

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

**Polenergia S.A.**

**DIRECTORS' REPORT ON THE OPERATIONS OF POLENERGIA S.A.  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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Warsaw 26 March 2024

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**1. Profit and loss account of Polenergia S.A. for a 12-month period ended 31 December 2023**

<b>Polenergia S.A. Income Statement (kPLN)</b>	<b>12M 2023</b>	<b>12M 2022</b>	<b>Difference y/y</b>
<b>Sales revenues</b>	<b>54 506</b>	<b>35 584</b>	<b>18 922</b>
Cost of sales	(39 977)	(25 861)	(14 116)
<b>Gross profit on sales</b>	<b>14 529</b>	<b>9 723</b>	<b>4 806</b>
Other operating revenue	698	51	647
General overheads expenses	(58 482)	(39 698)	(18 784)
Other operating expenses	(1 029)	(2 902)	1 873
<b>Operating profit (EBIT)</b>	<b>(44 284)</b>	<b>(32 826)</b>	<b>(11 458)</b>
Depreciation/Amortization	6 297	4 278	2 019
<b>EBITDA</b>	<b>(37 987)</b>	<b>(28 548)</b>	<b>(9 439)</b>
Financial income	210 315	168 594	41 721
<i>including dividends</i>	159 950	82 087	77 863
Financial costs	(6 252)	(5 404)	(848)
<b>Gross profit (loss)</b>	<b>159 779</b>	<b>130 364</b>	<b>29 415</b>
Income tax	124	(10 041)	10 165
<b>Net profit (loss)</b>	<b>159 903</b>	<b>120 323</b>	<b>39 580</b>

The growth in sales revenues in 2023 relative to the preceding year is mainly due to higher revenues from services provided to related parties (by PLN 18.9 million).

Cost of sales was by PLN 14.1 million higher in 2023 compared to the cost incurred in 2022, mainly due to the cost increase related to the Group's growth.

Altogether, costs by type increased by PLN 32.9 million. A detailed breakdown of total costs by type is presented in Note 29 to the standalone financial statements.

General overheads were higher by PLN 18.8 million relative to the preceding year due to an increase in operating expenses (group development cost, salaries and employee benefits, third-party services) and costs billed for services through the Shared Service Center.

In 2023, other operating revenues were higher by PLN 0.6 million compared to the revenues generated in 2022, mainly due to the reversal of impairment losses on receivables (PLN 0.2 million), the settlement of subsidies (PLN 0.1 million) and the gain on disposal of nonfinancial fixed assets (PLN 0.3 million).

In 2023, other operating expenses were lower by PLN 1.9 million compared to 2022, mainly due to lower donations made in 2023.

Operating profit (EBIT) dropped by PLN 11.5 million down to PLN -44.3 million, mainly due to higher third-party service and payroll costs, partly offset by higher gross profit on sales and lower other operating expenses.

On the level of EBITDA, the Company reported a loss of PLN -38.0 million (which is a lower result by PLN 9.4 million compared to 2022).

Financial income in 2023 was by PLN 41.7 million higher than in 2022, primarily due to higher dividend income (by PLN 77.9 million) partly offset by lower interest income on deposits and loans (by PLN 38.0 million).

The finance costs in 2023 amounted to PLN 6.3 million and was higher by PLN 0.8 million than the level of those costs in 2022. The higher figure this year is mainly due to higher financial expenses on account

of commissions and other fees (by PLN 3.0 million) and costs related to derivatives (PLN 0.8 million), partly offset by lower financial expenses on account of interest (by PLN 2.6 million), lower foreign exchange expenses (by PLN 0.2 million).

The income tax in 2023 amounted to PLN -0.1 million. The difference compared to 2022 (by PLN 10.2 million) is mainly a consequence of the realization of interest income accrued in 2022.

As a result of the abovementioned events, the Company reported a net profit for the period of 12 months ended 31 December 2023 amounting to PLN 159.9 million.

## 2. Legal regime

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

## 3. Organizational structure of the Group

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

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

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

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

<b>Major economic and financial data (PLN m)</b>	<b>12M 2023</b>	<b>12M 2022</b>	<b>Difference y/y</b>
Sales revenues	54,5	35,6	<b>18,9</b>
EBITDA	-38,0	-28,5	-9,4
Net profit (loss)	159,9	120,3	<b>39,6</b>

In comparison with the results in 2022, performance in the year ended 31 December 2023 was driven by the following factors:

- a) On the level of EBITDA (lower result by PLN 9.4 million relative to 2022):
  - Higher general overheads (by PLN 18.8 million) due to an increase in operating expenses (group development cost, salaries and employee benefits, third-party services) and costs billed for services through the Shared Service Center.
  - Higher sales profit before tax (by PLN 4.8 million) resulting from higher revenues from services provided to associates,
  - Lower other operating expenses (by PLN 1.9 million) mainly due to lower donations in 2023.
  - Higher other operating revenues (by PLN 0.6 million) mainly due to the reversal of impairment losses on receivables (PLN 0.2 million), the settlement of subsidies (PLN 0.1 million) and the gain on disposal of nonfinancial fixed assets (PLN 0.3 million).
  
- b) On the level of Net Profit (a growth by PLN 39.6 million relative to 2022):

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- The EBITDA effect (lower result by PLN 9.4 million relative to 2022),
  - Higher depreciation/amortization (by PLN 2.0 million) resulting from the changes under IFRS 16 (increased depreciation of leased fixed assets),

Hence a lower operating activity result (by PLN 11.5 million).

- Financial income higher by PLN 41.7 million, primarily due to higher dividend income (by PLN 77.9 million) partly offset by lower interest income on deposits and loans (by PLN 38.0 million).
- Higher financial expenses by PLN 0.8 million result mainly from higher financial expenses on account of commissions and other fees (by PLN 3.0 million) and costs related to derivatives (PLN 0.8 million), partly offset by lower financial expenses on account of interest (by PLN 2.6 million) and lower foreign exchange expenses (by PLN 0.2 million).
- Lower income tax by PLN 10.2 million is mainly a consequence of the realization of interest income accrued in 2022.

## **GROWTH PROSPECTS**

### Onshore wind farms

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 Dębask 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 in August 2023.

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

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

### Photovoltaic farms

Construction of the 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 the capacity of 45.2 MWp obtained the necessary corporate approvals in late 2022. Construction and installation works proceeded on schedule and have been completed, and the general license is planned for Q2 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 has been completed. The company has entered into a contract to carry out assembly and electrical works for a photovoltaic 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 has entered into a contract to carry out assembly and electrical works for a

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

#### Development of offshore wind farm projects

Development work in the offshore wind power segment is continued. The Group holds 50% of the shares in the companies MFW Bałtyk I 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. The proposal is currently being processed by the European Commission under the pre-notification procedure.

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 (as may be amended at a later stage) 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. On 12 Decemembr 2023 the Office for Competition and Consumer Protection prenotified to the European Commission request for an individual aid decision for MFW Bałtyk II and MFW Bałtyk III, 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 [Offshore Wind Farm] 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.

#### Polenergia Fotowoltaika

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.

#### Polenergia Obrót and Polenergia Sprzedaż (Trading and Sales)

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's (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.

#### Development of gas and hydrogen projects

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-Małopolska 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 planned capital expenditure to achieve the strategic objectives set out in the business strategy, the Board has initiated a review of options in the area of hydrogen strategy 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.

#### Distribution and electromobility

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.

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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 planned capital expenditure to achieve the strategic objectives set out in the business strategy, the Board has initiated a review of options in the area of electromobility 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.

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

Business name	Description	2023	2022	Change YOY
1. Return on equity	Net profit/loss	5.3%	6.1%	-0.7 pp.
	average annual equity			
2. Net return on sales	Net profit/loss	293.4%	338.1%	-44.8 pp.
	sales revenue			
3. Liquidity - liquidity ratio I	total current assets	24.46	25.78	-1.32
	Short – term liabilities			
4. Receivable rotation cycle (in days)	average annual trade receivables x 365 days	260	295	-34.8
	revenue from sale of products and merchandise			
5. Debt to assets ratio	(total equity and liabilities - equity) * 100	1.5%	2.2%	-0.7 pp.
	total assets			

There was an increase in net profit (by PLN 39.6 million) and equity (by PLN 906.1 million) in 2023 compared to 2022. Given a bigger dynamics of equity growth as a result of the share issue relative to net profit growth, the return on equity ratio decreased by 0.7 percentage points.

Net return on sales also decreased due to a bigger dynamics of sales revenue growth relative to net profit when comparing the results of 2023 with 2022.

Liquidity measured by the liquidity ratio I, decreased compared to the preceding year due to an increase in current liabilities (mainly as a result of an increase in accruals and trade payables). Such increase was partly reduced by an increase in total current assets (mainly as a result of an increase in cash after the share issue).

There was a slump in the value of the accounts receivable turnover ratio. The relatively high average collection period (260 days) is due to the fact that companies dealing with development projects in the Group are invoiced once a year, which translates into a high level of receivables at the end of a calendar year.

There were significant changes in the balance sheet structure as at the end of 2023. Compared to the preceding year, the Company's equity increased significantly as a result of the share issue. There has also been a noticeable increase in the balance of cash and cash equivalents and financial assets.

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

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

### 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' 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 Dębask 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.



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### 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 CO<sub>2</sub> 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 CO<sub>2</sub> 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 CO<sub>2</sub> is emitted at a rate of about 500kg/1MWh (depending on the efficiency of the plant). Thus, an increase in CO<sub>2</sub> 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, CO<sub>2</sub> 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 CO<sub>2</sub> 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 "Offtake Agreement"). In order to contractually supplement the provisions of the Offtake Agreement and comprehensively implement the principles of repayment of the Debt owed to Polenergia Obrót S.A., 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.**

<b>Date of maturity of hedging instrument</b>	<b>Value of collateral</b>	<b>Interest rate hedged</b>	<b>Instrument</b>
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
<b>Total</b>	<b>1 174 719</b>		

**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
<b>Total</b>	<b>83 785 EUR</b>		

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.

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## 7. Statement of compliance with corporate governance rules

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

The Issuer, as a public company whose shares are listed on Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange] obliged to apply the corporate governance rules included in the document entitled "Best Practices of GPW Listed Companies 2021". The document is available on the GPW website at [www: http://corp-gov.gpw.pl/](http://corp-gov.gpw.pl/)

- b) Information within the scope of the Issuer's non-compliance with the corporate governance rules referred to in item a), specification of the rules not complied with, and reasons for the non-compliance.

Information concerning the Company's application of the principles contained in the Best Practices for GPW Listed Companies 2021 has been updated and published by the Company in an EBI report.

Currently, the Company applies 58 out of 63 principles of the Best Practices for GPW Listed Companies 2021. The Company departed from the application of a total of five principles, including: one principle from *Information Policy and Communication with Investors* chapter (principle 1.4.2.), three principles from the *Management Board and Supervisory Board* chapter (principles: 2.1., 2.2., 2.11.6.), one principle from the *Systems and internal functions* chapter (principle 3.4.). For these principles, the Company is taking steps to apply them in the future. The Company applies all the principles contained in the *General Meeting and Investor Relations* chapter and *Remuneration* chapter.

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

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

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

The effectiveness of the internal control system is ensured by a number of orders and internal procedures adopted by the Group's Management Board, including, without limitation, the flow of accounting documents, description of accounting evidence, purchases made on behalf of the Group, assuming obligations by the Group, performing of stock-taking process, disposal of the Group's fixed assets and other items, decision-making in the Group, budgeting process etc. Moreover, the Internal Control and Risk Management Department was set up within the Issuer's organization as at 1 January 2023.

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

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

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

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

The Company's internal control system operating in the Company enables early risk identification, assessment and mitigation and ensures accuracy of information presented in financial statements.

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

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

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

No	Shareholder	Number of shares	Number of votes	Per cent share
1	Mansa Investments sp. z o.o. <sup>1</sup>	33 079 625	33 079 625	42.84%
2	BIF IV Europe Holdings Limited <sup>2</sup>	24 738 738	24 738 738	32.04%
3	Allianz Polska OFE <sup>3</sup>	6 045 142	6 045 142	7.83%
4	Nationale-Nederlanden OFE <sup>4</sup>	4 571 602	4 571 602	5.92%
5	Other (below 5%) <sup>5</sup>	8 783 806	8 783 806	11.38%
	Total	77 218 913	77 218 913	100%

<sup>1</sup> 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).

<sup>2</sup> 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.

<sup>3</sup> Notification of a change in ownership published by the Company in current report No. 19/2023 of 16 May 2023. 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.

<sup>4</sup> As reported at the Issuer's OGM convened for 8 May 2023 (Current Report No. 17/2023 dated 15 May 2023). 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.

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

The Issuer did not issue any securities conferring special control powers

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

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

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

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

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

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

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

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

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

i) Rules governing amendments to the Statutes of the Issuer

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

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

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

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

The right to participate in the General Meeting is vested only in entities that are shareholders of the Company sixteen days before the date of the General Meeting (date of registration of participation in the General Meeting). Such persons should request the entity keeping the securities account to issue a personal certificate confirming the right to participate in the General Meeting, no earlier than after the announcement of convening the General Meeting and no later than on the first business day after the date of registration of participation in the General Meeting. The Company establishes a list of shareholders, as well as pledgees and users entitled to vote, to participate in the General Meeting on the basis of a list prepared by the entity maintaining the securities depository.

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

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

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

## 2) Key powers of the General Meeting

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

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

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

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

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

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

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

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

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

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

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

#### Composition of the Supervisory Board

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



In 2023 the Supervisory Board was composed of:

No	Name and surname	Position
1	Dominika Kulczyk	Chairwoman of the Supervisory Board
2	Thomas O'Brien	Deputy Chairman of the Supervisory Board
3	Szymon Adamczyk	Member of the Supervisory Board, independent Member of the Supervisory Board
4	Orest Nazaruk	Member of the Supervisory Board, independent Member of the Supervisory Board
5	prof. Krzysztof Oblój	Member of the Supervisory Board from 18 December 2023**
6	Ignacio Paz-Ares Aldanondo	Member of the Supervisory Board
7	Emmanuelle Rouchel	Member of the Supervisory Board
8	Jacek Santorski	Member of the Supervisory Board until 18 December 2023*
9	Hans E. Schweickardt	Member of the Supervisory Board until 18 December 2023*
10	Andrzej Filip Wojciechowski	Member of the Supervisory Board from 18 December 2023**

\* On 18 December 2023 the Issuer's Management Board received the resignations of Mr. Hans Schweickardt and Mr. Jacek Santorski from their positions on the Supervisory Board. Both resignations were submitted for personal reasons, effective at 12:59 hours on 18 December 2023.

The Issuer informed about the above events in current report No. 61/2023 of 18 December 2023.

\*\* On 18 December 2023 the Management Board received a statement from Mansa Investments sp. z o.o. with registered office in Warsaw, the shareholder, on the appointment of Andrzej Filip Wojciechowski and prof. Krzysztof Oblój as Members of the Issuer's Supervisory Board, with effect from 13:00 hours on 18 December 2023.

The Issuer informed about the above events in current report No. 62/2023 of 18 December 2023.

In addition, on 29 February 2024 changes were made to the Issuer's Supervisory Board.

On 29 February 2024, the Issuer's Management Board received the resignation of Mr. Andrzej Filip Wojciechowski from his position as Member of the Supervisory Board, effective as of 29 February 2024. The Issuer notified the above event in current report No. 12/2024 dated 29 February 2024.

On 29 February 2024 the Issuer's Board received a statement from Mansa Investments sp. z o.o. with registered office in Warsaw, the shareholder, on the appointment of Mr. Jacek Głowacki as a Member of the Issuer's Supervisory Board, with effect from 29 February 2024, based on the shareholder's personal entitlement provided for in Article 5.4.2.(a) item i) of the Company's Statutes. The Issuer notified the above event in the current report no 13/2024 of 29 February 2024.

Members of the Supervisory Board are appointed as follows:

- (a) no more than six members of the Supervisory Board on the basis of personal rights vested in Mansa and Brookfield, respectively (each of them referred to as the "Eligible Shareholder") according to the following rules:
  - (i) an Authorized Shareholder holding at least 22.80% of the Shares shall have the personal right to appoint three members of the Supervisory Board;
  - (ii) an Authorized Shareholder holding less than 22.80% but at least 20% of the Shares shall have the personal right to appoint two members of the Supervisory Board;

- (iii) if an Eligible Shareholder holds less than 20% but at least 10% of the Shares - he will be personally entitled to appoint one member of the Supervisory Board;
- (b) two members of the Supervisory Board will meet the independence criteria specified in Art. 129 sec. 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight and they will be appointed by the General Meeting, where:
  - (i) each shareholder may propose candidates for independent members of the Supervisory Board, with the proviso that such an independent member may not, directly or indirectly, at any time be involved in, cooperate with or benefit from activities competitive to the Company or any Group Company, or be related to any entity or person conducting such competitive activity;
  - (ii) each Eligible Shareholder holding at least 20% of the Shares will be excluded from exercising the voting right over the appointment of one independent member of the Supervisory Board (such exemption does not apply to the appointment of a second independent member of the Supervisory Board, and for the avoidance of doubt, such exclusion expires when the share of a given Eligible Shareholder falls below 20% of the Shares);
  - (iii) in the event that the General Meeting fails to appoint an independent member of the Supervisory Board in the manner described in Article 5.4.2.(b)(ii) of the Statutes, the exclusion of voting rights referred to in Article 5.4.2.(b)(ii) of the Statutes does not apply to the appointment of such an independent member of the Supervisory Board at each subsequent General Meeting until such independent member is appointed; and
- (c) Supervisory Board members who are not appointed in accordance with Article 5.4.2 (a) of the Statutes are appointed and revoked by the General Meeting by simple majority of votes of all shareholders.

The Audit Committee and the Operational Supervision Committee operate within the Supervisory Board.

The Audit Committee is composed of three members. The Audit Committee includes a member of the Supervisory Board referred to in Article 5.4.2.(b) of the Statutes and persons referred to in Art. 129 sec. 1 and sec. 5 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

#### Composition of the Audit Committee

No	Name and surname	Position
1	Orest Nazaruk	Chairman of the Audit Committee of the Supervisory Board
2	Hans E. Schweickardt	Member of the Supervisory Board of the Supervisory Board until 18 December 2023
3	Szymon Adamczyk	Member of the Audit Committee of the Supervisory Board
4	Andrzej Filip Wojciechowski	Member of the Supervisory Board Audit Committee as of 18 December 2023*
5	Jacek Głowacki	Member of the Supervisory Board Audit Committee as of 13 March 2024**

\* Mr. Andrzej Filip Wojciechowski's membership in the Audit Committee of the Supervisory Board expired as of 29 February 2024, due to his resignation from the Issuer's Supervisory Board effective as of 29 February 2024.

\*\*On 13 March 2024, the Issuer's Supervisory Board appointed Mr Jacek Glowacki as a member of the Audit Committee.

#### Composition of the Operational Supervision Committee

No	Name and surname	Position
1	Hans E. Schweickardt	Chairman of the Operational Supervision Committee until 18 December 2023
2	Andrzej Filip Wojciechowski	Chairman of the Operational Supervision Committee as of 18 December 2023*
3	Ignacio Paz-Ares Aldanondo	Member of the Operational Supervision Committee
4	Thomas O'Brien	Member of the Operational Supervision Committee
5	Prof. Krzysztof Oblój	Member of the Operational Supervision Committee as of 18 December 2023
6	Jacek Głowacki	Chairman of the Operational Supervision Committee as of 13 March 2024**

\* Mr. Andrzej Filip Wojciechowski's membership in the Supervisory Board's Operational Supervision Committee and his role as Chairman of this Committee expired as of 29 February 2024, due to his resignation from the Issuer's Supervisory Board effective as of 29 February 2024.

\*\* On 13 March 2024, the Issuer's Supervisory Board appointed Mr Jacek Glowacki as Chairman of the Operational Supervision Committee.

#### Information on the Audit Committee

Based on the declarations submitted, Mr. Orest Nazaruk and Mr. Szymon Adamczyk, the Supervisory Board members, meet the independence criteria set forth in the Act of 11 May 2017 on certified auditors, audit firms and public supervision. Mr. Orest Nazaruk has knowledge in the field of audits of financial statements and accounting, and also has knowledge and qualifications in the sector in which the Company operates, thanks to the experience gained, inter alia, Arthur Andersen, State Treasury Ministry and PGNiG Energia. Mr Hans E. Schweickardt performing the function of a Member of the Audit Committee until 18 December 2023 had expertise and qualifications in the sector in which the Company operates, owing to the experience gained, without limitation, in Alpiq, Swiss Grid and ATEL. Mr. Szymon Adamczyk has comprehensive knowledge and many years of experience in the field of company management and corporate supervision. Mr. Filip Andrzej Wojciechowski, who was a member of the Audit Committee 18 December 2023 to 29 February 2024, has comprehensive knowledge and many years of experience in company management, strategy building and implementation. Mr Jacek Głowacki, who has been a member of the Audit Committee as of 13 March 2024, has comprehensive knowledge and skills in the sector in which the Company operates, owing, among other things, to his experience resulting from many years of performing the functions of the President and Vice-President of the Company's Management Board.

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

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

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

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

The selection of the audit firm was carried out in compliance with the binding procedure. The auditing firm auditing the financial statements provided additional permitted services in 2023, consisting in reviewing the interim financial statements and confirming the fulfillment of the conditions of the credit facility agreements, based on the analyzed financial information from the financial statements audited by the Auditor, and assessing the information included in the remuneration report as required under Article 90g sections 1-5 and 8 of the Act on Public Offering and Conditions for Introducing Financial Instruments to the Organized Trading System and on Public Companies dated 29 July 2005.

#### Mode of operation of the Supervisory Board

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

- (a) The following matters fall within the competence of the Supervisory Board and constitute "Matters Reserved for the SB":
- (i) approving the Business Plan, Annual Budgets and any Ad Hoc Budgets, as well as any changes thereto, changing the Required Investment Criteria or approving new ones and approving New Projects;
  - (ii) except for (a) transactions related to Qualified Rejected New Businesses and (b) concluding guarantees and sureties by Polenergia Obrót S.A. in accordance with the Budget and strategy for the Trade and Sales operating segment and based on mandates and risk limits approved in accordance with the currently applicable Risk Management Policy for Polenergia Obrót SA, incurring financial debt (including guarantees and sureties) or concluding sale and leaseback transactions or other financial transactions with a single or total value in excess of EUR 30,000,000 in the current financial year, and the creation of Charges on assets, including shares and other participation rights in connection with such financial transactions;
  - (iii) except for transactions related to Qualified Rejected New Businesses, entering or incurring other Charges on or incurring other liabilities relating to assets, including shares and other participation rights, in connection with transactions other than those listed in Article 5.51 (b) of the Statutes, with a single value or the total value in the current financial year exceeding EUR 15,000,000;
  - (iv) except for transactions related to Qualified Rejected New Businesses, the acquisition of assets or disposal of assets, including the acquisition or disposal of shares or other participation rights, with a single capital value in excess of EUR 30,000,000 or where the total capital value of all such transactions (irrespective of their individual value) in the current financial year would exceed EUR 60,000,000, and the Regulations submitted to the Supervisory Board for approval pursuant to Article 5.63 (d) of the Statutes;

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- (v) performance, termination or amendment of a Material Agreement;
  - (vi) except for transactions related to Qualified Rejected New Businesses, conclusion, termination or amendment of other contracts resulting in expenses exceeding EUR 15,000,000 calculated as: (i) for fixed-term contracts - an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
  - (vii) initiation, redemption or conclusion of a settlement in court proceedings for an amount exceeding EUR 15,000,000;
  - (viii) any transactions with a shareholder or a Related Entity of the shareholder;
  - (ix) approval of the remuneration of members of the Management Board and the changes thereto, including bonuses, employee share programs or other agreements of a similar nature;
  - (x) approval of the Group's hedging strategy and any changes thereto;
  - (xi) decision to grant financing by shareholders in a manner other than at the Company level;
  - (xii) changes in the Profit Sharing Policy;
  - (xiii) consent to the payment of advances on account of the expected dividend in a manner other than in accordance with the Profit Sharing Policy;
  - (xiv) appointing, suspending and revoking members of the Management Board;
  - (xv) approving new or changing existing rules of procedure of the Management Board or specific regulations regarding participation in meetings of the Management Board using electronic means of communication;
  - (xvi) approving new or changing existing rules of procedure of the Supervisory Board or detailed regulations regarding participation in meetings of the Supervisory Board using electronic means of communication;
  - (xvii) approving the accounting principles, policies and practices and any changes thereto, except for changes in the accounting principles, policies and practices that are reasonably requested by the Company's statutory auditor to ensure compliance with applicable law or which do not impact the level of profit or provisions available for distribution to shareholders;
  - (xviii) exercising by the Group Company of call options with respect to the block of shares/stock and other participation rights held by the Co-investor of the Significant Subsidiary in the Significant JV;
  - (xix) exercising by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders' meeting or other appropriate body or forum, in matters listed in Article 5.3.1 of the Statutes or in items (a) to (r) of Article 5.5.1 of the Statutes;
  - (xx) approving of an Alternate Plan for a Significant JV that may be presented by the Management Board;
  - (xxi) making a payment, reduction in capital, redemption of shares or acquisition of own shares, which is prohibited under Art. 30 of the AIFM Directive, to the extent applicable to any of the shareholders in relation to the Company;
  - (xxii) expressing consent to the exclusion of the shareholder's pre-emptive right with regard to the New Shares issued as part of the Target Capital; and
  - (xxiii) appointing an Appraiser.

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- (b) The matters listed in Articles 5.5.1 (b) to 5.5.1 (v) of the Statutes do not require additional approval by the Supervisory Board, provided that they are expressly provided for in the Annual Budget applicable at a given time for a given year or the relevant Ad Hoc Budget approved by the Supervisory Board. Supervisory Board pursuant to Article 5.5.1 (a) of the Statutes.
- (c) The following matters fall within the competence of the Supervisory Board and constitute "Limited Matters Reserved for the SB":
- (i) incurring financial debt or concluding sale and leaseback transactions or other financial transactions with a single or total value exceeding EUR 75,000,000 in the current financial year, and establishing Charges on assets, including shares and other participation rights in connection with such financial transactions;
  - (ii) incurring other liabilities (including guarantees and sureties) or establishing Charges on assets, including shares / stocks and other participation rights, in connection with transactions other than those listed in Article 5.6.1 (a) of the Statutes, with a single value or total value in the current financial year exceeding EUR 75,000,000;
  - (iii) incurring financial debt or entering into transactions that would involve financial or other obligations of the Company limiting the distribution of profits by the Company to shareholders in accordance with the Profit Distribution Policy, including by reducing the amount that would otherwise constitute the Minimum Payout;
  - (iv) subject to the provisions of Article 5.6.3. of the Statutes, the acquisition of assets or the Disposal of Assets, including the acquisition or Disposal of shares / stocks or other participation rights with a single capital value in excess of EUR 100,000,000;
  - (v) any transactions with a shareholder or a Related Entity of the shareholder;
  - (vi) decision to grant financing by shareholders in a manner other than at the Company level;
  - (vii) approving the accounting principles, policies and practices and any changes thereto, except for changes in the accounting principles, policies and practices that are reasonably requested by the Company's statutory auditor to ensure compliance with applicable law or which do not impact the level of profit or provisions available for distribution to shareholders;
  - (viii) changes in the Profit Sharing Policy;
  - (ix) approving new or changing the existing rules of procedure of the General Meeting or specific rules of procedure regarding participation in the sessions of the General Meeting with the use of electronic means of communication;
  - (x) exercising by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders' meeting or other appropriate body or forum, in the matters listed in Articles 5.6.1 (a) to 5.6.1 (g) of the Statutes.
- (d) The matters listed in Article 5.6.1 of the Statutes do not require additional approval by the Supervisory Board, as long as they are expressly provided for in the Annual Budget applicable at a given time for a given year or the relevant Ad Hoc Budget, approved by the Supervisory Board in accordance with Article 5.5.1 (a) of the Statutes with a vote "for" cast by at least one member of the Supervisory Board appointed by each Eligible Shareholder holding at least 10% of the Shares;

- (e) If the Supervisory Board, acting in accordance with Article 5.6.1 (d) of the Statutes fails to approve the proposed sale of an asset (including Group Company stocks / shares) to a bona fide third party buyer solely on account of a member of the Supervisory Board appointed by the Eligible Shareholder holding less than 20% of the Company's Shares voting against such a resolution, then the Management Board, at the request of the Supervisory Board members who voted for the approval of the above-mentioned sale of the asset, may (at its own discretion) authorize the Entity Issuing the Fairness Opinion to conduct assessment of the proposed transaction, including its financial and other material terms and conditions, and presentation of a fairness opinion to the Company and the Supervisory Board. In such case:
- (i) The Entity Issuing the Fairness Opinion should act with the utmost care and professionalism, in order to conduct an appropriate analysis of the given asset and the proposed terms of the sale transaction to issue an opinion as to whether the proposed terms of the sale transaction are financially fair for the Company (or, respectively, the Group Company being the beneficial seller) ("Fairness Opinion");
  - (ii) The Entity Issuing the Fairness Opinion will present the Fairness Opinion draft to the Company and the Supervisory Board along with any underlying and supporting valuations, reports and analyzes; both the Company and members of the Supervisory Board may, within two weeks of receiving the above, submit their comments and questions to the draft;
  - (iii) The Entity Issuing the Fairness Opinion will address the Fairness Opinion to the Company and the Supervisory Board;
  - (iv) if, after completion of the above-mentioned procedure, the Fairness Opinion confirms that the proposed terms of the sale transaction are financially fair for the Company (or the Group Company being the actual seller, respectively), the matter will be re-presented to the Supervisory Board for approval, but this time as a Case Reserved for the SB and not a Restricted Case Reserved for SB.
- (f) In addition to the powers of the Supervisory Board provided for by applicable law, as well as in Articles 5.5.1, 5.6.1 and in other provisions of the Statutes, the following matters require the prior consent of the Supervisory Board expressed by a simple majority of votes:
- (i) any donation or other gratuitous benefits of EUR 50,000 or more as part of a single transaction or series of related transactions in a given financial year;
  - (ii) conclusion, termination or amendment of sponsorship, marketing or other agreements resulting in expenses of at least EUR 100,000 as part of a single transaction or a series of related transactions in a given financial year, calculated as: (i) for fixed-term contracts, an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
  - (iii) conclusion, termination or amendment of agreements for consultancy, consulting services or similar agreements resulting in expenditure with a total value in the current financial year of at least EUR 200,000, calculated as: (i) for fixed-term contracts - an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
  - (iv) with the exception of transactions related to Qualified Rejected New Businesses, incurring financial debt or concluding sale and leaseback transactions or other financial transactions with a one-off or total value in excess of EUR 5,000,000 in the current financial year, and establishing Charges on assets, including shares / stocks and other rights to participate in connection with such financial transaction;

- (v) except for transactions related to Qualified Rejected New Businesses, entering into other obligations (including guarantees and sureties) or establishing Charges on assets, including shares/stock and other participation rights, in connection with transactions other than those listed in Article 5.71 (d) of the Statutes, with a single value or total value in the current financial year exceeding EUR 3,000,000;
  - (vi) the acquisition of assets or the Disposal of Assets, including the acquisition or Disposal of shares / stocks or other participation rights with a capital value in excess of EUR 1,000,000;
  - (vii) except for transactions related to Qualified Rejected New Businesses, conclusion, termination or modification of other contracts resulting in expenses exceeding EUR 1,000,000 calculated as: (i) for fixed-term contracts - an estimate for the entire term of the contract, and (ii) for open-ended contracts - an annual estimate;
  - (viii) commencing, redeeming or concluding a settlement in court or out-of-court proceedings for an amount exceeding EUR 500,000;
  - (ix) exercising by the Company of voting rights in a Significant Subsidiary, at a general meeting, shareholders meeting or other appropriate body or forum in the matters listed in Articles 5.7.1 (a) to 5.7.1 (h) of the Statutes and
  - (x) exercising by the Company or its representatives of other corporate rights in a Significant JV with respect to matters reserved for a Group Company or its representatives in relevant corporate documents, shareholder / shareholder agreements or similar agreements relating to such a Significant JV, which would not otherwise constitute Cases Reserved for SB.
- (g) The matters listed in Article 5.7.1 of the Statutes do not require additional approval by the Supervisory Board, as long as they are expressly provided for in the Annual Budget applicable at the time for a given year or the relevant Ad Hoc Budget, approved by the Supervisory Board in accordance with Article 5.5.1 (a) of the Statutes.

#### Management Board

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

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

As at 1 January 2023 the Management Board of the Company was composed of:

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



In 2023 the composition of the Issuer's Management Board changed. On 7 February 2023 the Issuer's Supervisory Board adopted a resolution to dismiss Mr. Jarosław Bogacz from the position of Member of the Issuer's Management Board, effective as of 8 February 2023, at 10:00 am.

The Issuer notified the above event in current report No. 4/2023 of 8 February 2023.

As at 31 December 2023 the Management Board of the Company was composed of:

No	Name and surname	Position
1	Dr. Michał Michalski	President of the Management Board
2	Tomasz Kietliński	Vice-President of the Management Board
3	Iwona Sierżęga	Member of the Management Board
4	Piotr Maciołek	Member of the Management Board

\* On 27 February 2024, the Issuer's Management Board was informed that Dr. Michał Michalski resigned from his membership in the Management Board and his position as President of the Issuer's Management Board. On the same day, the Issuer's Management Board was informed that Tomasz Kietliński resigned from his membership in the Management Board and from his position as Vice President of the Management Board.

The Issuer notified the above events in current report No. 11/2024 of 27 February 2024.

On 1 March 2024, the Issuer's Supervisory Board appointed the following persons as members of the Management Board: (i) Mr. Jerzy Waclaw Zań, entrusting him with the function of President of the Issuer's Management Board (CEO) and Chief Financial Officer (CFO), and (ii) Mr. Andrzej Filip Wojciechowski, entrusting him with the function of Vice President of the Issuer's Management Board. The President and Vice President of the Management Board were appointed for the period until the end of the current joint three-year term of the Management Board, i.e. until 31 December 2024 (inclusive).

The Issuer notified the above events in current report No. 15/2024 of 1 March 2024.

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

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

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

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

The Company does not currently apply a diversity policy with regard to its management and supervisory board, but has taken active steps to adopt such a policy in the future. In line with the adopted Polenergia Group Sustainable Development Strategy 2023-2030, the Company plans

to bring gender participation in Polenergia Group structures in line with regulations implemented at the European Union level by 2030. The Company also plans to adopt a Diversity Policy.

- m) 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

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

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

The Polenergia Group, in accordance with the criteria set in the Accounting Act of 29 September 1994, did not meet the conditions for imposing the obligation of non-financial reporting on the company in 2023. However, in order to meet the expectations of stakeholders and due to good internal practices of transparent information on the Group's sustainable development, such report was drawn up. The report complies with the requirements set for companies in Article 49b (2) of the Accounting Act, and was prepared on the basis of European Sustainability Reporting Standards ESRS (reporting indicators in accordance with the CSRD, i.e. Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No. 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU with regard to corporate sustainability reporting). The non-financial report was also audited by an independent auditor.

- 8. Identification of significant proceedings pending before a court, an authority competent for arbitral proceedings or a public administration body, concerning liabilities and receivables of the Issuer or its subsidiary, stating the subject matter of the proceedings, the value of the dispute, the date the proceedings were initiated, the parties to the pending proceedings and the Issuer's position**

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

This case has been described in item 6 –“Risk related to the dispute with Polska Energia – Pierwsza Kompania Handlowa PP. z o.o. and Tauron Polska Energia S.A.”

***Eolos v Certyfikaty, Polenergia Obrót and Green Stone Solutions***

The case has been described in item 6 of the report - "Risks related to the dispute with Eolos Polska Sp. z o.o."

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

The case has been described in item 6 of the report - "Risks related to real estate lease agreements concluded by entities from the Group"

***Polenergia Obrót v Jeronimo Martins Polska***

The case has been described in section 6 of the report - "Risks related to the dispute with Jeronimo Martins Polska S.A."

***Polenergia Dystrybucja's debt collection cases***

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

***UOKiK investigation against Polenergia Fotowoltaika***

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

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

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

***Polenergia Fotowoltaika's debt collection cases***

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

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

Polenergia Elektrociepłownia Nowa Sarzyna sp. z o.o. challenged the decision of the President of the Energy Regulatory Office with respect to the final settlement of stranded costs under the Act on the principles of coverage of costs arising at generators in connection with early termination of long-term agreements for the sale of capacity and electricity (the "LTC Termination Act"). In his decision the President of the Energy Regulatory Office determined the amount of the final settlement of stranded costs payable to the company, as additional funds to those already paid, of PLN 3,758 thousand. As the company does not share the interpretation of selected provisions of the LTC Termination Act, it appealed against the decision of the President of the Energy Regulatory Office to the Court of Competition and Consumer Protection in Warsaw, demanding an increase in the amount of funds due to Company. The disputed value is PLN 13.214 thousand, for which Company established an allowance under receivables.

On 23 November 2023, the abovementioned Court issued a judgment in which it changed the appealed decision and set the amount of the final adjustment of stranded costs at PLN 16,645,912, 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 the debt under the ISDA CIME contract due to Polenergia Obrót***

The case has been described in section 6 of the report - "Risks related to the financial standing of customers and contractors"

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

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

Polenergia S.A.'s subsidiaries have provided the President of the Energy Regulatory Office with explanations of the reasons for the delays (lasting usually a couple of days) in submitting reports and are now awaiting possible further correspondence or decisions, with Polenergia Farma Wiatrowa Dębice/Kostomłoty sp. z o.o. having received a notice of the closing of administrative proceedings and having been given an opportunity to review the evidence in the case.

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

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

<b>NET REVENUES FROM SALE OF PRODUCTS (BUSINESS STRUCTURE - TYPES OF ACTIVITY) (mPLN)</b>	<b>2023</b>	<b>2023</b>
- revenues from consulting and advisory projects	50 387	92.4%
- revenues from rental	2 534	4.6%
- other	1 585	2.9%
<b>Revenues. total</b>	<b>54 506</b>	<b>100.0%</b>

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

The Company generates revenues from sales of goods and services only on domestic market.

#### **GEOGRAPHICAL SPLIT OF REVENUES**

	For the 12 months' period ended		Change
	31.12.2023	31.12.2022	y/y
- domestic market	54 506	35 584	18 922
- foreign markets	-	-	-
<b>Total revenues from agreements with customers</b>	<b>54 506</b>	<b>35 584</b>	<b>18 922</b>

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

Information about agreements significant is presented in item 2 of the Director's Report on the Operations of the Polenergia Capital Group – in the "Other information regarding the Group's situation" section.

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

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

Information on the Issuer's investments, together with a description of the methods of their financing in 2023, are presented in item 2 of the Consolidated Director's Report on the Operations of the Polenergia Capital Group.

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

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

- 14. Credit facility and loan agreements concluded and terminated in the financial year, including at least the amounts, types, interest rates, currencies and maturity dates of the loans**

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

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

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

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

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

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

**17. 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 the proceeds 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.

Application of proceeds from the 2023 Issue	Funds spent until the date of the report.	Funds planned to be spent by the end of Q2 2024.
Further development of the MFW II, III and Bałtyk I. projects. Expenses resulting from contracts entered into and intended in the MFW II i III 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. Expenditure 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
Expenditure on the development of a network of electric vehicle charging stations and the development of hydrogen projects.	ca. PLN 14 million	ca. PLN 19 million
<b>Total</b>	<b>ca. PLN 321 million</b>	<b>ca. PLN 429 million</b>

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

In 2023 the Company did not publish performance forecasts on a standalone basis.

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

The most important part of the Issuer's and the Group's financial liabilities are bank borrowings, described in more detail in the financial statements. As at 31 December 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.

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

As at 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 17 above.

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

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

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

External and internal factors affecting the Group's growth

The Issuer's development prospects in the context of changes in its business environment and the new 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.

Due to the significant scale of planned investments to achieve the strategic goals specified in the business strategy, the Management Board has started a review of options in the area of electromobility strategy, hydrogen strategy and foreign expansion. Depending on the results of the review, in the future it does not rule to abandon, further implement or to change the method 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/>



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**23. 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.

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

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

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

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

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

The Issuer does not have the above liabilities.

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

For information on the remuneration of members of the Management and Supervisory Boards, see Note 41 to the Standalone financial statements.

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

Ms. Dominika Kulczyk, through Kulczyk Holding S.à r.l., a Luxembourg law company and Mansa Investments Sp. z o.o. ("Mansa"), holds 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 28 December 2022, the Company received a notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. dated 23 December 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 of 28 December 2022). On 12 June 2023, the Company received notification of the conclusion of a financial pledge agreement between Mansa and Santander Bank Polska S.A. dated 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. dated 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).

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

The Issuer is not aware of any agreements concluded in 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.

- 29. Employee stock ownership plan control system**

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

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

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

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

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

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

In 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 credit facility agreements on the basis of analyses of financial information derived from audited financial statements.

**c) The body that selected the audit firm**

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

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

The total amount of the remuneration under the above-mentioned agreements is presented in Note 43 to the Standalone Financial Statements.

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

Off-balance sheet items by entity, type and value are presented in Note 27 to the Standalone financial statements.