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

Polenergia S.A. Group

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

INCLUDING THE REPORT OF THE INDEPENDENT AUDITOR

Jerzy Wacław Zań – President of the Management Board	*Andrzej Filip Wojciechowski - Vice President of the Management Board*
Iwona Maria Sierżęga – Member of the Management Board	*Piotr Łukasz Maciołek - Member of the Management Board*

Agnieszka Grzeszczak – Director Accounting Department

Warsaw, 26 March 2024

CONTENTS

(PLN k)

1. Consolidated balance sheet

As at 31 December 2023

ASSETS

	Note	31.12.2023	31.12.2022
I. Non-current assets		**4 410 530**	**3 946 486**
1. Tangible fixed assets	12	3 273 092	3 030 175
2. Intangible assets	13	9 835	11 785
3. Subordinated entities goodwill	14	157 338	157 338
4. Financial assets	17	115 791	324 965
5. Financial assets measured using the equity method	18	813 734	394 093
6. Long term receivables	19	1 992	1 987
7. Deferred income tax assets	27	36 385	25 755
8. Prepayments and accrued income		2 363	388
II. Current assets		**2 301 086**	**2 300 848**
1. Inventories	20	90 214	111 623
2. Trade receivables	21	279 765	360 804
3. Income tax receivable	21	5 511	9 338
4. Other short term receivables	21	292 415	100 214
5. Prepayments and accrued income	22	16 294	12 673
6. Short term financial assets	23	206 124	837 504
7. Cash and equivalent	25	1 410 763	868 692
Total assets		**6 711 616**	**6 247 334**

(PLN k)

EQUITY AND LIABILITIES

	Note	31.12.2023	31.12.2022
I. Shareholders' equity		**3 997 653**	**3 083 035**
Equity attributable to the shareholders of the parent company		**3 997 653**	**3 083 035**
1. Share capital	26	154 438	133 604
2. Share premium account		2 241 335	1 515 929
3. Reserve capital from option measurement		13 207	13 207
4. Other capital reserves		949 665	924 645
5. Retained profit (loss)		375 373	335 778
6. Net profit		263 587	159 918
7. F/X translation differences		48	(46)
II. Long term liabilities		**1 809 832**	**1 784 771**
1. Bank loans and borrowings	29	1 320 797	1 292 699
2. Deferred income tax provision	27	97 698	116 797
3. Provisions	28	117 537	23 398
4. Accruals and deferred income	31	40 343	40 512
5. Lease liabilities		177 143	160 765
6. Futures and forward contracts measurement		5 681	140 762
7. Other liabilities	30	50 633	9 838
III. Short term liabilities		**904 131**	**1 379 528**
1. Bank loans and borrowings	29	211 344	216 743
2. Trade payables	30	108 675	171 983
3. Income tax payable	30	8 001	9 600
4. Lease liabilities	30	27 611	22 871
5. Futures and forward contracts measurement	30	170 687	747 321
6. Other liabilities	30	302 042	64 744
7. Provisions	28	8 003	6 254
8. Accruals and deferred income	31	67 768	140 012
Total equity and liabilities		**6 711 616**	**6 247 334**

(PLN k)

2. Consolidated profit and loss account

For the period ended 31 December 2023

	Note	For 12 months ended 31.12.2023	For 12 months ended 31.12.2022
Revenues from contracts with clients	35	5 602 010	7 069 235
Other revenues	35	13 402	19 996
Sales revenues		**5 615 412**	**7 089 231**
Cost of goods sold	36	(4 938 570)	(6 611 146)
Gross sales profit		**676 842**	**478 085**
Other operating revenues	37	15 958	9 273
Selling expense	36	(95 118)	(115 915)
General overheads	36	(172 419)	(125 512)
Auction price settlement		(20 209)	-
Other operating expenses	38	(23 821)	(8 324)
including expected credit loss	38	(11 709)	(1 670)
Financial income	39	50 127	38 334
Financial costs	40	(101 056)	(75 672)
Profit before tax		**330 304**	**200 269**
Income tax	27	(66 717)	(40 351)
Net profit		**263 587**	**159 918**
Net profit attributed to:		**263 587**	**159 918**
Parent company shareholders		263 587	159 918
Non-controlling shareholders		-	-
– basic earnings (loss) for period attributable to parent company shareholders		3,85	2,62
– diluted earnings (loss) for period attributable to parent company shareholders		3,85	2,62

(PLN k)

Consolidated statement of other comprehensive income

	For 12 months ended	
	31.12.2023	**31.12.2022**
Net profit for period	**263 587**	**159 918**
Other comprehensive income that may be reclassified to profit and loss account once specific conditions are met		
Cash flow hedges	(95 303)	65 456
F/X translation differences	94	(94)
Other net comprehensive income	**(95 209)**	**65 362**
COMPREHENSIVE INCOME FOR PERIOD	**168 378**	**225 280**
Comprehensive income for period:	168 378	225 280
Parent company shareholders	168 378	225 280

(PLN k)

3. Consolidated statement of changes in equity

For the period ended 31 December 2023

	Share capital	Share premium account	Reserve capital from option measurement	Other capital reserves	Retained profit	Net profit	F/X translation differences	Equity attributable to the shareholders of the parent company	Total equity
As at January 2023	**133 604**	**1 515 929**	**13 207**	**924 645**	**495 696**	**-**	**(46)**	**3 083 035**	**3 083 035**
Comprehensive income for reporting period									
- Net profit (loss) for reporting period	-	-	-	-	-	263 587	-	263 587	263 587
- Other comprehensive income for period	-	-	-	(95 303)	-	-	94	(95 209)	(95 209)
Transactions with owners of the parent recognized directly in equity									
- Issue of shares	20 834	725 406	-	-	-	-	-	746 240	746 240
- Allocation of profit/loss	-	-	-	120 323	(120 323)	-	-	-	-
As at 31 December 2023	**154 438**	**2 241 335**	**13 207**	**949 665**	**375 373**	**263 587**	**48**	**3 997 653**	**3 997 653**

(PLN k)

For the period ended 31 December 2022

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

(PLN k)

4. Consolidated statement of cash flows

For the period ended 31 December 2023

	Note	For 12 months ended 31.12.2023	31.12.2022
A.Cash flow from operating activities			
I.Profit (loss) before tax		**330 304**	**200 269**
II.Total adjustments		**285 252**	**45 460**
1.Depreciation		162 078	116 417
2.Foreign exchange losses (gains)		106	196
3.Interest and profit shares (dividends)		79 466	37 238
4.Losses (gains) on investing activities		8 057	37 476
5. Income tax		(71 272)	(71 673)
6.Changes in provisions		1 905	1 669
7.Changes in inventory		21 380	(31 565)
8.Changes in receivables		637 052	717 905
9.Changes in liabilities, excluding bank loans and borrowings		(510 586)	(804 958)
10.Changes in accruals		(45 183)	45 936
11. Other adjustments		2 249	(3 181)
III.Net cash flows from operating activities (I+/-II)		**615 556**	**245 729**
B.Cash flows from investing activities			
I. Cash in		**488**	**2 514**
1. Disposal of intangibles and tangible fixed assets		488	48
2. Cash from disposal/liquidation/acquisition of subsidiary		-	2 466
II.Cash out		**748 380**	**781 469**
1. Acquisition of tangible fixed assets		320 821	659 795
2. For financial assets, including:		423 139	121 674
a) acquisition of financial assets		423 139	121 479
b) long term loans given		-	195
3.Other investment expenses		4 420	-
III.Net cash flows from investing activities (I-II)		**(747 892)**	**(778 955)**
C.Cash flows from financing activities			
I.Cash in		**972 335**	**1 521 863**
1. Cash in from the issue of shares		750 000	1 003 859
2.Loans and borrowings		222 335	518 004
II.Cash out		**297 937**	**507 312**
1.Repayment of loans and borrowings		199 914	444 698
2.Lease payables		20 087	10 926
3.Interest		77 341	51 329
4.Other financial expenses		595	359
III.Net cash flows from financing activities (I-II)		**674 398**	**1 014 551**
D.Total net cash flows (A.III+/-B.III+/-C.III)		**542 062**	**481 325**
E.Increase/decrease in cash in the balance sheet, including:		**542 071**	**481 326**
- change in cash due to f/x differences		9	1
F.Cash at beginning of period		**868 692**	**387 366**
G.Cash at end of period, including:		**1 410 763**	**868 692**
- restricted cash	41	100 348	139 486

(PLN k)

5. General Information

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

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

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

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

These consolidated financial statements were approved for publication by the parent company Management Board on 26 March 2024.

5.1. Periods covered by the consolidated financial statements

These consolidated financial statements cover the year ended on 31 December 2023 and comprise comparable financial data for the year ended on 31 December 2022.

5.2. Composition of the Management Board and the Supervisory Board

Composition of the parent company's Management Board as at 31 December 2023 was as follows:

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

Composition of the Company Management Board as at the day of issue of these financial statements:

Jerzy Wacław Zań	President of the Management Board
Andrzej Filip Wojciechowski	Vice-President of the Management Board
Iwona Maria Sierżęga	Member of the Management Board
Piotr Łukasz Maciołek	Member of the Management Board

(PLN k)

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

On 27 February 2024, the Company received information that:

- Dr. Michał Michalski, President of the Management Board, filed his resignation from his membership in the Management Board and his position of the President of the Management Board, effective as at 27 February 2024, 18:00 hours.
- Tomasz Kietliński, Vice President of the Management Board, filed his resignation from his membership in the Management Board and his position of the Vice President of the Management Board, effective as at 27 February 2024, 19:00 hours.

On 1 March 2024, the Company's Supervisory Board appointed the following persons members of the Company's Management Board:

- Mr. Jerzy Wacław Zań, entrusting him with the function of the President of the Company's Management Board (CEO) and Chief Financial Officer (CFO) and
- Mr. Andrzej Filip Wojciechowski, entrusting him with the function of Vice President of the Company's Management Board.

The President and Vice President of the Company's Management Board were appointed for the period until the end of the present joint three-year term of the Management Board, i.e., up to and including 31 December 2024.

Composition of the parent company's Supervisory Board as at 31 December 2023 was as follows:

Dominika Kulczyk	Chairwoman of the Supervisory Board
Thomas O'Brien	Deputy Chairman of the Supervisory Board
Szymon Adamczyk	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board
Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board
Emmanuelle Rouchel	Member of the Supervisory Board
Andrzej Filip Wojciechowski	Member of the Supervisory Board
Krzysztof Obłój	Member of the Supervisory Board

Composition of the parent company's Supervisory Board as at the date of issue of these financial statements was as follows:

Dominika Kulczyk	Chairwoman of the Supervisory Board
Thomas O'Brien	Deputy Chairman of the Supervisory Board
Szymon Adamczyk	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board
Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board
Emmanuelle Rouchel	Member of the Supervisory Board
Jacek Głowacki	Member of the Supervisory Board
Krzysztof Obłój	Member of the Supervisory Board

On 18 December 2023, the Company's Management Board received resignations of Mr. Hans Schweickardt and Mr. Jacek Santorski from their positions on the Supervisory Board

On 18 December 2023, the Management Board received a statement from the shareholder, Mansa Investments sp. z o.o. on the appointment of Mr. Andrzej Filip Wojciechowski and Prof. dr hab. Krzysztof Obłój Members of the Company's Supervisory Board,

On 29 February 2024, the Company received the resignation of Mr. Andrzej Filip Wojciechowski from his position as Member of the Supervisory Board The resignation was submitted effective as at 29 February 2024.

On 29 February 2024, the Company received a representation of the shareholder, Mansa Investments sp. z o.o. about the appointment, under the personal authority provided for in Article 5.4.2(a)(i) of the Company Statutes of Mr. Jacek Głowacki Member of the Supervisory Board, effective as at 29 February 2024.

6. Going concern assumption

These consolidated financial statements have been prepared based on the going concern assumption for the Company and the Group companies in foreseeable future, that is for no fewer than 12 months following the reporting day, i.e. following 31 December 2023.
In view of the continued armed conflict in Ukraine, risk factors that may potentially impact the business and financial performance of Group have been being monitored and identified on an ongoing basis.

Despite the ongoing war in Ukraine, the situation in commodity markets gradually calmed down throughout 2023, reducing price volatility in commodity markets as well as electricity, natural gas and CO_2 emission allowances. The activation of alternative supplies of raw materials, coupled with the regulations in place to limit energy and gas prices, a reduction in energy and gas consumption in most European countries, high temperatures in the final part of 2023 and high energy generation from RES resulted in prices in late 2023 rebounding to levels unseen since the outbreak of the war. Nonetheless, uncertainty about the next wave of commodity price increases remains quite real due to the escalating conflict in the Middle East or potential acts of sabotage targeting European energy infrastructure.

Among financial factors relevant to the Group, increased cost of money, volatility of the Zloty exchange rate vis-à-vis the Euro and the US dollar were observed, as well as a risk of increased costs related to the hedging of transactions in commodity markets. The implementation of changes to the balancing market until 14 June 2024 has been positively influencing a potential risk of increased balancing and profile costs concerning RES sources which is anticipated by the market players following the changes.

Strong slump in electricity and property rights prices in late 2023 negatively affect the ability to earn high margins for hedging forward sales of energy from the Company's renewable sources.

(PLN k)

7. The Group's organizational structure

	Parent Company		
1	Polenergia S.A.		

No.	Subsidiaries and Associates	Share of Parent Company	Comments
1	Polenergia Farma Fotowoltaiczna 1 sp. z o.o.	100%	
2	Polenergia Farma Fotowoltaiczna 2 sp. z o.o.	100%	
3	Polenergia Farma Fotowoltaiczna 3 sp. z o.o.	100%	
4	Polenergia Farma Fotowoltaiczna 4 sp. z o.o.	100%	
5	Polenergia Farma Fotowoltaiczna 5 sp. z o.o.	100%	
6	Polenergia Farma Fotowoltaiczna 6 sp. z o.o.	100%	
7	Polenergia Farma Fotowoltaiczna 7 sp. z o.o.	100%	
8	Polenergia Farma Fotowoltaiczna 8 sp. z o.o.	100%	
9	Polenergia Farma Fotowoltaiczna 9 sp. z o.o.	100%	
10	Polenergia Farma Fotowoltaiczna 10 sp. z o.o.	100%	
11	Polenergia Farma Fotowoltaiczna 11 sp. z o.o.	100%	
12	Polenergia Farma Fotowoltaiczna 12 sp. z o.o.	100%	
13	Polenergia Farma Fotowoltaiczna 13 sp. z o.o.	100%	
14	Polenergia Farma Fotowoltaiczna 14 sp. z o.o.	100%	
15	Polenergia Farma Fotowoltaiczna 15 sp. z o.o.	100%	
16	Polenergia Farma Fotowoltaiczna 16 sp. z o.o.	100%	
17	Polenergia H2Silesia sp. z o.o.	100%	
18	Polenergia Farma Fotowoltaiczna 19 sp. z o.o.	100%	
19	Polenergia Farma Wiatrowa 1 sp. z o.o.	100%	
20	Polenergia Farma Wiatrowa 3 sp. z o.o.	100%	
21	Polenergia Farma Wiatrowa 4 sp. z o.o.	100%	
22	Polenergia Farma Wiatrowa 6 sp. z o.o.	100%	
23	Polenergia Farma Wiatrowa 10 sp. z o.o.	100%	
24	Polenergia Farma Wiatrowa 11 sp. z o.o.	100%	
25	Polenergia Farma Wiatrowa 12 sp. z o.o.	100%	
26	Polenergia Farma Wiatrowa 13 sp. z o.o.	100%	
27	Polenergia Farma Wiatrowa 14 sp. z o.o.	100%	
28	Polenergia Farma Wiatrowa 15 sp. z o.o.	100%	
29	Polenergia Farma Wiatrowa 16 sp. z o.o.	100%	
30	Polenergia Farma Wiatrowa 17 sp. z o.o.	100%	
31	Polenergia Farma Wiatrowa 18 sp. z o.o.	100%	
32	Polenergia Farma Wiatrowa 19 sp. z o.o.	100%	
33	Polenergia H2HUB Nowa Sarzyna sp. z o.o.	100%	
34	Polenergia Farma Wiatrowa 21 sp. z o.o.	100%	
35	Polenergia Farma Wiatrowa 22 sp. z o.o.	100%	
36	Polenergia Farma Wiatrowa 23 sp. z o.o.	100%	
37	Polenergia Farma Wiatrowa 24 sp. z o.o.	100%	
38	Polenergia Farma Wiatrowa 25 sp. z o.o.	100%	
39	Polenergia Farma Wiatrowa 26 sp. z o.o.	100%	
40	Polenergia Farma Wiatrowa 27 sp. z o.o.	100%	
41	Polenergia Farma Wiatrowa 28 sp. z o.o.	100%	

(PLN k)

42	Polenergia Farma Wiatrowa 29 sp. z o.o.	100%	
43	Polenergia Farma Wiatrowa Bądecz sp. z o.o.	100%	
44	Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o.	100%	
45	Polenergia Farma Wiatrowa Grabowo sp. z o.o.	100%	
46	Polenergia Farma Wiatrowa Krzywa sp. z o.o.	100%	
47	Polenergia Farma Wiatrowa Mycielin sp. z o.o.	100%	
48	Polenergia Farma Wiatrowa Namysłów sp. z o.o.	100%	
49	Polenergia Farma Wiatrowa Olbrachcice sp. z o.o.	100%	
50	Polenergia Farma Wiatrowa Piekło sp. z o.o.	100%	
51	Polenergia Farma Wiatrowa Rudniki sp. z o.o.	100%	
52	Polenergia Farma Wiatrowa Szymankowo sp. z o.o.	100%	
53	Polenergia Farma Wiatrowa Wodzisław sp. z o.o.	100%	
54	Amon sp. z o.o.	100%	
55	Dipol sp. z o.o.	100%	
56	Talia sp. z o.o.	100%	
57	Polenergia Obrót 2 sp. z o.o.	100%	
58	Polenergia Sprzedaż sp. z o.o.	100%	
59	Polenergia Dystrybucja sp. z o.o.	100%	
60	Polenergia Kogeneracja sp. z o.o.	100%	
61	Polenergia eMobility sp. z o.o.	100%	
62	Certyfikaty sp. z o.o.	100%	
63	Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o.	100%	
64	Polenergia Elektrownia Północ sp. z o.o.	100%	
65	Inwestycje Rolne sp. z o.o.	100%	
66	Polenergia H2HUB 1 sp. z o.o.	100%	
67	Polenergia H2HUB 2 sp. z o.o.	100%	
68	Polenergia H2HUB 3 sp. z o.o.	100%	
69	Polenergia H2HUB 4 sp. z o.o.	100%	
70	Polenergia H2HUB 5 sp. z o.o.	100%	
71	Polenergia Farma Wiatrowa 30 sp. z o.o.	100%	
72	Polenergia Farma Wiatrowa 31 sp. z o.o.	100%	
73	Polenergia Farma Wiatrowa 32 sp. z o.o.	100%	
74	Polenergia Farma Wiatrowa 33 sp. z o.o.	100%	
75	Polenergia Farma Wiatrowa 34 sp. z o.o	100%	
76	Polenergia Farma Wiatrowa 35 sp. z o.o. in organization	100%	
77	Polenergia Obrót S.A.	100%	
78	Polenergia Energy Ukraine LLC	100%	Parent Company: Polenergia Obrót S.A.
79	MFW Bałtyk I sp. z o.o.	50%	
80	MFW Bałtyk I S.A.	100%	Parent Company: MFW Bałtyk I sp. z o.o.
81	MFW Bałtyk II sp. z o.o.	50%	
82	MFW Bałtyk III sp. z o.o.	50%	
83	Polenergia Fotowoltaika S.A.	100%	
84	Polenergia Pompy Ciepła sp. z o.o.	100%	Parent Company: Polenergia Fotowoltaika S.A.
85	Zielony Ryś sp. z o.o.	100%	Parent Company: Polenergia Fotowoltaika S.A.
86	Polenergia Solární s.r.o.	100%	Parent Company: Polenergia Fotowoltaika S.A.
87	Naxxar Wind Farm Four SRL	60%	
88	Eolian Areea SRL	20%	Parent Company: Naxxar Wind Farm Four SRL
89	Eolian Efect SRL	20%	Parent Company: Naxxar Wind Farm Four SRL
90	Eolian Express SRL	20%	Parent Company: Naxxar Wind Farm Four SRL

91	Magnum Eolvolt SRL	20%	Parent Company: Naxxar Wind Farm Four SRL
92	Eolian Spark SRL	20%	Parent Company: Naxxar Wind Farm Four SRL
93	Spark Wind Energy SRL	20%	Parent Company: Naxxar Wind Farm Four SRL
94	Harsh Wind SRL	20%	Parent Company: Naxxar Wind Farm Four SRL

8. Accounting principles (policy) applied

The accounting principles (policies) applied in preparation of the financial statements are consistent with those applied in preparation of the Group's financial statements for the year ended 31 December 2022.

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

IFRS include standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”).
According to the applicable provisions of law, these consolidated financial statements for the financial year ended on 31 December 2023, together with the comparable data for the financial year ended on 31 December 2022 have been audited by chartered auditor.

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

8.1. New and modified standards and interpretations applied

<u>Changes in the standards or interpretation effective as of 2023</u>

Below, new or amended standards and interpretations have been presented, as applicable as of 1 January 2023 or thereafter. Such changes had no material impact on the consolidated financial statements of the Group.

- New IFRS 17 “Insurance Contracts”

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

  This standard replaces the existing IFRS 4
- Amendment to IFRS 17 “Insurance Contracts”

  IASB provided for transition rules on comparative data for entities that implement IFRS 17 and IFRS 9 simultaneously, with a view to reduce potential accounting mismatches resulting from the disparity between those standards.
- Amendment to IAS 1 “Presentation of Financial Statements”

  This amendment specified which information on the accounting policy applied by an entity were material and required to be disclosed in the financial statements. The rules focus on adjusting the disclosures to individual circumstances of an entity. IASB issued a warning not to apply standardized provisions copied from IFRS and expected the base for the measurement of the financial instruments to be material information.
- Amendment to IAS 8 “Accounting Principles (Policies), Changes in Accounting Estimates and Errors”

  This amendment introduced a definition of the accounting estimate to the standard: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.
- Amendment to IAS 12 "Income Taxes"

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

- Amendment to IAS 12 "Income Taxes"

  This amendment introduces a temporary exemption from recognizing deferred taxes resulting from the implementation of international tax reform (Pillar II) and requires additional related disclosures.

Applying a standard or interpretation prior to the effective date thereof

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

The published standards and interpretations that did not yet apply to periods commencing 1 January 2023 and their impact on the financial statements of the Company

Until the date of these financial statements, new or amended standards and interpretations were published which apply to annual periods subsequent to 2023. The list also includes amendments, standards and interpretations that have been published, but not yet approved by the European Union. The Company estimates that such amendments will have no material impact on the financial statements of the Company

- Amendment to IAS 1 “Presentation of Financial Statements”

  This amendment clarifies that, as at the reporting date, an entity does not take into account covenants that will have to be met in the future when considering the classification of liabilities into long-term or short-term. Instead, the entity should disclose information about such covenants in the notes to the financial statements. Amendment to IAS 1 “Presentation of Financial Statements”.

  This amendment provides for more precise classification of liabilities under short- and long-term liabilities, predominantly in two aspects:
  - it has been specified that such classification depends on the right accruing to an entity as at the reporting date,
  - the management's intentions of early or late payment of a liability shall be disregarded.
- Amendment to IFRS 16 “Leases””

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

- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures"

  This amendment describes the characteristics of reverse factoring arrangements ("Supplier finance arrangements") and introduces the requirement of additional disclosures.

- Amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates"

  This amendment clarifies how an entity should assess whether a currency is exchangeable and how it should determine the exchange rate when there is a lack of exchangeability. The amendment also requires disclosures that allow users of financial statements to understand the impact of a lack of exchangeability.

8.2. Significant measures based on professional judgment

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

- grid connection fee revenues which are distinct performance obligation, therefore they are recognized as revenue at the time a grid connection invoice is issued. This approach reflects best the economic sense of such transaction. When evaluating the grid connection service and the grid availability service from the perspective whether they are separate performance commitments, the Management Board considered the following arguments: (i) the amount of the grid connection fee is regulated by URE,

  (ii) the customer who pays the connection fee to Polenergia Dystrybucja Sp. z o.o. has no obligation to purchase energy from Polenergia Dystrybucja Sp. z o.o. (as energy may be bought from other energy suppliers). As a result, revenues from the grid connection fee are recognized at a certain point in time where the customer files a request with Polenergia Dystrybucja Sp. z o.o. to connect him/her to the grid. If the market practice changes, i.e., such revenues are recognized in time throughout the economic useful life of the assets, such practice shall be taken into account when recognizing revenues. As refers recognition of the connection fee revenue in accordance with IFRS 15, no market practice has yet been established unequivocally, however an approach has been considered, according to which the connection fees shall be recognized in time, i.e., over the useful life of the assets. According to the Group's estimates, the potential impact of the change of accounting policies in this respect on the consolidated financial statements as at 31 December 20283 would entail reduction of the retained profit balance of PLN 16.7 million corresponding to the recognition of future revenues of PLN 16.7 million.

In the year ended 31 December 2023 no changes were made in determining the Group's judgment with respect to information disclosed in the consolidated financial statements.

8.3. Significant measures based on estimates

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

- depreciation rates - the depreciation rates are determined based on the expected useful economic life of tangible fixed assets and intangibles. The Group performs review of the adopted economic useful life periods annually, based on the current estimates,
- litigation provision – each case is considered individually, with due regard to its unique features (Note 33),
- accrued holiday leave provision – provision resulting from: the equivalent ratio, each employee's salary level and the number of outstanding vacation days (Note 28),
- provisions for obligations related to the sale of energy - reserve resulting from the volume of electricity sold to the end customer in a given period and the price of certificates purchased for redemption, in accordance with the statutory obligation of electricity vendors to redeem certificates of origin (Note 28),
- balancing provisions - provision for balancing the invoiced sales volume with the purchase volume in the period calculated based on the unbalanced volume and the portfolio-volume weighted average of the balancing market price in the period,
- provision for costs of dismantling fixed assets and land reclamation - it is established at the time of commissioning and obtaining a license for electricity generation of a wind farm or photovoltaic farm in the amount of the present value of the estimated costs of dismantling and removing the remains of equipment and structures, and bringing the land to a condition as close as possible to its pre-construction condition. Estimates of anticipated reclamation costs are subject to updating, also the amount of the provision is reviewed, in particular with regard to current assumptions regarding the inflation level and the discount rate. The increment of the provision relating to a given year is recognized in the initial value of fixed assets. The effect of reversing the discount will be charged to finance costs (Note 28),
- financial assets and liabilities under forward contracts (Notes 17, 23 and 24),

- financial assets and liabilities under forward contracts related to the reversal of forward contracts hedging the production of electricity in Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. (Note 35)
- deferred tax - the Group recognized a deferred tax asset based on the assumption that tax gain will occur in the future permitting its application. Less successful tax gain performance in the future could lead to such assumption becoming unfounded (Note 27),
- impairment losses on non-financial fixed assets - for goodwill, the Group performed impairment tests, while for other non-financial fixed assets the Group analyzed the indications of impairment of fixed assets, and where such indications were found, impairment tests for non-financial fixed assets were performed (Note 15),
- trade receivables impairment losses - calculation and measurement of expected credit losses with regard to trade receivables is the area that requires significant judgment on the choice of proper methodology and input data. For a detailed description of the measurement methodology of expected credit losses applied by the Group see Note 8.17. In the models used by the Group mostly the historical information from the market and data systems of the Group are used.
- Lease term - When measuring the lease payable, the Group estimates the lease term which covers:
  - irrevocable lease term,
  - terms, where a lease extension option exists, provided there is sufficient certainty to assume that the lessee will exercise such option,
  - terms, where a lease termination option exists, provided there is sufficient certainty to assume that the lessee will not exercise such option.

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

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

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

In the year ended 31 December 2023, no changes were made in the way of determining the Group’s estimates that would impact any information disclosed in the consolidated financial statements, with the estimated amounts being specified in the notes referred to hereinabove.

8.4. Measurement currency and currency of the consolidated financial statements

The functional currency of the parent company and other companies (except for the companies Polenergia Energy Ukraine LLC, Naxxar Wind Farm Four Srl, Polenergia Solární s.r.o which have no significant impact on the consolidated financial statements) included in these consolidated financial statements, as well as the reporting currency of these consolidated financial statements, is Polish Zloty.

8.5. Rules of consolidation

These consolidated financial statements includes the financial statements of Polenergia S.A. and the financial statements of its subsidiaries prepared in each case for the year ended on 31 December

2023. The financial statements of subsidiaries, upon incorporation of adjustments to align them to IFRS, are prepared for the same reporting period as applies to the financial statements of the parent company, using consistent accounting principles and based on single accounting principles applied to transactions and economic events of similar nature. In order to eliminate any discrepancies whatsoever, amendments are made to the applied accounting principles.

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

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

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

8.6. Investments in associates and jointly controlled entities

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

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

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

8.7. Goodwill

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

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

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

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

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

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

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment loss is recognized. In the event goodwill comprises part of a cash-generating unit and part of the cash-generating unit's business is sold, the goodwill attributable to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on the sale of such part of business. In such a case goodwill disposed of is measured based on the relative value of the operations disposed of and the value of the part of the cash-generating unit retained.

8.8. Intangible Assets

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

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

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

Expected useful lives are as follows:

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

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

(PLN k)

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

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

8.9. Non-current fixed assets

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

The initial value of non-current fixed assets is represented by their acquisition cost plus all costs directly related to such acquisition and bringing such assets to the working condition for its intended use. Such cost also includes the cost of replacing plant and equipment components as they are incurred, provided the recognition criteria are met, as well as the cost of equipment dismantling and site reclamation which are associated with wind farms and photovoltaic farms. Costs incurred after a non-current fixed asset has been placed in service, such as costs of maintenance or repair, are charged to the profit and loss account when incurred.

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

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

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

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

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

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

8.10. Non-current fixed assets under construction

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

8.11. Debt financing costs

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

8.12. Impairment losses on non-financial fixed assets

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

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

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

8.13. Financial assets

The Group categorizes financial assets as follows:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through profit or loss,
- Financial assets measured at fair value under other comprehensive income,

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

Recognition and derecognition

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

Measurement as at the initial recognition

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

Financial assets measured at amortized cost

Debt instruments held to obtain contractual cash flows that include solely payment of principal and interest (SPPI), are measured at amortized cost. Interest revenue is measured using the effective interest rate method and disclosed under “financial income” presented under the consolidated profit or loss account. Expected credit losses are recognized in line with the accounting principle referred to in Note 8.17 and presented under "financial expenses” item. In particular, the Group classifies the following under that category:

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

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

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

Financial assets at fair value through profit or loss

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

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

8.14. Hedge accounting

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

For more information on hedge accounting, see Note 24.

During the period ended on 31 December 2023, in accordance with its adopted ‘Hedge Accounting Guidelines’, the Group measured hedge effectiveness both ex-post (retrospectively) and ex-ante (prospectively), using the dollar offset method.

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

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

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

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

For information on the fair value of the financial derivatives disclosed in the balance sheet, see Note 24.

8.15. Lease

The Group as a lessee

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

Recognition of lease payables

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

- fixed lease payments less any lease incentives receivable,
- variable lease payments dependent on market indices,
- amounts expected to be paid as guaranteed residual value of the leased asset,
- purchase option exercise price, provided sufficient certainty exists as to such exercise,
- penalties for termination of lease if the lessee may exercise termination option.

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

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

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

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

Recognition of the right-of-use assets

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

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

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

8.16. Inventory

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

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

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

8.17. Impairment of financial assets

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

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

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

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

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

8.18. Other non-financial assets

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

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

8.19. Cash

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

8.20. Capital

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

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

8.21. Provisions

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

Where expenditure required to settle the obligation is expected by the Group to be reimbursed by another party (e.g., under an insurance agreement), the reimbursement is recognized as a separate asset only when virtual certainty exists that it will be actually received. Cost related to a given provision is recognized in profit or loss net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognized as finance costs.

Emission allowances provision

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

Provision for length-of-service awards and retirement pays

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

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

8.22. Prepayments and accruals

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

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

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

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

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

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

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

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

8.24. Trade creditors and other financial liabilities

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

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

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

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

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

8.25. Revenue from Contracts with Customers

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

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

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

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

Depending on the fulfillment of the criteria referred to in IFRS 15 "Revenue from contracts with customers", revenue may be recognized at a specific time or may be satisfied at a point in time. Information on this breakdown is presented in Note 10.

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

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

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

When recognizing revenues from the deployment of the PV panels and heat pumps, the Group applied the rules in line with IFRS 15 “Revenue from Contracts with Customers” and has been recognizing revenues during the delivery of the performance obligation, as per item 39 of IFRS 15 which reads that for each performance obligation satisfied over time, an entity shall recognize revenue over time by measuring the progress towards complete satisfaction of that performance obligation. The measurement of the degree of satisfying the obligation is based on the input method.

8.26. Other revenues

The Group generates other revenues from:

Futures and forward contracts

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

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

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

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

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

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

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

Recognition of carbon emission allowances

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

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

Interest

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

Dividends

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

Subsidies on account of certificates of origin

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

Subsidized tangible fixed assets

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

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

Auction price allocation

In 2016, a new support system for RES was introduced in the form of auctions. The date of each auction is announced by the URE President at least 30 days before the scheduled auction. Each participant, i.e., the potential generator, submits a bid that includes the amount of electricity specified in MWh and the price in PLN per MWh, at which the participant agrees to settle the electricity on the basis of a quasi-contract for difference. Support is awarded to generators offering the lowest price in the auction until the available energy volume and value in the auction are exhausted. The bids of the successful generators may not exceed, in aggregate, 100% of the volume and value of electricity specified in the auction announcement and 80% of the volume of electricity covered by all bids. This is meant to ensure competitiveness of the auction. The support period is 15 years from the date of the first sale of electricity in the auction system following the date of winning the auction in question. The successful generator in the auction sells the generated energy on the energy market, but is entitled to cover the so-called "negative balance." According to the RES Act, the negative balance is calculated as the difference between the net value of energy sales in a given month calculated on the basis of exchange electricity prices, and the net value of such energy calculated by adopting the prices specified by the generator in the bid that won the auction. Such price is subject to annual adjustment by the inflation rate determined by the Central Statistical Office. Funds to cover the negative balance are paid by the Price Settlement Authority (Zarządca Rozliczeń) - a special purpose vehicle of the State Treasury.

The balance may also be positive, particularly if market energy prices rise. In such event, the generator is obligated to return the positive balance to the Settlement Authority. Any positive balance is settled on an ongoing (monthly) basis against a future negative balance. The balance is settled within three-year balance settlement periods, with a deadline for its return by 30 June of the following year - this means that if the total balance is positive at the end of a given settlement period, the generator will be obliged to pay the value of the positive balance to the Price Settlement Authority.

The generator that won the auction is obligated to settle the performance of its obligation to sell electricity under the auction system. Settlement of the volume of energy is made in a given support period within three-year settlement periods and at the end of the support period. If a generator fails to sell at least 85% of the volume specified in the auction system in a given settlement period, it is subject to a fine.

As of 2023, the Group began recognizing settlements under the abovementioned system in accordance with IAS 20, in the item "Settlement of auction price" in the Consolidated Income Statement and in the item Other Liabilities in the Consolidated Balance Sheet

8.27. Taxes

Current tax

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

Deferred tax

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

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

- except where the deferred tax liability provision arises from the initial recognition of goodwill or the initial recognition of an asset or liability attributable to a transaction other than business combination and, at the time of the transaction, affecting neither the pre-tax profit/loss nor the taxable profit or loss, and
- in the case of taxable temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled by the investor and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except to the extent that the deferred tax asset related to deductible temporary differences arises from the initial recognition of an asset or liability attributable to a transaction other than business combination, and, at the time of the transaction, affects neither the pre-tax profit/loss nor the taxable profit or the tax loss, and
- in the case of deductible temporary differences attributable to investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

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

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

Value Added Tax

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

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

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

8.28. Earnings per share

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

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

8.29. Contingent assets and liabilities

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

A contingent liability is:

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

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

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

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

(PLN k)

8.30. Seasonality and cyclical nature of operations

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

8.31. Foreign currency transactions

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

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

The following exchange rates were used for measurement purposes:

	31.12.2023	31.12.2022
USD	3,9350	4,4018
EUR	4,3480	4,6899
GBP	4,9997	5,2957

9. Adjusted Consolidated EBITDA and Adjusted Consolidated Net Profit

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

EBITDA AND ADJUSTED EBITDA

	For 12 months ended	
	31.12.2023	31.12.2022
Profit before tax	330 304	200 269
Financial revenues	(50 127)	(38 334)
Financial costs	101 056	75 672
Depreciation/Amortization	162 078	116 421
Development - related impairment loss	101	318
Photovoltaics - related impairment loss	4 200	-
EBITDA	**547 612**	**354 346**

(PLN k)

Adjusted EBITDA	**547 612**	**354 346**

ADJUSTED NET PROFIT attributed to parent shareholders

	For 12 months ended	
	31.12.2023	31.12.2022
NET PROFIT attributed to parent shareholders	**263 587**	**159 918**
Unrealized foreign exchange net (gains)/losses	(50)	(2 853)
(Income)/Cost from measurement of long-term borrowings	3 004	1 840
Development - related impairment loss	101	318
Photovoltaics - related impairment loss	4 200	-
Purchase price allocation:		
Depreciation/Amortization	2 836	2 836
Tax	(50)	(50)
Adjusted NET PROFIT attributed to parent shareholders	**273 628**	**162 009**

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

The Group defines EBITDA as profit before tax less the financial revenue plus financial expense plus depreciation plus impairment losses of non-financial fixed assets (including goodwill). Such definition is aimed, in the first place, to ensure comparability of the key indicator for the industry in which the Issuer and its Group operate.

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

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

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

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

10. Operating segments

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

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

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

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

Recipients with which the Group achieved no less than 10% of the Group's total revenues relate to the Trading and Sales segment, such revenues totaled: PLN 3,135,218 thousand.

(PLN k)

For 12 months ended 31.12.2023	RES Generation			Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Purchase price allocation	Total
	On shore wind farms	Photovoltaics	Off shore wind farms						
Revenues from contracts with clients	590 650	16 956	-	185 950	4 606 379	183 201	18 874	-	5 602 010
Other revenues	-	-	-	(20 161)	33 563	-	-	-	13 402
Total revenues	590 650	16 956	-	165 789	4 639 942	183 201	18 874	-	5 615 412
Net sales profit (loss)	**371 741**	**8 231**	**-**	**3 636**	**259 762**	**21 779**	**14 529**	**(2 836)**	**676 842**
Selling costs	-	-	-	-	(95 118)	-	-	-	(95 118)
General overheads	(12 295)	(1 180)	-	(7 590)	(82 382)	(10 196)	(58 776)	-	(172 419)
Interest income/(expense)	(58 965)	(2 890)	-	1 285	(13 919)	(6 080)	40 122	-	(40 447)
Other financial revenue/(expense)	(7 338)	(975)	-	342	(3 299)	(404)	1 192	-	(10 482)
Other operating revenue/(expense)	(12 507)	(5 674)	-	(2 677)	(7 090)	851	(975)	-	(28 072)
Profit/loss before tax	**280 636**	**(2 488)**	**-**	**(5 004)**	**57 954**	**5 950**	**(3 908)**	**(2 836)**	**330 304**
Income tax	-	-	-	-	-	-	(66 767)	50	(66 717)
Net profit/loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**263 587**
EBITDA **)	467 747	9 537	-	2 672	85 257	21 302	(38 903)	-	547 612
Segment assets	3 435 198	154 526	813 734	195 388	825 461	276 253	1 011 056	-	6 711 616
Segment liabilities	1 756 962	66 945	-	38 370	652 081	143 189	56 416	-	2 713 963
Depreciation/Amortization	120 706	3 959	-	9 304	10 085	8 868	6 320	2 836	162 078

*) EBITDA - definition in Note 9

(PLN k)

For 12 months ended 31.12.2023		RES Generation		Gas and Clean Fuels	Trading and sales	Distribution and eMobility	Unallocated	Total
		On shore wind farms	Photovoltaics					
- revenue from sale and distribution of electricity	over time	485 693	16 935	119 160	3 272 532	172 359	-	4 066 679
- revenue from certificates of origin	over time	104 942	-	-	44 041	-	-	148 983
- revenue from sale of heat	point in time	-	-	42 925	-	-	-	42 925
- revenue from consulting and advisory services	over time	-	-	-	-	-	17 118	17 118
- revenue from lease and operator services	over time	-	-	-	-	4 092	-	4 092
- revenue from sale and distribution of gas	over time	-	-	-	962 763	4 533	-	967 296
- revenue from sale of merchandise	over time	-	-	-	-	1 519	-	1 519
- revenue from lease	over time	15	6	-	-	6	481	508
- revenue from the capacity market and blackstart services	point in time	-	-	23 862	-	-	-	23 862
- revenue from the solar panels and heat pump installation	over time	-	-	-	311 924	-	-	311 924
- revenues from charging services	over time	-	-	-	-	93	-	93
- other	over time	-	15	3	15 119	599	1 275	17 011
Total revenue from clients		**590 650**	**16 956**	**185 950**	**4 606 379**	**183 201**	**18 874**	**5 602 010**
- revenues from the valuation of futures contracts	over time	-	-	(20 161)	(13 723)	-	-	(33 884)
- revenues from CO2 emission allowances	point in time	-	-	-	47 286	-	-	47 286
Total other revenue		**-**	**-**	**(20 161)**	**33 563**	**-**	**-**	**13 402**
Total sales revenue		**590 650**	**16 956**	**165 789**	**4 639 942**	**183 201**	**18 874**	**5 615 412**

(PLN k)

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

*) EBITDA - definition in Note 9

(PLN k)

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

(PLN k)

11. Earnings per share

	For 12 months ended 31.12.2023	For 12 months ended 31.12.2022
Net profit	263 587	159 918
Average weighted number of ordinary shares	68 400 162	60 949 963
Profit per ordinary share (in PLN)	3,85	2,62

	For 12 months ended 31.12.2023	For 12 months ended 31.12.2022
Average weighted number of ordinary shares	68 400 162	60 949 963
Effect of dilution	-	-
Diluted weighted average number of ordinary shares	68 400 162	60 949 963

(PLN k)

12. Non-current fixed assets

.31.12.2023	land	building, premises and civil and water engineering	plant and machinery	vehicles	other non-current fixed assets	non-current fixed assets under construction	prepayments for non-current fixed assets under construction	total non-current fixed assets
Gross value of non-current fixed assets at beginning of period	**170 692**	**1 066 943**	**2 259 833**	**14 761**	**(682)**	**393 199**	**9 488**	**3 914 234**
increases (due to)	**26 267**	**239 491**	**330 424**	**14 803**	**569**	**269 087**	**64 373**	**945 014**
- purchase	152	625	2 696	13 443	365	214 226	64 373	295 880
- transfers	-	142 337	326 431	-	204	54 861	-	523 833
- other	26 115	96 529	1 297	1 360	-	-	-	125 301
reductions (due to)	**(1 155)**	**(2 351)**	**(12 324)**	**(5 444)**	**(119)**	**(478 637)**	**(57 727)**	**(557 757)**
- sale and liquidation	(280)	(2 320)	(2 468)	(4 275)	(119)	-	-	(9 462)
- other	(875)	(31)	(9 856)	(1 169)	-	(8 927)	(2 454)	(23 312)
- transfers	-	-	-	-	-	(469 710)	(55 273)	(524 983)
Gross value of non-current fixed assets at end of period	**195 804**	**1 304 083**	**2 577 933**	**24 120**	**(232)**	**183 649**	**16 134**	**4 301 491**
Cumulative depreciation at beginning of period	**(24 500)**	**(213 434)**	**(562 074)**	**(5 700)**	**1 566**	**(107)**	**-**	**(804 249)**
- current period depreciation	(7 034)	(53 957)	(87 654)	(7 729)	(292)	-	-	(156 666)
- reductions (due to)	(339)	2 177	2 225	3 472	22	(1)	-	7 556
- sale and liquidation	84	2 167	2 192	4 108	59	(1)	-	8 609
- other	(423)	10	33	(636)	(37)	-	-	(1 053)
Cumulative depreciation at end of period	**(31 873)**	**(265 214)**	**(647 503)**	**(9 957)**	**1 296**	**(108)**	**-**	**(953 359)**
Impairment losses at beginning of period	**-**	**(5 624)**	**(14 603)**	**-**	**(5)**	**(59 578)**	**-**	**(79 810)**
- increase	-	(4 200)	-	-	-	(101)	-	(4 301)
- reduction	-	-	-	-	-	9 071	-	9 071
Impairment losses at end of period	**-**	**(9 824)**	**(14 603)**	**-**	**(5)**	**(50 608)**	**-**	**(75 040)**
Net value of non-current fixed assets at beginning of period	**146 192**	**847 885**	**1 683 156**	**9 061**	**879**	**333 514**	**9 488**	**3 030 175**
Net value of non-current fixed assets at end of period	**163 931**	**1 029 045**	**1 915 827**	**14 163**	**1 059**	**132 933**	**16 134**	**3 273 092**

(PLN k)

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

In the 12-month period ended 31 December 2023, the Group incurred debt financing costs qualifying for capitalization under initial value of non-current fixed assets, totaling PLN 18,289 thousand (31 December 2022 PLN 43,041 thousand), with land and buildings worth PLN 1,069,139 (31 December 2022 PLN 906,094 thousand) encumbered with mortgages securing repayment of credit facilities.

(PLN k)

Right-of-use assets under lease	31.12.2023	31.12.2022
Land	163 484	145 270
Building, premises and civil and water engineering	12 676	16 574
Plant and machinery	434	156
Vehicles	12 833	8 508
Total	**189 427**	**170 508**

Right-of-use liabilities under lease	31.12.2023	31.12.2022
Land	177 936	157 748
Building, premises and civil and water engineering	13 348	17 689
Plant and machinery	404	41
Vehicles	13 066	8 158
Total	**204 754**	**183 636**

	For 12 months ended	
Right-of-use amortization	31.12.2023	31.12.2022
Land	7 071	6 735
Building, premises and civil and water engineering	7 014	4 535
Plant and machinery	173	13
Vehicles	7 609	3 101
Total	**21 867**	**14 384**

	For 12 months ended	
Right-of-use interest costs	31.12.2023	31.12.2022
Land	7 117	6 649
Building, premises and civil and water engineering	751	627
Plant and machinery	12	2
Vehicles	877	329
Total	**8 757**	**7 607**

Changes in lease payables are presented in Note 43.

(PLN k)

13. Intangible Assets

31.12.2023	concessions, patents, licenses and similar entitlements obtained	prepayments for intangibles	intangible assets from purchase price allocation	total intangibles
1. Gross value of intangible assets at beginning of period	**23 415**	**206**	**58 000**	**81 621**
a) increase (due to)	3 510	1 848	-	5 358
- purchase	2 416	1 604	-	4 020
- other	1 094	244	-	1 338
b) reductions (due to)	(382)	(1 890)	-	(2 272)
- sale and liquidation	(382)	-	-	(382)
- other	-	(1 525)	-	(1 525)
- transfers	-	(365)	-	(365)
2. Gross value of intangible assets at end of period	**26 543**	**164**	**58 000**	**84 707**
3. Cumulative depreciation at beginning of period	**(11 836)**	**-**	**(58 000)**	**(69 836)**
- current period depreciation	(5 400)	-	-	(5 400)
- reductions (due to)	364	-	-	364
- sale and liquidation	364	-	-	364
4. Cumulative depreciation at end of period	**(16 872)**	**-**	**(58 000)**	**(74 872)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**
6. Impairment losses at end of period	**-**	**-**	**-**	**-**
7. Net value of intangible assets at beginning of period	**11 579**	**206**	**-**	**11 785**
8. Net value of intangible assets at end of period	**9 671**	**164**	**-**	**9 835**

(PLN k)

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

(PLN k)

14. Goodwill

	31.12.2023	31.12.2022
- Goodwill from consolidation at beginning of period	**157 338**	**69 129**
- Increase (decrease) of goodwill at consolidation	-	88 209
Total goodwill	**157 338**	**157 338**

As at 31 December 2023 goodwill amounted to PLN 157 million and was attributable to the following cash-generating units (segments):

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

Goodwill impairment test

As at 31 December 2023 a goodwill impairment test was performed which showed no impairment of the asset in question. The test was performed with respect to fixed assets and intangibles plus goodwill for those operating segments to which, as at 31 December 2023, goodwill had been allocated. The utility value estimated based on the cash flow projections of individual projects underlies the measurement of the recoverable value of individual cash generating centers.

The test was performed based on the present value of estimated operating cash flows. Calculations were performed based on detailed forecasts with the projections horizon until 2050 or for the entire lifetime of the companies. Polenergia Group has the ability to forecast cash flows for a comparably long period. The nature of the Group's projects requires that financial forecasts be regularly developed and updated for the entire life of the project. The analyses prepared are required and accepted by the institutions financing the Group's projects, and based on them a repayment schedule is created for long-term loans granted.

Key assumptions impacting the estimation of the utility value adopted in the test as at 31 December 2023 for individual segments:

- Energy prices: the wholesale energy price path until 2026 is based on quotations for forward contracts, independent business advisors and the Company's best knowledge (CAGR of ca. 2.1%). Beyond 2026 the average annual growth rate of ca. 1.6% has been assumed based on the available forecasts of independent business advisors.
- Green certificate prices: the market path for certificate prices is based on the Group's own forecast based on forward contract quotes and independent business advisors' forecasts (CAGR ca. -22,4%)

The discount rates used to determine the recoverable value were established based on the standard formula for the weighted average cost of capital (WACC), based on the assumptions provided by an external advisor and the Company's internal data.

Goodwill in segment	Key assumptions	Level of discount rate assumed in test as at:	Level of discount rate assumed in test as at:

		December 31, 2023	December 31, 2022
Distribution	The RAB figure adopted for the forecast is based on the level which incorporates historical capex plus capex intended for the years 2024-2026. In distribution, the weighted average cost of capital has been assumed at the regulatory level of WACC published by the regulatory authority URE. In subsequent years changes in regulatory WACC have been assumed resulting from the variation of interest rates on the market. Average margins on energy sales in real terms have been assumed at the level of historical margins while taking into account the change in the Company's sales volume structure as a result of the ongoing investment plan and new products included in the offer. Increased volume of energy sold due to capital expenditures effected. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. The period of detailed projections refers to the years 2024-2050.	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja	4,80% Polenergia Dystrybucja 4,38% Polenergia Kogeneracja
Polenergia Obrót	The margin in trading in 2024 assumes implementation of the commercial strategy based on short-term trading and structured transactions. Asset margin includes current PPAs for wind and photovoltaic assets (electricity, proprietary rights, guarantees of origin) and extensions to new projects. Additional margin within areas related to trading in the energy and gas markets, including proprietary trading, energy sales to strategic customers and in cPPA contracts. Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. In the trading segment, the period of detailed projections refers to the years 2024-2050.	8.90%	8.90%
Polenergia PV	Continued operations in all existing segments (photovoltaics and energy storage for B2C, B2B SME markets, photovoltaics for large enterprises, heat pumps in the B2C segment) based on the existing and currently developed products. Continued operations in the Czech market (photovoltaics and energy storage). Average margins on the sale of installations in real terms have been assumed at the historic margin levels. Continuation of implemented optimizations in the OPEX area.	8.90%	8.90%

(PLN k)

	Driven by the market practice and the fact that long-term forecasts are (due to the features of the tested assets) more reliable (when compared to any measurement based on residual value), the issuer's management assumed a period exceeding 5 years for the purpose of the analysis. In the distributed energy segment, the period of detailed projections refers to the years 2024-2050.	

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

Recoverable values for distribution and trading and sales segments exceed the values of fixed assets and intangibles increased to include goodwill. As at 31 December 2023, the impairment test performed showed no impairment of goodwill in those segments.

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

In the Distribution segment, a 1 percentage point increase in the weighted average cost of capital will result in an asset impairment of PLN 23 million. In contrast, a 1% change in electricity prices will not change the assessment of whether an asset is impaired.

An increase of 0.35 p.p. in the weighted average cost of capital will result in the center's recoverable amount being equal to its carrying value.

15. Asset impairment test

Tangible fixed asset impairment test

The Group performed an analysis of any indications of fixed assets impairment as at 31 December 2023. In the Photovoltaics segment indications were found with respect to the assets held by the Company that made it necessary to perform an impairment test with respect to tangible and intangible fixed assets. The analysis of such indications showed that the observed level of the cost of the electricity profile was higher than the original investment assumptions and thus negatively affected returns on the projects.

In the case of the Group's photovoltaic projects which have their electricity sales price for a period of 15 years from the start of operations in the form of a contract for difference and a defined useful life, it was decided that the recoverable amount would be determined based on the value in use. Determining the fair value for these projects is difficult because of the secured price of selling electricity in a fixed-price contract for difference (such price varying for each project). This fact means that available market benchmarks for this type of project may not be reliable. The Group's photovoltaic projects, which do not sell electricity at the guaranteed price as part of their participation in the auction system, have an unhedged sale price for part or all of their sale volume.

The value in use of the assets was determined based on the free cash flow to equity owners and creditors (FCFF) method in line with the practice applied to impairment testing in previous years and in line with the fact that all tested assets have long term debt financing attributable to them.

Guided by market practice and the fact that, due to the specific nature of the tested assets, long-term forecasts are more reliable, the issuer's management adopted a period longer than 5 years for the analysis, i.e. until 2052. In the Group's opinion, such period of analysis is justified because it is in line with the economic useful life of the assets which was confirmed by an external market advisor.

In addition, the Polenergia Group has the ability to forecast cash flows for a comparably long period of time, since the specific nature of the Group's projects requires regular development and updating of financial forecasts for the entire life of the investment, which are required and approved by financing institutions and on the basis of which the repayment schedule for long-term loans is established. The models used to determine the recoverable value of assets were verified by the banks financing the projects.

Key assumptions:

- Electricity generation was estimated based on the installed capacity of 36 MW.
- Productivity indices were adopted based on analyses prepared by external consultants.
- Due to module degradation, a reduction of photovoltaic cell productivity of 0.5% per year was assumed.
- Electricity sales prices were assumed at the level consistent with the contracts in place and for the volume not secured by contracts - based on the forecast of market electricity prices.
- Assumptions regarding the profile costs and market electricity prices have been provided by a reputable market consultant.
- The operating expenses forecast is based on contracts in place, with indexation in subsequent years.
- The price growth rate during the forecast period was assumed at the level consistent with the inflation rate forecast by the National Bank of Poland published on 10 July 2023. Beyond 2025, the inflation rate was assumed at the NBP's inflation target of 2.5%,
- The valuation includes the cost of dismantling the projects at the end of their useful life.
- The discount rate of 5.64% was assumed, as established based on the standard formula for the weighted average cost of capital (WACC), based on the assumptions provided by an external advisor and the Company's internal data.
- The measurement does not include the residual value of assets at the end of the forecast period.

As at 31 December 2023, the carrying value of tested assets was PLN 132.4 million. As a result of an asset impairment test, the Group found it necessary to write down the value of these assets in the Sulechów I and Sulechów II projects in the amount of PLN 4.2 million.

Sensitivity Analysis

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the utility value of the tested assets is exerted mainly by the fluctuations of the discount rate and variations of electricity profile cost throughout the forecast period.

Below are the estimated changes in asset measurement based on the changes of the key assumptions.

Feature	Change	Impact on asset value (PLN m)	
		Loss of value	Increase of value
Change in profile cost level	+ 1 p.p.	-1.5	
	- 1 p.p.		1.5
WACC change	+ 1 p.p.	-2.4	
	- 1 p.p.		2.6

Impairment test of financial assets measured with the equity method

Bearing in mind that offshore wind farm projects are a strategic investment of the Company and given the fact that they are entering a key phase of implementation, the Management Board decided to perform impairment tests for ongoing offshore wind farm projects at least once each financing year until construction is completed.

In view of the fact that determining fair value of the offshore wind farms projects is impeded because there is no active market and the regulatory framework under which other similar projects operate in the European market is inconsistent, it was decided that the recoverable value would be determined based on value in use.

The tested assets are presented in the Group's balance sheet as financial assets measured using the equity method in accordance with IAS 28. The value in use of the assets was determined based on the free cash flow to equity (FCFE) method in accordance with the practice applied to impairment testing of the in previous years.

Guided by market practice and the fact that, due to the nature of the assets under test, long-term forecasts are more reliable, the issuer's management adopted for analysis a period exceeding 5 years, i.e. until 2058 for MFW Bałtyk II sp. z o.o. and MFW Bałtyk III (the "MFW Projects"), while for the MFW Bałtyk I S.A. project ("MFW Bałtyk I") - until 2062. In the Group's opinion, such a period of analysis is reasonable due to the fact that the key parameters of the Offshore Projects, such as energy sales price, productivity, capital expenditures and maintenance costs of the projects, are mostly known and come from studies performed, contracts signed or negotiated, or have been determined based on the knowledge gained from other investments both on the part of the Group and Equinor which is the Group's partner in the implementation of the Offshore Projects. However, in the case of MFW Bałtyk I it was considered that the expertise and experience gained by the Company and Equinor at the stage of preparing the MFW Projects was sufficient to permit preparing a forecast for the entire life of the assets. In addition, the Polenergia Group has the ability to forecast cash flows for a comparably long period of time, since the specific nature of the Group's projects requires regular development and updating of financial forecasts for the entire life of the investment, which are required and approved by financing institutions and on the basis of which the repayment schedule for long-term loans is established.

Impairment test of the MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. projects. ("MFW Projects")

Key assumptions:

- The Group holds a 50% interest in companies developing offshore wind farm projects in the Baltic Sea and has been continuing development work together with its partner, Equinor.
- The total intended installed capacity of the Offshore Projects is 1,440 MW.
- The planned commissioning of the Offshore Projects will take place in 2028.
- Capital expenditures have been estimated on the basis of signed and negotiated agreements or knowledge gained from the implementation of other investments by partners in the Offshore Projects.

- The selling price of electricity was estimated on the basis of the maximum support price granted by the URE President, indexed annually by the inflation rate.
- The productivity of the Offshore Projects was estimated based on current technical assumptions and data from wind measurement campaigns.
- The price growth rate during the forecast period is equal to the inflation rate forecast by the National Bank of Poland published on 10 July 2023. After 2025, the inflation rate was assumed at the NBP's inflation target of 2.5%.
- A discount rate of 10.5% was assumed as determined based on the CAPM model against the assumptions provided by the Company's external advisor.
- The measurement does not include the residual value of assets at the end of the forecast period.

As at 31 December 2023, the carrying value of tested assets was PLN 640.4 million. As a result of the asset impairment test, the Group concluded that no impairment loss was required for these assets.

Sensitivity Analysis

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the value in use of the tested assets is exerted mainly by the fluctuations of the discount rate and fluctuations of the level of capital expenditure. It should also be noted that a change in market electricity prices has a negligible impact on the value in use of the assets under test, since the sales price of electricity for the Offshore Projects is determined on the basis of the maximum support price granted by the President of the URE, indexed annually by the inflation rate.

For MFW Bałtyk II sp. z o.o., an increase in the discount rate by 1 percentage point will result in asset impairment of PLN 55 million. In contrast, a 5% increase in the level of capital expenditures will result in asset impairment of PLN 10 million.

For MFW Bałtyk III sp. z o.o., an increase in the discount rate by 1 percentage point will result in asset impairment of PLN 38 million. In contrast, a 5% change in the level of capital expenditures will not change the assessment whether an asset is impaired.

A 1 p.p. increase in the discount rate or a 5% change in capital expenditures will entail no change in the assessment of whether assets have been impaired.

Impairment test - MFW Bałtyk I S.A. project.

Key assumptions:

- The Group holds a 50% interest in companies developing an offshore wind farm project in the Baltic Sea and has been continuing development work together with its partner, Equinor.
- The total planned installed capacity of MFW Bałtyk I is no more than 1,540 MW.
- The planned commissioning of MFW Bałtyk I will take place in 2032.
- Capital expenditures have been estimated on the basis of signed and negotiated agreements or knowledge gained from the implementation of other investments by partners in the MFW Projects.
- The selling price of electricity was estimated on the basis of the maximum support price granted to the Phase I projects by the URE President, indexed annually by the inflation rate.
- The productivity of the MFW Bałtyk I was estimated based on current technical assumptions and data from wind measurement campaigns.
- The price growth rate during the forecast period is equal to the inflation rate forecast by the National Bank of Poland published on 10 July 2023. After 2025, the inflation rate was assumed at the NBP's inflation target of 2.5%.
- A discount rate of 10.5% was assumed as determined based on the CAPM model against the assumptions provided by the Company's external advisor.
- The measurement does not include the residual value of assets at the end of the forecast period.

As at 31 December 2023, the carrying value of tested assets was PLN 143.8 million. As a result of the asset impairment test, the Group concluded that no impairment loss was required for these assets.

Sensitivity Analysis

Based on the available projections, sensitivity tests have been performed. The tests have proven that impact on the useful value of the tested assets is exerted predominantly by the fluctuations of the discount rate, changes of the level of capital expenditure and price fluctuations in contract for difference.

A 1 percentage point increase in the discount rate, a 5% change in capital expenditures, or a 5% variation of the price in contract for difference will entail no change in the assessment whether assets have been impaired.

16. Purchase price allocation

Acquisition of a 60% stake in Naxxar Wind Farm Four Srl developing wind farm project in Romania

On 5 October 2023, Polenergia S.A. entered into a provisional agreement to acquire a 60% stake in the company Naxxar Wind Farm Four Srl with registered office in Bucharest from Naxxar Renewable Energy Management Holding Srl, with registered office in Bucharest. The company whose shares were acquired by Polenergia S.A. held, at that time, the stakes (of ca. 7% each) in seven special purpose vehicles (SPV) developing a wind farm project in Romania's Tulcea county with a planned capacity of up to 685.6 MW, holding technical conditions for grid connection. In view of the current development (preparatory) phase of the project and the resulting need to obtain, without limitation, further approvals and permits, the final attainable capacity for this project may be reduced. The main condition precedent to the agreement was that Polenergia S.A. obtain approval for a Foreign Direct Investment (FDI). The outside deadline for the fulfillment of the conditions precedent was agreed at 31 December 2023. The consideration for the shares amounted to EUR 3.5 million (with possible adjustment for the net debt mechanism). With the conclusion of the agreement, Polenergia S.A. provided a loan to Naxxar Wind Farm Four Srl of EUR 1,050 thousand thus providing financing for the acquisition of new shares in the SPVs and bringing the Company's ownership in each of the SPVs to ca. 14%. Such loan was secured by a pledge on all shares held by the seller (Naxxar Renewable Energy Management Holding Srl) in Naxxar Wind Farm Four Srl. Upon fulfillment of the conditions precedent, with the acquisition of the shares, Polenergia S.A. was to provide Naxxar Wind Farm Four Srl with further financing (in the form of a loan or through a share capital increase), i.e.: (i) EUR 1.5 million to provide financing for the acquisition of new shares in the SPVs, thereby bringing the company's ownership in each SPV to 20%; (ii) EUR 723 thousand to repay the loans granted to Naxxar Wind Farm Four Srl by the seller of the shares, Naxxar Renewable Energy Management Holding Srl; and (iii) up to EUR 3,776 thousand to provide financing for further development of the project, with possible increase of such amount to be made available under the financing. The agreement provides for the right of Polenergia S.A. to acquire the remaining 40% of shares in the company commencing 1 July 2024 and ending 31 December 2024 (call option). If Polenergia S.A. fails to exercise this right, the Agreement stipulates that the seller will be entitled to sell the remaining 40% Company to Polenergia S.A. between 1 January 2025 and 30 June 2025 (put option). The consideration for the remaining shares in the company will depend on the project's achievement of certain milestones, with a maximum price depending on the final capacity of the project (and its structure) of up to EUR 36,383 thousand (i.e., ca. EUR 53 thousand/MW of the final capacity of the project which may reach up to 685.6 MW). The framework shareholders' agreement executed at the level of the SPVs (to which Company Naxxar Wind Farm Four Srl is a party) stipulates that once the project reaches a certain milestone, this condition being reserved in favor of company, the company shall have the right to buy out the remaining 80% of the shares in the SPVs thus becoming their sole shareholder. Accordingly, the maximum price for the buyout of 80% of the shares in the seven SPVs may amount to EUR 37,679 thousand (i.e.,ca. EUR 55 thousand /MW of the final project capacity which may reach 685.6 MW). In order to secure Polenergia S.A.'s payments to the seller provided for in the agreement on account of the acquired shares and the remaining shares in the company, Polenergia S.A. established a pledge in favor of the seller on all the shares held by Polenergia S.A. in the company. The agreement provides, without limitation, for a contractual penalty in favor of Polenergia S.A. in case the seller (or its affiliates) develops activities that are competitive to the project. Other terms of the agreement are no different from the market standards used in transactions of this type. On 7 December 2023, upon fulfillment of the conditions precedent, the Management Board of Polenergia S.A. informed about closing the transaction involving acquisition of a 60% stake in Naxxar Wind Farm Four Srl with registered office in Bucharest from Naxxar Renewable Energy Management Holding Srl with registered office in Bucharest in performance of a provisional share purchase agreement entered into on 5 October 2023. Title to the shares was transferred on 7 December 2023, in accordance with the terms of the agreement. The closing of the transaction took place in view of the fulfillment (and partial waiver by Polenergia S.A.) of the conditions precedent to the agreement, including the obtaining by Polenergia S.A. of a Foreign Direct Investment (FDI) approval, which was issued on 29 November 2023. With the closing of the transaction, Polenergia S.A. provided the company with loans in the amounts of: (i) EUR 1.5 million to provide financing for the acquisition of new shares in the SPVs, thereby bringing the company's ownership in each SPV to 20%; (ii) EUR 723 thousand to repay the loans granted to the company by the seller; and (iii) up to EUR 3,776 thousand to provide the company with financing for further development of the project.

(PLN k)

The date of assuming control is 7 December 2023

As of the date of assuming control over the company Naxxar Wind Farm Four Srl, the SPVs share purchase price was allocated at fair value in the amount of PLN 29,541 thousand and recognized under financial assets measured by the equity method.

17. Long term financial assets

	31.12.2023	31.12.2022
- share or stock in non-listed companies	2 495	2 069
- futures contracts *)	13 486	140 575
- derivative instruments **)	99 810	182 321
Total long term financial assets	**115 791**	**324 965**

*) measured at fair value through profit or loss

**) measured at fair value through other comprehensive income

18. Financial assets measured using the equity method

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

(PLN k)

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

	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Open balance as at 1 January	**152 798**	**162 612**	**78 683**	**394 093**
Capital contributions	152 000	173 000	65 100	**390 100**
Closing balance as at 31 December	**304 798**	**335 612**	**143 783**	**784 193**

As at 31 December 2023 and as at 31 December 2022 net assets of the subsidiaries (MFW Bałtyk II Sp. z o. o., MFW Bałtyk III Sp. z o. o., MFW Bałtyk I S.A.) comprised:

On 7 December 2023, the company Naxxar Wind Farm Four Sarl was acquired, which owns 20% of the shares in special purpose vehicles, described in more detail in Note 16, which are included in these consolidated financial statements in the amount of PLN 29,541 thousand under financial assets measured by equity method,

31.12.2023	MFW Bałtyk III Sp. z o.o.	MFW Bałtyk II Sp. z o.o.	MFW Bałtyk I S.A.	Total
Non-current fixed assets - capital expenditure for wind farm under construction	454 677	496 658	230 747	**1 182 082**
Other receivables	11 114	11 727	13 230	**36 071**
Cash	127 382	138 801	54 918	**321 101**
Liabilities	(40 096)	(44 120)	(10 105)	**(94 321)**
Accruals	(1 185)	(1 183)	(20)	**(2 388)**
Total net assets	**551 892**	**601 883**	**288 770**	**1 442 545**

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

The subsidiaries (MFW Bałtyk II sp. z o. o., MFW Bałtyk III sp. z o. o., MFW Bałtyk I S.A.) in the year ended on 31 December 2023 carried out no operating business, hence they generated no substantial profits/losses and, as a result, they had no impact on the measurement of the shares using the equity method.

19. Long term receivables

	31.12.2023	31.12.2022
- receivables from other entities	1 992	1 987
- other receivables	1 992	1 987
Net long term receivables	**1 992**	**1 987**

(PLN k)

20. Inventories

	31.12.2023	31.12.2022
- materials and merchandise	57 287	68 041
- certificates of origin	31 848	37 360
- property rights	69	37
- prepayments for deliveries	1 010	6 185
Total net inventories	**90 214**	**111 623**
- inventory remeasured write-downs	702	395
Total gross inventories	**90 916**	**112 018**

21. Short term receivables

	31.12.2023	31.12.2022
- trade receivables	279 765	360 804
- from related entities	20 195	41 762
- from other entities	259 570	319 042
- income tax receivable	5 511	9 338
- other receivables	292 415	100 214
- budget payments receivable	14 311	46 617
- other	278 104	53 597
Total net short-term receivables	**577 691**	**470 356**
- receivables remeasured write-downs	30 098	18 917
Total gross short-term receivables	**607 789**	**489 273**

Trade receivables belong to the category of financial instruments defined in IFRS 9 as financial assets measured at amortized cost. Other receivables include assets outside IFRS 9.

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

As at 31 December 2023 estimates of credit losses on trade receivables deemed uncollectible increased up to PLN 30,098 thousand compared to PLN 18,917 thousand as at 31 December 2022.

The main reason for such increase was the recognition of credit losses on receivables that are the subject of litigation with Jeronimo Martins Polska S.A., described in more detail in Note 33. Based on the legal opinions, the Management Board maintains the position that the lawsuit will be resolved favorably for the Group and the estimated write-down is an assessment of the risks associated with a lengthy litigation process and an assessment of the counterparty's insolvency.

In addition, a significant portion of the credit losses is related to the Decision of the URE President of 31 August 2021 concerning the subsidiary Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o. by virtue of which the President determined the amount of the final adjustment of stranded costs compensation in view of the end of the adjustment period, in the amount of PLN 3,758 thousand. On 4 October 2021, this decision was appealed against before the Court of Competition and Consumer Protection. The value of the dispute is PLN 13,214 thousand, for which the subsidiary established an allowance

(PLN k)

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

	Total	Step 2	Step 3
Gross value as at 1.1.2023	379 721	317 035	62 686
Arisen	246 998	246 998	-
Paid	(316 856)	(317 359)	504
Gross value as at 31.12.2023	309 863	246 674	63 190

The table below shows the amounts of the default and the calculation of expected credit losses as at 31 December 2023 and as at 31 December 2022.

		Receivables from individual customers			
	Total	Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2023	4 185	798	798	325	2 264
Expected credit losses	5 543	-	-	-	5 543
31.12.2022	60 580	54 769	939	239	4 633
Expected credit losses	4 291	-	-	-	4 291

		Receivables from corporate customers			
	Total	Current 0-30 days	30-60 days	60-90 days	>90 days
31.12.2023	275 580	244 262	116	375	30 827
Expected credit losses	24 578	13 214	-	-	11 364
31.12.2022	300 224	260 893	230	- 35	39 136
Expected credit losses	14 627	13 214	-	-	1 413

22. Short term prepaid expenses

	31.12.2023	31.12.2022
- insurance	7 549	6 269
- subscriptions	36	2
- maintenance	1 665	1 741
- real estate tax, perpetual usufruct charges, lease payments	4	3
- accrued revenue	3 557	2 148
- accrued commissions	8	7
- other	3 475	2 503
Total prepayments and accrued income	**16 294**	**12 673**

(PLN k)

23. Short term financial assets

	31.12.2023	31.12.2022
- derivative instruments *)	35 516	51 321
- loans given	71	194
- futures and forward contracts measurement **)	170 537	785 989
Total short term financial assets	**206 124**	**837 504**

*) measured at fair value through other comprehensive income
**) measured at fair value through profit or loss

24. Fair values of assets and liabilities

Futures and forward contracts measured at fair value through profit or loss

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

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

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

Level 2: Fair value is determined on the basis of other directly or indirectly observable data (in the case of products for a duration of less than one month - the determination of the price is made mainly through the granularity of the monthly product quotes based on historical data of the month's structure). As similar contracts are traded in an active market, the prices reflect results of actual transactions in similar derivative instruments. The fair value of loans is determined at amortized cost i.e. the discounted cash flow analysis at the assumed effective interest rate as a discount rate.

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

	For 12 months ended	
	31.12.2023	31.12.2022
Result of measurement of derivatives	(33 884)	(32 650)

Financial instrument category

	31.12.2023	Total
	Level 2	**Total**
Short term assets	170 537	170 537
Long term assets	13 486	13 486
Total	**184 023**	**184 023**
	Level 2	**Total**
Short term liabilities	170 687	170 687
Long term liabilities	5 681	5 681
Total	**176 368**	**176 368**
Net fair value	**7 655**	**7 655**

Impact on profit/loss	31.12.2023	31.12.2022
Market price increase by 1%	(66)	(10)
Market price decrease by 1%	66	10

The measurement of the fair value of speculative forward contracts, i.e. ones with an open position, amounted to PLN -7 thousand as at the reporting date.

Derivatives measured at fair value through profit or loss

In addition, the Group entered into derivative transactions to hedge foreign currency risk, the measurement of which was recognized directly through profit or loss.

Polenergia S.A. hedged the currency risk on the funds received from the share issue that will be used to contribute equity to the offshore wind farm projects which incur a significant portion of their expenses in euros. To hedge the aforementioned risk, the company bought a foreign currency option to purchase EUR 82,000 thousand with the execution price of 4.3350. The purchase cost of the option was PLN 4,420 thousand, and its value as at 31 December 2023 was PLN 3,545 thousand.

Polenergia Obrót S.A. entered into transactions hedging future cash flows from gas and energy purchase contracts denominated in euros. The total volume of transactions amounted to EUR 1,785 thousand, and the value of these transactions as at 31.12.2023 was PLN -257 thousand.

Cash flow hedges (in EUR thousand)

Maturity date of hedging instrument	Hedged value	Exchange rate hedged	Instrument
2024.Q1	1 530	4,5717	Forward
2024 Q1	82 000	4,3350	Currency option
2024.Q2	255	4,3590	Forward
Total	**83 785 EUR**		

Derivatives measured at fair value through other comprehensive income

As at 31 December 2023, the Group recognized PLN -95,303 thousand (2022: PLN 65,456 thousand) in other comprehensive income being a component of equity, on account of the effective portion of the hedging instrument’s fair value.

(PLN k)

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

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

Hedge accounting seeks to eliminate the risk of an accounting mismatch between the time when gains or losses on a hedging instrument and those on the hedged item are recognized.
As at 31 December 2023, the Group held the following hedging instruments for hedge accounting purposes.

Interest rate risk hedges

Maturity date of hedging instrument	Hedged value	Interest rate hedged	Instrument
10.06.2024	315	1,25%	IRS
10.09.2024	3 942	1,25%	IRS
29.09.2025	25 573	0,52%	IRS
29.06.2026	16 432	0,56%	IRS
15.12.2027	89 175	0,75%	IRS
29.03.2028	110 774	0,79%	IRS
18.12.2028	55 680	5,19%	IRS
22.12.2031	7 723	2,60%	IRS
21.06.2033	7 890	5,67%	IRS
12.12.2033	24 830	6,71%	IRS
12.12.2033	24 830	6,71%	IRS
13.03.2034	138 510	6,65%	IRS
30.06.2034	11 561	0,89%	IRS
11.06.2035	135 239	1,10%	IRS
10.09.2035	402 462	1,20%	IRS
31.12.2035	17 005	2,39%	IRS
11.03.2036	102 778	2,22%	IRS
Total	**1 174 719**		

Fair values of other financial assets and liabilities

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

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

(PLN k)

	Category	Carrying amount		Fair Value	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
Financial assets					
Futures and forward contracts	Level 2	184 023	926 564	184 023	926 564
Derivative instruments	Level 2	135 326	233 642	135 326	233 642
Financial liabilities					
Bank loans	n/a	1 532 141	1 509 442	1 532 141	1 509 442
Derivative instruments	Level 2	29 083	9 375	29 083	9 375
Futures and forward contracts	Level 2	176 368	888 083	176 368	888 083

	Category	Carrying amount		Fair value	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022

25. Cash and equivalent

	31.12.2023	31.12.2022
Cash and equivalent	1 410 763	868 692
- cash at hand and in bank	1 410 763	868 692
Total cash and equivalent	**1 410 763**	**868 692**

For more information on restricted cash of PLN 100,348 thousand, see Note 41 (2022: PLN 139,486 thousand).

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

The Group applies a three-level model (referred to in more detail in Note 8.17) with respect to cash, however, in the opinion of the Management Board, such allowance is immaterial, because the Company avails itself of reputable financial institutions only.

Cash and equivalent belong to the category of financial instruments defined in IFRS 9 as financial assets measured at amortized cost.

(PLN k)

26. Share capital and statutory reserve funds/capital reserves

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

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

No	Shareholder	Number of shares held	Number of votes	Shareholding
1	Mansa Investments Sp. z o.o. *)	33 079 625	33 079 625	42,84%
2	BIF IV Europe Holdings Limited	24 738 738	24 738 738	32,04%
3	Allianz Polska OFE	6 045 142	6 045 142	7,83%
4	Nationale-Nederlanden OFE	4 571 602	4 571 602	5,92%
5	Other	8 783 806	8 783 806	11,38%
	Total	**77 218 913**	**77 218 913**	**100%**

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

On 3 April 2023, the Issuer's Extraordinary General Meeting of Shareholders passed a resolution to increase the Issuer's share capital through the issuance of new ordinary bearer shares with pre-emptive rights, a public offering of new issue shares, determining 14 September 2023 as the day of pre-emptive rights to new issue shares, dematerialization and applying for admission and introduction of pre-emptive rights, rights to shares and new issue shares to trading on the regulated market operated by the Warsaw Stock Exchange, and amending the Issuer's Statutes, as well as authorizing the Supervisory Board to determine the consolidated text of the Issuer's Statutes (the "Resolution of the General Meeting").

Pursuant to the Resolution of the General Meeting and the Company's prospectus approved by the Financial Supervision Authority on 11 September, the Company performed an issue and public offering of 10,416,667 AB series common bearer shares of the Company (the "New Shares"). In connection with the subscriptions for New Shares submitted by investors between 21 September and 28 September 2023, investors subscribed for, and the Company's Management Board allotted, all of the New Shares offered (i.e., 10,416,667 New Shares). The New Shares were offered at an issue price of PLN 72.00, and the total net proceeds from the issuance of the New Shares (i.e. excluding the issue costs incurred by the Company) will amount to PLN 750,000,024.

The amendment to the Company's Statutes and the increase in the Company's share capital by the registration court was registered on 6 November 2023. Following such registration the share capital of the Company amounts to PLN 154,437,826 divided into 77,218,913 shares of the par value of PLN 2.00 each.

Undistributed profit and limitations on dividend distributions

Under the Polish Commercial Companies Code, the parent is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the standalone financial statements of the parent should be contributed to the statutory reserve fund, until the fund reaches at least one-third of the parent's share capital. While it is the General Meeting that resolves how to spend such statutory reserve funds and capital reserves, part of statutory reserve funds equal to one-third of the share capital i.e. PLN 51,479 thousand, may only be spent to cover the loss disclosed in the standalone financial statements and may not be distributed for any other purpose.

Dividends distributed and proposed

No dividend was distributed by the parent in the 12-month period ended on 31 December 2023. No dividend is intended to be distributed by the parent in 2024.

(PLN k)

27. Income tax

	For 12 months ended 31.12.2023	For 12 months ended 31.12.2022
Current income tax	73 518	65 834
Current income tax charge	71 944	65 739
Adjustments to prior years current income tax	1 574	95
Deferred income tax	(6 801)	(25 483)
Related to temporary differences and their reversal	(6 801)	(25 483)
Income tax charged to the profit and loss account	66 717	40 351

	Balance sheet	Profit and loss account	Capital	Balance sheet
Deferred income tax	**01.01.2023**			**31.12.2023**
Deferred income tax provision				
Tangible fixed assets	98 296	35 921	-	134 217
Intangible assets	8	-	-	8
Receivables	47 359	327	(18 646)	29 040
Cash	68	(4)	-	64
Loans and borrowings	7 742	(5 322)	-	2 420
Liabilities	(2 629)	(1 167)	-	(3 796)
Other	156	(6 069)	-	(5 913)
Inventories	11 929	1 173	-	13 102
Deferred income tax provision before tax	**162 929**	**24 859**	**(18 646)**	**169 142**
Compensation				**(71 444)**
Deferred income tax provision				**97 698**
Deferred income tax assets				
Tangible fixed assets	2 075	(835)	-	1 240
Inventories	331	(235)	-	96
Receivables	6 094	1 494	-	7 588
Borrowings	3 793	(469)	-	3 324
Liabilities	22 567	13 264	4 282	40 113
Provisions	21 914	15 415	-	37 329
Retained assets	5 849	4 604	-	10 453
Prepayments	9 239	(1 580)	-	7 659
Financial assets	25	2	-	27
Deferred income tax asset	**71 887**	**31 660**	**4 282**	**107 829**
Compensation				**(71 444)**
Deferred income tax assets				**36 385**
Deferred income tax expense		**(6 801)**		
Net deferred tax (assets)/provision	**91 042**		**(22 928)**	**61 313**

(PLN k)

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

EFFECTIVE TAX RATE

	For 12 months ended	
	31.12.2023	31.12.2022
Income tax charged to the profit and loss account, including	**66 717**	**40 351**
Current tax	73 518	65 834
Deferred tax	(6 801)	(25 483)
Profit (Loss) before tax	**330 304**	**200 269**
Tax on gross profit at effective tax rate of 19%	62 758	38 051
Adjustments to prior years current income tax	392	(40)
Adjustments to prior years differed income tax	(112)	5
Non-deductible costs:	**4 098**	**2 389**
- permanent differences	1 122	2 596
- temporary difference on which no tax asset/provision is established	2 976	(207)
Non-taxable income:	**(419)**	**(54)**
- other	(419)	(54)
Income tax in the profit and loss account	**66 717**	**40 351**

28. Provisions

	31.12.2023	31.12.2022
Long term provisions		
- pension plan and related provision	2 415	2 259
- dismantling cost	93 983	-
- litigation provision	21 139	21 139
Total long term provisions	**117 537**	**23 398**
Short term provisions		
- pension plan and related provision	634	69
- accrued holiday leave provision	7 067	5 394
- other provisions	302	791
Total short term provisions	**8 003**	**6 254**

Change in long term and short term provisions

	31.12.2023	31.12.2022
Provisions at beginning of the period	**29 652**	**27 027**
- recognition of provisions	96 883	4 611
- reversal of provisions	(739)	(1 986)
- application provisions	(256)	-
Provisions at end of the period	**125 540**	**29 652**

In the year ended 31 December 2023, a provision for reclamation, was recognized, i.e., for the costs of dismantling fixed assets and land reclamation related to wind farms and photovoltaic farms. With the significant increase in generating capacity in the period under review, it was decided to perform an expert valuation of reclamation work under the assumption of complete demolition of the farm and reinstating the site to its original condition. A discount of 5.46% was used for valuation purposes.

In the year ended 31 December 2022, such provision was estimated based on the market "benchmarks." The provision for reclamation in the financial statements of other entities with wind and solar generating assets ranks, on average, between 0.75% and 1.25% of gross value of tangible assets. A provision estimated this way would represent an insignificant amount for the Polenergia Group, hence it was practiced not to recognize it in the consolidated financial statements until 2022.

The long-term provision for litigation originates from the prudent approach to the case vs. Eolos Poland Sp. z o.o. described in more detail in Note 33.

(PLN k)

29. Bank loans and other borrowing liabilities

31.12.2023

Bank	Company	Long term liability	Short term liability	Interest rate	Maturity	Security
Deutsche Bank Polska S.A.	Polenergia Obrót S.A.	-	45 978	WIBOR 1M + margin	18.01.2024	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
PEKAO SA	Polenergia Obrót S.A.	-	52 868	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	92 012	6 336	WIBOR 3M + margin	20.11.2029	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement (the highest security amount of PLN 315 345 thousand each)
Syndicate of banks ('mBank S.A., PKO BP S.A. Santander Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	35 259	5 065	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o o.'s claims to Lender's claims, statement of voluntary submission to enforcement
Syndicate of banks ('mBank S.A., PKO BP S.A. Santander Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	16 082	3 565	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of voluntary submission to enforcement

(PLN k)

European Bank for Reconstruction and Development	Polenergia Farma Wiatrowa 1 Sp. z o.o.	47 509	9 653	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement
Syndicate of banks (EBRD, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	85 157	17 471	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement
European Bank for Reconstruction and Development	Polenergia Farma Wiatrowa 6 Sp. z o.o.	25 783	5 291	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement
Syndicate of banks (EBRD, BOŚ S.A., Bank of China, ALIOR BANK S.A.)	Polenergia Farma Wiatrowa Mycielin Sp. z o.o.	77 746	18 294	WIBOR 3M + margin	15.09.2029	Registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	11 254	916	WIBOR 3M + margin	30.06.2034	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of voluntary submission to enforcement, subordination agreement, sponsor completion guarantee
ING Bank Śląski S.A.	Polenergia Farma Wiatrowa 17 Sp. z o.o.	17 191	358	WIBOR 3M + margin	30.06.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, powers of attorney over bank accounts, statement of voluntary submission to enforcement, subordination agreement, sponsor completion guarantee
Syndicate of banks (MBANK, ING BANK Śląski, EBRD)	Polenergia Farma Wiatrowa Szymankowo Sp. z o.o.	136 309	8 365	WIBOR 3M + margin	10.09.2036	Registered pledge over assets, registered pledge over accounts, registered pledge over shares, assignment of claims under project contracts and insurance policies, statement of voluntary submission to enforcement, subordination agreement, support agreement, direct agreement

(PLN k)

mBank S.A.	DIPOL Sp. z o.o.	1 688	2 327	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
mBank S.A.	Polenergia Farma Wiatrowa 23 Sp. z o.o.	-	301	WIBOR 1M + margin	26.02.2027	'Registered pledge over accounts, power of attorney, registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution
Syndicate of banks (mBank S.A., ING Bank Śląski S.A., Santander Bank Polska S.A.)	Polenergia Farma Wiatrowa 3 Sp. z o.o.	401 345	22 650	WIBOR 3M + margin	10.06.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, mortgage, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	108 079	5 599	WIBOR 3M + margin	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	7 964	49	WIBOR 3M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergia Farma Fotowoltaiczna 9 Sp. z o.o.	8 268	61	WIBOR 6M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
Syndicate of banks (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	133 893	1 399	WIBOR 3M + margin	11.12.2038	Mortgage over real property, registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents

(PLN k)

Syndicate of banks (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	-	2 822	WIBOR 1M + margin	30.07.2024	Mortgage over real property, registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	26 356	423	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	25 833	417	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Syndicate of banks (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Obrót 2 Sp. z o.o.	-	63	WIBOR 6M + margin	16.12.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents, Polenergia S.A. guarantee agreement for a Hedging Agreement
Syndicate of banks (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Obrót 2 Sp. z o.o.	63 069	1 073	WIBOR 1M + margin	31.05.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents, Polenergia S.A. guarantee agreement for a Hedging Agreement

(PLN k)

Syndicate of banks (Santander Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia S.A.	-	-	WIBOR 6M + margin	05.06.2026	Registered pledge over accounts, power of attorney, submissions to execution
Total		**1 320 797**	**211 344**			

31.12.2022

Bank	Company	Long term liability	Short term liability	Interest rate	Maturity	Security
ING Bank Śląski S.A.	Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.	-	7 521	WIBOR 1W / 1M + margin	31.07.2023	Registered pledge over bank accounts (the highest security amount of 75 000 K zl), assignment of claims over project documents, statement of voluntary submission to enforcement
Deutsche Bank Polska S.A.	Polenergia Obrót S.A.	-	-	WIBOR 1M + margin	09.11.2023	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
PEKAO SA	Polenergia Obrót S.A.	-	70 930	WIBOR 1M + margin	09.11.2022	Assignment of claims under sale agreements, powers of attorney over bank accounts, statement of voluntary submission to enforcement, loan surety and statement of voluntary submission to enforcement by Polenergia S.A.
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	78 779	5 896	WIBOR 3M + margin	20.11.2029	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement (the highest security amount of 315 345 K zl each)
ING Bank Śląski S.A.	Polenergia Dystrybucja Sp. z o.o.	-	55	WIBOR 1M + margin	30.11.2022	Pledge over assets, pledge over Borrower's shares, statement of voluntary submission to enforcement

(PLN k)

Syndicate of banks ('mBank S.A., PKO BP S.A. Santander Bank Polska S.A., DNB Bank Polska S.A.)	Amon Sp. z o.o.	54 309	3 948	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Talia Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Talia Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Talia Sp. z o.o., subordination of Polenergia S.A. 's claims and Talia Sp.z.o.'s claims to Lender's claims, statement of voluntary submission to enforcement
Syndicate of banks ('mBank S.A., PKO BP S.A. Santander Bank Polska S.A., DNB Bank Polska S.A.)	Talia Sp. z o.o.	29 383	2 769	WIBOR 3M + margin	31.12.2026	Registered pledge over assets, pledge over shares of the Borrower and Amon Sp. z o.o., assignment of claims (under project contracts, lease contracts, maintenance contract), financial and registered pledge on receivables on bank accounts and powers of attorney for such accounts, contract for transfer of the right to funds on Agent's Account, surety issued by Polenergia S.A. (jointly with Amon Sp. z o.o.), up to PLN 6,700 thousand, mutual surety issued by Amon Sp. z o.o., subordination of Polenergia S.A. 's claims and Amon Sp. z o.o. 's claims to Lender's claims, statement of voluntary submission to enforcement
European Bank for Reconstruction and Development	Polenergia Farma Wiatrowa 1 Sp. z o.o.	57 133	7 607	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement
Syndicate of banks (EBRD, BOŚ S.A.)	Polenergia Farma Wiatrowa 4 Sp. z o.o.	102 576	13 841	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement
European Bank for Reconstruction and Development	Polenergia Farma Wiatrowa 6 Sp. z o.o.	31 058	4 196	WIBOR 3M + margin	29.12.2032	Mortgage over real property, registered pledge over assets, pledge over Borrowers' shares, assignment of claims under project contracts, equity contribution agreement and sponsors' support agreement, subordination of equity contribution agreement, statement of voluntary submission to enforcement

(PLN k)

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

(PLN k)

Santander Bank Polska S.A.)						subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	112 838	5 674	WIBOR 3M + margin	01.09.2037	Registered pledge over accounts, Registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.	-	762	WIBOR 1M + margin	30.06.2023	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	10 360	637	WIBOR 3M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergia Farma Wiatrowa Rudniki Sp. z o.o.	-	246	WIBOR 1M + margin	31.01.2023	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, support agreement, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
mBank S.A.	Polenergia Farma Fotowoltaiczna 9 Sp. z o.o.	-	-	WIBOR 1M + margin	21.12.2037	Registered pledge over accounts, Registered pledge over assets, assignment of claims under project contracts and insurance policies, registered pledge over shares, direct agreements, power of attorney to file settlement documents, statement of voluntary submission to enforcement
Syndicate of banks (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	68 552	147	WIBOR 3M + margin	11.12.2038	Mortgage over real property, registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents

(PLN k)

Syndicate of banks (mBank S.A., Powszechna Kasa Oszczędności Bank Polska S.A., Bank Polska Kasa Opieki S.A.)	Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	-	31 134	WIBOR 1M + margin	30.07.2024	Mortgage over real property, registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	20 619	139	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa Piekło Sp. z o.o.	-	5 500	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	15 410	104	WIBOR 3M + margin	11.11.2038	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
mBank S.A.	Polenergia Farma Wiatrowa 16 Sp. z o.o.	-	4 775	WIBOR 1M + margin	30.04.2024	Registered pledge over accounts, registered pledge over assets, debt assumption agreement, assignment of claims under project contracts and insurance policies, registered pledge over shares, subordination agreement, submissions to execution, support agreement, direct agreement, power of attorney to file settlement documents
Total		**1 292 699**	**216 743**			

(PLN k)

30. Trade payables and other payables

SHORT TERM LIABILITIES

	31.12.2023	31.12.2022
- bank loans and borrowings	211 344	216 743
- trade payables	108 675	171 983
- from related entities	989	2 076
- from other entities	107 686	169 907
- income tax payable	8 001	9 600
- lease liabilities	27 611	22 871
- futures and forward contracts measurement	170 687	747 321
- other liabilities	302 042	64 744
- budget payments receivable	32 018	15 349
- prepayments for deliveries	239 764	39 599
- price difference payment fund	22 328	-
- payroll payable	3 571	3 431
- special funds	99	39
- for risk hedging	2 030	1 037
- LTC settlement	-	11
- other	2 232	5 278
Total short term liabilities	**828 360**	**1 233 262**

OTHER LONG TERM LIABILITIES

	31.12.2023	31.12.2022
- price difference payment fund	22 080	-
- risk hedging	27 053	8 338
- investment liabilities	1 500	1 500
Total other long term liabilities	**50 633**	**9 838**

Bank loans and borrowings and trade liabilities belong to the category of financial instruments defined in IFRS 9 as financial liabilities measured at amortized cost. Forward contract measurement liabilities belong to the category of financial instruments defined in IFRS 9 as financial liabilities measured at fair value through profit or loss.

Other liabilities include payables outside IFRS 9.

31. Accruals

	31.12.2023	31.12.2022
Long term accruals and deferred income		
- deferred income - grants	40 343	40 512
Total long term accruals and deferred income	**40 343**	**40 512**

Short term accruals and deferred income

(PLN k)

	31.12.2023	31.12.2022
- future bonuses, salaries and wages	32 143	22 746
- third party services	9 257	5 393
- deferred income - grants	3 193	3 191
- settlement of the substitution fee	21 769	57 894
- capex for non-current fixed assets	1 060	38 060
- deferred income	-	8 310
- other	346	4 418
Total short term accruals and deferred income	**67 768**	**140 012**

32. Contingent liabilities

Guarantees and sureties granted

On 30 January 2023, the Company issued guarantees to secure obligations under the contract entered into by MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. with Hitachi Energy Poland Sp. z o.o. in the amounts of EUR 9,500 thousand and EUR 8,550 thousand, respectively. As at 31 December 2023, measurement applied to the fair value of the guarantees which amounted to PLN 208.6 thousand and PLN 181.3 thousand, respectively.

On 29 May 2023, the Company issued guarantees to secure obligations under the contract entered into by MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. with SIF NETHERLANDS B.V. in the amounts of EUR 17,000 thousand and EUR 21,000 thousand, respectively. As at 31 December 2023, measurement applied to the fair value of the guarantees which amounted to PLN 208.6 thousand and PLN 181.3 thousand, respectively.

On 3 November 2023, the Company issued guarantees to secure obligations under the contract entered into by MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. with Jan De Nul & Hellenic Cables S.A. in the amounts of EUR 17,127.6 thousand and EUR 18,454,9 thousand, respectively. As at 31 December 2023, measurement applied to the fair value of the guarantees which amounted to PLN 375.9 thousand and PLN 405 thousand, respectively.

Contractual obligations under material contracts

Execution of an annex to the agreement on multi-purpose credit limit

On 18 January 2023 a subsidiary of Polenergia S.A. – Polenergia Obrót S.A. entered into an annex with Deutsche Bank Polska S.A. with registered office in Warsaw to the multi-purpose facility agreement dated 10 November 2021. The annex provides for an increase of the credit limit to a total of PLN 200 million, under which an overdraft limit and a guarantee limit have been made available. The Annex was entered into for a specific term of 12 months, subject to extension for further credit periods. In view of the above, Polenergia S.A. increased its surety up to the total of PLN 100 million. Originally, the facility agreement provided for a PLN 100 million multi-purpose loan to Polenergia Obrót S.A., with the surety by Polenergia S.A. of PLN 30 million.

Execution of a material agreement - delivery of modules for the Strzelino Photovoltaic Farm project

On 9 February 2023, a subsidiary of Polenergia S.A. - Polenergia Obrót 2 sp. z o.o., developing the Strzelino photovoltaic farm project with a total installed capacity of 45.2 MWp, entered into a contract with JINKO SOLAR (CHUZHOU) CO., LTD. for the delivery of the PV modules for the project. The contract covers the sale of the PV modules manufactured by the supplier in the quantity required for the project. The terms of the contract do not deviate from standard arm's length contracts of this type. Contractual provisions relate in particular to: the obligations of the parties, remuneration and payment rules, liability, including its limitation, guarantees for the removal of defects and faults in the delivered modules. The contract does not include the supply of inverters. The contract value is ca. EUR 10 million.

Execution of reservation agreements by project companies implementing offshore wind farm construction projects with the supplier of monopile foundations

On 20 April 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. in which Polenergia S.A. holds 50% of shares, developing - as part of a joint venture between Polenergia S.A. and Equinor Wind Power AS - projects for the construction of two offshore wind farms, i.e. MFW Bałtyk II and MFW Bałtyk III, signed agreements (separate for each project company) with SIF Netherlands B.V. for the appointment of a preferred supplier and the reservation of capacity for the production of monopile foundations for wind turbines in each of the Projects. The reservation agreements provided for the supplier's commitment to reserve production capacity permitting production of monopiles in quantities and by deadlines consistent with the current project assumptions. At the same time, the parties agreed to negotiate in good faith contracts for the production of monopiles for the projects based on the quotation received from the supplier for the production of 90 monopiles. The contract price, agreed on the basis of the supplier's offer, for the final contracts covering 90 monopiles was ca. EUR 161.4 million for MFW Bałtyk II and ca. EUR 196.1 million for MFW Bałtyk III. The final contract price will depend, in particular on the price of steel, the final design assumptions, including the number of monopiles, the final determination of variable rates and indexation. Following the signing of the reservation agreements, the parties have continued discussions aimed at reaching agreement on the ultimate terms of the final contracts. On 29 September 2023, the project companies entered into an annex to both agreements, changing the assumed date for signing the contracts for the production of monopiles for the projects. In view of the change in the final date, Polenergia S.A. S.A. issued New PCGs for the obligations of the companies to pay 50% of the cancellation fees, in accordance with the cancellation fee increase mechanism provided for in the reservation agreements. The maximum total amount of Polenergia S.A.'s liability under the guarantees for the two projects combined is ca. EUR 38 million. Based on subsequent annexes to said agreements executed on 12 January 2024, the new final date was agreed to be 16 February 2024. On that very date, in view of the execution of final contracts for the production of 100 monopiles, the reservation agreements expired.

Execution of a facilities agreement for the Strzelino Photovoltaic Farm project

On 18 May 2023, a subsidiary of Polenergia S.A. - Polenergia Obrót 2 sp. z o.o. developing the Strzelino photovoltaic farm project with a total installed capacity of 45.2 MWp, as borrower and mBank S.A., Pekao S.A. and PKO Bank Polski S.A., as lenders, entered into the facilities agreement. Pursuant to the facilities agreement, the lenders provided the borrower with: (i) a term loan of up to a total of PLN 90 million to finance the construction of the Strzelino PV farm, with an option to increase the lenders' exposure (upon fulfillment of additional conditions set forth in the facilities agreement),

(ii) a VAT loan up to a maximum total of PLN 27 million, and (iii) a DSR loan up to a maximum total of PLN 9.8 million. In connection with the facilities agreement, the borrower and Polenergia S.A. are obligated to provide a standard security package applied in project finance transactions. The borrower filed, among others, a statement of submission to collection and established a registered pledge on a set of movables and rights, while Polenergia S.A. established a registered and financial pledge on the borrower' s shares and filed statements of submission to collection. The Facilities Agreement provides for repayment of the term loan no later than 16 December 2038, the VAT loan no later than 31 May 2024, and the DSR loan no later than 16 December 2038. The interest rate on the loans is based on the WIBOR reference rate, plus the lenders' margin. The terms and conditions of the Facilities Agreement, including those relating to collateral, liquidated damages, mobilizing the financing and terminating the Facilities Agreement, are in line with those applied in this type of transaction.

Execution of a loan agreement by the Company

On 5 June 2023, Polenergia S.A. entered into revolving credit facility agreement with Santander Bank Polska S.A. and Bank Polska Kasa Opieki S.A. up to PLN 300 million, for a term of three years (with an option to extend for another two years). The credit will be used for purposes in line with the Polenergia Group's Strategy 2020 - 2024. The contractual provisions do not deviate from arm's length conditions commonly applied in this type of agreement. In connection with the loan agreement, Polenergia S.A. has filed, among others, statements of submission to collection in favor of each of the abovementioned lenders and established registered and financial pledges on its bank accounts.

Execution of a cooperation agreement, a supply agreement and a service agreement for electrolyzer for the H2HUB Nowa Sarzyna project

On 7 June in the subsidiary of Polenergia S.A. - Polenergia H2HUB Nowa Sarzyna sp. z o.o., which is developing the H2HUB Nowa Sarzyna project entered into an agreement with Hystar AS, with head office in Høvik, Norway for:
(i) the supply and commissioning of a 5 MW electrolyzer (the agreement is scheduled for performance in Q3 2024), (ii) a long-term electrolyzer servicing agreement (the agreement covers the provision of maintenance services for the abovementioned electrolyzer during the period of 2 years following the go-live (with an option to extend for the total of 10 years), including the scheduled inspections, repairs, supply of maintenance items and spare parts, remote oversight and other related activities; Hystar AS also guarantees the appropriate level of availability of the electrolyzer under the servicing agreement). On the same day, the a/m subsidiary of Polenergia S.A. and Polenergia S.A. entered into a cooperation agreement with the International Finance Corporation a member of the World Bank Group, to finance the development costs of the project which includes a hydrogen plant along with two filling stations and associated infrastructure. International Finance Corporation will refinance part of the costs incurred so far in the project plus 50% of the cost of purchasing an electrolyzer for the hydrogen plant. Pursuant to the cooperation agreement, the maximum amount of financing for the Project is EUR 3.6 million, which will significantly reduce the Polenergia Group's financial exposure related to the investment. The obligation to repay the financing will arise in the event a final investment decision is made. The term of contract is one year. The cooperation agreement may be terminated by either party, within 15 calendar days. According to the provisions of the Agreement, if the Agreement is terminated, depending on the reasons, a penalty may be charged, not exceeding 10% of the maximum amount of financing. The Agreement also provides for the international Finance Corporation's right in certain cases to either withhold the financing or terminate the cooperation agreement with immediate effect.

Execution of a subsidy agreement by a subsidiary of Polenergia S.A.

On 27 June 2023, a subsidiary of Polenergia S.A. - Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. entered into a funding agreement with the National Fund for Environmental Protection and Water Management for the project "*Construction by Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. of public hydrogen filling stations in Rzeszów and Nowa Sarzyna*" under the priority program "*Support for electric vehicle charging infrastructure and hydrogen* filling infrastructure" - construction or redevelopment of public hydrogen stations. The project's objective is to build two hydrogen filling stations with associated infrastructure, in two locations: in the area bordering on the Nowa Sarzyna thermal power plant and in the city of Rzeszów. According to the funding agreement, the total amount of funding for the project in the form of a subsidy is PLN 20 million which represents ca. 43% of the eligible costs of the project. According to the subsidy agreement, the hydrogen filling stations and associated infrastructure should be put into operation by 1 June 2025, with the subsidy agreement providing for possible changes to the program. The entitlement of Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. to drawdowns of the subsidy funds is contingent upon the approval of applications for disbursement of funds, the submission of which may require obtaining the relevant corporate approvals. The remaining provisions of the funding agreement, including termination by notice, termination with immediate effect, withholding of the subsidy, are no different from those commonly used in such type of agreements.

Execution of a long-term power purchase agreement (cPPA)

On 14 September 2023, a subsidiary of Polenergia S.A. - Polenergia Obrót S.A. entered into an agreement for the sale of electricity and guarantee of origin for electricity from renewable energy sources with Northvolt Systems Poland sp. z o.o., with registered office in Gdańsk. The cPPA concerns the sale of electricity and guarantees of origin for energy generated by the Szymankowo wind farm with the installed capacity of 38 MW. The term of the cPPA is 51 months. The total planned volume of electricity sales under the cPPA relates to the portion of the volume projected to be produced by the Szymankowo wind farm being a dedicated generation source for Northvolt Systems Poland sp. z o.o. during such period. The estimated sales volume in the subsequent years of the cPPA will be around 10500 MWh (with a possible increase to 15000 MWh). The energy produced will be sold at a fixed price. Total estimated revenues from energy sales over the term of the agreement may range between PLN 26.8 million and PLN 36.7 million. The parties to the cPPA have been adequately secured, including in the event of a failure to supply energy by Polenergia Obrót S.A. (Polenergia Obrót S.A. has the right to substitute another wind farm to supply the amount of electricity as forecast to Northvolt Systems Poland sp. z o.o.), as well as in the event a failure to pay for the energy supplied by Polenergia Obrót S.A. Performance bonds for the cPPA guaranteeing payments for the purchase of energy have been established in line with the provisions of the cPPA. In the event of early termination of the cPPA (as a result of the circumstances provided for therein), the eligible party shall be entitled to a termination fee of a maximum amount of PLN 10.9 million for the entire term of the cPPA, which decreases in each subsequent year of its duration. Concurrently, the Parties entered into an additional agreement that comprehensively provides for and sets forth the terms and conditions for the commercial balancing of the consumption needs of Northvolt Systems Poland sp. z o.o. Other terms and conditions of the cPPA are no different from standard provisions commonly used in agreements of such type.

Acquisition by Polenergia S.A. of a 60% stake in Naxxar Wind Farm Four SRL, developing a wind farm project in Romania, and the granting of loans by Polenergia S.A.

Referred to in more detail in Note 16.

Execution of contracts concerning export cables by project companies implementing offshore wind farm projects

On 5 October 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. in which Polenergia S.A. holds 50% each and which develop the offshore wind farm project as part of the joint venture of Polenergia S.A. and Equinor Wind Power AS, being respectively: MFW Bałtyk II i MFW Bałtyk III, entered into agreements for the design, manufacture, testing, transportation, installation and protection of export cables from the offshore transformer station to the energy outlet on land, with MFW Bałtyk II sp. z o.o. entering into an agreement with Jan De Nul Luxembourg SA Hellenic Cables S.A. Consortium Bałtyk 2 spółka jawna (general partnership), and MFW Bałtyk III sp. z o.o. - with Jan De Nul Luxembourg SA Hellenic Cables S.A. Consortium Bałtyk 3 spółka jawna. The contractors' companies have been established for the purpose of performing the agreements as a joint venture of: (i) the assembly company, Jan De Nul Luxembourg SA, and (ii) the cabling manufacturer, Hellenic Cables SA Hellenic Cable Industry Single Member Societe Anonyme. The total remuneration of the contractors under the two agreements (i.e. for both projects) was tentatively set - as at the date of signing the agreements - at ca. EUR 372 million. It includes partly lump-sum rates and partly rates dependent on the indexation of raw material prices, fuel prices and the actual workload on the part of the contractors and the resources involved. The contractors' remuneration determined in this way also takes into account the optional scope of work provided for in the agreements. The final remuneration of the contractors will be determined in accordance with the provisions of the agreements based on the finally completed scope of work and after taking into account factors depending on the market situation. Both agreements contain the same provisions on the merits, which are standard for this type of contracts, including a detailed definition of the scope and program of work, termination rules, liability rules, including contractual penalties, performance bonds or warranty for completed work. The differences between the contracts reflect the design differences of each project. Under the agreements, Polenergia S.A. is required to provide payment security in the form of a corporate guarantee. Corporate guarantees issued by the Company cover 50% of the value of the project companies' existing obligations vis a vis the contractors. The maximum expected amount of Polenergia S.A.'s a corporate guarantee obligations (for both agreements combined) is: (i) EUR 36 million by 01.10.2024 (purchase of raw materials), and

(ii) in subsequent period until financial close confirmed by the financing institution is reached:

EUR 156.5 million. The agreements anticipate the need to increase the required guarantee limit if the project companies order additional, optional scope of work with the contractors.

Execution of agreements by project companies implementing offshore wind farm projects for cables connecting offshore wind turbines to an offshore transformer station

On 24 October 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o, in which Polenergia S.A. holds 50% of the shares, developing offshore wind farm projects, i.e. MFW Bałtyk II and MFW Bałtyk III, respectively, as part of a joint venture between Polenergia S.A. and Equinor Wind Power AS, entered into contracts with Seaway 7 Management AS, based in Oslo, Norway, for the design, manufacture, testing, transportation, installation and protection of "internal" cables, i.e. connecting offshore wind turbines to the offshore transformer station. The total remuneration of the contractors under the two agreements (i.e. for both projects) was tentatively set - as at the date of signing the agreements - at ca. EUR 187 million. It includes partly lump-sum rates and partly rates dependent on, without limitation, the installation work technique applied, the duration of the contractor's offshore work, downtime due to weather conditions, indexation of raw material prices, fuel prices and the rates of selected subcontractors. The total remuneration payable to the contractor has been calculated with the assumption that both projects will be implemented. The final remuneration will be determined after freezing variable rates and taking into account factors depending on the market situation. The agreements contain the same provisions on the merits, which are standard for this type of contracts, including a detailed definition of the scope and program of work, termination rules, liability rules, including contractual penalties, performance bonds issued by the contractor or warranty for completed work. The differences between the contracts reflect the design differences of each Project.

Decision on the continuation of the research and development project

Following the execution of an agreement with the National Center for Research and Development (NCBiR") for subsidizing the project H2HUB Nowa Sarzyna: Green Hydrogen Storage participating in the New Technologies for Energy I competition, the Management Board of Polenergia S.A. made a decision, after evaluating the project and obtaining the required corporate approvals, to continue the project and proceed into its second phase. The subsidy agreement was entered into on 23 September 2022 by Polenergia S.A. as leader of the consortium, a subsidiary of Polenergia S.A. - Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and Wrocław University of Technology. Project implementation has been divided into three phases: phase one has been completed - NCBR has decided to recommend the project to proceed from phase one to phase two. The Consortium assumes that the expected total expenses incurred under Phase II of the project will be ca. PLN 14.2 million (the amount will comprise the amount of the subsidy applied for under Phase II of the project and the equity of the Polenergia Group). According to the application for subsidy which is an integral part of the subsidy agreement, the subsidy in Phase II refers to the costs planned to be incurred by Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and Wrocław University of Technology. The final amount of the subsidy in Phase II will depend on the actual costs incurred in connection with the project's implementation. Phase II completion has been scheduled for 31 October 2025.. Eligibility to continued funding under the subsidy agreement (in connection with the implementation of Phase III of the project) is subject to a positive selection result after review of Phase II of the project and approval of payment applications. Polenergia S.A. has made a reservation that upon completion of Phase II of the project, it will evaluate the project and decide on its further implementation in Phase III and its financing method, which may require obtaining relevant corporate approvals.

Execution of a long-term power purchase agreement (PPA) included in the package of PPA and PPA+ agreements

On 30 November 2023, Polenergia Obrót S.A., a subsidiary of Polenergia S.A., entered into a conditional PPA&PPA+ package with McDonald's Polska sp. z o.o., with registered office in Warsaw, which was also to be signed by 87 McDonald's franchisees. The PPA and PPA+ Package referred to the sale of electricity generated by the Szymankowo wind farm with an installed capacity of 38 MW ("Szymankowo WF") and the renewable energy origin guarantees related to such electricity, as well as additional volumes of electricity which add up to the total electricity consumption of all buyers together. The PPA and PPA+ Package was entered into under the condition precedent that the PPA and PPA+ package would be signed by 4 December 2023 by Polenergia Obrót S.A, McDonald's Polska sp. z o.o. and at least 82 franchisees. Such condition precedent was met on 1 December 2023, and the agreements came into effect. The period of sale of electricity and guarantees of origin under the PPA and PPA+ package commenced on 1 January 2024 and shall continue until 31 December 2027. The estimated total sales volume in the following years of the PPA and PPA+ Package with McDonald's and all franchisees may reach ca. 200 GWh for each year. The total estimated revenues from the sale of electricity and guarantees of origin under the PPA and PPA+ package with McDonald's Polska sp. z o.o. and its franchisees may amount to approximately PLN 441 million. Each buyer has the option to limit its sales contract for the years 2026 and 2027 exclusively to electricity produced by the Szymankowo WF, along with the associated guarantees of origin.

Execution of EPC contracts for the Szprotawa I and Szprotawa II photovoltaic farm projects

On 27 December 2023, the subsidiaries of Polenergia S.A.- (i) Polenergia Farma Wiatrowa Namysłów sp. z o. o., developing the Szprotawa I photovoltaic farm project with a total installed capacity of 47 MWp and (ii) Polenergia Farma Fotowoltaiczna 16 sp. z o.o, developing the Szprotawa II photovoltaic farm project with a total installed capacity of 20 MWp entered into a contract with the company P&Q sp. z o. o., with registered office in Białystok, concerning the construction of the Szprotawa I Photovoltaic Farm and the construction of the Szprotawa II Photovoltaic Farm. The Szprotawa I photovoltaic farm project won the ordinary RES auction No. AZ/2/2022 launched by the President of the Energy Regulatory Office 9 December 2022. Performance of said contract is scheduled until 30 June 2025. The Szprotawa II photovoltaic farm project won the ordinary RES auction No. AZ/7/2023 launched by the President of the Energy Regulatory Office on 22 November 2023. Performance of said agreement is scheduled until 30 June 2025. The contracts cover the performance by the Contractor with respect to the Szprotawa I and Szprotawa II Photovoltaic Farms of comprehensive assembly and electrical works including, without limitation, supply and installation of support structures for photovoltaic modules, installation of photovoltaic modules and inverters, supply and installation of LV/MV substations, supply and installation of LV, MV cables, construction of a 20/110 kV end-user substation with the supply of equipment, delivery and installation of a HV cable line with a fiber optic network. The contract does not include the supply of photovoltaic modules and inverters. The terms of the Contracts do not deviate from standard arm's length contracts of this type. Contractual provisions relate in particular to: the obligations of the parties, remuneration and payment terms, liability, including its limitation, performance bond, guarantees for the removal of defects and faults. The total contract value is ca. PLN 89 million.

33. Litigation

Amon and Talia v Polska Energia – Pierwsza Kompania Handlowa and Tauron Polska Energia

Amon sp. z o.o. and Talia sp. z o.o.– each company acting separately filed a claim for rendering ineffective the statements of termination by Polska Energia – Pierwsza Kompania Handlowa sp. z o.o (a company operating in the Tauron Group) of the contracts for the sale of property rights incorporated in certificates of origin for electricity generated in renewable energy sources − wind farms located in Łukaszów (Amon) and Modlikowice (Talia) and the agreements on sale of electricity generated in the a/m wind farms.

The partial and preliminary judgments were favorable for both companies in that their claims were allowed in that part which referred to the rendering of the statements of termination of the challenged contracts by the company Polska Energia – Pierwsza Kompania Handlowa sp. z o.o ineffective. The judgments have been appealed against.

On 20 December 2021 the Court of Appeal in Gdańsk issued a judgment in the case instituted by Talia sp. z o.o. against Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. in which the entire appeal filed by the latter company was dismissed. On 16 August 2022, Polska Energia – Pierwsza Kompania Handlowa sp. z o.o filed a cassation complaint. On 17 November 2022, the Court of Appeal in Gdańsk issued a judgment in the case instituted by Amon sp. z o.o. against Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. in which the entire appeal filed by the latter company was dismissed. On 12 June 2023, Polska Energia – Pierwsza Kompania Handlowa sp. z o.o filed a cassation complaint. Both cassation complaints were accepted for review by the Supreme Court.

On 31 March 2023, Amon sp. z o.o. received a pleading from Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. in the proceedings instituted by Amon sp. z o.o. covering further claims of Amon sp. z o.o. arising from the non-performance of the abovementioned contracts by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., pending before the District Court in Gdańsk, by which pleading Polska Energia - Pierwsza Kompania Handlowa included a counterclaim demanding the award of PLN 61,576 thousand from Amon with statutory default interest, split as follows: (i) on the amount of PLN 55,691 thousand - from 31 March 2023 until the date of payment, (ii) on the amount of PLN 5,884 thousand - from the day immediately following the date of direct delivery of a copy of the counterclaim to the counsel of Amon sp. z o.o.

The amount of PLN 55,691 thousand represents liquidated damages demanded by Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. allegedly on the basis of Art. 8 sec. 1 of the Agreement for the Sale of proprietary interest resulting from certificates of origin evidencing the generation of electricity in a renewable energy source - the Łukaszów Wind Farm, entered into on 23 December 2009 by Amon sp. z o.o. with Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. and resulting allegedly from Amon's failure to meet the quantities of proprietary interest to be transferred in individual months commencing August 2019.

The amount of PLN 5,884 thousand, in turn, represents compensation claimed by Polska Energia – Pierwsza Kompania Handlowa for Amon's alleged failure to perform, in the period from 18 November 2022 to 31 December 2022, under the agreement for the sale of electricity generated at the Renewable Energy Source - the Łukaszów Wind Farm entered into by Amon sp. z o.o. with Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. on 23 December 2009.

On 16 May 2023, the District Court in Gdańsk served Amon sp. z o.o. an order dated 2 May 2023, which left the counterclaim of Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. without proceeding any further. The basis for the order in question issued by the District Court in Gdańsk is Article 204 sec. 1, second sentence of the Code of Civil Procedure, which stipulates that a counterclaim may be brought no later than in a statement of defense.

On 28 December 2023 Amon sp. z o.o. filed a second change of the claim against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with the Regional Court in Gdansk, in connection with the ineffective termination and non-performance by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. of long-term contracts for the sale of energy and proprietary interest entered into by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with Amon sp. z o.o. By virtue of the aforementioned change of claim, Amon, in addition to the amounts previously claimed, seeks payment of PLN 18,297 thousand as damages for non-performance of the aforementioned contracts during their continued term.

On 28 December 2023 Talia sp. z o.o. filed a fifth change to the claim against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with the Regional Court in Gdańsk, in connection with the ineffective termination and non-performance by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. of long-term contracts for the sale of energy and proprietary interest concluded by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with Talia sp. z o.o. By virtue of the abovementioned change of claim, Talia, in addition to the amounts claimed so far, seeks payment of PLN 12,075 thousand as damages for non-performance of the aforementioned contracts during their continued term.

Amon sp. z o.o. and Talia sp. z o.o. filed their claims for damages against Tauron Polska Energia S.A. The grounds for the liability in tort of Tauron Polska Energia S.A. is the cessation of the performance by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., a subsidiary of Tauron, of long-term contracts for the sale of electricity generated in renewable sources and long-term contracts for the sale of proprietary rights under the certificates of origin confirming that energy has been generated in renewable sources, entered into with the companies Amon sp. z o.o. and Talia sp. z o.o.

Presently, witness statements are given - orally during the hearings before the District Court in Katowice and in writing.

On 28 December 2023 Amon sp. z o.o. and Talia sp. z o.o. filed with the Regional Court in Katowice a second change of claim against Tauron Polska Energia S.A covering claims of Amon and Talia for damages occurring after 30 June 2020. By virtue of the modification in question, the damages claimed, including interest, increased - in the case of Amon sp. z o.o. by PLN 29,668 thousand and in the case of Talia sp. z o.o by PLN 19,277 thousand.

Eolos v Certyfikaty, Polenergia Obrót and Green Stone Solutions

The companies Certyfikaty sp.. z o.o., Polenergia Obrót S.A. and Green Stone Solutions sp. z o.o. (formerly Polenergia Usługi Sp. z o.o.) have been sued by Eolos Polska sp. z o.o before the District Court in Warsaw Commercial Division XX for payment of liquidated damages on account of termination of the contracts for the sale of proprietary rights incorporated in the certificates of origin of electrical energy generated in renewable energy sources and for payment of the amounts due on account of the balancing costs. The court appointed an expert in the case who prepared an opinion. On 14 December 2023, the court ordered the admission of evidence from a supplementary written opinion of the expert.

Dispute in connection with the groundless termination of the lease agreement to Polenergia Farma Wiatrowa 1

On 2 June 2023, Polenergia Farma Wiatrowa 1 sp. z o.o. received a notice of termination from the lessor of the lease agreement entered into on 26 February 2008 relating to the real estate where some of the wind turbines of the Gawłowice Wind Farm are located, along with the accompanying infrastructure.

The grounds for termination claimed by the lessor in the termination notice is that Polenergia Farma Wiatrowa 1 sp. z o.o. delivered a bank guarantee required by the lease agreement that was issued in a form that is incorrect in the lessor's opinion. Polenergia Farma Wiatrowa 1 sp. z o.o. does not share the lessor's view as to the legitimacy of the grounds for termination, therefore the company informed the landlord that in its opinion the termination was ineffective and the lease agreement was still binding. Polenergia Farma Wiatrowa 1 sp. z o.o. has been seeking an amicable resolution of the dispute through direct negotiations aimed at obtaining the revocation of the statement on termination of the lease agreement.

Polenergia Obrót v Jeronimo Martins Polska

Polenergia Obrót S.A. had contracts for the sale of energy with Jeronimo Martins Polska S.A. ("**JMP**") which were terminated by Polenergia Obrót S.A. effective as of 30 June 2022. In view of the termination of the contracts in question, JMP served upon Polenergia Obrót S.A. requests for payment of PLN 3,501 thousand and PLN 36,027 thousand, i.e. in aggregate PLN 39,528 k. The claims raised by JMP refer to the periods falling after the date the sale contracts ceased to be effective, therefore Polenergia Obrót S.A. deems them groundless. By the same token, Polenergia Obrót S.A. deems the statement by JMP of a set-off of the amounts of the claims against the receivables of Polenergia Obrót S.A. from JMP ineffective.

On 1 December 2022, Polenergia Obrót S.A. filed an action against JMP in the Regional Court in Warsaw, demanding payment of the amount of PLN 40,853 thousand with statutory default interest applicable to commercial transactions accruing from the date of filing the action until the date of payment. The amount of the claim includes JMP's unpaid energy invoices worth PLN 39,528 thousand and the amount of PLN 1,324 thousand of accrued interest for the period up to the date of filing the action.

The difference in the value of the asserted claims compared to the amounts covered by JMP's set-off statement results from settlement adjustments made in the meantime in connection with updating the metering data and from the submission by Polenergia Obrót S.A of set-off statements. In September 2023, JMP delivered its statement of defense to Polenergia Obrót S.A. According to the claimant company, the content of the statement of defense, nor the arguments presented in JMP's subsequent pleadings, do not affect the previous assessment of the legitimacy of claim of Polenergia Obrót S.A.

The first hearing has not been scheduled yet.

Polenergia Dystrybucja's debt collection cases

Polenergia Dystrybucja sp. z o.o. manages the collection proceedings in relation to non-payment for the electrical energy supplied. The aggregate claims amount is currently ca. PLN 455 thousand.

UOKiK investigation against Polenergia Fotowoltaika

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

In the course of the proceedings, UOKiK requested that Polenergia Fotowoltaika S.A. submit additional information and documents. Polenergia Fotowoltaika S.A. provided UOKiK with the documents and information referred to in the requests.

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

Polenergia Fotowoltaika's debt collection cases

Due to the nature of Polenergia Fotowoltaika S.A.'s business, since December 2022 the company has filed 83 actions for payment in pursuit of receivables under contracts between the company and its customers. Due to the nature of its business, Polenergia Fotowoltaika S.A. is a party to 11 litigations in connection with contracts between the Company and its customers and the agreements between the company and its subcontractors or suppliers.

Challenging the decision of the President of URE by Polenergia Elektrociepłownia Nowa Sarzyna

Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. challenged the decision of the President of the Energy Regulatory Office with respect to the final settlement of stranded costs under the Act on the principles of coverage of costs arising at generators in connection with early termination of long-term agreements for the sale of capacity and electricity (the "LTC Termination Act"). In his decision the President of the Energy Regulatory Office determined the amount of the final settlement of stranded costs payable to the company, as additional funds to those already paid, of PLN 3,758 thousand. As the company does not share the interpretation of selected provisions of the LTC Termination Act, it appealed against the decision of the President of the Energy Regulatory Office to the Court of Competition and Consumer Protection in Warsaw, demanding an increase in the amount of funds due to Company. The disputed value is PLN 13,214 thousand, for which Company established an allowance under receivables

On 23 November 2023, the abovementioned Court issued a judgment in which it changed the appealed decision and set the amount of the final adjustment of stranded costs at PLN 16,645 thousand, thus recognizing as legitimate the claim of Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. in the amount of PLN 12,887 thousand and dismissing the claim as to the amount of PLN 327 thousand. On 12 January 2024, Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. filed an appeal against part of the judgment in that portion in which its claim had been dismissed. There is no information available whether the President of the Energy Regulatory Office filed any appeal.

Redemption of proprietary rights by Polenergia Obrót

Polenergia Obrót S.A. was obliged to fulfill, by 30 June 2023, its obligations under Article 52 sec. 1 of the Renewable Energy Sources Act and Article 10 sec. 1 of the Energy Efficiency Act to redeem a certain number of proprietary rights to certificates of origin and energy efficiency certificates for 2022. Polenergia Obrót S.A. determined that it had fulfilled the obligation in 98.05%, therefore on 21 July 2023, Polenergia Obrót S.A. made additional payments as surcharges on replacement fees in order to fulfill the obligation in full. Failure to meet the deadline of 30 June 2023 may result in the imposition of fines by the President of the Energy Regulatory Office, in particular under Article 170 sec. 2 of the Renewable Energy Sources Act.

Restructuring the debt under the ISDA CIME contract due to Polenergia Obrót

In March 2023 Polenergia Obrót S.A. received information from CIME V-E Asset AG ("CIME") about financial difficulties that may cause delays in the payment of receivables to Polenergia Obrót S.A. under the framework agreement dated 27 February 2020, concluded on the basis of the International Swaps and Derivatives Association Inc. template, and the transaction agreements for 2023 - 2025 ("**ISDA**") concluded thereunder In addition, on 24 March 2023, Polenergia Obrót S.A. found out that invoices for the billing period covering January 2023 and February 2023 had not been paid, and approached CIME with a call for payment of receivables under ISDA, covering financial instruments based on energy products, and amounts resulting from late payments under ISDA (the "Debt").

In response to the need for restructuring measures, Polenergia Obrót S.A. agreed to enter into a package of agreements with CIME and CIME Krzanowice III sp. z o. o. being CIME's Polish operating subsidiary, ("CIME Krzanowice") in order to secure the interests of Polenergia Obrót S.A. to a maximum extent.

On 14 July 2023, Polenergia Obrót S.A. and CIME Krzanowice entered into an agreement for the sale of electricity generated in the wind farm owned by CIME Krzanowice for a term of 10 years, under which, Polenergia Obrót S.A. has been, as of 1 September 2023, receiving all energy generated in that wind farm (**the "Offtake Agreement**"). In order to contractually supplement the provisions of the Offtake Agreement and comprehensively implement the principles of repayment of the Debt owed to Polenergia Obrót S.A., CIME, CIME Krzanowice and Polenergia Obrót S.A., on 3 August 2023, entered into a Debt restructuring agreement pursuant to which Polenergia Obrót S.A. will be entitled to set off, in an agreed amount, the Debt against CIME Krzanowice's claims against Polenergia Obrót S.A. for electricity delivered under the Offtake Agreement which will gradually reduce the level of Debt in a 10-year time horizon (the "Restructuring Agreement"). In order to secure Polenergia Obrót S.A.'s rights under the Offtake Agreement and the Restructuring Agreement, CIME Krzanowice, CIME and Polenergia Obrót S.A. agreed to establish a registered pledge in favor of Polenergia Obrót S.A. on CIME Krzanowice's assets and CIME's shares in the share capital of CIME Krzanowice.

Proceedings of the President of the URE against Polenergia Obrót, Polenergia Sprzedaż, Polenergia Farma Wiatrowa 3 and Polenergia Farma Wiatrowa Dębice/Kostomłoty

During September and October 2023, a number of the Polenergia S.A.'s subsidiaries (Polenergia Obrót S.A., Polenergia Sprzedaż sp. z o.o., Polenergia Farma Wiatrowa 3 sp. z o.o. and Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o.) received notices of launching ex officio administrative proceedings by the President of the Energy Regulatory Office for the imposition of a monetary penalty in connection with the violation of the Act of 27 October 2022 on emergency measures aimed at limiting the amount of electricity prices and support for certain consumers by failing to submit to Zarządca Rozliczeń S.A. (Price Settlement Authority), by the deadline stipulated by the aforementioned Act, reports confirming the deduction for the Price Differential Payment Fund.

Polenergia S.A.'s subsidiaries have provided the President of the Energy Regulatory Office with explanations of the reasons for the delays (lasting usually a couple of days) in submitting reports and are now awaiting possible further correspondence or decisions, with Polenergia Farma Wiatrowa

(PLN k)

Dębice/Kostomłoty sp. z o.o. having received a notice of the closing of administrative proceedings and having been given an opportunity to review the evidence in the case.

A breach of the aforementioned law may result in a fine. The law currently stipulates that such fine may not exceed 15% of the punished entity's revenue generated in the immediately preceding financial year, with the President of the Energy Regulatory Office, when imposing the penalty, taking into account the degree of harmfulness of the act, the degree of culpability, as well as the track record of the entrepreneur and its financial capabilities. The President may also waive the penalty if the degree of harmfulness of the act is negligible, and the entity has ceased its breach or has fulfilled its obligation. The subsidiaries of Polenergia S.A. submitted all the delayed reports.

34. Capital expenditures

As at 31 December 2023, the Group's intention is that the aggregate capital expenditure on fixed assets in 2024 will total ca. PLN 1,735 million. Such expenditures will mainly be allocated to projects development in the area of onshore and offshore wind power generation, photovoltaics, the investment program implementation in the distribution segment and hydrogen projects.

35. Sales revenues

	31.12.2023	31.12.2022
- revenue from sale and distribution of electricity	4 066 679	5 057 820
- revenue from certificates of origin	148 983	863 747
- revenue from sale of heat	42 925	37 267
- revenue from consulting and advisory services	17 118	11 118
- revenue from lease and operator services	4 092	453
- revenue from sale and distribution of gas	967 296	646 024
- revenue from sale of merchandise	1 519	991
- revenue from lease	508	352
- revenue from the capacity market and blackstart services	23 862	23 552
- revenue from the solar panels and heat pump installation	311 924	418 035
- revenues from charging services	93	-
- other	17 011	9 876
Total revenue from clients	**5 602 010**	**7 069 235**
- revenues from the valuation of futures contracts	(33 884)	(32 650)
- revenues from CO2 emission allowances	47 286	52 646
Total other revenue	**13 402**	**19 996**
Total sales revenue	**5 615 412**	**7 089 231**

Under the items "revenue from sales and distribution of energy", "revenue from sale and distribution of gas" and "revenue from carbon dioxide emission allowances", revenue is recognized that results from the sales invoices issued under the forward contracts that were measured at fair value, in the amount of PLN 1,854,080 thousand. Respectively, the costs resulting from the invoices related to the purchase of energy under forward contracts are disclosed under the item "value of goods and material sold".

36. Cost according to type

	For 12 months ended	
	31.12.2023	31.12.2022
- depreciation	162 078	116 421

(PLN k)

- materials and power consumption	135 933	333 203
- third party services	239 609	253 204
- taxes, duties and fees	127 590	20 870
- salaries	112 897	88 584
- social security and other benefits	18 809	13 412
- other cost by type	6 512	4 995
Total cost by type	**803 428**	**830 689**
- merchandise and materials sold (+)	4 413 785	6 019 569
- selling certificates of origin	104 941	95 321
- income from granted certificates of origin	(116 047)	(93 006)
- selling expenses (-)	(95 118)	(115 915)
- general overheads (-)	(172 419)	(125 512)
Total cost of goods sold	**4 938 570**	**6 611 146**

37. Other operating revenues

	For 12 months ended	
	31.12.2023	**31.12.2022**
- reversal of impairment losses, including:	527	114
- expected credit loss	527	114
- reversal of provisions, including:	350	90
- other	350	90
- other, including:	15 081	9 069
- compensation and additional payments	738	594
- grant settlement	3 629	3 282
- revenue from lease of non-current fixed assets	-	-
- gains on disposal of non financial fixed assets	488	156
- reinvoicing	458	94
- other	9 768	4 943
Total other operating revenues	**15 958**	**9 273**

The item "other" includes real estate tax refund relating to previous years in the amount of PLN 3,339 thousand (31 December 2022: 3,149 thousand.).

(PLN k)

38. Other operating expenses

	For 12 months ended	
	31.12.2023	31.12.2022
- asset impairment losses, including:	16 317	2 003
- expected credit loss	11 709	1 670
- inventories	307	-
- non-current fixed assets	4 301	333
- other, including:	7 504	6 321
- penalties, fines compensation payable	1 652	132
- compensation	41	73
- donation	2 014	3 739
- loss on disposal of non-financial fixed assets	427	1
- complaints, compensation	164	808
- repair costs covered by compensation	-	141
- other	3 206	1 427
Total other operating costs	**23 821**	**8 324**

39. Financial income

	For 12 months ended	
	31.12.2023	31.12.2022
- financial income from interest on deposit and loans	44 833	36 429
- f/x differences, including:	2 709	375
- unrealized	896	153
- realized	1 813	222
- valuation of financial liabilities	204	104
- other surety - related fees	2 106	861
- other	275	565
Total financial revenue	**50 127**	**38 334**

40. Financial expenses

	For 12 months ended	
	31.12.2023	31.12.2022
- interest expenses	85 280	61 188
- f/x differences, including:	1 133	3 599
- unrealized	834	(3 369)
- realized	299	6 968
- commission and other fees	9 198	7 442
- write-down of financial assets	28	-
- measurement of financial liabilities *)	3 913	2 375
- other	1 504	1 068
Total financial cost	**101 056**	**75 672**

*) refers to bank loans measured at amortized cost.

(PLN k)

41. Cash flows

Restricted cash	For 12 months ended 31.12.2023	For 12 months ended 31.12.2022
- cash frozen for loan repayment	49 444	48 266
- frozen cash for deposit	28 463	79 510
- frozen cash - split payment	22 398	11 651
- frozen cash - social benefit fund	43	59
Total	**100 348**	**139 486**

42. Reconciliation of changes in liabilities due to financing operations

31.12.2023	Bank Loans	Lease	Total
As at the beginning of the period	**1 509 442**	**183 636**	**1 693 078**
Inflows from debt incurred	212 648	14 937	227 585
financing received	212 648	14 937	227 585
Interest accruing	69 286	9 073	78 359
Debt payments	(269 718)	(27 624)	(297 342)
principal repayments	(199 914)	(20 087)	(220 001)
interest paid	(69 804)	(7 537)	(77 341)
Exchange rate differences on debt denominated in foreign currency	-	(5)	(5)
Valuation	711	25 147	25 858
Other	9 772	(410)	9 362
As at the end of the period	**1 532 141**	**204 754**	**1 736 895**

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

43. Objectives and policies of financial risk management

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

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

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

Interest rate risk

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

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

The following table shows the sensitivity of the financial result before tax on an annual basis to changes in interest rates, assuming that other factors remain unchanged (in connection with variable interest rate liabilities). i.e. a 1% increase/decrease in interest rates will result in a decrease/increase in financial result before tax by PLN 1,657 thousand. The impact on the Group's equity has not been presented, as it relates only to the financial result.

31.12.2023	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
WIBOR 3M	1%	(1 657)
WIBOR 3M	-1%	1 657

31.12.2022	Change	Change in profit/loss before tax within the consecutive 12 months in PLN K
WIBOR 1M	1%	(1 989)
WIBOR 1M	-1%	1 989

(PLN k)

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

31.12.2023

INTEREST RATE RISK

Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	211 344	114 809	148 567	116 817	121 986	818 618	1 532 141
Lease	27 611	22 902	17 159	14 785	16 792	105 505	204 754
Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	1 410 763	-	-	-	-	-	1 410 763

31.12.2022

INTEREST RATE RISK

Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Bank credits in PLN	216 743	139 354	112 066	167 688	110 106	763 485	1 509 442
Lease	22 871	21 385	17 463	13 362	10 915	97 640	183 636
Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	868 692	-	-	-	-	-	868 692

Currency risk

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

- Future investment expenses in offshore wind farm projects.

The majority of capital expenditures are denominated in foreign currencies, mainly in EUR, which results in significant exposure to foreign exchange risk related to the amount of future capital expenditures. In the projects under development, the Group incurs 50% of the investment costs, due to the fact that the offshore wind farm projects are implemented as a joint venture described in more detail in Note 18 and are presented in these consolidated financial statements as Financial Assets measured using equity method. Amendments to the Law on Promoting Electricity Generation in Offshore Wind Farms, enacted in 2022, allow the denomination in EUR of part or all of the revenues from the right to cover the negative balance from sale of electricity. The abovementioned regulatory change makes it possible to reduce foreign exchange risk at the investment stage thanks to the possibility of debt financing also in EUR. In addition, the Group intends to mitigate currency risk using derivative financial instruments.

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

Some of the liabilities are denominated in EUR. This is true mainly of the future investment payables in the companies Polenergia Farma Wiatrowa Namysłów sp. z o.o. and Polenergia Farma Fotowoltaiczna 16 sp. z o.o. implementing the Szprotawa I and Szprotawa II PV farm projects The foreign exchange risk in those projects will be hedged no sooner than after signing contracts with suppliers and no later than before the investment loan is disbursed.
The Group takes into account fluctuation of the exchange rates in the economic forecasts for the project and aims to reflect them in commercial assumptions in a way that preserves the expected rate of return on the projects.

- Operating activity.

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

(PLN k)

Credit Risk

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

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

Cash at bank is held with creditworthy banking institutions.

Risk related to breach of covenants

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

The Group monitors the debt levels and compliance with covenants at individual companies on an ongoing basis and remains in contact with the financing institutions. As at 31 December 2023, no covenants have been breached.

Liquidity Risk

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

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

The table below shows the Group's financial liabilities by maturity as at 31 December 2023 and 31 December 2022, based on maturity in terms of undiscounted contractual payments.

31.12.2023	Up to 3 months	From 3 months to 12 months	From 1 year to 5 years	In excess of 5 years	Total
Interest bearing loans and borrowings	54 620	245 106	795 443	1 021 539	**2 116 708**
Other liabilities	471 099	1 629	22 671	33 644	**529 043**
Liabilities for deliveries and services	108 675	-	-	-	**108 675**
Lease liabilities	14 115	6 894	71 943	227 354	**320 306**

(PLN k)

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

44. Capital management

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

The Group manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Group may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the year ended 31 December 2023 or in the financial year ended on 31 December 2022, no changes were made in the objectives, policies and processes in this area.

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

	31.12.2023	31.12.2022
Interest under borrowings	1 532 141	1 509 442
Less cash and cash equivalents	(1 410 763)	(868 692)
Net debt	**121 378**	**640 750**
Share capital	3 997 653	3 083 035
Total capital	**3 997 653**	**3 083 035**
Capital and net debt	**4 119 031**	**3 723 785**
Leverage ratios	3%	17%

45. Information on significant transactions with associates

Major transactions with jointly controlled parties in the period ended on 31 December 2023 include:

31.12.2023	Revenues	Receivables
MFW Bałtyk I S.A.	5 243	5 828
MFW Bałtyk I Sp. z o.o.	21	12
MFW Bałtyk II Sp. z o.o.	6 748	7 542
MFW Bałtyk III Sp. z o.o.	6 825	7 589
Total	**18 816**	**20 959**

(PLN k)

Major transactions with parties where personal relations exist, in the period ended 31 December 2023 include:

31.12.2023	Revenues	Costs	Receivables	Liabilities
KI One S.A.	-	10	-	-
Krucza Inwestycje KREH 1 Sp. z o.o. S.K.	684	7 851	459	31
Autostrada Eksploatacja S.A.*)	3 721	-	-	-
Beyond.pl Sp. z o.o.	4 514	1 041	383	134
Ciech Sarzyna S.A.	58	808	-	63
Ciech Vitrosilicon S.A.	39	-	-	-
Euro Invest Sp. z o.o.	869	-	71	-
Master BIF IV UK Holdings Ltd	-	225	-	-
Total	**9 885**	**9 935**	**913**	**228**

*) As at 31 December 2023, Autostrada Eksploatacja S.A. was not a personally related entity, and revenues are shown for the period when the personal relationship existed, i.e. from 1 January 2023 to 31 August 2023.

For information on transactions with members of the parent's Management Board and Supervisory Board, see Notes 47 and 48.

46. Headcount

As at 31 December 2023 and as at 31 December 2022 the Group's employees divided into professional groups and recalculated into FTEs included:

	31.12.2023	31.12.2022
Parent company Management Board	4	5
Parent company employees	152	109
Subsidiaries employees	322	295
Total headcount	**478**	**409**

Maternity leave employees included.

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

In the period ended 31 December 2023 and in the year ended 31 December 2022, remuneration of members of the Management Board of the Parent and of the members of the Supervisory Board was as follows:

Management Board	31.12.2023	31.12.2022
Michał Michalski	3 811	2 889
Tomasz Kietliński	2 172	1 605
Iwona Sierżęga	1 826	1 631
Piotr Maciołek	1 773	1 605
Jarosław Bogacz	1 150	1 606

(PLN k)

Total	**10 732**	**9 336**

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

Supervisory Board	31.12.2023	31.12.2022
Hans E. Schweickardt	70	72
Orest Nazaruk	84	84
Adrian Dworzyński	-	26
Szymon Adamczyk	72	46
Total	**226**	**228**

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

In the year ended 31 December 2023, there were no transactions with members of the Management Board and Supervisory Board, their spouses, siblings, ascendants, descendants, or other closely related persons.

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

The audit firm performing the audit and review of the Group's financial statements for 2023 is Grant Thornton Polska Prosta spółka akcyjna.
The entire remuneration was payable to Grant Thornton Polska Prosta spółka akcyjna on account of the following:

Type of services	31.12.2023	31.12.2022
Audit of the parent company's annual financial statements	162	117
Audit of the subsidiaries annual financial statements	880	633
Review of financial statements of the parent company and related entities	349	241
Other services	47	39
Total	**1 438**	**1 030**

*These items include remuneration charged to the Parent Company and its affiliates over which the Company has direct or indirect control, which are subject to consolidation.

50. Information on CO_2 emission allowances

Trade in emission allowances is an environmental policy instrument designed to reduce pollutant emissions. Poland's membership in EU and the Kyoto protocol require Poland to participate in the Emissions Trading Scheme. The origins of the emission trading scheme date 1 January 2005. The Directive 2003/87/EC was transposed into Polish legislation by virtue of the Act on Trading in Allowances for Emissions of Greenhouse Gases and Other Substances of 22 December 2004. The current period -

EU ETS 2021-2030 is governed by the Act of 15 April 2021 amending the Act on Trading in Allowances for Emissions of Greenhouse Gases and certain other acts.

The only entity in the Group subject to the abovementioned legislation is Nowa Sarzyna Thermal Power Plant (KPRU number: PL 0472 05) - a combustion plant with a nominal thermal capacity exceeding 20 MW which participates in the Community emission allowance trading scheme.

Nowa Sarzyna Thermal Power Plant: according to Art. “10c” the installation of Nowa Sarzyna obtained CO_2 allowance allotments, however due to the lack of investments in the National Investment Plan those free-of-charge allotments were not transferred to the account of the installation owner.

Nowa Sarzyna received an allotment of free-of-charge allowances under Article “10a” for the years 2021-2025 in the respective numbers: from 10,347 (in 2021) to 9,284 (in 2025) EUA.

In 2023 Nowa Sarzyna emitted 91,433 tons of carbon dioxide (as confirmed by the report on the audit of the facility performed by an independent reviewer, DNV).

51. Material events after the reporting date

On 8 February 2024, the Management Board of the Company adopted a resolution (the "Resolution") concerning initiating the process of granting the Management Board new authorization to increase the Company's share capital within the limits of the Company's authorized capital enabling the Management Board to perform one or more issues of new shares of the Company in the future in order to raise financing for the Company's strategic objectives covering further implementation of the Company's investment projects and development plans, including the development and construction of (offshore and onshore) wind farms and photovoltaic farms, as well as further development of projects in the areas of hydrogen technology, energy storage and electromobility (the "Strategic Objectives") (the "New Authorized Capital").

In addition, in view of the significant scale of the intended capital expenditures to achieve the Strategic Goals, the Management Board has initiated a review of options in the areas of electromobility, hydrogen strategy and new foreign projects, and does not rule out deciding in the future, depending on the results of the review, to abandon their further implementation or to change the manner or scope of their implementation, which shall be communicated by the Company to the extent required by the applicable provisions of law. The Decision referred to above shall not affect the Company's intention to continue implementation of the Strategic Goals in the remaining areas, nor the Company's plans to issue new shares in the Company within the limits of the New Authorized Capital, except for a change, if any, in the way the share issue proceeds will be allocated to other Strategic Objectives.

It is the intention of the Management Board to obtain a new authorization to increase the Company's share capital within the limits of the New Authorized Capital for a period of three years, pursuant to which the Management Board will be authorized to increase the Company's share capital by an amount not exceeding PLN 115,828,368 through the issuance of no more than 57,914,184 new shares in the Company (the "New Shares") and to deprive the existing shareholders of the Company of their subscription rights with respect to the New Shares in whole or in part upon the approval of the Supervisory Board.

It is the intention of the Management Board that the provisions of the Company's Statutes relating to the New Authorized Capital provide, whenever a decision is made to deprive the existing shareholders of the Company of their right to subscribe for the New Shares, for the granting of a preemptive right allowing the shareholders holding Company shares representing at least 0.2% of the Company's share capital to maintain their percentage of the Company's share capital. At the Extraordinary General Meeting on 13 March 2024, the shareholders' proxy submitted proposals to amend the priority right so that it is also granted to persons on the list of persons entitled to attend the Extraordinary General Meeting of the Company on 13 March 2024. The resolution in the wording proposed by the shareholder proxy was adopted, as reported by the Company in current report No. 17/2024 on 13 March 2024.

To the best knowledge of the Management Board, as at the date of this report, such preemptive right would apply to Company's shareholders representing in total approximately 98% of the Company's share capital.

As at the date of this report, the Management Board:

- intends to raise total proceeds of up to ca. PLN 3.4 billion in the years 2024-2027 through the issue of New Shares performed under the New Authorized Capital, with the final number of New Shares issued depending on market conditions and the price sensitivity of demand for the Company's shares, thus it may be lower than the maximum number of New Shares that can be issued under the New Authorized Capital;
- has not decided on the parameters and timing of potential issues of New Shares under the New Authorized Capital, nor is it certain when such decisions will be made. Decisions on the timing and parameters of future issuances of New Shares will be tailored to the Company's actual capital requirements at the time, taking into account the timetable for achieving the various Strategic Objectives. The Management Board does not rule out resorting to other temporary sources of financing during interim periods. Any determination by the Management Board of the key parameters of each issue of New Shares will require approval by the Supervisory Board.

On 13 March 2024, an Extraordinary General Meeting of the Company was held at which Resolution No. 3/2024 was adopted to amend the Articles of Association of the Company granting the Board of Directors new authority to increase the share capital of the Company within the limits of the New Authorised Capital. The use of the authorisation to increase the Company's share capital within the limits of the New Authorised Capital will be communicated separately by the Board of Directors in accordance with the applicable legal provisions.

On 27 February 2024, the Company received information that:

- Dr. Michał Michalski, President of the Management Board, filed his resignation from his membership in the Management Board and his position of the President of the Management Board, effective as at 27 February 2024, 18:00 hours.
- Tomasz Kietliński, Vice President of the Management Board, filed his resignation from his membership in the Management Board and his position of the Vice President of the Management Board, effective as at 27 February 2024, 19:00 hours.

On 29 February 2024, the Company received the resignation of Mr. Andrzej Filip Wojciechowski from his position as Member of the Supervisory Board The resignation was submitted effective as at 29 February 2024.

On 29 February 2024 the Company received a representation of the shareholder, Mansa Investments sp. z o.o. about the appointment, under the personal authority provided for in Article 5.4.2(a)(i) of the Company Statutes, of Mr. Jacek Głowacki Member of the Supervisory Board, effective as at 29 February 2024.

On 1 March 2024, the Company's Supervisory Board appointed the following persons members of the Company's Management Board:

- Mr. Jerzy Wacław Zań, entrusting him with the function of the President of the Company's Management Board (CEO) and Chief Financial Officer (CFO) and
- Mr. Andrzej Filip Wojciechowski, entrusting him with the function of Vice President of the Company's Management Board.

The President and Vice President of the Company's Management Board were appointed for the period until the end of the present joint three-year term of the Management Board, i.e. up to and including 31 December 2024.