

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

Polenergia SA

**DIRECTORS' REPORT ON THE OPERATIONS OF POLENERGIA S.A.
FOR THE YEAR ENDED 31 DECEMBER 2022**

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Warsaw, 30 March 2023

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1. Profit and loss statement of Polenergia S.A. for a 12-month period ended 31 December 2022

Polenergia S.A. Income Statement (PLN k)	12M 2022	12M 2021	Difference y/y
Sales revenues	35 584	25 264	10 320
Cost of sales	(25 861)	(18 488)	(7 373)
Gross profit on sales	9 723	6 776	2 947
Other operating revenue	51	141	(90)
General overheads expenses	(39 698)	(41 710)	2 012
Other operating expenses	(2 902)	(106)	(2 796)
Operating profit (EBIT)	(32 826)	(34 899)	2 073
Depreciation/Amortization	4 278	2 433	1 845
EBITDA	(28 548)	(32 466)	3 918
Financial income	168 594	321 393	(152 799)
<i>including dividends</i>	82 087	82 851	(764)
Financial costs	(5 404)	(4 795)	(609)
Gross profit (loss)	130 364	281 699	(151 335)
Income tax	(10 041)	(40 615)	30 574
Net profit (loss)	120 323	241 084	(120 761)

The increase in sales revenues in 2022 is mainly due to higher revenues from services provided to related parties (by PLN 10.3 m).

Cost of sales was 7.4 m higher in 2022 compared to the cost incurred in 2021, mainly due to increased costs related to the Group's growth.

Altogether, costs by type increased by PLN 5.4 m. A detailed breakdown of total costs by type is presented in Note 28 to the standalone financial statements.

General overheads were by PLN 2.0 m lower due to a one-off expense related to the earn-out received in offshore projects in 2021 partly offset by an increase in operating expenses (Group development cost, salaries and employee benefits, third-party services, tax charges) and costs billed under the Shared Service Center services.

In 2022, other operating revenues remained at a similar level compared to the revenues generated in 2021.

In 2022, other operating expenses were higher by PLN 2.8 m compared to the operating expenses in 2021, due to donations made in 2022.

Operating profit (EBIT) increased by PLN 2.1 m to PLN -32.8 m, mainly due to a one-off expense resulting from the earn-out received incurred in 2021 partly offset by an increase in third-party services and payroll costs.

On the level of EBITDA, the Company reported a loss of PLN -28.5 m (which is a better result by PLN 3.9 million compared to 2021).

Financial income in 2022 was by PLN 152.8 million lower than the income earned in 2021, mainly due to the earn-out received for the sale of a portion of interest in offshore projects in 2021 and higher interest income from deposits and loans in 2022.

The finance costs in 2022 amounted to PLN -5.4 m and was lower by PLN 0.6 m than the level of those costs in 2021. The lower figure in the current year is mainly due to higher financial expenses

from interest (PLN 2.1 m) and from commissions and other fees (PLN 0.9 m), lower foreign exchange expenses (PLN -0.5 m) and no asset impairment in 2021 (PLN -1.9 m).

The income tax in 2022 amounted to PLN 10.0 m. The difference with respect to 2021 (PLN 40.6 m) is mainly a consequence of the earn-out received in connection with the transaction of a sale of part of the shares in projects developing offshore wind farms in 2018.

As a result of the abovementioned events, the Company reported a net profit for the period of 12 months ended 31 December 2022 amounting to PLN 120.3 m.

2. Legal regime

For details on legislative acts that are relevant to the business of Polenergia S.A., see "Description of material risk factors and threats".

3. Organizational structure of the Group

For a description of the structure of Polenergia S.A.'s Group (the "Group"), refer to Note 7 to the Consolidated financial statements.

4. Discussion of key financial and economic data contained in the annual financial statements, in particular factors and events, including non-recurring ones, with a material effect on the Issuer's operations and profits earned or losses incurred in the financial year, as well as discussion of the Issuer's development prospects at least during the next financial year.

A detailed analysis of economic and financial data which presents Group's full performance can be found in the Director's Report on the Group's operations.

Key economic and financial data concerning the Issuer's performance is presented in the table below:

Major economic and financial data (PLN m)	12M 2022	12M 2021	Zmiana r/r
Sales revenues	35,6	25,3	10,3
EBITDA	-28,5	-32,5	3,9
Net profit (loss)	120,3	241,1	-120,8

In comparison with the results in 2021, performance in the year ended 31 December 2022 was driven by the following factors:

- a) On the level of EBITDA (higher result by PLN 3.9 m compared to 2021):
 - Higher sales profit before tax (by PLN 2.9 m) resulting from higher revenues from services provided to associates,
 - Higher other operating expenses (by PLN 2.8 m) due to donations made,
 - Lower general overheads (by PLN 2.0 m) mainly due to a one-off expense related to the earn-out received in connection with the sale of a portion of shares in Offshore projects in 2021 partly offset by an increase in operating expenses (mainly salaries and employee benefits, third-party services),
- b) On the level of Net Profit (a drop by PLN 120.8 m year on year):
 - The EBITDA effect (better result by PLN 3.9 m year on year),

Higher depreciation/amortization (by PLN 1.8 m) resulting from the changes under IFRS 16 (increased depreciation of leased fixed assets),

Hence, a better operating activity result (by PLN 2.1 m).

- Financial income lower by PLN 152.8 m, mainly due to the earn-out received for the sale of a portion of interest in offshore projects in 2021 and higher interest income in 2022.
- The financial expenses higher by PLN 0.6 m result mainly from higher financial expenses from interest (PLN 2.1 m) and from commissions and other fees (PLN 0.9 m), lower foreign exchange expenses (PLN -0.5 m) and no asset impairment in 2021 (PLN -1.9 m).
- Income tax lower by PLN 30.6 m is mainly a consequence of the earn-out received in 2021 in connection with the transaction of a sale of a portion of shares in projects developing offshore wind farms in 2018.

GROWTH PROSPECTS

Onshore wind farms

As at 31 December 2022 the Group continued works aimed at the development of three wind farm projects of the total capacity of 178 MW which secured auction offtake under the RES support auction scheme.

In October 2022 the Dębsk WF project with the capacity of 121 MW obtained an Operating Permit, and in January 2023 - the license to generate green power.

The 13.2 MW Piekło WF project which secured an auction offtake in December 2020 is currently at the construction stage. Construction works began in March 2022. 100% of the construction and assembly work has been completed, with all the turbines assembled. Turbine acceptance, testing and commissioning are underway. Completion of construction has been scheduled for the second half of 2023.

The 44 MW Grabowo WF project which secured an auction offtake in December 2021, is currently at the construction stage. Construction works began in March 2022. 100% of road and foundation works have been completed, 100% of MV cable lines and HV cable lines are in place, 100% of the scope of work on the substation have been completed. Deliveries of major wind turbine components began in October 2022. Currently, all turbines have been installed, and acceptance and commissioning of the turbines is underway. Completion of construction has been scheduled for the second half of 2023.

The Group continues developing its wind projects with a view to attain the goals identified in the Group's Strategy for the years 2020-2024.

Photovoltaic farms

Construction of the Sulechów II, Sulechów III and Buk I projects has been completed, with acceptance certificates issued of completion of a civil structure, and installations entered into the MIOZE register kept by ERO.

In December 2021, the subsidiaries: Polenergia Farma Wiatrowa Olbrachcice sp. z o.o. developing a portfolio of projects of PV farms Świebodzin I with a total capacity of 10.5 MW and Polenergia Obrót 2 sp. z o.o., developing the PV farm project Strzelino with a total capacity of 45.15 MW, successfully participated in the auction for the sale of energy from renewable energy sources.

The Strzelino PV project obtained the necessary corporate approvals at the end of 2022 and is currently in the construction phase. A contract with the installation and assembly contractor, a contract with the supplier of photovoltaic modules and a contract for the services of the Contract Engineer have

been executed. A contract for the supply of inverters should be signed by the end of March 2023. In early March 2023, the job site was handed over. Completion of construction has been scheduled for December 2023.

In December 2022, the subsidiary Polenergia Farma Wiatrowa Namysłów sp. z o.o. developing a portfolio of the Szprotawa PV farm projects with a total capacity of 47 MW successfully participated in the auction for the sale of energy from renewable energy sources. The Group intends to enter into key project contracts in the second half of 2023, subject to the corporate approvals required for the implementation of those projects.

The Group continues developing its photovoltaic projects with a view to attain the goals identified in the Group's Strategy for the years 2020 - 2024.

Development of offshore wind farm projects

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies MFW Bałtyk I Sp. z o.o., MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. preparing to develop three offshore wind farms located in the Baltic Sea with total capacity up to 3000 MW. On 4 May 2021 the President of the Energy Regulatory Office issued decisions with respect to the project companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. o.o. (for each company separately) granting the right to cover the negative balance for electricity generated in offshore wind farms, MFW Bałtyk II and MFW Bałtyk III, respectively, of the capacity of 720 MW each.

On 6 June 2022, the company MFW Bałtyk II Sp. z o.o. filed a notification with the President of the Energy Regulatory Office aimed at requesting an opinion of the Antimonopoly Office (UOKIK) on the draft individual support for the project MFW Bałtyk II and requesting the issuing - after the European Commission issues its decision stating compliance of the state aid to the company with the internal market - of a decision altering the initial decision of the President of ERO and the identifying of the price to be the base for the compensation of the negative balance for the project. The proposal is currently being processed by the European Commission under the pre-notification procedure.

A notification for the MFW Bałtyk III project is being prepared. In 2022, regulatory changes took place through an amendment to the Act on Promoting Electricity Generation in Offshore Wind Farms, which allows, since 2022, indexing the price of energy at which the negative balance will be settled and to settle project support in Euros. This will improve the projected rate of return of the MFW Bałtyk II and MFW Bałtyk III projects. The companies are engaged in the notification processes for MFW Bałtyk II and MFW Bałtyk III offshore wind farms.

In December 2022, MFW Bałtyk II and MFW Bałtyk III signed a contract with Hitachi Energy, the appointed supplier of electricity systems. Procurement proceedings are underway to appoint installation contractors and suppliers of export cables, internal cables and installation vessels.

In February 2023 MFW Bałtyk II Sp. o.o. and MFW Bałtyk III Sp. z o.o. signed annexes to the contracts with Siemens Gamesa Renewable Energy Poland Sp. z o.o. and Siemens Gamesa Renewable Energy A/S governing the choice the preferred supplier of wind turbines for the projects in development permitting a formal reservation of the installation port in Roene by the supplier. This measure mitigates one of the design risks during the construction phase, i.e. the lack of availability of port facilities.

In November 2022 the Supreme Administrative Court considered the cassation appeal of GDOŚ against the refusal to issue a new environmental decision for the MFW Bałtyk III offshore wind farm project and referred the case back to the Provincial Administrative Court for reconsideration.

Since in parallel a final and binding decision was obtained to amend the 2016 Environmental Conditions Decision authorizing the installation of the intended wind turbines, the Company withdrew its complaint from the Provincial Administrative Court, thus ending the dispute with the environmental

authorities. Once the decision amending the 2016 Environmental Conditions Decision became final and binding, it became possible to mitigate the risks associated with the aforementioned proceedings concerning the potential refusal to outline new environmental conditions for the construction of the MFW Bałtyk III offshore wind farm.

Detailed geotechnical research necessary for the design of the foundations of the wind turbines and the offshore substation, and for the design of the power evacuation unit has been continued by MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. Completion of the research has been delayed, due to the need to expand its scope, due to weather interruptions, limited accessibility to militarily important areas, and is currently scheduled for the end of the first quarter of 2023. An additional research vessel has been mobilized to reduce the risk of further delays. The extended period of the research process, as well as less favorable than anticipated geotechnical conditions for the foundations, may entail further delays in the projects. The scale of possible delays and associated costs will be analyzed in detail in the months to come.

In December 2022, the company MFW Bałtyk I S.A. obtained a decision outlining the scope of the environmental report for the project called Morska Farma Wiatrowa Bałtyk I. Presently, the preparation of the report is in progress.

Together with its Lithuanian local partner Modus and the appointed advisor Ramboll, the Company continues preparations to the participation in an auction in Lithuania with a 700 MW offshore wind farm project. Work is underway regarding the technical and economic concept of the project. The auction is expected to commence in the third quarter of 2023.

Polenergia PV

In 2022, Polenergia S.A. purchased 100% of the shares in Edison Energia S.A., whose business name was subsequently changed to Polenergia Fotowoltaika S.A. Polenergia Fotowoltaika installed 62.1 MW of photovoltaic panels and 689 devices were installed in the heat pump segment. Due to growing demand for heat pumps with a shortage of supply in the European market, the Company has entered into numerous contracts for the supply of pumps and plans to work with more distributors. The Company has also begun the alignment process with internal procedures and regulations of the Polenergia Group by, for example, changing its visual identity and has begun reporting its performance in accordance with IAS/IFRS. In addition, within the Group, in order to achieve synergies, Polenergia Fotowoltaika began selling products to Polenergia Sprzedaż for the supply and repurchase of electricity from prosumers. In Q4 2022 alone, Polenergia Fotowoltaika deployed PV systems of the total capacity of 12.5 MW and installed 281 heat pumps in the same period. Sales of services in the corporate segment (large installations of more than 50 kW) have begun, with 17 such contracts signed. New product development is also underway, both independently by the Company and in cooperation with Polenergia Sprzedaż.

Polenergia Sprzedaż

The company Polenergia Sprzedaż continues to sell energy generated in the Group's renewable sources. Customers include both business clients and consumer end-users (B2B and B2C). Green energy produced in the Group's generation assets is sold as the Energy 2051 standard product. As part of the intra-group cooperation, products have been developed, implemented and marketed that combine installation of solar panels and heat pumps with the supply of green energy. Prosumers were able to take advantage of a unique offer in the market, combining Energy 2051 green energy with a price guarantee for 8 years.

Development of gas and hydrogen projects

Work has been in progress in terms of developing gas and hydrogen projects. A large-scale project for the production and storage of hydrogen produced by electrolysis of water with its own renewable energy, submitted by Polenergia S.A. in the competition for projects in the area of hydrogen technologies and systems (organized under the IPCEI mechanism), went for notification to the European Commission on April 29, 2022, following approval by the Antimonopoly Office (UOKiK).

Polenergia has been performing preparatory works to implement the project to build a green hydrogen plant at the ENS site in accordance with future EU guidelines for this type of investment. A water electrolysis unit of a 5 MW will permit to supply hydrogen to the first selected customers in the Podkarpacie area and to perform co-combustion tests in the existing gas units. The implementation-related and operational experience gained during this project will allow mitigating project risks in subsequent projects.

The Podkarpacie Hydrogen Valley, of which Polenergia is a part, is the first initiative of this type in Poland. It is meant to help build a coordinated and integrated "ecosystem" that is committed to the development of technology, knowledge, research and business.

In addition, under a grant agreement with the National Center for Research and Development, Polenergia is conducting a feasibility study for a project to develop an integrated process system for converting renewable hydrogen into CO₂-neutral synthetic jet fuel.

Distribution and electromobility

In the distribution segment, on 7 December 2021 new electricity distribution and sales tariff for Polenergia Dystrybucja Sp. z o.o. became effective, with RAB (Regulatory Asset Base) at PLN 118.1 m. The Company is in the middle of the proceedings to update the existing tariff. The approved Investment Plan III for the years 2019 - 2022 worth PLN 51 m in total has been under implementation. As part of Investment portfolio III, the Company signed 45 contracts. By the end of Q4 2022, connection agreements were finalized and connection readiness was notified for 40 projects/project phases, and extension of concession was obtained for 16 projects, with further 7 projects expected to obtain concession.

In addition, Polenergia Dystrybucja is also in the course of implementation of Investment Plan IV for the years 2021 - 2026 worth PLN 105 m in total. By the end of Q4 2022, the company signed 70 connection agreements, with the total level of capex resulting from liabilities incurred reaching PLN 95.1 m, which accounts for 90.5% of the investment portfolio IV. As part of Investment Plan IV, the Company completed 13 projects for which connection readiness was notified.

Polenergia eMobility company commenced selling a charging service at its own charging stations. In 2022, 3 sites were commissioned, and more are under construction. The first public and private stations managed by Polenergia eMobility have been connected in the software system. The company continues to develop the system's functionality and application for users and has been prospecting more locations for public stations. The company has applied in 2022 and 2023 to three programs related to subsidizing charging stations from the National Environmental Protection and Water Management Fund (NFOŚiGW).

5. Structure of assets, equity and liabilities in the balance sheet, including from the perspective of the Issuer's liquidity

Business name	Description	2022	2021	Change YOY
1. Return on equity	Net profit/loss average annual equity	6.1%	18.6%	-12.5 pp.
2. Net return on sales	Net profit/loss sales revenue	338.1%	954.3%	-616.1 pp.
3. Liquidity - liquidity ratio I	total current assets short - term liabilities	25.78	0.66	25.12
4. Receivable rotation cycle (in days)	average annual trade receivables x 365 days revenue from sale of products and merchandise	295	291	+4
5. Debt to assets ratio	(total equity and liabilities - equity) * 100 total assets	2.2%	16.9%	-14.7%

The return on equity ratio and net return on sales deteriorated due to lower net financial result year on year. In the preceding year (2021), the main factor contributing to the high value of the ratios was the earn-out received from the sale of a portion of shares in offshore wind projects under development.

Liquidity, as measured by the liquidity ratio I, increased compared to the preceding year, due to a significant increase in total current assets (mainly the impact of an increase in short-term financial assets and cash), while short-term liabilities decreased.

There was a slight increase in the value of the accounts receivable turnover ratio. The relatively high average collection period (295 days) is due to the fact that companies dealing with development projects in the Group are invoiced once a year, which translates into a high level of receivables at the end of a calendar year.

There were significant changes in the balance sheet structure as at the end of 2022. Compared to the preceding year, there were no short-term loan liabilities in the Company as at the end of 2022, and equity increased mainly through the share premium as a result of the 2022 issue.

6. Description of material risk factors and threats, including information on the degree of the Company's exposure to such risks or threats

The Company's operations are affected by risk factors and threats related to the functioning of the Issuer's capital group.

Competition risk

The Group operates in the power market areas, including, without limitation, generation of electricity (mainly in wind and photovoltaic farms) and heat, distribution, trading in electricity, sale of heat and electricity and solutions in the field of distributed energy and electromobility. In addition, the Group is developing projects for the production and storage of "green" hydrogen. In all of the above-mentioned areas, the Group competes with other entities active on the market.

For example, the applicable legal regulations causing a systematic increase in demand for energy produced from renewable sources and the implementation of the auction system for new and existing RES capacities increase the risk of competition in this market segment, including the competition from foreign entities with strong capital. The Group collects detailed information on market specificities and competition's projects, which allows for assessing profitability of competition's projects and a potential auction price level. The Group's in-depth analyses allow for an adequate assessment of the market situation. At the same time, highly competitive projects are developed with the application of advanced capital and operating expenditure optimization processes, and locations characterized by above-average wind or insolation conditions and relatively low connection costs are selected for development.

As regards electricity sales, the Group is exposed to the risk of losing customers to competitors which have access to power *and gas* infrastructure on the TPA (third party access) basis. This results in stronger competition among suppliers of electricity and natural gas to end users and may lead to margin decrease.

In the activities of the Group to date, the above risk has partially materialized in relation to two companies from the Group and consisted in losing some customers to the competition. The risk materialized in relation to Polenergia Kogeneracja, which provides natural gas distribution and sales services, and Polenergia Dystrybucja, which provides electricity distribution and sales services. In the case of the first company, other natural gas sellers started selling natural gas to customers connected to the gas network of Polenergia Kogeneracja on the basis of competitive access to the distribution network. Taking into account the volume of distributed gas, the lost margin may be estimated at PLN 1-2m. In the case of the second company, due to the competitive pressure in energy sales' field, only half of the energy distributed by this company is simultaneously sold by it, hence the margin lost for this reason can be estimated at approximately PLN 2-3m.

Risk related to the economic situation in Poland

The achievement of the Polenergia Group's strategic goals and financial performance of the Group are subject to macroeconomic factors, which remain beyond the control of the Group companies. These factors include the GDP level, inflation rate, general economic conditions in Poland, and legislative changes. Any unfavorable changes in macroeconomic variables or legal regulations may contribute to lower than expected revenue of the Polenergia Group or higher costs of operations.

In particular it should be emphasized that as a result of the war in Ukraine and the sanctions imposed on Russia and Belarus, changes have been occurring in the market environment that may have a negative impact on economic growth in Poland and the situation on the Polish energy

market, e.g. through limited availability of fuels, increased inflationary pressure and volatility of the zloty exchange rate against EUR and US dollar. Detailed information on the impact of the war in Ukraine on the Group's operations is presented in item 2 of the Report.

Risk of foreign exchange rate movements

Within the onshore wind farms and the photovoltaic segment, also including the projects in development and under construction, a part of liabilities is denominated in EUR. The above mainly regards investment liabilities in Polenergia Farma Wiatrowa Grabowo sp. z o.o. z o.o., Polenergia Farma Wiatrowa 16 sp. z o.o. and Polenergia Farma Wiatrowa sp. z o.o. implementing the construction of the Grabowo and Piekło wind farms. The currency risk in the Grabowo and Piekło Wind Farms was fully secured on the financial market by means of currency forward transactions before the investment loan was disbursed. However, the Strzelino photovoltaic farm project being prepared for construction continues to be exposed to the risk of exchange rate fluctuations. The exchange rate fluctuations are taken into account in economic forecasts for the project and are aimed to be reflected in commercial assumptions in a way that allows for maintaining the anticipated project return rate.

As part of the offshore wind farm segment, most capital expenditures are denominated in foreign currencies, mainly in EUR, resulting in significant exposure to currency risk related to the amount of future capital expenditures. 50% of the investment costs in the projects in development are borne by the Company. The amendments to the Act on promoting electricity generation in offshore wind farms implemented in 2022 make it possible to denominate in EUR part or all of the revenues from the right to cover the negative balance on the sale of electricity. The above mentioned regulatory change allows for limiting the currency risk in the investment phase through possibility of debt financing in EUR.

Polenergia Obrót S.A. ("Polenergia Obrót") is exposed to currency risk as a result of trading in electricity in foreign markets and in connection with participation in the CO2 emission allowances market. The company's exposure to currency risk is largely mitigated by means of natural hedging, i.e., revenues and corresponding costs of purchase, as well as receivables and liabilities, are all generated in foreign currencies. In the case of significant transactions of Polenergia Obrót in a foreign currency, currency exchange rate hedging transactions are concluded. Risk management at Polenergia Obrót is governed by the binding Company risk management policy in accordance with the rules described therein.

Interest rate risk

The proportion of debt in the Group's financing structure is substantial. In line with the Polenergia Group's strategy of maximizing its return on equity; more than 50% of the investment projects are financed with debt. In accordance with the credit facility agreements entered into by individual Group companies, interest on credit facilities provided to is based on variable interest rates. At the same time the Group continues the strategy of reducing exposure by entering into transactions hedging the interest rate risk.

On 8 June 2022 Polenergia Farma Wiatrowa Grabowo Sp. z o.o. concluded interest rate risk hedging transactions with the banks' consortium of mBank S.A., Pekao S.A. and PKO BP corresponding to 90% of the value of the loan taken out. Also, on 8 June 2022 Polenergia Farma Wiatrowa Piekło Sp. z o.o. and Polenergia Farma Wiatrowa 16 Sp. z o.o. concluded interest rate risk hedging transactions in mBank S.A., corresponding to 90% of the value of loan taken out.

As at 31 December 2022, approximately 87% of liabilities of the Group's entities under investment loans were hedged against changes in the level of interest rates. This security is achieved through IRS financial transactions and naturally in Polenergia Dystrybucja in the form of the tariff of the

President of the Energy Regulatory Office correlated with the WIBOR rate. As Polenergia Dystrybucja operates on the regulated market, its revenues are determined on the basis of the return on capital, namely the weighted average cost of capital (regulatory WACC) defined by the URE President. Most of the parameters in the formula for the regulatory WACC remain constant. The component having the greatest impact on changes in the regulatory WACC is the risk-free rate, which, according to the definition of the URE President, is determined on the basis of the average yield on 10-year Treasury bonds with a fixed interest rate, which are correlated with the WIBOR rate. Working capital and renewable loan limits used by the Group to finance operating activities in the trading and sales, distribution, gas and clean fuel segments cannot be hedged against the risk of interest rates' increase. Due to the current market situation, the average use of limits has increased significantly, in particular in the trading and sales segment, generating increased financial costs and possibly affecting the profitability of the business. Moreover, the high level of interest rates affects the cost of financing for new projects (including onshore and offshore wind farms and photovoltaic farms) and may have an impact on the assessment of their profitability. As a result, it cannot be excluded that a significant increase in market interest rates above the values forecast by the Group and factored into its project budgets may have a negative effect on the implementation of some elements of the Strategy and the Group's financial performance in the future.

Risk of change in prices of raw materials required for electricity generation

The Group companies use natural gas to generate electricity and heat.

The Group uses methane-rich natural gas for the generation of electricity and heat at the EC Nowa Sarzyna. Since 2021 Polenergia Obrót supplied gas fuel to EC Nowa Sarzyna, and received electricity based on the SLA (Service Level Agreement). Any potential problems of Polenergia Obrót with supplying the amount of gas fuel necessary to satisfy the existing demand may lead to limitations on gas fuel supply to customers. In such cases, EC Nowa Sarzyna may fail to fulfill its obligation to supply heat to its contracting consumers and electricity to Polenergia Obrót. The risk of supply limitations is low. The risk of changes in market prices of gas is limited by ENS through the SLA mechanism, which ensures the simultaneous securing of three products: electricity, natural gas and CO₂ emission allowances in the event of a positive so-called CSS (Clean Spark Spread). In principle, natural gas corresponding to the heat production profile is purchased separately. For the years 2022-2023, EC Nowa Sarzyna signed a contract for the purchase of gas for heat production with PGNiG OD.

The Issuer and the Group companies use mechanisms which protect against adverse effects related to fluctuations of raw materials used. In principle, the sale prices of electricity and heat are related to the prices of natural gas. However, it cannot be ruled out that in spite of the protection mechanisms used, raw material price fluctuations may adversely affect the financial performance of the Issuer and the Group.

CO₂ is emitted in the production of electricity from fossil fuels. In the case of natural gas, the emission (depending on the efficiency of the installation) is about 500 kg / 1MWh, and in the case of hard coal it is approx. 900 kg / 1MWh. Thus, an increase in CO₂ costs by PLN 1/t means an increase in the cost of electricity production from natural gas by approximately PLN 0.5 / MWh. Over the years 2020 and 2022, CO₂ prices increased from PLN 100/ton to about PLN 400/ton, which meant increased costs of electricity produced from natural gas.

Nevertheless, in the activity of the Group to date, the above risk has not materialized in a way that would have a significant impact on the Group's activities. Although changes in raw material prices have taken place, they have been largely compensated by support systems (stranded cost

compensation system, i.e., costs of investments undertaken that cannot be obtained from the market and gas compensation, free of charge CO2 allowances in connection with heat production until autumn 2021), and optimizations agreed in the SLAs. The Company does not rule out the possibility of the above risk materializing in the future.

Risk related to the operation of the Polish energy market

While the heat market is fully regulated, the electricity and gas markets are only partly controlled by the appropriate authorities. One of them is the President of the Energy Regulatory Office (“URE”) – a central government authority appointed by the President of the Council of Ministers. By operation of the Energy Law, the President of URE is competent for fuel and energy market regulation and for promotion of competition in the energy sector. The scope of competence of the President of URE includes granting, changing and revoking licenses for production, storage, transmission, trade in and distribution of fuels and electricity, as well as oversight of entities regulated under the Energy Law in terms of fulfillment of duties resulting from the Energy Law and secondary legislation. The President of URE is also entitled to impose penalties, including significant fines, on licensed enterprises. Therefore, the Company cannot rule out the risk of the President of URE exercising his powers with respect to the Issuer and the Group in a manner unfavorable to them.

Given the advanced stage of implementation of competitive market mechanisms in the power generation sector, enterprises licensed to generate electricity are exempted from the requirement to submit their tariff prices for approval. Tariffs are still mandatory for electricity supplied to households end consumers which do not exercise the right to select the seller (while maintaining the possibility of changing energy supplier by households), and the current wording of the Energy Law regulations, as a principle provide for the coverage of reasonable costs of operations. At the same time, it should be pointed out, however, that prices of electricity generated by the Group, in consideration of the sale to trading companies, business customers and consumers exercising the right to select, are not subject to approval by the President of URE. Due to the crisis on the global energy resulting from the outbreak of war in Ukraine, the legislator decided to temporarily (until the end of 2023) adopt the Act on Emergency Measures, which implements statutory limits on revenues from the sale of electricity by producers and trading companies. A detailed description of the impact of the act is described in the Risk of changes in the legal and regulatory environment in the energy sector.

Risk of non-approval or delayed approval of tariffs by the URE President

The Group companies which generate heat or distribute gas and electricity are required to submit their tariffs to the President of URE for approval in the scope of the sale of heat and electricity and the distribution of gas and electricity. Pursuant to the applicable laws, a tariff should cover the expected reasonable costs of generation of heat, the distribution of heat, natural gas and electricity and the sale of electricity in a particular tariff period, while ensuring a return on capital. Approval of tariffs by the President of URE is aimed to protect consumers against unreasonable price increase. As a consequence, there is a risk that the President of the URE will approve the tariff which will not provide individual companies with adequate return on capital, and potentially not even ensure the coverage of the costs.

There is also a risk of delay in approval of a tariff for a new tariff period, which in consequence means that the producer/distributor is forced to apply the tariff applicable in the previous tariff period, which may not ensure the expected return on capital, or even the coverage of current costs. If such risk materializes, the financial results of the Group may be worse than expected.

The risk related to the heat tariff affects only the Nowa Sarzyna CHP Plant. The risk related to natural gas distribution tariff affects Polenergia Kogeneracja sp. z o.o. (Polenergia Kogeneracja”),

while the risk associated with the electricity sale and distribution tariff affects Polenergia Dystrybucja.

The above risk materialized in H1 2022 in relation to one of the projects currently owned by the Group, i.e. Nowa Sarzyna CHP Plant. In June 2022 the URE President approved the new ENS, tariff, which covers the heat generation costs. However, it should be pointed out that a similar risk related to the heat tariff may materialize in Q3 2023 and the following years in relation to Nowa Sarzyna CHP, due to the unstable political and macroeconomic environment.

Risk of changes in the legal and regulatory environment of the energy sector

The operations of the Group companies are subject to numerous Polish, EU and international regulations. Laws, regulations, decisions, positions, opinions, interpretations, guidelines, etc., applicable to the Group's business, are subject to frequent changes (e.g. the Energy Law, with secondary legislation, has been substantially amended several dozen times since its enactment in 1997). Any potential legislative changes, in particular concerning business activity, taxes, labor matters, commercial law, including commercial companies and capital markets, as well as environmental protection, may impact the operations of the Issuer. In addition, the Polish legal system has been changing in connection with legal acts currently implemented to reflect EU laws.

The dependence on regulations is demonstrated by the impact on the Group of the Act of 27 October 2022 on emergency measures aimed at limiting electricity prices and supporting certain consumers in 2023 (OJ PL of 2022, item 2243, as amended) ("Act on Emergency Measures"), adopted following the entry into force of Council Regulation (EU) 2022/1854 of 6 October 2022 on emergency intervention to address the issue of high energy prices. The Issuer expects a negative impact of the Act on Emergency Measures on the Group's financial results in 2023, on an unprecedented scale in the history of the Issuer's operation.

The fundamental solutions introduced by the Act on Emergency Measures include the establishment of statutory limits for revenues from the sale of electricity by producers and trading companies. The above regulation fundamentally changes the rules of operation of entities on the electricity market. This is particularly visible in the case of RES installations, where the legislator officially imposes the maximum achievable sale price without taking into account the individual economic conditions of the project, or the investor's project commercialization strategy. In the current commune no 37/2022, the Company announced that the net impact of the above regulations on the Group's consolidated EBITDA, estimated on the basis of the legal status binding at the time of publication, is approximately minus PLN 180 million.

The negative impact of the Act on Emergency Measures on the Group may even increase due to possible subsequent amendments thereto. It should be noted that, despite the short period between the adoption of the Act on Emergency Measures and the publication of the Check, the Act has already been amended twice, and further amendments are not excluded.

It is also possible that the period of validity of the Act on Emergency Measures will be extended onto subsequent years. The Act in question was adopted in order to minimize the impact of drastic increases in energy prices on end users, such increases due to the outbreak of war in Ukraine and the resulting crisis on global energy markets. The fundamental factors behind the adoption of the Act on Emergency Measures have not changed. In the nearest perspective, there are no reasons to believe that these factors will cease. Therefore, there is a justified risk of extending the period of validity of the Act on Emergency Measures onto subsequent years, which would have a significant negative impact on the Group's financial results.

It should also be pointed out that irrespective of the extraordinary adopting the Act on Emergency Measures, the activities carried out by the Issuer are subject, apart from the provisions generally regulating each business activity, to specific regulations resulting from the provisions of the Energy Law, the RES Act and the Act on Promotion of Electricity Generation in Offshore Wind Farms, as well as executive acts. Consequently, there is a risk that future changes in the state policy and related changes in legal regulations will impact the operations of the Issuer and the Group companies.

A number of the regulations applicable to the Group's business are relatively recent enactments, and therefore there is no established practice of their application, which may lead to their being improperly interpreted and applied). This applies in particular to the RES Act, the Act on the Promotion of Electricity Generation in Offshore Wind Farms, and in particular to the Act on Emergency Measures. The last Act is also difficult to apply due to the lack of clarity of numerous provisions thereof.

Factors relevant to the Group's operations also include decisions issued by competent authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level of arbitrariness and thus are often subject to legal disputes. The legislative and regulatory changes may also, in certain areas, contribute to a lower than expected return on investment in renewable energy sources.

The Company's representatives participate in the work of working teams at industry associations in order to monitor and minimize the risk of regulatory changes unfavorable for the Group; however, the Company has very limited possibilities of actually influencing decisions taken at the Community and national level in such scope. Any changes in the regulations of the energy market may prove unfavorable for the capital group.

Risk of volatility of electricity market prices

The Group's financial performance is dependent on the market prices of electricity. The Group keeps monitoring the electricity market, making decisions to secure the sale of electricity generated by offshore wind farms, photovoltaic farms, and gas and clean fuels segment. In addition, Polenergia Obrót and Polenergia Dystrybucja purchased electricity for their customers from third parties; therefore, the Group is exposed to the risk of changes in electricity prices also at the stage of electricity purchase. The Group has monitored the situation on the energy market on an ongoing basis, and as a result electricity is purchased when the energy prices are at the most favorable level for the Group.

The Group trades in electricity and gas also in the wholesale market. The results in that business depend on the changes in product market prices and the structure of open positions on the market. For this activity, ongoing risk control is carried out, taking into account the risk mandates granted for individual products and portfolios, as well as risk exposure testing using the VaR methodology (value at risk).

The volatility of electricity prices directly impacts the electricity profiling costs in the Group's wind and photovoltaic farms and the profiling costs of energy consumers served by the Group (the so-called profiling costs). The risk related to the level and volatility of profiling costs remains outside the Group's control to a large extent; when materialized, such risk may have a significant effect on the results obtained by the Group. This was the case in 1H and 2H 2022, when adverse impact was observed on the results in the business line of sale of the Group's RES assets, external RES aggregations and the sale to end consumers.

At the same time, support granted to RES under the auction-based scheme will protect the producer against market risk for 15 years in the scope of electricity sales' prices. The support

solely applies to the projects implemented in the Group which won the auction. After a significant increase in market prices, the support under the auction system in 2022 adversely impacted the revenues of RES sources participating in the auction (compared to the market prices possible to be obtained).

Notwithstanding the foregoing, the increase in the price of electricity generally has a positive effect on the results related to the production of energy from RES, provided that it relates to the period for which the sale was not previously secured, be it in the form of a contract for difference, PPA or on the futures market. In addition, changes in electricity prices with variable RES production may also affect the so-called production profile costs. If a contract for the sale of electricity concluded with a customer concerns a specific volume in a selected period (a form of a significant part of contracts), then, given the volatility of production generated in RES, the Issuer purchases or sells on the energy market and supplies the customer with the amount of energy specified in such contract. With dynamic price increases, energy consumption by customers deviating from the contracted values may generate a significant result (both positive and negative), disproportionate to the original assumptions.

Since October 2022 restrictions on maximum offer prices have been imposed on the balancing market, and from 1 December 2022 maximum energy sales rates have been applied, also with respect to renewable energy sources. The excess over the price limit is calculated each day and must be transferred to the Settlement Authority. In addition, trading companies must calculate the sale price of energy and its purchase price in ten-day periods - the difference of these prices reduced by a 1-3.5% margin, depending on the direction of sale, must be transferred to the Settlement Authority. Regulatory changes affecting the revenues of producers and trading companies were implemented by the end of 2023 as a response to drastically increasing energy prices. The risk is systemic and concerns both the Group and all other participants of the electricity market in Poland.

The onshore wind farm segment in 2022 and 2023 was hedged in a significant part of the portfolio on the futures market with prices lower than the current market quotations. There is a risk that in low wind conditions, the Company will have to buy back the hedged energy from the current market at prices much higher than the hedging price, which may have a negative impact on the result. Such risk already materialized in some periods of 2022. Therefore, the Company has changed the approach and in the coming years hedging will be implemented in a flexible manner and at much higher prices. In the event of a long term decline in electricity prices and the resulting lower prices of futures contracts' quotations, the potential of the segment's financial result may be limited in the coming years. Moreover, the increase in the number of wind sources and photovoltaic sources may negatively affect the revenues of the onshore wind farm segment and photovoltaic farm segment in the coming years due to the decline in energy prices in the periods of high energy volumes generated in energy sources and in photovoltaic sources, contributing to an increase in profiling costs.

The above risk has materialized in the Group's activity so far. Over the last few years, significant changes in electricity prices had a material impact on the Group, which produced approximately 1.05 TWh electricity in 2022.

Periods of high wind and low prices and periods of low wind and high prices can be observed on the market, and the price volatility between such periods can be as high as 1000 PLN/MWh (on a windy day, the Group produces over 6,500– 7,000 MWh of electricity). Thanks to wind farms covering part of the power demand of the whole country, wholesale electricity prices have been reduced significantly. This situation results mainly from the fact that the price of electricity produced in RES installations such as wind farms in 2022 was twice or three times cheaper than the energy generated in conventional power plants using coal or gas, and with prices of gas, coal and emission allowances increasing, the difference has been growing. In the summer, the "duck curve" effect is also observed, caused by a significant volume of energy from PV sources. The

increased volume generated by wind turbines also significantly reduces the import of electricity. On less windy days energy is obtained from the oldest coal-fired units, with very high fuel costs and CO₂ emissions, as a result electricity prices on the power exchange are rising, and thus much more energy is imported from outside Poland.

Moreover, Polenergia Obrót, Polenergia Sprzedaż and Polenergia Dystrybucja are parties to electricity sales agreements for end customers. To fulfil these contracts, the above companies purchase electricity generated, inter alia, in wind and solar sources, as well as on the wholesale market. The energy is then sold by these companies to end users. In order to meet the obligation to deliver a certain amount of energy to end users, companies purchase (or sell) the missing (or surplus) electricity on the market at prices other than those provided for in contracts with end customers and operators of generating assets. In accordance with the principle of adjusting the volumes and prices of energy obtained from own and external generation sources, as well as sales volumes and prices to end customers (through portfolio management), the Group minimizes exposure to the risk of changes in market prices of electricity in the trading, sales and distribution segments.

Additionally, high volumes of transactions hedging the sale of electricity from generation assets, secured on the TGE (Polish Power Exchange) futures market, require the appropriate level of collateral margins to be maintained, the amount of which depends on the quotations of relevant stock indexes and may be subject to fluctuations. In 2022 the above risk materialized due to high volatility of the production profile of wind farms combined with a significant increase in market prices of electricity and resulted in a greater demand for working capital. Moreover, Polenergia Obrót concludes contracts with electricity consumers, which may also be secured on the POLPX futures market, generating a demand for security deposits. Additionally, given the persistent high electricity prices, these contracts require an increased involvement of working capital. Due to the materialization of the above risk factors, the Group identified a temporary decrease in the liquidity of Polenergia Obrót and therefore took appropriate actions to improve liquidity.

Risk of volatility in market prices of natural gas

Increase of prices in forward contracts for natural gas, accompanied by high prices of carbon dioxide emission allowances entails the negative Clean Spark Spreads (CSS). Should the unfavorable CSS spreads persist, there is a risk of the inability to secure the operation of assets generating electricity from natural gas. In addition, CSS volatility has effect on the Group's financial results in connection with the evaluation of forward transactions hedging the ENS production and sale with reference to the periods for which the reversal of prior forward transactions started. The company analyzes the levels of CSS market spreads for subsequent periods on an ongoing basis and shall make decisions on securing the future margin for ENS depending on market conditions. Unfortunately, in 2022 it was not possible to secure positive spreads for ENS on the futures market for 2023 energy supply.

Risk of volatility in market prices of green certificates and their oversupply

The Group's financial results depend on the market prices of green certificates. The Group analyzes the situation on the green certificate market on an ongoing basis and makes decisions on securing the sale of green certificates from the wind energy segment, taking advantage of the possibility of concluding transactions on the bilateral contracts market and on the exchange market.

On 25 September 2017 the provisions of the Act of 20 July 2017 came into force amending the RES Act entered into force (OJ PL of 2017, item 1593) whereby the method for calculating the unit emission charge was linked to averaged annual market prices of property rights incorporated in certificates of origin, as published by the Polish Power Exchange pursuant to art. 47 section 3 item 2 of the amended Act. Under Art. 56.1 of the amended RES Act, the unit emission charge for green certificates is calculated as the product of 125% ratio and the annual weighted average

price of property rights incorporated in certificates of origin other than certificates issued in respect of energy generated from agricultural biogas on or after 1 July 2016, but may not exceed PLN 300.03 per 1 Mwh (Ozjo).

The oversupply of green certificates is systematically reduced and due to the increased energy consumption and the hedging by market entities for the coming years, the potential effect of oversupply is leveled and postponed to the last years of the system's operation.

Pursuant to the provisions of the Regulation of the Minister of Climate and Environment on the change in the volume share of the total amount of electricity resulting from redeemed certificates of origin confirming the production of electricity from renewable energy sources in 2023, the shares for the so-called green and blue certificates have been reduced compared to 2022. Consequently, the shares are at the level of 12.0% and 0.5%, respectively. In the following years, the Ministry announces the further gradual reduction of the level of obligations related to abandoning after 15 years the certification system of subsequent installations. As at the publication date of the report, the RES obligation for 2024 is unknown.

The Group reduces its exposure to the risk of a drop in the price of green certificates on an ongoing basis by securing in advance the sales price of certificates corresponding to energy production in the coming years. The above risks already materialized in the Group's activity. For the production of energy from renewable sources the Group obtains approx. 650 thousand MWh of green certificates per year. The drop in prices by over PLN 100 / MWh observed in the years 2014-2016 meant a decrease in the group's revenues by over PLN 65m per year.

Risk related to seasonality of activity

Wind conditions, which determine the electricity generation in wind farms and insolation conditions which determine the electricity generation in photovoltaic farms are variable depending on the season of the year and are characterized by variability in several years' cycles. Wind conditions in autumn and winter are significantly better than in spring and summer, and sunlight conditions in spring and summer are significantly better than in autumn and winter.

Decisions on selecting the locations to build wind farms and photovoltaic farms are made by Polenergia S.A. based on professional wind and sunlight measurements confirmed by independent and reputable specialists. That said, there can be no assurance that the actual wind conditions will not be different than those used in the models for specific investment projects.

Risk of production stoppages due to malfunction, damage or loss of property, plant and equipment

A serious malfunction, damage, partial or total loss of the Polenergia Group's property, plant and equipment may result in temporary suspension of production operations. In such cases, the Group may find it difficult to perform its agreements in a timely manner, which may result in enforcement of contractual penalties. Such situations may not only impair the quality of customer service but may also lead to significant deterioration of financial performance.

The Group has insurance coverage against loss of gross margin and also holds property insurance so that any malfunction, damage or loss of property is at least partly set off with the compensation received.

Company Polenergia S.A. and companies belonging to the capital group entered into insurance contracts that protect them against risks related to the conducted business activity. However, it cannot be excluded that the amount of losses caused by events covered by insurance will not exceed the sums insured as determined in the policies. Further, the occurrence of events beyond the existing insurance coverage cannot be ruled out, which may force the Company to spend significant amounts to cover the resulting losses.

Risk of adverse weather conditions affecting electricity generation at the wind farms operated by the Group

This may prove less favorable than expected and result in the actual volume of electricity generated falling below the projected volume. Moreover, in certain situations, the construction of a new wind farm in the vicinity of the existing project may have a negative impact on the volume of electricity produced in such previously built project.

The volume of electricity generated by a photovoltaic farm depends primarily on local sunlight characteristics. This may prove less favorable than expected and result in the actual volume of electricity generated falling below the projected volume.

These circumstances can have a material adverse effect on the Group's operations, performance, financial standing or growth prospects.

Risk related to renewable energy sources auctions

Under the RES (auction-based) support scheme, support for energy generation from RES, and the amount of such support depends on winning the auction. As a consequence there exists a risk of obtaining no support for wind farm and photovoltaic farm projects implemented by the Group. At the same time, support granted to RES under the auction-based scheme will secure the generator, as a principle, against market risk in the scope of electricity prices for 15 years.

The Group is working on the further development of wind and photovoltaic projects to achieve the goals set out in the Group's Strategy for 2020-2024. In December 2022 the auction was won by Polenergia Farma Wiatrowa Namysłów sp. z o.o. developing a set of 4 Szprotawa photovoltaic farm projects with a total target capacity of approx. 47 MW.

In a situation where a project of a wind farm or a photovoltaic farm does not receive support through an auction, the manner of such project's further implementation is subject to verification, alternative forms of obtaining revenues through the project are examined, in particular, it is possible to build such project in order to supply electricity directly to the end user, e.g. based on the power purchase agreement (PPA).

The above risks already materialized in the Group's activity. For example, in the event of failure to win the RES auction, some projects implemented by the Group were forced to wait until successive auction or alternatively, the Group analyzed the possibility of entering into power purchase agreements for such projects. Each delay in implementing such projects as a result of failure to win a RES auction means for a delay for Polenergia S.A. in starting to obtain return on investment in such projects.

Risk of regulatory changes concerning the support system for conventional generation sources ('capacity market') and the support system for RES

The Polish energy market is characterized by a material over-exploitation in the scope of conventional production capacities. The above is mainly due to low replacement investments in the recent years. The measures implemented by Polskie Sieci Elektroenergetyczne S.A. in recent years within the Balancing Market (including intervention cold reserve, operational capacity reserve) and several investment decisions made by energy companies controlled by the State Treasury have postponed the risk of insufficient capacity reserve for several years. On 8 December 2017 the Sejm adopted the Capacity Market Act. In the following years auctions were carried out for capacity supply for the years 2021-2027. In the auctions held, ENS contracted capacity up to and including 2027. In July 2025 the 550 g/kWh limit for carbon dioxide emissions will come into effect. The generation sources of the Group meet this limit, but it cannot be

observed using coal sources, which constitute the majority of units in the capacity market. Depending on adopted specific solutions and auction parameters for the following years, the economic viability of the existing facilities (such as the Nowa Sarzyna CHP Plant) may change significantly after 2027. Furthermore, it cannot be ruled out that the capacity market will exert an adverse impact on wholesale electricity market prices, which can potentially affect projects whose economic viability rests on revenues from sale of electricity (wind and photovoltaic farms), and which are exposed to the risk of electricity prices. This risk is partly mitigated by hedging the prices of electricity sold from wind and photovoltaic farms in forward contracts and by participating in auction system for RES sources.

The above risk has materialized in the Group's activity. With regard to the support systems for RES, in 2015 the system of certificates of origin implemented in 2005 was replaced with the auction system for new installations and the first auctions after the implementation of the auction system were organized at the end of 2016. The RES Act allows for the transition of RES installations in operation from the green certificate system to the auction system. However, the same reference prices (prices that determine the maximum price level of offers submitted by green energy producers in auctions) apply to migration auctions. The determination of such prices is therefore a condition enabling the URE President to announce an auction for the sale of energy from RES in a given year. These prices are generally determined by a regulation, which significantly reduces the attractiveness of migration auctions for RES installations built many years ago, which, due to the available technologies at that time, are not able to generate electricity with the same efficiency as new RES installations. The reference price is to take into account, inter alia, current costs and efficiency of RES installations. At the same time, these installations were significantly affected by the crisis on the green certificates market which cannot be compensated by migration auctions, under the regulatory system implemented by the RES Act and the formula for calculating the substitution fee introduced in 2017. The results of the auctions in 2019 confirmed that there was little interest in these auctions, and no such auctions were held in the following years.

Some entities operating in the electricity sector are defined as entities under obligation in virtue of energy regulations. These entities are required to submit certificates of RES origin for redemption to the URE President or to pay a substitution fee. The entity obliged to fulfill the obligation to redeem certificates of origin may pay a substitute fee, even if the grounds for fulfilling the redemption obligation exist. The amount of the substitution fee is calculated on the basis of the mathematical formula specified in the RES Act. In the past, there have been cases of limiting the amount of the substitution fee that energy companies could pay instead of presenting the RES certificates of origin for redemption to the URE. The originally determined amount of the substitution fee allowed for creating favorable business models and financing energy, in particular wind energy. At that time, the generator could rely on the maximum price of the green certificate limited only by the supply-to-demand ratio. The first reduction in the amount of the substitution fee in 2016 caused a violation of acquired rights of many companies operating in the wind energy sector, which resulted in lawsuits. Subsequent legislative changes resulted in further unfavorable changes which had adverse impact primarily on investors burdened with loans and financing institutions, causing problems with debt restructuring, risk assessment and providing financing for new RES investments.

Moreover, the support system for gas and coal-biomass co-generation was also transformed. As part of these changes, the certification system was replaced by the auction system, which began to function only several years after the end of support under the certification system.

Risk related to the unstable tax regime

Tax law provisions undergo numerous changes every year. The implemented regulations are not clearly formulated, which gives the tax authorities the opportunity to interpret them to the detriment of taxpayers. The Ministry of Finance issues numerous and extensive tax clarifications concerning the regulations being introduced, however, due their complicated nature taxpayers still have many doubts as to their practical implementation. This is because published clarifications frequently contradict the literal wording of the regulations. As a result of such actions taxpayers may be exposed to numerous tax risks.

Risk related to the necessity of meeting environmental requirements provided for in the environmental protection regulations

The business operations of Polenergia S.A. and individual Group companies are subject to a number of legal regulations in the scope of environmental protection. In particular, the Company and the Group may be required to obtain integrated permits or sectoral permits (or air emissions of gases and particulate matter or for generation of waste, as required under the water law) and to timely submit properly structured reports on their use of the environment or other matters. Ensuring compliance with environmental regulations may require expenditure to prepare the relevant documents and adjust the Group's installations to the applicable requirements. At the date of authorization of this report, Polenergia S.A. and its subsidiaries obtained all relevant permits related to environmental protection.

Further, under the EU CO2 Emissions Trading Scheme, participation permits had to be obtained for installations used in the course of the operations by Polenergia S.A. and other Polenergia S.A. capital group companies. Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Both EU membership and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The emissions trading scheme was launched on 1 January 2005 by virtue of Directive 2003/87/EC, 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 EU ETS 2021-2030 period is governed by the Act amending the Act on Trading in Allowances for Emissions of Greenhouse Gases of 15 April 2021 and certain other acts.

The only facility of the Polenergia Group that is subject to the above-mentioned legislation is Nowa Sarzyna CHP (KPRU number: PL 0– 72-05). ENS is the combustion installation with a rated thermal input in excess of 20 MW, participating in the EU Emissions Trading Scheme.

Risk of failure to implement new projects

The Group has been pursuing a significant number of projects in the segment of onshore and offshore wind farms, photovoltaic, gas and clean fuel projects, and investments to develop distribution infrastructure and electric cars charging stations. Projects pursued by the Polenergia Group require significant capital expenditure. The expenditure is particularly high in case of development projects and construction of onshore and offshore wind farms. The Group makes decisions to commence the development stage of a project on the basis of detailed financial models, technical analyses and expert reports prepared by its dedicated Group Development Service. Such analyses include a series of assumptions, related to power generation volume, revenue, production costs, required investment amount and costs of financing.

The Group Development Department has extensive experience in all aspects of project preparation and implementation, such as development, operating activities of facilities or financing, but there is a risk that the Issuer will adopt assumptions more favorable than real, which

will result in the Group achieving a lower than expected return on investment in a given project. Moreover, the costs of preparing a project, even before the development stage, are also significant, especially in the wind farm construction segment. A project's failure would prevent the Group from recovering such costs.

In addition, the Group's inability to implement some wind farm projects was due to the entry into force of the provisions of the Wind Farm Investments Act (including the 10H rule referred to in the description of the "Risk of changes in the legal and regulatory environment in the energy sector").

Risk of failure to execute or delay in execution of investment plans

Non-execution or delay in the implementation of investment plans involves a risk of not reaching the assumed operational objectives within the defined time limit. This, in turn, can cause worse financial results of the Group than the results obtained in case the project is completed as planned, and may lead to the failure to comply with the requirements set in the loan agreements.

Intending to implement the investment plans set forth, the Group is taking steps to minimize such risk such as precise planning and analyzing factors which may affect the achievement of objectives, ongoing monitoring of results and immediate response to any signals showing that the achievement of objectives could be at risk, and a set of insurance policies. The Management Board of the Company prepares the process of implementing individual projects with particular care, refining all the details of the investment from the technological point of view and providing appropriate financing, however, the actions taken by the Group may turn out to be insufficient.

On 29 June 2020, the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa 3 Sp. z o.o., implementing the Dębsk wind farm project, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

On 26 July 2021, the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Dębice / Kostomłoty sp. z o.o. implementing the Kostomłoty wind farm project, stating the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 33 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 5 September 2023.

On 14 December 2021 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Rudniki sp. z o.o., implementing the Buk I photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

On 12 January 2022 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Grabowo sp. z o.o., implementing the Sulechów III photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months

from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

On 13 January 2022 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa 17 sp. z o.o., implementing the Sulechów II photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023.

Currently, the Grabowo and Piekło WF projects are being implemented according to the assumed schedule. The implementation schedule of the PV Strzelino project assumes its completion as planned, i.e. on the auction date, and additionally an amendment to the Act of 15 December 2022 on special protection of certain gaseous fuel consumers in 2023 in connection with the situation on the gas market (OJ PL of 2022, item 2687), in art. 74 sec. 1 extended the deadline for the first sale of energy from the installation from 24 months to 33 months, after the investor submits a relevant statement to the President of the Energy Regulatory Office, such extension providing a safe time reserve.

Risk related to the implementation of Offshore Wind Farm projects

Offshore Wind Farm projects are exposed to a number of risks due to the market situation and the scale of the projects:

- a. The risk of an increase in investment costs projected for the development and construction phases, which result, among others, from high demand for services and supplies, changes in raw material prices and information obtained regarding the geotechnical conditions of the seabed.

The global offshore wind market has seen significant changes in the past 2 years, driven by three main factors - the technological development of generators, the collapse of supply chains, and the increase in the cost of components, supplies and service, triggered by rising energy, fuel, and metal prices. Very dynamic changes in technology that permit increasing the unit power of turbines and, at the same time, their productivity, are not correlated with the development of logistics facilities, which gives rise to bottlenecks in the supply chain, especially in terms of installation vessels. A huge demand for installation services, as well as the supply of the offshore wind farm components projected for the years 2025 - 2030, juxtaposed with the limited market capacity observed, has been contributing to the increase in prices of services. On top of that, the situation is aggravated by the return to oil and gas prospecting and exploration in many offshore areas following the outbreak of war in Ukraine, which contributes to increased competition for skilled employees, vessels and other key resources. This difficult situation is compounded by cost increases caused by higher prices of steel, copper, aluminum, which are key raw materials for the construction of the offshore wind farm components. Other cost drivers include rising fuel prices, directly affecting the cost of installation services. All these factors may increase the cost of project development and construction. The Company manages the risk by leveraging the global position of its JV partner (Equinor) whose procurement process makes the most of the market potential of its offshore wind projects portfolio.

In the case of the Bałtyk II and Bałtyk III projects, an additional factor affecting the risk of increased investment costs is the less favorable than assumed geotechnical conditions of the Baltic seabed. Detailed geotechnical investigations and analyses performed last year at project sites indicate that there is a significant risk of requiring a bigger number of jacket foundations than

originally anticipated. Such foundations are better suited to less favorable geological conditions than monopile-type foundations, but are more expensive, as their construction requires more steel to be used. The Company manages this risk through the JV availing itself of services of the best, experienced institutions and analytical and design firms which seek solutions to optimize the risk and foundation costs in projects prepared.

- b. The risk of incurring high investment costs prior to the Final Investment Decision, which stems from the need to secure capacity from suppliers and obtain the data required for a Building Permit.

Increased interest in offshore wind power investments, driven by both the implementation of global climate policies and the need for European countries to become independent of fossil fuels following the outbreak of war in Ukraine, is adding to the problems of planning deliveries and construction in the forthcoming years. The market has become suppliers and installers market with those actors expecting hard financial guarantees before booking production and installation capacity, while extending their service performance schedules. Making capacity reservations may result in the need to incur significant capital expenditures prior to the final investment decision and the issuance of guarantees by the Company for the JV's payment of obligations. The Company manages this risk through optimization and detailed control of schedules and the negotiation process during the establishment of the supply chain.

- c. Risk of project implementation delays.

The volatility and uncertainty of the market environment, "bottlenecks" in the supply chain and labor shortages in the market increase risk of delays in project preparation and implementation. Currently, there are three streams of project development processes underway which are of key importance for timely preparation for construction and execution as intended: design processes, construction permitting and supply chain organization. These processes are closely interrelated and require very efficient and professional coordination and management. They involve a number of third-party consulting and design firms, permitting, procurement, engineering, stakeholder management teams at both JV partners, suppliers, and a dozen of institutions, government agencies and local authorities. Limited human resources may also become a problem, due to the high competition in the market and the lack of educated, experienced staff in the domestic market, as well as the lack of experience in the development of offshore wind farms on the part of national institutions and administration. The Company manages this risk by increasing employment, seeking the best-prepared employees, and conducting education and information activities vis a vis administration.

Another factor contributing to the risk of project delays is the challenging global supply market situation and limited logistics resources in the context of plans to implement other major projects in the Baltic. Any delay in execution of other projects, resulting in overlapping installation periods, may pose a significant problem in ensuring proper logistics and construction safety background. Also, any delay within the supply chain (for example, delays in production or installation) may affect subsequent construction phases. Delays in the use of production and installation periods booked, as well as any restrictions concerning permitted offshore installation periods, may make it necessary to halt the installation process for some period, entailing increased costs.

- d. The risk that the President of the Energy Regulatory Office may set the support price for the offshore wind farm to be applied in settling the negative balance at a level below the maximum price and the risk of the support price reduction as part of the clawback procedure in case of a significant change is made to the substantive and financial parameters of the offshore wind farm project

According to the Act on Promoting Electricity Generation in Offshore Wind Farms, the offshore wind farm projects Bałtyk II and Bałtyk III have been granted the right to cover the negative balance for electricity generated in the offshore wind farm, based on the decisions of the ERO President issued in 2021. These projects will sell the generated energy to the market, retaining, however, the right to cover the so-called negative balance, i.e. the difference between the market price of energy and the support price set by the ERO President after completing the process of individual notification of State aid to the European Commission. The Commission will determine at what level of the project's internal rate of return, hence at what support price, there is no overcompensation of the State aid provided. Once the European Commission issues its decision, the ERO President will set an individual support price for each project. It may not be higher than: a) the maximum price, b) the support price yielding the IRR at the level accepted by the European Commission. However, the ERO President is authorized to set a support price lower than that resulting from the European Commission's decision.

On top of that, the projects will be subject to additional safeguarding schemes against the occurrence of overcompensation (clawback). The clawback means that the individual support price for a project, set by the ERO President, will be revised again if, before the commencement of construction work, there is any significant change in the substantive and financial parameters of the project's implementation resulting in a material (i.e. in excess of 0.5 percentage point) increase in its internal rate of return.

In order to prevent the risk of the support price reduction resulting from the clawback, the notification procedure involves the most recent forecasts and regulations.

Risk related to credit facility agreements

The concluded loan agreements contain a number of requirements to be met by individual design companies or projects run; the breach of such requirements may result in the termination of the loan agreement, making the loan immediately mature or increasing the cost of financing. The Group has continued to analyze the indebtedness level and the risk of non-fulfillment of the requirements set forth in the loan facility agreements on an on-going basis, and remained in contact with the financing institutions. Detailed information concerning the conclusion of new credit facility agreements and changes to the existing agreement in 2022 are included in Note 30 to the Consolidated Financial Statements.

In the Group's activities to date, the above risk has materialized to a limited extent and consisted in breaches of less significant provisions of loan agreements and in the incidental non-compliance by special-purpose vehicles with certain requirements relating to financial ratios. Nevertheless, in each case of non-compliance with the requirements concerning financial ratios, the Group's special purpose vehicles previously notified the relevant financing bank about such possibility and obtained waiver in this regard. None of the financing banks has ever terminated the loan agreement or initiated enforcement proceedings against any of the Group's entities.

Risk related to financial standing of customers and contracting parties

In the area of industrial energy, the Group generates revenues on the basis of long-term contracts for the supply of electricity and heat concluded with one or more consumers. The financial standing of customers and their ability to settle liabilities with the Group companies is, therefore, of key significance for the success of the Group's projects, its financial results and financial standing. A sudden drop in energy consumption by a customer may also affect energy production efficiency.

Prior to concluding a contract and launching a project, the Issuer thoroughly verifies its potential customers, also with the support of external consultants, checking their ability to settle liabilities towards Issuer' and prospects for the industries they operate in. The Group is very careful in

selecting customers, making sure they represent industries with good market prospects. The Company analyses in detail a prospective customer's industrial processes, as well as its power and heat demand. Both parties work together for several months before the launch of a project.

In the event of a deterioration in the financial situation of the customers of the Group's entities, in particular due to the deterioration of the economic situation, as well as other factors, such as, without limitation, increased competition in the market on which the Group operates, the Group cannot rule out the loss of customers or contractors, which could adversely affect the financial situation of the Issuer or the Group.

Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. And Tauron Polska Energia S.A.

Amon sp. z o.o. („Amon”) and Talia sp. z o.o. (“Talia”) the Company's subsidiaries, each filed an action to state ineffectiveness of the declarations of termination by Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. (“PKH”)(a company operating within the Tauron Group) of the Agreements for the sale of property rights resulting from certificates of origin confirming the production of electricity in renewable energy sources - wind farms in Łukaszów (Amon) and Modlikowice (Talia) and the Agreements for the sale of electricity generated in the above-mentioned wind farms. In the above cases, preliminary and partial judgments were issued in favor of Amon and Talia. They were appealed against by the defendant.

On 20 December 2021 the Court of Appeal in Gdańsk announced a judgment in the case brought by Talia against PKH, which dismissed in full both appeals brought by PKH, i.e. both: (i) an appeal against the judgment of the District Court in Gdańsk of 6 March 2020; and (ii) an appeal against the judgment of the District Court in Gdańsk of 8 September 2020.

After the Court of Appeal in Gdańsk issued the judgment of December 20, 2021, Talia received a letter from PKH informing Talia of its readiness to perform the duties and rights resulting from this judgment, i.e. to commence the performance of the above-mentioned contracts and expecting Talia to do the same.

Talia's position is that the judgment of 20 December 2021 stated that the contracts were not effectively terminated by PKH and that the contracts were in force until the judgment was issued. In connection with the above, before proceeding with the performance of contracts, Talia demands that PKH settle the arrears for the period of non-performance of contracts in the years 2015-2021 and present a clear declaration that PKH will perform contracts until the end of the period for which the contracts were concluded. On 16 August 2022, PKH filed a cassation appeal to the Supreme Court against the judgment of the Court of Appeal in Gdańsk of 20 December 2021.

On 17 November 2022, the Court of Appeal in Gdańsk issued a judgment in the case brought by Amon Sp. z o. o. against PKH, which dismissed the entire appeal brought by PKH against the judgment of the District Court in Gdańsk of 25 November 2019, file no IX GC 449/15. The judgment is final.

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.

At the end of April 2018 Amon and Talia brought an action against Tauron Polska Energia S.A. The basis of Tauron's tort liability for damages is the cessation of performance by Polska Energia– Pierwsza Kompania Handlowa Sp. z o.o., - a subsidiary of Tauron, of long-term agreements for the sale of electricity generated from renewable sources and long-term agreements for the sale of property rights resulting from certificates of origin confirming the production of electricity from renewable sources, entered into with Amon and Talia.

As at the day of the publication of the report, after modifications to the claims, the value of claims for damages in the case of Amon is PLN 78,204,905.55, and in the case of Talia, PLN 53,127,847.08. The above amounts do not include interest claimed by the companies. The disputed amount, taking into account the estimated Tauron's liability for future damages as of the day of bringing the action is over PLN 236m in the case of Amon and PLN 160m in case of Talia.

Risk related to the dispute with Eolos Polska Sp. z o.o.

Eolos Poland sp. z o.o. („Eolos”) pursues a claim for payment jointly from two companies of the Group: Certyfikaty sp. z o.o. and Polenergia Obrót and from Green Stone Solutions sp. z o.o. (formerly: Polenergia Usługi sp. z o.o.) contractual penalties for the termination of agreements for the sale of property rights resulting from certificates of origin for electricity generated in renewable energy sources and for the payment of balancing costs totaling over PLN 27m. The defendant companies demand to dismiss the claim. The parties were heard at the hearing held online on 24 March 2021. The Court decided to continue the taking of evidence, including the appointment of an expert in the case. The expert is expected to prepare the opinion.

Risk related to the dispute with Jeronimo Martins Polska S.A.

Polenergia Obrót S.A. was bound with contracts for energy sales for 2022 concluded with Jeronimo Martins Polska S.A. ("JMP"), which were terminated by Polenergia Obrót S.A. effective as at 30 June 2022. In connection with the termination of the said agreements, JMP sent to Polenergia Obrót S.A. calls for payment of PLN 3.5m and PLN 36m, i.e. a total of PLN 39.5m. The claims reported by JMP relate to periods falling after the date of expiry of the sale contracts, and therefore the Company considers them groundless. Thus, the Company also deems ineffective the statement of JMP on setting off the requested amounts with the Company's receivables towards JMP.

In this connection on 1 December 2022, Polenergia Obrót S.A. filed a claim against JMP with the District Court in Warsaw, demanding payment of PLN 40,853,352.00 plus statutory interest for delay in commercial transactions, calculated from the date of filing the claim to the date of payment.

The amount of the claim includes the amount of PLN 39,528,578 of the invoices for energy unpaid by JMP and the amount of PLN 1,324,774.00 for accrued interest for the period until the date of filing the claim. The difference in the value of the claims pursued in relation to the amounts covered by JMP's statement on setting off results from the adjustments of settlements made in the meantime related to the update of measurement data and the submission by Polenergia Obrót S.A. of statements on setting off.

Counterparty risk

On 4 March 2021, Polenergia Elektrownia Północ Sp. z o.o., received a call for payment in the amount of PLN 1.5m with interest from 2 August 2019. The case concerns the additional payment for the purchase of real estate by the Company in 2011. The Management Board of the Company is of the opinion that the call for payment is unjustified and ineffective, as in January 2021 the Company exercised its right to reduce the price by sending the statement on the price reduction by PLN 1.5m to the seller of the real property in question.

On 13 July 2021 Polenergia Farma Wiatrowa 1 Sp. z o.o. received a claim for compensation for non-contractual use of the real property. The plaintiffs demand the payment because the access road to one of the wind turbines was located on the real property belonging to the plaintiffs as a result of a court judgment delimiting the property. The real property was previously owned by another Lessor. The company prepared a statement of defense. The Court appointed an expert in the case who prepared the analysis of the amounts of rent.

Risk related to loss of key personnel

The business operations of Polenergia S.A. and other Group companies rely chiefly on the knowledge and experience of highly qualified personnel. In connection with the shortage of renewable energy experts on the market and given that specialists employed at the Group may receive attractive job and pay offers from its existing or future competitors, there exists a risk of loss of staff of key importance to Polenergia Group's development. The materialization of the risk could adversely affect Group's performance and implementation of its strategy.

The risk of loss of key personnel is mitigated through:

- strong internal corporate culture of the Polenergia Group, ensuring employees' identification with the Group,
- remuneration system that serves to incentivize staff and reward loyalty, and
- knowledge management and extensive training programs.

Operating risk in facilities

In operating industrial facilities and distribution networks, there is the risk of failing to achieve the target efficiency and availability or to meet the terms of relevant power and gas supply contracts. Polenergia S.A.'s past experience suggests that the risk of unexpected accidents resulting in the operating budget of a facility being exceeded is low. In an effort to mitigate this risk, Polenergia capital Group companies continually hone their operating procedures and maintain insurance coverage or use clauses in their contracts allowing them to pass any additional costs and expenses onto subcontractor

Risk related to application of hedge accounting to cash flow hedges

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

Hedging transactions are performed in order to limit the effect of:

- change of interest rate on the amount of future highly probable payments of loan installments.
- change of currency rates on the amount of future highly probable currency payments on account of 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 cash flow hedge accounting purposes:

Transactions hedging the risk of interest rate changes.

Date of maturity of hedging instrument	Hedged value	Hedged interest rate	Instrument
29.09.2025	38930	0.52%	IRS
29.06.2026	22582	0.56%	IRS
26.02.2027	7891	1.25%	IRS
26.02.2027	1635	1.25%	IRS
29.03.2028	124831	0.79%	IRS
15.12.2028	104554	0.75%	IRS
22.12.2031	8920	2.60%	IRS
2033-12-12	15,750	6.71%	IRS
2033-12-12	15,750	6.71%	IRS
2034-03-13	79,365	6.65%	IRS
30.06.2034	12391	0.89%	IRS
11.06.2035	142998	1.10%	IRS
10.09.2035	425550	1.20%	IRS
31.12.2035	17966	2.39%	IRS
11.03.2036	107202	2.22%	IRS
Total	1126315		

Transactions hedging the risk of foreign exchange rates changes.

Date of maturity of hedging instrument	Hedged value	Hedged rate	Instrument
2023.Q1	EUR 10,490	4.8139	Forward
2023.Q2	EUR 977	4.8206	Forward
Total	EUR 11,467		

Risk related to real estate lease agreements concluded by entities from the Group

In the ordinary course of business of the Group, certain entities within the Group conclude lease agreements for undeveloped real estate with their owners. Next, wind farm projects and photovoltaic farms are implemented on real estate leased by the Group's entities, and transformer stations and accompanying infrastructure (service yards and roads) are built. Lease agreements are usually concluded for a period of 29 years, and the conclusion of a successive agreement requires the consent of both parties. Agreements are concluded for a period of 29 years for two reasons: property owners are afraid of incumbency by wind farm operators after 30 years from the conclusion of the agreement, and on the part of farm operators, long-term lease agreements may be concluded for a maximum period of 30 years. It should be borne in mind that if the lease contract is concluded for a period longer than 30 years, then after 30 years it is assumed that the contract is concluded for an indefinite period, which results in the possibility of termination by the lessor and the lessee while observing statutory deadlines specified in the Civil Code.

Due to the fact that the lease agreements are concluded at an early stage of project development, the duration of some of them may be shorter than the planned lifetime of a given wind or photovoltaic farm. In such a situation, in the next several years' perspective, the Group may be forced to take steps to conclude new agreements in such a way that the lease agreement for a

given property used for the implementation of a given component of a wind or photovoltaic farm project is valid at least until the end of the period of the project operation.

The Group does not rule out that in some situations the conclusion of another lease agreement may be difficult, and the negotiations on this matter may take longer and generate additional costs. If the parties fail to agree on the new terms and the lease agreement expires prior to the end of the project's operation period, the Group may be forced to prematurely terminate the operation of a part of the wind/photovoltaic farm.

7. Statement of compliance with corporate governance rules

- a) The corporate governance rules applicable to the Issuer and the place where the rules are publicly available

The Issuer, as a public company whose shares are listed on the Warsaw Stock Exchange, is obliged to apply the corporate governance rules included in the document entitled "Best Practices of WSE Listed Companies 2021". Available at: <http://corp-gov.gpw.pl/>

- b) Information within the scope of the Issuer's departing from the corporate governance rules referred to in item a), specification of the rules departed from, and reasons for the departure.

On 30 July 2021, the Issuer published the EIB report on the status of application by the Company of the principles contained in the Best Practices of WSE Listed Companies 2021. The report also informs on the extent to which the Issuer has departed from the application of certain principles, indicates these principles and explains the reasons for the departure. The report is available at: <https://www.polenergia.pl/serwis-relacji-inwestorskich/raporty/raporty-ebi/?rok=2021>.

The company applies 52 out of 63 principles of the Best Practices for WSE Listed Companies 2021. The Company departed from the application of a total of eleven principles, including: three principles from the *Information Policy and Communication with Investors* chapter (principles: 1.4.1., 1.4.2., 1.5.), four principles from the *Management Board and Supervisory Board chapter* (principles: 2.1., 2.2., 2.11.1., 2.11.6.), two from the *Systems and internal functions* chapter (principles: 3.6., 3.10.) and two from the *General Meeting and Investor Relations* chapter (principles: 4.11. 4.13). The Company applies all the principles contained in the *Remuneration* chapter.

- c) Key features of the Issuer's internal control and risk management systems used in the preparation of standalone financial statements of the Group companies and the Group's Consolidated financial statements

The Management Board is responsible for the Group's internal control and risk management systems applied in the preparation of financial statements. Periodic financial statements and management reports are prepared by the Accounting Department and the Controlling and Investor Relations Department, under the supervision of the Chief Financial and Administration Officer, who is also the Vice-President of the Management Board

Data contained in the financial statements are sourced from the financial and accounting system, in which all business events are recorded in accordance with the Group's Accounting Policy approved by the Management Board, based on the International Financial Reporting Standards or the Polish Accounting Standards. The documents are reviewed by authorized persons in terms of their formal, accounting and factual correctness

The effectiveness of the internal control system is ensured by a number of orders and internal procedures adopted by the Group's Management Board, including, the flow of accounting

documents, description of accounting evidence, purchases made on behalf of the Group, assuming obligations by the Group, performing of stock-taking process, disposal of the Group's fixed assets and other items, decision-making in the Group, budgeting process etc. Moreover, the Internal Control and Risk Management Department was set up within the Issuer's organization at 1 January 2023.

Data security is ensured by continuous review and update of access right restrictions and the strength of the password system protecting the financial and accounting records, as well as by the Group's procedures for data backup and storage.

Full-year and half-year (consolidated and separate) financial statements are subject to audit (full-year reports) or review (half-year reports) by an independent auditor appointed by the Supervisory Board under the authorization provided for in the Issuer's Statutes.

The audited annual financial statements of the Group are approved by the General Meeting, upon acceptance by the Management Board, and assessment by the Supervisory Board.

After the accounting closing of each calendar month, the Group prepares management reports including an analysis of key financial data and ratios and a comparison of current financial performance with the adopted budget, along with an explanation of material deviations from the budget, if any. Management reports are distributed among the members of the Management Board every month, and among the Supervisory Board they are distributed every quarter.

The Company's internal control mechanisms enable early risk identification, assessment and mitigation and ensure accuracy of information presented in financial statements.

Thanks to these controls, the Company's financial statements are reliable, correct and clear, as confirmed by the auditor's opinions.

- d) Shareholders holding directly or indirectly major holdings of shares, along with an indication of the numbers of shares and percentages of the share capital held by such shareholders, and the numbers of votes and percentages of the total vote that such shares represent at the General Meeting

Detailed information on major - direct or indirect - holdings of shares is presented below.

No	Shareholder	Number of shares	Number of votes	Per cent share
1	Mansa Investments sp. z o.o. ¹	28 617 254	28617254	42.84%
2	BIF IV Europe Holdings Limited ²	21 317 706	21 317 706	31.91%
3	Allianz OFE, Allianz DFE, Drugi Allianz Polska OFE ³	5 229 666	5 229 666	7.83%
4	OFE Nationale-Nederlanden ⁴	3 767 231	3 767 231	5.64%
5	Other (below 5%) ⁵	7 870 389	7 870 389	11.78%
	Total	66 802 246	66 802 246	100%

¹ 100% of shares in Mansa Investments Sp. z o.o. are indirectly controlled by Ms. Dominika Kulczyk through Kulczyk Holding S.à r.l. Information on ownership in accordance with the notification received by the Company on 13 April 2022 (current report No. 16/2022 of 13 April 2022). On 28 December 2022 the Company received a notification from Mansa Investments sp. z o.o., Kulczyk Holding s.à r.l. and Mrs. Dominika Kulczyk on establishing a pledge on 1,200,000 shares of the Company (current report No. 42/2022 of 28 December 2022).

² Information on ownership in accordance with the notification received by the Company on 13 April 2022 (current report No. 16/2022 of 13 April 2022).

³ Notification of a change in ownership published by the Company in current report No. 1/2023 of 6 January 2023.

⁴ According to information from the Issuer's OGM convened for 11 May 2022.

⁵ Pursuant to the notification of a change in ownership received by the Company on 21 September 2022, Generali Powszechnie Towarzystwo Emerytalne S.A. managing Generali Otwarty Fundusz Emerytalny reduced its share in the total number of votes in the Company below the threshold of 5% of votes (current report No. 29/2022 of 21 September 2022).

e) Holders of any securities conferring special control powers, and description of those powers

The Issuer did not issue any securities conferring special control powers

f) Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities.

g) Any restrictions on transfer of ownership rights to the Issuer's securities

The Company statutes does not contain restrictions on transfer of ownership rights to the Issuer's securities.

h) Rules governing the appointment and removal of the Company's management personnel and such personnel's powers, particularly the power to make decisions to issue or buy back shares

The Company's Management Board consists of one or more members, generally appointed for a joint three-year term (subject to Articles 5.11.2.(a) and 5.11.2.(b) of the Company's Statutes), including the President of the Management Board and the Vice-President of the Management Board.

Subject to Article 5.11. of the Company's Statutes (impasse regarding the appointment of a member of the Management Board), members of the Management Board of the Company are appointed by the Supervisory Board, which also determines the number of the Management Board members appointed for a given term of office.

The Management Board manages the Company's business and represents it before third parties.

Any matters related to the management of the Company which do not fall within the exclusive scope of competence of the General Meeting or the Supervisory Board under the law or the Statutes fall within the scope of powers and responsibilities of the Management Board.

i) Rules governing amendments to the Statutes of the Issuer

To amend the Statutes a resolution of the General Meeting adopted by a majority of $\frac{3}{4}$ votes and an entry in the Register of Entrepreneurs of the National Court Register are required.

j) Manner of operation of the General Meeting and its key powers; shareholders' rights and the manner of exercising those rights, including in particular the rules stipulated in the rules of procedure of the General Meeting if such rules have been adopted, unless the relevant information follows directly from legal regulations

1) Description of the mode of operation of the General Meeting

The General Meeting operates pursuant to (i) the Commercial Companies Code, (ii) other generally applicable laws, (iii) the Statutes and (iv) the Rules of Procedure of the General Meeting.

The right to participate in the General Meeting is vested only in entities that are shareholders of the Company sixteen days before the date of the General Meeting (date of registration of participation in the General Meeting). Such persons should

request the entity keeping the securities account to issue a personal certificate confirming the right to participate in the General Meeting, no earlier than after the announcement of convening the General Meeting and no later than on the first business day after the date of registration of participation in the General Meeting.

The Company establishes a list of shareholders, as well as pledgees and users entitled to vote, to participate in the General Meeting on the basis of a list prepared by the entity maintaining the securities depository.

Shareholders may participate in the General Meeting in person or by proxy. The power of attorney to participate in the General Meeting should be granted in writing or in electronic form. Furthermore, in the case of powers of proxy granted by legal persons or partnerships, a document confirming authorization of the persons granting the power of proxy to represent the shareholder should be attached.

Resolutions of the General Meeting are voted on in an open ballot. Resolutions are voted on in a secret ballot if the law so requires (e.g. in personnel matters) or upon a shareholder's request.

General Meetings are convened by posting a notice on the Company's website and in the manner prescribed for disclosure of current information in accordance with the provisions of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies. Such a notice should be published at least twenty-six days prior to the date of the General Meeting.

2) Key powers of the General Meeting

The powers of the General Meeting include matters specified in the Commercial Companies' Code.

Moreover, the powers of the General Meeting are stipulated in Article 5.3. of the Company Statutes and include the following matters reserved for the General Meeting: ("Matters reserved for the GM" within the meaning of the Company Statutes), which require a resolution of the General Meeting:

- (a) the disposal of the enterprise of the Company or an organized part thereof, or establishment of Charges thereupon; for the avoidance of doubt, this does not apply to the Disposal of stocks / shares held by the Company in any of the Group Companies, which is a matter reserved for the SB, as provided for in Article 5.5.1.(d) of the Statutes;
- (b) significant change in the scope of the Company's activity within the meaning of Art. 416 of the Commercial Companies' Code;
- (c) liquidation and dissolution of the Company and appointment of the Company's liquidators;
- (d) merger of the Company with other entities, division and transformation of the Company;
- (e) increase the share capital of the Company;
- (f) reduction of the share capital of the Company, redemption of Shares and purchase of own Shares;

- (g) issue of convertible bonds or bonds with priority rights and issue of subscription warrants, options and other securities convertible into or granting rights to newly issued Shares;
- (h) amendments to the Statutes;
- (i) approving the new regulations or changing the existing rules of procedure of the General Meeting;
- (i) payment of dividends by the Company in a manner other than in accordance with the Profit Sharing Policy; and
- (k) granting consent to the exclusion of the shareholder's pre-emptive right with regard to new shares issued within the authorized capital, if the Supervisory Board does not consent to such exclusion.

The General Meeting is also entitled, in certain cases, to appoint and dismiss members of the Supervisory Board (in virtue of Articles 5.4.2.(b) and 5.4.2.(c) of the Statutes and on the terms set out therein). Moreover, pursuant to Art. 368 § 4 sentence 2 of CCC, the General Meeting may dismiss a member of the Management Board.

3) Shareholders' rights and the manner of exercising those rights

Shareholders' key rights include the right to participate in and exercise voting rights at the General Meeting.

Shareholders representing at least half of the share capital or at least half of the total votes in the company may convene an Extraordinary General Meeting. The shareholders appoint the chairman of such Meeting (Article 399 § 3 of CCC).

Moreover, a shareholder or shareholders representing at least one twentieth of the share capital may request that the General Meeting be convened and that certain matters be placed on the agenda of the General Meeting (art. 400.1 of the CCC). A shareholder or shareholders representing at least one twentieth of the share capital may also request that certain matters be placed in the agenda of the next General Meeting. The request should be submitted to the Management Board no later than twenty-one days prior to the set date of the Meeting and should include justification or a draft resolution regarding the proposed agenda item (Article 401 § 1 of CCC).

Shareholders also have the right to file actions for stating the invalidity or annulling a resolution of the General Meeting.

- k) Description of the operation of the Issuer's management, supervisory or administrative bodies and their committees, including an indication of the composition of these bodies and changes occurred during the last financial year

Composition of the Supervisory Board

The Supervisory Board consists of eight members appointed for an independent three-year term. If members of the Supervisory Board are elected by voting in separate groups, the Supervisory Board elected in this mode consists of seven members. As long as the Company is a public company, the Supervisory Board will consist of two members of the Supervisory Board meeting the independence criteria set out in Art. 129 sec. 3 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight.

In 2022 the Supervisory Board was composed of:

No	Name and surname	Position
1	Dominika Kulczyk	Chair of the Supervisory Board
2	Thomas O'Brien	Deputy Chairman of the Supervisory Board
3	Hans E. Schweickardt	Member of the Supervisory Board
4	Orest Nazaruk	Member of the Supervisory Board
5	Emmanuelle Rouchel	Member of the Supervisory Board
6	Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board
7	Adrian Dworzyński	Member of the Supervisory Board until 11 May 2022
8	Szymon Adamczyk	Member of the Supervisory Board from 11 May 2022
9	Grzegorz Stanisławski	Member of the Supervisory Board until 10 October 2022
10	Jacek Santorski	Member of the Supervisory Board from 10 October 2022

The mandate of Mr. Adrian Dworzyński, the member of the Supervisory Board, expired on 11 May 2022. On the same day, the Ordinary General Meeting of the Company appointed Mr. Szymon Adamczyk and Mr. Orest Nazaruk to the Supervisory Board of the Company, each of the above-mentioned persons for independent three-year terms of office.

The appointed Members of the Supervisory Board submitted statements stating that they: (i) do not perform any other activity outside the Company's enterprise, which would be competitive to the activity performed in the Company's enterprise; (ii) do not participate in a competitive company as partners in a civil law partnership, partnership or as members of a body of a capital company and do not participate in another competitive legal person as members of a body thereof, and (iii) are not entered in the Register of Insolvent Debtors kept pursuant to the Act on the National Court Register.

The Issuer informed about the above events in current report No. 23/2022 of 11 May 2022.

On 7 October 2022, the Issuer received a statement on the resignation of Mr. Grzegorz Stanisławski from the position of Member of the Supervisory Board. The resignation was submitted for personal reasons, effective at 12.00 on 10 October 10, 2022.

The Issuer informed about the above events in current report No. 31/2022 of 7 October 2022.

On 10 October 2022, the Issuer's Management Board received a statement from Mansa Investments sp. z o.o. with registered office in Warsaw, the shareholders, on the appointment of Mr. Jacek Santorski as a Member of the Issuer's Supervisory Board, with effect from 10 October 2022, at 12.01. hours, based on the shareholder's personal entitlement provided for in Article 5.4.2.(a) item i) of the Company's Statutes.

The appointed Member of the Supervisory Board submitted statements stating that he: (i) does not perform activity competitive with respect to the Company; (ii) is not a partner in a civil law partnership or partnership, and is not a member of a body of a capital company competitive with respect to the Company or a member of a body of any other legal person competitive with respect to the Company, and (iii) is not entered in the Register of Insolvent Debtors.

The Issuer informed about the above events in current report No. 32/2022 of 10 October 2022.

Members of the Supervisory Board are appointed as follows:

- (a) no more than six members of the Supervisory Board on the basis of personal rights vested in Mansa and Brookfield, respectively (each of them referred to as the "Eligible Shareholder") according to the following rules:
 - (i) if an Eligible Shareholder holds at least 22.80% of the Shares, it will have the personal right to appoint three members of the Supervisory Board;
 - (ii) if an Eligible Shareholder holds less than 22.80% but at least 20% of the Shares, it will have the personal right to appoint two members of the Supervisory Board;
 - (iii) if an Eligible Shareholder holds less than 20% but at least 10% of the Shares - he will be personally entitled to appoint one member of the Supervisory Board;
- (b) two members of the Supervisory Board will meet the independence criteria specified in Art. 129 sec. 3 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight and they will be appointed by the General Meeting, where:
 - (i) each shareholder may propose candidates for independent members of the Supervisory Board, with the proviso that such an independent member may not, directly or indirectly, at any time be involved in, cooperate with or benefit from activities competitive to the Company or any Group Company, or be related to any entity or person conducting such competitive activity;
 - (ii) each Eligible Shareholder holding at least 20% of the Shares will be excluded from exercising the voting right over the appointment of one independent member of the Supervisory Board (such exemption does not apply to the appointment of a second independent member of the Supervisory Board, and for the avoidance of doubt, such exclusion expires when the share of a given Eligible Shareholder falls below 20% of the Shares);
 - (iii) in the event that the General Meeting fails to appoint an independent member of the Supervisory Board in the manner described in Article 5.4.2.(b)(ii) of the Statutes, the exclusion of voting rights referred to in Article 5.4.2.(b)(ii) of the Statutes does not apply to the appointment of such an independent member of the Supervisory Board at each subsequent General Meeting until such independent member is appointed; and
- (c) Supervisory Board members who are not appointed in accordance with Article 5.4.2 (a) of the Statutes are appointed and revoked by the General Meeting by simple majority of votes of all shareholders.

The Audit Committee and the Operational Supervision Committee operate within the Supervisory Board. **The Audit Committee is composed of three members.** The Audit Committee includes a member of the Supervisory Board referred to in Article 5.4.2.(b) of the Statutes and persons referred to in Art. 129 sec. 1 and sec. 5 of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight.

Composition of the Committee

No	Name and surname	Position
1	Orest Nazaruk	Chairman of the Audit Committee of the Supervisory Board
2	Hans E. Schweickardt	Member of the Audit Committee of the Supervisory Board
3	Adrian Dworzyński	Member of the Supervisory Board of the Supervisory Board until 11 May 2022
4	Szymon Adamczyk	Member of the Supervisory Board of the Supervisory Board from 11 May 2022

Composition of the Operational Supervision Committee

No	Name and surname	Position
1	Hans E. Schweickardt	Chairman of the Operational Supervision Committee
2	Ignacio Paz-Ares Aldanondo	Member of the Operational Supervision Committee
3	Grzegorz Stanisławski	Member of the Operational Supervision Committee until 10 October 2022
4	Thomas O'Brien	Member of the Operational Supervision Committee

Information on the Audit Committee

Mr. Orest Nazaruk and Mr. Adrian Dworzyński (until 11 May 2022) and Szymon Adamczyk (since 11 May 2022) meet the independence criteria set out in the Act of 11 May 2017 on statutory auditors, audit firms and public oversight. Mr. Orest Nazaruk has knowledge in the field of audits of financial statements and accounting, and also has knowledge and qualifications in the sector in which the Company operates, thanks to the experience gained, inter alia, in Arthur Andersen, State Treasury Ministry and PGNiG Energia. Mr. Hans E. Schweickardt has knowledge and qualifications in the sector in which Company operates, thanks to the experience gained, inter alia, in Alpiq, Swiss Grid and ATEL. Mr. Szymon Adamczyk has comprehensive knowledge and many years of experience in the field of company management and corporate supervision.

In the last financial year the Audit Committee met three times.

The main assumptions of the policy for selecting an audit firm to perform audit and provide permitted services other than audit, by the audit firm, by entities related to this audit firm, and by a member of the audit firm's network, reflect the requirements resulting in particular from the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public oversight and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements for statutory audits of public interest entities, repealing Commission Decision 2005/909/EC.

In conformity with the Company policy concerning the selection of certified auditor and audit firm, the following criteria are applied in selection of an Auditor:

- reputation and experience in provision of audit services;
- prior experience (negative/positive) from cooperation (if any);
- experience in audits of financial statements in companies of similar size and profile of operations;
- audit costs;
- audit duration;
- additional circumstances which enable minimizing the costs and audit-related organizational effort of the Polenergia Group.

The selection of the audit firm was carried out in compliance with the binding procedure. The auditing company auditing the financial statements provided additional permitted services in 2022, consisting in reviewing mid-term financial statements and confirming the compliance with the terms of the concluded loan agreements based on the analysis of financial information from the financial statements audited by the Auditor.

Mode of operation of the Supervisory Board

The Supervisory Board operates pursuant to (i) the Commercial Companies Code, (ii) other generally applicable laws, (iii) the Statutes and (iv) the Rules of Procedure for the Supervisory Board.

- (a) The following matters fall within the competence of the Supervisory Board and constitute "Matters Reserved for the SB":
 - (i) approving the Business Plan, Annual Budgets and any Ad Hoc Budgets, as well as any changes thereto, changing the Required Investment Criteria or approving new ones and approving New Projects;
 - (ii) except for (a) transactions related to Qualified Rejected New Businesses and (b) concluding guarantees and sureties by Polenergia Obrót S.A. in accordance with the Budget and strategy for the Trade and Sales operating segment and based on mandates and risk limits approved in accordance with the currently applicable Risk Management Policy for Polenergia Obrót SA, incurring financial debt (including guarantees and sureties) or concluding sale and leaseback transactions or other financial transactions with a single or total value in excess of EUR 30,000,000 in the current financial year, and the creation of Charges on assets, including shares and other participation rights in connection with such financial transactions;
 - (iii) except for transactions related to Qualified Rejected New Businesses, entering or incurring other Charges on or incurring other liabilities relating to assets, including shares and other participation rights, in connection with transactions other than those listed in Article 5.5.1 (b) of the Statutes, with a single value or the total value in the current financial year exceeding EUR 15,000,000;
 - (iv) except for transactions related to Qualified Rejected New Businesses, the acquisition of assets or disposal of assets, including the acquisition or disposal of shares or other participation rights, with a single capital value in excess of EUR 30,000,000 or where the total capital value of all such transactions (irrespective of their individual value) in the current financial year would exceed EUR 60,000,000, and the Regulations submitted to the Supervisory Board for approval pursuant to Article 5.6.3 (d) of the Statutes;
 - (v) performance, termination or amendment of a Material Agreement;
 - (vi) except for transactions related to Qualified Rejected New Businesses, conclusion, termination or amendment of other contracts resulting in expenses exceeding EUR 15,000,000 calculated as: (i) for fixed-term contracts - an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
 - (vii) initiation, redemption or conclusion of a settlement in court proceedings for an amount exceeding EUR 15,000,000;
 - (viii) any transactions with a shareholder or a Related Entity of the shareholder;
 - (ix) approval of the remuneration of members of the Management Board and the changes thereto, including bonuses, employee share programs or other agreements of a similar nature;
 - (x) approval of the Group's hedging strategy and any changes thereto;
 - (xi) decision to grant financing by shareholders in a manner other than at the Company level;
 - (xii) changes in the Profit Sharing Policy;

- (xiii) consent to the payment of advances on account of the expected dividend in a manner other than in accordance with the Profit Sharing Policy;
 - (xiv) appointing, suspending and revoking members of the Management Board;
 - (xv) approving new or changing existing rules of procedure of the Management Board or specific regulations regarding participation in meetings of the Management Board using electronic means of communication;
 - (xvi) approving new or changing existing rules of procedure of the Supervisory Board or detailed regulations regarding participation in meetings of the Supervisory Board using electronic means of communication;
 - (xvii) approving the accounting principles, policies and practices and any changes thereto, except for changes in the accounting principles, policies and practices that are reasonably requested by the Company's statutory auditor to ensure compliance with applicable law or which do not impact the level of profit or provisions available for distribution to shareholders;
 - (xviii) the execution by the Group Company of call options with respect to the block of shares/stock and other participation rights held by the Co-investor of the Significant Subsidiary in the Significant JV;
 - (xix) the execution by the Company of voting rights in a Significant Subsidiary, at a General Meeting, Shareholders' Meeting or other appropriate body or forum, in the matters listed in Articles 5.3.1 of the Statutes or in items from (a) to (r) of Article 5.5.1. of the Statute;
 - (xx) approval of an Alternate Plan for a Significant JV that may be presented by the Management Board;
 - (xxi) making a payment, reduction in capital, redemption of shares or acquisition of own shares, which is prohibited under Art. 30 of the AIFM Directive, to the extent applicable to any of the shareholders in relation to the Company;
 - (xxii) expressing consent to the exclusion of the shareholder's pre-emptive right with regard to the New Shares issued as part of the Target Capital; and
 - (xxiii) appointment of an Appraiser.
- (b) The matters listed in Articles 5.5.1 (b) to 5.5.1 (v) of the Statutes do not require additional approval by the Supervisory Board, provided that they are expressly provided for in the Annual Budget applicable at a given time for a given year or the relevant Ad Hoc Budget approved by the Supervisory Board. Supervisory Board pursuant to Article 5.5.1. (a) of the Statutes.
- (c) The following matters fall within the competence of the Supervisory Board and constitute "Limited Matters Reserved for the SB":
- (i) incurring financial debt or concluding sale and leaseback transactions or other financial transactions with a single or total value exceeding EUR 75,000,000 in the current financial year, and establishing Charges on assets, including shares and other participation rights in connection with such financial transactions ;
 - (ii) incurring other liabilities (including guarantees and sureties) or establishing Charges on assets, including shares / stocks and other participation rights, in connection with transactions other than those listed in Article 5.6.1 (a) of the Statutes, with a single value or total value in the current financial year exceeding EUR 75,000,000;

- (iii) incurring financial debt or entering into transactions that would involve financial or other obligations of the Company limiting the distribution of profits by the Company to shareholders in accordance with the Profit Distribution Policy, including by reducing the amount that would otherwise constitute the Minimum Payout;
 - (iv) subject to the provisions of Article 5.6.3. of the Statutes, the acquisition of assets or the Disposal of Assets, including the acquisition or Disposal of shares / stocks or other participation rights with a single capital value in excess of EUR 100,000,000;
 - (v) any transactions with a shareholder or a Related Entity of the shareholder;
 - (vi) decision to grant financing by shareholders in a manner other than at the Company level;
 - (vii) approving the accounting principles, policies and practices and any changes thereto, except for changes in the accounting principles, policies and practices that are reasonably requested by the Company's statutory auditor to ensure compliance with applicable law or which do not impact the level of profit or provisions available for distribution to shareholders;
 - (viii) changes in the Profit Sharing Policy;
 - (ix) approving new or changing the existing rules of procedure of the General Meeting or specific rules of procedure regarding participation in the sessions of the General Meeting with the use of electronic means of communication;
 - (x) executing by the Company of voting rights in a Significant Subsidiary, at a General Meeting, Shareholders' Meeting or other appropriate body or forum, in the matters listed in Articles 5.6.1 (a) to 5.6.1 (g) of the Statutes.
- (d) The matters listed in Article 5.6.1. of the Statutes do not require additional approval by the Supervisory Board, as long as they are expressly provided for in the Annual Budget applicable at a given time for a given year or the relevant Ad Hoc Budget, approved by the Supervisory Board in accordance with Article 5.5.1 (a) of the Statutes with a vote "for" cast by at least one member of the Supervisory Board appointed by each Eligible Shareholder holding at least 10% of the Shares.
- (e) If the Supervisory Board, acting in accordance with Article 5.6.1 (d) of the Statutes fails to approve the proposed sale of an asset (including Group Company stocks / shares) to a bona fide third party buyer solely on account of a member of the Supervisory Board appointed by the Eligible Shareholder holding less than 20% of the Company's Shares voting against such a resolution, then the Management Board, at the request of the Supervisory Board members who voted for the approval of the above-mentioned sale of the asset, may (at its own discretion) authorize the Entity Issuing the Fairness Opinion to conduct assessment of the proposed transaction, including its financial and other material terms and conditions, and presentation of a fairness opinion to the Company and the Supervisory Board. In such case:
- (i) The issuer of the Fairness Opinion should act with the utmost care and professionalism, in order to conduct an appropriate analysis of the given asset and the proposed terms of the sale transaction to issue an opinion as to whether the proposed terms of the sale transaction are financially fair for the Company (or, respectively, the Group Company being the beneficial seller) ("Fairness Opinion");
 - (ii) The Issuer of the Fairness Opinion will present the Fairness Opinion draft to the Company and the Supervisory Board along with any underlying and supporting valuations, reports and analyzes; both the Company and members of the

- Supervisory Board may, within two weeks of receiving the above, submit their comments and questions to the draft;
- (iii) The issuer of the Fairness Opinion will address the Fairness Opinion to the Company and the Supervisory Board;
 - (iv) if, after completion of the above-mentioned procedure, the Fairness Opinion confirms that the proposed terms of the sale transaction are financially fair for the Company (or the Group Company being the actual seller, respectively), the matter will be re-presented to the Supervisory Board for approval, but this time as a Case Reserved for the SB and not a Restricted Case Reserved for SB.
- (f) In addition to the powers of the Supervisory Board provided for by applicable law, as well as in Articles 5.5.1, 5.6.1 and in other provisions of the Statutes, the following matters require the prior consent of the Supervisory Board expressed by a simple majority of votes:
- (i) any donation or other gratuitous benefits of EUR 50,000 or more as part of a single transaction or series of related transactions in a given financial year;
 - (ii) conclusion, termination or amendment of sponsorship, marketing or other agreements resulting in expenses of at least EUR 100,000 as part of a single transaction or a series of related transactions in a given financial year, calculated as: (i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
 - (iii) conclusion, termination or amendment of agreements for consultancy, consulting services or similar agreements resulting in expenditure with a total value in the current financial year of at least EUR 200,000, calculated as: (i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts, an annual estimate;
 - (iv) with the exception of transactions related to Qualified Rejected New Businesses, incurring financial debt or concluding sale and leaseback transactions or other financial transactions with a one-off or total value in excess of EUR 5,000,000 in the current financial year, and establishing Charges on assets, including shares / stocks and other rights to participate in connection with such financial transaction;
 - (v) except for transactions related to Qualified Rejected New Businesses, entering into other obligations (including guarantees and sureties) or establishing Charges on assets, including shares/stock and other participation rights, in connection with transactions other than those listed in Article 5.7.1 (d) of the Statutes, with a single value or total value in the current financial year exceeding EUR 3,000,000;
 - (vi) the acquisition of assets or the Disposal of Assets, including the acquisition or Disposal of shares / stocks or other participation rights with a capital value in excess of EUR 1,000,000;
 - (vii) except for transactions related to Qualified Rejected New Businesses, conclusion, termination or modification of other contracts resulting in expenses exceeding EUR 1,000,000 calculated as: (i) for fixed-term contracts - an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
 - (viii) commencing, redeeming or concluding a settlement in court or out-of-court proceedings for an amount exceeding EUR 500,000;

- (ix) the execution by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders' meeting or other appropriate body or forum in the matters listed in Articles 5.7.1 (a) to 5.7.1 (h) of the Statutes and
- (x) the execution by the Company or its representatives of other corporate rights in a Significant JV with respect to matters reserved for a Group Company or its representatives in relevant corporate documents, shareholder / shareholder agreements or similar agreements relating to such a Significant JV, which would not otherwise constitute Cases Reserved for SB.
- (g) The matters listed in Article 5.7.1. of the Statutes do not require additional approval by the Supervisory Board, as long as they are expressly provided for in the Annual Budget applicable at the time for a given year or the relevant Ad Hoc Budget, approved by the Supervisory Board in accordance with Article 5.5.1 (a) of the Statutes.

Management Board

The Company's Management Board consists of one or more members, generally appointed for a joint three-year term (subject to Articles 5.11.2.(a) and 5.11.2.(b) of the Company's Statutes), including the President of the Management Board and the Vice-President of the Management Board.

Subject to Article 5.11. of the Company's Statutes (impasse regarding the appointment of a member of the Management Board), members of the Management Board of the Company are appointed by the Supervisory Board, which also determines the number of the Management Board members appointed for a given term of office.

In 2022 the Management Board of the Company was composed of:

No	Name and surname	Position
1	Michał Michalski	President of the Management Board
2	Tomasz Kietliński	Vice-President of the Management Board
3	Iwona Sierżęga	Member of the Management Board
4	Piotr Maciolek	Member of the Management Board
5	Jarosław Bogacz	Member of the Management Board ¹

¹ Revoked from the Management Board as of 8 February 2023, at 10.00 hours – current report no 4/2023 of 8 February 2023.

In 2022 the composition of the Issuer's Management Board did not change.

The Management Board operates pursuant to (i) the Commercial Companies Code, (ii) other generally applicable laws, (iii) the Statutes and (iv) the Rules of Procedure for the Management Board.

The Management Board conducts the Company's day-to-day operations, including making decisions and incurring liabilities under the Ordinary Business Procedure (within the meaning of Article 9.1.29. of the Company Statutes). Matters going beyond the Ordinary Business Procedure require approval by a resolution of the Management Board.

The Management Board manages the Company's business and represents it before third parties.

- l) Description of the diversity policy applied to the administrative, management and supervisory bodies of the Issuer with regard to, in particular, age, gender or education and professional experience, the objectives of such diversity policy, the method of implementation thereof and effects in a given reporting period, and in the event the Issuer does not apply such a policy - an

explanation of such a decision

The Company does not apply a diversity policy to management and supervisory bodies. The main criteria used to select members of the Company's bodies include knowledge, experience, personality traits and education.

- m) Indication of significant proceedings pending before a court, an authority competent for arbitration proceedings or a public administration authority, concerning the liabilities and receivables of the Issuer or its subsidiary, indicating the subject of the proceedings, the value of the dispute, the date of instituting the proceedings, the parties to the instituted proceedings and the Issuer's position

The pending proceedings are described in item 8 "Indication of proceedings pending before a court, a body competent for arbitration proceedings or a public administration body" and in item 6 "Counterparty Risk".

- n) In the case of an Issuer which meets the criteria set out in Art. 49b sec. 1 of the Accounting Act - a statement on non-financial information, which is a separate part of this report, prepared in accordance with Art. 49b sec. 2-8 of the Accounting Act.

The Polenergia Group, in accordance with the criteria set in the Accounting Act of 29 September 1994, did not satisfy the conditions for imposing the obligation of non-financial reporting on the company in 2022. However, in order to meet the expectations of stakeholders and due to good internal practices of transparent information on the Group's sustainable development, such report has been drawn up. The report fulfills the requirements for enterprises in Art. 49b sec. 2 of the Accounting Act and was prepared on the basis of the GRI Reporting Standard, as well as good practices for managing and informing about the management of climate-related issues by the Task-force on Climate-related Disclosure (TCFD).

8. Proceedings pending before common courts of law, arbitration courts or public administration authorities, including information concerning:

- a. proceedings relating to liabilities or receivables of the Issuer or its subsidiary with a value equal to at least 10% of the Issuer's equity, specifying the subject matter of the proceedings and the Issuer's position.

There were no proceedings relating to liabilities or receivables of the Issuer or its subsidiary with a value equal to at least 10% of the Issuer's equity.

- b. two or more proceedings regarding liabilities and receivables, the total value of which is respectively at least 10% of the Issuer's equity, specifying the total value of proceedings separately in the group of liabilities and receivables, together with the Issuer's position in this case and, regarding the largest proceedings in the group of liabilities and the group of receivables – indicating their subject, the value of the subject of the dispute, the date of initiation of the proceedings and parties to the proceedings

There were no proceedings relating to liabilities or receivables with a total value equal to at least 10% of the Issuer's equity.

- c. other proceedings

The court dispute continued between Amon Sp. z o.o. and Talia Sp. z o.o. and Tauron Polska Energia S.A. and Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. as the Tauron subsidiary. Detailed information has been provided in sec. 6 "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A."

Information on the case instituted by Eolos Polska Sp. z o.o. against the subsidiaries Certyfikaty Sp. z o.o. and Polenergia Obrót S.A. and Polenergia Usługi Sp. z o.o. has been provided in sec. 6 "Risk related to the dispute with Eolos Polska Sp. z o.o."

Information on the dispute between Polenergia Obrót S.A. and Jeronimo Martins Polska S.A. are presented in item 6 "Risk related to the dispute with Jeronimo Martins Polska S.A."

Other disputes with counterparties have been covered in sec. 6 "Counterparty risk".

9. **Key products, merchandise and services, their values and volumes, and the respective shares of individual products, merchandise and services (if material) or their groups in the Issuer's total revenue, as well as the changes of the above in the financial year**

NET REVENUES FROM SALE OF PRODUCTS		
(BUSINESS STRUCTURE - TYPES OF ACTIVITY) (mPLN)	2022	2022
- revenues from consulting and advisory projects	32,635	91.7%
- revenues from rental	1,927	5.4%
- other	1,022	2.9%
Revenues. total	35,584	100.0%

10. **Information on the Issuer's markets, broken down into domestic and foreign markets, on the issuer's supply sources for production materials, goods and services, including information on dependence, if any, on any single customer or supplier, or a group of customers or suppliers, and where the share of a single customer or supplier in total revenue equals or exceeds 10 % of total revenue – the name of such supplier or customer, its share in total sales or purchases, and its formal links with the Issuer**

The Company generates revenues from sales of goods and services both on domestic and foreign markets, while in 2022 revenues generated in Poland represent 100%

GEOGRAPHICAL SPLIT OF REVENUES

	For the 12 months' period ended		Change
	31.12.2022	31.12.2021	y/y
- domestic market	35 584	25 243	10 341
- foreign markets	-	21	(21)
Total revenues from agreements with customers	35 584	25 264	10 320

11. **Agreements significant for the Issuer's business, including agreements between shareholders (partners), insurance contracts, collaboration or cooperation agreements, of which the Issuer is aware**

Information on agreements significant for the Issuer's business, including agreements between shareholders (partners) of which the Issuer is aware

1) On 3 January 2022, the ownership of all shares in the company under the business name of Polenergia Fotowoltaika S.A. (then under the name: Edison Energia S.A.) with the registered office in Warsaw was transferred from the then shareholders to the Issuer.

The transfer of the above-mentioned 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 of 100% of the Company's shares to the Issuer by the current shareholders.

The Issuer informed about the above transaction in the current report of 3 January 2022 (1/2022).

2) On 4 February 2022, the Issuer's subsidiaries - Polenergia Farma Wiatrowa Piekło sp. z o.o. and Polenergia Farma Wiatrowa 16 sp. z o.o., developing the Piekło wind farm project ("Piekło Wind Farm"), concluded a contract with ONDE S.A. with the registered office in Toruń (the "Contractor") for 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.

The BoP concerns the performance by the Contractor for the Piekło Wind Farm of comprehensive construction works in the scope of building foundations for wind turbines, adapting access roads for oversized transport, modernizing existing roads, building service roads and assembly platforms, and performing assembly and power works and necessary construction works for container transformer stations along with MV cable and fiber optic networks, for the performance of the Piekło Wind Farm.

The Issuer informed about the conclusion of the above significant agreement in the current report of 4 February 2022 (4/2022).

3) On 18 February 2022 Polenergia Farma Wiatrowa Grabowo sp. z o.o., the Issuer's subsidiary developing the Grabowo wind farm project ("Grabowo Wind Farm") concluded the contract with ELECTRUM sp. z o.o. with the registered office in Białystok (the "Contractor") for the construction of the Grabowo Wind Farm with a total maximum installed capacity of 44 MW ("BoP"). The contract is to be performed by 31 December 2023.

The BoP concerns the performance by the Contractor for the Grabowo Wind Farm of comprehensive construction works in the scope of foundations for wind turbines, adaptation of access roads for oversized transport, modernization of existing roads, construction of service roads, assembly platforms as well as assembly and power works and necessary construction works for the 20/110 kV subscriber station with MV, HV and fiber optic cable networks for the performance of the Grabowo Wind Farm.

The Issuer informed about the conclusion of the above significant agreement in the current report of 18 February 2022 (5/2022).

4) On 22 February 2022, MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. project companies (jointly "Project Companies"), in which the Issuer holds 50% of shares, developing projects for the construction of two offshore wind farms, i.e. MFW Bałtyk II and MFW Bałtyk III, as part of a joint venture of the Issuer and Equinor Wind Power AS, signed agreements with Siemens Gamesa Renewable Energy Poland sp. z o.o. and Siemens Gamesa Renewable Energy A/S (Denmark) (jointly the "Supplier") (separate for each Project Company) regarding the preferred supplier of wind turbines for MFW Bałtyk II and MFW Bałtyk III (jointly: "Agreements").

The subject of the agreements is to grant the exclusivity to the Supplier by the Project Companies, during the term of the Agreements, for the delivery of wind turbines for the MFW Bałtyk II and MFW Bałtyk III projects, while the Supplier shall ensure supplies of wind turbines in accordance with the assumed project schedules for the supply, installation and commissioning of these turbines.

The Issuer informed about the conclusion of the above agreements in the current report of 22 February 2022 (6/2022).

5) On 21 March 2022 the Issuer concluded an investment agreement governed by Lithuanian law ("Investment Agreement") with the Modus Energy AB, Lithuanian company (operating under the Green Genius brand) ("Green Genius"), which is to act as a local partner in connection with the planned development of wind farm projects in the Baltic Sea in the region of the Lithuanian territorial sea or the exclusive economic zone of the Republic of Lithuania ("JV", "Project"). The condition for the implementation of the Investment Agreement is to obtain the consent of the competent competition authority, and the conclusion of a shareholders' agreement (in the agreed form) between the JV partners (the "Shareholders' Agreement").

The Investment Agreement provides for the creation of a special purpose vehicle under Lithuanian law, jointly controlled by the Issuer and Green Genius ("SPV"), which will implement the Project. The JV purpose is to formalize the Issuer's cooperation with Green Genius as a local partner, to further analyze the development of Lithuanian regulations aimed at adopting a legal framework for developing an building of offshore wind farms and taking further actions following the schedule agreed by the parties and based on the agreed investment criteria, also for the purpose of the Project development.

The Issuer informed about the conclusion of the above agreement in the current report of 21 March 2022 (11/2022).

6) On 23 December 2022 Polenergia Obrót 2 sp. z o.o., the Issuer's subsidiary developing the Strzelino photovoltaic farm project with a total installed capacity of 45.2 MWp ("Project" or "Strzelino Photovoltaic Farm") concluded an agreement for the construction of the Strzelino Photovoltaic Farm (the "EPC Contract") with P&Q sp. z o.o. with the registered office in Białystok (the "Contractor"). On 9 December 2021 the project won the regular RES auction No. AZ/12/2021 conducted by the President of the Energy Regulatory Office, as notified by the Issuer in current report no 49/2021. The EPC Agreement is to be performed by 31 December 2023.

The EPC Agreement concerns the performance by the Contractor for the Strzelino Photovoltaic Farm of comprehensive assembly and electrical works, including: delivery and assembly of supporting structures for photovoltaic modules, assembly of photovoltaic modules and inverters, delivery and assembly of LV/MV power stations, delivery and assembly of LV, MV cables, construction of a 20/110 kV subscriber station along with the delivery of equipment, delivery and assembly of a HV cable line with a fiber optic network. The EPC agreement does not include the supply of photovoltaic modules and inverters.

The Issuer informed about the conclusion of the above agreement in the current report of 23 December 2022 (40/2022).

7) On 30 December 2022, MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (each individually "Project Company" or jointly "Project Companies"), in which the Issuer holds 50% of shares, and which, as part of a joint venture of the Issuer and Equinor Wind Power AS, develop projects for the construction of offshore wind farms with a planned electric capacity of 720 MW each ("MFW"), concluded the agreements, each Project Company separately, with ("Contractor"), for: (i) execution of design works for the MFW electrical system; (ii) delivery of an onshore power station in the EPC formula; (iii) delivery of a complete control system, telecommunications network, all high-voltage equipment at the offshore and onshore power substation; (iv) system analysis; (v) integration of all third-party devices; (v) connection works (each individually "Agreement" or jointly "Agreements").

The entry into force of the Agreements depends on the fulfillment of a number of conditions, i.e. (i) the Contractor's providing a security for the proper performance of the Agreements; (ii) holding by the Project Company of the necessary permits to commence construction works; (iii) the Project

Company making the final investment decision ("FID"); (iv) the provision of the required insurance policies by the parties; (v) issuing a notice to proceed by the Project Company ("NTP"); (vi) receipt by the Contractor of confirmation issued by banks that the Project Company has obtained financing or providing security for payment in the form of a corporate guarantee. The Project Companies may waive the requirement to meet the conditions set out in items (i) - (iv).

Pursuant to the Agreements, upon the execution thereof, the Project Companies will issue an interim notice to proceed ("INTP"), covering part of the contractual scope. INTP will apply to those works covered by the Agreements, the performance of which before the FID is necessary for the implementation of projects as assumed in the time schedule. The provisions of the Agreements will apply to the performance of the works.

In connection with the commencement of works prior to the fulfillment of the terms of the Agreements, the Issuer will be obliged to provide a security for payment in the form of a parent company guarantee ("PCG"). PCG issued by the Issuer will cover 50% of the Project Companies' liabilities to the Contractor. The maximum expected amount of the Issuer's liabilities under PCG securing works performed on the basis of INTP will total approx. EUR 18.1m for both Project Companies. The maximum expected amount of the Issuer's liabilities under PCG securing works performed on the basis of the NTP but prior to the financial close will total approx. EUR 35.3m for both Project Companies.

The Issuer informed about the conclusion of the above agreements in the current report of 30 December 2022 (43/2022).

The Issuer is not aware of any other agreements significant for its operations (including agreements between the Issuer's shareholders) concluded in 2022 (as well as after the balance sheet date), and in particular the Issuer is not a party to such potential agreements. To the extent required by law, in the past the Issuer made public the information on agreements between some shareholders which were known to the Issuer.

Information on concluded cooperation or collaboration agreements

On 23 September 2022, the Issuer, as the leader of the consortium, and Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o.

("ENS"), its subsidiary, as a consortium member, concluded a co-financing agreement ("Co-financing Agreement") with the National Center for Research and Development for the project under the name H2 HUB Nowa Sarzyna: Storage of Green Hydrogen as part of the competition New Energy Technologies I ("Project").

The aim of the Project is to develop an integrated water electrolysis process system for hydrogen production, using electricity generated in renewable energy sources, along with hydrogen storage and a hydrogen conversion system into synthetic aviation fuel which is CO₂-neutral, and thus an ecological energy carrier.

The consortium, apart from the Issuer and ENS, is composed of the Wrocław University of Technology. The project is of a research and development nature and is divided into three phases. Pursuant to the Co-financing Agreement the total amount of potential co-financing of the Project in the form of subsidies is PLN 95,099,886.51, with the proviso that as at the date of this report, the amount of co-financing possible to obtain in the first phase is PLN 99,886.51, corresponding to 50% of the expected financial outlays for this phase of the Project ending in 3Q 2023. The beneficiary's eligibility (in particular, the Issuer's and ENS's) to obtain further funding under the Co-financing Agreement (implementation of phase II and phase III of the Project) depends on obtaining a positive result in as part of the selection after verification of the previous phase of the Project and approval of payment applications. Notwithstanding the foregoing, the Issuer stipulates that after the completion of the first phase of the Project, the Issuer will evaluate

the Project and decide on its further implementation and method of financing, which may require obtaining appropriate corporate approvals.

The Issuer informed about the conclusion of the above agreement in the current report of 23 September 2022 (30/2022).

12. Issuer's organizational or equity links with other entities and main domestic and foreign investments (securities, financial instruments, intangible assets and property), including equity investments outside the Group of related entities, a description of the methods of financing thereof, and of the structure of main equity deposits or major investments within the Issuer's group in the financial year

The Group's equity structure is presented in the financial statements.

Information on the Issuer's investments, together with a description of the methods of their financing in 2022, are presented in item 2 of the Director's Report on the Operations of the Polenergia Capital Group.

13. Significant transactions concluded by the Issuer or the Issuer's subsidiaries with related parties on non-arms' length terms, including the amounts and other details of such transactions - the obligation is considered as fulfilled by indicating the place of inserting the relevant information in the financial statements

For information on the Company's related-party transactions, see Note 46 to the Consolidated financial statements.

14. Loan and credit agreements concluded and terminated in the financial year, including at least the amounts, types, interest rates, currencies and maturity dates of the loans

For contracted credits and loans see Note 30 to the Consolidated financial statements.

15. Loans granted in the financial year, in particular loans granted to the Issuer's related entities, including at least the amounts, types, interest rates, currencies and maturity dates of the loans

Loans granted are presented in Note 36.1 to the Standalone financial statements.

16. Sureties and guarantees issued and obtained in the financial year, including without limitation sureties and guarantees issued for the benefit of the Issuer's related entities

For information on loan or credit sureties or guarantees issued by the Issuer or the Issuer's subsidiary to a single entity or to a subsidiary, see Note 26.1 to the Standalone financial statements and Note 33 to the Consolidated financial statements.

Information on the sureties and guarantees received is presented in item 23 of the Consolidated Directors' Report on the Operations of the Polenergia Capital Group.

17. For issues of securities in the period covered by the report - description of the Issuer's proceeds use until the date of preparation of the report on operations

In 2022 the Company carried out a public offering of 21,358,699 newly issued AA series ordinary bearer shares with a nominal value of PLN 2.00 each (2022 Issue).

In 2022 the Company used a total of approximately 55% (approximately PLN 550m) of the proceeds from the 2022 Issue. The Company plans to use the remaining proceeds from the 2022 Issue by the end of 2023.

The table below presents the method of using the funds from the 2022 Issue, broken down into funds used in 2022 and funds that the Company plans to use by the end of 2023.

Method of using the funds from the 2022 Issue	Funds disbursed in 2022	Funds planned to be disbursed in 2023
Further development of MFW Bałtyk I, MFW Bałtyk II and MFW Bałtyk III offshore wind farms.	approx. PLN 111 m	up to approx. PLN 350 m
Further development and construction of onshore wind farm projects (Company's capital group covers planned expenses on the side of equity, which will be used in full to cover development costs) - the construction of FW Grabowo and FW Piekło wind projects with a total capacity of 57.2 MW will continue.	approx. PLN 176m	up to approx. PLN 3 m
Further development and construction of photovoltaic farm projects (covering by the Company of the planned expenses on the side of equity, to be used in full to cover development costs and own contribution in the construction of the investment).	approx. PLN 8m	up to approx. PLN 90m
Development activities in the area of electromobility, including securing locations for the construction of publicly available charging stations and developing the product offer addressed to the end customer.	approx. PLN 5m	up to approx. PLN 10m
Development activities in the area of hydrogen projects development.	-	up to approx. PLN 3m
Repayment of the loan granted to the Company by Deutsche Bank Polska S.A. on the basis of a short-term loan agreement concluded on 1 December 2021, in order for the Company to obtain funds for: (i) further development of MFW Bałtyk I, MFW Bałtyk II and MFW Bałtyk III; (ii) participation in the financing of onshore wind farms (WF Szymankowo, FW Dębsk and FW Kostomłoty) by repaying loans granted by Mansa Investments sp. z o.o.; (iii) further development and construction of onshore wind farm projects (FW Grabowo and FW Piekło); and (iv) further development and construction of photovoltaic farm projects (Sulechów III).	approx. PLN 250m	-
Total	approx. PLN 550m	approx. PLN 454m

18. Description of differences between the financial results presented in the full-year report and the financial forecasts for the year, published earlier (mPLN)

In 2022 the Company did not publish performance forecasts on a standalone basis.

19. Assessment (and grounds for the assessment) of financial resources management, including in particular an assessment of the ability to repay liabilities as well as an identification of threats, if any, and measures used or intended to be used by the Issuer to mitigate such threats

The most important part of the Issuer's and the Group's financial liabilities are bank borrowings, described in more detail in the financial statements. As at 31 December 2022 all liabilities of the Issuer and the Issuer's Capital Group were settled in a timely manner.

On the other hand, the observed increased volatility of electricity and natural gas prices and the regulation of maximum energy sales prices for producers and sellers in 2023 may result in a

decrease in the economic parameters of the Group companies, and even failure to meet the financial ratios specified in the loan agreements.

The Group is monitoring the situation on a regular basis, keeping in touch with the financing institutions. If the prices of electricity and green certificates decrease, in a longer run there may be temporary problems with the performance of the obligations resulting from certain credit facility agreements, which in the case of some projects may trigger payment under guarantees issued by Polenergia S.A. For details on the guarantees, see Note 26.1 to the Standalone financial statements.

20. Evaluation of feasibility of investment plans, including equity investments, in the context of available funds, taking into consideration possible changes in the investment financing structure

As at the publication hereof, the Company plans to spend an estimated total amount of approx. PLN 426 m on equity investments in 2023. Such amounts will be mainly earmarked for the development in onshore and offshore wind energy projects.

Polenergia S.A. seeks to finance projects under a project finance model which assumes partial reliance on externally sourced funds. The funds for financing its own contribution are obtained by the Company from shareholders. In connection with the issue carried out at the beginning of 2022, the Company obtained PLN 1 003.9 m, which will be spent as described in item 17 above. In addition, on 22 February 2023, the Company's Management Board adopted a resolution on initiating the process of increasing the Company's share capital by issuing new Company shares, under which the Company plans to raise proceeds in the amount of PLN 500 m to 750 m. The purpose of the next issue is to raise funds to finance investment projects and development plans of the Company, including in the field of wind farms (offshore and onshore) and photovoltaic farms, as well as projects in the field of hydrogen technologies, energy storage and electromobility; the implementation of such plans is in line with the assumptions of the Polenergia Group Strategy for 2020-2024 published by the Company in May 2020. The final purpose of the issue will be specified and described in the Company's prospectus to be prepared in connection with the issue.

21. Assessment of factors and non-recurring events with a bearing on results for the financial year, along with the extent to which such factors or non-recurring events affected the results, and an overview of events which had a material effect on the Issuer group's operations and results in the financial year, or which may have a material effect on its operations and results in future years

Events having a material effect on the Issuer's business and financial performance are presented in items 1 and 4 hereof. All of them are typical for the Issuer's business.

22. Overview of external and internal factors significant to the development of the Issuer's business and description of the development prospects until at least the end of the financial year following the financial year for which the financial statements included in the full-year report have been prepared, taking into consideration the Issuer's market strategy, and an overview of the development policy of the Issuer's group

External and internal factors affecting the Group's growth

The Issuer's development prospects in the context of changes in its business environment and the new Acts are presented in the section concerning risk factors and on the Issuer's website at:

<https://www.polenergia.pl/serwis-relacji-inwestorskich/>

Description of the Group's business growth prospects

The Group keeps exploring potential directions for further growth, taking into account the changing legal, regulatory and market environments.

Currently, the Group is focused on:

- further optimizing its operating costs and improving asset efficiency,
- developing new projects and maintaining the existing projects, both in offshore and onshore wind farms and photovoltaic area,
- developing projects from onshore wind farm portfolio which won auctions in 2020 and 2021 and preparing further projects to participate in subsequent RES auctions,
- implementing new projects from photovoltaic farm portfolio which won the auctions in 2021 and in 2022, and preparing further projects to participate in subsequent RES auctions,
- further developing business in trading segment,
- implementing an investment project in the distribution area (which targets an increase of the Regulatory Assets Base and a growth in the number of customers connected to the company's network on a permanent basis),
- developing the sales of solutions in the field of distributed energy and electromobility,
- intensifying efforts to sell energy to customers not connected to the company's network,
- developing gas and clean fuels segment based on the production and storage of green hydrogen produced in the process of electrolysis from own renewable energy.

More information on the Issuer's Group business development policy is available on the website at: <https://www.polenergia.pl/serwis-relacji-inwestorskich/>

23. Changes in basic management policies of the Issuer and its group

In the financial year 2022, there were no changes to the basic management rules of the Issuer or its Group.

24. All agreements concluded between the Issuer and its management staff, providing for compensation in the event of resignation or removal from office without a good reason, or when resignation or removal from office is caused by acquisition of the Issuer by another company

Mr. Michał Michalski is party to an employment contract concluded with the Company. The contract is entered into for an indefinite term. It may be terminated upon twelve months' notice. Furthermore, upon the termination of the employment relationship, Mr. Michał Michalski is party to a non-competition agreement that obliges the Company to pay him an amount equal to 100% of his remuneration for 12 months as compensation for refraining from running competitive activity.

Ms. Iwona Sierżęga is party to an employment contract concluded with the Company. The contract is entered into for an indefinite term. It may be terminated upon 6 months' notice. Furthermore, upon the termination of the employment relationship, Ms. Iwona Sierżęga is party to a non-competition agreement that obliges the Company to pay her an amount equal to 100% of her remuneration for 6 months as compensation for refraining from running competitive activity.

Mr. Tomasz Kietliński is party to an employment contract concluded with the Company. The contract is entered into for an indefinite term. It may be terminated upon 6 months' notice. Furthermore, upon the termination of the employment relationship, Mr. Tomasz Kietliński is party to non-competition agreement that obliges the Company to pay him an amount equal to 100% of his remuneration during 6 months as compensation for refraining from running competitive activity.

Mr. Piotr Maciołek is party to an employment contract concluded with the Company. The contract is entered into for an indefinite term. It may be terminated upon 6 months' notice. Furthermore, upon the termination of the employment relationship Piotr Maciołek is party to a non-competition

agreement that obliges the Company to pay him an amount equal to 100% of his remuneration during 6 months as compensation for refraining from running competitive activity.

In 2022 Mr. Jarosław Bogacz was a Member of the Management Board and remained party to the employment contract concluded for an indefinite period. The notice period of the employment contract was 6 months. Furthermore, after the termination of the employment relationship, Mr. Jarosław Bogacz was party to a non-competition agreement that obliges the Company to pay him an amount equal to 100% of his remuneration during 6 months as compensation for refraining from running competitive activity.

- 25. Information on all liabilities arising from pensions and similar benefits for former Management and Supervisory Boards or former members of administrative bodies and on liabilities incurred in connection with these pensions, with an indication of the total amount for each category of body; if the relevant information is presented in the financial statements - the obligation is considered fulfilled by indicating the place of their inclusion in the financial statements**

The Issuer does not have the above liabilities

- 26. Value of remuneration, bonuses or benefits, including those under incentive or bonus schemes based on the Issuer's equity, including schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or potentially payable, separately for each member of the Issuer's Management and Supervisory Boards, recognized as costs or resulting from distribution of profit; if the Issuer is the parent, shareholder in a jointly-controlled entity or significant investor - separate information on the value of remuneration and bonuses received for the performance of functions in the governing bodies of subsidiaries; if relevant information is presented in the financial statements - the obligation is deemed fulfilled by including a reference to the part of the financial statements in which such information is provided**

For information on the remuneration of members of the Management and Supervisory Boards, see Note 40 to the Standalone financial statements.

- 27. Total number and nominal value of all shares of the Issuer and shares in the Issuer's related entities, held by members of the Issuer's Management and Supervisory Boards (separately for each person)**

Ms. Dominika Kulczyk, through Kulczyk Holding S.à r.l., a Luxembourg law company, and Mansa Investments Sp. z o. o. ("Mansa"), holds 28,617,254 ordinary bearer shares of the Company with a total nominal value of PLN 57,234,508, representing approximately 42.84% of all the Issuer's shares. On 23 December 2022 agreement was concluded between Mansa and Santander Bank Polska S.A, regarding financial pledge on 1,200,000 shares of the Issuer, representing approximately 1.80% of all shares in the Company (current report No. 42/2022 of 28 December 2022).

- 28. Agreements known to the Issuer (including those concluded after the end of the reporting period) which may result in changes in the proportions of shares held by the current shareholders and bondholders**

The Issuer is not aware of any agreements concluded in 2022 (or those concluded after the balance sheet date), which may result in future changes in the proportions of shares held by the existing shareholders and bondholders, and in particular the Issuer is not a party to such potential agreements.

To the extent required by law, in the past the Issuer made public the information on agreements between some shareholders which were known to the Issuer.

29. Employee stock ownership plan control system

The Company currently does not have any employee stock ownership plan in place.

30. Additional information

a) concerning the date of entering into an agreement between the Issuer and an entity authorized to audit the financial statements on the audit or review of financial statements or consolidated financial statements, and the term of the agreement

Agreement of 30 June 2022 between Polenergia S.A. and Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with the registered address in Poznań, ul. abpa Antoniego Baraniaka 88 E for the performance of:

- review of the interim Standalone and Consolidated financial statements for the periods from 1 January 2022 until 30 June 2022 and from 1 January 2023 until 30 June 2023
- audit of the Standalone and Consolidated financial statements for the year ended 31 December 2022 and 31 December 2023.

Moreover, individual Group companies concluded agreements with Grant Thornton Polska Spółka z ograniczoną odpowiedzialnością Spółka komandytowa with the registered address in Poznań, ul. abpa Antoniego Baraniaka 88 E for the audit of their financial statements for the year ended 31 December 2022 and 31 December 2023.

b) The period and scope of services provided by the selected audit firm to the Group

In 2022 Group companies used services of the selected audit firm which comprised audits or reviews of their financial statements or Consolidated financial statements, as well as additional services, aimed at confirming the fulfillment of the conditions of the concluded loan agreements on the basis of analyses of financial information derived from audited financial statements.

c) The body that selected the audit firm

The audit firm is chosen by the Supervisory Board upon the recommendation from the Audit Committee.

d) Remuneration to the entity authorized to audit financial statements, paid or due for the financial year

The total amount of the remuneration under the above-mentioned agreements is presented in Note 42 to the Standalone Financial Statements.

31. Material off-balance-sheet items by entity, type and value

Off-balance sheet items by entity, type and value are presented in Note 26 to the Standalone financial statements.