energetyka S.A. – lawsuit of 28 December 2015,
- PGE Polska Grupa Energetyczna S.A. – lawsuit of 29 December 2015.

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

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

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

ENEA S.A. is a party to 8 court proceedings regarding contracts for purchase of property rights under certificates of origin for energy from renewable sources, as listed below:

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

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

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

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

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

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

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

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

- ordinance of the Minister of Economy of 18 October 2012 on a detailed scope of obligations to obtain and present for redemption origin certificates, pay substitute fees, purchase electricity and industrial heat generated from renewable sources and the obligation to validate data concerning the quantity of electricity generated from renewable sources (Polish Journal of Laws of 2012, item 1229);
- Act on renewable energy sources of 20 February 2015 (Polish Journal of Laws of 2015, item 478) and associated further legal changes and announced drafts of legal changes, including especially:

- the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 (Polish Journal of Laws of 2016, item 925); and
- a draft of the Ordinance of the Minister of Energy concerning changes in the share of electricity resulting from redeemed origin certificates confirming production of electricity from renewable sources, which is to be issued based on an authorisation under art. 12 sec. 5 of the Act on amendment of the act on renewable energy sources and certain other acts dated 22 June 2016 and certain other acts,

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

The Agreements were terminated with the intention for the Company to avoid losses constituting the difference between contractual and market prices of green certificates. Due to the changing legal conditions after termination of the Agreements in 2017, especially arising from the Act of 20 July 2017 on amendment of the act on renewable energy sources, the estimated value of future contract liabilities would have changed. In the current legal framework, this would be significantly lower in comparison to the amount estimated when the Agreements were being terminated, i.e. approx. PLN 1 187 million. This decline reflects a change in the way in which the substitute fee is calculated, which in accordance with the content of some of the Agreements constitutes the basis for calculating the contract price and indexing it to the market price. The Company created a PLN 155 962 thousand provision for potential claims resulting from the terminated Agreements in relation to submissions made by 31 December 2021 concerning transactions to sell property rights by the counterparties. The provision is presented in 30.

In a case brought by Golice Wind Farm Sp. z o.o. against ENEA S.A., the court issued on 14 August 2020 a partial and preliminary ruling, in which it:

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

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

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

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

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

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

41. Participation in nuclear power plant build program

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

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

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

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

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

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

42. Tax group

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

The tax group is represented by ENEA S.A.

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

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

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

43. Impact of COVID-19 pandemic

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

The total electricity and gas fuel sales volume went up in 2021 by 3 393 GWh, or 16%, in comparison with 2020. The growth concerns electricity sales in the business customer segment and in the household segment. In the business customer segment, the volume of electricity sales went up by 3 101 GWh, i.e. 21%, and was caused by a higher contracting level for 2021 than in the preceding year as well as larger energy consumption on the part of customers. Electricity sales volume in the household segment grew by 56 GWh, i.e. 1%. The volume of gas fuel sales also increased on a year-to-year basis, by 236 GWh, i.e. 18%, including in the business customer segment by 232 GWh, i.e. 18%, and in the household segment by 4 GWh, i.e. 57%. Total revenue from the sale of electricity and gas fuel sales went up in 2021 by PLN 1 055 million, i.e. 17%. Revenue increased in both the business and household customers segments.

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

From the onset of the pandemic, the Company has been carrying out additional analyses of the COVID-19 pandemic's potential impact on receivables impairment. Expected losses are verified on the basis of these analyses. The size of this additional impairment - since these analyses began - is negligible from a reporting viewpoint. Nonetheless, the Company assesses that if restrictions related to the COVID-19 pandemic are maintained and thus economic activity is further reduced, the receivables turnover ratio might deteriorate given a reduced payment capacity on the part of electricity customers.

ENEA S.A. cyclically reviews the credit ratings of its subsidiaries and the recoverability of intra-group bonds and loans. In accordance with ENEA Group's methodology for determining expected credit losses for debt assets, no need was identified as of 31 December 2021 for recognising this in respect of subsidiaries.

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

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

44. Political and economic situation in Ukraine

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

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

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

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

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

As of the date on which these financial statements were prepared, ENEA S.A. sees no going-concern risk.