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Polenergia S.A. Group

**DIRECTORS' REPORT ON THE OPERATIONS OF THE POLENERGIA GROUP
FOR THE YEAR ENDED 31 DECEMBER 2023**

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1. Consolidated profit and loss account for a 12-month period ended 31 December 2023

Within the 12-month period ended on 31 December 2023, the results of Polenergia Group (the "Group") in terms of the adjusted EBITDA and net profit amounted to PLN 547,6 million and PLN 273,6 million, respectively, which means a YOY growth by PLN 193.3 million and PLN 111.6 million, respectively.

Polenergia Group Income Statement (PLN m)	12M 2023	12M 2022	Difference YOY	Difference YOY [%]	Q4 2023	Q4 2022	Difference YOY	Difference YOY [%]
Sales revenues, including:	5 615,4	7 089,2	(1 473,8)	-21%	1 535,9	1 946,1	(410,2)	-21%
trading and sales segment	4 639,9	6 292,4	(1 652,4)		1 272,0	1 688,2	(416,3)	
other	975,5	796,9	178,6		264,0	257,9	6,1	
Cost of goods sold, including:	(4 938,6)	(6 611,1)	1 672,6	-25%	(1 350,2)	(1 801,6)	451,5	-25%
trading and sales segment	(4 380,2)	(6 121,8)	1 741,6		(1 227,9)	(1 628,7)	400,8	
other	(558,4)	(489,4)	(69,0)		(122,3)	(173,0)	50,7	
Gross profit on sales	676,8	478,1	198,8	42%	185,7	144,5	41,3	29%
Selling expenses and general overheads	(267,5)	(241,4)	(26,1)	11%	(79,7)	(71,0)	(8,7)	12%
Other operating revenue/expense	(7,9)	0,9	(8,8)	-929%	(12,4)	0,9	(13,3)	-1492%
Auction price settlement	(20,2)	-	(20,2)		(13,4)	-	(13,4)	
A Operating profit (EBIT)	381,2	237,6	143,6	60%	80,3	74,3	6,0	8%
Depreciation/Amortization	162,1	116,4	45,7		43,4	35,6	7,7	
Impairment losses	4,3	0,3	4,0		4,2	0,0	4,2	
EBITDA	547,6	354,3	193,3	55%	127,8	110,0	17,8	16%
Normalizing adjustments:	-	-	-		-	-	-	
Adjusted EBITDA*	547,6	354,3	193,3	55%	127,8	110,0	17,8	16%
B Financial income	50,1	38,3	11,8		17,7	8,1	9,5	
C Financial costs	(101,1)	(75,7)	(25,4)		(29,5)	(17,9)	(11,6)	
A+B+C Gross profit (loss)	330,3	200,3	130,0	65%	68,4	64,6	3,8	6%
Income tax	(66,7)	(40,4)	(26,4)	65%	(13,6)	(12,7)	(0,9)	7%
Net profit (loss)	263,6	159,9	103,7	65%	54,8	51,9	2,9	6%
Normalizing adjustments:								
Purchase price allocation (PPA)	2,8	2,8	-		0,7	0,7	-	
Foreign exchange differences	(0,1)	(2,9)	2,8		(0,3)	0,5	(0,8)	
Loan valuation using the amortized cost method	3,0	1,8	1,2		0,5	1,1	(0,6)	
Impairment losses **	4,3	0,3	4,0		4,2	0,0	4,2	
Adjusted net profit (loss)*	273,6	162,0	111,6	68,9%	59,9	54,3	5,7	10%
Adjusted EBITDA*	547,6	354,3	193,3	55%	127,8	110,0	17,8	16%
Adjusted EBITDA Margin*	9,8%	5,0%	4,8%		8,3%	5,7%	2,7%	
Adjusted EBITDA (excl. trading segment)	462,4	359,4	103,0	29%	139,4	101,3	38,1	38%
Adjusted EBITDA margin (excl. trading segment)	47,4%	45,1%	2,3%		52,8%	39,3%	13,5%	

*) Adjusted for non-monetary one-off revenue (cost) recognized in a given financial year

**) Reversal of the impairment losses connected with projects development

The sales revenues of Polenergia Group for four quarters of 2023 were lower by PLN 1,473.8 million mainly due to lower revenues in the trading and sales segment (by PLN 1,652.4 million) and the gas and clean fuels segment (by PLN 37.0 million) which was partly offset by higher revenues in the onshore wind farm segment (by PLN 186.8 million) and distribution (by PLN 21.3 million).

The adjusted EBITDA result in the discussed period amounted to PLN 547.6 million and was higher by PLN 193.3 million YOY, mainly due to better performance of the onshore wind farm segment (by PLN 125.1 million) being mainly the effect of the commencement of generation in the Dębsk, Kostomłoty, Grabowo and Piekło, high windiness in Q4 2023 and higher energy and green certificates sales prices compared to those in 2022 (when the prevailing prices resulted from the prior years' hedging transactions). Higher adjusted EBITDA result YOY was also achieved in the trading and sales segment (by PLN 90.3 million), mainly as a result of better results in the areas of: RES assets originating energy sales, RES aggregation, electricity trading and business service, as well as the service under the contract of Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. ("ENS") taking advantage of the short-term volatility of the Clean Spark Spread ("CSS"). The above effects were partly offset by a lower result in the distribution segment (by PLN 5.6 million) due to the delay in the entry into force of the new distribution tariff and lower unit margins on energy sales, and in the non-allocated segment (by PLN 9.6 million) mainly due to higher operating expenses at the Headquarters resulting from the upscaling of operations.

In the fourth quarter of 2023 sales revenues of Polenergia Group dropped by PLN 410.2 million year on

year, due to lower sales revenues in the trading and sales segment (by PLN 416.3 million) and lower revenues in the gas and clean fuels segment (by PLN 68.4 million), partly offset by higher sales revenues in the onshore wind farm segment (by PLN 75.2 million).

The adjusted EBITDA result of the Group in the fourth quarter of 2023 alone amounted to PLN 127.8 million and was higher by PLN 17.8 million compared to the corresponding period of the preceding year. Such result was driven mainly by better performance in the onshore wind farm segment (by PLN 44.8 million) predominantly resulting from the commencement of generation in the Grabowo and Piekło wind farms and higher sales prices of electricity and green certificates compared to those in the corresponding period of 2022 (when the prices resulted from the prior years' hedging transactions). The above effect was partly offset by a lower result in the trading and sales segment (PLN 20.3 million) mainly as a consequence of lower results in the areas of green certificate trading, RES aggregation, sales of prosumer energy solutions, higher operating expenses due to the upscaling of operations, and a lower result in the gas and clean fuels segment (PLN 4.9 million) due to, without limitation, a lower result on optimization of ENS operation and higher fixed costs.

In 2023, the adjusted net profit of the Group amounted to PLN 273.6 million which means growth compared to the performance in the corresponding period of the preceding year by PLN 111.6 million. In the fourth quarter of 2023 alone, the adjusted net profit of the Group amounted to PLN 59.9 million, which means growth compared to the performance in the corresponding period of the preceding year by PLN 5.7 million. The change of the adjusted net profit during the four quarters of 2023 has mainly been due to the factors referred to above which affected the adjusted EBITDA result, as well as due to higher depreciation resulting from the growth of generating capacities and the increased financial expenses resulting from increased debt amount and higher interest rates.

2. Detailed commentary regarding financial performance for the 12-month period ended 31 December 2023 and other significant information on the Group's standing.

In 2023 the onshore wind power segment achieved higher EBITDA by PLN 125.1 million year on year, while in the fourth quarter alone, EBITDA increased by PLN 44.8 million compared to that in the corresponding period of 2022. The improved performance of that segment in 2023 compared to 2022 has mainly been due to the commencement of generation in the Dębsk, Kostomłoty, Grabowo and Piekło wind farms, better windiness in Q4 2023 and higher sales prices of electricity and green certificates compared to those in 2022 (when the prices resulted from the prior years' hedging transactions). The above was partly offset by higher operating costs in wind farms.

The gas and clean fuels segment achieved lower EBITDA by 3.8 million in 2023 and lower EBITDA by 4.9 million in the fourth quarter of 2023 alone as a result of a lower result due to optimization of ENS performance and higher fixed costs partly offset by a better result on heat production and sales.

The effects of the optimization process in 2022 included the reversal of the earlier forward transactions hedging the production and sales of electricity in ENS for a part of 2023. Changes in the level of margin resulting from the changes in the level of prices of electricity, gas and CO₂ allowances in connection with the generation of electricity in ENS (Clean Spark Spread) permitted making a decision to curb the planned generation in 2023 and gradually close the position in the forward market for the a/m period with additional margin. As at 31 December 2023, all forward transactions hedging the margin on generation and sales of ENS in 2023 have been reversed.

In 2023 the trading and sales segment experienced a growth of the EBITDA result by PLN 90.3 million relative to the corresponding period of the preceding year. The growth of the result was driven by: i) better result on the RES assets originating energy trading due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price) and higher volume due to the expansion of the generating projects portfolio, ii) better result on the RES aggregation mainly due to

the termination of performance under contracts with negative margin (resulting from dynamic changes in prices in the electrical energy market) in 2022. (iii) higher margin on electricity trading and business service related to the use of price volatility mainly in energy markets, (iv) higher margin on the ENS contract service using short-term CSS volatility. Better result in 2023 has been partly offset by: i) lower result on electricity sales mainly related to the recognition of a one-off impact of the measurement of forward transactions last year, (ii) lower result on green certificate trading due to a drop in market prices of green certificates, (iii) lower result on other business, including the margin on the sales of solar panels and heat pumps, iv) lower margin on prop trading, v) higher operating expenses resulting from the expansion of operations. In the fourth quarter alone the trading and sales segment reported a drop of its EBITDA result by PLN 20.3 million relative to that in the corresponding period of the preceding year. The drop of the result in Q4 2023 was driven by: i) lower result on green certificate trading due to a drop in market prices of green certificates, (ii) lower result on RES aggregation as a consequence of a one-off event in Q4 2022, i.e., the entering into agreements with customers partly offsetting the negative margin of earlier periods, (iii) lower result on other business, including the margin on the sales of solar panels and heat pumps, iv) higher operating expenses resulting from the expansion of operations. The slump in Q4 2023 has been partly offset by: i) better result on trading and business service related to the making the most of price volatility in energy markets, ii) better result on the RES assets originating energy trading due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price).

The EBITDA result of the distribution segment for the 12 month period of 2023 was lower by PLN 5.6 million year on year. The drop in the result has mainly been the consequence of the lower unit margin on energy sales in the first half of the year, lower margin on electricity distribution (mainly due to the delay in updating the distribution tariff) and higher operating expenses from the upscaling of business. The negative result was partly offset by higher revenues from connection fees. In the fourth quarter alone, the distribution segment's EBITDA result was higher by PLN 0.9 million compared to the corresponding period last year. Higher margin on electricity distribution as a result of the new distribution tariff coming into effect on 13 May 2023, has been partly offset by, among others, a lower margin on electricity sales due to lower sales volumes, higher operating expenses related to the upscaling of business and costs incurred for the development of electromobility projects.

The EBITDA result in the PV segment for the 12-month period of 2023 was lower by PLN 3.0 million relative to the corresponding period of 2022 (while in Q4 2023 it was lower by PLN 1.8 million relative to Q4 2022) mainly due to: higher total operating cost of the farms in operation (full year of operation in Sulechów 2,3 and Buk farms), lower effective electricity sales prices compared to the corresponding period of the preceding year and higher capital expenditures in projects under development.

The result under the unallocated item in the period since January until December 2023 was lower by PLN 9.6 million relative to the corresponding period of 2022 (and lower by PLN 0.8 million in Q4 alone). The change of the 2023 EBITDA result was driven mainly by higher operating expenses (third party services and payroll) at Headquarters resulting from the upscaling of business, partly offset by lower tax cost under the VAT structure.

The result on financing operations in January - December 2023 was lower than one in the corresponding period of the preceding year by PLN 13.6 million (in the fourth quarter it was lower by PLN 2.1 million), which was mainly due to higher loan interest expenses (by PLN 24.1 million) partly offset by higher interest gains on deposits (by PLN 8.4 million).

The higher income tax level in 2023 results from the better income of the Group before tax.

The impact of the war in Ukraine and the energy market conditions on the Company's business

In view of the continued armed conflict in Ukraine, risk factors that may potentially impact the business and financial performance of Polenergia 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 CO₂ 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 weeks 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 in the balancing market planned to be launched as of 14 June 2024 is likely to increase the cost of RES sources balancing and profiling significantly, which may have a negative impact on the Group's results related to exploitation of RES sources.

Strong slump in electricity and proprietary 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.

The Gas and Clean Fuels segment is, in the opinion of the Management Board, largely resistant to the current volatility of prices in the market caused by the outbreak of war in Ukraine. The gas supplies related to the heat generation contracts have already been hedged (in terms of volume and fixed price) for the year 2024. An additional safety feature for thermal power generation is the supply of light heating oil maintained and increased in Q1 2022, as reserve fuel in the event of limited or discontinued supply of gas. If ENS is called upon to provide system services, the current cost of gas purchase, in accordance with the contracts in force, will be covered by revenues. The continuation of the current gas market and CO₂ emission allowances situation in the long term may reduce the ability to secure production and margin in ENS for the years to follow. At the Nowa Sarzyna Thermal Power Plant, the main control system was replaced in 2019, security against possible cyber attack was enhanced in 2022 and all remote equipment diagnostic systems were disconnected from the Internet.

In the wind power segment, high volatility of energy prices, combined with periods of variable windiness, may result in a very significant increase in profile cost, which reduces the achieved effective price of electricity sold. It should also be noted that the dynamic increase in electricity prices and, at the same time, the price of PMOZE_A proprietary interest ("green certificates") prompted the lawmaker to reduce the redemption obligation for certificates of origin from 18.5% in 2022 to 12,0% in 2023, and according to the present regulation governing this obligation published by the Ministry of Climate and Environment - down to 5,0% for 2024. The above decision caused a significant drop in the market price of green certificates, which is mainly due to the excessive reduction in the redemption obligation for PMOZE_A, being stronger than the rate of exit of old renewable energy projects from the certificate system.

The trading and sales segment as the only one in the Group had a direct exposure to the Ukrainian market through the subsidiary Polenergia Ukraine. Even before the war began, that company limited its operating activities. Currently, all operational activity in Ukraine has been put on hold. The Group has identified increased risk of trading in all markets, including, among others, the risk of recurring increased volatility of electricity and natural gas prices, the risk of failure to meet the demand volume by the customers, the risk of non-payment and non-performance of contracts in view of the dynamic regulatory changes and the increased risk of insolvency of customers. In the event the risk of dynamic price

increases or reductions crystallizes, a deviation in the energy consumption by the customers compared to the contracted volumes may yield a significant result (either positive or negative) that will be disproportionate to the original assumptions. In addition, the increasing price volatility associated with RES generation may result in a significant decrease in revenues from the Group's RES asset servicing and RES aggregation operations. In response to the changing market conditions, the Group has modified its strategy of RES assets energy sales and has been aiming at increasing the share of energy sales in OTC transactions, direct sales to the end customers and under long term cPPA *pay-as-produce* contracts. Changes to the rules of the balancing market in Poland, which are scheduled to take effect as of 14 June 2024, may result in a significant increase in the balancing costs of weather-dependent RES sources. This is a system-related risk for all market players. Negative exchange rate movements may result in a deterioration of the performance on a Euro-denominated market. At the same time, the strengthening of the Euro may lead to an increase in the value of the required security deposits. The segment is also exposed to the risk of interest rate increases. Higher cost of working capital facility due to high interest rates may result in a drop of the return on the operations. Polenergia Obrót has also been taking measures to monitor safety risks. Any potential attack that would destroy a telecom and IT infrastructure or restrict access of the availability to systems in a company would prevent the company from continuing its commercial business or would restrict such ability. In the event of a more profound consolidation of the generation sector in Poland, a risk may occur of aggravated lack of the forward market liquidity, transparency and unreliability of price indices, which may affect the Group's ability to perform trading activity, as well as its revenues.

The distribution segment is protected in the long term against the effects of any investment costs increase and rising interest rates through a tariff mechanism. In a short term perspective, until the next distribution tariff update takes place, the Company may experience negative impact of the market changes on the return on the business operations performed.

The Group believes the current market situation should not jeopardize the achievement of the basic objectives set out in the Polenergia Group's strategy for the years 2020-2024.

In a short term perspective, the investment projects implemented by the Group may be affected by the negative impacts of the current market situation. The increase in raw material and product prices on the market and the temporary shortage of employees suffered by subcontractors may result in delays in the implementation of wind and PV farm projects. The changes of interest rates trigger volatility of the financing costs, while the increase in raw material and commodity prices combined with the fluctuations of the EUR/PLN exchange rate may lead to an increase in total investment costs. Disruptions in the supply chain for the offshore wind power segment have been observed, including those resulting from the shortage of already scarce human and equipment resources moving from the offshore wind power sector to other sectors, which may necessitate adjustments in the construction programs of the offshore wind farm projects MFW Bałtyk II and MFW Bałtyk III.

Implementation of the Polenergia Group Strategy for the years 2020-2024

The new strategy of the Group is being implemented with no significant disturbances.

In 2023, the Group has been continuing works aimed at the implementation of three wind farm projects of the total capacity of 178 MW which secured auction offtake under the RES support auction scheme.

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

The 13.2 MW Piekło wind farm project received granted an Operating Permit in May 2023 and a general license to generate green power in August 2023.

The 44 MW Grabowo wind farm project received an Operating Permit in July 2023 a general license to

generate green power in September 2023.

Construction of the PV projects Sulechów II, Sulechów III and Buk I with total capacity of 28 MWp was completed, with acceptance certificates issued of completion of a civil structure, and the facilities entered into the MIOZE register kept by URE.

Another PV project, Strzelino, with a capacity of 45.2 MWp, received the necessary corporate approvals in late 2022. Construction and installation work proceeded on schedule and has been completed, and the general license is expected to be obtained in the second quarter of 2024.

In December 2022, the subsidiary Polenergia Farma Wiatrowa Namysłów sp. z o.o. developing a portfolio of the Szprotawa I PV farm projects with a total capacity of 47 MWp successfully participated in the auction for the sale of energy from renewable energy sources. A bidding process to select the contractor was completed. The company entered into an contract for execution of assembly and electrical works for PV farm Szprotawa I in late December 2023, having obtained the required corporate approvals for the project in mid-December 2023.

In November 2023, the subsidiary Polenergia Farma Fotowoltaiczna 16 sp. z o.o. developing the Szprotawa II PV farm project with the capacity of 20 MWp successfully participated in the auction for the sale of energy from renewable energy sources. A bidding process to select the contractor has been completed. The company entered into an contract for execution of assembly and electrical works for PV farm Szprotawa II in late December 2023, having obtained the required corporate approvals for the project in mid-December 2023.

In November 2023, the subsidiary Polenergia Farma Fotowoltaiczna 2 sp. z o.o. developing the Rajkowy PV farm project with a capacity of 35 MWp successfully participated in the auction for the sale of energy from renewable energy sources. The Group intends to launch tenders and appoint a contractor by September 2024, subject to obtaining the corporate approvals required for the project.

The Group continues further development of wind and photovoltaic projects with a view to attain the goals identified in the Group's Strategy for the years 2020-2024. Currently, the Group's portfolio includes photovoltaic (other than those referred to hereinabove) and (onshore) wind projects in a less advanced stage with an aggregate capacity exceeding 1.8 GW. The Group does not exclude potential participation of the subsidiaries developing wind farm and PV projects in further RES auctions. Various forms of commercialization of production will be considered for individual projects, including bidding a portion of the production in the RES auctions to come, selling energy to end customers under cPPA contracts or selling energy in the regulated or over the counter market.

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

On 6 June 2022, the company MFW Bałtyk II Sp. z o.o. filed a notification with the President of the Energy Regulatory Office aimed at requesting an opinion of the Office for Competition and Consumer Protection (UOKIK) on the draft individual support for the project MFW Bałtyk II and requesting the issuing - after the European Commission issues its decision stating compliance of the state aid to the company with the internal market - of a decision altering the initial decision of the President of URE and the identifying of the price to be the base for the compensation of the negative balance for the project.

In 2022, regulatory changes took place through an amendment to the Act on Promoting Electricity Generation in Offshore Wind Farms, which allows, since 2022, indexing the price of energy at which the

negative balance will be settled and to settle project support in Euros. This should improve the projected rate of return of the MFW Bałtyk II and MFW Bałtyk III projects. The companies are engaged in the notification processes for MFW Bałtyk II and MFW Bałtyk III offshore wind farms. On 11 April 2023 MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. submitted to the President of the Energy Regulatory Office updated documentation as part of the application of MFW Bałtyk II sp. z o.o. dated 6 June 2022 to initiate the procedure for pre-notification of individual State aid to the MFW Bałtyk II project (including any further amendments) and the application of MFW Bałtyk III sp. z o.o. to initiate the procedure for pre-notification of individual State aid to the MFW Bałtyk III project. In September 2023, a request was filed to commence notification for the MFW Bałtyk II and MFW Bałtyk III offshore wind farm projects, using the prenotification procedure. The Office for Competition and Consumer Protection prenotified to the European Commission the request for individual decision on aid for MFW Bałtyk II and MFW Bałtyk III on 12 December 2023, and on 13 December 2023, applied to the EC for a joint procedure for MFW Bałtyk II and MFW Bałtyk III. The request is currently being processed by the European Commission under the pre-notification procedure. The expected date for the European Commission's decision is April 2024, while URE is obligated to issue a second decision defining the level of support within 90 days.

In December 2022, a contract (in the EPC format) was signed by MFW Bałtyk II and MFW Bałtyk III with the appointed supplier of the onshore substation along with the design and supply of the high-voltage device of the offshore substation, Hitachi Energy Poland Ltd. Hitachi Energy is also responsible for supplying the complete control system, telecommunications network, all high-voltage equipment in the offshore and onshore substation, as well as the turnkey supply of the onshore substation.

In February 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. signed contracts with Siemens Gamesa Renewable Energy sp. z o.o. for the supply of wind turbines and agreements for the performance of warranty services for wind turbines as equipment of the MFW Bałtyk II and MFW Bałtyk III offshore wind farms. The WTG supply contracts include the design, engineering, delivery, deployment supervision and commissioning of a complete set of 100 offshore wind turbines (50 WTGs for each project) with a maximum capacity of 14.4 MW each, along with a WTG SCADA (Supervisory Control and Data Acquisition) system. The Service Agreements cover the maintenance and warranty service of the wind turbines as equipment of the MFW Bałtyk II and MFW Bałtyk III offshore wind farms for a period of 5 years.

In February 2024, project companies MFW Bałtyk II Sp. z o.o. and MFW Bałtyk III Sp. z o.o. signed final contracts with SIF Netherlands B.V. for the manufacture and delivery of monopile foundation structures for wind turbines. Under those contracts, 100 monopiles will be manufactured, 50 for MFW Bałtyk II sp. z o.o. and 50 for MFW Bałtyk III sp. z o.o., on which the wind turbines will be mounted. According to the assumed program, production work has been scheduled to begin in Q2 2025, while the production of the last monopiles is envisaged in Q1 2026.

In October 2023, contracts were signed for the supply and installation of cables for MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. Internal cables will be supplied and installed by Seaway7 AS, with export cables supplied by an international consortium established by Jan De Nul Luxemburg SA and Hellenic Cables SA. The scope of the export cable contracts includes the design, manufacture, testing, transportation, installation and protection of two 220 kV export cables for each wind farm, from the offshore substation ("OSS") to the connection trench at the landfall. Meanwhile, the scope of contracts for internal cables includes the design, manufacture, transportation, installation and supervision of 66 kV internal cables connecting wind turbines to the offshore substation.

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

Since in parallel, a final and binding decision was obtained to amend the 2016 Environmental Conditions

Decision authorizing the installation of the intended wind turbines, the company withdrew its complaint from the Provincial Administrative Court (dated 23 January 2023), thus ending the dispute with the environmental authorities (decision of the Provincial Administrative Court dated 2 February 2023 on the discontinuation of the proceedings). Once the decision amending the 2016 Environmental Conditions Decision became final and binding (November 2022), it became possible to mitigate the risks associated with the aforementioned proceedings concerning the potential refusal to outline new environmental conditions for the construction of MFW Bałtyk III.

In June 2022, an application was submitted for an environmental conditions decision for the power evacuation infrastructure from MFW Bałtyk II i MFW Bałtyk III. Based on such application, the authority (RDOŚ in Gdańsk) issued a decision on the scope of the report in August 2022. Such requirement resulted from changes in the technical description of the export cable project. Based on the decision of RDOŚ in Gdańsk, the companies submitted an environmental impact report in March 2023. In October 2023, the administrative proceedings in that case were closed. The environmental conditions decision was issued on 29 November 2023 and was subsequently supplemented (at the companies' request) by a decision dated 14 December 2023 (the earlier environmental decision was withdrawn in legal terms in August 2023, due to the impossibility of implementing the project on its basis, as currently planned).

In September 2023, an amendment decision was obtained for the permit to lay and maintain cables in the areas of internal sea waters and territorial sea issued in 2014 for the MFW Bałtyk III („PUUK”). The amendment of the decision, and the subsequent transfer of rights thereunder (application for transfer of rights filed in October 2023) is meant to ensure continuity of the corridor (in its offshore part) for connection infrastructure for all three offshore wind farm projects. In October 2023, an application for partial transfer of rights under the PUUK decision was submitted to the Maritime Authority in Gdynia, and in December 2023, the authority announced the proceedings were closed. The expected date for the decision partly transferring the rights onto MFW Bałtyk II i MFW Bałtyk I is January 2024.

Securing plots of land for the location of onshore connection infrastructure for the MFW Bałtyk I offshore wind farm will begin after internal approval of the strategy and budget. Private plots of land along the alignment of the export cable for MFW Bałtyk II and MFW Bałtyk III are secured by transfer easement agreements in ca. 90%. Institutional plots will be secured through an administrative decision under the special act on the implementation of strategic investments in transmission networks.

Detailed geotechnical research necessary for the design of the foundations of the wind turbines and the offshore substation, and for the design of the power offtake unit was completed by MFW Bałtyk II sp. z o.o and MFW Bałtyk III sp. z o.o

Analysis of test results and detailed geotechnical laboratory testing of core samples has begun.

In April 2023, r. all civil expert reports for the MFW Bałtyk II and MFW Bałtyk III offshore wind farms were submitted to the Maritime Authority for approval. In July 2023, the military expert reports for the MFW Bałtyk II i MFW Bałtyk III were submitted for approval by the Ministry of Defense and the Ministry of Interior and Administration, respectively. Decisions approving expert reports are part of the application for a building permit. Both MFW Bałtyk II and MFW Bałtyk III have a package of decisions approving expert reports (civil and military) in place.

Applications for water permits for MFW Bałtyk II and MFW Bałtyk III were submitted to the Koszalin Basin Authority in December 2023. In the same month, the preparation of applications for location decisions ("LDs") was completed, applications for LDs for the onshore station for both projects were submitted on 18 December 2023.

In addition, in December 2023, a request was filed with the Minister of Infrastructure to amend the permits for the erection of artificial islands with structures and equipment in the Polish sea territory ("PSZW") obtained for MFW Bałtyk II and MFW Bałtyk III in 2013 and 2012, respectively. The need for

amendment was due to a change in the design and implementation assumptions, alignment of the provisions of the PSZW decision to the results of the analysis performed with respect to the deployment of radars for national defense purposes and was required to ensure compliance with the approved navigation expert report. The proceedings were initiated on 18 December 2023.

As part of the implementation of the Projects, continuous active operations in the area of stakeholder management, have been performed including the promotion of the "local content." The projects undertake a number of initiatives in the areas of, without limitation, information, communication, education and supply chain development. Examples of such activities include periodical information meetings with local communities, the opening of a Local Information Point in Łeba, supporting cooperation with Polish companies during e.g. Supplier Days, or participation in educational campaigns.

In December 2022, the company MFW Bałtyk I S.A. obtained a decision outlining the scope of the environmental report for the project called Morska Farma Wiatrowa Bałtyk I. The report is currently being prepared, as amended by the decision dated 31 March 2023. The environmental impact report was submitted to RDOŚ in Gdańsk on 21 November 2023. On 1 December 2023, RDOŚ commenced the proceedings to issue the environmental conditions decision. The administrative proceedings are being held in consideration of the cross-border environmental impact procedure which is coordinated by the General Directorate for Environmental Protection.

Preliminary geophysical and geotechnical surveys have been launched in the area of the offshore wind farm and submarine cable corridors by MFW Bałtyk I S.A.

In October 2023, a tender documentation package was published for the appointment of a consultant with respect to Building Permits Development and Advisory for the ready-to-build MFW Bałtyk I project. A contract is scheduled to be signed in April 2024.

The Group has actively been developing a hydrogen program to extend the current value chain with the use of electricity to produce renewable hydrogen (produced by electrolysis of water using electricity generated from renewable energy sources). Implementation of the program includes the development of new business models and the construction of hydrogen generation units for industrial use, to power zero-emission means of transportation and for energy applications. Three projects are being implemented under the program: H2Silesia, H2HUB Nowa Sarzyna and eFuels.

The H2Silesia project is being developed by Polenergia's special purpose vehicle H2Silesia sp. z o. o. and involves the construction of a 105 MW large-scale renewable hydrogen production facility for heavy industry and zero-emission transportation located in Upper Silesia. The intended facility will be able to produce ca 13,000 tons of hydrogen per year. In 2023, a decision was made to move the project from the conceptual phase to the development phase, which includes obtaining key permits, financial close and developing the technical design, which eventually leads to FID. One of the first activities of the development phase was to hire a consultant to provide the Owner's Engineer service for the project. Based on the consultant's analyses, the best location for the project was selected and an application was filed for grid connection conditions. Work is currently underway on a multi-discipline feasibility study for the project in selected location. Due to the significant lead time for delivery of key equipment and the financing requirements, work has begun on a contracting strategy for the project including a general designer and a general contractor.

In April 2022, pre-notification was obtained for the H2Silesia project through the IPCEI (Important Projects of Common European Interest) process at the national level. In 2023, the process of obtaining notifications at the EC level continued. The implementation of this project by Polenergia is part of the activities of the Silesian-Lesser Poland Hydrogen Valley.

In February 2024, the European Commission issued a notification decision on State aid for the H2Silesia project under IPCEI Hydrogen Hy2Infra. The notification decision approves the maximum ceiling of State

aid for the H2Silesia project and does not mean that Polenergia H2Silesia sp. z o.o. will be granted funding for its implementation. The decision to grant funding and the determination of the final amount of funding will be made at the national level. The maximum amount of State aid approved by the European Commission may reach EUR 142.77 million, which corresponds to the amount of the financial gap in the project. Eligible costs in the project include the supply and installation of electrolyzers, a cooling system, an electrical substation, a water treatment station, a deoxygenation and drying system, compressors, a hydrogen storage facility and a hydrogen distribution station, together with the associated auxiliary installations, buildings and road system, as well as preparatory works, design and commissioning.

The H2HUB Nowa Sarzyna project involves the construction of a pilot facility for the production of renewable hydrogen with a nominal capacity of the electrolyzer of ca. 5 MW which will allow a maximum production of ca. 500 tons of green hydrogen per year. This facility will be located in Nowa Sarzyna at the premises of the Nowa Sarzyna Combined Heat and Power Plant (ENS).

On 7 June 2023, Polenergia's subsidiary H2HUB Nowa Sarzyna sp. z o.o. developing the H2HUB Nowa Sarzyna project, entered into a contract with Hystar AS, based in Høvik, Norway, for the supply and commissioning of a 5 MW electrolyzer (performance under said contract is subject to a final investment decision and has been scheduled for Q3 2024) and 10 years of a long-term electrolyzer maintenance agreement. On the same day, an agreement was entered into with the International Finance Corporation ("IFC"), a member of the World Bank Group, for cooperation with a view to co-finance the development costs of the H2HUB Nowa Sarzyna project which includes a hydrogen production plant, along with two filling stations and associated infrastructure.

On 27 June 2023, Polenergia's subsidiary Polenergia Elektrociepłownia Nowa Sarzyna (thermal power plant) entered into an agreement with the National Fund for Environmental Protection and Water Management (NFOŚiGW) for the financing of a project "Construction by Polenergia ENS sp. z o.o. of public access hydrogen filling stations in Rzeszów and Nowa Sarzyna." 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. The total amount of the grant funding awarded will be up to PLN 20 million. Tenders were held to appoint an EPC contractor separately for the hydrogen filling station in Rzeszów and for the hydrogen production facility and the filling station in Nowa Sarzyna. Binding bids within the assumed budget were received. The tender will be awarded at the end of Q1 / beginning of Q2 2024. Concurrently, a tender is being held to appoint a supplier of battery trucks that will be used to transport hydrogen from the Nowa Sarzyna plant to the hydrogen filling station in Rzeszów.

A zoning permit (DWZ) has been received for the plant in Nowa Sarzyna that is necessary to apply for a Building Permit (Q2 2024). In addition, the Environmental Decision (DUŚ) for the filling station in Rzeszów has been received, with the next step being applying for a zoning permit (DWZ) (Q1 2024). Concurrently, an Environmental Decision was obtained (in Q1 2024) for a photovoltaic installation of up to 8 MW that will power the electrolyzer in Nowa Sarzyna.

Talks are underway with green hydrogen customers, during which contractual terms for the supply of hydrogen from the H2HUB Nowa Sarzyna plant are being discussed.

The H2HUB Nowa Sarzyna project is part of activities under the label of the Subcarpathian Hydrogen Valley, with Polenergia S.A. and Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o being among the founders thereof.

As part of the long-term development of the Group's business, a project called eFuels has been underway aimed at preparing the Group to participate in the hydrogen economy not only in terms of production of renewable hydrogen, but also in its processing into derivative products. The project aims to use renewable hydrogen to produce methanol and renewable jet fuel. The fuel produced as a result

of the project will reduce greenhouse gas emissions in air transportation, with no need to build new infrastructure, fuel bases or to develop new aircraft designs. As part of the National Research and Development Center's competition titled "New Technologies in Energy I", the Company was among 6 teams that were awarded funding to implement innovative energy projects. This project is implemented by a consortium led by the Company, with other partners including Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and Wrocław University of Technology. On 30 June 2023, the Company completed Phase I of the Project involving development of a Feasibility Study for the project. NCBR evaluated the feasibility study submitted (the outcome of Phase I of the project) by awarding the maximum number of points, thereby allowing the project to proceed into Phase II (construction of a pilot plant and conducting research to upscale the technology to a higher level of technological readiness). Only 3 of the original 11 competing Consortia qualified for Phase II of the NCBR competition. Polenergia S.A., as the leader of the scientific and industrial consortium, has developed and begun implementing the plan for implementing Phase II of the project.

In view of the significant scale of the intended capital expenditures to achieve the strategic goals identified in the business strategy, the Management Board has initiated a review of options in the area of hydrogen strategy 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.

The Group has been modifying the implementation of its strategy in the trading and sales segment on an ongoing basis, adapting it to the changing market conditions and the rising costs of hedging end users and profiling RES sources. Offering to end users is done with particular attention to risks and potential costs that may affect the realized margins. The Group implements a follow-up recalculation of financial risks and costs associated with hedging customer and generator positions in the futures market. The regulations put in place to limit energy sale prices and contributions to the Price Settlement Authority (Zarządca Rozliczeń) fund which remained in force until the end of 2023 have largely inhibited opportunities for any dynamic development of sales and external RES aggregation. The Company has been intensely developing a long-term cPPA contract sales model based on the existing and newly built Group's generation assets.

The activity in the short-term and ultra-short term trading market (the Intraday Market) is being successfully developed in terms of transactions just a few hours before physical delivery of energy and using available data on the changing market fundamentals. Commercial business in the wholesale markets has also been continued on the Group's own account (prop trading), with the implemented prop trading strategies making the most of the market volatility, while maintaining restrictive measures to reduce risk exposure. The company's trading activities are subject to regulations on the contributions to the Price Settlement Authority, therefore the results of all business lines in 2023 are reduced by the payments to the Price Settlement Authority.

The company Polenergia Sprzedaż continues to sell energy generated in the renewable sources controlled by the Group. Customers include both business clients and consumer end-users (B2B and B2C). The green energy produced in the Group's generating assets is sold in two models: as a product with the Energy 2051 standard and a product without this standard, yet still retaining the guarantee of 100% RES-originating energy. As part of the intra-group cooperation, products have been developed, implemented and marketed that combine installation of solar panels, heat pumps, energy storage with the supply of green energy. Prosumers were able to take advantage of a unique offer in the market, combining Energy 2051 green energy with a price guarantee for 8 years. In the third quarter of 2023, the Company launched SMART cPPA and SLIM cPPA products with a price guarantee until the end of 2028 targeted at B2B customers. The company launched a series of marketing activities aimed at building its image and acquiring sales leads, thus strengthening its position in the market.

As part of its operating activity, the company Polenergia Fotowoltaika S.A. in Q4 2023 installed 6.1 MWp

of solar panels and 358 energy storage facilities, while in the heat pump segment it installed 149 pumps. Sales of services in the corporate segment (large installations in excess of 50 kWp) have been continued. Throughout 2023, the company installed 40.1 MWp of solar panels and 513 energy storage facilities. New products were launched such as air-to-air heat pumps and charging stations. The company also began its operations in the Czech market by opening a branch there. The offer is targeted at individual customers and includes photovoltaic installations along with energy storage facilities.

In the distribution segment, on 28 April 2023, Polenergia Dystrybucja Sp. z o.o. received a decision from the President of the Energy Regulatory Office approving the Tariff for the distribution and sale of electricity. The new Tariff became effective on 13 May 2023, with RAB (Regulatory Asset Base) of PLN 138.7 million. The approved investment plan III for the years 2019- 2022 worth PLN 51 million in total has been under implementation. As part of investment portfolio III the Company signed 45 contracts. By the end of Q4 2023, connection agreements were executed and connection readiness was notified for 68 projects/project phases, and extension of general license was obtained for 25 projects, with further 13 projects expected to obtain general license.

In addition, Polenergia Dystrybucja is also in the course of implementation of investment plan IV for the years 2021 - 2026 worth PLN 105 million in total. By the end of Q4 2023, the company signed 87 connection agreements, with the total estimated capex reaching PLN 104.79 million which accounts for 99.8% of the investment portfolio IV. Under the investment plan IV, the company completed 63 projects for which it declared readiness to connect, and license extensions have been obtained for 23 projects; licenses are also expected to be obtained for another 22 projects.

The company Polenergia eMobility has been actively acquiring locations for the construction of public charging stations throughout the country, and has been building further charging stations. 29 charging stations were brought into operation, which translates into 42 charging points. The company is developing the software system functionality for operating charging stations, as well as for the customer service in a client application. A call center service has also been launched to support customer service. The company has applied in 2022 and 2023 to three programs related to subsidizing charging stations from the National Environmental Protection and Water Management Fund (NFOŚiGW) and CEF (Connecting Europe Facility). In addition to investing in a network of public access stations, the company has prepared and launched sales of a commercial e-mobility offer which includes the sale of charging stations, technical service and management services in relation to charging stations. In view of the significant scale of the intended capital expenditures to achieve the strategic goals identified in the business strategy, the Management Board has initiated a review of options in the area of electromobility 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.

Other significant information on the Group's condition

On 5 June 2023, Polenergia S.A. entered into revolving credit facility agreements 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 credit agreement, Polenergia S.A. filed statements of submission to collection in favor of each of the abovementioned lenders and established registered and financial pledges on its bank accounts.

On 5 October 2023, Polenergia S.A. (the "Company") entered into a provisional agreement to acquire a 60% stake in Naxxar Wind Farm Four Srl ("Naaxar WF"), based in Bucharest, from Naxxar Renewable Energy Management Holding Srl, with registered office in Bucharest (the "Seller"). Naxxar WF holds stakes (about 7%) in seven SPVs developing a wind farm project in Romania's Tulcha County with a planned capacity of up to 685.6 MW, with 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 the Company had to obtain approval for Foreign Direct Investment (FDI). The outside deadline for the fulfillment of such conditions was agreed to be 31 December 2023. The consideration for the shares was EUR 3,476,574.81 (with possible adjustment for the net debt mechanism). With the conclusion of the agreement, the Company provided Naxxar WF with a loan of EUR 1,050,000 to provide financing for the acquisition of new shares in the SPVs, thereby bringing the Company's ownership in each of the SPVs to approximately 14%. Said loan has been secured by a pledge on all shares held by the Seller in Naxxar WF. The agreement provides for the Company's right to acquire the remaining 40% of shares in Naxxar WF commencing 1 July 2024 and ending 31 December 2024 (call option). If the Company fails to exercise this right, the Seller will be entitled to sell the remaining 40% stake in Naxxar WF to the Company between 1 January 2025 and 30 June 2025 (put option). The consideration for the remaining shares in Naxxar WF will depend on the project's achievement of certain milestones, with a maximum price of up to EUR 36,383,327.20 (i.e., EUR 53,067.86/MW of the project's final capacity, which may reach 685.6 MW), depending on the final capacity of the project (and its structure). The framework shareholders' agreement executed at the level of the SPVs (to which Naxxar Wind Farm Four Srl is a party) stipulates that once the project reaches a certain milestone, (this condition being reserved in favor of Naxxar WF), Naxxar WF will have the right to buy out the remaining 80% of the shares in the SPVs and thus become their sole shareholder. Accordingly, the maximum price for the buyout of 80% of the shares in the seven SPVs may amount to EUR 37,679,147.20 (i.e., EUR 54,957.92/MW of the final project capacity, which may reach 685.6 MW). In order to secure the Company's payments to the Seller provided for in the agreement in respect of the acquired shares and the remaining shares in Naxxar WF, Polenergia S.A. will establish a pledge in favor of the Seller on all the shares it holds in Naxxar WF. The agreement provides, without limitation, for a contractual penalty in favor of the Company if the Seller (or its affiliates) develops activities that are competitive to the project. Other terms of the agreement do not deviate from the market standards used in transactions of this type.

On 7 December 2023, the 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 (the "Seller"), was closed in performance of a conditional share purchase agreement entered into on 5 October 2023. Ownership of the shares was transferred on 7 December 2023, in accordance with the terms of the agreement, in exchange for a payment of EUR 3,476,574.81 (with potential adjustment for the net debt mechanism). The closing of the transaction took place in view of the fulfillment (and partial waiver by the Company) of the conditions precedent to the agreement, including the Company's receipt of a Foreign Direct Investment (FDI) approval, which was issued on 29 November 2023. With the closing of the transaction, the Company granted a loan to Naxxar Wind Farm Four Srl, with registered office in Bucharest, in the following amounts: (i) EUR 1,500,000.00 to provide financing for the acquisition of new shares in the SPVs and thereby bring the shareholding in each SPV to 20%; (ii) EUR 723,533.19 to repay the Seller's loans to Naaxar WF; and (iii) up to EUR 3,776,466.81 to provide Naaxar WF with financing for the further development of the project.

Considering the significant scale of planned capital expenditure to achieve the strategic objectives set out in the business strategy, the Management Board has initiated a review of options in the area of new foreign projects and does not rule out a decision in the future, depending on the results of the review, to abandon further implementation or to change the manner or scope of implementation.

On 19 October 2023, the Management Board of Polenergia S.A. publicly announced information on the completed public offering (the "Offering") of 10,416,667 AB Series ordinary bearer shares with a par value of PLN 2.00 each (the "Offered Shares"), including, without limitation:

- Subscriptions in exercise of pre-emptive rights and additional subscriptions in the Offering were

accepted from 21 September to 28 September 2023. Due to the subscription of all Offered Shares under subscriptions made in exercise of pre-emptive rights and additional subscriptions, no subscriptions were made for Offered Shares for which no subscriptions were made in exercise of pre-emptive rights and additional subscriptions, which were scheduled for 10 - 11 October 2023.

- On 9 October 2023, the Offered Shares were allotted through the Central Securities Depository in accordance with the rules described in the Prospectus. The Management Board of Polenergia S.A. passed a resolution on the allocation on 18 October 2023.
- The subscription under the Offering covered 10,416,667 Offered Shares.
- The Offering was not divided into tranches. The reduction rate for additional subscriptions was ca 80.62%.
- Under the Offering, 10,416,667 Offered Shares were allotted and acquired at the issue price of PLN 72.
- A total of 316 investors made their subscriptions in the Offering, while the Offered Shares were allocated to 315 investors.
- The Offered Shares were not subject to any underwriting agreements.
- The value of the subscription of the Offered Shares, understood as the product of the number of Offered Shares included in the offering and the selling price, amounted to PLN 750,000,024 (seven hundred and fifty million twenty four Polish Zlotys).
- The Offered Shares were paid for with cash contributions.

On 25 October 2023, the Central Securities Depository ("Krajowy Depozyt Papierów Wartościowych S.A. - KDPW") issued Statement No. 998/2023 regarding the execution of an agreement with the company Polenergia S.A. to register 10,416,667 rights to AB series ordinary bearer shares of the Company ("PDA") in the depository maintained by KDPW (the "Depository") and to designate them with the ISIN code PLPLSEP00153.

On 6 November 2023, the District Court for the capital city of Warsaw in Warsaw, Commercial Division XII of the National Court Register, registered an amendment to the Statutes of Polenergia S.A. made pursuant to the resolution of the Company's Extraordinary General Meeting of 3 April 2023. The amendment to the Company's Statutes registered by the Court relates to an increase in the Company's share capital as a result of the issuance and public offering of 10,416,667 AB series ordinary bearer shares of the Company performed pursuant to a resolution of the General Meeting. The share capital of the Company amounts to PLN 154,437,826.00 divided into 77,218,913 Shares of the par value of PLN 2.00 each. The total number of votes in the Company, to which all issued shares in the Company's share capital are entitled, is 77,218,913.

On 13 November 2023, the Board of the Warsaw Stock Exchange (GPW) adopted Resolution No. 1221/2023 on the admission and introduction of the Company's AB series ordinary bearer shares to trading on the GPW Main Market, pursuant to which the Board of the GPW stated that 10,416,667 AB series ordinary bearer shares of the Company were admitted to trading and resolved to introduce all shares to trading on the main market on 16 November 2023, provided such shares are registered with the National Depository for Securities on 16 November 2023 and designated the code "PLPLSEP00013."

On 7 February 2024, the Management Board of the Company Polenergia S.A. published supplementary information on the completed public offering of 10,416,667 AB series ordinary bearer shares of a par value of PLN 2.00 each provided in current report No. 43/2023 dated 19 October 2023. The total cost of the share issue amounted to PLN 3,761 thousand net, (including the costs of: preparation and performance of the Offering - PLN 2,882 thousand net, underwriters' remuneration, for each separately - not including the preparation of the prospectus, including the advisory costs - PLN 821 thousand net, promotion - PLN 58 thousand net). The total cost of conducting the Offering has been accounted for

through recognition in equity. The average cost of conducting the subscription was PLN 0.36 net per Offered Share.

On 13 March 2023, the Extraordinary General Meeting of Polenergia S.A. revoked the previous authorisation the Management Board of the Company Polenergia S.A. to increase the share capital within the limits of the authorised capital and granted the Company's Management Board a new authorisation to increase the Company's share capital within the limits of the authorised capital, with the possibility for the Management Board, with the consent of the Supervisory Board, to deprive, in whole or in part, the pre-emptive right to subscribe for new shares of the Company, for a further period of time, under the rules and within the limits specified in the amendments to the Company's Articles of Association (Resolution No. 3/2024 of 13 March 2024 published in current report No. 17/2024). In connection with the amendments, the Management Board is authorised to increase the Company's share capital by an amount not exceeding PLN 115,828,368 through the issue of not more than 57,914,184 new ordinary bearer shares with a nominal value of PLN 2 each ("New Shares") ("Authorised Capital"). Within the limits of the Authorised Capital, the Management Board shall be authorised to increase the share capital, by way of one or several consecutive increases of the Company's share capital, within three years from the date of entry of the amendment to the Company's Articles of Association in the register of entrepreneurs.

On 18 January 2023, Polenergia Obrót S.A. ("POLO") entered into an annex to the facility agreement with Deutsche Bank Polska S.A. with registered office in Warsaw for a multi-purpose credit limit up to the total amount of PLN 200 million, under which an overdraft facility and a guarantee limit were made available. Such annex was concluded for a definite period of 12 months, with possible extension for subsequent loan terms (with the ultimate term ending on 10.01.2025). In view of the above, the company 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 POLO, with the surety of PLN 30 million.

On 14 September 2023, Polenergia Obrót S.A. entered into an Agreement for the Sale of Electricity and Guarantee of Origin for Electricity from Renewable Energy Sources ("cPPA") with Northvolt Systems Poland sp. z o.o., with registered office in Gdańsk ("Northvolt"). 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 "Farm"). 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 Farm, which is a dedicated generation source for Northvolt, during such period. The estimated sales volume in the subsequent years of the cPPA will be around 10,500 MWh (with a possible increase to 15,000 MWh). The energy produced will be sold at a fixed price. Total estimated revenues from energy sales over the term of the Agreement may amount to 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 (POLO has the right to substitute another wind farm to supply Northvolt with the amount of electricity as forecast), as well as in the event a failure to pay for the energy supplied by POLO. Performance bonds for the cPPA guaranteeing payments for the purchase of energy will be established within 30 days from the date of execution 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 10.9 million for the entire term of the cPPA, which decreases in each subsequent year of its duration. At the same time, the Parties entered into an additional agreement that comprehensively provides and sets out the terms and conditions for the commercial balancing of Northvolt's consumption needs. Other terms and conditions of the cPPA are no different from standard provisions commonly used in agreements of such type. Signing a multi-year energy sales agreement with a customer with a stable financial position is in line with the Polenergia Group's long-term strategy of commercializing generation sources. Such a model secures the revenue stream realized at the Polenergia Group and makes it independent of any fluctuations in energy market prices that may occur.

On 29 September 2023, Polenergia Obrót S.A. entered into an annex to a multi-purpose credit limit agreement with Bank Pekao S.A. maintaining a total credit limit of PLN 300 million, including the availability of an overdraft of up to PLN 150 million, with an expiration date of 30 September 2024. In view of the above, Polenergia S.A. issued a surety to Polenergia Obrót S.A. up to PLN 150 million.

On 30 November 2023, a new conditional package of PPA and PPA+ agreements (the "PPA and PPA+ Package") was entered into by Polenergia Obrót S.A. ("POLO") with McDonald's Polska sp. z o.o. with registered office in Warsaw ("McDonald's"), which was also to be signed by 87 McDonald's franchisees ("Other Buyers"). The PPA and PPA+ Package refers 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 with McDonald's was entered into under the condition precedent that the PPA and PPA+ Package will be signed by 4 December 2023 by POLO, McDonald's and at least 82 Other Buyers. Based on the signed PPA and PPA+ Package between POLO and each buyer, i.e. McDonald's and each Other Buyer, a separate sales agreement is established. The period of sale of electricity and guarantees of origin under the PPA and PPA+ Package commences on 1 January 2024 and continues until 31 December 2027. With respect to the sale of electricity produced by the Szymankowo WF and the related guarantees of origin, the planned volume of electricity sales relates to a certain portion of the volume to be generated by the Szymankowo WF, which is a dedicated generation source for McDonald's and Other Buyers, during such period. The estimated total sales volume in the following years of the PPA and PPA+ Package with McDonald's and all Other Buyers may reach ca. 200 GWh for each year. The energy produced by the Szymankowo WF will be sold at a fixed price. The total estimated revenues from the sale of electricity and guarantees of origin under the PPA and PPA+ Package with McDonald's and all Other Buyers 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. In the event of early termination of the PPA and PPA+ Package by POLO or one of the buyers, respectively, due to a breach of contract by the other party as specified in the agreement, the non-breaching party shall be entitled to a termination fee in the amount specified in the agreement, the amount of which shall be reduced with each year that the PPA and PPA+ Package will remain in force. Termination of the PPA and PPA+ Package linking POLO to a given buyer shall not terminate the PPA and PPA+ Package between POLO and other buyers.

On 1 December 2023, the Company's Management Board received information that the condition precedent had been fulfilled, i.e., the PPA and PPA+ Package was signed by POLO, McDonald's and the minimum number of McDonald's franchisees referred to in the PPA and PPA+ Package prior to the deadline set for the fulfillment of the condition precedent, i.e., 4 December 2023. Accordingly, the PPA and PPA+ Package became effective on 5 December 2023.

On 8 February 2024, Polenergia Obrót S.A. entered into PPA and PPA+ agreements (the "PPA and PPA+ Agreements") with Mercedes-Benz Manufacturing Poland Sp. z o.o., with registered office in Jawor. The PPA and PPA+ agreements relate to the sale of all electricity consumed by the buyer, including a portion of electricity produced by the following renewable energy facilities: the Dębsk wind farm with an installed capacity of 121 MW ("RES Facility 1") and the Sulechów 3 photovoltaic farm with an installed capacity of 9.84 MW ("RES Facility 2"), and the sale of guarantees of origin of electricity from renewable energy sources in a number corresponding to the amount of electricity sold, as well as commercial balancing of the buyer's needs. The period for the sale of electricity and guarantees of origin under the PPA and PPA+ Agreements starts on 1 March 2024 and continues until 31 December 2027, with the commencement of the sale of electricity and guarantees of origin being contingent on the successful completion of the process involving replacing the buyer's electricity seller with POLO. In the event that the process of replacing the electricity seller with POLO is not finalized by 29 February 2024,

and in case POLO and Mercedes-Benz Manufacturing Poland sp. z o.o. do not agree on another date for finalizing the seller replacement process, the PPA and PPA+ Agreements may be terminated by either party with immediate effect. With respect to the sale of electricity produced by the Dębsk wind farm and the Sulechów 3 photovoltaic farm, the planned volume of electricity sales relates to a certain portion of the volume to be produced by the aforementioned farms during the period. Electricity produced by the farms will be sold at a fixed price, subject to an increase or reduction of the price depending on the amount of the averaged CPI - the average annual index of prices for consumer goods and services for the preceding calendar year published by the Central Statistical Office (GUS). The remaining amount of electricity consumed by the buyer will be sold at a price based on the SPOT market prices on the exchange commodity market of Towarowa Giełda Energii S.A., or at a fixed price for a specified volume of electricity, if such fixed price has been established in accordance with the procedure set forth in the PPA+ agreement. The total estimated revenues from the sale of electricity and guarantees of origin under the PPA and PPA+ Agreements may reach ca. PLN 131.4 million net. In the event of early termination of the PPA and PPA+ Agreements by POLO or Mercedes-Benz Manufacturing Poland Sp. z o.o., respectively, due to a breach of contract by the other party as specified in the agreement, the non-breaching party shall be entitled to a termination fee in the amount specified in the agreement.

On 9 February 2023, the company 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 contract does not include the supply of inverters. The contract value is ca. EUR 10 million.

On 18 May 2023, the company Polenergia Obrót 2 sp. z o.o., which is 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 the facilities agreement. Pursuant to such 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 Lender's 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. Among other things, the borrower filed 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 Lender's 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.

On 27 November 2023, Polenergia Photovoltaic Farm 2 Sp. z o.o. ("FF2"), received notification via the Internet Auction Platform ("IPA"), pursuant to Article 81(5) of the Act of 20 February 2015 on Renewable Energy Sources (the "RES Act"), information that FF2 had won the AZ/7/2023 ordinary auction for its Rajkowy photovoltaic farm project with a target total capacity of ca. 35 MWp. Thus, the Rajkowy project obtained the right to cover the negative balance with respect to the price offered during the auction, for about 31% of the total volume of electricity planned to be generated over a period of 15 years, according to the provisions of the RES Act.

On 27 November 2023, Polenergia Farma Fotowoltaiczna 16 Sp. z o.o. ("FF2"), received notification via IPA, pursuant to Article 81(5) of the Act of 20 February 2015 on Renewable Energy Sources (the "RES Act"), information that FF16 had won the AZ/7/2023 ordinary auction for its Szprotawa II photovoltaic

farm project with a target total capacity of ca. 20 MWp. Thus, the Szprotawa II project obtained the right to cover the negative balance with respect to the price offered during the auction, for about 31% of the total volume of electricity planned to be generated over a period of 15 years, according to the provisions of the RES Act.

On 27 December 2023, Polenergia Farma Wiatrowa Namysłów sp. z o. o., developing the Szprotawa I photovoltaic farm project with a total installed capacity of 47 MWp (the "Szprotawa I Photovoltaic Farm"), 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 (the "Szprotawa II Photovoltaic Farm"), entered into a contract with the company P&Q sp. z o. o., with registered office in Białystok ("P&Q"), concerning the construction of the Szprotawa I Photovoltaic Farm and the Szprotawa II Photovoltaic Farm. The contract for the construction of the Szprotawa I Photovoltaic Farm is to be performed by 30.06.2025, and the contract for the construction of the Szprotawa Photovoltaic Farm II by 30.06.2025. The abovementioned contracts cover the performance by P&Q with respect to the Szprotawa I Photovoltaic Farm and Szprotawa II Photovoltaic Farm 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 total contract value is ca. PLN 89 million.

On 22 February 2024, 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 Jinko Solar (Chuzhou) Co., Ltd. concerning the supply of photovoltaic modules for both projects. The contracts cover the sale of the photovoltaic modules manufactured by Jinko Solar in the quantity required for the implementation of the projects. The contracts do not include the supply of inverters. The contract will be completed by the end of October 2024. The total value of the contracts is ca. EUR 8 million.

On 31 March 2023, Amon sp. z o.o., with registered office in Łebcz ("Amon"), received a pleading from Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with registered office in Warsaw ("PKH") in the proceedings instituted by Amon against PKH pending before the Regional Court in Gdańsk, by which PKH included a counterclaim ("Counterclaim") demanding the award of PLN 61,576,284.89 from Amon to PKH with statutory default interest. The amount of PLN 55,691,856.47 represents liquidated damages demanded by PKH allegedly on the basis of sec. 8 item 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 with PKH (the "Proprietary Interest Sale Agreement") 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 5,884,428.42, on the other hand, represents compensation claimed by PKH 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 with PKH on 23 December 2009 (the "Energy Sale Agreement"). On 16 May 2023, the Regional Court in Gdańsk served Amon a decision dated 2 May 2023, which left the counterclaim of Polska Energia – Pierwsza Kompania Handlowa without proceeding any further. The basis for the order in question by the Regional 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 12 June 2023, Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o. filed a cassation appeal against the judgment of the District Court in Gdańsk dated 17 November 2022 in the case of Amon's claim against PKH, by which the District Court entirely dismissed the appeal filed by PKH.

On 28 December 2023, Amon Sp. z o.o., with registered office in Łebcz ("Amon") and Talia sp. z o.o., with registered office in Łebcz ("Talia"), filed a second change of claim against Tauron Polska Energia S.A. ("Tauron") with the Regional Court in Katowice, Commercial Division XIV covering Amon's and Talia's claims for damages arising after 30 June 2020. The grounds for the liability in tort of Tauron is a breach and cessation of 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 interest under the certificates of origin confirming that energy has been generated in renewable sources, entered into with the companies Amon and Talia. By virtue of the modification in question, the damages claimed, including interest, increased - in the case of Amon by PLN 29,668,791.42, in the case of Talia by PLN 19,277,206.14.

On 28 December 2023, the Issuer's subsidiary Amon Sp. z o.o. with registered office in Łebcz filed a second change of claim against a subsidiary of Tauron Polska Energia S.A. - Polska Energia - Pierwsza Kompania Handlowa Sp. z o.o with registered office in Warsaw ("PKH") with the Regional Court in Gdańsk, Commercial Division IX in view of the of the ineffective termination an non-performance by PKH of long-term contracts for the sale of energy and proprietary interest entered into by PKH with Amon. By virtue of the aforementioned change of claim, Amon, in addition to the amounts previously claimed, seeks payment of PLN 18,297,696.66 as damages for non-performance of the aforementioned contracts during their continued term. In addition, Talia sp. z o.o. filed with the Regional Court in Gdańsk, Commercial Division IX, its fifth change of claim against PKH in view of the ineffective termination and non-performance by PKH of long-term contracts for the sale of energy and proprietary interest entered into by PKH with Talia. By virtue of the abovementioned change of claim, Talia, in addition to the amounts claimed so far, seeks payment of PLN 12,075,080.14 as damages for non-performance of the aforementioned contracts during their continued term.

On 7 June 2023, Polenergia H2HUB Nowa Sarzyna sp. z o.o., developing the H2HUB Nowa Sarzyna project, entered into an agreement with Hystar AS, with registered office in Høvik, Norway ("Hystar") for:

- the supply and commissioning of a 5 MW electrolyzer (the "Supply Agreement"). Performance under the Supply Agreement is scheduled for Q3 2024;
- a long-term electrolyzer servicing agreement ("LTSA"). LTSA 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 also guarantees the appropriate level of availability of the electrolyzer under the servicing agreement.

On 7 June 2023, the company Polenergia H2HUB Nowa Sarzyna sp. z o.o. and Polenergia S.A. entered into a cooperation agreement with the International Finance Corporation ("IFC"), a member of the World Bank Group, to co-finance the development costs of the Project which includes a hydrogen plant along with two filling stations and associated infrastructure. IFC shall 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 agreement, the maximum amount of financing for the project is EUR 3,600,000, significantly reducing 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. 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 IFC's right, in certain cases, to either withhold the financing or terminate the agreement with immediate effect. Implementation of subsequent phases of the project may require obtaining relevant corporate approvals.

On 22 November 2023, with reference to current report No. 30/2022 of 23 September 2022 on the execution of an agreement with the National Center for Research and Development ("NCBiR") for the

subsidy of a project H2 HUB Nowa Sarzyna: Green Hydrogen Storage participating in the New Technologies for Energy I competition, the Management Board of Polenergia S.A. announced 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 the Company, as leader of the consortium, Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. and Wrocław University of Technology (the "Consortium"). Project implementation has been divided into three phases. Phase one has been completed - NCBiR has decided to recommend the project to proceed from phase one to phase two. As at the date of this report, 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 ENS 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. The Company stipulates 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. The detailed terms of the subsidy agreement were presented in Current Report No. 30/2022 and remain unchanged.

On 15 February, the Management Board of Polenergia S.A. became aware that the European Commission (the "Commission") had issued a notification decision regarding State aid for the H2Silesia project under IPCEI Hydrogen Hy2Infra (Important Projects of Common European Interest) (the "Notification Decision"). The Commission assessed the proposed project on the basis of the EU State aid rules, including criteria derived from the Commission's Communication on Criteria for the Compatibility of State Aid to Support the Implementation of Important Strategic Projects of Common European Interest (2021/C 528/02). The Notification Decision approves the maximum ceiling of State aid for the H2Silesia project and does not mean that Polenergia H2Silesia sp. z o.o. will be granted funding for its implementation. The decision to grant funding and the determination of the final amount of funding will be made at the national level. This project involves the construction of a ca. 105 MW large-scale renewable hydrogen production facility for heavy industry and zero-emission transportation located in Upper Silesia. The intended facility will be able to produce ca 13.000 tons of hydrogen per year. Prenotification at the national level for H2Silesia under IPCEI was obtained in April 2022. The total amount of eligible costs in the project is EUR 218.36 million while the maximum amount of State aid approved by the European Commission may reach EUR 142.77 million which corresponds to the amount of the financing gap in the project. Eligible costs in the project include the supply and installation of electrolyzers, a cooling system, an electrical substation, a water treatment station, a deoxygenation and drying system, compressors, a hydrogen storage facility and a hydrogen distribution station, together with the associated auxiliary installations, buildings and road system, as well as preparatory works, design and commissioning. The Management Board of Polenergia S.A. anticipates that eligible costs of the project exceeding the value of the public subsidy will be covered from funds and sources, such as, among others, equity and an investment loan. The final implementation of the project depends on external criteria, such as the conclusion of contracts securing the terms of hydrogen supply, the fulfillment of the relevant economic criteria and the availability of financing for the project, as well as making a final investment decision based on the above data and obtaining the required corporate approvals. According to information in Report No. 4/2024 dated 8 February 2024, the Company commenced a review of options with respect to pursuing its Strategic Goals in the areas of hydrogen strategy, 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 to the extent required by the applicable provisions of law.

On 27 June 2023, Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. ("ENS") entered into a subsidy agreement ("Subsidy Agreement") with the National Fund for Environmental Protection and Water Management ("NFOŚiGW") for the project "Construction by Polenergia ENS 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 Subsidy Agreement, the total amount of funding in the form of a subsidy is PLN 20 million (the "Subsidy"), 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, the Subsidy Agreement providing for the possibility of changes to the program. The beneficiary's entitlement 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 Subsidy Agreement, including the termination by notice, termination with immediate effect, withholding of the subsidy, are no different from those commonly used in such type of agreements.

On 14 December 2023, the company Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. with registered office in Nowa Sarzyna, participated in the main auction in the capacity market for the delivery year 2028. During the auction, ENS offered total capacity obligation of 112 MW for 2028. ENS had not made an exit bid by the time the auction ended.

On 18 December 2023, Polskie Sieci Elektroenergetyczne S.A. ("PSE") announced the preliminary results of the main auction for the delivery year 2028. The main auction ended in the 6th round with the closing price of PLN 244,90/kW/year. In view of the published result of the main auction for the delivery year 2028, a capacity contract was entered into by PSE and Zarządca Rozliczeń S.A. (Price Settlement Authority) with the company Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. with registered office in Nowa Sarzyna. The total capacity commitment offered by ENS resulting from the abovementioned contract is 112 MW. The contract was entered into for a term of 1 year, subject to a condition precedent until the President of the Energy Regulatory Office announces the final results of the auction.

On 26 June 2023, Polenergia S.A., as a shareholder to the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. (collectively, the "Project Companies"), holding 50% of the shares in each of the Project Companies, together with Equinor Wind Power AS, the shareholder holding the remaining 50% of the shares in the Project Companies, adopted shareholder resolutions of the Project Companies to approve updates to the budgets of the MFW Bałtyk II and MFW Bałtyk III projects and the projects' development plans for the period until the commencement of construction works (collectively, the "Budget"), including in particular the estimated capital expenditures required to prepare the projects for the commencement of construction works ("Devex") and the programs for such stage of the projects' development. The budgeted level of Devex currently amounts to about PLN 950 million, this amount also including funds already spent (about PLN 415 million) in the period between obtaining the decision to grant support to the projects and the date of publication of this report. According to the approved Budget, the intended commencement date for construction works falls in Q1 2025, while the completion and commissioning of the projects is scheduled for 2028. The level of Devex set in the Budget, as well as the planned implementation dates of the project's development milestones mentioned above represent estimates that are subject to further changes. Any update to the Budget will require the adoption of relevant shareholders resolutions within the Project Companies. The shareholders resolutions of the Project Companies and as the adopted updated Budget, apply only to Devex. Further capital expenditures, including those in the construction phase (construction capital expenditures; "Capex"), will be subject to separate decisions by the shareholders of the Project Companies. However,

Polenergia S.A. informs that the implementation of the projects according to the schedule resulting from the updated Budget will result in the need for the Project Companies to incur, in the period prior to the commencement of construction and on top of Devex, also part of the expenditures constituting Capex, which will ultimately be included in the construction phase budget. According to current estimates, these expenditures may amount to ca. PLN 2.8 - 3.2 billion, with the total construction phase budget estimated in the range of PLN 21 - 24 billion. Polenergia S.A. makes a caveat that this information is non-binding, is subject to change, and the company will not separately inform thereof before the construction phase budget is formally adopted.

On 5 October 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o. 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 Luxemburg SA Hellenic Cables S.A. Consortium Bałtyk 2 spółka jawna (general partnership), and MFW Bałtyk III sp. z o.o. - with Jan De Nul Luxemburg SA Hellenic Cables S.A. Consortium Bałtyk 3 spółka jawna ("Contractors"). 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 Société 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. Under the agreements, Polenergia S.A. will be required to provide payment security in the form of a corporate guarantee ("PCG"). PCGs issued by the Company will cover 50% of the value of the Project Companies' existing obligations vis a vis the Contractor. The maximum expected amount of the Company's PCG 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 the Contractors' additional, optional scope of work.

On 24 October 2023, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o., entered into agreements with Seaway 7 Management AS, with registered office in Oslo, Norway, for the design, manufacture, testing, transportation, installation and protection of "internal" cables, i.e. those 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.

On 15 February 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o., in which Polenergia S.A. holds a 50% stake, developing offshore wind farm projects, i.e. MFW Bałtyk II and MFW Bałtyk III, respectively, as part of a joint venture between the Company and Equinor Wind Power AS, entered into an agreement with Siemens Gamesa Renewable Energy sp. z o.o., with registered office in Warsaw, a company of the Siemens Energy AG group, each of the Project

Companies separately:

- agreements for the supply of wind turbines for the implementation of the offshore wind farm project MFW Bałtyk II and MFW Bałtyk III, respectively (the "WTG Supply Agreements");
- the Service Agreements for the warranty service of the wind turbines as equipment of the MFW Bałtyk II and MFW Bałtyk III offshore wind farms ("Service Agreements");

The contracts are governed by English law.

WTG Supply Agreements:

The WTG supply agreements include the design, engineering, delivery, deployment supervision and commissioning of a complete set of 100 offshore wind turbines (50 WTGs for each Project) with a maximum capacity of 14.4 MW each, along with a WTG SCADA (*Supervisory Control and Data Acquisition*) system. The WTG Supply Agreements are conditional. Their entry into force is contingent on the contractor's provision of security and payment of an advance by the Project Companies. The total remuneration of the contractor under the two WTG Supply Agreements (i.e. for both projects) has been estimated, as at the date of execution of those agreements, at ca. EUR 1.66 billion. This amount is not final and will be updated during the term of the WTG Supply Agreements, as part of the contractor's remuneration is based on rates subject to indexation in terms of the prices of certain materials and services, inflation, currency hedging or labor costs. Final remuneration of the contractor will be determined in accordance with the provisions of the WTG Supply Agreements based on the actually completed scope of work and with due regard to the factors depending on the market condition. The Project Companies estimate the total amount of capital expenditures to be incurred under the WTG Supply Agreements, including in connection with the exercise of options, at ca. EUR 1.8 billion. Entering into the Turbine Supply Agreements requires the Project Companies to incur significant capital expenditures before making a final investment decision ("FID") for the projects. The estimated CAPEX to be incurred before FID, including indexation, amount to ca. PLN 88 million and ca. EUR 88 million. The WTG Supply Agreements guarantee the Project Companies the right to terminate them without cause as well, but such termination of the WTG Supply Agreements will entail the obligation to pay termination fees to the contractor, the value of which increases over time, depending on when the WTG Supply Agreements are terminated. The contractor's agreed remuneration was calculated assuming a back-to-back installation, i.e. continuous performance of both contracts. If this assumption fails to materialize due to the failure of the relevant Project Company to proceed with the work in one of the projects or the termination of one of the WTG Supply Agreements, an amount of ca. EUR 30 million will be added to the contract price. Entering into the WTG Supply Agreements allows the Projects to be implemented according to the current schedule.

Service Agreements

The Service Agreements cover the maintenance and warranty service of the wind turbines as equipment of the MFW Bałtyk II and MFW Bałtyk III offshore wind farms for a period of 5 years. The contractor's total remuneration under the two Service Agreements (i.e., for both projects), is estimated as at the date of those agreements, at ca. EUR 384 million, which includes the upfront fee and the annual fees payable to the contractor over the 5-year term referred to above. Fees for services referred to in the Service Agreements will be subject to indexation, the level of which will depend on the industry's producer price index and quarterly data published by Eurostat. The Project Companies may extend the term of the Service Agreements for another five years, but this will entail a higher annual fee payable to the contractor. Under the Service Agreements, the contractor provided the Project Companies with efficiency guarantees.

Security for payments to the Contractor

Under the WTG Supply Agreements, the Company will be required to provide payment security in the

form of a corporate guarantee ("PCG"). PCGs issued by the Company will cover 50% of the value of the Project Companies' existing obligations vis a vis the contractor. The maximum amount of the Company's PCG obligations, rounded up, shall be: (i) up to EUR 27 million and up to PLN 29.6 million for obligations incurred between 30 September 2024 and 30 April 2025, and (ii) up to EUR 47.2 million and up to PLN 52 million for obligations incurred between 1 May 2025 and 31 July 2025, in each case PCGs will expire if the financial close confirmed by the financing institution (facility agent) is reached. The PCGs will also secure payment by the Project Companies of termination fees with respect to the WTG Supply Agreements.

On 16 February 2024, the project companies MFW Bałtyk II sp. z o.o. and MFW Bałtyk III sp. z o.o., in which Polenergia S.A. holds a 50% stake, developing offshore wind farm projects, i.e. MFW Bałtyk II and MFW Bałtyk III, respectively, as part of a joint venture between the Company and Equinor Wind Power AS, entered into an agreement with the company SIF Netherlands B.V. with registered office in Roermond (the Netherlands) for the production and delivery of the monopile foundation structures for the wind turbines. The agreements provide for the production of 100 monopiles, 50 for each project, on which the wind turbines will be founded. According to the assumed program, production work has been scheduled to begin in Q2 2025, while the production of the last monopiles is envisaged in Q1 2026. 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 440 million. Remuneration is based on rates indexed by the price inflation index with respect to materials and services used in production. It may also be adjusted due to possible foundation design changes. The agreements are conditional. Their entry into force is contingent on the parties mutual provision of parent company guarantees (PCG) for the obligations covered by the agreement. Entering into those Agreements allows the Projects to be implemented according to the current schedule. The contracts are governed by English law. In view of the execution of the Agreements, the Company will be required to issue sureties for the obligations of the Project Companies, including payment of 50% of the contractor's costs incurred in connection with the premature termination of the Agreements. As at the date of publication of this report, the maximum amount of guarantee obligations on the Company's part under the abovementioned contracts for the two projects combined is estimated at ca. EUR 167.5 million, the expiration date of the Company's guarantees in each case being the achievement of financial close confirmed by the financing institution (facility agent).

On 28 July 2023, the Management Board of the Company Polenergia S.A. decided to discontinue works aimed at preparing a wind farm project in the Baltic Sea in the region of the Lithuanian territorial sea or the exclusive economic zone of the Republic of Lithuania for auction, the application of which was being considered in the context of the auction for offshore wind power in Lithuania scheduled for the second half of this year. The abovementioned decision was made after the analysis of the economic viability of the project in light of the published parameters for the planned auction (including the maximum transaction price announced by the National Energy Regulatory Authority (NERC) on 13 July 2023), upon consultation and under the arrangement with the Lithuanian company Modus Energy AB (operating under the Green Genius brand), which was to be a local partner. In doing so, the parties agreed that cooperation in this area was terminated. As communicated in Report No. 4/2024 of 8 February 2024, the Company has commenced a review of options for the implementation of the Strategic Objectives in the area of foreign expansion, among others, 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 it will inform to the extent required by applicable law.

Financial performance for the 12-month period ended 31 December 2023 by operating segments

On the following pages a presentation is given of the distribution of the total Group's result in 2023 and in the fourth quarter of 2023 alone, broken down into the operating segments.

12M 2023 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	590,7	17,0	165,8	4 639,9	183,2	18,9	-	5 615,4
Operating costs, including	(218,9)	(8,7)	(162,2)	(4 380,2)	(161,4)	(4,3)	(2,8)	(4 938,6)
operating costs (without granted green certificates adjustment)	(108,5)	-	-	-	-	-	-	(108,5)
depreciation/amortization	(120,7)	(4,0)	(9,3)	(10,1)	(8,9)	(6,3)	(2,8)	(162,1)
granted green certificates adjustment	10,3	-	-	-	-	-	-	10,3
Gross profit on sales	371,7	8,2	3,6	259,8	21,8	14,5	(2,8)	676,8
Gross profit on sales margin	62,9%	48,5%	2,2%	5,6%	11,9%	"n/a"	"n/a"	12,1%
Selling expenses	-	-	-	(95,1)	-	-	-	(95,1)
General overheads	(12,3)	(1,2)	(7,6)	(82,4)	(10,2)	(58,8)	-	(172,4)
Other operating activities	(12,5)	(5,7)	(2,7)	(7,1)	0,9	(1,0)	-	(28,1)
including impairment losses	(4,3)	-	-	-	-	-	-	(4,3)
Operating profit	346,9	1,4	(6,6)	75,2	12,4	(45,2)	(2,8)	381,2
EBITDA	467,7	9,5	2,7	85,3	21,3	(38,9)	-	547,6
EBITDA Margin	79,2%	56,2%	1,6%	1,8%	11,6%	"n/a"	"n/a"	9,8%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	467,7	9,5	2,7	85,3	21,3	(38,9)	-	547,6
Adjusted EBITDA Margin	79,2%	56,2%	1,6%	1,8%	11,6%	"n/a"	"n/a"	9,8%
Profit (loss) on financial activities	(66,3)	(3,9)	1,6	(17,2)	(6,5)	41,3	-	(50,9)
Profit (loss) before tax	280,6	(2,5)	(5,0)	58,0	6,0	(3,9)	(2,8)	330,3
Income tax	-	-	-	-	-	-	-	(66,7)
Net profit (loss) for period	-	-	-	-	-	-	-	263,6
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	2,8
Foreign exchange differences	-	-	-	-	-	-	-	(0,1)
Loan valuation using amortized cost method	-	-	-	-	-	-	-	3,0
Impairment losses	-	-	-	-	-	-	-	4,3
Net result on the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	273,6
*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.								
12M 2022 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	403,9	16,1	202,8	6 292,4	161,9	12,2	-	7 089,2
Operating costs, including	(144,2)	(4,9)	(200,0)	(6 121,8)	(134,3)	(3,1)	(2,8)	(6 611,1)
operating costs (without granted green certificates adjustment)	(57,5)	-	-	-	-	-	-	(57,5)
depreciation/amortization	(81,0)	(2,4)	(13,4)	(4,9)	(7,5)	(4,3)	(2,8)	(116,4)
granted green certificates adjustment	(5,8)	-	-	-	-	-	-	(5,8)
Gross profit on sales	259,6	11,2	2,7	170,6	27,6	9,2	(2,8)	478,1
Gross profit on sales margin	64,3%	69,8%	1,3%	2,7%	17,0%	"n/a"	"n/a"	6,7%
Selling expenses	-	-	-	(115,9)	-	-	-	(115,9)
General overheads	(5,5)	(0,8)	(7,1)	(64,2)	(8,1)	(39,9)	-	(125,5)
Other operating activities	7,2	(0,4)	(2,5)	(0,4)	(0,1)	(2,8)	-	0,9
including impairment losses	(0,3)	-	-	-	-	(0,0)	-	(0,3)
Operating profit	261,4	10,1	(6,9)	(10,0)	19,4	(33,6)	(2,8)	237,6
EBITDA	342,7	12,6	6,5	(5,0)	26,9	(29,3)	-	354,3
EBITDA Margin	84,8%	78,0%	3,2%	-0,1%	16,6%	"n/a"	"n/a"	5,0%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	342,7	12,6	6,5	(5,0)	26,9	(29,3)	-	354,3
Adjusted EBITDA Margin	84,8%	78,0%	3,2%	-0,1%	16,6%	"n/a"	"n/a"	5,0%
Profit (loss) on financial activities	(53,3)	(1,2)	0,0	(21,2)	(5,8)	44,1	-	(37,3)
Profit (loss) before tax	208,1	8,9	(6,9)	(31,1)	13,7	10,5	(2,8)	200,3
Income tax	-	-	-	-	-	-	-	(40,4)
Net profit (loss) for period	-	-	-	-	-	-	-	159,9
Normalizing adjustments:								
Purchase price allocation (PPA)	-	-	-	-	-	-	-	2,8
Foreign exchange differences	-	-	-	-	-	-	-	(2,9)
Loan valuation using amortized cost method	-	-	-	-	-	-	-	1,8
Impairment losses	-	-	-	-	-	-	-	0,3
Net result on the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	162,0
Change of adjusted EBITDA yoy	125,1	(3,0)	(3,8)	90,3	(5,6)	(9,6)	-	193,3
*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.								

4Q 2023 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	178,7	1,6	27,8	1 272,0	49,9	6,0	-	1 535,9
Operating costs, including	(53,7)	(2,4)	(29,4)	(1 227,9)	(42,1)	6,0	(0,7)	(1 350,2)
operating costs (without granted green certificates adjustment)	(34,5)	-	-	-	-	-	-	(34,5)
depreciation/amortization	(32,3)	(1,0)	(2,3)	(3,1)	(2,3)	(1,6)	(0,7)	(43,3)
granted green certificates adjustment	13,1	-	-	-	-	-	-	13,1
Gross profit on sales	124,9	(0,8)	(1,5)	44,1	7,8	11,9	(0,7)	185,7
Gross profit on sales margin	69,9%	-52,6%	-5,5%	3,5%	15,7%	"n/a"	"n/a"	12,1%
Selling expenses	-	-	-	(21,9)	-	-	-	(21,9)
General overheads	(3,7)	(0,3)	(2,1)	(29,8)	(3,6)	(18,3)	-	(57,8)
Other operating activities	(12,7)	(4,9)	(1,1)	(7,0)	0,3	(0,3)	-	(25,7)
including impairment losses	(4,2)	-	-	-	-	-	-	(4,2)
Operating profit	108,5	(6,0)	(4,7)	(14,6)	4,5	(6,7)	(0,7)	80,3
EBITDA	140,9	(0,8)	(2,4)	(11,6)	6,8	(5,1)	-	127,8
EBITDA Margin	78,6%	-54,0%	-8,5%	-0,9%	13,6%	"n/a"	"n/a"	8,3%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	140,9	(0,8)	(2,4)	(11,6)	6,8	(5,1)	-	127,8
Adjusted EBITDA Margin	78,6%	-54,0%	-8,5%	-0,9%	13,6%	"n/a"	"n/a"	8,3%
Profit (loss) on financial activities	(17,6)	(0,2)	0,6	(3,0)	(1,9)	10,4	-	(11,9)
Profit (loss) before tax	90,9	(6,2)	(4,1)	(17,7)	2,6	3,7	(0,7)	68,4
Income tax	-	-	-	-	-	-	-	(13,6)
Net profit (loss) for period	-	-	-	-	-	-	-	54,8
Normalizing adjustments:	-	-	-	-	-	-	-	-
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,7
Foreign exchange differences	-	-	-	-	-	-	-	(0,3)
Loan valuation using amortized cost method	-	-	-	-	-	-	-	0,5
Impairment losses	-	-	-	-	-	-	-	4,2
Net result on sale of assets ***	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	59,9

*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.

4Q 2022 (m PLN)	Onshore Wind Power	Photovoltaics	Gas and Clean Fuel	Trading	Distribution	Unallocated	Purchase price allocation	TOTAL
Sales revenues*	103,5	2,3	96,3	1 688,2	49,9	5,9	-	1 946,1
Operating costs, including	(35,3)	(2,1)	(93,8)	(1 628,7)	(43,3)	2,1	(0,7)	(1 801,6)
operating costs (without granted green certificates adjustment)	(17,5)	-	-	-	-	-	-	(17,5)
depreciation/amortization	(25,6)	(1,0)	(3,3)	(1,6)	(1,9)	(1,5)	(0,7)	(35,6)
granted green certificates adjustment	7,8	-	-	-	-	-	-	7,8
Gross profit on sales	68,2	0,3	2,5	59,6	6,6	8,0	(0,7)	144,5
Gross profit on sales margin	65,9%	11,6%	2,6%	3,5%	13,3%	"n/a"	"n/a"	7,4%
Selling expenses	-	-	-	(30,6)	-	-	-	(30,6)
General overheads	(2,1)	(0,2)	(2,0)	(21,4)	(2,4)	(12,3)	-	(40,4)
Other operating activities	4,4	(0,1)	(1,3)	(0,4)	(0,2)	(1,5)	-	0,9
including impairment losses	(0,1)	-	-	-	-	0,0	-	(0,0)
Operating profit	70,5	(0,0)	(0,8)	7,1	4,0	(5,7)	(0,7)	74,3
EBITDA	96,1	1,0	2,6	8,7	5,9	(4,2)	-	110,0
EBITDA Margin	92,9%	40,9%	2,7%	0,5%	11,8%	"n/a"	"n/a"	5,7%
Purchase price allocation (PPA)	-	-	-	-	-	-	-	-
Adjusted EBITDA	96,1	1,0	2,6	8,7	5,9	(4,2)	-	110,0
Adjusted EBITDA Margin	92,9%	40,9%	2,7%	0,5%	11,8%	"n/a"	"n/a"	5,7%
Profit (loss) on financial activities	(24,4)	(0,3)	1,1	(7,4)	(1,8)	23,0	-	(9,7)
Profit (loss) before tax	46,1	(0,4)	0,3	(0,3)	2,2	17,3	(0,7)	64,6
Income tax	-	-	-	-	-	-	-	(12,7)
Net profit (loss) for period	-	-	-	-	-	-	-	51,9
Normalizing adjustments:	-	-	-	-	-	-	-	-
Purchase price allocation (PPA)	-	-	-	-	-	-	-	0,7
Foreign exchange differences	-	-	-	-	-	-	-	0,5
Loan valuation using amortized cost method	-	-	-	-	-	-	-	1,1
Impairment losses	-	-	-	-	-	-	-	0,0
Net result on the sale of assets	-	-	-	-	-	-	-	-
Adjusted net profit	-	-	-	-	-	-	-	54,3
Change of adjusted EBITDA yoy	44,8	(1,8)	(4,9)	(20,3)	0,9	(0,8)	-	17,8

*Revenues from granted but not sold green certificates are presented as decrease of direct costs in accordance with IFRS 15.

3. Legal regime

For details on legislative acts that are relevant to the business of the Polenergia Group, see “Description of material risk factors and threats”.

4. Organizational structure of the Group

For a description of the issuer's group structure, refer to Note 7 to the consolidated financial statements.

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

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

EBITDA / Net profit (loss) [PLN m]	12M 2023	12M 2022	Difference
Sales revenues	5 615,4	7 089,2	(1 473,8)
EBITDA	547,6	354,3	193,3
Adjusted EBITDA	547,6	354,3	193,3
Net profit (loss)	263,6	159,9	103,7
Adjusted net profit (loss)	273,6	162,0	111,6

The year-on-year changes in the performance in 2023 were driven by the following factors:

a) On the level of EBITDA (increase by PLN 193.3 million):

- Better result in the onshore wind farm segment (by PLN 125.1 million) mainly due to the commencement of generation in the Dębsk, Kostomłoty, Grabowo and Piekło wind farms, better windiness and higher sales prices of electricity and green certificates compared to those in 2022 (when the prices resulted from the prior years' hedging transactions). The above was partly offset by higher operating costs in wind farms;
- Lower result of the PV segment (by PLN 3.0 million) due to higher total operating costs of farms in operation (full year of operation of Sulechów 2, 3 and Buk farms), lower effective prices achieved by farms not participating in the auction system in 2023, as well as higher capital expenditures for projects in the development phase.
- Lower result in the gas and clean fuels segment (by PLN 3.8 million) due to limited opportunities to optimize ENS operations and higher fixed costs partly offset by better result on heat.
- Better result of the trading and sales segment (by PLN 90.3 million) due to: i) better result on the RES assets originating energy trading due to higher electricity sales prices and smaller impact of the wind profile costs (compared to the hedged sales price) and higher volume due to the expansion of the generating projects portfolio, ii) better result on the RES aggregation mainly due to the termination of performance under contracts with negative margin (resulting from dynamic changes in prices in the electrical energy market) in 2022, (iii) higher margin on electricity trading and business service related to the use of price volatility mainly in energy markets, (iv) higher margin on the ENS contract service using short-term CSS volatility. Better result in 2023 has been partly offset by: i) lower result on electricity sales mainly related to the recognition of a one-off impact of the measurement of forward transactions last year, (ii) lower result on green certificate trading due to a drop in market prices of green certificates, (iii) lower result on other business, including the margin on the sales of solar panels and heat pumps, iv) lower margin on prop trading, v) higher operating expenses resulting from the expansion of operations.

- The drop in the result of the distribution segment (by PLN 5.6 million) has mainly been the consequence of the lower unit margin on energy sales in first half of year, lower margin on electricity distribution (mainly due to the delay in updating the distribution tariff) and higher operating expenses resulting from the upscaling of business. The negative result was partly offset by higher revenues from connection fees.
- Lower result in Unallocated item (by PLN 9.6 million) has been mainly a consequence of higher operating expenses at the Headquarter caused predominantly by the upscaling of business.

b) On the level of adjusted EBITDA (increase by PLN 193.3 million):

- The EBITDA effect described above (result higher by PLN 193.3 million);

c) On the level of Net Profit (increase by PLN 103.7 million):

- The EBITDA effect (higher result by PLN 193.3 million);
- Higher depreciation and amortization (by PLN 45.7 million) resulting primarily from the commissioning of fixed assets in the wind farm and photovoltaic segment, higher depreciation of leased assets under IFRS 16;
- Higher value of impairment losses (by PLN 4.0 million).

All the above mentioned items contributed to the increase of the operating profit by PLN 143.6 million.

- Higher financial income (by PLN 11.8 million) mainly as a consequence of higher interest income (by PLN 8.4 million), higher foreign exchange gains (by PLN 2.3 million) and higher surety fees (by PLN 1.2 million).
- Higher financial expenses (by PLN 25.4 million) resulting mainly from higher interest expenses (by PLN 24.1 million), higher cost from the derivatives measurement and commission costs (by PLN 2.2 million) and financial liabilities measurement (by PLN 1.5 million), partly offset by better result on foreign exchange difference measurement (by PLN 2.5 million);
- The higher income tax level in 2023 results from the better income of the Group before tax.

d) On the level of adjusted net profit (increase by PLN 111.6 million):

- The net profit effect (increase by PLN 103.7 million);
- Reversal of the foreign exchange differences effect (increase by PLN 2.8 million);
- Elimination of the purchase price allocation effect (neutral effect);
- Reversal of the impairment losses effect (increase by PLN 4.0 million);
- Reversal of the loan measurement effect using the amortized cost method (increase by PLN 1.2 million).

6. Concise outline of significant achievements or failures of the issuer in the reporting period including a list of related major events

An outline of significant achievements or failures of the Issuer in the reporting period including a list of related major events has been presented in section 2 hereof.

7. Description of factors and events, in particular those of non-typical nature, of significant impact on the financial performance achieved

The factors of significant impact on the financial performance have been referred to in sections 2 and 5 hereof.

8. Identification of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the general meeting of shareholders of the Issuer as at the day of delivery of the annual report, including the specification of the number of shares held by such companies, their percentage share in the share capital, number of votes attaching to them and their percentage share in the total number of votes at the general meeting, as well as identification of changes in the ownership structure of substantial share interest of the Issuer in the period since the delivery of the most recent past annual report

No.	Shareholder	Number of shares held	Number of votes	Percentage
1	Mansa Investments sp. z o.o. ¹	33,079,625	33,079,625	42.84%
2	BIF IV Europe Holdings Limited ²	24,738,738	24,738,738	32.04%
3	Allianz Polska OFE ³	6,045,142	6,045,142	7.83%
4	Nationale-Nederlanden OFE ⁴	4,571,602	4,571,602	5.92%
5	Others (less than 5%) ⁵	8,783,806	8,783,806	11.38%
	Total	77,218,913	77,218,913	100%

¹ 100% of shares in in Mansa Investments Sp. z o.o. are indirectly controlled by Ms. Dominika Kulczyk through Kulczyk Holding S.à r.l. As announced on 13 April 2022 (Current Report No. 16/2022 dated 13 April 2022), Mansa Investments sp. z o.o. and BIF IV Europe Holdings Limited are acting in concert, based on an investment agreement entered into on 3 November 2020 (as amended), meeting the criteria referred to in Article 87 section 1 item 5 of the Act on Public Offering and Conditions for Introducing Financial Instruments to the Organized Trading System and on Public Companies. The number of shares and votes indicated in the table above additionally takes into account information on the number of shares allotted to individual shareholders in the Public Offering of AB Series ordinary bearer shares. On 12 June 2023 the Company received a notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. on 7 June 2023, the subject of which was 1,000,000 shares of the Issuer held by Mansa, representing, as at the date of the notification, approximately 1.5% of the Company's share capital and the total number of votes in the Company (current report No. 24/2023 of 13 June 2023). On 27 September 2023 the Company received a notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. on 22 September 2023, the subject of which was 13,000,000 shares of the Issuer held by Mansa, representing, as at the date of the notification, approximately 19.46% of the Company's share capital and the total number of votes in the Company (current report No. 38/2023 of 28 September 2023). ² As announced on 13 April 2022 (Current Report No. 16/2022 dated 13 April 2022), Mansa Investments sp. z o.o. and BIF IV Europe Holdings Limited are acting in concert, based on an investment agreement entered into on 3 November 2020. (as amended), meeting the criteria referred to in Article 87 sec. 1 item 5 of the Act on Public Offering and Conditions for Introducing Financial Instruments to the Organized Trading System and on Public Companies. The number of shares and votes referred to in the table above also takes into account information on the number of shares allotted to individual shareholders in the Public Offering of the AB Series ordinary bearer shares.

³ Notice of a change in ownership made public by the Company by way of Current Report No. 19/2023 dated 16 May 2023. The number of shares and votes referred to in the table above also takes into account information on the number of shares allotted to individual shareholders in the Public Offering of the AB Series ordinary bearer shares.

⁴ According to information from the Issuer's Annual General Meeting convened for 8 May 2023 (Current Report No. 17/2023 dated 15 May 2023). The number of shares and votes referred to in the table above also takes into account information on the number of shares allotted to individual shareholders in the Public Offering of the AB Series ordinary bearer shares.

9. Identification of effects of changes in the entity's structure, including changes resulting from mergers, acquisitions or disposals of the group entities, long-term investments, splits, restructuring or discontinuation of operations

In the reporting period, there were no material changes in the entity's structure including ones resulting from mergers, acquisitions or disposals of the issuer's group entities, long-term investments, splits, restructuring or discontinuation of operations, save for the following events:

On 14 January 2023, the company Polenergia Farma Wiatrowa 18 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 16 January 2023, the company Polenergia Farma Wiatrowa 24 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 18 January 2023, the company Polenergia Farma Wiatrowa 19 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 23 January 2023, the company Polenergia Farma Wiatrowa 21 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 23 January 2023, the company Polenergia Farma Wiatrowa 15 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 26 January 2023, the company Polenergia Farma Wiatrowa 20 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 17 March 2023, the company Polenergia Farma Wiatrowa 25 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 3 April 2023, the company Polenergia Farma Wiatrowa 26 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 4 April 2023, the company Polenergia Farma Wiatrowa 27 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 5 April 2023, the company Polenergia Farma Wiatrowa 28 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 30 August 2023, the company Polenergia Solární s.r.o. was entered into the Czech Commercial Register (Veřejný rejstřík).

On 11 October 2023, the company Polenergia Farma Wiatrowa 30 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 17 October 2023, the company Polenergia Farma Wiatrowa 31 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 19 October 2023 the company Polenergia Farma Wiatrowa 32 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 21 November 2023, the company Polenergia H2Hub 3 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 24 November 2023, the company Polenergia H2Hub 1 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 27 November 2023 the company Polenergia H2Hub 4 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 7 December 2023, the company Polenergia H2Hub 2 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 7 December 2023, the company Polenergia S.A. acquired a 60% stake in Naxxar Wind Farm Four Srl, with registered office in Bucharest.

On 21 December 2023 the company Polenergia H2Hub 5 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 26 February 2024 the company Polenergia Farma Wiatrowa 33 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

On 11 March 2024 the company Polenergia Farma Wiatrowa 34 sp. z o.o. was entered into the Entrepreneurs Register of the National Court Register KRS.

10. General Information

The Polenergia Group (the “Group”) comprises Polenergia S.A. (the “Company”, the “parent”), formerly Polish Energy Partners S.A. and its subsidiaries. The Company has been established with a Notarized Deed of 17 July 1997 and 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. Since 20 November 2013 the registered office of the Company is located in Warsaw, at 24/26 Krucza St.

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 renewable and gas sources, as well as in the areas of distribution, sales and trading in electrical energy and distributed generation. The Group was formed in the process of consolidating two asset groups controlled by Kulczyk Holding S.à.r.l (former Polenergia Holding S.à.r.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). In early 2022, the Group acquired a 100% stake in Edison Energia S.A. (presently Polenergia Fotowoltaika and Polenergia Pompy Ciepła), which operates in the distributed generation segment.

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

11. Description of the Issuer group's organization, consolidated entities, as well as changes in the Issuer group's organization and reasons for such changes

For a flowchart of the Issuer's group, refer to Note 7 to the Consolidated Financial Statements. All Companies referred to in said Note have been consolidated according to the full method, except for the Companies MFW Bałtyk I S.A., MFW Bałtyk II sp. z o.o., MFW Bałtyk III sp. z o.o., and Naxxar Wind Farm Four SRL which have been measured using the equity method.

Except as described in section 9 above, no material changes in the Issuer group's organization took place in the reporting period.

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

Business name	Description	2023	2022	Change YOY
1. Return on equity	Net profit/loss	7.4%	6.5%	1.0%
	average annual equity			
2. Net return on sales	Net profit/loss	4.7%	2.3%	2.4%
	sales revenue			
3. Liquidity - liquidity ratio I	total current assets	2.54	1.67	0.88
	short term liabilities			
4. Receivable rotation cycle (in days)	average annual trade receivables x 365 days	21	15	6
	revenue from sale of products and merchandise			
5. Debt to assets ratio	(total equity and liabilities - equity) *	40.7%	50.7%	-10.0%
	100 total assets			

Return on equity was higher compared to the preceding year, likewise, the net return on sales ratio that indicates the level of profit per every zloty of sales revenue, increased. The improvement in the above indicators was driven in particular by the increase in net profit relative to the corresponding period of the preceding year (by 103.7 million).

The Group's liquidity, measured with the liquidity ratio I, increased due to a higher current assets to short-term liabilities ratio (a drop in short term liabilities year on year). The receivables collection rate denoting the waiting time for payment of receivables, has improved by 6 days compared to the preceding year.

The structure of the Group's balance sheet at the end of 2023 has changed mainly due to: an increase in the level of equity (an increase as a result of the 2023 share issue), a decrease in current liabilities mainly due to the measurement of forward contracts, an increase in property, plant and equipment, financial assets measured using the equity method, and the balance of cash and cash equivalents.

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

Risk of foreign exchange rate movements

Within the onshore wind farms and the photovoltaic segment, also including the projects in development and under construction, a part of liabilities are denominated in EUR. At the end of February 2024, the Szprotawa I and Szprotawa II projects signed contracts for the supply of photovoltaic panels and inverters. The liabilities under these agreements are expressed in EUR, and the currency risk resulting from them will be hedged no later than before the investment loan is disbursed. The company takes into account exchange rate changes in economic forecasts for both projects and strives to reflect them in commercial assumptions in a way that allows maintaining the expected rate of return on the projects.

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

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

Interest rate risk

The proportion of debt in the Group financing structure is substantial. In line with the Polenergia Group's strategy of maximizing its return on equity, more than 50% of the investment projects are financed with debt. In accordance with the credit facility agreements entered into by individual Group

companies, interest on credit facilities provided to is based on variable interest rates. At the same time the Group continues the strategy of reducing exposure by entering into transactions hedging the interest rate risk.

On 26 April 2023 Polenergia Farma Fotowoltaiczna 9 sp. z o.o. hedged the interest rate risk for 95% of the amount of the loan taken from mBank S.A. using IRS transactions.

On 27 June 2023 Polenergia Obrót 2 Sp. z o.o. concluded interest rate risk hedging transactions with the banks' consortium of mBank S.A., Pekao S.A. and PKO BP corresponding to 85% of the volume of the loan taken out.

As at 31 December 2023, approximately 88% of liabilities of the Group's entities under investment loans were hedged against changes in the level of interest rates. This hedging is achieved through IRS financial transactions, and naturally in Polenergia Dystrybucja in the form of the tariff of the President of the Energy Regulatory Office correlated with the WIBOR rate. As Polenergia Dystrybucja operates on the regulated market, its revenues are determined on the basis of the return on capital, namely the weighted average cost of capital (regulatory WACC) defined by the President of ERO. Most of the parameters in the formula for the regulatory WACC remain constant. The component having the greatest impact on changes in the regulatory WACC is the risk-free rate, which, according to the definition of the President of ERO, is determined on the basis of the average yield on 10-year Treasury bonds with a fixed interest rate, which are correlated with the WIBOR rate. Working capital and renewable loan limits used by the Group to finance operating activities in the trading and sales, distribution, gas and clean fuel segments cannot be hedged against the risk of interest rates' increase. Moreover, the high level of interest rates affects the cost of financing for new projects (including onshore and offshore wind farms and photovoltaic farms) and may have an impact on the assessment of their profitability. As a result, it cannot be excluded that a significant increase in market interest rates above the values forecast by the Group and factored into its project budgets may have a negative effect on the implementation of some elements of the Strategy and the Group's financial performance in the future.

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

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

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

The risk related to the heat tariff affects only the Nowa Sarzyna CHP Plant. The risk associated with the natural gas distribution tariff relates to Polenergia Kogeneracja sp. z o.o. while the risk associated with the electricity sale and distribution tariff – to Polenergia Dystrybucja.

The risk related to the delay in the tariff's approval materialized in H2 2023 in relation to one of the projects currently owned by the Group, i.e. Nowa Sarzyna CHP Plant. The President of the Energy Regulatory Office approved the new tariff of Nowa Sarzyna CHP Plant ca three months late, i.e. in

October 2023, which meant that the company was unable to pass on higher fixed costs to customers. The risk of a delay in tariff approval also materialized in the H1 of 2023 for Polenergia Dystrybucja. The President of the Energy Regulatory Office approved new tariffs for major distribution companies at the beginning of 2023, while Polenergia Dystrybucja's tariff remained unchanged for another five months. This resulted in the company's inability to pass on to end users the higher-than-previous distribution service costs charged by the company's suppliers. This was the main reason for the decrease in gross margin on distribution by PLN 2.3m in H1 2023 compared to the same period last year.

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

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

The Group's dependence on the regulations is clearly reflected by the impact of the Act on Emergency Measures adopted following the entry into force of Council Regulation (EU) 2022/1854 of 6 October 2022 on emergency intervention to address the issue of high energy prices. The Act on Emergency Measures had a negative impact on the financial results that the Group achieved in 2023 compared to the results that would have been achieved, had the law not been enacted.

The fundamental solutions introduced by the Act on Emergency Measures included the establishment of statutory limits for revenues from the sale of electricity by producers and trading companies. The limits apply to revenues generated until 31 December 2023. The above regulation fundamentally changed the rules for electricity market players. This was particularly visible in the case of RES installations, where the legislator officially imposed the maximum achievable electricity sale price without taking into account the individual economic conditions of the project, or the investor's project commercialization strategy.

For 2024, the Act on Emergency Measures applies to price caps for eligible energy consumers.

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

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

Factors relevant to the Group's operations also include decisions issued by competent authorities, in particular the President of the Energy Regulatory Office, which are characterized by a high level

of arbitrariness and thus are often subject to legal disputes. The legislative and regulatory changes may also, in certain areas, contribute to a lower than expected return on investment in RES.

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

Risk of volatility of electricity market prices

The Group's financial performance is dependent on the market prices of electricity. The Group keeps analyzing the electricity wholesale market on an ongoing basis, making decisions to secure the sale of electricity generated by offshore wind farms, photovoltaic farms, and gas and clean fuels segment.

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

The volatility of electricity prices directly impacts the electricity profiling costs in the Group's wind and photovoltaic farms and the profiling costs of energy consumers served by the Group (the profiling costs). The level and volatility of profiling costs remains outside the Group's control to a large extent; such risk, once materialized may have a significant effect on the results obtained by the Group. This was the case in 2022, when the adverse impact on the business line results was observed in the energy sale from Group RES assets, external RES aggregation and the sale to end consumers. In 2023, due to a number of regulatory restrictions and stabilization of prices, the level of profile costs dropped significantly compared to the previous year.

At the same time, support granted to RES under the auction-based scheme will protect the producer against market risk for 15 years in the scope of electricity sales' prices. The support solely applies to the projects implemented in the Group which won the auction. As relatively high market prices were maintained (exceeding the settlement prices with the Price Settlement Authority), the support under the auction system adversely impacted the revenues of RES sources participating in the auction (compared to the market prices possible to be obtained) also in 2023.

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

In 2023 restrictions continued in the balancing market in terms of maximum offer prices, and also maximum energy sales rates, including with respect to RES. The excess over the price limit was calculated each day and had to be transferred to the Price Settlement Authority. In addition, trading companies had to calculate the sale price of energy and its purchase price in ten-day periods - the difference of these prices reduced by a 1-3.5% margin, depending on the direction of sale, was to

be transferred to the Price Settlement Authority. Regulatory changes affecting the revenues of generators and trading companies generate systemic risk, which applies to both the Group and all other participants of the electricity market in Poland. There are no longer price caps for generators in 2024, but balancing market restrictions are in effect until 14 June 2024. After that date, the balancing market will operate under new rules, which is another risk in terms of increased balancing and profiling costs for RES sources.

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

The above risk has already materialized in the Group's activity. Over the last few years, significant changes in electricity prices had a material impact on the Group, which produced approximately 1.4 TWh electricity from RES sources in 2023.

Periods of high wind or sunshine and low prices, and periods of low wind and sunshine resulting in high prices can be observed in the market, with the price volatility between these periods being up to several times. In sunny periods with low demand the "duck curve" effect is also observed, caused by a significant volume of energy from PV sources. The increased generation by wind turbines and PV sources also significantly reduces electricity imports, which sometimes even turn into exports. On days with low RES generation energy is obtained from the oldest coal-fired units, with high variable costs, as a result electricity prices on the power exchange are rising, and thus much more energy is imported from outside Poland.

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

A part of the sales volume of electricity from RES generation assets is hedged on the TGE (Polish Power Exchange) futures market and requires the appropriate level of hedging deposits to be maintained, in the amount depending on the quotations of stock indexes and may be subject to considerable fluctuations. The above risk materialized in 2022 due to high volatility of the production profile of wind farms, and combined with a significant increase in market prices resulted in a greater demand for working capital. Polenergia Obrót also enters into contracts with electricity customers that are hedged on the TGE futures market causing the need for margin deposits, which requires increased working capital. In view of the materialization of the above risk factors in 2022, in order

to control liquidity, the Group is pursuing a strategy of balancing buying and selling positions in the stock market.

Risk of volatility in market prices of natural gas

Higher prices in forward contracts for natural gas and carbon dioxide emission allowances combined with lower prices of electricity contracts entail the negative Clean Spark Spread (CSS). Should the unfavorable CSS spreads persist, there is a risk of the inability to secure the operation of assets generating electricity from natural gas. In addition, CSS volatility has effect on the Group's financial results in connection with the evaluation of forward transactions hedging the ENS production and sale. The company analyzes the levels of CSS market spreads for subsequent periods on an ongoing basis and makes decisions on securing the future margin for ENS depending on market conditions. Unfortunately, throughout the year 2023 it was not possible to secure positive spreads for ENS on the futures market for 2024 energy supply.

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

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

According to regulation of the Minister of Climate and Environment regarding the change in the share of the obligation to present certificates from renewable energy sources for redemption in 2024, the annual share for green certificates was set at the level of 5%. For blue certificates, the obligation level will be 0.5%. Such a low level of PMOZE_A obligation will result in the rapid occurrence of an oversupply of green certificates, which contributed to a very significant drop in green certificate prices in the last quarter of 2023. Maintaining low levels of PMOZE_A obligations will negatively affect the Company's performance in future years.

The Group strives to limit its exposure to the risk of a drop in the price of green certificates on an ongoing basis by securing in advance the sales price of certificates corresponding to energy production in the coming years. Unfortunately, with the current drop in PMOZE_A prices, the risk of low prices materialized in recent years once again.

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

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

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

Substances of 22 December 2004. The current EU ETS 2021-2030 period is governed by the Act amending the Act on Trading in Allowances for Emissions of Greenhouse Gases of 15 April 2021 and certain other acts.

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

For offshore wind farm projects, there is a risk associated with implementing the provisions of the environmental decision at the installation stage by restricting the installation of foundations in certain months due to the protection of marine mammals from underwater noise emissions associated with driving the foundations into the seabed. In case of delays in delivery or installation of foundations beyond the permitted period, the installation period will have to be extended for the following year.

Risk of failure to implement or delay in implementation of investment plans

Non-implementation or delay in the implementation of investment plans involves a risk of failure to reach the assumed operational objectives within the defined time limit. This in turn may cause worse financial results of the Group compared to the results obtained in case the project is completed as planned, and may lead to the failure to comply with the requirements set in the loan agreements.

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

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

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

On 14 December 2021 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Rudniki sp. z o.o., implementing the Buk I photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023. In order to optimize the project's financial performance, it was decided not to join the auction support system.

On 12 January 2022 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Grabowo sp. z o.o., implementing the Sulechów III photovoltaic farm projects, according to which the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 3 September 2023. In order to optimize the project's financial performance, it was decided not to join the auction support system.

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

The Piekło WF obtained an Operating Permit and licenses for electricity generation. The Grabowo WF was granted an Operating Permit in July 2023 and a license to generate electricity in September 2023.

On 20 February 2023 the President of the Energy Regulatory Office issued a decision for Polenergia Obrót 2 sp. z o.o., implementing the Strzelino photovoltaic farm projects, stating that the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 9 September 2024. At the moment, the construction and installation have been proceeding at the Strzelino PV project according to schedule which provides for its completion as planned, i.e. by the auction deadline.

On 24 November 2023 the President of the Energy Regulatory Office issued a decision for Polenergia Farma Wiatrowa Namysłów sp. z o.o., implementing the Szprotawa photovoltaic farm projects, stating that the deadline for meeting the obligation referred to in Art. 79 sec. 3 item 8 letter a of the RES Act (the participant's commitment to sell the energy produced in a renewable energy source installation for the first time under the auction system within 24 months from closing the auction session) was extended by an additional period of 12 months, i.e. no later than by 9 September 2025. The time schedule provides for the project completion prior to the auction deadline.

Risk related to the implementation of Offshore Wind Farm projects

Offshore Wind Farm projects are exposed to a number of risks resulting from the market situation and the scale of the projects. The first is the risk of increased investment costs projected for the development and construction phases. This is due to the high demand for services and supplies, changes in raw material prices and information obtained regarding the geotechnical conditions of the seabed. Moreover, a significant increase in the cost of connections to the National Power Grid is observed.

The global offshore wind market was subject to significant changes in the past 2 years, driven by three main factors: (i) the technological development of generators; (ii) the collapse of supply chains; and (iii) the increase in component, supply and service costs triggered by rising energy, fuel and metal prices. The very dynamic changes in technology, which allow for increased turbine unit power and productivity, are not correlated with the development of logistics facilities, resulting in

bottlenecks in the supply chain, especially for installation vessels. The huge demand for installation services, and the supply of offshore wind farm components projected in 2025-2030, juxtaposed with the observed limited market capacity, contributes to the increase in service prices. In addition, the situation is complicated by the return to oil and gas exploration and production in many offshore areas following the outbreak of war in Ukraine, which is contributing to increased competition for skilled workers, ships and other key resources. This difficult situation is compounded by cost increases caused by higher prices for steel, copper and aluminum, which are key raw materials for building offshore wind farm components. Further cost drivers comprise rising fuel prices, directly affecting the cost of installation services. All of these factors may increase the cost of project development and construction. The Company manages risk by leveraging the global position of its partner in the offshore wind farms development projects in the Baltic sea (Equinor), which conducts procurement proceedings using the full market potential of its portfolio of offshore wind farm projects.

In the case of the MFW Bałtyk II and MFW Bałtyk III projects, an additional factor affecting the risk of increased investment costs includes geotechnical conditions of the Baltic seabed, which are less favorable than assumed. Detailed geotechnical research and analyses carried out over the past year at project sites indicate a significant risk that longer and more deeply set foundations may be required instead of pipe foundations (of monopile type). Installation of turbines using special vessels (jack-up vessels) is also problematic, because it involves resting on the seabed while the crane is operating. In this case there is a risk of the ground not being able to carry the required loads. The Company manages this risk by having project companies developing the MFW Baltic I, MFW Baltic II and MFW Baltic III projects use the best and experienced institutions, analytical and design firms to seek solutions that optimize the risk and foundation costs in the projects under preparation.

The development of offshore wind farms also involves the risk of incurring high investment costs prior to making FID, which stems from the need to secure capacity from suppliers and collect the data needed to obtain a construction permit. The increased interest in offshore wind energy investment due to implementing global climate policies and the need for European countries to become independent of fossil fuels after the outbreak of war in Ukraine, adds to the problems of supply and construction planning in the coming years. The market has become one of suppliers and installers who expect hard financial guarantees before booking production and installation capacity, while extending service delivery schedules. Making capacity reservations may result in significant capital expenditures before the final investment decision and the issue of guarantees by the Company for payment of liabilities by the companies developing offshore wind farm projects. The Company manages risk through optimization and detailed control of schedules and the negotiation process when creating the supply chain. The possibility of accelerating the schedule and achieving milestones such as obtaining construction permits while accelerating FID is being monitored.

Volatility and uncertainty in the market environment, bottlenecks in the supply chain and staff shortages in the market increase the risk of delays in project preparation and implementation. Three streams of project development processes currently critical to timely preparation for construction and implementation as designed include: design processes, construction permitting and supply chain organization. These closely interrelated processes require very efficient and professional coordination and management. They involve a number of consulting and design firms, external teams for permitting, procurement, engineering, stakeholder management at both partners (Equinor), suppliers, and more than a dozen institutions and state administration offices and bodies. Limited human resources may also prove to be a problem, due to the high competition in the market and the lack of educated, experienced personnel in the domestic market, as well as the lack of experienced national institutions and administration involved in the development of offshore wind farms. The Company manages this risk by increasing its workforce, searching for the best-prepared employees, and performing education and outreach activities addressed to the administration.

Another factor contributing to the risk of project delays is the challenging global supply market and limited logistics resources juxtaposed with plans for implementing other major projects in the Baltic. Any delay in the implementation of other projects, resulting in overlapping installation periods, can pose a significant problem in ensuring proper logistics and construction safety. Moreover, any delay within the supply chain (for example, delays in production or installation) can affect subsequent stages of construction. Delays in the use of reserved production and installation periods and restrictions regarding permissible offshore installation periods may result in the need to withhold installations for a period of time, thus incurring increased costs.

According to the Act on Promotion of Electricity Generation in Offshore Wind Farms, the MFW Bałtyk II and MFW Bałtyk III projects have been granted the right to cover the negative balance for electricity generated in an offshore wind farm, based on the decisions of the Energy Regulatory Office issued in 2021. The projects will sell the generated energy to the market, however, they will have the right to cover the negative balance, i.e. the difference between the market price of energy and the support price set by the President of the Energy Regulatory Office. The condition for exercising the right to cover the negative balance is that the European Commission recognizes the aid provided as authorized, as a result of individual notification of state aid. The Commission will determine the level of the project's internal rate of return („IRR”), and thus the support price which does not involve oversupport in terms of state aid provided. After the European Commission's decision, the President of the Energy Regulatory Office will set an individual support price for each project. The price cannot exceed: a) the maximum price; and the support price ensuring IRR at the level accepted by the European Commission. However, the President of the Energy Regulatory Office is authorized to set a support price lower than that resulting from the European Commission's decision.

In addition, projects will be subject to additional clawback mechanisms securing against oversupport. The mechanism consists in the following: the individual support price for a project set by the President of the Energy Regulatory Office will be revised again if, prior to starting construction works, there is a significant change in the material and financial parameters of the project implementation, causing a significant (by more than 0.5 percentage points) increase in its internal rate of return.

In order to prevent the risk of lowering the support price as a result of the clawback mechanism, the notification procedure is carried out taking into account the most up-to-date forecasts and regulations.

Competition risk

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

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

processes, and locations characterized by above-average wind or insolation conditions and relatively low connection costs are selected for development.

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

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

Risk related to the economic situation in Poland

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

In particular, it should be emphasized that as a result of the war in Ukraine and the sanctions imposed on Russia and Belarus, changes are occurring in the market environment that may have a negative impact on economic growth in Poland and the situation on the Polish energy market. Detailed information on the impact of the war in Ukraine on the Group's operations is presented in item 2 of the Report.

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

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

The Group uses methane-rich natural gas for the generation of electricity and heat at the Nowa Sarzyna CHP Plant. Since 2021 Polenergia Obrót supplied gas fuel to ENS, and received electricity based on the SLA (Service Level Agreement). Any potential problems of Polenergia Obrót with supplying the amount of gas fuel necessary to satisfy the existing demand may lead to limitations on gas fuel supply to customers. In such cases, ENS may fail to fulfill its obligation to supply heat to its contracting consumers and electricity to Polenergia Obrót. The risk of supply limitations is low. The risk of changes in market prices of gas is limited by ENS through the SLA mechanism, which ensures the simultaneous securing of three products: electricity, natural gas and CO₂ emission allowances in the event of a positive CSS (Clean Spark Spread). Polenergia Obrót secures positive CSS for ENS in the forward market while buying natural gas and CO₂ emission allowances and selling energy in accordance with the SLA. When the price of raw materials or energy changes, production optimization and possible reversal of hedging is performed. In principle, natural gas corresponding to the heat production profile is purchased separately. Nowa Sarzyna CHP Plant signed a contract for the purchase of gas for heat production with Polenergia Obrót based on the SLA for the year 2024.

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

In the electricity production from natural gas CO₂ is emitted at a rate of about 500kg/1MWh (depending on the efficiency of the plant). Thus, an increase in CO₂ costs by PLN 1/t means an increase in the cost of electricity production from natural gas by approximately PLN 0.5 / MWh. Over the past few years, CO₂ prices increased from levels periodically exceeding PLN 400/ton, meaning an increase in the cost of producing electricity in gas units.

Nevertheless, in the activity of the Group to date, the above risk has not materialized in a way that would have a significant impact on the Group's activities. Although changes in raw material prices have taken place, they have been largely compensated by support systems (stranded cost compensation system, i.e. costs of investments undertaken that cannot be obtained from the market and gas compensation, free of charge CO₂ allowances in connection with heat production until autumn 2021), and optimizations agreed in the SLAs. The Company does not rule out the materialization of the indicated risk in the future, i.e. that the increase in the cost of producing energy or heat from natural gas will not be able to be covered by their selling price.

Risk related to the operation of the Polish energy market

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

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

Risk related to seasonality of activity

Wind conditions, which determine the electricity generation in wind farms and insolation conditions which determine the electricity generation in photovoltaic farms are variable depending on the

season of the year, and are characterized by variability in several years' cycles. Wind conditions in autumn and winter are significantly better than in spring and summer, and sunlight conditions in spring and summer are significantly better than in autumn and winter.

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

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

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

The Group has insurance coverage against loss of gross margin and also holds property insurance so that any malfunction, damage or loss of property is at least partly compensated.

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

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

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

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

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

Risk related to renewable energy sources auctions

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

The Group is working on the further development of wind and photovoltaic projects to achieve the goals set out in the Group's Strategy for 2020-2024. In November 2023 Polenergia Farma Fotowoltaiczna 2 sp. z o.o. won the auction for the ongoing Rajkowy photovoltaic farm project (target total capacity of about 35 MWp) and Polenergia Fotowoltaiczna 16 sp. z o.o. won the auction for the ongoing Szprotawa II photovoltaic farm project (target capacity of about 20 MWp).

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

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

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

The Polish energy market is characterized by a material over-exploitation in the scope of conventional production capacities. The above is mainly due to low replacement investments in the recent years. The measures implemented by Polskie Sieci Elektroenergetyczne S.A. in recent years within the Balancing Market (including intervention cold reserve, operational capacity reserve) and several investment decisions made by energy companies controlled by the State Treasury have postponed the risk of insufficient capacity reserve for several years. On 8 December 2017 the Sejm adopted the Capacity Market Act. In the following years auctions were carried out for capacity supply for the years 2021-2028. In the auctions held ENS contracted capacity up to and including 2028. In July 2025 the 550 g/kWh limit for carbon dioxide emissions will come into effect. The generation sources of the Group meet this limit, but it cannot be observed using coal sources, which constitute the majority of units in the capacity market. Depending on adopted specific solutions and auction parameters for the following years, the economic viability of the existing facilities (such as the Nowa Sarzyna CHP Plant) may change significantly after 2028. Furthermore, it cannot be ruled out that the capacity market will exert an adverse impact on wholesale electricity market prices, which can potentially affect projects whose economic viability rests on revenues from sale of electricity (wind and photovoltaic farms), and which are exposed to the risk of electricity prices. This risk is partly mitigated by hedging the prices of electricity sold from wind and photovoltaic farms in forward contracts and by participating in auction system for RES sources.

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

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

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

Risk related to the unstable tax regime

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

Risk of failure to implement new projects

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

The Group Development Department has extensive experience in all aspects of project preparation and implementation, such as development, operating activities of facilities or financing, but there is a risk that the Company will adopt assumptions more favorable than realistic, which will result in the Group achieving a lower than expected return on investment in a given project. Moreover, the costs of preparing a project, even before the development stage, are also significant, especially in the wind farm construction segment. A project's failure would prevent the Group from recovering such costs.

In addition, the Group's inability to implement some wind farm projects was due to the entry into force of the provisions of the Wind Farm Investments Act (including the 10H rule).

Risk related to credit facility agreements

The concluded loan agreements contain a number of requirements to be met by individual design companies or projects run. The breach of such requirements may result in the termination of the loan agreement, making the loan immediately mature or increasing the cost of financing. The Group has continued to analyze the indebtedness level and the risk of non-fulfillment of the requirements set forth in the loan facility agreements on an on-going basis, and remained in contact with the financing institutions. Detailed information concerning the conclusion of new loan facility agreements and changes to the existing agreement in 2023 are included in Note 29 to the Consolidated Financial Statements.

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

Risk related to loss of key personnel

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

The risk of loss of key personnel is mitigated through:

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

Operating risk in facilities

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

Risk related to financial standing of customers and contracting parties

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

Prior to concluding a contract and launching a project, Company thoroughly verifies its potential customers, also with the support of external consultants, checking their ability to settle liabilities towards Company and prospects for the industries they operate in. The Group is very careful in selecting customers, making sure they represent industries with good market prospects. The Company analyses in detail a prospective customer's industrial processes, as well as its power and heat demand. Both parties work together for several months before the launch of a project.

Due to increasingly probable deterioration of the financial situation of some enterprises in relation to the difficult macroeconomic situation, the Group identifies the risk of an increase in the level of bad debts. The above was taken into account in the credit risk assessment model, which resulted in maintaining the write-off for bad debts in the amount of PLN 30 098 thousand as at 31 December 2023.

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

At the same time in the area of trade and sales, due the difficult macroeconomic situation, there remains an increased risk in running commercial activities. This is due to, inter alia, increased price volatility, decreased liquidity in the markets and increased risk of counterparty's insolvency. The abovementioned risk factors may also affect liquidity by increasing the level of required security deposits and the level of bad debts. In response to the increased risk, the Company has intensified the current monitoring and analyzes in this area and applies more restrictive verification of contracting parties when concluding new transactions. However, it cannot be ruled out that in the future, deterioration of the financial condition of customers and contracting parties will adversely affect the financial standing of the Group.

The above risk has already materialized in the Group's activity. 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. At the same time, on 24 March 2023, Polenergia Obrót S.A. stated that invoices for the billing period covering January 2023 and February 2023 were not paid, and addressed 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., 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 at the wind farm owned by CIME Krzanowice for a 10 years' term, under which Polenergia Obrót offtakes all the energy generated at this wind farm as of 1 September 2023 (the "Oftake Agreement"). In order to contractually supplement the provisions of the Oftake

Agreement and comprehensively implement the principles of repayment of the Debt owed to Polenergia Obrót S.A., on 3 August 2023 CIME, CIME Krzanowice and Polenergia Obrót entered into an agreement restructuring the Debt, pursuant to which Polenergia Obrót S.A. will be entitled to set off the Debt in the agreed amount against CIME Krzanowice's receivables from Polenergia Obrót S.A. for electricity supplied under the Offtake Agreement which will allow for gradual reduction of the level of the Debt over a 10-year time horizon (the "Restructuring Agreement"). In order to secure the rights of Polenergia Obrót S.A. 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.

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

Amon sp. z o.o. and Talia sp. z o.o. each filed an action to state ineffectiveness of the declarations of termination by Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. (a company operating within the Tauron Group) of the Agreements for the sale of proprietary rights resulting from certificates of origin confirming the production of electricity in renewable energy sources - wind farms in Łukaszów (Amon) and Modlikowice (Talia) and the Agreements for the sale of electricity generated in the abovementioned wind farms.

Both companies obtained favorable partial and preliminary judgments upholding the claim in the part regarding the ineffectiveness of the statements of termination by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. of the contracts in dispute. The judgments were challenged on appeal.

On 20 December 2021 the Court of Appeals in Gdańsk issued a judgment in a case brought by Talia sp. z o.o. against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., dismissing the appeal filed by the above company in its entirety. On 16 August 2022, Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. filed a cassation appeal. On 17 November 2022 the Court of Appeals in Gdańsk announced a judgment in a case brought by Amon sp. z o.o. against Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., dismissing the appeal filed by the above company in its entirety. On 12 June 2023 Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. filed a cassation appeal. Both cassation appeals were accepted for examination 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 a case brought by Amon sp. z o.o. v. Polska Energia – Pierwsza Kompania Handlowa sp. z o.o. Including further claims of Amon sp. z o.o. resulting from the failure to perform the abovementioned contracts by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., pending before the District Court in Gdańsk, in which letter Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. entered into a counterclaim demanding an award from Amon sp. z o.o. for its benefit the amount of PLN 61,576 thousand with statutory default interest calculated 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 following the date of direct delivery of a copy of the counterclaim to the attorney of Amon sp. z o.o.

The amount of PLN 55,691 thousand represents contractual penalties demanded by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. allegedly on the basis of sec.8 item 1 of the agreement for the sale of proprietary rights arising from certificates of origin confirming the generation of electricity in a renewable energy source - Łukaszów Wind Farm concluded on 23 December 2009 by Amon sp. z o.o. with Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. and allegedly resulting from the failure of Amon sp. z o.o. to meet the number of proprietary rights to be transferred in individual months starting from August 2019.

The amount of PLN 5,884 thousand in turn represents compensation claimed by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. for the alleged failure of Amon sp. z o.o. to perform an agreement for the sale of electricity generated at a renewable energy source - the Łukaszów Wind Farm, concluded by Amon sp. z o.o. with Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. on 23 December 2009, in the period from 18 November 2022 to 31 December 2022.

On 16 May 2023, the Regional Court of Gdańsk served Amon sp. z o.o. with a ruling dated 2 May 2023, leaving the counterclaim by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. without further consideration. The ruling issued by the Regional Court in Gdańsk was based on 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 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 rights concluded 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 sp. z o.o., in addition to the amounts claimed so far, demands payment of the amount of PLN 18,297 thousand as compensation for failure to perform the aforementioned agreements during their further 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 rights concluded by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o. with Talia sp. z o.o. By virtue of the above change of the claim, Talia, in addition to the amounts claimed so far, seeks payment of the amount of PLN 12,075 thousand as compensation for non-performance of the aforementioned contracts during their further term.

Amon sp. z o.o. and Talia sp. z o.o. brought an action for damages claims against Tauron Polska Energia S.A. The tort liability for damages of Tauron Polska Energia S.A. is based on the cessation of performance by Polska Energia - Pierwsza Kompania Handlowa sp. z o.o., - a subsidiary of Tauron Polska Energia S.A., of long-term agreements for the sale of electricity generated from renewable sources and long-term agreements for the sale of proprietary rights resulting from certificates of origin confirming the production of electricity from renewable sources, entered into with Amon sp. z o.o. and Talia sp. z o.o.

Witnesses are currently being interviewed orally at hearings and in writing before the Regional Court in Katowice.

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 the claim against Tauron Polska Energia S.A. covering Amon's and Talia's claims for damages arising after 30 June 2020. Pursuant to the change in question, the claims for damages with interest increased by PLN 29,668 thousand in case of Amon sp. z o.o., and PLN 19,277 thousand in case of Talia sp. z o.o.

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

Certyfikaty sp. z o.o., Polenergia Obrót S.A. i Green Stone Solutions sp. z o.o. (then under the name: Polenergia Usługi sp. z o.o.) were sued by Eolos Polska sp. z o.o. before the Regional Court in Warsaw Commercial Department XX for payment of contractual penalties for termination of agreements on the sale of proprietary rights arising from certificates of origin of electricity generated at renewable energy sources and for payment of receivables on account of balancing costs. The court appointed an expert in the case to prepare an opinion. On 14 December 2023, the court ordered the admission of evidence from a written supplementary expert opinion.

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

Polenergia Obrót S.A. was bound with contracts for energy sale concluded with Jeronimo Martins Polska S.A. ("JMP"), which were terminated by Polenergia Obrót S.A. effective as of 30 June 2022. In connection with the termination of the contracts in question, JMP addressed Polenergia Obrót S.A. with a call for payment of PLN 3,501 thousand and PLN 36,027 thousand, i.e. a total of PLN 39,528 thousand. The claims filed by JMP relate to periods falling after the date of expiry of the sale contracts, and therefore Polenergia Obrót S.A. considers them groundless. Thus, the Company also deems ineffective the statement of JMP on setting off the requested amounts with the receivables of Polenergia Obrót S.A. due to JMP.

On 1 December 2022, Polenergia Obrót S.A. filed a claim against JMP with the Regional Court in Warsaw, demanding payment of PLN 40,853 thousand plus statutory interest for delay in commercial transactions, calculated from the date of filing the claim to the date of payment. The amount of the claim includes the amount of PLN 39,528 thousand of the invoices for energy unpaid by JMP and the amount of PLN 1,324 thousand for accrued interest for the period until the date of filing the claim.

The difference in the value of the claims pursued in relation to the amounts covered by JMP's statement on setting off results from the adjustments of settlements made in the meantime related to the update of measurement data and the submission by Polenergia Obrót S.A. of statements on setting off. In September 2023, JMP served Polenergia Obrót S.A. with a statement of defense. According to the claimant, the content of the statement of defense, as well as the arguments presented in JMP's subsequent pleadings, do not affect the previous assessment of the legitimacy of Polenergia Obrót S.A.'s claim.

The first hearing was not scheduled.

Counterparty risk

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

On 13 July 2021 Polenergia Farma Wiatrowa 1 sp. z o.o. received a claim for compensation for non-contractual use of the real property. The claimants demand the payment because the access road to one of the wind turbines was located on the real property belonging to the plaintiffs as a result of a court judgment delimiting the property. The real property had previously been owned by another Lessor. On 30 June 2023 the District Court in Wąbrzeźno, at a closed session, issued a judgment awarding from Polenergia Farma Wiatrowa 1 sp. z o.o. to the claimants the amount of

PLN 18,428.08 for non-contractual use of the property in the period from 13 March 2020 to 31 December 2021. The claimants demanded payment of PLN 52,500.00. Polenergia Farma Wiatrowa 1 Sp. z o.o. did not dispute the validity of the claim during the proceedings, but only the amount claimed. The amount awarded by the Court corresponds to the position taken by the defendant from the beginning of the proceedings. The claimant filed an appeal with the Regional Court in Toruń.

Risk related to application of hedge accounting to cash flow hedges

As at 31 December 2023, the Group recognized PLN -95,303 thousand in other comprehensive income constituting part of equity (2022: PLN 65 456 thousand) on account of the effective portion of the assessment of the hedging instrument to the fair value.

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

- change of interest rate on the amount of future highly probable payments of loan installments.
- change of currency rates on the amount of future highly probable currency payments on account of investment agreements.

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

As at 31 December 2023 the Group held the following hedging instruments for cash flow hedge accounting purposes:

Transactions hedging the risk of interest rate changes.

Date of maturity of hedging instrument	Value of collateral	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		

Transactions securing the risk of foreign exchange rates changes.

Date of maturity of hedging instrument	Value of collateral	Hedging rate	Instrument
2024.Q1	1 530 EUR	4.5717	Forward
2024.Q1	82 000 EUR	4.3350	Currency option
2024.Q2	255 EUR	4.3590	Forward
Total	83 785 EUR		

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

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

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

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

In the case of lease agreements whose contractual term may turn out to be shorter than the period of financing with bank loan, banks can be expected to demand that additional loan repayment security be established in the absence of the possibility to enter into new lease agreements.

The above risk has already materialized in the Group's activity. On 2 June 2023 Polenergia Farma Wiatrowa 1 Sp. o.o. ("Polenergia WF1") received the lessor's notice of termination of the lease agreement entered into on 26 February 2008 in relation to the real property on which some of Polenergia's WF1 wind turbines are located, along with associated infrastructure. In the termination notice the lessor stated that in its opinion Polenergia WF1 failed to provide the bank guarantee in the correct form required by the lease agreement. Polenergia WF1 does not share the lessor's view of the grounds for termination, and informed the lessor that in the opinion of Polenergia WF1 the termination was ineffective and the lease agreement was still in force. Polenergia WF1 is seeking an amicable resolution of the dispute through direct negotiations aimed at obtaining the withdrawal of the notice of termination of the lease agreement.

14. Statement of compliance with corporate governance rules

The corporate governance statement is described in Section 7. Standalone Directors' report on the operations of Polenergia S.A.

15. Identification of significant proceedings pending before a court, an authority competent for arbitration proceedings or a public administration authority, concerning the liabilities and receivables of the Issuer or its subsidiary, indicating the subject of the proceedings, the

value of the dispute, the date of instituting the proceedings, the parties to the instituted proceedings and the Issuer's position:

Amon and Talia v. Polska Energia - First Trading Company and Tauron Polska Energia

The case is described in item 13 hereof "Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. and Tauron Polska Energia S.A."

Eolos vs. Certyfikaty, Polenergia Obrót and Green Stone Solutions

The case is described in item 13 hereof - "Risks related to the dispute with Eolos Polska Sp. z o.o."

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

The case is described in item 13 hereof - "Risks associated with real estate leases entered into by Group entities"

Polenergia Obrót against Jeronimo Martins Polska

The case is described in item 13 of the report - "Risks related to the dispute with Jeronimo Martins Polska S.A."

Polenergia Dystrybucja debt collection cases

Polenergia Dystrybucja sp. z o.o. is pursuing collection cases related to non-payment for delivered electricity. The asserted claims currently total approximately PLN 455 thousand.

UOKiK proceedings against Polenergia Fotowoltaika

On 6 December 2021 the President of the Office of Competition and Consumer Protection („UOKiK”) initiated clarification proceedings with respect to Polenergia Fotowoltaika S.A. based in Warsaw, for preliminary determination whether, as a result of activities related to the services of the sale and installation of photovoltaic installations provided by Polenergia Fotowoltaika S.A., there was a breach justifying the initiation of proceedings to recognize the provisions of the model contract as prohibited, or a breach of consumer interests protected by law justifying the initiation of proceedings regarding practices that breach the collective interests of consumers. Polenergia Fotowoltaika S.A. submitted documents and information indicated in the summons to UOKiK.

In the course of the proceedings, the UOKiK called on Polenergia Fotowoltaika S.A. to submit additional information and documents. Polenergia Fotowoltaika S.A. provided the UOKiK with the documents and information indicated in the summons.

Investigation by the UOKiK may result in: (1) failure to continue the proceedings; (2) discontinuation of the proceedings due to their irrelevance; (3) initiation of appropriate proceedings to recognize the provisions of a model contract as prohibited or practices that breach 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 16,645,912, 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 of debt under the ISDA CIME contract towards Polenergia Obrót

The case is described in item 13 hereof. "Risk related to financial standing of customers and contracting parties"

Proceedings instituted by the President of the Energy Regulatory Office against Polenergia Obrót, Polenergia Sprzedaż, Polenergia Farma Wiatrowa 3 and Polenergia Farma Wiatrowa Dębice/Kostomłoty

During September and October 2023, a number of 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 initiation ex officio by the President of the Energy Regulatory Office of administrative proceedings regarding the imposition of a monetary penalty in connection with breach of the Act on emergency measures aimed at limiting the amount of electricity prices and supporting certain consumers dated 27 October 2022 by failing to submit to Zarządca Rozliczeń S.A. (Price Settlement Authority), reports confirming the deduction for the Price Difference Payment Fund within the deadline prescribed by the aforementioned Act.

Polenergia S.A.'s subsidiaries provided the President of the Energy Regulatory Office with explanations of the reasons for the (usually few days') delays in submitting reports and are awaiting possible further correspondence or decisions, with Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o. received a notice that administrative proceedings had been completed, and the evidence gathered in the case could be consulted.

The indicated breach of the aforementioned law may result in a monetary fine. The act currently stipulates that the penalty may not exceed 15% of the punished entity's revenue generated in the previous financial year, while the President of the Energy Regulatory Office, when imposing the penalty, takes into account the degree of harmfulness of the act, the degree of culpability, as well as the past behavior of the entrepreneur and its financial capabilities. It may also waive the punishment if the degree of harmfulness of the act is negligible, and the entity has stopped breaching the law or fulfilled the obligation. Polenergia S.A.'s subsidiaries submitted all the delayed reports.

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

	For the 12 months' period ended	
	31.12.2023	31.12.2022
- revenues from the sale and distribution of energy	4 066 680	5 057 820
- revenues from the sale of certificates of origin	148 983	863 747
- revenues from the sale of heat	42 925	37 267
- revenues from consulting and advisory projects	17 118	11 118
- revenues from lease and operator services	4 092	453
- net revenues from the sale and distribution of gas	967 296	646 024
- revenues from the sale of goods	1 519	991
- revenues from rental	508	352
- revenues from the capacity market and system renewal service	23 862	23 552
- revenues of account of installation of photovoltaic panels and heat pumps	311 924	418 035
- revenues from charging services	93	-
- other	17 011	9 876
Total revenues from agreements with customers	5 602 011	7 069 235
- revenues from the evaluation of futures contracts	(33 884)	(32 650)
- revenues from CO2 emission allowances	47 286	52 646
Total other revenues	13 402	19 996
Revenues from sales, total	5 615 413	7 089 231

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

The Group generates revenues from sales of goods and services both on domestic and foreign markets, while revenues generated in Poland represent a vast majority (89% in 2023).

Revenues by geographical regions

	For the 12 months' period ended		Change r/r
	31.12.2023	31.12.2022	
- Domestic market	4 978 304	6 374 353	(1 396 049)
- Foreign market	637 109	714 878	(77 769)
Total revenues from contracts with customers	5 615 413	7 089 231	(1 473 818)

Owing to the nature of its wholesale business, a significant volume of transactions (both sales and purchases) were executed on the Polish Power Exchange and cleared by Izba Rozliczeniowa Giełd Towarowych (the Warsaw Commodity Clearing House)

Name of Recipient	Goods sold	Type of link with the Group	2023
Warsaw Commodity Clearing House	Electricity, proprietary rights	no link	52%

Below are presented suppliers of goods and services which accounted for 10% or more of the Group's total revenue in 2023.

Name of Supplier	Goods purchased	Type of link with the Group	2023
Warsaw Commodity Clearing House	Electricity, natural gas and proprietary rights	no link	57%

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

Information on the significant contracts is presented in item 2 of the report - under "Other information on the Group's situation."

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

The Group's equity structure is presented in the financial statements.
Information on the Issuer's investments, together with a description of the methods of their financing in 2023, are presented in item 2 hereof.

20. Significant transactions concluded by the Issuer or the Issuer's subsidiaries with related parties on non-arms' length terms, including the amounts and other details of such transactions

For information on the Company's related-party transactions, see Note 45 to the Consolidated financial statements.

21. Credit facility and loan agreements concluded and terminated in the financial year, including at least the amounts, types, interest rates, currencies and maturity dates

For contracted credits and loans see Note 29 to the Consolidated financial statements.

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

Loans granted are presented in Note 37.1 to the Standalone financial statements.

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

For information on sureties or guarantees for credit facilities or loans issued by the Issuer or the Issuer's subsidiary to a single entity or its subsidiaries, see Note 27.1 to the Standalone financial statements and Note 32 to the Consolidated financial statements.

The sureties and guarantees obtained are presented below:

Responsible entity/issuer of surety or guarantee	Basis	Value	Period
Freepoint Commodities Europe LLP / Freepoint Commodities LLC	Trade contract - Polenergia Obrót S.A.	EUR 5,000,000.00	Indefinite term
Fortum Oyi / FORTUM Marketing and Sales Polska SA	Trade contract with Polenergia Obrót S.A.	PLN 8,000,000.00	submitted 30 January 2023 to 26.07.2024.
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW Dębice/Kostomłoty	Contractual amount EUR 25,830,000.00 net	31.12.2024
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW 3	Contractual amount EUR 99,660,000.00 net	31.12.2024
Bilfinger Tebodin Poland Sp. z o.o. / Skandinaviska Enskilda Banken AB S.A. O/Polska	Contract Engineer services agreement – Polenergia FW Dębice/Kostomłoty	PLN 267,000.00 PLN on 01.10.2022. The amount of the guarantee is decreased to PLN 80,100.00, on 03.11.2022 the annex was signed to increase the maximum guarantee amount to PLN 87,435.00	15.09.2024
PKP Energetyka / PKO BP	Trade contract with Polenergia Obrót S.A.	PLN 12,000,000.00	28.02.2025
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 789,221.00	extended from 30.06.2022 until 30.06.2023, then until 15.01.2024
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 824,353.00	extended from 30.06.2022 until 30.06.2023, then until 15.01.2024
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 536,550.00	15.01.2023 extended until 15.01.2024.
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 821,250.00	15.01.2024
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 613,200.00	06.03.2024

Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 391,327.20	extended from 09.08.2022 until 09.08.2023, then until 23.08.2024
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 475,434.00	09.10.2023 extended until 09.10.2024
Potęgowo Mashav / PEKAO S.A.	SWAP surety for delivery from Polenergia Obrót S.A.	PLN 576,450.00	31.01.2024
Ciech Soda Polska SP. o.o. / OP Corporate Bank	Trade contract with Polenergia Obrót S.A.	EUR 1,000,000.00	on 28.09.2022 the validity was extended from 30.11.2022 until 30.11.2023, and next until 30.04.2024
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia WF Piekło, Polenergia FW 16	Maximum guarantee amount EUR 13,599,400 plus VAT	30.06.2025
VESTAS - POLAND Sp. z o.o. / VESTAS WIND SYSTEMS A/S	PCG wind turbines delivery, installation and commissioning agreement – Polenergia FW Grabowo	Maximum guarantee amount EUR 48,860,000 plus VAT	31.07.2025
ONDE / ERGO HESTIA	Performance Bond - FW Piekło	PLN 2,889,270.00 PLN 1,444,635.00 for defects and faults	31.08.2023 defects and faults 31.08.2028.
Bilfinger Tebodin Poland Sp. z o.o. / Skandinaviska Enskilda Banken AB S.A. O/Polska	Performance Bond, including obligations under the warranty for defects or quality guarantee - FW Piekło (FW Piekło company)	PLN 112,125.00 from 01.09.2022 the maximum warranty amount was reduced to PLN 33,637.50	15.09.2025
Bilfinger Tebodin Poland Sp. z o.o. / Skandinaviska Enskilda Banken AB S.A. O/Polska	Performance Bond, including obligations under the warranty for defects or quality guarantee - FW Piekło (FW Piekło company)	PLN 112,125.00 from 01.09.2022 the maximum warranty amount was reduced to PLN 33,637.50	15.09.2025
WSP POLSKA Sp. z o.o. / HSBC	Performance Bond - FW Grabowo	PLN 246,000.00	30.06.2025
ONDE / ERGO HESTIA	Guarantee for proper removal of defects or faults - FW Szymankowo	PLN 2,339,460.00	09.09.2026
ONDE / ERGO HESTIA	Guarantee for proper removal of defects or faults - FW Debice/Kostomłoty	PLN 1,973,848.65	18.10.2027
HITACHI / Societe Generale	Performance bond and guarantee - Bałtyk 2	EUR 726.101,36 PLN 3.385.577,03 SEK 3.136.382,39 CHF 17.110,17	31.05.2024
HITACHI / Societe Generale	Performance bond and guarantee - Bałtyk 3	EUR 494.902,71 PLN 3.810.534,28 SEK 1.935.553,29 CHF 15.723,57	30.11.2024
ELECTRUM CONCREO / INTERRISK TU S.A.	Insurance guarantee for removal of defects and faults - FW 3 (Debsk)	until 31.01.2023 PLN 6,652,932.24 after that date PLN 5,271,460.20	07.11.2025

ONDE S.A. / ERGO HESTIA S.A.	Guarantee for the proper removal of defects or faults - FW 3 (Dębsk)	PLN 5,064,714.47	22.03.2028
P&Q / WARTA S.A.	Insurance guarantee for proper removal of defects - FW 17 SUL II	PLN 711,773.89	06.07.2027
P&Q / WARTA S.A.	Insurance guarantee for proper removal of defects - SUL III	PLN 577,383.02	06.07.2027
P&Q / Inter Risk TU S.A.	Insurance performance bond - Polenergia Obrót 2 (Strzelino)	PLN 8,364,492.00	30.03.2024 r.
PGNiG Obrót Detaliczny / BGK	Performance Bond No. 4623-01710	PLN 1,450,000.00	30.06.2024
ELECTRUM CONCREO / KUKE S.A.	Guarantee of proper removal of defects and/or faults No. RW/GW/42/829/13895/2023	PLN 4,321,144.70 from 01.04.2024 the guarantee amounts was reduced to PLN 3,086,531.93	01.08.2028
Jan De Nul SA Hellenic Cables S.A. Consortium Baltic 2 / Cenergy Holdings S.A.	Due Performance Parent Company Guarantee - Bałtyk 2 cable supply contract	EUR 11,663,940.55 until 01.10.2024; EUR 50,784,589.59 until the expiration date	date of expiration of contractual obligations
Jan De Nul SA Hellenic Cables S.A. Consortium Bałtyk 2 / Cenergy Holdings S.A.	Due Performance Parent Company Guarantee - Bałtyk 3 cable supply contract	EUR 12,567,822.99 until 01.10.2024; EUR 55,320,863.39 until the expiration date	date of expiration of contractual obligations
Jan De Nul SA Hellenic Cables S.A. Consortium Bałtyk 2 / Allianz . Euler Hermes SA	Performance Bond Guarantee - Bałtyk 2 cable supply contract	EUR 15,157,226.10	the earlier of the following dates: receipt of the Completion Certificate or 12.08.2027.
Jan De Nul SA Hellenic Cables S.A. Consortium Bałtyk 3 / Allianz . Euler Hermes SA	Performance Bond Guarantee - Bałtyk 3 cable supply contract	EUR 16,477,636.50	the earlier of the following dates: receipt of the Completion Certificate or 12.08.2027.
Jan De Nul SA Hellenic Cables S.A. Consortium Bałtyk 2 / Sofidra S.A.	Due Performance Parent Company Guarantee - Bałtyk 2 cable supply contract	EUR 5,463,725.45 until 01.10.2024; EUR 23,788,963.41 until the expiration date	date of expiration of contractual obligations
Jan De Nul SA Hellenic Cables S.A. Consortium Bałtyk 2 / Sofidra S.A.	Due Performance Parent Company Guarantee - Bałtyk 3 cable supply contract	EUR 5,887,130.01 until 01.10.2024; EUR 25,913,884.61 until the expiration date	date of expiration of contractual obligations
Orange Energia / Orange Polska	Trade contract with Polenergia Obrót S.A.	PLN 10,200,000.00 until 31.01.2025, after which the value is reduced to PLN 5,400,000 until the expiration date, or 0 if the sum of the debtor's payments exceeds the original value	31.07.2026 or 31.01.2025 if the sum of payments exceeds the original value of the guarantee
Fortum Oyi / FORTUM Marketing and Sales Polska SA	Trade contract with Polenergia Obrót S.A.	PLN 11,000,000	31.03.2026
ORLEN S.A. / ORLEN ENERGIA	Trade contract with Polenergia Obrót S.A.	PLN 25,587,000	31.10.2026
ORLEN S.A. / ORLEN ENERGIA	Trade contract with Polenergia Obrót S.A.	PLN 3,049,000	28.02.2025

Northvolt Systems Poland Sp. z o.o. / Northvolt AB	Trade contract with Polenergia Obrót S.A.	PLN 5,529,465	28.02.2028
Orange Energia / Bank Handlowy S.A.	Trade contract with Polenergia Obrót S.A.	PLN 600.000	31.10.2024
McDonald franchisees / SOCIETE GENERALE, Santander, ING	Trade contracts with Polenergia Obrót S.A.	PLN 3,586,555.23	annual guarantees, to be renewed until 31.05.2028.

24. Where any issue of securities took place during the period covered by the report, a description of the Issuer's use of the proceeds from the issue until the date of the Directors' report

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 750,000,024.00.

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 154,437,826.00 divided into 77,218,913 shares of the par value of PLN 2.00 each.

In 2023, the Company used a total of ca. 43% (ca. PLN 321 million) of the proceeds from the 2023 Issue. The Company plans to use the remaining proceeds from the 2023 Issue by the end of Q2 2024.

The table below shows the use of funds from the 2023 Issue, broken down into funds used until the date of the Directors' report and funds that the Company intends to use by the end of Q2 2024.

Method of using the proceeds from the 2023 Issue	Funds spent up to the date of the report.	Funds planned to be disbursed until the end of Q2 2024
Further development of the MFW II, III and Bałtyk I projects. Expenses resulting from contracts concluded and to be concluded in the MFW II and III offshore wind farm projects (mainly advances to suppliers).	ca PLN 256 million	ca PLN 342 million
Financing of the construction phase of the Szprotawa I and II PV projects. Expenses related to the development of a portfolio of projects in Poland and the acquisition and development of a portfolio of projects in Romania.	ca PLN 51 million	ca PLN 68 million
Expenses on the development of a network of electric car charging stations and the development of hydrogen projects.	ca PLN 14 million	ca PLN 19 million
Total	ca PLN 321 million	ca PLN 429 million

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

The Company does not publish performance forecasts for a given year.

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

The most important part of the Issuer's and the Group's financial liabilities are bank borrowings, described in more detail in the financial statements. As at 31 December 2023 all material liabilities of the Issuer and the Issuer's capital Group were settled in a timely manner.

On the other hand, the volatility of electricity and natural gas prices and the regulating schemes for generators and sellers may result in a decrease in the economic parameters of the Group companies, and even failure to meet the financial ratios specified in the credit facility agreements.

The Group is monitoring the situation and keeping in touch with the financing institutions. If the prices of electricity and green certificates decrease, in a longer run there may be temporary problems with the performance of the obligations resulting from certain credit facility agreements, which in the case of some projects may trigger payment under guarantees issued by Polenergia S.A. For details on the guarantees, see Note 27.1 to the Standalone financial statements.

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

As at 31 December 2023 the Group plans that total capital expenditures for fixed assets will be approximately PLN 1,735 million in 2024. These sums will mainly be used for the development of onshore and offshore wind power projects, photovoltaics, implementation of the investment program in the distribution segment and hydrogen projects.

Polenergia S.A. seeks to finance projects under a project finance model which assumes partial reliance on externally sourced funds. The funds for financing its own contribution are obtained by

the Company from shareholders. In connection with the issue carried out in 2023, the Company obtained PLN 750 million which are and will be spent as described in item 24 above.

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

Events with a material effect on the Issuer's business and financial performance are presented in Items 1 and 2 hereof. All of them are typical for the Issuer's business.

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

External and internal factors affecting the Group's growth

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

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

Description of the Group's business growth prospects

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

Currently, the Group is focused on:

- further optimizing its operating costs and improving asset efficiency,
- developing new projects and maintaining the existing projects, both in offshore and onshore wind farms and photovoltaic area,
- preparing further projects from the wind farm portfolio to participate in the next RES auctions,
- implementing new projects from photovoltaic farm portfolio which won the auctions in 2022 and in 2023, and preparing further projects to participate in subsequent RES auctions,
- further developing business in trading segment,
- implementing an investment project in the distribution area (which targets an increase of the Regulatory Assets Base and a growth in the number of customers connected to the company's network on a permanent basis),
- developing the sales of solutions in the field of distributed energy and electromobility,
- intensifying efforts to grow energy sales to customers not connected to the company's network,
- developing gas and clean fuels segment based on the production and storage of green hydrogen produced in the process of electrolysis from own renewable energy.

In view of the significant scale of planned capital expenditures to achieve the strategic goals set out in the business strategy, the Board of Directors has initiated a review of options in the area, electromobility strategy, hydrogen strategy and foreign expansion, and does not rule out a decision 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.

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

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

In the financial year 2023, there were no changes to the basic management rules of the Issuer or its Group.

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

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

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

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

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

In 2023 Mr. Jarosław Bogacz was a Member of the Management Board and remained party to the employment contract concluded for an indefinite period. The notice period of the employment contract was 6 months. Furthermore, upon the termination of the employment relationship, Mr. Jarosław Bogacz was party to a non-competition agreement that obliges the Company to pay him an amount equal to 100% of his remuneration for 6 months as compensation for refraining from running competitive activity. An agreement was concluded in which the Company terminated the non-competition agreement, so that the Company was not obliged to pay compensation for compliance with the non-competition after termination of the employment relationship, and the employee was released from compliance with the non-competition after termination of the employment agreement. In the aforementioned agreement, the parties also reduced the notice period of the employment contract.

32. Value of remuneration, bonuses or benefits, including those under incentive or bonus schemes based on the Issuer's equity, including schemes based on bonds with pre-emptive rights, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or potentially payable, separately for each member of the Issuer's managers and supervisors regardless of whether they were respectively charged to costs or resulting from distribution of profit; if the Issuer is the parent, shareholder in a jointly-controlled entity or significant investor - separate information on the value of remuneration and bonuses

received for the performance of functions in the governing bodies of subsidiaries; if relevant information is presented in the financial statements - the obligation is deemed fulfilled by including a reference to the part of the financial statements in which such information is provided

For information on the remuneration of members of the Management and Supervisory Boards, see Note 48 to the Consolidated financial statements.

Moreover, members of the Management Board were also entitled to non-financial benefits, such as company apartments in justified cases or refinancing of accommodation costs, covering or refinancing travel costs, accident insurance, medical insurance and use of company cars.

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

The Group does not have the above liabilities

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

Ms. Dominika Kulczyk, through Kulczyk Holding S.à r.l., a Luxembourg law company, and Mansa Investments Sp. z o.o. ("Mansa"), holds 33,079,625 ordinary bearer shares of the Company, with a total nominal value of PLN 66,159,250, representing approximately 42.84% of the total shares of the Issuer.

On December 28, 2022, the Company received a notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. on December 23, 2022, the subject of which was 1,200,000 shares of the Issuer held by Mansa, representing, as of the date of the notification, approximately 1.80% of the Company's share capital and the total number of votes in the Company (Current Report No. 42/2022 dated December 28, 2022). On June 12, 2023, the Company received a notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. on June 7, 2023, the subject of which was 1,000,000 shares of the Issuer held by Mansa, representing, as of the notification date, approximately 1.5% of the Company's share capital and the total number of votes in the Company (current report No. 24/2023 dated June 13, 2023). On September 27, 2023, the Company received a notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. on September 22, 2023, the subject of which was 13,000,000 shares of the Issuer held by Mansa, representing approximately 19.46% of the Company's share capital and the total number of votes in the Company as of the date of the notification (Current Report No. 38/2023 dated September 28, 2023).

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

The Issuer is not aware of any agreements concluded in 2023 (or those concluded after the balance sheet date), which may result in future changes in the proportions of shares held by the existing shareholders and bondholders, and in particular the Issuer is not a party to such potential

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

36. Employee stock ownership plan control system

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

37. Additional information:

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

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

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

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

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

In 2023 Group companies used services of the selected audit firm which comprised audits or reviews of their financial statements or Consolidated financial statements, as well as additional services, aimed at confirming the fulfillment of concluded loan agreements on the basis of analyses of financial information derived from audited financial statements.

c) The body that selected the audit firm

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

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

For detailed information on the entity authorized to audit the financial statements see Note 49 to the Consolidated financial statements

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

Off-balance sheet items by entity, type and value are presented in Note 32 to the Consolidated financial statements.