In case of divergence between the language version, the Polish version shall prevail

Polenergia S.A. Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR

Michał Michalski – President of the Management Board

Iwona Sierżęga – Member of the Management Board

Tomasz Kietliński - Vice President of the Management Board

Piotr Maciołek - Member of the Management Board

Agnieszka Grzeszczak – Director Accounting Department

Warsaw, 30 March 2023

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(PLN k)

1. Consolidated balance sheet

As at 31 December 2022

ASSETS

	Note	31.12.2022	31.12.2021
I. Non-current assets		**3 946 486**	**3 333 889**
1. Tangible fixed assets	13	3 030 175	2 514 987
2. Intangible assets	14	11 785	6 392
3. Subordinated entities goodwill	15	157 338	69 129
4. Financial assets	18	324 965	453 753
5. Financial assets measured using the equity method	19	394 093	283 593
6. Long term receivables	20	1 987	2 554
7. Deferred income tax assets	28	25 755	3 438
8. Prepayments and accrued income		388	43
II. Current assets		**2 300 848**	**2 273 292**
1. Inventories	21	111 623	45 078
2. Trade receivables	22	360 804	219 909
3. Income tax receivable	22	9 338	10 061
4. Other short term receivables	22	100 214	353 753
5. Prepayments and accrued income	23	12 673	8 261
6. Short term financial assets	24	837 504	1 248 864
7. Cash and equivalent	26	868 692	387 366
Total assets		**6 247 334**	**5 607 181**

(PLN k)

EQUITY AND LIABILITIES

	Note	31.12.2022	31.12.2021
I. Shareholders' equity		**3 083 035**	**1 857 092**
Equity attributable to the shareholders of the parent company		**3 083 035**	**1 857 092**
1. Share capital	27	133 604	90 887
2. Share premium account		1 515 929	557 983
3. Reserve capital from option measurement		13 207	13 207
4. Other capital reserves		924 645	618 105
5. Retained profit (loss)		335 778	239 486
6. Net profit		159 918	337 376
7. F/X translation differences		(46)	48
II. Long term liabilities		**1 784 771**	**1 609 033**
1. Bank loans and borrowings	30	1 292 699	1 020 429
2. Deferred income tax provision	28	116 797	105 420
3. Provisions	29	23 398	23 380
4. Accruals and deferred income	32	40 512	43 704
5. Lease liabilities		160 765	207 556
6. Futures and forward contracts measurement		140 762	207 044
7. Other liabilities	31	9 838	1 500
III. Short term liabilities		**1 379 528**	**2 141 056**
1. Bank loans and borrowings	30,31	216 743	413 922
2. Trade payables	31	171 983	230 946
3. Income tax payable	31	9 600	14 475
4. Lease liabilities	31	22 871	11 734
5. Futures and forward contracts measurement	31	747 321	1 216 122
6. Other liabilities	31	64 744	211 512
7. Provisions	29	6 254	3 647
8. Accruals and deferred income	32	140 012	38 698
Total equity and liabilities		**6 247 334**	**5 607 181**

(PLN k)

2. Consolidated profit and loss account

For the period ended 31 December 2022

	Note	For 12 months ended 31.12.2022	31.12.2021
Revenues from contracts with clients	36	7 069 235	3 096 316
Other revenues	36	19 996	902 737
Sales revenues		**7 089 231**	**3 999 053**
Cost of goods sold	37	(6 611 146)	(3 656 955)
Gross sales profit		**478 085**	**342 098**
Other operating revenues	38	9 273	4 546
Selling expense	37	(115 915)	(538)
General overheads	37	(125 512)	(77 275)
Other operating expenses	39	(8 324)	(34 923)
Financial income	40	38 334	230 274
Financial costs	41	(75 672)	(44 130)
Profit before tax		**200 269**	**420 052**
Income tax	28	(40 351)	(85 525)
Net profit from continuing operations		**159 918**	**334 527**
Discontinued activity			
Profit/Loss from discountinued operating activites		-	(1 626)
Profit on disposal of discountinued opeations		-	4 379
Net profit		**159 918**	**337 280**
Net profit attributed to:		**159 918**	**337 280**
Parent company shareholders		159 918	337 376
Non-controling shareholders		-	(96)
Earnings per share:			
– basic earnings (loss) for period attributable to parent company shareholders		2,62	7,42
– diluted earnings (loss) for period attributable to parent company shareholders		2,62	7,42

(PLN k)

Consolidated statement of other comprehensive income

	For 12 months ended	
	31.12.2022	**31.12.2021**
Net profit for period	**159 918**	**337 280**
Other comprehensive income that may be reclassified to profit and loss account once specific conditions are met		
Cash flow hedges	65 456	102 669
F/X translation differences	(94)	56
Other net comprehensive income	**65 362**	**102 725**
COMPREHENSIVE INCOME FOR PERIOD	**225 280**	**440 005**
Comprehensive income for period:	225 280	440 005
Parent company shareholders	225 280	440 101
Non-controlling shareholders	-	(96)

(PLN k)

3. Consolidated statement of changes in equity

For the period ended 31 December 2022

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit	F/X translattion differences	Equity attributable to the shareholders of the parent company	Total equity
As at January 2022	**90 887**	**557 983**	**13 207**	**618 105**	**576 862**	**-**	**48**	**1 857 092**	**1 857 092**
Comprehensive income for reporting period									
- Net profit (loss) for reporting period	-	-	-	-	-	159 918	-	159 918	159 918
- Other comprehensive income for period	-	-	-	65 456	-	-	(94)	65 362	65 362
Transactions with owners of the parent recognized directly in equity									
- Issue of shares	42 717	957 946	-	-	-	-	-	1 000 663	1 000 663
- Alocation of profit/loss	-	-	-	241 084	(241 084)	-	-	-	-
As at 31 December 2022	**133 604**	**1 515 929**	**13 207**	**924 645**	**335 778**	**159 918**	**(46)**	**3 083 035**	**3 083 035**

(PLN k)

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit	F/X translattion differences	Equity attributable to the shareholders of the parent company	Total equity
As at January 2021	**90 887**	**557 983**	**13 207**	**459 811**	**295 588**	**-**	**(8)**	**1 417 468**	**1 418 368**
Comprehensive income for reporting period									
- Net profit (loss) for reporting period	-	-	-	-	-	337 376	-	337 376	337 280
- Other comprehensive income for period	-	-	-	102 669	-	-	56	102 725	102 725
Transactions with owners of the parent recognized directly in equity									
- Other	-	-	-	(477)	-	-	-	(477)	(1 281)
- Alocation of profit/loss	-	-	-	56 102	(56 102)	-	-	-	-
As at 31 December 2021	**90 887**	**557 983**	**13 207**	**618 105**	**239 486**	**337 376**	**48**	**1 857 092**	**1 857 092**

(PLN k)

4. Consolidated statement of cash flows

For the period ended 31 December 2022

	Noty	For 12 months ended 31.12.2022	31.12.2021
A.Cash flow from operating activities			
I.Profit (loss) before tax		**200 269**	**422 805**
II.Total adjustments		**45 460**	**(277 975)**
1.Depreciation		116 417	93 272
2.Foreign exchange losses (gains)		196	(11)
3.Interest and profit shares (dividends)		37 238	29 558
4.Losses (gains) on investing activities		37 476	(203 747)
5. Income tax		(71 673)	(69 995)
6.Changes in provisions		1 669	755
7.Changes in inventory		(31 565)	(8 606)
8.Changes in receivables		717 905	(1 702 018)
9.Changes in liabilities, excluding bank loans and borrowings		(804 958)	1 565 017
10.Changes in accruals		45 936	11 420
11. Other adjustments		(3 181)	6 380
III.Net cash flows from operating activities (I+/-II)		**245 729**	**144 830**
B.Cash flows from investing activities			
I. Cash in		**2 514**	**229 872**
1. Disposal of intangibles and tangible fixed assets		48	58
2. From financial asstes, including:		-	231 705
a) disposal of financial asstes		-	227 375
b) repayment of long-term loans given		-	4 000
c) interest		-	64
b) other inflows from financial asstes		-	266
3. Cash from disposal/liquidation/acquisition of subsidiary		2 466	(1 891)
II.Cash out		**781 469**	**755 848**
1. Acquisition of tangible fixed assets		659 795	576 995
2. For financial asstes, including:		121 674	178 853
a) acquisition of financial assets		121 479	178 853
b) long term loans given		195	-
III.Net cash flows from investing activities (I-II)		**(778 955)**	**(525 976)**
C.Cash flows from financing activities			
I.Cash in		**1 521 863**	**805 508**
1. Cash in from the issue of shares		1 003 859	-
2.Loans and borrowings		518 004	805 508
II.Cash out		**507 312**	**411 341**
1.Repayment of loans and borrowings		444 698	373 565
2.Lease payables		10 926	5 461
3.Interest		51 329	32 099
4.Other financial expenses		359	216
III.Net cash flows from financing activities (I-II)		**1 014 551**	**394 167**
D.Total net cash flows (A.III+/-B.III+/-C.III)		**481 325**	**13 021**
E.Increase/decrease in cash in the balance sheet, including:		**481 326**	**13 019**
- change in cash due to f/x differences		1	(2)
F.Cash at beginning of period		**387 366**	**374 347**
G.Cash at end of period, including:		**868 692**	**387 366**
- restricted cash	42	139 486	48 648

(PLN k)

5. General Information

The Polenergia S.A. Group (the "Group") comprises Polenergia S.A. (the Company) (former Polish Energy Partners S.A.), business name altered with an inscription in the National Court Register (KRS) dated 11 September 2014 (the "Company", the "parent company") and its subsidiaries. The Company was founded under a Notarized Deed of 17 July 1997. The Company has been registered with the National Court Register kept by the District Court for the city of Warsaw, Commercial Division XII of the National Court Register under number KRS 0000026545. The Company was assigned the statistical number REGON 012693488. The registered office of the Company is located in Warsaw, Poland, at Krucza 24/26; since 20 November 2013.

Stock of Polenergia S.A. is listed at the Warsaw Stock Exchange.

The Polenergia Group consists of vertically integrated companies operating in the area of energy generation using both renewable and conventional sources, as well as in the areas of distribution and trading in electrical energy. The Group was formed in the process of consolidating two asset groups controlled by Kulczyk Holding S.àr.l (former Polenergia Holding S.àr.l) with registered office in Luxembourg i.e. Polish Energy Partners S.A. (with focus on the development and operation of renewable energy sources, in particular wind farms) and Grupa Polenergia (with focus on the generation, distribution, sale of and trading in electrical energy and certificates of origin and developing offshore wind farms). Also, on 3 January 2022, a transfer of ownership to the shares of Polenergia Fotowoltaika S.A. (former Edison Energia S.A.) took place, said company's business being the assembly of photovoltaic panels and heat pumps.

Lifetime of the Company, as well as all member companies of the Group is unlimited.

These consolidated financial statements were approved for publication by the parent company Management Board on 30 March 2023.

5.1. Periods covered by the consolidated financial statements

These consolidated financial statements cover the year ended on 31 December 2022 and comprise comparable financial data for the year ended on 31 December 2021.

5.2. Composition of the Management Board and the Supervisory Board

Composition of the parent company's Management Board as at 31 December 2022 was as follows:

Michał Michalski	President of the Management Board
Tomasz Kietliński	Vice-President of the Management Board
Iwona Sierżęga	Member of the Management Board
Piotr Maciołek	Member of the Management Board
Jarosław Bogacz	Member of the Management Board

On 7 February 2023, the Company's Supervisory Board passed a resolution to dismiss Mr. Jarosław Bogacz, a member of the Company's Management Board effective as of 8 February 2023 10:00 hours.

Composition of the parent company's Supervisory Board as at 31 December 2022 was as follows:

Dominika Kulczyk	Chair of the Supervisory Board
Thomas O'Brien	Vice-Chair of the Supervisory Board
Szymon Adamczyk	Member of the Supervisory Board

Orest Nazaruk	Member of the Supervisory Board
Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board
Emmanuelle Rouchel	Member of the Supervisory Board
Jacek Santorski	Member of the Supervisory Board
Hans E. Schweickardt	Member of the Supervisory Board

On 11 May 2022, the Annual General Meeting of the Company appointed Mr. Szymon Adamczyk and Mr. Orest Nazaruk Members of the Supervisory Board for individual three-year term of office. Also, on 11 May 2022 the mandate of Mr. Adrian Dworzyński, Member of the Supervisory Board expired.

On 7 October 2022 Mr. Grzegorz Stanisławski filed his resignation as Member of the Supervisory Board, effective as of 10 October 2022 12:00 hours.

On 10 October 2022 Mr. Jacek Santorski was appointed Member of the Supervisory Board of the Issuer, effective as of 10 October 2022, 12:01 hours.

6. Going concern assumption

These consolidated financial statements have been prepared based on the going concern assumption for the Company and the Group companies in foreseeable future, that is for no fewer than 12 months following the reporting day, i.e. following 31 December 2022.

In view of the escalating war in Ukraine and the tension in the raw material markets, we witnessed abrupt changes in the market environment which have been manifested through extremely high volatility of the prices of financial instruments, raw materials and commodities, including fluctuation of prices of electricity, natural gas and CO_2 emission allowances. The underlying situation of the European energy market has made it clear that any significant curbing of natural gas supply to EU resulting in restricted supply and uncontrolled price increases of gas, coal and electricity, combined with the heat, shortage of water in water power stations and problems in the operation of nuclear power plants, evokes uncontrolled behavior of the market participants and difficult to contain growth of energy and raw material prices. Furthermore, among financial factors relevant to the Group, increased inflation pressure and volatility of the Zloty exchange rate vis-à-vis the Euro and the US dollar were observed, as well as a significant growth of costs related to the hedging costs of transactions concluded in commodity markets. Since the high energy prices were deemed unacceptable, a price-freeze act was passed with benefits for end-users and price caps for the generators and revenue caps for the trading companies. Any surplus must be transferred to the Settlement Administrator (Zarządca Rozliczeń). In addition, the lifting of the obligatory sale of energy through the commodity exchange and the curbing of offers on the balancing market will entail a reduction in profits of the energy sector companies.

In a short- and medium-term perspective, the regulatory steps will have adverse impact on the amounts of profit generated by the Group. At the same time, the pursuit to stabilize energy prices may entail reduction of the required level of hedging of transactions concluded in the commodity markets.

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7. The Group's organizational structure

Parent Company
Polenergia SA

No.	Subsidiaries and Associates	Shareholding
1	Polenergia Kogeneracja Sp. z o.o.	100%
2	Polenergia Dystrybucja Sp. z o.o.	100%
3	Polenergia E-Mobility Sp. z o.o.	100%
4	Polenergia Obrót S.A.	100%
5	Polenergia Sprzedaż Sp. z o.o.	100%
6	Polenergia Energy Ukraine LLC	100%
7	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	100%
8	Dipol Sp. z o. o.	100%
9	Polenergia Farma Wiatrowa 1 Sp. z o.o.	100%
10	Polenergia Farma Wiatrowa 3 Sp. z o.o.	100%
11	Polenergia Farma Wiatrowa 4 Sp. z o.o.	100%
12	Polenergia Farma Wiatrowa 6 Sp. z o.o.	100%
13	Talia Sp. z o.o.	100%
14	Amon Sp. z o.o.	100%
15	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	100%
16	Polenergia Farma Wiatrowa 16 Sp. z o.o.	100%
17	Polenergia Farma Wiatrowa 23 Sp. z o.o.	100%
18	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	100%
19	Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o.	100%
20	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	100%
21	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	100%
22	Polenergia Farma Wiatrowa Bądecz Sp. z o.o.	100%
23	Polenergia Farma Wiatrowa Namysłów Sp. z o.o.	100%
24	Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o.	100%
25	Polenergia Farma Wiatrowa Wodzisław Sp. z o.o.	100%
26	Polenergia Obrót 2 Sp. z o.o.	100%
27	Polenergia Farma Wiatrowa Krzywa Sp. z o.o.	100%
28	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	100%
29	Polenergia Farma Wiatrowa 22 Sp. z o.o.	100%
30	Polenergia Farma Wiatrowa 10 Sp. z o.o.	100%
31	Polenergia Farma Wiatrowa 17 Sp. z o.o.	100%
32	Polenergia Farma Fotowoltaiczna 1 Sp. z o.o.	100%
33	Polenergia Farma Fotowoltaiczna 2 Sp. z o.o.	100%
34	Polenergia Farma Fotowoltaiczna 3 Sp. z o.o.	100%
35	Polenergia Farma Fotowoltaiczna 4 Sp. z o.o.	100%
36	Polenergia Farma Fotowoltaiczna 5 Sp. z o.o.	100%
37	Polenergia Farma Fotowoltaiczna 6 Sp. z o.o.	100%
38	Polenergia Farma Fotowoltaiczna 7 Sp. z o.o.	100%
39	Polenergia Farma Fotowoltaiczna 8 Sp. z o.o.	100%
40	Polenergia Farma Fotowoltaiczna 9 Sp. z o.o.	100%
41	Polenergia Farma Fotowoltaiczna 10 Sp. z o.o.	100%
42	Polenergia Farma Fotowoltaiczna 11 Sp. z o.o.	100%
43	Polenergia Farma Fotowoltaiczna 12 Sp. z o.o.	100%
44	Polenergia Farma Fotowoltaiczna 13 Sp. z o.o.	100%
45	Polenergia Farma Fotowoltaiczna 14 Sp. z o.o.	100%

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46	Polenergia Farma Fotowoltaiczna 15 Sp. z o.o.	100%
47	Polenergia Farma Fotowoltaiczna 16 Sp. z o.o.	100%
48	Polenergia Farma Fotowoltaiczna 17 Sp. z o.o.	100%
49	Polenergia Farma Fotowoltaiczna 19 Sp. z o.o.	100%
50	Polenergia Farma Wiatrowa 29 Sp. z o.o.	100%
51	Polenergia Farma Wiatrowa 11 Sp. z o.o.	100%
52	Polenergia Farma Wiatrowa 12 Sp. z o.o.	100%
53	Polenergia Farma Wiatrowa 13 Sp. z o.o.	100%
54	Polenergia Farma Wiatrowa 14 Sp. z o.o.	100%
55	Polenergia Farma Wiatrowa 18 Sp. z o.o.	100%
56	Polenergia Farma Wiatrowa 24 Sp. z o.o.	100%
57	Polenergia Farma Wiatrowa 20 sp. z o.o.	100%
58	Polenergia Farma Wiatrowa 15 sp. z o.o.	100%
59	Polenergia Farma Wiatrowa 21 sp. z o.o.	100%
60	Polenergia Farma Wiatrowa 19 sp. z o.o.	100%
61	Inwestycje Rolne Sp. z o.o.	100%
62	Polenergia Elektrownia Północ Sp. z o.o.	100%
63	Certyfikaty Sp. z o.o.	100%
64	MFW Bałtyk I Sp. z o.o.	50%
65	MFW Bałtyk II Sp. z o.o.	50%
66	MFW Bałtyk III Sp. z o.o.	50%
67	MFW Bałtyk I S.A.	50%
68	Polenergia Fotowoltaika S.A.	100%
69	Polenergia Pompy Ciepła Sp. z o.o.	100%
70	Zielony Ryś Sp. z o.o.	100%

8. Accounting principles (policy) applied

The accounting principles (policies) applied in preparation of the financial statements are consistent with those applied in preparation of the Group's financial statements for the year ended 31 December 2021.

These consolidated financial statements have been prepared in accordance with the International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) approved by the European Union.

IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").
According to the applicable provisions of law, these consolidated financial statements for the financial year ended on 31 December 2022, together with the comparable data for the financial year ended on 31 December 2021 have been audited by chartered auditor.

These financial statements have been prepared in line with the historical cost principle.

8.1. New and modified standards and interpretations applied

Changes in the standards or interpretation effective as of 2022

Below, new or amended standards and interpretations have been presented, as applicable as of 1 January 2022 or thereafter. Such changes had no impact on the consolidated financial statements of the Group.

- Changes to IFRS 9, examples to IFRS 16, IAS 41 under Annual Improvements 2018 - 2020:
    - IFRS 1: additional exemption re. measurement of cumulative translation differences from consolidation;
    - IFRS 9: (1) when performing a "10 per cent" test to assess whether a modification should entail derecognition of a liability, only those fees should be taken into account which are exchanged between the borrower and the lender; (2) it was specifically stated that the fees paid in case a liability is derecognized shall be disclosed under P&O and in case no derecognition takes place, they shall be disclosed under relevant liability;
    - IFRS 16: the amendment to Illustrative Example 13 removes from the lease incentive from lessor in terms of paying the cost of the fit-outs borne by the lessee, which gave rise to interpretation confusion;
    - IAS 41: the amendment removed the requirement for entities to exclude taxation cash flows when measuring the value of biological assets.
- Amendment to IAS 16 "Property, plant and equipment"

  The change provides that production during the test of a fixed asset before it has been brought into operation should be disclosed as (1) inventory as per IAS 2 and (2) revenue in the event it has been sold (rather than affect the value of such fixed asset). Testing a fixed asset is a component of its cost, while the production cost is disclosed in P&O at the time revenue is recognized from sale of inventory resulting from such testing.
- Amendment to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

  The change provides that the cost of fulfilling the contract include incremental costs (e.g. direct labor) and the allocation of other costs that relate directly to fulfilling contracts, e.g. depreciation.
- Amendment to IFRS 3 "Business Combinations",

  More precise reference was given to definitions of liabilities in the conceptual assumptions and contingent liabilities definition in IAS 37.
- Amendment to IFRS 16 "Leases"

In 2020 the IAS Board published practical expedients for lessees benefiting from rent concessions due to the COVID-19 pandemic. One of the conditions was that the concessions apply only to payments originally due on or before end of June 2021. The amendment extended such deadline until June 2022.

Applying a standard or interpretation prior to the effective date thereof

In these financial statements no standard or interpretation has been voluntarily applied prior to its effective date.

The published standards and interpretations that did not yet apply to periods commencing 1 January 2022 and their impact on the financial statements of the Group

Until the date of these consolidated financial statements, new or amended standards and interpretations were published which apply to annual periods subsequent to 2022. The list also includes amendments, standards and interpretations that have been published, but not yet approved by the European Union.
The Company estimates that such amendments will have no material impact on the consolidated financial statements of the Group.

- New IFRS 17 “Insurance Contracts”

  This new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. This standard replaces the existing IFRS 4.

- Amendment to IAS 1 “Presentation of Financial Statements”

  The IAS Board provided for more precise classification of liabilities under short- and long-term liabilities, predominantly in two aspects:
  - it has been specified that such classification depends on the right accruing to an entity as at the end of reporting period,
  - the management's intentions of early or late payment of a liability shall be disregarded.

  The changes apply to annual periods commencing 1 January 2023 and thereafter

- Amendment to IAS 1 “Presentation of Financial Statements”

  The IAS Board specified which information on the accounting policy applied in an entity are material and require to be disclosed in the financial statements. The rules focus on adjusting the disclosures to individual circumstances of an entity. IASB issued a warning not to apply standardized provisions copied from IFRS and expected the base for the measurement of the financial instruments to be deemed material information. The change applies to annual periods commencing 1 January 2023 and thereafter.

- Amendment to IAS 8 “Accounting Principles (Policies), Changes in Accounting Estimates and Errors”

  IASB included a definition of the accounting estimate in the standard: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The change applies to annual periods commencing 1 January 2023 and thereafter.

- Amendment to IAS 12 "Income Taxes"

  IASB set a rule that if as a result of a transaction both deductible and taxable temporary differences arise in the same amount, assets and deferred tax provision should be recognized even if such transaction is not an effect of any merger or has no impact on the accounting or tax result. This means it is necessary to recognize assets and deferred tax provision when, for example, equal amounts of temporary differences arise in lease (individual temporary difference on liability and on the usufruct) or in restoration liabilities. The rule that the deferred income tax assets and liabilities are set off against each other provided that the current tax assets and liabilities do so remained unchanged. The change applies to annual periods commencing 1 January 2023 and thereafter.

- Amendment to IFRS 17 “Insurance Contracts”

  IASB provided for transition rules on comparative data for entities that implement IFRS 17 and IFRS 9 simultaneously, with a view to reduce potential accounting mismatches resulting from the disparity between those standards. The change applies to annual periods commencing 1 January 2023 and thereafter.

- Amendment to IFRS 16 “Leases”

  The change is more specific about the requirements with respect to measurement of a lease liability arising from a sale and leaseback transactions. It is meant to prevent incorrect recognition of the transaction effect in that part which refers to the retained right of use in the event lease payments are variable and independent from any index or rate. The change applies to annual periods commencing 1 January 2024 and thereafter.

8.2. Significant measures based on professional judgment

Certain information provided in these consolidated financial statements are based on the Group’s assessment and professional judgment. So derived estimates may often not reflect the actual performance. The assumptions and assessments that were of biggest importance during the measurement and recognition of assets and liabilities include:

- grid connection fee revenues which are distinct performance obligation, therefore they are recognized as revenue at the time a grid connection invoice is issued. This approach reflects best the economic sense of such transaction. When evaluating the grid connection service and the grid availability service from the perspective whether they are separate performance commitments, the Management Board considered the following arguments: (i) the amount of the grid connection fee is regulated by ERO, (ii) the customer who pays the connection fee to Polenergia Dystrybucja Sp. z o.o. has no obligation to purchase energy from Polenergia Dystrybucja Sp. z o.o. (as energy may be bought from other energy suppliers). As a result, revenues from the grid connection fee are recognized at a certain point in time where the customer files a request with Polenergia Dystrybucja Sp. z o.o. to connect him/her to the grid. If the market practice changes, i.e. such revenues are recognized in time throughout the economic useful life of the assets, such practice shall be taken into account when recognizing revenues. As refers recognition of the connection fee revenue in accordance with IFRS 15, no market practice has yet been established unequivocally, however an approach has been considered, according to which the connection fees shall be recognized in time, i.e. over the useful life of the assets. According to the Group’s estimates, the potential impact of the change of accounting policies in this respect on the consolidated financial statements as at 31 December 2022 would entail reduction of the retained profit balance of PLN 15.7 m corresponding to the recognition of future revenues of PLN 15.7 m.

In the year ended on 31 December 2022 no changes were made in determining the Group’s judgment with respect to information disclosed in the consolidated financial statements.

8.3. Significant measures based on estimates

The underlying assumptions regarding the future and other key uncertainty factors as at the balance sheet date have been discussed below. They are connected with a material risk of significant adjustment of balance sheet assets and liabilities in the immediately following financial year and include:

- depreciation rates - the depreciation rates are determined based on the expected useful economic life of tangible fixed assets and intangibles. The Group performs review of the adopted economic useful life periods annually, based on the current estimates.
- litigation provision – each case is considered individually, with due regard to its unique features (Note 29),

- accrued holiday leaves provision – provision resulting from: the equivalent ratio, each employee's salary level and the number of outstanding vacation days (Note 34),
- provisions for obligations related to the sale of energy- reserve resulting from the volume of electricity sold to the end customer in a given period and the price of certificates purchased for redemption, in accordance with the statutory obligation of electricity vendors to redeem certificates of origin (Note 32),
- balancing provisions - provision for balancing the invoiced sales volume with the purchase volume in the period calculated based on the unbalanced volume and the portfolio-volume weighted average of the balancing market price in the period,
- financial assets and liabilities under forward contracts (Notes 18, 25 and 31),
- financial assets and liabilities under forward contracts related to the reversal of forward contracts hedging the production of electricity in Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (Note 36)
- deferred tax - the Group recognized a deferred tax asset based on the assumption that tax gain will occur in the future permitting its application. Less successful tax gain performance in the future could lead to such assumption becoming unfounded (Note 28),
- impairment losses on non-financial fixed assets - for goodwill, the Group performed impairment tests, while for other non-financial fixed assets the Group analyzed the indications of impairment of fixed assets, and where such indications were found, impairment tests for non-financial fixed assets were performed (Note 17),
- trade receivables impairment losses - calculation and measurement of expected the credit losses with regard to trade receivables is the area that requires significant judgment on the choice of proper methodology and input data. For a detailed description of the measurement methodology of expected credit losses applied by the Group see Note 8.18. In the models used by the Group mostly the historical information from the market data systems of the Group are used.
- Lease term - When measuring the lease payable, the Group estimates the lease term which covers:

  – irrevocable lease term,
  – terms, where a lease extension option exists, provided there is sufficient certainty to assume that the lessee will exercise such option,
  – terms, where a lease termination option exists, provided there is sufficient certainty to assume that the lessee will not exercise such option.

  In its assessment whether the Group will exercise its option to extend or will not exercise its option to terminate, the Group considers all material facts and circumstances which are an economic incentive for the Group to exercise or not exercise a given option. The items considered include, without limitation:

  – contractual terms regarding lease fees in optional terms,
  – significant investments in the leased object,
  – termination costs,
  – the significance of the underlying asset for the Group's business,
  – terms of exercising the option.

  The lease payable disclosed in the consolidated balance sheet reflects the best estimates with respect to the lease term, however any future change of circumstances may result in an increased or reduces lease payable and in recording a corresponding adjustment under the right of use assets.

In the year ended on 31 December 2022 no changes were made in the way of determining the Group's estimates that would impact any information disclosed in the consolidated financial statements, with the estimates-derived amounts being specified in the notes referred to hereinabove.

8.4. Measurement currency and currency of the consolidated financial statements

The functional currency of the parent company and other companies (except for the company Polenergia Energy Ukraine LLC which has no significant impact on the consolidated financial statements) included in these consolidated financial statements, as well as the reporting currency of these consolidated financial statements, is Polish Zloty.

8.5. Rules of consolidation

These consolidated financial statements includes the financial statements of Polenergia S.A. and the financial statements of its subsidiaries prepared in each case for the year ended on 31 December 2022. The financial statements of subsidiaries, upon incorporation of adjustments to align them to IFRS, are prepared for the same reporting period as applies to the financial statements of the parent company, using consistent accounting principles and based on single accounting principles applied to transactions and economic events of similar nature. In order to eliminate any discrepancies whatsoever, amendments are made to the applied accounting principles.

Subsidiaries are subject to full consolidation in the period since control has been gained over them by the parent company until such control ceases. The parent company exercises control over a subsidiary in the event it is exposed or is entitled to variable return on its involvement with such entity and is capable of exerting influence on such entity by way of exercising its power over it. Subsidiaries are subject to full consolidation until control is transferred onto the group.

Obtaining control over an entity within the meaning of IFRS 3 is accounted for using the acquisition method. Identifiable assets and liabilities of a subsidiary as at the day it is included in the consolidated financial statements are recognized at fair value. The difference between the fair value of such assets and liabilities and the acquisition price determined also at fair value, shares giving no control and the fair value of previously held shares results in goodwill, which is disclosed under an individual item of the consolidated balance sheet.

All material balances and transactions between the entities within the Group, including unrealized profits form transactions within the Group have been fully eliminated. Unrealized losses are eliminated, unless they prove any impairment.

8.6. Investments in Associates and jointly controlled entities

Shares and interests in associates are measured using the equity method. These are entities upon over which the parent company has, directly or through subsidiaries, significant influence and which are neither its subsidiaries nor joint ventures. The financial statements of associates are the basis for the measurement of the shares held by the Parent Company using the equity method. The associates and the Parent Company have the same financial year.

Investments in associates are recognized in the balance sheet at purchase price increased to include any subsequent changes of interest of the parent company in the net assets of those entities, less impairment losses, if any. Also, adjustment of the carrying amount may be necessary in view of the change of the proportion of the interest in an associate resulting from any changes in other total comprehensive income of such entity A test of an investment in associates for impairment is held whenever there are indications that such impairment occurred or that any impairment loss disclosed in the preceding years is no longer required. The profit and loss account reflects the share in the business performance of associates.

In case a change is recognized directly under equity of associates, the parent company recognizes its interest in every such change and, if applicable, discloses it in the statement of changes in equity.

8.7. Goodwill

Goodwill arising on acquisition of an entity is initially recognized at acquisition cost, equal to the excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquiree, and
- if a business combination takes place in stages, the acquisition date fair value of the equity interest in the acquiree previously held by the acquirer

over net identifiable assets acquired and liabilities assumed as at the acquisition date.

Following the initial recognition, goodwill is carried at acquisition cost less any cumulative impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any conditions for testing are met. Goodwill is not amortized.

As at the acquisition date the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or a group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes, and
- is no greater than a single operating segment defined in accordance with IFRS 8 Operating Segments.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated.

If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is recognized. In the event goodwill comprises part of a cash-generating unit and part of the cash-generating unit's business is sold, the goodwill attributable to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on the sale of such part of business.

In such a case goodwill disposed of is measured based on the relative value of the operations disposed of and the value of the part of the cash-generating unit retained.

8.8. Intangible Assets

Intangible assets which have been separately acquired or produced (provided they meet the criteria for being recognized as development expenditure) are initially recognized at acquisition or production cost. The acquisition cost of intangible assets acquired in a business combination transaction is equivalent to their fair value as at the date of the combination. Following initial recognition, intangible assets are recognized at acquisition or production cost less accumulated amortization and impairment losses, if any. With the exception of capitalized development expenditure, expenditure on intangible assets produced by the Company is not capitalized and is charged to expenses in the period it was incurred.

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortized over their useful lives and tested for impairment each time there is an indication of impairment. The amortization period and method with respect to intangibles with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortization period or amortization method, as appropriate, and are accounted for as changes in accounting estimates. Amortization charges on intangible assets with definite useful lives are recognized under profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those which are not used are tested for impairment annually with respect to individual assets or at the level of the relevant cash generating unit.

Expected useful lives are as follows:

Patents, licenses	1 year
Software	2–5 years
Other intangible assets	5 years

Expenditure on research activities is charged to the profit and loss account at the time they are incurred. Development expenditure in connection with a given project are carried forward provided that they may be expected to be recovered in the future. After initial recognition of development expenditure, the historical cost model is applied which requires that assets be disclosed at acquisition cost less accumulated depreciation/amortization and accumulated impairment. Any expenditure carried forward is amortized over the expected period of generating sales revenue under a given project.

The development expenditure is reviewed for impairment annually in case a given asset has not yet been used, or more frequently if an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Any gain or loss on the disposal of intangibles is determined by way of subtracting the carrying amount of the disposed intangible fixed asset from net proceeds from such disposal. Such gain or loss is recognized in the profit and loss under other operating revenue or other operating costs at the time the buyer takes control over such disposed intangible asset, in line with the requirements of IFRS 15 (see item "Sales revenue" in this section of notes to the financial statements). The amount of consideration payable as part of the intangible disposal transaction is determined in line with the requirements of IFRS 15 concerning the determining of the transaction price.

8.9. Non-current fixed assets

Non-current fixed assets are measured at acquisition cost/production cost less depreciation and impairment losses, if any.

The initial value of non-current fixed assets is represented by their acquisition cost plus all costs directly related to such acquisition and bringing such assets to the working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognized when incurred if relevant recognition criteria are fulfilled. Costs incurred after a non-current fixed asset has been placed in service, such as costs of maintenance or repair, are charged to the profit and loss account when incurred.

Upon acquisition, non-current fixed assets are divided into components of material value which can be assigned various economic useful lives. The overhaul cost is also deemed a component thereof.

non-current fixed assets other than land property are depreciated using the straight-line method over their estimated useful lives.

Buildings, structures, premises and civil engineering structures	40 years
Plant and equipment	2.5−40 years
Vehicles	2.5−5 years
Other non-current fixed assets	5−7 years

Residual values, useful lives and methods of depreciation of non-current fixed assets are reviewed annually and, if necessary, adjusted effective as of the beginning of the financial year just ended.

Individual fixed assets are recognized separately and depreciated over their useful lives.

Any gain or loss on the disposal of non-current fixed assets is determined by way of subtracting the carrying amount of such non-current fixed asset from net proceeds from such disposal. Such gain or loss is recognized in the profit and loss under other operating revenue or other operating costs at the time the buyer takes control over such disposed non-current asset, in line with the requirements of IFRS 15 (see item "Sales revenue" in this section of notes to the financial statements). The amount of consideration payable as part of the intangible disposal transaction is determined in line with the requirements of IFRS 15 concerning the determining of the transaction price.

8.10. Non-current fixed assets under construction

Non-current fixed assets under construction are measured at the amount of aggregate costs directly attributable to their acquisition or production, less impairment losses, if any. Investment materials are also recognized as non-current fixed assets under construction. Non-current fixed assets under construction are not depreciated until completed and placed in service. Wind farm development expenditure is also recognized as non-current fixed assets under construction.

8.11. Borrowing costs

The costs of bank and other borrowings resulting from loans and borrowings incurred which may be directly attributed to acquisition, construction or production of a qualifying asset are capitalized as part of the acquisition or production cost of such asset. Borrowing costs comprise interest and foreign exchange gains or losses up to an amount equal to the adjustment to interest expense.

8.12. Impairment losses on non-financial fixed assets

An assessment is made by the Group as at the end of each reporting period whether there is any indication that any of non-financial fixed assets may be impaired. If it is found such indications exist, or if it is required to perform annual impairment test, the Group estimates the recoverable amount of a given asset or a cash-generating unit to which a given asset belongs.

The recoverable amount of an asset or a cash-generating unit is the higher of the asset’s or cash-generating unit’s fair value less selling costs of such asset or unit, or its value in use. In the event the carrying amount of an asset exceeds its recoverable amount, impairment takes place and an impairment loss is recognized, reducing the asset’s carrying amount to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to a given asset. Impairment losses with respect to assets in continuing operations are recognized in those expense categories which are consistent with the function of the impaired asset.

As at end of each reporting period the Group makes an assessment whether there is any indication that the previously recognized impairment loss of an asset is redundant or whether it should be reduced. If such indication exists, the Group estimates the asset’s recoverable amount. A previously recognized impairment loss is reversed only if and to the extent there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. In such event, the carrying amount of the asset is increased up to its recoverable amount. Such increased amount may not exceed the carrying amount of the asset that would have been determined (after accumulated amortization/depreciation) if no impairment losses had been recognized on that asset in the preceding years. Reversal of an impairment loss is immediately recognized as income in the profit and loss account. Following reversal of an impairment loss, in subsequent periods the amortization/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less its residual value, can regularly be written down over the remaining useful life of the asset.

8.13. Financial assets

The Group categorizes financial assets as follows:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through profit or loss,

- Financial assets measured at fair value under other comprehensive income,

The classification depends on the model the Group has adopted for financial instrument management and the terms of contractual cash flows from such instruments. The Group reclassifies investments in debt instruments only when the asset management model changes.

Recognition and derecognition

Financial assets are recognized whenever the Group becomes a party to contractual provisions of a given instrument. Financial assets are excluded from accounting books when the right to generate cash flows on account of such financial assets expired or were transferred and the Group transferred substantially all the risk and all benefits attributable to the ownership title.

Measurement as at the initial recognition

On initial recognition, financial assets are recognized by the Group at fair value plus – in the case of financial assets other than those measured at fair value through profit or loss – any transaction costs directly attributable to the purchase of such financial asset. Transaction costs attributable to financial assets measured at fair value through profit or loss are recognized in profit or loss.

Financial assets measured at amortized cost

Debt instruments held to obtain contractual cash flows that include solely payment of principal and interest (SPPI), are measured at amortized cost. Interest revenue is measured using the effective interest rate method and disclosed under "financial income" presented under the consolidated profit or loss account. Expected credit losses are recognized in line with the accounting principle referred to in Note 8.18 and presented under item "financial expenses". In particular, the Group classifies the following under that category:

- trade receivables,
- loans that meet the SPPI requirement test which are disclosed, in line with the business model, as "held in order to generate cash flows",
- cash and equivalent.

Short-term trade debtors, excepting lease receivables, referred to in more detail in section 8.16, are measured at amortized cost.

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. If the discount method is applied, any increase in the amount of the receivables reflecting the passage of time is recognized as financial income.

Financial assets at fair value through profit or loss

Those assets which do not meet the measurement criteria at amortized cost or at fair value under other comprehensive income are measured at fair value through profit or loss.

Under this category the Group classifies derivatives, except those allocated to hedge accounting.

8.14. Hedge accounting

The Group chose the option to apply hedge accounting according to IAS 39. The Group hedges cash flows against interest rate movements related to future loan repayments (by way of exchanging the floating interest rate under a loan agreement for a fixed interest rate) and against exchange rate volatility related to foreign currency loan repayments. The hedging instruments include derivatives, interest rate swap and a currency forward.

For more information on hedge accounting, see Note 25.

During the period ended on 31 December 2022, in accordance with its adopted 'Hedge Accounting Guidelines', the Group measured hedge effectiveness both ex-post (retrospectively) and ex-ante (prospectively), using the dollar offset method.

For accounting purposes, effectiveness is measured using the hypothetical derivative method. Such method compares the changes in the fair value of an Interest Rate Swap (IRS) designated as a hedging instrument and the changes in the fair value of a hypothetical IRS transaction on a cumulative basis from the inception of the hedging relationship. The terms of such hypothetical IRS transaction are identical to those of the hedged item and its fair value at the inception of the hedging relationship is nil.

Hedge ineffectiveness is calculated by comparing the cumulative change in the fair value of the hedging IRS and the cumulative change in the fair value of the 'ideal' hypothetical IRS transaction, in each case starting from the inception of the hedging relationship.

Subsequent to the inception of the hedging relationship, gains or losses arising on remeasurement of the fair value of the hedging instrument are recorded based on determination what portion of the change in its carrying amount reflects the effective portion of the hedge. This is made from time to time as at each date of preparation of financial statements/end of reporting period date on a cumulative basis from the hedge commencement date until a given day. The Company determines the effective and ineffective portions of the hedge taking into account changes in its "pure" fair value, which is its fair value less the accrued portion of the nearest forthcoming interest payments under a derivative.

The effective portion of the change in the fair value of the hedging instrument is recognized in other comprehensive income, while the ineffective portion is recognized in profit and loss account.

For information on the fair value of the financial derivatives disclosed in the balance sheet, see Note 25.

8.15. Joint arrangements

Investments in joint arrangements are classified as either a joint operation or a joint venture, depending on the contractual rights and obligations of each investing party. The Group has performed an assessment of its joint arrangements and classified them as joint ventures. Joint ventures are measured using the equity method.

According to such method, interests in joint ventures are initially recognized at cost and subsequently adjusted to reflect the share of the Group in the profit or loss and in the changes of other comprehensive income in the period following acquisition. When the Group's share in losses of a joint venture is equal to or exceeds the Group's interest in such joint venture (including all long-term shares which, in fact, are part of the net investment), the Group ceases to recognize any further losses, unless it has incurred liabilities or has made payments on behalf of the joint ventures.

Unrealized gains on transaction between the Group and its joint ventures are eliminated to the extent reflecting the Group's shares in such joint ventures. Also unrealized losses are eliminated, unless a transaction provides evidence of impairment of the transferred asset. Where necessary, the accounting principles applied by joint ventures have been changed to align the presentation with the accounting principles applicable by the Group.

8.16. Lease

The Group as a lessee

The Group holds on lease office spaces, land and vehicles. Usually, contracts are entered into for a definite term, between 4 and 22 years, with an option to extend such contract, as referred to hereinbelow. With respect to contracts for an indefinite term, the Group estimates the lease term based on the anticipated useful life of the leased assets.

Recognition of lease payables

As at the initial recognition, lease payments included in the lease liability measurement at the discounted value include the following types of payments for the right to use the underlying asset throughout the lease term:

- fixed lease payments less any lease incentives receivable,
- variable lease payments dependent on market indices,

- amounts expected to be paid as guaranteed residual value of the leased asset,
- purchase option exercise price, provided sufficient certainty exists as to such exercise,
- penalties for termination of lease if the lessee may exercise termination option.

Lease payments related to the lease extension option are also included in the measurement of liability, provided that sufficient certainty exists that such option will be realized.

Lease payments are discounted at the lease discount rate, or in the event it is impossible to easily determine such rate, the lessee's incremental rate is applied. The Group has assumed that the incremental discount rate should reflect the cost of such financing as would be incurred to to finance the purchase the leased asset. When estimating the discount rate, the Group considered the following contractual features: type, tenor, currency and potential spread the Group would have to pay to any financial institution providing financing.

Payments related to short-term lease of equipment and vehicles, as well as the lease of low value assets are recognized under cost, according to a straight line method, in the profit and loss account. Short-term lease denotes lease contracts with the term of 12 or fewer months. Low value assets include computer hardware the value of which does not exceed PLN 20 k.

Lease payables have been recognized in the balance sheet under an individual item. Interest on lease payables have been recognized in the profit and loss account under other finance costs.

Recognition of the right-of-use assets

The right-of-use assets are measured at cost which includes:

- the initial measurement amount of the payable,
- any lease payments made on or before the commencement date less the lease incentives received,
- any upfront direct costs,
- reclamation costs

The right-of-use assets have been recognized in the balance sheet under the same item where the base assets owned by the Company would be recognized. Depreciation of the right-of-use assets has been recognized under the profit and loss account under the items: costs of goods sold, general overheads, fixed assets under construction.

8.17. Inventory

Inventory is measured at the lower of the acquisition/production cost and net realizable value. Costs incurred in bringing materials inventories to their present location and condition are included in and increase the cost of the inventories and measured at acquisition cost determined using the weighted average formula.

Net realizable value is the selling price realizable as at the end of the reporting period, net of VAT and excise duty, less any rebates, discounts and other similar items and less the costs to complete and costs to sell.

Being assets held for sale in the course of core business, certificates of origin are recognized as inventories.

8.18. Impairment of financial assets

IFRS 9 requires that the impairment loss on account of the expected credit loss for financial assets is estimated notwithstanding whether or not any indications giving rise to such impairment loss occurred. Said standard provides for a 3-step classification of financial assets, impairment-wise. (1) Stage 1 – where credit risk has not increased significantly since initial recognition and where entities are required to determine ECL based on a 12-month loss-occurrence risk; (2) Stage 2 – where credit risk has increased significantly since initial recognition and where entities are required to determine ECL based on the lifetime loss-occurrence risk; (3) Stage 3 – where a financial asset is credit-impaired.

A 3-stage model is applied to all financial assets excepting short term trade receivables for which the Group uses impairment losses throughout the entire lifetime of a given financial instrument.

Homogeneous/fragmented trade receivables which have been estimated, upon a portfolio analysis, to be unimpaired (Stage 2) - estimation of impairment, if any, is based on the application of an impairment matrix against historical data adjusted for future impacts.

Trade receivables from individually significant entities (customers buying large volume of goods in a given segment, with cooperation based on long-term contracts) (Stage 2) - estimation of expected impairment is based on an analysis of contracting parties' insolvency risk.

The entity also applies the 3-stage model to cash, however in this case, the Management Board believes that impairment is immaterial.

8.19. Other non-financial assets

Receivables from the state budget are presented as other short-term receivables, except for corporate income tax receivable, disclosed as a separate item of the statement of financial position.

The Group recognizes prepayments where costs relate to future reporting periods. Accrued expenses are recognized at probable amounts of current-period liabilities.

8.20. Cash

Cash disclosed in the consolidated statement of cash flows comprise cash in hand, bank deposits maturing in up to three months, treasury bills and bonds not classified as investing activities. Cash at bank deposits meet the SPPI test and the “held to collect” business model test, therefore they are measured at amortized cost less the impairment loss determined as per the expected credit loss model.

8.21. Capital

Share capital is recognized at its amount defined in the parent’s Statutes and entered in the court register. Any difference between the fair value of consideration received and the par value of shares is recognized in statutory reserve funds under share premium account. Where shares are repurchased, relevant payment amounts are charged to equity and disclosed in the balance sheet as treasury shares.

Other capital reserves have been accumulated through contributions from profits generated in previous financial years and through revaluation of derivatives hedging future cash flows. The capital reserve from the measurement of options was created in connection with the option scheme and is not subject to payment as dividend.

8.22. Provisions

Provisions are recognized if Group companies have an obligation (legal or constructive) resulting from past events and when it is certain or highly probable that an outflow of funds embodying economic benefits will be required to settle such obligation, and when a reliable estimate can be made of the amount of such obligation.

Where expenditure required to settle the obligation is expected by the Group to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognized as a separate asset only when virtual certainty exists that it will be actually received. Cost related to a given provision is recognized in profit or loss net of any recoveries.

If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognized as finance costs.

Emission allowances provision.

The Group recognizes a provision for emission allowances if it has a deficit of allowances. A surplus of allowances received free of charge over actual emissions, if any, is recognized as an off-balance-sheet item.

Provision for length-of-service awards and retirement pays

In accordance with the company remuneration systems, the Group employees are entitled to length-of- service awards and retirement pays. Length-of-service awards are paid after a specific period of employment. Retirement pays are one-off benefits, paid out when an employee retires. Amounts of such benefits and awards depend on the length of service and the average remuneration of the employee. The Company recognizes a provision for future length-of-service award and retirement pay obligations in order to allocate costs to the periods to which they relate. Accrued obligations are equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.

The present value of provisions as at each reporting date is estimated by an independent actuary. Accrued provisions are equal to the amount of discounted future payments that relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data. The impact of the measurement of the provision on future retirement pay obligations and jubilee awards are recognized under profit//loss.

8.23. Prepayments and Accruals

Prepayments are recognized in case the Group bears expenses that refer to the future reporting periods, in particular they include estimated accrued revenues, technical servicing, insurance and subscriptions prepayments.

Accruals are recognized at probable amounts of current-period liabilities, in particular they include estimated future premiums and costs of third party services, settlements of subsidies and settlements of compensatory payments.

8.24. Interest-bearing bank loans, borrowings and other debt instruments

All bank loans, borrowings and other debt instruments are initially recognized at fair value net of transaction costs associated with such loan or borrowing.

After initial recognition, interest-bearing loans, borrowings and other debt instruments are measured at amortized cost using the effective interest rate method.

Amortized cost includes the incremental costs, as well as any discounts or premiums obtained in connection with the liability.

Any gains or losses are taken to profit and loss account when the liability is derecognized or accounted for using the effective interest rate method.

If contractual terms of a financial liability are modified in a way that does not result in derecognition of the existing liability, the gain or loss is immediately recognized in profit or loss at an amount equal to the difference between the present value of modified and original cash flows, discounted using the original effective interest rate.

8.25. Trade creditors and other financial liabilities

Short-term trade payables are recognized at nominal amounts payable in view of a negligible discount effect.

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded derivatives, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities measured at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately, whenever they cannot be measured separately.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortized cost using the effective interest rate method.

The Group derecognizes a financial liability when it has been extinguished, that is when the obligation specified in the contract has either been discharged or canceled or has expired. When an existing debt instrument between the same parties is replaced by another instrument whose terms are substantially different, the Group treats such replacement as if the former financial liability was extinguished and recognizes a new liability. Similarly, material modifications to the terms of a contract concerning an existing financial liability are presented by the Group as the original liability being extinguished and a new financial liability being recognized. Any differences in the respective carrying amounts arising in connection with such replacement are charged to the profit and loss account.

Other non-financial liabilities include, in particular, value added tax payable to tax authorities and liabilities under prepayments received, to be settled through the supplies of merchandise, services or fixed assets. Other non-financial liabilities are recognized at their amounts due.

8.26. Revenue from Contracts with Customers

Sales revenues are recognized at the time and to the extent that the Group meets the obligation to fulfill the performance obligation (provision of service) or supply of goods. An obligation is fulfilled when the customer gains control of the transferred asset.

Revenue is recognized so as to reflect the transfer of promised goods or services to a customer in the amount which reflects the consideration which the entity expects to be entitled to in return for such goods and services.

The Group recognizes revenue derived from a contract with a customer only if all of the following criteria are met:

- The parties have entered into a contract (either in writing, orally or in accordance with other customary commercial practices) and are obligated to perform their duties,
- The company is able to identify the rights of each party concerning the goods and services to be transferred,
- The company is able to identify the terms of payment for the goods and services to be transferred,
- The contract has economic substance,

- The entity is likely to receive remuneration it will be entitled to in consideration for goods or services to be provided to the customer.

Depending on the fulfillment of the criteria referred to in IFRS 15 "Revenue from contracts with customers", revenue may be recognized at a specific time or may be satisfied at a point in time. Information on this breakdown is presented in Note 11.

Revenues include, in particular, revenues from the sale and distribution of energy, certificates of origin, heat, sale and distribution of gas and the capacity market and system recovery services, as well as revenues from installing solar panels and heat pumps. These revenues are determined on the basis of the net price, adjusted for rebates and discounts granted and the excise duty.

The Group recognizes revenues from the sale of electricity and gas at the end of each payment period, according to the volumes delivered to the customer during a given payment period. The Group recognizes revenue over a period of time and uses a simplification that allows revenue to be recognized in accordance with invoicing, as it reflects the degree to which the performance obligation has been met. The transaction price is determined based on contract prices (determined based on the price formula from the contract or based on transaction prices on TGE).

Revenues from the sale of certificates of origin are recognized by the Company in accordance with the invoicing at the time of the conclusion of the transaction for the sale of certificates through the power exchange (Towarowa Giełda Energii), as the Group believes that control over the asset (certificates) is lost at that point.

In addition, in connection with the acquisition of the company Polenergia Fotowoltaika S.A. (former Edison Energia S.A.) referred to in Note 16, when recognizing revenues from the deployment of the PV panels and heat pumps, the Group applied the rules in line with IFRS 15 “Revenue from Contracts with Customers” and has been recognizing revenues during the delivery of the performance obligation, as per item 39 of IFRS 15 which reads that for each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The measurement of the degree of satisfying the obligation is based on the input method.

8.27. Other revenues

The Group generates other revenues from:

Futures and forward contracts

The subsidiary enters into forward contracts and relevant stock exchanges. Whenever a contract is executed, it is categorized into a relevant portfolio. Contracts are divided into two groups:

- The energy and gas purchase and sale contracts entered into by Polenergia Obrót remain outside the scope of the IFRS 9 standard based on an exemption from IFRS 9 of the purchase/sale for the company's own purpose, given the fact the energy purchased and sold under such contracts is easily exchangeable for cash (it involves a physical delivery of energy). Such contracts are recognized and measured as per IFRS 15, with the accounting principles applicable to those contract described in the section "Revenues from sale of energy under forward contracts"
- Energy and gas purchase and sale contracts recognized and measured as per IFRS 9.

Futures and forward contracts to buy or sell electricity unrealized as at the reporting date are accounted for by the Group as derivatives, falling into the standards for derivative instruments, due to the fact that the energy traded under such contracts is readily convertible into cash. Typically, such transactions are performed through physical delivery of energy and settled on a gross basis.

Measurement is performed with respect to the outstanding part of the contracts broken down into a current portion to be completed within 12 months from the reporting date, and a long term portion to be completed in subsequent years.

The unrealized contracts are measured as at the reporting day at fair value, with changes in value recognized in the profit and loss account. Gains or losses on the measurement of the unrealized contracts as at the reporting date are recognized on a net basis under Revenue from forward contracts measurement.

Transactions under electricity sale contracts which are settled during the year through physical delivery from contracts with customers are disclosed as Revenue from customer contracts in the amounts receivable under the contracts (i.e. sales revenues on contract settlement.

Cost of electricity purchase contracts which are settled during the year through physical purchase of electricity is presented under “COGS - cost of goods sold” at the purchase price (i.e. on contract settlement).

Recognition of carbon emission allowances

Free carbon emission allowances were neither recognized in the balance sheet when they were allotted nor in subsequent periods.

Revenue from sale of allowances acquired for resale is recognized as revenue, and the cost of allowances sold is recognized as COGS (raw materials and energy consumed). If emission allowances held by the Group as at end of the reporting period do not fully cover its actual CO_2 emissions in a given year, the Group recognizes a provision for the costs of covering the deficit.

Interest

Interest gains are recognized gradually as interest accrues (using the effective interest rate method, where the effective interest rate is one which discounts future cash flows over the estimated life of the financial instruments) relative to the net carrying amount of a given financial asset.

Dividends

Dividends are recognized when the shareholders' rights to receive distribution are established.

Subsidies on account of certificates of origin

Due to the short operating cycle and high turnover, green energy certificates of origin are measured at fair value and recognized under cost of goods sold as revenue from the granted certificates of origin and current assets (inventories) when energy is generated, to the extent it is probable that the Group will receive the related economic benefits.

Subsidized tangible fixed assets

If there is reasonable certainty that subsidies will be received and that all related conditions will be met, subsidies are recognized at fair value.

If a subsidy relates to a cost item, it is recognized as income in matching with the expenses it is intended to compensate for. Where the subsidy relates to an asset, its fair value is credited to a deferred income account and subsequently it is released to the profit and loss account under other operating revenues over the expected useful life of the relevant asset in equal annual installments.

8.28. Taxes

Current tax

Current tax asset and income tax payable for the current period and for previous periods are measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and tax legislation that have been enacted or substantively enacted as at the end of the reporting period.

Deferred tax

For the purposes of financial reporting, deferred tax is calculated using the balance-sheet liability method in relation to temporary differences existing as at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts as disclosed in the financial statements.

A deferred tax liability provision is recognized for all taxable temporary differences:

- except where the deferred tax liability provision arises from the initial recognition of goodwill or the initial recognition of an asset or liability attributable to a transaction other than business combination and, at the time of the transaction, affecting neither the pre-tax profit/loss nor the taxable profit or loss, and

- in the case of taxable temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, as well as unused tax credits and unused tax losses brought forward, to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax credits and tax losses can be utilized:

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability attributable to a transaction other than business combination, and, at the time of the transaction, affects neither the pre-tax profit/loss nor the taxable profit or the tax loss, and

- in the case of deductible temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is gradually reduced to the extent it is no longer probable that sufficient taxable income will be generated to allow the deferred tax asset to be realized in full or in part. As at the end of each reporting period, any unrecognized deferred tax asset is reassessed and recognized to the extent that it is probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liability provisions are calculated using tax rates expected to be effective at the time of realization of the asset or liability, based on tax rates (and tax legislation) effective at the end of the reporting period or tax rates (and tax legislation) which at the reporting date are certain to be effective in the future.

Income tax on items posted directly to equity is recognized in equity rather than in the profit and loss account.

Deferred tax assets and deferred tax liability provisions are offset by the Group if and only if has a legally enforceable right to offset current tax asset and income tax payable, and the deferred tax relates to the same taxpayer and the same tax authority.

Value added tax

Revenue, expenses, assets and liabilities are recognized net of VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognized as part of the acquisition price of a given asset or as part of the cost item, and

- in the case of receivables and payables which are recognized inclusive of VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is disclosed in the balance sheet under receivables or payables, as appropriate.

8.29. Earnings per share

Earnings per share for each reporting period are calculated by dividing the net profit attributable to the shareholders of the parent for a given period by the weighted average number of shares outstanding in the period.

Diluted earnings per share for a period are calculated as the quotient of net profit adjusted for changes in net profit attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) and the weighted average number of ordinary shares outstanding in the period (adjusted for the effect of dilutive options and dilutive redeemable preferred shares convertible into ordinary shares, including warrants under the management stock option plan).

8.30. Contingent assets and liabilities

A contingent liability is understood as an obligation to make a payment or provide a service which may arise upon the occurrence or non-occurrence of certain future events. Contingent liabilities are not recognized in the balance sheet, however information on contingent liabilities is disclosed, unless the probability of the outflow of resources embodying economic benefits is negligible.

A contingent liability is:

- a plausible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but has not been recognized in the financial statements because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to perform the obligation, or

(ii) the amount of the obligation (liability) cannot be measured with sufficient reliability.

Contingent receivables are not recognized in the balance sheet, but information on contingent receivables is disclosed if the inflow of resources embodying economic benefits is likely to occur.

8.31. Seasonality and cyclical nature of operations

The Group operates on the industrial power outsourcing market. The Group's key customers use heat and electricity supplied by the Group for production purposes at their industrial facilities. Heat and electricity supply business is not subject to seasonal fluctuations. Wind conditions which determine the output of wind farms are uneven during the year In autumn and winter they are significantly better than in spring and summer. The Group resolved to build wind farms in locations selected based on professional wind measurements confirmed by independent and reputable experts. However, there can be no assurance that the actual wind conditions will be no different than those used in the Group's models for specific investment projects.

8.32. Foreign currency transactions

Transactions denominated in currencies other than the functional currency are translated into the functional currency at the rate of exchange prevailing on the transaction date.

Cash, bank borrowings and other monetary assets and liabilities denominated in currencies other than the functional currency are translated at the balance sheet date into the functional currency at the closing exchange rate prevailing at the end of the reporting period (for entities having the Polish zloty as their functional currency, the average rate quoted by the NBP is used). Foreign exchange differences on translation and settlement of items are recognized in finance income or cost, as appropriate. Changes in the measurement of derivatives designated as hedging instruments for hedge accounting purposes are recognized in accordance with the applicable hedge accounting policies.

(PLN k)

The following exchange rates were used for measurement purposes:

	2022-12-31	2021-12-31
USD	4.4018	4.0600
EUR	4.6899	4.5994
GBP	5.2957	5.4846

9. Abandoned business

The amounts presented in the consolidated income statement under the item concerning the abandoned business (namely "Profit on abandoned operating activities") refer to revenues and costs in connection with the business of the companies which were sold in 2021, that is: Polenergia Elektrownia Mercury Sp. z o.o. and Mercury Energia Sp. z o.o. i Wspólnicy Sp.K.

(PLN k)

10. Adjusted Consolidated EBITDA and Adjusted Consolidated Net Profit

The Group presents data on its EBITDA, adjusted EBITDA and the adjusted net profit allocated to the parent company shareholders in order to present the Group's results to the exclusion of certain elements that have no impact on the core business of the Group and that lead to no cashflows in the reporting period.

EBITDA and ADJUSTED EBITDA

	For 12 months ended	
	31.12.2022	31.12.2021
Profit before tax	200 269	420 052
Fianancial revenues	(38 334)	(230 274)
Financial costs	75 672	44 130
Depreciation/Amortization	116 421	93 272
Cost connected with result of result of control over subsidiaries	-	13 863
Development - related impairment loss	318	228
Gas and Clean Fuels Segment - related impairment loss	-	19 889
EBITDA	**354 346**	**361 160**
Adjusted EBITDA	**354 346**	**361 160**

ADJUSTED NET PROFIT atributed to parent shareholders

	For 12 months ended	
	31.12.2022	31.12.2021
NET PROFIT attributed to parent shareholders	**159 918**	**337 376**
Unrealized foreign exchange net (gains)/losses	(2 853)	2 656
(Income)/Cost from measurement of long-term borrowings	1 840	1 358
(Net profit) on loss of control over subsidiaries	-	(174 908)
Development - related impairment loss	318	20 117
Purchase price allocation:		
Depreciation/Amortization	2 836	876
Tax	(50)	(168)
Adjusted NET PROFIT attributed to parent shareholders	**162 009**	**187 307**

The item "Net profit on loss of control over subsidiaries" refers to additional payments related to the transaction of sale of shares in the companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. under a contract entered into on 5 March 2018 with Statoil Holding Netherlands B.V. The impact of such additional payments amounted to PLN 225,411 k and was disclosed in the consolidated income statement under "financial revenue" and in the consolidated cash flow report under "financial assets inflows". The abovementioned impact of additional payments after income tax (and having deducted the prior years tax losses) amounted to PLN 174,908 k.

Neither the level of EBITDA, nor the adjusted EBITDA nor the adjusted net profit allocated to the parent company shareholders have been defined in IFRS, hence these figures may be derived differently by other entities.

The Group defines EBITDA as profit before tax less the financial revenue plus financial expense plus depreciation plus impairment losses of non-financial fixed assets (including goodwill). This definition is aimed, in the first place, at ensuring comparative nature of the key parameter for the industry in which the Issuer and its Group operates, in view of the fact that in these financial statements the Group excluded profit from loss of control over subsidiaries from EBITDA.

The Adjusted EBITDA index is determined by eliminating from EBITDA any impact of economic events not affecting the core business of the Group and having no connection with cash flows in the reporting period including, in particular:

- Accounting for the purchase price as at the acquisition day (eliminating the profit recognized as at the acquisition day on account of formerly existing relations, elimination of cost/revenue on forward contract clearance recognized at fair value as at the acquisition day),
- Operating result resulting from the change in the Group's strategy.

The Group defines Adjusted Net Profit attributable to shareholders of the parent as net profit clear of any effects of the following economic events:

- Accounting for the purchase price as at the acquisition day (elimination of depreciation/amortization of adjustments made in connection with fair value measurement of acquired fixed assets, elimination of the profit recognized as at the acquisition day in connection with previously existing relations, elimination of cost/revenue on forward contract clearance recognized at fair value as at the acquisition day), including the effect of deferred tax on the above items),
- Impairment losses on non-financial fixed assets, including goodwill
- Net finance profit/loss related to measurement of borrowings using the amortized cost method (the spreading over time of historically incurred commissions on financing obtained),
- Unrealized foreign exchange gains or losses (this item has not been included in the forecast),
- Operating result resulting from the change in the Group's strategy,
- Impact of income tax on the economic events listed above.

11. Operating segments

The following operating segments have been identified, being identical with the reporting segments:

- Onshore wind farms – development, construction and maintenance of facilities generating electrical energy from onshore wind,
- Photovoltaics – development, construction and maintenance of facilities generating electrical energy using the solar radiation,
- Offshore wind farms – development, construction and maintenance of facilities generating electrical energy from wind at sea,
- Gas and clean fuels - development, construction and maintenance of facilities generating electrical energy in gas cogeneration and development work in the manufacture of hydrogen and generation of energy from hydrogen based on the renewable sources originating energy,
- Trading and sales - commercial business in terms of trading in electricity and certificates of origin, other energy market instruments, as well as sale of electricity to industrial customers and provision of market access services to energy producers using renewable energy sources, as well as installing solar panels and heat pumps,
- Distribution - provision of electrical energy and gas distribution and sale services to commercial, industrial and household customers, as well as the development of e-mobility.

The Management Board has been separately monitoring the operating performance of the segments in order to make decisions regarding allocation of resources, evaluation of the effects of such allocation and the operating performance. Such evaluation is based on the EBITDA result and gross sale profit or loss. Income tax is monitored at the Group level and is not allocated to operating segments. Company's cash is disclosed under Unallocated Assets.

Transaction prices used in transactions between the operating segments are determined on an arm's length basis, similarly to the transactions with non-related parties. Any and all consolidation adjustments are allocated to individual segments.

Recipients with which the Group achieved no less than 10% of the Group's total revenues relate to the Trading and Sales segment, such revenues totaled: PLN 3,680,609 k.

(PLN k)

For 12 months ended 31.12.2022	RES Generation			Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Purchase price allocation	Total
	On shore wind farms	Photovoltaics	Off shore wind farms						
Revenues from contracts with clients	403 868	16 098	-	217 794	6 257 341	161 889	12 245	-	7 069 235
Other revenues	-	-	-	(15 041)	35 037	-	-	-	19 996
Total revenues	403 868	16 098	-	202 753	6 292 378	161 889	12 245	-	7 089 231
Net sales profit (loss)	**259 619**	**11 236**	**-**	**2 726**	**170 606**	**27 579**	**9 155**	**(2 836)**	**478 085**
Selling costs	-	-	-	-	(115 915)	-	-	-	(115 915)
General overheads	(5 462)	(754)	-	(7 073)	(64 239)	(8 087)	(39 897)	-	(125 512)
Interest income/(expense)	(48 151)	(1 333)	-	599	(12 895)	(5 383)	42 404	-	(24 759)
Other financial revenue/(expense)	(5 129)	91	-	(560)	(8 270)	(368)	1 657	-	(12 579)
Other operating revenue/(expense)	7 196	(374)	-	(2 549)	(412)	(76)	(2 836)	-	949
Profit/loss before tax	**208 073**	**8 866**	**-**	**(6 857)**	**(31 125)**	**13 665**	**10 483**	**(2 836)**	**200 269**
Income tax	-	-	-	-	-	-	(40 401)	50	(40 351)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**159 918**
EBITDA **)	342 669	12 553	-	6 499	(5 017)	26 929	(29 287)	-	354 346
Segment assets	3 258 783	146 794	394 093	198 970	1 518 444	222 803	507 447	-	6 247 334
Segment liabilities	1 650 478	59 944	-	51 787	1 271 158	124 638	6 294	-	3 164 299
Depreciation/Amortization	81 009	2 445	-	13 395	4 943	7 511	4 278	2 836	116 417

*) EBITDA - definition in Note 10

(PLN k)

For 12 months ended 31.12.2022		RES Generation		Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Total
		On shore wind farms	Photovoltaics					
- revenue from sale and distribution of electricity	over time	308 551	16 089	156 818	4 421 666	154 696	-	5 057 820
- revenue from certificates of orgin	over time	95 302	-	155	768 290	-	-	863 747
- revenue from sale of heat	point in time	-	-	37 267	-	-	-	37 267
- revenue from consulting and advisory services	over time	-	-	-	-	-	11 118	11 118
- revenue from lease and operator services	over time	-	-	-	-	453	-	453
- revenue from sale and distribution of gas	over time	-	-	-	641 060	4 964	-	646 024
- revenue from sale of merchandise	over time	-	-	-	-	991	-	991
- revenue from lease	over time	15	-	-	-	10	327	352
- revenue from the capacity market and blackstart services	point in time	-	-	23 552	-	-	-	23 552
- revenue from the solar panels and heat pomps instalation	over time	-	-	-	418 035	-	-	418 035
- other	over time	-	9	2	8 290	775	800	9 876
Total revenue from clients		**403 868**	**16 098**	**217 794**	**6 257 341**	**161 889**	**12 245**	**7 069 235**
- revenues from the valuation of futures contracts	over time	-	-	(15 041)	(17 609)	-	-	(32 650)
- revenues from CO2 emission allowances	point in time	-	-	-	52 646	-	-	52 646
Total other revenue		**-**	**-**	**(15 041)**	**35 037**	**-**	**-**	**19 996**
Total sales revenue		**403 868**	**16 098**	**202 753**	**6 292 378**	**161 889**	**12 245**	**7 089 231**

(PLN k)

For 12 months ended 31.12.2021	RES Generation: On shore wind farms	RES Generation: Photovoltaics	RES Generation: Off shore wind farms	Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Purchase price allocation	Total
Revenues from contracts with clients	254 911	3 225	-	231 141	2 490 477	109 608	6 954	-	3 096 316
Other revenues	-	-	-	69 827	832 910	-	-	-	902 737
Total revenues	254 911	3 225	-	300 968	3 323 387	109 608	6 954	-	3 999 053
Net sales profit (loss)	**136 783**	**1 046**	**-**	**142 704**	**41 749**	**19 319**	**1 372**	**(876)**	**342 097**
General overheads	(3 804)	(371)	-	(8 039)	(20 753)	(7 231)	(37 077)	-	(77 275)
Interest income/(expense)	(29 254)	(453)	-	(25)	(791)	(2 673)	(614)	-	(33 810)
Other financial revenue/(expense)	(3 555)	(102)	-	(595)	(308)	(409)	224 923	-	219 954
Other operating revenue/(expense)	2 934	(23)	-	(34 988)	1 305	(149)	6	-	(30 915)
Profit/loss before tax	**103 104**	**97**	**-**	**99 057**	**21 202**	**8 857**	**188 610**	**(876)**	**420 051**
Income tax	-	-	-	-	-	-	(85 693)	168	(85 525)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**334 526**
EBITDA **)	202 698	1 487	-	135 677	22 501	18 153	(19 357)	-	361 159
Segment assets	2 412 414	160 913	283 593	265 803	1 954 606	174 083	355 771	-	5 607 183
Segment liabilities	1 277 783	54 313	-	61 966	1 852 796	120 371	382 860	-	3 750 089
Depreciation/Amortization	66 602	835	-	16 110	200	6 214	2 435	876	93 272

(PLN k)

For 12 months ended 31.12.2021		RES Generation		Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Total
		On shore wind farms	Photovoltaics					
- revenue from sale and distribution of electricity	over time	163 086	3 225	169 258	1 732 422	99 726	-	2 167 717
- revenue from certificates of orgin	over time	91 811	-	-	310 722	-	-	402 533
- revenue from sale of heat	point in time	-	-	34 240	-	-	-	34 240
- revenue from consulting and advisory services	over time	-	-	-	-	-	6 585	6 585
- revenue from lease and operator services	over time	-	-	-	-	4 864	-	4 864
- revenue from sale and distribution of gas	over time	-	-	-	442 258	4 836	-	447 094
- revenue from sale of merchandise	over time	-	-	-	-	31	-	31
- revenue from lease	over time	14	-	-	-	10	340	364
- revenue from the capacity market and blackstart services	over time	-	-	27 640	-	-	-	27 640
- other	over time	-	-	3	5 075	141	29	5 248
Total revenue from clients		**254 911**	**3 225**	**231 141**	**2 490 477**	**109 608**	**6 954**	**3 096 316**
- revenues from the valuation of futures contracts		-	-	35 202	27 777	-	-	62 979
- revenues from the stranded costs and cost of gas	over time	-	-	34 625	-	-	-	34 625
- revenues from CO2 emission allowances	point in time	-	-	-	805 133	-	-	805 133
Total other revenue		**-**	**-**	**69 827**	**832 910**	**-**	**-**	**902 737**
Total sales revenue		**254 911**	**3 225**	**300 968**	**3 323 387**	**109 608**	**6 954**	**3 999 053**

(PLN k)

12. Earnings per share

	For 12 months ended 31.12.2022	For 12 months ended 31.12.2021
Net profit	159 918	337 376
Average weighted number of ordinary shares	60 949 963	45 443 547
Profit per ordinary share (in PLN)	2,62	7,42

	For 12 months ended 31.12.2022	For 12 months ended 31.12.2021
Average weighted number of ordinary shares	60 949 963	45 443 547
Effect of dilution	-	-
Diluted weighted average number of ordinary shares	60 949 963	45 443 547

(PLN k)

13. Non-current fixed assets

31.12.2022	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	non-current fixed assets under construction	prepayments for non-current fixed assets under construction	total non-current fixed assets
Gross value of non-current fixed assets at beginning of period	**222 525**	**680 754**	**1 569 618**	**5 714**	**(1 948)**	**927 005**	**(16 021)**	**3 387 647**
increases (due to)	**(48 126)**	**389 749**	**711 244**	**10 616**	**1 278**	**651 074**	**7 447**	**1 723 282**
- purchase	-	4 912	1 987	10 401	1 271	649 959	5 990	674 520
- transfers	2 814	372 968	707 974	-	16	442	1 457	1 085 671
- other	(50 940)	11 869	1 283	215	(9)	673	-	(36 909)
reductions (due to)	**(3 707)**	**(3 560)**	**(21 029)**	**(1 569)**	**(12)**	**(1 184 880)**	**18 062**	**(1 196 695)**
- sale and liquidation	(64)	-	(445)	(487)	(3)	(78 950)	-	(79 949)
- other	(207)	(304)	-	(1 075)	-	(18)	-	(1 604)
- transfers	(3 436)	(3 256)	(20 584)	(7)	(9)	(1 105 912)	18 062	(1 115 142)
Gross value of non-current fixed assets at end of period	**170 692**	**1 066 943**	**2 259 833**	**14 761**	**(682)**	**393 199**	**9 488**	**3 914 234**
Cumulative depreciation at beginning of period	**(15 230)**	**(180 577)**	**(491 069)**	**(2 871)**	**2 185**	**(101)**	**-**	**(687 663)**
- current period depreciation	(4 538)	(33 467)	(70 284)	(3 321)	(387)	-	-	(111 997)
- reductions (due to)	(4 732)	610	(721)	492	(232)	(6)	-	(4 589)
- sale and liquidation	1	3	192	487	3	-	-	686
- other	(4 733)	607	(913)	5	(235)	(6)	-	(5 275)
Cumulative depreciation at end of period	**(24 500)**	**(213 434)**	**(562 074)**	**(5 700)**	**1 566**	**(107)**	**-**	**(804 249)**
Impairment losses at beginning of period	**-**	**(5 624)**	**(14 603)**	**-**	**(5)**	**(164 765)**	**-**	**(184 997)**
- increase	-	-	-	-	-	(599)	-	(599)
- reduction	-	-	-	-	-	105 786	-	105 786
Impairment losses at end of period	**-**	**(5 624)**	**(14 603)**	**-**	**(5)**	**(59 578)**	**-**	**(79 810)**
Net value of non-current fixed assets at beginning of period	**207 295**	**494 553**	**1 063 946**	**2 843**	**232**	**762 139**	**(16 021)**	**2 514 987**
Net value of non-current fixed assets at end of period	**146 192**	**847 885**	**1 683 156**	**9 061**	**879**	**333 514**	**9 488**	**3 030 175**

In the 12-month period ended 31 December 2022, the Group incurred borrowing costs qualifying for capitalization and recognizing under initial value of non-current fixed assets, totaling PLN 43,041 k.

(PLN k)

31.12.2021	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed asstes	non-current fixed assets under construction	prepayments for non-current fixed assets under construction	total non-current fixed assets
Gross value of non-current fixed assets at beginning of period	**109 531**	**616 797**	**1 403 036**	**4 927**	**(2 026)**	**561 204**	**33 627**	**2 727 096**
increases (due to)	**113 661**	**69 927**	**183 627**	**1 430**	**89**	**561 621**	**23 345**	**953 700**
- purchase	-	-	462	1 350	89	547 605	23 345	572 851
- transfers	-	68 932	183 165	80	-	14 016	-	266 193
- other	113 661	995	-	-	-	-	-	114 656
reductions (due to)	**(667)**	**(5 970)**	**(17 045)**	**(643)**	**(11)**	**(195 820)**	**(72 993)**	**(293 149)**
- sale and liquidation	(567)	(5 449)	(17 045)	(352)	(11)	-	-	(23 424)
- other	(100)	(521)	-	(291)	-	312	-	(600)
- transfers	-	-	-	-	-	(196 132)	(72 993)	(269 125)
Gross value of non-current fixed assets at end of period	**222 525**	**680 754**	**1 569 618**	**5 714**	**(1 948)**	**927 005**	**(16 021)**	**3 387 647**
Cumulative depreciation at beginning of period	**(10 203)**	**(159 322)**	**(446 194)**	**(1 936)**	**2 301**	**(101)**	**-**	**(615 455)**
- current period depreciation	(3 505)	(26 084)	(61 547)	(1 310)	(124)	-	-	(92 570)
- reductions (due to)	(1 522)	4 829	16 672	375	8	-	-	20 362
- sale and liquidation	7	5 414	16 672	280	8	-	-	22 381
- other	(1 529)	(585)	-	95	-	-	-	(2 019)
Cumulative depreciation at end of period	**(15 230)**	**(180 577)**	**(491 069)**	**(2 871)**	**2 185**	**(101)**	**-**	**(687 663)**
Impairment losses at beginning of period	**-**	**(344)**	**-**	**-**	**-**	**(164 536)**	**-**	**(164 880)**
- increase	-	(5 280)	(14 603)	-	(5)	(229)	-	(20 117)
- reduction	-	-	-	-	-	-	-	-
Impairment losses at end of period	**-**	**(5 624)**	**(14 603)**	**-**	**(5)**	**(164 765)**	**-**	**(184 997)**
Net value of non-current fixed assets at beginning of period	**99 328**	**457 131**	**956 842**	**2 991**	**275**	**396 567**	**33 627**	**1 946 761**
Net value of non-current fixed assets at end of period	**207 295**	**494 553**	**1 063 946**	**2 843**	**232**	**762 139**	**(16 021)**	**2 514 987**

In the 12-month period ended 31 December 2021, the Group incurred borrowing costs qualifying for capitalization and recognition under initial value of non-current fixed assets, totaling PLN 25,626 k.

(PLN k)

Right-of-use assets under lease	31.12.2022	31.12.2021
Land	145 270	204 775
Building, premises and civil and water engineering	16 574	6 475
Plant and machinery	156	156
Vehicles	8 508	2 566
Total	**170 508**	**213 972**

Right-of-use liabilities under lease	31.12.2022	31.12.2021
Land	157 748	208 845
Building, premises and civil and water engineering	17 689	8 151
Plant and machinery	41	72
Vehicles	8 158	2 222
Total	**183 636**	**219 290**

	For 12 months ended	
Right-of-use amortization	31.12.2022	31.12.2021
Land	6 735	6 214
Building, premises and civil and water engineering	4 535	1 375
Plant and machinery	13	13
Vehicles	3 101	932
Total	**14 384**	**8 534**

	For 12 months ended	
Right-of-use interest costs	31.12.2022	31.12.2021
Land	6 649	5 726
Building, premises and civil and water engineering	627	306
Plant and machinery	2	3
Vehicles	329	118
Total	**7 607**	**6 153**

Changes in lease payables are presented in Note 43.

(PLN k)

14. Intangible Assets

31.12.2022	concessions, patents, licenses and similar entitlements obtained	prepayments for intangibles	intangible assets from purchase price allocation	total intangibles
1. Gross value of intangible assets at beginning of period	**13 612**	**35**	**58 000**	**71 647**
a) increase (due to)	9 856	867	-	10 723
- purchase	8 206	867	-	9 073
- other	1 650	-	-	1 650
b) reductions (due to)	(53)	(696)	-	(749)
- sale and liquidation	(88)	-	-	(88)
- other	-	(661)	-	(661)
- transfers	35	(35)	-	-
2. Gross value of intangible assets at end of period	**23 415**	**206**	**58 000**	**81 621**
3. Cumulative depreciation at begining of period	**(7 255)**	**-**	**(58 000)**	**(65 255)**
- current period depreciation	(4 424)	-	-	(4 424)
- reductions (due to)	(157)	-	-	(157)
- sale and liquidation	15	-	-	15
- other	(172)	-	-	(172)
4. Cumulative depreciation at end of period	**(11 836)**	**-**	**(58 000)**	**(69 836)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**
6. Impairment losses at end of period	**-**	**-**	**-**	**-**
7. Net value of intangible assets at beginning of period	**6 357**	**35**	**-**	**6 392**
8. Net value of intangible assets at end of period	**11 579**	**206**	**-**	**11 785**

31.12.2021	concessions, patents, licenses and similar entitlements obtained	prepayments for intangibles	intangible assets from purchase price allocation	total intangibles
1. Gross value of intangible assets at beginning of period	**10 400**	**37**	**58 000**	**68 437**
a) increase (due to)	3 055	104	-	3 159
- purchase	270	104	-	374
- other	2 785	-	-	2 785
b) reductions (due to)	157	(106)	-	51
- sale and liquidation	51	-	-	51
- transfers	106	(106)	-	-
2. Gross value of intangible assets at end of period	**13 612**	**35**	**58 000**	**71 647**
3. Cumulative depreciation at begining of period	**(6 294)**	**-**	**(57 397)**	**(63 691)**
- current period depreciation	(900)	-	(603)	(1 503)
- reductions (due to)	(61)	-	-	(54)
- sale and liquidation	(61)	-	-	(54)
4. Cumulative depreciation at end of period	**(7 255)**	**-**	**(58 000)**	**(65 255)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**
- increase	-	-	-	-
- reduction	-	-	-	-
6. Impairment losses at end of period	**-**	**-**	**-**	**-**
7. Net value of intangible assets at beginning of period	**4 106**	**37**	**603**	**4 746**
8. Net value of intangible assets at end of period	**6 357**	**35**	**-**	**6 392**

(PLN k)

15. Goodwill

	31.12.2022	31.12.2021
- Goodwill from consolidation at baginning of period	**69 129**	**69 566**
- Increase (decrease) of goodwill at consolidation	88 209	-
- Decrease of goodwill from sale of assets	-	437
Total goodwill	**157 338**	**69 129**

As at 31 December 2022 goodwill amounted to PLN 157 m and was attributable to the following cash-generating units (segments):

- PLN 25 m - distribution - including the companies Polenergia Dystrybucja and Polenergia Kogeneracja;
- PLN 44 m - trading - including the company Polenergia Obrót.
- PLN 88 m - trading and sales - including the companies Polenergia Fotowoltaika, Polenergia Pompy Ciepła and Zielony Ryś ("Photovoltaics Group"). The goodwill related to the acquisition of the Photovoltaics Group results from the delta between the acquisition price and the net present value.

Goodwill impairment test

As at 31 December 2022 a goodwill impairment test was performed which showed no impairment of the asset in question. The test was performed with respect to fixed assets and intangibles plus goodwill for those operating segments to which, as at 31 December 2022, goodwill had been allocated. The utility value estimated based on the cash flow projections of individual projects underlies the measurement of the recoverable value of individual cash generating centers.

The test was performed based on the present value of estimated operating cash flows. Calculations were performed based on detailed forecasts with the projections horizon until 2050 or for the entire lifetime of the companies.
Key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2022 and for individual segments:

- Energy prices: the wholesale energy price path until 2025 is based on quotations for forward contracts, independent business advisors and the Company's best knowledge (CAGR of ca. 18.5%). Beyond 2025 the average annual growth rate of ca. - 0.9% has been assumed based on the available forecasts of independent business advisors.
- Green certificate prices: the market path for certificate prices is based on the Group's own forecast based on forward contract quotes and independent business advisors' forecasts (CAGR ca. -2,4%)

Goodwill in segment	Key assumptions	Level of discount rate assumed in test as at: 2022-12-31	Level of discount rate assumed in test as at: 31 December 2021
Distribution	The RAB figure adopted for the forecast is based on the level which incorporates historical capex plus capex intended for the years 2023-2026. In distribution, the weighted average cost of capital has been assumed at the regulatory level of WACC published by the regulatory authority ERO. In subsequent years changes in WACC have been	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja

(PLN k)

	assumed resulting from the variation of interest rates on the market. Average margins on energy sales in real terms have been assumed at the level of historical margins while taking into account the change in the Company's sales volume structure as a result of the ongoing investment plan and new products included in the offer. Increased volume of energy sold due to capital expenditures effected. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. The period of detailed projections refers to the years 2023-2050.		
Trading and Sales	The margin in trading in 2023 assumes implementation of the commercial strategy based on short-term trading and structured transactions. Asset margin includes current PPAs for wind and photovoltaic assets and extensions to new projects. Additional margin within areas related to trading activities, including proprietary trading, sales to strategic customers and aggregation of RES generation sources. Increase in the scale of business with respect to sale of solar panels and heat pumps. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. In the trading segment, the period of detailed projections refers to the years 2023-2049.	8.90%	8.90%

The assumptions made are in line with the long-term projection used by the Group.

Recoverable values for distribution and trading segments exceed the values of fixed assets and intangibles increased to include goodwill. As at 31 December 2022, the impairment test performed showed no impairment of goodwill in those segments.

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the utility value of the tested assets is exerted mainly by the fluctuations of the discount rate (WACC) and fluctuations of electricity prices.
According to the estimates of the Management Board, in Distribution and Trading the increase of the WACC by 1 percentage point or a change of the electricity price by 1% r will entail no changes in the assessment whether any impairment occurred.

16. Purchase price allocation

On 3 January 2022, i.e. on the date the entry was made in the shareholders register, the transfer of ownership title to all shares of Polenergia Fotowoltaika S.A. (former Edison Energia S.A). took place in accordance with the provisions of the Preliminary Share Sale Agreement as amended and the Final

(PLN k)

Share Sale Agreement concerning the sale of 100% shares in Polenergia Fotowoltaika S.A. to the Company by the existing shareholders.

The price for 100% of the company's shares was agreed at PLN 74,896 k and was subject to further adjustments, if any, related to the closing accounts procedures. The final price was PLN 86,120 k.

The date of assuming control is 3 January 2022.

As at the day of assuming control, the following were performed:

- Measurement of assets and liabilities at fair value;
- Preliminary determination of the goodwill disclosed in the consolidated balance sheet under Goodwill of subsidiaries by way of comparing the allocated purchase price with the net fair value of assets. The goodwill determined so far is not yet deemed final, given the fact review of the measurements are still in progress. The goodwill recognized by the Group results from the fact that the Group assumes the value of discounted cashflows from operating activity of the companies over which control has been assumed exceeding that of the acquired net assets.

Purchase price		**86 120**
Net assets		**(7 232)**
Goodwill before purchase price allocation		**93 352**
Alocation of purchase price to assets, reducing goodwill, including		
Intangible assets	Relation with suppliers	3 867
Intangible assets	Relation with subcontractors	1 276
Total purchase allocation		**5 143**
Goodwill		**88 209**

Below is the value of the assets and liabilities acquired measured at fair value:

ASSETS

	1.01.2022
I. Non-current assets	**8 224**
Tangible fixed assets	5 322
Intangible assets	624
Deferred income tax assets	2 278
II. Long term liabilities	**62 844**
Inventories	34 980
Trade receivables	13 058
Other short term receivables	9 185
Prepayments and accrued income	3 152
Short term financial assets	3
Cash and equivalent	2 466
Total assets	**71 068**

(PLN k)

EQUITY AND LIABILITIES

	1.01.2022
I. Shareholders' equity	**(7 232)**
Share capital	400
Other capital reserves	2 940
Retained profit (loss)	(316)
Net profit (loss)	(10 256)
II. Long term liabilities	**1 735**
Deferred income tax provision	5
Provisions	3
Lease liabilities	1 727
III. Short term liabilities	**76 565**
Bank loans and borrowings	6 541
Trade payables	22 495
Income tax payable	3 428
Lease liabilities	1 741
Other liabilities	36 213
Provisions	952
Accruals and deferred income	5 195
Total equity and liabilities	**71 068**

17. Asset impairment test

The Group performed an analysis of the indications of asset impairment as of 31 December 2022 which showed that no impairment test was required for property, plant and equipment and intangible assets, except for goodwill, for which the test is described in Note 15.

18. Long term financial assets

	31.12.2022	31.12.2021
- share or stock in non-listed companies	2 069	73 321
- futures contracts *)	140 575	259 938
- derivative instruments	182 321	120 494
Total long term financial assets	**324 965**	**453 753**

*) measured at fair value through profit or loss

On 31 December 2021, Polenergia S.A. made payments for the shares of Edison Energia S.A. (presently Polenergia Fotowoltaika S.A.), with registered office in Warsaw, in the amount of PLN 71,900 k, which was recognized as long-term financial asset.

19. Financial assets measured using the equity method

Polenergia S.A. and Wind Power AS (hereinafter the "Shareholders") participate in a joint venture (JV) involving the development of offshore wind farms (the "Project") in the Baltic Sea. The Shareholders hold, directly or indirectly, 50% shares/stock each in the companies MFW Bałtyk I S.A. MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.

The table below shows the carrying amount of the Group's investments in the joint venture:

(PLN k)

	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Open balance as at 1 January	**114 798**	**125 112**	**43 683**	**283 593**
Capital contribiutions	38 000	37 500	35 000	**110 500**
Closing balance as at 31 December	**152 798**	**162 612**	**78 683**	**394 093**

As at 31 December 2022 and as at 31 December 2021 net assets of the subsidiaries (MFW Bałtyk II Sp. z o. o., MFW Bałtyk III Sp. z o. o., MFW Bałtyk I S.A.) comprised:

31.12.2022	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Non-current fixed assets - capital expenditure for wind farm under	257 515	284 802	104 117	**646 434**
Other receivables	7 978	8 267	8 071	**24 316**
Cash	35 034	12 724	60 835	**108 593**
Liabilities	(38 810)	(41 946)	(14 862)	**(95 618)**
Accruals	(11 264)	(6 253)	(414)	**(17 931)**
Total net assets	**250 453**	**257 594**	**157 747**	**665 794**

31.12.2021	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Non-current fixed assets - capital expenditure for wind farm under	146 941	155 130	66 501	**368 572**
Other receivables	3 560	3 527	8 450	**15 537**
Cash	30 355	30 299	13 999	**74 653**
Liabilities	(6 637)	(6 749)	-	**(13 386)**
Accruals	(24)	(24)	(2 597)	**(2 645)**
Total net assets	**174 195**	**182 183**	**86 353**	**442 731**

The subsidiaries (MFW Bałtyk II sp. z o. o., MFW Bałtyk III sp. z o. o., MFW Bałtyk I S.A.) in the year ended on 31 December 2022 carried out no operating business, hence they generated no substantial profits/losses and, as a result, they had no impact on the measurement of the shares using the equity method.

20. Long term receivables

	31.12.2022	31.12.2021
- receivables from other entities	1 987	2 554
- risk hedging	-	471
- other receivables	1 987	2 083
Net long term receivables	**1 987**	**2 554**

21. Inventories

	31.12.2022	31.12.2021
- materials and merchandise	68 041	9 252
- certificates of origin	37 360	35 650
- property rights	37	-
- prepayments for deliveries	6 185	176
Total net inventories	**111 623**	**45 078**
- inventory remeasured write-downs	395	185
Total gross inventories	**112 018**	**45 263**

(PLN k)

22. Short term receivables

	31.12.2022	31.12.2021
- trade receivables	360 804	219 909
- from related entities	41 762	37 599
- from ather entities	319 042	182 310
- income tax receivable	9 338	10 061
- other receivables	100 214	353 753
- budget payments receivable	46 617	196 509
- for risk hedging	-	237
- other	53 597	157 007
Total net short-term receivables	**470 356**	**583 723**
- receivables remeasured write-downs	18 917	16 155
Total gross short-term receivables	**489 273**	**599 878**

Financial assets (IFRS 9) include trade receivables. Other receivables include assets outside IFRS 9.

Trade receivables bear no interest and are typically payable within 7– 45 days.

As at 312 December 2022 impairment losses on trade receivables deemed uncollectible increased up to PLN 18,887 k compared to PLN 16,155 k as at 31 December 2021, mainly due to the acquisition of the Company Polenergia Fotowoltaika S.A. (increase by PLN 2,783 k).

As at 31 December 2022 the most material part of the impairment loss was related to the Decision of the ERO President of 31 August 2021 concerning the subsidiary Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. determining the amount of the final adjustment of stranded costs compensation in view of the end of the adjustment period, in the amount of PLN 3,758 k. On 4 October 2021, this decision was appealed against before the Court of Competition and Consumer Protection. The value of the object of dispute is PLN 13,214 thousand, for which the subsidiary established an allowance.

Below is a classification of trade receivables into impairment model stages:

	Total	Step 2	Step 3
Gross value as at 1.1.2022	236 064	219 088	16 976
Arisen	316 411	316 411	-
Paid	(172 754)	(218 464)	45 710
Gross value as at 31.12.2022	379 721	317 035	62 686

The table below shows the amounts of default and the calculation of expected credit losses as at 31 December 2022 and as at 31 December 2021.

		Receivables from individual customers			
	Total	Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2022	60 580	54 769	939	239	4 633
Expected credit losses	4 291	-	-	-	4 291
31.12.2021	25 105	24 090	246	- 23	792
Expected credit losses	1 506	-	-	-	1 506

(PLN k)

		Receivables from corporate customers				
	Total	Current 0-30 days	30-60 days		60-90 days	>90 days
31.12.2022	300 224	260 893	230	-	35	39 136
Expected credit losses	14 627	13 214	-		-	1 413
31.12.2021	194 804	194 754	24	-	3	29
Expected credit losses	14 649	13 214	-		-	1 435

23. Short term prepaid expenses

	31.12.2022	31.12.2021
- insurance	6 269	3 589
- subscriptions	2	51
- maintenance	1 741	1 737
- real estate tax, perpetual usufruct charges, lease payments	3	2
- accrued revenue	2 148	1 314
- accrued commissions	7	6
- other	2 503	1 562
Total prepayments and accrued income	**12 673**	**8 261**

24. Short term financial assets

	31.12.2022	31.12.2021
- derivative instruments	51 321	14 190
- loans given	194	-
- futures and forward contracts measurement *)	785 989	1 234 674
Total short term financial assets	**837 504**	**1 248 864**

*) measured at fair value through profit or loss

25. Fair values of assets and liabilities

Fair value of futures and forward contracts

In view of the operations of the subsidiary Polenergia Obrót S.A., the Group classifies futures and forward contracts to buy or sell electricity as derivatives, in line with IFRS 9 - Financial Instruments. Accordingly, such contracts are measured at fair value, with changes in fair value recognized under the profit and loss account. Gains or losses on the measurement of contracts are disclosed on a net basis under revenue. Measurement is performed with respect to the outstanding part of the contracts broken down into a current portion to be completed within 12 months from the reporting date, and a long term portion to be completed in subsequent years.

The table below includes information on financial assets and liabilities related to the measurement of forward contracts that the Group measures at fair value and classifies at specific levels of the fair value hierarchy:

- Level 2 – assets and liabilities measurement inputs other than quoted market prices included under Level 1 that are observable for the variables from active markets,

Level 2: The fair value is measured based on other inputs that are observable either directly or indirectly. As similar contracts are traded in an active market, the prices reflect results of actual transactions in similar derivative instruments. The fair value of loans is determined at amortized cost i.e. the discounted cash flow analysis at the assumed effective interest rate as a discount rate.

(PLN k)

Forward contracts are entered into on stock exchanges for speculative purposes and measured with the model using market parameters, i.e. the market price of an instrument discounted using relevant interest rates. The impact of applying unobserved data, if any, was immaterial to the measurement of derivatives (level 2).

	For 12 months ended	
	31.12.2022	31.12.2021
Result of measurement of derivatives	(32 650)	62 979

Financial instrument category

	31.12.2022	Total
	Level 2	Total
Short term assets	785 989	785 989
Long term assets	140 575	140 575
Total	**926 564**	**926 564**

	Level 2	Total
Short term liabilities	747 321	747 321
Long term liabilities	140 762	140 762
Total	**888 083**	**888 083**
Net fair value	**38 481**	**38 481**

Impact on profit/loss	31.12.2022	31.12.2021
Market price increase by 1%	(10)	(6)
Market price decrease by 1%	10	6

Fair values of other financial assets and liabilities

Fair value of other financial assets and liabilities enumerated below is not materially different from their carrying amount:

- long term receivables,
- trade debtors and other receivables.
- cash and equivalent,
- bank loans and borrowings,
- trade creditors and other payables.

	Category	Carrying amount		Fair Value	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
Financial asstes					
Futures and forward contracts	Level 2	926 564	1 494 612	926 564	1 494 612
Derivative instruments	Poziom 2	233 642	134 684	233 642	134 684
Financial liabilities					
Bank loans	n/a	1 509 442	1 434 351	1 509 442	1 434 351
Derivative instruments	Level 2	9 375	35	9 375	35
Futures and froward contracts	Level 2	888 083	1 423 166	888 083	1 423 166

Security

As at 31 December 2022, the Group recognized PLN 65,456 k (2021: PLN 102,699 k) in other comprehensive income being a component of equity, on account of the effective portion of the hedging instrument's fair value.

Hedging transactions are entered into with a view to mitigate the impact of:

- interest rate variation on the amount of the future highly probable payments of loan installments.
- foreign exchange rates changes on the amount of the future highly probable foreign currency denominated payments under the investment agreements.

Hedge accounting seeks to eliminate the risk of an accounting mismatch between the time when gains or losses on a hedging instrument and those on the hedged item are recognized.

As at 31 December 2022, the Group held the following hedging instruments for hedge accounting purposes.

Interest rate risk hedges

Maturity date of hedging instrument	Hedged value	Interest rate hedged	Instrument
29.09.2025	38 930	0,52%	IRS
29.06.2026	22 582	0,56%	IRS
26.02.2027	7 891	1,25%	IRS
26.02.2027	1 635	1,25%	IRS
29.03.2028	124 831	0,79%	IRS
15.12.2028	104 554	0,75%	IRS
22.12.2031	8 920	2,60%	IRS
12.12.2033	15 750	6,71%	IRS
12.12.2033	15 750	6,71%	IRS
13.03.2034	79 365	6,65%	IRS
30.06.2034	12 391	0,89%	IRS
11.06.2035	142 998	1,10%	IRS
10.09.2035	425 550	1,20%	IRS
31.12.2035	17 966	2,39%	IRS
11.03.2036	107 202	2,22%	IRS
Total	**1 126 315**		

Cash flow hedges (in EUR k)

Maturity date of hedging instrument	Hedged value	Exchange rate hedged	Instrument
2023.Q1	10 490 EUR	4,8139	Forward
2023.Q2	977 EUR	4,8206	Forward
Total	**11 467 EUR**		

(PLN k)

26. Cash and equivalent

	31.12.2022	31.12.2021
Cash and equivalent	868 692	387 366
- cash at hand and in bank	868 692	387 366
Total cash and equivalent	**868 692**	**387 366**

For more information on restricted cash of PLN 139,486 k, see Note 42 (2021: PLN 48,648 k).

Cash at banks earns interest at floating rates linked to interest rates for overnight deposits. Short-term deposits are placed for various periods, from one day to one month, depending on the Group's immediate cash requirement, and earn interest at interest rates determined for them.

The Group applies a three-level model (referred to in more detail in Note 8.18) with respect to cash, however, in the opinion of the Management Board, such allowance is immaterial, because the Company avails itself of reputable financial institutions only.

27. Share capital and statutory reserve funds/capital reserves

Shareholders holding 5% or more of the total number of shares

Shareholders holding 5% or more of the total number of shares as at the date of issue of these consolidated financial statements include:

No	Shareholder	Number of shares held	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	28 617 254	28 617 254	42,84%
2	BIF IV Europe Holdings Limited	21 317 706	21 317 706	31,91%
3	Nationale Nederlanden OFE	3 767 231	3 767 231	5,64%
4	PTU Allianz Polska S.A.	5 229 666	5 229 666	7,83%
5	Others	7 870 389	7 870 389	11,78%
	Total	**66 802 246**	**66 802 246**	**100%**

*) Kulczyk Holding S.à r.l. effectively holds 100 % of shares in Mansa Investments Sp. z o.o.

On 29 March 2022, the District Court for the City of Warsaw in Warsaw, Commercial Department XII of the National Court Register registered an increase of the Company's share capital as a result of the issuance of the AA series ordinary bearer shares.

Undistributed profit and limitations on dividend distributions

Under the Polish Commercial Companies Code, the parent is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the standalone financial statements of the parent should be contributed to the statutory reserve fund, until the fund reaches at least one-third of the parent's share capital. While it is the General Meeting that resolves how to spend such statutory reserve funds and capital reserves, part of statutory reserve funds equal to one-third of the share capital i.e. PLN 40,081, may only be spend to cover the loss disclosed in the standalone financial statements and may not be distributed for any other purpose.

(PLN k)

Dividends distributed and proposed

No dividend was distributed by the parent in the 12-month period ended on 31 December 2022. No dividend is intended to be distributed by the parent in 2023.

28. Income tax

	For 12 months ended	
	31.12.2022	31.12.2021
Current income tax	65 834	75 545
Current income tax charge	65 739	75 302
Adjustments to prior years current income tax	95	243
Deffered income tax	(25 483)	9 980
Related to temporary differences and their reversal	(25 483)	9 980
Income tax charged to the profit and loss account	40 351	85 525

(PLN k)

	Balance sheet	Profit and loss account	Capital	Tax on taking of control over subsidiaries	Balance sheet
Deferred income tax	**01.01.2022**				**31.12.2022**
Deferred income tax provision					
Tangible fixed assets	95 505	2 791	-	-	98 296
Intangible assets	8	-	-	-	8
Receivables	26 714	2 466	18 179	-	47 359
Cash	43	25	-	-	68
Loans and borrowings	1 368	6 373	-	1	7 742
Liabilities	(3 847)	1 214	-	4	(2 629)
Other	7 059	(6 903)	-	-	156
Inventories	11 329	600	-	-	11 929
Deferred income tax provision before tax	**138 179**	**6 566**	**18 179**	**5**	**162 929**
Compensation					**(46 132)**
Deferred income tax provision					**116 797**
Deferred income tax assets					
Tangible fixed assets	1 048	(78)	-	1 105	2 075
Inventories	-	245	-	86	331
Receivables	694	3 839	1 364	197	6 094
Borrowings	1 566	2 287	-	8	3 861
Liabilities	16 312	6 053	-	202	22 567
Provisions	8 045	13 380	-	493	21 918
Retained assets	265	5 347	-	166	5 778
Prepayments	8 267	972	-	-	9 239
Financial assets	-	4	-	20	24
Deferred income tax asset	**36 197**	**32 049**	**1 364**	**2 277**	**71 887**
Compensation					**(46 132)**
Deferred income tax assets					**25 755**
Deferred income tax expense		**(25 483)**			
Net deferred tax (assets)/provision	**101 982**		**16 815**	**(2 272)**	**91 042**

(PLN k)

The temporary difference related to tangible fixed assets and intangible assets follows from the assets measured due to the purchase price allocation and accelerated tax depreciation/amortization.

EFFECTIVE TAX RATE

	For 12 months ended	
	31.12.2022	31.12.2021
Income tax charged to the profit and loss account, including	**40 351**	**85 525**
Current tax	65 834	75 545
Deferred tax	(25 483)	9 980
Profit (Loss) before tax	**200 269**	**420 052**
Tax on gross profit at effective tax rate of 19%	38 051	79 810
Adjustments to prior years current income tax	(40)	(358)
Adjustments to prior years differed income tax	5	164
Current tax of limited partnerships	-	304
Differed tax of limited partnerships	-	381
Non-deductible costs:	**2 389**	**5 843**
- permanent differences	2 596	1 042
- temporary difference on which no tax asset/provision is established	(207)	4 801
Non-taxable income:	**(54)**	**(619)**
- other	(54)	(619)
Income tax in the profit and loss account	**40 351**	**85 525**

29. Provisions

	31.12.2022	31.12.2021
Long term provisions		
- pension plan and related provision	2 259	2 241
- litigation provision	21 139	21 139
Total long term provisions	**23 398**	**23 380**
Short term provisions		
- pension plan and related provision	69	12
- accrued holiday leave provision	5 394	3 635
- other provisions	791	-
Total short term provisions	**6 254**	**3 647**

Change in long term and short term provisions

	31.12.2022	31.12.2021
Provisions at beginning of the period	**27 027**	**26 484**
- recognition of provisions	4 611	837
- reversal of provisions	(1 986)	(294)
Provisions at end of the period	**29 652**	**27 027**

The long-term provision for litigation originates from the prudent approach to the case vs. Eolos Poland Sp. z o.o. described in more detail in Note 34.

(PLN k)

30. Bank loans and other borrowing liabilities

31.12.2022

Bank	Company	Long term liability	Short term liability	Ineterst rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	0	7 521	WIBOR 1W / 1M + margin	31.07.2023	Registered pledge over bank accounts (the highest security amount of 75 000 K zl), assignment of claims over project documents, statement of voluntary submission to enforcement
Deutsche Bank Polska S.A.	Polenergia Obrót S.A.	0	0	WIBOR 1M + margin	09.11.2023	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
PEKAO SA	Polenergia Obrót S.A.	0	70 930	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	78 779	5 896	WIBOR 3M + margin	20.11.2029	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement (the highest security amount of 315 345 K zl each)
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	0	55	WIBOR 1M + margin	30.11.2022	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	54 309	3 948	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of colantary submussion to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	29 383	2 769	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of colantary submussion to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 1 Sp. z o.o.	57 133	7 607	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	102 576	13 841	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 6 Sp. z o.o.	31 058	4 196	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement

(PLN k)

Konsorcjum bankowe (EBOiR, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	95 617	17 245	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	12 170	873	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	18 896	1 067	WIBOR 3M + margin	30.06.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI, EBOiR)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	144 748	7 903	WIBOR 3M + margin	10.09.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
mBank S.A.	DIPOL Sp. z o.o.	5 874	2 027	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
mBank S.A.	Polenergia Farma Wiatrowa 23 Sp. z o.o.	970	687	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	433 407	21 060	WIBOR 3M + margin	10.06.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	0	0	WIBOR 1M + margin	31.03.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents

(PLN k)

mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	112 838	5 674	WIBOR 3M + margin	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	0	762	WIBOR 1M + margin	30.06.2023	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	10 360	637	WIBOR 3M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	0	246	WIBOR 1M + margin	31.01.2023	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergfia Farma Fotowoltaiczna 9 Sp. z o.o.	0	0	WIBOR 1M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
Konsorcjum bankowe (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	68 552	147	WIBOR 3M + margin	11.12.2038	Mortgage over real propery, registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	0	31 134	WIBOR 1M + margin	30.07.2024	Mortgage over real propery, registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	20 619	139	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	0	5 500	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	15 410	104	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	0	4 775	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Total		**1 292 699**	**216 743**			

(PLN k)

31.12.2021

Bank	Company	Long term liability	Short term liability	Ineterst rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	-	-	WIBOR 1W / 1M + margin	31.07.2022	Registered pledge over bank accounts, assignment of claims over project documents, statement of voluntary submission to enforcement
Deutsche Bank Polska S.A.	Polenergia Obrót S.A.	-	9 537	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
PEKAO SA	Polenergia Obrót S.A.	-	27 555	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	73 317	3 644	WIBOR 3M + margin	20.11.2029	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	0	1 718	WIBOR 1M + margin	30.11.2022	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	65 419	3 051	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of colantary submussion to enforcement
Konsorcjum bankowe ('mBank S.A., PKO BP S.A., SANTANDER Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	38 131	2 548	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of colantary submussion to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 1 Sp. z o.o.	77 282	6 542	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	138 149	11 785	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Europejski Bank Odbudowy i Rozwoju	Polenergia Farma Wiatrowa 6 Sp. z o.o.	41 617	3 521	WIBOR 3M + margin	29.12.2032	Mortgage over real propery, registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement
Konsorcjum bankowe (EBOiR, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	112 581	15 678	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Bottowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreemant, statement of volontary submission to enforcement

(PLN k)

ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	13 043	818	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	15 564	409	WIBOR 3M + margin	30.06.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	0	3 622	WIBOR 1M + margin	31.12.2022	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of volontary submission to enforcement, subordination agreement, sponsor completion guarantee
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI, EBOiR)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	155 371	6 403	WIBOR 3M + margin	10.09.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
Konsorcjum bankowe (MBANK, ING BANK ŚLĄSKI)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	0	0	WIBOR 1M + margin	30.06.2022	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of volontary submission to enforcement, subordination agreement, support agreement, direct agreement
mBank S.A.	DIPOL Sp. z o.o.	7 806	3 564	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
mBank S.A.	Polenergia Farma Wiatrowa 23 Sp. z o.o.	1 636	1 164	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Europejski Bank Odbudowy i Rozwoju, Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	220 263	3 336	WIBOR 3M + margin	10.06.2037	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., ING Bank Śląski S.A., Santander Bank polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	-	50 733	WIBOR 1M + margin	31.03.2023	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, ssupport agreement, direct agreement, power of attorney to file settlement documents

(PLN k)

mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	49 300	-	WIBOR 3M + margin	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	6 696	WIBOR 1M + margin	30.06.2023	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	10 950	315	WIBOR 3M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	-	1 596	WIBOR 1M + margin	31.01.2023	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergfia Farma Fotowoltaiczna 9 Sp. z o.o.	-	-	WIBOR 1M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
Deutsche Bank Polska S.A.	Polenergia S.A.	-	249 687	WIBOR 1M + margin	27.05.2022	Statement of voluntary submission to enforcement and power of attorney over bank accounts
Konsorcjum bankowe (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	-	-	WIBOR 3M + margin	11.12.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Konsorcjum bankowe (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	-	-	WIBOR 1M + margin	30.07.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	-	-	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	-	-	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	-	-	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	-	-	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Total		**1 020 429**	**413 922**			

(PLN k)

31. Liabilities

	31.12.2022	31.12.2021
- bank loans and borrowings	216 743	413 922
- trade payables	171 983	230 946
- from related entities	2 076	15 326
- from other entities	169 907	215 620
- income tax payable	9 600	14 475
- lease liabilities	22 871	11 734
- futures and forward contracts measurement	747 321	1 216 122
- other liabilities	64 744	211 512
- budget payments receivable	15 349	18 146
- prepayments for deliveries	39 599	155 576
- payroll payable	3 431	1 192
- special funds	39	35
- for risk hedging	1 037	35
- other	5 278	36 528
Total short term liabilities	**1 233 262**	**2 098 711**

The item "Other" includes the liability from the initial stock exchange margin and variation margin related to forward transactions.

	31.12.2022	31.12.2021
- risk hedging	8 338	-
- investment liabilities	1 500	1 500
Total other long term liabilities	**9 838**	**1 500**

Financial liabilities (IFRS 9) include trade payables and investment payables. Other liabilities include payables outside IFRS 9.

32. Accruals

	31.12.2022	31.12.2021
Long term accruals and deferred income		
- deferred income - grants	40 512	43 704
Total long term accruals and deferred income	**40 512**	**43 704**

Short term accruals and deferred income

	31.12.2022	31.12.2021
- future bonuses, salaries and wages	22 746	14 217
- third party services	5 393	4 634
- accrued holiday	-	75
- deferred income - grants	3 191	3 191
- settlement of the substitution fee	57 894	13 944
- liabilities	-	228
- capex for non-current fixed assets	38 060	913
- deferred income	8 310	-
- other	4 418	1 496
Total short term accruals and deferred income	**140 012**	**38 698**

33. Contingent liabilities

Guarantees and sureties granted

As at 31 December 2022 the Group issued no third party guarantees.

Contractual obligations under material contracts

Acquisition of 100% of shares in Polenergia Fotowoltaika S.A. (before change of business name: Edison Energia S.A.)

On 3 January 2022, a transfer of title to all shares in the company under the name Polenergia Fotowoltaika S.A. (then: Edison Energia S.A.) with registered office in Warsaw took place, from the then existing shareholders to the Issuer. The transfer of the aforementioned shares took place in accordance with the provisions of the Preliminary Share Sale Agreement, as amended, and the Final Share Sale Agreement concerning the sale by the existing shareholders of 100% of the company's shares.

Execution of a contract for the construction of the Piekło wind farm

On 4 February 2022, the companies Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. o.o., developing a wind farm project Piekło ("Piekło Wind Farm") entered into a contract with ONDE S.A. with registered office in Toruń ("Contractor") concerning the construction of the Piekło Wind Farm with a total maximum installed capacity of 13.20 MW ("BoP"). The contract is to be performed by 30 September 2023. BoP provides for the performance by the Contractor for the Piekło Wind Farm of comprehensive construction works in terms of building the foundations to accommodate wind turbines, making the roads suitable for oversize vehicle transport, upgrading the existing roads, building new service roads, assembly platforms and performing assembly and power works, as well as the required construction works on the packaged substation, with medium-voltage cable grids and optical-fiber network, necessary for the implementation of the Piekło Wind Farm.

Execution of a contract for the construction of the Grabowo wind farm

On 18 February 2022, the subsidiary Polenergia Farma Wiatrowa Grabowo Sp. z o.o. developing a wind farm project Grabowo ("Grabowo Wind Farm") entered into a contract with ELECTRUM Sp. z o.o. with registered office in Białystok ("Contractor") for the construction of the Grabowo Wind Farm with a total maximum installed capacity of 44 MW ("BoP"). Performance of said contract is scheduled until 31 December 2023. BoP provides for the performance by the Contractor for the Grabowo Wind Farm of comprehensive construction works in terms of building the foundations to accommodate wind turbines, making the roads suitable for oversize vehicle transport, upgrading the existing roads, building new service roads, assembly platforms and performing assembly and power works, as well as the required construction works on the GPO 20/110 kV station, with medium-voltage, high-voltage cable network and optical fiber network necessary for the implementation of the Grabowo Wind Farm.

Execution of contracts for the supply of wind turbines for offshore wind farms

On 22 February 2022, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (collectively, the "Project Companies"), in which the Company holds a 50% stake, developing - in a joint venture between the Company and Equinor Wind Power AS projects for the construction of two offshore wind farms, i.e. MFW Bałtyk II and MFW Bałtyk III, signed contracts with Siemens Gamesa Renewable Energy Poland Sp. z o.o. and Siemens Gamesa Renewable Energy A/S (Denmark) (collectively, the "Supplier") (separate contract for each Project Company) regarding the preferred supplier of wind turbines for MFW Bałtyk II and MFW Bałtyk III (collectively, the "Contracts"). The subject of the Contracts is the granting of exclusivity by the Project Companies to the Supplier, during the term of the Contracts, for the supply of wind turbines for the MFW Bałtyk II and MFW Bałtyk III projects, while the Supplier ensures the supply of wind turbines in accordance with the assumed project schedules for the supply, installation and commissioning of these turbines.

Execution of an investment agreement for the planned development of offshore wind farms in Lithuanian territorial waters

On 21 March 2022 the Issuer entered into a Lithuanian law joint venture agreement ("Investment Agreement") with a Lithuanian company Modus Energy AB (operating under the Green Genius brand) ("Green Genius") which is to be a local partner in relation to the intended development of the offshore wind power projects in the Baltic Sea, in the Lithuanian territorial sea waters region or in the area of the exclusive economic zone of the Lithuanian Republic ("JV", "Project"). The condition for the performance of the Investment Agreement is a consent of a competent competition protection authority, as well as the execution of the shareholders' agreement (in the agreed form) between the JV partners ("Shareholders Agreement"). The Investment Agreement provides for the establishment of a special purpose vehicle under Lithuanian law which will remain under joint control of the Company and Green Genius ("SPV") with a view to implement the project. JV is aimed at formalizing the Company's collaboration with Green Genius as a local partner covering further analyses of Lithuanian regulations aiming at the adopting of the legal framework underlying the development and construction of offshore wind farms, as well as taking further actions in accordance with the timetable agreed by the parties and with the investment criteria aimed at, without limitation, the development of the Project.

Execution of a contract for the construction of the Strzelino wind farm

On 23 December 2022, 2022, the subsidiary Polenergia Polenergia Obrót 2 Sp. z o.o. developing the Strzelino photovoltaic farm project with a total installed capacity of 45.2 MWp ("Project" or "Strzelino Photovoltaic Farm") entered into a contract with P&Q sp. z o.o., with registered office in Białystok ("Contractor") for the construction of the Strzelino Photovoltaic Farm (the "EPC Agreement"). The project won the RES regular auction No. AZ/12/2021 launched by the President of the Energy Regulatory Office on 9 December 2021. Performance of EPC is scheduled until 31 December 2023. EPC involves the performance works on the for the benefit of the Strzelino Photovoltaic Farm of comprehensive assembly and electrical works including: supply and installation of support structures for photovoltaic modules, installation of photovoltaic modules and inverters, supply and installation of LV/MV substations, supply and installation of LV, MV cables, construction of a 20/110 kV end-user substation with the supply of equipment, delivery and installation of a HV cable line with a fiber optic network. EPC does not include the supply of photovoltaic modules and inverters.

Execution of contracts for comprehensive works related to the design and implementation of offshore wind farm power systems

On 30 December 2022, the project companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o.(each individually a "Project Company" or collectively the "Project Companies"), in which the Company holds a 50% stake, developing offshore wind farm projects with a planned installed electrical capacity of 720 MW each ("Offshore Wind Farms"- "OWF") as part of a joint venture between the Company and Equinor Wind Power AS, entered, each independently, into contracts with Hitachi Energy Poland sp. z o.o. ("Contractor"), providing for: (i) design work for the OWF electrical system; (ii) delivery of an onshore substation under the EPC formula; (iii) delivery of the complete control system, telecommunications network, all high-voltage equipment in the offshore and onshore substation; (iv) system analyses; (v) integration of all third party contractors' equipment; (v) connection works (each individually referred to as the "Agreement" or collectively as the "Agreements"). Entry into force of the Agreements is subject to the fulfillment of a number of conditions, namely: (i) delivery by the Contractor of the performance bond for the Agreements; (ii) possession by the Project Company of the necessary permits to commence construction work; (iii) obtaining a final investment decision ("FID") by the respective Project Company; (iv) delivery by the parties of the required insurance policies; (v) issuance by the Project Company of a notice to proceed ("NTP"); (vi) receipt by the Contractor of confirmation issued by banks that the Project Company has obtained financing or delivery of payment security in the form of a parent company guarantee. The Project Companies may waive the requirement to meet the conditions in items (i) - (iv). The Project Companies, in accordance with the Agreements, will issue an interim notice to proceed ("INTP"), covering a portion of the contractual scope, upon execution of the Agreements. INTP shall apply to those works covered by the Agreements that need to be completed before FID in order to implement the projects as scheduled. The provisions of the Agreements shall apply to the performance of the work. In connection with the commencement of work prior to fulfillment of the conditions of the Agreements, the Company will be required to provide payment security in the form of a parent company guarantee ("PCG"). PCGs issued by the Company will cover 50% of the value of the Project Companies' obligations to the Contractor. The maximum anticipated amount of the Company's PCG-based liabilities securing the work performed under INTP will be approximately EUR 18.1 million in aggregate for the two Project Companies. The maximum anticipated amount of the Company's PCG -based liabilities securing work performed under NTP but prior to financial close will amount, for both Project Companies in aggregate, to ca. EUR 35.3 m.

Execution of a consortium agreement for the subsidizing of the Green Hydrogen Storage project

On 23 September 2022, the Company acting as a consortium leader and its subsidiary Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. ("ENS") acting as a consortium member, entered into an agreement with the National Center for Research and Development for the subsidizing ("Subsidizing Agreement") of the H2 HUB Nowa Sarzyna: Green Hydrogen Storage project within the New Technologies in Energy I contest ("the Project"). The goal of the Project is to develop an integrated water electrolysis system for the production of hydrogen, using electricity produced from renewable energy sources, including hydrogen storage and a CO_2-neutral synthetic aviation fuel conversion system, which is an eco-efficient energy carrier. In addition to the Issuer and ENS, the Consortium also includes the Technical University of Wrocław. The project involves research and development and provides for implementation in three phases. According to the Subsidizing Agreement, the total amount of potential subsidies for the Project in the form of grants amounts to PLN 95,099,886.51, provided that at the date of this report the amount of potential subsidy to receive in phase one amounts to PLN 99,886.51, which represents 50% of the planned financial expenditure for such Project phase, scheduled to end in Q3 2023. Eligibility of the beneficiary (in particular, the Company and ENS) to receive further funding under the Subsidizing Agreement (implementation of Phase II and Phase III of the Project) is subject to a positive result in the selection process after verification of the previous phase of the Project and approval of payment applications. Notwithstanding the above, the Company stipulates that upon completion of the first phase of the Project, it will evaluate the Project and decide on its further implementation and financing method, which may require obtaining relevant corporate approvals.

34. Litigation

The litigation against Polska Energia – Polska Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A.".

In 2015 Polska Energia – Polska Kompania Handlowa spółka z ograniczoną odpowiedzialnością („PKH") filed o notice of termination of the Contract for the Sale of Property Rights under the Certificates of Origin Confirming that Energy has been Generated in a Renewable Source - a Wind Farm in Łukaszów, dated 23 December 2009 ("Contract for the Sale of Proprietary Interest") and the Contract for the Sale of Electricity Generated in a Renewable Source - a Wind Farm in Łukaszów dated 23 December 2009 ("Electricity Sale Contract") entered into with Amon Sp. z o.o. with registered office in Łebcz.

In 2015 Amon Sp. z o.o. filed an action with the District Court in Gdańsk requesting that the statements of termination by PKH of the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract be deemed ineffective. Subsequently, Amon Sp. z o.o. modified their action in that they raised a new claim, in addition to the original claim for determination, by demanding compensation for non-performance or improper performance of the the abovementioned Contracts and further expanded such claim to include consecutive periods of non-performance of said Contracts by PKH.

On 17 November 2022, the Court of Appeal in Gdańsk issued a judgment in the case filed by Amon Sp. z o.o. against PKH, in which it fully dismissed the appeal by PKH against the judgment of the District Court in Gdańsk dated 25 November 2019, Ref. No. IX GC 449/15. The judgment is final and binding.

Amon, after the judgement of 17 November 2022 issued by the Court of Appeal in Gdansk, received a letter from PKH, informing Amon of its readiness to perform its obligations and rights under this judgement and therefore to commence the performance of the above-mentioned agreements and expects the same from Amon. Amon's position is that the judgment of 17 November 2022 determined that the agreements had not been effectively terminated by PKH and were also in force until the date of this judgment. Accordingly, Amon will require PKH to settle the arrears for the period of non-performance of the contracts between 2015 and 2022 and to provide a clear declaration that PKH will perform the contracts until the end of the period for which they were concluded, before proceeding to perform the contracts. Amon on 17 March 2023 by e-mail and on 21 March 2023 by mail received a letter from PKH calling on Amon to pay the amount of PLN 55,691,856.47 as contractual penalties for the non-assignment of property rights to PKH in the period from August 2019 to February 2023. Amon considers the call to be completely unfounded and to be a part of the already pending lawsuits by Amon against PKH.

The judgment of 25 July 2019 is a partial and preliminary judgment, by which the District Court in Gdańsk (i) rendered ineffective the statements of termination made on 18 March 2015 by PKH of the Contract for the Sale of Proprietary Interest entered into by and between Amon Sp. z o.o. and PKH and the Electricity Sale Contract entered into by and between Amon Sp. z o.o. and PKH, as a result of which, following the expiration of the termination period, i.e. following 30 April 2015 the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract have remained in effect with respect to all the provisions thereof and have been binding upon the parties, and (ii) allowed the claims of Amon Sp. z o.o. in respect of demand for payment compensation for failure by PKH to perform the Contract for the Sale of Proprietary Interest as justified in principle.

By dismissing the abovementioned appeals the Court of Appeal in Gdańsk overrode the arguments of PKH used in the appeal and concurred with the stance of Amon Sp. z o.o. presented in its reply to the appeal. The judgment is final and binding. PKH is entitled to file a cassation appeal against the judgment of the Court of Appeal in Gdańsk dated 17 November 2022 to the Supreme Court.

In 2015 Polska Energia – Polska Kompania Handlowa spółka z ograniczoną odpowiedzialnością („PKH”) filed a notice of termination of the Contract for the Sale of Property Rights under the Certificates of Origin Confirming that Energy has been Generated in a Renewable Source - a Wind Farm in Modlikowice, dated 23 December 2009 ("Contract for the Sale of Proprietary Interest") and the Contract for the Sale of Electricity Generated in a Renewable Source - a Wind Farm in Modlikowice dated 23 December 2009 ("Electricity Sale Contract") entered into with Talia Sp. z o.o. with registered office in Łebcz.

In 2015 Talia Sp. z o.o. filed an action with the District Court in Gdańsk requesting that the statements of termination by PKH of the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract be deemed ineffective. Subsequently, Talia Sp. z o.o. modified their action in that they raised a new claim, in addition to the original claim for determination, by demanding compensation for non-performance or improper performance of the the abovementioned Contracts and further expanded such claim to include consecutive periods of non-performance of said Contracts by PKH.

On 20 December 2021, the Court of Appeal in Gdańsk issued a judgment in the case instituted by Talia Sp. z o.o. versus PKH, in which it fully dismissed the two appeals brought by PKH, i.e. both (i) the appeal against the judgment of the District Court in Gdańsk dated 6 March 2020, file ref. No. IX GC 451/15, and the appeal against the judgment of the District Court in Gdańsk dated 8 September 2020, file ref. No. IX GC 451/15. The judgment is final and binding.

The first of the abovementioned judgments (judgment of 6 March 2020) is a partial and preliminary judgment, by which the District Court in Gdańsk (i) rendered ineffective the statements of termination made on 18 March 2015 by PKH of the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract entered into by and between Talia Sp. z o.o. and PKH, as a result of which, following the expiration of the termination period, i.e. following 30 April 2015, the Contract for the Sale of Proprietary Interest and the Electricity Sale Contract have remained in effect with respect to all the provisions thereof and have been binding upon the parties, and (ii) allowed the claims of Talia Sp. z o.o. in respect of compensation for failure by PKH to perform the Contract for the Sale of Proprietary Interest as justified in principle.

The second judgment (judgment of 8 September 2020) is a supplementary judgment in which the District Court in Gdańsk found the claims by Talia in respect of the compensation for failure by PKH to perform the Electricity Sale Contract justified in principle

By dismissing the abovementioned appeals the Court of Appeal in Gdańsk overrode the arguments of PKH used in the appeal and concurred with the stance of Talia Sp. z o.o. in their replies to appeals. The judgment is final and binding. PKH. On 16 August 2022 filed a cassation appeal against the judgment of the Court of Appeal in Gdańsk dated 20 December 2021 to the Supreme Court.

Towards the end of April 2018, the companies Amon Sp. o.o. and Talia Sp. z o.o. filed a claim against Tauron Polska Energia S.A. ("Tauron") in view of the breaking of long-term contracts for the sale of energy and proprietary interest entered into by a subsidiary of Tauron, Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. In the opinion of Amon Sp. z o.o. and Talia Sp. z o.o., Tauron, as the sole shareholder to PKH and as an entity that took actions aimed at the expiration of the long term contracts and to make groundless statements of termination of such contracts and cessation of purchase by PKH of energy and proprietary interest under such contracts and as the entity that ordered certain actions with PKH and liquidators thereof and intentionally took advantage of the damage done to Amon Sp. z o.o. and Talia Sp. z o.o, is responsible for the damage Amon Sp. z o.o. and Talia Sp. z o.o have been suffering as a result of the breaking of such long term contracts. Thus, Amon Sp. z o.o. and Talia Sp. z o.o believe their claims are justified and deserve to be adjudicated as per the action filed by the Companies.

On 29 December 2020 the Amon Sp. z o.o. and Talia Sp. z o.o. filed with the District Court in Katowice a modification of claim against Tauron Polska Energia S.A covering indemnity claims following 31 December 2017. Under the abovementioned modification the pursued claims for compensation increased and amount to, for Amon: PLN 78,204 k (increase by PLN 30,648 k) and for Talia: PLN 53,127 k (increase by PLN 21,828 k). The amounts referred to above do not include any interest claimed by the Company. The disputed amount, including the estimates regarding determination of Tauron's liability for future damages as at the day of filing the claim is, for Amon, more than PLN 236 m, and for Talia, more than PLN 160 m.

The case instituted by EOLOS Polska sp. z o.o.

The action for payment filed by EOLOS Polska sp. z o.o. with registered office in Warsaw ("the claimant") against Certyfikaty Sp. z o.o. with registered office in Warsaw, Polenergia Obrót S.A., Green Stone Solutions sp. z o.o. (Polenergia Usługi sp. z o.o.) is pending before the District Court in Warsaw.

The Claimant bases their claims on the contracts with Certyfikaty sp. z o.o., Polenergia Obrót S.A. and Green Stone Solutions sp. z o.o. for the sale of proprietary rights under the certificates of origin of electrical energy produced in renewable energy sources. The dispute between the parties concerns the occurrence of the facts which the contracts in question rely upon in terms of a legal effect of their expiration.

Originally, the Claimant's claim amounted to PLN 20,223 k, plus statutory default interest for late payment as liquidated damages, and was subsequently extended in that the Claimant demands additional liquidated damages to be paid jointly and severally by the respondents in the amount of PLN 7,672 k.

The parties were heard at the hearing which was held online on 24 March 2021. The Court decided to continue the evidentiary hearing procedure, including the appointment of a court expert in the case.

Case filed by Polenergia Obrót S.A. against Jeronimo Martins Polska S.A.

Polenergia Obrót S.A. had energy sales agreements with Jeronimo Martins Polska S.A. ("JMP"). They were terminated by Polenergia Obrót S.A., effective 30 June 2022. In view of the termination of the agreements in question, JMP served upon Polenergia Obrót S.A. requests for payment of PLN 3,501 k and PLN 36,027 k, i.e. in aggregate PLN 39,528 k. The claims raised by JMP refer to the periods falling after the date the sale contracts ceased to be effective, therefore Polenergia Obrót S.A. deems them groundless. As such, Polenergia Obrót S.A. considers JMP's statement on the set-off of the requested amounts against Polenergia Obrót S.A.'s receivables from JMP to be ineffective, and consequently considers the June 2022 energy supply receivables to remain unpaid.

Accordingly, on 1 December 2022, Polenergia Obrót S.A. filed an action against JMP in the District Court in Warsaw, demanding payment of the amount of PLN 40,853,352.00 with statutory default interest applicable to commercial transactions accruing from the date of filing the action until the date of payment. The amount of the claim includes JMP's unpaid energy invoices worth PLN 39,528,578 and the amount of PLN 1,324,774.00 of accrued interest for the period up to the date of filing the action. The difference in the value of the asserted claims compared to the amounts covered by JMP's set-off statement results from settlement adjustments made in the meantime in connection with updating the metering data and from the submission by Polenergia Obrót S.A of set-off statements.

The case concerning the cassation complaint by Polenergia Dystrybucja Sp. z o.o.

On 4 January 2021 the Court of Appeal in Gdańsk delivered to the Company's subsidiary a cassation complaint of one of the energy suppliers against the judgment of the Court of Appeal in Gdańsk dated 7 November 2019 that dismissed the appeal of such supplier against the a/m company in the case for the recovery of the overpayment for energy supplied and the ordered the energy supplier to pay PLN 548 k to the a/m company of which the unchallenged part has already been paid.

On 12 August 2022, the Supreme Court refused to accept the cassation appeal for examination, thus the case was closed.

The claim for compensation involving Polenergia Farma Wiatrowa 1 Sp. z o.o.

On 13 July 2021, the District Court in Wąbrzeźno served a claim to the Company for compensation for non-contractual use of the property from 13 March 2020 to 31 December 2021, amounting to PLN 52.5 k. The access road to one of the wind turbines is now located on the real property the Claimants hold the title to, following the court's decision on the delimitation of the real property. Formerly, the property was owned by another Lessor. The respondent company suggested to negotiate, as it believes the claimants' financial demands are excessive. No negotiations have been undertaken. The company prepared a statement of defense in which it took its position. On 25 March 2022, a closed-door hearing was held, at which the Court induced the parties to reach amicable settlement. An expert was appointed in the case and performed the valuation.

Polenergia Obrót S.A. labor case.

On 5 July 2022 and subsequently on 7 July 2022 Polenergia Obrót S.A. received lawsuits from its former employee for payment of damages under the competition ban following termination of employment. The total amount of the claim is slightly below PLN 90 k. On 13 December 2022, Polenergia Obrót reached a settlement with the employee, as a result of which the court proceedings were discontinued.

Cases in which Polenergia Fotowoltaika S.A. (former business name: Edison Energia S.A.) is a party

Due to the nature of Polenergia Fotowoltaika S.A.'s business, since December 2022 the company has filed 69 actions for payment in pursuit of receivables under contracts between the company and its customers. As of the date of this report, the total value of the asserted claims is about PLN 330,000 (say: three hundred and thirty thousand Polish zlotys).

Due to the nature of Polenergia Fotowoltaika S.A.'s business, the Company is a party to 13 litigations in connection with contracts between the Company and its customers and cooperation agreements between the Company and its subcontractors. The Company is a party to appeal proceedings by one of its employees against the Company's termination of the employment contract.

Anti-monopoly proceedings by UOKiK against Polenergia Fotowoltaika S.A. (former business name: Edison Energia S.A.)

On 6 December 2021, the President of the Antimonopoly Office (UOKIK) instituted investigation with respect to the company Polenergia Fotowoltaika S.A. with registered office in Warsaw aiming at a preliminary determination whether, as a result of the activities concerning the provision of services in terms of the sale and assembly of photovoltaic systems performed by the company, there occurred any breach that would give rise to instituting the proceedings in the case for considering the sample contract prohibited or any breach of the consumers' interests enjoying legal protection that would give rise to instituting the proceedings in the case for any practices infringing upon the collective interests of consumers. The Company provided UOKiK with the documents and information referred to in the request. On 28 June 2022 the company received another request from UOKiK to submit additional information and documents. The Company provided UOKiK with the documents and information referred to in the request.

(PLN k)

The investigation by UOKiK may lead to: 1) no continuation of the proceedings; 2) discontinuation of the proceedings as unfounded; 3) instituting the proper proceedings in the case for considering the sample contract prohibited or any practices infringing upon the collective interests of consumers.

35. Capital expenditures

As at 31 December 2022, the Group's intention is that the aggregate capital expenditure on fixed assets in 2023 will total ca. PLN 959 million. Such amounts shall mainly be allocated to projects development in the area of onshore and offshore wind power generation, photovoltaics and the investment program implementation in the distribution segment.

36. Sales revenues

	For 12 months ended	
	31.12.2022	31.12.2021
- revenue from sale and distribution of electricity	5 057 820	2 167 717
- revenue from certificates of orgin	863 747	402 533
- revenue from sale of heat	37 267	34 240
- revenue from consulting and advisory services	11 118	6 585
- revenue from lease and operator services	453	4 864
- revenue from sale and distribution of gas	646 024	447 094
- revenue from sale of merchandise	991	31
- revenue from lease	352	364
- revenue from the capacity market and blackstart services	23 552	27 640
- revenue from the solar panels and heat pomps instalation	418 035	-
- other	9 876	5 248
Total revenue from clients	**7 069 235**	**3 096 316**
- revenues from the valuation of futures contracts	(32 650)	62 979
- revenues from the stranded costs and cost of gas	-	34 625
- revenues from CO2 emission allowances	52 646	805 133
Total other revenue	**19 996**	**902 737**
Total sales revenue	**7 089 231**	**3 999 053**

Under the items "revenue from sales and distribution of energy", "net revenue from sales and distribution of gas" and "revenue from carbon dioxide emission allowances", revenue is recognized that results from the sales invoices issued under the forward contracts that were measured at fair value, in the amount of PLN 3,032,105 k. Respectively, the costs resulting from the invoices related to the purchase of energy under forward contracts are disclosed under the item "value of goods and materials sold".
Under the items "revenue from sales and distribution of energy", "net revenue from sales and distribution of gas" and "revenue from carbon dioxide emission allowances", measurement is recognized of the forward contracts hedging the production and sales of electricity by Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (hereinafter ENS) when the Management Board decides to reverse these transactions as part of the process of optimizing the operation of ENS, including the reduction of the planned production and realization of the margin on closing the position on the forward market. Such a decision is considered in relation to the level of margin resulting from the evolution of electricity, gas and CO_2 price levels associated with the production of electricity in ENS (Clean Spark Spread), as well as depending on the liquidity of the relevant products in the forward market to secure the purchase or sale of electricity, gas and CO_2 emission allowances.

(PLN k)

37. Cost according to type

	For 12 months ended	
	31.12.2022	31.12.2021
- depreciation	116 421	93 272
- materials and power consumption	333 203	130 601
- third party services	253 204	83 151
- taxes, duties and fees	20 870	19 043
- salaries	88 584	44 931
- social security and other benefits	13 412	6 729
- other cost by type	4 995	1 994
Total cost by type	**830 689**	**379 721**
- marchandise and materials sold (+)	6 019 569	3 352 641
- selling certificates of orgin	95 321	91 816
- income from granted certificates of orgin	(93 006)	(89 410)
- selling expenses (-)	(115 915)	(538)
- general overheads (-)	(125 512)	(77 275)
Total cost of goods sold	**6 611 146**	**3 656 955**

38. Other operating revenues

	For 12 months ended	
	31.12.2022	31.12.2021
- reversal of impairment losses, including:	114	322
- expected credit loss	114	322
- reversal of provisions, including:	90	-
- other	90	-
- other, including:	9 069	4 224
- compensation and additional payments	594	34
- grant settelment	3 282	3 210
- gains on disposal of non financial fixed assets	156	53
- reinvoicing	94	-
- other	4 943	927
Total other operating revenues	**9 273**	**4 546**

The item "other" includes real estate tax refund relating to previous years in the amount of PLN 3,149 thousand.

(PLN k)

39. Other operating expenses

	For 12 months ended	
	31.12.2022	31.12.2021
- asset impairment losses, including:	2 003	33 471
- expected credit loss	1 670	13 354
- non-current fixed assets	333	20 117
- other, including:	6 321	1 452
- penalties, fines compensation payable	132	196
- donation	3 739	659
- loss on disposal of non-financial fixed assets	1	-
- complaints,compensation	808	-
- repair costs covered by compensation	141	-
- other	1 427	597
Total other operating costs	**8 324**	**34 923**

40. Financial income

	For 12 months ended	
	31.12.2022	31.12.2021
- financial income from interest on deposit and loans	36 429	256
- interest from lease	-	115
- f/x differences, including:	375	2 322
- unrealized	153	(3 192)
- realized	222	5 514
- valuation of financial liablities	104	7
- other surety - related fees	861	590
- disposal of shares in a subsidiary	-	225 531
- other	565	1 453
Total financial revenue	**38 334**	**230 274**

The item "Sale of shares in subsidiary" includes revenue from the earn-out related to the sale of the shares in companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. (referred to in more detail in Note 10).

(PLN k)

41. Financial expenses

	For 12 months ended 31.12.2022	For 12 months ended 31.12.2021
- interest expenses	61 188	34 181
- f/x differences, including:	3 599	812
- unrealized	(3 369)	87
- realized	6 968	725
- commission an other fees	7 442	4 168
- measurement of financial liabilities *)	2 375	1 684
- other	1 068	3 285
Total financial cost	**75 672**	**44 130**

*) refers to bank loans measured at amortized cost

42. Cash flows

Restricted cash	For 12 months ended 31.12.2022	For 12 months ended 31.12.2021
- cash frozen for loan repayment	48 266	25 731
- frozen cash for deposit	79 510	-
- frozen cash - split payment	11 651	22 856
- frozen cash - social benefit fund	59	61
Total	**139 486**	**48 648**

43. Reconciliation of changes in liabilities due to financing operations

31.12.2022	Bank Loans	Lease	Total
As at the beginning of the period	**1 434 351**	**219 290**	**1 653 641**
Inflows from debt incurred	524 596	15 268	539 864
financing received	524 596	15 268	539 864
Interest accruing	51 561	7 020	58 581
Debt payments	(491 253)	(14 586)	(505 839)
prncipal repayments	(444 698)	(8 273)	(452 971)
interest paid	(46 555)	(6 313)	(52 868)
Valuation	(10 109)	(43 356)	(53 465)
Other	296	-	296
As at the end of the period	**1 509 442**	**183 636**	**1 693 078**

(PLN k)

31.12.2021	Bank Loans	Lease	Total
As at the beginning of the period	**863 451**	**109 055**	**1 114 459**
Inflows from debt incurred	711 907	114 037	919 545
financing received	711 907	114 037	919 545
Interest accruing	28 681	5 925	34 606
Debt payments	(166 108)	(10 862)	(412 524)
prncipal repayments	(137 955)	(6 630)	(380 139)
interest paid	(28 153)	(4 232)	(32 385)
Exchange rate differences on debt denominated in foreign currency	-	-	-
Valuation	(3 332)	1 377	(1 955)
Other	(248)	(242)	(490)
As at the end of the period	**1 434 351**	**219 290**	**1 653 641**

44. Objectives and policies of financial risk management

In addition to derivatives, the key financial instruments used by the Group include bank loans, cash and short-term deposits. The primary purpose of such financial instruments is to procure funds to finance the Group's operations. The Group also holds other financial instruments, such as trade payables and receivables arising in connection with its operations.

The Group enters into transactions involving derivative instruments, forward contracts (to hedge its currency and market price risks). The purpose of such transactions is to manage the currency risk and the risk of market prices (particularly in electricity trading) which arise in the course of the Group’s operations and in connection with the sources of funding it uses.

The key risk types connected with the Group’s financial instruments include: interest rate risk, liquidity risk, currency risk, and credit risk. The Management Board establishes and verifies rules for managing each of these types of risk; the rules are briefly discussed below. The Group also monitors the market price risk with respect to the financial instruments it holds.

Interest rate risk

The Group’s exposure to the risk of market interest rates volatility concerns primarily its long-term financial liabilities.

The Group manages its interest expense by using debt financing based on variable interest rates. To hedge interest payments under its borrowings, the Group uses financial derivatives.

The following table shows the sensitivity of the financial result before tax on an annual basis to changes in interest rates, assuming that other factors remain unchanged (in connection with variable interest rate liabilities). i.e. a 1% increase/decrease in interest rates will result in a decrease/increase in financial result before tax by PLN 1,989 thousand. The impact on the Group's equity has not been presented, as it relates only to the financial result.

	2022-12-31	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
3 M WIBOR		1%	(1,989)
3 M WIBOR		-1%	1,989

	2021-12-31	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
3 M WIBOR		1%	(4,148)
3 M WIBOR		-1%	4,148

In the table below the fair value is determined of the Group's financial instruments exposed to the interest rate risk, according to aging categories. The breakdown into individual years reflects the maturity of the loan

31.12.2022

INTEREST RATE RISK							
Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	216 743	139 305	112 017	167 786	110 106	763 485	1 509 442
Lease	22 871	21 385	17 463	13 362	10 915	97 640	183 636
Fixed interest rate	*<1rok*	*1–2 lat*	*2-3 lat*	*3-4 lat*	*4-5 lat*	*>5 lat*	*Ogółem*
Cash assets	868 692	-	-	-	-	-	868 692

31.12.2021

INTEREST RATE RISK							
Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	413 922	76 131	87 793	95 038	162 105	599 362	1 434 351
Lease	11 734	6 344	8 880	9 111	8 816	174 405	219 290
Fixed interest rate	*<1rok*	*1–2 lat*	*2-3 lat*	*3-4 lat*	*4-5 lat*	*>5 lat*	*Ogółem*
Cash assets	387 386	-	-	-	-	-	387 386

Foreign exchange risk

The Group's foreign exchange risk boils down to the risk associated with fluctuations of the EUR exchange rate in relation to the open foreign currency position within:

- Future investment expenses in offshore wind farm projects.

The majority of capital expenditures are denominated in foreign currencies, mainly in EUR, which results in significant exposure to foreign exchange risk related to the amount of future capital expenditures. In the projects under development, the Group bears 50% of the investment costs. Amendments to the Act on Promoting Electricity Generation in Offshore Wind Farms, enacted in 2022, allow the denomination in EUR of part or all of the revenues from the right to cover the negative balance from sale of electricity. The abovementioned regulatory change makes it possible to reduce foreign exchange risk at the investment stage thanks to the possibility of debt financing also in EUR.

- Future investment expenses in onshore wind farm and photovoltaic projects.

Some of the liabilities are denominated in EUR. This is true mainly of the investment payables in the companies Polenergia Farma Wiatrowa Grabowo sp. z o.o. Polenergia Farma Wiatrowa 16 sp. z o.o. and Polenergia Farma Wiatrowa Piekło sp. z o.o. implementing the construction of the Grabowo and Piekło Wind Farm projects. Currency risk in the Grabowo and Piekło Wind Farm projects has been fully hedged in the financial market prior to any drawdowns of the investment loan by means of currency forward transactions. On the other hand, the Strzelino photovoltaic farm project, which is being prepared for construction, is still exposed to the foreign exchange risk. The Group takes into account fluctuation of the exchange rates in the economic forecasts for the project and aims to reflect them in commercial assumptions in a way that preserves the expected rate of return on the projects.

- Operating activity.

The Group does not identify any significant foreign exchange risk in its operating activity. Exchange rate fluctuations mainly affect a small portion of cash at bank and certain trade payables. Moreover, Polenergia Obrót S.A. ("Polenergia Obrót") is exposed to currency risk on account of its electricity trading in foreign markets and its participation in the CO_2 emission allowance market. The company’s exposure to currency risk is largely mitigated by means of natural hedging, as sales revenue and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies. Whenever Polenergia Obrót concludes any substantial transactions, foreign exchange hedging transactions are also concluded. Risk management issues in Polenergia Obrót are governed by the company’s risk management policy, in accordance with the rules provided for therein.

Credit risk

The Group transactions with companies enjoying sound credit standing. All customers willing to avail themselves of a supplier credit are subject to detailed credit check procedures. In addition, thanks to ongoing monitoring of receivables, the Group’s exposure to bad debt risk is insignificant.

In the case of corporate customers, the Group has a Credit Risk Management Process Procedure for Wholesale Counterparties, according to which each counterparty undergoes, among others, an analysis of its financial situation with the assignment of a rating, also the planned exposure is analyzed, necessary collateral is determined and an appropriate limit is assigned. Ongoing monitoring of exposures, reporting any exposures and possible corrective actions, e.g. by requesting additional collateral, ensure that the risk of bad debts is immaterial.

Cash at bank is held with creditworthy banking institutions.

Risk related to breach of covenants

The Group's investment projects rely to a large extent on external financing, and the Group companies are parties to many loan agreements giving rise to material obligations on this account, referred to in more detail in Note 29. The existing loan agreements provide for a number of financial covenants which have to be met by the respective projects.

The Group monitors the debt levels and compliance with covenants at individual companies on an ongoing basis and remains in contact with the financing institutions.

(PLN k)

Liquidity risk

The Group monitors the risk of its funds being insufficient to pay liabilities as they fall due through periodic liquidity planning. Such tool takes into account the maturities of investments and financial assets (e.g. accounts receivable, other financial assets) and forecast cash flows from operating activities.

The Group aims at balancing the continuity and flexibility of financing by using diverse funding sources, including overdrafts, bank loans and lease contracts.

The table below shows the Group's financial liabilities by maturity as at 31 December 2022 and 31 December 2021, based on maturity in terms of undiscounted contractual payments.

31.12.2022	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	75 780	251 832	838 668	1 053 716	**2 219 996**
Other liabilities	812 065	-	148 105	2 495	**962 665**
Liabilities for deliveries and sevices	171 983	-	-	-	**171 983**
Lease liabilities	13 468	5 414	69 326	205 484	**293 692**

31.12.2021	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	44 408	412 680	542 149	616 101	**1 615 338**
Other liabilities	1 427 228	406	208 544	-	**1 636 178**
Liabilities for deliveries and sevices	230 946	-	-	-	**230 946**
Lease liabilities	8 991	3 577	58 924	283 394	**354 886**

45. Capital management

The primary objective behind the Group's capital management is to maintain good credit rating of the Group with the financing institutions and safe capital ratios, in order to support the Group's operations and build shareholder value.

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Group may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the year ended on 31 December 2022 or in the financial year ended on 31 December 2021, no changes were made in the objectives, policies and processes in this area.

(PLN k)

The Group has been monitoring its capital position using the leverage ratio, calculated as the ratio of net debt to the sum of total equity and net debt. The Group's net debt includes interest-bearing borrowings and loans less cash and cash equivalents.

	31.12.2022	31.12.2021
Interest under borrowings	1 509 442	1 434 351
Less cash and cash equivalents	(868 692)	(387 366)
Net debt	**640 750**	**1 046 985**
Share capital	3 083 035	1 857 092
Total capital	**3 083 035**	**1 857 092**
Capital and net debt	**3 723 785**	**2 904 077**
Leverage ratios	17%	36%

46. Information on significant transactions with associates

Major transactions with jointly controlled parties in the period ended on 31 December 2022 include:

31.12.2022	Revenues	Receivables
MFW Bałtyk I S.A.	2 876	3 238
MFW Bałtyk I Sp. z o.o.	17	15
MFW Bałtyk II Sp. z o.o.	4 220	4 699
MFW Bałtyk III Sp. z o.o.	4 234	4 685
Total	**11 330**	**12 622**

Major transactions with parties where personal relations exist, in the period ended 31 December 2022 include:

31.12.2022	Revenues	Costs	Receivables	Libilities
KI One S.A.	-	138	-	16
Krucza Inwestycje KREH 1 Sp. z o.o. S.K.	214	5 206	19	26
Autostrada Eksploatacja S.A.	6 506	-	957	-
Beyond.pl Sp. z o.o.	3 010	672	543	74
Ciech Sarzyna S.A.	17 415	531	2 836	68
Ciech Pianki Sp. z o.o.	873	-	186	-
Ciech Vitrosilicon S.A.	11 093	-	1 944	-
Ciech Soda Polska S.A.	138 415	-	23 489	-
Ciech Vitro Sp. z o.o.	33	7	10	-
Euro Invest Sp. z o.o.	498	-	41	-
Master BIF IV UK Holdings Ltd	-	84	-	-
Total	**178 057**	**6 638**	**30 025**	**184**

For information on transactions with members of the parent's Management Board and Supervisory Board, see Notes 48 and 49.

(PLN k)

47. Employment

As at 31 December 2022 and as at 31 December 2021 the Group's employees divided into professional groups and recalculated into full-time jobs included:

	31.12.2022	31.12.2021
Parent company Management Board	5	5
Parent company employees	109	83
Subsidiaries employees	295	112
Total headcount	**409**	**200**

Maternity leave employees included.

48. Information on the total amount of remuneration and awards (in cash or in kind) paid or payable to members of the managing and supervising authorities of the parent

In the period ended 31 December 2022 and in the year ended 31 December 2021, remuneration of members of the Management Board of the Parent and of the members of the Supervisory Board was as follows:

Management Board	31.12.2022	31.12.2021
Michał Michalski	2 889	2 571
Tomasz Kietlinski	1 605	1 394
Iwona Sierżęga	1 631	1 451
Piotr Maciołek	1 605	1 411
Jarosław Bogacz	1 606	1 511
Total	**9 336**	**8 338**

The remuneration of members of the Management Board includes the base salary under employment, their functions, bonuses and additional monetary or non-monetary benefits such as private medical care package, motor insurance policy, a company car, hotel accommodation and commuting expenses. Certain Management Board members are party to a mutual agreement on termination of employment within the next 6 –12 months. If a Management Board member being party to such agreement resigns, the Company is required to pay a severance benefit equal to 30% - 100% of the remuneration received by such Management Board member over the last 12 months.

Supervisory Board	31.12.2022	31.12.2021
Hans E. Schweickardt	72	84
Orest Nazaruk	84	100
Brian Bode	-	14
Marjolein Helder	-	33
Adrian Dworzyński	26	82
Szymon Adamczyk	46	-
Total	**228**	**313**

(PLN k)

49. Transactions with members of the Group's Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants, or other closely related persons

In the year ended 31 December 2022, there were no transactions with members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants, or other closely related persons.

50. Information on remuneration of a certified auditor or entity authorized to audit the financial statements

The table below shows the fees of the entity authorized to audit financial statements paid or payable for the year ended on 31 December 2022 and the year ended on 31 December 2021, broken down into the type of service:

Type of services	31.12.2022	31.12.2021
Audit and review of financial statements	991	582
Other services	11	-

51. Information on CO_2 emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Poland's membership in EU and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The origins of the emission trading scheme date 1 January 2005. The Directive 2003/87/EC was transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of 22 December 2004. The current period - EU ETS 2021-2030 is governed by the Act of 15 April 2021 amending the Act on Trading in Allowances for Emissions of Greenhouse Gases and certain other acts.
The only entity in the Group subject to the abovementioned legislation is Nowa Sarzyna Thermal Power Plant (KPRU number: PL 0472 05) - a combustion plant with a nominal thermal capacity exceeding 20 MW which participates in the Community emission allowance trading scheme.
Nowa Sarzyna Thermal Power Plant: according to Art. "10c" the installation of Nowa Sarzyna obtained CO_2 allowance allotments, however due to the lack of investments in the National Investment Plan those free-of-charge allotments were not transferred to the account of the installation owner.
Nowa Sarzyna received an allotment of free-of-charge allowances under Article "10a" for the years 2021-2025 in the respective numbers: from 10,347 (in 2021) to 9,284 (in 2025) EUA.
In 2022 Nowa Sarzyna emitted 57,704 tons of carbon dioxide (as confirmed by the report on the audit of the facility performed by an independent reviewer, DNV).

52. Material events after the reporting date

On 22 February 2023, the Company Management Board passed a resolution (the "Resolution") to initiate the process of increasing the Company's share capital through the issuance of new shares of the Company, under which the Company plans to raise proceeds of between PLN 500 million and PLN 750 million (the "Issue"). The final value of the expected proceeds from the Issue and the related number of new shares of the Company to be issued under the Issue will be determined by the Management Board in the prospectus or in a communication to be published after the date of its approval, with due regard to the Company's actual capital requirements.

In view of the above, the Management Board convened an Extraordinary General Meeting of the Company, with the agenda providing for the adoption of a resolution on the Issue. The final decision about the Issue and the increase of the Company's share capital will rest with the General Meeting.
It is the intention of the Management Board to address the Issue to the Company's shareholders on the basis of the pre-emptive rights and to perform the Issue through a public offering based on a prospectus within the meaning of Regulation EU 2017 2017/1129 of the European Parliament and the Council of 14 June 2017.
As of the date of the Resolution, the purpose of the Issue is to raise funds to finance the Company's investment projects and development plans, including offshore and onshore wind farms and photovoltaic farms, as well as projects in the area of hydrogen technology, energy storage and electromobility, the implementation of which is in line with the Polenergia Group Strategy for the years 2020-2024, published by the Company in May 2020. The ultimate purpose of the Issue will be confirmed and described in the Company's prospectus relating to the Issue.
For the purposes of the Issue, the Company engaged Santander Bank Polska S.A. as the Exclusive Global Coordinator, Demand Book Keeper and Investment Firm intermediating in the Issue, and DLA Piper Giziński Kycia sp. k. as the Company's legal advisor.

On 29 March 2023, Polenergia Obrót S.A. (the "POLO"), a subsidiary of the Company, received a letter from Cime Capital AG, with its registered seat in Switzerland, the a managing manager company of CIME V-E Asset AG, with its registered seat in Switzerland (the "CIME Asset" and, together with its affiliatesrelated parties, collectively the "CIME Group"), presenting setting out the CIME Group's proposal for the termination and full settlement of the ISDA standard financial agreement concluded on 27 27 February 2020 between POLO and CIME Asset (the "ISDA Agreement") and the subscription by POLO of for secured bonds to be issued by CIME Invest AG (the "CIME Invest"), a CIME Group entity organized under the laws of Liechtenstein (the "CIME Bonds").

As proposed by the CIME Group:

- the ISDA Agreement would be terminated in accordance with its terms on early termination of the agreement and settled on the basis of the current market valuation of the executed transactions (for the years of 2023 – 2025) and close-out netting,

- settlement of POLO's receivables under the aforementioned settlement of the ISDA Agreement would be achieved effected through POLO's subscription for the CIME Bonds;

- the closing and settlement of the ISDA Agreement by way of POLO’s subscription for the CIME Bonds is to would be effected to adapt the structure of CIME Group’s liabilities to the liquidity capacity declared thereby;
- the CIME Bonds are to would be secured by assets of the CIME Group;
- the CIME Bonds are would to be issued on the basis of a prospectus approved by the relevant regulatory authorities of Lichtenstein;
- the value of the CIME Bonds that would be allotted for subscription by POLO would represent approximately the value of the settlement of the ISDA Agreement in result of its termination on the terms as referred to above.

As of 29 March 2023, the estimated amount of the settlement of the ISDA Agreement is PLN PLN 59.73 million (as of 31 December 2022 it amounted to PLN 79.8 million). This amount may change based on the Mark-to-Market valuation of the transactions concluded under the ISDA Agreement.

The adoption of a final decision concerning the aforementioned settlement of the ISDA Agreement and, consequently, the possible subscription for the CIME Bonds by POLO will specifically depend on, in particular, an analysis and assessment of the terms and conditions of the issuance, including the offered collateral.